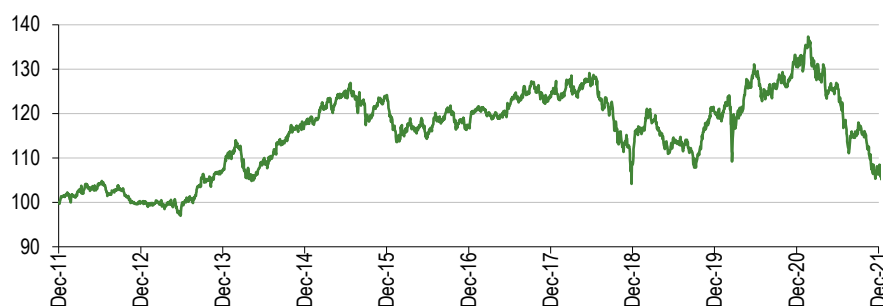


Worldwide Healthcare Trust

Drawing a line under a tough 2021

Worldwide Healthcare Trust (WWH) is managed by Sven Borho and Trevor Polischuk at healthcare specialist investor OrbiMed. While disappointed with the trust's performance in 2021, the managers are upbeat about its prospects in 2022 based on their expectation for a reversal in the underperformance of biotech and Chinese stocks, due to positive industry fundamentals including high levels of innovation. Also, clarity in drug pricing reform could lead to an improvement in investor sentiment towards the healthcare sector. Borho and Polischuk are anticipating an uptick in mergers and acquisitions (M&A) this year, compared with muted levels in 2021, which should provide further support for healthcare stocks.

WWH's NAV versus the benchmark – more challenging performance in 2021



Source: Refinitiv, Edison Investment Research. Note: Total returns in sterling.

The analyst's view

Now may be an opportune time for investors to revisit WWH, which is a very large, diversified specialist healthcare fund. While the trust's performance suffered in 2021 from its overweight positioning in biotech and Chinese stocks, it should be remembered that in FY21 (ending 31 March) the trust posted its fourth-best year of excess return versus its benchmark in its 26-year history (NAV and share price total returns of +30.0% and +27.4% versus the benchmark's +16.0% total return). This was primarily due to successful stock selection in both listed and unquoted companies, and despite sterling appreciating by 11.3% versus the US dollar over the period. WWH remains ahead of the MSCI World Health Care index over the last decade in both NAV and share price terms, generating absolute returns of +17.5% pa and +18.6% pa, respectively.

Trading close to NAV and regular share issuance

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. The trust's shares are currently trading at a 1.7% discount to its cum-income NAV, which compares to average premiums of 0.0%, 0.1% and 0.1% over the last one, three and five years, respectively. In FY21, WWH's share base increased by about 20%, which raised £380.6m, and so far in FY22, a further c 1.2m shares (c 1.9% of the share base) have been issued, raising c £45.6m.

Investment trusts Global healthcare equities

27 January 2022

Price 3,170.0p
Market cap £2,078m
AUM £2,095m

NAV* 3,225.2p
Discount to NAV 1.7%

*Including income. At 25 January 2022.

Yield 0.7%

Ordinary shares in issue 65.5m

Code/ISIN WWH/GB0003385308

Primary exchange LSE

AIC sector Biotechnology & healthcare

52-week high/low 3,960.0p 2,970.0p

NAV* high/low 3,901.8p 3,225.2p

*Including income

Gearing* 8.9%

*At 31 December 2021

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.
- Outperformance versus the benchmark over the last decade.
- Managers are able to draw on the very deep resources of OrbiMed's investment team.

Bear points

- Underperformance versus the peer-group average.
- Modest dividend yield.
- Periodic political risk from investing in healthcare stocks.

