

# Platinum International Health Care Fund



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Portfolio Manager

## Performance

(compound p.a.+, to 30 June 2023)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund*	8%	15%	0%	7%	9%
MSCI AC World HC Index^	3%	9%	9%	12%	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.

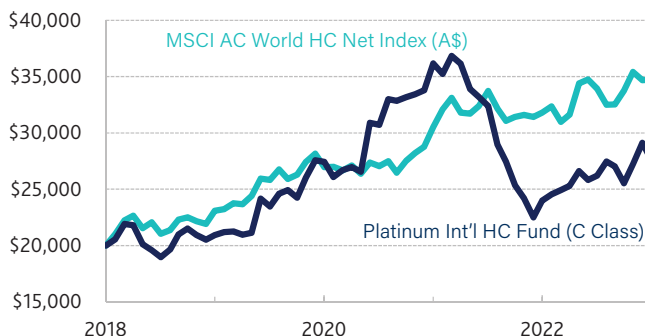
^ Index returns are those of the MSCI All Country World Health Care Net Index in AUD. Source: Platinum Investment Management Limited, FactSet Research Systems.

Historical performance is not a reliable indicator of future performance.

See note 1, page 4. Numerical figures have been subject to rounding.

## Value of \$20,000 Invested Over Five Years

30 June 2018 to 30 June 2023



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 8.1% for the quarter.<sup>1</sup>

The macro overhang remains a distraction from an otherwise very interesting healthcare and biotech environment. Similarly, the pursuit of anything AI-related is also unhelpful, with stock moves not related to any real company progress.

Consolidations continue in the biotech space, while life science tool companies continue to move through the "COVID and biotech normalisation" phase. Many customers are working through their inventories and delaying purchases, while smaller biotech customers are tightening their purse strings significantly. The need for new manufacturing capacity is limited at this stage, given the investments that have happened in previous years, particularly in cell and gene therapy.

Medtech is all about improving utilisation, which is gradually happening, however, given concerns about a recession, uncertainty continues to be an overhang.

**Prometheus Biosciences** (+81% to exit point during the quarter), a company we have mentioned in our quarterly reports on a number of occasions, was a standout performer over the quarter. The stock rallied early in the quarter on news that Merck was the successful bidder for the company, paying US\$11 billion, with the acquisition completed in June. Merck paid US\$200 per share for the company, which represented a 75% premium to the previous day's closing price. We have held Prometheus in the Fund since its initial public offering (IPO) in March 2021, and it has been a very strong contributor to the Fund's performance over the last two years.<sup>2</sup>

Another key contributor to the Fund's performance included **Telix Pharmaceuticals** (+63%), which had a great quarter with its prostate cancer imaging agent, Illuccix, posting solid sales, followed by an analyst's day that highlighted the company's solid commercial infrastructure in the US.

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

<sup>2</sup> Source: <https://www.merck.com/news/merck-strengthens-immunology-pipeline-with-acquisition-of-prometheus-biosciences-inc/>. For more details on Prometheus Biosciences please see the Fund's December 2022 quarterly report: [https://www.platinum.com.au/PlatinumSite/media/Reports/pihfqr\\_1222.pdf](https://www.platinum.com.au/PlatinumSite/media/Reports/pihfqr_1222.pdf)

**Icosavax** (+71%), a US biotech that focuses on viral-like particle vaccines for respiratory diseases, announced positive data for its RSV/hMPV combination vaccine and also successfully completed an equity raise.

Similarly, **Ideaya Biosciences** (+71%) announced several positive news items for its lead drug, Darovasertib. Positive data in first-line metastatic uveal melanoma when combined with Crizotinib, highlights that Ideaya has a viable drug on its hands. The company also announced that there is now an agreement with the US Food and Drug Administration (FDA) on the design of the registrational trial for Darovasertib. We participated in the subsequent equity raise.

**Biogen** (+2%)/Eisai's Alzheimer's disease antibody therapy Leqembi recently received full approval, which again highlights that biomarkers are here to stay. **Quanterix** (+100%) is uniquely positioned in this space, given that its technology focuses on biomarkers in neurodegenerative diseases. During the quarter, Quanterix showed good progress in adjusting its cost base and maintaining a healthy balance sheet.

On the negative side of the ledger, **Mersana Therapeutics** (-20% to exit point) and **Coherus Biosciences** (-43% to exit point) were key detractors from performance over the quarter. Mersana's ovarian cancer trial was put on hold due to the side effects of its antibody-drug conjugate, while Coherus announced the acquisition of an immuno-oncology therapy that dilutes its progress in biosimilar products. Given the significant changes at both companies, we exited both investments.

**UCB's** performance was also disappointing (-2%) and reflects ongoing approval delays in the US for its anti-inflammatory antibody Bimekizumab, a treatment for plaque psoriasis.

During the quarter, we added a new position in **Vera Therapeutics**, a company that focuses on IgA nephropathy, a disease of the kidney and immune system that needs new therapies.

## Commentary

Inflammatory diseases represent the backbone of several pharmaceutical (pharma) companies, or in Johnson & Johnson's case, a key franchise of its pharma division. We are entering the next chapter for inflammatory diseases, and many companies are getting positioned. While there are a number of therapeutic options for inflammatory diseases, none are curative, and response rates as well as the duration of responses need improvement.

