

## 31 July 2013

### Fact sheet

#### Dividends

The Company pays four dividends a year and has a policy to increase the dividend on an annual basis progressively but there is no guarantee this will be achieved. The Company paid 3.22p per ordinary share in the year to 30 September 2012.

#### Monthly Returns (%)

	1 Month	3 Months	6 Months	1 Year	Since Launch
Ordinary Share Price	6.60	1.33	45.56	27.04	64.38
NAV (undiluted) per Share	3.53	3.01	43.90	29.26	69.14
MSCI ACWI / Healthcare	5.68	7.06	48.03	35.27	72.04
NYSE Arca Pharmaceutical	4.93	4.67	44.02	28.34	68.42

#### Discrete Annual Performance (%)

	28/09/12 31/07/13	30/09/11 28/09/12	30/09/10 30/09/11	30/09/09 30/09/10	30/09/08 30/09/09
Ordinary Share Price	25.96	19.20	6.53	-	-
NAV (undiluted) per Share	26.87	23.55	6.79	-	-
MSCI ACWI / Healthcare	32.78	21.45	5.65	-	-
NYSE Arca Pharmaceutical	28.05	22.38	3.28	-	-

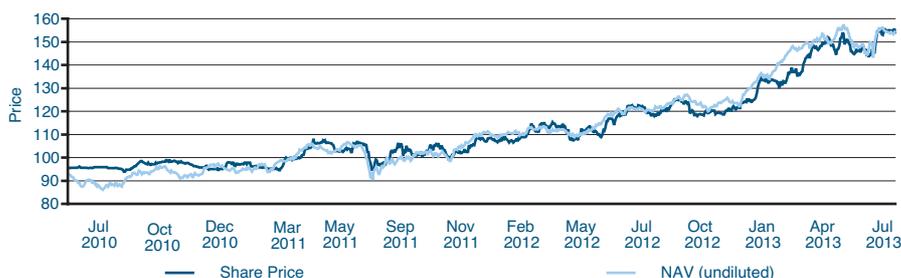
Source: Bloomberg & HSBC Securities Services (UK) Limited, percentage growth, NET total return in GBP. The Net Asset Value (NAV) as at 15 June 2010 was 98.0p per ordinary share based on the subscription price of 100.0p per ordinary share and launch costs of 2.0p per ordinary share.

#### Ordinary Share Performance Since Launch



Source: Bloomberg & HSBC Securities Services (UK) Limited, percentage growth, NET total return in GBP. The Net Asset Value (NAV) as at 15 June 2010 was 98.0p per ordinary share based on the subscription price of 100.0p per ordinary share and launch costs of 2.0p per ordinary share.

#### Ordinary Share Price & NAV per Share Since Launch



Source: Lipper & HSBC Securities Services (UK) Limited

Sector Exposure (%)	Geographic Exposure (%)
Pharmaceuticals 66.8	United States 48.8
Specialised REITs 6.2	United Kingdom 15.6
Healthcare Equipment 4.9	Switzerland 12.1
Healthcare Facilities 4.9	Japan 7.0
Biotechnology 4.6	France 4.6
Healthcare Services 3.7	Australia 2.3
Healthcare Supplies 2.0	Canada 2.1
Healthcare Technology 1.3	Ireland 2.1
Healthcare Distributors 1.1	Israel 1.6
Managed Healthcare 1.0	Singapore 0.8
Life Sciences Tools & Services 1.0	Belgium 0.7
Other 1.0	Other 1.1
Cash 1.1	Cash 1.1

#### Trust Facts

Ordinary Shares	
Share Price (p)	151.70
NAV (undiluted) per Share (p)	152.94
NAV (diluted) per Share (p)	146.80
Premium (%)	-
Discount (%)	0.81
Capital Structure	104,850,000 shares of 25p

#### Subscription Shares<sup>†</sup>

Share Price (p)	47.50
Exercise Price <sup>†</sup> (p)	100.00
Capital Structure	17,800,000 shares of 1p

Total Net Assets (£m)	162
AIC Gearing Ratio (%) <sup>*</sup>	0.00
AIC Net Cash Ratio (%) <sup>*</sup>	1.10