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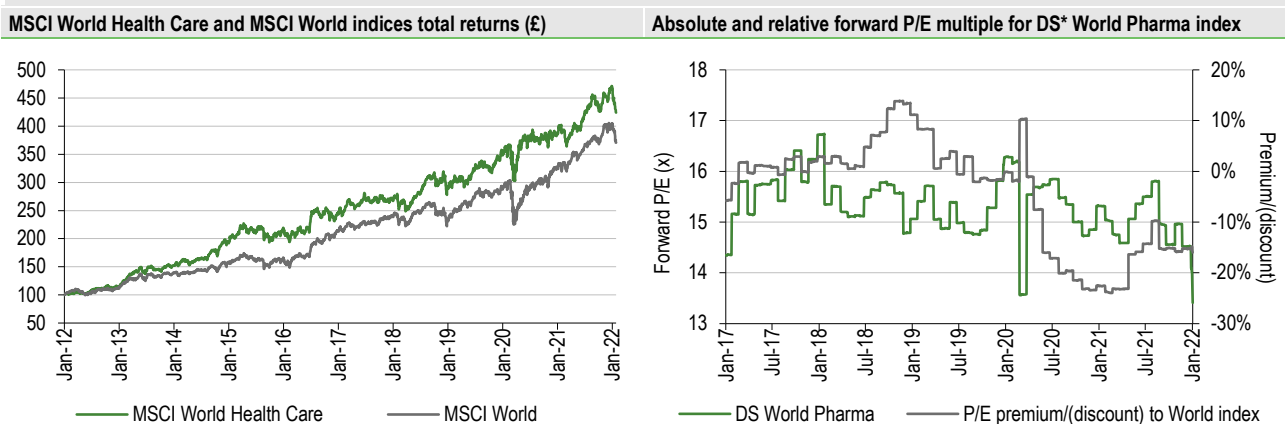
Market outlook: Hoping for a better year for healthcare

While healthcare stocks have outperformed the world market over the long term (Exhibit 1, LHS), 2021 showed there are periods when investors need to be selective. Biotech stocks, particularly those of smaller businesses, performed particularly poorly for a variety of reasons, including some high-profile pipeline disappointments and a muted level of M&A activity. Last year also followed a particularly strong year of performance in 2020, as biotech stocks were favoured by investors for their efforts in the fight against COVID-19.

In general, fundamentals within the healthcare sector remain positive, with high levels of innovation, a benign regulatory environment and robust demand from an aging global population. There is also potential for an uplift in M&A activity as mature healthcare companies seek to boost their product pipelines to sustain their revenue and earnings growth profiles. It should be remembered that there is an overhang to the healthcare sector due to the threat of drug price reform; however, if this issue is resolved with modest negative effects, it could lead to a meaningful change in sentiment towards the industry.

In terms of valuation, the Datastream World Pharma index is trading on a 13.4x forward P/E multiple, which is a 16.0% discount to the world market and considerably wider than the 4.2% average discount over the last five years. From a risk-reward perspective, global investors may benefit from an allocation to the healthcare sector, while those with a higher-risk tolerance may wish to focus their attention on biotech stocks given their significant underperformance in 2021.

Exhibit 1: Market performance and valuation



Source: Refinitiv, Edison Investment Research. Note: *DS is Datastream. Valuation data at 26 January 2022.

The fund managers: Sven Borho and Trevor Polischuk

The manager's view: Confident of a brighter 2022

Polischuk explains 2021 was a 'difficult time for parts of the healthcare sector'. At the beginning of the year, the Georgia state runoff completed the US presidential election cycle, with the result leading to a Democratic sweep across the White House, the House of Representatives and the Senate as the two Georgian seats were won by Democratic Senate candidates. The manager says this outcome put the healthcare sector on the 'wrong foot' as there were concerns about egregious drug price increases under the Biden administration and provided a reason for generalist investors to avoid investing in healthcare stocks. He notes that compression in the relative valuations of healthcare stocks persisted for most of 2021. However, Polischuk suggests there could potentially be breaking news 'in the near future' following increased discussions about drug price reform. He believes any Democratic proposals are likely to be a benign or positive outcome for the healthcare industry, saying 'fingers crossed ahead of an announcement'.

The manager comments that the valuations of healthcare stocks are 'very depressed'. During 2021, small- and mid-cap biotech stocks performed particularly poorly; Polischuk says this was a reversion to the mean as 2020 was 'a banner year for biotech stocks'. He explains the healthcare sector was at the forefront of dealing with the COVID-19 pandemic; the Standard & Poor's depository receipt (SPDR) S&P Biotech ETF rose by nearly 50% in 2020 as there was a high level of investor interest in biotech stocks. This position reversed in 2021 due to the drug pricing overhang, a slowdown at the US Food and Drug Administration (FDA), some negative catalysts in the form of high-profile trial failures, a modest level of M&A and macro trading dynamics, which saw a shift from growth into value market leadership, along with a preference for large over small-cap stocks. During 2021, the SPDR S&P Biotech ETF underperformed the US S&P 500 index by more than 50%.

