

Sustainable Healthcare Theme

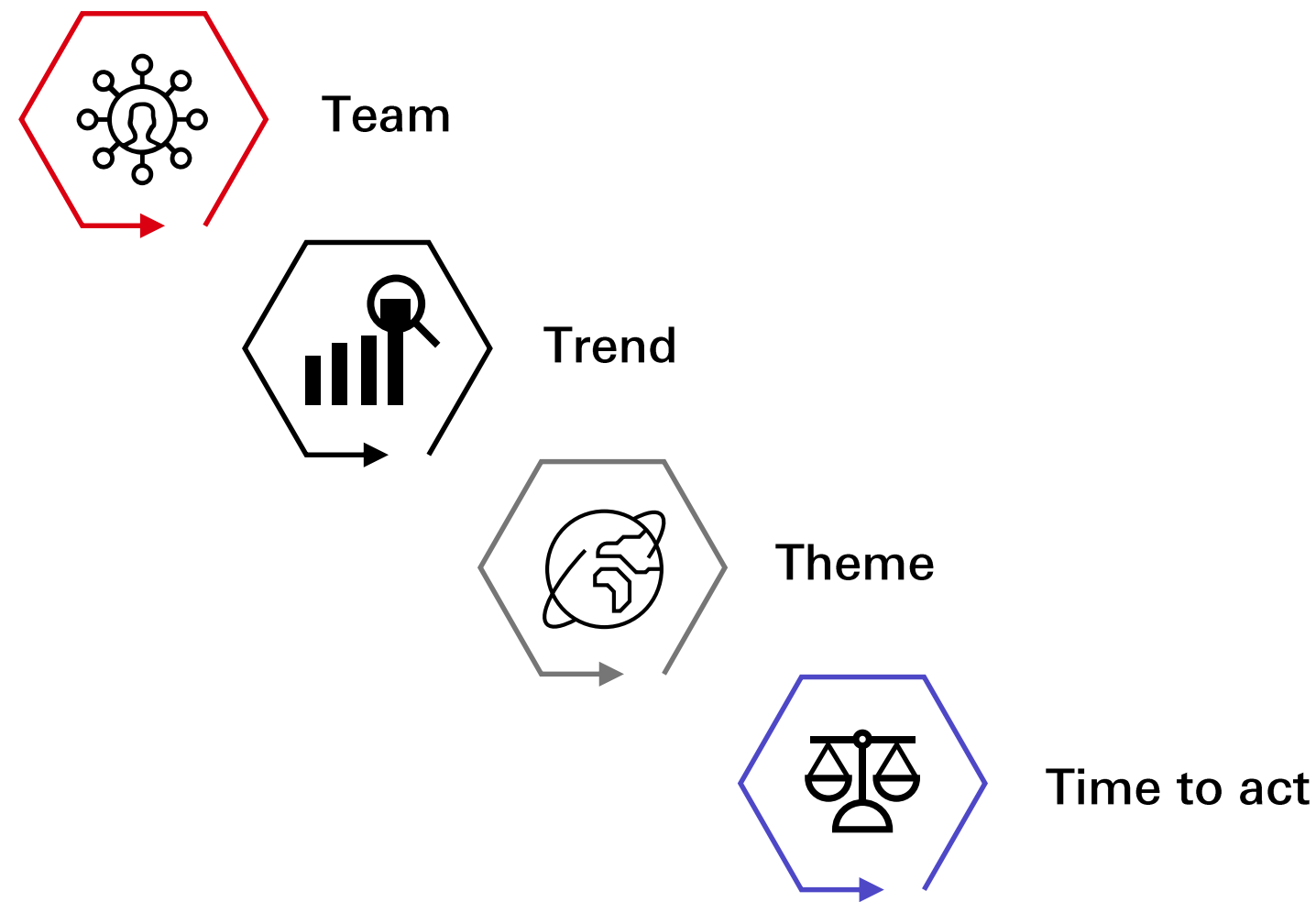
Building the future together – making healthcare sustainable

January 2022



HSBC
Asset Management

1 January 2022





Dr. Nathalie Flury

>20 years experience as a fund manager **managing 4 European based biotech and healthcare Lux. SICAV mutual funds and track record with custom made biotech and medtech mandates for family offices**

- ◆ Viopas: Healthcare Sustainable AMC & Mandate
- ◆ Pictet: Pictet Health Fund, Pictet Biotech Fund
- ◆ Julius Baer Bank /GAM: JB Health Innovation Fund
- ◆ Clariden Bank: Clariden Biotech cross-over Fund



Dr. Michael Schröter

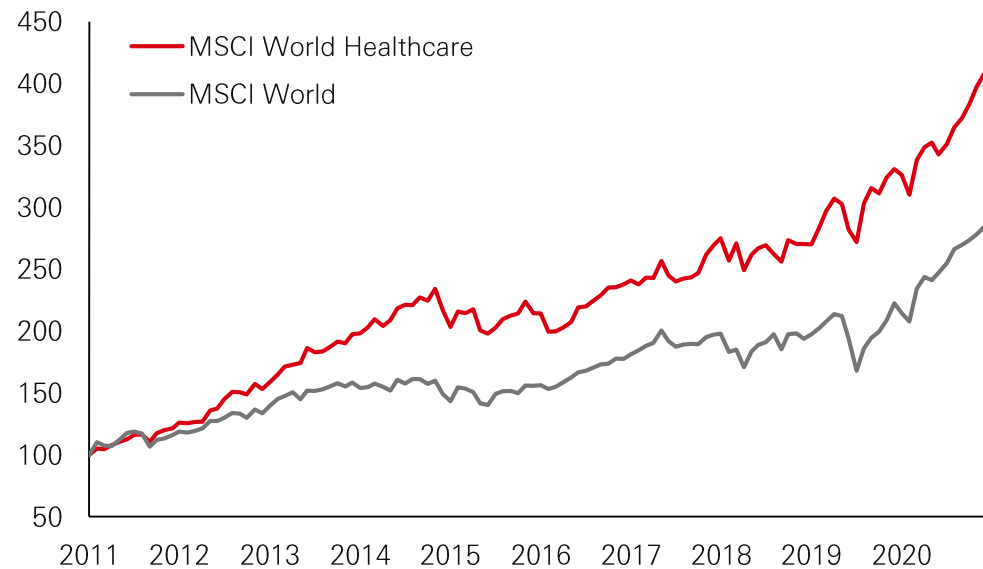
>20 years experience in Pharma and Biotech in **executive positions in access & pricing, R&D, business development & licensing in US, Asia and EU**

