

Healthcare Sector Update

30 June 2016





Daniel Mahony Ph.D. – Fund Manager

Daniel joined Polar Capital to set up the healthcare team in 2007. He has 24 years of industry experience, comprising more than 17 years' investment experience in the healthcare sector, with over seven 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 CFA – Fund Manager

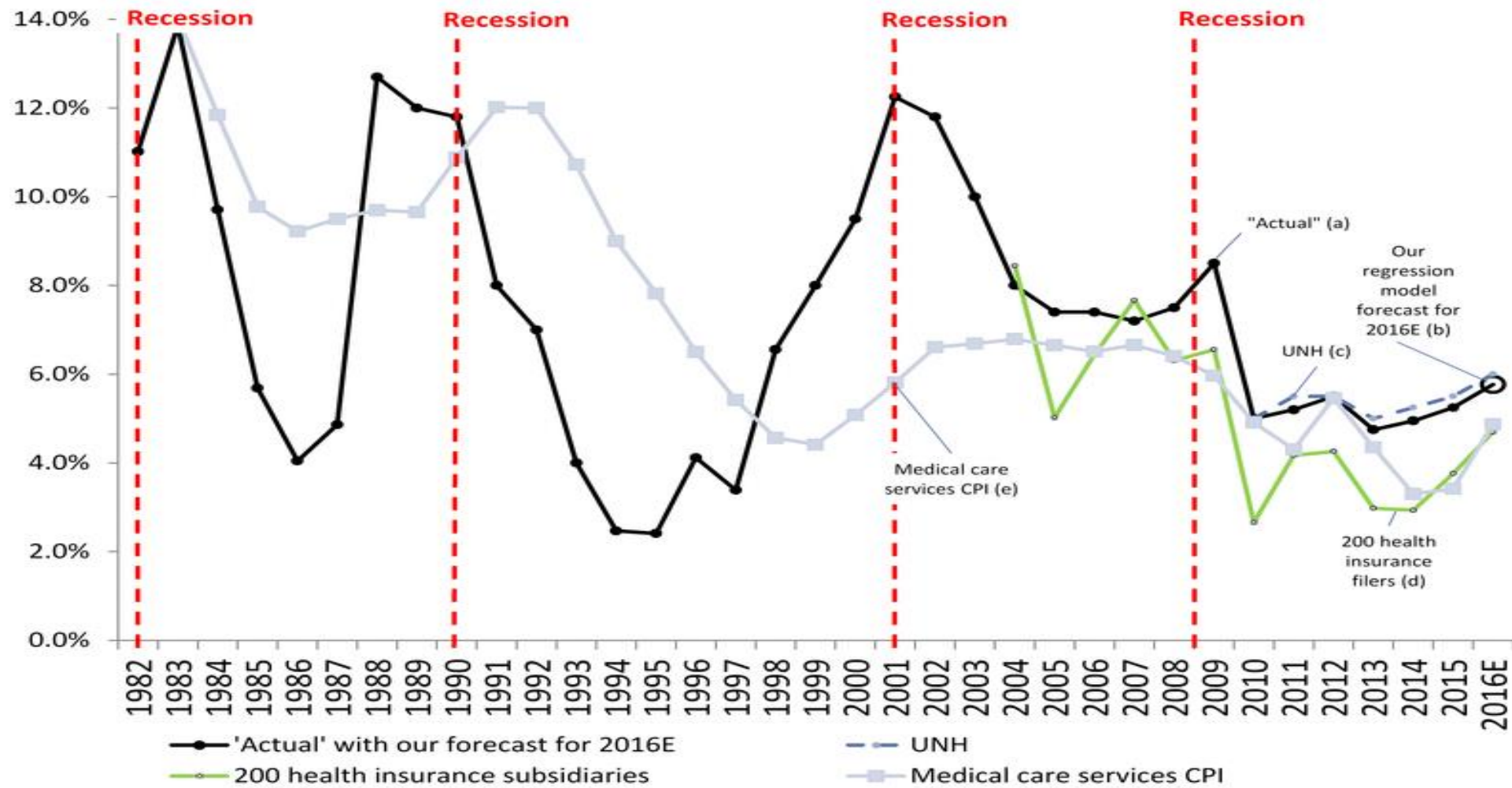
Gareth joined Polar Capital in 2007 to set up the healthcare team. He has over 17 years' investment experience in the healthcare sector, with 14 years as a Portfolio Manager. Prior to Polar Capital, Gareth worked at Framlington, where he began his career in investment management in 1999. Soon afterwards, he began managing the Framlington Health Fund and in 2002 he helped launch the Framlington Biotech Fund, which he managed from 2004 until his departure. Gareth studied biochemistry at Oxford, during which time he worked at Yamanouchi, a leading Japanese pharmaceutical company (later to become Astellas), as well as various academic laboratories including the Sir William Dunn School of Pathology, the Wolfson Institute for Biomedical Research and Oxford Business School. He is a CFA charterholder.



