Worldwide Healthcare Trust

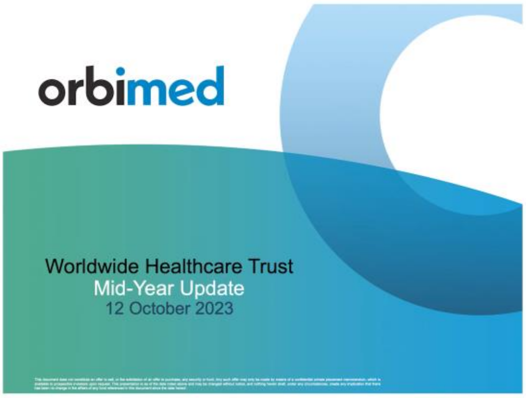
Scope for the trust to get back on track in 2024

Investment trusts
Global healthcare equities

8 January 2024

Worldwide Healthcare Trust's (WWH's) co-managers, Sven Borho and Trevor Polischuk, at global healthcare specialist OrbiMed, are disappointed with WWH's performance as, in recent years, the trust has faced both top-down and bottom-up headwinds. The managers remain confident that investors will return to focusing on positive healthcare industry fundamentals, which include high levels of innovation, accompanied by an elevated number of new product approvals and robust M&A activity ahead of an upcoming patent cliff. Borho and Polischuk continue to favour the prospects for emerging (smaller-cap) biotech rather than major pharma stocks, particularly as the biotech sector has experienced the longest and largest absolute and relative drawdown in its history.

WWH's mid-year update



Source: WWH

Why consider WWH?

Healthcare stocks were out of favour during 2023, in a narrow stock market led by large-cap technology stocks, but positive healthcare industry attributes suggest that the sector could perform relatively better in 2024. Company fundamentals ultimately determine stock prices but, in recent years, investors have focused on macroeconomic factors, including the COVID-19 pandemic, war in Europe and the Middle East, and rising inflation, which led to multi-decade high interest rates.

Demand for healthcare products and services remains robust supported by an aging global population. M&A has historically been an important driver for the performance of healthcare stocks and target companies are being acquired at significant premiums to their pre-bid share prices as pharma companies prepare for the significant upcoming patent cliff. OrbiMed has referred to the current environment as a 'golden era' of drug innovation and this is coupled with a benign regulatory backdrop; last year in the US another 55 novel drugs were approved.

A combination of above-average investor risk aversion and lacklustre relative performance has weighed on the trust's valuation. WWH's double-digit discount, which is wider than its historical averages, could provide an additional opportunity when sentiment towards healthcare stocks improves and/or the trust's relative performance gets back on track. WWH's shares should now be more accessible to retail investors following a 10:1 share split in July 2023.

NOT INTENDED FOR PERSONS IN THE EEA

Price	**311.5p**
Market cap	**£1,755m**
Total assets	**£2,105m**

NAV*		351.5p
Discount to NAV		11.4%
*Including income. At 4 January 2024.		
Yield		1.0%
Ordinary shares in issue		563.5m
Code/ISIN		WWH/GB00BN455J50
Primary exchange		LSE
AIC sector		Biotechnology & Healthcare
52-week high/low	333.5p	288.0p
NAV* high/low	368.1p	320.9p
*Including income		
Gearing*		8.9%
*At 30 November 2023.		

Fund objective

Worldwide Healthcare Trust is a specialist investment trust that invests in the global healthcare sector, with the objective of achieving a high level of capital growth. Gearing and derivative transactions are used to enhance capital returns and mitigate risk. Performance is measured against the MSCI World Health Care Index (sterling adjusted).

Bull points

- Specialised healthcare fund diversified by geography, subsector and market cap.
- Significant long-term record of outperformance versus the benchmark.
- Managers are able to draw on the very deep resources of OrbiMed's investment team.

Bear points

- Disappointing medium-term relative performance.
- Modest dividend yield.
- Periodic political risk from investing in healthcare stocks.

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Edison profile page

WWH: Scope for better sector performance

M&A activity

M&A activity has increased and remains elevated helped by a looming patent cliff (c $250bn of branded drug sales are at risk between 2025 and 2030). Large-cap pharma companies have a big pipeline and revenue gap to fill and are seeking opportunities in growth areas including: Alzheimer's; cardiovascular; immunology; obesity; oncology; and vaccines.

Innovation

Innovation remains an important driver within the healthcare industry across multiple subsectors. The managers highlight that 2024 should see the positive impact of obesity drug launches. Successful development in this area propelled Novo Nordisk into the position of the largest European pharma company, while US-listed Eli Lilly & Co is now the largest global healthcare firm and one of the largest companies in the world. Novo's and Lilly's obesity products are still in a rollout phase, and second-generation products are expected in 2024.

Borho and Polischuk note that developments for the treatment of Alzheimer's have been overshadowed by those in the obesity category; they anticipate a step up in news flow around Alzheimer's in 2024. Within vaccines, combi-vaccinations are being developed, such as COVID-19 plus flu. The managers also suggest that innovation in the cardiovascular category should return, having been somewhat stagnant for a multi-year period.

