Fund Commentary

United Global Healthcare Fund

December 2022

Why Invest?

- **Strong demographic trends**: The world population aged 65 and over is expected to increase by almost two-fold in 2050[1]. In addition, the growing wealth from emerging markets is fuelling demand for modern biopharmaceuticals and medical devices. Hence, making the healthcare sector an evergreen investment.

- **Solid growth drivers:** The pace of innovation in the healthcare sector is increasing. Whether related to new therapies, technologies, or more efficient healthcare delivery models, innovation is impacting healthcare positively. For example, according to the Global Immuno-Oncology Drugs Market Report, the immuno-oncology drug market is expected to grow at a compound annual growth rate of 13.7 percent into 2027[2].

- **Well Diversification:** The United Global Healthcare Fund invests in a well-diversified sectors of 1) Pharmaceuticals, 2) Biotechnology, 3) Medical products and 4) Health services.

Investment Objectives

The investment objective of the United Global Healthcare Fund is to achieve long term capital growth by investing in securities issued by companies principally involved in the development, production or distribution of products, equipment and/or services related to healthcare, in any part of the world. Such investments would include investing in sub-sectors of the healthcare industry such as medical products, health services, major pharmaceuticals, specialty major pharmaceuticals, and specialty pharmaceuticals.

Fund Information

Fund Size

SGD 704.60 mil

Base Currency

SGD

Sub-Manager

Wellington

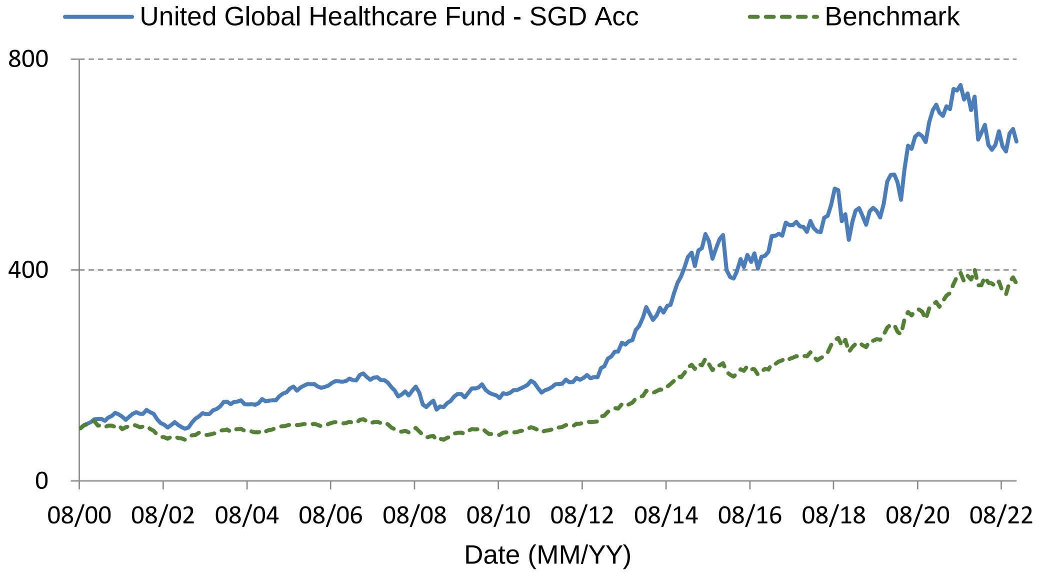
[1] *Source: An Aging World: 2015, US Census Bureau, March 2016*
[2] *Source: Immuno-Oncology Drugs Global Market Report 2023, January 2023*

One Month Portfolio Review

The United Global Healthcare Fund – SGD Acc (the “Fund”) returned -3.53[3] percent in December 2022. Its benchmark, the MSCI ACWI Healthcare Index, returned -3.20[4] percent in the same month.

Historical Performance

Fund Performance Since Inception[5] in Base Currency



Past performance is not necessarily indicative of future performance.

Fund performance is calculated on a NAV to NAV basis.

Benchmark: MSCI ACWI Healthcare Index

Source: Morningstar. Performance as at 31 December 2022, SGD basis, with dividends and distributions reinvested, if any.

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[3] *Source: Morningstar, Performance from 30 November 2022 to 31 December 2022 in SGD terms, on a Net Asset Value (“NAV”) basis, with dividends and distributions reinvested (if any).*
[4] *Source: Morningstar, Performance from 30 November 2022 to 31 December 2022 in SGD terms.*
[5] *The United Global Healthcare Fund – SGD Acc was incepted on 21 August 2000*

All statistics quoted in the write-up are sourced from Bloomberg as at 31 December 2022 unless otherwise stated.

The Fund modestly underperformed the benchmark in December 2022. Security selection was the primary driver of relative underperformance. Weak selection in biopharma mid-cap and biopharma small-cap was modestly offset by selection in medical technology. Sector allocation, a result of our bottom-up stock selection process, contributed to returns. The allocation effect was driven by our overweight to biopharma small-cap but partially offset by our underweight to biopharma large-cap and overweight to biopharma mid-cap.

