

Thematic Insights Future Health Improved Hygiene: Killing Germs, Saving Lives

J. Safra Sarasin Asset Management
Q3/2020

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Commentary from the Portfolio Management Team

Increased market volatility in third quarter

The third quarter was a positive albeit volatile one for equity markets in general, including our strategy. Up until July the fund delivered a strong performance, but since then investors have grown more concerned about economic, political and health challenges, and as a result performance remained flat. As we anticipated in our previous reports, public health concerns related to COVID-19 are not abating. Despite a likely (but limited in scope) vaccine approval before year-end, we don't expect an improvement in consumer activity and a 'return-to-normal' until at least mid-next year.

On the political front, the recent death of Supreme Court Justice Ruth Bader Ginsburg (RBG) has reignited discussions about the political and judiciary landscape in the US. In this context, investors are increasingly worried about the myriad of potential US healthcare reform outcomes and potential negative implications for therapeutics and health insurance companies. Despite these economic, health and political worries our fund returned 6.83% over the quarter (Y-share, USD acc): slightly below the broader equity market, but ahead of most peer health funds and substantially ahead of the healthcare index. Year-to-date performance stands at 14.7% (Y-share, USD acc).

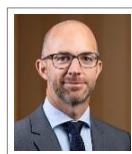
Structural health growth themes continue to pay off

Our portfolio continues to benefit from strong performance contributions across several of our key focus areas in digital health (Teladoc), life science tools & diagnostics (Thermo Fisher, Danaher), home health (LHC Group), and bio-pharma (Horizon Therapeutics). Furthermore our overall growth portfolio exposure combined with selective investments in small & mid cap companies continues to pay off in terms of superior performance versus equity healthcare market indexes.

We don't expect a smooth economic recovery over the coming months because of political and public health uncertainties. We anticipate a vaccine and US election-related events to impact healthcare. As such, we intend to keep the portfolio well balanced with substantial structural growth exposure to digital health, life science tools and diagnostics, and innovative medical technology companies. At the same time we keep a stable portfolio allocation to innovative bio-pharma leaders. Thirdly, we complement our balanced approach with cyclical health fitness and technology exposure that can benefit from the ongoing economic recovery. In summary, we expect that the pronounced performance difference between agile, adaptive companies and 'business-as-usual' backward-oriented business models will continue to widen.

The polarization between winners and losers will continue

As of today it is difficult to identify conclusive market patterns or underlying economic data that could trigger major portfolio shifts in the short term. As soon as we see evidence of a sustained cyclical recovery driven by improved public health conditions we



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Lead Portfolio
Manager



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Portfolio Manager



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Portfolio Manager

may decide to allocate more to cyclical consumer health business models in dental or vision care, as well as strengthen our elective surgery exposure. We'd however like to caution investors that, in our view, the economic recovery is fragile and current company valuations already reflect substantial recovery expectations. For the upcoming Q3 earnings season we stay alert and are prepared to take actions if the underlying business conditions change or investment cases develop in the wrong directions. This earnings season will provide very important insights into which companies will come out of the COVID-19 crisis stronger than before and will prevail in the mid- and long-term.

Over the past weeks we attended numerous virtual company meetings and conferences in order to identify new business models and validate existing investment cases. As a result, we've built up a good "reserve bench" of innovative quality health companies in our favoured thematic areas. As always, we stick to our investment principles to manage a well-balanced, resilient and growth-driven thematic health portfolio for the long-term benefit of our investors.

Improved hygiene: Tackling visible & invisible pandemics

The COVID-19 pandemic has boosted demand for hygiene and personal protection equipment (PPE) products in hospital, elderly care and private settings. While sales will inevitably taper off after the pandemic phase of the virus, we see a longer-lasting tail benefit driven by change in consumer behaviour. As any good doctor will tell you, preventing is better than curing. We see improved hygiene as a long-term structural consumer health trend with several growth drivers.



Learn more about
**Improved Hygiene:
Killing Germs, Saving Lives**
in our thematic insights on the next
page.

