EDISON

Worldwide Healthcare Trust

Performing global healthcare investment trust

Worldwide Healthcare Trust (WWH) provides a diversified but managed exposure to the global healthcare sector; the trust's continuing overweight of biotech continues alongside an underweight of the large pharmaceutical sub-sector. Long-term sector fundamentals are backed by a growing and ageing population. Strong price appreciation has outstripped earnings and valuations have expanded, but not unduly so in the manager's view. He believes there are many companies with good prospects and innovative products trading at attractive valuations to be found within this broad universe.

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 (%)
28/02/11	7.1	5.2	2.7	0.9	(0.9)
28/02/12	13.1	12.2	12.7	12.7	13.7
28/02/13	29.7	28.5	29.1	29.1	32.2
28/02/14	47.1	40.3	23.5	23.5	24.4

Source: Thomson Datastream. *WWH's blended benchmark is the Datastream World Pharmaceutical and Biotechnology Index until 30 September 2010 and the MSCI World Healthcare Index thereafter (both total return, sterling adjusted).

Investment strategy: Global healthcare companies

WWH invests globally in healthcare, a diverse universe that includes pharma, biotech, medical devices, healthcare services and diagnostics. Its investment policy is to have 60% in larger-cap stocks. The portfolio retains its long-term overweight in emerging biotechnology companies (13.9% cf index of 1.8%) and its long-term underweight in large-cap pharmaceuticals (25.2% cf index of 48.8%), as the manager believes biotech offers superior growth prospects that justify valuations. Gearing is employed (net gearing is currently c 14%) and derivatives are used with a view to mitigating risk and enhancing capital returns.

Outlook: Valuations rising, market expanding

Ageing populations, particularly in the western world, and population growth in emerging markets combined with increasing penetration are long-term demand drivers for the sector. Recent strong share price performance has exceeded earnings growth, however, so that healthcare valuations have expanded; absolute P/Es are now above their 10-year averages. In combination with a recovery from the financial crisis in broader market earnings, the healthcare P/E versus the broader market is back to a premium (of c 20%), not dissimilar to the typical pre-2009 period. The strength of Biotech, particularly during the last two years (see page 3), is responsible for much of this movement.

Valuation: Discount narrowed during last two years

The current cum fair discount of 2.5% is below the three-year average of 6.4%, and during the past year the trust has at times traded at a slight premium. Reversing the share repurchases of prior years, 857k shares have been issued during the last 12 months, raising £7.2m.

Investment trusts

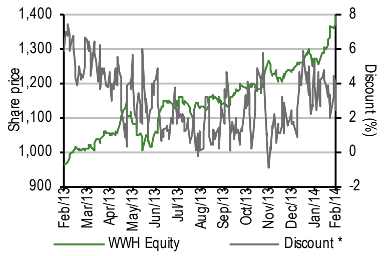
13 March 2014

Price	**1,378p**
Market cap	**£638m**
AUM	**£745m**
NAV*	1,434.81p
Discount to NAV	4.0%
NAV**	1,413.32p
Discount to NAV	2.5%
Yield	1.2%

*Debt at market value, excluding income and assuming non-exercise of outstanding subscription shares. At 11 March 2014.
**Debt at market value, including income and assuming full exercise of all outstanding subscription shares at 699p. At 11 March 2014.

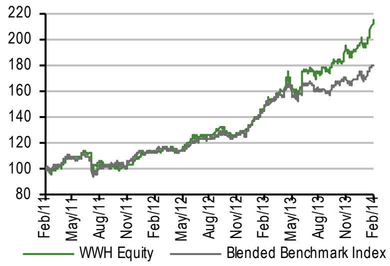
Ordinary shares in issue	46.3m
Code	WWH
Primary exchange	LSE
AIC sector	SS:Biotech/Life Sciences

Share price/discount performance



*Positive values indicate a discount; negative values indicate a premium.

Three-year cumulative perf. graph



52-week high/low	1395p	1002p
NAV* high/low	1,429.6p	1,037.9p

*Adjusted for debt at market value, excluding income.

