

United Global Healthcare Fund

As at 30 November 2022

Performance Update

For the month of December, the Fund MYRH class registered a return of -1.61%.

Security selection was the primary driver of relative underperformance. Weak selection in biopharma small cap and health care services was modestly offset by selection in medical technology. Sector allocation, a result of our bottom-up stock selection process, contributed to returns. Allocation effect was driven by our overweight to biopharma small cap, but modestly offset by our underweight to biopharma large cap and overweight to health care services.

At the issuer level, our top two relative contributors were an underweight to Roche and not owning Medtronic, while our top two relative detractors were an out of benchmark allocation to Syneos Health and an overweight to Humana.

Shares of Roche fell in November. Management shared a disappointing update on its phase 3 trial of gantenerumab for the treatment of early Alzheimer's Disease. The study failed to meet its primary efficacy endpoint as the level of beta-amyloid removal by the drug was lower than anticipated. In two studies, gantenerumab showed an 8% and 6% rate of cognitive decline, the results weren't statistically significant.

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	38.4	51.1
Medical Tech	25.8	25.8
Healthcare Services	20.0	18.9
Biopharma Mid Cap	11.1	4.1
Biopharma Small Cap	4.67	0.0

*Benchmark: MSCI

Stock Commentary

Stocks	Country	Sector	Remarks
Mirati Therapeutics (Mid Cap)	United States	Biopharma	<ul style="list-style-type: none"> Mirati Therapeutics is a clinical-stage oncology company that makes small-molecule oral therapies to treat solid tumors, bladder cancer, and non-small cell lung cancer. The stock was up during the month after reports that Mirati Therapeutics is attracting take over interest from a group of large cap biopharma companies. Mirati is expected to release data soon for its combination study of lead asset adagrasib with Merck's Keytruda in the treatment of a certain types of lung cancer.
Syneos Health (Mid Cap)	United States	Health Care Services	<ul style="list-style-type: none"> Syneos Health US based contract research organization Shares fell sharply after the company announced weaker than expected third quarter results driven by clinical solutions net new business and book to bill ratios. The company cited macroeconomic driven headwinds including decision delays, slowdown in awards from SMID cap companies, and a decline in repeat business. Based on our fundamental research and stress testing of various financial scenarios for the company, we continue to see potential for value creation and are continuing to hold our position.

Fund Classes

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

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