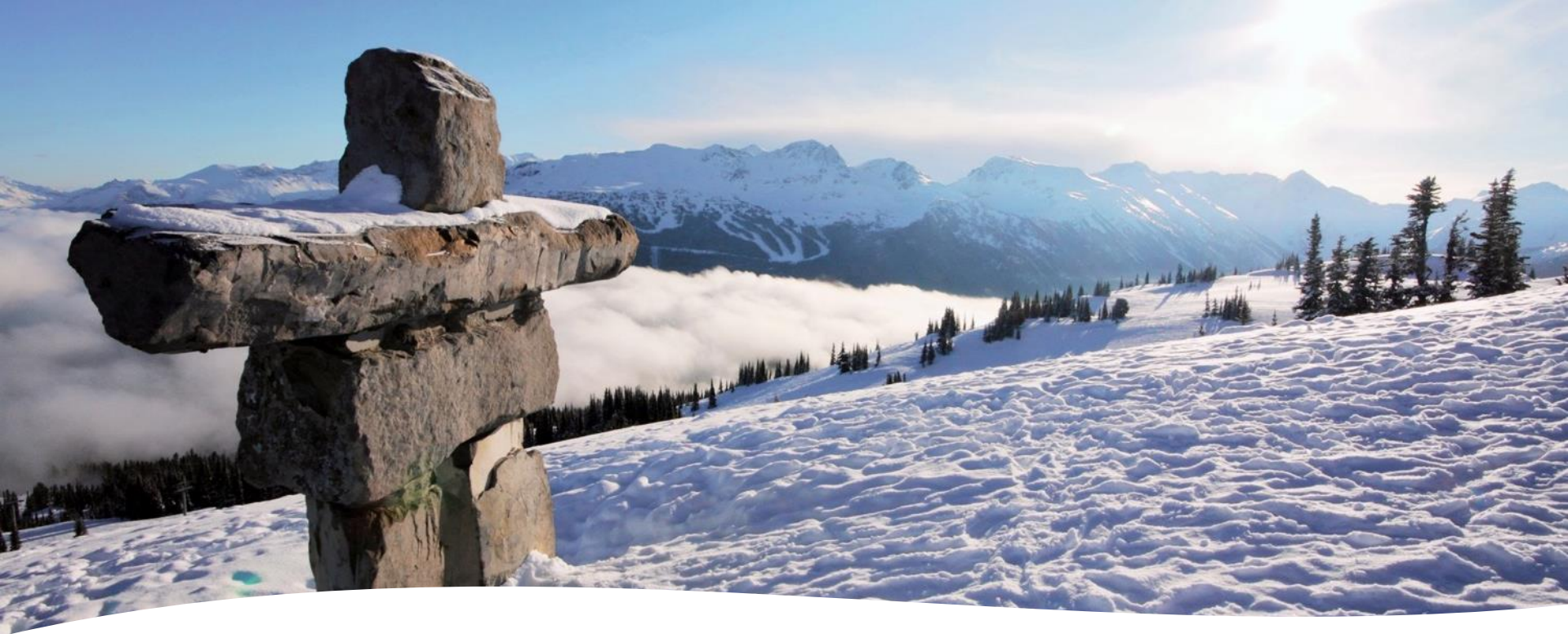




OUTLOOK FOR HEALTHCARE

APRIL 2022



I. SECTORAL OVERVIEW



INVESTMENT PHILOSOPHY

FINANCIAL RETURNS AND SOCIETAL BENEFITS

Healthcare focus

COMPLEXITY OF OUR SECTOR

Specialization

NEED FOR AN IN-DEPTH ANALYSIS

Primary research

INTERNATIONALIZATION OF THE SECTOR

Global approach

BOTTOM-UP APPROACH

Focus on stock selection

VALUATION SENSITIVE

GARP

SUSTAINABILITY OF THE PROCESS

Team approach

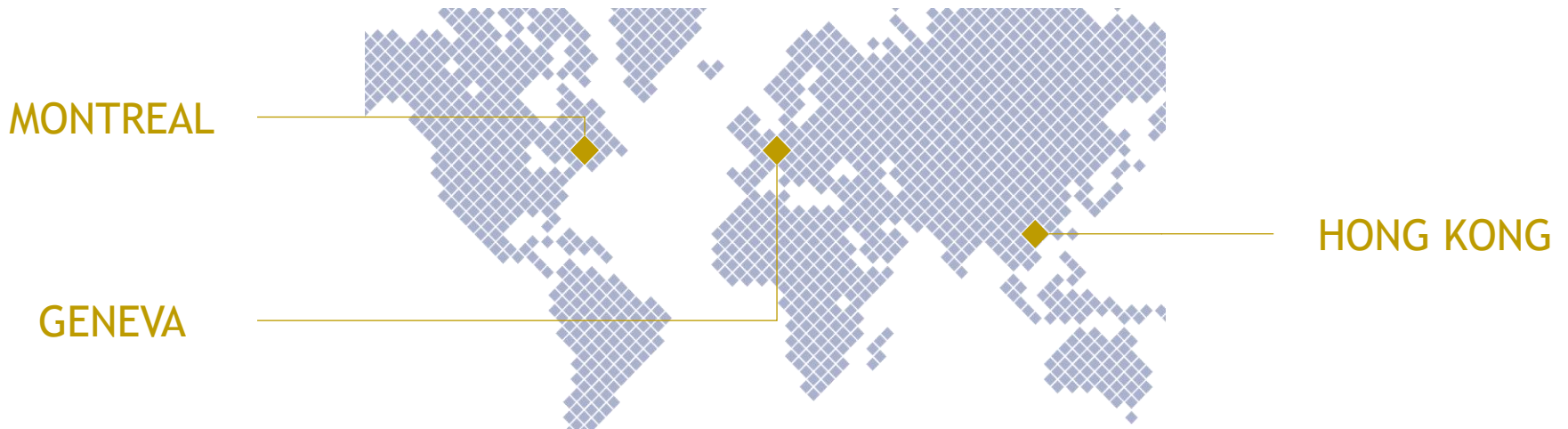
FOCUS/IN-DEPTH RESEARCH

Generation of alpha



SECTORAL ASSET MANAGEMENT

Over 20 years experience in global healthcare investing



2000

Firm founded

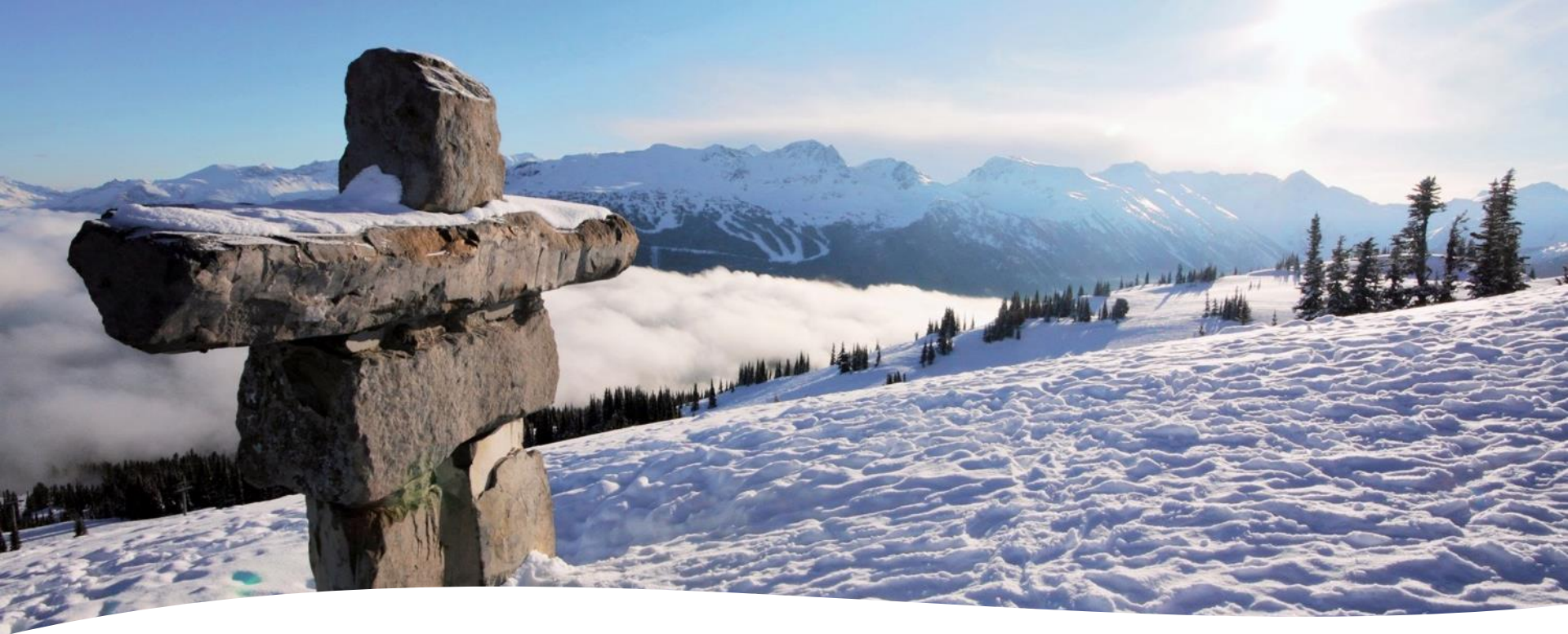
100%

Healthcare focused

100%

Employee owned

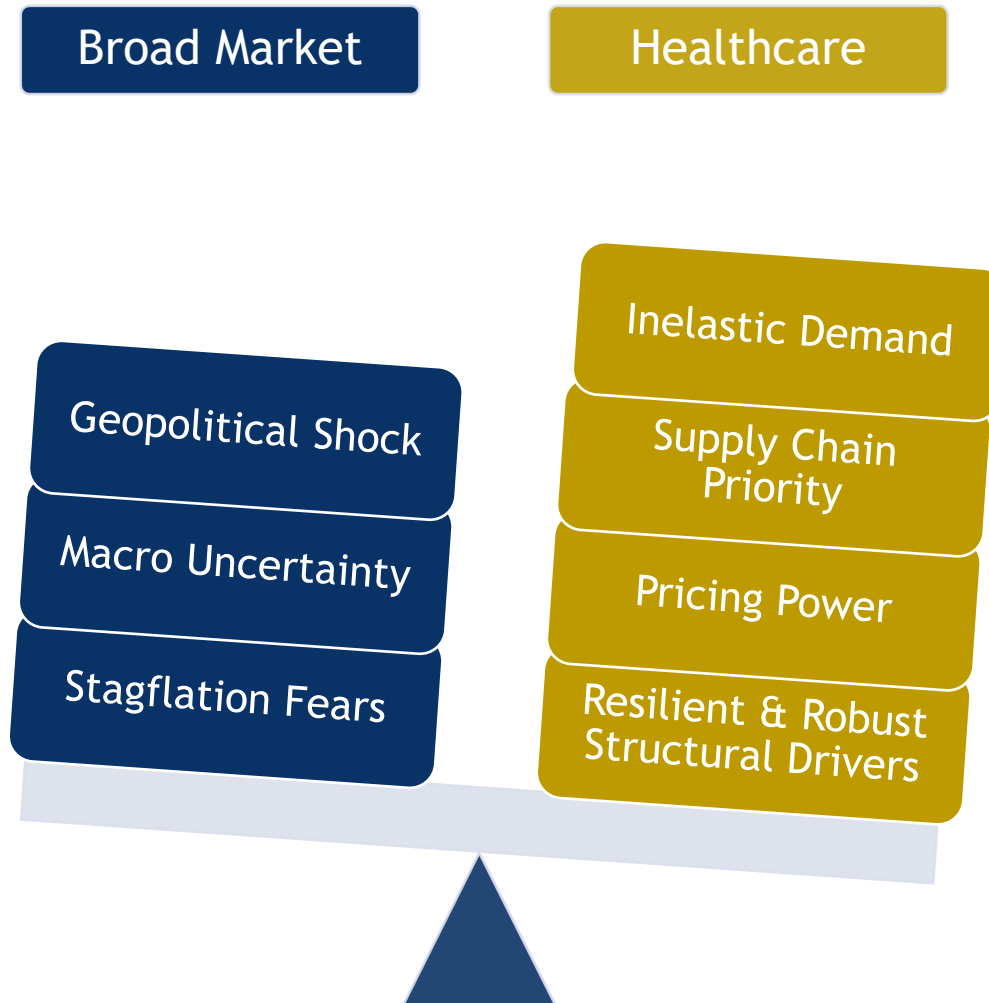




II. OUTLOOK FOR HEALTHCARE



HEALTHCARE IS WELL POSITIONED



KEY THEMES IN HEALTHCARE

Healthcare innovators & disruptors are expected to generate attractive, durable growth.



High-Impact Innovation



Digitalization of Healthcare



Growth of Emerging Markets



GROWTH DRIVER - HIGH-IMPACT INNOVATION

STRONG PROGRESS CONTINUING ACROSS BIOTECH & PHARMA

Approvals & new submissions remain high

FDA expedited programs and initiatives:

- Breakthrough Therapy Designation
- Fast Track Designation
- Accelerated approval pathway
- Priority review
- Orphan drug designation
- Rare pediatric disease priority review voucher program

Markets Created

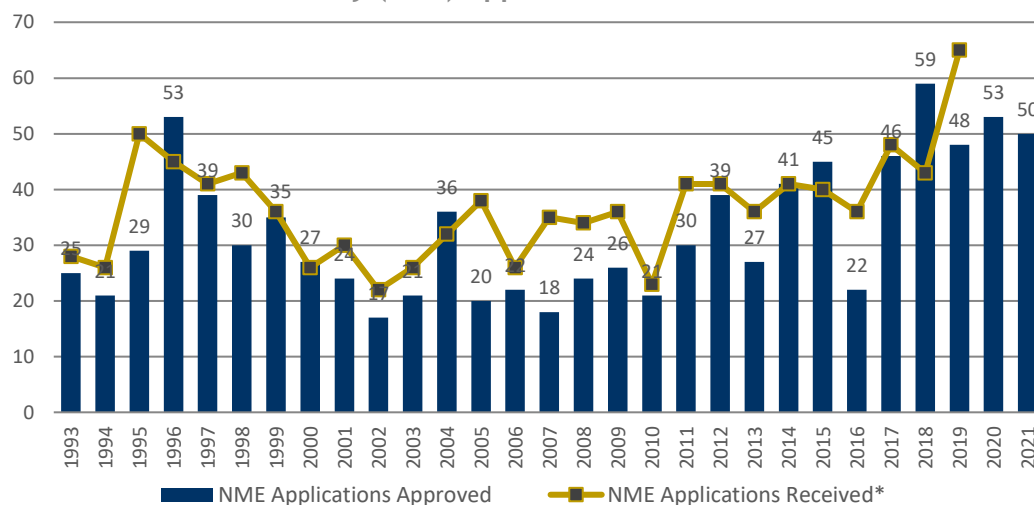
Cystic Fibrosis **USD4 bn**

Hemophilia **USD9 bn**

Lysosomal Storage Diseases **USD6 bn**

Immuno-Oncology **USD23 bn**

FDA New Molecular Entity (NME) Approvals



LIFE-ALTERING DIAGNOSES BEING ADDRESSED TODAY

- Spinal muscular atrophy
- Immune treatment of cancer (Anti PD-1)
- Cystic Fibrosis

FUTURE POSSIBILITIES

- Alzheimer's
- Huntington's
- Amyotrophic Lateral Sclerosis (ALS)



INCREASING INNOVATION IN BIOTECH

New Therapeutic Technologies...



Gene Therapy



mRNA Drugs



Cell Therapy



Gene Editing



siRNA Drugs

...and better understanding of targets



Genomics



Computation



Other 'omics



Investment



Imaging

Drive increased innovation and value creation

- **New technologies no longer science fiction:** 17 approvals last 5 years; 5% of ph3's use new technology
- **Targeting the previously untargetable:** 2x as many approvals for new targets in 2019s vs. 2000s
- **Higher odds of success:** Genetic targets 2x more likely to succeed; siRNA success rate 10x industry average.
- **2x increase in approvals:** >50 new approvals annually 2017 - 2020; 2x rate in preceding years.



CONTINUING M&A ACTIVITY

Consolidation likely to remain a strong driver of biotech

Over USD730bn in acquisitions since January 2015 with a median premium of 68%

Biotech Acquisitions Over Past 12 Months

ACQUIRER	TARGET	DATE	DEAL SIZE (USD M)	PREMIUM
CSL	Vifor	Dec 2021	11700	41%
Thermo Fisher	PPD	Apr 2021	17400	24%
ICON	PRA	Feb 2021	12000	30%
Merck	Acceleron	Sep 2021	11500	34%
Danaher	Aldevron	Jun 2021	9600	n/a
Pfizer	Arena	Dec 2021	6700	100%
Perkin Elmer	BioLegend	Jul 2021	5250	n/a
Novo Nordisk	Dicerna	Nov 2021	3300	80%
Sanofi	Translate Bio	Aug 2021	3200	56%
Horizon	Viola Bio	Feb 2021	3000	53%
Avantor	Masterflex	Sep 2021	2900	n/a
Jazz	GW Pharma	Feb 2021	2700	50%
Pfizer	Trillium	Aug 2021	2260	200%
Sanofi	Kadmon	Sep 2021	1900	79%
Amgen	Five Prime	Mar 2021	1900	79%
Merck	Pandion	Feb 2021	1850	134%
Diasorin	Luminex	Apr 2021	1800	23%
Roche	GenMark Diagnostics	Mar 2021	1800	43%
Morphosys	Constellation	Jun 2021	1700	68%
Bayer	Vividion	Aug 2021	1500	n/a
Sanofi	Kymab	Jan 2021	1100	n/a
Avantor	Ritter GmbH	Apr 2021	1060	n/a
Sanofi	Amunix	Dec 2021	1000	n/a
Amgen	Teneobio	Jul 2021	900	n/a
Novartis	Gyroscope	Dec 2021	800	n/a
Pacific Biosciences	Omnionme	Jul 2021	600	n/a
Thermo Fisher	Mesa Biotech	Jan 2021	450	n/a
Labcorp	Personal Genome Diagnostics	Dec 2021	400	n/a
Abcam	BioVision	Aug 2021	340	n/a
Invitae	Citizen	Sep 2021	325	n/a
Mesa	Agena Bioscience	Sep 2021	300	n/a
			MEAN	68%
			MEDIAN	55%

*Premium to closing price prior to initial bid/rumor of acquisition
 ‡Not including Contingent Value Right (CVR) for future milestones

Acquisitions with disclosed terms and above USD300m.

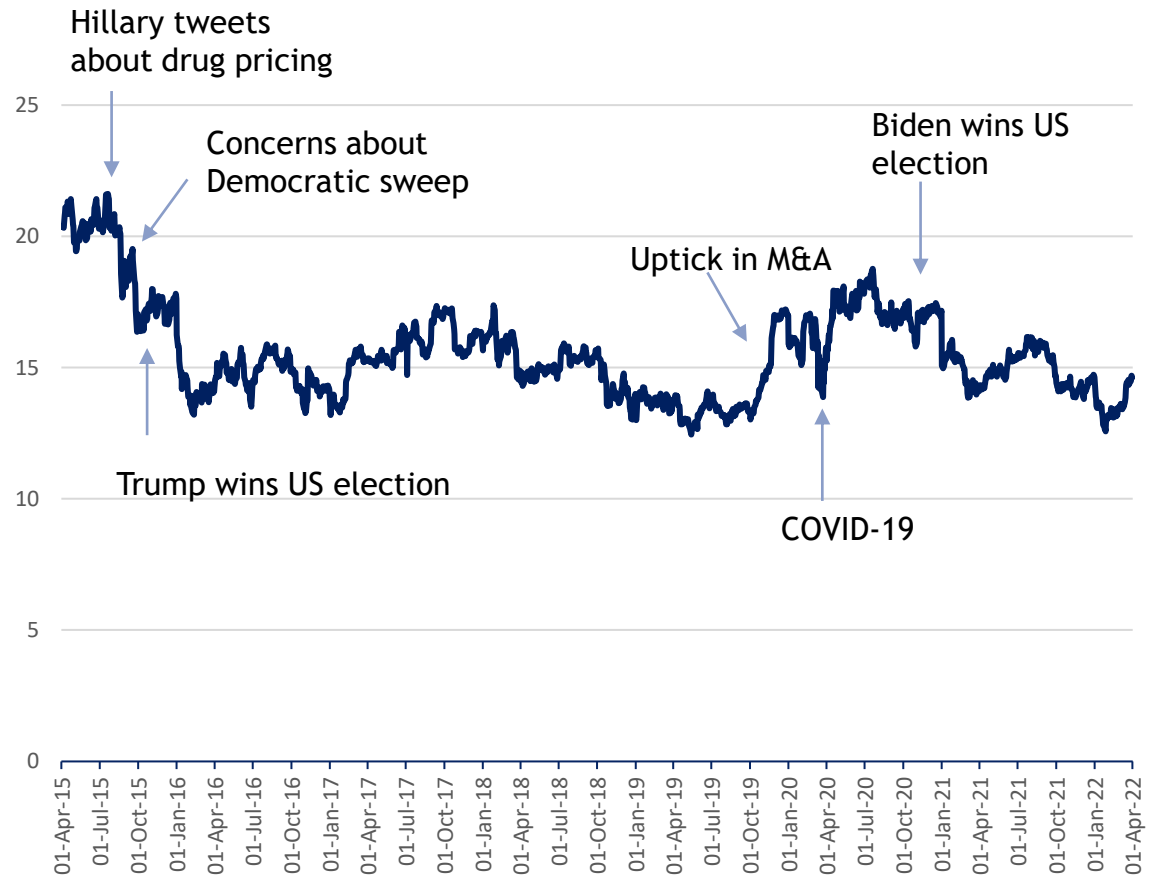
Sources: Company Reports



BIOTECH VALUATIONS: FORCES AT PLAY

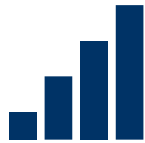


MSCI Biotech Valuation History



CONCLUSION

Why Invest Now?



Reasonable valuations especially following correction



Favorable regulatory and commercial environment

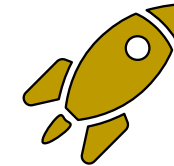


M&A activity & dynamic investment universe

Positive Long-Term Outlook



Rising demand for healthcare



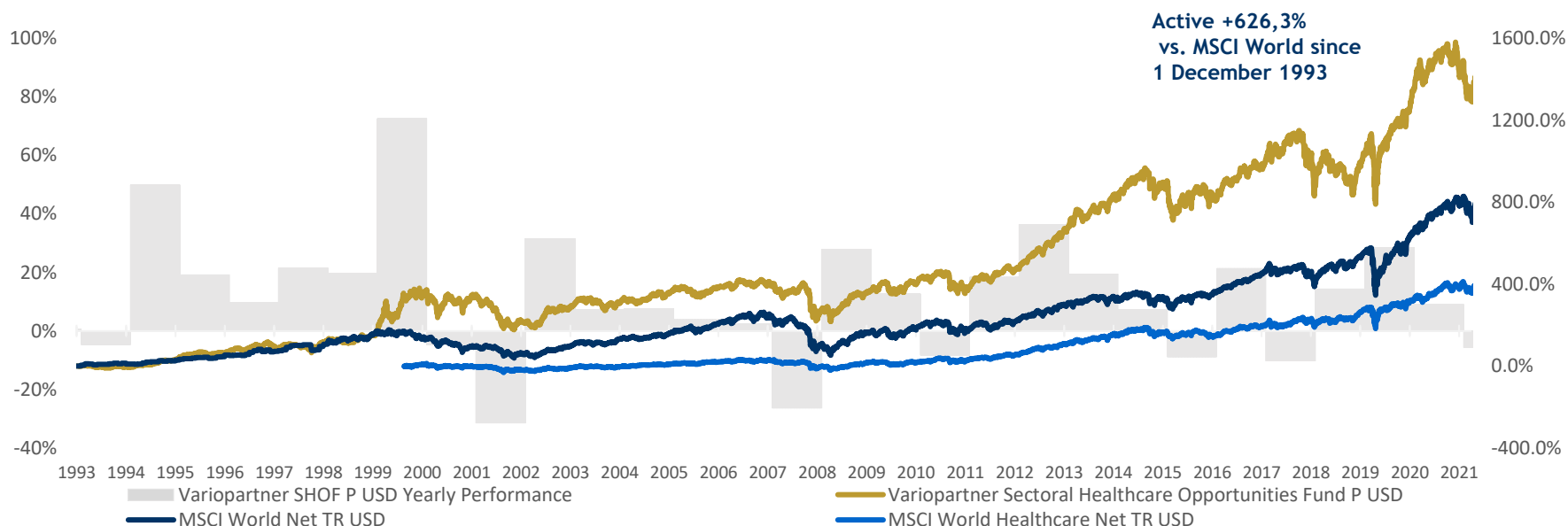
Robust sales and earnings growth
Mid and small caps offer higher returns



Active management and engagement for sustainable growth and impact



PORTFOLIO PERFORMANCE DATA AS OF 31.03.2022



	YTD 2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Fund	-5,5%	9,0%	28,4%	14,3%	-10,2%	21,3%	-8,8%	7,4%	19,1%	36,3%	18,2%
MSCI World	-5,2%	21,8%	15,9%	27,7%	-8,7%	22,4%	7,5%	-0,9%	4,9%	26,7%	15,8%
MSCI World Healthcare	-3,4%	19,8%	13,5%	23,2%	2,5%	19,8%	-6,8%	6,6%	18,1%	36,3%	17,5%
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Fund	-8,2%	12,6%	27,9%	-26,2%	2,3%	3,8%	7,7%	7,2%	31,6%	-31,4%	-4,5%
MSCI World	-5,5%	11,8%	30,0%	-40,7%	9,0%	20,1%	9,5%	14,7%	33,1%	-19,9%	-16,8%
MSCI World Healthcare	9,5%	2,4%	18,9%	-21,5%	3,9%	10,5%	9,0%	6,0%	19,5%	-18,0%	-13,3%
	2000	1999	1998	1997	1996	1995	1994	1993	ITD	ACTIVE	
Fund	72,5%	19,6%	21,4%	9,8%	19,1%	49,9%	-4,6%	0,6%	1402,9%	626,3%	
MSCI World	-13,2%	24,9%	24,3%	15,8%	13,5%	20,7%	5,1%	4,9%	776,7%		
MSCI World Healthcare	-	-	-	-	-	-	-	-	-	-	

Source: Bloomberg, Sectoral. Between December 1, 1993 and March 31, 2022. **Past performance is no guarantee of future results.** The return of the fund can be a result of currency fluctuations rise or fall. The performance results are net of Sectoral's advisory fees and other fund expenses. The performance data do not take account of the commissions and costs incurred on issue and redemption of fund units. Sectoral's fee schedule is described in Part 2A of Sectoral's Form ADV. As of September 3, 2018, Sectoral Asset Management is the sole investment manager of the Sectoral Healthcare Opportunities Fund (formerly called Pharma/wHealth). Prior to this Sectoral Asset Management managed approximately 20-50% of the Fund assets, meaning that the past investment strategy differs from the current one. Tickers VAPWHPU LX (fund), NDDUWI and NDWUHC (MSCI World and MSCI World Healthcare). No data available for MSCI World Healthcare Net TR USD prior to 17.07.2000.



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Inukshuk

are stone monuments erected in the image of humans. One of their purposes was to communicate direction in the harsh and desolate Arctic.

To build an Inukshuk you must find the perfect balance for each rock. No one rock is more important than another, and each creation is unique. A well-built Inukshuk can withstand the harshest conditions for centuries.

At Sectoral, we believe that portfolios must be built with the same principles of balance, quality, and durability.



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