Edison investment research

24 June 2011

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* (%)
22/06/08	(6.2)	(5.7)	(6.7)	(8.2)	(6.7)
22/06/09	12.4	14.4	9.1	3.4	9.1
22/06/10	28.6	30.8	25.0	27.1	25.0
22/06/11	16.1	15.3	15.9	13.4	11.6

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: Positive outlook for healthcare

Worldwide Healthcare Trust PLC (WWH) has put in a respectable performance during the past 12 months, adding value in absolute terms, and effectively matching its blended benchmark in terms of both price and NAV. The manager considers that healthcare underperformed the broader market during most of 2010, but that a much-anticipated relief rally has now arrived. The manager considers that, despite the uplift, valuations remain close to historical lows and, as such, there remains significant upside potential. WWH has provided 76% year-on-year dividend growth and is the only UK-registered investment trust with a long-term track record to offer a diversified exposure to both the pharmaceutical and biotech sectors.

Investment process: Extensive fundamental research

The investment process is driven by extensive fundamental research. Companies are then screened based on their valuations and prospects for future growth. Analysts continue to monitor the remaining companies, running valuation screens and meeting management at least annually. Where portfolio changes are made these are typically on a one-for-one basis. This approach helps ensure that the portfolio remains focused and that stocks continue to meet OrbiMed's criteria for inclusion.

Sector outlook: Further rotation back into healthcare

Following a poor performance by healthcare during the year to March 2011, the manager now considers that the much anticipated relief rally has arrived with considerable strength, as investors at last rotate back into the sector. Healthcare reform is still expected to be a net benefit to healthcare from 2014 and the manager believes the 'BRIC' nations offer substantial growth opportunities. The manager considers valuations still remain low and expects further rotation back into the sector.

Valuation: Discount in line with longer-term averages

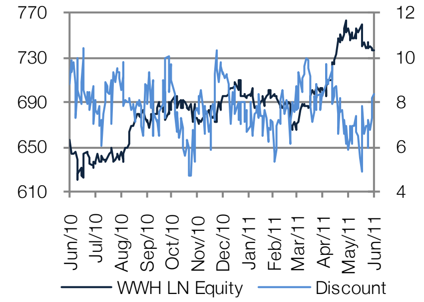
The board's policy of using buybacks to maintain the discount at around the 6% level continues to be effective and offers investors confidence that they will be able to enter and exit the trust at valuations around this level. WWH has three- and five-year fair value discount averages of 7.7% and 6.9% respectively. As such, the current fair value discount of 8.1% is broadly in line with its longer-term averages.

Price	737.0p
Market Cap	£318.1m
AUM	£429.2m
NAV	833.52p*
Discount to NAV	(11.6%)*
NAV	802.38p**
Discount to NAV	(8.1%)**
Yield	2.0%

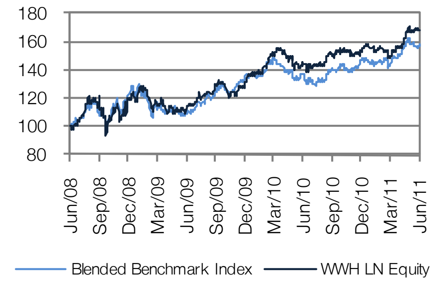
** Adjusted for debt at market value, excluding income and assuming non-exercise of outstanding subscription shares. At 21 June 2011.*

*** Adjusted for debt at market value, excluding income and assuming full exercise of all outstanding subscription shares at 638p. At 21 June 2011.*

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	43.2m

Price

52 week	High	Low
Price	763.00p	620.00p
NAV*	814.99p	683.52p

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

Subscription share details

Code	WWHS
Subscription shares in issue	8.2m

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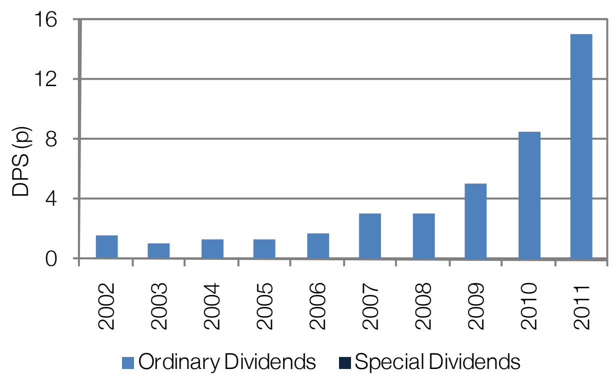
Worldwide Healthcare Trust is a research client of Edison Investment Research Limited

