Worldwide Healthcare Trust

Attractive industry fundamentals and valuations

Investment trusts
Global healthcare equities

Worldwide Healthcare Trust (WWH) has two very experienced co-managers, Sven Borho and Trevor Polischuk at healthcare specialist investor OrbiMed. They remain very positive on the outlook for the healthcare sector due to favourable industry fundamentals and relatively attractive valuations. Despite a period of underperformance this year due to the outperformance of large-cap companies and a market rotation from growth to value stocks given increased confidence in a post-pandemic economic rebound, WWH retains a long-term record of outperformance versus the MSCI World Health Care index. In FY21 the trust posted its fourth-best year of excess return versus its benchmark in its 26-year history; this was primarily due to successful stock selection in both listed and unquoted companies.

Long-term record of outperformance – WWH's NAV versus the benchmark

Source: Refinitiv, Edison Investment Research. Total returns in sterling.

The analyst's view

Healthcare investors have enjoyed above-average returns over the long term and WWH has outpaced the performance of these stocks. Over the last decade the trust has generated NAV and share price total returns of +18.0% pa and +19.0% pa respectively, which compares with its benchmark total returns of +15.5% pa. Industry fundamentals remain favourable in terms of the high level of innovation, ageing populations, growing disposable income, and a supportive regulatory environment, while continued mergers and acquisitions (M&A) should be supportive for the performance of healthcare stocks. Investor concerns about draconian changes to US drug prices, which the managers consider are unlikely, have led to the sector looking relatively attractively valued versus the broader market. OrbiMed has a global reach, including team members based in Shanghai and Hong Kong, which allows it to uncover interesting investment opportunities in China; these have proved beneficial to the trust's performance.

WWH regularly trades close to NAV

The trust's shares are trading at a 0.1% discount to cum-income NAV, which compares to a range of an average 0.7% premium to a 0.3% discount over the last one, three and five years. Shares are issued regularly to manage the premium; in FY21, WWH's share base increased by a significant c 20%, which raised £380.6m.

20 July 2021

Price		**3,770.0p**
Market cap		**£2,460m**
AUM		**£2,457m**
NAV*		3,773.3p
Discount to NAV		0.1%
*Including income. At 16 July 2021.		
Yield		0.6%
Ordinary shares in issue		65.2m
Code/ISIN		WWH/GB0003385308
Primary exchange		LSE
AIC sector		Biotechnology & healthcare
52-week high/low	3,960.0p	3,355.0p
NAV* high/low	3,905.2p	3,373.0p
*Including income		
Gearing*		8.3%
*At 31 May 2021		

Fund objective

Worldwide Healthcare Trust is a specialist investment trust, which 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 that is diversified by geography, subsector and market cap.
- Long-term record of outperformance versus the benchmark.
- Managers are able to draw on the very deep resources of OrbiMed's investment team.

Bear points

- Underperformance versus the peer-group average.
- Modest dividend yield.
- Periodic political risk from investing in healthcare stocks.

Analysts

Mel Jenner	+44 (0)20 3077 5720
Sarah Godfrey	+44 (0)20 3681 2519

investmenttrusts@edisongroup.com

Edison profile page

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

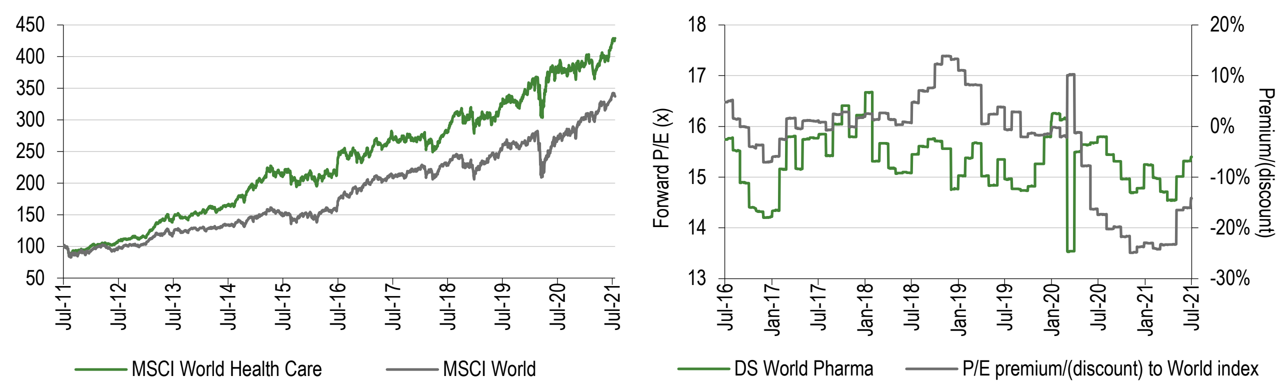
NOT INTENDED FOR PERSONS IN THE EEA

Market outlook: Positive industry fundamentals

Healthcare stocks have outpaced the performance of the world market over the last decade (Exhibit 1, LHS). There is potential for this long-term outperformance to continue given favourable industry fundamentals due to high levels of industry innovation, which has historically been the greatest driver of value creation within the sector, and robust demand growth helped by an aging global population. In recent years, the US Food and Drug Administration (FDA) has approved record numbers of new molecular entities and this trend is continuing in 2021; also, ongoing M&A should also support the performance of healthcare stocks. Although investors are concerned about the potential for a material change to US drug prices, this seems unlikely given the very narrow Democrat leadership margins in the US Senate and House of Representatives, and President Biden has higher priorities than healthcare reform. The pricing issue has put pressure on the valuation of healthcare stocks – the Datastream World Pharma index is trading on a 15.4x forward P/E multiple, which is a 14.2% discount to the world market and considerably wider than the 3.0% average discount over the last five years. If investors pay more attention to the healthcare industry's positive attributes or if there is greater clarity regarding US drug pricing, there is potential for the sector to be afforded a higher valuation.

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: Valuation data at 19 July 2021.

The fund managers: Sven Borho and Trevor Polischuk

The manager's view: More, more, more, more!

Polischuk remains optimistic about the prospects for the global healthcare sector helped by strong secular demand growth:

- More patients – in the US, there is broader healthcare coverage under Obamacare, the global population is aging, an expanding middle class around the world brings higher levels of disposable income and as an example of increased demand there are c 190m adult diabetes patients in China and India alone.
- More industry innovation is leading to higher numbers of cures (including for hepatitis and cancer), treatments (including diabetes, cardiovascular diseases and COVID-19), and technologies (including gene therapy, cell therapy, targeted therapy and mRNA vaccines and therapy).
- More drugs – there has been a record number of approvals for new molecular entities by the US FDA in recent years (46 in 2017, 59 in 2018, 48 in 2019 and 53 in 2020).
- More spending – within the US, healthcare spending has continued to rise (from 14.0% of GDP in 2005 to 17.0% in 2019).

In terms of valuation, Polischuk believes ‘it is okay to pay for quality assets and cheap stocks are often cheap for a reason’. However, the healthcare sector is trading near historic low valuations; its forward P/E multiple discount to the benchmark S&P 500 index is now c 20% compared to an average c 10% premium since 1990. Investors are concerned about the risk of lower drug prices under the new Biden administration, which the manager believes is creating a near-term opportunity, and he expects the valuation gap to narrow. There has also been a material drawdown in small-cap biotech stocks as investors have focused on value and economic recovery stocks following news about successful COVID-19 vaccine trials in early November 2020. Polischuk does not expect this underperformance to persist, as these stocks could become targets for large-cap pharma companies, which have plenty of cash.

The manager cites the above-average annual total returns generated by the healthcare sector as ‘proof that investing in healthcare is a must’, and he believes that ‘an active manager can really outperform its benchmark given the idiosyncratic nature of the healthcare industry’. Polischuk highlights some important 2021 investment themes. There have been several COVID-19 therapies and vaccines approved by the FDA; he suggests the healthcare industry’s response to the virus has been an undisputed success and ‘it is amazing to have achieved so much in less than 12 months’. So far in the US, three novel vaccines have been approved (Pfizer/BionTech and Moderna in December 2020 and Johnson & Johnson in February 2021) and their efficacy has exceeded consensus expectations. The manager reiterates that innovation continues to be the number one value driver for almost all of healthcare and the industry is enjoying ‘a golden era’ across a broad range of categories including oncology, immunotherapy, novel biologics, robotic surgery and liquid biopsy. He explains that immunoncology stimulates the body’s own immune system to fight cancer cells and these therapies are expected to generate $33bn in sales in 2021 (companies operating in this area make up c 20% of WWH’s portfolio). Targeted therapies are next-generation cancer treatments, they are precision medicines with increased efficacy and tolerability (c 10% of the portfolio). Liquid biopsies can detect diseases from a drop of blood rather than via a tissue sample. This approach offers benefits including early detection, especially for cancer, and can be used to monitor relapse post treatment (c 10% of the portfolio). Polischuk says that within emerging markets, there are a host of macro tailwinds such as aging populations and a relaxation in listing rules in China allowing pre-revenue biotech companies to come to the market. Two strategies are employed when investing in emerging markets: seek and identify the blue-chip leaders, and focus on initial public offerings (IPOs) and crossover opportunities (the last round of financing before an IPO). WWH’s emerging market exposure makes up around 20% of the fund.

Turning to the political environment, the manager believes President Biden’s priority is not reforming the healthcare sector. Instead, his higher priorities are the economy, dealing with the pandemic, government stimulus and tax reform. Polischuk expects Biden to expand rather than overhaul Obamacare and suggests that while some changes to US drug prices are likely, he does not expect any egregious legislation; instead, there may be a reduction in out-of-pocket expenses and expansion of the Medicare and Medicaid programmes. The manager believes Biden wants to be known as a ‘can-do’ president; hence, he does not expect a radical change in drug pricing. He believes healthcare stocks can trade on higher valuations once there is greater clarity on this issue.

Polischuk explains pharma and biotech companies have deep therapeutic pipelines, highlighting high levels of innovation, and he is encouraged the elevated level of FDA new drug approvals is continuing in 2021. He remains optimistic about the prospects for healthcare M&A, the pace of which reaccelerated after a slowdown in early 2020. While the macroeconomic environment has dominated the investment backdrop this year, the manager expects a pick-up in healthcare M&A activity in H221.

WWH’s managers will continue with their strategy of focusing on catalysts within the healthcare industry either clinical, regulatory or financial outcomes. They reiterate their 2021 playbook to monitor COVID-19 developments; focus on innovation, primarily in biopharma and small-cap therapeutic stocks; capitalise on inexpensive valuations and the recent drawdown in emerging biotech stocks; selectively monetise the macro trends in emerging markets; continue to invest in private companies and participate in crossover financings; and employ a tactical use of gearing. The managers remain very bullish on the outlook for the healthcare sector given important tailwinds, distressed valuations and receding headwinds following the US presidential election.

Current portfolio positioning

At the end of May 2021, WWH's top 10 positions made up 39.0% of the fund, which was broadly in line with 38.5% a year earlier; just four names were common to both periods.

Exhibit 2: Top 10 holdings (at 31 May 2021)

Company	Region	Sector	Portfolio weight %	
			31 May 2021	31 May 2020*
Bristol-Myers Squibb	North America	Pharmaceuticals	5.7	3.3
Merck & Co	North America	Pharmaceuticals	5.3	4.8
Boston Scientific	North America	Medical devices	5.1	4.0
AstraZeneca	Europe	Pharmaceuticals	4.6	N/A
Horizon Therapeutics	North America	Pharmaceuticals	3.8	N/A
UnitedHealth	North America	Healthcare services	3.0	N/A
Vertex Pharmaceuticals	North America	Biotechnology	3.0	3.4
AbbVie	North America	Pharmaceuticals	2.9	N/A
Natera	North America	Genetic testing	2.8	N/A
Mirati Therapeutics	North America	Biotechnology	2.8	N/A
Top 10 (% of portfolio)			**39.0**	**38.5**

Source: WWH, Edison Investment Research. Note *N/A where not in end-May 2020 top 10.

Compared to when we last published on WWH in February 2021, there are two new top 10 names in the portfolio, AstraZeneca and AbbVie, both of which are large-cap pharma companies. UK-listed **AstraZeneca** generated 11% year-on-year revenue growth in Q121, of which just 4% was due to its COVID-19 vaccine, and the company reiterated its 2021 guidance for low-teens percentage revenue growth along with faster than top-line EPS growth. Its acquisition of Alexion Pharmaceuticals should close later this year and adds blockbuster products Soliris/Ultomiris to the firm's portfolio. These drugs are used for the treatment of paroxysmal nocturnal haemoglobinuria, a rare disorder that causes some patients' immune systems to attack healthy blood cells. AstraZeneca has a significant oncology franchise, the FDA has expanded its addressable patient population for one of its important growth drivers, Tagrisso for the treatment of lung cancer, while a number of its other oncology products are receiving approvals for additional indications.

US-listed **AbbVie** delivered Q121 revenue of $13.01bn and EPS of $1.99, both of which were above consensus expectations, enabling the company to raise its full-year guidance. Important growth drivers include its immunology and aesthetics franchises, which are helping to diversify the company's revenue stream away from immunosuppressant Humira (c 37% of sales in Q121), which went off-patent in Europe in 2018 and is due to do so in the US in 2023. AbbVie acquired Allergan in 2019, its portfolio included Botox – sales for this product increased by 45% year-on-year in Q121 to c $0.5bn. M&A is ongoing, including the March 2021 announcement of the purchase of an exclusive right to acquire Mitokinin, which includes its PINK1 clinical programme for the potential treatment of Parkinson's disease. AbbVie offers an attractive c 4.5% dividend yield.

As shown in Exhibit 3, over the 12 months to end-May 2021, WWH has lower exposures to biotech (-7.8pp) and pharma companies (-3.5pp) and higher weightings in healthcare providers/services (+4.4pp), healthcare equipment/supplies (+3.6pp) and life science tools & services (+3.0pp). In terms of geographic exposure, the trust has a notable higher weighting in emerging markets (+6.0pp) broadly offset by lower weightings in developed Asia (-4.4pp) and Europe (-2.5pp).

Compared with the benchmark, WWH retains underweight exposures to large-cap pharma (although the below-index weighting has declined over the last year) and large-cap biotech stocks (none currently held) with meaningful overweight exposures to emerging markets and emerging biotech companies.

Exhibit 3: Portfolio sector and geographic exposure (%)

Sector	End-May 2021	End-May 2020	Diff. (pp)	Region	End-May 2021	End-May 2020	Diff. (pp)
Biotechnology	29.4	37.2	(7.8)	North America	68.2	67.3	0.9
Pharmaceuticals	27.9	31.4	(3.5)	Emerging markets	20.7	14.7	6.0
Healthcare providers/services	18.3	13.9	4.4	Europe	9.6	12.1	(2.5)
Healthcare equip/supplies	16.2	12.6	3.6	Developed Asia	1.5	5.9	(4.4)
Life science tools & services	7.5	4.5	3.0				
Healthcare technology	0.2	0.0	0.2				
Fixed & variable interest	0.5	0.4	0.1				
	100.0	**100.0**			**100.0**	**100.0**	

Source: WWH, Edison Investment Research

Performance: Retains long-term positive record

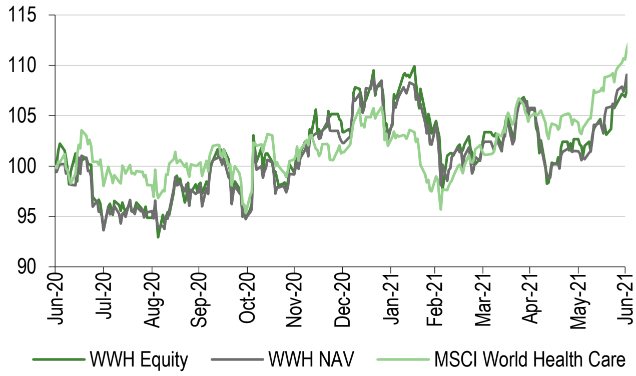
Exhibit 4: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	MSCI World Health Care (%)	DS World Pharma and Biotech (%)	CBOE UK All Companies (%)
30/06/17	33.1	20.6	13.6	10.4	18.3
30/06/18	8.0	8.0	3.7	2.5	9.5
30/06/19	3.1	3.8	15.6	12.0	0.3
30/06/20	34.2	33.6	17.9	22.2	(13.6)
30/06/21	6.9	8.0	10.6	5.1	21.1

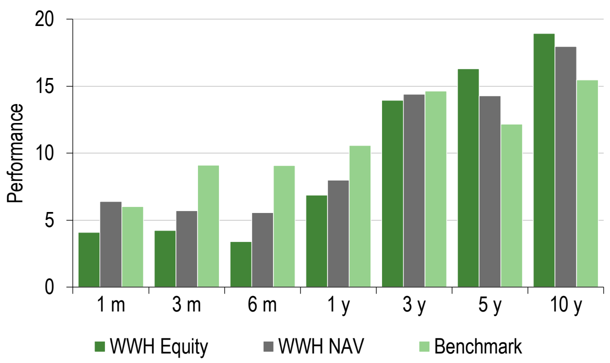
Source: Refinitiv. Note: All % on a total return basis in pounds sterling.

Exhibit 5: Investment trust performance to 30 June 2021

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



Price, NAV and benchmark total return performance (%)



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

In FY21 (ending 31 March), WWH's NAV and share price total returns of +30.0% and +27.4% were significantly ahead of the benchmark's +16.0% total return. This was the fourth-largest annual outperformance in the trust's 26-year history and was due to both good stock selection and sector allocation, and despite sterling appreciating by 11.3% versus the US dollar over the period. In terms of absolute NAV performance the best contributors were: Natera (diagnostics, +£1.01), the company's core non-invasive prenatal testing business generated strong volume growth and received expanded clinical guidance; Horizon Therapeutics (speciality pharma, +£0.95p), experienced a very strong uptake for Tepezza, the first and only FDA approved medicine for the treatment of thyroid eye disease; and Alexion Pharmaceuticals (large-cap biotech, +£0.81), which received a take-over bid from AstraZeneca at a 45% premium. The largest detractors were eHealth (healthcare services, -£0.39), higher than expected levels of customer churn; Vertex Pharmaceuticals (large-cap biotech, -£0.20), discontinuation of a key pipeline product in development for the treatment of a rare pulmonary disease; and Biogen (large cap biotech, -£0.18), the company lost two important patent cases for Tecfidera, their lead product for the treatment of multiple sclerosis.

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

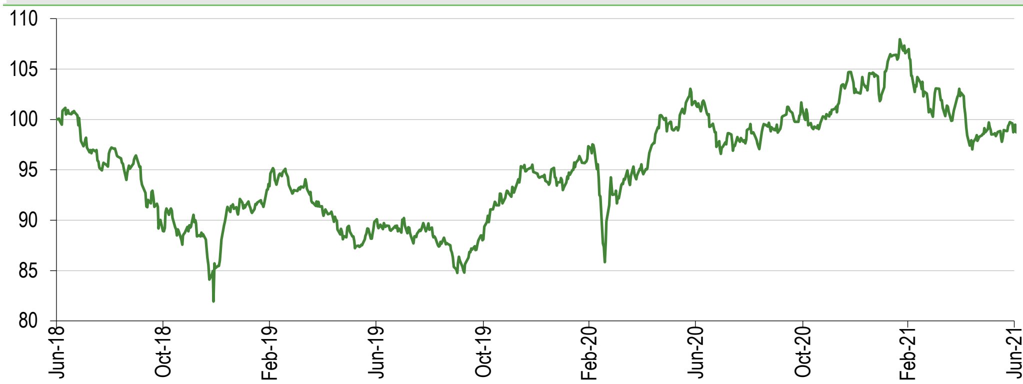
	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to MSCI World Health Care	(1.8)	(4.5)	(5.2)	(3.3)	(1.8)	19.8	34.6
NAV relative to MSCI World Health Care	0.4	(3.1)	(3.2)	(2.3)	(0.6)	9.8	23.7
Price relative to World-DS Pharm & Bio	(2.7)	(4.1)	(2.6)	1.7	2.8	30.6	49.1
NAV relative to World -DS Pharm & Bio	(0.5)	(2.7)	(0.6)	2.8	4.1	19.7	37.1
Price relative to CBOE UK All Cos	4.1	(1.2)	(7.2)	(11.7)	41.1	56.5	205.9
NAV relative to CBOE UK All Cos	6.4	0.2	(5.2)	(10.8)	42.8	43.5	181.3

Source: Refinitiv, Edison Investment Research. Note: Data to end-June 2021. Geometric calculation.

WWH has had a tough period of relative performance in recent months, which has been detrimental to its long-term record; in our last report (published on 5 February 2021), the trust was ahead of its benchmark over one, three, five and 10 years. However, WWH's NAV and share price total returns remain comfortably ahead of its benchmarks over the last five and 10 years and even more so versus the broad UK market over the last three, five and 10 years.

