Worldwide Healthcare Trust

Global healthcare exposure

Investment trusts

Worldwide Healthcare Trust (WWH) is a UK-registered investment trust offering diversified exposure to both the pharmaceutical and biotech sectors. The overall healthcare sector has performed strongly with WWH's benchmark, the MSCI World Healthcare Index, up 32%, 72% and 116% over one, three and five years. The manager sees a broad range of opportunities and is positive on the outlook for the next 12 months; biotech and pharma valuations have risen from 10-year lows in 2009, but remain below their 10-year averages, suggesting further potential remains.

12 months ending	Total share price return* (%)	Total NAV return* (%)	Total return blended benchmark* (%)	Total return MSCI World Healthcare * (%)	Total return DS World Pharma & Biotech * (%)
30/06/10	22.6	25.5	20.3	20.9	20.3
30/06/11	20.2	19.4	21.5	20.0	17.5
30/06/12	10.8	10.6	8.6	8.6	10.4
30/06/13	30.7	25.3	31.9	31.9	32.5

Note: *Twelve-month rolling discrete performance.

Investment strategy: Global healthcare companies

WWH invests globally in healthcare with a broad universe that includes the pharma, biotech, medical devices, healthcare services and diagnostics sectors. Its investment policy is to have 60% in larger-cap stocks. The portfolio retains its long-term overweight in emerging biotechnology companies (12.4% cf index of 1.4%) and its long-term underweight in large-cap pharmaceuticals(31.1% cf index of 54.9%), as the manager believes biotech offers superior growth prospects and more attractive valuations. Gearing is employed (net gearing is currently c 13%) and derivatives are used with a view to mitigating risk and enhancing capital returns.

Outlook: Growing market, valuations rising

The healthcare and biotech sectors benefit from a demographic backdrop of increasing demand from ageing populations, particularly in the western world, and from growth in population and utilisation, particularly in emerging markets. Since 2009 healthcare P/E ratios have moved back from a discount to a premium position against the S&P 500, having previously traded at a premium for the initial part of the decade. Much of this move has been driven by the recently strong relative performance of the biotech space, particularly during the last two years (see page 3). Across healthcare in general, initial price rises were matched by earnings increases, but recent price gains have moved ahead of earnings growth so that average P/E ratios have moved up during the last two years (see page 3), and are broadly in line with their 10-year averages.

Valuation: On a narrowing trend

The trust has a policy of actively managing the discount to broadly maintain it within 6.0% of the diluted NAV. WWH's discount has recently contracted (current cum fair discount is 2.5%) and, reflecting this tightening, the trust has not made any share repurchases since September 2012 but, since November 2012, it has taken the opportunity to reissue 471k shares from treasury raising £4.6m. The average cum fair discount during the last 12 months is 5.9%.

1 August 2013

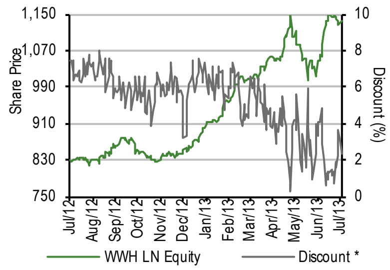
Price	**1,135p**
Market cap	**£520m**
AUM	**£589m**

NAV*	1,183.51p
Discount to NAV	4.1%
NAV**	1,164.30p
Discount to NAV	2.5%
Yield	1.5%

*Debt at market value, excluding income and assuming non-exercise of outstanding subscription shares. At 29 July 2013.
**Debt at market value, including income and assuming full exercise of all outstanding subscription shares at 638p. At 29 July 2013.

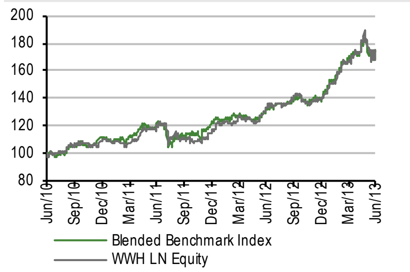
Ordinary shares in issue	45.8m
Code	WWH
Primary exchange	LSE
AIC sector	SS:Biotech/Life Sciences

Share price/discount performance



Note: *Positive values indicate a discount.