Gearing

Gross	14%
Net	14%

Analysts

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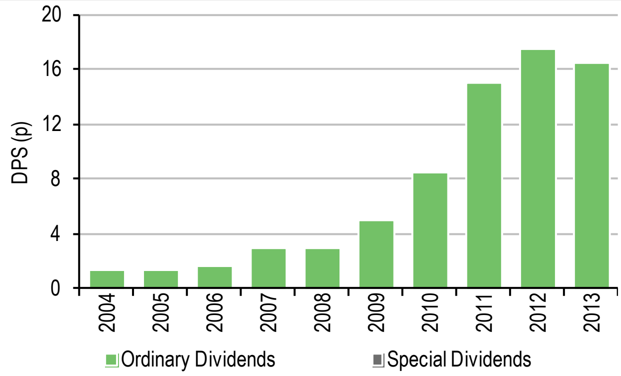
Worldwide Healthcare Trust is a research client of Edison Investment Research Limited

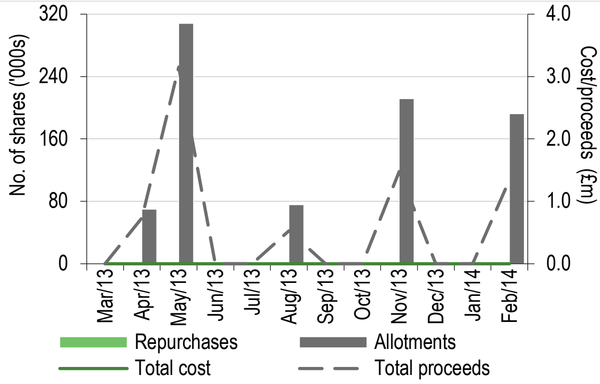
Exhibit 1: Trust at a glance

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.	3 February 2014: 192k ordinary shares issued in relation to subscription share exercise (31 January). 15 November 2013: Interim report for the half-year ended 30 September 2013 released. 7 November 2013: First interim dividend of 7.0p declared for the year ending 31 March 2014.

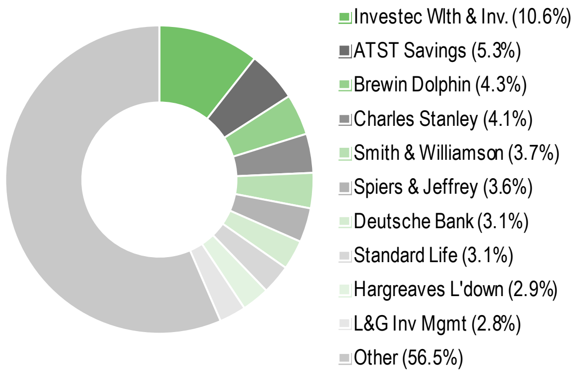
Forthcoming		Capital structure		Fund details	
AGM	July 2014	Ongoing charges	1.0%, 1.2% inc. perf. fee	Group	Frostrow Capital LLP
Annual results	June 2014	Net gearing	14%	Manager	OrbiMed Capital (Sam D Isaly)
Year end	31 March	Annual mgmt fee	See page 7	Address	25 Southampton Buildings, London, WC2A 1AL, 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

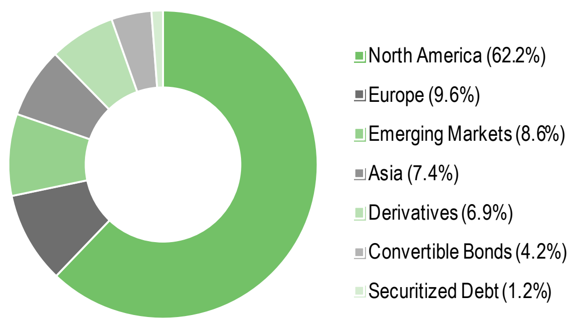
Dividend policy and history	Share buyback policy and history
One dividend annually, paid in July, assuming adequate profitability. Level may vary accordingly.	Renewed annually, the trust has authority to purchase up to 14.99% and allot up to 10% of issued share capital.





Shareholder base (as at 31 January 2014)	Distribution of portfolio (as at 31 January 2014)





Top 10 holdings (as at 31 January 2014)

Company	Country	Sector	Portfolio weight %		Active weight %*
			31 January 2014	31 July 2013	31 January 2014
Roche	Switzerland	Pharma/Medical-Drugs	6.7	7.1	1.4
Gilead Sciences	US	Medical-Biomedical/Gene	4.5	4.8	1.1
Regeneron Pharmaceuticals	US	Biotech & Therapeutics	3.8	1.4	3.2
Incyte	US	Biotech/Therapeutics	3.8	2.4	3.8
HCA	US	Health Care Facilities	3.6	3.0	3.2
Merck & Co	US	Pharma/Medical-Drugs	3.4	2.5	-0.9
Mylan	US	Generic Pharmaceuticals	3.3	2.9	2.8
Amgen	US	Medical-Biomedical/Gene	3.2	3.8	0.7
Medivation		Biotech/Therapeutics	3.2	1.0	3.2
Biogen Idec	US	Medical-Biomedical/Gene	3.0	3.6	0.9
Top 10			**38.5**		

