# Polar Capital Global Healthcare Trust plc

## Half-Year Report for the six months ended 31 March 2024

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# YOUR COMPANY AT A GLANCE

### WHO WE ARE

The Group comprises the Company, Polar Capital Global Healthcare Trust Plc and the subsidiary, PCGH ZDP Plc. The Group was formed on 30 March 2017 as part of a reconstruction of the Company which included the change of the name on 20 June 2017 from Polar Capital Global Healthcare Growth and Income Trust plc and a revised objective from creation of income and growth, to growth. The Company was originally launched on 15 June 2010.

### PURPOSE

The purpose of the Group, comprising the Company and the wholly owned subsidiary PCGH ZDP Plc, is to provide a vehicle for investors in which assets are invested across a diversified global portfolio of healthcare stocks which aim to deliver long term capital growth to shareholders. The purpose is achieved through implementation of the Investment Objective and investment policies incorporating parameters to ensure excessive risk is not undertaken.

### INVESTMENT OBJECTIVE AND POLICY

The Objective of the Company is to generate capital growth by investing in a global portfolio of healthcare stocks. The Company will seek to achieve its objective by investing in a diversified global portfolio consisting primarily of listed equities. The portfolio is diversified by geography, industry subsector and investment size. Stock selection is central to the process, looking to identify companies where there is a disconnect between valuations and the near and medium-term growth drivers. Whilst the Company primarily focusses on leading healthcare companies with resilient, medium-term growth profiles, it also has the opportunity to invest in earlier-stage, more innovative and disruptive companies. Structural debt, in the form of Zero Dividend Preference shares with a repayment date of 19th June 2024, offers access to additional liquidity and the opportunity to enhance returns through gearing.

In terms of structure, the majority of the assets (calculated on a gross basis and referred to as the Growth Portfolio) will be invested in companies with a market capitalisation of more than US$5 billion at the time of investment, with the balance invested in companies with a market capitalisation of less than US$5 billion at the time of investment (a maximum of 20% of gross assets and referred to as the Innovation Portfolio).

### MANAGEMENT

The Company is an investment trust led by an experienced Board of independent non-executive Directors with a variety of expertise in investment and healthcare matters and with experience in the regulatory and legal framework within which the Group operates. The role of the Board is to provide oversight of the Company's activities and to seek to ensure that the appropriate controls are in place to deliver the Investment Objective and to manage the risks associated with such activities.

The Investment Manager is Polar Capital LLP ("Polar Capital") and the appointed Co- Managers are Dr James Douglas and Mr Gareth Powell supported by the wider Polar Capital Healthcare Team. Polar Capital LLP is also the Alternative Investment Fund Manager for the purposes of AIFM Regulations and is authorised and regulated by the Financial Conduct Authority.

### BENCHMARK

The benchmark since launch has been the MSCI ACWI Health Care Index (total return in sterling with dividends reinvested).

### LIFE

In the absence of any prior alternative proposals, the articles of association of the Company require the Directors to put forward at the first Annual General Meeting to be held after 1 March 2025 a resolution to place the Company into voluntary liquidation.

# FINANCIAL HIGHLIGHTS

| **Performance** | **For the six months to 31 March 2024** | **For the year to 30 September 2023** |
|---|---|---|
| **Net asset value per Ordinary share (total return) (note 1)*** | 16.55% | 4.21% |
| **Benchmark index**<br>MSCI ACWI/Healthcare Index (total return in sterling with dividends reinvested) | 9.56% | 1.19% |
| **Since restructuring on 20 June 2017** | | |
| **Net asset value per Ordinary share (total return) since restructuring (note 2)*** | 95.30% | 67.56% |
| **Benchmark index total return since restructuring** | 81.88% | 66.01% |
| **Expenses** (note 3)***** | | |
| Ongoing charge | 0.88% | 0.87% |
| Ongoing charges including performance fee | 1.05% | 0.87% |

| **Financials** | **(Unaudited) As at 31 March 2024** | **(Audited) As at 30 September 2023** | **Change** |
|---|---|---|---|
| Total net assets (Group and Company) | £487,286,000 | £419,182,000 | 16.2% |
| Net asset value per Ordinary share | 401.82p | 345.66p | 16.2% |
| Net asset value per ZDP share | 122.20p | 120.41p | 1.5% |
| Price per Ordinary share | 375.00p | 319.00p | 17.6% |
| Discount per Ordinary share | 6.7% | 7.7% | |
| Price per ZDP share | 120.00p | 116.00p | 3.4% |
| Net gearing | 8.42% | 9.37% | |
| Ordinary shares in issue (excluding those held in treasury) | 121,270,000 | 121,270,000 | - |
| Ordinary shares held in treasury | 2,879,256 | 2,879,256 | - |
| ZDP shares in issue | 32,128,437 | 32,128,437 | - |

| **Dividends paid and declared in the period:** | **Pay Date** | **Amount per Ordinary share** | **Record Date** | **Ex-Dividend Date** | **Declared date** |
|---|---|---|---|---|---|
| The Company has paid the following dividend relating to the financial year ended 30 September 2023: | 29 February 2024 | 1.20p | 2 February 2024 | 1 February 2024 | 13 December 2023 |
| Dividends for the current financial year ending 30 September 2024, if declared, will be paid in August 2024 and February 2025.<br>*All data sourced from Polar Capital LLP/HSBC.* | | | | | |

Note 1 NAV total return is calculated as the change in NAV from the start of the period, assuming that dividends paid to shareholders are reinvested on the payment date in ordinary shares at their net asset value.

Note 2 The Company's portfolio was restructured on 20 June 2017. The total return NAV performance since restructuring is calculated by reinvesting the dividends in the assets of the Group and Company from the relevant payment date.

Note 3 Ongoing charges represent the total expenses of the Company, excluding finance costs, transaction costs, tax and non-recurring expenses expressed as a percentage of the average daily net asset value, in accordance with AIC guidance issued in July 2022.

Where a performance fee is paid or is payable, a second ongoing charge is provided, calculated on the same basis as the above but incorporating the amount of performance fee due or paid. The ongoing charges figure as at 31 March 2024 is for the six month period from 30 September 2023 and is annualised (excluding the performance fee) for comparison with the full year's calculation as at 30 September 2023.

*See Alternative Performance Measures below.

# CHAIR'S STATEMENT

On behalf of the Board, I am pleased to provide to you the Company's Half Year Report for the six-months to 31 March 2024.

## PERFORMANCE AND OUTLOOK

I am very pleased to be reporting strong performance during the six months to 31 March 2024. The Company's NAV returned 16.6%, outperforming its healthcare benchmark (MSCI ACWI/Healthcare Index) by 7.0%. This strong result, against a challenging market backdrop and geopolitical outlook, was driven by strong stock selection across the entire market capitalisation spectrum, positive stock selection across most geographies and a combination of good subsector positioning and subsector stock selection. The discount also narrowed, ending the period under review at 6.7%, from 7.7% as at 30 September 2023.

The Board remains optimistic about the outlook of the healthcare sector particularly as the Manager's key investment themes, specifically utilisation, continue to gather momentum with strong performance seen in subsectors such as healthcare facilities, equipment and supplies. Together with the Manager's views on the near-term opportunities provided by innovation, emerging markets and increased utilisation of Artificial Intelligence, we believe that the sector remains very well placed to deliver attractive returns and growth opportunities for our shareholders in the coming months and years ahead.

Further details are provided in the Investment Manager's report below.

## THE BOARD

There have been no changes to the membership of the Board in the six months to 31 March 2024. The Directors' biographical details are available on the Company's website and are provided in the Annual Report.

## SUBSIDIARY UNDERTAKING

As noted in the Company's Annual Report and Accounts for the year ended 30 September 2023, the Company is parent to a wholly owned subsidiary, PCGH ZDP Plc, which was created as part of the Company's restructure in 2017 for the purpose of providing a loan to the parent in the form of structural gearing. The subsidiary has a fixed life whereby the loan will be repaid and the ZDP shares will be redeemed in June 2024 at which time the entity will be liquidated. The Company remains in a strong position to repay the outstanding loan amount to ZDP Shareholders on the scheduled repayment date in June 2024 and has no current intention of refinancing the loan.

Further information on the redemption timeline and process will be communicated to shareholders in due course.

## PRINCIPAL RISKS AND UNCERTAINTIES

A detailed explanation of the Company's principal risks and uncertainties, and how they are managed through mitigation and controls, can be found on pages 36 to 38 of the Annual Report for the year ended 30 September 2023. The principal risks and uncertainties are categorised into four main areas: Portfolio Management, Operational Risk, Regulatory Risk and Economic/Market Risk. The Directors consider that, overall, the principal risks and uncertainties faced by the Company for the remaining six months of the financial year have not changed from those outlined within the Annual Report.

Further detail on the Company's performance and portfolio can be found in the Investment Manager's Report.

## GOING CONCERN

As detailed in the notes to the financial statements, the Board continually monitors the financial position of the Group and Company and has undertaken an assessment in determining the appropriateness of preparing the Financial Statements on a going concern basis. Having carried out this assessment, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial results of the Group and Company. In reaching this conclusion, the Board also considered the Company's performance and its assessment of any material uncertainties and events that might cast significant doubt upon the Group and Company's ability to continue as a going concern.

## RELATED PARTY TRANSACTIONS

In accordance with DTR 4.2.8R, there have been no new related party transactions during the six-month period to 31 March 2024. There have been no changes in any related party transaction described in the last Annual Report that could have a material effect on the financial position or performance of the Group or Company in the first six months of the current financial year or to the date of this report.