Three-year cumulative perf. graph



52-week high/low	1,150p	814p
NAV* high/low	1,176.6p	874.5p

*Adjusted for debt at market value, excluding income.

Gearing

Gross	13%
Net	13%

Analysts

Matthew Read +44 (0)20 3077 5758
Andrew Mitchell +44 (0)20 3681 2500
investmenttrusts@edisongroup.com

Edison profile page

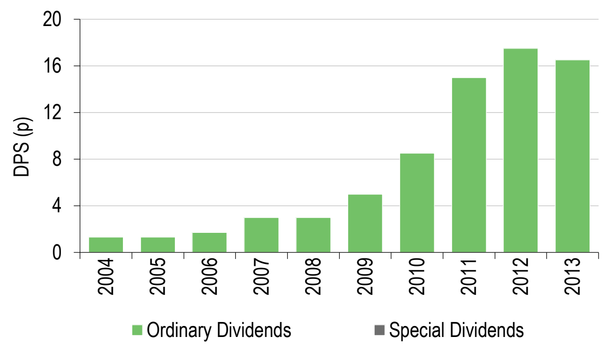
Worldwide Healthcare Trust is a research client of Edison Investment Research Limited

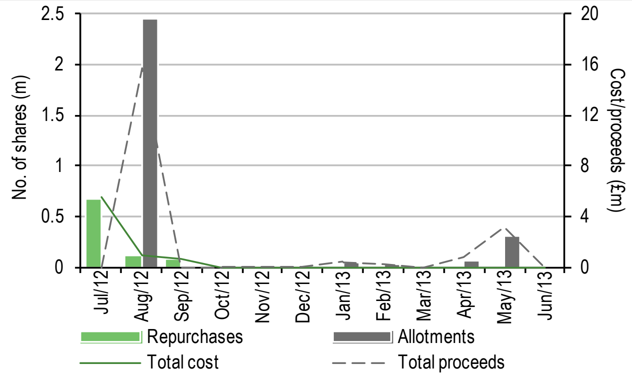
Exhibit 1: Trust at a glance

Investment objective and fund background	Recent developments
Worldwide Healthcare Trust's investment objective is to invest worldwide in pharmaceutical, biotechnology and related securities in the healthcare sector to achieve a high level of capital growth. Gearing and derivative transactions are used to mitigate risk and enhance capital returns.	6 June 2013: Annual report for the year ending 31 March 2013 released. 22 May 2013: Second interim dividend of 9.0p declared (total for year 16.5p). April and May 2013: 328k shares reissued from treasury raising £3.5m.

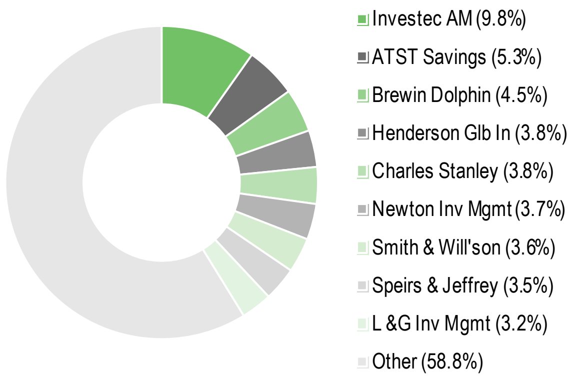
Forthcoming		Capital structure		Fund details	
AGM	July 2014	Ongoing charges	1.0%, 1.2% inc. perf. fee	Group	Frostrow Capital LLP
Interim results	November 2013	Net gearing	13%	Manager	OrbiMed Capital (Sam D Isaly)
Year end	31 March	Annual mgmt fee	See page 7	Address	25 Southampton Buildings, London, WC2A 1AL, UK
Dividend paid	July	Performance fee	15% above RPI + 6%		
Launch date	April 1995	Trust life	Indefinite	Phone	+44 (0)20 3008 4910
Continuation vote	Vote every five years	Loan facilities	£20m revolving	Website	www.worldwidewh.com

