Platinum International Health Care Fund

Bianca Ogden
Portfolio Manager

Performance

(compound pa, to 31 December 2017)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund*	0%	14%	12%	19%	9%
MSCI AC World HC Index	2%	11%	8%	20%	9%

*C Class – standard fee option. Inception date: 10 November 2003.
Refer to note 1, page 3.
Source: Platinum Investment Management Limited, RIMES Technologies.
Historical performance is not a reliable indicator of future performance.

The past 12 months have been a year of two disparate halves for healthcare. During the first six months, optimism reigned with some biotech acquisitions setting a positive tone early on, along with a solid outlook for new product approvals. However, exuberance faded in the second half of the year which was marked by limited M&A, continued pressure for the generic industry, the threat of Amazon entering the pharmacy market and a number of high profile trials showing mixed data. Medical meetings, particularly in oncology, added further to a rather anxious mood, with some investors wishing 2017 would end quickly.

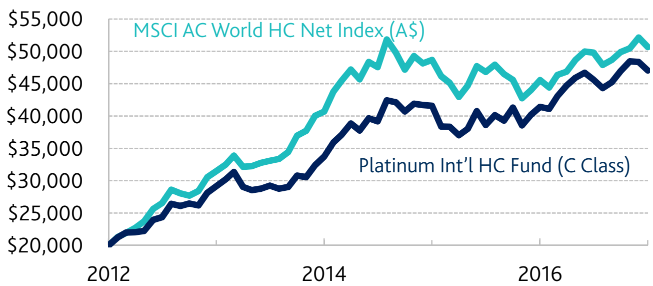
Disposition of Assets

REGION	31 DEC 2017	30 SEP 2017	31 DEC 2016
Europe	38%	40%	41%
North America	36%	37%	34%
Australia	7%	6%	5%
Japan	5%	4%	3%
Asia and Other	<1%	0%	2%
Cash	14%	13%	15%

Source: Platinum Investment Management Limited. See note 3, page 3.

Value of $20,000 Invested Over Five Years

31 December 2012 to 31 December 2017



Refer to note 2, page 3.
Source: Platinum Investment Management Limited, RIMES Technologies.
Historical performance is not a reliable indicator of future performance.

Top 10 Holdings

STOCK	COUNTRY	INDUSTRY	WEIGHT
AstraZeneca PLC	UK	Health Equip & Services	3.8%
Roche Holding AG	Switzerland	Pharmaceuticals	3.6%
MorphoSys AG	Germany	Biotechnology	3.4%
Sanofi SA	France	Pharmaceuticals	3.1%
Johnson & Johnson	USA	Pharmaceuticals	3.1%
Gilead Sciences Inc	USA	Biotechnology	2.9%
Quanterix Corp	USA	Pharmaceuticals	2.5%
Foundation Medicine	USA	Health Care Providers	2.4%
BTG PLC	UK	Pharmaceuticals	2.4%
Galapagos NV	Netherlands	Biotechnology	2.3%

As at 31 December 2017.
Source: Platinum Investment Management Limited. See note 4, page 3.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposure, updated monthly, please visit https://www.platinum.com.au/Investing-with-Us/Investment-Updates.

Commentary

Immuno-oncology remains a significant focus, but while it is very promising, it is "work in progress" and clinical development is complex. We lost count of how many PD-1 molecules are now in development. With so many "same target" assets in development, it is no longer enough to follow the standard oncology clinical development playbook. Today, companies have to think outside of the status quo and use as many biomarkers as possible to identify the right patient population. Generalists will find that rather tedious and unsurprisingly have become more wary of biotechs for now, particularly as other areas of the stock market have been more enticing.

We have been selective in our exposure in immuno-oncology and in many ways see the importance of balancing it with non-IO assets. AstraZeneca is a good example. The company has a seat at the immuno-oncology table, thanks to a more thoughtful development program in early lung cancer. In addition, we also like the work the company is doing on DNA damage along with its successful EGFR inhibitor franchise. If that is not enough, AstraZeneca also has a solid respiratory franchise as well as diabetes/cardiovascular franchise. To us, short-term setbacks provide opportunities, and we try to focus our minds on facts and prospects over longer time frames.

