Platinum International Health Care Fund

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Portfolio Manager

Performance

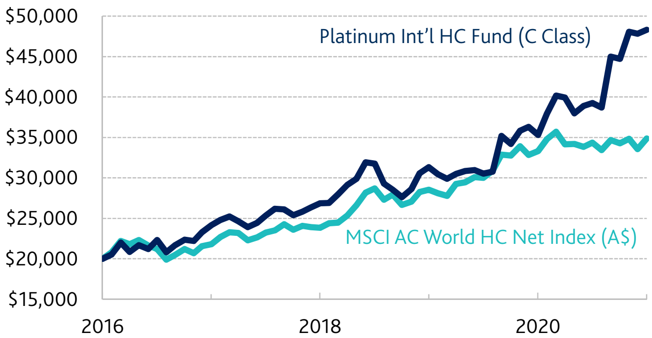
(compound p.a.+, to 31 March 2021)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund*	8%	37%	22%	19%	12%
MSCI AC World HC Index^	2%	5%	14%	12%	9%

+ 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 4. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 March 2016 to 31 March 2021



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 4.

The Fund (C Class) returned 8.0% for the quarter and 36.7% for the year.[1]

After a stellar 2020, the biotech sector had a subdued start to the year, with the XBI, an index of US biotechnology stocks, falling 2.5% over the quarter.[2] The Food and Drug Administration (FDA) delayed some high-profile approvals, which weighed on the sector, while consolidation in the sector was limited.

Several of our holdings performed well this quarter, with **Five Prime Therapeutics**, a US biotech we mentioned last quarter, the standout (+121% over the quarter). Amgen announced it will acquire Five Prime Therapeutics for US$1.9 billion. Five Prime Therapeutics is a classic example of a company that had a setback but was able to regroup, thanks to its research and development (R&D) engine. Last year, its gastric cancer drug bemarituzumab (bema) demonstrated efficacy in a phase 2 trial and 15 companies subsequently signalled interest in the drug, with Amgen finally succeeding.

It is clear that demand for good-quality assets remains high and that often the less-obvious companies are worthwhile exploring and understanding. A number of our lower-profile biotech holdings have been gradually advancing their pipeline and announcing promising clinical data. These include our Australian biotech holdings **Kazia Therapeutics** (+37%), **Antisense Therapeutics** (+62%) and **Telix Pharmaceuticals** (+13%).

During the quarter, we exited several investments due to stretched valuations, including **Moderna** and **PerkinElmer**. We also trimmed various biotech holdings for the same reason.

At the same time, we added to companies that had a setback or were simply caught up in the recent sell-off. **Assembly Biosciences** (-24%) is one biotech that had a setback. This company remains a laggard, despite being valued below its cash balance. Assembly is developing Hepatitis B Virus (HBV) core inhibitors. The aim is to provide finite therapy to treat

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum International Health Care Fund report are in AUD terms. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

2 SPDR S&P Biotech ETF (XBI).

chronic HBV infection, a task that is not straightforward. Assembly's first core inhibitor failed to allow finite treatment last year. For Assembly, the focus is now on its more potent core inhibitors, together with other anti-HBV drugs. We are not deterred by this failure, given the expertise of the Assembly team, their deep knowledge of HBV and the core inhibitor pipeline the company has put together. Hence, we took the opportunity to add to our position.

We also added to **Coherus Biosciences**, a US biotech focusing on biosimilars. Coherus has established a commercial oncology company and during the quarter expanded its late-stage pipeline via an alliance with China's Junshi Biosciences. Coherus will commercialise various oncology antibodies, including toripalimab (anti-PD-1) in North America. Anti-PD-1 antibodies have proven to be an effective treatment of several types of cancer, including melanoma of the skin, non-small cell lung cancer, kidney cancer, head and neck cancers, and Hodgkin's lymphoma.[3] We believe that the pricing dynamics for these oncology antibodies will change in years to come, as several of the Chinese-produced antibodies gain approval in the US market. **CStone Pharmaceuticals**, one of our Chinese holdings, out-licensed its own oncology antibody last year to US EQRx, a very interesting company whose mission is to reduce drug prices.

Commentary

The speedy development of messenger RNA (mRNA) vaccines in 2020 has undoubtedly contributed to the current exuberance in the biotech sector. Combine this with the trend of getting excited about anything 'disruptive' and we have a recipe for hype.

While some may worry about the level of enthusiasm in the sector, to us, ***the reason to invest in biotech is far simpler and has always been the same: it is about improving the standard of care for the young and old, as well as allowing better access to healthcare for all.***

Improving the standard of care relies on better knowledge of disease pathology; hence better tools to study and diagnose diseases. While better access to healthcare is about improving the efficiency of today's healthcare systems.

