Worldwide Healthcare Trust

'Innovation, innovation, innovation' say the managers

Investment trusts
Global healthcare equities

Worldwide Healthcare Trust's (WWH's) co-managers, Sven Borho and Trevor Polischuk, at global healthcare specialist OrbiMed, are bullish on the outlook for the healthcare industry. They believe that high levels of innovation will be the most important driver of the sector's performance, although continued robust levels of product approvals and an acceleration in M&A activity are also important considerations. The managers' successful long-term strategy of favouring emerging (smaller-cap) biotech companies over large-cap pharma companies provided an earnings headwind between early 2021 and mid-2022 as growth stocks were under pressure in a rising interest rate environment. However, performance appears to have turned a corner in recent months and it should be remembered that WWH has significantly outperformed its benchmark since launch in April 1995.

Trevor Polischuk at the Frostrow Capital Investment Seminar (May 2024)

Source: WWH

Why consider WWH?

Data from OrbiMed show that since the fund was launched in April 1995 to the end of H124 (September 2023), 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.

Healthcare stocks have performed relatively poorly in recent quarters as investors gravitated towards large-cap technology stocks. However, healthcare industry fundamentals remain strong with solid demand for products and services supported by an ageing global population. Industry innovation is at very high levels, leading to an increasing number of new product approvals, and M&A activity has accelerated as pharma companies seek to bolster their product pipelines ahead of a 2025–30 patent expiration cliff. Undemanding healthcare company valuations coupled with a favourable industry outlook suggest that now could be a good time for investors to consider the sector, which offers a wealth of different investment opportunities.

In general, investment trust discounts have widened in an environment of increased investor risk aversion. WWH has not been immune to this trend as its 10.0% discount is wider than its three-, five- and 10-year historical averages. There is scope for a narrower discount, particularly as the trust's performance is improving (between early 2017 and the end of 2021, WWH regularly traded close to NAV).

NOT INTENDED FOR PERSONS IN THE EEA

23 May 2024

Price		**348.5p**
Market cap		**£1,872m**
Total assets		**£2,120m**
NAV*		387.4p
Discount to NAV		10.0%
*Including income. At 21 May 2024.		
Yield		0.9%
Ordinary shares in issue		537.2m
Code/ISIN		WWH/GB00BN455J50
Primary exchange		LSE
AIC sector		Biotechnology & Healthcare
52-week high/low	355.5p	288.0p
NAV* high/low	391.2p	320.9p
*Including income		
Gearing*		1.9%
*At 30 April 2024.		

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 subsector, geography 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.

Analyst

Mel Jenner +44 (0)20 3077 5700

investmenttrusts@edisongroup.com

Edison profile page

Worldwide Healthcare Trust is a research client of Edison Investment Research Limited

WWH: One-stop shop with improving performance

WWH offers investors a one-stop shop for healthcare exposure as Borho and Polischuk can invest in every industry subsector, in any geography and across the market-cap spectrum (split broadly 80:20 between large- and small/mid-cap stocks compared to the large-cap benchmark). OrbiMed is the largest worldwide healthcare specialist with a more than 25-year history and around $17.5bn of assets under management.

The healthcare market backdrop

The performance of healthcare stocks in recent quarters both in absolute and relative terms remains lacklustre (Exhibit 1). In the first four months of 2024, in a year where equity returns remain robust, the US healthcare sector only delivered low single-digit total returns, which was around 3pp behind the broad US market. Healthcare stocks showed their defensive qualities in 2022 when the US market sold off following the Russian invasion of Ukraine, and in this environment it was unsurprising that energy stocks were the standout performers.

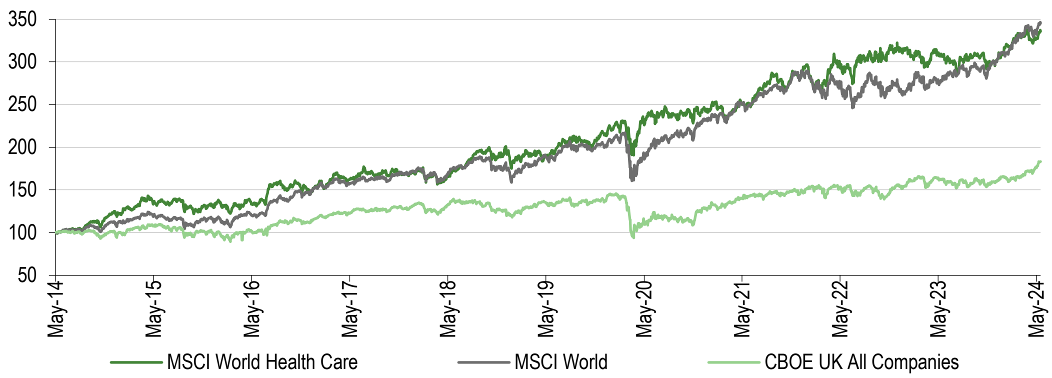
Exhibit 1: S&P 500 Index sector total returns ($)