- ◆ Viopas: Healthcare Sustainable AMC & Mandate
- ◆ Roche: Head Innovative pricing, Head external R&D
- ◆ Eli Lilly: Business Development, Head oncology diagnostic R&D center
- ◆ Apotech: Biotech co-founder

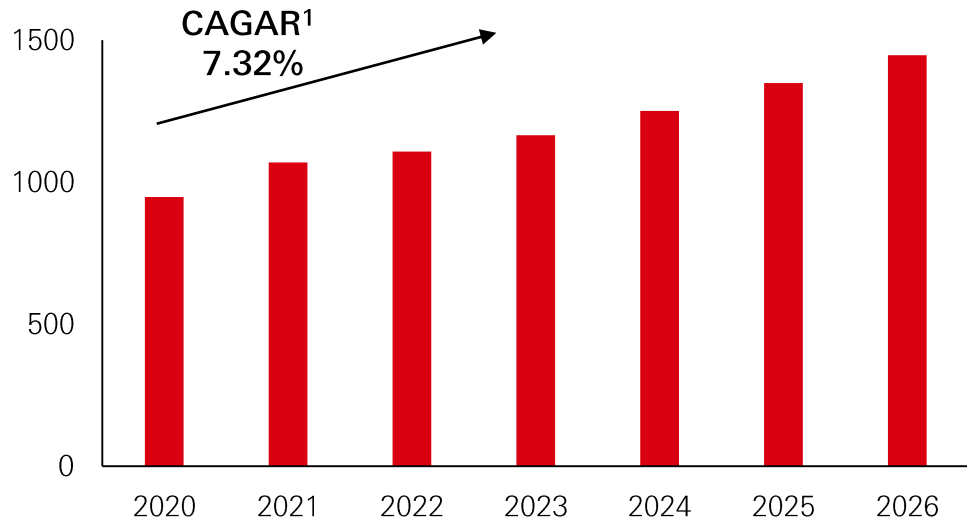
Healthcare equities outperformance over last 20 years - still continues to outperform MSCI World, MSCI Europe and MSCI Asia. The Healthcare sector represents 14% of the MSCI World Index.

- ◆ Mega trend of a worldwide aging population having increasingly chronic and metabolic diseases.
- ◆ Global Healthcare market with high margin businesses estimated to growth \$8,45T in 2018 to \$10T in 2022.

Performance in %



Worldwide drug sales forecast (US \$Bn)



The performance figures displayed in the document relate to the past and past performance should not be seen as an indication of future returns

1.CAGAR: Compound Annual Growth Rate

Source: HSBC Asset Management, Bloomberg, September 2021. For illustrative purposes only.

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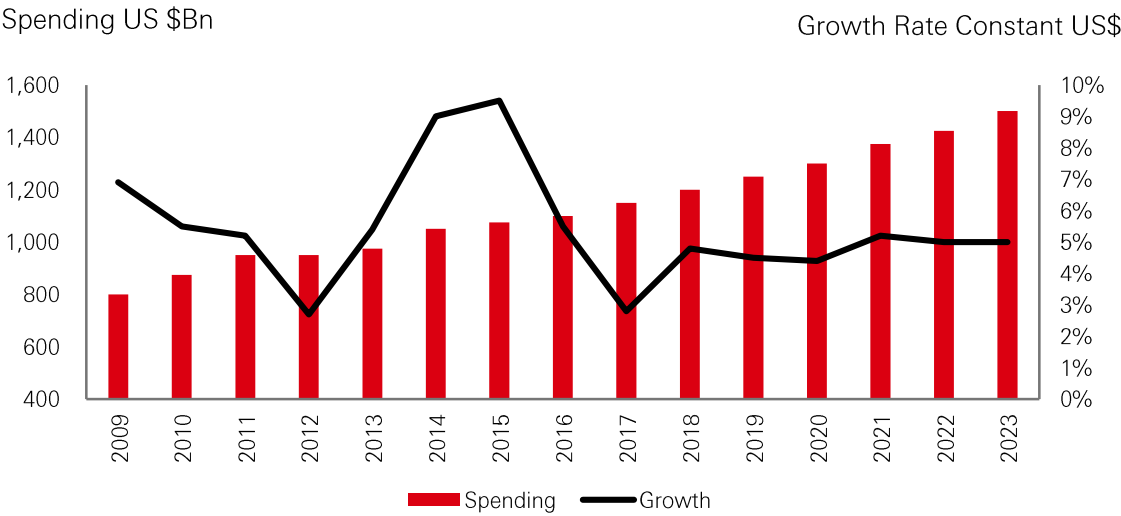
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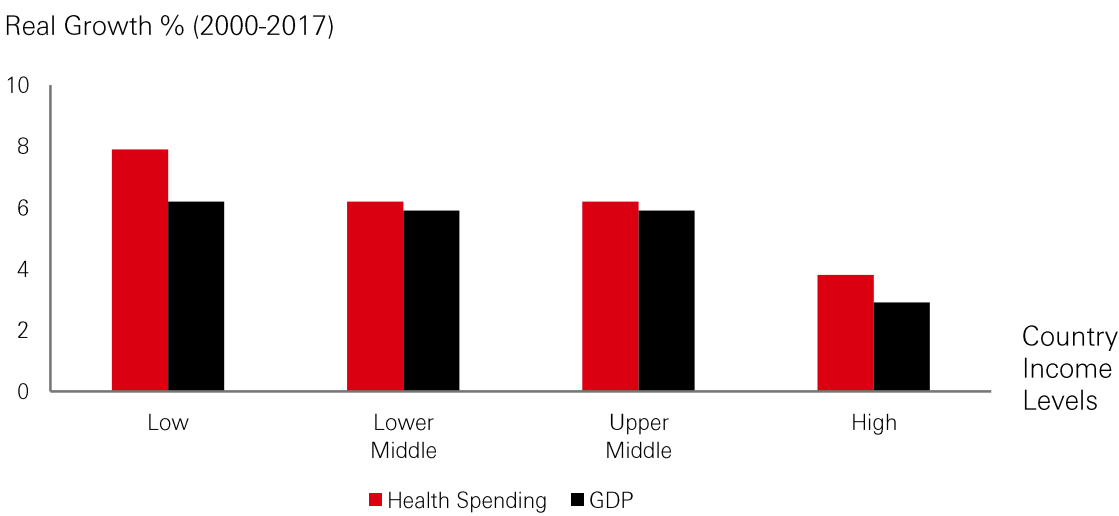
The global healthcare challenge

Great innovation in healthcare but who can afford it?

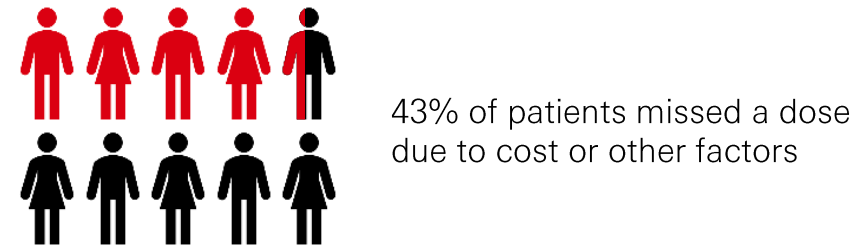
Healthcare markets continue to grow...



... with healthcare spend outpacing GDP growth...



... Thus, putting pressure on healthcare systems world-wide and forcing payers to increase access restrictions

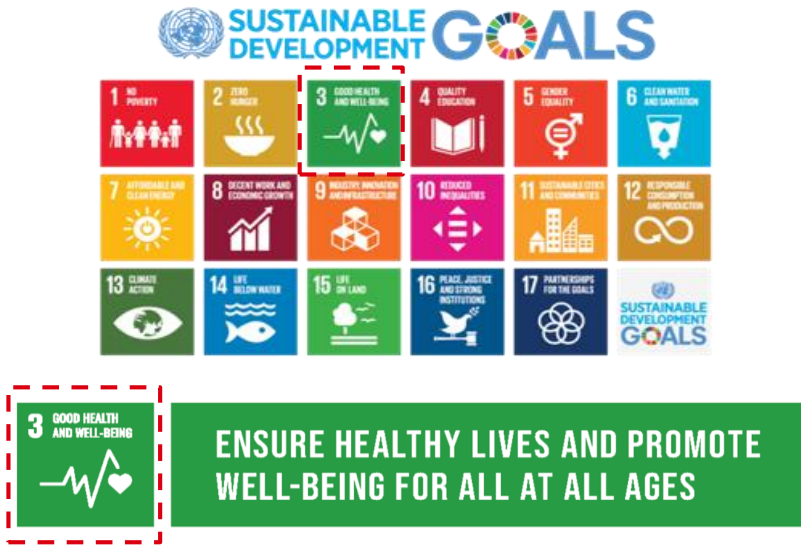


Access restrictions hurt patients, physicians, industry and investors

Source: IQVIA 2019, Eurostat 2018, Medication Access report covermymeds, OECD 2019, World Health Organization - Global Spending on Health: A World in Transition, 2019. For illustrative purposes only. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target.

Investment strategy aligned with UN SDG¹ goal 3: Good Health & Wellbeing

- ◆ Thematic approach that aims to drive social impact without sacrificing performance
- ◆ Based on the macro economic trend of rising healthcare costs resulting in access restrictions
- ◆ Integrating a sustainability approach tailored to healthcare – with a proprietary “sector specific ESG”
- ◆ HSBC is part of the Biopharma Sustainability Roundtable along with the leaders in the pharma industry



Source: HSBC Asset Management as at end of April 2021. Biopharma Investor ESG Communications Guidance. For illustrative purposes only.

1. UN Sustainable Development Goals

Good ESG ratings do not equate to healthcare sustainability

Healthcare sector specific ESG required

	ESG	E	S	G	Drug	Incremental Costs ¹ (\$m)
Amgen	5.99	7.5	5.3	5.4	Enbrel [®]	\$403
J&J	5.05	6.2	4.6	4.5	Invega Sustenna/Trinza [®]	\$203
BMS	4.64	5.2	4.1	4.8	Orencia [®]	\$145
Biogen	5.69	8.2	4.4	4.9	Tecfidera [®]	\$118
AbbVie	5.44	7.3	4.0	5.5	Humira [®]	\$66

Above companies have reasonable ESG ratings but incremental cost for some of their drugs makes them non attractive investment opportunity from a Sustainable Healthcare theme angle