<sup>\*</sup>Gearing calculations are exclusive of current year Revenue/Loss

#### Trust Characteristics

Launch Date	15 June 2010
Co-Manager	Dan Mahony
Co-Manager	Gareth Powell
Portfolio Characteristics	80/20 (Income/Capital)
Year End	30 September
Results Announced	Mid December
Next AGM	January 2014
Trust Term	Fixed life to 7th AGM
Listed	London Stock Exchange

#### Benchmark

MSCI All Country World Index / Healthcare (Sterling)

#### Fees<sup>\*</sup>

Management Fee	0.85% of Market Cap
Performance Fee <sup>**</sup>	10% over performance hurdle

<sup>\*</sup> Further details can be found in the annual report. All fees are allocated 80% to capital and 20% to income.

<sup>\*\*</sup> Subject to high watermark

Total Number of Holdings 78

#### Top Ten Holdings (%)

Pfizer	7.1
Merck & Co	6.7
Novartis	6.1
GlaxoSmithKline	5.9
Eli Lilly	5.8
Roche Holding	5.5
AstraZeneca	5.1
Sanofi	4.3
Johnson & Johnson	3.8
Astellas Pharma	3.7
<b>Total</b>	<b>54.0</b>

#### Market Capitalisation Exposure (%)

Large (greater than US\$ 5bn)	72.4
Medium (US\$ 1bn to 5bn)	10.9
Small (less than US\$ 1bn)	16.7

Note: Totals may not sum due to rounding.

<sup>†</sup>Subscription shares - each share confers the right to subscribe for 1 Ordinary share at 100p on 31st January 2014.

It should not be assumed that recommendations made in the future will be profitable or will equal performance of the securities in this list. A list of all recommendations made within the immediately preceding 12 months is available upon request.

## Fund Manager Comments

Equity markets staged a solid recovery in July with healthcare performing in-line with the broader markets. However, the Trust was a relative underperformer with the NAV up only 3.5% compared to a 5.7% increase for the benchmark (Morgan Stanley Global Healthcare Index). The negative relative performance was driven by four factors in July. The first was continued strength in the biotechnology sector – especially the larger market capitalisation names. The second factor was our underweight position in some of the larger medical technology companies such as Johnson & Johnson and Medtronic. The third factor was the currency impact from a weakening Australian dollar and Japanese yen – approximately 10% of the portfolio is invested in dividend yielding stocks in these two geographies. The final area of relative weakness was in the healthcare real estate investment trusts (REITs) – our small REIT portfolio delivered a negative return during the month.

From the inception of the Trust in June 2010, we have followed a clear investment mandate based on our investment thesis that the pharmaceutical sector is staging a multi-year recovery. Our thesis has not changed and we will continue to manage the portfolio conservatively by maintaining a large weighting in pharmaceutical stocks and a low weighting in biotechnology. This investment approach has resulted in a portfolio beta of 0.85 versus the benchmark and 0.78 versus the MSCI World Index over the last 12 months. While the portfolio has delivered a strong return in the first six months of 2013, we expect the total return going forward to be in the region of 10-12% per annum (as we projected when the Trust was launched) with our approach to managing portfolio risk.

Second quarter earnings season has been reasonably uneventful for most healthcare companies. The most significant outlier in this respect was Sanofi, with earnings coming in 15% below expectations. The company faced much greater generic competition in the quarter and also had surprisingly weak performance in Latin America (especially Brazil). It now appears that Sanofi's trough earnings year will be 2013 instead of 2012 as management had originally guided. As a result, an area that we will pay closer attention to in the second half is reported growth in emerging markets for the broader pharmaceutical sector. These markets are difficult to evaluate on a quarterly basis but it does seem as though emerging market sales growth has been a little below expectations so far this year for all of the major pharmaceutical companies.

It is also worth mentioning the bribery allegations made by Chinese authorities against GlaxoSmithKline, which had little impact on the share price. All pharmaceutical companies face complicated compliance issues when operating in emerging markets. With respect to China, the head of the Chinese Pharmaceutical Enterprises Association was quoted by the China Youth Daily as saying that sales expenses generally account for 30 to 40 per cent of total medicine prices, including reasonable expenditures and illegal disbursements. The new government in China has a clear intention to address corruption and there are many steps along the healthcare supply chain where commissions are expected to be paid – we think it unlikely that GSK is the only company under investigation.