At the issuer level, our top two relative contributors were an out-of-benchmark allocation to Verona Pharma PLC (Verona Pharma) and not owning Amgen Inc, while our top two relative detractors were an out-of-benchmark allocation to Mirati Therapeutics Inc (Mirati Therapeutics) and not owning Novo Nordisk A/S.

Shares of Verona Pharma surged after the company achieved positive results in phase 3 ENHANCE-1 trial evaluating nebulized ensifentrine for the maintenance treatment of chronic obstructive pulmonary disease. The trial successfully met its primary and key secondary endpoints demonstrating significant improvements in lung function, symptoms, and quality of life measures. Shares of Mirati Therapeutics fell on news of disappointing efficacy results from its phase 2 and phase 1B trials evaluating Adagrasib concurrently combined with Keytruda to treat metastatic non-small cell lung cancer. The data indicated that the efficacy of this combination is not superior to the current standard care of Keytruda plus chemotherapy.

Annualised and Cumulative Returns

Performance (Class SGD Acc)

	Cumulative Performance (%)	Annualised Performance (%)			
	1 month	1 Year	3 Years	5 Years	Since Inception
Fund NAV to NAV	-3.53	-11.64	3.52	6.38	8.69
Fund (Charges applied^)	-8.36	-16.06	1.76	5.30	8.44
Benchmark	-3.20	-6.63	8.11	9.67	6.08

Source: Morningstar. Performance as at 31 December 2022, SGD basis, with dividends and distributions reinvested, if any. Performance figures for 1 month till 1 year show the percent change, while performance figures above 1 year show the average annual compounded returns. Benchmark: MSCI ACWI Healthcare Index. Past performance is not necessarily indicative of future performance. ^Includes the effect of the current subscription fee that is charged, which an investor might or might not pay.

Market Review

Global equities declined in December 2022. Market sentiment was dented by anxiety about tighter central bank policies amid weakening global economic growth and cautious corporate commentary that added to signs of recession. In contrast, investors were encouraged by milder inflation, which provided greater scope for some major central banks to slow their pace of interest-rate hikes. **Chinese equities** continued to rise on the back of the country's COVID-19 pivot, as mass testing, lockdowns, and quarantine for international travelers were scrapped. However, China's transition away from strict pandemic measures is expected to be challenging amid soaring COVID-19 infections that are severely straining the healthcare system and the economy. The Bank of Japan surprised markets by unexpectedly tweaking its yield curve control policy, allowing long-term interest rates to rise to ease some of the costs of prolonged monetary stimulus and pave the way for policy normalization. European Union (EU) member states agreed to a cap on natural gas prices, following months of debate over whether the measure will protect European households and businesses from extreme price spikes as temperatures plummet. EU governments set a US$60 a barrel price cap on Russian seaborne oil, and Russia retaliated by banning the sale of its oil and petroleum products to countries that impose the cap.

Outlook and Positioning

As we enter 2023, we have a positive outlook across the healthcare opportunity set. Groundbreaking innovation, supportive valuations, and business models that are positioned to show resilience through the cycle should benefit long-term investors in this sector.

Within biopharma, we continue to find a rich environment for innovation. We anticipate continued developments in disease areas such as Alzheimer's disease, metabolic diseases, and cancer as well as companies discovering drugs using new modalities such as messenger RNA, RNA interference, and gene therapy. Aside from groundbreaking innovation, we expect the fundamental backdrop and resilient earnings of large-cap biopharma to be a tailwind in a potential recessionary environment. Furthermore, valuations remain attractive relative to history, and key clinical readouts in the year ahead create an abundance of opportunities.

We are just as enthusiastic about medical technology where innovative pipelines have never been stronger. We expect more attractive medical device categories and will see growth accelerate at a faster pace over the next decade. These include advances in new diabetes devices, Transcatheter aortic valve replacement (TAVR) and mitral valve therapies, and genetic sequencing. In the coming years, we believe many firms will grow their addressable market through geographic expansion, new technologies, and the use of existing products to treat new patient populations. Looking ahead, differentiated pipelines should matter more as we move into this endemic COVID-19 phase.

Lastly, healthcare services companies remain well-positioned to help solve the societal challenge of rising healthcare costs, and some will benefit from the ongoing transition from a fee-for-service to a fee-for-value care system. We expect the strength of managed care business models to shine given the stability of the US health insurance market as well as tailwinds from a higher-interest-rate environment. Furthermore, we are finding attractive opportunities among companies focused on improving patient outcomes while reigning in costs.

At the end of December 2022, our largest exposures were biopharma large-cap and medical technology and we were least exposed to biopharma small-cap and biopharma mid-cap. From a regional perspective, our largest exposures were North America and Developed Europe & Middle East excluding the United Kingdom (UK) and we were least exposed to Emerging Markets. We had no exposure to Developed Asia Pacific excluding Japan.

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