

## **United Global Healthcare Fund**

As at 30 June 2022

### **Performance Update**

For the month of June, the Fund MYRH class registered a return of 0.00%.

Security selection was a driver of relative outperformance. Strong selection in biopharma large cap and biopharma mid cap was modestly offset by selection in health care services. Sector allocation, a result of our bottom-up stock selection process, also contributed to returns. Allocation effect was driven by our overweight to biopharma small cap, but partially offset by our underweight to biopharma large cap.

At the issuer level, our top two relative contributors were an out of benchmark allocation to Turning Point Therapeutics and an overweight to Seagen, while our top two relative detractors were not owning AbbVie and an out of benchmark allocation to Encompass Health.

Shares of Turning Point Therapeutics soared in June on news that the oncology company would be acquired by Bristol-Myers Squibb for \$4.1 billion. The deal, expected to close in the third quarter of 2022, will allow Bristol-Myers Squibb to expand their oncology portfolio and inherit Turning Point Therapeutics' lead drug candidate, repotrectinib, for the treatment of non-small cell lung cancer. Shares of AbbVie rose in June. The company submitted a Supplemental New Drug Application to the US FDA to expand the indication for migraine medicine atogepant to include adults with chronic migraines after a phase 3 study met its primary endpoint of fewer monthly migraine days. AbbVie's drug maviret was also approved in Canada for patients ages 3-12 with Chronic Hepatitis C following a study evaluating weight-based dosing.

### **Strategy Moving Forward**

Today's attractive valuations, strong fundamentals, and robust innovation across the health care sector leave us with a more positive outlook. Starting with biopharma, the prospects for value creation in the industry are especially strong as breakthrough innovation – particularly in oncology, immunology, and certain rare diseases – is generating a rich opportunity set for specialist investors. Valuations of large cap biopharma companies in aggregate are still very attractive, despite recent outperformance. Several of these companies are well-positioned to address upcoming patent expiries with their rich internally and externally sourced pipelines. Within small and mid-cap biopharma, the significant pullback across the space has left valuations much more compelling than a year ago.

Outside of biopharma, the opportunity set is equally compelling, and we are just as enthusiastic about the opportunities within medical technology where innovation pipelines have never been stronger, with far more attractive medical device categories poised to accelerate in the 2020s compared to the 2010s, including in new diabetes devices, mitral valve therapies, and genetic sequencing/diagnostics. In the coming years, we believe many firms will grow their addressable market through geographic expansion, new technologies, and the use of existing technologies to treat new patient populations. We feel our balance between deep research on the technology, while also trying to be prudent on valuation and risk/rewards, will benefit us going forward.

Lastly and importantly, the overall delivery of health care continues to evolve and health care companies are well positioned to help solve one of the greatest societal challenges we face for the future: rising health care costs. The U.S., for example, is experiencing a decades-long transition toward a fee-for-value payment system from an historic fee-for-service approach which we expect will result in new business models that has the potential to improve outcomes and reduce costs. These tailwinds across the various healthcare subsectors, coupled with strong valuation support, leaves us with a positive outlook for the health care sector.

At the end of the period, our largest exposures were biopharma large cap and medical technology and we were least exposed to biopharma small cap and biopharma mid cap. From a regional perspective, our largest exposures were North America and Developed Europe & Middle East ex UK and we were least exposed to Emerging Markets. We had no exposure to Developed Asia Pacific ex Japan.

### Sub-Sector Allocation

Sector	%	Benchmark* %
Biopharma Large Cap	37.7	51.5
Medical Tech	25.7	25.4
Healthcare Services	20.6	18.7
Biopharma Mid Cap	10.5	4.3
Biopharma Small Cap	5.6	0.0

\*Benchmark: MSCI

### Stock Commentary

Stocks	Country	Sector	Remarks
Seagen (Large Cap)	United States	Pharma, Biotech & Life Sciences	<ul style="list-style-type: none"> <li>Seagen is a biotechnology company focused on the development of monoclonal antibody-based therapies for cancer.</li> <li>The stock was up in June due to news about a possible deal for the company to be acquired by Merck.</li> <li>We own Seagen based on its existing business merits, regardless of its merits as a takeout candidate:               <ol style="list-style-type: none"> <li>Based on the company's commercial-stage oncology products, leading Antibody-Drug Conjugate (ADC) platform, and view towards near-term cash flow positivity, SGEN has a bright future as a standalone company in our view, should that be the outcome.</li> <li>SGEN is likely a takeout candidate based in equal parts on the growth potential and longevity of the commercial-stage products, as well as the rarity value of the ADC platform</li> </ol> </li> </ul>
Encompass Health (Mid Cap)	United States	Health Care Equipment & Services	<ul style="list-style-type: none"> <li>Encompass Health provides inpatient rehabilitative health care services to 137 hospitals in 39 states and also operates 137 hospital-based home health agencies</li> <li>The stock came under pressure after lowering forward guidance ahead of separating its inpatient rehab business from its home health and hospice business.</li> <li>The stock declined further later in the month after CMS released a preliminary -4.2% proposed cut to Medicare payments to home health agencies</li> </ul>

### Fund Classes

Fund Classes			
MYR Class	MYR Hedged Class	USD Class	SGD Hedged Class

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