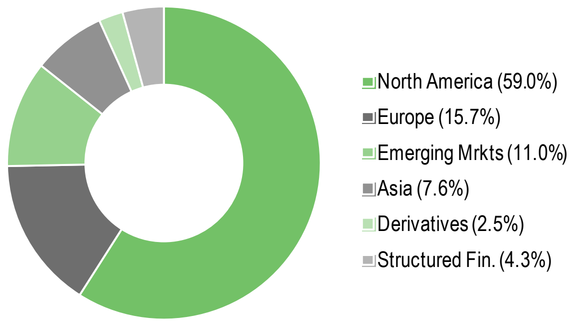
Dividend policy and history	Share buyback policy and history
One dividend annually, paid in July, assuming adequate profitability. Level may vary accordingly.	Renewed annually, the trust has authority to purchase up to 14.99% and allot up to 10% of issued share capital.





Shareholder base (as at 30 June 2013)	Distribution of portfolio (as at 30 June 2013)





Top 10 holdings (as at 30 June 2013)

Company	Country	Sector	Portfolio weight %		Active weight %*
			30 June 2013	31 December 2012	30 June 2013
Roche	Switzerland	Pharma/Medical-Drugs	8.2	9.3	2.3
Gilead Sciences	US	Medical-Biomedical/Gene	4.6	4.1	3.0
Biogen Idec	US	Medical-Biomedical/Gene	4.1	N/A	2.9
Amgen	US	Medical-Biomedical/Gene	3.6	N/A	2.8
Sanofi	France	Pharma/Medical-Drugs	3.5	4.7	2.6
HCA	US	Health Care Facilities	3.2	2.6	2.9
Mylan	US	Generic Pharmaceuticals	3.1	N/A	1.6
Bristol-Myers Squibb	US	Pharma/Medical-Drugs	2.9	2.2	3.0
Merck & Co	US	Pharma/Medical-Drugs	2.7	3.7	2.4
Thermo Fisher Scientific	US	Life Science Equipment	2.7	N/A	1.6
Top 10			**38.6**	**39.4**	

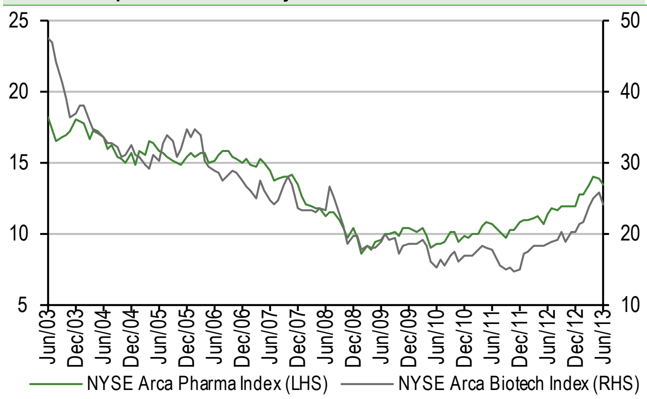
Source: Worldwide Healthcare Trust, Edison Investment Research. Note: * Active weight is the arithmetic difference between the trust's portfolio weight (%) and that of the benchmark MSCI World Healthcare Index (%).