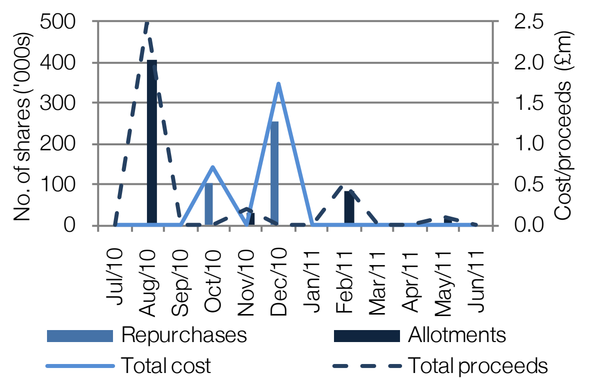
Exhibit 1: Trust at a glance

Investment objective and fund background	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.	9 June 2011: Annual report released. 26 May 2011: Dividend of 15p declared for 2011. 18 May 2011: 15,599 new ordinary shares issued in relation to subscription share conversion.

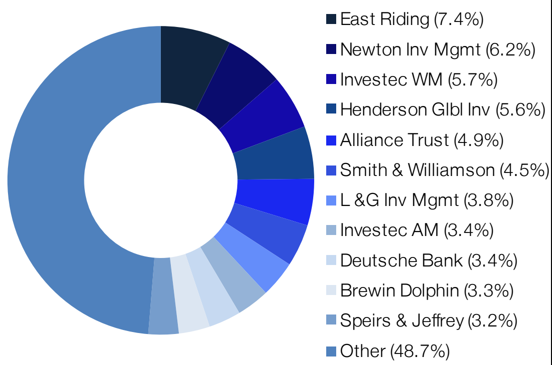
Forthcoming		Capital structure		Fund details	
AGM	July 2011	Total expense ratio	1.0%	Group	Frostrow Capital LLP
Preliminary	June 2012	Net Gearing	15.7%	Manager	OrbiMed Capital (Sam D Isaly)
Year end	31 March	Annual mgmt fee	See pg 7	Address	25 Southampton Buildings London, WC2A 1AL
Dividend paid	July	Performance fee	See pg 7		
Launch date	April 1995	Trust life	Indefinite	Phone	020 3008 4910
Wind-up date	Vote every 5 yrs	Loan facilities	See pg 7	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 allot up to 10.0% and purchase up to 14.99% of issued share capital.

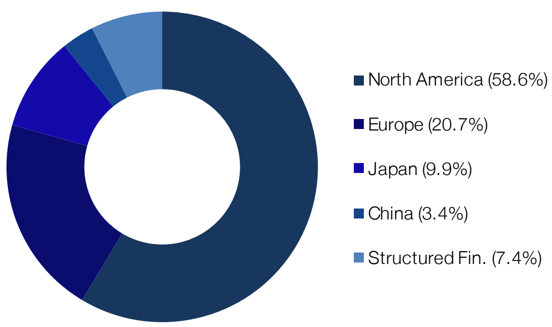




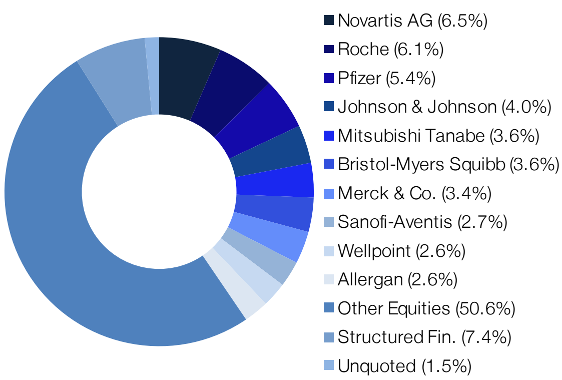
Shareholder base (as at 30 April 2011)



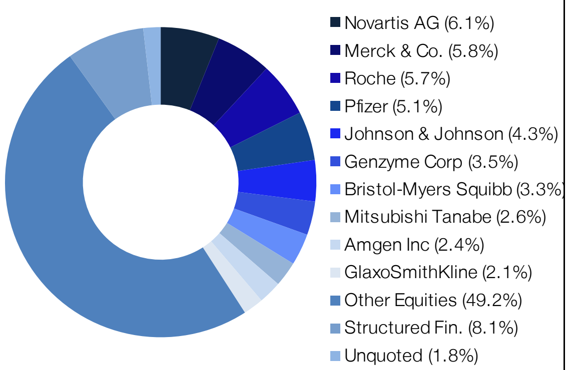
Geographic distribution of portfolio (as at 31 May 2011)



Portfolio composition (as at 31 May 2010)



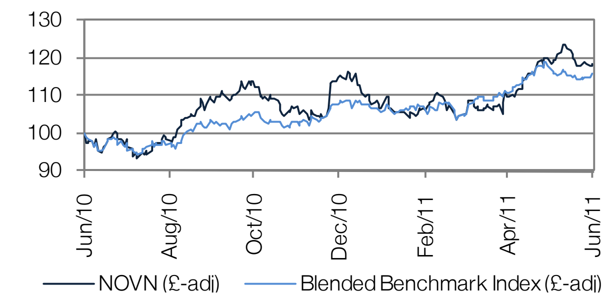
Portfolio composition (as at 30 November 2010)



Source: Worldwide Healthcare Trust/Edison Investment Research

Exhibit 2: Trust holdings at a glance

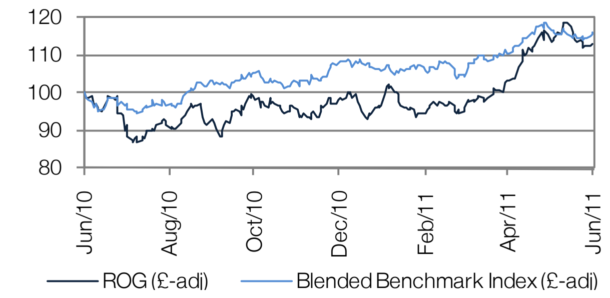
Novartis AG	Code: NOVN VX	Market Cap: CHF137,555.7m



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

Headquartered 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.

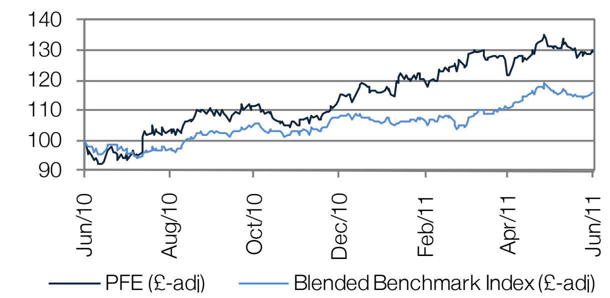
Roche	Code: ROG VX	Market Cap: CHF119,675.1m



Div yield (trailing 12 months)	4.77%
Industry/Sector	Medical-Drugs
Website	www.roche.com

Roche is a Swiss based healthcare company that discovers, develops and provides diagnostic and therapeutic products and services. Roche has a global presence and is organised around two core business areas: Pharmaceuticals and Diagnostics. The pharmaceuticals division comprises Roche Pharmaceutical, Genentech and Chugai. The diagnostics division comprises Roche Applied Science, Roche Molecular Diagnostics, Roche Professional Diagnostics, Roche Tissue Diagnostics and Roche Diabetes Care.

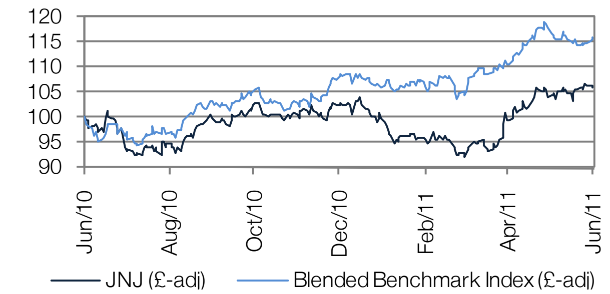
Pfizer	Code: PFE US	Market Cap: $160,234.9m



Div yield (trailing 12 months)	3.75%
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.

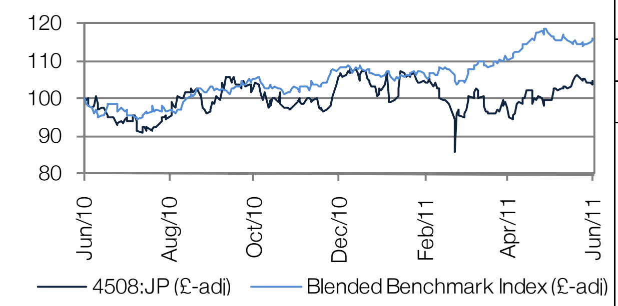
Johnson & Johnson	Code: JNJ US	Market Cap: $181,107.3m



Div yield (trailing 12 months)	3.32%
Industry/Sector	Medical Products
Website	www.jnj.com

Headquartered in the US, Johnson & Johnson (JNJ) is a global healthcare company that employs over 119,000 people across 57 countries and has over 250 operating companies. It is structured around three main business areas: Consumer Health Care, Pharmaceutical, and Medical Devices and Diagnostics. The manager considers JNJ benefits from a relatively early exit from its patent cliff, compared to its large cap pharma peers, and has a new product cycle to drive revenues and thus earnings post its cliff.

Mitsubishi Tanabe	Code: 4508 JP	Market Cap: JPY743,317.3m



Div yield (trailing 12 months)	2.12%
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.

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 $5bn.

The fund manager: Samuel D Isaly

Manager's view: A relief rally with significant upside potential

The manager considers that during the year to 31 March 2011, healthcare was one of the worst performing subsectors, compared to the broader market. The long-awaited relief rally failed to materialise despite the signing into law, in March 2010, of a bill that lifted much of the cloud of uncertainty surrounding US healthcare reform. The manager considers that, post March, the much anticipated relief rally has at last arrived and, furthermore, it has arrived with considerable strength. The manager sees that investors are rotating back into the sector and believes this is the result of four key factors: 1) an ongoing settling of the political turbulence, and associated uncertainty, regarding healthcare reform as well as a growth in understanding of the overall positive for healthcare; 2) good earnings growth in the sector; 3) good productivity growth in research that is now starting to show through; and 4) good earnings growth relative to other sectors. In terms of outlook, the manager maintains the view that Obamacare will bring coverage to c 30m people from 2014 and that the increased patient volumes will be a net benefit for many healthcare sectors. The manager considers that emerging markets continue to grow and the 'BRIC' nations offer the potential for hyper-growth. 2010 saw a revision to WWH's investment policy allowing WWH's portfolio to include more structured finance products aimed at raising the income level. The manager remains cautious with regards to pursuing yield, as a goal in itself, but considers that the structured finance arena will continue to offer good opportunities with strong rates of return and so anticipates that WWH will continue to be active in structured finance. The manager continues to look to invest in companies that have 1) already addressed their issues in relation to the patent cliff, or 2) will be net beneficiaries, such as generics companies. Overall, despite the recent uplift, the manager considers that health care valuations are still close to historical lows and, as such, offer significant upside potential.

Asset allocation

Overview

As at 31 May 2011, WWH's portfolio comprised 60 equity and eight structured finance, or fixed interest, holdings. The top 10 quoted equity holdings accounted for 40.5% of the portfolio, structured finance for 7.4%, unquoted equities for 1.5% of the portfolio, while the remaining 50 equity holdings accounted for 50.6% of the portfolio. As illustrated in Exhibit 1, the majority of the portfolio, 58.6%, is invested in US stocks with Europe, Japan and China accounting for 20.7%, 9.9% and 3.4%, respectively. As such, WWH has a significant exposure to the dollar which is in part offset by its borrowings, the majority of which are also denominated in dollars. To maintain WWH's large cap focus there is a constraint that requires at least 60% of the portfolio is 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.

Underweights and overweights

WWH's portfolio is underweight medical devices, large cap biotechnology and is substantially underweight large cap pharmaceuticals. WWH's portfolio is overweight specialty pharmaceuticals, generics, emerging biotechnology, large cap biotechnology, life science tools and structured finance. It is effectively neutral with respect to healthcare services and managed care.

Exhibit 3: Sector allocations of portfolio, as at 31 May 2011

	Trust Weight (%)	Benchmark Weight (%)	Trust Active Weight (%)	Trust Weight/ Benchmark Weight
Specialty Pharmaceuticals	13.0	6.4	+6.6	2.03
Generics	8.0	2.9	+5.1	2.74
Emerging Biotechnology	7.3	2.3	+5.0	3.16
Life Science Tools	4.4	3.4	+1.0	1.30
Healthcare Serv's & Mngd Care	12.8	12.7	+0.1	1.01
Medical Devices	9.7	13.4	(3.7)	0.72
Large Cap Biotechnology	1.5	5.6	(4.1)	0.26
Large Cap Pharmaceuticals	36.0	53.1	(17.1)	0.68
Structured Finance	7.4	0.0	+7.4	N/A
Total	100.0	100.0	0.0	

Source: Worldwide Healthcare Trust/Edison Investment Research

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 currently offer superior valuations.

Top holdings

Exhibit 4: Ten largest equity holdings as at 29 October 2010

Note: Blended Benchmark - Datastream World Pharmaceutical Index (prior to 30 September 2010) and MSCI World Healthcare Index (from 30 September 2010) one-year total return performance to 22 June 2011 (sterling adjusted) = +15.9%.

Holding	%	1 year total return price performance, sterling adjusted (%)	Performance relative to Blended Benchmark Index (%)
Novartis AG	6.5	18.6	2.6
Roche	6.1	13.2	(2.7)
Pfizer	5.4	29.4	13.5
Johnson & Johnson	4.0	6.1	(9.8)
Mitsubishi Tanabe Pharma	3.6	5.1	(10.8)
Bristol-Myers Squibb	3.6	5.0	(10.9)
Merck & Co.	3.4	(3.4)	(19.3)
Sanofi-Aventis	2.7	17.8	1.9
Wellpoint	2.6	33.7	17.8
Allergan	2.6	24.3	8.4
Total	49.1		

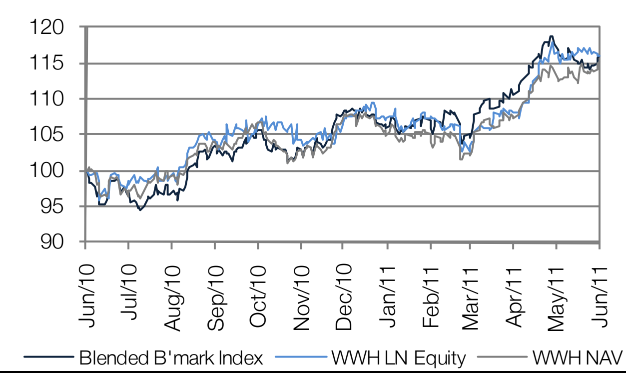
Source: Worldwide Healthcare Trust/Thomson Datastream/Edison Investment Research

During the past 12 months to 22 June 2011 the blended benchmark, sterling adjusted, has grown by 15.9% on a total return basis. As Exhibit 4 shows, five out of WWH's top 10 holdings have outperformed the benchmark during this period.

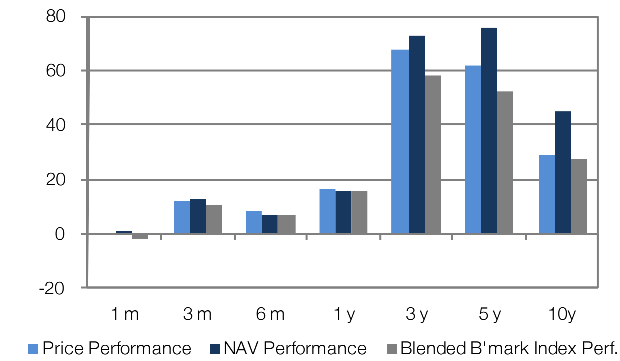
Recent performance

Exhibit 5: Investment trust performance

Price, NAV & Benchmark Performance – 1-year Rebased



Price, NAV & 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	1.4	1.4	1.3	0.2	9.9	9.6	1.8
NAV relative to Blended Benchmark	2.8	2.1	0.1	(0.6)	14.5	23.4	17.7
Price relative to MSCI Wrld Hlth Care	1.4	1.4	1.3	2.7	18.8	18.8	4.6
NAV relative to MSCI Wrld Hlth Care	2.8	2.1	0.1	1.9	23.4	32.6	20.5
Price relative to DS Wrld Pharm & Bio	1.0	1.8	3.9	4.6	15.9	15.3	6.6
NAV relative to DS Wrld Pharm & Bio	2.4	2.5	2.6	3.7	20.4	29.2	22.5