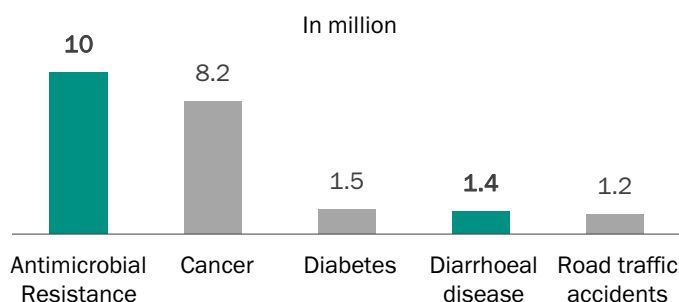
Improved Hygiene: Killing Germs, Saving Lives



Good hygiene is an important driver of human health within a population. This can take the form of personal hygiene using soap or hand sanitizers, personal protective equipment (PPE), food hygiene, sterilization of equipment in hospitals/ food processing, and monitoring microbes within environments. There has been an increased focus on good hygiene as a form of first defence against infectious diseases during the COVID-19 outbreak, and we expect this change in behaviour to persist post-pandemic as individuals take more responsibility for their own health. On an organisational level, we anticipate that improved hygiene strategies will remain in place post-pandemic for risk-mitigation, as a way of improving productivity by reducing absenteeism, and to help fight against antimicrobial resistance.

Poor hygiene could lead to more deaths than cancer by 2050

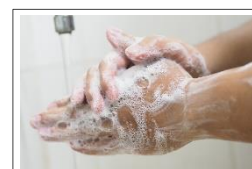
Poor hygiene as a driver of both diarrheal disease and antimicrobial resistance will be a leading cause of death in 2050.¹



Improving hygiene can significantly improve social outcomes

As infectious diseases are primarily transmitted through hands, improving access to hygiene products can have immediate benefits.

Studies have shown that the use of hand sanitizers in classroom can reduce student absenteeism by almost 42%²



Personal protective equipment is witnessing strong growth

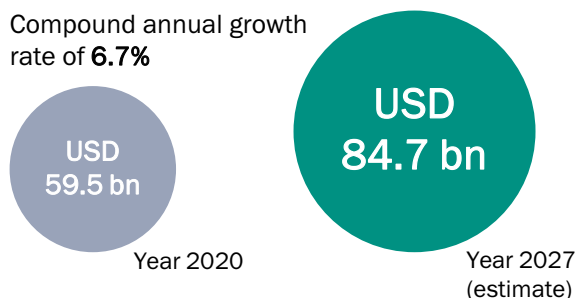
Consumers and workers are creating a rising demand for hand protection, respiratory protection, and protective clothing.



While the COVID-19 pandemic will boost sales for such products momentarily, long-term drivers are here to stay.

Personal Protective Equipment Market

Compound annual growth rate of 6.7%



Case study – Reckitt Benckiser

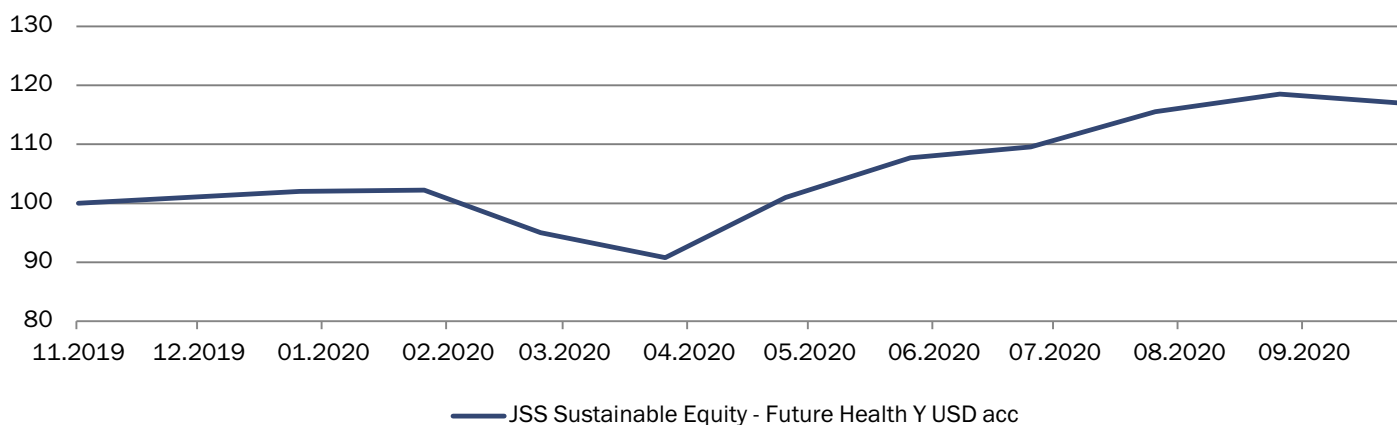
Leading company providing game-changing products to improve hygiene.



¹ Source: World Health Organization, New report calls for urgent action to avert antimicrobial resistance crisis, 29.04.2019. ² Source: Europe PMC, Alcohol-free instant hand sanitizer reduces elementary school illness absenteeism, 01.10.2020. ³ Source: Cision PR Newswire, Personal Protective Equipment Market Could Exceed \$84 Billion By 2027, 16.09.2020. ⁴ Source: Reuters, RTE news, 28.07.2020. The company presented is provided as an example investment and might not be part of the investment portfolio of the fund. The example is given for illustrative purposes only and does not account for individual circumstances of potential investors. Pictures from Gettyimages

Performance Report

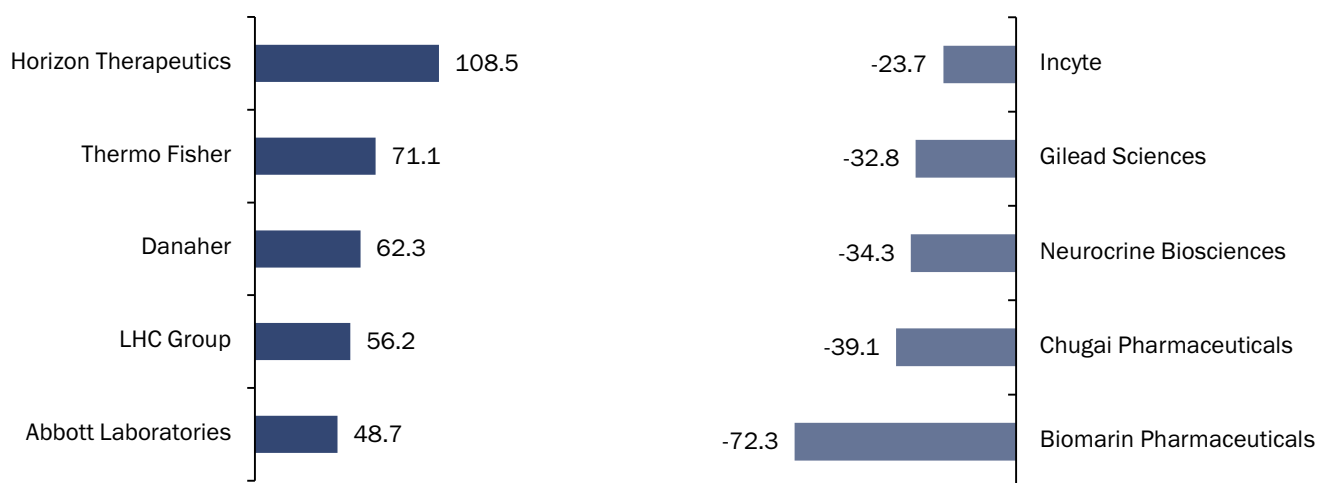
Historical net performance since inception (in USD; 06.11.2019 – 30.09.2020)



Monthly net performance since inception in % (Y USD acc)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	0.23%	-7.05%	-4.49%	11.28%	6.63%	1.69%	5.49%	2.58%	-1.27%				14.7%
2019											4.17%	2.03%	6.2%

Top 5 and bottom 5 contributors to return (Period: 01.07.2020 – 30.09.2020, in bps)



Source: Bank J. Safra Sarasin Ltd, Datastream, Bloomberg, as of 30.09.2020. Past performance is no indicator or guarantee for future performance.

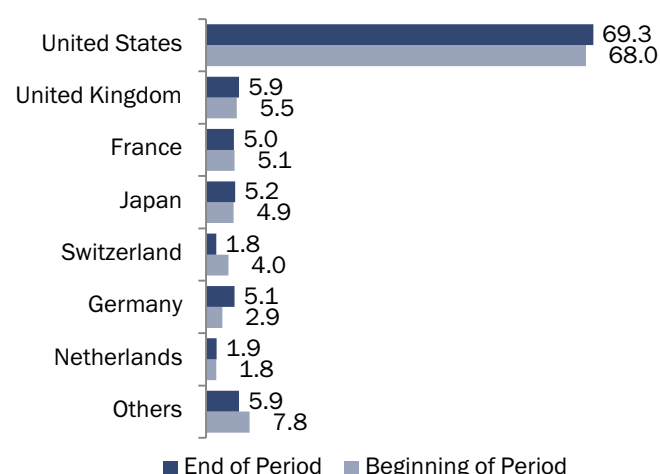
Allocations Report

Top 10 holdings (as of 30.09.2020)

Security	Country	Sector	Theme	Weight (%)
Thermo Fisher	United States	Health Care	Prevention & Diagnostics	4.2%
Danaher	United States	Health Care	Prevention & Diagnostics	3.4%
Medtronic	United States	Health Care	Treatment	3.3%
AstraZeneca	United Kingdom	Health Care	Treatment	3.2%
Abbott Laboratories	United States	Health Care	Treatment	3.1%
Horizon Therapeutics	United States	Health Care	Treatment	2.9%
LHC Group	United States	Health Care	Infrastructure & Technology	2.8%
Sanofi	France	Health Care	Treatment	2.8%
Reckitt Benckiser	United Kingdom	Consumer Staples	Prevention & Diagnostics	2.7%
Iqvia Holdings	United States	Health Care	Prevention & Diagnostics	2.5%
Total				31.0%

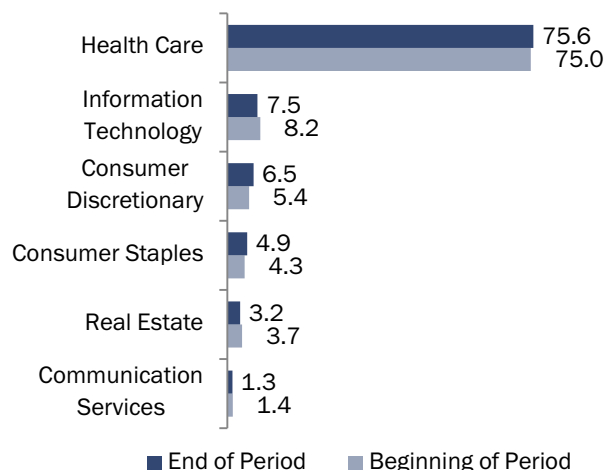
Geographical allocation in%

(Period: 01.07.2020 – 30.09.2020)



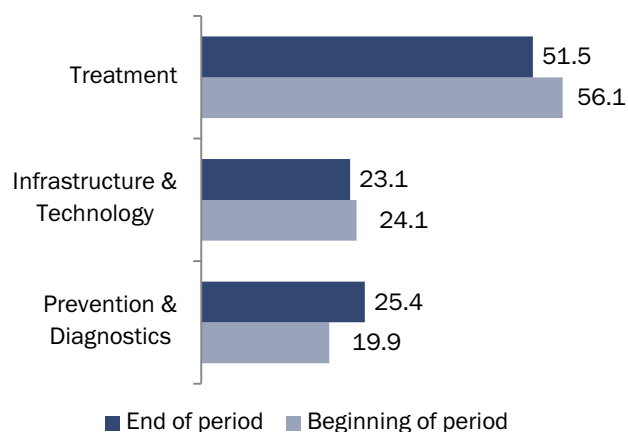
Sector allocation in%

(Period: 01.07.2020 – 30.09.2020)



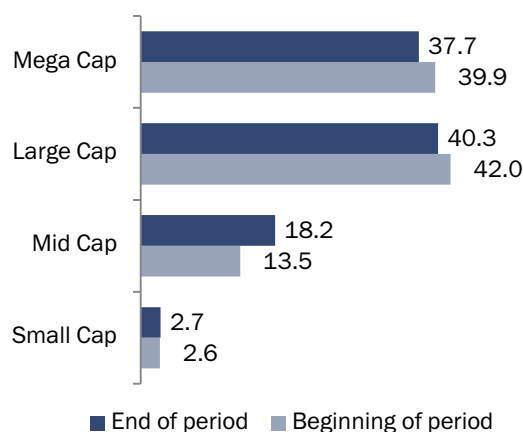
Thematic allocation in%

(Period: 01.07.2020 – 30.09.2020)



Size allocation in%

(Period: 01.07.2020 – 30.09.2020)



Source: Bank J. Safra Sarasin Ltd, Datastream, Bloomberg, as of 30.09.2020. Allocations may change without notice.

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