Equity outlook: Growing market, valuations rising

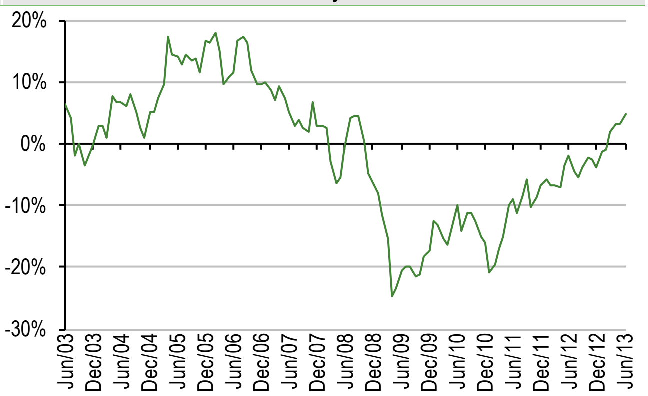
The healthcare and biotech sectors benefit from a demographic backdrop of increasing demand from ageing populations, particularly in the western world, and from growth in population and utilisation, particularly in emerging markets, where healthcare in general is typically a disproportionate beneficiary from income growth. Big pharma, the largest subsector within the healthcare space (55% of the MSCI Global Healthcare Index) has traditionally excelled at sales and marketing, but has frequently struggled to replace revenue as drugs have gone off-patent, despite spending large sums on R&D. Biotech companies, by comparison, have frequently been smaller, more focused and, in recent years, experienced stronger success in R&D. This has seen an evolution whereby large-cap pharma companies have effectively begun to outsource R&D to the biotech sector. Six of the current top 10 best-selling drugs globally were developed by biotech companies, while nine of these are being sold by pharma companies. The rewards for discovering effective treatments are high, making biotech an attractive place to invest, but the associated risks also remain high. This high risk and the need to understand the complex science that will often determine the success or failure of healthcare and biotech companies are strong arguments for investing via a portfolio managed by sector experts. As illustrated in Exhibit 2, since 2009 healthcare P/E ratios have moved back from a discount to a premium position against the S&P 500, having previously traded at a premium for the initial part of the decade. Much of this move has been driven by the recently strong relative performance of biotech, particularly in the last two years, during which the NASDAQ Biotechnology Index has returned 74.8% (total return, sterling adjusted) compared to the MSCI World Healthcare Index, which has returned 43.3%. Across healthcare, initial price rises were broadly matched by earnings increases, but recent price gains have moved ahead of earnings growth so that average P/E ratios have moved up during the last two years, having fallen for the previous 10 years. This potentially makes healthcare more sensitive to setbacks, particularly within biotech. Current healthcare and biotech P/Es (13.5x and 24.1x) are broadly in line with the longer-term 10-year averages (13.0x and 24.9x).

Exhibit 2: Healthcare sector valuations

Biotech and pharma P/E over 10 years



Healthcare P/E relative to S&P over 10 years



Source: OrbiMed Capital, LLC

Fund profile: Global healthcare portfolio

Launched in April 1995, WWH is by far the largest of all the UK-registered investment trusts to focus on the global pharmaceutical and biotechnology sectors. Its investment policy was broadened in 2010 to include companies in the healthcare equipment and services and healthcare technology sectors. Reflecting this, the benchmark was changed from Datastream World Pharmaceutical and Biotechnology Index to MSCI World Healthcare Index (both total return, sterling adjusted) from 30 September 2010. Its healthcare mandate distinguishes it from peers, which generally have a stronger focus on biotech. WWH also has a large-cap focus. At least 60% of the portfolio must be invested in stocks with a market cap over $5bn. Frostrow Capital provides management, administration and secretarial services. The investment manager, OrbiMed Capital, is based in New York and its lead manager, Sam Isaly, has managed WWH since launch. OrbiMed is the largest independent specialist investor in the biotechnology and pharmaceutical sectors. It employs over 50 experienced investment professionals globally and has assets under management of c $7bn.

The fund manager: Sam Isaly

The manager's view: Broad range of opportunities

WWH is overweight biotech (focused on emerging biotech) and substantially underweight big pharma. The manager expects biotech companies to continue to be a source of new, innovative, faster growth products, which should support sub-sector valuation. He anticipates significant developments within HCV, oncology, rheumatoid arthritis and orphan disease that have the potential to increase the valuations of certain companies significantly. Within the large-cap pharma space many companies are moving beyond their patent cliffs and have replenished their pipelines, which should help support growth and their valuations. Nevertheless the manager continues to find better opportunities elsewhere. A focus is being maintained on late-stage pipeline developments as well as the flow of new products. Within specialty pharma, the manager believes that 2011/12 underperformance was caused by an absence of catalysts, and provides an attractive valuation entry point, while prospects for 2013 are stronger, particularly for the small caps. He also expects M&A will be a key theme as big pharma companies are looking to make acquisitions to drive growth, and is maintaining a spread of candidates. Within generics, the manager is selectively bullish on US-based global players, particularly those with emerging market exposure, and exposure to Europe, where austerity is leading to higher generic utilisation. Medical devices has underperformed healthcare for a number of years. Innovation has been limited and the manager remains cautious, seeing limited catalysts for change. The manager is positive on managed care, believing that the implementation of Obamacare will lead to an increase in patient volumes from 2014.