During 2021, the macro backdrop has dominated the market; there has been a rotation from growth to value stocks as investors have become more confident in an economic rebound as the global coronavirus vaccine programme gains momentum. Large caps have also outperformed smaller-cap stocks, which has not been helpful for the trust's relative returns given its high weighting to emerging biotech stocks (c 20% of the portfolio).

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



Source: Refinitiv, Edison Investment Research

Peer group comparison

In Exhibit 8, we show a number of healthcare funds; the seven members of the AIC Biotechnology & Healthcare sector and two Swiss companies. There are three pureplay biotech funds, Switzerland-listed BB Biotech, Biotech Growth Trust and International Biotechnology Trust; five healthcare funds, BB Healthcare Trust, Switzerland-listed HBM Healthcare Investments, Polar Capital Global Healthcare, RTW Ventures and WWH; and Syncona, which is an early-stage healthcare investor. WWH's NAV total returns are above average over five years ranking third out of seven funds and below average over the other periods shown, although the performance ranges within the selected peer group are very wide. On 19 July 2021, WWH was one of the four funds trading at a premium. The trust has a noticeably lower annual fee than its peers, although a performance fee may be payable. It has an above-average level of gearing and a below-average dividend yield; although it should be noted that the four funds with the highest yields pay dividends out of capital.

Exhibit 8: Selected peer group at 19 July 2021*

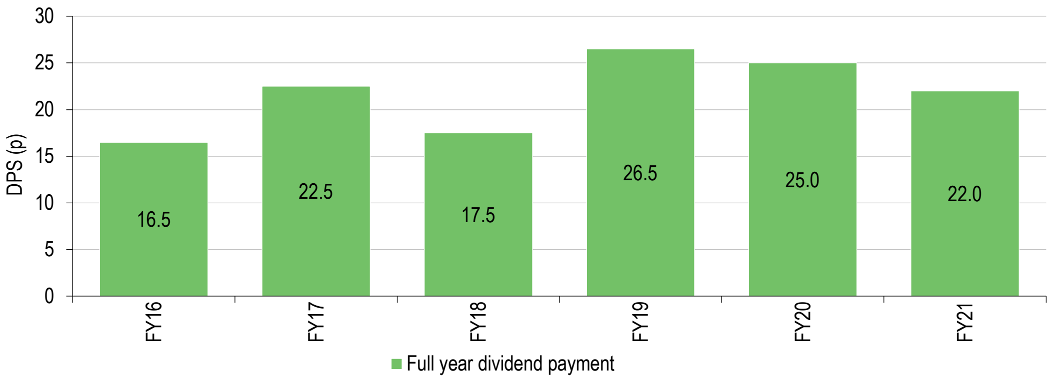
% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
Worldwide Healthcare Trust	2,459.5	6.2	40.5	82.4	411.6	0.4	0.9	Yes	108	0.6
BB Biotech	3,707.0	3.1	33.7	73.9	557.3	21.1	1.2	No	109	4.2
BB Healthcare Trust	1,039.0	20.0	60.2			(1.0)	1.1	No	100	2.6
Biotech Growth Trust	544.2	0.7	50.0	86.2	533.8	(2.0)	1.1	Yes	109	0.0
HBM Healthcare Investments	1,782.0	29.0	112.8	105.4	544.3	(0.9)	1.3	Yes	106	2.9
International Biotechnology Trust	302.7	(1.5)	28.4	64.3	406.6	(2.4)	1.3	Yes	100	3.9
Polar Capital Global Healthcare	325.0	10.0	39.3	57.3	239.4	(12.0)	1.1	Yes	106	0.7
RTW Ventures	309.4	30.2				6.3	2.1	Yes	100	0.0
Syncona	1,428.8	(7.9)	1.5	68.4		10.4	1.6	No	100	0.0
Average (9 funds)	**1,322.0**	**10.0**	**45.8**	**76.8**	**448.8**	**2.2**	**1.3**		**104**	**1.6**
WWH rank in peer group	**2**	**5**	**4**	**3**	**4**	**4**	**9**		**3**	**6**

Source: Morningstar, Edison Investment Research. Note: *Performance data to 16 July 2021 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

In FY21, WWH's revenue return per share was 10.4% lower year-on-year (24.1p vs 26.9p) primarily due to sterling strength and a reduction in the portfolio yield. Its dividend per share declined by 12% from 25.0p to 22.0p (1.1x covered). At the end of FY21, WWH had £18.1m in revenue reserves, which is c 1.3x the last annual dividend payment. The trust pays semi-annual dividends in January and July and based on its current share price, WWH offers a 0.6% dividend yield.

Exhibit 9: Dividend history since FY16



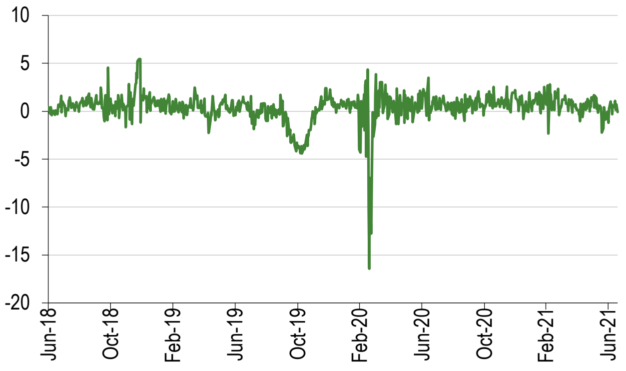
Source: Bloomberg, Edison Investment Research

Valuation: Active issuance to manage the premium

WWH's board implemented a discount-control mechanism in 2004, 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. In February 2021, a general meeting was held to ask for shareholder approval to issue an additional 6.3m of new shares; the proposal was duly passed. Spreading fixed costs over a larger base could reduce the ongoing charges ratio and an increased share count may lead to increased liquidity in the secondary market. In FY21, c 10.7m (c 20% of the share base) were issued at an average premium of 0.8% to cum-income NAV raising £380.6m. On 13 July 2021, WWH announced the publication of a prospectus relating to the issuance of up to 20m new shares.

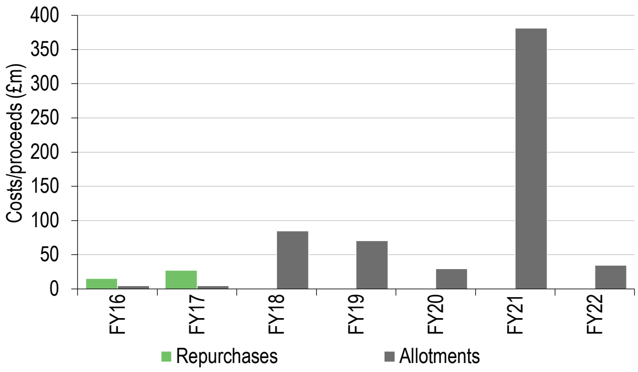
WWH's shares are currently trading at a 0.1% discount to its cum-income NAV. Over the last 12 months the trust has traded in a range of a 3.5% premium to a 2.3% discount. This compares with average premiums of 0.7% and 0.4% over the last one and three years respectively, and average discounts of 0.3% over the last five years and 2.9% over the last decade.

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 more than $20bn of assets under management (c $6.5bn in public equities). The firm operates from 11 regional offices and has a team of c 100 investment professionals, of whom more than 20 hold PhD or MD qualifications and around 15 are former CEOs or company founders. 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 (sterling adjusted). Data from OrbiMed show that from the trust's inception in 1995 to 31 March 2021, its NAV total return compounded at a rate of +15.9% pa, which is meaningfully ahead of the blended benchmark's total return of +11.9% pa. (The blended benchmark is the Datastream World Pharma/Biotech TR Index from inception to 30 September 2010, the MSCI World Health Care Gross Index from 30 September 2010 to 31 December 2011, and the MSCI World Health Care Index from 31 December 2011.)

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 following subsectors: healthcare equipment and supplies, and healthcare providers and services.

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 unhedged 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 are able to participate in all subsectors of the healthcare industry anywhere in the world, aiming to generate long-term capital growth. They are able to draw on the broad resources of OrbiMed's investment team, including employees based in China. The firm has employed 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 that are trading on reasonable valuations. At end-May 2021, WWH had 84 positions versus 73 at end-May 2020. Its unlisted exposure was 6.4% at end-May 2021, which was higher than 0.8% a year earlier.

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 an overdraft facility with JP Morgan Securities and gearing of up to 20% of NAV is permitted and at end-May 2021, it was 8.3%. Historically, the trust had a higher level of gearing, but the managers now employ a more pragmatic and tactical approach given the high levels of market volatility experienced during FY21.

