Worldwide Healthcare Trust

Sticking to the successful long-term strategy

Investment trusts
Global healthcare equities

11 January 2023

Worldwide Healthcare Trust's (WWH's) two co-managers, Sven Borho and Trevor Polischuk at specialist investor OrbiMed, remain positive on the prospects for the global healthcare industry. This view is based on favourable company fundamentals, increased clarity on US drug pricing and an upturn in merger and acquisition (M&A) activity, as pharma companies are using their strong balance sheets to bolster their product pipelines. The trust's portfolio remains skewed to emerging (smaller-cap) biotech and emerging market stocks rather than large-cap pharma companies. While this strategy has been detrimental to WWH's relative performance in recent quarters, this active approach has been successful over the longer term.

Presentation by WWH's managers (October 2022)

Source: WWH

The analyst's view

Despite WWH's current period of underperformance versus its benchmark, it has a distinguished long-term record of above-index returns (data from OrbiMed are shown in the Fund profile section below). Also, the trust's absolute results are worthy of consideration; over the last decade, WWH's NAV and share price annual total returns are 15.7% and 15.2%, respectively. The trust is a multi-billion sterling market cap specialist healthcare fund that is diversified by subsector and geography. Last year could be considered an anomaly as the general focus was on macroeconomic developments rather than company fundamentals. Hence, now may be an opportune time for investors to visit/revisit the healthcare sector given its range of favourable attributes including robust demand and high levels of innovation across multiple technologies and disease states.

Scope for a narrower discount

WWH's 6.1% share price discount to cum-income NAV compares with a 1.2% premium to a 10.6% discount over the last 12 months. It compares with the average discounts of 6.6%, 2.0%, 1.0% and 2.4% over the last one, three, five and 10 years, respectively. If the trust's relative performance improves, there is potential for a higher valuation; prior to Q121 WWH's shares regularly traded close to NAV.

Price		**3,215.0p**
Market cap		**£2,062m**
Total assets		**£2,265m**
NAV*		3,424.0p
Discount to NAV		6.1%

*Including income. At 9 January 2023.

Yield		0.8%
Ordinary shares in issue		64.1m
Code/ISIN		WWH/GB0003385308
Primary exchange		LSE
AIC sector		Biotechnology & healthcare
52-week high/low	3,580.0p	2,825.0p
NAV* high/low	3,741.0p	3,072.5p

*Including income

Gearing*	11.6%

*At 30 November 2022.

Fund objective

Worldwide Healthcare Trust is a specialist investment trust that invests in the global healthcare sector, with the objective of achieving a high level of capital growth. Gearing and derivative transactions are used to enhance capital returns and mitigate risk. Performance is measured against the MSCI World Health Care Index (sterling adjusted).

Bull points

- Specialised healthcare fund diversified by geography, subsector and market cap.
- Very long-term outperformance versus the benchmark.
- Managers are able to draw on the very deep resources of OrbiMed's investment team.

Bear points

- Period of disappointing relative performance is continuing.
- Modest dividend yield.
- Periodic political risk from investing in healthcare stocks.

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Market outlook: Outperformance could continue

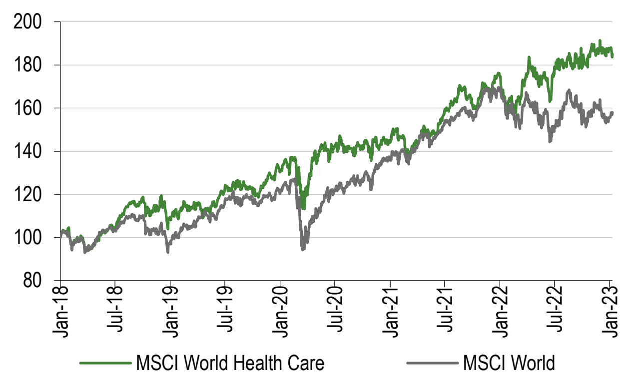
As shown in Exhibit 1 (left-hand side), the healthcare sector has outperformed the global market over the last five years (and also over the last decade). However, the fortunes of healthcare sectors have varied, providing opportunities for active fund managers. As an example, biotech stocks are recovering from a significant drawdown – between September 2021 and June 2022, the Nasdaq Biotechnology Index declined by c 35%. Initial weakness was related to industry-specific issues such as some high-profile disappointing trial results and the risk of US drug pricing reform. However, in H122, macroeconomic issues, including rising inflation and higher interest rates, came to the fore, along with investor risk aversion following the war in Ukraine. Overall, healthcare industry fundamentals remain favourable, with a high level of innovation, robust demand from an ageing global population and a benign regulatory environment. The uptick in M&A should also be supportive for the performance of healthcare stocks.

Exhibit 1 (right-hand side) illustrates pharma company valuations; we highlight this area as it is the largest healthcare subsector (c 40% of the MSCI World Health Care Index). The Datastream World Pharma Index is trading at a 15.4x forward P/E multiple, which is not dissimilar to the 15.1x five-year average (range of 13.6x to 16.8x). This is a 7.3% premium to the valuation of the Datastream World Index. Over the last five years the average differential was a 5.3% discount. However, it should be noted that over this period there is a very wide range of relative valuations from a 24.4% discount to a 12.5% premium.

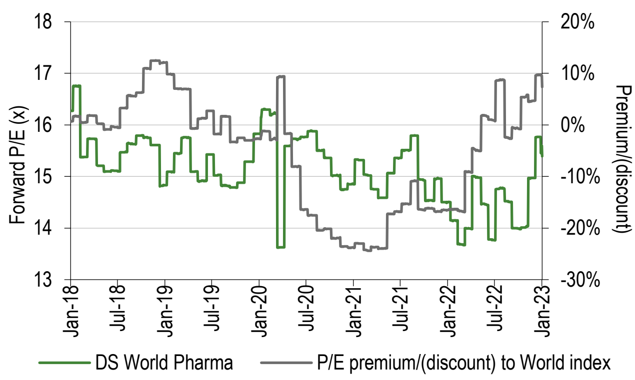
Given the healthcare sector's favourable fundamental outlook and record of outperformance versus global stocks over both the medium and longer term, investors may benefit from an allocation to this diversified part of the market. Its defensive qualities could also cause the sector to shine in a tough economic environment, which looks increasingly likely given the backdrop of high inflation and rising interest rates.

Exhibit 1: Market performance and valuation

MSCI World Health Care and MSCI World indices total returns (£)



Absolute and relative forward P/E multiple for DS* World Pharma Index



Source: Refinitiv, Edison Investment Research. Note: *DS is Datastream. Valuation data at 10 January 2023.

The fund managers: Sven Borho and Trevor Polischuk

The managers' view: Industry overhangs lifting

Polischuk is hopeful of a rebound in emerging biotech stocks as industry overhangs continue to lift. Drug price reform had been a concern since early 2021 but the signing of the Inflation Reduction Act of 2022 brings greater clarity. The manager highlights three main components pertaining to drug price reform and the anticipated impact on the healthcare sector: drug price inflation cap (neutral); Medicare Part D redesign (positive); and Medicare Part B price negotiations (negative but manageable). Polischuk says that this third element does not come into effect until 2026 and will likely be a modest c $40bn hit to pharma company revenues to 2032 (6% of the c $660bn total).

In 2021, there was no US Food and Drug Administration (FDA) commissioner and a perception that the FDA was ignoring non-COVID therapies. World-renowned cardiologist Robert Califf was appointed as the FDA commissioner in February 2022, having previously held the post in 2015–17 under former president Barack Obama; he is viewed as being ‘industry friendly’. Also, 2017 to 2021 was the most productive period in terms of the number of novel drug approvals in the FDA’s history (range of 46 to 59 per year).

Polischuk notes that 2021 M&A activity in the healthcare sector was muted. However, the messaging from major pharma companies is that they want to do deals. These firms have cash available and wish to acquire innovative companies to plug holes in their product pipelines and offset the negative impacts of drugs moving off patent. The manager highlights the inflection in M&A in Q322, with activity at a record pace and some companies being bid for at triple-digit premiums. While the performance of small-cap biotech stocks has improved as M&A has accelerated, Polischuk says there is a long way to go to get back to where they were. He comments that historically, macro-driven drawdowns have been followed by strong recoveries in biotech stocks.

WWH’s holdings are selected via bottom-up stock selection and Polischuk is hopeful that investors will return to focusing on company fundamentals rather than on macroeconomic considerations, which should benefit the trust’s performance via its catalyst-driven strategy (investing in companies that are expected to have positive catalysts). He highlights the ‘golden era’ of innovation within healthcare across multiple technologies (including cell therapy, gene therapy, gene editing, monoclonal antibodies, RNA therapeutics, robotic surgery and liquid biopsy) and disease states, commenting that innovation is the number one value driver within the healthcare sector. Three high-profile areas of innovation are oncology, obesity and Alzheimer’s disease, which the manager describes as ‘the holy grail’ of drug development. Earlier this year, Eisai Company and Biogen’s lecanemab Phase III trial was successful in slowing the progression of Alzheimer’s. This drug has been described by key opinion leaders as ‘changing the course of Alzheimer’s disease’ and ‘a pivotal moment in the history of Alzheimer’s therapy’.

Borho conveys his insights on the potential performance of healthcare stocks during a recession: he believes that the biopharma space is likely to be among the most resilient based on biopharma companies’ robust fundamentals and historical track record of maintaining revenue growth during economic slowdowns. Shares of these companies typically outperform as they are primarily driven by firms’ ability to bring new drugs to market to meet unmet medical needs, either through internal research and development or via M&A. The manager adds that government and private payers remain willing to reimburse therapies regardless of the economic climate. He opines that while there may be moderate utilisation and pricing pressures during periods of weakness, headwinds should be manageable as evidenced by the fact that healthcare stocks were able to maintain their margins during the 2007/08 global financial crisis. Borho notes that all healthcare subsectors, apart from managed care, outperformed the S&P500 index during the last four recessions, with the largest outperformance from large-cap and smaller-cap biotech stocks.

The manager summarises WWH’s ‘playbook’ – he and his team will continue to focus on innovative companies both in therapeutics (small and mid-cap biotech and select pharmaceuticals) and non-therapeutics (medtech, diagnostics and life science tools). Borho has been adding to areas that he considered to be oversold, such as emerging biotechnology and China healthcare stocks. He is also encouraged by the industry outlook with overhangs lifting and an acceleration in M&A. An increased focus on company fundamentals should reward businesses that deliver positive catalyst-driven results, and the managers are continuing to use gearing tactically.

Current portfolio positioning

Detailed analysis of the trust's portfolio at the end of September 2022 shows that the top 20 names made up 73.2% of the fund with the top 30 making up 91.8%. In terms of profitability, c 70% of the portfolio was made up of profitable companies.

At end-November 2022, WWH's top 10 positions made up 46.9% of the fund, which was a notably higher concentration compared with 35.3% a year earlier; just four holdings were common to both periods (Exhibit 2). The higher concentration has resulted in a lower active share of 67.4% at end-November 2022 versus 74.3% at end-November 2021. This is a measure of how a fund differs from an index, where 100% is zero commonality and 0% is full index replication.

The healthcare M&A target swap continues to be one of WWH's biggest positions and is the trust's largest biotech holding. It is a swap derivative that is constructed and managed by OrbiMed and is made up of 20 biotech companies that the firm considers to be the most likely M&A targets. It has identified some companies that were bid for, including Sierra Oncology and Turning Point Therapeutics, and provides WWH with extra exposure to potential M&A targets, without the managers having to add a significant number of new names to the portfolio.

Exhibit 2: Top 10 holdings (at 30 November 2022)

Company	Region	Sector	Portfolio weight %	
			30 Nov 2022	30 Nov 2021*
AstraZeneca	Europe	Pharmaceuticals	6.0	4.6
Bristol Myers Squibb	North America	Pharmaceuticals	5.7	4.9
UnitedHealth Group	North America	Healthcare providers & services	5.6	N/A
Humana	North America	Healthcare providers & services	4.7	N/A
Sanofi	Europe	Pharmaceuticals	4.5	N/A
Healthcare M&A target swap	North America	Swap baskets	4.4	N/A
Intuitive Surgical	North America	Healthcare equipment & supplies	4.4	N/A
Roche	Europe	Pharmaceuticals	4.3	N/A
Boston Scientific	North America	Healthcare equipment & supplies	4.1	4.0
Stryker	North America	Healthcare equipment & supplies	3.2	2.6
Top 10 (% of portfolio)			**46.9**	**35.3**

Source: WWH, Edison Investment Research. Note: *N/A where not in end-November 2021 top 10.

Exhibit 3 highlights WWH's sector and geographic exposures. On a sector basis, the largest changes in the 12 months to end-November 2022 were a lower biotech weighting (-10.4pp), primarily due to share price weakness and partially offset by the investment in the swap basket (+4.4pp, see above). There were also higher weightings in pharmaceuticals (+4.0pp) and healthcare providers & services (+3.9pp).

Exhibit 3: Portfolio sector and geographic exposure (%)

Sector	End-Nov 2022	End-Nov 2021	Diff. (pp)	Region	End-Nov 2022	End-Nov 2021	Diff. (pp)
Pharmaceuticals	31.1	27.1	4.0	North America	65.5	72.2	(6.7)
Healthcare providers & services	19.9	16.0	3.9	Europe	17.7	7.1	10.6
Biotechnology	19.1	29.5	(10.4)	China/Hong Kong	9.9	16.4	(6.5)
Healthcare equipment & supplies	17.4	19.0	(1.6)	Japan	4.9	1.2	3.7
Life science tools & services	8.1	6.8	1.3	India	2.0	3.1	(1.1)
Healthcare technology	0.0	1.4	(1.4)				
Swap baskets	4.4	0.0	4.4				
Variable interest	0.0	0.2	(0.2)				
	100.0	**100.0**			**100.0**	**100.0**	

Source: WWH, Edison Investment Research

Reflecting its dominance in the global healthcare industry, the majority of WWH's portfolio is held in US companies, but the North American weighting declined by 6.7pp in the 12 months to end-November 2022, while the China/Hong Kong exposure was down by 6.5pp. There was a notable 10.6pp increase in the European weighting.

Compared with the MSCI World Health Care Index, WWH's largest active bets continue to be overweight exposures to emerging biotech and emerging markets stocks (emerging markets have a zero index weighting) and a below-benchmark weighting to large-cap pharma companies. At 30 September 2022, compared with the benchmark, the trust had a 20.1pp overweight position in emerging biotech stocks, a 10.7pp overweight position in emerging market stocks and a 17.3pp underweight exposure to large-cap pharma companies.

As noted in the previous section, the managers have added to WWH's emerging biotech exposure on weakness. Borho comments that additions to the fund's Japan exposure were timely; the fund has holdings in large-cap pharma companies Eisai, Daiichi Sankyo and Chugai Pharmaceutical.

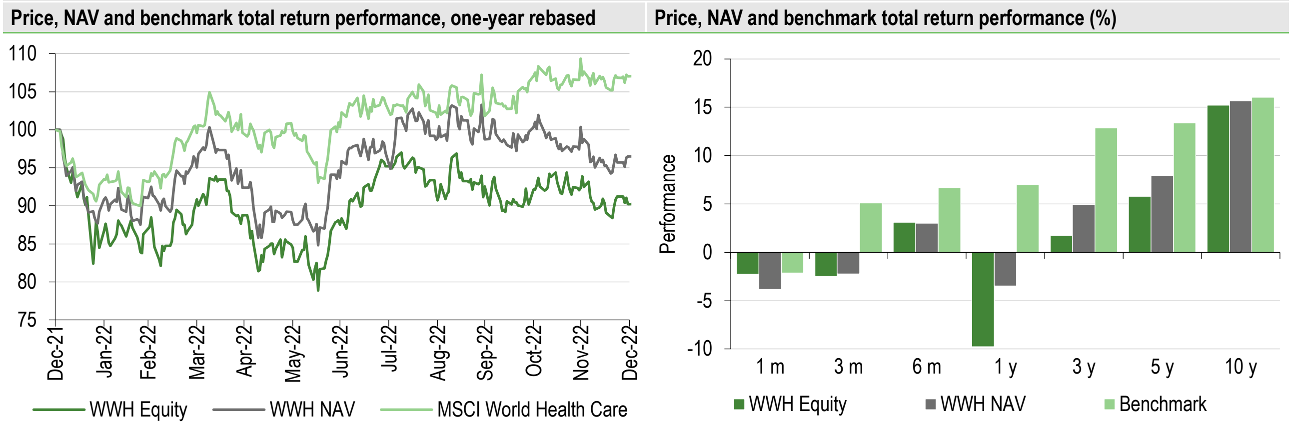
Performance: Remains under pressure

Exhibit 4: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	MSCI World Health Care (%)	DS World Pharma and Biotech (%)	CBOE UK All Companies (%)
31/12/18	(5.0)	(3.9)	9.4	6.5	(9.8)
31/12/19	32.3	31.9	19.1	15.7	19.3
31/12/20	19.9	20.0	10.6	12.3	(10.9)
31/12/21	(2.6)	(0.2)	21.5	10.6	18.4
31/12/22	(9.8)	(3.5)	7.0	11.0	1.6

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

Exhibit 5: Investment trust performance to 31 December 2022



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

In H123 (ending 30 September), WWH's NAV and share price total returns of +3.1% and +1.9%, respectively, compared with the benchmark's +2.1% total return. The trust's NAV performance was helped by sterling weakness; during H123 it depreciated by 15.2% versus the US dollar (most of WWH's assets are denominated in US dollars). WWH's performance benefited from its overweight exposure to emerging biotech stocks, both in terms of asset allocation and stock selection, while its holdings in unlisted companies contributed 0.7% to NAV in H123. Pharma stocks detracted from the trust's performance due to a below-index asset allocation and stock selection, while weakness in medtech companies' share prices was also unhelpful. During H123, former unquoted company Dingdang Health Technology had its initial public offering (IPO), with its shares achieving a c 26% uplift.

On a stock-specific basis, the top three contributors to WWH's relative performance in H123 were: Global Blood Therapeutics (acquired by Pfizer at a 100% premium to its pre-bid share price); Humana (strong execution and above-consensus results); and Shanghai Bio-Heart Biological Technology (innovative cardiovascular medical device company that listed in December 2021). The largest detractors were: Horizon Therapeutics (disappointing sales of important product Tepezza to treat thyroid eye disease); Intuitive Surgical (worries about a slowdown in hospital capex and the negative effect of rising interest rates on the valuations of high-multiple growth stocks); and Sanofi (increasing concerns about Zantac product liability claims).

Exhibit 6: Share price and NAV total return performance, relative to indices (%)

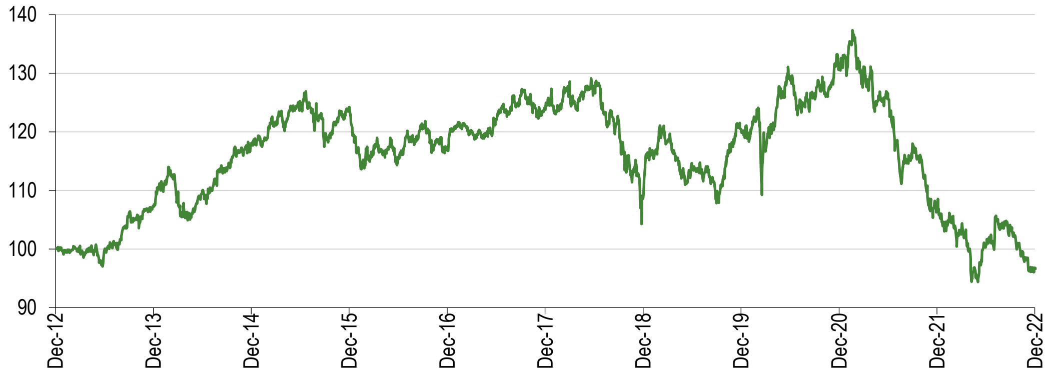
	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to MSCI World Health Care	(0.1)	(7.2)	(3.4)	(15.7)	(26.7)	(29.3)	(7.0)
NAV relative to MSCI World Health Care	(1.7)	(7.0)	(3.5)	(9.8)	(19.6)	(21.8)	(3.2)
Price relative to World-DS Pharma & Bio	(0.9)	(8.2)	(3.1)	(18.7)	(23.6)	(22.0)	9.1
NAV relative to World-DS Pharma & Bio	(2.5)	(7.9)	(3.2)	(13.1)	(16.1)	(13.7)	13.5
Price relative to CBOE UK All Cos	(0.9)	(10.9)	(2.5)	(11.2)	(1.8)	14.8	116.9
NAV relative to CBOE UK All Cos	(2.5)	(10.6)	(2.6)	(5.0)	7.8	27.1	125.7

Source: Refinitiv, Edison Investment Research. Note: Data to end-December 2022. Geometric calculation.

As shown in Exhibits 6 and 7, WWH's underperformance versus its benchmark since Q121 has negatively affected its longer-term record. The trust's NAV and share price total returns now lag those of its benchmark over the last one, three, five and 10 years. However, it is worth noting WWH's outperformance of the broad UK market over the last three, five and 10 years, particularly over the last decade.

Also, as shown in Exhibit 5 (right-hand side), WWH's long-term absolute returns are very respectable. Over the last decade, its NAV and share price total returns are 15.7% per year and 15.2% per year, respectively, compared with the benchmark's total return of 16.0% per year.

Exhibit 7: NAV total return performance relative to benchmark over 10 years



Source: Refinitiv, Edison Investment Research

Peer group comparison

Exhibit 8 below shows the seven members of the AIC Biotechnology & Healthcare sector along with two Switzerland-listed companies (BB Biotech and HBM Healthcare Investments). There are three pure-play biotech funds – BB Biotech, Biotech Growth Trust and International Biotechnology Trust – while c 80% of RTW Venture Fund is also invested in biotech stocks, and five broader healthcare companies. The selected peer group has a wide range of market caps, with four above £1bn; WWH is the second-largest fund.

The trust's relative ranking has been negatively affected by its portfolio structure, which has overweight exposures to emerging biotech stocks and emerging markets, with an underweight position in major pharma companies. WWH ranks an above-average fifth out of nine funds over the last 12 months, sixth out of nine over three years, fifth out of eight over five years and second out of seven over the last decade. The trust has a broadly average valuation in a peer group where two funds are trading at a premium. WWH has the second-lowest ongoing charge, although a performance fee may be payable, and currently has the highest level of net gearing. The trust's dividend yield is below the mean, but it should be remembered that the four funds with the highest yields pay dividends out of capital.

Exhibit 8: Selected peer group at 10 January 2023*

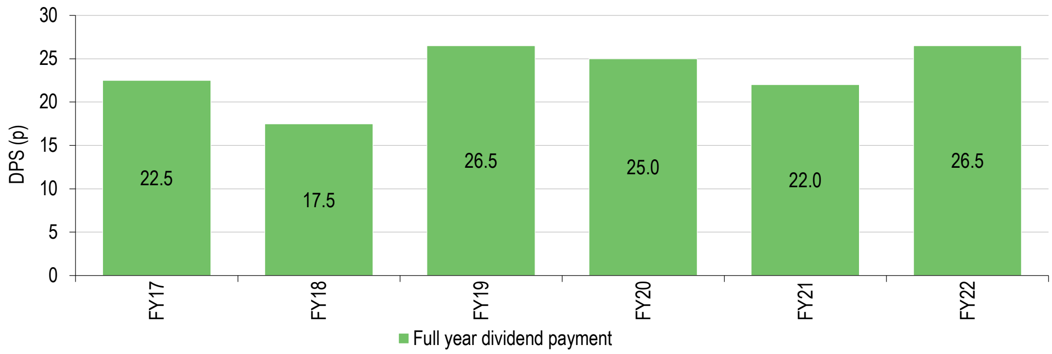
% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
Worldwide Healthcare Trust	2,062.2	1.2	11.3	38.2	301.4	(6.5)	0.9	Yes	112	0.8
BB Biotech	2,826.4	5.1	6.2	11.1	289.4	16.1	1.2	No	103	6.7
Bellvue Healthcare Trust	854.9	(5.5)	22.4	64.5		(5.9)	1.1	No	106	3.9
Biotech Growth Trust	364.6	(8.7)	(3.7)	21.2	216.1	(8.7)	1.1	Yes	108	0.0
HBM Healthcare Investments	1,290.7	(12.1)	44.8	119.1	622.6	(25.9)	1.8	Yes	100	4.7
International Biotechnology Trust	289.4	5.7	20.0	37.3	269.6	1.7	1.3	Yes	105	6.4
Polar Capital Global Healthcare	397.8	10.0	34.5	68.0	218.0	(5.2)	0.9	Yes	107	0.6
RTW Venture Fund	219.4	(8.8)	17.7			(10.4)	1.9	Yes	100	0.0
Syncona	1,153.9	1.9	2.0	38.3	121.6	(15.1)	0.5	No	100	0.0
Average (9 funds)	**1,051.0**	**(1.3)**	**17.2**	**49.7**	**291.2**	**(6.6)**	**1.2**		**105**	**2.6**
WWH rank in peer group	**2**	**5**	**6**	**5**	**2**	**5**	**2**		**1**	**5**

Source: Morningstar, Edison Investment Research. Note: *Performance data to 9 January 2023 based on ex-par NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

Dividends

WWH pays semi-annual dividends in January and July, and the board believes the trust's capital should be deployed in the portfolio, rather than paid out as dividends to achieve a particular target yield. WWH's FY22 26.8p per share revenue return was 11.2% higher year-on-year, which was primarily due to a larger weighting in higher-yielding stocks. The trust's FY22 annual dividend of 26.5p per share (1.0x covered) was 20.5% higher compared with 22.0p per share in FY21. At the end of FY22, WWH had c £21.0m in revenue reserves, which is c 1.2x the last annual dividend payment. So far in respect of FY23, an unchanged interim dividend of 7.0p per share has been announced. Based on its current share price, the trust offers a 0.8% dividend yield.

Exhibit 9: Dividend history since FY17



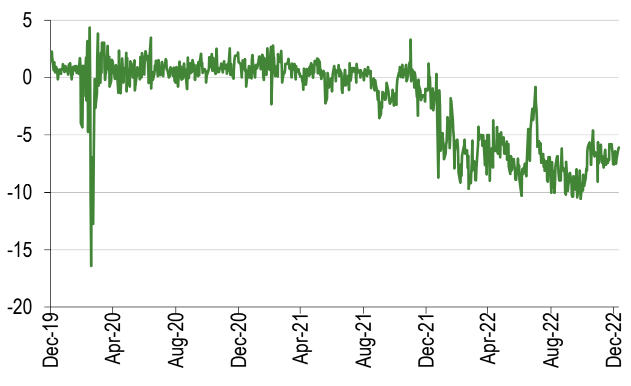
Source: Bloomberg, Edison Investment Research

Discount: Generally wider than historical averages

WWH's shares are trading at a 6.1% discount to cum-income NAV, which compares with the average discounts of 6.6%, 2.0%, 1.0% and 2.4% over the last one, three, five and 10 years respectively. During the last 12 months, WWH's valuation range is a 1.2% premium to a 10.6% discount.

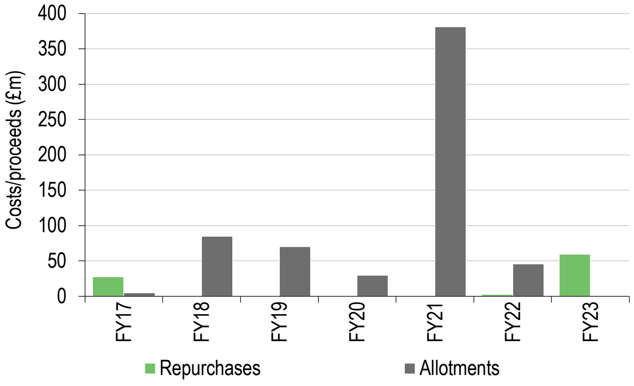
In 2004, WWH's board implemented a discount-control mechanism, aiming to ensure a maximum 6% share price discount to ex-income NAV in normal market conditions. It has the authority, renewed annually, to repurchase up to 14.99% and allot up to 10% of issued share capital. A prospectus is required to enable further share issuance; the latest was published on 13 July 2021 relating to a placing programme of up to 20.0m new ordinary shares. During H123, c 1.1m shares were repurchased at an 8.4% average discount to cum-income NAV, at a cost of c £36.1m.

Exhibit 10: Discount over three years (%)



Source: Refinitiv, Edison Investment Research

Exhibit 11: Buybacks and issuance



Source: Morningstar, Edison Investment Research

Fund profile: Specialist global healthcare portfolio

WWH was launched in 1995 and is traded on the Main Market of the London Stock Exchange. The trust is managed by global healthcare specialist investor OrbiMed, which has c $17bn of assets under management (c $4.3bn in public equities) and operates from three continents with offices in New York, San Francisco, Herzliya (Israel), Hong Kong, Shanghai and Mumbai. OrbiMed has a team of more than 130 people, of whom more than 30 hold PhD or MD qualifications. WWH's managers Sven Borho and Trevor Polischuk aim to generate a high level of capital growth from a diversified portfolio of global healthcare stocks, and the trust's performance is measured against the MSCI World Health Care Index.

Data from OrbiMed show that from WWH's inception in 1995 to 30 September 2022, its NAV total return of +14.9 pa was considerably ahead of its blended benchmark's +12.1% pa and the broad UK market's +6.8% pa total returns. The trust's blended benchmark is the Datastream World Pharma/Biotech TR (sterling adjusted) Index from inception to 30 September 2010 and the MSCI World Health Care TR (sterling adjusted) Index thereafter.

There are a series of investment guidelines and limits in place:

- at the time of acquisition, a maximum 15% of the portfolio in any one individual stock;
- at least 50% of the portfolio will normally be invested in larger companies (market cap at or above $10bn), with at least 20% in smaller companies (market cap less than $10bn);
- a maximum 10% in unquoted securities at the time of acquisition;
- up to 5% of the portfolio, at the time of acquisition, may be invested in each of debt instruments, convertibles and royalty bonds issued by pharma and biotech companies; and
- a maximum of 30% of the portfolio, at the time of acquisition, may be invested in companies in each of the healthcare equipment & supplies and healthcare providers & services subsectors.

Derivatives are permitted to enhance returns and mitigate risk (maximum 5% of the fund's net exposure), up to 12% of WWH's gross assets may be held in equity swaps, currency exposure is not hedged and the managers may gear up to 20% of net assets. WWH is subject to a five-year continuation vote; the next is due at the 2024 AGM.

Investment process: Bottom-up stock selection

WWH's broad mandate means managers Borho and Polischuk can participate in all subsectors of the healthcare industry anywhere in the world, aiming to generate long-term capital growth. They can draw on the broad resources of OrbiMed's investment team, including employees based in

China. The firm has used a public equity portfolio review process since 2009; the team meets regularly to discuss WWH's portfolio structure and individual holdings. Topics include clinical events, which have historically been the largest source of biotech and pharma share price volatility; regulatory events; new drug launches; doctor surveys; key opinion leader consultations; and other field research. Company meetings are a very important element of the investment process.

Stocks are selected from an actively covered universe of around 1,000 companies, ranging from early stage preclinical businesses through to multinational biopharmaceutical firms, and WWH's portfolio is diversified by geography, subsector and market cap. The managers seek companies with underappreciated product pipelines, robust balance sheets, strong management teams and which are trading on reasonable valuations. There is a disciplined portfolio construction process to ensure the fund remains focused on high-conviction positions, and there is also a rigorous risk-management process.

At the end of November 2022, the trust had 65 positions, which was considerably lower than 91 a year earlier. Its unlisted exposure was 5.9% at the end of November 2022, compared with 8.4% at the end of November 2021. WWH has good access to ideas and unquoted companies given OrbiMed's large private equity team. The managers are mindful of liquidity issues when investing in private companies and understand that there is increased competition for crossover deals (the last round of financing before a company's IPO).

WWH's approach to ESG

OrbiMed believes there is a high congruence between companies seeking to act responsibly and those that succeed in building long-term shareholder value. To the extent that it is practicable and reasonable, OrbiMed takes into account applicable environmental, social and corporate governance (ESG) factors when evaluating a prospective or existing investment. On a quarterly basis, the company's valuation and risk committee conducts a proactive screening of these across its holdings. Firms with potentially concerning ESG factors, as provided by third-party data services, are highlighted for discussion and potential referral to investment team members for further action if appropriate. OrbiMed may seek to engage with portfolio companies to promote changes in their conduct or policies and could ultimately decide to sell the investment in these firms. In some cases, it may adopt an 'activist' approach to encourage change at investee companies, which may include a proxy campaign or through seeking representation on their boards of directors. The managers seek to invest in reputable management teams and are especially cognizant about corporate governance in emerging markets, as company credentials in these regions may not be as high as those of firms in developed regions.

Gearing

WWH has a US dollar overdraft facility with JP Morgan Securities at the US overnight bank funding rate plus 45bp. Gearing of up to 20% of NAV is permitted. Historically, the trust maintained a relatively high level of gearing, but over the last few years the managers have employed a more pragmatic and tactical approach, hoping to take advantage of periods of stock market volatility. While the managers are positive on healthcare industry fundamentals, they are mindful of macroeconomic headwinds, meaning WWH's gearing is not at the c 20% high end of the four-year historical range. At end-November 2022, net gearing was 11.6%.

