

24 November 2020

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Fund Details

Ticker	WWH
Estimated NAV per share	3517.5p
Share Price	3540.0p
Premium / (Discount)	0.5%
12m Average Premium	0.4%
Market Cap	£2.2bn
Shares in Issue	61.2m
Historical Yield	0.7%
Gearing at 6 Nov 2020	11.6%
Ongoing Charges (HY2021)	0.9%
Primary Exchange	LSE
Domicile	UK
AIC Sector	Biotech. & Healthcare

Source: Morningstar, The Fund
Data as at 23 November 2020

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Worldwide Healthcare Trust*

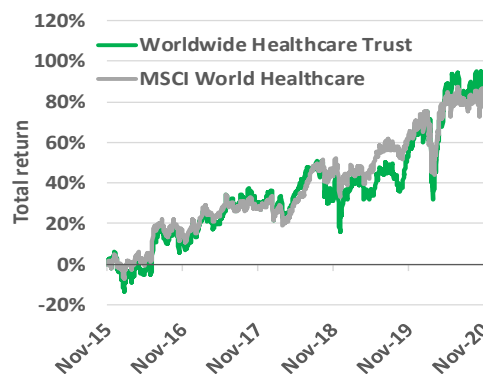
Strong performance with continued positive tailwinds

Worldwide Healthcare Trust is managed by Sven Borho and Trevor Polischuk of OrbiMed, which is a specialist healthcare investment manager with US\$16bn in AUM. The fund celebrated its 25th anniversary this year and has delivered exceptional returns since its launch, significantly outperforming its benchmark (NAV +15.9% p.a. vs. +11.6% p.a.). The fund has also outperformed its benchmark in 2020 YTD, with returns boosted by its exposure to small and mid-cap companies as well as emerging markets stocks. In a recent presentation, the managers highlighted that the P/E ratio of the healthcare sector is significantly lower than that of the broader market and that valuations in the sector remain attractive with key drivers such as innovation and regulation remaining supportive. They also remain positive about the prospects for the sector with innovation being described as in a 'golden era'. In addition, the results of the recent US elections have, in their view, alleviated concerns regarding potential for major changes to the US healthcare system.

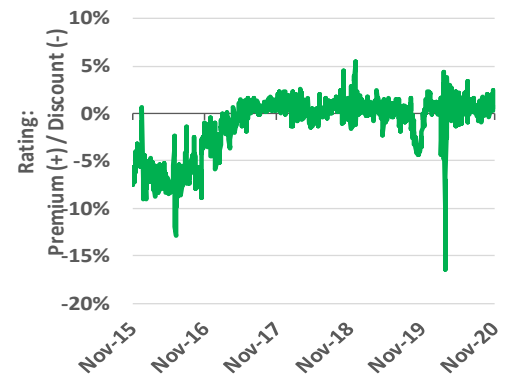
Winterflood View

The global pandemic has thrown a spotlight on the healthcare sector this year. Fortunately, it appears to have come through for both consumers and investors alike and is one of the strongest performing sectors so far in 2020. In our opinion, Worldwide Healthcare Trust offers well-managed exposure to the wider sector with an exceptional long-term performance record. Given the range of subsectors and companies that it can invest in, performance is always likely to be less volatile than those with a focus on biotechnology companies, such as its sister fund, Biotech Growth Trust*. However, Worldwide Healthcare Trust is not just an index-proxy as the weighting of its portfolio to emerging biotechnology companies and emerging markets illustrates. We continue to believe that the fund benefits massively from the experience and resources of the management team at OrbiMed. In our view, this is a highly specialist sector that justifies a specialist investment approach. Furthermore, we accept the argument that the long-term drivers of the healthcare sector remain intact and, as the managers note, the recent US elections have removed some of the short-term pressures on the sector. While the fund's shares currently trade on a small premium, we consider downside discount risk to be mitigated to a certain extent by the policy of protecting a 6% discount.