David Pinniger CFA – Fund Manager

David joined Polar Capital in August 2013 as a fund manager within the healthcare team. He has over 15 years' investment experience in the healthcare sector. Prior to joining Polar Capital, David was a portfolio manager of the International Biotechnology Trust at SV Life Sciences. He also previously spent three years working at venture capital firm Abingworth as an analyst managing biotechnology investments held across the firm's venture and specialist funds, and four years at Morgan Stanley as an analyst covering the European pharmaceuticals and biotechnology sector. He is a CFA charter holder.

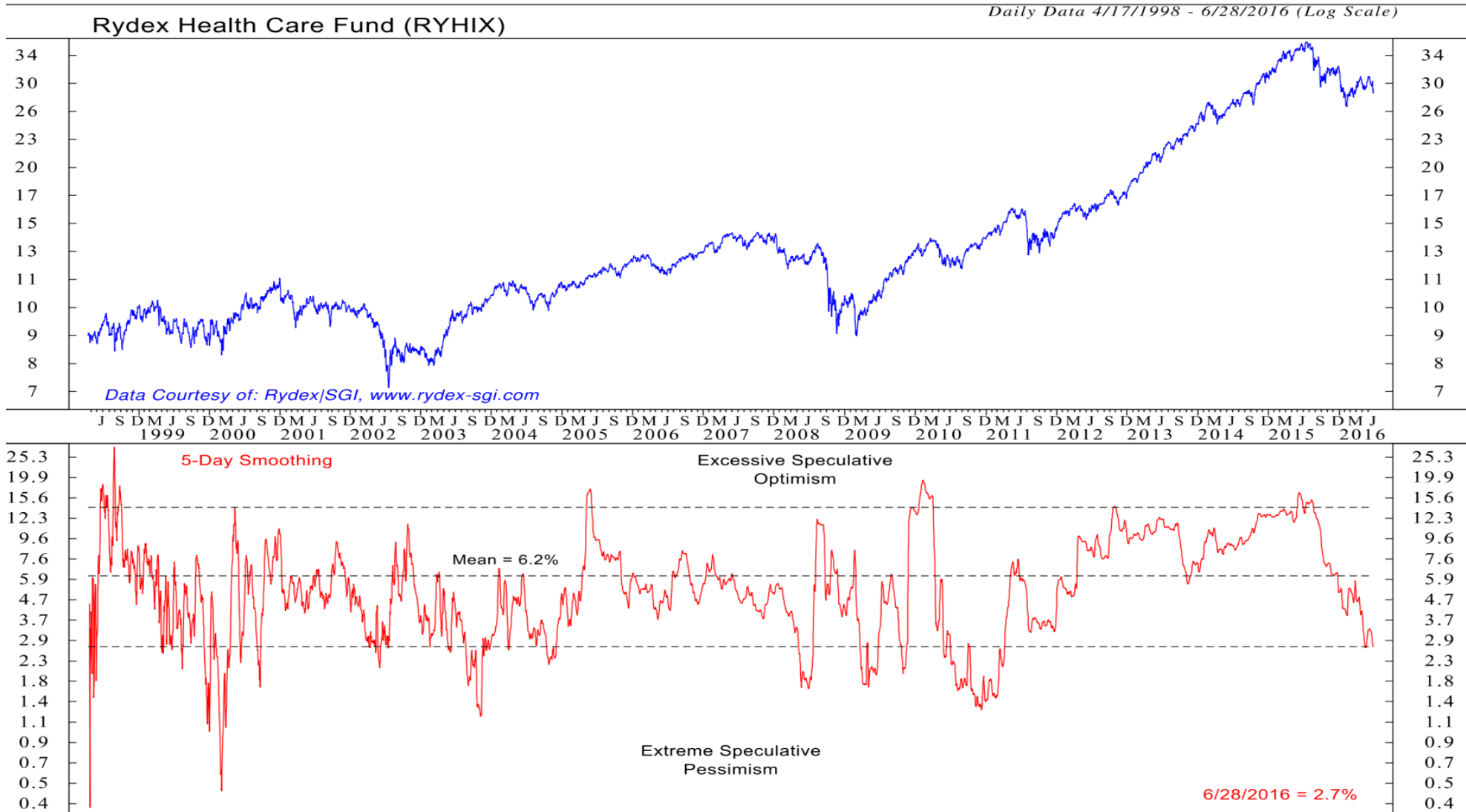
Healthcare Utilisation At An Inflection Point



