

## Trust Objective

The company's investment objective is to generate capital growth and income by investing in a global portfolio of healthcare stocks.

## Dividends

The Company pays four dividends a year and has a policy to increase the dividend on an annual basis progressively but there is no guarantee this will be achieved. The Company paid 3p per ordinary share in the period to 30 September 2011.

## Monthly Returns (%)

	1 Month	3 Months	6 Months	1 Year	Since Launch
Ordinary Share Price	-3.44	5.73	9.06	18.30	24.94
NAV (undiluted) per Share	-0.76	8.07	9.64	20.83	29.86
MSCI ACWI / Health Care	-0.22	6.43	8.31	18.13	26.91
NYSE Arca Pharmaceutical	-1.60	6.99	9.63	20.23	29.13

## Discrete Annual Performance (%)

	30/06/11 29/06/12	30/06/10 30/06/11	30/06/09 30/06/10	30/06/08 30/06/09	29/06/07 30/06/08
Ordinary Share Price	8.92	6.61	-	-	-
NAV (undiluted) per Share	11.29	18.01	-	-	-
MSCI ACWI / Health Care	7.65	19.08	-	-	-
NYSE Arca Pharmaceutical	11.13	16.55	-	-	-

Source: Bloomberg & HSBC Securities Services (UK) Limited, percentage growth, NET total return in GBP. The Net Asset Value (NAV) as at 15 June 2010 was 98.0p per ordinary share based on the subscription price of 100.0p per ordinary share and launch costs of 2.0p per ordinary share.

## Ordinary Share Performance Since Launch



Source: Bloomberg & HSBC Securities Services (UK) Limited, percentage growth, NET total return in GBP. The Net Asset Value (NAV) as at 15 June 2010 was 98.0p per ordinary share based on the subscription price of 100.0p per ordinary share and launch costs of 2.0p per ordinary share.

## Ordinary Share Price & NAV per Share Since Launch



Source: Lipper & HSBC Securities Services (UK) Limited

Sector Exposure (%)	Geographic Exposure (%)
Pharmaceuticals 62.4	United States 53.2
Healthcare Equipment 11.8	Switzerland 15.1
Specialised REITs 6.2	United Kingdom 12.5
Biotechnology 5.3	Japan 7.4
Healthcare Services 3.8	France 4.3
Healthcare Facilities 3.4	Australia 2.1
Life Sciences Tools & Services 1.8	Ireland 1.9
Healthcare Supplies 1.5	Canada 1.8
Managed Healthcare 1.4	Hong Kong 0.4
Healthcare Distributors 1.1	Norway 0.3
Life & Health Insurance 0.5	Italy 0.2
Multi-line Insurance 0.1	Brazil 0.1
Cash 0.7	Cash 0.7

# 31 August 2012

## Fact sheet

### Trust Facts

Ordinary Shares	
Share Price (p)	118.00
NAV (undiluted) per Share (p)	120.12
NAV (diluted) per Share (p)	117.03
Premium (%)	-
Discount (%)	1.76
Capital Structure	97,899,999 shares of 25p

### Subscription Shares<sup>1</sup>

Share Price (p)	18.75
Exercise Price <sup>1</sup> (p)	100.00
Capital Structure	17,800,000 shares of 1p

Total Net Assets (£m)	118
AIC Gross Gearing Ratio (%) <sup>*</sup>	99.00
AIC Net Gearing Ratio (%) <sup>*</sup>	100.00

<sup>\*</sup>Gearing calculations are exclusive of current year Revenue/Loss

### Trust Characteristics

Launch Date	15 June 2010
Co-Manager	Dan Mahony
Co-Manager	Gareth Powell
Portfolio Characteristics	80/20 (Income/Capital)
Year End	30 September
Results Announced	Mid December
Next AGM	January 2013
Trust Term	Fixed life to 7th AGM
Listed	London Stock Exchange

### Benchmark

MSCI All Country World Index / Healthcare (Sterling)

### Fees<sup>\*</sup>

Management Fee	0.85% of Market Cap
Performance Fee <sup>**</sup>	10% over performance hurdle

<sup>\*</sup> Further details can be found in the annual report. All fees are allocated 80% to capital and 20% to income.

<sup>\*\*</sup> Subject to high watermark

Total Number of Holdings	75
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### Top Ten Holdings (%)

Pfizer	8.6
Merck & Co	8.1
Novartis	7.9
GlaxoSmithKline	6.3
Roche Holding	5.4
Abbott Labs	4.9
Eli Lilly	4.8
Astellas Pharma	4.4
Sanofi	4.0
Bristol Myers Squibb	3.7
<b>Total</b>	<b>58.1</b>

### Market Capitalisation Exposure (%)

Large (greater than US\$ 5bn)	75.9
Medium (US\$ 1bn to 5bn)	10.0
Small (less than US\$ 1bn)	14.1

†Subscription shares - each share confers the right to subscribe for 1 Ordinary share at 100p on 31st January 2014.