5 Year NAV Performance History



5 Year Rating History



Source: Winterflood Securities, Refinitiv as at 23 November 2020

	Total Return					
	1m	3m	6m	1y	3y	5y
Worldwide Healthcare Trust (NAV)	0.0%	2.5%	0.0%	20.4%	45.2%	86.8%
Worldwide Healthcare Trust (Share Price)	-0.2%	2.5%	-0.5%	23.6%	44.8%	102.9%
MSCI World Healthcare Index	-0.8%	-0.1%	-0.4%	10.0%	41.0%	79.9%

Source: Refinitiv, Bloomberg as at 23 November 2020

On 17 November we attended OrbiMed’s Healthcare Seminar, which included an update on Worldwide Healthcare Trust from the fund’s managers Sven Borho and Trevor Polischuk. The fund also published its half-year results to 30 September on 20 November. The highlights of both are included below.

Background

Specialist healthcare manager

Worldwide Healthcare Trust is managed by OrbiMed, which is a specialist healthcare investor. It has 127 employees across 11 offices globally, with US\$15.8bn AUM across public and private equity and debt investments. This year the manager hired 14 new people, including four to work in the public equity team. Worldwide Healthcare represents US\$2.7bn of OrbiMed’s AUM, with significant capacity remaining in the strategy, estimated by Sven Borho to be around US\$5bn.

Strong long-term performance record

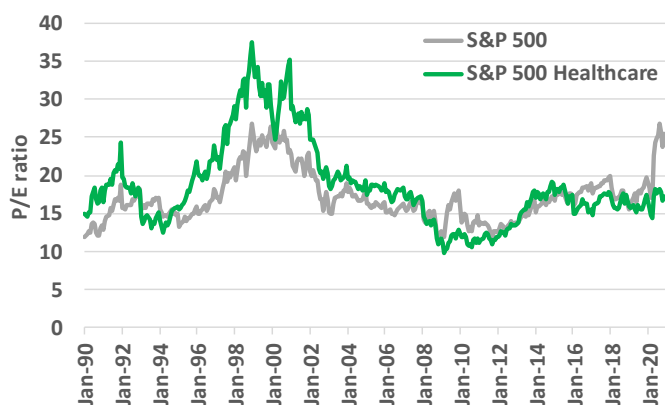
The fund celebrated the 25th anniversary of its launch this year and has delivered exceptional returns over that period, significantly outperforming its benchmark (NAV +15.9% p.a. vs. +11.6% p.a.). The fund’s shares have traded at a premium to NAV for the majority of the past four years. In the six months to 30 September, covered by the half-year results, the fund raised £193m through share issuance and since then has raised a further £70m.

Managers’ Outlook

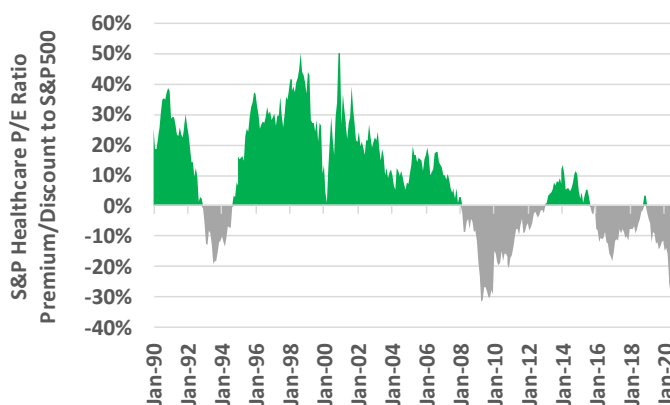
Healthcare sector trading at a significant discount

Sven Borho highlighted that the healthcare sector was once again trading at a significant discount to the broader market. Over the past 30 years, comparable discount levels have been seen when there was significant uncertainty regarding healthcare reform: in the 1990s with Hillarycare and more recently with Obamacare. However, the manager noted that no major healthcare reforms are currently on the horizon, with any such concerns having faded following the outcome of the recent US elections. A Joe Biden presidency and a split congress are viewed by the managers as the “Goldilocks scenario” for the healthcare sector out of the possible outcomes at the start of the year. Sven commented that historically, when the sector has traded at such a discount to the broader market it has proven to be an “incredible” time to buy. Another factor in the relative discount is that earnings in the healthcare sector have held up better than other sectors this year. He did also note that there is a spread of valuations within the sector with some sub-sectors such as Health Maintenance Organisations (HMOs), Large Cap Pharma and Large Cap Biotech trading on lower valuations, while Medtech is close to its historical average and Tools & Diagnostics is on a premium. The fund’s P/E ratio was described as reflective of the discount for the healthcare sector, although it also contains a range of valuations.

