

# Janus Henderson Global Life Sciences Fund

September 2020

For promotional purpose

## Fund manager

Andy Acker, CFA

## Marco backdrop

Health care stocks edged lower during the period along with a pullback in equity indices. The sector also faced political headwinds. Calls for drug pricing reform in the US, for one, weighed on biotechnology stocks, while the death of Supreme Court Justice Ruth Bader Ginsburg raised doubts as to whether the Affordable Care Act (ACA), the focus of a Supreme Court case in November, will be allowed to stand. Still, merger and acquisition (M&A) activity picked up, and biopharmaceutical companies made progress on COVID-19 vaccines and treatments.

## Fund performance and activity

The fund delivered -0.7%, outperforming its benchmark, the MSCI World Health Care Index<sup>SM</sup>, which returned -1.4%.

Stock selection in biotechnology and positioning in health care services aided relative returns while stock selection in health care equipment and health care supplies weighed on performance.

Looking at individual holdings, Immunomedics was the top contributor. The stock climbed after Gilead Sciences announced it was buying Immunomedics for approximately \$21 billion. Earlier this year the company received accelerated Food and Drug Administration (FDA) approval for its antibody drug conjugate, Trodelvy, which treats triple-negative breast cancer. Later, Immunomedics reported confirmatory trial benefits for Trodelvy in breast cancer as well as early clinical data in bladder cancer, highlighting the long-term value of the franchise. Following the acquisition announcement, we exited the stock.

IGM Biosciences was another contributor. The company is developing a new immunoglobulin M (IgM) antibody platform that could better connect the body's immune cells with specific cancer cells. In recent months, IGM has delivered clinical results showing that its "bi-specific" IgM technology (binding to both cancer cells and immune cells) could be less toxic and potentially more effective than other methods in development. Should further data be positive, IGM's platform could lead to the development of a broad and potentially revolutionary pipeline of new drugs.

Neurocrine Biosciences also weighed on performance. During the period, its management gave conservative estimates for new patient starts for Ingrezza for the second half of 2020 due to COVID-19 headwinds (lack of access to doctors) as well as some modest inventory destocking. Even so, sales of Ingrezza, a treatment for the movement disorder tardive dyskinesia (TD), remain strong and the drug is still at the early stages in terms of its potential to penetrate the large TD market. In addition, Neurocrine's pipeline is growing. Its therapy for congenital adrenal hyperplasia is expected to start phase 3 studies later this year, and a new drug for Parkinson's disease, Ongentys, launched in September.

Rhythm Pharmaceuticals was another detractor. The company's lead drug candidate, setmelanotide, is an investigational melanocortin-4 receptor agonist for rare genetic forms of obesity. In May, the FDA accepted Rhythm's new drug application for setmelanotide and later granted the therapy pediatric designation (making it eligible for a valuable priority review voucher). However, the stock declined in September after Rhythm announced that the FDA will also want to regulate a companion diagnostic, which could delay approval slightly. Still, Rhythm is expected to provide phase 3 trial readouts by the end of the year, which could broaden the range of genetic obesity patients who can be treated with setmelanotide.

## Outlook/strategy

As we saw in September, the US election is likely to put pressure on health care stocks as investors worry about potential reform. Although we recognise the risk, in our experience policy often differs greatly from campaign proposals. Thus, while drug pricing reform has weighed on the sector, we think the next administration will be reluctant to curb innovation given biopharma's key role in addressing the pandemic. Similarly, while a Supreme Court case set to begin in November challenges the validity of the Affordable Care Act, we see a number of pathways for the legislation to remain largely in place, minimising disruption to the US health care system.

# Janus Henderson Global Life Sciences Fund

---

We think these risks are priced into stocks, as the sector now trades at a substantial discount to the market. Meanwhile, health care has several near-term growth drivers. Demand for elective procedures, for one, is rebounding, with new technologies improving patient outcomes and expanding end markets for medical device companies. Lower costs have led to strong earnings growth for health insurers, while innovation in biotech remains robust. Indeed, in the coming months we expect to see late-stage clinical data for gene therapies, precision oncology treatments, and COVID-19 vaccines and treatments. These advances are driving M&A, which could accelerate given attractive valuations and rock-bottom interest rates. Near term, investors may have to endure heightened volatility as we get through the US election, but longer term we think health care's high growth potential could come back into focus.