Update on US drug pricing

While the Inflation Reduction Act 2022 will have an impact on US drug pricing, WWH's managers maintain their view that the net effect is manageable (for more information, see our August 2023 review). In addition, there is legal action, via multiple lawsuits, against the government regarding drug pricing; Borho and Polischuk believe that a single win by the plaintiffs could stall the drug pricing debate.

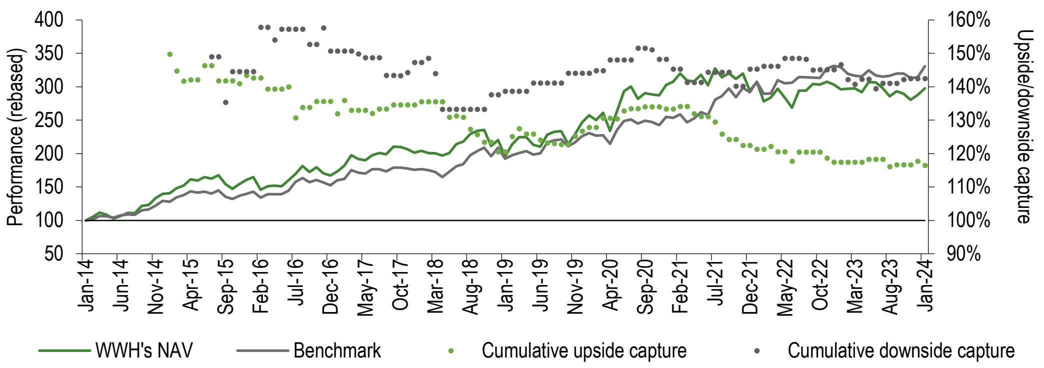
The managers' playbook for WWH for 2024 and beyond

Borho and Polischuk will continue to invest in innovation, focusing on those companies with the highest growth potential rather than those with the lowest valuations. They consider that the proposed changes to US drug pricing are manageable and may not be implemented in their current form. The managers consider that M&A activity will remain elevated as companies need to bolster their pipelines. Borho and Polischuk will remain patient with regards to the biotech sector, which has experienced its longest and deepest absolute and relative drawdown (between early February 2021 and end of September 2023 -53% in absolute terms and -76% vs the S&P 500). The managers believe that the relative underperformance of US healthcare stocks versus the broad US market, which is the largest in 20 years, is unsustainable. Borho and Polischuk consider that healthcare industry valuations are undemanding, which further adds to their bullish view about the sector's prospects.

WWH's upside/downside analysis

WWH's upside/downside capture analysis is shown in Exhibit 1. Over the last decade, its cumulative upside capture of 117% implies that in months when healthcare stocks rise, the trust is likely to outperform by around 17%. The downward trend in WWH's upside capture suggests that in recent years the fund has deviated from its benchmark to a lesser degree. WWH's downside capture of 142% implies that during periods of falling healthcare stock prices, the trust is likely to underperform by around 42%. This is unsurprising given the managers' preference for high beta emerging biotech stocks.

Exhibit 1: WWH's upside/downside capture over the last 10 years

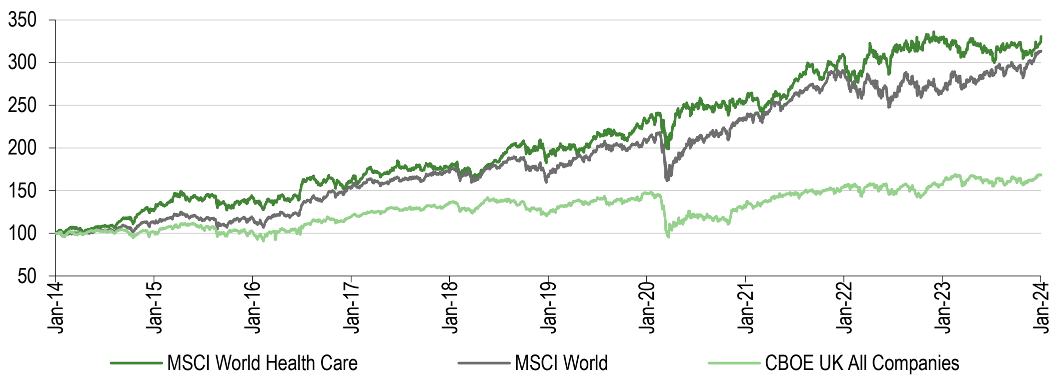


Source: Refinitiv, Edison Investment Research. Note: Cumulative upside/downside capture calculated as the geometric average NAV total return (TR) of the fund during months with positive/negative reference index TRs, divided by the geometric average reference index TR during these months. A 100% upside/downside indicates that the fund's TR was in line with the reference index's during months with positive/negative returns. Data points for the initial 12 months have been omitted in the exhibit due to the limited number of observations used to calculate the cumulative upside/downside capture ratios.

The healthcare market backdrop

Over the last 10 years (in sterling terms), global healthcare stocks have outperformed the world market, which may seem surprising given the strength of large-cap technology stocks during large parts of the period. As a comparison, despite being home to world-class businesses, including pharma companies, the UK market has lagged significantly over the last decade, which cannot have been helped by its lack of technology exposure and relatively high weightings to 'old economy' businesses.

