

Three of the most compelling new opportunities in the healthcare sector



A professional investor tells us where he'd put his money. This week: Trevor Polischuk, lead manager at the Worldwide Healthcare Trust

The Worldwide Healthcare Trust is a one-stop shop for healthcare investors and is run by experienced academic and industry professionals, all with scientific and healthcare backgrounds. We take a bottom-up approach to stock selection, focusing on innovation and growth, resulting in a portfolio of "best ideas".

Nothing has been more innovative or had a greater impact on human health recently than the 20-year-old class of drugs known as the GLP-1s. Years of pioneering work by Eli Lilly (NYSE: LLY) has resulted in a metabolic medicine that is better, stronger and safer than ever before. The weight loss and blood-sugar control offered by tirzepatide (brand names Mounjaro and Zepbound) are best in class, but that is not what we are excited about. It is the multitude of other health benefits that is likely to drive future growth. These include relieving cardiovascular, kidney and liver disease, sleep apnea and arthritic pain, and perhaps will extend to cognitive benefits, mood disorders, addiction, cancer, inflammatory disorders and even disease prevention.

Eli Lilly remains at the forefront of this innovation and its offerings include recently launched oral versions, next-generation injectables that should increase efficacy (retatrutide) and tolerability (eloralintide). We are at the dawn of an era of new "super medicines" that will treat and prevent disease, ease ageing and promote longevity.

Bayer is transforming itself

Bayer (Frankfurt: BAYN) may be best known for aspirin, but for investors the company has become synonymous with the long-running legal issues hanging over it due to its Roundup (glyphosate) product. This may be obscuring a significant transformation in Bayer's underlying businesses. In pharmaceuticals, Bayer is entering a new period of growth. Demand for newer products for prostate cancer (Nubeqa – darolutamide) and kidney disease (Kerendia – finerenone) continues to grow strongly. The lead asset in its pipeline of new drugs, asundexian, has been shown to reduce the risk of recurrent stroke by 26% in patients who are at risk and is now under regulatory review. Bayer also operates one of the world's largest agricultural businesses and has a pipeline of innovative new products. Importantly, the Roundup saga may finally be approaching a resolution and a proposed settlement could remove much of the uncertainty that has weighed on the shares for years.

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Diagnostics company CareDx is at a turning point

CareDx (Nasdaq: CDNA) is evolving from a transplant-focused diagnostics company into a broader, high-growth precision-medicine platform. Its core "AlloSure" franchise is the leader in donor-derived, cell-free DNA testing for organ-transplant surveillance and is benefiting from increasing clinical adoption and expanding testing volumes. Growth momentum is already visible, with second-quarter revenues up by more than 50% and earnings by over 500%.

Importantly, CareDx is now leveraging its expertise in highly sensitive molecular diagnostics. The acquisition of Naveris brings "NavDx", a blood-based test for viral-mediated cancers, opening a speciality oncology opportunity that management estimates represents a \$5bn addressable market. With accelerating organic growth, expanding margins, new opportunities in oncology and cell therapy, and a streamlined portfolio following the divestiture of its Lab Products business, we believe CareDx is at a turning point and has the potential to compound revenue and earnings at attractive rates for years to come.

