

# Transforming Organ Transplantation Thematic Insights Future Health

J. Safra Sarasin Sustainable Asset Management  
Q2/2022

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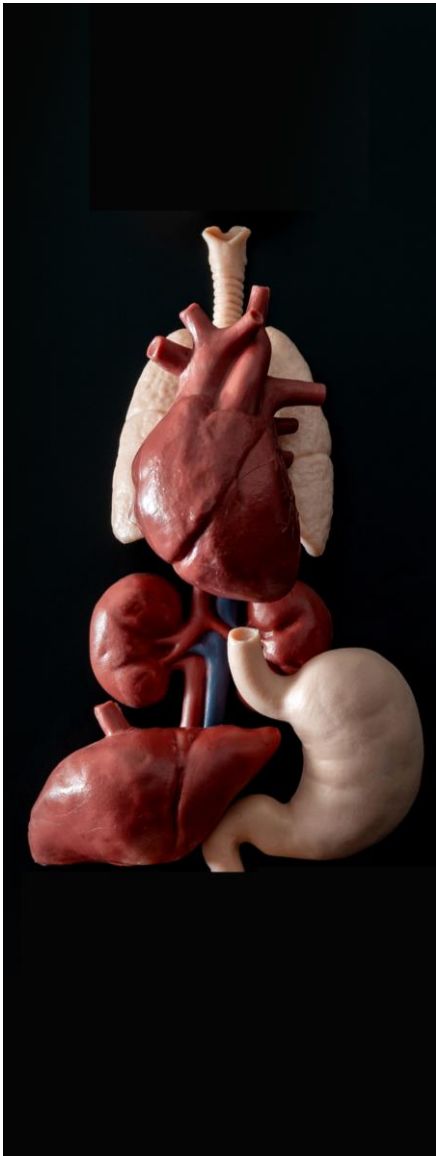
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## Transforming Organ Transplantation

### Better Survival Rate Increases Transplantation Demand

Since the first successful inter-human organ transplantation (allograft of a kidney) was performed between two twin brothers in 1954, the science and technology have improved leaps and bounds to also allow allografts between genetically differentiated people. Thanks to modern immunosuppressive drugs, survival following allografts has improved from mere days to years, depending on the organ. Due to improved survival rates and the rise in chronic diseases, where the end-solution is often only organ transplantation, demand for organs outstrips supply in most countries. There is a lack of donors, even from the deceased. The problem is exacerbated by the fact that 75%-80% of donated organs go to waste, because they can't get to properly matched recipients quickly enough to allow for viable a transplantation. Here, the problems are two-fold. First, the donor-recipient matching process is still too slow. Second, organs aren't ideally sustained to extend their viability long enough to be successfully transplanted.

### OCS: Transformative Technology to Relieve Backlog

TransMedics, a new small-cap addition in Q2/2022 to the fund, developed a disruptive new technology called the Organ Care System (OCS) that could help relieve the second problem contributing to organ waste. The OCS simulates the natural living condition of the organ outside the body, providing it with sufficient oxygen and blood supply at body temperature, to allow for an extension of the viability of the organs. This contrasts with the current standard of care, whereby the organ is kept in a static state in cold storage. Thus, more organs would be available and in better condition for transplantation. In clinical trials, 81%-89% of OCS managed organs could be utilised for allografts versus 0%-28% of cold storage organs. The effective costs associated with transplantation would also drop with this transformative technology, which has now been approved for lung, heart and liver allografts. In addition to the OCS, TransMedics has established, in the past year, the National OCS Program (NOP) to further expedite the time from donor harvest to transplantation into the recipient by facilitating the quick pick-up and delivery of the organ in an OCS. The NOP has led the OCS to enter the hyper-growth phase (+126% yoy in Q1/2022) of its life-cycle as hospitals and organ transplantation centres increasingly work with TransMedics to handle the organs post-harvest. We believe that it's only a matter of time until OCS will become the new standard of care in each of these multi-billion dollar organ transplantation market.