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors of Polar Capital Global Healthcare Trust plc confirm to the best of their knowledge that:

- The condensed set of financial statements has been prepared in accordance with UK-adopted International Accounting Standard 34 and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at 31 March 2024; and
- The Interim Management Report includes a fair review of the information required by the Disclosure Guidance and Transparency Rules 4.2.7R and 4.2.8R.

The half year financial report for the six-month period to 31 March 2024 has not been audited or reviewed by the Auditors. The half year financial report was approved by the Board on 15 May 2024.

On behalf of the Board

**Lisa Arnold**

**Chair**

# INVESTMENT MANAGER'S REPORT

**Executive summary**

Over the six-month period to the end of March 2024, the Company continued to perform well with the Company's NAV materially outperforming its benchmark, returning 16.6% versus 9.6% for the benchmark (MSCI ACWI/Healthcare Index (total return in sterling with dividends reinvested), both figures in sterling terms, driven by strong stock selection across the entire market capitalisation range.

A strong start to the financial year, both in absolute and relative terms, global equity markets really sparked into life in late 2023, driven by a raft of positive news regarding the US economy. After a period of very strong economic growth, the pace started to slow which eased fears of upward inflationary pressures and the need to tighten financial conditions. With regards to the healthcare sector, the mega-capitalisation (>$100bn) and large-capitalisation ($10bn-$100bn) stocks were the best performers while small-capitalisation (<$5bn) stocks continued to struggle. Encouragingly, one of the key themes that was a focus in last year's half-yearly report, namely increased levels of utilisation, became very apparent as evidenced by the strong performances of the healthcare facilities, healthcare equipment and healthcare supplies subsectors. In keeping with that theme, healthcare insurance companies struggled with rising medical costs due to increased procedure volumes putting pressure on near-term margins and earnings.

Reflecting on the period under review, as well as strong stock selection across the entire market-capitalisation range, there were positive contributions across the majority of geographies with the exception of Japan. With regards to subsectors, both allocation and stock selection were positive, with biotechnology the standout contributor driven entirely by strong stock selection.

With conviction in the industry's key growth drivers increasing, especially with regards to innovation and demand, we remain optimistic that the healthcare sector will deliver attractive revenue and earnings growth and generate outperformance in the coming months and years.

**Performance – 30 September 2023 to 31 March 2024**

The performance over the period was strong but the sector was volatile, particularly towards the smaller end of the market capitalisation spectrum. October 2023 witnessed the end of a very difficult period for markets and particularly for small/mid-capitalisation healthcare stocks that suffered as financial conditions started to tighten in July 2023. After a period of economic growth surprising to the upside in the US, leading economic indicators started to point towards slowing growth and the potential for interest rate cuts. That backdrop sparked a reversal in markets, with a significant rally in equities including healthcare, and an especially robust response from small/mid-capitalisation stocks – a rally that continued through to the end of March 2024. Despite the move higher, small and mid-capitalisation stocks underperformed their larger counterparts, causing the allocation effect in regard to performance attribution to be negative. However, strong stock-picking, particularly in the small and mid-capitalisation stocks, more than offset this weak allocation effect to generate outperformance over the period.

| Market capitalisation at | 31 March 2024 | 30 September 2023 |
|---|---|---|
| Large (>US$10bn) | 37.3% | 34.5% |
| Medium (US$5bn - US$10bn) | 40.6% | 46.0% |
| Small (<US$5bn) | 23.8% | 14.5% |
| Other net liabilities | 6.8% | 14.3% |
| | (8.5%) | (9.3%) |

***Source:*** *Polar Capital as at 28 March 2024, average calculated over the reporting period*

From a geographical perspective, Europe, North America and Asia Pacific (ex-Japan) were the largest contributors, thanks to strong selection making up for the slightly adverse allocation effects. Japan was the largest drag to performance, driven primarily by poor stock-picking. Cash and others contributed positively given the net leverage position in a rising market. The level of gearing was relatively stable during the period under review, averaging c8.2%. Net gearing started the period under review at 9.4% and was 8.4% at the end of March.

In terms of subsectors, the positive attribution was due to both allocation and selection, with the most favourable impact coming from biotechnology where stock-picking was particularly strong. Also positive were life sciences tools and services (with selection being the main driver), managed care, healthcare facilities and healthcare supplies (all three benefitting almost exclusively from good allocation). The largest detractors were healthcare services, where both allocation and stock selection were negative, pharmaceuticals, for which the selection effect was negative albeit partially offset by positive allocation, and healthcare technology where stock-picking was below par.

Stocks that contributed positively to the relative performance over the period included Zealand Pharma, UnitedHealth Group, DexCom, UCB and Pfizer*.

Zealand Pharma, a Danish biotechnology company, was strong throughout the period as investors' enthusiasm and appreciation for companies developing therapeutics to address obesity grew. The stock jumped in February when partner Boehringer Ingelheim released positive phase two data for key development drug survodutide for a disease called metabolic dysfunction-associated steatohepatitis (a form of fatty liver disease in which there is inflammation and destruction of liver cells), thus increasing the drug's commercial potential and derisking the program at the same time.

Consistent with our view that healthcare utilisation would continue to stay elevated, we remained underweight in UnitedHealth Group, the largest managed care organisation (MCO) in the US, for the vast majority of the first half of the financial year, though a position in the stock was initiated in mid-March 2024. Utilisation is a negative for MCOs because it drives higher medical loss ratios (MLRs), a measure of the cost to provide medical care to insured members. This thesis played out as the company, together with other MCOs, reported an uptick in their MLR on the back of strong utilisation especially for senior patients (which are part of so-called Medicare). Additionally, the managed care space, a traditionally defensive subsector that benefits from high interest rates, was generally out of favour as investors' expectations for rate cuts rose given more favourable macroeconomic conditions.

Medical device companies that specialise in products for diabetes sold off sharply in August 2023 when Novo Nordisk published data showing its diabetes and obesity GLP-1 drug had beneficial cardiovascular effects, with this negative trend continuing in the first couple of months of the financial year. DexCom, a maker of continuous glucose monitors (CGMs), was caught in the downtrend but rebounded as a result of excellent execution from the company which consistently beat consensus estimates in their quarterly earnings, therefore allaying some investors' fear that GLP-1 might meaningfully impact its revenues. Furthermore, the company also benefitted from the approval for Stelo, an over-the-counter CGM which expands DexCom's addressable market, potentially beyond the diabetes market and into the world of health conscious consumers.

A Belgium-based biopharmaceutical company UCB has had a strong start to the calendar year, with investors' enthusiasm for recently launched psoriasis drug Bimzelx gathering momentum. There is also widening appreciation for the company's other commercialised assets in the fields of epilepsy, osteoporosis and generalised myasthenia gravis (a rare, chronic condition that causes muscle weakness).

Pfizer* had a challenging period as the demand for its Covid-19 therapeutics and vaccines continued to dwindle, forcing the company to give 2024 earnings guidance almost 50% lower than the sell-side had pencilled in. Additionally, the company also had setbacks in its pipeline development, the most notable example being the discontinuation of the programme for its twice-daily oral weight-loss pill, danuglipron, after results from a mid-stage trial showed a high rate of side-effects and discontinuations.

Stocks that impacted relative performance negatively over the period were Novo Nordisk*, R1 RCM, Insulet, Astellas Pharma and Merck & Co*.

Excitement about the market potential for Novo Nordisk's drugs for diabetes and obesity gained pace during the first six months of the financial year, as the company posted convincing sales for the third and fourth quarters of 2023 notwithstanding capacity restrictions but also gave robust revenue guidance for 2024 and highlighted improvements in the supply of its GLP-1 drugs. Despite not holding Novo Nordisk, the Company is exposed to the diabetes and obesity therapeutics market with its positions in Eli Lilly and Zealand Pharma.

R1 RCM's main line of business is the provision of revenue cycle management solutions for healthcare facilities and providers in the US. The company faced a series of challenges including a large client contract termination and doubts over the progress of its pipeline of new contracts causing the stock to underperform.

As mentioned above, medical device companies connected to diabetes suffered in the early part of the period under review and Insulet, a maker of insulin pumps, was no exception. However, after recovering partly towards the end of 2023, the stock suffered again, this time due to company-specific issues: first confusing and modestly revised guidance for the US business in 2024, obfuscating good progress on the margin front; second, concerns that the company's new patient starts are stalling.

Astellas Pharma, a Japanese pharmaceutical company, was hurt by competitive dynamics for their geographic atrophy (a degenerative disease of the eyes) asset but also the market concern around the revenue trajectory for their newly launched drug Veozah for hot flushes associated with menopause.

The large relative underweight position in Merck & Co hurt performance. The US pharmaceutical company was rewarded for its strong execution and was also buoyed by success for both pipeline projects and value-added M&A.