The US Food and Drug Administration (FDA) has never been more focused on "problem solving" as it is today. Drugs are getting through the approval process faster and 2017's approvals are at a 20-year record high. These are exciting times in healthcare and it is more than ever about innovation. This year, gene therapy has become commercial (a recent example being Gilead/Kite's Yescarta for treating a certain type of leukemia), while gene editing is progressing into the clinic. Antibody drugs are also becoming more and more sophisticated these days. In November Roche/Chugai's Hemlibra was approved for Hemophilia A with inhibitors. Hemlibra is a bispecific antibody, which essentially is an antibody with two heads that act on two different targets by bringing them into close proximity and then initiating the coagulation cascade. These are all very significant developments that will have, to some extent, disrupting features and improve upon the standard of care.

More on the topic of antibodies – Daiichi Sankyo has been a good performer for the portfolio over the year (up 25%) as its oncology division is making good progress with its new HER2-targeting antibody drug conjugate (now in pivotal phase 2 trial). The company has developed a new linker that will allow more drug to be delivered by the antibody. Like bispecific antibodies, linker technology is another area of ongoing innovation and Daiichi is at the forefront of that.

The tools that are now becoming available to scientists and physicians will change the way care is delivered. We have highlighted precision medicine in previous reports and we are firm believers that the treatment of diseases in the future will be all about their molecular profile. This may include the mutational burden of a cancer or the inflammatory profile of the cancer site or respiratory disease or allergy. Our investment in Foundation Medicine Inc (FMI) has been a standout this year (up 240%). Apart from being central to the Roche oncology division, FMI also develops and sells cancer profiling tests that match the patient's cancer with the right drug. While reimbursement agencies have been slow to adopt these type of tests, we are now seeing a greater willingness to do so.

Outlook

The commercial environment in healthcare is changing: price pressure is one issue, while the rapid approval of new drugs poses another challenge. These newly approved drugs are often not first-in-class as nowadays many companies work on the same drug targets. In 2017, only about 25% of new approvals were novel first-in-class drugs, while in 2012 as many as half of all approvals were in that category. As a result, intense competition awaits newly approved drugs and companies have to make sure their clinical development programs are well thought through and that the commercial network runs deep.

It is clear from these dynamic changes that companies will have to launch more products more quickly and hence sourcing new products externally becomes ever more important.

There is a lot to choose from these days and money has been flowing into new ventures, public and private, which highlight the ongoing excitement in the healthcare space.

Notes

1. Fund returns are calculated using the net asset value per unit (which does not include the buy/sell spread) of the stated unit class of the fund and represent the combined income and capital returns of the stated unit class over the specified period. Returns are net of accrued fees and costs, are pre-tax, and assume the reinvestment of distributions. The investment returns shown are historical and no warranty can be 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.

   Index returns are in Australian dollars and assume the reinvestment of dividends from constituent companies, but do not reflect fees and expenses. For the purpose of calculating the "since inception" returns of the MSCI index, the inception date of C Class of the fund is used. Where applicable, the gross MSCI indices were used prior to 31 December 1998 as the net MSCI indices did not exist then. Fund returns have been provided by Platinum Investment Management Limited; MSCI index returns have been sourced from RIMES Technologies.

   Platinum does not invest by reference to the weightings of any index or benchmark, and index returns are provided as a reference only. A fund's underlying assets are chosen through Platinum's bottom-up investment process and, as a result, the fund's holdings may vary considerably to the make-up of the index that is used as its reference benchmark.

   The stated portfolio values of C Class and P Class of the Platinum International Fund (PIF) do not include funds invested in PIF by the Platinum International Fund (Quoted Managed Hedge Fund), a feeder fund that invests primarily in PIF. The stated portfolio values of C Class and P Class of the Platinum Asia Fund (PAF) do not include funds invested in PAF by the Platinum Asia Fund (Quoted Managed Hedge Fund), a feeder fund that invests primarily in PAF.

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in C Class (standard fee option) of the fund over the specified five year period relative to the relevant net MSCI index in Australian dollars.

   Fund returns are calculated using the net asset value per unit (which does not include the buy/sell spread) of C Class of the fund and represent the combined income and capital returns of C Class over the specified period. Returns are net of accrued fees and costs, are pre-tax, and assume the reinvestment of distributions. The investment returns shown are historical and no warranty can be 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.

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3. The geographic disposition of assets (i.e. the positions listed other than "cash" and "shorts") represents the fund's exposure to physical holdings and long derivatives (of stocks and indices) as a percentage of the fund's net asset value.
4. The table shows the fund's top 10 long stock positions (through physical holdings and long derivatives) as a percentage of the fund's net asset value.
5. Sector breakdown represents the fund's net exposure to physical holdings and both long and short derivatives (of stocks and indices) as a percentage of the fund's net asset value.
6. The table shows the fund's major currency exposure as a percentage of the fund's net asset value, taking into account currency hedging.

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

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