%	4M24		2023		2022		2021		2020
Comm'n services	13.4	IT	57.8	Energy	65.4	Energy	54.4	IT	43.9
Energy	12.8	Comm'n services	55.8	Utilities	1.6	Real estate	46.1	Cons discretionary	33.3
Financials	7.8	Cons discretionary	42.3	Consumer staples	(0.6)	Financials	34.9	Comm'n services	23.6
Industrials	7.0	Industrials	18.1	**Healthcare**	(2.0)	IT	34.5	Materials	20.7
IT	6.6	Materials	12.6	Industrials	(5.5)	Materials	27.3	**Healthcare**	13.5
Consumer staples	6.6	Real estate	12.3	Financials	(10.6)	**Healthcare**	26.1	Industrials	11.1
Utilities	6.3	Financials	12.1	Materials	(12.3)	Cons discretionary	24.4	Consumer staples	10.8
Materials	4.0	**Healthcare**	2.1	Real estate	(26.2)	Comm'n services	21.6	Utilities	0.5
Healthcare	3.3	Consumer staples	0.5	IT	(28.2)	Industrials	21.1	Financials	(1.8)
Cons discretionary	0.4	Energy	(1.4)	Cons discretionary	(37.0)	Consumer staples	18.6	Real estate	(2.2)
Real estate	(9.0)	Utilities	(7.1)	Comm'n services	(39.9)	Utilities	17.7	Energy	(33.7)
Total	**6.0**	**Total**	**26.3**	**Total**	**(18.1)**	**Total**	**28.7**	**Total**	**18.4**
Healthcare rank	9		8		6		6		5
Perform vs market	(2.7)		(24.2)		16.2		(2.6)		(4.9)

Source: Bloomberg

However, as shown in Exhibit 2, over the longer term, global healthcare stocks have kept up with the performance of the world market. Taking this into consideration, along with favourable industry fundamentals and valuations that are not overextended, now could be a favourable entry point to the healthcare sector, which offers many investment opportunities across a broad range of businesses.

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



Source: LSEG, Edison Investment Research

The Datastream World Pharma Index is trading on a 17.8x forward P/E multiple, which is a 6.4% premium versus the valuation of the Datastream World Index and compares with an average 10-year 0.1% discount. Versus US stocks, global pharma companies look more reasonably valued as the Datastream World Pharma Index is trading at a 14.2% discount to the Datastream US Index, which is a little wider than the 13.6% 10-year average discount.

Polischuk's healthcare perspectives

The manager highlights the biotech sector, which has suffered a very difficult period over the last two or so years, during which the SPDR S&P Biotech ETF (ticker: XBI) experienced the longest and the largest absolute (-60%) and relative (-87% vs the S&P 500 Index) drawdown in its history. However, the sector looks to be turning a corner. There has been an inflexion in the number of biotech acquisitions driven by: 1) a looming patent cliff – nearly $250bn of branded sales are at risk from 2025–30; 2) top-line pressure from drug price reform – the first drug price cuts take effect in 2026; 3) biotech valuations are at record lows based on the ratio of market cap to net cash on the balance sheet; and 4) biotech innovation is at an all-time high – 65% of the US drug industry pipeline is from small-cap biotech companies.

The pace of M&A within the healthcare industry accelerated in 2022 and again in 2023. Polischuk is very optimistic about a continuation of the positive trend this year. The manager notes that M&A commentary was very prevalent at the high-profile January 2024 annual JPMorgan healthcare conference. In 2024, there were 16 deals announced in the first 16 weeks of the year, which was a faster pace than in 2023. Some of the takeover bids for listed companies were at greater than 100% premiums to their pre-bid share prices, such as Merck's bid for Harpoon Therapeutics and Johnson & Johnson's bid for Ambrx Biopharma. WWH has benefited from M&A as since 2022 there have been direct acquisitions of portfolio companies including Seagen and Turning Point Therapeutics. Also, there has been a much greater number of indirect acquisitions of companies held in WWH's proprietary M&A basket.