While we made no changes to the income portfolio, we made a few adjustments to the growth portfolio in July. We sold our positions in two medical technology companies, Cyberonics and Olympus, and participated in the initial public offerings (IPOs) of two biotechnology companies, Conatus Pharmaceuticals and Cardio3 BioSciences.

We have held Cyberonics for nearly three years and the stock has more than doubled over this time period. While the company continues to post good results, we think that the stock is now much closer to fair value and we are concerned by potential competition in the area of epilepsy – a therapeutic market where Cyberonics is currently the dominant player in surgical devices. Olympus announced a large follow-on offering in July and following our meeting with company management we decided to sell the stock. The use of proceeds will be focused on ramping up R&D spend over the next five years, with no details on the specific projects or product areas. We are concerned that this could result in little margin expansion over the next three years, which was a key part of our investment thesis.

Conatus is a small US based biotechnology company with a focus on liver diseases – its lead compound is being tested to treat scarring of the liver (liver fibrosis). Such a condition can occur after a viral infection, such as hepatitis, or as a result of excessive alcohol use. We think this compound could have a decent market potential if the company delivers positive data from the ongoing Phase III trials (expected in 2014). The company also has some earlier stage product candidates that target chronic liver diseases that we think could qualify for orphan drug status. Cardio3 is a European company that has developed a stem cell technology for the treatment of congestive heart failure. The approach requires the isolation of a patient's own stem cells that are then treated with a "protein cocktail" in the laboratory that causes these stem cells to start developing into heart cells (so-called cardiac progenitor cells). These cells are then injected back into the patient's heart. Data from the published Phase II trial suggest a significant positive impact on the functioning of the heart following this procedure. If these results are replicated in the ongoing Phase III trials, then we believe that this could represent a major step forward in regenerative stem cell therapy.

We think that fundamentals are still strong for the sector. We also note that the level of merger and acquisition activity has increased over the last two months and this has helped to drive stocks higher. The best performing sub-sectors in terms of financial reports have been biotechnology and managed healthcare, and it seems reasonable to expect this trend to continue. While biotechnology valuations have moved higher it could be argued that this reflects the improvement in fundamentals – as we have written previously, we believe that we are the beginning of a new wave of drug discovery. As the summer draws to a close, we expect increased newsflow and speculation regarding the expansion of health coverage under President Obama's healthcare reform. Individuals can begin enrolling into the new health insurance coverage programmes at the beginning of October. We think this expansion of coverage will be a key driver of sector performance in the short to medium-term.

Daniel Mahony & Gareth Powell

8 August 2013

31 July 2013

Fact sheet

## Polar Capital Healthcare Investment Management Team

### Dan Mahony - Co-Manager



Daniel joined Polar Capital to set up the healthcare team in 2007. He has more than 14 years' investment experience in the healthcare sector, with over five years as a Portfolio Manager and nine years as a sell-side analyst. Prior to joining Polar Capital, he was head of the European healthcare research team at Morgan Stanley, covering the European biotechnology, medical technology and healthcare services sectors. He also previously worked in New York for ING Barings Furman Selz following the US biotechnology sector. Before working in the investment field, Daniel worked as a research scientist for seven years with the majority of his time at Schering Plough Corporation in California. Daniel received his PhD from Cambridge University in 1995 and a first class honours degree in biochemistry from Oxford University in 1991.

### Gareth Powell - Co-Manager



Gareth joined Polar Capital in 2007 to set up the healthcare team. He has over 13 years' investment experience in the healthcare sector, with 11 years as a portfolio manager. He joined Framlington in 1999 becoming a portfolio manager on the Framlington health fund. In 2002, he helped launch and then run the Framlington biotech fund. Gareth became a CFA charterholder in 2003. Gareth studied biochemistry at Oxford from 1995 to 1999 and during that time worked at Astellas, the Sir William Dunn School of Pathology, the Wolfson Institute for Biomedical Research and the Oxford Business School.

### Anna Sizova - Analyst

Anna joined Polar Capital in February 2008 as an analyst for the healthcare team. She has over 5 year's investment experience in the healthcare sector that started with her time at Morgan Stanley as a healthcare analyst covering the European medical technology sector. Prior to working in investment, she spent 5 years at Johnson & Johnson, working in both the marketing and finance departments. Anna holds an MBA degree from the London Business School and a degree in Theoretical and Applied Linguistics from Moscow State University.

## Trust Overview

### Investment Objective

The Company's investment objective is to generate capital growth and income by investing in a global portfolio of healthcare stocks.

### Investment Policy

The Company seeks to achieve this objective by investing in a diversified global portfolio consisting primarily of listed equities issued by healthcare companies involved in pharmaceuticals, medical services, medical devices and biotechnology. The portfolio is diversified by geographic location and size of investee companies.

## How to Invest

### Market Purchases

The ordinary and subscription shares are listed and traded on the London Stock Exchange. Investors may purchase shares through their stockbroker, bank or other financial intermediary.

## Registered Office

4 Matthew Parker Street, London SW1H 9NP

## Custodian

HSBC PLC acts as global custodian for all the company's investments.

## Registrar

Equiniti  
The Causeway, Worthing, West Sussex BN99 6DA  
[www.shareview.co.uk](http://www.shareview.co.uk)

## Codes

### Ordinary Shares

ISIN	GB00B6832P16
SEDOL	B6832P1
Ticker	PCGH

### Subscription Shares

ISIN	GB00B68VXC96
SEDOL	B68VXC9
Ticker	PCGS

## House View

This document has been produced based on Polar Capital research and analysis and represents our house view. All sources are Polar Capital unless otherwise stated.

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## Holdings

This portfolio data is "as at" the date indicated and should not be relied upon as a complete or current listing of the holdings (or top holdings) of the fund. The holdings may represent only a small percentage of the aggregate portfolio holdings, are subject to change without notice, and may not represent current or future portfolio composition. Information on particular holdings may be withheld if it is in the fund's best interest to do so. A complete list of the portfolio holdings may be made available upon request. It should not be assumed that any of the securities transactions or holdings discussed was or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. The information provided in this document should not be considered a recommendation to purchase or sell any particular security.

## Benchmarks

The following benchmark index is used: MSCI All Country World Index/Healthcare. These benchmarks are generally considered to be representative of the Global Healthcare market universe. These benchmarks are broad-based indices which are used for comparative/illustrative purposes only and have been selected as they are well known and are easily recognizable by investors. Please refer to [www.msibarra.com](http://www.msibarra.com) for further information on these indices. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the fund. For example, investments made for the fund may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark. Accordingly, investment results and volatility of the fund may differ from those of the benchmark. Also, the indices noted in this presentation are unmanaged, are not available for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the fund may incur. In addition, the performance of the indices reflects reinvestment of dividends and, where applicable, capital gain distributions. Therefore, investors should carefully consider these limitations and differences when evaluating the comparative benchmark data performance. The information regarding the indices are included merely to show the general trends in the periods indicated and is not intended to imply that the fund was similar to any of the indices in composition or risk.

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## Performance

Performance is shown net of fees and expenses and includes the reinvestment of dividends and capital gain distributions. Many factors affect fund performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment return and principal value of your investment will fluctuate, so that when your investment is sold, the amount you receive could be less than what you originally invested. Past performance is not a guide to or indicative of future results. Future returns are not guaranteed and a loss of principal may occur. Investments are not insured by the FDIC (or any other state or federal agency), are not guaranteed by any bank, and may lose value.

## Investment Process - Risk

No investment process or strategy is free of risk and there is no guarantee that the investment process or strategy described herein will be profitable. Investors may lose all of their investments.

## Allocations

The strategy allocation percentages set forth in this document are estimates and actual percentages may vary from time-to-time. The types of investments presented herein will not always have the same comparable risks and returns. Please see the private placement memorandum for a description of the investment allocations as well as the risks associated therewith. Please note that the fund may elect to invest assets in different investment sectors from those depicted herein, which may entail additional and/or different risks. The actual performance of the fund will depend on the Investment Manager's ability to identify and access appropriate investments, and balance assets to maximize return to the fund while minimizing its risk. The actual investments in the fund may or may not be the same or in the same proportion as those shown herein.