Platinum International Health Sciences Fund

Dr Bianca Ogden
Portfolio Manager

Overview

- It was a difficult quarter for the Fund with the regulatory uncertainty caused by wholesale changes at the US FDA suggesting new therapies may take longer to approve.
- The Fund has significant exposure to companies with products on the shelves however we also had significant holdings in companies developing new therapies. This has affected performance.
- We continue to see multinational companies licensing Chinese biotechnology assets. Paradoxically, changes in US regulation may boost Chinese-owned biotech businesses.

Performance

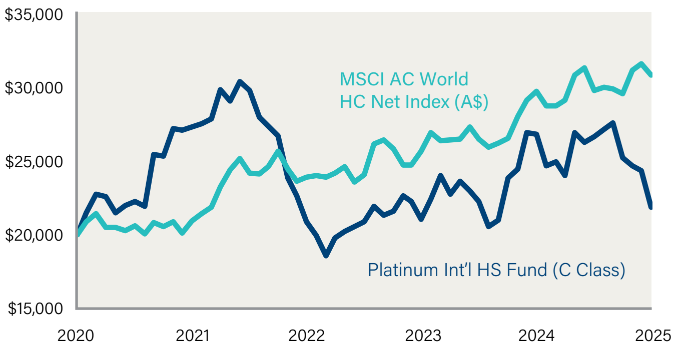
compound p.a.+, to 31 March 2025

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HS Fund*	-13%	-19%	2%	2%	8%
MSCI AC World HC Index^	4%	4%	9%	9%	10%

+ Excludes quarterly returns.
* C Class – standard fee option. Inception date: 10 November 2003.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World Health Care Net Index in AUD. Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance.
See note 1, page 5. Numerical figures have been subject to rounding.

Value of $20,000 invested over five years

31 March 2020 to 31 March 2025



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems.
See notes 1 & 2, page 5.

The quarter ended with extreme turbulence in the therapeutic healthcare sector. US Biotech had a major sell off in reaction to the rapid and myriad changes happening at the US FDA (Food and Drug Administration), perhaps the most important regulatory agency in the world in the sectors we work in. It feels like early 2020 when oil sold off heavily at the start of the pandemic and the world thought we would never travel again. Of course we did start travelling again – and the biotech and pharma sectors will recover – but that's not to discount the short term pain we're seeing.

Restructuring at the FDA has been happening since the US election but until recently disruptions appeared limited and approvals were running on time.

However, in late March the highly respected Dr Peter Marks resigned from his position as head of the Centre for Biologics Evaluation and Research. This followed further news of senior departures from the agency. The result was a dramatic biotech sell off based on fear that the FDA will no longer approve new therapies – or at least that it would take significantly longer to do so.

Many investors may not even realise the damage that has occurred as the various sector indices do not reflect it. The MSCI World Healthcare Index top 10 is made up of large cap pharma (about 45% of the index). There are no smaller biotechs in this index and Eli Lilly makes up a full 9% of the index.

Another key index, the XBI, represents the biotechnology segment of the S&P Total Market Index. However, since its rebalancing last year, it also favours large caps, so does not reflect the true extent of what has happened in recent months. The index that does is the Virtus LifeSci Biotech Clinical Trials ETF. This ETF reflects what's happening to the smaller biotechs working on next generation therapies. It's down 40% over the past year and almost 30% in Q1 2025.

The changes at the FDA have been rapid, very public and created significant uncertainty. Investors are seeking safe havens away from anything that has R&D and approval risk associated with it.

On the flipside, Chinese biotech is gaining attention thanks to licensing deals with multinationals. VC firms and bankers from outside China are scouring for assets. As we pointed out in the last Quarterly, the competition from China is real and Chinese biotechs' ability to generate clinical data more quickly and cheaply is particularly striking (albeit the ultimate financial returns of these deals for Chinese biotech companies appears less striking).

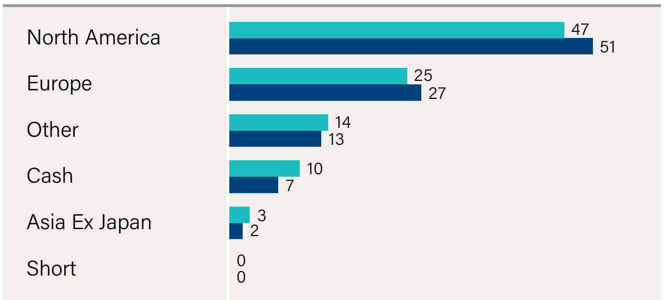
Where will it end? At this rate the market implies that US approvals of new therapies are doomed, while R&D activity in the US is set to decline with China making up the slack. This scenario is unlikely to come completely true. However, the US biotech sector has become crowded with many companies working on similar targets and the continuous flow of new companies may mean there are simply too many companies competing in the same fields for the same amount of capital. Something has to give.

Early clinical trial work has been moving outside the US as it is now more straightforward to do. Australia has been a place of choice to do phase 1/2a clinical trials.

With this backdrop in mind, the Fund has struggled given its focus on biotech companies. The Fund is invested in major pharma companies such as **Johnson & Johnson**, **Sanofi**, **Roche** and **Astra Zeneca**. We also hold **Lonza**, a Swiss company that is a global leader in biologics manufacturing. We hold many other commercial stage companies (almost 40% of the portfolio).

However, we also hold companies working on next generation therapies. These companies are well funded and have had positive data but that is seen today as a selling signal. Fundamentals have gone out of the window.

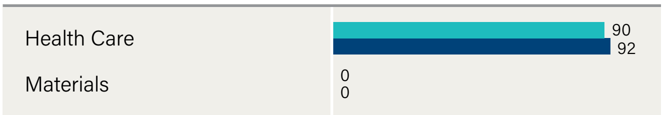
Disposition of Assets %



31 MAR 2025 31 DEC 2024

See note 3, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures %



31 MAR 2025 31 DEC 2024

See note 4, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Syntara Ltd	Australia	Health Care	6.2%
Imricor Medical Systems Inc	US	Health Care	5.4%
Roche Holding AG	US	Health Care	4.5%
Johnson & Johnson	US	Health Care	3.8%
Oxford Nanopore Technologies Plc	UK	Health Care	3.6%
Beigene Ltd	China	Health Care	3.5%
SpeeDx Pty Ltd	Australia	Health Care	3.5%
Sanofi SA	US	Health Care	3.3%
Roivant Sciences Ltd	US	Health Care	3.2%
Centessa Pharmaceuticals PLC	US	Health Care	2.4%

As at 31 March 2025. See note 5, page 5.
Source: Platinum Investment Management Limited.

During the quarter we exited or trimmed a number of holdings to increase our cash levels to around 10%, while we have added to investments, including **Imricor**, **Springworks** and **Immunovant**. All of them have sound commercial prospects.

Commentary – changing how we look at the heart

A visit last year to a prominent cardiovascular centre for a parent's abnormal heartbeat in Germany brought home how in demand cardiovascular centres are. The waiting room was full of young and old, fit and unfit patients. The diagnostic procedures were like a production line and the therapeutic interventions that followed were also akin to a well-run factory. Our heart is a piece of muscle that needs blood to function and the electrics to work in perfect harmony so we don't end up with a heart attack or stroke.

Imaging has come a long way in detecting imbalances and issues. We can now insert new valves without opening up the chest and we insert small mesh wires coated with drugs to prop up arteries on a routine basis. This is exceptional progress – and important to many people.

However, when it comes to our heart going out of beat, a patient's experience is often long and fraught as the abnormal heart beat keeps returning. The therapeutic journey often starts with controlled electrical shock under sedation (electrical cardioversion). Unfortunately this rather crude approach frequently fails to deliver and the patient goes on to minimally invasive catheter ablation.