**Relative Contributors (%): 30 September 2023 to 31 March 2024**

| Top 10 | Average Stock Weight | Active Weight | Stock Return | Stock Return vs BM | Total Attrib |
|---|---|---|---|---|---|
| Zealand Pharma A/S | 5.33 | 5.33 | 119.81 | 110.25 | 4.53 |
| UnitedHealth Group | 0.42 | -6.03 | -5.19 | -14.75 | 0.96 |
| DexCom | 2.68 | 2.10 | 43.64 | 34.09 | 0.69 |
| UCB | 1.09 | 0.94 | 45.57 | 36.01 | 0.69 |
| Pfizer | 0.00 | -2.19 | -19.16 | -28.72 | 0.69 |
| ICON | 0.96 | 0.96 | 31.82 | 22.27 | 0.68 |
| Cytokinetics | 1.81 | 1.81 | 129.95 | 120.40 | 0.63 |
| Cash and Others | -8.24 | -8.24 | 0.00 | 0.00 | 0.59 |
| Global Health/India | 1.13 | 1.13 | 77.51 | 67.95 | 0.58 |
| Shockwave Medical | 1.82 | 1.82 | 58.03 | 48.48 | 0.51 |

| Bottom 10 | Average Stock Weight | Active Weight | Stock Return | Stock Return vs BM | Total Attrib |
|---|---|---|---|---|---|
| Novo Nordisk A/S | 0.00 | -4.68 | 35.00 | 25.44 | -1.11 |
| R1 RCM | 0.70 | 0.70 | -17.42 | -26.97 | -0.68 |
| Insulet | 1.47 | 1.30 | 3.84 | -5.72 | -0.64 |
| Astellas Pharma | 1.62 | 1.34 | -25.31 | -34.86 | -0.59 |
| Merck & Co | 0.00 | -3.80 | 23.84 | 14.29 | -0.58 |
| Legend Biotech Corp | 1.49 | 1.44 | -19.31 | -28.87 | -0.55 |
| Humana | 2.55 | 1.82 | -31.14 | -40.70 | -0.53 |
| Takeda Pharmaceutical | 2.72 | 2.11 | -13.66 | -23.22 | -0.53 |
| Novartis | 1.93 | -0.78 | -8.66 | -18.22 | -0.45 |
| Indivior | 0.46 | 0.46 | -4.78 | -14.33 | -0.37 |

***Source:*** *Polar Capital as at 28 March 2024*

**Near-term considerations: Recession risks dissipating?**

What a difference a year makes, with the market now adopting a more optimistic stance on global growth while heavily discounting fears of a full-blown recession. That, coupled with expectations that interest rates will decline in the next 12 months, has driven a greater appetite for risk among equity investors. Thankfully, the healthcare sector is composed of a broad and diversified universe of businesses with many different end-markets and operating models across the market-capitalisation spectrum. Within that, the sector is heavily populated with high-growth, high terminal value companies that can flourish in a risk-on environment. Further, there are pockets of healthcare, for example dental and ophthalmology, that are sensitive to economic cyclicality. Conversely, if the market pivots to a more defensive stance, the more mature mega-capitalisation companies, with high gross and operating margins, will become more attractive on a relative basis.

**Key themes: Innovation, emerging markets and artificial intelligence**

In last year's half-year report, we outlined three key investment themes which offered the potential for significant returns. As a reminder, those themes were utilisation, delivery disruption and consolidation and were influential in driving the Company's positioning.

With regards to utilisation, calendar 2023 witnessed a marked pickup in patient activity which was a material positive for not only medical device and supplies companies, but also for healthcare providers and facilities. In contrast, rising levels of utilisation and consumption of products and services was a challenge for the healthcare insurance companies paying medical bills. A long-term, durable growth driver, the delivery of healthcare continues to be disrupted as healthcare systems globally look to generate efficiencies by treating patients in lower-cost settings such as surgery day centres and Ambulatory Surgery Centres. A trend that accelerated during the pandemic, this direction of travel is expected to continue for many years to come. Last but not least, the healthcare sector has seen an increase in M&A activity, mostly in the area of biopharmaceuticals as well as in the medical device arena.

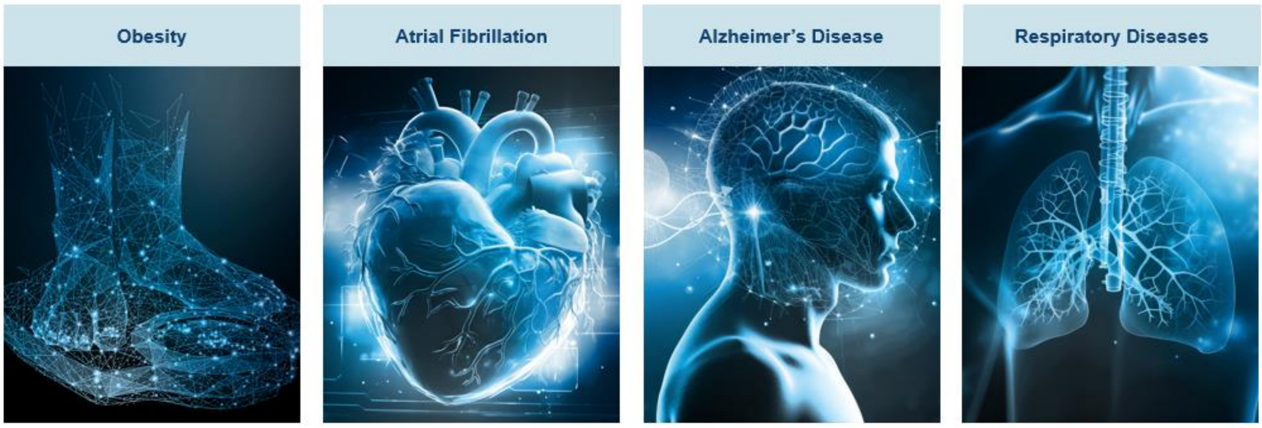
The aforementioned themes will continue to be very relevant in the medium and long term, but as we highlighted in last year's annual report for the year ended 30 September 2023, it is the three additional themes of innovation, emerging markets and artificial intelligence that are offering exciting, near-term investment opportunities and are influencing the Company's current positioning.

**Innovation: Driving new product cycles**

Innovation is the lifeblood of many industries, none more so than healthcare and it appears to be flourishing. Superior understanding of human biology and the drivers of disease are allowing the biopharmaceutical industry to produce novel, targeted strategies to address significant unmet medical needs. Underpinning that view is the fact that in 2023 the US FDA approved 55 New Molecular Entities, which represents the second-best approval rate in 30 years. More importantly, perhaps, is the breadth of innovation that spans areas such as infectious disease, neurological conditions, opioid abuse, cardiovascular disorders and respiratory diseases. 2023 also saw important breakthroughs for patients with rare diseases and cancers.

While it is important to recognise and applaud the terrific pace of innovation, it is also essential to focus on the commercial landscape. Clearly not an exhaustive list, but the images below highlight recent breakthroughs in areas where there is not only a high unmet need but also large, addressable markets. Obesity, atrial fibrillation (an irregular, often abnormally high, heart rate) and Alzheimer's disease are all huge markets but the medical breakthroughs in respiratory diseases are also significant. This is not just for a disease like Chronic Obstructive Pulmonary Disease (COPD, or smoker's cough) but also for Respiratory Syncytial Virus (often referred to as simply RSV) which can impact both the elderly and new-born babies. At the time of writing, the Company has positions in stocks with direct exposure to obesity (via Eli Lilly and Zealand Pharma), Alzheimer's disease (via Eli Lilly), COPD (via Sanofi) and RSV (via Sanofi and Swedish Orphan Biovitrum).

**Exciting new product cycles drive revenue and earnings momentum**



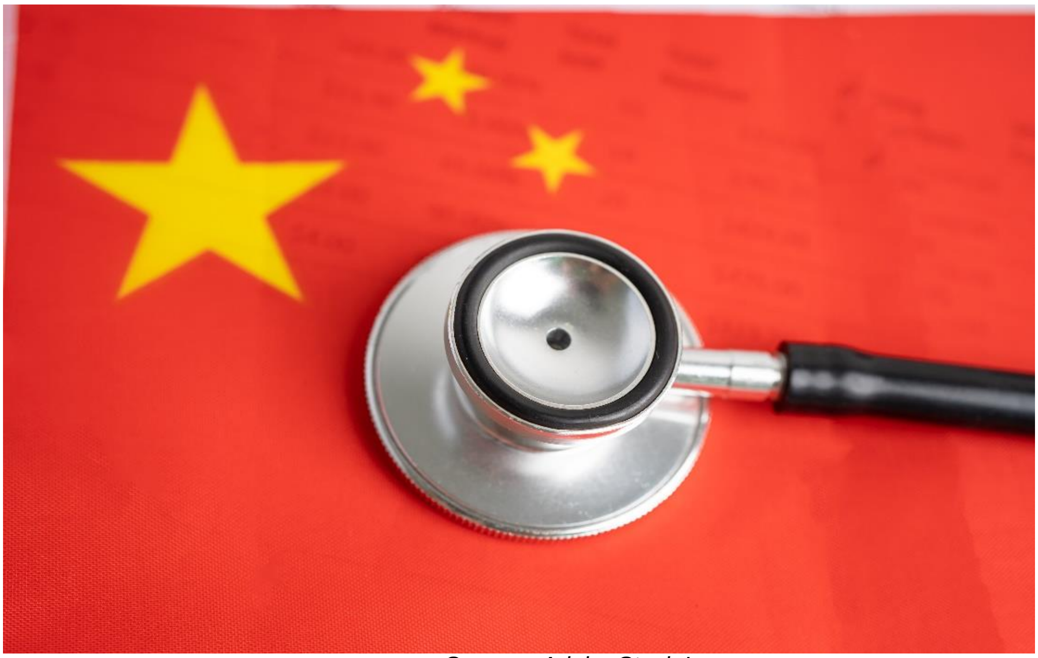

***Images:*** *Adobe Stock assets*

The field of robotic surgery has also been the beneficiary of material innovation in recent history. The new generation of surgical robots are more integrated and are designed to enable better outcomes, be more efficient and streamline surgeons' workflow. With materially higher computing power and additional features such as haptic feedback, the updated machines could drive greater penetration for many years to come. The Company's exposure to robotic surgery is via US-based medical equipment company, Intuitive Surgical.

**Emerging markets: Is China on a path to recovery?**

Emerging markets are a major focus both in terms of direct investment opportunities but also end markets. For example, the ongoing bull market in India has been a positive for the Company through direct investments in the healthcare provider subsector. China, by contrast, has been more challenging with sentiment towards the region diametrically opposite to that being experienced in India, and it is that pessimism that might offer up fresh, contrarian investment opportunities, either through either direct investments or via multi-national companies that have material revenue exposure.

