Platinum International Health Care Fund

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Portfolio Manager

Performance

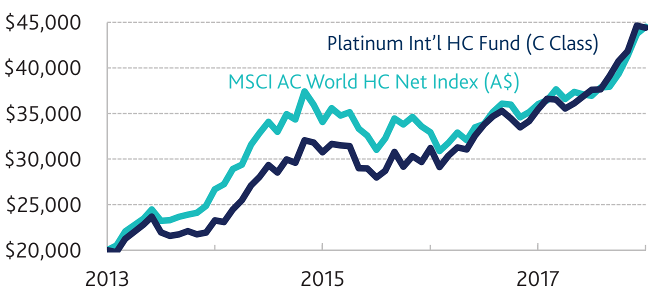
(compound pa, to 30 September 2018)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund*	9%	25%	13%	17%	11%
MSCI AC World HC Index^	13%	24%	9%	17%	10%

* C Class – standard fee option. Inception date: 10 November 2003.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are in AUD and are inclusive of net official dividends in AUD.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet.
Refer to note 1, page 4. Numbers are subject to rounding adjustments.

Value of $20,000 Invested Over Five Years

30 September 2013 to 30 September 2018



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.
Refer to note 2, page 4.

The healthcare sector continues to abound with innovation and progress, keeping investors engaged in the space. Similarly, venture capital activity remains healthy and new biotech listings in the US continue unabated. Interestingly, the last few months saw fewer acquisitions as corporates feel deterred by stretched valuations and hence prefer to remain disciplined when it comes to deploying their cash hordes.

We agree with these corporates to an extent and have gradually increased the Fund's cash position by trimming holdings that have performed strongly and where valuations have become stretched.

For the quarter, **Swedish Orphan Biovitrum (SOBI)**, **Almirall** and **Galapagos** were the star performers while our positions in tool companies as well as our pharma holdings also contributed nicely. This was mostly due to pipeline progress, good earnings data as well as investors looking for more defensive exposure.

Our European holdings in general have been important investments for us this year. SOBI has been a strong contributor to the Fund's performance over the last 12 months (+108%). Its haemophilia franchise is growing nicely, and investor interest in the company has been further spurred by Sanofi's purchase of SOBI's partner, Bioverativ, earlier this year. Galapagos is making progress with its JAK inhibitor for inflammatory diseases. This company has various assets in its pipeline, a strong cash position, and counts Gilead, MorphoSys and Novartis among its partners.

Spanish company **Almirall** has also been a good performer this quarter (+51%), boosted by its acquisition of Allergan's US dermatology franchise. Many changes have happened at Almirall in recent years. In 2014 the company divested its respiratory franchise to AstraZeneca and has since gradually shifted its focus to dermatology. However, the transition was not all smooth sailing and the company's business development efforts had been patchy at first. We saw a turning point in the company about a year ago when Almirall was able to recruit a seasoned operational manager from Sanofi to act as its new CEO. We knew of Mr Guenter's skills from our work on Sanofi and added to our position on the news. Since then, Almirall's transformation has stepped up a notch. Mr Guenter restructured the company's commercial infrastructure, terminated some programs, and now added new products that put Almirall on the right track.

Daiichi Sankyo (+16%), a Japanese pharma company, was another strong contributor. The company has been working hard on its antibody platform and oncology assets which have become increasingly visible to investors.

Gilead (+9%) has been a relatively weak performer this quarter. The company is in a transition on many levels across the organisation. The management team that has been with Gilead from its early days is stepping down, signalling a new phase for the company – never an easy undertaking, and the company has not yet announced a new CEO. However, we do not feel overly concerned by this blip. Gilead has a solid balance sheet, its recent product launches are doing well, and the pipeline is coming into view now – the company has all the right ingredients for good performance over the long-term.

Commentary

Over the coming years healthcare will see dramatic changes and one area that will play an increasingly crucial role is diagnostic testing and pathology, hence our holdings in the tool space.

Imagine the human body being monitored like a jet engine. Digital sensors continuously monitor many variables in a jet engine, providing the engineer with a snapshot of the aero-engine's health in real time. It is this real time data that, in the hands of data experts, can yield valuable insights which allow intervention early.

Translating the jet-engine monitoring approach to humans should assist in detecting disease early, which should make disease management easier and cheaper. Such a scenario will have significant ramifications for the healthcare system, shifting a big part of the focus towards prevention rather than acting when the disease has already advanced. This will require a rethink of the healthcare infrastructure we have in place today. Overall, this is a broad topic which we expect will offer plenty of investment opportunities.

Today we are at the very start of this shift, figuring out how best to detect and measure all sorts of "vitals", biomarkers and genetic information. Once measurements are gathered, algorithms have to be developed to make sense of the data and predictive markers need to be established to add diagnostic value, run trials and gain approval.