Traditional ESG approach to healthcare: Good ESG + Cost Explosion ≠ Sustainable

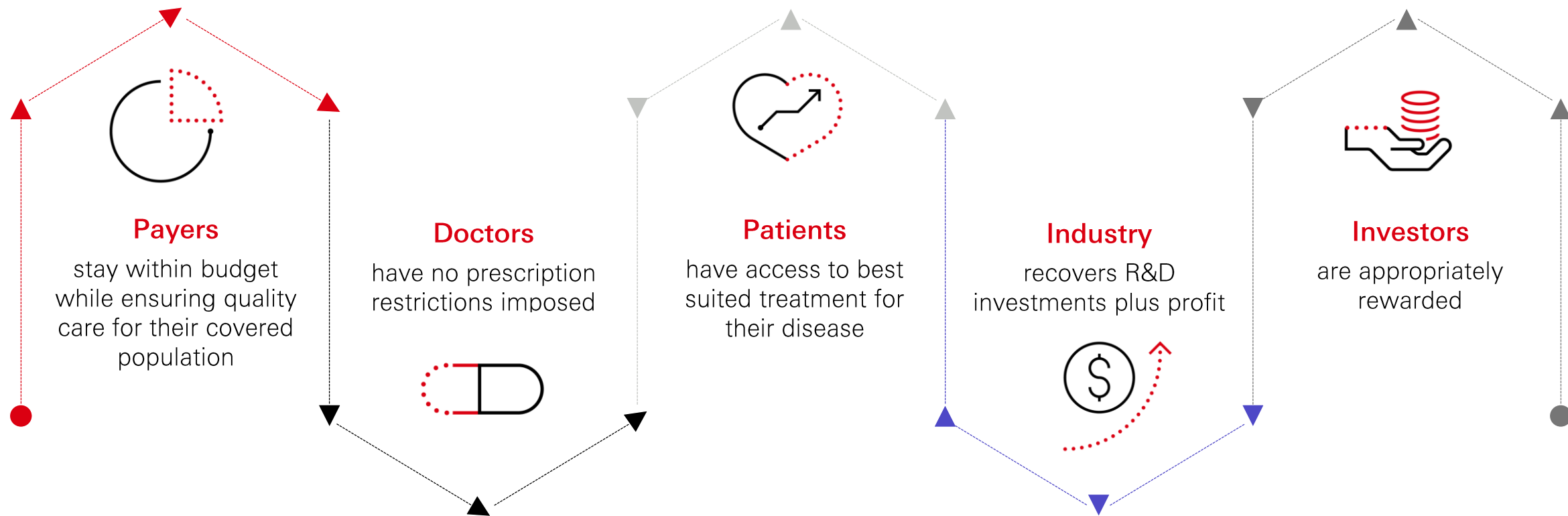
HSBC’s healthcare-specific ESG approach: Good ESG + Affordability = Sustainable

Existing ESG screens don’t deliver SDG goals. Our improved approach does.

Sources: ICER Inst., HSBC, as at 12th January 2021. For illustrative purposes only
1. Incremental costs reflects the US incremental drug spend due to net price changes from 2018 to 2019
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Representative overview of the investment process, which may differ by product, client mandate or market conditions.

What is sustainable healthcare?

In order for a healthcare system to be sustainable, all stakeholder needs must be addressed

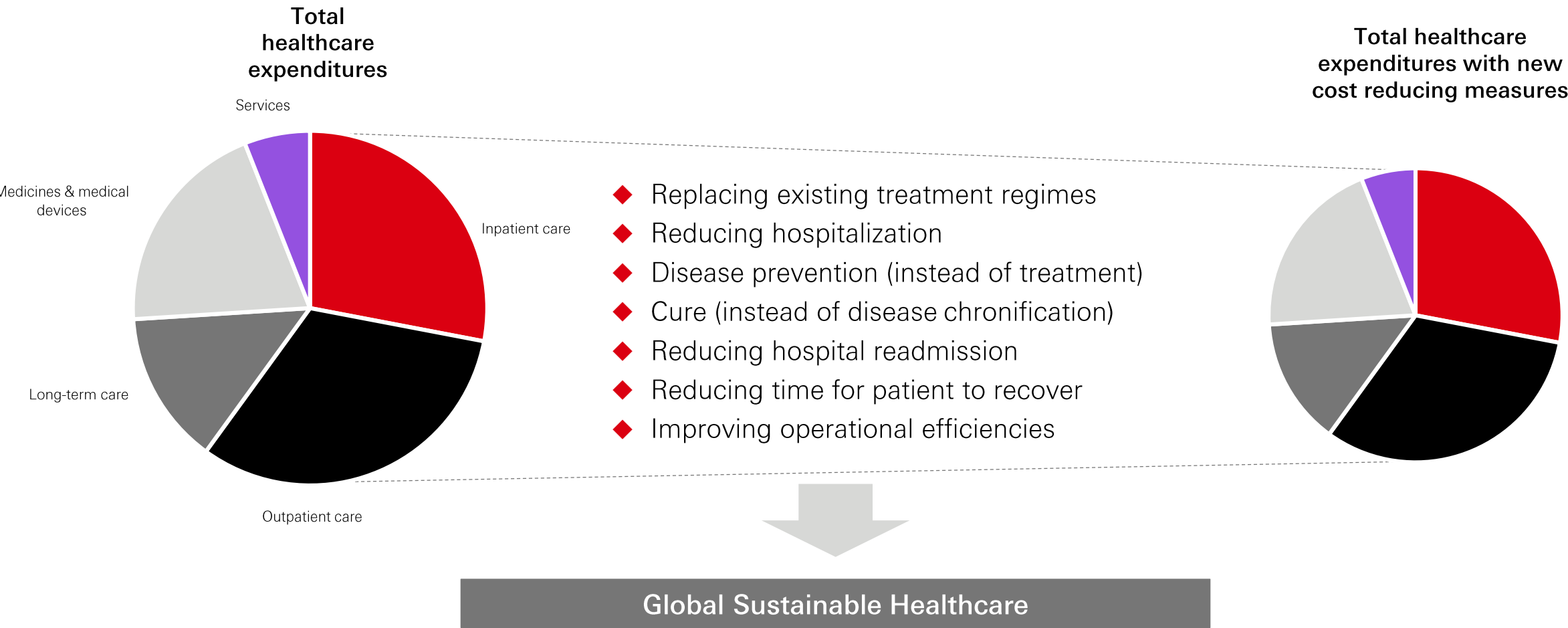


Source: HSBC Asset Management, May 2021. For illustrative purposes only.
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Making healthcare sustainable

