

Worldwide Healthcare Trust

Manager suggests May 2022 was inflexion point

Worldwide Healthcare Trust (WWH) has two co-managers, Sven Borho and Trevor Polischuk at global healthcare specialist OrbiMed. Borho recently presented at the WWH AGM and despite disappointing performance in FY22 (March year-end), which he notes was a 'mirror image' of FY21, the manager remains optimistic about the trust's prospects. He is hopeful that May/June 2022 marked the low point in the absolute and relative performance of biotech stocks and is confident that the focus on favouring emerging biotech and emerging market stocks over large-cap pharma companies will once again be the correct strategy for WWH's shareholders. Borho considers that the trust's portfolio offers investors a 'mix of the big guys', which gives some stability, along with 'explosive growth' companies, and this approach has delivered significant outperformance versus WWH's benchmark over the long term.

WWH's presentation at the 6 July 2022 AGM



Source: WWH

The analyst's view

WWH is a large, actively managed global healthcare fund and the trust's FY22 results should be put into context with those generated over the long term. Also, over the last decade, WWH has generated NAV and share price total returns of 15.4% and 15.5% per year respectively. These results stack up favourably against most other equity classes, so now may be an opportune time for people to consider an initial, or additional, investment in a well-established fund with experienced managers who employ a disciplined, repeatable investment approach. They believe that FY22 was an anomaly in terms of investors disregarding company fundamentals, which has provided the opportunity to add to some high-conviction portfolio names that the managers consider to be meaningfully oversold.

Discount wider than historical averages

WWH's shares are trading at a 6.9% discount to its cum-income NAV, which is wider than the 0.3% to 3.3% range of average discounts over the last one, three, five and 10 years. This may be due to a period of meaningful underperformance versus the trust's benchmark in FY22. WWH's board employs a discount-control mechanism, aiming to ensure a maximum 6% share price discount to ex-income NAV in normal market conditions.

NOT INTENDED FOR PERSONS IN THE EEA

Investment trusts Global healthcare equities

21 July 2022

Price 3,295.0p
Market cap £2,141m
Total assets £2,315m

NAV* 3,538.6p
Discount to NAV 6.9%

*Including income. At 19 July 2022.

Yield 0.8%

Ordinary shares in issue 65.0m

Code/ISIN WWH/GB0003385308

Primary exchange LSE

AIC sector Biotechnology & healthcare

52-week high/low 3,835.0p 2,825.0p

NAV* high/low 3,851.0p 3,072.5p

*Including income

Gearing* 6.6%

*At 30 June 2022.

Fund objective

Worldwide Healthcare Trust is a specialist investment trust that invests in the global healthcare sector, with the objective of achieving a high level of capital growth. Gearing and derivative transactions are used to enhance capital returns and mitigate risk. Performance is measured against the MSCI World Health Care index (sterling adjusted).

Bull points

- Specialised healthcare fund diversified by geography, subsector and market cap.
- Long-term outperformance versus the benchmark.
- Managers are able to draw on the very deep resources of OrbiMed's investment team.

Bear points

- FY22 was a very disappointing performance period, which was a mirror image of FY21.
- Modest dividend yield.
- Periodic political risk from investing in healthcare stocks.

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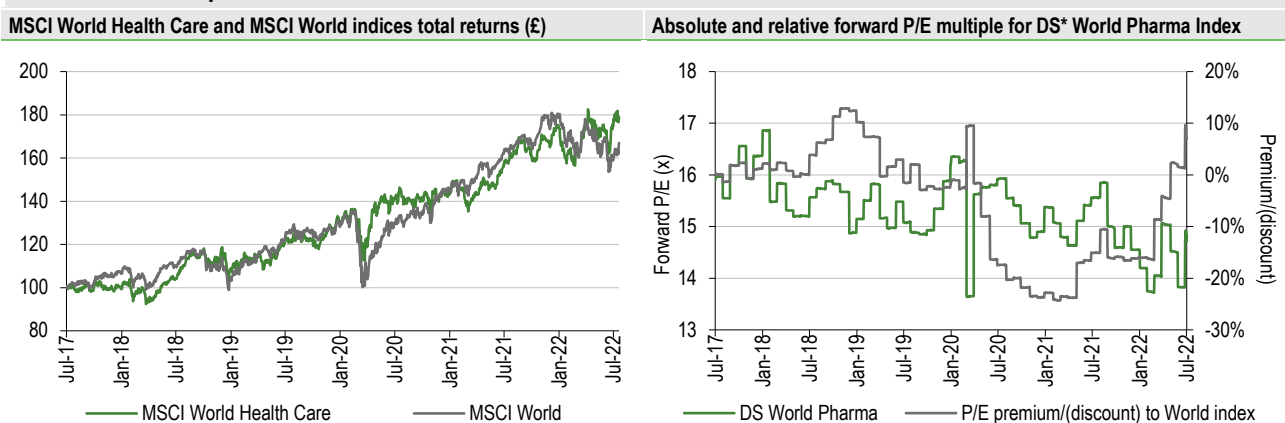
Market outlook: Healthcare fundamentals intact