S&P 500 and S&P 500 Healthcare P/E ratios



S&P Healthcare P/E Ratio Premium/Discount to S&P 500



Source: Winterflood, Bloomberg. Data from 31 January 1990 to 23 November 2020
P/E ratio is a Bloomberg estimate.

Source: Winterflood, Bloomberg. Data from 31 January 1990 to 23 November 2020
P/E ratio is a Bloomberg estimate.

Some action on drug pricing possible

Sven expects President-elect Biden to be focused on issues such as the economy, the pandemic, additional stimulus and the supreme court, with any changes to the US healthcare system coming further down his list of priorities. However, he does expect him to look to expand and strengthen the Affordable Care Act (a.k.a. Obamacare) but not to fundamentally overhaul it. In any case, any significant changes to the healthcare system would be difficult to pass through a split congress. However, Sven expects something to be done on drug pricing, with a bipartisan compromise likely to be manageable for the industry.

Public image improved by sector's response to pandemic

The managers noted that the number of infections in the pandemic are higher than ever and many geographies are experiencing a second wave. They intend to continue to scrutinise how the healthcare industry responds but noted the breakthroughs that have been made in diagnostics and testing, as well as therapies. They also highlighted the positive recent data on vaccines, with efficacy rates above 90% exceeding the expectations of experts. In the view of the managers, the healthcare sector has responded well to the pandemic and this has improved its public image.

Golden era of innovation

The focus of the portfolio will continue to be innovation, which the managers noted has been a pillar of their investment thesis over past few years. They described it as a golden era for innovation with scientific advances opening new targets for therapies and new technologies enabling drug development. In addition, new drug approvals have been at record levels over the last few years. While President-elect Biden is expected to appoint a new FDA commissioner, the managers do not expect a significant change in the regulatory stance.

Emerging Markets remains a key theme

Emerging Markets also remains a key theme, with macro drivers remaining strong. China and Hong Kong are the primary focus but the managers also like Korea and India, where they favour the hospitals and generics sectors.

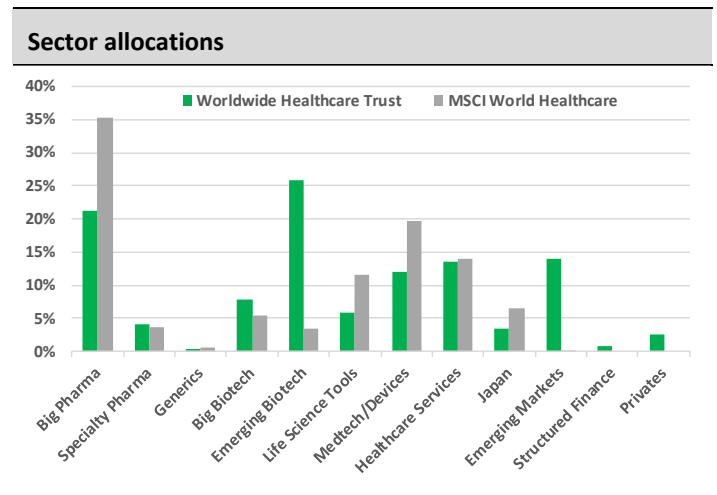
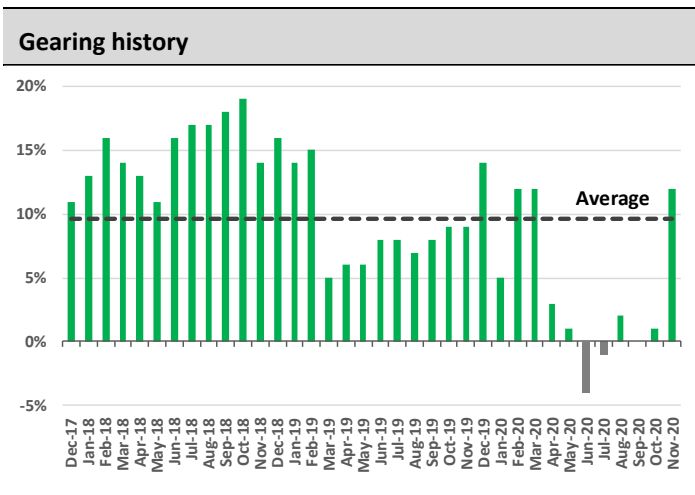
Portfolio

