Edison investment research

10 February 2012

Worldwide Healthcare Trust

12 Months Ending	Total share price return* (%)	Total NAV return* (%)	Total return Blended B'mark* (%)	Total return MSCI World H'Care* (%)	Total return DS Wld Phm & Bio* (%)
09/02/09	24.0	26.4	17.5	9.7	17.5
09/02/10	8.8	9.0	13.2	12.8	13.2
09/02/11	12.4	10.4	6.5	4.7	3.4
09/02/12	13.0	13.0	13.5	13.5	14.9

Note: * 12-month rolling discrete performance; NAV assumes full conversion of subscription shares at 638p. Blended Benchmark reflects the performance of the Datastream World Pharmaceutical & Biotechnology Index until 30 September 2010 and the MSCI World Health Care Index thereafter.

Investment summary: Healthcare valuations at historic lows

Worldwide Healthcare Trust PLC (WWH) is a UK-registered investment trust, offering diversified exposure to both the pharmaceutical and biotech sectors, and notable for its long track record. It has returned 13.0% in terms of both price and NAV total return during the past 12 months, slightly underperforming its benchmark, the MSCI World Healthcare Index (sterling adjusted), which returned 13.5%. Despite the uplift, valuations remain close to historical lows and, as such, significant upside potential remains. WWH has provided 76% year-on-year dividend growth for 2011 and its recent interims indicate that, at the halfway stage, it has sufficient revenue reserves to allow it to maintain the dividend at the increased level for 2012.

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. The portfolio remains tilted towards biotechnology companies, as opposed to the big pharmaceuticals, as the manager considers that they generally offer superior growth prospects and more compelling valuations. Gearing is employed (net gearing c 8%) to enhance returns over the longer term and derivative transactions are used with a view to mitigating risk and enhancing capital returns.

Sector outlook: Further rotation back into healthcare

Healthcare valuations remain at historic lows and the manager reports that investors are once again rotating back into the sector. Healthcare reform is still expected to be a net benefit from 2014 and the manager believes this year's US elections will have a limited impact on the sector. Despite the global slowdown emerging healthcare markets should grow and the uptick in M&A is expected to continue during 2012.

Valuation: Discount in line with longer-term averages

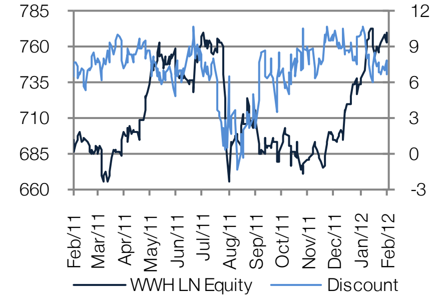
The board's policy of using buybacks to maintain the discount at around the 6% level (NAV in fair value terms) continues to be effective and offers investors confidence that they will be able to enter and exit at valuations around this level.

Price	770.0p
Market Cap	£336.3m
AUM	£401.7m
NAV	856.61p*
Discount to NAV	(10.6%)*
NAV	824.91p**
Discount to NAV	(6.7%)**
Yield	1.9%

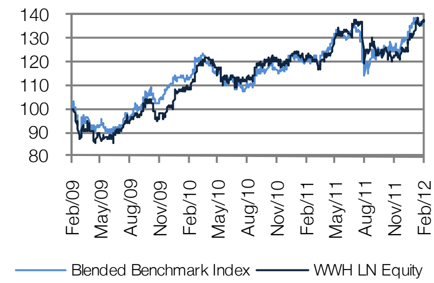
** Adjusted for debt at market value, excluding income and assuming non-exercise of outstanding subscription shares. At 9 February 2012.*

*** Adjusted for debt at market value, excluding income and assuming full exercise of all outstanding subscription shares at 638p. At 9 February 2012.*

Share price/discount graph



3-year cumulative performance graph



Share details

Code	WWH
Listing	FULL
AIC Sector	Sector Spec: Biotech/Life Sciences
Shares in issue	43.7m

