Platinum International Health Care Fund

Dr Bianca Ogden
Portfolio Manager

Performance

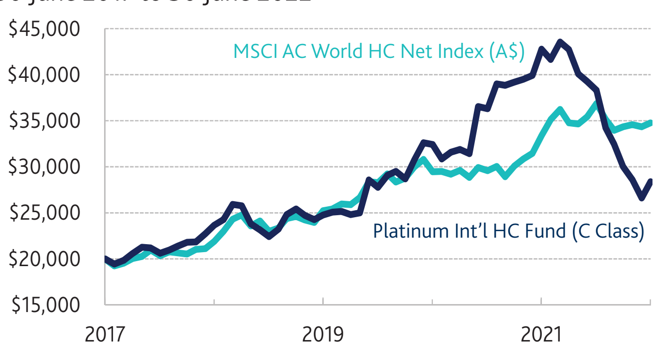
(compound p.a.⁺, to 30 June 2022)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l HC Fund*	-5%	-34%	5%	7%	9%
MSCI AC World HC Index^	1%	4%	11%	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 2017 to 30 June 2022



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 -5.4% for the quarter and -33.7% for the year.[1]

The sell-off in biotech stocks continued during the quarter, impacting the Fund's performance. During the quarter, the sell-off broadened to include medical device companies and large well-known tool companies.

Rising inflation, higher interest rates and recession concerns dominated the market narrative. This prolonged sell-off has been unprecedented.

In the second half of the quarter, however, we saw signs of stabilisation with short-sellers stepping back in to cover their positions, investors starting to return from the sidelines to take advantage of cheap valuations, and evidence of refinancing occurring. This helped the Fund to finish the quarter on a strong note, returning +6.6% in June.

Apart from macroeconomic and geopolitical issues pressuring biotech share prices and pharmaceutical (pharma) companies being seen as a safe haven, there were also stock-specific factors. European biotech **UCB** (-26%) had disappointing news that the approval of Bimekizumab (a treatment for psoriasis and related inflammatory diseases) has been delayed in the US.

Emerging tool companies such as **NanoString Technologies** (-63%) and **Quanterix** (-45%) had dismal performance this quarter, reflecting concerns around competition and sustainable biotech funding.

Chinese biotech companies **Hutchmed** (-36%) and **Zai Lab** (-21%) showed weak share price performance. Hutchmed's Surufatinib (a treatment for advanced pancreatic and extrapancreatic neuroendocrine tumours) saw its US approval delayed, while investors shunned Zai Lab due to the ongoing debate around Nasdaq listing requirements.

On the bright side, many of our investment companies made positive progress over the quarter. **Epizyme** (+28%) was the standout performer, as its approved drug Tazverik showed it has great potential as a combination drug for B-cell

1 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 returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

lymphoma. In addition, the company was acquired by French biotech Ipsen in late June.

Cogent Biosciences (+20% over the quarter) presented good data for Bezuclastinib in advanced systemic mastocytosis (a rare disorder that results in the build-up of mast cells in organs throughout the body). The drug will now progress to the next phase. Following the data announcement, Cogent successfully raised additional money, helping its share price to bounce 70% off its lows during the quarter.

We have been gradually trimming several holdings and adding to investments that we firmly believe are undervalued, have access to cash, and will, in our opinion, come out stronger on the other side.

Commentary

While nobody questions the rationale when biotech delivers, everyone worries when there is a transition - but it is those transitional periods that provide the returns in years to come.

The Fund has had significant exposure to biotech companies since its inception in 2003. When we launched the Fund, biotech had just lost its 'genomics' glow and analyst predictions for the sector, as well as pharma companies, were doom and gloom.

At that time, we were convinced precision medicine would play a significant role in healthcare and that the pharma sector would become closely entwined with the biotech sector. To us, this was an emerging sector with a bright future, but its valuation had been severely marked down. We were convinced that scientists will gradually decipher our genes, and we were excited about antibodies becoming a therapeutic modality.

Since Genentech's initial public offering (IPO) in October 1980, the relationship between the biotech sector and capital markets has been cyclical in nature. Since that time, the biotech landscape has been redefined several times. At each 'event', the industry stepped up to a new level, in terms of size, complexity and the number of dedicated investment funds. This time is no different, and without doubt, we expect the sector will continue to evolve to even higher levels in the future.

We are convinced that we are entering the next chapter for this sector as the schematic in Fig. 1 on the following page highlights. Patent expirations will rear their head again for pharma/large biotech ('biopharma') in the coming years. Hence, the US$200 billion-plus currently sitting on these companies' balance sheets will likely find its way into the biotech sector. We are seeing dedicated biotech funds and biotechs successfully raising money.