Last year was a record year for new drug approvals by the US Food and Drug Administration, says Polischuk, with a total of 67 compared with 45 in 2022. These were split between chemical drugs (55 vs 37 in 2022) and biological products (12 vs eight in 2022). He notes that nearly 400 drugs have been approved in the last seven years, while the pace of new product approvals has remained brisk in 2024.

The manager believes that the use of diabetes products for the treatment of obesity is just beginning, and peak sales for this category could reach $200bn by 2030. Denmark-listed Novo Nordisk and US-listed Eli Lilly currently lead this market, but global product roll-outs are small and calculated as there are capacity constraints, which are restricting product supply. Polischuk believes Novo Nordisk and Eli Lilly are also both well positioned to benefit from the development of next-generation injectable and oral alternative obesity treatment products. The 2023 Select trial for Novo Nordisk's semaglutide product for the treatment of obesity in patients without diabetes was seen as a game changer as it reduced negative cardiovascular outcomes by 20%.

In terms of therapeutic categories, two areas highlighted by the manager are oncology and vaccines. In oncology, developments are expected in immunoncology, where products stimulate the body's immune system, and should be positive for Merck. The manager suggests that antibody drug conjugates are the hottest topic in oncology, and beneficiaries include Daiichi Sankyo. He also highlights bispecifics, which are two antibodies in one molecule, as the 'next big thing' in oncology, and beneficiaries include AstraZeneca. The manager says there while there is some fatigue around vaccines following COVID-19, non-COVID products are garnering premium prices. He highlights that vaccines are historically durable franchises that can generate significant value; for example, GlaxoSmithKline is seeing record demand for its respiratory syncytial virus vaccine.

Looking at his 2023 innovation scorecard, Polischuk notes that last year was an 'incredible' year for positive clinical readouts across the healthcare industry, while he sees a plethora of catalysts over the next 18 months, each of which has the potential to cause a rerating in the stocks of those companies with successful outcomes.

The manager is not concerned about the upcoming November 2024 US presidential election. He believes that there is a high likelihood that the status quo will be maintained, in terms of a split Congress and no controversial legislation. He sees the probability of a Democratic sweep at just 10% and a Republican sweep at 30%.

Considering WWH's playbook for 2024 and beyond, Polischuk cites 'innovation, innovation and innovation' as the most important driver for healthcare performance. He and Borho will continue to seek companies with new products and catalysts that will drive value creation. Polischuk is confident M&A activity will remain robust and that biotech stocks are turning a corner. Given favourable industry fundamentals the manager believes that the underperformance of the healthcare sector is unsustainable. He views the US presidential as a potential positive catalyst by removing an element of uncertainty, which adds to his overall bullish outlook for healthcare stocks.

Current portfolio positioning

WWH's top 10 holdings

At the end of April 2024, WWH's top 10 positions made up 55.1% of the fund, which was a notably higher concentration versus 43.5% at the end of April 2023; five positions were common to both periods. There were 54 holdings in the portfolio, which was seven lower year-on-year, while the 61.8% active share was notably lower than 69.4% at the end of April 2023. This is a measure of how a fund compares with its benchmark, with 0% being full index replication and 100% no commonality. At the end of April 2024, the trust's portfolio turnover was running at a 54.9% annual rate, which indicates a modest decrease in activity compared with 57.5% a year before.

Eli Lilly is the now the trust's largest holding but it was not included in the top 10 list 12 months ago. This company along with Novo Nordisk (a former number one holding) have performed very well now that their diabetes products are being used as obesity treatments, and combined these two stocks make up around 13.5% of the portfolio.

Another of WWH's top 10 holdings is the healthcare M&A target swap basket, which is a derivative product constructed and managed by OrbiMed 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 have been acquired, bringing added exposure to potential M&A targets without having to meaningfully increase the number of names in the portfolio.

