

Worldwide Healthcare Trust

Healthcare industry prospects are shining brightly

Worldwide Healthcare Trust (WWH) has two co-managers, Sven Borho and Trevor Polischuk, at global healthcare specialist OrbiMed. They are very optimistic about the fundamentals for the healthcare sector. The managers are encouraged by high levels of industry innovation, increased clarity around US drug pricing, which removes a long-term overhang, and the acceleration in M&A, which historically has been an important driver for the performance of healthcare stocks. WWH's results have already benefited from the recent acquisitions of three of its biotech holdings at meaningful premiums to their pre-bid share prices, as pharma companies seek to bolster their revenues and pipelines ahead of an upcoming major patent cliff. The managers are particularly bullish on the prospects for emerging (smaller-cap) biotech stocks as these have experienced the worst and longest period of underperformance in their history. WWH has recently had a 10:1 share split to make the company more accessible for smaller investors.

Presentation by Sven Borho at WWH's AGM (July 2023)



Source: WWH

Why consider WWH?

WWH offers investors a broad exposure to the global healthcare sector, including up to 10% in unquoted companies, and has a very commendable long-term performance record. From the trust's launch in April 1995 to the end of March 2023 (end-FY23), its NAV total return has compounded at 14.5% per year versus its benchmark's 11.9% annual total return.

While WWH's relative record has taken a bit of a knock over the medium term due to the underperformance of biotech stocks and investors' focus on macroeconomic developments rather than company fundamentals, readers should not lose sight of the trust's robust double-digit absolute returns. Over the last decade it has delivered NAV and share price total returns of 11.9% and 11.2% pa, respectively.

The trust's discount is wider than its historical averages, but this is not uncommon among investment trusts during a period of higher-than-average investor risk aversion. WWH's managers are confident in their successful long-term strategy of favouring emerging biotech stocks over large-cap pharma companies and are hopeful that the trust will return to regularly trading at a premium to its NAV, which was the case between 2018 and 2022.

NOT INTENDED FOR PERSONS IN THE EEA

Investment trusts
Global healthcare equities

3 August 2023

Price 305.0p
Market cap £1,831m
Total assets £2,007m

NAV* 334.4p
Discount to NAV 8.8%

*Including income. At 2 August 2023.

Yield 1.0%
Ordinary shares in issue 600.2m

Code/ISIN WWH/GB00BN455J50

Primary exchange LSE

AIC sector Biotechnology & Healthcare

52-week high/low 347.5p 303.0p

NAV* high/low 374.1p 330.0p

*Including income

Gearing* 16.1%

*At 30 June 2023.

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.
- Significant long-term record of outperformance versus the benchmark.
- Managers are able to draw on the very deep resources of OrbiMed's investment team.

Bear points

- Disappointing medium-term relative performance.
- Modest dividend yield.
- Periodic political risk from investing in healthcare stocks.

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WWH: Operating environment is very favourable

Drug price overhang lifted

Concern about US drug pricing controls has been a periodic healthcare industry overhang since the Hillary Clinton era in the early 1990s. The overhang has been lifted following the passing of the Inflation Reduction Act 2022; overall WWH's managers consider the industry impact is neutral. A drug price inflation cap is deemed neutral, while the redesign of Medicare Part D should be positive as it lowers patients' out-of-pocket expenses, so should lead to higher drug volumes. Medicare price negotiations will be introduced in 2026 and the managers consider this element is negative but manageable. The drugs affected are the top 10 used by the elderly population that have no biosimilar or generic competition by 13 years post approval for biologics and by nine years post approval for small molecules, with a further 10 drugs added each year. This equates to an estimated \$40bn revenue hit out of a \$660bn US prescription base through to 2032. WWH's managers suggest that, as the Medicare price negotiations are scaled in over multiple years and the rules are now known, the drug price overhang is removed. In addition, there are court proceedings under way, so the situation on drug price controls could change.