It should not be assumed that recommendations made in the future will be profitable or will equal performance of the securities in this list. A list of all recommendations made within the immediately preceding 12 months is available upon request.

## Fund Manager Comments

Stock markets made further positive progress in August, although economic indicators continued to give mixed readings – for example, housing in the US seems to have stabilised and may be improving, but purchase managers indices (PMIs) have deteriorated over the summer. Following the strong performance last month, the pharmaceutical sector was a significant under-performer in August – the NYSE Pharmaceutical Index was down 1.6% for the month – although other sub-sectors in healthcare performed well. The NAV for the Trust was down 0.8% for the month and was behind the benchmark (Morgan Stanley Global Healthcare Index) that was down only 0.2%.

We are becoming a little more positive on the market – while the PMI data have declined the rate of decline is slowing and may even be turning in some geographical regions. These data, along with the outcome of the US elections, will be critical in terms of driving investor sentiment into year-end. Commensurate with this, the big US health insurers have begun to indicate that medical costs are rising, which is bad for their margins but good for most healthcare companies that will benefit from increased healthcare utilisation. As a result, we have begun to tilt the growth portfolio towards more “cyclical” healthcare names. We would also note that following the strong moves in pharmaceutical stocks over the summer, these names may tread water in the immediate near term if investors move away from defensive growth and look for more cyclical exposure.

The major clinical news flow in the month was again in the Alzheimer’s field. At the beginning of the month, Elan, Johnson & Johnson and Pfizer reported data from the second Phase III trial for their new Alzheimer’s disease agent, bapineuzumab. Unfortunately, similar to last month, bapineuzumab failed to show any significant clinical benefit in the second Phase III trial, even in a defined sub-population of Alzheimer’s patients. Interestingly, this negative announcement had more of an impact on Eli Lilly shares, as it has a competing Alzheimer’s programme, than on Pfizer or Johnson & Johnson. In the context of these lowered expectations, at the end of August Eli Lilly surprised the market with more positive results from its Phase III trial for solanezumab. While these studies missed the primary endpoint, the company did report a statistically significant improvement in cognition in those patients who had early stages of Alzheimer’s disease. As with any clinical programme, the devil is in the detail and it seems likely that Eli Lilly will need to conduct further clinical studies before the agent can be approved. Even so, the stock responded positively to this news and raises the expectation that we may see further improvements in treatment for Alzheimer’s in the not too distant future.

We made only one minor adjustment to the income portfolio during the month – we have sold a little more of our position in AstraZeneca. The company announced the appointment of a new CEO at the end of August. As has been well documented, the company faces some significant challenges and we look forward to hearing the new CEO present his strategic vision for the company in the coming months. Until we have more clarity on the strategy, we are likely to remain fairly cautious on the stock.

For the growth portfolio, we have made a few changes. We have sold our positions in two large health insurance companies, Wellpoint and Humana, given the comments on rising cost trends. We also sold our positions in Incyte and McKesson. We added four more “cyclical” healthcare names – Agilent and PerkinElmer, both life sciences tools providers; Brookdale, a US senior living company; and Allergan. We also bought a position in Acadia Healthcare, a US operator of behavioural health centres. Acadia has embarked on a roll-up strategy with a proven management team – the same team built up Psychiatric Solutions, which was sold to United Health Services for \$2 billion in 2010. We also bought a small position in Newron Pharmaceuticals. Newron has a novel agent for Parkinson’s disease, called safinamide, which should be filed for regulatory approval in the next few months. Moreover, the company is in the process of acquiring a Swedish company that has developed an approach that has the potential to re-grow neurons in the brain of Parkinson’s patients – if this approach pans out, it could be a major advance in the treatment of this chronic and debilitating disease.

The US election remains an important event in the US from a general stock market perspective as well as for healthcare. We think the race is going to be very tight and is tough to call at the moment. A win for Governor Romney would certainly create questions as to whether Obamacare will be curtailed or rolled back. However, we think the more important issue for healthcare will come next year – as Congress starts to investigate measures to address the fiscal deficit issue. A major investment theme for us is finding companies that deliver products or services that deliver better healthcare for less money. If the US embarks on an austerity programme, we think we will still be able to find companies that can make healthcare more efficient and so will be able to grow.

Daniel Mahony

7th September 2012

## 31 August 2012

Fact sheet

### Polar Capital Healthcare Investment Management Team

#### Dan Mahony - Co-Manager



Daniel joined Polar Capital to set up the healthcare team in 2007. He has more than 13 years' investment experience in the healthcare sector, with over 4 years as a Portfolio Manager and 9 years as a sell-side analyst. Prior to joining Polar Capital, he was head of the European healthcare research team at Morgan Stanley, covering the European biotechnology, medical technology and healthcare services sectors. He also previously worked in New York for ING Barings Furman Selz following the US biotechnology sector. Before working in the investment field, Daniel worked as a research scientist for 7 years with the majority of his time at Schering Plough Corporation in California. Daniel received his PhD from Cambridge University in 1995 and a first class honours degree in biochemistry from Oxford University in 1991.

#### Gareth Powell - Co-Manager



Gareth joined Polar Capital in 2007 to set up the healthcare team. He has over 12 years' investment experience in the healthcare sector, with 10 years as a portfolio manager. He joined Framlington in 1999 becoming a portfolio manager on the Framlington health fund. In 2002, he helped launch and then run the Framlington biotech fund. Gareth became a CFA charter holder in 2003. Gareth studied biochemistry at Oxford from 1995 to 1999 and during that time worked at Astellas, the Sir William Dunn School of Pathology, the Wolfson Institute for Biomedical Research and the Oxford Business School.

#### Anna Sizova - Analyst

Anna joined Polar Capital in February 2008 as an analyst for the healthcare team. She has over 5 year's investment experience in the healthcare sector that started with her time at Morgan Stanley as a healthcare analyst covering the European medical technology sector. Prior to working in investment, she spent 5 years at Johnson & Johnson, working in both the marketing and finance departments. Anna holds an MBA degree from the London Business School and a degree in Theoretical and Applied Linguistics from Moscow State University.

### Trust Overview

#### Investment Rationale

The Managers believe there are significant growth opportunities which apply not only to pharmaceutical companies but across the whole healthcare sector.

#### Approach

The Company will seek to achieve its objective by investing in a diversified global portfolio consisting primarily of listed equities issued by healthcare companies involved in pharmaceuticals, medical services, medical devices and biotechnology. The portfolio is expected to be diversified by the geographic location and size of the constituent companies and achieve growth by focusing on three themes: inefficiency reduction, innovation and infrastructure. For operational purposes the Manager will maintain an income portfolio and a growth portfolio, with the initial allocation expected to be in the order of 80:20.

### How to Invest

#### Market Purchases

The ordinary and subscription shares are listed and traded on the London Stock Exchange. Investors may purchase shares through their stockbroker, bank or other financial intermediary.

### Registered Office

4 Matthew Parker Street, London SW1H 9NP

### Custodian

HSBC PLC acts as global custodian for all the company's investments.

### Registrar

Equiniti  
The Causeway, Worthing, West Sussex BN99 6DA  
[www.shareview.co.uk](http://www.shareview.co.uk)

### Codes

#### Ordinary Shares

ISIN	GB00B6832P16
SEDOL	B6832P1
Ticker	PCGH

#### Subscription Shares

ISIN	GB00B68VXC96
SEDOL	B68VXC9
Ticker	PCGS

## House View

This document has been produced based on Polar Capital research and analysis and represents our house view. All sources are Polar Capital unless otherwise stated.

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Return targets are targets only and are based over the long-term on the performance projections of the investment strategy and market conditions at the time of modelling and are therefore subject to change. There is no guarantee that any target return can be achieved. Investors should not place any reliance on such target return in deciding whether to invest in any fund established by Polar Capital LLP.

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## Holdings

The top 10 positions were selected based on percentage of AUM. This portfolio data is "as at" the date indicated and should not be relied upon as a complete or current listing of the holdings (or top holdings) of the fund. The holdings may represent only a small percentage of the aggregate portfolio holdings, are subject to change without notice, and may not represent current or future portfolio composition. Information on particular holdings may be withheld if it is in the fund's best interest to do so. A complete list of the portfolio holdings may be made available upon request. It should not be assumed that any of the securities transactions or holdings discussed was or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. The information provided in this document should not be considered a recommendation to purchase or sell any particular security.

## Benchmarks

The following benchmark index is used: MSCI All Country World Index/Healthcare. These benchmarks are generally considered to be representative of the Healthcare equity universe and of the global emerging market universe. These benchmarks are broad-based indices which are used for comparative/illustrative purposes only and have been selected as they are well known and are easily recognizable by investors. Please refer to [www.msic Barra.com](http://www.msic Barra.com) for further information on these indices. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the fund. For example, investments made for the fund may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark. Accordingly, investment results and volatility of the fund may differ from those of the benchmark. Also, the indices noted in this presentation are unmanaged, are not available for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the fund may incur. In addition, the performance of the indices reflects reinvestment of dividends and, where applicable, capital gain distributions. Therefore, investors should carefully consider these limitations and differences when evaluating the comparative benchmark data performance. The information regarding the indices are included merely to show the general trends in the periods indicated and is not intended to imply that the fund was similar to any of the indices in composition or risk.

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## Performance

Performance is shown net of fees and expenses and includes the reinvestment of dividends and capital gain distributions. Many factors affect fund performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment return and principal value of your investment will fluctuate, so that when your investment is sold, the amount you receive could be less than what you originally invested. Past performance is not a guide to or indicative of future results. Future returns are not guaranteed and a loss of principal may occur. Investments are not insured by the FDIC (or any other state or federal agency), are not guaranteed by any bank, and may lose value.

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## Allocations

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