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Business

This trust invests across whole of the healthcare sector and not just biotech – it's one to watch

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STOCK PICKS



Polar Capital has a strong team of scientists who are making inroads with work on obesity, cancer and Alzheimer's

Never invest in something that you don't understand is a pretty good maxim. However, that does not preclude you from subcontracting investment in such stocks to an expert or, better still, a team of experts. Biotechnology and healthcare is one of those sectors where very attractive returns can be made but the science can be hard to follow, where success or failure can be binary, and total losses are fairly common.

Polar Capital has assembled a seven-strong team of scientists and specialist healthcare investors to manage its Polar Capital Global Healthcare Trust. The trust invests across the whole of the healthcare sector, not just in biotech, as some competing investment companies do. The team's aim is to build a high conviction portfolio, diversified by industry sub-sector, geography, and size of company.

Next year could be pivotal for the trust as it has a liquidation vote built into its corporate structure, to be held at the first AGM following March 1 2025. It seems likely to Questor that this vote will be pre-empted by some form of corporate action.

This may be one reason why the trust's shares tend to trade on a relatively narrow discount to its net asset value. Another may be its decent performance. Since it was last restructured seven years ago, the trust

Polar Capital Global Healthcare Trust

BUY

Since it was last restructured seven years ago, the trust has beaten its MSCI All Countries Health Care Index benchmark by a decent margin

has beaten its MSCI All Countries World Health Care Index benchmark by a decent margin (around 12 percentage points over the period to end July 2024), and has done so fairly consistently since the Covid-related market disruption in March 2020.

Beyond M&A, there are many other elements making the buy case for the sector. The Polar team highlights a number of themes, including innovation, artificial intelligence (AI), rising utilisation of healthcare products and services, changes in the way that healthcare is delivered, and growth in emerging markets (driven, in part, by a growing middle class).

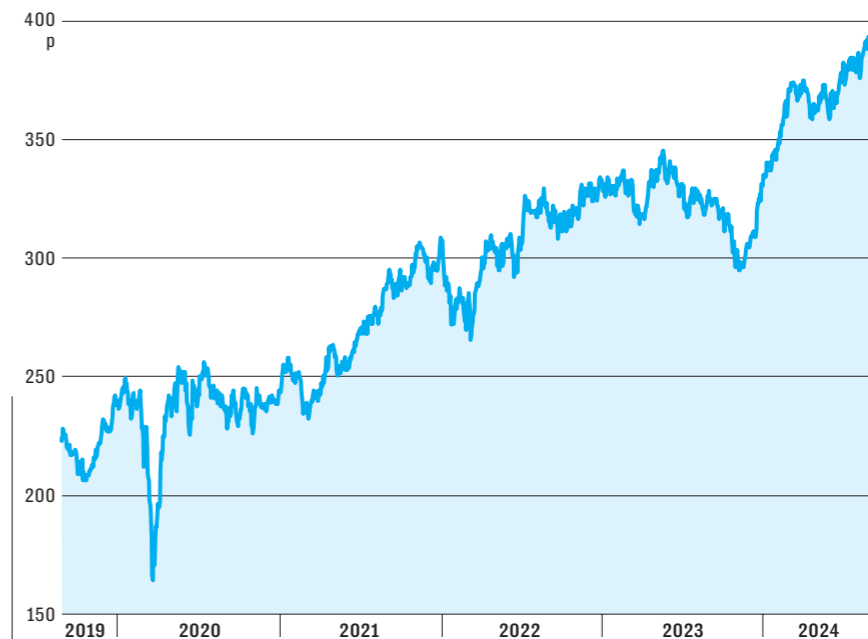
There have been incredible advances in the treatment of patients, including many with previously incurable conditions.

The US Food & Drug Administration (FDA) approved 55 novel drugs in 2023 and has already approved a further 28 so far this year. For the companies behind them, approvals can be transformational, as Novo Nordisk's soaring share price on the back of its anti-obesity drug approval in 2021 demonstrates.

The trust has no exposure to Novo Nordisk but instead has an even better-performing position in Zealand Pharma, which is developing its own obesity therapy and believes it will be just as effective, but with fewer side effects. The team has been trimming

Polar Capital Global Healthcare Trust

Close: **390p**



Key numbers

- ◆ Market value: £475m
- ◆ Year of listing: 2010
- ◆ Discount: 5pc
- ◆ Average discount over past year: 6.6pc
- ◆ Yield: 0.6pc
- ◆ Most recent year's dividend: 2.2p
- ◆ Gearing: Nil
- ◆ Annual charge: 0.87pc

that position after its share price rose by around 160pc over 2024. Beyond obesity, the team anticipates exciting and potentially lucrative product launches in the areas of Alzheimer's, respiratory disorders and new devices to treat atrial fibrillation.

AI is being used to help identify new drug candidates, but the Polar team also notes the increased accuracy of cancer screening programmes that are using AI to identify potential problems, allowing for earlier and more accurate diagnosis. The team observes that, even after decent performance over the first seven months of 2024 (benchmark up 13pc, trust up 16.9pc), the sector still trades at a valuation discount to the wider market.

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Additionally, the management team think the forthcoming US election is unlikely to have as big an impact on sentiment towards the sector as

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previous elections have done. US elections have sometimes been fraught periods, as politicians threaten new controls on drug prices, for example. This time around, the team notes that it seems unlikely that one party will control both houses of Congress, creating an inertia that should work in the sector's favour.

Questor believes that Polar Capital Global Healthcare Trust is well-positioned for the ongoing recovery of the sector, and sufficiently diversified to weather the volatility that comes with the territory. The chance of some corporate action should limit the volatility of the share price discount.

The trust is used and valued as a subcontract by many professional and retail investors, and deservedly so.

But, if for any reason the discount widens from here, the investment case only becomes more attractive.

Questor says: Buy

Ticker: PCGH

Share price at close: 390p

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