

Healthcare Sector Update

30 September 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

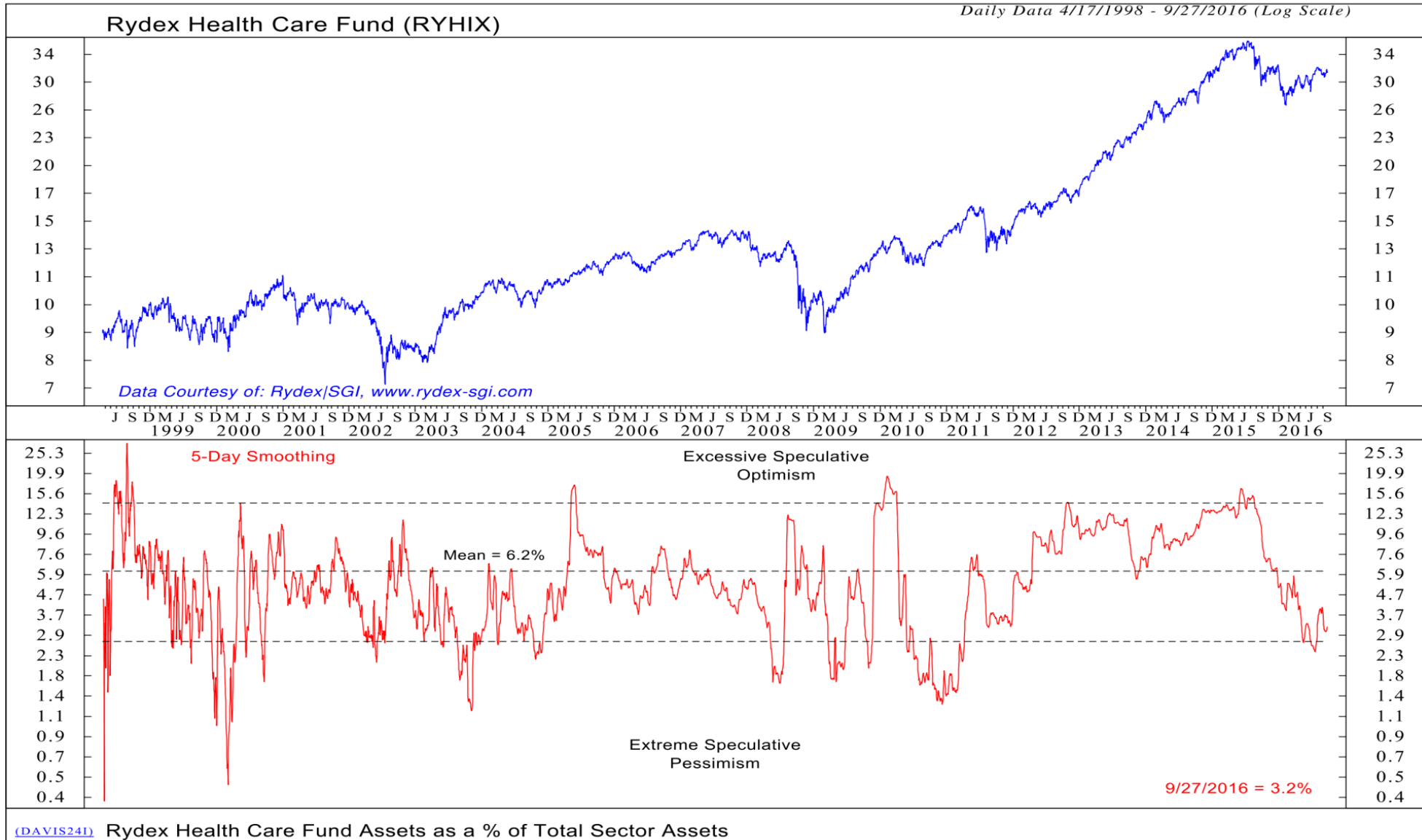
Gareth joined Polar Capital in 2007 to set up the healthcare team. He has over 17 years' investment experience in the healthcare sector, with 14 years as a Portfolio Manager. Prior to Polar Capital, Gareth worked at Framlington, where he began his career in investment management in 1999. Soon afterwards, 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.

US Elections Have Driven Investor Pessimism



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If the Democrats retain the White House

- We would expect few changes to the Affordable Care Act
- We may see some movement on drug pricing regulation for older/off-patent drugs

If the Republicans win the White House

- Republicans want to address the individual mandate, the levels of subsidies and Medicaid expansion
- Any “repeal” of reform will probably mean moving responsibility for healthcare down to the States

The key issue is whether Republicans retain control of the House

Source: Polar Capital.

Republicans Look Set To Hold The House



All 435 seats in the House of Representatives are being contested

| | Current Seats | Projected Seats | Net Change |
|-------------|---------------|-----------------|------------|
| Republicans | 247 | 234 | -13 |
| Democrats | 188 | 201 | +13 |

Source: www.electionprojection.com, 27 September 2016.

Putting the drug pricing issue into perspective

- **Egregious pricing of older drugs is under scrutiny – we expect some legislation**
- **Innovative drugs will continue to maintain price if they provide “value”**
- **Insurers will exert pricing pressure in therapeutic categories where there is competition**

Source: Polar Capital.

Is Biotech Bull Run About To Restart?



Source: Bloomberg, 29 September 2016.

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