China's macroeconomic environment has been challenging and highly unpredictable for a while. The lifting of the Covid-19 lockdowns was the catalyst for a strong rebound in economic activity early in 2023, but growth quickly stalled, adversely affecting a number of industries including the life sciences tools and services subsector. Tentative signs of a recovery, including measures of output, manufacturing activity and new home prices offer reasons to be optimistic, with the caveat that visibility remains low and volatility may well remain high.



***Source:*** *Adobe Stock Image*

Homing in on healthcare in China, there is optimism that some of the challenges from 2023 are starting to move into the rearview mirror. As a reminder, an anti-corruption campaign was initiated with the objective of "resolutely punishing corruption" in the medical sector "with a zero-tolerance attitude". With positive intentions, and obvious long-term benefits for corporate governance, the initiative did unfortunately lead to a slowdown in activity with doctors reluctant to participate in academic conferences, embrace new technologies or prescribe imported drugs. There was also a marked decline in orthopaedic and ophthalmic surgeries as clinicians and surgeons temporarily reduced activity. Thankfully, recent public commentary from medical device companies is pointing to a recovery in patient inflow.

As soon as the Chinese healthcare system has successfully navigated its way through the anti-corruption campaign, investors will once again be able to focus on the strong, underlying fundamentals of the region. Government policy is supportive for healthcare, encouraging investment in research and development to satisfy the desire for best-in-class medicines. Further, volume-based procurement (VBP), which has weighed on the biopharmaceutical and medical device industries for the past five years, appears to be stabilising. The government is comfortable with the price adjustments VBP has put in place and is easing up on its policies, seeking a greater balance between cost control and innovation. With a more supportive regulatory backdrop, coupled with a recovery in the economy, companies with significant exposure to China could be interesting as we look into the rest of the year, with life sciences tools and services, healthcare equipment and biopharmaceuticals subsectors the most likely beneficiaries.

**Artificial intelligence and machine learning: Just the beginning**

A key question for the healthcare industry to address is: "How can artificial intelligence (AI) and machine learning (ML) be used to make healthcare more productive?". One area of the industry that has embraced the technologies is diagnostics where AI and ML are starting to have an impact on accuracy and, more importantly, patient outcomes. Take colonoscopy for example, 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.

***Source:*** *Adobe Stock Image*

Oncology is another field adopting innovative AI solutions. AI software solutions are being introduced in imaging centres to enable more accurate screening for the three most prevalent cancers: breast, lung and prostate. With mammographies, for example, AI technology is being used to automatically identify unusual lesions and assigns a suspicion level to each finding. In the case of lung cancer, the objective is improved prognosis via a more efficient counting, measuring and segmentation of lesions. Finally, in the case of prostate cancer, faster and more accurate diagnoses of abnormalities could prove to be invaluable.

**US election: Split Congress the most likely scenario therefore a positive for healthcare investors**
It would be remiss not to assess the implications of the upcoming US elections but a contrarian view that the outcome will not create over-sized volatility is justified. The Senate, House of Representatives and White House could all change hands in November 2024 with odds favouring a Republican takeover of the Senate and a Democratic takeover of the House of Representatives. Given the extreme polarisation of the parties, divided control of the Federal government would create political gridlock and render it very difficult to pass any far-reaching legislation, including healthcare. The potential outcomes are mixed, but with the key observation that hard-hitting, draconian measures are unlikely making the investment landscape for healthcare investors less uncertain.

**Strategy and positioning**
As a reminder, the objective of the Company is to achieve long-term capital appreciation by investing in a portfolio of global healthcare companies, to include, but not limited to, pharmaceutical, biotechnology, medical device and healthcare services companies. The aim is to identify companies where there is a disconnect between valuations and intrinsic value. The Company is a high-conviction (77.4% active share as of 31 March 2024), actively managed investment vehicle that gives investors exposure to a concentrated portfolio from across the global healthcare universe. Stock-picking remains critical to the process, but there will be a continued focus on the key investment themes mentioned earlier, some of which appear to be accelerating in the near term while also having medium-term durability.

The Company's portfolio combines a growth at a reasonable price (GARP) approach with the opportunity to invest in earlier-stage, more disruptive companies. The Growth portfolio dominates, with exposure to companies that sit further up the market-capitalisation scale. This part of the portfolio consists of holdings where we see a disconnect between the current share price and intrinsic value. The positions also reflect, in part but not exclusively, the investment themes where we have the highest conviction. This part of the portfolio also drives the lower volatility of the Company relative to other, more volatile areas of healthcare. The innovation portfolio provides optionality through investments in the most exciting small-capitalisation stocks we can find.

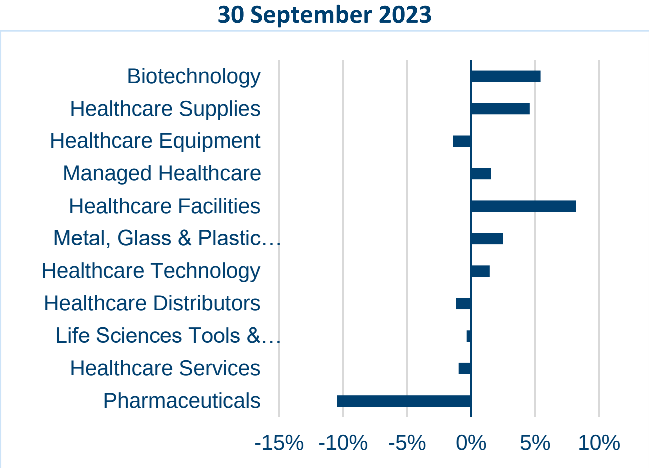
| | |
|---|---|
| **Growth Portfolio**<br>**(80% - 90% of NAV)** | • Conviction portfolio of 25-40 positions<br>• Large capitalisation focus (c80% in $10bn+; <20% in $5-10bn)<br>• Global exposure across diverse range of sub-sectors - not your typical portfolio staples<br>• Significant active positions, focused on six key investment themes |
| **Innovation Portfolio**<br>**(10% - 20% of NAV)** | • Unconstrained conviction portfolio of 10-25 positions<br>• Market Capitalisation <$5bn<br>• Focused on innovators and disruptors within the same key six investment themes |

**Period end positioning: Diverse but with high conviction**

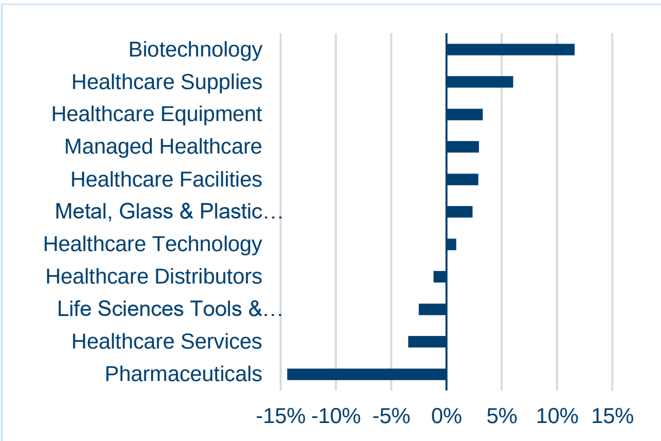
From a subsector perspective, there were some significant changes in positioning during the six-month period, driven both by allocation and stock-specific considerations. Starting from a large overweight, exposure to healthcare facilities was reduced to take profits after the subsector experienced a material rerating. On the other hand, we increased our holdings in biotechnology companies: after a difficult start to the financial year on funding concerns, the subsector was trading at depressed multiples despite fundamentals remaining solid, thus offering an attractive entry point.

**Subsector weightings relative to benchmark**

**30 September 2023**




**31 March 2024**




***Source:*** *Polar Capital. Note: Sector exposure refers to the extent to which the Fund is overweight or underweight in each sector compared (relative) to the index (MSCI All Country World Health Care Index).*

Other significant moves in positioning included an increase in exposure to healthcare supplies and equipment, and a larger underweight in life sciences tools and services. The change in the healthcare supplies and equipment was primarily driven by individual stories; as mentioned earlier, some medical device companies, especially in the areas of diabetes, cardiology and orthopaedics, were negatively impacted by investors' concerns that anti-obesity drugs could reduce the addressable market for these businesses. Having a more sanguine view on these concerns than the market, we took the opportunity to increase our exposure to some medical device companies whose fundamentals remain very attractive. Our stance on life sciences tools and services shifted more negative as the subsector experienced a positive rerating in early 2024 despite near-term pressures and earnings downgrades. These downgrades were driven by issues such as customer inventory drawdown, deteriorating biotechnology funding, a more difficult capital equipment landscape and a weak economic environment in China.

The largest underweight relative to the benchmark continues to be in pharmaceuticals. As the first half of the financial year progressed, investors' attitudes shifted more positive on the global macroeconomic picture, with robust GDP growth, high consumer confidence, stable employment and declining inflation. Given the defensive characteristics of the subsector coupled with its sub-par growth profile and mature operating margins, we maintained our view that we can find more exciting opportunities in other areas of the healthcare universe.

Stocks in healthcare facilities were the best performers in the first six months of the financial year, with the industry experiencing very strong underlying dynamics driven by higher volumes but also improving labour supply, lower wage inflation and improved payers' rates. Although we remain constructive on the fundamentals (delivery disruption and utilisation are important drivers in the near term and they should continue to be beneficial for facilities), many such companies rerated sharply and we now think their valuations are increasingly stretched.

An increase in utilisation also supported the growth of healthcare distributors, equipment and supplies. The latter two also saw better margins on the back of lower cost inflation and a more resilient supply chain. The equipment and supplies subsectors underperformed in the first month of the financial year due to concerns around anti-obesity drugs impacting the underlying markets, but posted a strong recovery as most medical device companies reported solid growth in the last quarter of 2023 and gave a positive outlook for 2024. Even though the subsectors' market conditions are undoubtedly healthy, we remain very selective in our stock-picking, preferring companies with new product cycles, high levels of innovation or leadership positions in their business segments but at prudent valuations.

On the other side of the utilisation equation, managed care was the worst performing subsector. Higher medical volumes meant more of the premium revenue had to be spent to provide care to insurance plan members, which affected MCOs' earnings power. This trend was particularly acute in the so-called Medicare Advantage segment, which focuses on US seniors, a part of the population that has returned to the healthcare system after the pandemic. However, the industry was also impacted by other dynamics such as increased regulatory scrutiny, uncertainty around Medicaid enrolment and the prospect of interest rate cuts which reduces the income generated from the companies' investment portfolios. We believe some of these trends are temporary and discounted in the share prices, therefore we maintain a small overweight in managed care.

Pharmaceuticals also posted positive gains but there was a large dispersion in performance within the subsector: companies developing or commercialising assets that address obesity were the clear winners. Biotechnology had more muted returns and lagged the overall healthcare market, however we take a selectively constructive view on the subsector which is seeing a rebound in funding and continues to demonstrate high levels of innovation.

Finally, life sciences tools and services had perhaps the most surprising performance. As mentioned above, this industry had been dealing with many challenges which forced numerous companies to reduce their 2023 outlook during the third quarter earnings season and also to give subdued guidance for 2024. Regardless, investors were willing to look through the near-term headwinds, expecting life sciences tools and services businesses to experience solid growth in the second half of the calendar year and in 2025. The subsector rerated sharply despite the negative earnings revisions, outperforming the broader healthcare index during the period under review.

**Stock selection is a key driver**

The table below displays the Company's top 10 relative overweight and underweights at the end of the reporting period, highlighting the highest conviction ideas in the portfolio. While conviction is the appropriate term to use when discussing positioning versus the benchmark, it is important to stress that valuation inefficiencies can be relatively short-lived, especially among well covered large-capitalisation stocks. With opportunity cost also a key decision driver as we look to maximise returns, the Company's top 10 relative overweight and underweight positions are subject to change.

**Top 10 Overweights and Top 10 Underweights relative to Benchmark**

**Top 10 Overweights**

| | Active |
|---|---|
| Zealand Pharma A/S | 5.65% |
| UCB | 3.87% |
| Intuitive Surgical | 2.99% |
| BioMerieux | 2.92% |
| Swedish Orphan Biovitrum | 2.92% |
| Becton Dickinson | 2.66% |
| Bio-Rad Laboratories | 2.50% |
| Sanofi | 2.49% |
| Insulet | 2.48% |
| Penumbra | 2.40% |
| **Overweight** | **30.88%** |

**Top 10 Underweights**

| | Active |
|---|---|
| Novo Nordisk A/S | -5.18% |
| Johnson & Johnson | -4.74% |
| Merck & Co | -4.16% |
| Thermo Fisher Scientific | -2.79% |
| AstraZeneca | -2.60% |
| Abbott Laboratories | -2.45% |
| Roche | -2.34% |
| Danaher | -2.18% |
| Pfizer | -1.95% |
| Amgen | -1.89% |
| **Underweight** | **-30.27%** |

***Source:*** *Polar Capital, as at 28 March 2024. Totals may not sum due to rounding*

A number of the top 10 overweights relative to the benchmark have been in the portfolio for some time, while UCB, Sanofi, Insulet and Penumbra were added during the period under review. UCB is a Belgian-based biopharmaceutical company with exposure to end-markets including auto-immune disorders, rare diseases, epilepsy and osteoporosis. An established participant in the fields of epilepsy and osteoporosis, it is the relatively new exposure to auto-immune disorders and rare diseases that excites us. More specifically, UCB is looking to commercialise assets in auto-immune diseases such as psoriasis (a skin condition that causes flaky patches of skin), psoriatic arthritis (a type of arthritis linked to psoriasis) and hidradenitis suppurativa (a painful, long-term skin condition that causes abscesses and scarring) and in rare diseases such as myasthenia gravis (a rare condition that causes muscle weakness). French pharmaceutical company Sanofi is not only attractively valued but also has a relatively long and visible growth runway driven by therapeutics in the areas of eczema, COPD and haemophilia. The company also has a pipeline of R&D assets that, at the current valuation, appears to be heavily discounted by the market.

Both US-based healthcare equipment companies Insulet and Penumbra are relatively recent additions to the Company's portfolio. Insulet develops and commercialises tubeless, wearable pod-based insulin delivery systems to help patients control and manage diabetes. Having made successful inroads into the Type I diabetes market, there remains potential upside for Insulet via greater Type I penetration or by penetrating the much larger Type II diabetes market. As a point of difference, Type I diabetes is a chronic condition where the pancreas makes essentially no insulin whereas Type II is more lifestyle-related where the pancreas makes less insulin plus the body becomes resistant to it. Penumbra offers innovative solutions to remove clots from blood vessels. We believe the significant selloff after disappointing fourth quarter results and a "light" outlook is overdone, plus we believe the market is underestimating the operating leverage and the earnings power of the business.

In the Innovation portfolio, new positions were started in 4D Molecular Therapeutics, Medincell and Xenon Pharmaceuticals. 4D Molecular Therapeutics has developed a novel gene therapy delivery technology that it is hoped will help the company commercialise assets in the fields of ophthalmology, pulmonology and cardiology. Medincell is a French-based company that has created a long-acting injectable technology designed to enhance the performance of well-established molecules. The most advanced therapies are for the treatment of schizophrenia and post-operative pain, with earlier stage assets in the fields of contraception and organ transplant. Xenon Pharmaceuticals is a neuroscience-focussed biopharmaceutical company. The lead asset, XEN1101, is in late-stage development for a number of indications including focal onset seizures (the most common type of seizures experienced by epileptics), primary generalised tonic-clonic seizures (a disorder where the patient can lose consciousness) and major depressive disorder.

Given their size, stocks held in the Innovation portfolio have the potential to be more volatile than their larger peers in the Growth portfolio. Companies further down the market-capitalisation scale also tend to be less well researched, increasing the chances of valuation inefficiencies. It is that combination of volatility and valuation inefficiency that we hope will yield interesting ideas that could offer significant potential over the long term.

**Outlook for healthcare: Ready to inflect to the upside**

After a challenging period of relative performance versus the broader market in 2023, there appears to be a disconnect between the healthcare sector's fundamentals and investors' appetite to engage. The sector is innovating, is delivering exciting new product cycles and has a number of sector-specific tailwinds that are durable. On the innovation side, ground-breaking therapeutics in the areas of obesity, breast cancer, RSV and COPD could and should drive positive revenue momentum for many years to come. In the same vein, novel devices for the treatment of atrial fibrillation are in early launch phases, the industry is on the cusp of a brand-new wave of robotic surgeries and AI is being adopted with the aim of driving greater efficiencies and generating superior outcomes for patients. Further momentum for the sector could come from ongoing, elevated levels of utilisation and a recovery in emerging markets, with China's end-markets offering the greatest potential upside. With relative valuations attractive for the growth on offer, and a potentially benign political outlook in the US, all the ingredients for a sustained healthcare bull market are falling into place.

** not held*

**James Douglas and Gareth Powell**
**Co-Managers**
15 May 2024

# PORTFOLIO AS AT 31 MARCH 2024

(Figures in brackets denote the comparative ranking as at 30 September 2023)

| Ranking | | Stock | Sector | Country | Market Value £'000 | | % of total net assets | |
|---|---|---|---|---|---|---|---|---|
| **2024** | 2023 | | | | **31 March 2024** | 30 September 2023 | **31 March 2024** | 30 September 2023 |
| 1 | (1) | Eli Lilly | Pharmaceuticals | United States | 41,468 | 28,037 | 8.5% | 6.7% |
| 2 | (-) | UnitedHealth Group | Managed Healthcare | United States | 30,936 | - | 6.4% | - |
| 3 | (6) | Zealand Pharma | Biotechnology | Denmark | 27,518 | 19,655 | 5.6% | 4.7% |
| 4 | (4) | Abbvie | Biotechnology | United States | 27,444 | 25,463 | 5.6% | 6.1% |
| 5 | (7) | Intuitive Surgical | Healthcare Equipment | United States | 23,090 | 17,482 | 4.7% | 4.2% |
| 6 | (-) | Novartis | Pharmaceuticals | Switzerland | 21,844 | - | 4.5% | - |
| 7 | (-) | UCB | Pharmaceuticals | Belgium | 19,821 | - | 4.1% | - |
| 8 | (-) | Sanofi | Pharmaceuticals | France | 18,906 | - | 3.9% | - |
| 9 | (5) | Elevance Health | Managed Healthcare | United States | 17,706 | 21,404 | 3.6% | 5.1% |
| 10 | (11) | Becton Dickinson | Healthcare Equipment | United States | 17,320 | 12,453 | 3.6% | 3.0% |
| **Top 10 investments** | | | | | **246,053** | | **50.5%** | |
| 11 | (-) | CSL | Biotechnology | Australia | 14,767 | - | 3.0% | - |
| 12 | (19) | Swedish Orphan Biovitrum | Biotechnology | Sweden | 14,507 | 10,400 | 3.0% | 2.5% |
| 13 | (27) | BioMerieux | Healthcare Equipment | France | 14,495 | 8,777 | 3.0% | 2.1% |
| 14 | (13) | Takeda Pharmaceutical | Pharmaceuticals | Japan | 13,484 | 12,312 | 2.8% | 2.9% |
| 15 | (17) | DexCom | Healthcare Equipment | United States | 13,199 | 10,560 | 2.7% | 2.5% |
| 16 | (-) | Align Technology | Healthcare Supplies | United States | 12,965 | - | 2.6% | - |
| 17 | (-) | Insulet | Healthcare Equipment | United States | 12,820 | - | 2.6% | - |
| 18 | (20) | Lonza | Life Sciences Tools & Services | Switzerland | 12,666 | 10,358 | 2.6% | 2.5% |
| 19 | (29) | Bio-Rad Laboratories | Life Sciences Tools & Services | United States | 12,615 | 8,099 | 2.6% | 1.9% |
| 20 | (-) | Penumbra | Healthcare Equipment | United States | 11,697 | - | 2.4% | - |
| **Top 20 investments** | | | | | **379,268** | | **77.8%** | |
| 21 | (18) | Aptargroup | Metal, Glass & Plastic Containers | United States | 11,440 | 10,480 | 2.4% | 2.5% |
| 22 | (15) | Acadia Healthcare | Healthcare Facilities | United States | 11,099 | 10,787 | 2.3% | 2.6% |
| 23 | (-) | Neurocrine Biosciences | Biotechnology | United States | 10,783 | - | 2.2% | - |
| 24 | (21) | Coloplast | Healthcare Supplies | Denmark | 10,260 | 10,077 | 2.1% | 2.4% |
| 25 | (28) | Cytokinetics | Biotechnology | United States | 10,247 | 8,172 | 2.1% | 1.9% |
| 26 | (9) | Alcon | Healthcare Supplies | Switzerland | 10,244 | 14,397 | 2.1% | 3.4% |
| 27 | (-) | ICON | Life Sciences Tools & Services | Ireland | 10,047 | - | 2.0% | - |
| 28 | (-) | ConvaTec Group | Healthcare Supplies | United Kingdom | 9,584 | - | 2.0% | - |
| 29 | (-) | Argenx | Biotechnology | Netherlands | 8,671 | - | 1.8% | - |
| 30 | (-) | Galderma Group | Pharmaceuticals | Switzerland | 8,457 | - | 1.7% | - |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Top 30 investments** | | | | | **480,100** | | **98.5%** | |
| 31 | (8) | Humana | Managed Healthcare | United States | 7,578 | 14,748 | 1.6% | 3.5% |
| 32 | (30) | Hikma Pharmaceuticals | Pharmaceuticals | United Kingdom | 7,374 | 8,026 | 1.5% | 1.9% |
| 33 | (36) | Global Health/India | Healthcare Facilities | India | 6,322 | 3,562 | 1.3% | 0.8% |
| 34 | (41) | Amvis | Healthcare Facilities | Japan | 4,775 | 2,350 | 1.0% | 0.6% |
| 35 | (34) | Medley | Healthcare Technology | Japan | 4,537 | 4,953 | 0.9% | 1.2% |
| 36 | (33) | MoonLake Immunotherapeutics | Biotechnology | Switzerland | 4,278 | 5,022 | 0.9% | 1.2% |
| 37 | (38) | Uniphar | Healthcare Distributors | Ireland | 4,207 | 3,196 | 0.9% | 0.8% |
| 38 | (-) | Xenon Pharmaceuticals | Biotechnology | Canada | 3,350 | - | 0.7% | - |
| 39 | (-) | 4D Molecular Therapeutics | Biotechnology | United States | 2,645 | - | 0.5% | - |
| 40 | (37) | Intelligent Ultrasound | Healthcare Technology | United Kingdom | 2,454 | 3,272 | 0.5% | 0.8% |
| **Top 40 investments** | | | | | **527,620** | | **108.3%** | |
| 41 | (-) | Medincell | Pharmaceuticals | France | 901 | - | 0.2% | - |
| **Total Equities** | | | | | **528,521** | | **108.5%** | |
| Other Net Liabilities | | | | | (41,235) | | (8.5%) | |
| **Net Assets** | | | | | **487,286** | | **100.0%** | |

# PORTFOLIO REVIEW AS AT 31 MARCH 2024

| Geographical Exposure at: | 31 March 2024 | 30 September 2023 |
|---|---|---|
| United States | 56.4% | 65.1% |
| Switzerland | 11.8% | 7.1% |
| Denmark | 7.7% | 8.3% |
| France | 7.1% | 3.9% |
| Japan | 4.7% | 7.6% |
| Belgium | 4.1% | - |
| United Kingdom | 4.0% | 10.6% |
| Sweden | 3.0% | 2.8% |
| Australia | 3.0% | - |
| Ireland | 2.9% | 0.8% |
| Netherlands | 1.8% | - |
| India | 1.3% | 0.8% |
| Canada | 0.7% | - |
| Germany | - | 2.3% |
| Other net liabilities | (8.5%) | (9.3%) |
| Total | 100.0% | 100.0% |

| Sector Exposure at: | 31 March 2024 | 30 September 2023 |
|---|---|---|
| Pharmaceuticals | 27.2% | 30.8% |
| Biotechnology | 25.4% | 20.2% |
| Healthcare Equipment | 19.0% | 15.4% |
| Managed Healthcare | 11.6% | 11.1% |
| Healthcare Supplies | 8.8% | 7.6% |
| Life Sciences Tools & Services | 7.2% | 6.8% |
| Healthcare Facilities | 4.6% | 9.7% |
| Metal, Glass & Plastic Containers | 2.4% | 2.5% |
| Healthcare Technology | 1.4% | 2.0% |
| Healthcare Distributors | 0.9% | 0.8% |
| Healthcare Services | - | 2.4% |
| Other net liabilities | (8.5%) | (9.3%) |
| Total | 100.0% | 100.0% |

| Market Capitalisation breakdown at: | 31 March 2024 | 30 September 2023 |
|---|---|---|
| Mega Cap (>US$100bn) | 37.3% | 34.5% |
| Large Cap (US$10bn -US$100bn) | 40.6% | 46.0% |
| Medium Cap (US$5bn - US$10bn) | 23.8% | 14.5% |
| Small Cap (<US$5bn) | 6.8% | 14.3% |
| Other net liabilities | (8.5%) | (9.3%) |
| | 100.0% | 100.0% |

# STATEMENT OF COMPREHENSIVE INCOME

## For the half year ended 31 March 2024

| | | **Group** | | | Group | | | Group | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **(Unaudited) Half year ended 31 March 2024** | | | (Unaudited) Half year ended 31 March 2023 | | | (Audited) Year ended 30 September 2023 | | |
| | Notes | **Revenue return £'000** | **Capital return £'000** | **Total return £'000** | Revenue return £'000 | Capital return £'000 | Total return £'000 | Revenue return £'000 | Capital return £'000 | Total return £'000 |
| Investment income | 2 | **2,661** | **-** | **2,661** | 2,050 | - | 2,050 | 4,804 | - | 4,804 |
| Other operating income | 2 | **68** | **-** | **68** | 50 | - | 50 | 104 | - | 104 |
| Gains on investments held at fair value | | **-** | **70,461** | **70,461** | - | 10,416 | 10,416 | - | 19,574 | 19,574 |
| Other currency gains/(losses) | | **-** | **417** | **417** | - | (1,102) | (1,102) | - | (1,130) | (1,130) |
| **Total income** | | **2,729** | **70,878** | **73,607** | 2,100 | 9,314 | 11,414 | 4,908 | 18,444 | 23,352 |
| **Expenses** | | | | | | | | | | |
| Investment management fee | | **(332)** | **(1,328)** | **(1,660)** | (322) | (1,290) | (1,612) | (650) | (2,598) | (3,248) |
| Performance fee | | **-** | **(834)** | **(834)** | - | - | - | - | - | - |
| Other administrative expenses | | **(417)** | **(44)** | **(461)** | (337) | (13) | (350) | (712) | (13) | (725) |
| **Total expenses** | | **(749)** | **(2,206)** | **(2,955)** | (659) | (1,303) | (1,962) | (1,362) | (2,611) | (3,973) |
| **Profit before finance costs and tax** | | **1,980** | **68,672** | **70,652** | 1,441 | 8,011 | 9,452 | 3,546 | 15,833 | 19,379 |
| Finance costs | | **(5)** | **(594)** | **(599)** | (1) | (561) | (562) | (9) | (1,161) | (1,170) |
| **Profit before tax** | | **1,975** | **68,078** | **70,053** | 1,440 | 7,450 | 8,890 | 3,537 | 14,672 | 18,209 |
| Tax | | **(351)** | **(143)** | **(494)** | (242) | (195) | (437) | (598) | (715) | (1,313) |
| **Net profit for the period and total comprehensive income** | | **1,624** | **67,935** | **69,559** | 1,198 | 7,255 | 8,453 | 2,939 | 13,957 | 16,896 |
| **Earnings per Ordinary share (pence)** | 3 | **1.34** | **56.02** | **57.36** | 0.99 | 5.98 | 6.97 | 2.42 | 11.51 | 13.93 |

The total column of this statement represents Group's Statement of Comprehensive Income, prepared in accordance with UK-adopted International Accounting Standards.

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

The Group does not have any other income or expense that is not included in the net profit for the period/year. The net profit for the period/year disclosed above represents the Group's total comprehensive income.

There are no dilutive securities and therefore the Earnings per Share and the Diluted Earnings per Share are the same.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period/year.

The notes to follow form part of these financial statements.

## BALANCE SHEETS
## For the half year ended 31 March 2024

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | **(Unaudited) 31 March 2024 £'000** | (Unaudited) 31 March 2023 £'000 | (Audited) 30 September 2023 £'000 | **(Unaudited) 31 March 2024 £'000** | (Unaudited) 31 March 2023 £'000 | (Audited) 30 September 2023 £'000 |
| **Non-current assets** | | | | | | | |
| Investments held at fair value | | **528,521** | 448,436 | 458,255 | **528,521** | 448,436 | 458,255 |
| Investment in subsidiary | | **-** | - | - | **50** | 50 | 50 |
| **Current assets** | | | | | | | |
| Cash and cash equivalents | | **6,035** | 2,141 | 4,680 | **5,985** | 2,091 | 4,630 |
| Receivables | | **7,212** | 1,234 | 505 | **7,212** | 1,234 | 505 |
| Overseas tax recoverable | | **859** | 670 | 678 | **859** | 670 | 678 |
| | | **14,106** | 4,045 | 5,863 | **14,056** | 3,995 | 5,813 |
| **Total assets** | | **542,627** | 452,481 | 464,118 | **542,627** | 452,481 | 464,118 |
| **Current liabilities** | | | | | | | |
| Bank overdraft | | **(6,826)** | - | (2,014) | **(6,826)** | - | (2,014) |
| Payables | | **(8,871)** | (2,219) | (3,981) | **(8,871)** | (2,219) | (3,981) |
| Zero dividend preference shares | | **(39,262)** | - | (38,687) | **-** | - | - |
| Loan from subsidiary | | **-** | - | - | **(39,262)** | - | (38,687) |
| | | **(54,959)** | (2,219) | (44,682) | **(54,959)** | (2,219) | (44,682) |
| **Non-current liabilities** | | | | | | | |
| Zero dividend preference shares | | **-** | (38,118) | - | **-** | - | - |
| Loan from subsidiary | | **-** | - | - | **-** | (38,118) | - |
| Indian capital gains tax provision | | **(382)** | (192) | (254) | **(382)** | (192) | (254) |
| Total liabilities | | **(55,341)** | (40,529) | (44,936) | **(55,341)** | (40,529) | (44,936) |
| **Net assets** | | **487,286** | 411,952 | 419,182 | **487,286** | 411,952 | 419,182 |
| **Equity attributable to equity shareholders** | | | | | | | |
| Called up share capital | | **31,037** | 31,037 | 31,037 | **31,037** | 31,037 | 31,037 |
| Share premium reserve | | **80,685** | 80,685 | 80,685 | **80,685** | 80,685 | 80,685 |
| Capital redemption reserve | | **6,575** | 6,575 | 6,575 | **6,575** | 6,575 | 6,575 |
| Special distributable reserve | | **3,672** | 3,672 | 3,672 | **3,672** | 3,672 | 3,672 |
| Capital reserves | | **362,683** | 288,046 | 294,748 | **362,683** | 288,046 | 294,748 |
| Revenue reserve | | **2,634** | 1,937 | 2,465 | **2,634** | 1,937 | 2,465 |
| **Total equity** | | **487,286** | 411,952 | 419,182 | **487,286** | 411,952 | 419,182 |
| Net asset value per Ordinary share (pence) | 4 | **401.82** | 339.70 | 345.66 | **401.82** | 339.70 | 345.66 |
| Net asset value per ZDP share (pence) | 4 | **122.20** | 118.64 | 120.41 | **-** | - | - |

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own income statement in the financial statements.
The parent company's profit for the half year was £69,559,000 (31 March 2023: profit of £8,453,000 and 30 September 2023: profit of £16,896,000).
The financial statements were approved and authorised by the Board of Directors in 15 May 2024 by: Lisa Arnold, Chair
The notes to follow form part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY
## For the half year ended 31 March 2024

| | Group and Company Half year ended 31 March 2024 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Called up share capital £'000 | Capital redemption reserve £'000 | Share premium reserve £'000 | Special distributable reserve £'000 | Capital reserves £'000 | Revenue reserve £'000 | Total Equity £'000 |
| **Total equity at 1 October 2023** | 31,037 | 6,575 | 80,685 | 3,672 | 294,748 | 2,465 | 419,182 |
| **Total comprehensive income:** | | | | | | | |
| Profit for the half year ended 31 March 2024 | - | - | - | - | 67,935 | 1,624 | 69,559 |
| **Transactions with owners, recorded directly to equity:** | | | | | | | |
| Equity dividends paid | - | - | - | - | - | (1,455) | (1,455) |
| **Total equity at 31 March 2024** | **31,037** | **6,575** | **80,685** | **3,672** | **362,683** | **2,634** | **487,286** |

| | Group and Company Half year ended 31 March 2023 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Called up share capital £'000 | Capital redemption reserve £'000 | Share premium reserve £'000 | Special distributable reserve £'000 | Capital reserves £'000 | Revenue reserve £'000 | Total Equity £'000 |
| **Total equity at 1 October 2022** | 31,037 | 6,575 | 80,685 | 3,672 | 280,791 | 2,073 | 404,833 |
| **Total comprehensive income:** | | | | | | | |
| Profit for the half year ended 31 March 2023 | - | - | - | - | 7,255 | 1,198 | 8,453 |
| **Transactions with owners, recorded directly to equity:** | | | | | | | |
| Equity dividends paid | - | - | - | - | - | (1,334) | (1,334) |
| **Total equity at 31 March 2023** | **31,037** | **6,575** | **80,685** | **3,672** | **288,046** | **1,937** | **411,952** |

| | Group and Company Year ended 30 September 2023 (Audited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Called up share capital £'000 | Capital redemption reserve £'000 | Share premium reserve £'000 | Special distributable reserve £'000 | Capital reserves £'000 | Revenue reserve £'000 | Total Equity £'000 |
| **Total equity at 1 October 2022** | **31,037** | **6,575** | **80,685** | **3,672** | **280,791** | **2,073** | **404,833** |
| **Total comprehensive income:** | | | | | | | |
| Profit for the year ended 30 September 2023 | - | - | - | - | 13,957 | 2,939 | 16,896 |
| **Transactions with owners, recorded directly to equity:** | | | | | | | |
| Equity dividends paid | - | - | - | - | - | (2,547) | (2,547) |
| **Total equity at 30 September 2023** | **31,037** | **6,575** | **80,685** | **3,672** | **294,748** | **2,465** | **419,182** |

# CASH FLOW STATEMENTS
# For the half year ended 31 March 2024

| | Group and Company | | |
|---|---|---|---|
| | **(Unaudited) Half year ended 31 March 2024 £'000** | (Unaudited) Half year ended 31 March 2023 £'000 | (Audited) Year ended 30 September 2023 £'000 |
| **Cash flows from operating activities** | | | |
| Profit before finance costs and tax | **70,652** | 9,452 | 19,379 |
| Adjustment for non-cash items: | | | |
| Gains on investments held at fair value through profit or loss | **(70,461)** | (10,416) | (19,574) |
| Adjusted loss/(profit) before tax | **191** | (964) | (195) |
| Adjustments for: | | | |
| Purchases of investments, including transaction costs | **(366,955)** | (247,474) | (503,002) |
| Sales of investments, including transaction costs | **364,861** | 244,898 | 501,992 |
| Increase in receivables | **(134)** | (189) | (272) |
| Increase/(decrease) in payables | **605** | (88) | 259 |
| Indian capital gains tax | **(15)** | 192 | (461) |
| Overseas tax deducted at source | **(532)** | (441) | (610) |
| **Net cash used in operating activities** | **(1,979)** | (4,066) | (2,289) |
| **Cash flows from financing activities** | | | |
| Interest paid | **(23)** | (5) | (44) |
| Equity dividends paid | **(1,455)** | (1,334) | (2,547) |
| **Net cash used in financing activities** | **(1,478)** | (1,339) | (2,591) |
| **Net decrease in cash and cash equivalents** | **(3,457)** | (5,405) | (4,880) |
| **Cash and cash equivalents at the beginning of the period** | **2,666** | 7,546 | 7,546 |
| **Cash and cash equivalents at the end of the period** | **(791)** | 2,141 | 2,666 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2024

## 1. GENERAL INFORMATION

The consolidated financial statements comprise the unaudited results of the Company and its wholly-owned subsidiary PCGH ZDP plc (together referred to as the 'Group') for the six month period to 31 March 2024.

The Group and Company unaudited financial statements to 31 March 2024 have been prepared using the accounting policies used in the Group and Company's financial statements to 30 September 2023. These accounting policies are based on UK-adopted International Accounting Standards ("UK-adopted IAS").

The financial information in this half year financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The financial information for the periods ended 31 March 2024 and 31 March 2023 have not been audited. The figures and financial information for the year ended 30 September 2023 are an extract from the latest published accounts and do not constitute statutory accounts for that year. Full statutory accounts for the year ended 30 September 2023, prepared under UK-adopted IAS, including the report of the auditors which was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies.

The Group and Company's accounting policies have not varied from those described in the financial statements for the year ended 30 September 2023.

The Group and Company's financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand pounds (£'000), except where otherwise stated.

The Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements. The Board continually monitors the financial position of the Group and Company. The Directors have considered an assessment of the Group and Company's ability to meets its liabilities as they fall due. The assessment took account of the Company's current financial positions, their cash flows and their liquidity positions and the loan due for repayment to PCGH ZDP plc in June 2024. Accordingly, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial results of the Group and Company.