Over the last five years, healthcare shares have modestly outpaced the performance of the global stock market (Exhibit 1, left-hand side). However, within the healthcare arena there have been periods when individual subsectors generated very different total returns. A recent example is the recent bear market in US biotech stocks, which was the longest and largest drawdown, in both absolute and relative terms, versus the broader US market, in history. Reasons for this underperformance were varied including some high-profile disappointing trial results, muted merger and acquisition (M&A) and initial public offering (IPO) activity and general investor risk-aversion.

Fundamentals within the healthcare sector remain positive: innovation levels are high, and there is robust demand from an ageing global population, a benign regulatory environment and receding political risk. The outlook is positive for an uptick in M&A, especially given major pharma companies have been vocal in their desire to utilise their resources to bolster their product pipelines. Historically, M&A has been an important driver for the performance of healthcare stocks.

Looking at valuations of pharma companies, which are the largest subsector of the healthcare industry, the Datastream World Pharma Index is trading at a 14.8x forward P/E multiple, which is a 6.8% premium to the world market compared with a 5.4% average discount over the last five years. However, given the wide range of different investment opportunities available in the healthcare sector, an allocation to this area could prove beneficial for global investors. For those market participants with a higher risk tolerance, given its significant underperformance in recent quarters, biotech stocks may be an interesting subsector to consider.

Exhibit 1: Market performance and valuation



Source: Refinitiv, Edison Investment Research. Note: *DS is Datastream. Valuation data at 20 July 2022.

The fund managers: Sven Borho and Trevor Polischuk

The manager's view: FY22 was a 'mirror image' of FY21

Speaking at WWH's July 2022 AGM, Borho said that during the depths of the global crisis in autumn 2008, when investor sentiment was very negative, the trust's recently retired chairman, Sir Martin Smith, encouraged the manager by suggesting that stock price weakness was 'the opportunity of a lifetime'. This proved to be a wise observation as the US market bottomed in March 2009 and by the end of 2021 had appreciated by more than 6x (c 5x to date following the recent stock market correction).

Borho highlights that FY21 (WWH's year end is 31 March) was one of WWH's best performance years where 'everything worked', whereas FY22 was one the worst, as what worked well in the prior financial year did not in the subsequent one. The manager explains that in FY21, fundamental

investing was a success: biotech and Chinese stocks rose, there was a robust IPO market, the drug pricing debate was put on the back burner, small-caps outperformed large-cap names, and growth stocks outperformed value stocks. Borho adds that taking risk 'paid off' and there were no large macroeconomic fears. Fast forward to FY22, and the manager comments that 'fundamentals did not matter' and innovative growth companies sold off. There was a lack of an IPO window for firms to raise capital, drug pricing was back on the political agenda, there was a market shift from growth to value stocks, large-caps outperformed small-cap businesses and there were macroeconomic fears around Russia's invasion of Ukraine, rising inflation and higher interest rates. Borho defines FY21 and FY22 as 'mirror images'. He highlights that of the c 26pp underperformance of WWH's NAV versus the benchmark in FY22, c 11pp was attributable to its biotech holdings, with more than 3pp each from its Chinese and life sciences tools and services exposure.

Turning his attention to FY23, the manager says that performance was tough in April and May 2022; however, he is hopeful that May marked the bottom. The trust outperformed its benchmark in June and Borho reports that July has started well, bringing WWH's FY23 performance year to date back into line with the MSCI World Health Care Index. He suggests that high-growth innovative stocks are due for a rebound and that industry overhangs are lifting.

The manager explains that the recent biotech bear market, measured by the S&P Biotechnology Index, notched up three records: the longest duration (from February 2021 to May 2022); the largest absolute drawdown (63.9% from 8 February 2021 to 11 May 2022); and the largest relative performance versus the S&P 500 Index (-67.1% between 8 February 2021 and 2 June 2022). He also highlights that small- and mid-cap biotech stocks (1,000+ companies) had a combined market cap of \$500bn on 8 February 2021, compared with the largest global healthcare company, Johnson & Johnson, at \$445bn. By 30 June 2022, the 1,000+ small- and mid-cap biotech stocks had a market cap of \$190bn (-62.0%) compared with Johnson & Johnson at \$470bn (+5.5%).

Borho says that biotech stocks are trading at historic low valuations. Of the more than 150 with market caps greater than \$10m, more than 25% are trading below the value of net cash on their balance sheet, which compares with c 8% during the 2001 bursting of the Nasdaq bubble and c 10% during the 2007–08 global financial crisis. The manager suggests that there is a 'major dislocation' in the market as it is incorrectly valuing innovative companies.