Asset allocation

Investment process: Bottom-up stock selection

The ability to identify innovative therapies and the next product cycle can generate significant outperformance in the global healthcare space. As such, gaining a detailed understanding of both the science and financials is crucial to making an investment decision. OrbiMed invests across the complete industry life cycle and the manager will have conducted extensive fundamental research and followed a company long before it becomes a candidate for inclusion in WWH's portfolio. Suitable companies are screened based on their valuations and prospects for future growth. Portfolio changes are typically made on a one-for-one basis as this helps to ensure the portfolio remains focused and that stocks continue to meet OrbiMed's criteria for inclusion. Analysts monitor the portfolio companies, running valuation screens and meeting management at least once a year.

Overview: Broad global healthcare equity portfolio

As at 30 June 2013, WWH's portfolio comprised 59 equity holdings, three convertible bonds and 37 options. The top 10 quoted equity holdings accounted for 38.6% of gross assets, the remaining 49 equity holdings 54.6%, structured finance (the bonds) 4.3% and derivatives 2.5%. The majority of the portfolio, 59.0% of gross assets, is invested in US stocks with Europe, emerging markets and Asia accounting for 15.7%, 11.0% and 7.6%, respectively. As such, WWH has a significant exposure to the US dollar. Borrowings, currently 13% of net assets, have historically been primarily dollar denominated. To maintain its large-cap focus, at least 60% of the portfolio must be invested in stocks with a market cap over $5bn. As a counterweight, up to 10% of assets can be invested in unquoted companies. WWH's derivatives exposure is limited to 5% of the portfolio's assets.

Exhibit 3: Sector allocations as at 30 June 2013

	Portfolio weight (%)	Benchmark weight (%)	Trust active weight (%)	Trust weight/ benchmark weight
Emerging biotechnology	12.4	1.4	11.0	8.85
Specialty pharmaceuticals	10.6	5.2	5.4	2.05
Life science tools	5.7	2.6	3.1	2.21
Generics	5.7	3.0	2.7	1.91
Healthcare services & managed care	13.8	12.8	1.0	1.08
Large cap biotechnology	5.1	7.1	(2.0)	0.72
Medical devices	8.7	13.0	(4.3)	0.67
Large cap pharmaceuticals	31.1	54.9	(23.8)	0.57
Structured finance	4.3	0.0	4.3	N/A
Derivatives	2.5	0.0	2.5	N/A
Cash	0.0	0.0	0.0	N/A
	100.0	**100.0**	**0.0**	

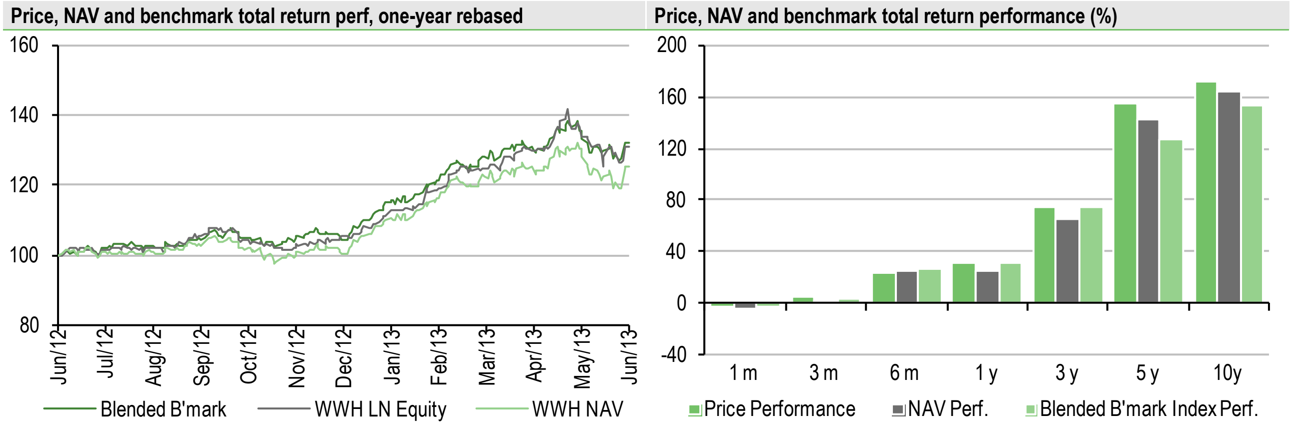
Source: Worldwide Healthcare Trust, Bloomberg, Edison Investment Research

Recent activity and current portfolio positioning

The portfolio remains overweight biotechnology companies and is substantially underweight big pharma, a positioning that means the portfolio leans towards the US and is overweight smaller caps when compared to the benchmark. The year to 31 March 2013 saw 18 names added to the portfolio, and 23 names removed, with adjustments made to other positions. Turnover (sales as a proportion of opening investments) was 70%. Despite these changes, the sectoral active weights have only changed mildly during the last 10 months.

Performance: Consistent long-term outperformance

Exhibit 4: Investment trust performance, to 30 June 2013



Source: Worldwide Healthcare Trust, Thomson Datastream, Edison Investment Research

As Exhibits 4 and 5 illustrate, WWH has provided strong absolute returns over the longer term and is ahead of its blended benchmark in terms of both price and NAV total return over five and 10 years. As Exhibits 4, 5 and in particular 6 illustrate, the last 12 months have seen WWH's NAV underperform its benchmark, largely reversing a period of outperformance during the previous 12 months. This has been reflected in a performance fee write back for the year ended 31 March 2013 (see page 7). WWH does not publish detailed attribution, but the manager has highlighted Onyx Pharmaceuticals, Gilead and Roche as being key positive contributors. Specialty biotechnology company Onyx benefited from a sharp price increase following the approval and launch of Kyprolis, its treatment for multiple myeloma. Large-cap therapeutic company Gilead Sciences has in the manager's view performed strongly, maintaining its market leadership within HIV treatment, gaining approval for a new anti-viral combination therapy for HIV and making significant advances in hepatitis C treatment. Large-cap biopharmaceutical company Roche, a global leader in oncology, has had two new drugs approved for breast cancer and the manager believes it has made significant steps to protect its oncology franchise.

Exhibit 5: Share price and NAV total return performance, relative to benchmarks (%), to 30 June 2013

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to Blended Benchmark*	0.5	1.8	(2.4)	(1.2)	(0.0)	27.7	18.4
NAV relative to Blended Benchmark*	(1.1)	(1.0)	(1.3)	(6.6)	(8.7)	14.4	10.9
Price relative to MSCI World Health Care	0.5	1.8	(2.4)	(1.2)	2.1	39.4	33.8
NAV relative to MSCI World Health Care	(1.1)	(1.0)	(1.3)	(6.6)	(6.5)	26.1	26.2
Price relative to DS World Pharma & Biotech	1.0	2.9	(1.5)	(1.8)	2.3	30.8	21.8
NAV relative to DS World Pharma & Biotech	(0.6)	0.2	(0.4)	(7.2)	(6.3)	17.4	14.3

Source: Worldwide Healthcare Trust, Thomson Datastream, Edison Investment Research. Note: *WWH has a blended benchmark that comprises the Datastream World Pharmaceutical and Biotechnology Index until 30 September 2010 and the MSCI World Healthcare Index thereafter (both total return, sterling adjusted).

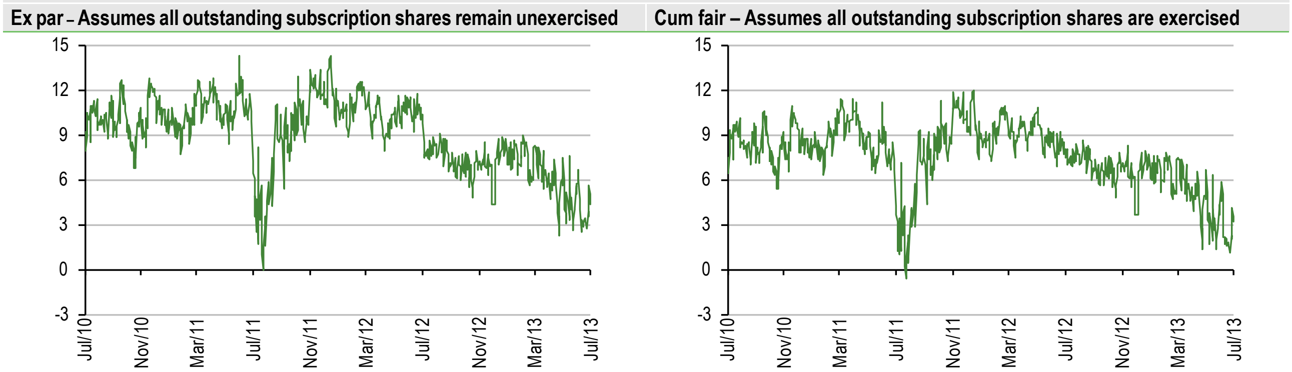
Exhibit 6: WWH NAV total return vs blended benchmark total return, over five years, rebased to 100

