

United Global Healthcare Fund

As at 31 August 2022

Performance Update

For the month of August, the Fund MYRH class registered a return of -5.25%.

Sector allocation, a result of our bottom-up stock selection process, was the primary driver of relative outperformance. Allocation effect was driven by our overweight to biopharma small cap. Stock selection detracted from returns. Weak selection in health care services was partially offset by selection in medical technology.

At the issuer level, our top two relative contributors were an overweight to Daiichi Sankyo and an out of benchmark allocation to Verona Pharma, while our top two relative detractors were an out of benchmark allocation to Syneos Health and not owning CVS Health.

Shares of Daiichi Sankyo rose after the US FDA granted approval of Enhertu, an antibody drug conjugate drug developed jointly by Daiichi Sankyo and AstraZeneca for the treatment of HER2 metastatic breast cancer. This approval followed the extremely strong results from the recent phase 3 trial. The company also announced it won the arbitration with Seagen over patent rights for its antibody-drug conjugate technology.

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	38.1	49.4
Medical Tech	27.2	26.4
Healthcare Services	20.7	19.9
Biopharma Mid Cap	10.5	4.4
Biopharma Small Cap	3.5	0.0

*Benchmark: MSCI

Stock Commentary

Stocks	Country	Sector	Remarks
Verona Pharma (Small Cap)	United Kingdom	Pharma, Biotech & Life Sciences	<ul style="list-style-type: none"> Verona is a UK-based emerging biopharma company developing treatments for respiratory diseases. Verona's lead asset: ensifentrine, is in pivotal studies for maintenance treatment of chronic obstructive pulmonary disease (COPD) Ensifentrine is being developed in Chronic Obstructive Pulmonary Disease (COPD). The ENHANCE-1 and -2 studies are large randomized Phase 3 studies testing a nebulized formulation of ensifentrine against placebo for its ability to bronchodilate (allow patients to breathe better). The stock increased after the company announced positive phase 3 trial results for its COPD treatment. The study met both of its primary endpoints, showing the treatment had statistically significant improvements in key measures of lung function and reduced exacerbation rates.
Syneos Health (Mid Cap)	United States	Pharma, Biotech & Life Sciences	<ul style="list-style-type: none"> Syneos Health Inc is a Contract Research Organization based in the United States. Shares of Syneos Health fell after reporting second quarter results that came in below expectations driven by lower reimbursable expenses in the clinical solutions segment and FX headwinds. The company also cited slower decision making from biotech and large pharma which heightened investor concerns of slowing industry growth. We continue to believe that integrated commercial/CRO offering continues to gain traction with clients in the current market environment. Syneos Health continues to be a preferred name in the CRO space.

Fund Classes

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

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