With regards to industry overhangs lifting, Borho says that the newly appointed US Food and Drug Administration (FDA) commissioner is widely considered to be 'industry friendly'. On the question of US drug pricing reform, the manager suggests that the worst-case outcome would be a watered-down version of the original proposal (costing the pharma sector a low single-digit percentage of its income due to lower pricing on the top 10 or 20 US drugs, rather than c 15% on lower pricing for all US drugs) as Russia's invasion of Ukraine has diverted the government's focus away from healthcare. He says that the best-case scenario would be that nothing happens, which he considers possible given there are mid-term elections later in 2022.

Borho comments that there have been a 'lot of spring blossoms' in M&A activity this year, such as Bristol Myers Squibb's announced acquisition of Turning Point Therapeutics at more than a 100% premium to its pre-bid share price, GlaxoSmithKline's bid for Sierra Oncology and Pfizer's for Biohaven Pharmaceutical Holding. Over the last six weeks, 'major pharma companies are getting more active', and they appreciate the value in a '70%-off sale' says the manager.

Innovation is in evidence, even in large-cap companies, says Borho. Oncology is a major industry focus including antibody-drug candidates (ADC), immune oncology and targeted therapy. Enhertu is a third-generation ADC that was discovered by Daiichi-Sankyo and co-marketed/co-developed by AstraZeneca. It received its first FDA approval for metastatic breast cancer in December 2019; the drug has increased efficacy and reduces the risk of death compared to other treatments. At the June 2022 American Society of Clinical Oncologists conference, the manager reports that there were 20k key opinion leaders who were very excited about Enhertu, as they consider the drug to be

'transformative'. Borho suggests this product has \$15bn+ peak sales potential for AstraZeneca and increases the company's cancer profile. In the treatment of obesity, there are diabetes drugs that have been found to lead to a 20% reduction in patients' body weight. The manager believes that this could easily become a \$30bn revenue category. Within the Alzheimer's area, Borho expects three major readouts later this year, although he admits that this is a higher-risk category with maybe a 50:50 chance of success.

The manager concludes by summarising the WWH 'playbook' for 2022 and beyond. Borho and his team are 'sticking to their knitting' by continuing to invest in innovation, both in therapeutic and non-therapeutic categories. They have added to high-conviction positions that have underperformed, such as emerging biotech and Chinese stocks. The manager believes that important industry overhangs have lifted, namely the appointment of the new FDA commissioner and the lack of harsh drug pricing reform. He is optimistic about the prospects for increased levels of biopharma M&A in H222 and is reigniting the team's 'catalyst strategy', which did not work in FY22 (focusing on companies that are likely to have successful Phase II and Phase III trial readouts, driving meaningful share price appreciation). There is 'dry powder' available in the potential to increase WWH's gearing, and despite increased recession fears the manager remains very positive on the outlook for the healthcare sector, and WWH's prospects, based on high levels of industry innovation, inexpensive valuations, an expected 'reversion to the mean' and receding political risks. Borho acknowledges rising interest rates but opines that there is little correlation between this and healthcare stock price returns.

Current portfolio positioning

WWH's top 10 portfolio concentration has increased to 42.4% at end-June 2022 from 36.9% a year earlier (Exhibit 2); six positions were common to both periods. The top 30 names make up around 85% of the fund; 74% of the portfolio is made up of profitable companies.

Reflecting its dominance in the global healthcare industry, most of the top 10 holdings are US companies, although UK-listed AstraZeneca now occupies the top slot. Borho comments that five years ago, he did not consider UK pharma stocks to be interesting. He seeks companies that can generate double-digit top-line and mid-teens income growth. The manager's view is that 'AstraZeneca is now a powerhouse in oncology' and shows that 'good management teams can change companies'.

WWH's fifth largest position is a swap derivative that is constructed and managed by OrbiMed. It is made up of 20 of what the OrbiMed team considers to be the most likely M&A targets. Of note, it has included some companies that have recently been bid for, including Sierra Oncology and Turning Point Therapeutics. The swap provides WWH with extra exposure to potential M&A targets, without the managers having to add a significant number of new names to the portfolio.