Refocused portfolio in light of pandemic

At the onset of the pandemic the managers resisted the urge to join the panic selling in March and instead took a number of actions, including: looking for extreme share price dislocations; re-focusing on best ideas; reducing the number of holdings; increasing quality; and selling companies expected to be materially disrupted. In addition, the fund did not focus on investing in companies seeking cures, treatments or vaccines for Covid-19. After the market rebound in April and May, the portfolio was returned to a "back to the basics" investment strategy, re-focusing on key healthcare drivers such as global demographics, secular demand and innovation.

Tactical gearing

The fund takes a tactical approach to gearing. At the start of April, it was 11.9% geared but the managers reduced exposure in the summer, taking profits after strong gains, and at 30 June the fund had 4.1% net cash. As markets became more volatile once again after the summer, gearing was increased, with the level back to 11.6% as at 6 November following the US elections.



Source: OrbiMed

Source: OrbiMed as at 6 November 2020

Changes to portfolio exposure

The additional exposure added since the end of June was primarily in Big Pharma (15.4% of NAV to 21.2%), Medtech/Devices (9.3% to 12.1%) and Healthcare Services (8.7% to 13.6%), although these all remain underweight allocations relative to the benchmark. In contrast, exposure to Emerging Markets (18.2% to 14.0%) has been reduced but remains overweight relative to the benchmark. Exposure to Biotechnology remains a significant overweight allocation for the fund (33.7% vs 8.9%). The portfolio also has a small allocation to private companies at 2.6%, with the fund limited to 10%, although the managers' intention is to keep it below 5%.

Top 10 Holdings at 30 September 2020

Holding	Region	Percentage of total assets
Bristol-Myers Squibb	North America	4.7
Alexion Pharmaceuticals	North America	4.7
Mirati Therapeutics	North America	4.5
Merck & Co	North America	4.2
Horizon Therapeutics	North America	3.8
Takeda Pharmaceutical	Japan	3.4
Boston Scientific	North America	3.4
Biogen	North America	3.3
Novartis	Europe	3.1
Vertex Pharmaceuticals	North America	3.1
Total		38.2

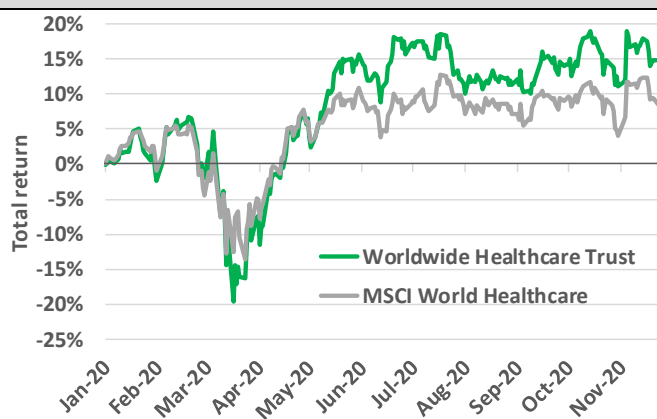
Source: OrbiMed as at 31 October 2020

Performance

Strong performance YTD

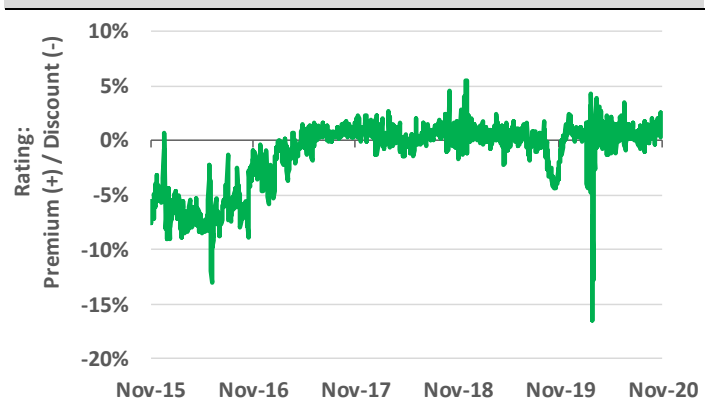
In the first 10 months of 2020 Worldwide Healthcare's NAV was up 19.6%, significantly outperforming the +9.4% return for the MSCI World Healthcare Index. The fund's returns were boosted by exposure to small and mid-cap companies as well as Emerging Markets stocks. In terms of sectors, the fund's exposure to Tools and Diagnostics was particularly strong.