Source: Worldwide Healthcare Trust, Thomson Datastream, Bloomberg, Edison Investment Research

Similarly, the manager has highlighted the primary detractors from performance as being Dendreon, OraSure and Vivus. Having received approval in 2010 for a vaccine to treat prostate cancer, Dendreon suffered from a weak sales performance. Diagnostics company OraSure Technologies suffered from weak sales following the launch of its over the counter test for HIV, as well as deterioration in its legacy diagnostics business. Vivus's obesity drug Qsymia was approved in July 2012, with Vivus's share price reaching a 10-year high shortly thereafter. However, in the manager's view the launch was mismanaged, with inadequate patient and physician understanding and a failed launch was the result. This stock has been removed from WWH's portfolio.

Discount: On a narrowing trend

Exhibit 7: Discount/premium over three years



Source: Thomson Datastream, Edison Investment Research. Note: Positive values indicate a discount; negative values a premium.

The trust has a policy of actively managing the discount to broadly maintain it within 6.0% of the diluted NAV. The trust is permitted to re-issue shares from treasury provided they are re-issued at a discount that is smaller than that at which they were originally repurchased. Exhibit 7 illustrates WWH's discount during the last three years. The first graph assumes the outstanding subscription shares remain unexercised. The second graph assumes dilution from the full conversion of all outstanding subscription shares and has more relevance as the subscription shares are comfortably in the money. The discount has recently contracted (current cum fair discount is 3.4%). Reflecting this tightening, WWH has not made any share repurchases since September 2012, and since November 2012 has reissued 471k shares from treasury raising $4.6m, as illustrated in Exhibit 1. The average cum fair discount during the last six months is 5.3% (one-, three- and five-year fair ex discount averages are 5.4%, 6.8% and 7.1% respectively).

Capital structure: Conventional, modest gearing

WWH has a conventional structure with two classes of security in issue, 25p ordinary shares and 1p subscription shares. The subscription shares confer the right but not the obligation to subscribe for one ordinary share at each of 31 October, 31 January, 30 April and 31 July until 31 July 2014. The subscription price is now 699p. At each of the 15 subscription dates so far WWH has been in receipt of conversion requests and allotments of ordinary shares have been made accordingly, as illustrated in Exhibit 1. WWH is permitted to borrow up to the lower of £90m or 20% of net assets. As at 30 June 2013 WWH had gross and net gearing of 13%.

Frostrow's management fee is equal to a fixed amount of £57,500 a year plus 0.30% of the company's market cap up to £150m, 0.20% of the market cap between £150m and £500m, and 0.125% of the market cap in excess of $500m. OrbiMed receives a management fee of 0.65% of net assets a year. Both Frostrow and OrbiMed's management fees are charged 5% to revenue and 95% to capital. The trust also pays a performance fee of 16.5% of any outperformance of the NAV over the benchmark index (total return, sterling adjusted). The performance fee, calculated quarterly, is based on the lower of the cumulative outperformance of the investment portfolio, against the benchmark since inception and the cumulative outperformance of the investment portfolio, against the benchmark over the previous 12 months. Where a performance fee is payable, OrbiMed receives 15.0% and Frostrow Capital receives 1.5% of the outperformance. Performance fees are charged entirely to capital. Performance fees of £2.89m were accrued during the year ended 31 March 2012, although the year ended 31 March 2013 saw a performance fee write back of £1.3m for performance that was not maintained during the period. During the 2013 year £643k crystallised for maintained outperformance from the 2011 year. As at 31 March 2013, WWH had performance fees falling due within one year of £268k. For the year ended 31 March 2013, WWH's ongoing charges excluding and including performance fees were 1.0% and 1.2% respectively; this compares to 1.1% and 1.3% for the year ended 31 March 2012. The management contract can be terminated at one year's notice by either party. The life of the trust is indefinite. However, a continuation vote is put to shareholders every five years. The next vote will be at the 2014 AGM.

