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Dear Investor,

The healthcare industry, despite its reputation at times of putting “profits over patients”, is rapidly mobilizing its efforts to aid in the global effort to combat the COVID-19 pandemic. There are many avenues in which the industry is expanding its efforts. The diagnostics industry has worked quickly to ramp up production of testing capabilities. In addition to the initial kits developed by WHO and CDC (which use components from Qiagen and Danaher), several commercial vendors with large infectious disease testing platforms have received expedited FDA approval for tests, including Roche, Hologic and Thermo Fisher. There will likely be other diagnostics companies that receive FDA approval, though the near-term focus is scaling production and throughput of existing facilities to allow for increasing testing capacity.

The potential emergence of an effective vaccine to thwart the spread of COVID-19 would be clearly welcomed by the world. There are nearly a dozen novel programs ongoing in the industry to do just that and, importantly, various different mechanistic approaches are being pursued. Innovation here is coming from both global national companies like Pfizer and smaller, biotechnology companies like Moderna. In China, the dominant domestic vaccine manufacturer, CanSino Biologics, may soon be starting their own clinical trial for a coronavirus vaccine.

Many companies are accelerating their efforts in the anti-viral space in hopes of creating a treatment to help already infected patients. One of the global leaders in viral therapy, California-based Gilead Sciences, Inc. is leading this charge. Other efforts to treat patients are coming from all corners of the industry and the globe. In Japan, Takeda's recent acquisition of Shire and their plasma derived therapy business has led to an investigational new treatment to boost the immune function of infected COVID-19 patients. Chugai's anti-inflammatory drug, Actemra, may also be useful in treating infected patients who are suffering from severe lung dysfunction resulting from coronavirus.

In addition to these direct efforts, numerous collaborations and philanthropic endeavors are occurring daily. Novartis has initiated a collaborative R&D effort with the Bill & Melinda Gates Foundation, Wellcome, and Mastercard, amongst others. Companies such as Novartis and Pfizer are securing their supply chain for both commercial and clinical trial drugs alike.

Finally, a word of caution. As the media reports on the coronavirus pandemic swing between hope and fear, stock markets are becoming increasingly volatile. Whilst the healthcare industry moves into the forefront of the war against COVID-19, we are cautious on the sustainability of commercial opportunity that the coronavirus may offer the biopharma players. Rather, our focus remains on the positive fundamentals of the industry – its near term defensive qualities and long term growth prospects driven by innovation and societal secular demand.



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