NAV total return performance YTD



Source: Winterflood, Refinitiv, Bloomberg data to 23 November 2020

5-year rating history



Source: Winterflood, Refinitiv data to 23 November 2020

Range of contributors to performance

Over the six months to 30 September, which is the first half of the fund’s financial year, it performed strongly with the NAV up 22.9% compared with +15.3% for the MSCI World Healthcare Index. The manager commented that the portfolio had been positioned for a rebound, with a focus on ‘best ideas’ following the steep declines seen in March. The primary driver of performance was stock selection. The top contributors to performance in the period came from companies in a diverse range of sub-sectors and market caps. They included **Horizon Therapeutics, Mirati Therapeutics, Natera, Burning Rock Biotech, Alexion and Takeda**, while the largest detractors included **eHealth, Theravance Biopharma, Biogen, GoHealth, Hepalink and uniQure**.

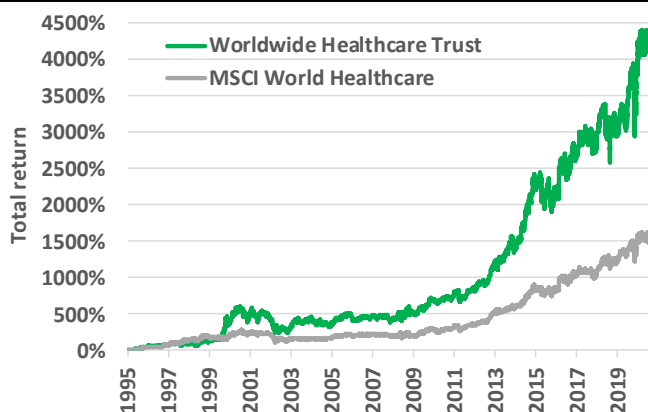
Overweight Emerging Biotech and Emerging Markets

An overweight allocation to Emerging Biotechnology was positive as heightened interest in clinical development and investor focus on growth increased demand, while M&A activity in this sub-sector also continued. The fund’s overweight allocation to Emerging Markets was also positive for performance, with a number of holdings involved in the diagnosis or treatment of Covid-19. The fund also made gains in multiple IPOs in Hong Kong. Sterling strength over the period was negative, while average gearing of 4.1% added 0.8% to returns.

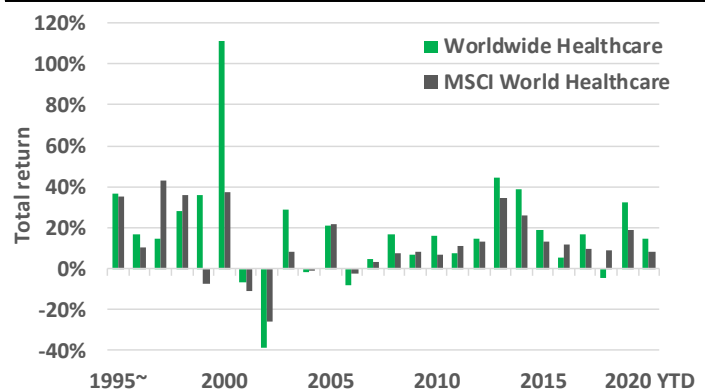
Strong long-term performance record

The fund also has a strong long-term performance record, delivering exceptional performance over its 25-year history. Over the period from 27 April 1995 to 20 November 2020 the fund’s NAV has increased by 15.9% p.a. compared with 11.6% p.a. for the MSCI World Healthcare Index. Over the last five years the NAV is up 88% compared with 80% for the MSCI World Healthcare Index. This performance record is reflected in its premium rating which has enabled the fund to continue to issue new shares.

NAV total return performance since inception



Calendar year NAV performance since inception



Source: Winterflood, Refinitiv, Bloomberg data from 27 April 1995 to 23 November 2020

Source: Winterflood, Refinitiv, Bloomberg data from 27 April 1995 to 23 November 2020

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