Polischuk reports that in mid-2020, there was a sell-off in Chinese healthcare stocks, illustrating the importance of aligning an investment thesis around these companies with the Chinese government's goals and regulations. Headlines centred on Chinese government intervention in other sectors such as education and online gaming, leading to a concern this would spill over into the healthcare sector, although so far, nothing material has been announced. The manager says it was 'more a question of shoot first and ask questions later'. In addition, many Chinese healthcare names performed very strongly in 2020 due to a COVID-19 tailwind and revaluations; hence, the headline risk led to profit taking.

There has been a general perception, says Polischuk, that the lack of an FDA commissioner has been a hindrance; however, he says the facts prove otherwise as 2021 was another near-record year for approvals of new molecular entities, including COVID-19 therapies. The new commissioner is likely to be Dr Robert Califf, who was commissioner under President Obama; the manager views him as a 'fantastic pick' and considers him to be industry friendly; his appointment is believed to be imminent.

Looking into 2022, Polischuk believes innovation will be the greatest driver of healthcare performance. When issues over drug pricing dissipate, he expects investors to refocus their attention on innovation, which is at high levels across disease states, platform technologies and non-therapeutic products. He suggests there will be another reversion to the mean with biotech and Chinese stocks rallying. The manager expects an acceleration in M&A activity as the 2021 sell-off has provided 'bargain shopping' opportunities and the potential for outsized returns for companies that are taken over, although he opines that 'increased M&A should lift all boats'. Polischuk comments there have been important talking points from some of large-cap pharma executives as these companies need to continue to acquire businesses to bolster their pipelines, and they have the resources available due to strong balance sheets and cash flows.

Turning his attention to COVID-19, the manager says the focus has shifted away from vaccines, which have been very impressive in the most critical aspects of thwarting the pandemic across all geographies but are reaching saturation point in some areas (all people wishing to be jabbed have been vaccinated). He notes that the next innovations are likely to be in COVID-19 treatments, especially oral delivery, as the virus is likely to be with us for a long time. Polischuk explains oral therapies are especially efficacious, safe and easy to administer, and should ensure that COVID-19 patients do not need to be hospitalised. Three oral therapies for the treatment of COVID-19 have been filed at the FDA: Merck and Ridgeback Biotherapeutics' Lagevrio, Pfizer's Paxlovid and AstraZeneca's Evusheld. AstraZeneca also has a long-acting antibody for prophylaxis infections.

Current portfolio positioning

At the end of December 2021, WWH's top 10 positions made up 37.7% of the fund, which was a higher concentration compared with 34.1% at end-December 2020; just four names were common

to both (including, among the larger holdings, Bristol-Myers Squibb and Boston Scientific). Reflecting its dominance in the global healthcare industry, most of the top 10 holdings were US companies across three subsectors: pharmaceuticals, biotechnology, and healthcare equipment and supplies.

Discussing WWH's portfolio compared with the benchmark, Polischuk says the trust is overweight in small-cap biotech (15–25% versus 4% in the index) and China (emerging markets is 0% of the index versus 10–20% at WWH). The manager says these two segments will continue to be important strategic areas for the fund, especially given the opportunity to recover from the 2021 weakness.

Exhibit 2: Top 10 holdings (at 31 December 2021)					
Company	Region	Sector	Portfolio weight %		
			31 Dec 2021	31 Dec 2020*	
Bristol-Myers Squibb	North America	Pharmaceuticals	5.6	4.1	
AstraZeneca	Europe	Pharmaceuticals	4.9	N/A	
Boston Scientific	North America	Healthcare equipment & supplies	4.4	4.3	
Horizon Therapeutics	North America	Biotechnology	4.0	3.0	
AbbVie	North America	Pharmaceuticals	3.6	N/A	
Pfizer	North America	Pharmaceuticals	3.3	N/A	
Mirati Therapeutics	North America	Biotechnology	3.1	3.7	
Edward Lifesciences	North America	Healthcare equipment & supplies	3.0	N/A	
Stryker	North America	Healthcare equipment & supplies	2.9	N/A	
SPDR S&P Biotech ETF	North America	Biotechnology	2.9	N/A	
Top 10 (% of portfolio)			37.7	34.1	

Source: WWH, Edison Investment Research. Note: *N/A where not in end-December 2020 top 10.

Focusing on some of WWH's largest overweight positions, Polischuk says speciality pharma company **Horizon Therapeutics** has launched a very interesting drug (one of the largest launches ever), an antibody treatment for thyroid eye disease (TED). This condition causes inflammation of the eye muscle leading to a bulging eyeball, which is painful, disfiguring and causes blurred vision. Horizon's Tepezza has revolutionised the treatment of TED. The drug generated c \$1bn in sales in 2021, which the manager suggests could double in 2022.

Mirati Therapeutics is an innovator in oncology using targeted therapies (precision medicine) focusing on DNA mutations. Polischuk says treatments are reaching a new level in terms of efficacy and safety; Mirati is a leader in the development of KRAS inhibitors.

The manager explains there have been high levels of volatility in the medical devices space due to the pandemic and more recently because of the Omicron variant. He believes **Boston Scientific** is poised to benefit from the move to a more normal living environment and the company is an innovation leader across its portfolio of products.

Polischuk considers **Bristol-Myers Squibb** as a 'deep value situation'. The major pharma company is a leader in oncology, especially immunoncology and liquid (blood) tumours. It is benefiting from its 2019 acquisition of major biotech firm Celgene. The manager believes Bristol-Myers Squibb has an underappreciated product pipeline and growth profile.

WWH's largest underweight position is **Johnson & Johnson**, which has a large c 5.5% index weighting (0% in the fund). The trust is underweight in large-cap pharma companies, which Polischuk describes as a group of 'have and have-not' companies in terms of growth, pipelines and patent expirations; he views Johnson & Johnson as being in 'the middle of the pack'.

Looking at the changes in WWH's sector and geographic exposure over the 12 months to end-December there is a higher weighting to healthcare equipment & supplies (+4.8pp), broadly offset by a lower allocation to pharmaceuticals (-4.4pp). The fund has a higher North American exposure (+8.4pp) and a lower European weighting (-5.1pp). At end-December 2021, China/Hong Kong made up 13.1% of the portfolio, with India at 2.7% versus end-December 2020, when emerging markets made up 17.0% of the fund, while Asia made up 3.3%.

Exhibit 3: Portfolio sector and geographic exposure (%)

Sector	End-Dec 2021	End-Dec 2020	Diff. (pp)	Region	End-Dec 2021	End-Dec 2020	Diff. (pp)
Biotechnology	30.3	30.2	0.1	North America	75.7	67.3	8.4
Pharmaceuticals	26.7	31.1	(4.4)	China/Hong Kong	13.1	N/S	N/A
Healthcare equipment & supplies	18.8	14.0	4.8	Europe	7.3	12.4	(5.1)
Healthcare providers & services	16.2	16.6	(0.4)	India	2.7	N/S	N/A
Life science tools & services	6.6	7.6	(1.0)	Japan	1.2	N/S	N/A
Healthcare technology	1.4	0.0	1.4				
Fixed & variable interest	0.0	0.5	(0.5)				
	100.0	100.0			100.0	100.0	

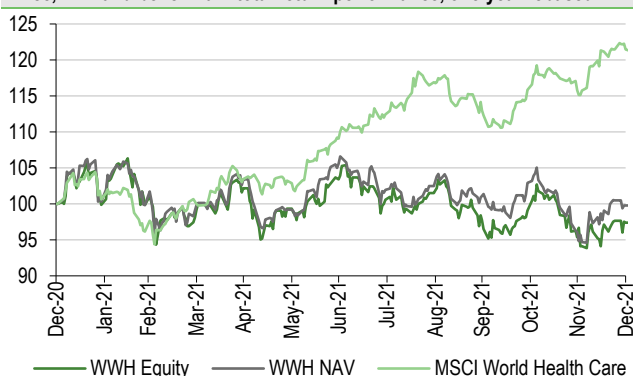
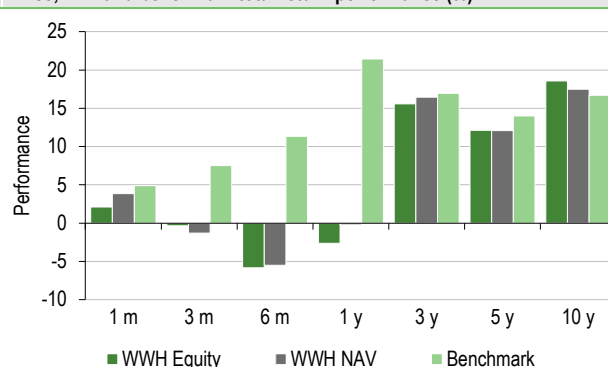
Source: WWH, Edison Investment Research. Note: N/S is not stated separately.