M&A is accelerating

An uptick in healthcare industry M&A is being helped by another looming patent cliff, where c \$250bn of branded drug sales are at risk between 2025 and 2030. This means that large-cap pharma companies have a big pipeline and revenue gap to fill. They are looking for biotech and specialty pharma products that will be launched by 2025 and have at least \$1bn revenue potential. The M&A upcycle started in Q222 and WWH has so far benefited from three takeouts of portfolio companies: Global Blood Therapeutics by Pfizer (at a 102% premium); Turning Point Therapeutics by Bristol-Myers Squibb (122% premium); and Seagen by Pfizer, although Merck was previously seen as a potential acquirer (42% premium). According to the managers, M&A should be the most important driver of the healthcare sector's performance over the next 12 to 18 months. Some major pharma companies are very active in M&A, while others have yet to make a move. There is combined \$1.5tn cash on the balance sheets of major pharma companies versus a total biotech industry valued at just \$250bn; all of WWH's small and mid-cap holdings are considered to be potential takeover candidates.

High levels of industry innovation

The managers report that up to 2032, there are a potential 15 novel biotech company-sourced product launches with more than \$60bn in cumulative revenues. Adding in a further 25 products equates to more than \$20bn in additional revenues. Since 2016, the number of molecules under development has increased by 70% and has been led by treatments in oncology. This category is now plateauing, with immunology and central nervous system products increasing in popularity. There has been a series of positive data readouts in oncology, obesity and Alzheimer's drug trials. Obesity is a very important category and is currently dominated by Eli Lilly and Novo Nordisk. There have been products approved for the treatment of Alzheimer's, which is positive for Eli Lilly and Eisai/Biogen, whose drug recently received full approval. WWH's managers highlight a new era of 'mega blockbuster' drugs that are benefiting a narrow list of pharma companies, meaning those that are not clear winners will have to make acquisitions.

Biotech underperformance offering an attractive entry point?

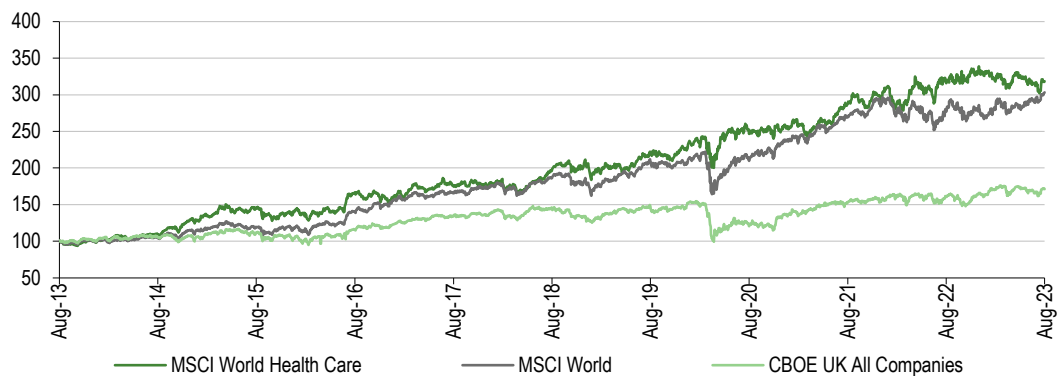
Biotech stocks have had a torrid time due to a variety of reasons including investor risk aversion and trial failures. Looking at the relative performance of the SPDR S&P Biotech ETF (XBI) Index versus the US bellwether S&P 500 Index, between early 2021 and mid-2022, the XBI declined by 77% peak to trough; the absolute decline was 65%. Since mid-2022, the XBI has failed to sustain

short-term periods of outperformance meaning recent years have been the longest and the largest biotech downturn both in absolute and relative terms. Borho explains that until 2021 and 2022 there had not been two consecutive years when biotech stocks underperformed the broader US market; he does not expect 2023 to be the third consecutive year of underperformance. Given the high level of industry innovation and the attractive valuations of many biotech stocks, the manager describes the current situation as the 'biggest dislocation in my career, worse than during the bursting of the technology bubble or the global financial crisis'.

The healthcare market backdrop

In sterling terms, over the last decade global healthcare stocks have modestly outpaced the world market; however, they have performed significantly better than the broad UK market (Exhibit 1).

Exhibit 1: Performance of indices over the last decade (£)



Source: Refinitiv, Edison Investment Research

Exhibit 2 shows the performance of the US healthcare sector in recent years. Its defensive qualities are shown by its modestly negative total return in 2022, when the US market delivered a double-digit decline. In strong equity markets healthcare stocks tend to be around the middle of the pack, but they have underperformed so far this year in a narrow market that has been led by companies deemed to be beneficiaries of the growth in artificial intelligence. WWH's managers expect healthcare stocks, particularly those with high-growth potential, to perform relatively better for the balance of the year.