Price

52 week	High	Low
Price	773.00p	665.00p
NAV*	869.70p	692.87p

** Assuming subscription shares are converted in full at 638p.*

Subscription share details

Code	WWHS
Price	120.0p
Subscription shares in issue	7.3m

Analysts

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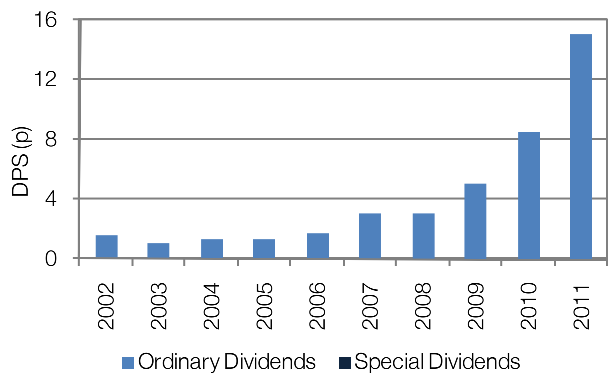
Exhibit 1: Trust at a glance

Investment objective and fund background	Developments last quarter
The investment objective of the Worldwide Healthcare Trust is to invest worldwide in pharmaceutical, biotechnology and related securities in the healthcare sector with the objective of achieving a high level of capital growth. Gearing and derivative transactions are used with a view to mitigating risk and enhancing capital returns.	2 February 2012: 467,487 new ordinary shares issued in relation to subscription share conversion. 24 January 2011: Monthly factsheet released. 30 November 2011: Interim report for the six months ended 30 September 2011 released.

Forthcoming		Capital structure		Fund details	
AGM	July 2012	Total expense ratio	1.0%	Group	Frostrow Capital
Preliminary	June 2012	Net Gearing	8.1%	Manager	OrbiMed Capital (Sam D Isaly)
Year end	31 March	Annual mgmt fee	See pg 7	Address	25 Southampton Buildings London, WC2A 1AL
Dividend paid	July	Performance fee	See pg 7		
Launch date	April 1995	Trust life	Indefinite	Phone	+44 (0)20 3008 4910
Wind-up date	Vote every 5 yrs	Loan facilities	See pg 7	Website	www.worldwidewh.com

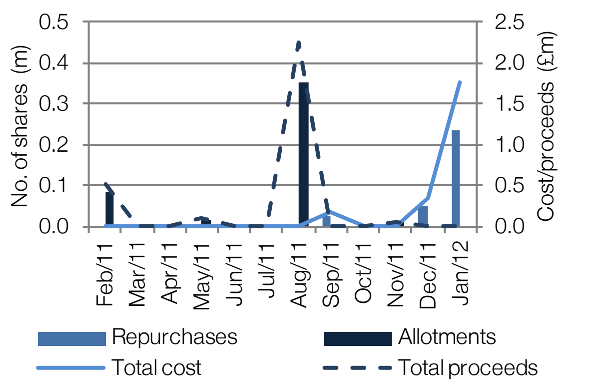
Dividend policy and history

One dividend annually, paid in July, assuming adequate profitability. Level may vary accordingly.

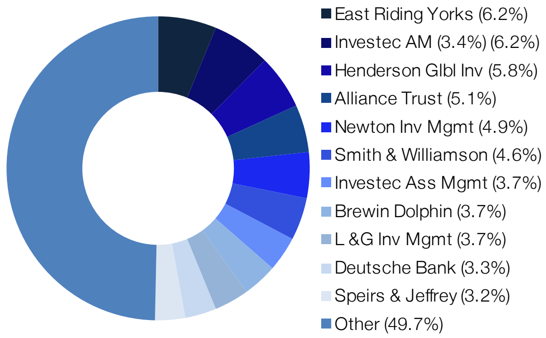


Share buyback policy and history

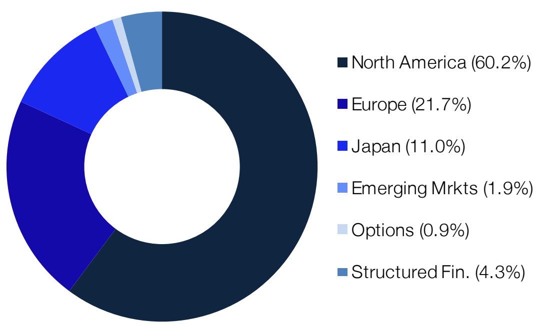
Renewed annually, the trust has authority to allot up to 10.0% and purchase up to 14.99% of issued share capital.