Performance: Tough 2021 dents long-term record

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 (%)
31/12/17	20.7	16.5	10.0	9.3	14.0
31/12/18	(5.0)	(3.9)	9.4	6.5	(9.8)
31/12/19	32.3	31.9	19.1	15.7	19.3
31/12/20	19.9	20.0	10.6	12.3	(10.9)
31/12/21	(2.6)	(0.2)	21.5	10.6	18.4

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

Exhibit 5: Investment trust performance to 31 December 2021
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 H122 (to 30 September 2021), WWH's NAV and share price total returns of +0.4% and -1.5% respectively lagged the benchmark's +13.0% total return. Positions contributing the most to the trust's NAV performance were AstraZeneca (a major UK pharma company with an attractive growth profile across a range of therapeutic categories); Apollo Hospital Enterprise (solid fundamental attributes at the largest hospital and pharmacy chain in India); Dexcom (a US medical device company that is the market leader in continuous glucose monitoring and is developing an artificial pancreas); Horizon Pharmaceuticals (a US speciality pharma company that successfully launched Tepezza for the treatment of thyroid eye disease); and Edwards Lifesciences (a US developer of tissue replacement heart valves with sales and earnings growth rates that are superior to those of its peers).

The largest detractors were Theravance Biopharma (a US firm specialising in the discovery and development of organ-selective medicines that had two separate high-profile pipeline failures); Ikena Oncology (a US biotech company that suffered from the broader sector sell-off); Haemonetics (this US firm is the largest global provider of equipment and consumables used for plasma collection; the holding was sold after the announcement that one of its largest customers would be moving to a new supplier); Vor Biopharma (a US February 2021 IPO that suffered from the lack of

investor interest in small-cap biotech stocks); and Jiangsu Hengrui Medicine (the largest-listed pharma company in China that had some reimbursement and pricing setbacks, and there were changes to regulatory guidelines for new cancer drug approvals in the country).

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	(2.6)	(7.3)	(15.4)	(19.8)	(3.5)	(8.0)	17.3
NAV relative to MSCI World Health Care	(1.0)	(8.2)	(15.1)	(17.9)	(1.3)	(8.2)	7.3
Price relative to World-DS Pharm & Bio	(0.5)	(3.3)	(9.5)	(11.9)	7.5	6.0	42.8
NAV relative to World-DS Pharm & Bio	1.2	(4.2)	(9.2)	(9.8)	9.9	5.8	30.7
Price relative to CBOE UK All Cos	(2.5)	(4.1)	(11.4)	(17.7)	22.7	36.9	162.4
NAV relative to CBOE UK All Cos	(0.9)	(5.0)	(11.1)	(15.7)	25.5	36.7	140.1

Source: Refinitiv, Edison Investment Research. Note: Data to end-December 2021. Geometric calculation.

WWH had a tough period of performance in 2021, primarily due to its overweight exposure to biotech stocks, which dramatically underperformed the broader stock market. In 2021, the SPDR S&P Biotech ETF fell by c 25% compared to a c 27% gain in the US bellwether S&P 500 index. Unfortunately, the trust's underperformance over the last 12 months has negatively affected its longer-term performance record. WWH is ahead of its benchmark over the last decade in both NAV and share price terms, but now lags over the last one, three and five years. The trust remains solidly ahead of the global Datastream Pharma & Biotech Index and the broad UK stock market over the last three, five and 10 years.

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



Source: Refinitiv, Edison Investment Research

Peer group comparison

Exhibit 8: Selected peer group at 26 January 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	2,077.5	(16.9)	29.6	53.3	333.5	(1.5)	0.9	Yes	105	0.7
BB Biotech	2,979.1	(36.0)	2.2	19.1	383.2	36.4	1.2	No	109	5.8
BB Healthcare Trust	980.9	(10.2)	40.7	87.0		3.0	1.1	No	102	3.0
Biotech Growth Trust	379.5	(43.6)	25.5	27.4	297.7	(0.5)	1.1	No	109	0.0
HBM Healthcare Investments	1,654.7	5.8	102.5	157.9	653.9	(6.6)	1.3	Yes	106	3.3
International Biotechnology Trust	259.3	(20.7)	20.5	29.3	295.9	(2.1)	1.2	Yes	121	4.5
Polar Capital Global Healthcare	335.9	3.7	41.8	57.9	216.5	(6.7)	0.9	Yes	107	0.7
RTW Venture Fund	235.8	(11.5)				(12.3)	2.1	Yes	100	0.0
Syncona	1,233.5	(15.4)	(10.6)	37.0		7.6	1.6	No	100	0.0
Average (9 funds)	1,126.2	(16.1)	31.5	58.6	363.4	1.9	1.3		106	2.0
WWH rank in peer group	2	6	4	4	3	5	1		6	5

Source: Morningstar, Edison Investment Research. Note: *Performance data to 25 January 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).

Exhibit 8 shows a selection of closed-end healthcare funds: the seven members of the AIC Biotechnology & Healthcare sector along with two Switzerland-listed companies (BB Biotech and HBM Healthcare Investments). Three of the funds are pureplay biotech funds: BB Biotech,

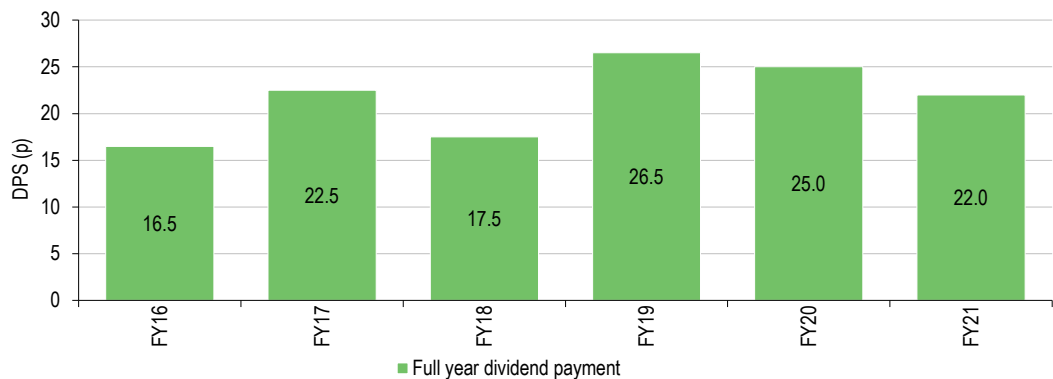
Biotech Growth Trust and International Biotechnology Trust, while c 85% of RTW Venture Fund is also invested in biotech stocks. The remaining five healthcare companies are BB Healthcare Trust, HBM Healthcare Investments, Polar Capital Global Healthcare, Syncona (an early-stage healthcare investor) and WWH, which is the second largest fund in the selected peer group.

WWH's NAV total returns are below average over one, three, five and 10 years (modestly so over one and three years) and its valuation is below the mean. The trust has the lowest ongoing charge in the selected peer group, although a performance fee may be payable. WWH has a below-average level of gearing (ranking sixth) and a below-average dividend yield (the four funds with the highest yields pay dividends out of capital).

Dividends

In H122, WWH's revenue return was £9.0m, which was a more than 60% increase compared with £5.6m in H121, due mainly to a rise in portfolio income. An interim dividend of 7.0p per share was declared: it was a 0.5p (7.7%) increase versus 6.5p per share in H121. The board believes WWH's capital should be deployed rather than paid out as dividends to achieve a particular target yield. At the end of H122, the trust had £17.0m in revenue reserves, which is c 1.2x the last annual dividend payment. WWH pays semi-annual dividends in January and July and based on its current share price, the trust offers a 0.7% dividend yield.

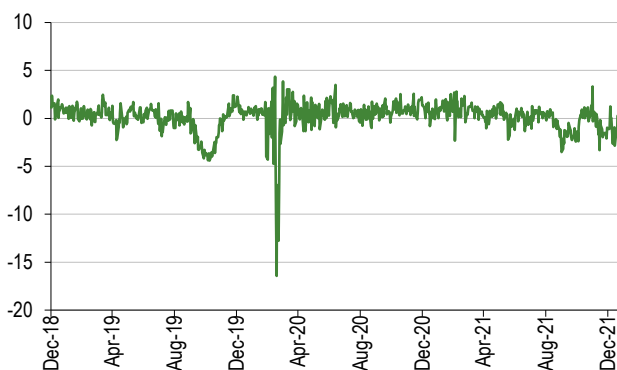
Exhibit 9: Dividend history since FY16



Source: Bloomberg, Edison Investment Research

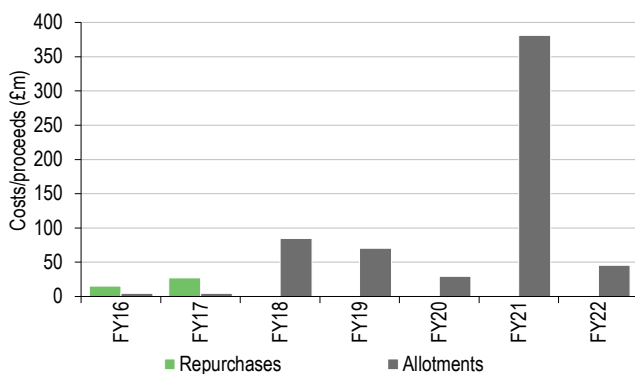
Valuation: Regularly trades close to NAV

Exhibit 10: Discount over three years (%)



Source: Refinitiv, Edison Investment Research

Exhibit 11: Buybacks and issuance



Source: Morningstar, Edison Investment Research

WWH's shares are currently trading at a 1.7% discount to its cum-income NAV. Over the last 12 months the trust has traded in a range of a 3.3% premium to an 8.7% discount. This compares with average premiums of 0.0%, 0.1% and 0.1% over the last one, three and five years respectively, and an average discount of 2.6% over the last decade.

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 issuance of more than 10% of the share capital, the latest was published on 13 July 2021 relating to a placing programme of up to 20m new ordinary shares. Spreading fixed costs over a larger base could reduce the ongoing charges ratio and an increased share count may lead to increased liquidity in the secondary market. So far in FY22, c 1.2m shares (c 1.9% of the share base) have been issued, raising c £45.6m.

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 \$18bn of assets under management (c \$6.3bn in public equities). The firm operates from 11 regional offices and has a team of c 100 investment professionals, of whom more than 30 hold PhD or MD qualifications and around 15 are former CEOs or company founders. 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 (sterling adjusted). Data from OrbiMed show that from the trust's inception in 1995 to 31 October 2021, its NAV total return compounded at a rate of +15.6% pa, which is meaningfully ahead of the blended benchmark's total return of +12.3% pa. (The blended benchmark is the Datastream World Pharma/Biotech TR index from inception to 30 September 2010, the MSCI World Health Care Gross index from 30 September 2010 to 31 December 2011, and the MSCI World Health Care index from 31 December 2011.)

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 and supplies, and healthcare providers and 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 unhedged 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 are able to 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.

At the end of December 2021, WWH had 88 positions, which was broadly in line with 89 at the end of December 2020. Its unlisted exposure was 7.6% at the end of December 2021, which was meaningfully higher than 3.3% a year earlier. Polischuk explains the managers will keep to the 10% limit in private investments, focusing on companies with likely near-term liquidity events (IPO or M&A). He refers to a 'treadmill' in terms of companies going public or being taken over and bringing new private investments into the fund. WWH has good access to ideas and unquoted companies given OrbiMed's large private equity team. Polischuk is mindful of liquidity issues when investing in private companies and notes 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 an overdraft facility with JP Morgan Securities and gearing of up to 20% of NAV is permitted. Historically, the trust maintained a relatively high level of gearing, but over the last two years the managers have employed a more pragmatic and tactical approach, hoping to take advantage of periods of stock market volatility. As an example, the managers moved to a net-cash position in June 2020, recognising the global COVID-19 pandemic would not be short lived. Gearing was increased over the balance of 2020 but in January 2021, WWH once again moved to a net cash position following the Democratic win in the Georgia run-off election, given the potential negative effect on pharma and biotech stocks. Gearing was increased over the last year, peaking at c 16% at the end of October 2021 as the managers became progressively more and more bullish about the healthcare sector due to the significant valuation compression in biotech stocks in particular. By end-December 2021, gearing was 8.9%.

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). In its FY21 annual report there was a c £31.7m performance fee provision, c £12.9m of which crystallised and became payable at 30 June 2021, while c £18.9m was reversed due to underperformance. At end-H122, there were no performance fees accrued or payable.

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.

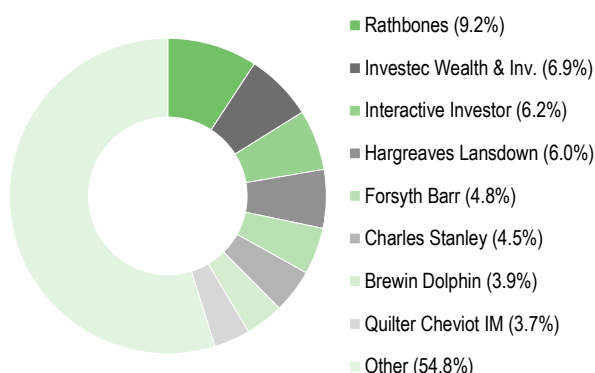
In H122, the trust's annualised ongoing charge was 0.8%, which was 10bp lower than 0.9% in FY21. Including performance fees, the H122 ongoing charge was 1.3% (no performance fee was payable in respect of FY21).

Capital structure

WWH is a conventional investment trust with one class of share; there are 65.5m ordinary shares in issue. At end-FY21 the shareholder base was made up as follows: private wealth managers (55.2%); shares held on investment platforms (26.0%); mutual funds (8.8%); and other (10.0%).

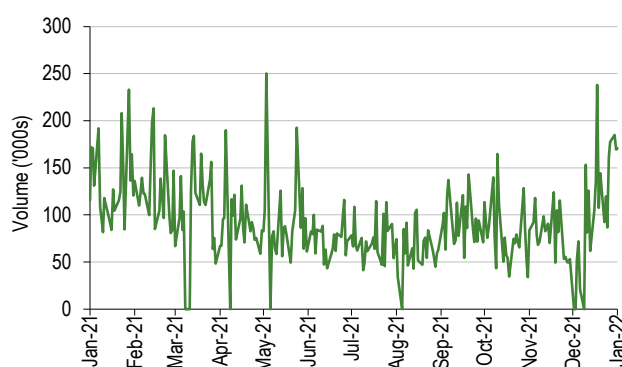
The trust's average daily trading volume over the last 12 months is c 95k shares.

Exhibit 12: Major shareholders



Source: WWW, at 31 December 2021

Exhibit 13: Average daily volume



Source: Refinitiv. Note: 12 months to 26 January 2022.

The board

Exhibit 14: WWH's board of directors

Board member	Date of appointment	Remuneration in FY21	Shareholdings at end-FY21
Sir Martin Smith (chairman since 2008)	2007	£51,106	14,596*
Dr David Holbrook (retired April 2021)	2007	£34,622	1,094
Doug McCutcheon	2012	£32,282	15,000
Sarah Bates	2013	£32,282	7,200
Humphrey van der Klugt	2016	£39,551	3,000
Sven Borho	2018	£0	10,000
Dr Bina Rawal	2019	£32,282	1,810**

Source: WWH. Note: *11,871 held as a beneficial owner and 2,725 as a trustee. **At 13 April 2021.

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. David Holbrook retired at the July 2021 AGM (Sarah Bates succeeded him as senior independent director and chairman of the

nominations committee) and Sir Martin Smith is standing down at the July 2022 AGM, at which stage Doug McCutcheon will extend his term and assume the role of chairman. With effect from 1 April 2021 (the start of FY22), the directors' fees increased by 4%, which the board deems to be appropriate given the level of work associated with the increasing size and complexity of the company.

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