



# Wholesale Global Equity – Healthcare Fund



June 2001

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| Taxation Basis   |
| Australian unit trust  |
| Investment Horizon   |
| minimum 5 yrs  |
| Income or Growth   |
| growth   |
| Risk Profile   |
| high   |
| Inception Date   |
| 2 March 2001<br>(underlying pool 27 August 1999)                                   |
| Star rating  |
| ☆☆☆☆☆  |
|  |

**Investment Manager**



**Norm Fidel**  
Senior Vice President,  
Alliance US and Portfolio  
Manager.

Mr Fidel has analysed the health care industry for his entire career and has global research responsibility for the health care sector. He has 31 years investment experience and has been with Alliance US for the past 20 years, covering pharmaceuticals and health care services.

The aim of the Wholesale Global Equity - Healthcare Fund is to provide investors with long term capital growth and to outperform the S&P 500 Health Care Index (Total Return), after costs and over rolling five year periods.

The portfolio managers use a bottom up investment style that focuses primarily on stock picking. This Fund seeks investments in new, smaller, less seasoned companies as well as larger, established, or well-known companies. Whenever possible, investments in new, smaller or less seasoned companies will be made with a view to benefiting from the development and growth of new products and markets in health care industries. Reflecting this emphasis on stocks with long term growth prospects, the portfolio managers prefer to hold stocks long term. Stocks may be traded in response to changing company fundamentals, but generally, the Fund does not actively pursue short term windfall gains in the health sector.

Typically, this fund will hold 30-50 stocks in listed companies principally engaged in the discovery, development, provision, production or distribution of products and services that relate to the diagnosis, treatment and prevention of diseases and other disorders. Generally, shares in the portfolio are issued by companies that:

- range from corporations with significant revenue streams from established and diversified products and services through to emerging enterprises developing new health care technologies;
- engage in research and development assessed as having strong commercial potential; and
- treat innovation and new product development as a crucial element of corporate strategy.

Up to 40% of the Fund can be invested outside the US. The Fund's investments in foreign markets will generally be exposed to the currency of that market. Where the situation warrants it, in the opinion of the portfolio managers, this exposure may be cross hedged into other currencies.

When the Fund is not fully invested in shares it may hold fixed interest, cash and/or other money market securities.

## Investment Manager - Alliance Capital Management Australia Limited

The success of the Alliance Capital Group as an investment manager for the past 28 years is based on its in-depth research capabilities. Combined, its research, portfolio management and trading staff includes more than 530 experienced professionals, including 260 research analysts whose expertise encompasses stock and bond markets worldwide, including emerging markets.

The Alliance Capital Group is a leading global investment management organisation founded in 1972 as an investment management subsidiary of the research boutique Donaldson, Lufkin & Jenrette. Today it is a private partnership that is an affiliate of AXA Financial.

Alliance Capital Management Australia Limited was established in February 2001 as a joint venture partnership between AXA Asia Pacific and the New York based Alliance Capital Group.

Since its founding, the Alliance Capital Group has grown significantly, becoming a leading global investment manager. Its mission is to be the premier global investment management organisation, through superior performance across a broad range of disciplines for a diverse group of clients. The Alliance Capital Group manages approximately US\$433 billion in assets under management (as at 31 March 2001).



**AllianceCapital** 

## Performance as at 30 June 2001

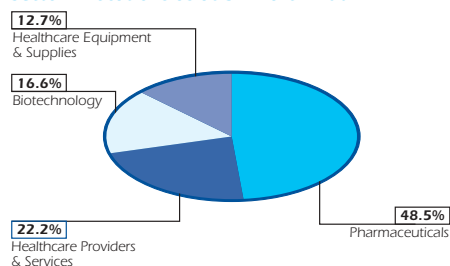
|         | Alliance Capital Return |                                  |                  | S&P500 Index Return |                                  |                  |
|---------|-------------------------|----------------------------------|------------------|---------------------|----------------------------------|------------------|
|         | AUD \$ Return (%)       | Aust/NZ Dollar Exchange Effect % | NZD\$ Return (%) | AUD \$ Return (%)   | Aust/NZ Dollar Exchange Effect % | NZD\$ Return (%) |
| 3 month | 0.70%                   | 4.46%                            | 5.16%            | -5.10%              | 4.20%                            | -0.90%           |
| 1 year  | 9.60% p.a               | -1.17% p.a                       | 8.43% p.a        | 9.10% p.a           | -1.17% p.a                       | 7.93% p.a        |
| 3 year  | -                       | -                                | -                | 13.50% p.a          | 1.96% p.a                        | 15.46% p.a       |
| 5 year  | -                       | -                                | -                | 30.30% p.a          | 2.36% p.a                        | 32.66% p.a       |
| 7 year  | -                       | -                                | -                | 32.30% p.a          | 0.50% p.a                        | 32.80% p.a       |

The Fund started in March 2001. The table illustrates actual performance details for the period from 1 April 2001, and indicative performance prior to that date being the performance of the underlying Alliance Capital portfolio using the same investment style and process.

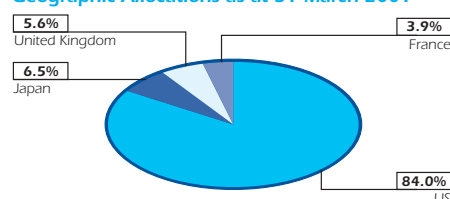
### Top Ten Holdings as at 31 March 2001

|                        |      |
|------------------------|------|
| Pfizer                 | 8.1% |
| Pharmacia              | 5.2% |
| American Home Products | 3.8% |
| Sanofi-Synthelabo      | 3.5% |
| UnitedHealth Group     | 3.5% |
| Stryker                | 3.5% |
| Forest Labs            | 3.5% |
| Wellpoint Health       | 3.3% |
| Takeda                 | 3.2% |
| Yamanouchi             | 3.2% |

### Sector Allocations as at 31 March 2001



### Geographic Allocations as at 31 March 2001



### Market commentary and outlook

Over the June quarter the Healthcare Fund outperformed its benchmark. The Fund rose 0.7% compared to a fall of 5.1% for the S&P 500 Healthcare Index (SA).

The proportion of medical service stocks grew to 22% of the Fund as at quarter end. This reflects the excellent performance of the Fund's holdings in this sector and Alliance's intent to place emphasis on this sector.

Pricing trends for health insurers in the U.S have been very positive, with commercial premium rate increases in the low teens in 2001 and are also expected for 2002. Strong pricing trends have allowed for excellent profit growth for the two managed care holdings in the Fund, UnitedHealth Group and WellPoint health Networks, and in turn large rate increases for provider groups such as hospitals. Government reimbursement trends have also improved for hospitals due to U.S Medicare rate relief legislation passed by the U.S Congress. Alliance believes the three hospital company holdings in the portfolio, Tenet Healthcare, HCA-The Healthcare Company and Health Management Associates are poised to exceed consensus earnings expectations. IMS Health, the leading provider of market research data for drug products on a worldwide basis, is another important holding. Strong industry fundamentals and the success of new products should continue to provide consistent, 20% earnings growth for IMS Health in the future.

Our pharmaceutical holdings are concentrated in the fastest growing companies such as Pfizer, Pharmacia, Sanofi-Synthelabo, Forest Labs and American Home Products. All of these companies have a favourable mix of positive momentum in their present product lines, contributions from new drug pipelines and patent expiration risk. If a Medicare drug benefit is passed by Congress in the U.S in 2001 or 2002, the expected absence of price controls should provide for profitable, new demand growth for the industry.

Biotechnology stocks turned in a good performance in the quarter but declines for equipment suppliers to this market were a weak sub-segment. The demand weakness centred in young research based companies, which currently have little access to capital because of the drying up of venture capital and the IPO market for new companies. Two holdings in the supply segment of this market, Applied Biosystems and Waters Corp., should rebound as demand trends normalise.

Alliance is very positive on the outlook for the Fund's holdings. Earnings growth for the Fund's portfolio should reach 16-17% in 2001-2003 compared to a very weak corporate profits picture, at least in the near term. Currently, the Fund's portfolio sells at a 5-10% premium to the market multiple, a relatively low valuation parameter when viewed historically. New product introductions continue to advance, while demographics (aging of the population) provide no doubt about demand growth for health care products on a worldwide basis.

*Performance figures are net of tax, fees and charges and assume that all income is reinvested. Past performance is not necessarily indicative of future performance. This information has been prepared to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues based on this information. In preparing this information we did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision you need to consider, with or without the assistance of an adviser, whether this information is appropriate to your needs, objectives and circumstances. Investments in AXA Australia's products will only be accepted on receipt of an application form accompanying a current disclosure document. Unless otherwise stated, performance of our products or the repayment of capital is not guaranteed. This information is provided for people living in New Zealand only and is not provided for the use of any person in any other country.*



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