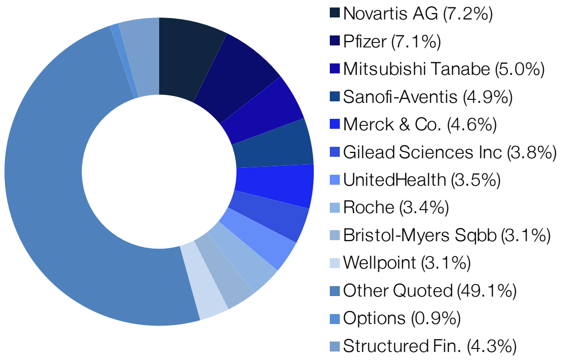
Shareholder base (as at 31 December 2011)



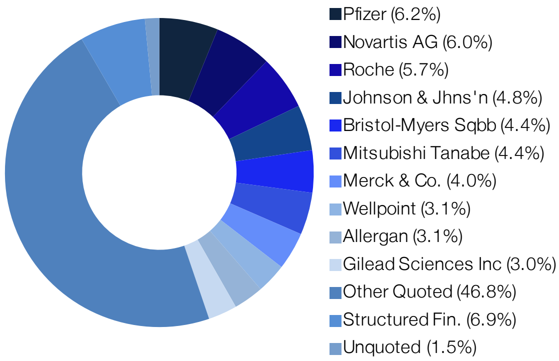
Geographic distribution of portfolio (as at 18 January 2012)



Portfolio composition (as at 18 January 2012)



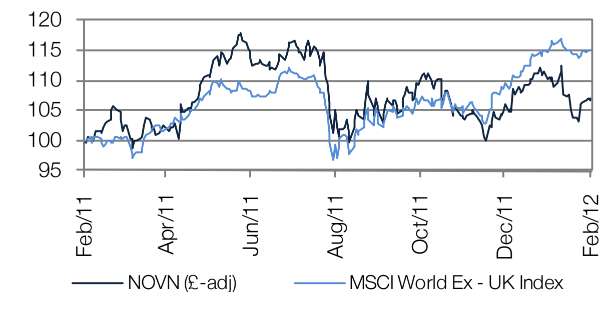
Portfolio composition (as at 30 June 2011)



Source: Worldwide Healthcare Trust/Edison Investment Research

Exhibit 2: Trust holdings at a glance

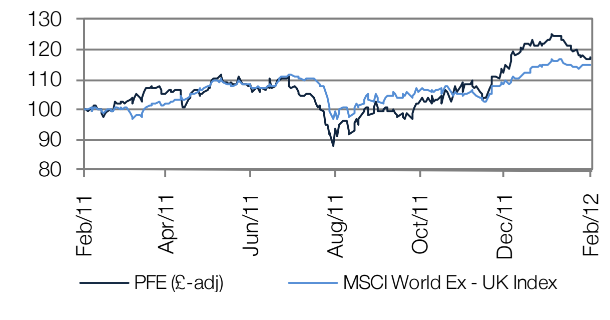
Novartis AG	Code: NOVN VX	Market cap: CHF141,124.8m



Div yield (trailing 12 months)	4.38%
Industry/Sector	Medical-Drugs
Website	www.novartis.com

Based in Switzerland Novartis was created in 1996 by the merger of Ciba-Geigy and Sandoz. The company has a global presence and operates in 140 countries. Novartis employs over 100,000 people and is structured around four main business areas: Consumer Health, Pharmaceuticals, Sandoz, and Vaccines and Diagnostics. Novartis is a top five global manufacturer of pharmaceutical and consumer healthcare products and has a strong presence in generics.