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: Valuations rising, market expanding

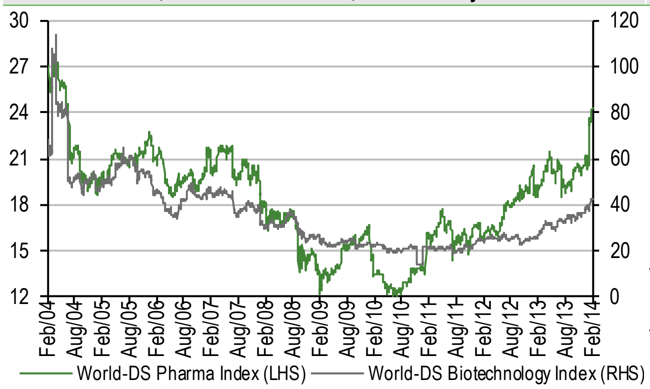
Healthcare and biotech benefit from favourable demographic trends of increasing demand from ageing populations, particularly in the western world, and from growth in population and utilisation, particularly in emerging markets. Within the MSCI Global Healthcare Index, large market capitalisation pharmaceuticals companies, the largest sub-sector, represent 49%. In general terms, these companies have traditionally experienced more success in marketing and sales than they have in achieving R&D productivity. Despite significant R&D expenditure in recent years, the sub-sector as a whole has often struggled to develop replacement revenues for those that are lost when existing drugs reach patent-expiry. In contrast, the biotech sector (large cap 11.8% and emerging biotech 1.8% of the index), has generally experienced greater R&D success, particularly the smaller, narrowly focused and innovative emerging biotech companies. This situation has led to a trend whereby large-cap pharma and even larger biotech companies have become increasingly dependent on externally sourced drugs, ie typically from these emerging biotech companies. Of the current top 10 globally best-selling drugs, six were developed by biotech companies, while nine are being sold by pharma companies.

The rewards for discovering treatments that are effective can be very significant, but the investment risk from development failure is also substantial. This often binary investment outcome, as well as the complex skill set that may be required in order to satisfactorily evaluate the complex science involved, remains a persuasive argument for many investors to invest in the sector via a diversified portfolio with specialist management resources.

Pharma P/E ratios predominantly traded at a premium to the total US market between 2003 and 2009, albeit with considerable volatility. The move to a discount between 2009 and 2011 (see Exhibit 2) is somewhat misleading, driven more by the temporary weakness of earnings (in the aftermath of the global financial crisis) in the broader market, and especially the financial sector, which had the effect of increasing the broader market P/E. The subsequent recovery in broader market earnings, and a general re-rating of markets, including pharma, has seen the previously observed pharma P/E premium re-establish itself. Current pharma and biotech P/Es (24.2x for the World-DS Pharma Index and 41.9x for the World-DS Biotech index) are now above their 10-year averages (18.2x and 35.2x) and further progress, for both healthcare and biotech, is likely to be a function of their ability to match or exceed the market's expectations of their earnings growth. The favourable drivers highlighted above could provide the necessary support.

Exhibit 2: Healthcare sector valuations

World-DS Pharma, and World-DS biotech, P/Es over 10 years



World-DS Pharma P/E relative to US-DS Market P/E over 10 years

Source: OrbiMed Capital, LLC

Fund profile: Global healthcare portfolio

Launched in 1995, WWH is by far the largest of all the UK-registered investment trusts to focus on the global pharmaceutical and biotechnology sectors. Its broad sector investment remit dates from 2010, when the inclusion of companies in the healthcare equipment and services, and healthcare technology sectors saw the benchmark change (from the previous Datastream World Pharmaceutical and Biotechnology Index to the MSCI World Healthcare Index, effective 30 September 2010). WWH has a large-cap focus with a minimum of 60% of the portfolio to be invested in stocks with a market cap over $5bn. Its broad global healthcare mandate distinguishes it from peers, which generally have a stronger focus on biotech. 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 70 experienced investment professionals globally and has assets under management of c $12bn.

