



Thematic Insights Future Health Liquid Biopsy: A Game-Changer to Detect and Monitor Cancer

J. Safra Sarasin Sustainable Asset Management
Q1/2021

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Commentary from the Portfolio Management Team

Accelerated equity market rotation

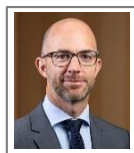
The first quarter of 2021 was marked by strong political and fiscal infrastructure announcements from the new US president. This news accelerated the growth-to-value equity market rotation. At the same time the USA is well on track to vaccinate its whole adult population before the summer break. This is a tremendous achievement by the new US administration. The improved health outlook for the US has powered the equity markets higher, thanks to stronger economic growth forecasts. In this market context, the business models that benefit most from a cyclical reopening, for instance in the Energy, Industrials, Financial and Materials sectors, performed the strongest. The JSS Sustainable Equity – Future Health fund lagged the overall equity market and its reference index. Our fund was mainly impacted by the negative style exposure to structural and disruptive growth companies, which make up roughly half of the portfolio. In particular the small and mid-cap biotech, digital health, and life science & diagnostic companies suffered the most in this market rotation. We continue to have high confidence in their underlying business models and the technological moat of our holdings. Despite the quarterly performance set-back (-3.7%, P USD acc) our conviction in the underlying future health themes remain unchanged. We continue to offer a specialised, growth-oriented health portfolio.

Strengthening economic reopening investment cases

At the same time, we gained confidence in an accelerated economic re-opening scenario, supported by unprecedented fiscal and monetary measures. This development led us to invest in three new cyclically exposed portfolio holdings. We bought Envista Holdings (US dental company), which benefits from two new product cycles and improving US dental office visits. Furthermore, we added Planet Fitness to our portfolio. It is a leading, low cost fitness centre operator in the USA. We believe it will exit the pandemic in a strong position with ambitious consolidation plans in a disrupted industry. We also bought HCA (US hospital), which stands to benefit from recovering US patient volumes.

Liquid biopsy paves the way for cancer detection and monitoring

If it hadn't been for the COVID-19 pandemic, the focus within healthcare in 2020 would have been on the clinical & business advancements in two separate technologies, gene editing and liquid biopsies. For liquid biopsies, the concept and size of the total addressable market (TAM, see next page) is very compelling.



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Liquid biopsies are an advanced form of diagnostics, which turns the diagnosis of cancer into a process that is as simple as getting your cholesterol checked. Using genetic sequencing, the mutated DNA can be detected from either circulating tumour cells or/and circulating cell-free tumour DNA (cancer cells shed small amounts of DNA that circulate in a patient's blood). Recent proof-of-concept clinical trial studies have shown that liquid biopsies can show what stage the cancer has reached, and what type of cancer (i.e. breast vs. lung cancer) the patient has. It will take some time to optimize, validate, and prove the value (price for reimbursement) of this approach before it is widespread, but niche examples of this technology in use are already being rolled-out (e.g. colon cancer in stool). This technology is being investigated for treatment optimization, detection of residual disease, and recurrence monitoring. However, in our view, the larger market and ultimate use of this technology is in general screening. Much like how biomarkers such as cholesterol, liver enzymes, or kidney function are monitored regularly in people over 45 years old, in the future, cancer will also be routinely screened in the same way. The strategy has exposure to liquid biopsies through holdings in Exact Sciences, Natera, and Thermo Fisher.



Learn more about **Liquid Biopsy**
in our thematic insights on the next page.

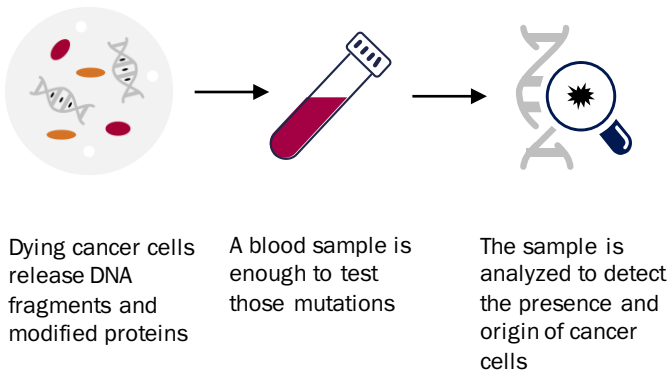
Liquid Biopsy: A Game-changer to Detect and Monitor Cancer



One of the main priorities in cancer research is to detect cancer cells at an early stage, before they start to spread. A novel and revolutionary approach, known as liquid biopsy, which requires only a blood sample, is leading the way.

The blood sample is sufficient to detect biomarkers – which are DNA fragments and modified proteins excreted by unhealthy cells into the bloodstream. This minimally invasive diagnostic solution will have applications beyond oncology, including in areas related to reproductive health and infectious diseases. The technology has a powerful impact throughout the patient journey, from early detection, diagnosis, therapy and recurrence monitoring.

How do liquid biopsies work?¹



Offering many advantages to patients and doctors

QUICKER²
delivers results faster than tissue biopsies

CHEAPER³
can reduce costs significantly

10 days on average

Up to 10x

PAINLESS⁴
only requires a blood sample, saliva or other physiological fluids

RELIABLE
results can indicate where the cancer originated and its level of aggressiveness

Liquid biopsies are set to disrupt the market



Growth drivers⁶:

- ✓ Increasing prevalence of cancer in older populations
- ✓ Patient preference for minimally invasive procedures
- ✓ Governmental initiatives to encourage early cancer detection programmes

Case study – Exact Sciences, leading the fight against cancer

EXACT SCIENCES

Global leader in cancer testing⁷

Leverage their existing biomarker-based technologies to detect cancer

Potential to identify **15** types of cancer

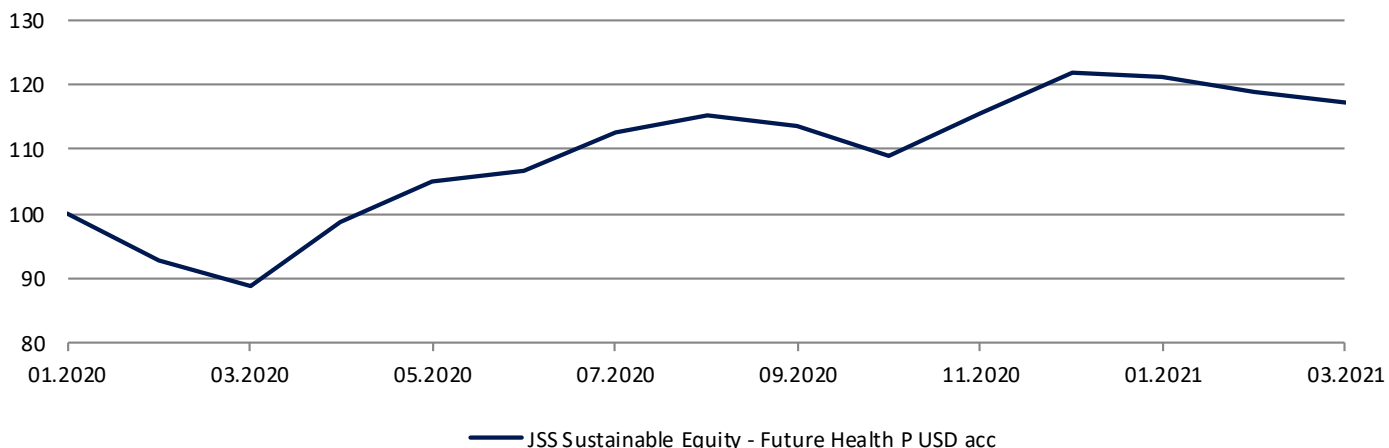
Aim to develop solutions capable of detecting tumours before they spread

Hereditary testing Screening Diagnosis Recurrence monitoring Therapy selection Response monitoring

Sources: ¹ breastcancernews.org, Personalised 'Liquid Biopsy' Could Detect Return of Breast Cancer Nearly Eleven Months Earlier Than Hospital Scans, April 2021 ² The ASCO Post, Pilot Study Finds Liquid Biopsy Delivers Results Faster Than Tissue Biopsy, October 2020; ³ BioSpace, As Liquid Biopsies Grow, Who's Going to Pay?, September 2018, ⁴ www.sichh.ch, Liquid Biopsy for the Early Detection of Diseases, April 2021; ⁵ businesswire.com, February 2021; ⁶ Illumina, report; Bank J. Safra Sarasin Ltd 2021; ⁷ Medtechhive.com, Exact Sciences Wows Investors With Preliminary Multi-cancer Liquid Biopsy Data. 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.

Performance Report

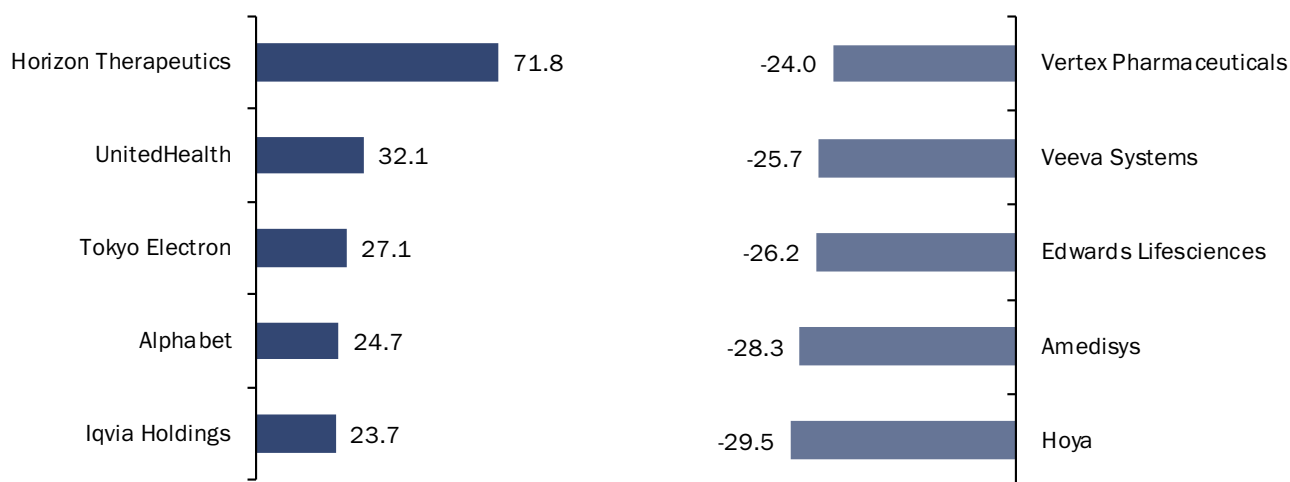
Historical net performance since inception (in USD; 21.01.2020 – 31.03.2021)



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

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year |
|-------------|--------|--------|--------|--------|-------|-------|-------|-------|--------|--------|-------|-------|--------|
| 2021 | -0.58% | -1.75% | -1.42% | | | | | | | | | | -3.75% |
| 2020 | -3.36% | -7.13% | -4.57% | 11.19% | 6.55% | 1.61% | 5.39% | 2.48% | -1.35% | -4.14% | 6.17% | 5.25% | 18.09% |

Top 5 and bottom 5 contributors to return (Period: 01.01.2021 – 31.03.2021, in bps)



Source: Bank J. Safra Sarasin Ltd, Datastream, Bloomberg, as of 31.03.2021. Past performance is no indicator or guarantee for future performance.

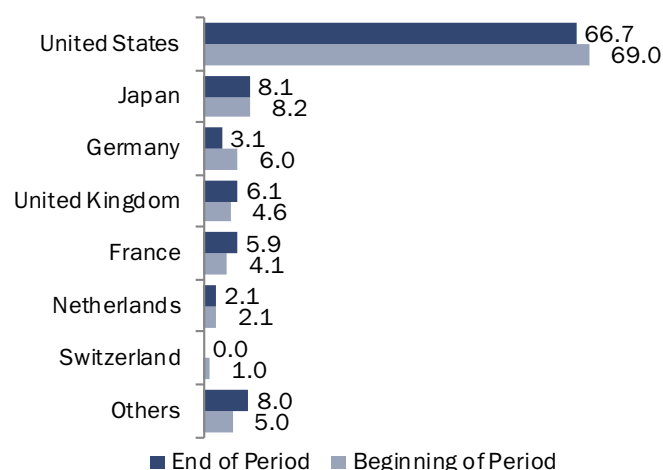
Allocations Report

Top 10 holdings (as of 31.03.2021)

| Security | Country | Sector | Theme | Weight (%) |
|--------------------------|----------------|------------------------|-----------------------------|--------------|
| UnitedHealth | United States | Health Care | Infrastructure & Technology | 4.0% |
| AstraZeneca | United Kingdom | Health Care | Treatment | 3.4% |
| EssilorLuxottica | France | Consumer Discretionary | Prevention & Diagnostics | 3.4% |
| Thermo Fisher Scientific | United States | Health Care | Prevention & Diagnostics | 3.3% |
| Iqvia Holdings | United States | Health Care | Prevention & Diagnostics | 3.1% |
| Edwards Lifesciences | United States | Health Care | Treatment | 3.0% |
| Johnson&Johnson | United States | Health Care | Treatment | 3.0% |
| Medtronic | United States | Health Care | Treatment | 3.0% |
| Amedisys | United States | Health Care | Infrastructure & Technology | 3.0% |
| Smith&Nephew | United Kingdom | Health Care | Treatment | 2.7% |
| Total | | | | 31.9% |

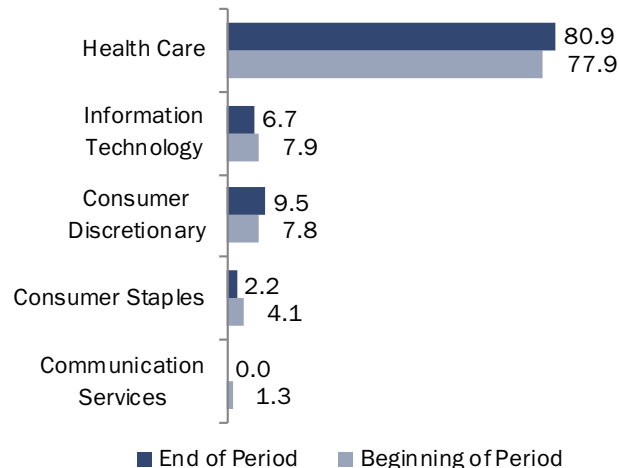
Geographical allocation in%

(Period: 01.01.2021 – 31.03.202)



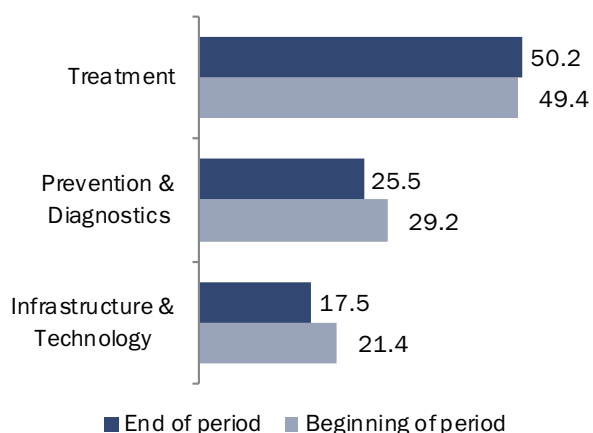
Sector allocation in%

(Period: 01.01.2021 – 31.03.202)



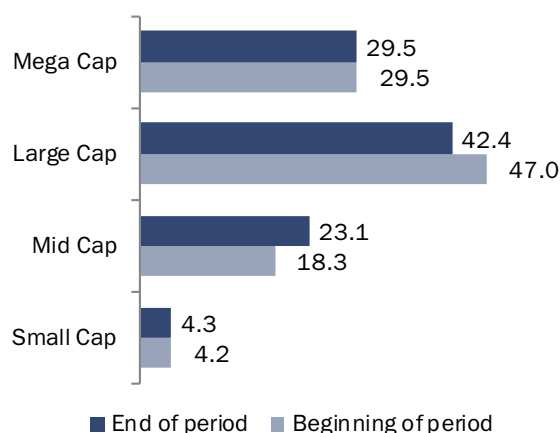
Thematic allocation in%

(Period: 01.01.2021 – 31.03.202)



Size allocation in%

(Period: 01.01.2021 – 31.03.202)



Source: Bank J. Safra Sarasin Ltd, Datastream, Bloomberg, as of 31.03.2021. Allocations may change without notice.

Pictures from Gettyimages, otherwise specified.

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