

## **United Global Healthcare Fund**

**As at 30 September 2022**

### **Performance Update**

For the month of September, the Fund MYRH class registered a return of -4.42%.

Security selection was the primary driver of relative outperformance. Strong selection in medical technology and biopharma mid cap was offset by selection in biopharma large cap and biopharma small cap. Sector allocation, a result of our bottom-up stock selection process, detracted from returns. Allocation effect was driven by our underweight to biopharma large cap and overweight to biopharma mid cap, but partially offset by our overweight to biopharma small cap.

At the issuer level, our top two relative contributors were an overweight to Eli Lilly and not owning Wuxi Biologics, while our top two relative detractors were not owning Johnson & Johnson and an underweight to Roche.

Johnson & Johnson shares rose in September. The company announced a \$5 billion share repurchase plan, a decision driven by the company's strong cash flow and low debt. The new CEO emphasized the strength of the company and management's conviction in their guidance. He provided expectations for a strong 2H 2022 due to a recovery to pre-pandemic levels and the ability to deliver on a solid MedTech and Pharmaceutical pipeline.

### **Strategy Moving Forward**

Today's attractive valuations, strong fundamentals, and robust innovation across the health care sector leave us with a 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. Several companies are well-positioned to address upcoming patent expiries with their rich internally and externally sourced pipelines. While the long-term implications of the US drug reform remain to be seen, we are encouraged by the lifting of this longstanding overhang on the biopharmaceutical industry and remain confident that innovation will continue to drive value in the sector.

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	39.0	51.1
Medical Tech	27.4	25.5
Healthcare Services	20.4	19.5
Biopharma Mid Cap	9.1	4.0
Biopharma Small Cap	4.1	0.0

\*Benchmark: MSCI

### Stock Commentary

Stocks	Country	Sector	Remarks
Eli Lilly (Large Cap)	United States	Pharma, Biotech & Life Sciences	<ul style="list-style-type: none"> <li>Eli Lilly is a diversified large-cap biopharmaceutical company with multiple drivers of growth, including diabetes, autoimmune diseases, and central nervous system (CNS) diseases.</li> <li>Eli Lilly shares rose after Eisai and Biogen reported breakthrough trial results for their Alzheimer's drug.</li> <li>We think the news bodes well for Eli Lilly's drug donanemab, which also targets removing the amyloid beta protein to slow disease progression.</li> <li>Donanemab's readout is slated for 2Q23.</li> <li>The US FDA also approved the company's oral lung cancer drug, Retevmo, for certain adult patients with solid tumors with a specific genetic makeup.</li> <li>We continue to like Eli Lilly in the large-cap pharma space.</li> </ul>
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 down after market rumors of its potential acquisition by Merck have quieted down recently.</li> <li>We continue believe that Seagen has a bright future as a standalone company based on their commercial-stage oncology products, leading Antibody-Drug Conjugate (ADC) platform, and our views towards near-term cash flow-positivity.</li> </ul>

			<ul style="list-style-type: none"><li>Seagen is also a takeout candidate based on the growth potential and longevity of the commercial-stage products, as well as the rarity value of the ADC platform</li></ul>
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**Fund Classes**

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

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