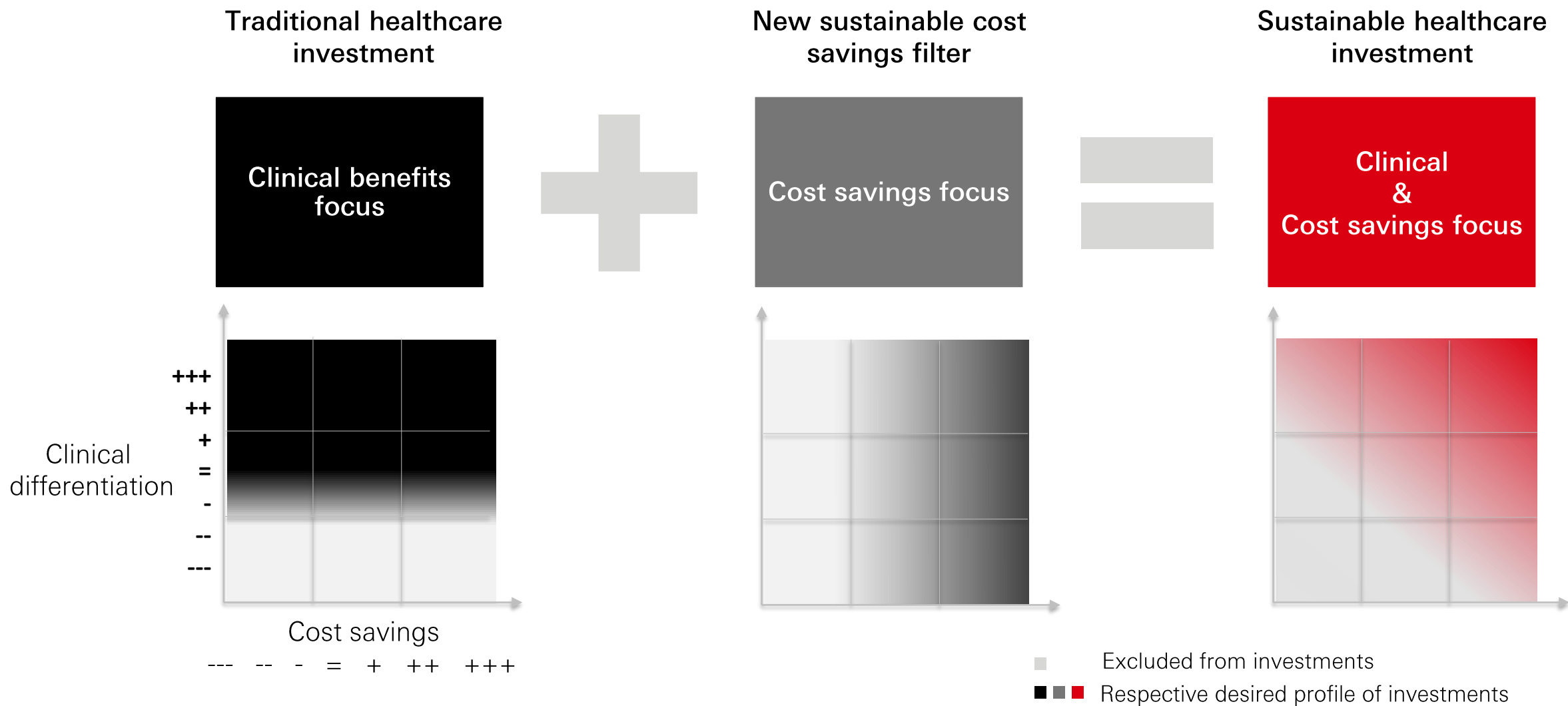
Focus on innovation to help reduce overall healthcare cost

New treatments, devices, diagnostics, digital-health and services can reduce overall healthcare cost



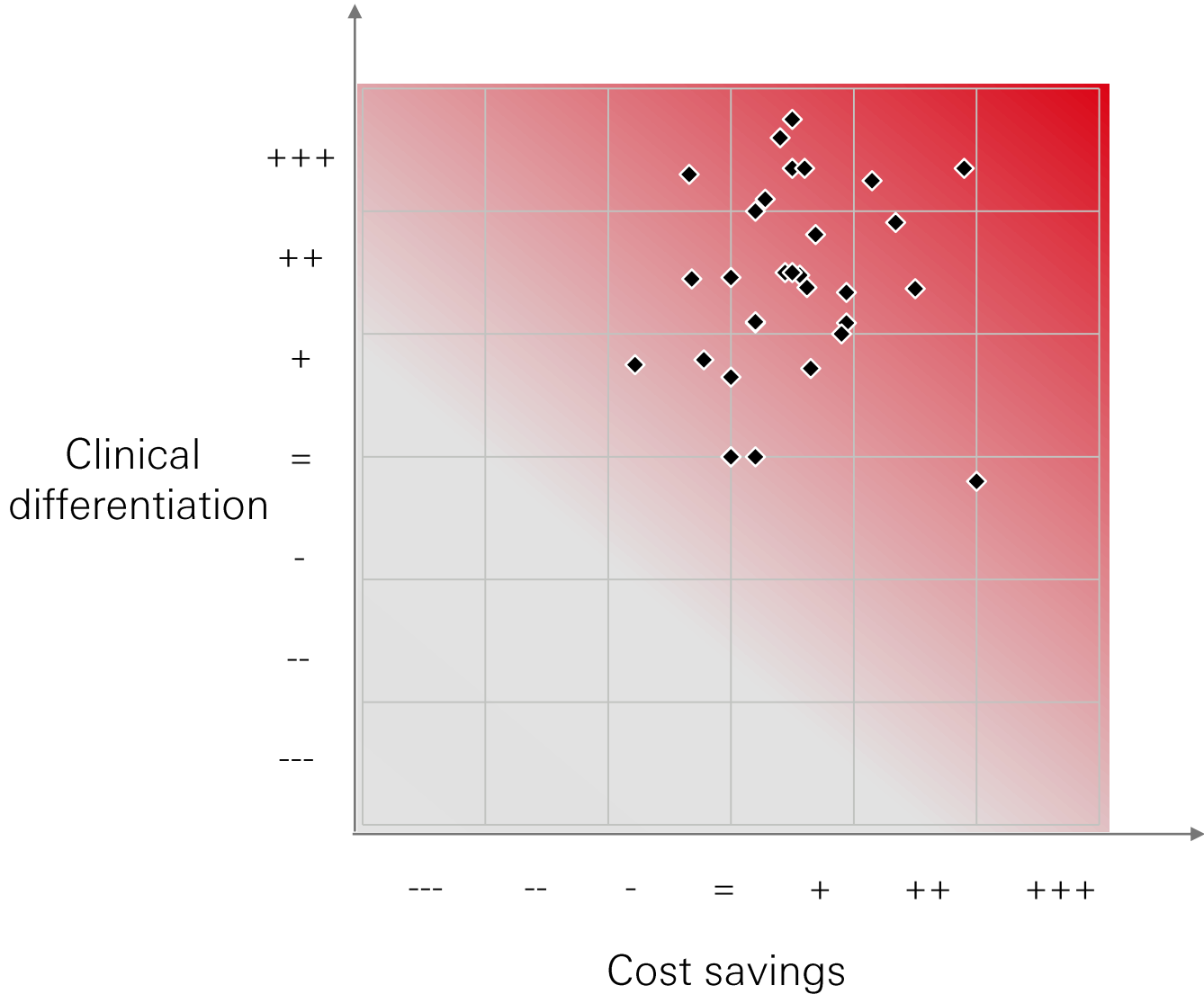
Source: OECD Health Data, 2019. For illustrative purposes only.
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Focus on macroeconomic trend of sustainable healthcare