Exhibit 2: S&P 500 Index sector total returns (\$)

%	2023*	2022	2021	2020			
IT	46.6	Energy	65.4	Energy	54.4	IT	43.9
Comm'n services	45.7	Utilities	1.6	Real estate	46.1	Cons discretionary	33.3
Cons discretionary	36.2	Consumer staples	(0.6)	Financials	34.9	Comm'n services	23.6
Industrials	13.4	Healthcare	(2.0)	IT	34.5	Materials	20.7
Materials	11.4	Industrials	(5.5)	Materials	27.3	Healthcare	13.5
Real estate	5.0	Financials	(10.6)	Healthcare	26.1	Industrials	11.1
Financials	4.3	Materials	(12.3)	Cons discretionary	24.4	Consumer staples	10.8
Consumer staples	3.5	Real estate	(26.2)	Comm'n services	21.6	Utilities	0.5
Energy	1.4	IT	(28.2)	Industrials	21.1	Financials	(1.8)
Healthcare	(0.5)	Cons discretionary	(37.0)	Consumer staples	18.6	Real estate	(2.2)
Utilities	(3.4)	Comm'n services	(39.9)	Utilities	17.7	Energy	(33.7)
Total	20.6	Total	(18.1)	Total	28.7	Total	18.4

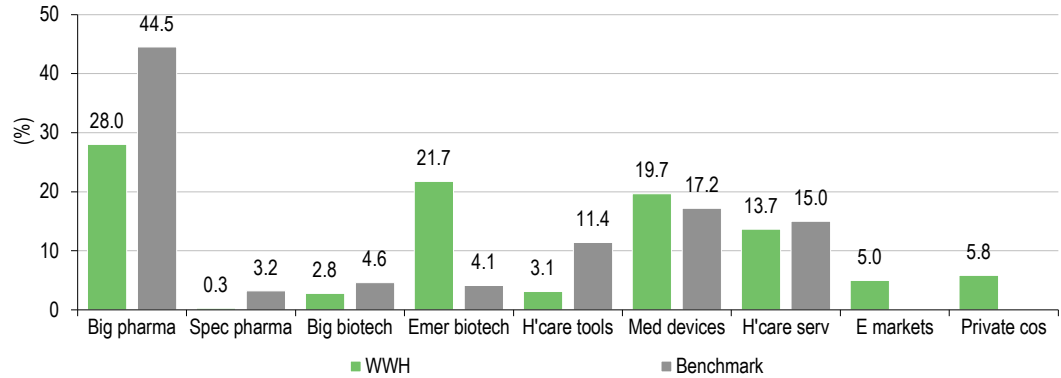
Source: Bloomberg. Note: *To 31 July 2023.

The Datastream World Pharma Index is trading on a 16.2x forward P/E multiple. This is a 3.1% premium to the valuation of the Datastream World Index, which is broadly in line with its 10-year average. However, versus US stocks, global pharma companies look more reasonably valued; the Datastream World Pharma Index is currently trading at an 18.5% discount to the Datastream US Index, which is meaningfully wider than the 11.7% average discount over the last decade.

Current portfolio positioning

The managers' strategy is to favour emerging biotech stocks, which are offset by a significant below-index weighting in large-cap pharma companies. WWH also has modest exposures to emerging markets and unlisted firms, both of which are not represented in its benchmark.

Exhibit 3: WWH's subsector exposure versus the benchmark



Source: WWH, Edison Investment Research

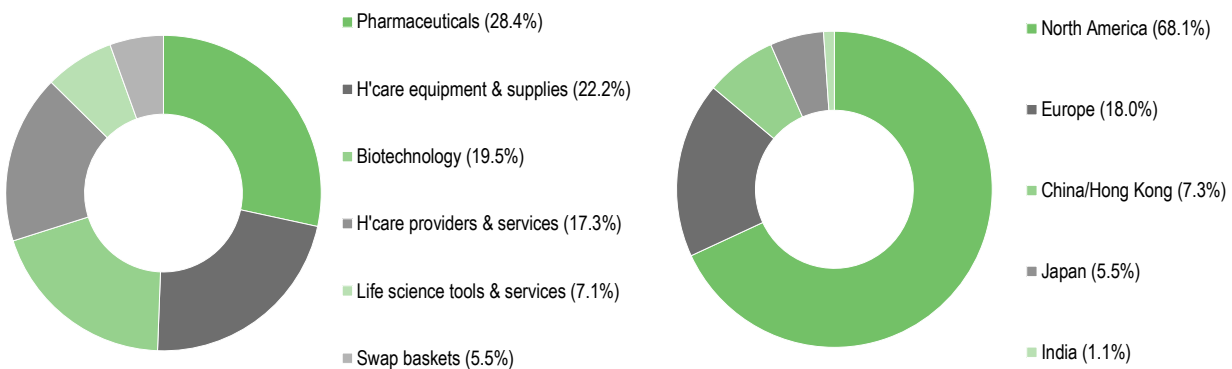
Over the 12 months to end-June 2023, the largest changes in WWH's subsector exposure were a higher allocation to medtech/devices (+6.6pp) and a lower emerging markets weighting (-4.6pp). This was partly a result of poor performance and also due to active selling.

Exhibit 4: Portfolio year-on-year subsector changes and active weights (% unless stated)

	Portfolio end-June 2023	Portfolio end-June 2022	Change (pp)	Active weight vs index (pp)
Big pharma	28.0	29.0	(1.0)	(16.5)
Spec pharma/generics	0.3	3.6	(3.3)	(2.9)
Big biotech	2.8	0.0	2.8	(1.8)
Emerging biotech	21.7	22.8	(1.1)	17.6
Life science tools	3.1	4.0	(0.8)	(8.3)
Medtech/devices	19.7	13.0	6.6	2.5
Healthcare services	13.7	10.8	2.8	(1.3)
Emerging markets	5.0	9.5	(4.6)	5.0
Private companies	5.8	7.3	(1.4)	5.8
Total	100.0	100.0		

Source: WWH, Edison Investment Research. Note: Adjusted for gearing.

Exhibit 5: WWH's subsector and geographic breakdown by economic exposure and country of primary listing



Source: WWH, Edison Investment Research. Note: Includes derivative exposure. Data at 30 June 2023.

Unsurprisingly, given the US's dominance in the global healthcare industry, US-listed companies make up the greater part of WWH's portfolio. In the year to end-June 2023, the largest changes to

the trust's geographic exposure were a higher weighting to Japan (+3.1pp) and a lower allocation to China/Hong Kong stocks (-4.6pp).

WWH's top 10 holdings

As shown in Exhibit 6, at end-June 2023 WWH's top 10 positions made up 42.1% of the fund, which was broadly in line with 42.4% a year before; seven positions were common to both periods. It is interesting to note that although the MSCI World Health Care Index is dominated by the US (more than 70%) and pharma companies (around 40%), the trust's top 10 list includes a meaningful exposure to European pharma companies (16.6%) along with US healthcare & supplies and providers & services businesses (21.0%).

Within WWH's top 10 holdings is the trust's largest biotech holding. It is a swap derivative that is constructed and managed by OrbiMed and is made up of 20 biotech companies that the firm considers to be the most likely M&A targets. It has identified some companies that were bid for, including Turning Point Therapeutics, and 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 6: Top 10 holdings (at 30 June 2023)				
Company	Region	Sector	Portfolio weight %	
			30 June 2023	30 June 2022*
Intuitive Surgical	North America	Healthcare equipment & supplies	5.5	N/A
AstraZeneca	Europe	Pharmaceuticals	5.1	5.9
Boston Scientific	North America	Healthcare equipment & supplies	4.5	3.7
Healthcare M&A target swap	North America	Swap baskets	4.5	4.1
Novo Nordisk	Europe	Pharmaceuticals	4.0	N/A
Sanofi	Europe	Pharmaceuticals	3.9	3.5
Baxter International	North America	Healthcare equipment & supplies	3.9	N/A
Humana	North America	Healthcare providers & services	3.8	4.2
Roche Holding	Europe	Pharmaceuticals	3.6	4.2
UnitedHealth Group	North America	Healthcare providers & services	3.3	3.9
Top 10 (% of portfolio)			42.1	42.4

Source: WWH, Edison Investment Research. Note: *N/A where not in end-June 2022 top 10.

Drilling down further, at end-June 2023, WWH's top 20 and 30 holdings made up 76% and 93% of the fund, respectively. Its active share was 70% (a measure of how a fund differs from an index, where 100% is zero commonality and 0% is full index replication). The percentage of the portfolio invested in profitable companies was 78%.

Performance: Difficult 2022 making its mark

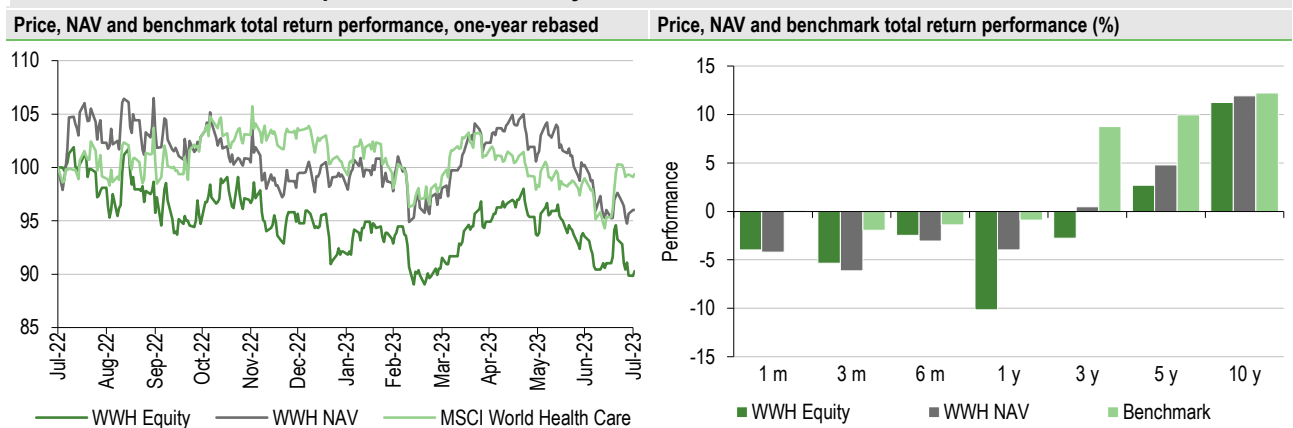
WWH is by far the largest member of the seven-strong AIC Biotechnology & Healthcare sector. Its NAV total returns rank fifth out of seven funds over the last 12 months and three years, fourth out of six over the last five years and first out of five over the last decade. The trust's closest peers are Bellevue Healthcare Trust and Polar Capital Global Healthcare Trust; compared with these two funds, WWH ranks third over the last one, three and five years but first out of two funds over the last 10 years. The trust's shorter-term NAV total returns have been negatively affected by its strategy of favouring emerging biotech stocks and investing in emerging markets, with a below-market weighting to large-cap pharma companies.

WWH has a narrower-than-average discount in a sector where no funds are trading at a premium. It has the lowest ongoing charge, although a performance fee may be payable. It currently has the second-highest level of gearing and a below-average dividend yield, although the two funds with the highest yields can pay dividends out of capital.

Exhibit 7: AIC Biotechnology & Healthcare sector at 2 August 2023*

% 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	1,830.7	(1.4)	1.9	26.3	208.2	(8.8)	0.8	Yes	108	1.0
BelleVue Healthcare Trust	830.8	1.0	16.4	45.5		(7.2)	1.0	No	100	4.3
Biotech Growth Trust	293.5	(3.9)	(28.9)	(1.6)	93.4	(7.1)	1.1	Yes	102	0.0
International Biotechnology Trust	252.8	7.8	8.6	30.4	187.3	(9.2)	1.3	Yes	101	7.2
Polar Capital Global Healthcare	396.6	3.8	34.9	58.7	174.5	(6.6)	0.9	Yes	108	0.6
RTW Biotech Opportunities	214.0	18.9	27.1			(23.8)	2.1	Yes	102	0.0
Syncona	1,014.4	(5.8)	(11.5)	(2.4)	80.3	(19.0)	0.9	No	100	0.0
Average (7 funds)	690.4	2.9	6.9	26.2	148.8	(11.7)	1.2		103	1.9
WWH rank in peer group	1	5	5	4	1	4	1		2	3

Source: Morningstar, Edison Investment Research. Note: *Performance data to 1 August 2023 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: Investment trust performance to 31 July 2023


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

Exhibit 9: WWH's NAV versus the benchmark – distinct performance periods in FY23

(%)	Apr and May 2022	Jun to Sep 2022	Oct to Dec 2022	Jan to Mar 2023
WWH	(7.3)	11.2	(1.5)	(1.6)
Benchmark	(0.2)	2.3	(4.1)	(3.6)

Source: WWH

Looking at WWH's relative performance in recent financial years (ending 31 March), FY21 was one of the best, while FY22 was one of the worst. In FY23, WWH's -0.1% NAV and -4.1% share price total returns lagged the benchmark's +2.5% total return (the trust's results were helped by sterling falling by 6.5% versus the dollar during the period). FY23 was a bit of a 'mixed bag' with distinct periods. As shown in Exhibit 9, April and May 2022 was a tough performance period due to investors' macroeconomic concerns, mainly the war in Ukraine, high inflation and rising interest rates; growth stocks were out of favour. Over the summer in 2022, healthcare fundamentals were positive, there were some positive trial readouts and M&A picked up; WWH meaningfully outperformed its benchmark. In Q322, investors became more defensive and focused on macroeconomic issues and large-cap pharma outperformed, so unsurprisingly the trust underperformed. Then in March 2023, markets sold off due to concerns about problems in the financial sector following the failure of Silicon Valley Bank; WWH outperformed during this period.

During FY23, emerging biotech stocks were by far the largest positive contributor to WWH's performance, helped by acquisition bids for three portfolio companies, which we highlighted earlier in this report. There were smaller positive contributions from the trust's large-cap pharma and Japanese holdings. The largest detractor to the trust's performance was its exposure to Chinese healthcare companies.

Looking at individual stocks, the top three absolute positive contributors were Global Blood Therapeutics and Seagen, which were both acquisition targets, and Daiichi Sankyo. This company

is a leader in the development of third-generation antibody drug conjugates for the treatment of cancers. The largest negative contributors to the fund's performance were Shanghai Bio-heart Biological Technology, Mirati Therapeutics and Horizon Therapeutics. Shanghai Bio-heart Biological Technology had a successful IPO in late-2021, but its share price declined in November 2022, for no obvious reason. The managers speculated that there was profit taking ahead of important data releases and the expiration of the lock-up for private investors in December 2022. Mirati Therapeutics had disappointing trial data. Horizon Therapeutics had poor sales and guidance for its lead product Tepazza, for the treatment of thyroid eye disease, and there was a delay in one of its important trials. This position was sold but the company subsequently received a take-over bid from Amgen at a 48% premium.

Exhibit 10: 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	(4.1)	(3.5)	(1.1)	(9.3)	(28.5)	(29.0)	(8.6)
NAV relative to MSCI World Health Care	(4.3)	(4.3)	(1.7)	(3.1)	(21.2)	(21.4)	(2.7)
Price relative to World-DS Pharma & Bio	(4.1)	(2.9)	(0.9)	(10.4)	(24.0)	(22.7)	7.3
NAV relative to World-DS Pharma & Bio	(4.4)	(3.7)	(1.5)	(4.2)	(16.1)	(14.5)	14.3
Price relative to CBOE UK All Cos	(6.4)	(4.0)	(3.2)	(15.6)	(35.6)	(2.9)	68.8
NAV relative to CBOE UK All Cos	(6.6)	(4.8)	(3.8)	(9.8)	(28.9)	7.5	79.7

Source: Refinitiv, Edison Investment Research. Note: Data to end-July 2023 Geometric calculation.

WWH has a positive long-term performance record. In the c 28 years since the fund was launched in April 1995 to end-FY23, the trust has generated NAV total returns of 14.5% per year, which is considerably ahead of its benchmark's 11.9% annual total returns. However, as shown in Exhibit 10, the trust's NAV has underperformed the MSCI World Health Care Index over all periods shown. Borho acknowledges that WWH's performance needs to improve. He explains that FY22 was 'a killer' due to the trust's heavy exposure to innovative small and mid-cap companies. This strategy has worked over the long term, but was the wrong approach in FY22. He adds that 'we have to do better – there is a lot of wood to chop'.

Exhibit 11: NAV total return performance relative to benchmark over 10 years



Source: Refinitiv, Edison Investment Research

Exhibit 12: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	MSCI World Health Care (%)	DS World Pharma and Biotech (%)	CBOE UK All Companies (%)
31/07/19	3.4	2.4	11.2	6.9	1.1
31/07/20	20.1	21.8	12.4	14.4	(18.5)
31/07/21	11.0	11.3	16.3	10.6	26.4
31/07/22	(7.8)	(5.1)	11.7	9.1	6.1
31/07/23	(10.1)	(4.0)	(0.9)	0.2	6.4