The fund managers: Sam Isaly and Sven Borho

Managers' view: Biotech will continue to be the growth engine

The managers hold the view that biotech will continue to provide new, innovative, faster growth products, and this justifies expanded valuations and will continue to support biotech stock performance. Consequently, WWH remains overweight biotech, with a clear focus on emerging biotech, and is substantially underweight big pharma. The managers anticipate that during 2014 there will be substantial progress within oncology, HCV, rheumatoid arthritis and a number of orphan diseases that has the potential to significantly enhance company valuations on a selective basis. While acknowledging recent multiple expansion they do not believe sector-wide valuations have become stretched, even among biotech, which has seen the strongest price appreciation. They caution that for certain small- and mid-cap biotech companies, with riskier early stage compounds, the market is potentially making insufficient allowance for that risk. The managers seek to avoid these names while managing stock-specific risk among more attractive emerging biotech companies through diversification and smaller holding sizes. The managers strongly believe that large-cap biotech's current P/E premium over large-cap pharma is justified by an anticipated continuation of biotech's faster growth. Elsewhere, they see value in medical devices as well as certain companies (Medicaid HMOs, generics and healthcare infrastructure), which they believe will benefit in the long term from the implementation of Obamacare.

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 31 January 2013, WWH's portfolio comprised 55 equity holdings, two loan notes, six convertible bonds, seven swaps and 29 options. The top 10 quoted equity holdings accounted for 38.5% of gross assets, the remaining 45 equity holdings 49.2%, structured finance (the bonds) 5.4% and derivatives 6.9%. The majority of the portfolio, 70.9% of gross assets, is invested in US stocks with Europe, emerging markets and Asia accounting for 10.9%, 9.8% and 8.4%, respectively. As such, WWH has a significant US dollar exposure. Borrowings, currently c 14% of net assets, have historically been primarily US dollar denominated. To ensure WWH maintains a 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 11 February 2014

	Portfolio weight (%)	Benchmark weight (%)	Trust active weight (%)	Trust weight/ benchmark weight
Emerging biotechnology	13.9	1.8	12.1	7.72
Generics	11.2	3.2	8.0	3.50
Life science tools	11.3	3.4	7.9	3.32
Large cap biotechnology	19.1	11.8	7.3	1.62
Specialty pharmaceuticals	8.9	5.5	3.4	1.62
Medical devices	10.2	12.4	(2.2)	0.82
Healthcare services & managed care	8.1	13.1	(5.0)	0.62
Large cap pharmaceuticals	25.2	48.8	(23.6)	0.52
Structured finance	5.8	0.0	5.8	N/A
Swaps	(1.9)	0.0	(1.9)	N/A
Options	2.3	0.0	2.3	N/A
Borrowings	(14.1)	0.0	(14.1)	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

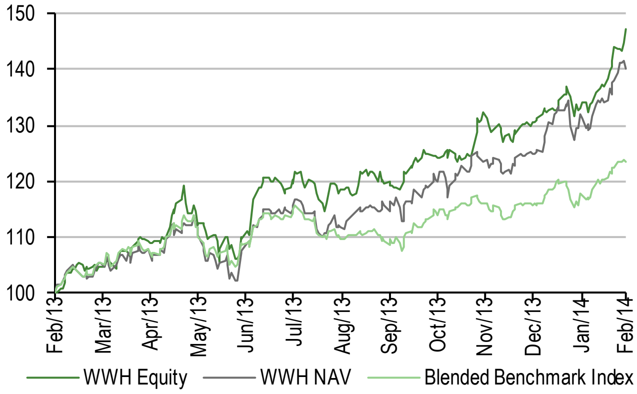
The portfolio remains overweight biotechnology companies and is substantially underweight big pharma, a positioning that means the portfolio leans towards the US and is overweight smaller caps when compared to the benchmark. Recent additions to the portfolio include Shire Pharmaceuticals and InterMune. Shire was added as the manager considers it has a favourable pipeline of drug candidates offering decent prospects for growth. The manager also sees attractions in Shire's Irish domicile, where the corporate tax rate is 12%. InterMune was added prior to the positive news announced on 25 February regarding Phase III trial data evaluating pirfenidone for patients with idiopathic pulmonary fibrosis (IPF). This demonstrated that pirfenidone significantly reduced IPF disease progression and WWH benefited from the subsequent strong price appreciation. Recent portfolio sales include Cubist, GlaxoSmithKline and Novartis (valuation grounds) as well as Onyx Pharmaceutical (taken over by Amgen).