After the dramatic V-shaped stock market recovery in April 2020, leverage was reduced by c 1,000bp to c 3% and then to c 1%. A low level was maintained until November 2020 ahead of the US presidential election and was then increased to c 8%. Leverage was reduced in January 2021, but was increased in March and April this year following a sell-off in small-cap biotech stocks; exposure was added to biotech, medical devices and large-cap pharma companies.

Fees and charges

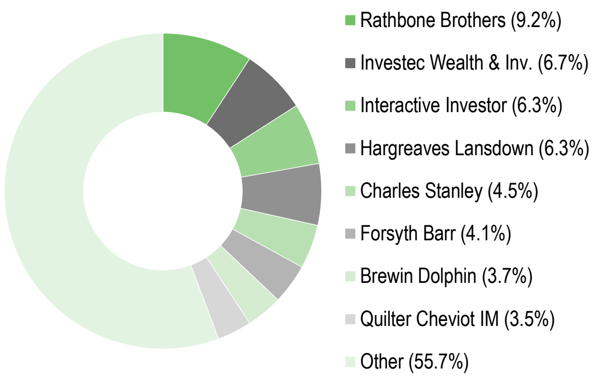
OrbiMed is paid a base management fee of 0.65% of WWH's NAV and is eligible for a 15% performance fee for outperformance versus the benchmark (on incremental outperformance since launch, if it has been maintained for a 12-month period). In its FY21 annual report there was a £31.7m performance fee provision, which is payable if WWH's outperformance continues in FY22.

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 FY21, the trust's ongoing charge was 0.9%, which was in line with FY20 (no performance fees were payable in either period).

Capital structure

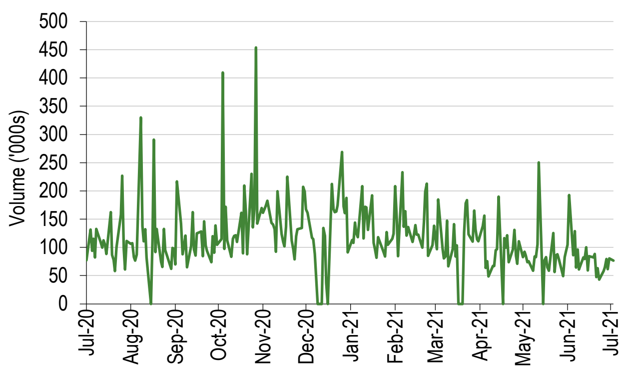
WWH is a conventional investment trust with one class of share; there are 65.2m ordinary shares in issue. At end-FY21 the shareholder base was made up as follows: private wealth managers (55.2%); shares held on investment platforms (26.0%); mutual funds (8.8%); and other (10.0%). The trust's average daily trading volume over the last 12 months is c 120k shares.

Exhibit 12: Major shareholders



Source: Bloomberg, at 30 June 2020.

Exhibit 13: Average daily volume



Source: Refinitiv. Note: 12 months to 19 July 2021.

The board

Exhibit 14: WWH's board of directors

Board member	Date of appointment	Remuneration in FY21	Shareholdings at end-FY21
Sir Martin Smith (chairman since 2008)	2007	£51,106	14,596*
Dr David Holbrook (now retired)	2007	£34,622	1,094
Doug McCutcheon	2012	£32,282	15,000
Sarah Bates	2013	£32,282	7,200
Humphrey van der Klugt	2016	£39,551	3,000
Sven Borho	2018	£0	10,000
Dr Bina Rawal	2019	£32,282	1,810**

Source: WWH. Note: *11,871 held as a beneficial owner and 2,725 as a trustee. **At 13 April 2021.

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. Holbrook retired at the July 2021 AGM (Bates succeeded him as senior independent director and chairman of the nominations committee), and Smith is standing down at the July 2022 AGM, at which stage McCutcheon will extend his term and assume the role of chairman. With effect from 1 April 2021 (the start of FY22), the directors' fees increased by 4%, which the board deems to be appropriate given the level of work associated with the increasing size and complexity of the company.

General disclaimer and copyright

This report has been commissioned by Worldwide Healthcare Trust and prepared and issued by Edison, in consideration of a fee payable by Worldwide Healthcare Trust. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

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

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia