

THE BROAD SPECTRUM OF HEALTHCARE TECHNOLOGIES HELPING TO GET US OUT OF THIS PANDEMIC

Global stock markets declined in the second half of February as bond yields rose. **This was interpreted as signalling a possible return of inflation, and perhaps an end to the very accommodative monetary policy of the last decade. This prospect of significant change resulted in some sharp rotations in sector and style performance.**

“Value” stocks, those considered more able to return capital quickly to investors, outperformed “growth” stocks, which are those considered to have more exciting long-term prospects. The best performing sectors were those associated with the early stages of an economic recovery, such as financial and fossil energy companies.

The Fund returned -2.2%, underperforming our benchmark MSCI World index which returned +1.6%. Although we are careful with valuations, our sustainability companies have long growth paths and tend to be seen more as “growth” than “value”. We have no exposure to financial companies or fossil energy. We also saw some profit taking in themes which had outperformed the market over the last 12 months.

This meant that we saw weaker performances in our two largest themes, Health and Resource Efficiency. It was partially offset by the strong performance in Sustainable Transport and Water Management.

Our Health theme was the weakest performer this month. The defensive qualities of the healthcare industry, and the anticipation of the end of the pandemic, weighed heavily on sentiment. In terms of individual stock performances, **Cerner** was the largest negative contributor in the theme. Its IT solutions help improve overall patient outcomes while reducing healthcare costs. The share price was under pressure as its core business continued to struggle due to the pandemic.

ICON also contributed negatively in the Health theme. It is one of the leading clinical research organisations (“CROs”). During February it announced plans to acquire a key competitor, PRA Health Sciences. The market was concerned about this large horizontal merger. We are more confident in **ICON**’s ability to integrate the two businesses.

Our Resource Efficiency theme was another underperformer this month. It was largely driven by the poor performance from **Daifuku**. It is a leading provider of warehouse automation solutions. The company announced a new 3-year plan. The market found the targets underwhelming; we think management is being conservative.

Sustainable Transport was our best performing theme this month. It was driven by the strong performance from automotive component suppliers including **Aptiv**, **TE Connectivity** and **Infineon**. Among them, Aptiv was the largest contributor. While all of these companies are enabling the shift to electric vehicles, Aptiv’s product portfolio stands to benefit the most. It has delivered the strongest growth over the market so far. Its technological expertise enables it to provide end-to-end solutions in active safety and power management.

Our Water Management theme was another positive contributor. This was largely due to very strong performance from **Advanced Drainage Systems**. It is a leading provider of stormwater management systems. The products are used to efficiently and safely manage storm and waste water. In addition, it has created a circular economy by using

recycled plastic in its pipes. Its strong share performance was supported by its solid execution and massive margin expansion over the last few quarters.

Last month, we said a correction at some point this year should not come as a surprise. It did not take long to emerge. **We continue to use our long-term lens to look for investment opportunities, and these market rotations often provide them.** We will take the opportunities as they come to invest in attractive opportunities for the long term.

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On 10 January 2020, the first novel coronavirus genome sequence was made public. This accomplishment effectively fired the starting gun in the race to find a treatment for COVID-19. Three decades ago, it took [13 years to sequence the human genome < https://www.nature.com/scitable/topicpage/dna-sequencing-technologies-key-to-the-human-828/>](https://www.nature.com/scitable/topicpage/dna-sequencing-technologies-key-to-the-human-828/). The latest machines will do it in just over [an hour < https://www.sandiegouniontribune.com/business/biotech/sd-me-illumina-novaseq-20170109-story.html>](https://www.sandiegouniontribune.com/business/biotech/sd-me-illumina-novaseq-20170109-story.html).

Advances in genome sequencing and in other healthcare technologies have played a critical role in controlling the COVID-19 pandemic. The most critical healthcare technologies fall into three broad categories: diagnostics, therapy, and vaccination.