Exhibit 2: Performance of indices over the last decade (£)



Source: Refinitiv, Edison Investment Research

The performance of US healthcare stocks was a disappointment in 2023 as the sector ended up towards the bottom of the pack (Exhibit 3). It was around mid-table in the robust markets of 2020 and 2021 and proved defensive during a difficult backdrop in 2022, when energy seemed to be 'the only game in town'. The US market in 2023 was dominated by the performance of large-cap technology stocks, particularly those deemed to be beneficiaries of the growth in artificial intelligence. If the 'magnificent seven' top performers are excluded, the US stock market was pretty flat in 2023, as investors essentially ignored the prospects for other sectors, including healthcare. If history is a guide, investor preferences change, and one could anticipate better relative performance by healthcare stocks in 2024 given positive industry fundamentals and undemanding valuations.

Exhibit 3: S&P 500 Index sector total returns ($)

%	2023		2022		2021		2020
IT	57.8	Energy	65.4	Energy	54.4	IT	43.9
Comm'n services	55.8	Utilities	1.6	Real estate	46.1	Cons discretionary	33.3
Cons discretionary	42.3	Consumer staples	(0.6)	Financials	34.9	Comm'n services	23.6
Industrials	18.1	Healthcare	(2.0)	IT	34.5	Materials	20.7
Materials	12.6	Industrials	(5.5)	Materials	27.3	Healthcare	13.5
Real estate	12.3	Financials	(10.6)	Healthcare	26.1	Industrials	11.1
Financials	12.1	Materials	(12.3)	Cons discretionary	24.4	Consumer staples	10.8
Healthcare	2.1	Real estate	(26.2)	Comm'n services	21.6	Utilities	0.5
Consumer staples	0.5	IT	(28.2)	Industrials	21.1	Financials	(1.8)
Energy	(1.4)	Cons discretionary	(37.0)	Consumer staples	18.6	Real estate	(2.2)
Utilities	(7.1)	Comm'n services	(39.9)	Utilities	17.7	Energy	(33.7)
Total	**26.3**	**Total**	**(18.1)**	**Total**	**28.7**	**Total**	**18.4**

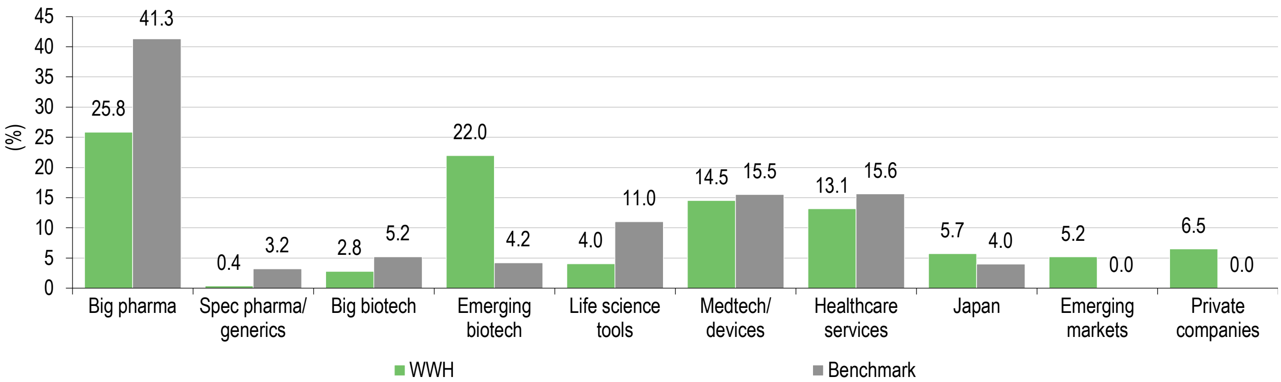
Source: Bloomberg

The Datastream World Pharma Index is trading on a 16.6x forward P/E multiple. This is a 5.3% premium to the valuation of the Datastream World Index, which is higher than the 0.8% 10-year average premium. Compared with US stocks, global pharma companies look more reasonably valued; the Datastream World Pharma Index is currently trading at a 15.9% discount to the Datastream US Index, which is notably wider than the 12.7% 10-year average discount.

Current portfolio positioning

As shown in Exhibits 4 and 5, there are two significant active bets within WWH's portfolio: an overweight exposure to emerging biotech stocks (+17.8pp at end-September 2023) and an underweight position in major pharma companies (-15.5pp).