Here a catheter delivers energy that causes scars in the areas of the heart that are misfiring, thus blocking faulty heart signals. Despite a lot of 3D mapping of the heart using special mapping catheters guided by X-ray, the arrythmia often returns.

In basic terms, while 3D heart mapping and subsequent ablation procedures have come a long way using X-ray fluoroscopy visualisation, the procedures are not done in real time so as to give the cardiac specialist the optimal data and tool set. The lesions are not properly generated or the wrong ablation target is selected.

Imricor, a US medical device company listed on the ASX is looking to change this. It's bringing MRI imaging to the forefront for catheter ablation (ie to the electrophysiology lab of the cardiology department), allowing real-time anatomical and electrophysiological imaging.

The company had to come up with MRI compatible equipment and consumable devices and software that integrates the respective data sets. They have to work with cardiac specialists and partner with MRI vendors. These are not easy things to do, particularly when disrupted by a pandemic.

However, an absolutely dedicated and humble CEO, Steve Wedan, kept at it and today is gaining traction with the MRI vendors, the specialists and hopefully, the regulatory agencies. It is a gradual journey that has the potential to change the way a cardiologist looks at the heart. As usual the journey requires clinical outcome data in different types of abnormal heartbeats to convince hospitals to make the necessary investment. Imricor is well on its way, doing all the relevant studies. Over time we should see more interventional Cardiac Magnetic Resonance centres emerge.

In studies we are seeing that the efficacy has been superior and the time it takes to do the procedures is much faster vs the X-ray guided approach. As we all know, time is money.

Outlook

As we outlined above there are a lot of regulatory and market changes afoot. Pharma and biotech companies will continue to voice their opinion on the changes, while adapting by diversifying their pipelines.

Some optimists are arguing that despite all the doom and gloom, the change at the FDA, while painful in the short term may create an opportunity for the agency to reset and emerge more efficient.

Meanwhile, the biotech sector is truly in the doldrums. On an EV/sales basis, the sector trades on historical low valuations at levels that usually coincide with a recession. This can create opportunities for very selective investors.

We are seeing increased competition in weight management with Roche recently having entered an alliance with Zealand Pharma to make its push for combination products to tackle cardiometabolic conditions. We are awaiting data on Eli Lilly's oral molecule, which originated at Chugai, a Roche affiliate.

Notes

Unless otherwise specified, all references to "Platinum" in this report are references to Platinum Investment Management Limited (ABN 25 063 565 006, AFSL 221935).

Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

1. Fund returns are calculated by Platinum using the net asset value unit price (i.e. excluding the buy/sell spread) of the stated unit class and represent the combined income and capital returns over the specified period. Fund returns are net of fees and costs, pre-tax, and assume the reinvestment of distributions. The MSCI index returns are in AUD, are inclusive of net official dividends, but do not reflect fees or expenses. MSCI index returns are sourced from FactSet Research Systems. Platinum does not invest by reference to the weightings of the specified MSCI index. As a result, the Fund's holdings may vary considerably to the make-up of the specified MSCI index. MSCI index returns are provided as a reference only. The investment returns shown are historical and no warranty is given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short term.
2. The investment returns depicted in the graph are cumulative on A$20,000 invested in C Class (standard fee option) of the Fund over the specified period relative to the specified MSCI index in AUD.
3. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows the Fund's exposures to the relevant countries/regions through its long securities positions and long securities/index derivative positions, as a percentage of its portfolio market value. Country classifications for securities reflect Bloomberg's "country of risk" designations. "Shorts" show the Fund's exposure to its short securities positions and short securities/index derivative positions, as a percentage of its portfolio market value. "Cash" in this table includes cash at bank, cash payables and receivables and cash exposures through derivative transactions.
4. The table shows the Fund's net exposures to the relevant sectors through its long and short securities positions and long and short securities/index derivative positions, as a percentage of its portfolio market value. Index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other".
5. The table shows the Fund's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

Disclaimers

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