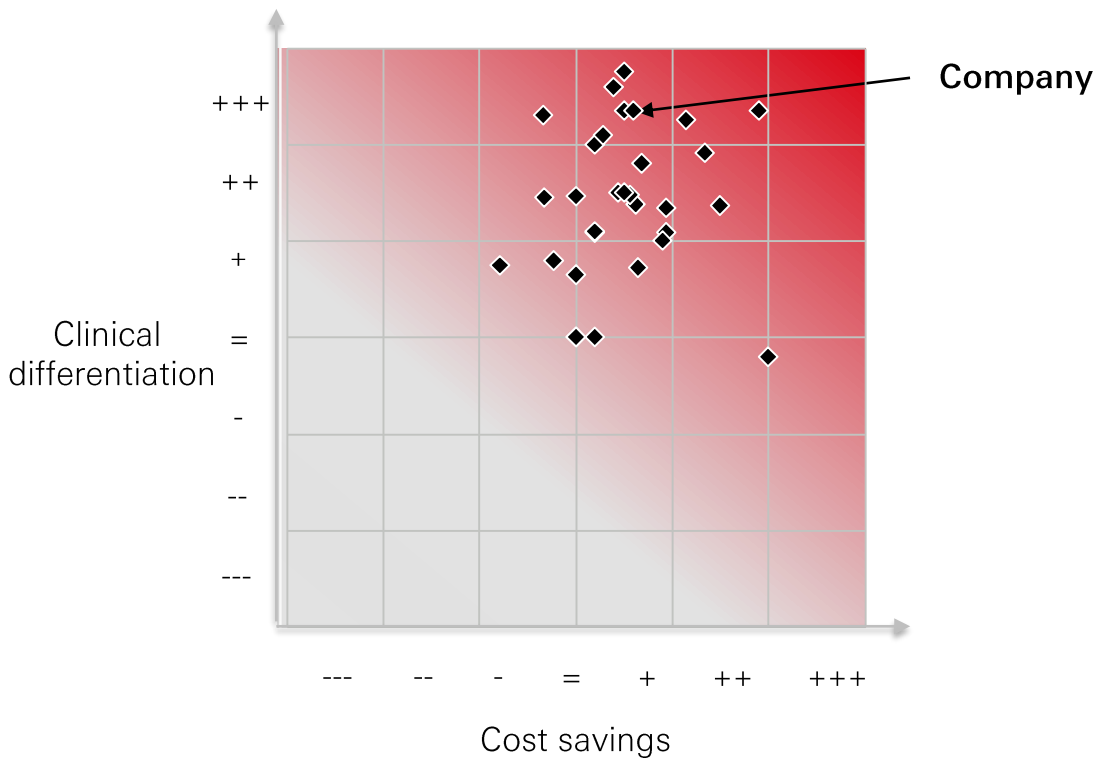
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Positioning of the sustainable portfolio



Balanced portfolio of companies offering affordable innovation with distinct clinical differentiation

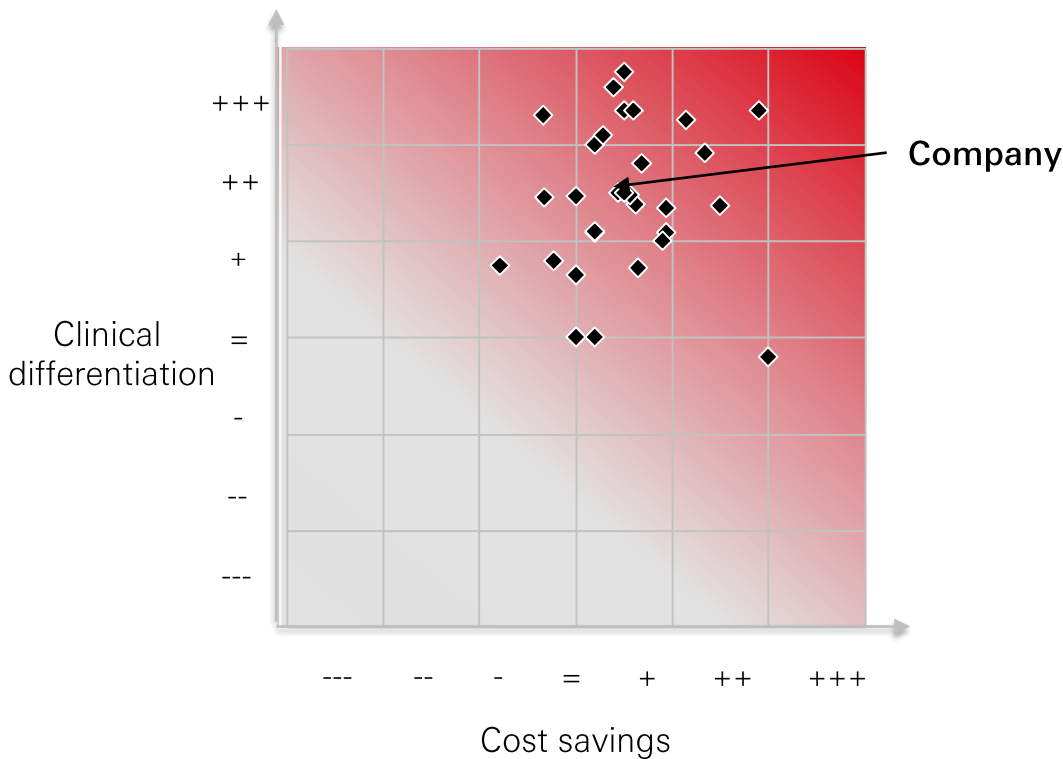
Investment rationale



- ◆ US biotech company focused on migraine, pain and CNS
- ◆ “Best-in-class” novel therapeutic to prevent and treat treatment resistant migraines
- ◆ Strong launch during COVID-19 1st wave
- ◆ Deep, promising pipeline
- ◆ Therapy price is justified due to high cost offset achieved in treatment resistant patients