Diagnostics – the foundation of an effective treatment strategy

Countries have elected to use different strategies to control infection during the pandemic. Some rely on social distancing and lockdowns, while others count on extensive diagnostics tests. All, however, rely on rapid diagnostics to understand the scale of the pandemic and the speed of transmission. Time is of the essence in the fight against the virus. Rapid diagnostics help interrupt transmission and ensure patients receive effective treatments. **Cepheid** was one of the first companies to develop a rapid molecular diagnostic test for COVID-19. It is a subsidiary of WHEB investee company **Danaher**. Work on a new rapid COVID-19 test started in early February 2020. The test received its Emergency Use Authorization just over a month later, on the 21st of March. The test can be used at the point-of-care and delivers a result in under an hour. [Previous testing technologies < https://www.thelancet.com/journals/lanres/article/PIIS2213-2600\(20\)30526-9/fulltext>](https://www.thelancet.com/journals/lanres/article/PIIS2213-2600(20)30526-9/fulltext) often required more than 24 hours for test results to be confirmed.

Telehealth has also played a critical role in assisting in the deployment and effective use of diagnostics during the pandemic. Telehealth is the use of communication technology to deliver healthcare services. It enables patients to gain access to health services remotely without exposing themselves to high-risk clinical environments. Demand for telehealth has ballooned since the beginning of the pandemic. In the US, [telehealth accounted < https://www.ehrm.org/articles/telehealth-fad-or-the-future/>](https://www.ehrm.org/articles/telehealth-fad-or-the-future/) for 21% of total health 'visits' last July compared to less than 0.01% before the pandemic. **Cerner**, a Healthcare IT company in the WHEB strategy, recently launched a new video care platform to address this growing demand for virtual health solutions.

Developing new therapies to treat COVID-19

As a new virus to human beings, there were of course no existing treatments for COVID-19. With the growing scale and severity of the pandemic, researchers did not have time to develop entirely new treatments which typically take years if not decades to come to fruition. Instead, using new artificial intelligence ("AI") technologies, researchers tried to find existing drugs that could be used to treat the disease. Known as ['drug repurposing < https://www.sciencedirect.com/topics/medicine-and-dentistry/drug-repositioning>](https://www.sciencedirect.com/topics/medicine-and-dentistry/drug-repositioning)', this process can also take many years. AI was used to dramatically accelerate the process of discovery, screening and validation. [Several companies < https://www.futuremedicine.com/doi/full/10.2217/fvl-2020-0130>](https://www.futuremedicine.com/doi/full/10.2217/fvl-2020-0130) have successfully used AI algorithms to identify drug candidates that can be repurposed for COVID-19.

Unprecedented pace of vaccine research and development

In addition to developing therapies for treating the disease, huge efforts have been made to develop vaccines that prevent the disease from developing in the first place. While vaccines are not a silver bullet to end the pandemic, they are our best shot to return to some semblance of normality.

The pace at which healthcare businesses have developed and approved COVID-19 vaccines is entirely without precedent. A vaccine has rarely been developed in less than 5 years. We now have several approved vaccines that have been developed and approved in under one year. WHEB's investee company **ICON** is a clinical research organisation which conducts trials on behalf of pharmaceutical companies. Since the beginning of the pandemic, the company has supported more than [80 COVID-19 related projects < https://www2.iconplc.com/Vaccines_Factsheet/>](https://www2.iconplc.com/Vaccines_Factsheet/). One of them included the [clinical trials of the Pfizer and BioNTech < https://www.iconplc.com/news-events/press-releases/icon-pfizer-biontech/>](https://www.iconplc.com/news-events/press-releases/icon-pfizer-biontech/) vaccine. It was the first vaccine with positive efficacy results from a phase 3 study and was approved just seven months after the start of clinical trials! This extraordinarily rapid process was made possible using innovative approaches and technologies that enabled ICON and their clients to set up testing infrastructure rapidly, recruit patients and conduct monitoring and assessment, often remotely.