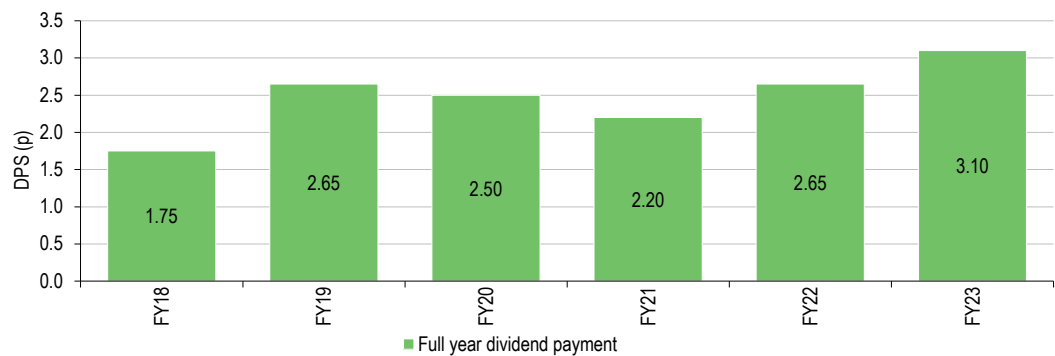
Source: Refinitiv. Note: All % on a total return basis in pounds sterling.

Dividends

WWH's semi-annual dividends are paid in January and July. The managers do not have a particular yield requirement as the trust's board believes WWH's capital should be deployed in the portfolio, rather than paid out as dividends.

The following text refers to the trust's latest annual report and does not reflect the July 2023 10:1 share split. In FY23, WWH's revenue return was 14.2% higher year-on-year at 30.6p per share, helped by a greater exposure to higher-yielding stocks and sterling weakness. The annual dividend of 31.0p (c 1.0x covered) was made up of an unchanged 7.0p per share interim payment and a 23.1% higher 24.0p per share final distribution. At the end of FY23, WWH had c £23.5m in revenue reserves, which is around 1.2x the last annual dividend payment.

Exhibit 13: Dividend history since FY18

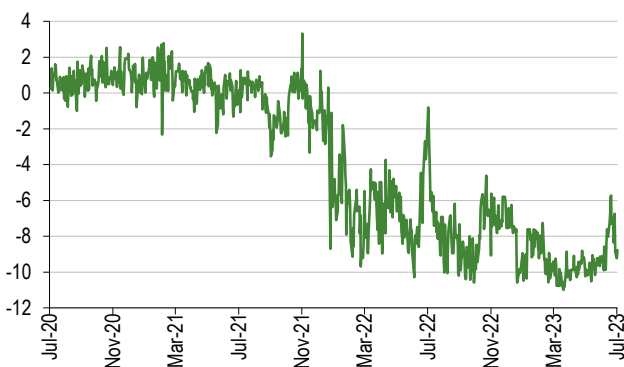


Source: Bloomberg, Edison Investment Research. Note: Reflects 10:1 share split on 27 July 2023.

Discount: Wider than historical averages

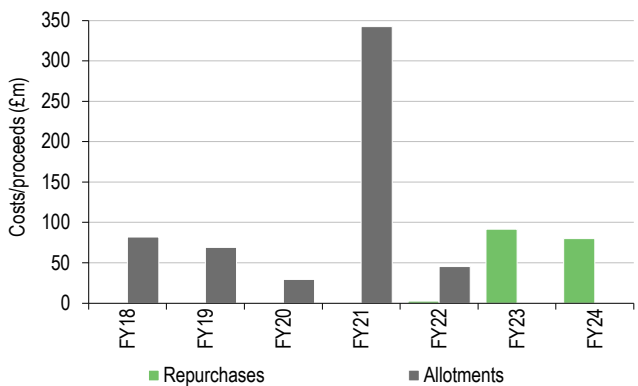
WWH's shares are trading at an 8.8% discount to cum-income NAV, which compares with a 2.2% to 8.5% range of average discounts over the last one, three, five and 10 years, respectively. During the last 12 months, the trust's valuation range is a 0.8% to 11.0% discount.

Exhibit 14: Discount over three years (%)



Source: Refinitiv, Edison Investment Research

Exhibit 15: Buybacks and issuance



Source: Morningstar, Edison Investment Research

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). During FY23, c 2.8m shares were repurchased at an 8.8% average discount to cum-income NAV, at a cost of c £91.6m.

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 \$4.4bn in public equities) and operates from three continents with offices in New York, San Francisco, Herzliya (Israel), Hong Kong, Shanghai, Mumbai and London. OrbiMed has a team of around 140 people, of whom more than 30 hold PhD or MD qualifications and 15 are former biotech CEOs. 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 (Datastream World Pharma/Biotech TR (sterling adjusted) Index from inception to 30 September 2010).

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 can 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 and strong management teams, which 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 2023, the trust had 62 positions, noticeably lower than 77 a year earlier. Its unlisted exposure was 5.7% at the end of June 2023, compared with 7.6% at the end of June 2022. 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 ESG factors when evaluating a prospective or existing investment. The company utilises ESG scores from third-party providers and supplements these with its own proprietary analysis. As well as regular monitoring of these combined data, OrbiMed regularly engages with WWH's portfolio companies. It also tracks ESG information on relevant factors including safety of clinical trials, drug/product safety and ethical marketing. OrbiMed considers that it is leading the charge in terms of meaningful ESG engagement in the healthcare sector. WWH's managers seek to invest in reputable management teams and are especially cognisant 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

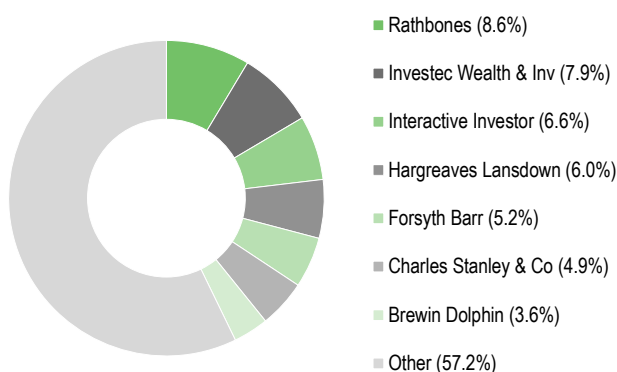
WWH has a US dollar overdraft facility with JP Morgan Securities at the US overnight bank funding rate plus 45bp. Gearing of up to 20% of NAV is permitted. Historically, the trust maintained a relatively high level of gearing, but over the last few years the managers have employed a more pragmatic and tactical approach, hoping to take advantage of periods of stock market volatility. At end-June 2023, net gearing was 16.1%.

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). At end-FY23, no performance fees were 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 FY23, the trust's ongoing charge was 0.8%, which was 10bp lower than 0.9% in FY22.

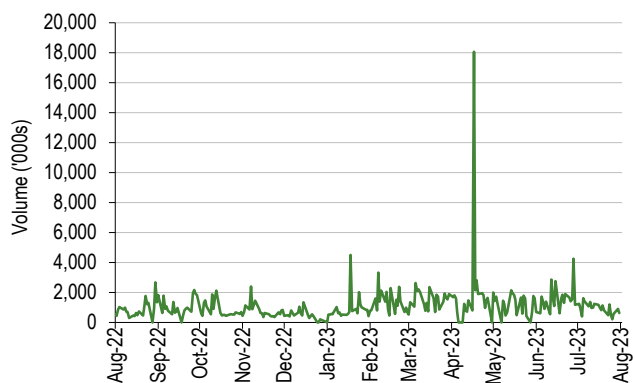
Capital structure

Exhibit 16: Major shareholders



Source: Bloomberg. Note: At 30 June 2023.

Exhibit 17: Average daily volume



Source: Refinitiv. Note: 12 months to 1 August 2023.

WWH is a conventional investment trust with one class of share; there are 600.2m ordinary shares in issue. Over the last 12 months, WWH's average daily trading volume was c 1,170k shares.

The board

Exhibit 18: WWH's board of directors at end-FY23

Board member	Date of appointment	Remuneration in FY23	Shareholdings at end-FY23*
Doug McCutcheon (chairman since 6 July 2022)	7 November 2012	£47,894	20,000
Sarah Bates**	22 May 2013	£36,007	7,200
Humphrey van der Klugt	15 February 2016	£40,503	3,000
Sven Borho	7 June 2018	£0	10,000
Dr Bina Rawal	1 November 2019	£33,573	2,606
Tim Livett	1 September 2022	£20,124	2,175
Jo Parfrey	1 September 2022	£19,584	2,000

Source: WWH. Note: *Before the 27 July 2023 10:1 stock split. **Retired at the 18 July 2023 AGM.

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.

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