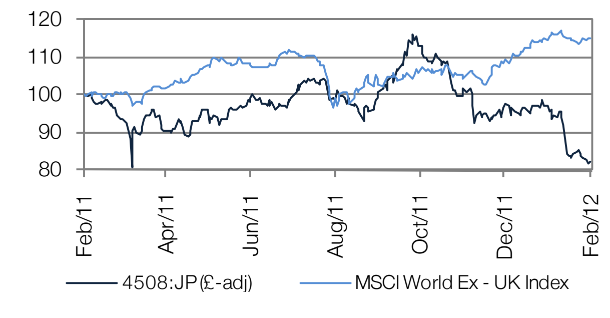
Pfizer	Code: PFE US	Market cap: US$162,502.4m



Div yield (trailing 12 months)	4.16%
Industry/Sector	Medical-Drugs
Website	www.pfizer.com

Based in New York and listed on the New York, London, Euronext and Swiss stock exchanges, Pfizer is a global biopharmaceutical company. Pfizer is organised around two business segments: Biopharmaceutical and Diversified. Biopharmaceutical includes Primary Care, Specialty Care, Established Products, Emerging Markets and Oncology. Diversified includes Animal Health and Consumer Healthcare products. In October 2009, Pfizer completed its acquisition of Wyeth.

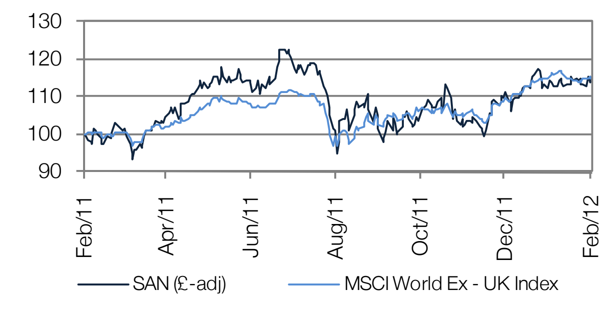
Mitsubishi Tanabe	Code: 4508 JP	Market cap: JPY592,295.9m



Div yield (trailing 12 months)	2.75%
Industry/Sector	Medical Products
Website	www.mt-pharma.co.jp

Formed from the merger of Tanabe Seiyaku and Mitsubishi Pharma in 2007, Mitsubishi Tanabe (MBT) is a specialty pharmaceutical company based in Japan. In addition to the research, development, manufacture and sale of ethical pharmaceutical and non-prescription drugs, MTB also manufactures and sells fine chemicals and active pharmaceutical ingredients. The manager considers MTB has a robust pipeline with products for both the Japanese market and international markets.

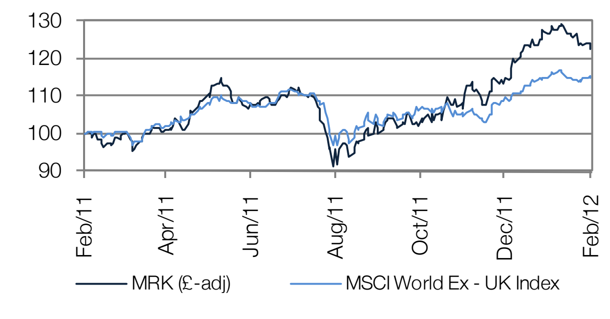
Sanofi SA	Code: SAN FP	Market cap: €75,238.9m



Div yield (trailing 12 months)	4.46%
Industry/Sector	Medical-Drugs
Website	www.en.sanofi.com

Sanofi SA (formerly Sanofi-Aventis) is a global healthcare company engaged in the discovery, development and distribution of therapeutic solutions. It employs c 100,000 people across 100 countries. The business is organised around six key segments: emerging markets, vaccines, consumer healthcare, diabetes treatments, innovative products and animal health. Sanofi completed its acquisition of Genzyme Corporation in April 2011, which significantly strengthened its platform for rare diseases.

Merck & Co.	Code: MRK US	Market cap: US$116,278.1



Div yield (trailing 12 months)	4.40%
Industry/Sector	Medical-Drugs
Website	www.merck.com

Headquartered in the US and listed on the New York Stock Exchange, Merck is a global pharmaceutical company that discovers, develops, manufactures and markets a broad range of human and animal health products. Following its merger with Schering-Plough in 2009, Merck is now the second largest pharmaceutical company in the world and employs c 100,000 people globally.

Source: Bloomberg/Thomson Datastream/Edison Investment Research

Fund profile

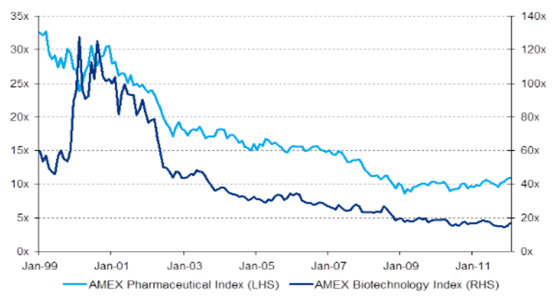
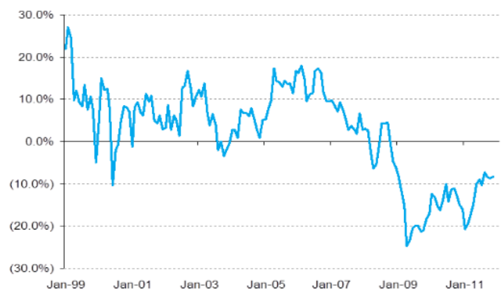
Launched in April 1995, as Finsbury Worldwide Pharmaceutical Trust, WWH is by far the largest of all the UK-registered investment trusts to focus on the global pharmaceutical and biotechnology sectors. The July 2010 AGM saw special resolutions approved which 1) broaden WWH's investment policy to include companies in the healthcare equipment and services and healthcare technology sectors, and 2) changed the name to Worldwide Healthcare Trust to reflect the revised investment policy. Reflecting this change the benchmark was changed from Datastream World Pharmaceutical and Biotechnology Index (total return, sterling adjusted) to MSCI World Healthcare Index Index (total return, sterling adjusted) with effect from 30 September 2010. Frostrow Capital provides management, administration and secretarial services. The investment manager, OrbiMed Capital, is based in New York and has managed WWH since launch. OrbiMed, established in 1989, is the largest independent specialist investor in the biotechnology and pharmaceutical sectors. It employs over 40 experienced investment professionals globally and has assets under management of c $6bn.

The fund manager: Samuel D Isaly

Manager's view: Valuations at historical lows with upside potential

During the year to March 2011, healthcare was one of the worst performing subsectors, versus the broader market but, post March, the manager considered that a relief rally had arrived with strength. This process was disrupted by market difficulties in June and July but the manager is once again seeing investors rotating back into the sector and believes this is the result of four key factors: 1) an ongoing settling of the political turbulence; 2) good earnings growth in the sector; 3) good productivity growth in research; and 4) good earnings growth relative to other sectors.

Exhibit 3: Biotech sector valuations

Biotech and pharma P/Es over 10 years	Healthcare P/E relative to S&P P/E over 10 years
	

Source: OrbiMed Advisors, LLC

As illustrated in Exhibit 3, pharma and biotech valuations remain at historic lows in absolute and relative terms, which potentially creates an attractive entry point. OrbiMed believes that biotech will provide the core of innovation, but has become relatively more bullish on the outlook for big pharma. 2012 is a trough year, in terms of patent expiration, but much has been done to address this issue and the manager believes investors are starting to look beyond this. The manager sees upside for companies with good pipelines and products in late stage development. 2012 is a US election year, which has traditionally coincided with sector volatility, but OrbiMed expects this year to be markedly different as the political distinctions are limited and very clear. 'Obamacare', under the democrats, is now seen to be a net positive for the sector. In the unlikely event that the act is repealed in full, it would lead to a cancellation of the upfront financial costs, thus limiting the downside. Despite the global slowdown OrbiMed expects emerging markets (c 30% of big pharma companies' sales) will continue to grow. In addition, cash-rich big pharma companies are still looking to build out product pipelines and so the strong M&A activity seen during the latter half of 2011 is expected to continue during 2012. OrbiMed is selectively bullish on generic companies, but notes that, with patent expirations peaking in 2012, there will be an impact on growth prospects. OrbiMed likes generic companies that have branded businesses and are also well diversified by geography. Overall, OrbiMed considers that healthcare valuations are still close to historical lows and as such offer significant upside potential.

Asset allocation

Investment process

The ability to identify innovative therapies and the next product cycle can generate significant alpha in the global healthcare space. As such, gaining a detailed understanding of both the science and financials is crucial to making an investment decision. Because OrbiMed invests across the complete industry life cycle, it 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 that the portfolio remains focused and that stocks continue to meet OrbiMed's criteria for inclusion. Analysts continue to monitor the portfolio companies, running valuation screens and meeting management at least annually.

Exhibit 4: Sector allocations of portfolio, as at 18 January 2012

	Trust 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
Swaps	1.6	0.0	1.6	N/A
Options	0.9	0.0	0.9	N/A
Total	100.0	100.0	0.0	

Source: Worldwide Healthcare Trust/Edison Investment Research

Overview

As at 18 January 2012, WWH's portfolio comprised 56 equity holdings, four fixed interest bonds, three convertible bonds, two royalty bonds and two options. The top 10 quoted equity holdings accounted for 42.3% of gross assets, structured finance (the bonds) for 4.3%, options 0.9% and the remaining 50 equity holdings accounted for 52.5% of gross assets. The majority of the portfolio, 60.2% of gross assets, is invested in US stocks with Europe, Japan and emerging markets accounting for 21.7%, 11.0% and 1.9%, respectively. As such, WWH has a significant exposure to the dollar, which is in part offset by its borrowings, the majority of which are dollar-denominated. To maintain WWH's large cap focus, at least 60% of the portfolio must be invested in stocks with a market cap in excess of $5bn. As a counterweight, up to 10% of assets can be invested in unquoted companies. WWH can also have a derivatives exposure of up to 5% of the portfolio's assets.

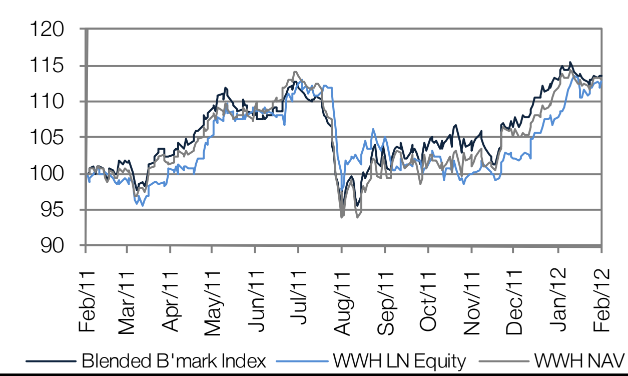
Current portfolio positioning

The portfolio remains overweight biotechnology companies, as opposed to the big pharmaceuticals, a position that also means that the portfolio leans towards the US and is overweight smaller caps when compared to the benchmark. The ongoing biotech tilt reflects OrbiMed's view that biotech companies have a greater output of new products, these products have superior growth prospects and, given this, biotech companies continue to offer superior valuations.

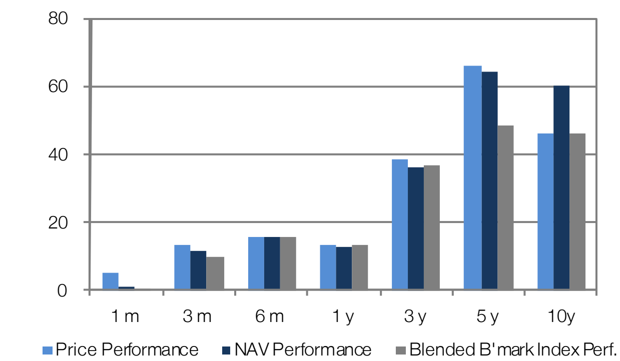
Recent performance

Exhibit 5: Investment trust performance

Price, NAV and benchmark performance – one-year rebased



Price, NAV and benchmark performance (%)



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

Exhibit 6: Share price and NAV total return performance (sterling adjusted), relative to benchmarks

	1 month	3 months	6 months	1 year	3 years	5 years	10 years
Price relative to Blended Benchmark	4.5	3.0	(0.1)	(0.4)	1.4	17.9	0.2
NAV relative to Blended Benchmark	0.6	1.8	(0.1)	(0.5)	(0.8)	16.1	14.0
Price relative to MSCI Wrld Hlth Care	4.5	3.0	(0.1)	(0.4)	4.2	27.0	8.9
NAV relative to MSCI Wrld Hlth Care	0.6	1.8	(0.1)	(0.5)	2.0	25.2	22.8
Price relative to DS Wrld Pharm & Bio	4.8	2.9	(0.1)	(1.9)	3.7	20.3	2.6
NAV relative to DS Wrld Pharm & Bio	0.8	1.7	(0.0)	(2.0)	1.4	18.5	16.4

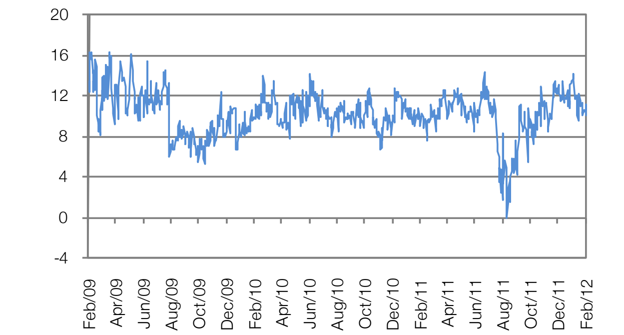
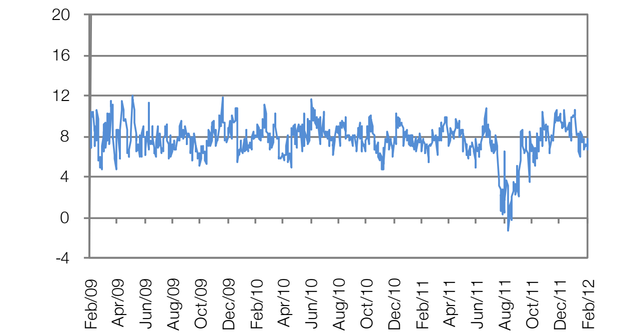
Source: Worldwide Healthcare Trust/Thomson Datastream, Edison Investment Research

As Exhibits 5 and 6 illustrate, WWH has outperformed the blended benchmark, in terms of both price and NAV total return, over the one-month, three-month, five-year and 10-year periods. The manager considers that the underperformance, apparent in the six-month and one-year periods, reflects strong performance by the large cap pharmas during the second half of 2011, to which the benchmarks are more heavily weighted and WWH is underweight.

Discount

The trust also has a policy of actively managing the discount to broadly maintain it within 6.0% of the diluted NAV. Consequently, as Exhibit 1 illustrates, the trust is active in the market for its own shares with 205k shares repurchased during the past 12 months at a cost of £1.5m. WWH is sufficiently large for such a policy to be effective and this is illustrated in Exhibit 7. The first graph assumes the outstanding subscription shares remain unexercised. This second graph, which assumes dilution from the full conversion of all outstanding subscription shares, has more relevance to investors as the subscription shares are comfortably in the money. WWH has been successful in maintaining its fair value NAV close to the 6% level. Its average discount, based on fair value NAVs, is 7.1% during the last 12 months.

Exhibit 7: Discount over three years

Assuming no NAV dilution – all outstanding subscription shares remain unexercised.	Assuming NAV dilution due to full exercise of all outstanding subscription shares at 638p.
	

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

Capital structure

WWH has a conventional structure with two classes of security in issue, 25p ordinary shares and 1p subscription shares. The subscription shares, which are both listed and tradeable, 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 between 31 October 2009 and 31 July 2014. The subscription price is currently 638p and will rise to 699p from 1 August 2012. At each of the nine subscription dates so far, WWH has been in receipt of conversion requests and allotments of ordinary shares have been made accordingly, as is illustrated in Exhibit 1. WWH has a loan facility and is able to borrow up to £70m or 20% of net assets. As at 18 January 2012 WWH had gross and net gearing of 8.1%.

Frostrow's management fee is equal to a fixed amount of £50,000 per annum plus 0.30% per annum of the company's market capitalisation up to £150m and 0.20% per annum of the market capitalisation in excess of £150m. OrbiMed receives a management fee of 0.65% of net assets per annum. 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 1) the cumulative outperformance of the investment portfolio, against the benchmark since inception and 2) the cumulative outperformance of the investment portfolio, against the benchmark over the previous 12 months. Where a performance fee is payable, the investment manager (OrbiMed Capital) receives 15.0% and the manager (Frostrow Capital) receives 1.5% of the outperformance. A performance fee of £3.5m was paid during the half year ended 30 September 2011 in relation to maintained out performance during the half year ended 30 September 2009. As at 30 September 2011 there was no performance fee of accrued in relation to maintained out performance during the year ended 30 September 2010. The total expense ratio (TER), excluding performance fees, was 1.0% for the year ending 31 March 2011 both including and excluding performance fee. This compares to 1.0% and 1.9% for the year ended 31 March 2010, excluding and including performance fees respectively. The management contract can be terminated at one year's notice by either party.

The life of the trust is indefinite. However, from July 2009 and then every fifth AGM thereafter, a continuation vote will be put to shareholders. The next vote will be at the 2014 AGM.

Dividend policy and record

WWH's investment objective is to achieve a high level of capital growth. Its mandate does not include an income element and as such there is no explicit dividend policy. However, assuming adequate profitability, a single dividend payment is made in July of each year. Reflecting the capital growth objective, the dividend yield, at 2.0%, is modest when compared to many other investment trusts, but remains strong for the sector. Over the last 10 years, as Exhibit 1 illustrates, the level of dividend payment has shown some minor fluctuation. However, since launch, the trust has maintained or increased its dividend in all but two years – 2002 and 2003. Since 2003 WWH has increased its dividend by 750% from 1.0p to 15.0p. This is an average increase of 50% per year, or 32% per year annualised. WWH increased its dividend between 2010 and 2011 by 76%, which did not require any dipping into reserves. As at 30 September 2011, WWH had revenue reserves of 16.0p per share. As such, we expect that, with growth in revenue reserves during the year, WWH will at least be able to maintain the dividend at the 15p level for the year ending 31 March 2012, while retaining some capacity to smooth dividends.

Peer group comparison

As Exhibit 8 illustrates, the AIC sector 'Sector Specialist: Biotechnology/Life Sciences' is a relatively small peer group. All four constituents invest in healthcare-related companies but their investment objectives are markedly different. Within this peer group WWH ranks third over the one- and three-year periods, and second over the five-year period, when considering share price total return.

Exhibit 8: Sector Specialist: Biotechnology/Life Sciences sector, updated 9 February 2012

Company	Share price total return on £100			Total expense ratio	(Disc)/ Prem	Net gearing (100= no gearing)	5 Year dividend growth (%)	Div yield
	1 year	3 year	5 year					
Sector average	**120.7**	**149.6**	**165.6**	**N/A**	**(6.3)**	**105**	**N/A**	**N/A**
Worldwide Healthcare Trust	140.5	175.5	198.7	N/A	(4.4)	104	N/A	N/A
Biotech Growth	126.3	150.3	117.9	2.19	(11.7)	97	N/A	N/A
International Biotechnology	112.4	N/A	N/A	N/A	0.9	98	N/A	2.9
Polar Cap Glbl H'care Growth & Inc	113.0	138.2	166.0	N/A	(7.8)	109	38.0	2.0

Source: The Association of Investment Companies

The board

All directors are non-executive and the majority are independent of the investment manager. They are Martin Smith (independent non-exec chairman), Professor Duncan Geddes (senior independent non-exec director), Josephine Dixon, Dr David Holbrook, Anthony Townsend (independent non-exec directors) and Sam Isaly (non-exec director). Average service is 11.2 years.

Edison Investment Research

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