Dividend policy and record: Two dividends annually

WWH has a capital growth objective and dividend payments are broadly made to the extent required to maintain WWH's investment trust status. Historically, a single payment has been made annually in July, but WWH has moved to making two interim dividend payments annually, from the year to March 2013. The first interim is paid in January and the second in July. The total dividend paid for 2013 was 16.5p, which represents a 5.7% fall compared to the 2012 dividend of 17.5p. This reflects the fall in revenue income year-on-year. Revenue return per share was 17.1p for 2013, a fall from 21.8p in 2012, reflecting lower yields now available within structured finance. The manager has indicated that this may also lead to reduced revenue income in the current financial year. As at 31 March 2013, WWH had revenue reserves of 21.8p per share (12.3p after payment of the second interim).

Peer group comparison

As Exhibit 8 illustrates, the biotechnology & healthcare specialist sector is a relatively small peer group. Its five constituents all invest in healthcare-related companies, but their investment objectives are markedly different. WWH invests in healthcare companies, with a minimum of 60% of the portfolio being large-cap stocks; BIOG invests primarily in emerging biotechnology companies (which has contributed to its recently strong relative performance); the International Biotechnology Trust invests in high-growth, development-stage biotechnology companies, with a c 15% allocation to unquoteds; the Polar Capital Global Healthcare Growth and Income Trust is a fixed-life vehicle that pays quarterly dividends; and Swiss-domiciled BB Biotech invests primarily in mid-cap biotech (which has also contributed to its recently strong relative performance). Within this group WWH ranks third over one year, fourth over three years and second over five years when considering share price total return.

Exhibit 8: Sector specialist: biotechnology & healthcare, as at 29 July 2013

Company	Share price total return on £100			Ongoing charges (%)	(Disc)/ prem.	Net gearing (100=no gearing)	Five-year dividend growth (%)	Div. yield	Sharpe ratio NAV One year	Sharpe ratio price One year
	One year	Three years	Five years							
Sector average	**139.2**	**189.1**	**252.1**	**1.1**	**(2.0)**	**113.0**	**27.0**	**1.5**	**2.7**	**2.4**
Worldwide Healthcare Trust	**147.8**	**276.8**	**368.3**	**1.3**	**(2.1)**	**103.0**	**0.0**	**0.0**	**2.8**	**3.6**
Biotech Growth Trust	130.9	193.4	207.5	1.9	(15.1)	99.0	0.0	0.0	2.4	3.1
International Biotechnology Trust	131.8	162.9		1.1	6.8	99.0	0.0	2.1	2.9	2.5
Polar Capital Global Healthcare	151.0	278.0	245.9	1.5	(22.7)	90.0	0.0	0.0	2.1	1.8
BB Biotech	139.2	189.1	252.1	1.1	(2.0)	113.0	27.0	1.5	2.7	1.8

Source: Morningstar

The board

All directors are non-executive and most are independent of the investment manager. They are Sir Martin Smith (independent non-exec chairman), Sarah Bates, Josephine Dixon, Dr David Holbrook, Sam McCutcheon (independent non-exec directors) and Sam Isaly (non-exec director). Sam Isaly is managing partner of OrbiMed Capital, and is the manager of WWH's portfolio. He has been a board member since WWH's launch in 1995. The average length of director service is 6.7 years.

Berlin +49 (0)30 2088 9525
Friedrichstrasse 95
10117 Berlin
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
245 Park Avenue, 39th Floor
10167, New York
US

Sydney +61 (0)2 9258 1162
Level 33, Australia Square
264 George St, Sydney
NSW 2000, Australia

Wellington +64 (0)4 8948 555
Level 15, 171 Featherston St
Wellington 6011
New Zealand