A historical pattern of lagged cyclical recovery for healthcare consumption trend
YoY change in group commercial medical cost trend per member: actual (1982-2015) and our forecast (2016E) vs. other recent data points

Source: Goldman Sachs Research.

From Optimism To Pessimism In 15 Months

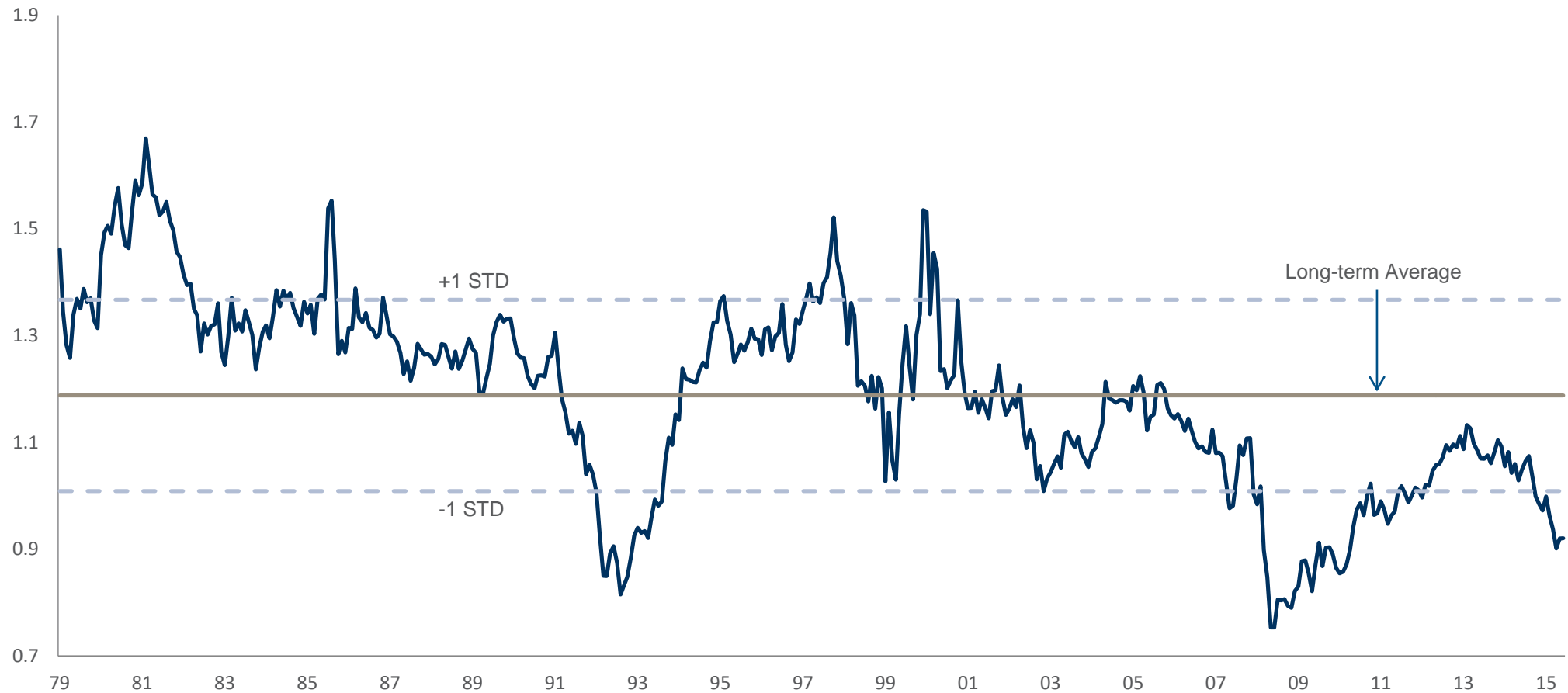


[DAVIS241](#) Rydex Health Care Fund Assets as a % of Total Sector Assets

Source: Ned Davis Research, 28 June 2016.

Relative Valuation Has Declined Significantly

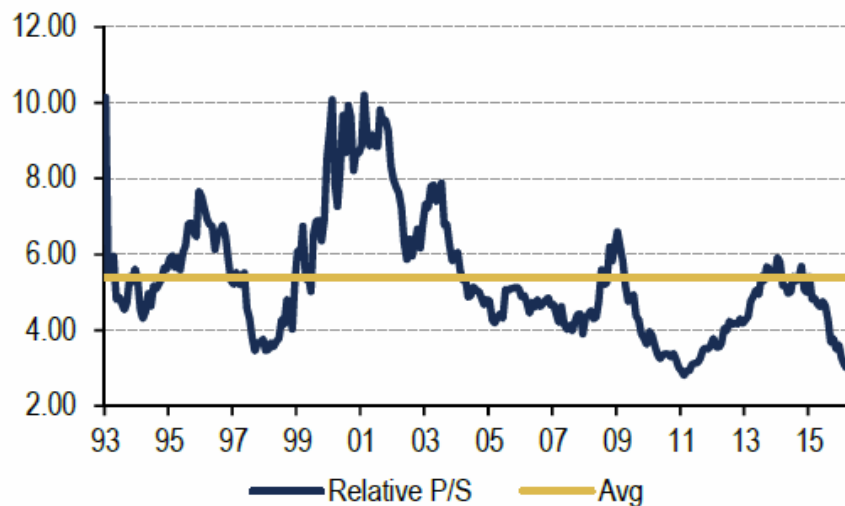
Price to forward earnings: Healthcare/S&P 500 Index¹



Source: S&P, Thomson Financial, FactSet, and RBC Capital Markets, 31 May 2016. Past performance is not indicative or a guarantee of future results.

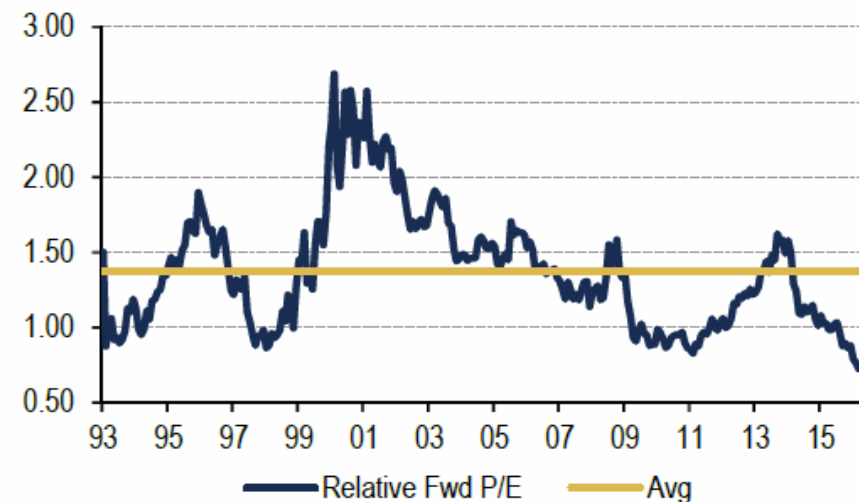
Sector is now trading below low-end of historical ranges

Chart 7: S&P 500 Biotech Industry: relative Price/Sales (1993-3/2016)



Source: FactSet, BofA Merrill Lynch US Equity & US Quant Strategy

Chart 8: S&P 500 Biotech Industry: relative fwd. P/E (1993-3/2016)



Source: FactSet, BofA Merrill Lynch US Equity & US Quant Strategy

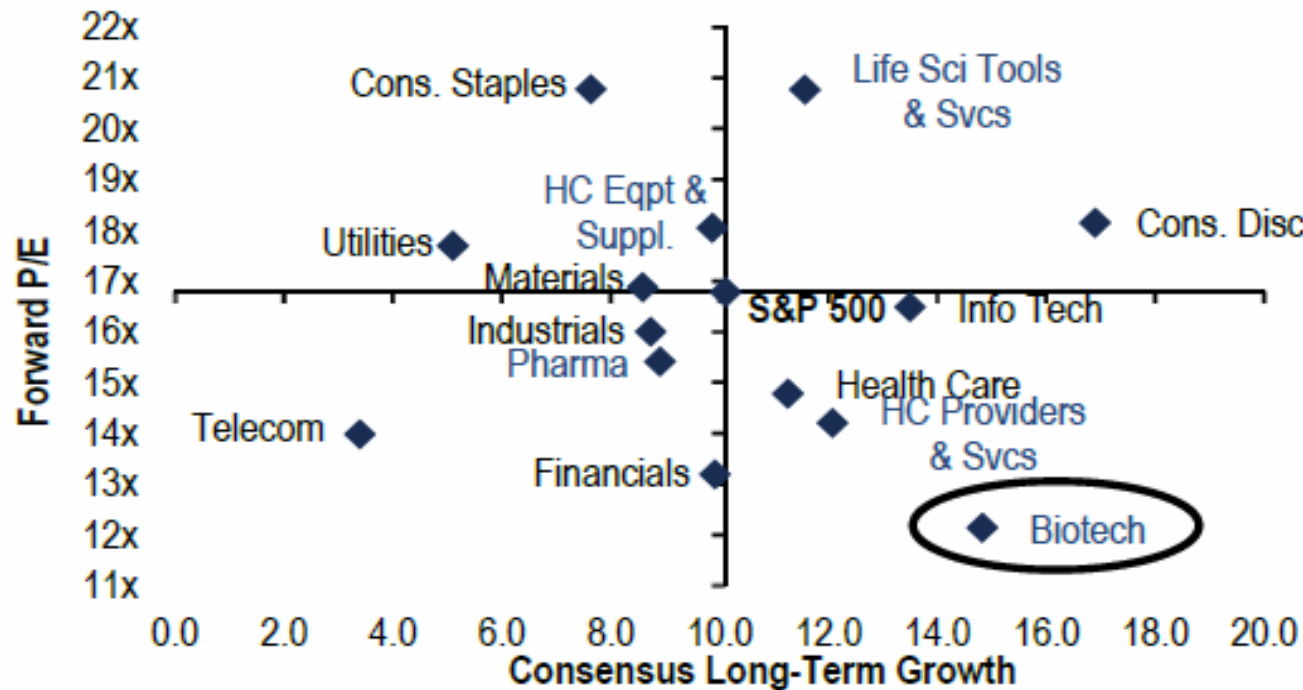
Source: Bank of America Merrill Lynch BoAML Equity Research, 19 April 2016. Past performance is not indicative or a guarantee of future results.

How Much Do You Pay For Growth?

Biotechnology sector offers attractive GARP profile

Chart 9: Biotech: growth at a reasonable price

S&P 500 sectors and Health Care industries: Fwd. P/E vs. Consensus LTG (as of 3/31/16)



Source: FactSet, BofA Merrill Lynch US Equity & US Quant Strategy

Source: Bank of America Merrill Lynch BoAML Equity Research, 19 April 2016.

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