Exhibit 3: Top 10 holdings (at 30 April 2024)

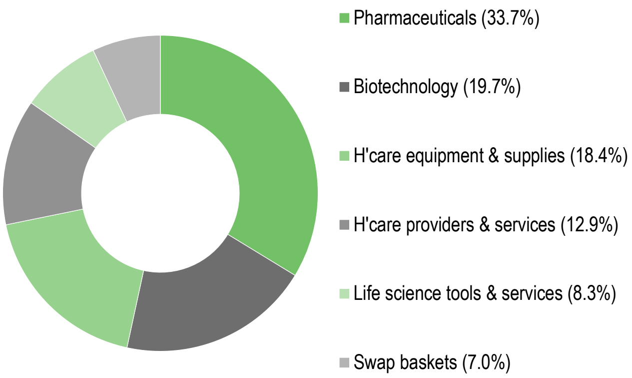
Company	Region	Sector	Portfolio weight %	
			30 Apr 2024	30 Apr 2023*
Eli Lilly & Co	North America	Pharmaceuticals	7.7	N/A
Healthcare M&A target swap basket	North America	Swap baskets	7.0	4.5
Boston Scientific	North America	Healthcare equipment & supplies	6.5	4.7
AstraZeneca	Europe	Pharmaceuticals	6.4	5.2
Novo Nordisk	Europe	Pharmaceuticals	5.8	4.1
Merck & Co	North America	Pharmaceuticals	5.1	N/A
Intuitive Surgical	North America	Healthcare equipment & supplies	5.0	4.8
Biogen	North America	Biotechnology	4.1	N/A
Tenet Healthcare	North America	Healthcare providers & services	3.8	N/A
Daiichi Sankyo	Japan	Pharmaceuticals	3.7	N/A
Top 10 (% of portfolio)			**55.1**	**43.5**

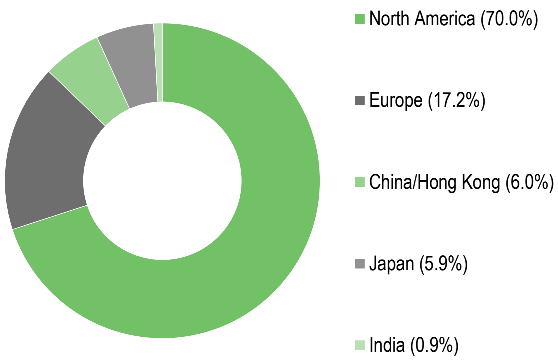
Source: WWH, Edison Investment Research. Note: *N/A where not in end-April 2023 top 10.

WWH's breakdown by subsector and geography is shown in Exhibit 4. At the end of April 2024, around a third of the fund was made up of pharma stocks, with around a 20% allocation each to the biotech and healthcare equipment & supplies subsectors. Over the prior 12 months the largest changes were a 4.9pp higher pharma weighting and a 6.1pp lower exposure to healthcare providers & services.

Understandably, given its dominance in the global healthcare industry, North America made up 70% of the fund at the end of April 2024, which was 3.2pp higher year-on-year. This was partially offset by a 2.4pp lower allocation to China/Hong Kong.

Exhibit 4: 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 April 2024.

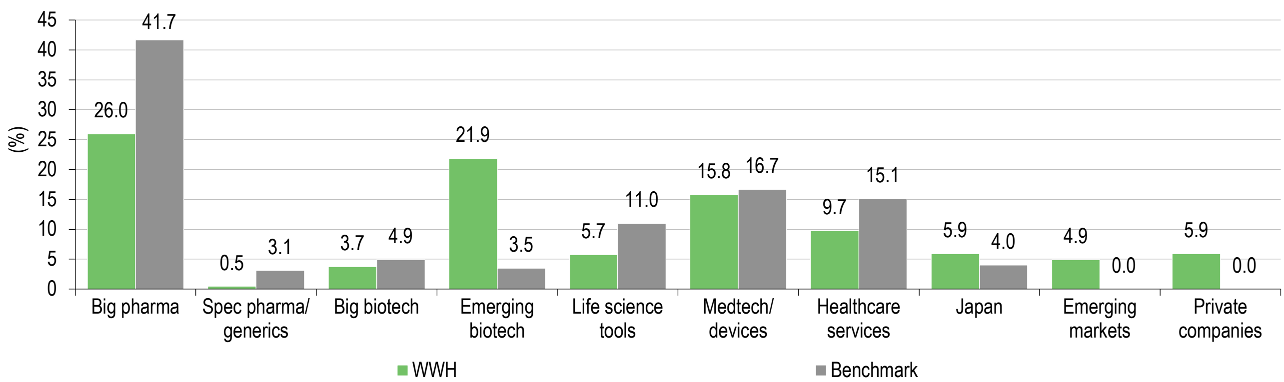
Exhibits 5 and 6 show WWH's subsector breakdown at the end of February 2024. The largest changes year-on-year were reduced exposures to healthcare services (-4.7pp) and emerging markets (-3.1pp) with increased allocations to big pharma (+2.5pp), life science tools (+2.4pp) and big biotech (+2.3pp). Versus the index, the trust retains its large overweight in emerging biotech (+18.4pp), which is partially offset by an underweight in big pharma (-15.7pp).