### Thematic Insights brought to you by the Future Health Team



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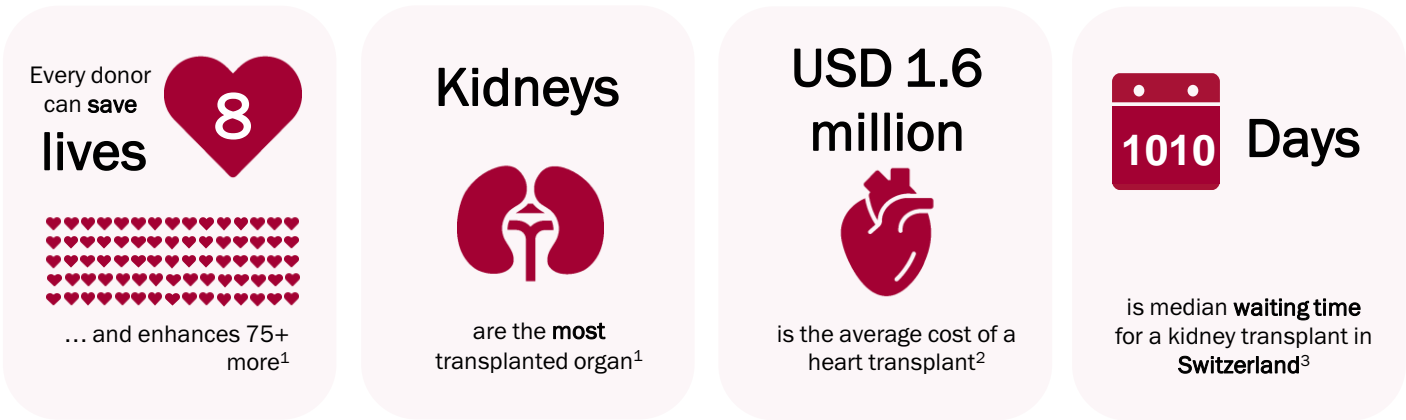


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## Organ Transplant in Figures



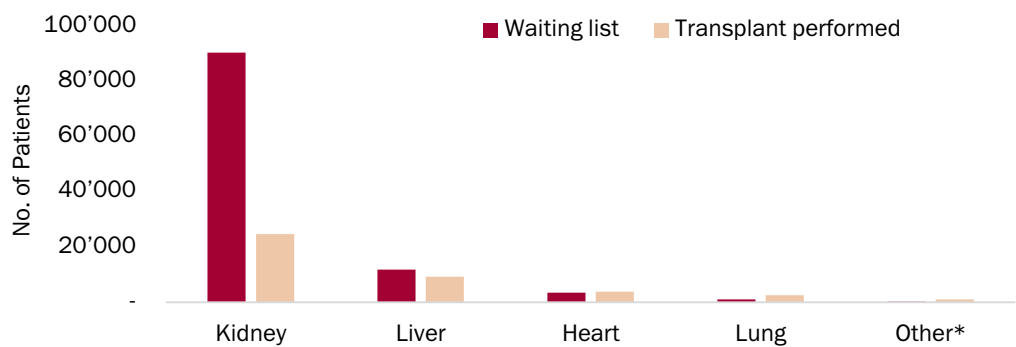
Most transplants are carried out in the US and in EU, where there are more donors and better access to such procedures.

## We are Facing an Organ Shortage Crisis

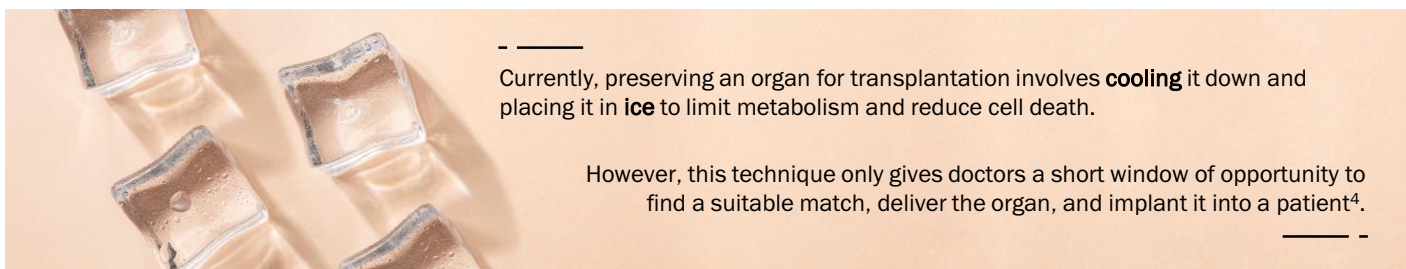
Soaring demand<sup>1</sup>

Every **9 minutes** another person is **added** to the transplant **waiting list** (US, 2022)

Patients on waiting list vs. that received transplants, by organ type (US, 2021)<sup>1</sup>



## A Race Against Time



The heart is the organ which loses viability the fastest when kept in ice. After 4 hours, cell functions begin to degrade and the likelihood that the organ will malfunction rises dramatically<sup>5</sup>.

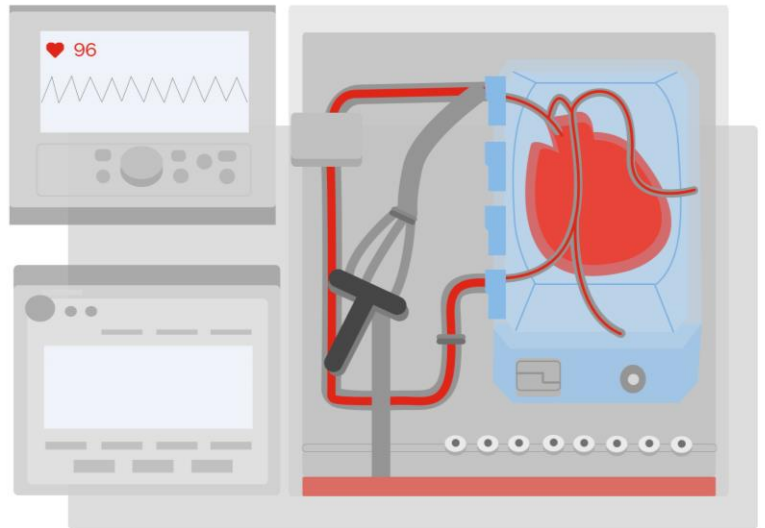
Sources: <sup>1</sup>Organdonor.gov, Organ Donation Statistics, March 2022; <sup>2</sup>Stanford University, Study: Integrating Bioprinted Organs into Our Healthcare System, 2021; <sup>3</sup>Swiss Transplant, April 2022; <sup>4</sup>Proto Magazine, Article: Organs on Ice, March 2018; <sup>5</sup>LiveScience, December 2019.  
\*other includes allograft transplants (e.g. face, hands, abdominal wall)



## TransMedics’s Organ Care System

### A ground-breaking technology<sup>6</sup>

The Organ Care System (OCS) is a mobile perfusion system that makes it possible to preserve and transport organs outside of the body in a functioning state (e.g. keep the heart beating) as the technology can replicate many aspects of the human body. In addition, the embedded monitors allow for real-time diagnostics and optimisation of organs throughout transportation to maximise the likelihood of survivability.



The OCS marks a shift in organ transplant by moving from a static state (cold storage) to a dynamic environment mimicking human body function and ongoing monitoring.

### Providing Major Benefits<sup>7</sup>



The **average waiting time** for a heart transplant recipient is reduced by up to **25%**



OCS enables organs to be stored for **up to 10 hours** rather than 4 hours (using cold storage), **increasing the timeframe** to perform a transplant



Results have shown **severe post-transplant lung complications** are reduced by up to **50%**

OCS maximises heart, lung, and liver transplant volumes, ultimately providing transplant patients with better outcomes.

## TransMedics: Transforming the Organ Transplant Industry



Early-stage US based medical technology innovator

#### A company with a leading edge:

- OCS lung in commercial use since June 2019
- The only FDA approved technology for extracorporeal perfusion and preservation of donor hearts in the U.S.
- c.200 issued patents and pending patent applications worldwide

**This innovation supports the achievement of SDG 3 (Good Health and Well-Being)**

# Future Health Fund Update



## Recession Fears Dampen Investor Sentiment

Despite a solid Q1 earnings season the negative investor sentiment has not changed over the past 3 months. The equity market volatility remains high due to ongoing challenges in many aspects, we will examine 5 of those important factors. Firstly, the geopolitical situation in the Ukraine has not improved, and a trustworthy ceasefire agreement seems out of reach in the short term. Secondly, the zero-covid policy in China remains fundamentally in place, despite headlines of easing in Shanghai, thus causing a high level of uncertainty for Chinese consumers and businesses. Thirdly, the inflation across many regions (US and Europe) remains very high and it has started to impact consumer confidence and disposable real income. Fourthly, supply chain pressure as evidenced by the recently published Global Supply Chain Index figures continue to impact manufacturing across many sectors. Fifth, the US Federal Reserve and other central banks are holding onto their communicated path towards more interest rate hikes over the coming quarters. This cocktail of economic and geopolitical challenges has led to elevated recession fears and a negative investor sentiment.

## Equity Market Outlook Remains Challenging

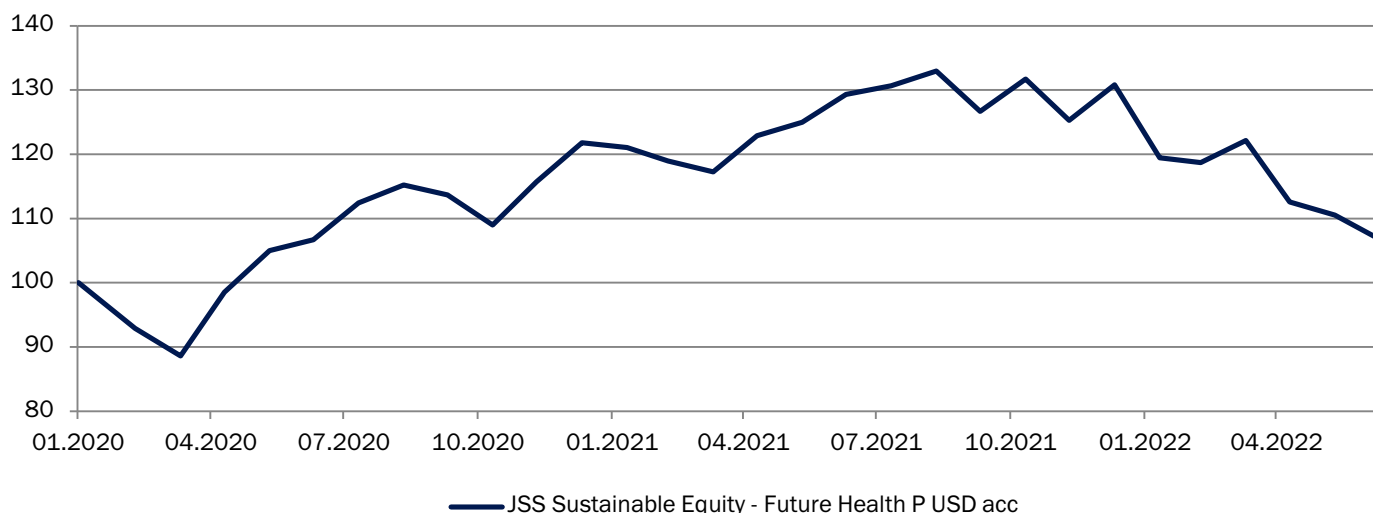
Driven by this economic and geopolitical situation, the outlook for equity markets remains cloudy. The risk of a global recession has risen significantly. In particular, companies' currently high operating margins and earnings are at risk. With consumer confidence and spending falling, consumer-related stocks will likely continue to struggle. In such an environment, it is difficult to assess the fair valuation of the equity market and of single investments. Valuations have come down a lot and reflect pessimism. Nevertheless, over the coming months the focus on earnings stability, pricing power and business visibility will be much more important than in a stable and growing environment.

## Fund Positioning and Portfolio Actions Towards Higher Profitability

During Q2 2022, the fund significantly outperformed the broader equity market by 3.6% but underperformed our average Morningstar peers. Resulting in an absolute net performance of -12.3% for the quarter. Our exposure to Consumer and Semiconductor names had hurt us versus peers. We have continued our fund positioning towards higher quality and profitable companies, with an ongoing focus on innovation power. As a consequence, we have sold a number of holdings that, despite being highly disruptive, have no clear path in the mid-term to profitability (Exact, Natera). We replaced them with equally disruptive names that are either profitable or are close to profitability in the next two years (Bavarian Nordic, Transmedics, Seagen). We have also divested from expensive names that depend on healthy consumer spending (Nike, Planet Fitness, Essilor, Align Technologies, Dexcom). Conversely, we have added stable, high cash flow generating and reasonably valued companies (Eli Lilly, Merck, Abbvie, GSK and EuroAPI) to strengthen the portfolio for a potential recession.

# Fund Performance

Historical net performance since inception (in USD; 21.01.2020 – 30.06.2022)

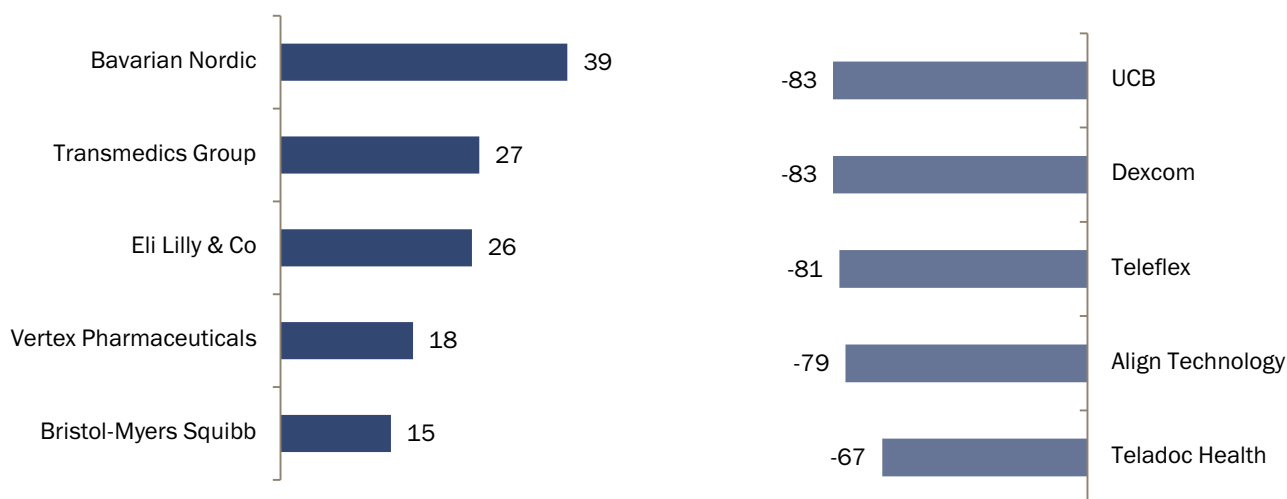


Monthly net performance since inception in % (P USD acc)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2022</b>	-8.69%	-0.62%	2.89%	-7.85%	-1.81%	-3.34%							-18.35%
<b>2021</b>	-0.58%	-1.75%	-1.42%	4.78%	1.73%	3.45%	1.05%	1.76%	-4.75%	4.00%	-4.88%	4.42%	7.44%
<b>2020</b>	*	-7.13%	-4.57%	11.19%	6.55%	1.61%	5.39%	2.48%	-1.35%	-4.14%	6.17%	5.25%	21.77%

\*share class launched 21.01.2020

Top 5 and bottom 5 contributors to return (Period: 01.04.2022 – 30.06.2022, in bps)



Source: Bank J. Safra Sarasin Ltd, Datastream, Bloomberg, as of 30.06.2022. Past performance is no indicator or guarantee for future performance.

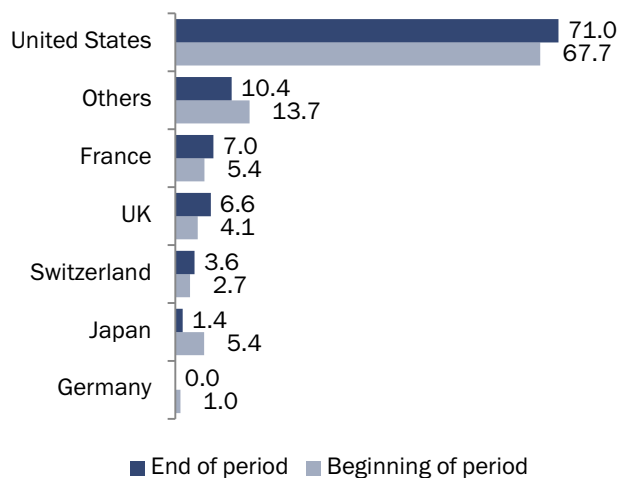
# Allocations

## Top 10 holdings (as of 30.06.2022)

Security	Country	Sector	Theme	Weight (%)
United Health Group	United States	Health Care	Infrastructure & Technology	7.6%
Johnson & Johnson	United States	Health Care	Treatment	5.1%
Thermo Fisher Scientific	United States	Health Care	Prevention & Diagnostics	4.5%
GSK	United Kingdom	Health Care	Treatment	4.5%
Sanofi	France	Health Care	Treatment	4.5%
Eli Lilly & Co	United States	Health Care	Treatment	3.8%
Bristol-Myers Squibb	United States	Health Care	Treatment	3.2%
Abbott Laboratories	United States	Health Care	Treatment	3.2%
Vertex Pharmaceuticals	United States	Health Care	Treatment	2.9%
Edward Lifesciences	United States	Health Care	Treatment	2.9%
<b>Total</b>				<b>42.3%</b>

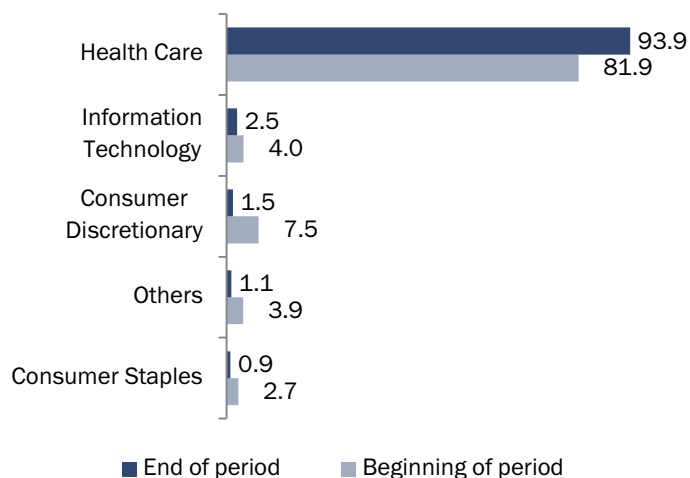
### Geographical allocation in %

(Period 01.04.2022 – 30.06.2022)



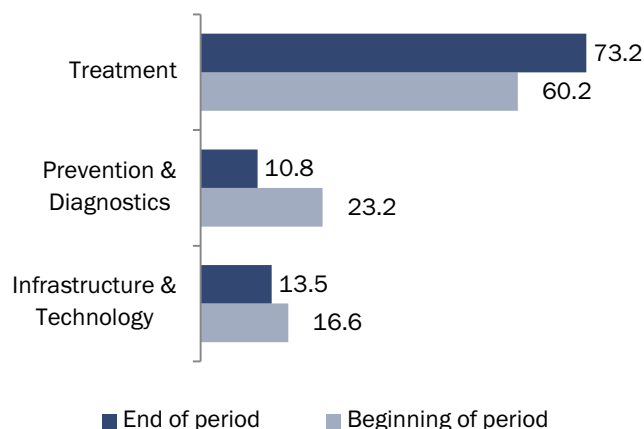
### Sector allocation in %

(Period 01.04.2022 – 30.06.2022)



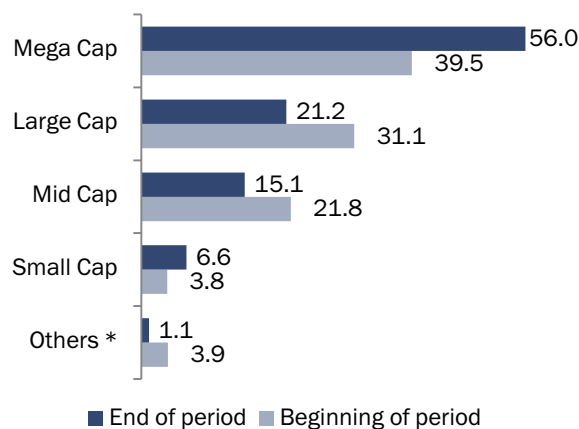
### Thematic allocation in %

(Period 01.04.2022 – 30.06.2022)



### Size allocation in %

(Period 01.04.2022 – 30.06.2022)



Source: Bank J. Safra Sarasin Ltd, Datastream, Bloomberg, as of 30.06.2022. Allocations may change without notice.

\* Investments (cash, etc.) that can not be classified.



# Notes

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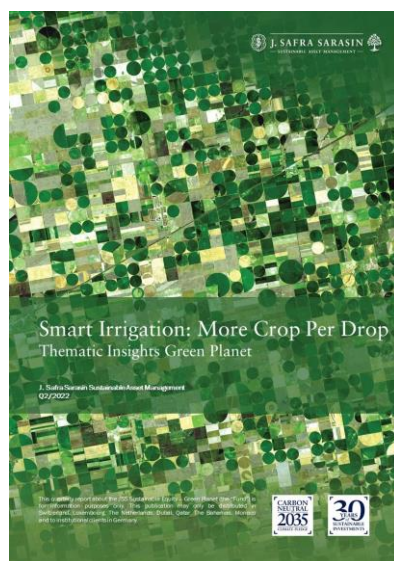
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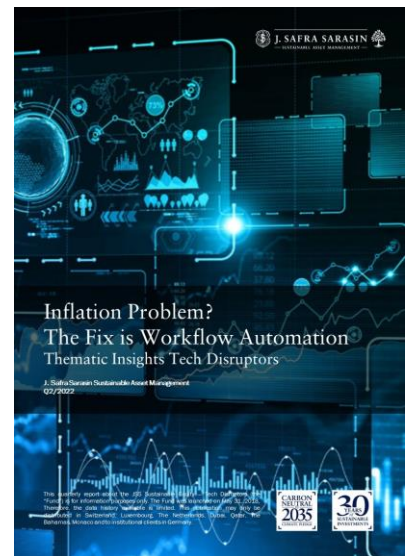
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**Smart Irrigation: More Crop Per Drop**  
Green Planet



**Inflation Problem? The Fix is Workflow Automation**  
Tech Disruptors

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