Last month the FDA approved the electrocardiogram (ECG) feature on the new Apple Watch Series 4, allowing consumers to measure the electric signals of their heart without going to a cardiologist. This is a significant development and the

Disposition of Assets

REGION	30 SEP 2018	30 JUN 2018	30 SEP 2017
North America	35%	39%	37%
Europe	29%	34%	40%
Australia	12%	10%	6%
Japan	3%	4%	4%
Asia	2%	2%	0%
Cash	19%	11%	13%
Shorts	-1%	-1%	0%

See note 3, page 4. Numbers are subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	30 SEP 2018	30 JUN 2018	30 SEP 2017
Health Care	79%	87%	86%
Financials	1%	1%	1%
TOTAL NET EXPOSURE	80%	88%	87%

See note 4, page 4. Numbers are subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Net Currency Exposures

CURRENCY	30 SEP 2018	30 JUN 2018	30 SEP 2017
US dollar (USD)	41%	44%	39%
Australian dollar (AUD)	19%	12%	9%
Euro (EUR)	18%	21%	26%
British pound (GBP)	9%	10%	11%
Swiss franc (HKD)	5%	5%	5%
Japanese yen (JPY)	4%	4%	5%
Swedish krona (SEK)	3%	2%	2%
Danish krone (DKK)	1%	1%	3%
Canadian dollar (CAD)	1%	1%	1%

See note 5, page 4. Numbers are subject to rounding adjustments.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Roche Holding AG	Switzerland	Pharmaceuticals	3.1%
Sanofi SA	France	Pharmaceuticals	2.9%
AstraZeneca PLC	UK	Health Equip & Serv	2.7%
Gilead Sciences Inc	USA	Biotechnology	2.5%
Johnson & Johnson	USA	Pharmaceuticals	2.5%
Nanostring Technologies	USA	Health Equip & Serv	2.2%
SpeeDx	Australia	Healthcare Providers	2.1%
Quanterix Corp	USA	Pharmaceuticals	2.0%
Daiichi Sankyo	Japan	Pharmaceuticals	2.0%
Almirall SA	Spain	Pharmaceuticals	2.0%

As at 30 September 2018. See note 6, 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.

"sensor era" is now upon us as is the convergence between consumer goods, technology and healthcare. No longer will innovative healthcare solutions be the exclusive domain of traditional healthcare companies. Tech companies such as Apple and Google, along with consumer companies such as Nestle, are venturing into the healthcare space. Many tech companies are solely focusing on this tech-health convergence, while the approval process for wearable devices is only in its infancy. Overall, as highlighted above, this transformation will offer plenty of new investment ideas.

However, at the core of this next generation healthcare is the field of diagnostics along with a more personalised, precise approach to disease management. The challenges are how best to detect and gather the maximum data in the least invasive way and how to combine different data points from different sources. Additionally, often the information is available at such minute amounts that today's standard technologies are not yet powerful enough to make precise detections of it. To be truly effective, diagnostic tests need to give rapid responses and provide multiple data points from just one small patient sample.

None of the above is yet possible today, but we are seeing, particularly in oncology, much more in-depth, multi-technology analyses of patient samples which are really trying to pinpoint what the disease is, what stage of the disease the patient is at, and what appropriate disease management plan is required, be that surgery or a drug cocktail. No longer is it enough to know a tumour's location and whether it has spread. These days the key insight lies in the genetic make-up of the tumour, whether its environment has been infiltrated by immune cells and, more importantly, exactly what types of immune cells are present, what state of activation they are in and how many are present. This requires a significant amount of work up-front, but is absolutely crucial to guide treatment.

Roche Diagnostics, a division of Roche that contributes 23% of group sales, is placed to play a key role in precision medicine. Already the company has a leading position in in-vitro diagnostics, and in recent years the company has invested heavily with a focus on oncology. Investments in technology and software, often starting out as joint initiatives with the Roche Pharma division, ultimately benefit both pharma and diagnostics. Earlier this year, an alliance with GE Healthcare was formed aiming at combining the imaging know-how (data) with Roche's in-vitro capabilities. The ultimate goal is to have as many data points as possible, and to have immediate access to databases (clinical trials included) that allow the doctor to pair patients with the most effective regimens. Roche's efforts should also lead to better and faster decision making for its drug development division. It is all about real-world biomarkers, combining different analytical technologies, using software to make sense of it all and, most importantly, providing an easy to use system for physicians. Again, it is this healthcare-tech-consumer convergence that will be crucial in the next decade.

Outlook

There is no denying that innovation is plentiful, but so is competition and pricing pressure. Caution is therefore particularly important when investing in a fast-changing field. Healthcare is in a transitioning period with the US pricing dynamics changing, while, in China, the government is looking to increase access to new therapeutics and encourage its own biotech industry to embrace high standard clinical trial practices. This changing world offers exciting new opportunities, and despite short-term setbacks, we do see exciting times ahead in healthcare.

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. Fund 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 has been 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 FactSet.

   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 specified Fund over the specified period relative to the specified 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. Fund 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 effective long exposures to the relevant countries/regions as a percentage of the Fund's net asset value, taking into account direct stock holdings and long derivative positions (stocks and indices).

4. The table shows the Fund's effective net exposures to the relevant sectors as a percentage of the Fund's net asset value, taking into account direct stock holdings and both long and short derivative positions (stocks and indices).

5. The table shows the Fund's effective net exposures to the relevant currencies as a percentage of the Fund's net asset value, taking into account stock holdings, cash and the use of derivatives.

6. The table shows the Fund's top 10 long stock positions as a percentage of the Fund's net asset value, taking into account direct stock holdings and long derivative positions. The designation "China" in the "Country" column means that the company's business is predominantly based in mainland China, regardless of whether the company's securities are listed on exchanges within mainland China or on exchanges outside of mainland China.

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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.

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