Source: Janus Henderson Investors, as at 30 September 2020

# Janus Henderson Global Life Sciences Fund

## Fund information

### Index

MSCI World Health Care Index

### Objective

The Fund aims to provide capital growth over the long term.

## Performance in (USD)

Annualised performance %	A2	A2 (with sales charge)^	Benchmark
1 month	-0.7	-5.7	-1.4
3 months	4.5	-0.8	4.8
1 year	28.9	22.4	20.8
3 years (p.a)	11.3	9.5	10.6
5 years (p.a)	8.8	7.7	9.9
Since inception (p.a)	7.3	1.9	7.6

Source: at 30 Sep 2020. © 2020 Morningstar. All rights reserved, performance is net of fees, with gross income reinvested. Performance figures of less than 1 year are not annualized. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

^Performance with sales charge assume 5.00% initial sales charge/front-end load (FEL) applied.

### Past performance is not a guide to future performance.

Note: Reference to any specific company or stock is for information purposes only and should not be construed as a recommendation to buy or sell the same.

# Janus Henderson Global Life Sciences Fund

---

For further information on the Janus Henderson fund range please contact your local sales office or visit our website: [www.janushenderson.com/sg](http://www.janushenderson.com/sg)

---

## Singapore

Janus Henderson Investors

Tel: +65 6813 1000

Fax: +65 6221 0039

Website: [www.janushenderson.com/sg](http://www.janushenderson.com/sg)

---

## Important information

Janus Henderson Investors (Singapore) Limited and its affiliates are referred to herein as Janus Henderson Investors. This document has been produced based on Janus Henderson Investors' research and analysis and represents our house view. All the information contained in the document is intended for information, illustration or discussion purposes only and should not be relied on for any investment decisions or regarded it as a substitute for the exercise of your own judgement. This advertisement has not been reviewed by the Monetary Authority of Singapore.

The contents of this document are prepared without consideration to the specific investment objective, financial situation and particular needs of any specific person. It does not constitute an advertisement and should not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase any investment in any jurisdiction and do not purport to represent or warrant the outcome of any investment strategy, program or product. Any information and views provided herein is subject to change without further notice. None of the material, nor its content, nor any copy of it, maybe altered in any way, transmitted to, copied or distributed to any other party, without prior express written permission of Janus Henderson Investors. The information contained herein is obtained and / or compiled from sources believed to be reliable and current and Janus Henderson Investors do not warrant, guarantee or represent, either expressly or impliedly, the accuracy, validity or completeness of such information. Janus Henderson Investors or any directors or employees of Janus Henderson Investors shall not be liable for any damages arising from any person's reliance on this information and shall not be liable for any errors or omissions (including but not limited to errors or omissions made by third party sources) in this information. Unless otherwise indicated, the source for all data is Janus Henderson Investors.

Past performance of any fund, a security, an investment or manager and any opinions, forecasts, assumptions, estimates or valuations made are not necessarily indicative of the future or likely performance of the fund, the security, investment or manager. The fund(s) may intend to use or invest in financial derivative instruments. An investment in collective investment schemes/funds, and/or other investment products is subject to investment risks, including the possible loss of the principal amount invested. The value of the units and the income from the funds may fall as well as rise as a result of market and currency fluctuations. Investments in and the rate of return for the Fund are not obligations of, deposits in, guaranteed or insured by Janus Henderson Investors or any of its affiliates or authorised distributors.

The Singapore Representative of the Janus Henderson Capital Funds plc is Janus Henderson Investors (Singapore) Limited and is distributed by authorised distributors. The Prospectus and Product Highlights Sheet of the Fund is available and may be obtained from the Singapore Representative's office and the authorised distributors' offices. Investors should read the prospectus and Product Highlights Sheet before deciding whether to invest in the units of the Fund.

**Note to Singapore Readers:** Issued in Singapore by Janus Henderson Investors (Singapore) Limited, licensed and regulated by the Monetary Authority of Singapore. Company Registration No. 199700782N.

@ 2020, Janus Henderson Group plc. Janus Henderson is a trademark of Janus Henderson Group plc.

Date of issue: October 2020