Exhibit 4: WWH's subsector exposure versus the benchmark (at end-September 2023)



Source: WWH, Edison Investment Research

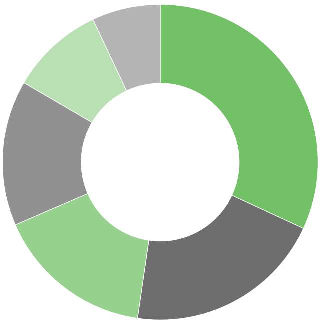
Exhibit 5: Portfolio year-on-year subsector changes and active weights (% unless stated)

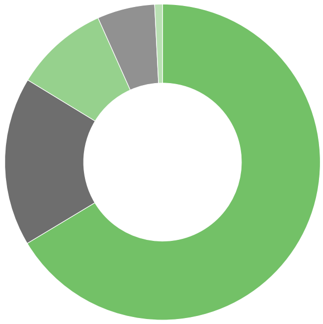
	Portfolio end-September 2023	Portfolio end-September 2022	Change (pp)	Active weight vs index (pp)
Big pharma	25.8	22.4	3.5	(15.5)
Spec pharma/generics	0.4	0.2	0.2	(2.8)
Big biotech	2.8	0.2	2.6	(2.4)
Emerging biotech	22.0	24.2	(2.2)	17.8
Life science tools	4.0	5.8	(1.8)	(7.0)
Medtech/devices	14.5	13.4	1.1	(1.0)
Healthcare services	13.1	12.4	0.7	(2.5)
Japan	5.7	4.0	1.7	1.7
Emerging markets	5.2	10.7	(5.6)	5.2
Private companies	6.5	6.7	(0.2)	6.5
Total	**100.0**	**100.0**		

Source: WWH, Edison Investment Research. Note: Adjusted for gearing.

Over the 12 months to end-September 2023, there were modest changes in subsector weightings. The largest were a 3.5pp higher allocation to major pharma companies, which was actually larger taking the 1.7pp higher Japanese exposure into account, and a 5.6pp lower emerging markets weighting.

Exhibit 6: WWH's subsector and geographic breakdown by economic exposure and country of primary listing





Source: WWH, Edison Investment Research. Note: Includes derivative exposure. Data at 30 November 2023.

Exhibit 6 shows WWH's breakdown by subsector and geography using data that is released regularly in the trust's monthly spreadsheet. At the end of November 2023, more than 50% of the fund was made up of pharmaceutical and biotech businesses. Reflecting its dominance in the global healthcare industry, US-listed companies made up around two-thirds of the portfolio.

WWH's top 10 holdings

At the end of November 2023, WWH's top 10 positions made up 48.3% of the fund, which was a modestly higher concentration compared with 46.9% a year before; four positions were common to both periods. The two largest positions were Novo Nordisk and Eli Lilly & Co, which have performed very well due their obesity franchises; together they made up 13% of the fund.

Looking at the MSCI World Health Care Index, the US dominated with a more than 70% weighting, while major pharma companies made up more than 40%. The trust's top 10 exposure was more diverse with around one-third in non-US stocks and around 50% in non-pharma companies at the end of November 2023. WWH's active share was 66.5%, which is a measure of how a fund compares with its benchmark, with 0% being full index replication and 100% no commonality.

Exhibit 7: Top 10 holdings (at 30 November 2023)

Company	Region	Sector	Portfolio weight %	
			30 Nov 2023	30 Nov 2022*
Novo Nordisk	Europe	Pharmaceuticals	6.9	N/A
Eli Lilly & Co	North America	Pharmaceuticals	6.1	N/A
Healthcare M&A target swap	North America	Swap baskets	5.9	4.4
Boston Scientific	North America	Healthcare equipment & supplies	5.5	4.1
AstraZeneca	Europe	Pharmaceuticals	5.5	6.0
Intuitive Surgical	North America	Healthcare equipment & supplies	4.7	4.4
Biogen	North America	Biotechnology	3.7	N/A
Merck & Co	North America	Pharmaceuticals	3.4	N/A
BioMarin Pharmaceutical	North America	Biotechnology	3.4	N/A
Daiichi Sankyo	Japan	Pharmaceuticals	3.2	N/A
Top 10 (% of portfolio)			**48.3**	**46.9**

Source: WWH, Edison Investment Research. Note: *N/A where not in end-November 2022 top 10.

Within WWH's top 10 holdings is the trust's largest biotech holding. It is a swap derivative that is constructed and managed by OrbiMed and is made up of 20 biotech companies that the firm considers to be the most likely M&A targets. The strategy has successfully identified some companies that were bid for and brings extra exposure to potential M&A targets without meaningfully increasing the number of portfolio names.

Performance: Working hard to return to form

There are seven funds in the AIC Biotechnology & Healthcare sector, of which WWH is by far the largest. Its NAV total returns rank fourth over the last one and three years, third out of six funds over the last five years, and first out of five funds over the last decade.

WWH's closest peers are Bellevue Healthcare Trust and Polar Capital Global Healthcare Trust; compared with these two funds, the trust ranks second over the last 12 months, third over the last three and five years, but first out of two funds over the last decade. WWH's three-year results have been particularly negatively affected by its relative weightings – overweight emerging biotech stocks and emerging markets versus underweight large-cap pharma companies.

The trust's discount is narrower than average in a sector where no funds are trading at a premium. It has the lowest ongoing charge, although a performance fee may be payable. WWH currently has an above-average level of gearing and a below-average dividend yield, although there are two funds in the sector with high yields that can pay dividends out of capital.