Disposition of Assets

REGION	30 JUN 2022	31 MAR 2022	30 JUN 2021
North America	41%	39%	36%
Europe	26%	27%	21%
Australia	13%	13%	10%
Japan	4%	5%	4%
Asia	4%	3%	12%
Other	1%	1%	1%
Cash	11%	12%	16%
Shorts	-3%	-3%	-1%

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

Net Sector Exposures

SECTOR	30 JUN 2022	31 MAR 2022	30 JUN 2021
Biotechnology	54%	49%	53%
Pharmaceuticals	25%	27%	22%
Life Sciences Tools & Services	5%	8%	7%
Other	2%	2%	1%
TOTAL NET EXPOSURE	86%	86%	83%

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	6.8%
Takeda Pharmaceutical	Japan	Pharmaceuticals	4.2%
Sanofi SA	France	Pharmaceuticals	3.4%
Bayer AG	Germany	Pharmaceuticals	3.3%
Telix Pharmaceuticals Ltd	Australia	Biotechnology	2.7%
UCB SA	Belgium	Pharmaceuticals	2.4%
ExScientia Ltd	UK	Biotechnology	2.3%
Galapagos NV	Belgium	Biotechnology	2.3%
908 Devices Inc	US	Other	2.1%
Ideaya Biosciences Inc	US	Biotechnology	2.0%

As at 30 June 2022. 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 past decade has been a remarkable funding environment for biotech companies. In the late 1990s, the capital markets embraced the biotech sector, hoping 'genomics' was the next 'internet wave' given the human genome had been mapped. In many ways, that period put biotech on investors' radars and made the next biotech waves possible. Leading up to the 2015/16 market wobble, it was 'immuno-oncology' that generated a buzz and redefined the oncology biotech landscape. Moving forward to today and the sector is redefining itself again following a remarkable investment cycle.

As we have seen with past cycles, this is the time when new companies will mature. This sector requires investors to keep a clear head, assess the bigger picture and put emotions aside. We are in a period where the biotech sector will redefine how we identify and develop new drugs.

Tools are being produced that will allow us to decipher the protein universe, similar to what next-generation sequencing provided us for studying our genes.

RNA interference (RNAi) was embraced by scientists 20 years ago to make silencing genes easy and protect us from disease. CRISPR, a technology that can be used to edit genes, is the RNAi of 20 years ago, and similarly to RNAi, gene editing will ultimately graduate from a lab tool to a therapeutic modality.

Antibodies being used as therapeutics required large investments in biomanufacturing 20 years ago. Today, cell and gene therapies are going through the same process, with standards being defined and a global manufacturing ecosystem being established.

Outlook

The backdrop for the biotech industry is sound; share market sentiment, however, has been very challenging for almost 18 months. Whichever way you look at biotech companies (trading below cash, dissolution value etc.) it is clear we are in unprecedented times. The focus has now shifted to cash runways. Companies are narrowing their research and development (R&D) focus, and lay-offs at companies have started, but most interestingly, boards are considering all options, including returning money to shareholders. This sector knows what it means to adapt, regroup and thrive again.

A significant difference to the 'genomic bubble' 20 years ago and even a decade ago is the fact that the lines between private and public investors are now blurred. This has been a blessing and a curse, offering solid funding but resulting in companies being laxer on investing their R&D dollars. It is clear that investment funds are not abandoning this sector. On the contrary, they are raising more money, while at the same time, companies are showing a willingness to make the hard decisions. In many ways, we are more likely to be in the last innings of this correction than the first.

In our view, now is not the time to turn our backs on the biotech sector. It is a time to do the due diligence, engage with companies and build the portfolio for the coming years.

Fig. 1: The Next Chapter for Biotech

Funding 'Booms' Establish the Technologies of the Future

Late 1990s		c. 2020
Biotech started	→	"Tech" AI, Pharmatech
Human genome map/sequencing	→	Single cell/spatial/proteomics
RNAi/antisense	→	Long-acting RNAi, mRNA, conjugated siRNA
Biological manufacturing	→	"Synthetic biology"
Recombinant proteins	→	Protein engineering (ADC, radiothx)
Antibody therapeutics	→	Cell and gene therapy
Speciality care, rare diseases	→	Speciality everything, rare disease, targeted cardio

Source: Platinum Investment Management Limited, Bloomberg, FactSet Research Systems.

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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