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Investment companies and healthcare | November 2024

HEALTHCARE-FOCUSED TRUSTS

A SECTOR ON THE MEND

THEMES

As one of the largest issuer-sponsored research firms, we are known for our bottom-up work on individual stocks. However, our thinking does not stop at the company level. Through our regular dialogue with management teams and investors, we consider the broad themes related to the companies we follow. Edison themes aims to identify the big issues likely to shape company strategy and portfolios in the years ahead.

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EDISON

Healthcare-focused trusts

A sector on the mend

Robust business models rarely go out of favour, though temporary setbacks are not unheard of. Driven by megatrends and with innovation as its backbone, the healthcare sector offers strong business models, with varied opportunities for diverse risk appetites. Following a tumultuous period, with a COVID-19-driven valuation upsurge giving way to capital flight and sector rightsizing, we believe the space is primed for a turnaround. With the recent reversal in interest rate trends and the conclusion of the US election, we expect the focus to shift back to fundamentals, with lower-than-average valuations potentially offering an attractive entry point. In this report we summarise the sector's overall performance versus the broader market, with a focus on small- and mid-cap biotech companies, which we believe will drive growth. We explore key themes including the patent cliffs faced by big pharma, promising therapeutic areas and biotechs ripe for M&A. Finally, we analyse the role and positioning of investment companies (with an overview of selected funds) as a means for investors to navigate the complexities of the sector and partake in the potential upside, while mitigating the risks.

Healthier following the recent purge

The healthcare sector and biotech companies, in particular, were clear beneficiaries of the COVID-19 pandemic, evidenced by sector indices peaking against the broader markets (the S&P Biotech Index rose more than 2.5x between March 2020 and February 2021). Fiscal stimuli and interest rate cuts also led to accessible capital, spurring a flurry of IPO activity, which in hindsight was perhaps a bit premature for some early development-stage companies. Subsequent monetary tightening to curb an inflationary environment resulted in capital markets drying up, with investments rotating out of biotech into more defensive plays, leading to industry rightsizing and the rationalisation of valuations. We believe the US Fed's recent sign-off of an interest rate cut has opened up a potentially compelling entry point to the sector, which remains fundamentally strong, with numerous inflection points ahead. These include continued innovations (leading to an increasing number of FDA drug approvals), looming patent cliffs for big pharma, M&A uptick and technology-driven advancements, indicating a revival in sector activity.

Investment companies: A gateway to the sector

Stock picking is challenging, even for more astute investors, and becomes even more complicated in the healthcare space, given the complexities in underlying assets and valuation approaches and the variety of risk exposures. In light of this, we focus here on the role and positioning of specialist healthcare investment companies as a way of gaining exposure to this sector while managing the downside risk. While the contractionary environment also affected the performance of these funds, the silver lining is that many are still trading at wide discounts to net asset value (NAV), providing a potentially attractive entry point, with notable prospects for upside. Investment companies also provide a potentially de-risked approach to gaining exposure to the sector, with reduced idiosyncratic risk compared with direct holdings, while covering a variety of contemporary themes like oncology and obesity, as well as new drug modalities.

11 November 2024

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Companies featured in this report

BB Biotech (BION)*
BioPharma Credit (BPCR)
Bellevue Healthcare Trust (BBH)
The Biotech Growth Trust (BIOG)*
HBM Healthcare Investments (HBMN)**
International Biotechnology Trust (IBT)
IP Group (IPO)*
Polar Capital Global Healthcare Trust (PCGH)
RTW Biotech Opportuities (RTW)
Syncona (SYNC)
Worldwide Healthcare Trust (WWH)*
Xlife Sciences (XLS)

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The healthcare sector: Turning the corner

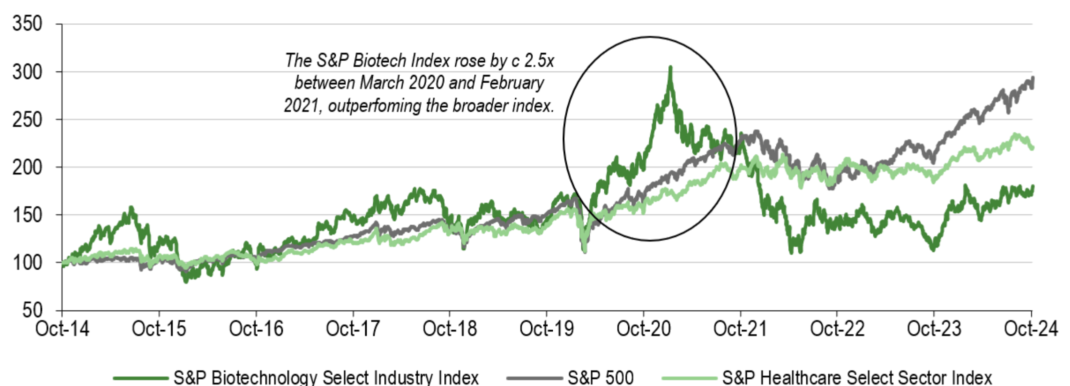
While market fluctuations and downturns can be unsettling, in reality they are an inevitable and integral part of the financial markets. In fact, these periodic corrections and the resultant subsequent rightsizing are often crucial in creating new upside opportunities for investors. The biotech sector is undergoing such a transition, emerging from perhaps the most protracted and biggest drawdown the sector has experienced. It is important to highlight that while healthcare as a whole is widely considered to be a defensive play, this characteristic most closely relates to established, commercial-stage pharma, medical technology (medtech), healthcare services and insurance companies with revenue-generative products on the market and high cash flow visibility driven by consistent demand. In contrast, the biotech space, a substantial portion of which is made up of development-stage companies, tends to be inherently more volatile (high risk/reward dynamics), carrying the title of the innovation engine for the broader sector, with new product development and M&A target activity driving upside but with commensurate clinical development risk.

Before we explore the significant opportunities this space has to offer, given the still strong fundamentals (backed by ongoing innovations and supportive megatrends like an ageing population, personalised medicine and telehealth) and more attractive valuations following this correction, we believe it would be prudent to briefly discuss the events leading up this point.

The COVID-19 uptrend…

While the COVID-19 pandemic initially brought activity across several sectors to a standstill, healthcare was the contrarian with both biotech/healthcare-focused investors and generalists shifting attention to the space, riding on a wave of positive sentiment towards the sector's curative efforts. This charge was led by biotech (buoyed by Moderna and BioNTech/Pfizer's success with mRNA vaccines for COVID-19) and reflected in the S&P Biotech Index rising by more than 250% between March 2020 and February 2021, driving valuations to what many believe were untenable levels, peaking in February 2021 at the height of the pandemic (Exhibit 1). A good example of this is Moderna and BioNTech, makers of the COVID-19 vaccines, which saw their stocks surge c 15x and c 11x, respectively, between March 2020 and September 2021.

Exhibit 1: Healthcare sector performance versus the broader index

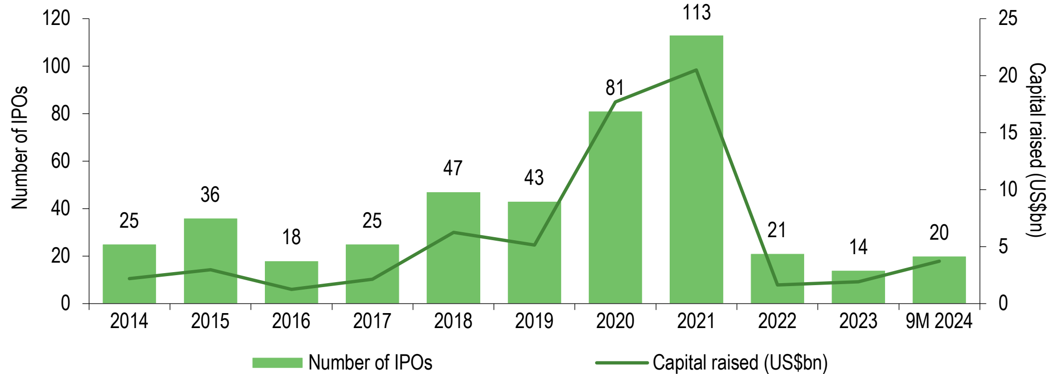


Source: LSEG Data & Analytics, Edison Investment Research

In addition to the enthusiasm around biotech, the ensuing fiscal stimulus and interest rate cuts (US benchmark rates fell to 0–0.25%) translated into easy access to capital, which drove several biotechs to undertake opportunistic IPOs. 2021 saw more than 110 biotech IPOs in the US alone, a sharp rise on previous years (Exhibit 2). Analysing the composition of these companies shows that

early-stage companies (preclinical through to Phase I/II) accounted for a significant portion (c 60%) of these IPOs, several of which, experts (fund managers, analysts) believe, were underprepared for the high-risk ride of early-stage drug development, with its front end-loaded capital requirements and long lead times to cash inflows (an average of 10 years from discovery to commercialisation).

Exhibit 2: US biotech IPO volumes and value

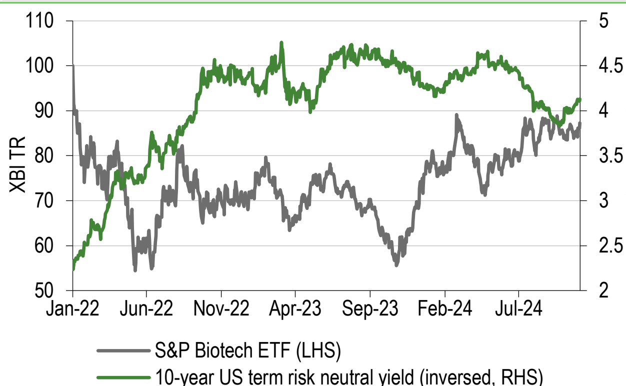


Source: Bloomberg, Edison Investment Research. Note: IPO data based on listing dates.

…was undone by the subsequent bear run

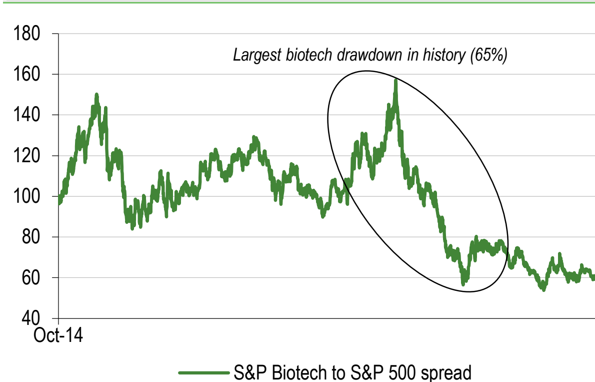
As with all unsustainable market rallies, this euphoric run was followed by a sharp correction. Given the high-risk nature of assets, longer duration to commercialisation and constant need for capital, biotech performance is inherently tethered to interest rate movements, with this inverse relationship becoming starker from 2022 (Exhibit 3). With government stimulus making way for rising interest rates (peaking at 5.25–5.5% in the US) to tame growing inflation, investors moved capital out of 'risky' biotech to more defensive sectors. With capital markets running dry, several companies found themselves in distress, leading to a surge in bankruptcies and restructuring. According to a Fierce Biotech article citing data from S&P Global Market Intelligence, a total of 18 US-listed biotech companies filed for bankruptcy in 2023, the largest number since 2010 and significantly more than the two in 2021. Not surprisingly, the performance of the biotech sector suffered broadly. Exhibit 4 highlights that the S&P Biotech Index corrected by more than 65% against the broader S&P 500 between February 2021 and November 2023.

Exhibit 3: Biotech performance is inversely related to US interest rates



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 4: Spread between the S&P Biotech Index and S&P 500

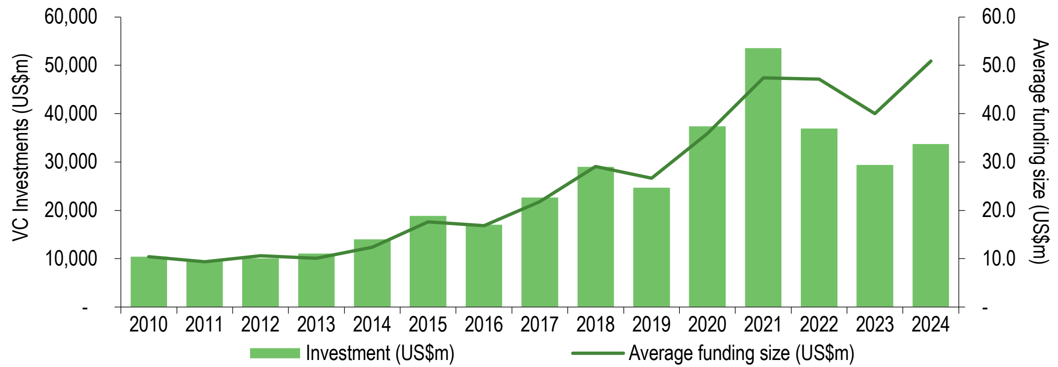


Source: LSEG Data & Analytics, Edison Investment Research

The public market drawdown was mirrored by private markets, with venture capital (VC) becoming more cautious on funding. While dedicated healthcare funds kept faith in the biotech space, generalists pulled back in 2022 and 2023, further exacerbating the capital situation. Exhibit 5 shows that VC investments in the healthcare sector nearly halved between 2021 and 2023, from

US$56.3bn to US$29.5bn. Moreover, the average funding size also declined, from US$47m to US$40m.

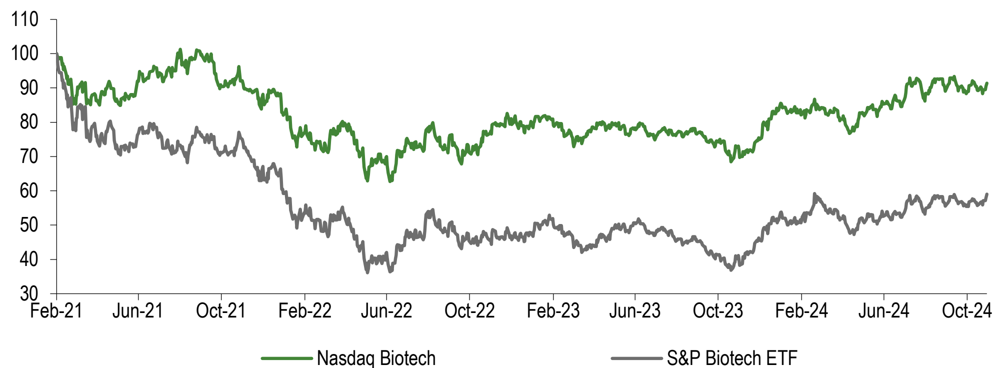
Exhibit 5: Life sciences VC investments



Source: EvaluatePharma, Edison Investment Research

The impact of this capital crunch was particularly severe for capital-intensive, development-stage biotechs. Comparing the capitalisation-weighted Nasdaq Biotech Index (NBI) with the SPDR S&P Biotech ETF Index (XBI), which is a proxy for small-cap biotech performance given its equal-weight composition, it is clear that the smallest companies were the most affected. From its peak in February 2021 to its lowest point in May 2022, the XBI declined by 64%, lagging the broader biotech sector (the NBI declined by 37% during the same period) and the overall US equity market by a sizeable margin (Exhibit 6). While both indices have made recoveries, the XBI is still 43% below its February 2021 high, while the NBI is down 8%.

Exhibit 6: Small-cap performance versus the broader biotech sector (since the 8 February 2021 peak)



Source: LSEG Data & Analytics, Edison Investment Research

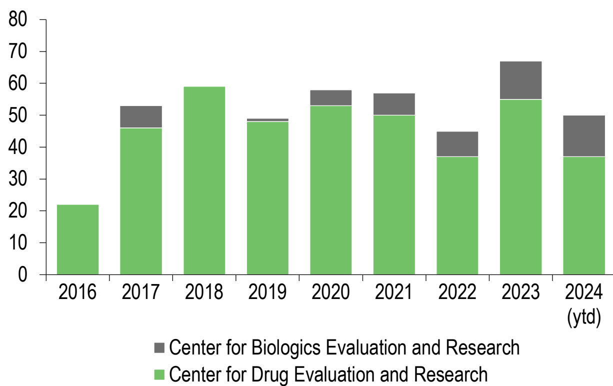
According to KPMG's Biopharma deal trends outlook for 2023, 15–30% of all listed biopharma companies in the US, EU and UK were trading below cash in Q123, whereas historically this ratio has been reported as less than 10%, according to an article by Endpoints News. We believe this is a direct result of the aforementioned capital tightness, which significantly shortened the cash runways for biotechs. This was highlighted in EY's Biotechnology Report 2024, which noted that only 27% of listed biotech companies globally had cash runways of more than three years in 2023 (vs 42% in 2021) and 31% had runways of less than one year.

A turnaround in the works?

Notwithstanding periodic volatility and fluctuations, we maintain that a sector's long-term performance and potential are ultimately underpinned by fundamentals. The backbone of the healthcare sector is innovation and, despite the challenging capital market conditions, progression

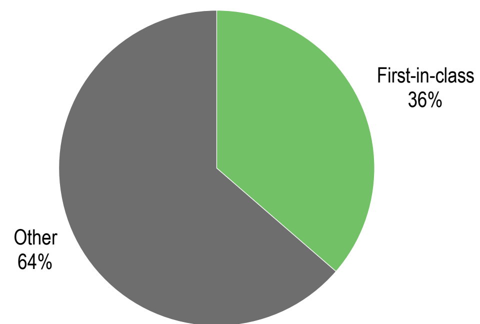
towards new drug discovery and development has continued at a steady pace. We believe the sector is now intrinsically healthier following the rationalisation of some of the less robust companies. This is evident in the record number of FDA approvals in 2023 (Exhibit 7). Following a slight dip in 2022 (which may have been affected by the COVID-19 global pandemic), the FDA approved 67 new products in 2023 (both chemical-based and biologic drugs), up from 58 in each of 2021 and 2020. We highlight that 36% of the chemical-based drugs approved in 2023 (20 out of 55) were described as first in class, that is drugs with mechanisms of action differing from those already available on the market, highlighting the innovation in the space (Exhibit 8). In 2024 to date, the FDA has approved approximately 50 new drugs, including 13 biologics. Notable drug approvals during 2024 include KarXT developed by Karuna Therapeutics (acquired by Bristol Myers Squibb in late 2023 for US$14bn) for schizophrenia, with EvaluatePharma estimating peak sales of US$2.8bn, Eli Lilly's donanemab for Alzheimer's disease (EvaluatePharma estimates peak sales of US$2.4bn) and Sotatercept by Acceleron Pharma (acquired by Merck in late 2021 for US$1.5bn) for pulmonary arterial hypertension, with peak sales potential of US$6bn, according to EvaluatePharma. We note that two of the three drug approvals highlighted above were developed by smaller biotechs before they were acquired by big pharma companies. According to Vital Transformation, a healthcare research consultancy, 55% of the drugs approved by the FDA between 2011 and 2020 in the US were developed by smaller biotechs.

Exhibit 7: Novel products approved by the FDA, 2016–24



Source: FDA data, Edison Investment Research

Exhibit 8: First-in-class approvals (2023)



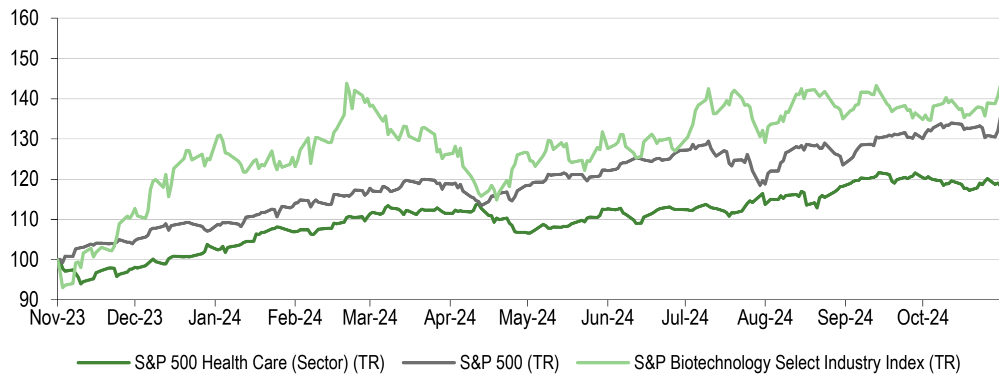
Source: FDA data, Edison Investment Research

As highlighted previously, the fortunes of biotech companies are linked to interest rate movements and the recent shift in sentiment, as shown below, has largely been driven by expectations of a reduction in interest rates in the medium to long term. For biotech companies, this has the dual benefit of reducing capital servicing costs (given the high capital requirements related to the long duration of clinical development) and improving valuations with the lowering of discount rates.

This sentiment was evident in the sector's recent performance, which bottomed out in October 2023 (following the last 25bp raise in July 2023 by the US Federal Reserve), with a visible recovery in the past year. With the recent 50bp interest rate cut by the US Fed in September 2024 and an additional 25bp cut on 7 November, we expect momentum to build over the next few quarters and/or years. Exhibit 9 highlights that in the past 12 months, the S&P Biotech Index has outperformed both the broader S&P Healthcare Index and the S&P 500.

Co-managers at the International Biotechnology Trust (IBT) Ailsa Craig and Marek Poszepczynski argued in June 2024 that, despite the recent rally, valuations remain attractive. They highlighted that the small- and mid-sized biotech sector was trading at an EV/cash ratio of 2.0x in Q124, which, although higher than the 1.5x seen in 2022, is still significantly lower than the historical ratio of 3.0–3.5x at which the sector has traditionally traded. Ailsa and Marek continue to see value in this space and, at the end of August 2024, almost 70% of the IBT portfolio was invested in quoted companies with market caps lower than US$10bn (vs 51% at 31 August 2023).

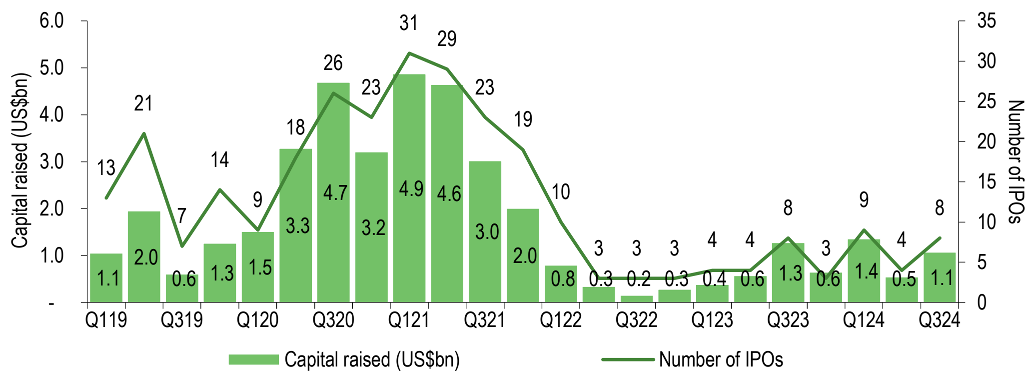
Exhibit 9: Healthcare sector performance versus the broader index in the past 12 months



Source: LSEG Data & Analytics, Edison Investment Research. Note: TR, total returns

Another sign of recovery is the pick-up in IPO volumes. According to EvaluatePharma, 21 biotechs listed on Western exchanges up to the end of Q324 (Exhibit 10), raising a total of US$3.0bn. This compares favourably to the total of 19 IPOs undertaken in the whole of 2023 (for proceeds of US$2.9bn). Some of the biggest IPOs in 2024 to date include CG Oncology (US$380m), Kyverna Therapeutics (US$319m), Alumis (US$210m) and Zenas BioPharma (US$225m). Notably, three biotechs listed on the same date, 12 September: Bicara Therapeutics, Zenas BioPharma and MBX Biosciences, raising a combined US$700m.

Exhibit 10: Biotech IPO activity on Western exchanges since 2019



Source: EvaluatePharma, Edison Investment Research

This sentiment uptick in public markets has been reflected in increased private market activity in 2024 to date. In its Q3 roundup, in October 2024, EvaluatePharma notes that VC investments rose to US$21bn in the first nine months of 2024 (9M24), higher than the US$19.6bn booked for the whole of 2023. Of the US$6.6bn raised in Q324, US$3.6bn came from US$100m+ rounds. The largest VC fund-raises in 2024 include Mirador Therapeutics (US$400m, Series A), Formation Bio (US$372m, Series D) and ArsenalBio (US$325m, Series C). EvaluatePharma also notes the backlog of VC-backed private companies that are yet to go public: of the 116 companies that have

raised VC rounds of more than US$100m since the beginning of 2023, more than 100 are still private, potentially indicating that IPO momentum is likely to pick up should markets remain favourable.

We recently spoke to Dr Christian Koch, portfolio manager at BB Biotech, who highlighted the important factors leading to the shifting sentiments in the biotech sector (Exhibit 11).

Exhibit 11: Dr. Christian Koch, portfolio manager at BB Biotech, comments on the key factors indicating a shift in biotech sector sentiment

Source: Edison Investment Research

Investment companies: Whetting all risk appetites

While we believe that the healthcare sector and, in particular, the biotech sector now offer investors potentially attractive entry points, the sector's scope, idiosyncrasies and technical complexities make successful stock picking difficult for generalist investors. The historical probability of success or approval of a clinical-stage programme by phase of development suggests that a Phase I drug has a less than 10% chance of regulatory approval. A clinical trial's success or failure is a decisive binary outcome of the investment case of pre-commercial-stage biotechs. For instance, the share price of Amylyx Pharmaceuticals dropped by more than 80% in a single trading session in March 2024, following the failure of a Phase III confirmatory trial of its already marketed amyotrophic lateral sclerosis drug, Relyvrio, and has continued to trade at similar levels ever since.

We believe that healthcare-focused investment companies, with their broad portfolios, varied exposure and experienced managers, offer an appealing alternative to direct investment in individual biotechs, for both specialist and generalist investors, allowing them to tailor their investments and exposures, while managing downside risk.

We list below some of the key benefits offered by investment companies over direct holdings:

- **Fund manager expertise:** healthcare investing is complicated by the highly technical and scientific knowledge required to assess a product's efficacy and commercial potential. Investment managers often come from strong finance and science backgrounds (many of them have PhDs) with several years of investment experience, which can help navigate the complexity of the sector. For instance, Worldwide Healthcare Trust is managed by Trevor Polischuk, who has a doctorate in neuropharmacology and gross human anatomy, and Sven

Borho, who has an MSc (economics) in accounting and finance from the London School of Economics.

- **Risk mitigation through diversification:** investment companies tend to hold a basket of securities and have mechanisms in place to limit exposure to individual companies. Moreover, their portfolios are consistently rebalanced to help diversify risk. This allows investors to participate in the potential upside while managing risk. For example, The Biotech Growth Trust limits investment in any individual stock at the time of acquisition to 15% of its total gross assets. The trust regularly adjusts individual position sizes to appropriately reflect the risk/reward profile of a position, especially ahead of binary events, such as clinical trial results.
- **Catering to all risk appetites:** the healthcare sector is vast and encompasses broad subsectors such as pharmaceuticals, biotech and medtech, each of which is further broken down into various focus areas at different stages of development. While the cash-rich, commercial-stage larger pharma space typically appeals to value investors seeking capital appreciation and a steady income stream (in the form of dividends), biotech investing normally offers more upside potential (in exchange for more risk). Healthcare-focused investment companies typically have specific investment policies based on how their portfolios are tailored (ranging from more diversified plays to those focused solely on emerging biotech or specific regions), which provides a platform for all risk appetites.

We recently spoke to Ailsa Craig and Marek Poszepczynski at IBT, who shared their thoughts on investment trusts as a means of gaining exposure to the healthcare sector (Exhibit 12).

Exhibit 12: Ailsa Craig and Marek Poszepczynski, portfolio managers at the International Biotechnology Trust, comment on gaining exposure to the healthcare sector through trusts

Source: Edison Investment Research

An overview of selected healthcare-focused investment companies

Investors seeking exposure to the healthcare and biotechnology industries can do so through a multitude of investment companies listed in the UK and Continental Europe. In this report, we discuss 12 investment companies with varying investment mandates (Exhibit 13). We group them based on the development stage of the underlying companies, financial instruments and portfolio concentration.

Exhibit 13: Selected healthcare-focused investment trusts

Name	Ticker	Investment remit	Number of holdings	Percentage of listed holdings
BB Biotech	BION	Primarily small- and mid-cap companies; commercial-stage biotech businesses or companies with promising drug candidates at an advanced development stage	20–35	At least 90%
BioPharma Credit	BPCR	Exclusively companies with approved life sciences products (drugs, devices and diagnostics)	11 (end Sept 2024)	Focus on private debt, some of which is provided to listed companies
Bellevue Healthcare Trust	BBH	Investing across market caps and the broad healthcare sector: pharma, biotech, medical devices and equipment, healthcare insurers and facility operators, IT healthcare, drug retail, consumer healthcare and distribution	30–35	100%
The Biotech Growth Trust	BIOG	Biotech stocks across the market cap spectrum, but favouring smaller (emerging) companies	c 50–75	At least 90%
HBM Healthcare Investments	HBMN	Focusing on investments in emerging companies (following proof-of-concept) and favouring small caps (market capitalisation less than US$2bn) across biotech, medtech, diagnostic and health IT sectors	c 30 major direct holdings	Strategic split 60/40 in private/public companies
International Biotechnology Trust	IBT	Entire biotech spectrum: from early-stage VC all the way up to Nasdaq-listed mega-caps	Around 100 (including around 60–70 listed holdings)	Primarily listed holdings with 5–15% venture fund exposure
IP Group	IPO	Focus on companies that aim to contribute meaningfully to regenerative (Kiko Ventures), healthier (life sciences) and tech-enriched (deeptech) futures	33 life sciences holdings (end June 2024)	Focus on unlisted holdings, with c 16% of the life sciences portfolio at end-June 2024 in the listed Oxford Nanopore following IPO in 2021
Polar Capital Global Healthcare Trust	PCGH	Investing across the broad healthcare sector; 80% in global, high-quality large-caps, 20% in small-cap names	25–60	100%
RTW Biotech Opportunities	RTW	Investing across the full biotech lifecycle; targeting the following portfolio allocation: 80% biopharmaceutical assets and 20% medical technology assets.	51 core positions at end September 2024	Target split: 20–40% private, 30–60% core public, 5–15% royalties, 0–30% cash management (other public); 67.6% listed at end-September 2024.
Syncona	SYNC	Investing across drug development stages, modalities and therapeutic areas	Targeting 20–25 (13 at end June 2024)	23% listed at end March 2024
Worldwide Healthcare Trust	WWH	Diversified across geography, healthcare subsectors and market cap, but favouring emerging (smaller-cap) names in its biotech exposure	57 at end September 2024	100%
Xlife Sciences	XLS	Life sciences incubator and accelerator focused on investments in projects from universities and other research institutions	25 holdings with 36 projects	Primarily private

Source: company documents, Edison Investment Research

Investors seeking exposure primarily to pre-commercial-stage drugs/treatments may do so through companies like IP Group (IPO), RTW Biotech Opportunities (RTW) and Syncona (SYNC), which hold the majority of their portfolios in entities with treatments at various stages of development. For example, RTW positions itself as a full life cycle investor (and may also participate in company formations) and SYNC has its entire portfolio in development-stage businesses, of which roughly one-third are at the preclinical stage. It is also worth noting that IP Group is focused on investments not only in the healthcare space (45% of the portfolio), but also in the deeptech and cleantech industries. To go even further, Xlife Sciences (XLS, which is planning a dual listing on the London Stock Exchange) concentrates on early-stage investments and can be understood as an incubator.

Three equity-investing funds either focusing on biotechs (International Biotechnology Trust, IBT, and BB Biotech, BION) or significantly overweight this sector (HBM Healthcare Investments, HBMN) have more than half of their current portfolios in commercial-stage businesses, supplemented by meaningful exposure to development-stage companies. Here we note that HBMN favours emerging and smaller-cap names, BION invests primarily in small- and mid-cap names, while IBT invests across the market cap spectrum, pursuing a flexible, valuation-driven strategy aimed at capital preservation and selective risk taking (its current portfolio is biased towards small- and mid-cap companies). The Biotech Growth Trust aims to diversify its portfolio by market cap and revenue versus pre-revenue businesses. BioPharma Credit (BPCR) only considers companies with approved life sciences products and provides them with financing predominantly through debt instruments.

Three investment companies have balanced portfolios across the broad healthcare sector. Worldwide Healthcare Trust (WWH) invests across pharma, healthcare equipment/supplies, biotech, healthcare providers/services, and life sciences tools and services, but has a longstanding overweight position in emerging biotech versus the MSCI World Health Care Index (c 22% of the portfolio at end June 2024) and an underweight exposure to big pharma stocks (c 31%). Bellevue Healthcare Trust (BBH) invests across focused therapeutics, diagnostics, med-tech, services, health tech/healthcare IT, managed care and tools, with c 60% in small- and mid-cap names and 40% in large- and mega-cap names. Finally, Polar Capital Global Healthcare Trust (PCGH) holds a portfolio of mostly large- and mega-cap businesses across a diverse range of healthcare subsectors.

Most available funds invest through equity instruments (except for BPCR, which mostly holds senior secured loans), focusing either on public stocks or private investments. Naturally, the more the fund is focused on mature companies, the larger the portion of its portfolio allocated to listed entities. For example, the portfolios of BION, BBH, PCGH, BIOG are allocated almost entirely to public equities. IBT invests primarily in listed biotech companies, but also has a 5–15% exposure to VC investments managed by SV Health Advisors. We note that investment companies, such as RTW and HBMN, often initiate a position when a company is private and accompany it as investors after listing. HBMN for instance aims to have a 60/40 split between private and public companies.

Another angle that should be taken into consideration is portfolio concentration, as most of the selected funds have fairly concentrated, high-conviction portfolios. For example, SYNC holds 13 companies and BPCR holds 11 (see Exhibit 13). Some investment companies supplement their direct investments with exposure to funds focused on early-stage investments (eg HBMN and IBT).

A potential rise in M&A activity (described later in the note) should be beneficial for funds with meaningful exposure to emerging biotechs. Here, we note WWH's proprietary M&A target swap basket, which is a derivative product constructed and managed by OrbiMed (WWH's investment manager) made up of 20 biotech companies that the firm considers to be the most likely M&A targets.

The majority of the analysed funds distribute dividends to shareholders (see Exhibit 14). The dividend policies vary: two companies target dividend returns based on NAV – IBT (4.0%) and BBH (3.5%), and two based on share price – BION (5.0%) and HBMN (3.0–5.0%). It is important to note that their portfolios do not generate sufficient income to finance the dividend in full, and distributions are mostly financed through portfolio realisations. BPCR has the highest dividend yield (both currently and according to its policy) among the selected peer group, as its portfolio generates recurring income through interest payments. BPCR pays 7% of its issue price plus special dividends depending on current developments. On the contrary, WWH and PCGH favour capital growth and dividends represent a small part of shareholder return, while being distributed in the amount to maintain investment trust status. Five of the funds currently do not pay dividends, but IPO and SYNC have in the past.

Exhibit 14 presents some of the key financial and performance metrics for the selected peer set. While it is clear that the wider sector drawdown has affected performance across the board (see three-year performance), in the past year the returns of most of the funds have picked up, potentially indicative of an early recovery and upside potential.

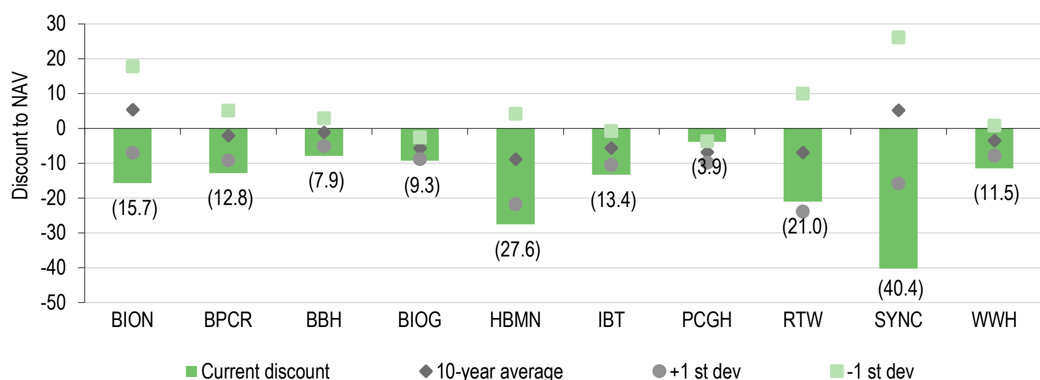
Exhibit 14: Selected peer group metrics at 6 November 2024*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Ongoing charge	Perf. fee	Net gearing	Dividend yield
BB Biotech (BION)	1,839.2	17.2	(13.6)	27.7	106.7	1.4	No	104	5.3
BioPharma Credit (BPCR)**	788.5	(2.1)	37.4	42.9	N/A	1.1	Yes	100	14.3
Bellevue Healthcare Trust (BBH)	639.9	17.7	(16.1)	38.4	N/A	1.0	No	100	3.8
The Biotech Growth Trust (BIOG)	322.8	37.8	(15.8)	40.7	72.6	1.2	Yes	106	0.0
HBM Healthcare Investments (HBMN)	1,118.7	12.3	(7.9)	63.5	283.7	1.6	Yes	100	4.1
International Biotechnology Trust (IBT)	255.8	34.2	13.5	60.9	150.0	1.2	Yes	107	4.0
IP Group (IPO)***	441.5	(17.0)	(36.1)	(2.5)	15.0	2.2	No****	110	0.0
Polar Capital Global Healthcare Trust (PCGH)	463.3	22.1	21.5	74.6	161.0	0.9	Yes	100	0.6
RTW Biotech Opportunities (RTW)	401.1	23.5	12.7	85.4	N/A	2.0	Yes	100	0.0
Syncona (SYNC)	679.1	0.4	4.3	(9.8)	71.2	1.9	No	100	0.0
Worldwide Healthcare Trust (WWH)	1,731.3	17.7	3.2	42.6	146.8	0.9	Yes	105	0.7
Xlife Sciences (XLS)	120.1	9.5	N/A	N/A	N/A	1.4	No	139	0.0
Group average	**733.4**	**13.5**	**0.0**	**37.3**	**125.9**	**1.4**	**-**	**103**	**2.7**
Indices		**TR 1 year**	**TR 3 year**	**TR 5 year**	**TR 10 year**				
Nasdaq Biotech Index	-	20.8	3.9	46.7	105.2	-	-	-	-
S&P500 Index	-	32.4	38.4	108.5	332.2	-	-	-	-
MSCI World Health Care Index	-	12.2	17.0	61.1	183.3	-	-	-	-

Source: Morningstar, Edison Investment Research. Note: *Performance in sterling based on cum-fair NAV. **Performance to end-September 2024 due to availability of data. ***Performance to end-June 2024 due to availability of data. TR, total return. Net gearing is total assets less cash and equivalents as a percentage of net assets ****Investments subject to carried interest. 100=ungeared.

All analysed funds currently trade at a higher discount than their long-term averages (see Exhibit 15), though the deviation tends to be higher for investment companies with substantial unlisted holdings. The investment companies have recently been buying back shares, except for XLS and PCGH (the latter trades at a narrow discount to NAV). BIOG and WWH have discount control mechanisms in place that aim to ensure a maximum 6% discount to NAV over the long term in normal market conditions, which helps reduce discount volatility. BPCR's discount control mechanism (based on a revision made earlier in 2024) assumes that it will spend up to US$25m of capital proceeds following a three-month rolling period with an average discount to NAV above 5%, and US$50m in the case of an average discount in excess of 10%. For BION, buybacks of up to 5% of share capital per year are part of its broader policy targeting up to 10% shareholder returns per year. Finally, IP Group is committed to providing shareholders with returns via buybacks if its shares trade at a discount wider than 20% (which they currently do by a wide margin).

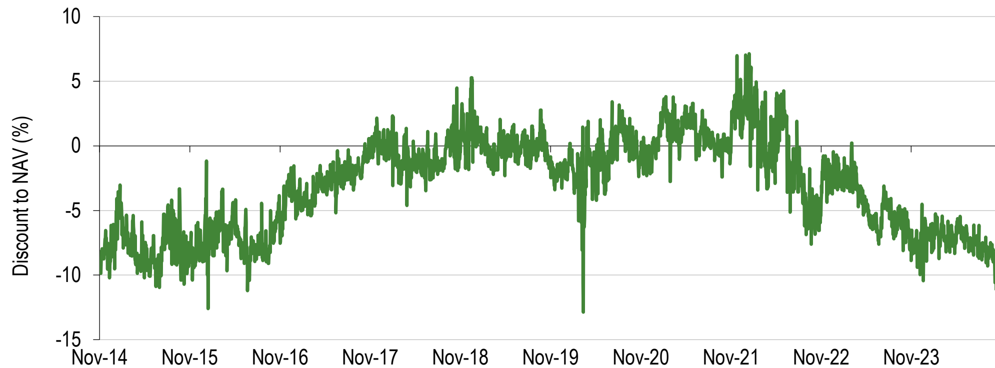
Exhibit 15: Current discount to NAV of the selected funds* compared to their 10-year average discount (%)



Source: Morningstar, Edison Investment Research. Note: XLS was excluded from the comparison due to the short period since commencement of operations. IPO was excluded due to high volatility of discount/premium.

However, as all the deflections are in one direction (except for PCGH), the sector as a whole (investment companies focused on public investments as presented in Exhibit 16) is trading more than two standard deviations below the long-term average discount to NAV. We note that, while more pronounced the wider-than-average discounts are not limited to the healthcare space and are currently seen across the broader UK-listed investment companies sector.

Exhibit 16: The average discount of healthcare-focused trusts* has widened lately



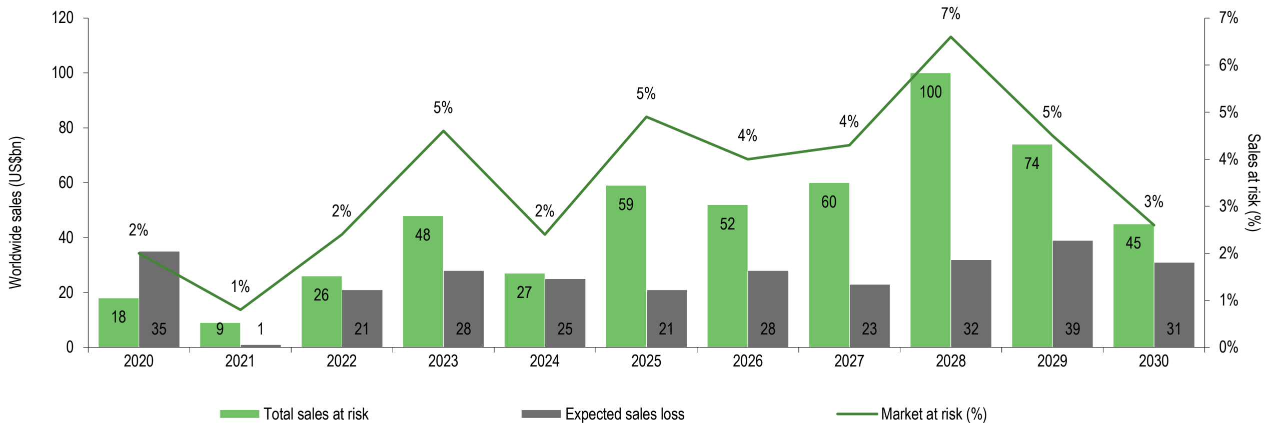
Source: Morningstar, Edison Investment Research. Note: *Includes funds with majority of the portfolio in publicly listed stocks: Bellevue Healthcare, BB Biotech, International Biotechnology Trust, Polar Capital Global Healthcare Trust, The Biotech Growth Trust and Worldwide Healthcare Trust.

Key themes in the current landscape

Patent cliffs loom for big pharma…

As discussed, we see signs of the trend reversal in overall sector performance, with the biotech sector well-positioned to ride these tailwinds. In our view, a rise in M&A activity would be central to this, offering many innovative biotech companies the opportunity to prosper. A key driver of this anticipated M&A inflection is the sizeable patent cliffs (and corresponding sales at risk) that many big pharma companies are facing (or have recently faced) for their blockbuster drugs this decade (Exhibit 17).

Exhibit 17: Worldwide sales at risk from patent expiration (data and projections shown from 2020 to 2030)



Source: Edison Investment Research, EvaluatePharma

We focus on the 12 drugs outlined in Exhibit 18. Notably, looking at the projected (or actual) sales for these drugs in the year prior to patent expiration, we see that there is a total of c US$150bn in sales at risk for these products alone, with estimates including a wider selection of drugs with upcoming patent cliffs calculating total sales at risk to be >US$200bn.

Exhibit 18: Selected branded drugs with sales at risk due to patent cliffs

Company	Drug	Technology	Primary therapeutic area	Year of main patent expiry	Sales at risk in year before patent expiry (US$bn)
AbbVie	Humira	Biologic	Autoimmune disorders	2023	21.2
Merck	Keytruda	Biologic	Solid tumours	2028	30.3
Bristol Myer Squibb (BMS)	Eliquis	Small molecule	Thrombo-embolic	2026	13.4
Johnson & Johnson (J&J)	Stelara	Biologic	Dermatoses	2023	9.7
Johnson & Johnson (J&J)	Darzalex	Biologic	Haematological malignancies	2029	17.3
BMS	Opdivo	Biologic	Solid tumours	2028	10.9
J&J/AbbVie	Imbruvica	Small molecule	Haematological malignancies	2026	3.7
Pfizer	Ibrance	Small molecule	Solid tumours	2027	3.9
Bayer/Regeneron	Eylea	Biologic	Eye disorders	2024	9.2
BMS	Revlimid	Small molecule	Haematological malignancies	2022	12.8
Roche	Ocrevus	Biologic	Multiple sclerosis	2029	8.4
BMS	Yervoy	Biologic	Solid tumours	2025	2.4

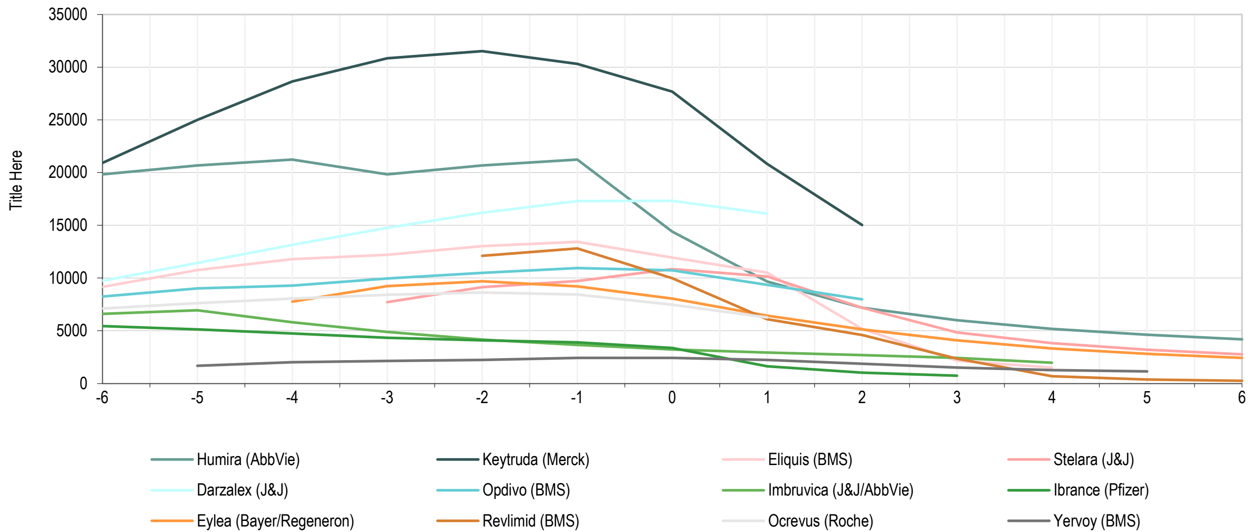
Source: Edison Investment Research, EvaluatePharma

Patent cliffs form part of natural cycles in the healthcare sector (every 10–15 years), with the last notable set of patent cliffs occurring around 2010. We highlight that in the current cycle the majority of the selected 12 drugs are biologics, rather than small molecule drugs. While small molecule drugs typically face steeper patent cliffs due to the ease with which manufacturers can synthesise generic products, in contrast, biologics come up against biosimilars, which are more challenging to manufacture and hence are not as straightforward to substitute from a prescribing perspective. Moreover, particularly in the US, biosimilar entry tends to be challenged with patent litigations from the original drug manufacturers. For instance, Humira, AbbVie's bestselling drug, lost a key patent in 2016 but was able to hold off entry of biosimilars to the US market until 2023. Even after nine Humira biosimilars launched in the US in 2023, Humira has continued to hold 85% of the market share. However, we believe that this will be a challenging period for big pharma companies to navigate, and revenues will need to be replenished to offset the patent cliffs (Exhibit 19).

Some companies have started to take action to address this. For example, Bristol Myers Squibb (BMS), with its notable upcoming patent expirations, acquired three biotechs in late-2023: Mirati Therapeutics, RayzeBio and Karuna Therapeutics. Similarly, AbbVie has been very acquisitive following the loss of its market exclusivity for Humira (the drug reported sales of US$7.3bnin 9M24, a 34% y-o-y decline). While the company has assets in place to manage this sales erosion (such as Skyrizi for psoriasis, with estimated sales of US$20.5bn in 2030, according to EvaluatePharma, and its main patent expiring in 2032), it will need more to offset the lost revenues from Humira. Accordingly, AbbVie acquired Celsius Therapeutics (for US$250m) in June 2024.

With a sizeable c US$1tn in cash reserves estimated across big pharma spending resources, according to a recent E&Y report, we believe many of these companies will continue to take similar action in the near term.

Exhibit 19: Worldwide sales (and projected sales) of selected drugs from date of main patent expiration



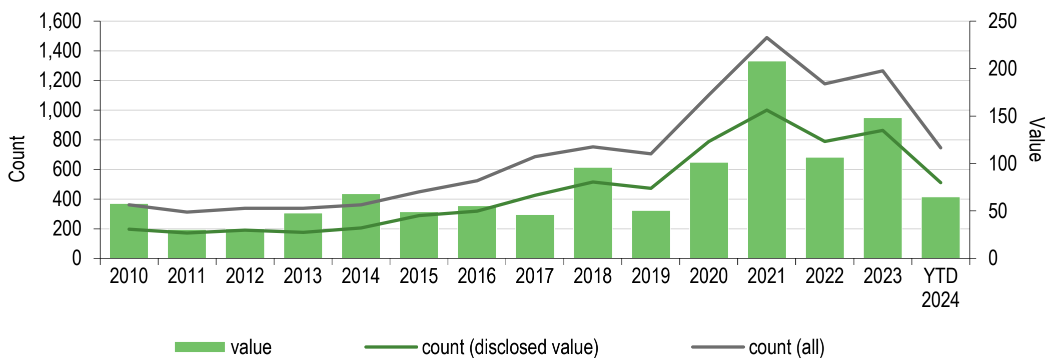
Source: Edison Investment Research; EvaluatePharma. Note: The X-axis timeline refers to sales in the years leading up to and after patent expiry, with 0 being the year of patent loss.

… with biotechs as clear M&A targets

A key contribution to our thesis that M&A is a pivotal theme in the current landscape is that the looming patent cliffs faced by big pharma coincide with a period of high innovation within biotechnology. Notably, it is estimated that 65% of new approved drugs originate from sources outside of big pharma. They are usually acquired or licensed at some stage in the development process by big pharma from smaller biotech companies or academic institutions.

The recognition of this innovation is apparent, having fuelled an uptick in M&A activity in 2022 and 2023 (Exhibit 20). While M&A activity in 2024 has been slightly slower to date, we expect the pace to pick up following the US presidential election. On this topic, we note the US healthcare market is the largest in the world, with non-US players having a significant focus on the region given the opportunities for commercialisation. In the short term, investors expecting increased valuation volatility in the aftermath of the US elections may seek defensiveness in exposure to large- and mega-cap healthcare companies, as well as investment companies with meaningful exposure to these companies.

Exhibit 20: M&A activity in the global healthcare and life sciences sector since 2010 (US$m)



Source: LSEG Data & Analytics, Edison Investment Research. Note: Total count includes all deals, with both disclosed and undisclosed financial terms.

Furthermore, with the interest rate burden having deflated biotech valuations, this may have increased the appetite of big pharma's CEOs for potential M&A activity.

'(Our) industry leadership position affords us the ability then to really invest for growth in the next decade, which is ultimately how we're thinking about business development.'
Rick Gonzalez, ex-CEO, AbbVie (currently chairman of the board of directors)

'Our capital allocation strategy will continue to be disciplined and M&A is going to remain a critical component of that, that's our M&A strategy and it's been a cornerstone of our ability to create value.'
Joaquin Duato, CEO, J&J

We recently spoke to Dr Andreas Wicki, CEO of HBM Healthcare Investments, who discussed the looming patent cliff and near-term potential for M&A (Exhibit 21).

Exhibit 21: Dr Andreas Wicki, CEO of HBM Healthcare Investments, discusses the patent cliff faced by big pharma and the corresponding opportunity for M&A activity

Source: Edison Investment Research

Healthcare innovation and FDA approvals at a high

More generally, with innovation in the healthcare sector continuing at a steady pace, there are several therapeutic areas that look especially exciting.

- **Oncology** remains the largest segment in the pharma market (c 26% share, according to EvaluatePharma), as well as the fastest-growing segment, with sales projected to increase by c US$643bn from 2021–28 (Exhibit 22). A sizeable number of innovations in oncology have originated from smaller biotechs. Of note is an emerging array of innovative new technologies that aim to improve on more traditional chemotherapy approaches and create more beneficial outcomes for patients. These include (but are not limited to):
  - **Antibody-drug conjugates:** 'biological missiles' for targeted cancer therapy, which comprise a chemotherapy unity chemically linked to an antibody for precise targeting.
  - **Bispecifics:** antibody-based therapies engineered to bind two different therapeutic targets.
  - **Cancer vaccines:** a form of immunotherapy aiming to harness the natural capabilities of our immune systems.

- **Radiopharmaceutical drugs:** a relatively new approach in cancer drug development, radiopharmaceuticals, akin to antibody-drug conjugates, aim to precisely deliver radiation therapy specifically to cancer cells.

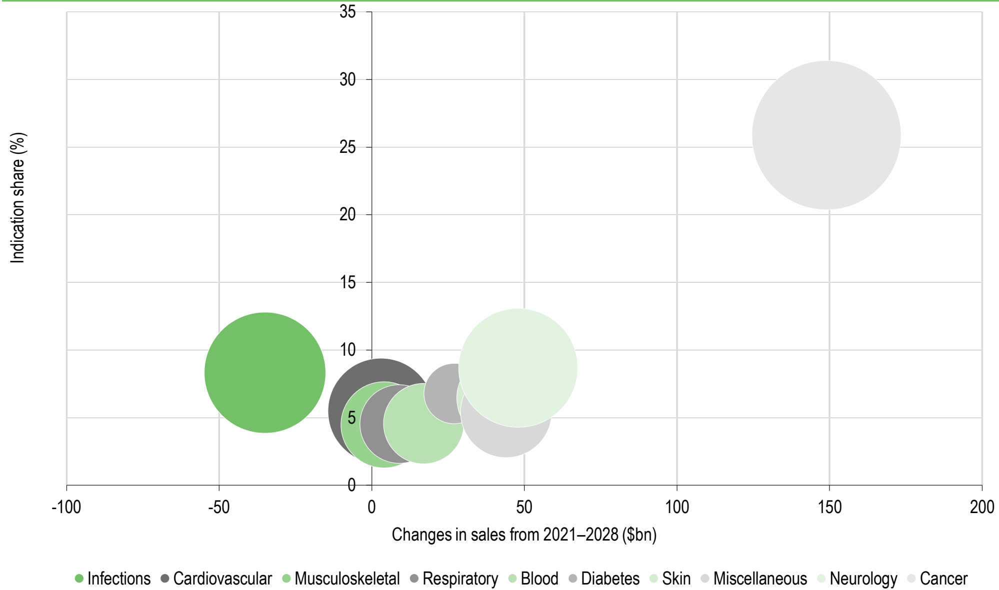
- **Neurological conditions** is an expanding space within healthcare, with recent headlines covering various components of the segment:
  - Notably, in **Alzheimer's disease**, Eli Lilly's donanemab (now called Kisunla) was approved by the FDA in July 2024, joining Biogen/Esai's Leqembi in a new wave of treatments for the condition.
  - From **neurodegenerative conditions** to **neuropsychiatry**, September 2024 saw the FDA approval of Karuna Therapeutics/BMS's KarXT (now called Cobenfy). The drug has a novel mechanism of action for schizophrenia, reviving what has been a relatively stagnant field since the 1950s.

  With neurology being a complicated segment of drug discovery, with high levels of complexity, we view it as a landscape ripe for clinical innovation, reflected in the rate of advancements in the last year alone. OrbiMed's WWH has exposure to the Alzheimer's disease space, having commented on the potential for new formulations, next-generation products and new targets, from 2024 and beyond.

- **Obesity** is a healthcare theme that has been impossible to ignore in the last two years, headlined by the impressive performances of Novo Nordisk and Eli Lilly, underpinned by revenues from new GLP-1 agonist treatments that have rapidly become well-known names: Wegovy and Zepbound, respectively. This is a highly lucrative space, with the total market size projected to reach c US$130bn by 2028 (according to a recent IQVIA report). While the current landscape is dominated by two big pharma players, there is ample opportunity for innovation in obesity treatments. There are over 100 candidates in clinical trials for obesity, and while the most advanced programmes are based on GLP-1 agonists, the focus areas for innovation could include:
  - improving effectiveness (a higher degree of weight loss than current approved therapies);
  - minimising side effects (such as nausea, vomiting, loss of muscle mass);
  - optimising dosing and administration regimes (reducing the frequency of injections, and developing a pill that can be taken orally to improve patient compliance); and
  - addressing the conditions associated with obesity (such as cardiovascular conditions).

  RTW notes the opportunity to address comorbidities that impede life expectancy for patients. RTW has also recognised there are several pharma and biotech companies that are working on improvements to currently available drugs, addressing the aforementioned health issues, as well as the potential expandable application to conditions such as Alzheimer's disease, crossing the boundaries of its therapeutic areas of focus.

Exhibit 22: Market share and projected sales (2021–28) by therapeutic area



Source: Edison Investment Research, EvaluatePharma. Note: Bubble size corresponds to projected product count.

Collectively, we believe these key themes suggest that demand for innovation in biotech and healthcare remains strong.

Healthcare: Promising application of advancements in tech

While AI and the technology sector have driven the surge in many technology stocks in the last one to two years, we believe investor interest is broadening to other sectors that make use of such advancements. Woody Stileman, MD and member of the strategic partnerships team at RTW Biotech Opportunities, recently shared some insights regarding secular drivers and technological developments in the space that are believed to be most important:

> 'We are living through a golden age of innovation in our sector, built on a combination of cheap genetic information and the foundation of new modalities (therapeutic techniques) to address disease. Drug development has accelerated since the first human genome was sequenced in the early 2000s. Since then, the cost of sequencing the genome has declined faster than Moore's Law would predict, allowing drug developers to identify key biological targets to address the underlying causes of disease and identify biomarkers that are early indicators of drug activity and safety.'

We believe that AI and machine learning cannot be ignored in transforming the healthcare sector and have the potential to offer many benefits. These advantages may be utilised across the entire healthcare landscape, from earlier-stage drug development, such as accelerated target identification efforts, through to practising medicine. Gareth Powell, head of healthcare at Polar Capital, comments on the areas beyond drug discovery where AI may be used to make healthcare more productive:

‘One area of healthcare that has embraced these technologies is diagnostics where AI and machine learning are starting to have an impact on accuracy and, more importantly, patient outcomes. An example here is a colonoscopy, a technique that remains the gold standard in detecting and preventing colorectal cancer. The current procedure has limitations, with some studies suggesting more than half of post-colonoscopy colon cancer cases arise from lesions missed at patients’ previous colonoscopies. Researchers at the Mayo Clinic are investigating how AI can be used to improve polyp detection. In the case of colon cancer, the AI system works alongside the physician in real time, scanning the colonoscopy video feed and drawing small, red boxes around polyps that might otherwise be overlooked.’

Outlook

Collectively, continued innovation, alongside more attractive valuations, supports our thesis that healthcare is an exciting investment opportunity, with now an enticing entry point. In summary, following the challenges seen in the past couple of years, we believe the biotech space has rightsized. With the sector looking to be on the mend, one may argue that the stars are aligning for the next healthcare bull market, with healthcare-focused investment companies a potentially desirable way by which to gain access.

Profiles of selected investment companies

Here we present brief profiles of selected healthcare-focused investment companies.

BB Biotech* (BION)

A large biotech investor focused on innovative drugs

Market cap: CHF2.1bn

BION is a Swiss-based investment company, targeting long-term capital growth from biotechnology companies developing and marketing innovative drugs. It is the largest biotech investor among its investment company peers. At least 90% of the portfolio is held in listed companies, primarily those that already have products on the market or promising drug candidates in advanced stages of development. BION is benchmarked against the Nasdaq Biotech Index (in Swiss francs) but is managed on a bottom-up basis, with a focused portfolio of c 20–35 stocks.

BioPharma Credit (BPCR)

A unique private credit play on the life sciences sector

Market cap: US$1.02bn

BPCR aims to generate predictable income for shareholders over the long term through a diversified portfolio of debt investments (primarily senior secured loans) backed by royalties or other cash flows derived from sales of approved life sciences products (drugs, devices and diagnostics). Its portfolio is therefore not subject to clinical trial or approval risks. The company targets an attractive annual dividend of 7c per share (with potential special dividends on top of this), translating into a 7%+ dividend yield, and an NAV total return of 8–9% per annum over the medium term. Total dividends per share, including special dividends, were 13.1c and 10.2c in 2022 and 2023 and are on track to exceed 10.0c in 2024, according to the company. The credit quality of BPCR's loans is underpinned by the sector experience and strong track record of Pharmakon Advisors (BPCR's investment manager), which was founded in 2009 and has committed more than US$8bn across over 50 investments.

Bellevue Healthcare Trust (BBH)

Excellence in healthcare investments

Market cap: £640m

BBH is a London-listed investment company that is managed by Bellevue Asset Management. It has a concentrated high-conviction portfolio (c 30–35 holdings) that aims to provide access to the global healthcare sector. It is focused on companies that make a significant contribution to improving the healthcare system, including: pharmaceuticals, biotechnology, medical devices and equipment, healthcare insurers and facility operators, information technology (where the product or service supports, supplies or services the delivery of healthcare), drug retail, consumer healthcare and distribution. Further to providing investors with exposure to the high-growth healthcare market, BBH also targets an annual dividend of 3.5% of NAV, funded primarily from capital rather than dividends.

Biotech Growth Trust* (BIOG)

Capital growth from investment in the worldwide biotechnology industry

Market cap: £323m

BIOG is managed by Geoffrey Hsu and Josh Golomb at global healthcare investment specialist OrbiMed. They aim to generate capital growth from a diversified portfolio of global biotech stocks across the market cap spectrum. The trust's performance is measured against the Nasdaq Biotechnology Index (total return and sterling adjusted). BIOG's managers employ a strategy that favours smaller (emerging) biotech companies rather than large-cap biotech firms. Although smaller companies can be higher risk, they potentially offer higher rewards. While the managers seek out the best potential opportunities across the globe, most of the portfolio is held in US companies, reflecting its dominance in the biotech industry, although the trust has a notable Chinese exposure.

HBM Healthcare Investments (HBMN)

The Swiss investment company for the global healthcare market

Market cap: CHF1.27bn

HBMN is a Swiss investment company with a well-balanced, globally diversified healthcare portfolio. With a strategic 60/40 split between private and public equities, it offers a blend of promising emerging companies and established leaders with market-ready products. Focusing on investments in emerging companies (following proof-of-concept) and favouring small caps (market capitalisation under US$2bn), HBMN is committed to unlocking opportunities that can change lives. The investment company provides an annual dividend, targeting a yield of 3–5%, projected at 3.9% for 2024. The flexibility facilitated by its permanent capital structure, together with the focus on closely tracking and actively guiding its portfolio companies, support the alignment of its investments with transformative visions.

International Biotechnology Trust (IBT)

A smoother ride in biotech investing

Market cap: £256m

IBT's main objective is to target innovative biotech companies that address high unmet medical needs while offering investors the opportunity for financial returns. It is invested in c 100 companies with potential for high growth, including quoted and unquoted stocks across the full spectrum of biotechnology and life sciences. IBT has been managed by Ailsa Craig and Marek Poszepczynski (now as part of Schroders) for over three years. The managers have a keen focus on risk management, supported by an acute understanding of valuation methodologies and investment life cycles, enabling them to take prudent steps to help mitigate individual company risks ahead of binary events. IBT pays a biannual dividend of 4% of closing NAV, offering investors a differentiated and historically reliable source of income.

IP Group (IPO)*

Focus on understanding, reprogramming, reconditioning and redirecting

Market cap: £440m

IPO helps to create, build and support IP-based companies internationally. The group focuses on companies that meaningfully contribute to regenerative (Kiko), healthier (life sciences) and tech-enriched (deeptech) futures. Its life sciences investments made up around 45% of its end-June 2024 portfolio value and included 33 companies, of which 14 are clinical-stage holdings. Around 7% of its total portfolio at end-June 2024 was attributable to the listed Oxford Nanopore, which

developed a new generation of nanopore-based sensing technology. Thematically, IP Group's life sciences team invests in understanding disease, focusing on disease cure and prevention rather than investing in companies that simply treat symptoms, thereby aiming to help create healthier, rather than just longer, lives. Its investments provide exposure to drugs developed for a variety of indications, including different types of cancer, autoimmune diseases (eg rheumatoid arthritis), as well as respiratory and kidney diseases.

Polar Capital Global Healthcare Trust (PCGH)

Capital growth by investing in a global portfolio of healthcare stocks

Market cap: £463m

PCGH is a London-listed investment trust focused on the global healthcare sector, and is benchmarked against MSCI All Country World Index and the MSCI World Health Care Index. The investment team was established in 2007 and includes fund managers who all previously held senior roles in the healthcare industry before managing money in the sector. The trust takes a high-conviction approach, aiming to generate capital growth by investing in a diversified portfolio of healthcare companies worldwide. PCGH has a relatively conservative investment profile (c 25–60 stocks), made up of global, high-quality healthcare giants (c 80% of the portfolio) and innovative small-cap names (c 20% of the portfolio).

RTW Biotech Opportunities (RTW)

Full life cycle approach to biotech investing

Market cap: US$514m

RTW is managed by New York-headquartered specialist healthcare investment firm RTW Investments (RTW Inv), founded in 2009 by Dr Roderick Wong, and has c US$7bn of assets under management. The company looks to identify transformative assets with growth potential across the life sciences sector. RTW Inv's approach is driven by deep scientific experience, a long-term time horizon and the ability to build, support and invest in assets at any stage in the corporate life cycle from company creation through venture, crossover, public equity and royalty-backed commercialisation financing. With a team of c 80 people in offices across the world, the company can cast a wide net, but only assets with an estimated high probability of becoming commercially viable products and those assessed as having the greatest potential to revolutionise treatment outcomes for patients pass the test. In February 2024, RTW completed the transformational acquisition of UK-listed Arix Bioscience's assets, which was a step-change accelerator to making RTW a UK-listed fund with meaningful scale to invest in innovative life science businesses in the UK and globally.

Syncona (SYNC)

Building a platform for long-term growth and impact

Market cap: £679m

SYNC is a healthcare investment company, included in the UK flagship 250 index and led by Chris Hollowood as CEO and Roel Bulthuis as a managing partner and head of investments. The company's primary objective is to invest in and build global leaders in the life sciences sector, focusing on companies with the potential to deliver transformational treatments to patients. It aims to build and maintain a portfolio of c 20–25 globally leading businesses (including both listed and unlisted companies), covering all stages of the drug development process, as well as various modalities and therapeutic areas. While SYNC does not pay a regular dividend, it offers investors

exposure to potentially high-growth opportunities, balanced by a capital pool of cash and liquid assets to support existing and new investments.

Worldwide Healthcare Trust* (WWH)

Capital growth from investment in the global healthcare sector

Market cap: £1.7bn

WWH is managed by Sven Borho and Trevor Polischuk at global healthcare investment specialist OrbiMed. They aim to generate a high level of capital growth from a diversified portfolio of global healthcare stocks. The trust's performance is measured against the MSCI World Health Care Index (sterling adjusted). WWH's portfolio is diversified by geography, subsector and market cap and its significant feature is a longstanding overweight exposure to biotech versus an underweight allocation to pharma stocks. Within biotech, the managers favour emerging (smaller cap) rather than larger businesses, as although these companies are inherently riskier, their risk/reward profiles are deemed to be superior. WWH has benefited from robust healthcare M&A activity as several portfolio companies have been acquired at meaningful premiums, both direct holdings and those in a proprietary M&A basket.

Xlife Sciences (XLS)

Focused on the performance and growth of promising technologies in the life science sector

Market cap: CHF136m

XLS is a Swiss-listed life sciences incubator and accelerator led by CEO Oliver R Baumann, for the development and commercialisation of promising life science projects from universities and other research institutions, with the aim of providing solutions for high unmet medical needs and a better quality of life. It employs an active management approach and provides operational support to portfolio companies. The portfolio currently comprises 36 projects in 25 project companies, covering its four key focus areas, which are technology platforms, biotech/therapies, medtech and AI. The team, with its deep industry and science experience, places a strong emphasis on rigorous due diligence and risk assessment, carefully evaluating scientific merit, market potential and regulatory pathways. While XLS does not currently offer a dividend, it provides investors with diversified exposure to potentially high-growth opportunities in the life sciences sector.

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