

Polar Capital Healthcare Update

9 November 2016

Post US election outlook for Healthcare and Biotechnology



Daniel Mahony Ph.D. – Fund Manager

Daniel joined Polar Capital to set up the healthcare team in 2007. He has 25 years of industry experience, comprising more than 18 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

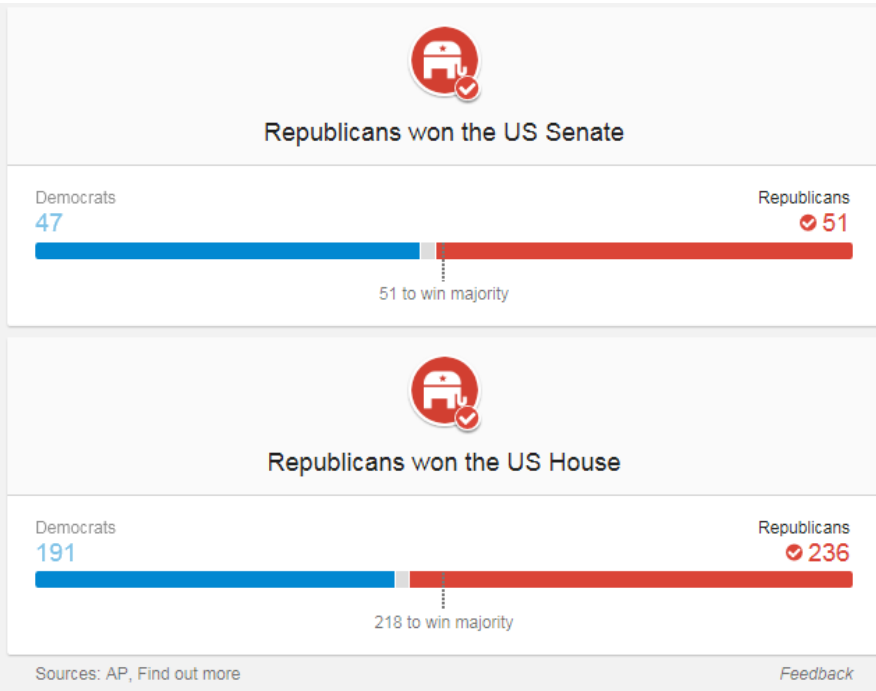
Gareth joined Polar Capital in 2007 to set up the healthcare team. He has over 17 years' investment experience in the healthcare sector, with 14 years as a Portfolio Manager. Prior to Polar Capital, Gareth worked at Framlington, where he began his career in investment management in 1999. Soon afterwards, 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 16 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.

Introducing The New US Government



Source: Google, 9 November 2016 – Congressional votes at 11.00am GMT - to be confirmed.

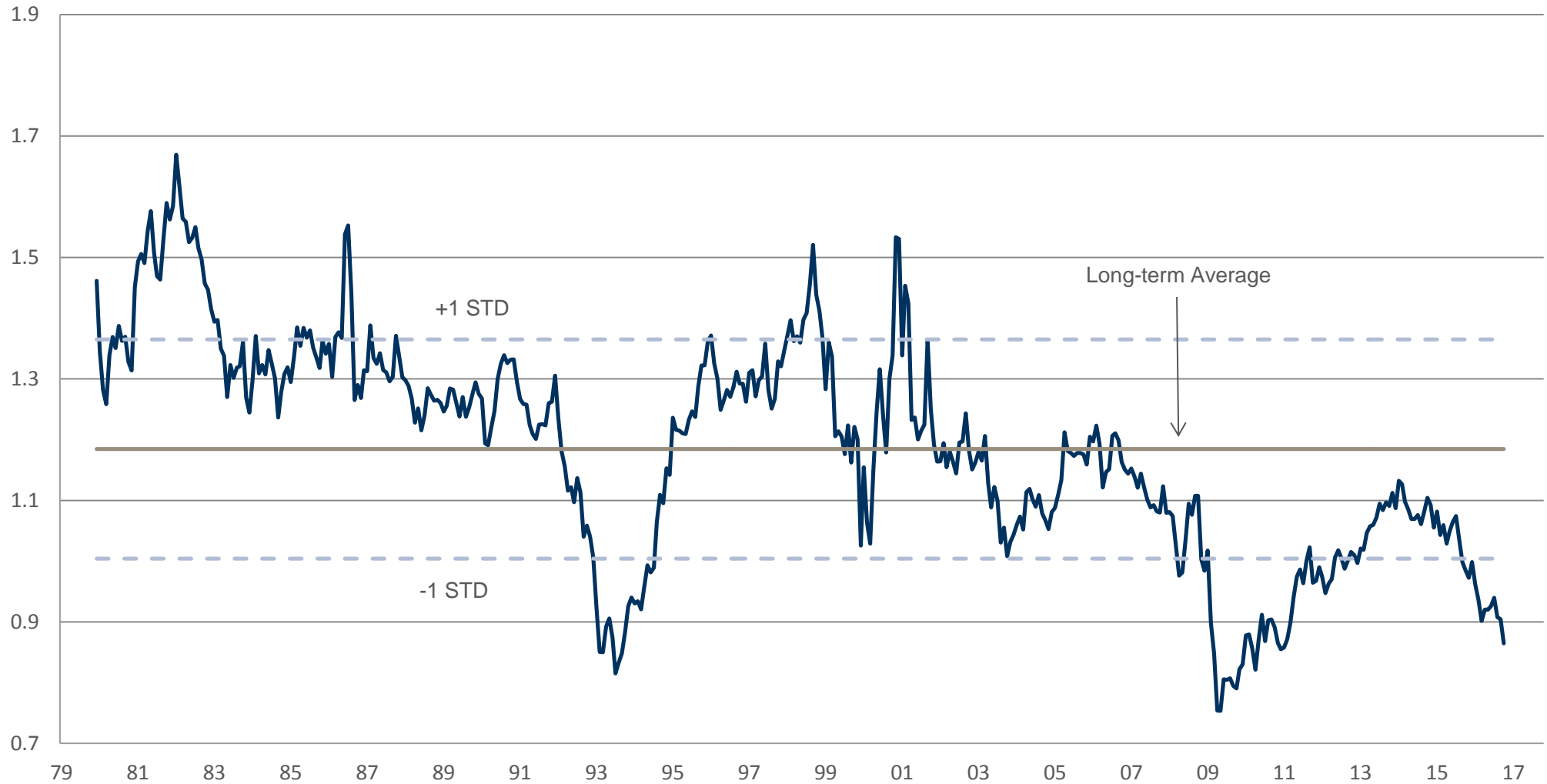
Republican sweep is a big positive for healthcare

- **Draconian US government intervention in drug pricing now seems highly unlikely**
 - Anti-industry agenda of Clinton-Sanders eliminated; Prop 61 in California also voted down
 - Relieves major sentiment overhang on pharmaceutical and biotechnology companies
- **Republican agenda for next 4 years likely to be pro-business, pro-innovation**
 - Investors should review Paul Ryan’s “A Better Way to Fix Healthcare” from June 2016
 - Focus is on improving insurance choice and on supporting innovation and natural competition
- **Obamacare (ACA) repeal now on the agenda – creates uncertainty for service companies**
 - Uncertainty near-term but expect focus on individual mandate and state/federal responsibilities
 - Minimal impact on pharmaceutical and biotech companies as marginal beneficiaries of ACA
- **Tax reform and repatriation of foreign earnings could reignite M&A cycle**
 - US pharmaceutical and big biotechnology companies hold significant cash balances overseas
 - Repatriation holiday could see cash used for aggressive M&A or capital return to shareholders

All opinions and estimates constitute the best judgment of Polar Capital as of the date hereof, but are subject to change without notice, and do not necessarily represent the views of Polar Capital.

Relative Valuation Has Declined Significantly

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



1. Source: S&P, Thomson Financial, FactSet, and RBC Capital Markets, 31 October 2016.

- **Biotechnology - Major positive**
 - The Republican Party's focus on innovation is good for the entire biotechnology sector
- **Pharmaceuticals – Positive**
 - Good for companies with innovative pipelines but those under pricing pressure from insurers will continue to struggle
- **Medical Technology – Positive**
 - Good for innovators and the large consolidators who are helping to cut costs of the healthcare system
- **Services – A mixed bag**
 - Negative for hospitals/healthcare services and near-term could be negative for insurers. Positive for any innovative service company that improves efficiency – especially in healthcare IT

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Important Information Cont.



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