There were no new UK-adopted IAS or amendments to UK-adopted IAS applicable to the current year which had any significant impact on the Group and Company's Financial Statements.

| 2. DIVIDENDS AND OTHER INCOME | **(Unaudited) For the half year ended 31 March 2024 £'000** | (Unaudited) For the half year ended 31 March 2023 £'000 | (Audited) For the year ended 30 September 2023 £'000 |
|---|---|---|---|
| **Investment income** | | | |
| Revenue: | | | |
| UK Dividend income | **143** | 378 | 591 |
| Overseas Dividend income | **2,518** | 1,672 | 4,213 |
| **Total investment income allocated to revenue** | **2,661** | 2,050 | 4,804 |
| **Other operating income** | | | |
| Bank interest | **68** | 50 | 104 |
| **Total other operating income** | **68** | 50 | 104 |

There were no dividends allocated to capital as at 31 March 2024

| **3. EARNINGS PER ORDINARY SHARE** | **(Unaudited) For the half year ended 31 March 2024 £'000** | (Unaudited) For the half year ended 31 March 2023 £'000 | (Audited) For the year ended 30 September 2023 £'000 |
|---|---|---|---|
| Net profit for the period: | | | |
| Revenue | **1,624** | 1,198 | 2,939 |
| Capital | **67,935** | 7,255 | 13,957 |
| Total | **69,559** | 8,453 | 16,896 |
| Weighted average number of shares in issue during the period | **121,270,000** | 121,270,000 | 121,270,000 |
| Revenue | **1.34p** | 0.99p | 2.42p |
| Capital | **56.02p** | 5.98p | 11.51p |
| Total | **57.36p** | 6.97p | 13.93p |

As at 31 March 2024 there were no potentially dilutive shares in issue (31 March 2023 and 30 September 2023: nil).

| **4. NET ASSET VALUE PER SHARE** | **(Unaudited) For the half year ended 31 March 2024** | (Unaudited) For the half year ended 31 March 2023 | (Audited) For the year ended 30 September 2023 |
|---|---|---|---|
| **(i) Ordinary shares** | | | |
| Net assets attributable to Ordinary shareholders (£'000) | **487,286** | 411,952 | 419,182 |
| Ordinary shares in issue at end of period (excluding those held in treasury) | **121,270,000** | 121,270,000 | 121,270,000 |
| Net asset value per Ordinary share (pence) | **401.82** | 339.70 | 345.66 |

As at 31 March 2024 there were no potentially dilutive shares in issue (31 March 2023 and 30 September 2023: nil).

| | | | |
|---|---|---|---|
| **(ii) ZDP shares** | | | |
| Calculated entitlement of ZDP shareholders (£'000) | **39,262** | 38,118 | 38,687 |
| ZDP shares in issue at the end of the year | **32,128,437** | 32,128,437 | 32,128,437 |
| Net asset value per ZDP share (pence) | **122.20** | 118.64 | 120.41 |

**5. DIVIDENDS**

Dividends for the current financial year ending 30 September 2024, if declared, will be paid in August 2024 and February 2025.

**6. RELATED PARTY TRANSACTIONS**

There have been no related party transactions that have materially affected the financial position or the performance of the Group and Company during the six month period to 31 March 2024.

**7. POST BALANCE SHEET EVENTS**

There are no significant events that have occurred after the end of the reporting period to the date of this report which require disclosure.

# ALTERNATIVE PERFORMANCE MEASURES (APMS)

In assessing the performance of the Company, the Investment Manager and the Directors use the following APMs which are not defined in accounting standards or law but are considered to be known industry metrics:

**NAV Total Return (APM)**

The NAV total return shows how the net asset value has performed over a period of time taking into account both capital returns and dividends paid to shareholders. NAV total return is calculated as the change in NAV from the start of the period, assuming that dividends paid to shareholders are reinvested on the payment date in Ordinary shares at their net asset value.

| | | **For the half year ended 31 March 2024** | Year ended 30 September 2023 |
|---|---|---|---|
| Opening NAV per share | **a** | **345.66p** | 333.83p |
| Closing NAV per share | **b** | **401.82p** | 345.66p |
| Dividend reinvestment factor | **c** | **1.002581** | 1.006471 |
| Adjusted closing NAV per share | **d=b*c** | **402.86p** | 347.90p |
| **NAV total return for the year** | **(d/a)-1** | **16.55%** | 4.21% |

**NAV Total Return Since Restructuring (APM)**

NAV total return since restructuring is calculated as the change in NAV from the date of reconstruction on 20 June 2017, assuming that dividends paid to shareholders are reinvested on the payment date in Ordinary shares at their net asset value.

| | | **For the half year ended 31 March 2024** | Year ended 30 September 2023 |
|---|---|---|---|
| NAV per share at reconstruction | **a** | **215.85p** | 215.85p |
| Closing NAV per share | **b** | **401.82p** | 345.66p |
| Dividend reinvestment factor | **c** | **1.049114** | 1.046341 |
| Adjusted closing NAV per share | **d=b*c** | **421.55p** | 361.68p |
| **NAV total return since reconstruction** | **(d/a)-1** | **95.30%** | 67.56% |

**(Discount)/Premium (APM)**

A description of the difference between the share price and the net asset value per share usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the NAV per share the result is a premium. If the share price is lower than the NAV per share, the shares are trading at a discount.

| | | **31 March 2024** | 30 September 2023 |
|---|---|---|---|
| Closing share price | **a** | **375.00p** | 319.00p |
| Closing NAV per share | **b** | **401.82p** | 345.66p |
| **Discount per Ordinary share** | **(a/b)-1** | **(6.67%)** | (7.71%) |

### Ongoing Charges (APM)

Ongoing charges are calculated in accordance with AIC guidance by taking the Company's annual ongoing charges, excluding performance fees and exceptional items, if any, and expressing them as a percentage of the average daily net asset value of the Company over the year.

Ongoing charges include all regular operating expenses of the Company. Transaction costs, interest payments, tax and non-recurring expenses are excluded from the calculation as are the costs incurred in relation to share issues and share buybacks.

Where a performance fee is paid or is payable, a second ongoing charge is provided, calculated on the same basis as the above but incorporating the amount of performance fee due or paid.

The ongoing charges figure as at 31 March 2024 is for the six month period from 30 September 2023 and is annualised (excluding the performance fee) for comparison with the full year's calculation as at 30 September 2023.

| | | **For the half year ended 31 March 2024** | Year ended 30 September 2023 |
|---|---|---|---|
| Investment Management fee | | **£1,660,000** | £3,248,000 |
| Other Administrative Expenses | | **£417,000** | £725,000 |
| | **a** | **£2,077,000** | £3,973,000 |
| Average daily net assets value | **b** | **£473,699,612** | £459,212,414 |
| **Ongoing Charges excluding performance fee** | **(a/183*366) / bx100** | **0.88%** | 0.87% |
| Performance fee | **c** | £834,000 | - |
| **Ongoing charges including performance fee** | **((a/183*366)+c) / bx100** | **1.05%** | 0.87% |

### Net Gearing (APM)

Gearing is calculated in line with AIC guidelines and represents net gearing, i.e. total assets less cash and cash equivalents divided by net assets. The total assets are calculated by adding back the structural gearing which is the ZDP value. Cash and cash equivalents are cash and purchases and sales for future settlement outstanding at the year end.

| | | **31 March 2024** | 30 September 2023 |
|---|---|---|---|
| Net assets | **a** | **£487,286,000** | £419,182,000 |
| ZDP loan value | **b** | **£39,262,000** | £38,687,000 |
| Total assets | **c=(a+b)** | **£526,548,000** | £457,869,000 |
| **Cash and cash equivalents (including amounts awaiting settlement)** | **d** | **(£1,754,000)** | (£586,000) |
| **Net gearing** | **((c-d)/a)-1** | **8.42%** | 9.37% |

# DIRECTORS AND CONTACTS

**Directors (all independent Non-executive)**
Lisa Arnold (Chair)
Neal Ransome (Audit Committee Chair)
Andrew Fleming
Jeremy Whitley

Ei-Lene Heng (Board Apprentice)

**Investment Manager and AIFM**
Polar Capital LLP
Authorised and regulated by the Financial Services Authority

**Registered Office and address for contacting the Directors**
16 Palace Street, London, SW1E 5JD

**Portfolio Co-Managers**
Dr. James Douglas
Mr. Gareth Powell

**Company Secretary**
Polar Capital Secretarial Services Limited
represented by Tracey Lago, FCG

**Corporate Broker**
Panmure Gordon & Co
One New Change London EC4M 9AF

**Depositary, Bankers and Custodian**
HSBC Bank Plc, 8 Canada Square, London E14 5HQ

**Registered Number**
Incorporated in England and Wales with company number 7251471 and registered as an investment company under section 833 of the Companies Act 2006

**FORWARD LOOKING STATEMENTS**
Certain statements included in this half-year financial report incorporating the interim management report contain forward-looking information concerning the Company's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which the Company operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. For a detailed analysis of the factors that may affect our business, financial performance or results of operations, we urge you to look at the principal risks and uncertainties included in the Strategic Report section on pages 36 to 38 of the Annual Report for the year ended 30 September 2023. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Polar Capital Global Healthcare Trust plc or any other entity and must not be relied upon in any way in connection with any investment decision. The Company undertakes no obligation to update any forward-looking statements.

**HALF YEAR REPORT**
The Company has opted not to post half year reports to shareholders. Copies of this Report will be available from the Company Secretary at the Registered Office, 16 Palace Street, London SW1E 5JD and from the Company's website at www.polarcapitalglobalhealthcaretrust.co.uk

**National Storage Mechanism**
A copy of the Half Year Report has been submitted to the National Storage Mechanism ('NSM') https://data.fca.org.uk/#/nsm/nationalstoragemechanism

## FINANCIAL CALENDAR

The key dates in the Company's financial year are as follows:

| | |
|---|---|
| 30 September | Financial year-end |
| 31 March | Half-year end |
| End of August | First Interim Dividend |
| End of February | Second Interim Dividend |
| Mid-Late May | Announcement of half-year results |
| Mid December | Announcement of year-end results |
| Early February | Annual General Meeting |