Source: Company, HSBC Asset Management and Bloomberg. For illustrative purposes only
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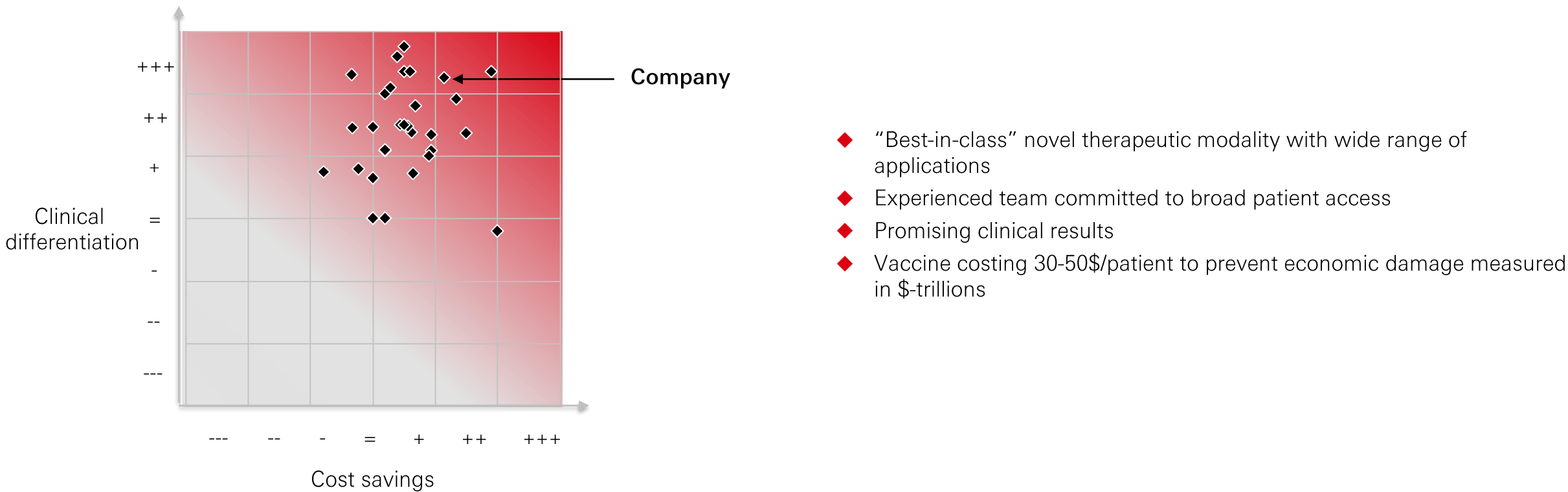
Investment rationale



- ◆ US medtech company develop an electro stimulation device to treat root cause of sleep apnea
- ◆ Device is implanted into the chest enabling patients to breath uninterrupted during sleep
- ◆ Devices addresses large unmet medical need
- ◆ High treatment efficacy avoids otherwise incurred high cost from less effective treatments and loss of productivity

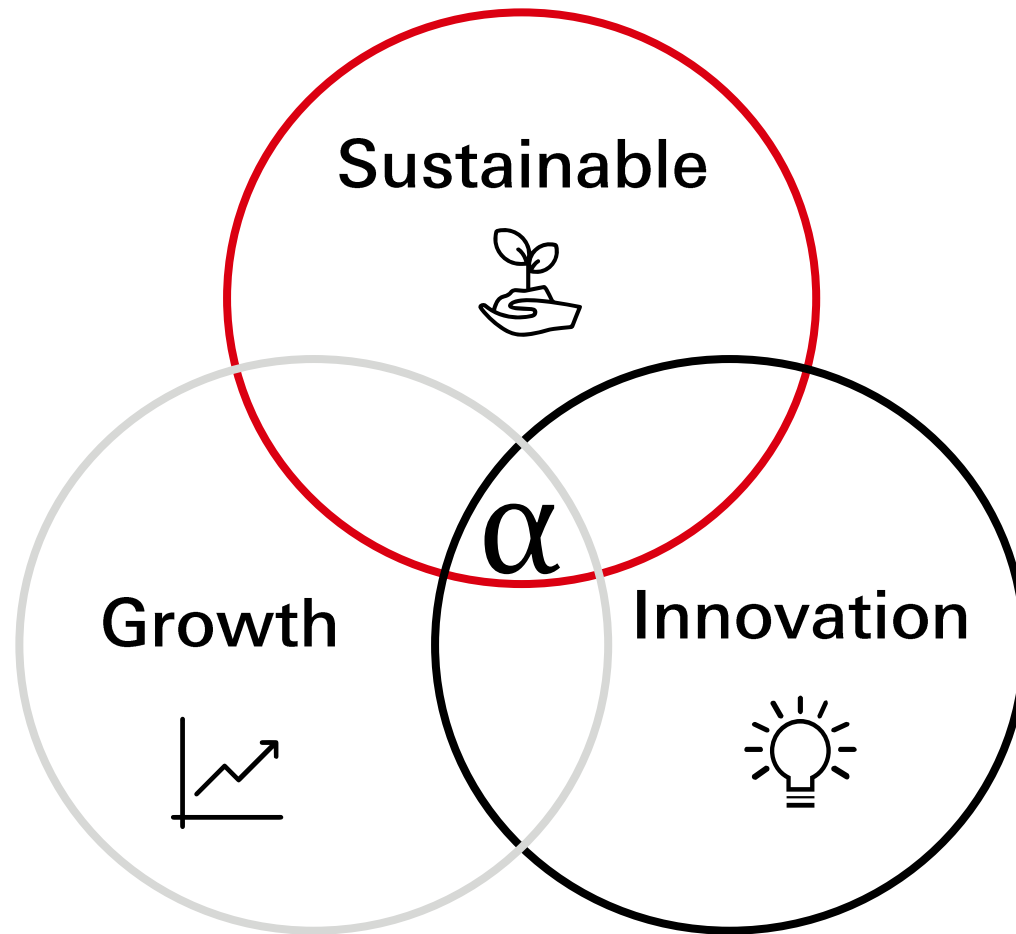
Source: Company, HSBC Asset Management and Bloomberg Sept 2021. For illustrative purposes only
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Investment rationale