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

	Portfolio end-February 2024	Portfolio end-February 2023	Change (pp)	Active weight vs index (pp)
Big pharma	26.0	23.5	2.5	(15.7)
Spec pharma/generics	0.5	0.3	0.2	(2.6)
Big biotech	3.7	1.5	2.3	(1.2)
Emerging biotech	21.9	22.5	(0.7)	18.4
Life science tools	5.7	3.3	2.4	(5.3)
Medtech/devices	15.8	15.3	0.5	(0.9)
Healthcare services	9.7	14.5	(4.7)	(5.4)
Japan	5.9	5.3	0.6	1.9
Emerging markets	4.9	8.0	(3.1)	4.9
Private companies	5.9	6.0	(0.1)	5.9
Total	**100.0**	**100.0**		

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

Exhibit 6: WWH's subsector exposure versus the benchmark (at end-February 2024)



Source: WWH, Edison Investment Research

Performance: Getting back on track

WWH is by far the largest of seven funds in the AIC Biotechnology & Healthcare sector. Its NAV total returns are above average over all periods shown, ranking third out of seven funds over the last one and three years, second out of six funds over the last five years and first out of five funds over the last decade.

Exhibit 7: AIC Biotechnology & Healthcare sector at 22 May 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	1,872.0	6.9	8.7	56.5	222.7	(9.9)	0.8	Yes	102	0.9
Bellevue Healthcare Trust	660.1	(3.8)	(6.8)	29.9		(5.9)	1.0	No	100	4.2
Biotech Growth Trust	326.4	13.4	(21.2)	36.6	126.3	(6.6)	1.1	Yes	107	0.0
International Biotechnology Trust	238.0	(1.7)	9.2	36.4	191.2	(8.1)	1.4	Yes	112	4.4
Polar Capital Global Healthcare	445.1	8.5	38.6	80.6	183.6	(5.4)	0.9	Yes	106	0.6
RTW Biotech Opportunities	430.5	1.8	3.1			(19.0)	2.0	Yes	100	0.0
Syncona	730.1	(2.3)	(3.0)	(12.3)	84.0	(40.4)	0.9	No	100	0.0
Average (7 funds)	**671.7**	**3.3**	**4.1**	**37.9**	**161.5**	**(13.6)**	**1.2**		**104**	**1.4**
WWH rank in peer group	**1**	**3**	**3**	**2**	**1**	**5**	**1**		**4**	**3**

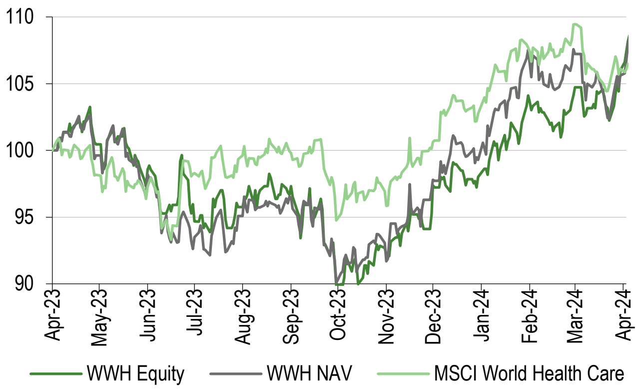
Source: Morningstar, Edison Investment Research. Note: *Performance data to 21 May 2024 based on ex-par NAV. TR, total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

The trust'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 one, three and five years, and first out of two funds over the last decade.

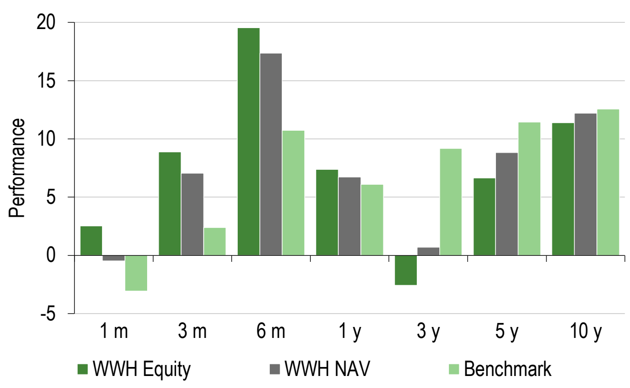
Two of the funds in the sector have very wide discounts. At 22 May 2024, the five remaining companies had single-digit discounts, of which WWH had the widest. It has the lowest ongoing charge, although a performance fee may be payable. The trust currently has a below-average level of gearing and a below-average dividend yield, although the two peers with a superior yield can pay dividends out of capital.

Exhibit 8: Investment trust performance to 30 April 2024

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



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

Exhibit 9: Share price and NAV total return performance, relative to indices (%)

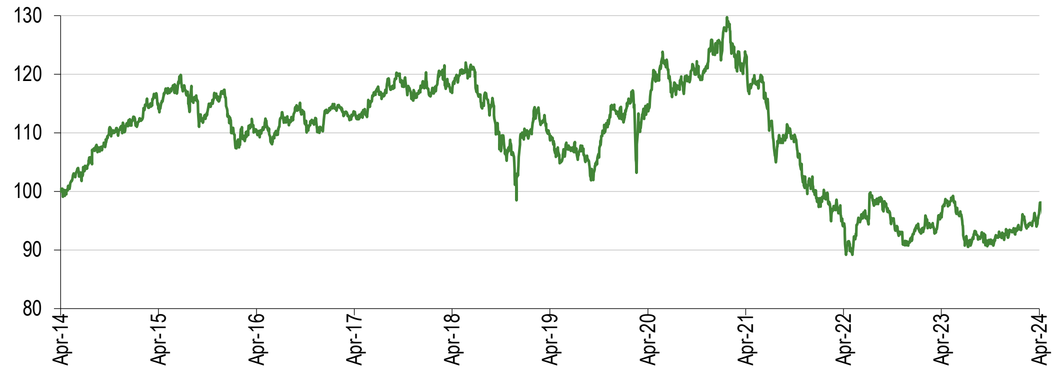
	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to MSCI World Health Care	5.8	6.3	8.0	1.2	(28.9)	(19.7)	(10.0)
NAV relative to MSCI World Health Care	2.7	4.5	6.0	0.6	(21.5)	(11.2)	(3.2)
Price relative to World-DS Pharma & Bio	4.8	5.6	7.9	(0.9)	(29.2)	(16.2)	4.4
NAV relative to World-DS Pharma & Bio	1.7	3.9	6.0	(1.5)	(21.8)	(7.3)	12.4
Price relative to CBOE UK All Cos	0.2	1.3	4.7	0.0	(26.2)	6.0	66.8
NAV relative to CBOE UK All Cos	(2.7)	(0.4)	2.8	(0.6)	(18.5)	17.3	79.5

Source: LSEG, Edison Investment Research. Note: Data to end-April 2024. Geometric calculation.

As discussed in our prior research reports, while WWH's strategy of favouring emerging biotech stocks over large-cap pharma companies has been successful over the long term, it was particularly detrimental to the trust's performance between the end of February 2021 and the end of May 2022 (Exhibit 10), when growth stocks came under pressure in a rising interest rate environment.

It is encouraging to see that WWH's relative performance has improved in recent months (Exhibit 9). Positive contributors include large-cap companies AstraZeneca, which had good news around its pipeline and delivered results that exceeded consensus expectations, Novo Nordisk, which had an upbeat capital markets day, and Eli Lilly, whose results and guidance were better than expected. In the smaller-cap space, positive contributors include Janux Therapeutics, due to speculation that the company was up for sale, Iovance Biotherapeutics, which gained approval for a novel melanoma treatment, R1 RCM, which received a takeover bid, and Natera, which delivered better-than-expected results. Holdings that detracted from WWH's performance in recent months include Apellis Pharmaceuticals, which had adverse events for a newly marketed eye drug, and large-cap pharma companies Biogen and Eisai, whose sales of Leqembi for the treatment of Alzheimer's were lower than expected. The trust's emerging biotech and Chinese stocks also tend to perform relatively poorly when expectations about lower US interest rates are pushed out.