Supporting healthier populations

There is an abundance of evidence that pandemics like COVID-19 are becoming increasingly common occurrences. The reasons for this are [not expected to change < https://www.gavi.org/vaccineswork/5-reasons-why-pandemics-like-covid-19-are-becoming-more-likely/>](https://www.gavi.org/vaccineswork/5-reasons-why-pandemics-like-covid-19-are-becoming-more-likely/) any time soon. One way to prevent these pandemics from having such a devastating impact though is to ensure that global populations are healthier. 94% of deaths involving COVID-19 in the US had at least one underlying health condition, according to [one study < https://www.cdc.gov/mmwr/volumes/69/wr/mm6913e2.htm>](https://www.cdc.gov/mmwr/volumes/69/wr/mm6913e2.htm). In the UK, 74% of critically ill COVID patients were either [overweight or obese < https://www.worldobesity.org/news/obesity-and-covid-19-policy-statement/>](https://www.worldobesity.org/news/obesity-and-covid-19-policy-statement/). Supporting better underlying health in the community is one important way to reduce the death toll of future pandemics. Here too, healthcare technologies can play an important role. The most effective approaches involve prevention and optimal disease management. Both of which can be facilitated by electronic health records (EHRs) and population health management. Cerner is a leading player in both areas. Population health analytics can make use of EHR data to provide more precisely targeted preventative healthcare that ensure patients remain healthy.

One early conclusion that we can draw from the COVID-19 pandemic is the critical importance of advanced healthcare technologies. When the next pandemic happens, as it almost inevitably will, we can be all but certain that they will play an important role again.

TOP HOLDINGS (ALPHABETICALLY)