## Disposition of Assets

REGION	30 JUN 2023	31 MAR 2023	30 JUN 2022
North America	44%	44%	44%
Europe	25%	24%	23%
Australia	14%	16%	13%
Japan	3%	4%	4%
Asia	3%	3%	4%
Other	1%	1%	1%
Cash	11%	8%	11%
Shorts	0%	0%	-3%

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

## Net Sector Exposures

SECTOR	30 JUN 2023	31 MAR 2023	30 JUN 2022
Biotechnology	60%	56%	54%
Pharmaceuticals	23%	26%	25%
Life Sciences Tools & Services	4%	7%	5%
Electronic Equipment	1%	1%	2%
Other	1%	1%	0%
TOTAL NET EXPOSURE	89%	92%	86%

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

## Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Speedx Pty Ltd	Australia	Biotechnology	6.6%
Bayer AG	Germany	Pharmaceuticals	3.3%
Sanofi SA	US	Pharmaceuticals	3.3%
Telix Pharmaceuticals Ltd	Australia	Biotechnology	3.1%
Exscientia Plc	UK	Biotechnology	2.9%
Takeda Pharmaceutical	Japan	Pharmaceuticals	2.9%
UCB SA	Belgium	Pharmaceuticals	2.7%
Icosavax Inc	US	Biotechnology	2.6%
Quanterix Corp	US	Life Sciences Tools	2.4%
Roivant Sciences Ltd	US	Biotechnology	2.4%

As at 30 June 2023. 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>

The landscape of new drugs in development for anti-inflammatory diseases is vast. Biologics have been a key therapeutic modality in this space, requiring intravenous infusions or frequent injections.

Many companies focus on the same drug targets, albeit attacking them with different therapeutic modalities, such as oral molecules, antibodies or different protein scaffolds. Other companies focus on extending the half-life of a product (i.e. the time it takes for a dose of a particular substance to decrease to half of its starting dose in the body) and hence achieve a better delivery schedule. These approaches are interesting, although commercial success is not straightforward and needs to be assessed carefully.

The more commercially impactful approach, albeit with higher risk, focuses on less validated or “hard to tackle” targets. TL1A<sup>3</sup> had been a less-validated target until last year when data from Prometheus Biosciences highlighted its clinical attractiveness. In late 2022, Prometheus announced solid phase 2 data for its anti-TL1A antibody in ulcerative colitis and Crohn’s disease patients. In addition, Prometheus also showed that its proprietary genetic marker algorithm increases the likelihood of responders. These results essentially showed that Prometheus had a very competitive drug. Fifteen companies entered due diligence to acquire Prometheus, with Merck being the successor, as mentioned earlier.

Besides Prometheus, Pfizer and Teva had been working on TL1A, with Pfizer recently forming an alliance with Roivant Sciences for the development of Pfizer’s antibody (now called RVT-3101), while Teva has now pivoted from asthma to irritable bowel disease.

Roivant has been in our portfolio for some time, as we see value in their “vant” approach to drug discovery and development. “Vants” are small, nimble operating companies that focus on specific assets and disease indications, while the parent holding company provides high-level input and clinical trial execution assistance. Since its founding in 2014, Roivant has been productive, already monetising a number of its vants, getting a topical psoriasis treatment approved, and reporting solid data for its TL1A antibody during the quarter.

Roivant has a team that scours the globe for under-the-radar assets that have often been deprioritised by the likes of pharma companies. Often, the team identifies assets and proactively engages with the owner, allowing them to be first in line when they become available.

RVT-3101 was one of those assets that Roivant had an eye on for some time; hence, it was quick to close a deal when Pfizer decided to out-license it. The structure of the alliance continues to be of economic interest to Pfizer. Pfizer has a 25% ownership interest in the TL1A joint venture (JV), has commercial rights outside the US and Japan, and has representation on the board of the JV. For a follow-on antibody (which just started phase 1), there is a 50:50 cost share in place, for now, that has a co-commercialisation option attached to it. RVT-3101 is delivered by subcutaneous injection and has completed a dose-ranging study, putting it ahead of the competition in terms of depth of clinical program and delivery. Given the interest in this target, Roivant has many options for this asset. Besides the TL1A focus, Roivant has other vants that are making progress but are less high profile. Roivant Therapeutics is focused on another Pfizer molecule, a drug that targets Tyk2/Jak1 for Dermatomyositis and Systemic Lupus Erythematosus.

Roivant, so far, has shown a great ability to identify good molecules and move them rapidly through clinical development, while at the same time being very decisive when an asset does not meet expectations. These attributes are key to making good returns in biotech.

## Outlook

Life science tool companies will be closely watched to determine when order books are normalising. We believe that this will also coincide with consolidation in the tool sector, which so far has been muted. Thermo Fisher Scientific has indicated it will spend US\$75 billion over the next five years.

In biotech, there are a small number of IPOs in the pipeline that will give us more insights into the state of biotech funding.

Developments in obesity therapies, particularly data on outcome trials, are a key focus for investors. Reducing weight in obese patients is expected to have wide-ranging effects on many other diseases, including the fat content of patients suffering from fatty liver disease. This is an important area, as there are a number of therapies in development for this emerging field.

As we have stated on many occasions in our quarterly reports, the healthcare sector is at a very interesting point in time, given that many disease indications are seeing significant positive progress, and we are particularly excited about the path ahead.

<sup>3</sup> Tumour necrosis factor-like cytokine 1A is a protein that sits in the membrane of a variety of cells.

## 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.

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