3 https://www.coherus.com/immuno-oncology/toripalimab-program/

Disposition of Assets

REGION	31 MAR 2021	31 DEC 2020	31 MAR 2020
North America	34%	35%	38%
Europe	24%	23%	32%
Asia	10%	10%	6%
Australia	9%	11%	10%
Japan	5%	6%	7%
Other	1%	1%	0%
Cash	17%	13%	7%
Shorts	-3%	-3%	-5%

See note 3, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 MAR 2021	31 DEC 2020	31 MAR 2020
Biotechnology	49%	49%	51%
Pharmaceuticals	23%	26%	29%
Life Sciences Tools & Services	5%	7%	9%
Health Care Providers & Serv	1%	1%	0%
Machinery	1%	1%	0%
Health Care Equip & Supplies	0%	1%	-1%
TOTAL NET EXPOSURE	81%	84%	88%

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

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Takeda Pharma Co	Japan	Pharmaceuticals	3.7%
Sanofi SA	France	Pharmaceuticals	3.6%
SpeeDx Pty Ltd	Australia	Biotechnology	3.0%
Bayer AG	Germany	Pharmaceuticals	2.8%
Almirall SA	Spain	Pharmaceuticals	2.4%
CStone Pharma	China	Biotechnology	2.1%
Kazia Therapeutics	Australia	Biotechnology	2.1%
Telix Pharmaceutical	Australia	Biotechnology	2.1%
Gilead Sciences Inc	US	Biotechnology	2.0%
Esperion Therapeutic	US	Biotechnology	1.9%

As at 31 March 2021. See note 5, page 4.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit https://www.platinum.com.au/our-products/pihcf.

Lead times in biotech are years not months, and hence any success that happens today is due to investments made a decade ago. 2020 was a phenomenal year for biotech fund raising, with US$45 billion flowing into the sector and 84 new biotech listings on US stock exchanges alone.[4] While initial public offerings (IPOs) were 'hot', given insiders participated heavily, limiting the float available to new investors, we have already seen a gradual recalibration of valuations and many of these newly listed companies are becoming very interesting.

Biotech has come a long way from what it was in 2001. At that time, the human genome project had just been completed after 13 years of research. Since then, the biotech industry has matured, progressed and developed the tools to drill into the genome and map out signalling pathways. Protein engineering has been embraced to make better therapeutics and expand the therapeutic modality toolbox. The last five years have particularly seen immense advances. Today, we have desktop machines that can conduct gene sequencing at a fraction of the cost and time. Deciphering the protein universe is now on the agenda with semiconductor chips playing a significant role in simplifying what is a very cumbersome area of research. There are companies today that can conduct over a million molecular biology experiments a week, generating 80 terabytes of new data.

Automation and computer science are far more advanced versus 20 years ago, facilitating the scientific progress today, which will translate into a different healthcare industry in the future.

Yes, there is exuberance around, it rears its head occasionally, as we experienced with genomics in 2000/2001 and immuno-oncology in 2013/14. Each time, expectations race ahead and a reset follows.

The biotech industry requires these ‘exciting times’, as it needs to raise funds for the next step-change ahead. Biologic drugs were one of those step-changes in the late 1990s and 2000s. Many drug developers at the time did not think this therapeutic modality would gain traction, let alone be profitable. Today, biologics have a firm place in biotech.

Not that long ago, mRNA raised eyebrows, but dedication and persistence by mRNA scientists and companies over the past decade paid off, with regulatory approvals and rollouts of mRNA vaccines for COVID not only happening in 2020 - but occurring in record time.

4 Source: Jefferies Financial Group.

Biotech is the engine room of the healthcare industry. The breadth of the industry has expanded. The number of publicly traded biopharma companies has nearly doubled from 339 to 612 in the space of just seven years.[5] Furthermore, funding sources are more diverse and extend well beyond venture funds, allowing many more companies to be well-funded.

This is a solid starting point for the next decade of this industry, where we believe the balance between pharma and biotech will shift even further, with the latter set to play an even greater role.

Outlook

Sell-offs, consolidations and equity market corrections are uncomfortable for investors, as it signals change and uncertainty. To us, these times offer very interesting opportunities. The convergence between biotech and tech will have ramifications for the pharmaceutical sector, an industry that will have to adapt even further. Last year, we saw how the well-established vaccine companies struggled to develop a vaccine for COVID, while the biotech companies accelerated. Interestingly, Pfizer’s share price has hardly moved, despite all its efforts and success during the pandemic. These large companies have a lot of legacy issues to deal with. We believe there are very interesting times ahead and biotech will play a crucial role, especially with Asian biotechs also maturing.

5 Source: Jefferies Financial Group.

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. With effect from 31 May 2020, country classifications for securities were updated to reflect Bloomberg's "country of risk" designations and the changes were backdated to prior periods. "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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