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Sustainable, long-term growth oriented



- ◆ **Conviction based approach** requiring bottom-up analysis paired with macro-economic trend
- ◆ **Diversified** with no fix allocations across geographies, sub-subsectors, company stages, and/or profitability
- ◆ **Biased towards mid-caps, long-term engagement,** low turn-over and active management interactions
- ◆ **Disciplined** investment and divestment approaches, continuous tracking and evaluation

Source: HSBC Asset Management as at end of December 2020.
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Appendix

Are we reaching the tipping point that jeopardises healthcare sustainability?

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Past strategies to make healthcare sustainable no longer work

- ◆ Growth of healthcare budget beyond GDP growth is unlikely
- ◆ Patients are increasingly being denied treatments because of high costs
- ◆ Shifting demographics and therapeutic innovation increase demand for healthcare
- ◆ Innovative therapies demand ever higher prices

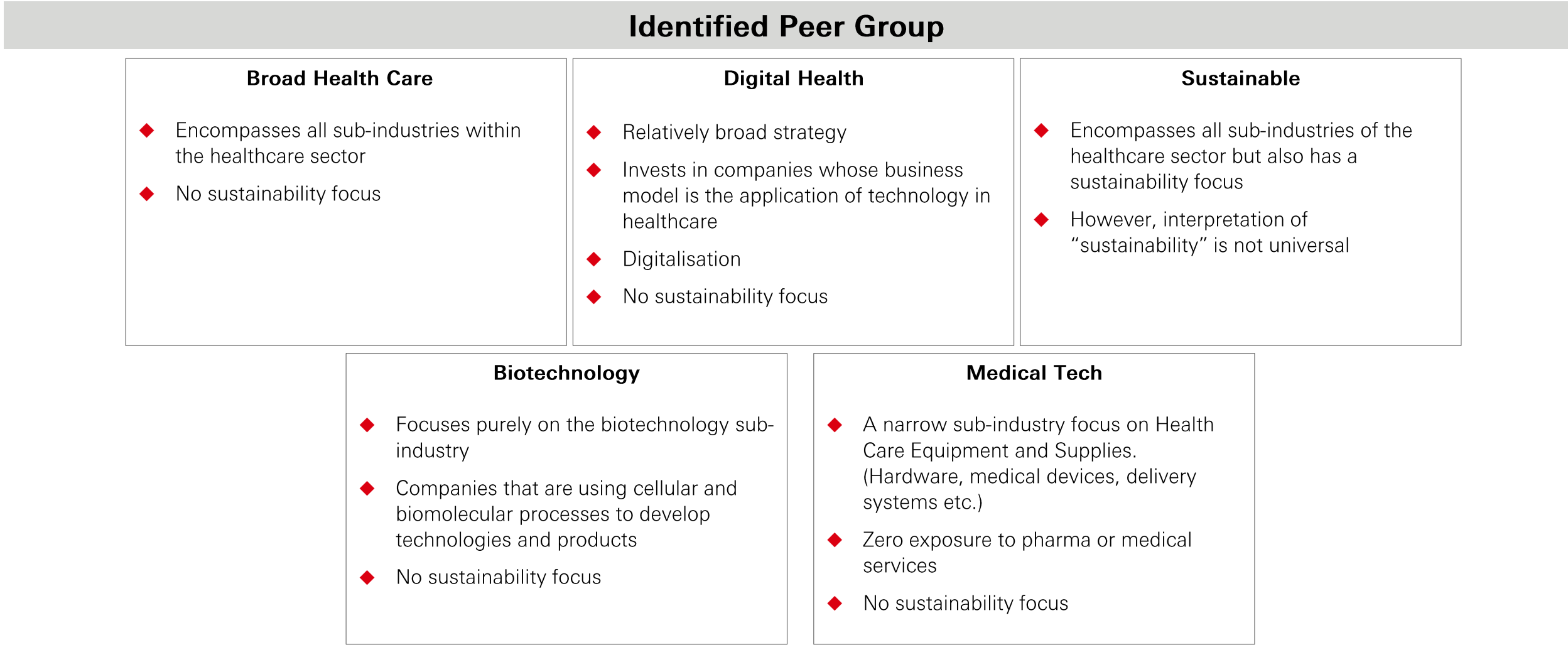


We need to act. We can act.

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Not all healthcare funds were created equal



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- ◆ **Capital loss risk:** It is important to remember that the value of investments and any income from them can go down as well as up and is not guaranteed.
- ◆ **Equity risk:** Funds that invest in securities listed on a stock exchange or market could be affected by general changes in the stock market. The value of investments can go down as well as up due to equity markets movements.
- ◆ **Discretionary management risk:** Discretionary management is based on anticipating the evolution of different markets and securities. There is a risk that the fund will not be invested at any time in the most efficient markets and securities.
- ◆ **Foreign Exchange risk:** Where overseas investments are held, the rate of exchange of the currency may cause the value to go down as well as up. Variations in exchange rates between currencies can have a significant impact on the performance of the products presented.
- ◆ **Small & Mid cap risk:** Please note that the fund is invested in securities issued by companies which, due to their small or mid market capitalization, are less liquid and may present higher risks.

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