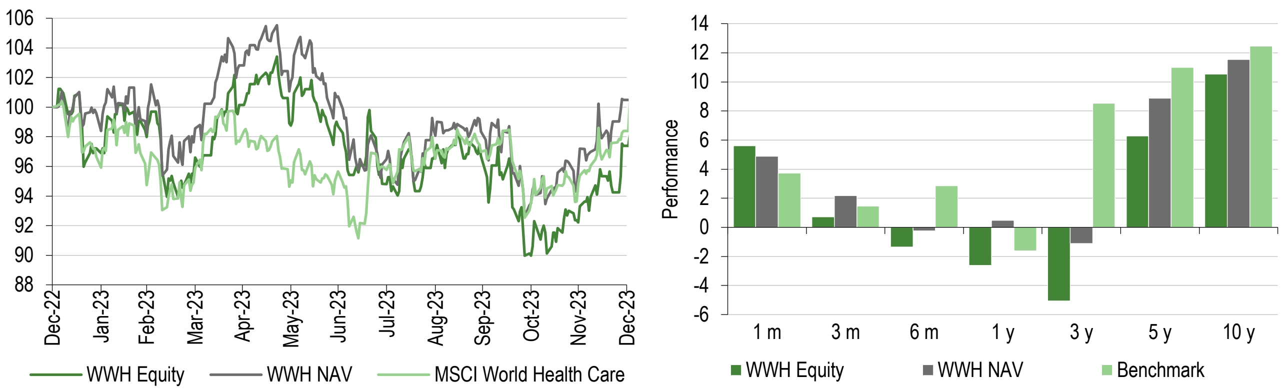
Exhibit 8: AIC Biotechnology & Healthcare sector at 5 January 2024*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield
Worldwide Healthcare Trust	1,757.0	0.6	(2.9)	50.0	199.3	(10.9)	0.8	Yes	109	1.0
Bellevue Healthcare Trust	688.3	(0.9)	1.2	58.3		(7.2)	1.0	No	100	4.4
Biotech Growth Trust	301.3	(6.1)	(38.6)	29.2	98.8	(6.6)	1.1	Yes	110	0.0
International Biotechnology Trust	246.1	2.8	1.1	47.8	188.7	(9.7)	1.4	Yes	114	4.4
Polar Capital Global Healthcare	405.0	2.5	31.8	70.7	171.2	(5.9)	0.9	Yes	106	0.7
RTW Biotech Opportunities	227.9	1.6	(10.0)			(16.4)	2.1	Yes	100	0.0
Syncona	795.7	(7.3)	(11.2)	(7.2)	72.0	(32.8)	0.9	No	100	0.0
Average (7 funds)	**631.6**	**(1.0)**	**(4.1)**	**41.5**	**146.0**	**(12.8)**	**1.2**		**106**	**1.5**
WWH rank in peer group	**1**	**4**	**4**	**3**	**1**	**5**	**1**		**3**	**3**

Source: Morningstar, Edison Investment Research. Note: *Performance data to 4 January 2024 based on ex-par NAV. TR, total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

Exhibit 9: Investment trust performance to 31 December 2023

Price, NAV and benchmark total return performance, one-year rebased | Price, NAV and benchmark total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

In H124 (ending 30 September 2023), WWH's NAV and share price total returns of -0.6% and +0.1% respectively lagged the benchmark's +0.8% total return. Within this six months, there were three distinct periods: 1 April to 22 May – WWH outperformed as company fundamentals and stock picking were important; 23 May to 31 July – the trust and the healthcare sector underperformed as macroeconomic factors dominated the market, growth stocks underperformed due to increased confidence about economic improvement; and 1 August to 30 September – WWH modestly underperformed, positive trial data from Novo Nordisk was offset by weakness in medtech stocks. By subsector in H124, medtech was the trust's largest relative positive performance contributor, while biotechnology was by far the largest detractor, as these stocks, particularly smaller-cap names, continued to be out of favour with investors in an elevated interest rate environment.

Exhibit 10: Share price and NAV total return performance, relative to indices (%)

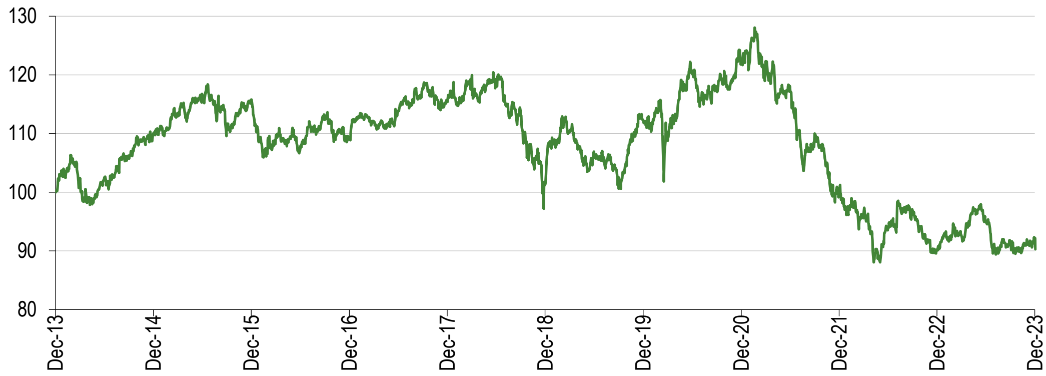
	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to MSCI World Health Care	1.8	(0.7)	(4.1)	(1.0)	(33.1)	(19.5)	(15.8)
NAV relative to MSCI World Health Care	1.1	0.7	(3.0)	2.1	(24.4)	(9.1)	(7.8)
Price relative to World-DS Pharma & Bio	1.8	0.2	(5.8)	(2.1)	(29.9)	(14.4)	(2.5)
NAV relative to World-DS Pharma & Bio	1.1	1.7	(4.8)	1.1	(20.7)	(3.5)	6.7
Price relative to CBOE UK All Cos	0.9	(2.0)	(6.1)	(9.5)	(33.9)	(1.5)	61.6
NAV relative to CBOE UK All Cos	0.2	(0.6)	(5.1)	(6.6)	(25.3)	11.2	76.8

Source: Refinitiv, Edison Investment Research. Note: Data to end-December 2023 Geometric calculation.

Although WWH's performance has been negatively affected by a difficult 15-month period between the end of February 2021 and the end of May 2022 (Exhibit 11), primarily due to the trust's smaller-cap biotech exposure, this should be put into a broader context. Data from OrbiMed show that in the 28+ years since the fund was launched in April 1995 to the end of H124, WWH's NAV and share price total returns of 4,211% and 3,709% respectively, are considerably ahead of the benchmark and UK market total returns of 2,206% and 588% respectively.

Unfortunately, the aforementioned period of underperformance has eaten into the trust's longer-term record and WWH's NAV now lags its benchmark over the last three, five and 10 years (Exhibit 10). Despite this, the trust would have produced a significantly better return for investors than an allocation to the broad UK market over the last decade.

Exhibit 11: NAV total return performance relative to benchmark over 10 years



Source: Refinitiv, Edison Investment Research

Exhibit 12: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	MSCI World Health Care (%)	DS World Pharma and Biotech (%)	CBOE UK All Companies (%)
31/12/19	32.3	31.9	19.1	15.7	19.3
31/12/20	19.9	20.0	10.6	12.3	(10.9)
31/12/21	(2.6)	(0.2)	21.5	10.6	18.4
31/12/22	(9.8)	(3.5)	7.0	11.0	1.6
31/12/23	(2.6)	0.5	(1.6)	(0.6)	7.6

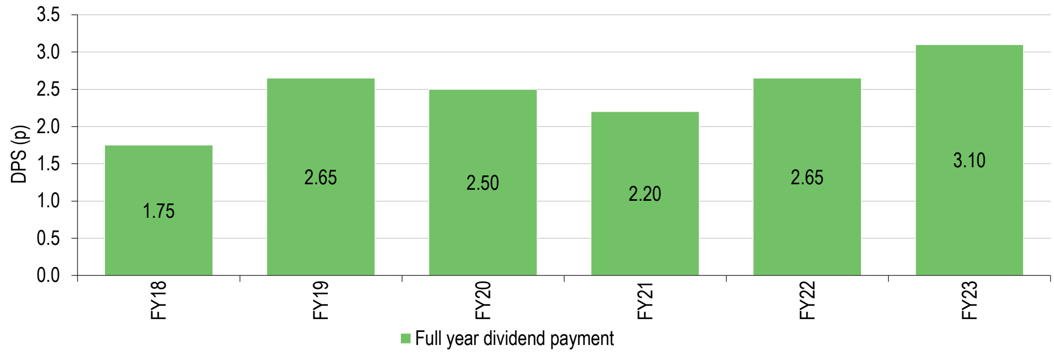
Source: Refinitiv. Note: All % on a total return basis in pounds sterling.

Dividends

WWH's managers do not have a particular yield requirement as the board believes the trust's capital should be deployed in the portfolio, rather than paid out as dividends. Semi-annual distributions are made in January and July. So far in FY24, a first interim dividend of 0.7p per share has been declared, which is flat year-on-year.

In FY23, WWH's revenue return equivalent to a split-adjusted 3.06p per share was 14.2% higher than 2.68p per share in FY22, and was helped by sterling weakness and a greater exposure to higher-yielding stocks. The trust's annual dividend of 3.10p was a 17.0% increase year-on-year. At the end of FY23, WWH had revenue reserves equivalent to c 1.2x the last annual distribution.

Exhibit 13: Dividend history since FY18

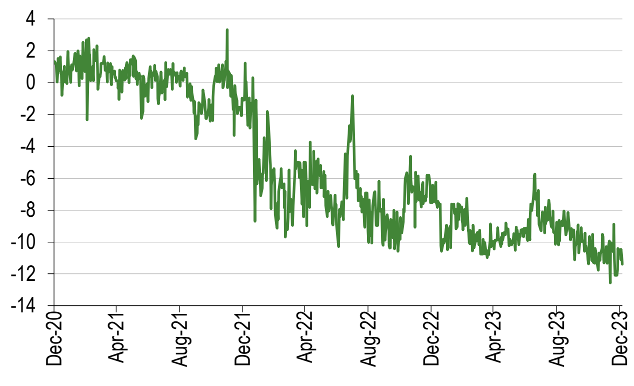


Source: Bloomberg, Edison Investment Research. Note: Reflects 10:1 share split on 27 July 2023.

Valuation: Discount wider than historical averages

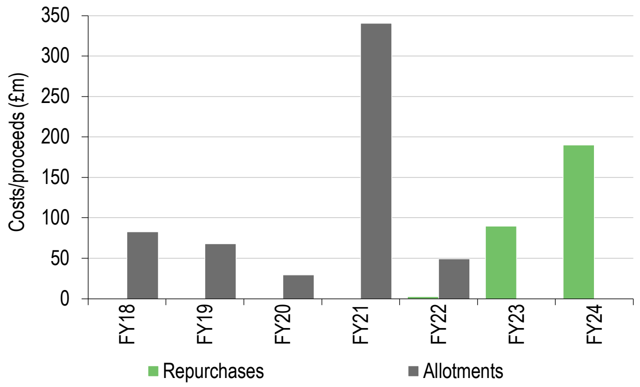
WWH's 11.4% share price discount to cum-income NAV is wider than the 9.4%, 5.3%, 3.1% and 3.0% average discounts over the last one, three, five and 10 years respectively. The lower valuation likely reflects heightened investor risk aversion in an uncertain economic environment and WWH's weaker relative performance in recent years. A more favourable macroeconomic backdrop and/or a turnaround in the trust's relative performance could lead to a meaningfully narrower discount.

Exhibit 14: Discount over three years (%)



Source: Refinitiv, Edison Investment Research

Exhibit 15: Buybacks and issuance



Source: Morningstar, Edison Investment Research

In 2004, WWH's board implemented a discount-control mechanism, aiming to ensure a maximum 6% share price discount to ex-income NAV in normal market conditions. It has the authority, renewed annually, to repurchase up to 14.99% and allot up to 10% of issued share capital (a prospectus is required to enable further share issuance). During H124, c 42.0m shares were repurchased at a 9.3% average discount to cum-income NAV, at a cost of c £133.4m.

Fund profile: Specialist global healthcare portfolio

WWH was launched in late April 1995 and is traded on the Main Market of the London Stock Exchange. The trust is managed by global healthcare specialist investor OrbiMed, which has c $17bn of assets under management (c $4.0bn in public equities) and operates from three continents with offices in New York, San Francisco, Herzliya (Israel), Hong Kong, Shanghai, Mumbai and London. OrbiMed has a team of around 140 people, of whom more than 35 hold PhD or MD qualifications. WWH's managers Sven Borho and Trevor Polischuk aim to generate a high level of capital growth from a diversified portfolio of global healthcare stocks, and the trust's performance is measured against the MSCI World Health Care Index (Datastream World Pharma/Biotech TR (sterling adjusted) Index from inception to 30 September 2010).

There are a series of investment guidelines and limits in place:

- at the time of acquisition, a maximum 15% of the portfolio in any one individual stock;
- at least 50% of the portfolio will normally be invested in larger companies (market cap at or above $10bn), with at least 20% in smaller companies (market cap less than $10bn);
- a maximum 10% in unquoted securities at the time of acquisition;
- up to 5% of the portfolio, at the time of acquisition, may be invested in each of debt instruments, convertibles and royalty bonds issued by pharma and biotech companies; and
- a maximum of 30% of the portfolio, at the time of acquisition, may be invested in companies in each of the healthcare equipment and supplies, and healthcare providers and services subsectors.

Derivatives are permitted to enhance returns and mitigate risk (maximum 5% of the fund's net exposure), up to 12% of WWH's gross assets may be held in equity swaps, currency exposure is not hedged and the managers may gear up to 20% of net assets. WWH is subject to a five-year continuation vote; the next is due at the 2024 AGM.

Investment process: Bottom-up stock selection

WWH's broad mandate means managers Borho and Polischuk can participate in all subsectors of the healthcare industry anywhere in the world, aiming to generate long-term capital growth. They can draw on the broad resources of OrbiMed's investment team, including employees based in China. The firm has used a public equity portfolio review process since 2009; the team meets regularly to discuss WWH's portfolio structure and individual holdings. Topics include clinical events, which have historically been the largest source of biotech and pharma share price volatility; regulatory events; new drug launches; doctor surveys; key opinion leader consultations; and other field research. Company meetings are a very important element of the investment process.

Stocks are selected from an actively covered universe of around 1,000 companies, ranging from early-stage preclinical businesses through to multinational biopharmaceutical firms, and WWH's portfolio is diversified by geography, subsector and market cap. The managers seek companies with underappreciated product pipelines, robust balance sheets and strong management teams, which are trading on reasonable valuations. There is a disciplined portfolio construction process to ensure the fund remains focused on high-conviction positions, and there is also a rigorous risk-management process.

At the end of November 2023, the trust had 60 positions, which was lower than 65 a year earlier. Its unlisted exposure was 6.3% at the end of November 2023, which was modestly higher than 5.9% at the end of November 2022. WWH has good access to ideas and unquoted companies given OrbiMed's large private equity team. The managers are mindful of liquidity issues when investing in private companies and understand that there is increased competition for crossover deals (the last round of financing before a company's IPO).

WWH's approach to ESG

OrbiMed believes there is a high congruence between companies seeking to act responsibly and those that succeed in building long-term shareholder value. To the extent that it is practicable and reasonable, OrbiMed takes into account applicable ESG factors when evaluating a prospective or existing investment. The company utilises ESG scores from third-party providers and supplements these with its own proprietary analysis. As well as regular monitoring of these combined data, OrbiMed regularly engages with WWH's portfolio companies. It also tracks ESG information on relevant factors including safety of clinical trials, drug/product safety and ethical marketing. OrbiMed considers that it is leading the charge in terms of meaningful ESG engagement in the healthcare sector. WWH's managers seek to invest in reputable management teams and are especially cognisant about corporate governance in emerging markets, as company credentials in these regions may not be as high as those of firms in developed regions.

Gearing

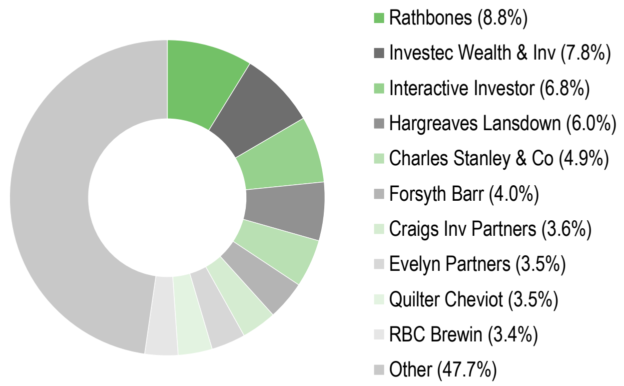
WWH has a US dollar overdraft facility with JP Morgan Securities at the US overnight bank funding rate plus 45bp. Gearing of up to 20% of NAV is permitted. Historically, the trust maintained a relatively high level of gearing but, over the last few years, the managers have employed a more pragmatic and tactical approach, hoping to take advantage of periods of stock market volatility. At end-November 2023, net gearing was 8.9%.

Fees and charges

OrbiMed is paid a base management fee of 0.65% of WWH's NAV and is eligible for a 15% performance fee for outperformance versus the benchmark (on incremental outperformance since launch, if it has been maintained for a 12-month period). At end-H124, no performance fees were accrued or payable. Frostrow Capital is the trust's alternative investment fund manager and is paid a tiered fee: 0.3% of WWH's market cap up to £150m, 0.2% on £150m to £500m, 0.15% on £500m to £1bn, 0.125% on £1bn to £1.5bn, and 0.075% over £1.5bn, along with a £57,500 pa fixed fee. In H124, the trust's ongoing charge was 0.8%, which was in line with FY23.

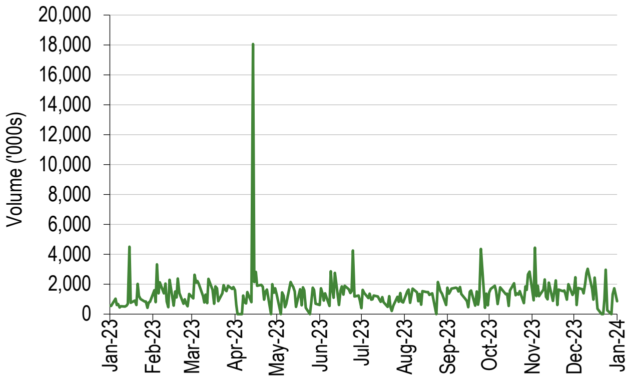
Capital structure

Exhibit 16: Major shareholders



Source: EQ IR:InTouch. Note: At 31 December 2023.

Exhibit 17: Average daily volume



Source: Refinitiv. Note: 12 months to 5 January 2024.

WWH is a conventional investment trust with one class of share; there are 563.5m ordinary shares in issue. Over the last 12 months, WWH's average daily trading volume was c 1,447k shares.

The board

Sven Borho is a founder and managing partner of OrbiMed and one of WWH's lead managers, so is considered a non-independent director; he waives his director's fee.

Humphrey van der Klugt has announced his intention to retire at the July 2024 AGM. The process of finding a new director is underway and the board will make an announcement in due course.

Exhibit 18: WWH's board of directors

Board member	Date of appointment	Remuneration in FY23	Shareholdings at end-FY23*
Doug McCutcheon (chairman since 6 July 2022)	7 November 2012	£47,894	20,000
Humphrey van der Klugt	15 February 2016	£40,503	3,000
Sven Borho	7 June 2018	£0	10,000
Dr Bina Rawal	1 November 2019	£33,573	2,606
Tim Livett	1 September 2022	£20,124	2,175
Jo Parfrey	1 September 2022	£19,584	2,000

Source: WWH. Note: *Before the 27 July 2023 10:1 stock split.

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