

United Global Healthcare Fund

As at 31 May 2022

Performance Update

For the month of May, the Fund MYRH class registered a return of -0.79%.

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

At the issuer level, our top two relative contributors were not owning Roche and an overweight to Eli Lilly, while our top two relative detractors were an out of benchmark allocation to Kymera Therapeutics and not owning Amgen.

Strategy Moving Forward

COVID-19 disruptions will likely continue for many months, but we are encouraged by strong fundamentals across the healthcare industry, leading the way to a more normalized investment backdrop. Within the biopharma industry, valuations are compelling. 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. In addition, the threat of U.S. drug price reform has receded for the time being. Within small and mid cap biopharma, the significant pullback across the space has left valuations today much more compelling than a year ago. In addition, the attractive valuation backdrop, breakthrough innovation in the biopharma industry, particularly in oncology, immunology and certain rare diseases, is creating a rich opportunity set for specialist investors.

Outside of biopharma the opportunity set is equally compelling. Certain medical technology companies are seeing strong fundamentals as they help enable robust drug development and manufacturing in increasingly diverse therapeutic categories. Diagnostics companies are helping with COVID-19 testing, developing more convenient routine medical tests, and expanding into new attractive categories such as early cancer screening. Medical device companies have been impacted from COVID-19 headwinds but should see increased demand as patients resume elective procedures and the market starts to focus on very attractive pipelines. And importantly, the overall delivery of healthcare continues to evolve. 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. These tailwinds across the various healthcare subsectors, coupled with strong valuation support, leaves us with a positive outlook for the health care sector in 2022.

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	38.7	50.7
Medical Tech	26.1	26.6
Healthcare Services	21.8	18.7
Biopharma Mid Cap	8.5	4.0
Biopharma Small Cap	4.9	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"> Eli Lilly is a diversified large-cap biopharmaceutical company with multiple growth drivers, including diabetes, autoimmune diseases, and central nervous system (CNS) diseases. The stock was up due to a combination of factors, including: FDA approval of Eli Lilly's type 2 diabetes drug, tirzepatide. Last month, the late-stage trial of tirzepatide showed that it helped obese patients lose more than 20% of their weight. CHMP recommends approval of Eli Lilly's drug to treat alopecia developed in partnership with Incyte. Several positive sell-side initiations and comments during the month of May 2022.
Kymera Therapeutics (Small Cap)	United States	Pharma, Biotech & Life Sciences	<ul style="list-style-type: none"> Kymera is one of the leading companies that discover and develop proteolysis-targeting chimeras (PROTACs). PROTACs represent a novel therapeutic modality that harnesses the body's natural protein disposal system to selectively remove disease-causing proteins The stock declined sharply after announcing disappointing quarterly results driven by increased clinical risks associated with the lead asset KT-474, an IRAK4 inhibitor for immunoinflammatory diseases. We remain constructive on the stock as we believe that the safety concern for KT-474 is manageable and does not read through to the rest of the platform.

Fund Classes

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

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