Exhibit 2: Top 10 holdings (at 30 June 2022)

Company	Region	Sector	Portfolio weight %	
			30 June 2022	30 June 2021*
AstraZeneca	Europe	Pharmaceuticals	5.9	4.4
Bristol-Myers Squibb	North America	Pharmaceuticals	5.3	5.3
Roche	Europe	Pharmaceuticals	4.2	N/A
Humana	North America	Healthcare providers & services	4.2	N/A
Healthcare M&A target swap	North America	Swap baskets	4.1	N/A
AbbVie	North America	Pharmaceuticals	4.0	2.7
UnitedHealth Group	North America	Healthcare providers & services	3.9	2.7
Boston Scientific	North America	Healthcare equipment & supplies	3.7	4.8
Horizon Therapeutics	North America	Biotechnology	3.6	3.6
Sanofi	Europe	Pharmaceuticals	3.5	N/A
Top 10 (% of portfolio)			42.4	36.9

Source: WWH, Edison Investment Research. Note: *N/A where not in end-June 2021 top 10.

Looking at Exhibit 3, over the 12 months to end-June 2022, the largest changes in WWH's sector exposure are primarily due to market moves, leading to a lower biotechnology weighting (-10.7pp), with higher allocations to pharmaceuticals (+7.4pp) and swap baskets (+4.1pp). There is a 6.6pp higher European weighting. At end-June 2022, China/Hong Kong and India made up a combined 14.4% of the portfolio, while a year earlier, emerging markets was 20.3% with Asia at 1.4%.

WWH's largest active bets compared with the MSCI World Health Care Index are overweight exposures to emerging biotech and emerging markets stocks and an underweight exposure to large-cap pharma companies.

Exhibit 3: Portfolio sector and geographic exposure (%)

Sector	End-June 2022	End-June 2021	Diff. (pp)	Region	End-June 2022	End-June 2021	Diff. (pp)
Pharmaceuticals	34.0	26.6	7.4	North America	67.5	69.2	(1.7)
Biotechnology	20.4	31.1	(10.7)	Europe	15.7	9.1	6.6
Healthcare providers & services	17.9	17.6	0.3	China/Hong Kong	11.9	N/S	N/A
Healthcare equipment & supplies	17.2	15.7	1.5	India	2.5	N/S	N/A
Life science tools & services	6.2	8.2	(2.0)	Japan	2.4	N/S	N/A
Healthcare technology	0.0	0.3	(0.3)				
Swap baskets	4.1	0.0	4.1				
Variable interest	0.2	0.5	(0.3)				
	100.0	100.0			100.0	100.0	

Source: WWH, Edison Investment Research. Note: N/S is not stated separately.

Performance: Managers hoping to have turned corner

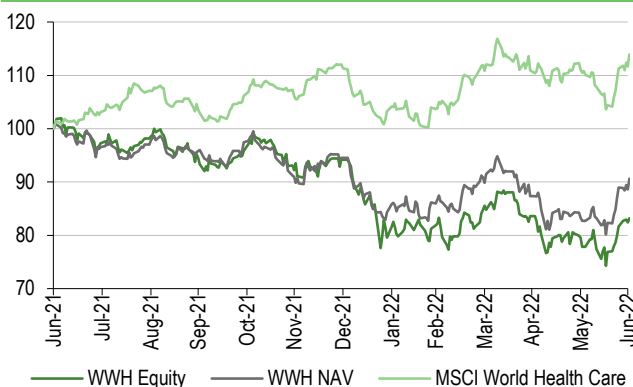
Exhibit 4: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	MSCI World Health Care (%)	DS World Pharma and Biotech (%)	CBOE UK All Companies (%)
30/06/18	8.0	8.0	3.7	2.5	9.5
30/06/19	3.1	3.8	15.6	12.0	0.3
30/06/20	34.2	33.6	17.9	22.2	(13.6)
30/06/21	6.9	8.0	10.6	5.1	21.1
30/06/22	(17.6)	(11.4)	11.7	8.5	2.2

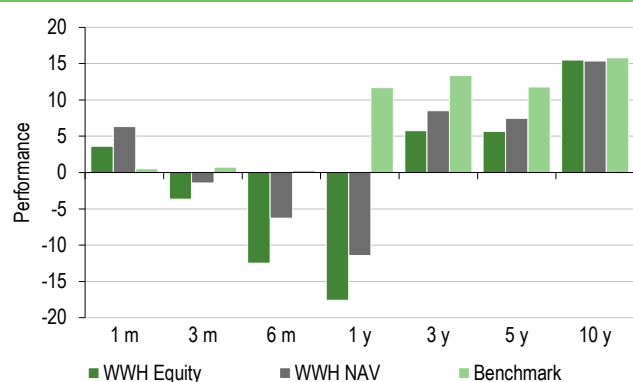
Source: Refinitiv. Note: All % on a total return basis in pounds sterling.

Exhibit 5: Investment trust performance to 30 June 2022

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

In FY22, ending 31 March, WWH's NAV and share price total returns of -5.8% and -10.8% respectively lagged the benchmark's +20.4% total return. The trust's NAV performance was helped by sterling weakness: during FY22 it depreciated by 4.6% versus the US dollar. However, leverage negatively affected WWH's NAV by 1.0pp. The trust's strategy of a below-benchmark weighting in large pharma companies and overweight exposures to emerging markets and emerging biotech stocks was the primary reason for the trust's underperformance in FY22. However, putting this disappointing period into context, since WWH's inception in 1995 to end-March 2022, its NAV per

share has compounded at an annual rate of +14.7%, which is meaningfully ahead of the blended benchmark's +12.2% compound annual return.

On a stock-specific basis, the top three contributors to WWH's relative performance in FY22 were all-large-cap stocks: AbbVie (+0.7pp, pharmaceuticals); AstraZeneca (+0.6pp, pharmaceuticals); and UnitedHealth Group (+0.4pp, healthcare providers & services). The largest detractors were: Mirati Therapeutics (-0.7pp, biotechnology); Natera (-0.5pp, life sciences tools & services); and Guardant Health (-0.5pp, life sciences tools & services).

Exhibit 6: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to MSCI World Health Care	3.1	(4.4)	(12.7)	(26.2)	(18.8)	(24.5)	(2.6)
NAV relative to MSCI World Health Care	5.8	(2.1)	(6.6)	(20.7)	(12.3)	(17.9)	(3.7)
Price relative to World-DS Pharm & Bio	1.4	(7.2)	(16.1)	(24.1)	(15.2)	(17.7)	12.9
NAV relative to World-DS Pharm & Bio	4.1	(5.1)	(10.1)	(18.4)	(8.4)	(10.5)	11.6
Price relative to CBOE UK All Cos	10.0	1.2	(9.0)	(19.3)	10.7	12.3	116.7
NAV relative to CBOE UK All Cos	12.9	3.6	(2.5)	(13.3)	19.5	22.1	114.3

Source: Refinitiv, Edison Investment Research. Note: Data to end-June 2022. Geometric calculation.

As shown in Exhibit 6, WWH's improved relative performance in June 2022, which Borho reports has continued this month, leads him to be hopeful that the extreme absolute and relative weakness in biotech stocks has at last come to an end (for further detail please see the Manager's view section starting on page 2). Unfortunately, the trust's underperformance since February 2021 has affected its longer-term record: its NAV and share price total returns are behind those of its benchmark over the last one, three, five and 10 years. Of note, WWH has generated significantly higher total returns than the broad UK market over the last three, five and 10 years.

Exhibit 7: NAV total return performance relative to benchmark over 10 years



Source: Refinitiv, Edison Investment Research

Peer group comparison

The selected peer group in Exhibit 8 shows the seven members of the AIC Biotechnology & Healthcare sector along with two Switzerland-listed companies (BB Biotech and HBMN Healthcare Investments). There are three pureplay biotech funds: BB Biotech, Biotech Growth Trust and International Biotechnology Trust; while c 80% of RTW Venture Fund is also invested in biotech stocks. The remaining five healthcare companies are BB Healthcare Trust, HBM Healthcare Investments, Polar Capital Global Healthcare, Syncona (an early-stage healthcare investor) and WWH, which is the second largest fund in the selected peer group. As highlighted in the Performance section above, the trust's 12-month and longer-period NAV total returns have been negatively affected by its portfolio structure (overweight exposures to emerging markets and emerging biotech stocks and an underweight position in major pharma companies). WWH now ranks fifth out of nine funds over one year, an above-average fourth out of eight over three years, fourth out of eight over five years and third out of six over the last decade. WWH is trading on a

wider-than-average discount than the selected peer group, where two funds are trading at a premium, and has the second-lowest ongoing charge, although a performance fee may be payable. WWH has a below-average level of gearing (ranking sixth) and a below-average dividend yield; however, it should be noted that the four funds with the highest yields pay dividends out of capital.

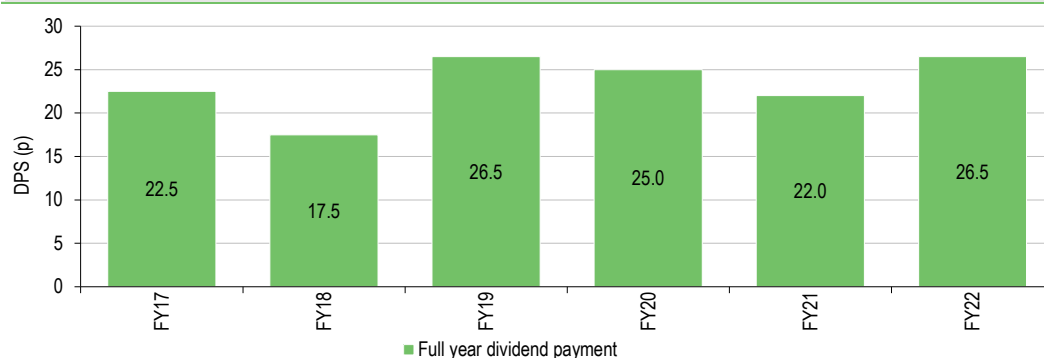
Exhibit 8: Selected peer group at 20 July 2022*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
Worldwide Healthcare Trust	2,141.4	(4.8)	33.1	46.8	329.4	(6.9)	0.9	Yes	103	0.8
BB Biotech	2,812.5	(17.4)	9.7	12.3	387.7	16.9	1.2	No	103	6.5
Bellvue Healthcare Trust	971.4	(9.2)	37.5	71.8		(2.8)	1.1	No	110	3.7
Biotech Growth Trust	366.2	(28.3)	13.3	10.1	234.3	(7.5)	1.1	Yes	104	0.0
HBM Healthcare Investments	1,613.5	3.0	69.2	153.0	634.0	(3.8)	1.8	Yes	100	3.5
International Biotechnology Trust	280.7	(1.1)	27.5	35.6	294.0	(6.9)	1.2	Yes	109	4.1
Polar Capital Global Healthcare	389.3	12.7	44.1	67.9	237.0	(6.0)	0.9	Yes	106	0.6
RTW Venture Fund	204.0	(25.6)				(7.8)	1.9	Yes	100	0.0
Syncona	1,336.0	8.7	(3.5)	44.8		2.7	0.5	No	100	0.0
Average (9 funds)	1,123.9	(6.9)	28.9	55.3	352.7	(2.5)	1.2		104	2.1
WWH rank in peer group	2	5	4	4	3	7	2		6	5

Source: Morningstar, Edison Investment Research. Note: *Performance data to 19 July 2022 based on ex-par NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

Dividends

Exhibit 9: Dividend history since FY17



Source: Bloomberg, Edison Investment Research

WWH pays semi-annual dividends in January and July. In FY22, the trust's revenue return was 26.8p per share, which was 11.2% higher compared with 24.1p per share in FY21. This increase was primarily due to a larger weighting to higher-yielding stocks. The FY22 annual dividend of 26.5p per share (1.0x covered) was 20.5% higher year-on-year. The board believes WWH's capital should be deployed in the portfolio, rather than paid out as dividends to achieve a particular target yield. At the end of FY22, the trust had c £21.0m in revenue reserves, which is c 1.2x the last annual dividend payment. Based on its current share price, the trust offers a 0.8% dividend yield.

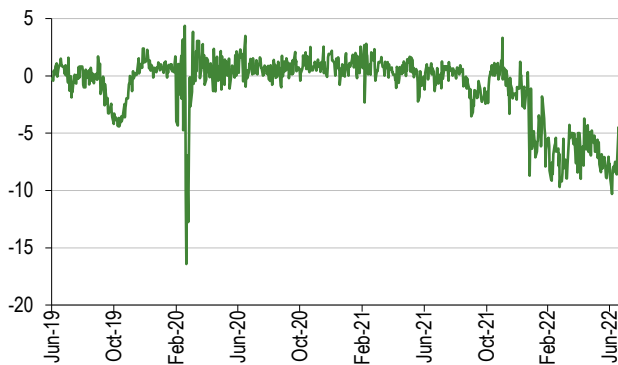
Valuation: Wider discount following poor performance

WWH's shares are trading at a 6.9% discount to its cum-income NAV, which compares with a range of a 3.3% premium to a 10.3% discount over the last 12 months. Over the last one, three, five and 10 years the trust traded on average discounts of 3.3%, 1.0%, 0.3% and 2.4% respectively.

In 2004, WWH's board implemented a discount-control mechanism, aiming to ensure a maximum 6% share price discount to ex-income NAV in normal market conditions. It has the authority, renewed annually, to repurchase up to 14.99% and allot up to 10% of issued share capital. A prospectus is required to enable further share issuance; the latest was published on 13 July 2021

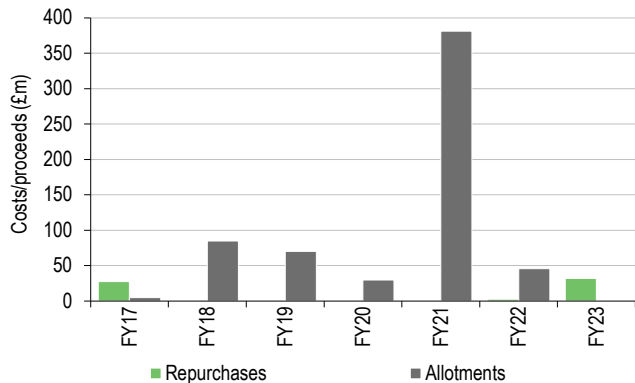
relating to a placing programme of up to 20.0m new ordinary shares. During FY22, c 1.2m shares were issued at a 0.8% average premium to cum-income NAV, which raised c £45.5m, while c 80.5k shares were repurchased at an average 8.4% discount, at a cost of c £2.5m.

Exhibit 10: Discount over three years (%)



Source: Refinitiv, Edison Investment Research

Exhibit 11: Buybacks and issuance



Source: Morningstar, Edison Investment Research

Fund profile: Specialist global healthcare portfolio

WWH was launched in 1995 and is traded on the Main Market of the London Stock Exchange. The trust is managed by global healthcare specialist investor OrbiMed, which has c \$17bn of assets under management (c \$4.7bn in public equities). The firm operates from three continents with offices in New York, San Francisco, Herzliya (Israel), Hong Kong, Shanghai and Mumbai. It has a team of more than 130 people, of whom more than 30 hold PhD or MD qualifications. WWH's managers Sven Borho and Trevor Polischuk aim to generate a high level of capital growth from a diversified portfolio of global healthcare stocks, and the trust's performance is measured against the MSCI World Health Care Index. Data from OrbiMed show that from the trust's inception in 1995 to 31 March 2022, its NAV and share price total returns of +4,237.6% and +3,866.7% respectively were considerably ahead of the blended benchmark's +2,133.6% total return. The trust's blended benchmark is the Datastream World Pharma/Biotech TR (sterling adjusted) Index from inception to 30 September 2010 and the MSCI World Health Care TR (sterling adjusted) Index thereafter.

There are a series of investment guidelines and limits in place:

- at the time of acquisition, a maximum 15% of the portfolio in any one individual stock;
- at least 50% of the portfolio will normally be invested in larger companies (market cap at or above \$10bn), with at least 20% in smaller companies (market cap less than \$10bn);
- a maximum 10% in unquoted securities at the time of acquisition;
- up to 5% of the portfolio, at the time of acquisition, may be invested in each of debt instruments, convertibles and royalty bonds issued by pharma and biotech companies; and
- a maximum of 30% of the portfolio, at the time of acquisition, may be invested in companies in each of the healthcare equipment & supplies and healthcare providers & services subsectors.

Derivatives are permitted to enhance returns and mitigate risk (maximum 5% of the fund's net exposure), up to 12% of WWH's gross assets may be held in equity swaps, currency exposure is not hedged and the managers may gear up to 20% of net assets. WWH is subject to a five-year continuation vote; the next is due at the 2024 AGM.

Investment process: Bottom-up stock selection

WWH's broad mandate means managers Borho and Polischuk can participate in all subsectors of the healthcare industry anywhere in the world, aiming to generate long-term capital growth. They

are able to draw on the broad resources of OrbiMed's investment team, including employees based in China. The firm has used a public equity portfolio review process since 2009; the team meets regularly to discuss WWH's portfolio structure and individual holdings. Topics include clinical events, which have historically been the largest source of biotech and pharma share price volatility; regulatory events; new drug launches; doctor surveys; key opinion leader consultations; and other field research. Company meetings are a very important element of the investment process.

Stocks are selected from an actively covered universe of around 1,000 companies, ranging from early-stage preclinical businesses through to multinational biopharmaceutical firms and WWH's portfolio is diversified by geography, subsector and market cap. The managers seek companies with underappreciated product pipelines, robust balance sheets, strong management teams and are trading on reasonable valuations. There is a disciplined portfolio construction process to ensure the fund remains focused on high-conviction positions, and there is also a rigorous risk-management process.

At the end of June 2022, WWH had 77 positions, which was lower than 87 a year earlier. Its unlisted exposure was 7.6% at the end of June 2022, compared with 6.6% at the end of June 2021. WWH has good access to ideas and unquoted companies given OrbiMed's large private equity team. The managers are mindful of liquidity issues when investing in private companies and understand that there is increased competition for crossover deals (the last round of financing before a company's IPO).

WWH's approach to ESG

OrbiMed believes there is a high congruence between companies seeking to act responsibly and those that succeed in building long-term shareholder value. To the extent that it is practicable and reasonable, OrbiMed takes into account applicable environmental, social and corporate governance (ESG) factors when evaluating a prospective or existing investment. On a quarterly basis, the company's valuation and risk committee conducts a proactive screening of these across its holdings. Firms with potentially concerning ESG factors, as provided by third-party data services, are highlighted for discussion and potential referral to investment team members for further action if appropriate. OrbiMed may seek to engage with portfolio companies to promote changes in their conduct or policies and could ultimately decide to sell the investment in these firms. In some cases, it may adopt an 'activist' approach to encourage change at investee companies, which may include a proxy campaign or through seeking representation on their boards of directors. The managers seek to invest in reputable management teams and are especially cognizant about corporate governance in emerging markets, as company credentials in these regions may not be as high as those of firms in developed regions.

Gearing

WWH has a US dollar overdraft facility with JP Morgan Securities at the US overnight bank funding rate plus 45bp. Gearing of up to 20% of NAV is permitted. Historically, the trust maintained a relatively high level of gearing, but over the last few years the managers have employed a more pragmatic and tactical approach, hoping to take advantage of periods of stock market volatility. In H122, month-end net gearing ranged from c 6.0% to c 9.0% (6.6% at end-June 2022).

Fees and charges

OrbiMed is paid a base management fee of 0.65% of WWH's NAV and is eligible for a 15% performance fee for outperformance versus the benchmark (on incremental outperformance since launch, if it has been maintained for a 12-month period). As at end-FY22, no performance fees

were accrued or payable. There was a c £31.7m accrual at end-FY21, of which c £12.9m was paid on 30 June 2021, while c £18.9m was reversed due to underperformance.

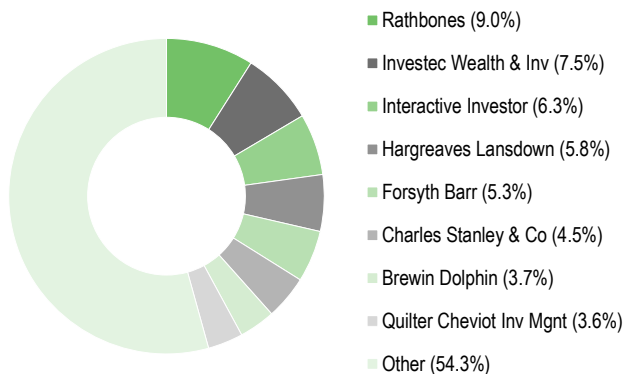
Frostrow Capital is the trust's alternative investment fund manager and is paid a tiered fee: 0.3% of WWH's market cap up to £150m, 0.2% on £150m to £500m, 0.15% on £500m to £1bn, 0.125% on £1bn to £1.5bn, and 0.075% over £1.5bn, along with a £57,500 pa fixed fee.

In FY22, the trust's ongoing charge was 0.9%, which was in line with FY21. Including performance fees, the FY22 ongoing charge was 1.4% (no performance fee was payable in respect of FY21).

Capital structure

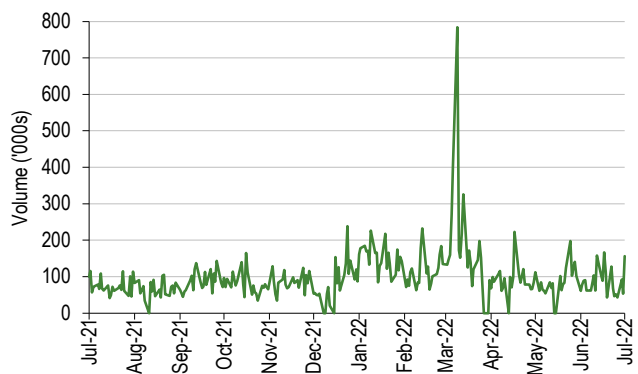
WWH is a conventional investment trust with one class of share; there are 65.0m ordinary shares in issue. At end-FY22 the shareholder base was made up as follows: private wealth managers (58.5% versus 55.2% at end-FY21); shares held on investment platforms (24.2% versus 26.0%); mutual funds (7.5% versus 8.8%); and other (9.8% versus 10.0%). The trust's average daily trading volume over the last 12 months was c 102k shares.

Exhibit 12: Major shareholders



Source: WWH, at 30 June 2022

Exhibit 13: Average daily volume



Source: Refinitiv. Note: 12 months to 20 July 2022.

The board

Exhibit 14: WWH's board of directors at end-FY22

Board member	Date of appointment	Remuneration in FY22	Shareholdings at end-FY22
Sir Martin Smith (chairman since 2008)*	8 November 2007	£53,150	14,596**
Doug McCutcheon	7 November 2012	£33,573	20,000
Sarah Bates	22 May 2013	£35,389	7,200
Humphrey van der Klugt	15 February 2016	£41,133	3,000
Sven Borho	7 June 2018	£0	10,000
Dr Bina Rawal	1 November 2019	£33,573	1,810

Source: WWH. Note: *Retired at 2022 AGM. **11,871 held as a beneficial owner and 2,725 as a trustee.

Sven Borho is a founder and managing partner of OrbiMed and one of WWH's lead managers, so is considered a non-independent director; he waives his director's fee.

Sir Martin Smith stood down at the 6 July 2022 AGM, at which stage Doug McCutcheon extended his term and assumed the role of chairman and Bina Rawal became chair of the management engagement and remuneration committee. The board is in the process of recruiting a new director.

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