Agilent Technologies

United States

Health Care



Cerner

United States

Health Care



CSL

Australia

Health Care



Daifuku

Japan

Industrials



Danaher

United States

Health Care



Ecolab

United States

Materials



Intertek Group

United Kingdom

Industrials



Linde

United Kingdom

Materials



MSA Safety

United States

Industrials

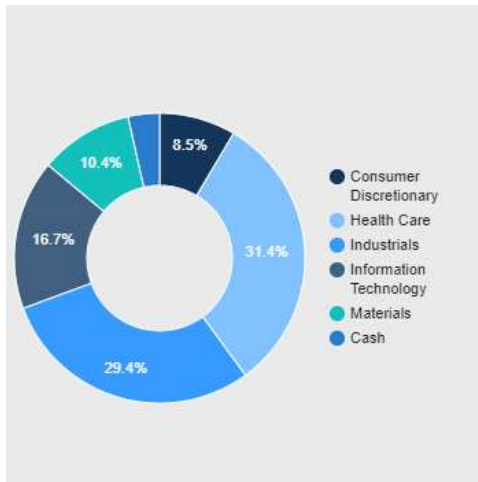


Thermo Fisher Scientific

United States

Health Care

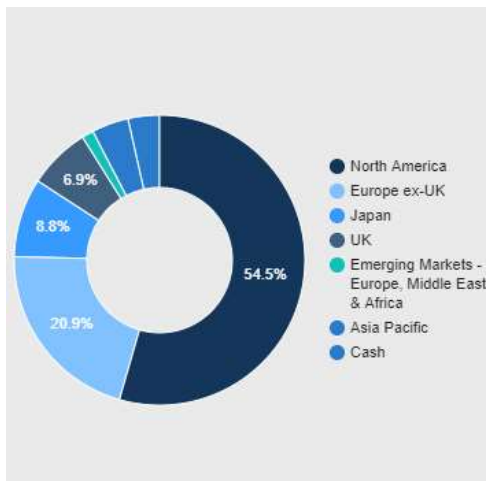
SECTOR BREAKDOWN



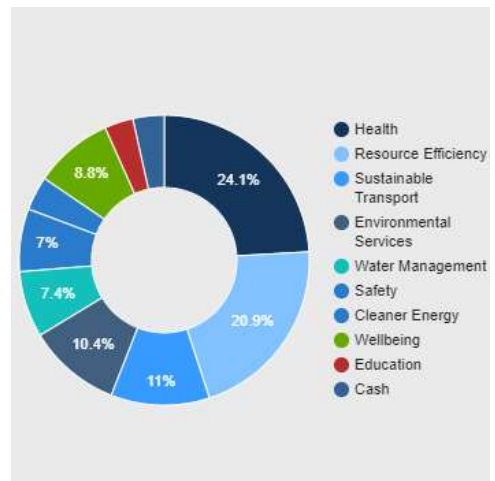
CAPITALISATION BREAKDOWN



REGION BREAKDOWN



THEME



FUND PERFORMANCE

NET PERFORMANCE FOR PERIODS ENDING 28 FEB 2021¹

	1 MONTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION
Fund	-2.2%	13.7%	10.0%		
Strategy (partial simulation ²)				11.2%	6.4%
Benchmark	1.6%	7.7%	11.0%	12.3%	6.4%

FUND PERFORMANCE

NET PERFORMANCE SINCE INCEPTION²



VOLATILITY³

13.1%

NUMBER OF STOCKS

46

FUND MANAGERS



Ted Franks

Partner, Fund Manager



Seb Beloe

Partner, Head of Research

FEATURES

PORTFOLIO MANAGERS	Ted Franks Seb Beloe
APIR CODE	HHA0007AU
REDEMPTION PRICE	A\$ 1.4054
FEES *	Management Fee: 1.35%
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 100.93m
FUND INCEPTION DATE	31 October 2007

DESCRIPTION

The Pengana WHEB Sustainable Impact Fund invests in companies with activities providing solutions to sustainability challenges. WHEB have identified critical environmental and social challenges facing the global population over coming decades including a growing and ageing population, increasing resource scarcity, urbanisation and globalisation. The Fund invests in companies providing solutions to these sustainability challenges via nine sustainable investment themes – five of these are environmental (cleaner energy, environmental services, resource efficiency, sustainable transport and water management) and four are social (education, health, safety and well-being). WHEB's mission is 'to advance sustainability and create prosperity through positive impact investments.'

1. From August 2017, performance figures are those of the Pengana WHEB Sustainable Impact Fund's class A units (net of fees and including reinvestment of distributions). The strategy's AUD performance between January 2006 and July 2017 has been simulated by Pengana from the monthly net GBP returns of the Henderson Industries of the Future Fund (from 1 January 2006 to 31 December 2011) and the FP WHEB Sustainability Fund (from 30 April 2012 to 31 July 2017). This was done by: 1) converting the GBP denominated net returns to AUD using FactSet's month-end FX rates (London 4PM); 2) adding back the relevant fund's monthly ongoing charge figure; then 3) deducting the Pengana WHEB Sustainable Impact Fund's management fee of 1.35% p.a. The WHEB Listed Equity strategy did not operate between 1 January 2012 and 29 April 2012 – during this period returns are zeroed. The Henderson Industries of the Future Fund's and the FP WHEB Sustainability Fund's GBP net track record data is historical. Past performance is not a reliable indicator of future performance. The value of the investment can go up or down.

2. The Fund inceptioned on 31 October 2007 as the Hunter Hall Global Deep Green Trust. The Fund was relaunched on 1 August 2017 as the Pengana WHEB Sustainable Impact Fund employing the WHEB Listed Equity strategy. This strategy was first employed on 1 January 2006 by the Henderson Industries of the Future Fund and currently by the FP WHEB Sustainability Fund.

3. Annualised standard deviation since inception.

4. Relative to MSCI World Total Return Index (net, AUD unhedged)

* For further information regarding fees please see the PDS available on our website.

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