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



Source: LSEG, Edison Investment Research

Exhibit 11: Five-year discrete performance data

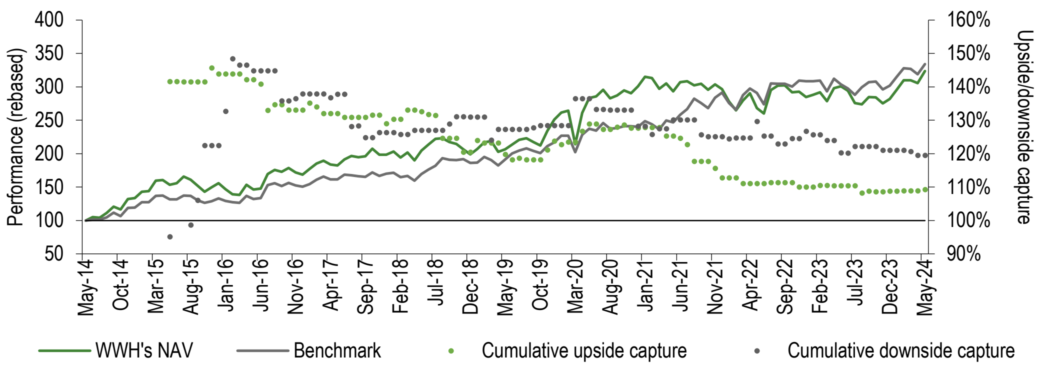
12 months ending	Share price (%)	NAV (%)	MSCI World Health Care (%)	DS World Pharma and Biotech (%)	CBOE UK All Companies (%)
30/04/20	26.9	25.6	20.1	20.8	(17.2)
30/04/21	17.6	19.0	10.0	4.4	25.3
30/04/22	(15.4)	(10.8)	17.0	13.9	9.1
30/04/23	1.8	7.3	4.9	5.9	7.0
30/04/24	7.4	6.7	6.1	8.3	7.4

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

WWH's upside/downside analysis

WWH's upside/downside capture analysis is shown in Exhibit 12. Over the last decade, its cumulative upside capture rate of 109% implies that in months when healthcare stocks rise, the trust is likely to outperform by around 10%. WWH's downside capture rate of 120% implies that during periods of falling healthcare stock prices, the trust is likely to underperform by around 20%.

Exhibit 12: WWH's upside/downside capture over the last 10 years



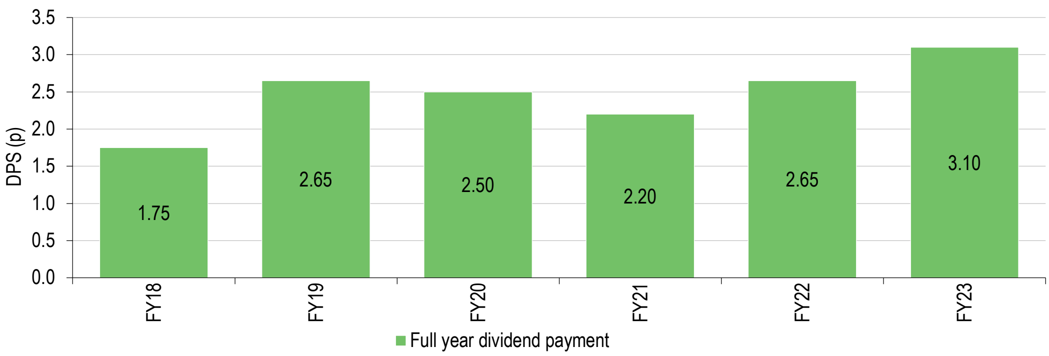
Source: LSEG, Edison Investment Research. Note: Cumulative upside/downside capture calculated as the geometric average NAV total return (TR) of the fund during months with positive/negative reference index TRs, divided by the geometric average reference index TR during these months. A 100% upside/downside 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.

Dividends: Based on income, no set yield requirement

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



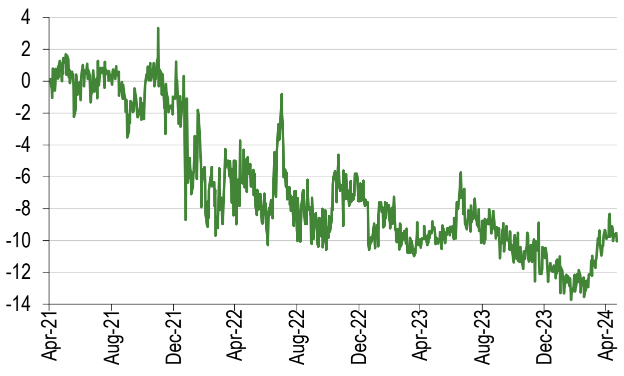
Source: Bloomberg, Edison Investment Research. Note: Reflects 10:1 share split on 27 July 2023.

Valuation: Discount starting to narrow

WWH's 10.0% share price discount to cum-income NAV compares with a range of a 3.3% premium to a 13.7% discount over the last three years. It is wider than the 6.7%, 4.0% and 3.3% average discounts over the last three, five and 10 years, respectively. Investor risk aversion has led to a trend of wider discounts within the investment company industry, but average discounts are starting to narrow from levels not seen since the global financial crisis.

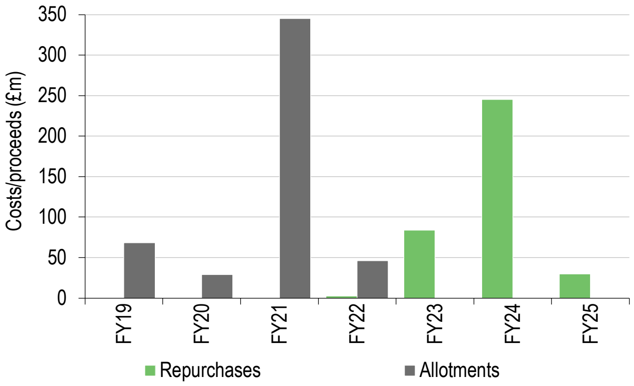
WWH's recent improved performance is likely to have also contributed to its narrower discount and this trend could continue if WWH continues to deliver positive results. It should be noted that between early 2017 and the end of 2021, the trust's shares generally traded close to NAV and there was regular share issuance when WWH traded at a premium.

Exhibit 14: Discount over three years (%)



Source: LSEG, 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).

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 $17.5bn of assets under management (c $4.5bn 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 Borho and 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 is 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. 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 can be 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

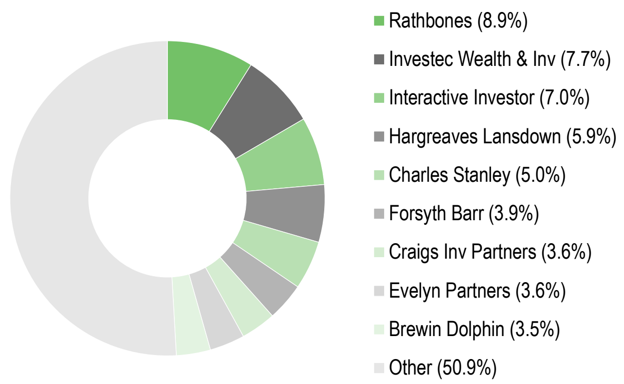
WWH has a US dollar overdraft facility with JP Morgan Securities at the US overnight bank funding rate plus 45bp. Gearing of up to 20% of NAV is permitted. Historically, the trust maintained a relatively high level of gearing but, over the last few years, the managers have employed a more pragmatic and tactical approach, hoping to take advantage of periods of stock market volatility. At the end of April 2024, net gearing was 1.9%.

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.

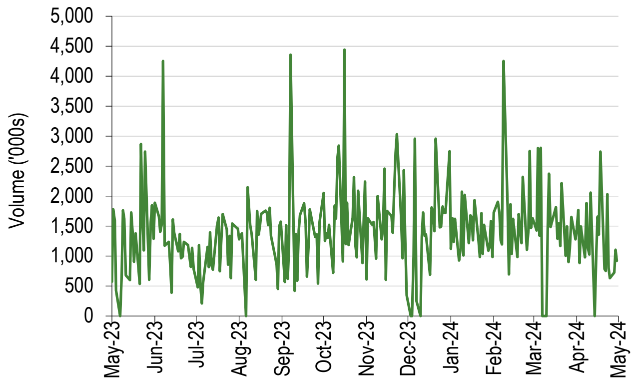
Capital structure

Exhibit 16: Major shareholders



Source: Bloomberg. Note: At 30 April 2024.

Exhibit 17: Average daily volume



Source: LSEG. Note: 12 months to 22 May 2024.

WWH is a conventional investment trust with one class of share; there are 537.2m ordinary shares in issue. Over the last 12 months, WWH's average daily trading volume was c 1,450k 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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London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom