



EDMOND
DE ROTHSCHILD

A COMBINATION OF VISIBLE GROWTH AND INNOVATION

INTERVIEW



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IMPROVING
BOTH QUALITY
AND ACCESS
TO MEDICAL
CARE IS A
PRIORITY FOR
GOVERNMENTS

YOU HAVE RUN THE EDMOND DE ROTHSCHILD FUND HEALTHCARE FUND SINCE 2009. WHAT IS THE OBJECTIVE OF THE STRATEGY?

Edmond de Rothschild Fund Healthcare¹ was launched in April 1985, making it one of the oldest funds within our range. This international equity strategy invests across the entire healthcare ecosystem to unlock the structural growth within the sector. Investing in healthcare – which is a much broader sector that one might imagine at first – lies at the heart of the Edmond de Rothschild Group's philosophy. Healthcare offers visible growth that is sustainable over the long term and not overly sensitive to short-term economic ups and downs. We are particularly constructive over the sector's long-term growth prospects, supported by the steady increase in healthcare expenditure and continual innovation. In the short-term, the sector's defensive characteristics seem particularly suited to today's highly uncertain geopolitical and economic environment.

HOW DO YOU DEFINE YOUR INVESTMENT UNIVERSE?

The healthcare space is vast and structured around four key areas: biopharmaceutical companies, biotechnology, medical equipment, and healthcare services. Our objective is to capitalise on the visibility and structural growth of the sector by investing in each of these areas, covering the large "pillars" of the healthcare system as well as smaller innovative companies that are instrumental in the transformation of the industry.

HOW IS THE PORTFOLIO STRUCTURED?

We run a concentrated portfolio focusing on around forty companies². The fund's balanced exposure to different thematic and market capitalisations is important to us. From a regional perspective, the American market offers far more depth and diversity than others, and as a result, is the largest within our fund. We are also exposed to emerging markets, either through direct investments or through large European or US players with strong presence in these markets.

WHAT ARE THE MAIN PERFORMANCE DRIVERS FOR THE SECTOR?

Improving both quality and access to medical care is a priority for governments and is generating a steady and structural rise in healthcare spending globally. This expenditure, which accounts for 17.6% of GDP in the US and around 11% of GDP in Europe, is rising constantly³. China provides a powerful example of the strong momentum

*The fund manager may change during the product's life.

1. Edmond de Rothschild Fund Healthcare is a subfund of the Luxembourg SICAV registered with the CSSF and authorised for sale in Austria, Belgium, the UK, France, Germany, Italy, Luxembourg, Portugal, Spain, and Switzerland.

2. The portfolio structure may change over time. Portfolio as of end April 2022.

3. CMS, WHO, data 2019

observed in emerging countries. Healthcare spending, which weighs around 6% of the country's GDP, is growing at an annual pace of around 12%⁴.

The second performance driver is innovation. Healthcare is one of the sectors with the highest R&D budgets, enabling major therapeutic breakthroughs and technological progress that are both transformative for the care system.

WHERE HAVE YOU SEEN MOST INNOVATION RECENTLY?

Naturally, the Covid crisis was conducive to innovation in the fields of vaccines, testing, and diagnostics. We have also observed many therapeutic breakthroughs in oncology, the treatment of neurodegenerative diseases, diabetes, and orphan diseases. Technological innovation such as genomic sequencing, robotisation, and digitalisation, also plays a key role in the transformation of the healthcare system.

WHAT MAIN AREAS ARE YOU WATCHING?

We have invested in a variety of therapeutic innovations (vaccines, cell therapies, messenger RNA⁵...). We are present in the diagnostics segment, which will enable the development of much more personalised medical care. On the digitalisation front, *big data* – i.e., the management of the huge data flows available today – and artificial intelligence have unlocked attractive possibilities and are raising many expectations.

WHAT SPECIFIC SEGMENTS ARE CONCERNED, AND IN WHICH HAVE YOU INVESTED?

We have observed major progress in medical imagery with the use of artificial intelligence to improve diagnostics, particularly in breast cancer. *Big data* has facilitated research and genomic sequencing with the development of targeted therapies. Many applications now help with patient monitoring, such as glucose monitors for diabetes patients, or telemedicine. We have maintained the fund's strong exposure to oncology, where we are seeing continued therapeutic innovations in the areas of immunology, targeted treatments, and new conjugated antibodies.

YOU ALSO MENTIONED DISORDERS TO THE NERVOUS SYSTEM. WHAT ARE THE DEVELOPMENTS IN THIS AREA?

The treatment of nervous system disorders is a major societal issue, with huge medical needs. Despite considerable research efforts and investment in Alzheimer's disease, many clinical tests have failed over the past few years. New and highly advanced treatments developed by Roche and Eli Lilly⁶, for example, are attempting to demonstrate that the reduction of beta-amyloid levels in patients suffering from Alzheimer's improves the neurodegenerative process. If these studies are successful, the treatments could improve outcomes for millions of patients.

YOUR FUND, WHICH IS CLASSIFIED ARTICLE 8 UNDER SFDR, HAS BEEN SRI-CERTIFIED⁷ FOR TWO YEARS NOW. HOW IS YOUR SRI APPROACH APPLIED TO THE FUND?

Our strategy combines exclusion, impact, and a "Best in universe" approach and is designed to focus on companies that invest heavily in research and innovation and develop new therapies addressing unmet medical needs. We appreciate companies eager to improve access to medicine, particularly in emerging countries. We also select service providers or technology players that contribute to improving access to medical care and healthcare coverage. These are very important factors when we analyse a company, as they act as clear structural growth drivers for these players.

BIOTECH COMPANIES CAME UNDER GREAT PRESSURE IN 2021. WHAT IS YOUR VIEW ON THIS PARTICULAR SEGMENT?

Generally speaking, biotech companies that are non-profitable, at clinical development stage and generating no income may face major funding difficulties in a context of rising interest rates and reduced market liquidity. The wave of IPOs in 2019 and 2020 – which took place at very high valuations – increased risk levels for the biotech and medical digital technology segments. The severe sell-off may uncover opportunities, but investors should remain very cautious and selective. We have limited our exposure to non-profitable companies to 10% of our investments⁸.

4. World Bank, WHO

5. The messenger RNA technique involves sending the body a fragment of DNA to encourage it to make its own inactive fraction of the virus, as well as the antibodies that will fight this virus.

6. Information on individual stocks should not be construed as reflecting Edmond Rothschild Asset Management (France)'s opinion on the future performance of these same stocks, and where relevant, on the future performance of the securities these companies may issue. This information should not be construed as a recommendation to buy or sell these stocks.

7. The SRI label is a tool enabling investors to select responsible and sustainable products. Created and supported by the French Finance Ministry, the label is designed to improve the visibility of socially responsible investments (SRI) for investors in France and Europe.

8. Current limit monitored by the portfolio management team. The composition of the portfolio may change over time.

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Any information concerning companies shall not be construed as an opinion of Edmond de Rothschild Asset Management (France) on their expected trend or, where relevant, the foreseeable trend of the price of financial instruments they issue. This information shall not be interpreted as a recommendation to buy or sell such securities.

PRINCIPAL INVESTMENT RISKS

This sub-fund is in risk category 6, which reflects the exposure to equity markets of up to 110% of its assets, representing a high risk/reward profile.

The risks described below are not exhaustive. It is up to each investor to analyse the risks associated with each investment and to form their own opinion.

Risk of capital loss: The sub-fund presented in this document does not benefit from any guarantees or protection. Therefore, the capital initially invested may not be returned in full.

Equity risk: The value of a stock can fluctuate due to factors that are specific to the issuing company, as well as exogenous, political or economic factors. Changes in the equity markets, as well as in the convertible bond markets, the performance of which is partially correlated to that of the underlying equities, can lead to significant fluctuations in net assets which can have a negative impact on the net asset value of the UCITS.

Risk related to small- and mid-cap companies: The volume of listed securities on these markets is lower; both upwards and downwards market movements are therefore larger and faster than for large caps. Net asset value can therefore fluctuate rapidly and significantly.

Currency risk: the capital can be exposed to the currency risk in the event that it comprises securities or investments denominated in a currency other than that of the sub-fund. Currency risk corresponds to the risk of a drop in the net asset value of the sub-fund when an investment is made in a non-euro currency and this currency falls against the euro on the forex market. Exposure to this risk can represent up to 100% of net assets. In particular, the sub-fund could be exposed to fluctuations in the British pound, the US dollar and the Swiss franc.

Risk associated with investment in the health sector.

SUB-FUND INFORMATION*

ISIN Codes*

A Share: LU1160356009

I Share: LU1160357403

Front load charge

Maximum 3%

Minimum initial subscription

A Share: 1 share

I Share: 500,000 €

Maximum management charges

A Share: 1.70% maximum

I Share: 0.75% maximum

Variable management fees

15% of performance in excess of the benchmark

Redemption charges: None

Benchmark

MSCI All Country World Healthcare

Recommended investment

horizon: > 5 years

* Shares described herein are the main euro-denominated shares. The fund also has shares in USD, CHF, GBP. Please ask your sales contact for any further information.

The SRI label is a tool for choosing responsible and sustainable investments. Created and

supported by the French Ministry of Finance, the label aims to make socially responsible investment (SRI) products more visible for savers in France and Europe.



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Edmond de Rothschild Asset Management has a Spanish Branch registered with the Comisión Nacional del Mercado de Valores (the "CNMV") under no. 47, with registered office at Paseo de la Castellana, 55 - 28046 - Madrid. The accompanying information does not form part of or constitute an official prospectus for the fund and has not been registered with, verified or approved by the CNMV.

GLOBAL DISTRIBUTOR AND SUB INVESTMENT MANAGER

EDMOND DE ROTHSCHILD ASSET MANAGEMENT (FRANCE)

47, rue du Faubourg Saint-Honoré, 75401 Paris Cedex 08
Société anonyme governed by an executive board
and a supervisory board with capital of 11,033,769 euros
AMF Registration No. GP 04000015 - 332.652.536 R.C.S. Paris

MANAGEMENT COMPANY

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