Fees and charges

OrbiMed is paid a base management fee of 0.65% of WWH's NAV and is eligible for a 15% performance fee for outperformance versus the benchmark (on incremental outperformance since launch, if it has been maintained for a 12-month period). As at end-FY22, no performance fees were accrued or payable.

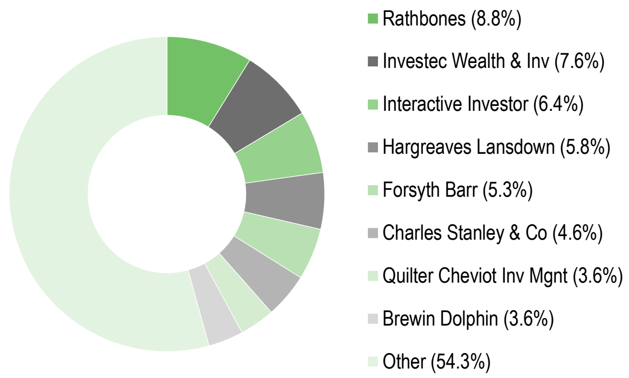
Frostrow Capital is the trust's alternative investment fund manager and is paid a tiered fee: 0.3% of WWH's market cap up to £150m, 0.2% on £150m to £500m, 0.15% on £500m to £1bn, 0.125% on £1bn to £1.5bn, and 0.075% over £1.5bn, along with a £57,500 pa fixed fee.

In FY22, the trust's ongoing charge was 0.9%, which was in line with FY21. Including performance fees, the FY22 ongoing charge was 1.4% (no performance fee was payable in respect of FY21).

Capital structure

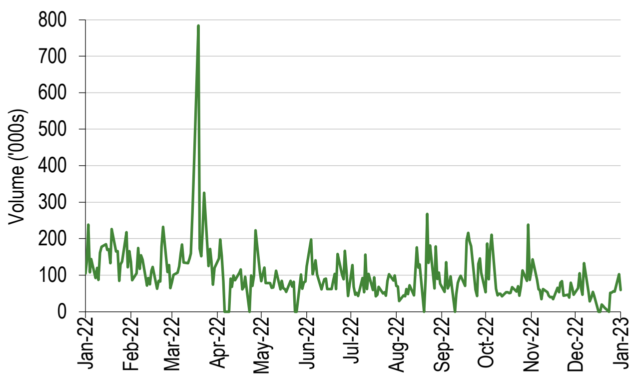
WWH is a conventional investment trust with one class of share; there are 64.1m ordinary shares in issue. At end-FY22, the shareholder base was made up as follows: private wealth managers (58.5% versus 55.2% at end-FY21); shares held on investment platforms (24.2% versus 26.0%); mutual funds (7.5% versus 8.8%); and other (9.8% versus 10.0%). The trust's average daily trading volume over the last 12 months was c 105k shares.

Exhibit 12: Major shareholders



Source: Bloomberg. Note: At 30 November 2022.

Exhibit 13: Average daily volume



Source: Refinitiv. Note: 12 months to 10 January 2023.

The board

Exhibit 14: WWH's board of directors at end-FY22

Board member	Date of appointment	Remuneration in FY22	Shareholdings at end-FY22
Sir Martin Smith (former chairman)*	8 November 2007	£53,150	14,596**
Doug McCutcheon (chairman since July 2022)	7 November 2012	£33,573	20,000
Sarah Bates	22 May 2013	£35,389	7,200
Humphrey van der Klugt	15 February 2016	£41,133	3,000
Sven Borho	7 June 2018	£0	10,000
Dr Bina Rawal	1 November 2019	£33,573	1,810

Source: WWH. Note: *Retired at July 2022 AGM. **11,871 held as a beneficial owner and 2,725 as a trustee.

Sven Borho is a founder and managing partner of OrbiMed and one of WWH's lead managers, so is considered a non-independent director; he waives his director's fee.

As part of the board's ongoing refreshment process, on 15 August 2022, it announced the appointment of two new independent, non-executive directors with effect from 1 September 2022. Jo Parfrey, a chartered accountant, is a non-executive director and chair of the audit committee at Henderson International Income Trust, and is a non-executive director of Octopus AIM VCT. She is also a non-executive director and chair of the audit committee at Start Codon and Ieso Digital Health, and the non-executive chair of Babraham Research Campus. Parfrey was formerly a non-executive director at Guy's and St Thomas' Enterprises and at LGV Capital Partners.

Tim Livett, a qualified accountant, is the CFO of Caledonia Investments. He is also a non-executive director of Premier Marinas and a member of the valuation and audit & risk committees at Oxford University Endowment Management. Livett was formerly the CFO of the Wellcome Trust, the global charitable foundation focused on health research, and of Virgin Atlantic.

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