



EDMOND  
DE ROTHSCHILD

# TOWARD A RETURN INTO THE LIMELIGHT OF THE HEALTH SECTOR

▶ Neglected by investors over the past few years, the health sector nevertheless offers good visibility in our view. Rise in healthcare spending, therapeutic and technological innovation: Adeline Salat-Baroux, manager of the Edmond de Rothschild Fund Healthcare fund, provides an overview of the underlying trends buoying this industry.

## INTERVIEW



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EdR Fund Healthcare is a sub-fund of the Luxembourg-registered SICAV (investment fund in the form of a company with variable capital) authorised by the CSSF and approved for marketing in Austria, Belgium, Switzerland, Germany, Spain, France, the UK, Italy and Luxembourg.

\*The fund managers may change during the product's life.

## THE COVID-19 HEALTH CRISIS HAS PUT THE HEALTH SECTOR BACK INTO THE LIMELIGHT...

And indeed it is. Sector players will play a key role in helping us to exit this crisis, first by supplying tests and treatments and then, in a second stage, vaccines. The MSCI World Healthcare has thus been very resilient since the start of the year. However, beyond the “fad” effect, the health sector posts solid structural growth. It therefore represents a real long-term investment theme, in which Edmond de Rothschild has always been invested. Our healthcare fund, launched in 1985, is in fact one of the oldest of the house.

## WHAT ARE THE STRUCTURAL TRENDS SUPPORTING THE SECTOR?

Firstly, we are seeing an increase in healthcare spending on a worldwide level, both in mature countries and in emerging countries, which record a double-digit rise. The sector is also driven by innovation. Moreover, with the current health crisis we are rediscovering the capacity for innovation of all types of healthcare groups, laboratories, biotech companies, or medical technology companies.

## WHICH INNOVATIONS ARE ESPECIALLY PROMISING IN YOUR OPINION?

There are of course the therapeutic innovations, notably in the area of neurology, and notably immuno-oncology. The fund has been invested in this segment for several years now, where revenues are still posting strong momentum. At the same time we are witnessing numerous technological innovations in the areas of genomics, robotics and digital health. Our portfolio, which is invested in the entire healthcare ecosystem, is very diversified across all of the innovations that are transforming the sector. Our exposure to pharma laboratories is 25% and biotechs represent 30%. We have increased our exposure to medical equipment and technology stocks such as Abbott, Thermo Fisher and Illumina, which is specialised in genomic sequencing. In healthcare services, we introduced Ping An Healthcare, a leading Chinese company in telemedicine.

## THIS TRANSFORMATION MOVEMENT THUS ARGUES IN FAVOUR OF THE SECTOR COMING BACK INTO THE LIMELIGHT ON THE STOCK MARKETS...

In recent years, the sector has been penalised by the political message coming from the US and fears of pressure on drug prices. At present, the valuations of the pharmaceutical laboratories and major biotech companies show discounts of 20% to 30% compared to the MSCI World<sup>1</sup>. This does not appear to be justified in our view given the fundamental characteristics of the health sector. Beyond its defensive nature, it offers good visibility on long-term earnings, based on a steady and sustainable rise in demand and which is supported by innovation. We thus believe that current valuation levels look attractive.

## COULD THE SECTOR CONSOLIDATION ALSO BE A DRIVER OF PERFORMANCE?

Healthcare companies need to renew their product portfolios and optimise their R&D. M&A transactions are thus very common in the sector, and made easier thanks to the high amounts of cash flow generated. Each year we benefit from several transactions in our fund, with acquisition premiums of around 40%<sup>2</sup> on average.

1. Source: Bloomberg.

2. The data shown refers to past years and it is not a reliable indicator of future results.

### SUB-FUND INFORMATION\*

#### ISIN Codes\*

A Share: LU1160356009  
I Share: LU1160357403

**Front load charge:** Maximum 3%

#### Minimum initial subscription

A Share: 1 share / I Share: 500,000 €

#### Maximum management charges

A Share: 1.70% maximum  
I Share: 0.75% maximum

#### Variable management fees

15% of performance in excess of the benchmark

**Redemption charges:** None

#### Benchmark

MSCI All Country World Healthcare

#### Recommended investment horizon:

> 5 years

\* Shares described herein are the main euro-denominated shares. The fund also has shares in USD, CHF, GBP. Please ask your sales contact for any further information.

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The Prospectus, the annual and semi-annual reports, KIDs, articles of association can be obtained, free of charge upon request, from the Representative or from the following website: <http://funds.edram.com>.

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