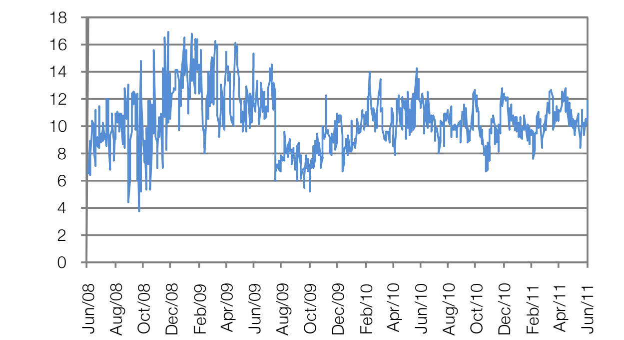
Source: Worldwide Healthcare Trust/Thomson Datastream, Edison Investment Research

As Exhibits 5 and 6 illustrate, WWH has outperformed the blended benchmark, in terms of price total return, over all of the time periods provided. In terms of NAV total return, WWH has outperformed over all of the periods, with the exception of the one-year period.

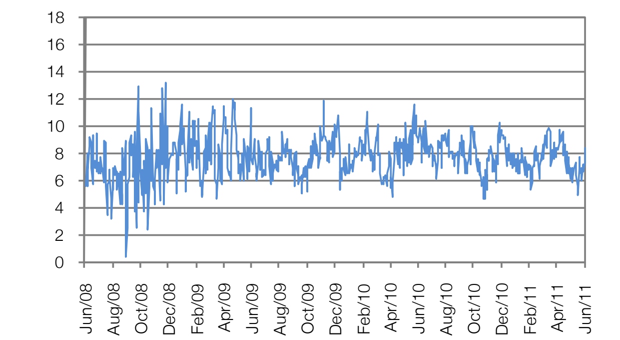
Discount

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

WWH has the authority, renewed annually, to allot up to 10% or make market purchases of up to 14.99% of issued share capital, which provides the manager with a mechanism to influence the 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 3.9m shares repurchased during the past 12 months at a cost of £25.0m. WWH is sufficiently large for such a policy to be effective and this is illustrated in Exhibit 7. The first graph is produced using NAVs calculated using the AIC's preferred methodology and 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. The graph shows that despite the increased discount volatility seen from September 2008, arguably reflecting the prevailing financial climate, WWH did not suffer the general discount widening that frequently accompanied this. Moreover, WWH has been successful in maintaining its fair value NAV close to the 6% level. Its average discount, based on fair value NAVs, is 7.8% during the last 12 months.

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 seven 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 31 May 2011 WWH had gross and net gearing of 15.7%.

Fees

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 £224k was paid during the financial year ending 31 March 2011 in relation to maintained out performance during the year ended 31 March 2009. As at 31 March 2011 a performance fee of £2.6m has been accrued in relation to maintained out performance during the year ended 31 March 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. As Exhibit 8 shows, WWH's total expense ratio continues to compare favourably with its peers. This reflects the fact that while WWH is a specialist trust, its costs are spread over a relatively large asset base. The management contract can be terminated at one year's notice by either party.

Continuation vote

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. We estimate that after payment of the 2011 dividend, WWH will have retained reserves equal to 0.57x the substantially increased dividend. 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 going forward.

Peer group comparison

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

Exhibit 8: Sector Specialist: Biotechnology/Life Sciences sector, updated 22 June 2011

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	112.4	163.9	156.5	1.38	(8.1)	112	N/A	N/A
Worldwide Healthcare Trust	116.1	168.0	161.5	1.13	(9.0)	119	38	2.0
Biotech Growth	111.5	178.4	174.5	1.48	(8.4)	111	N/A	N/A
International Biotechnology	105.8	128.5	113.5	2.16	(14.6)	104	N/A	N/A
Polar Cap Glbl H'care Growth & Inc	107.6	N/A	N/A	N/A	0.7	94	N/A	2.2

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, Paul Gaunt, Dr David Holbrook, Anthony Townsend (independent non-exec directors) and Sam Isaly (non-exec director). Average service is 12.1 years.

Edison Investment Research

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