Performance: Outperformance continues

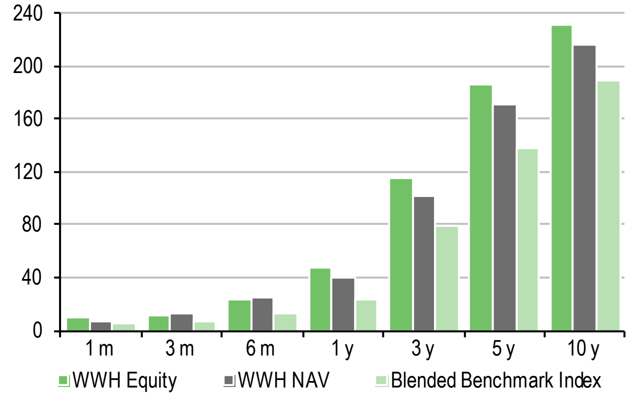
As Exhibits 4 and 5 illustrate, WWH has provided strong absolute returns over the longer term and is ahead of its blended benchmark, in terms of both price and NAV total return, over all of the periods shown. As illustrated in Exhibit 6, WWH's outperformance has been particularly strong since May 2013, which is most apparent in the six-month figures. This is also partially reflected in performance fee accruals during the six months to 30 September 2013 (see page 7). WWH does not publish detailed attribution, but the manager has advised that the trust's overweight position in the biotech sector has been a key driver of performance during 2013, as would be expected, while stock performance within the sector has been in line.

Exhibit 4: Investment trust performance, to 28 February 2014

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



Price, NAV and benchmark total return performance (%)



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

The NASDAQ Biotechnology Index rose 63% during 2013, significantly ahead of the MSCI World Healthcare Index, up 24%. The manager also advises that WWH's non-biotech holdings have significantly outperformed the non-biotech element of the MSCI World Healthcare. During the last six months, significant positive contributions have been provided by biotech companies: Gilead Sciences, Biogen Idec and AbbVie; generics companies: Mylan Laboratories and Aurobindo; and through oncology related developments: Ono Pharmaceutical, Bristol-Myers-Squibb, Medivation and Incyte Genomics. In terms of negative contributors, Infinity Pharmaceuticals has struggled since May 2013 when information surfaced suggesting a competing drug to Infinity's IPI-145 Idelalisib had better efficacy than expected. In June updated Phase I data confirmed IPI-145's efficacy, but suggested that its safety profile was less favourable concerning infections when compared to other drugs in development. Japanese generics company Towa has also struggled in H213.

Exhibit 5: Share price and NAV total return performance, versus benchmarks (%), to 28 February 2014

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price versus Blended Benchmark*	4.5	4.6	11.5	23.6	36.1	47.6	41.7
NAV versus Blended Benchmark*	1.7	7.1	13.1	16.8	22.5	33.0	27.9
Price versus MSCI World Health Care	4.5	4.6	11.5	23.6	36.1	48.0	57.8
NAV versus MSCI World Health Care	1.7	7.1	13.1	16.8	22.5	33.4	44.0
Price versus DS World Pharma & Biotech	3.8	2.9	9.4	22.7	28.8	46.4	40.4
NAV versus DS World Pharma & Biotech	1.1	5.4	11.0	15.9	15.2	31.8	26.5

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).

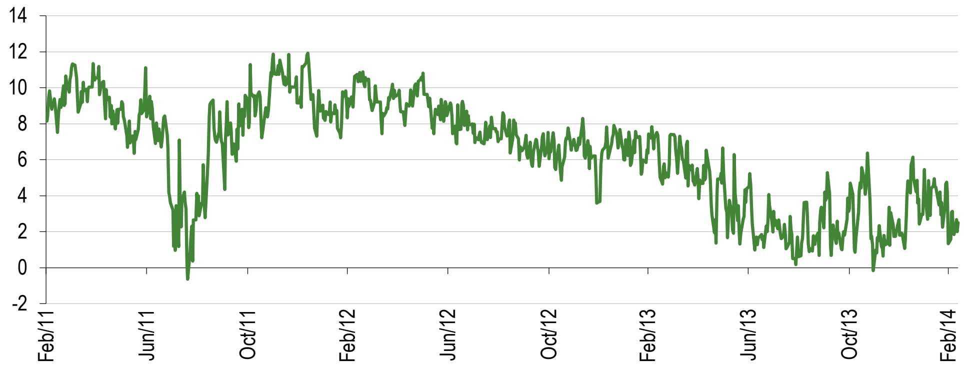
Exhibit 6: WWH NAV total return vs blended benchmark total return, over 10 years, rebased to 100

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

Discount: Narrowed during last two years

The trust has a policy of actively managing the discount to broadly maintain it within 6.0% of the diluted NAV. WWH is also permitted to re-issue shares from treasury at a discount, provided they are re-issued at a discount that is smaller than that at which they were originally repurchased. There are currently no shares held in treasury. The trend has been towards a narrowing of the discount during the last two years (arguably reflecting the strong performance of the sector), although more recently there has been an increase in discount volatility. Reflecting this broad tightening, WWH has not made any share repurchases since September 2012 and, during the last year, has issued 857k ordinary shares raising £7.2m. The current cum fair discount of 2.5% compares with its three-year average of 6.4% (one-year range a premium of 0.2% to a discount of 7.8%).

Exhibit 7: Cum-fair discount/premium over three years*



Source: Thomson Datastream, Edison Investment Research; Note: *Positive values indicate a discount; negative values indicate a premium. Assumes all outstanding subscription shares are exercised.

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 on 30 April 2014 and 31 July 2014. The subscription price is 699p and there are 1.86m subscription shares outstanding. WWH is permitted to borrow up to the lower of £90m or 20% of net assets and, as at 11 February 2014, WWH had gross and net gearing of 14%.

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. The trust also pays a performance fee of 16.5% of any outperformance of the NAV over the benchmark index. The performance fee, calculated quarterly, is based on the lower of the cumulative outperformance of the portfolio, against the benchmark since inception and the cumulative outperformance over the previous 12 months. Performance fees are charged entirely to capital. For the year ended 31 March 2013, WWH's ongoing charges excluding and including performance fees were 1.0% and 1.2% respectively. 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 July 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 status as an investment trust. Two interim dividend payments are made annually and the total dividend paid for 2013 was 16.5p (2012: 17.5p). The 5.7% year-on-year fall reflects a reduction in revenue income received (17.1p for 2013, 2012: 21.8p); a consequence of the reduction in yields available within structured finance space. The manager has indicated that this may also lead to reduced revenue income for the year ending 31 March 2014. As at 30 September 2013, WWH had revenue reserves of 19.54p per share (2012: 20.31p).

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. Within this group WWH ranks fourth over one and three years and third over five and 10 years for share price total return. In terms of risk-adjusted returns, WWH has the highest one-year Sharpe ratio for price and second-highest one-year Sharpe ratio for NAV.

Exhibit 8: Sector specialist: biotechnology & healthcare, as at 26 February 2014

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	NAV volatility one year	Price volatility one year
	One year	Three years	Five years	Ten years									
Worldwide Healthcare Trust	**143.9**	**209.5**	**271.9**	**225.5**	**0.7**	**(3.4)**	**113.0**	**27.0**	**1.2**	**2.9**	**3.2**	**14.3**	**14.4**
Biotech Growth Trust	154.2	336.0	413.1	455.8	1.3	(5.5)	108.0	0.0		2.8	2.8	23.7	25.3
International Biotechnology	145.9	215.2	258.5	218.0	1.7	(18.5)	106.0	0.0		2.5	3.0	20.5	13.5
Polar Capital Glbl Healthcare	119.6	166.7			1.2	(0.6)	89.0	0.0	2.2	2.2	1.0	9.0	15.2
BB Biotech	179.8	316.6	356.8	454.7	1.5	(22.0)	95.0	400.0	2.5	3.1	2.9	25.4	23.3
Sector weighted average	**163.0**	**280.5**	**338.7**	**487.6**	**1.3**	**(14.4)**	**100.7**	**294.1**	**2.1**	**2.9**	**2.8**	**21.5**	**20.5**
Sector median	**145.9**	**215.2**	**314.3**	**340.1**	**1.3**	**(5.5)**	**106.0**	**0.0**	**2.2**	**2.8**	**2.9**	**20.5**	**15.2**
Worldwide Healthcare Rank*	4	4	3	3	5	2	1	2	3	2	1	4	4
Number in group	5	5	4	4	5	5	5	5	3	5	5	5	5

Source: Morningstar. Note: *Ranked in descending size order.

The board

All directors are non-executive and most are independent of the investment manager. The independent non-executive directors, with year of appointment as director in brackets, are Sir Martin Smith (chairman, 2007), Sarah Bates (2012), Josephine Dixon (2004), Dr David Holbrook (2007) and Sam McCutcheon (2003). Sam Isaly (non-exec director of WWH and managing partner of OrbiMed Capital) is the manager of WWH's portfolio. Sam has been a member of the board since WWH's launch in 1995.

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