

## GLOBAL LIFE SCIENCES MANAGED ACCOUNT

### Sector Experts Seeking Growth and Innovation in Health Care

**Global Life Sciences Managed Account** seeks consistent returns by investing in companies addressing unmet medical needs or making the health care system more efficient. We balance the portfolio across pharmaceuticals, biotechnology and services/devices subsectors in an effort to achieve consistent outperformance of the benchmark and peers.

#### Why Janus Henderson?



##### Finding Growth in Health Care

In addition to the powerful demographic trends affecting the sector, health care is experiencing acceleration in innovation. The portfolio seeks to invest in growth companies that are addressing unmet medical needs or making the health care system more efficient and affordable.



##### Dedicated Sector Experts

Our dedicated team of analysts has over a century of combined experience investing in health care companies. In this complex and rapidly growing sector, we believe it is critical to have an experienced team that seeks to understand both the science and the business of the companies in which they invest.



##### Deep and Disciplined

We believe the combination of deep fundamental research and disciplined portfolio construction will lead to consistently strong results relative to both the health care sector and the broader equity market. The portfolio seeks balance across the subsectors of health care and to diversify across market-cap segments and geographies.

“ We believe in the power of deep, fundamental research. The global health care sector, with its rapid growth and high complexity, is particularly well suited for our differentiated research model. We seek to uncover the most compelling opportunities across the life sciences spectrum and around the world.”

**Andy Acker, Portfolio Manager**

## Why Health Care?

A powerful combination of factors are driving long-term sustainable growth.

### Innovation

Scientific advancements are leading to novel therapies addressing high, unmet medical needs. The 228 drugs approved from 2016 to 2020 represent a 105% increase compared to the four-year period that ended in 2015. The pace is accelerating, with 59 novel drugs approved in 2018, the most in 20 years.<sup>1</sup> This is due to the compounding effect of innovation and a more accommodative regulatory environment.

### Demographics

People are living longer, with improved access to better health care. In the U.S., 10,000 people a day are expected to turn 65 through 2030. People over 65 spend three times as much on health care, and spending increases with age.<sup>2</sup>

### Globalization

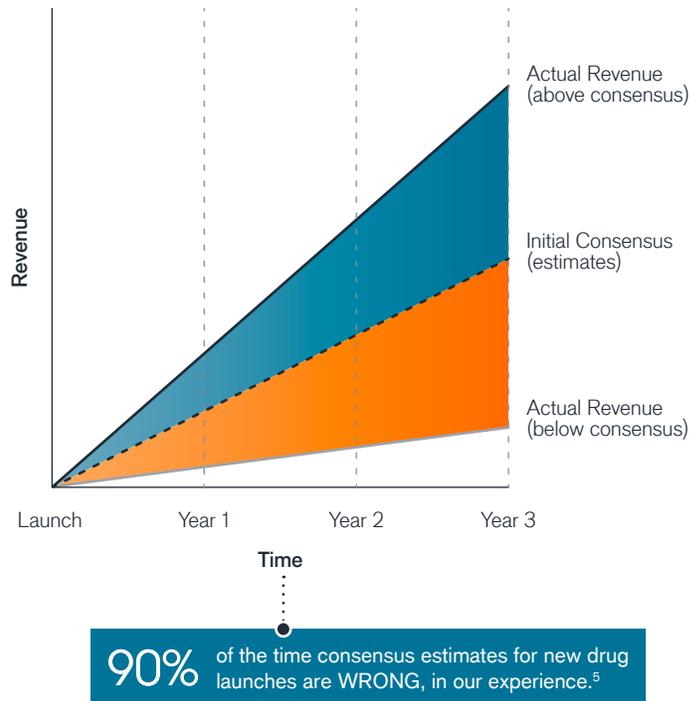
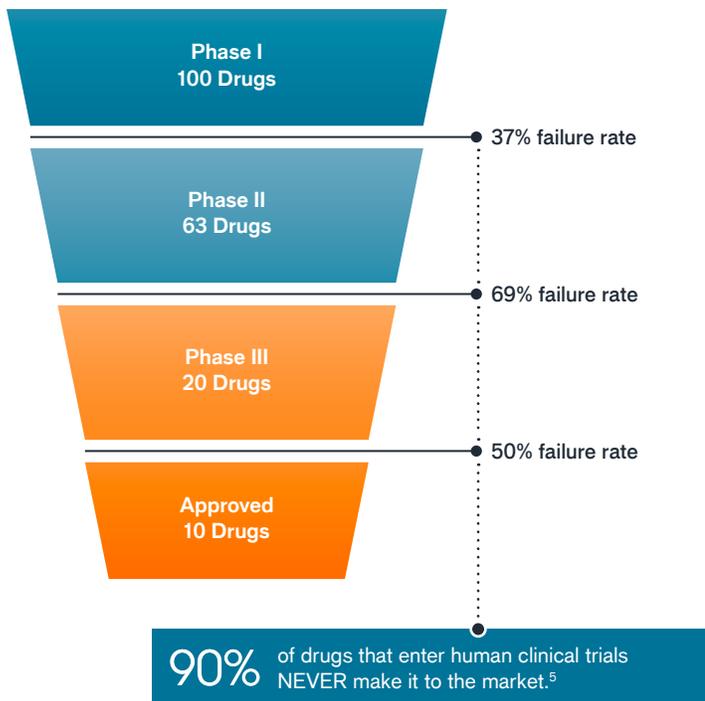
There is a direct correlation between the development of a nation and the demand for health care. India and China together represent one-third of the world's population. As their middle classes develop, they become massive, addressable markets for health care companies across the globe.<sup>3</sup>

### Diversification and Defensive Characteristics

Historically, the sector provided potential diversification for investors as it had among the lowest correlations to the broader equity markets. Additionally, health care has held up better in down equity markets, with the MSCI World Health Care Index<sup>SM</sup> averaging 51% downside capture of MSCI World Index<sup>SM</sup> returns.<sup>4</sup>

## The Case for Active Management: "90/90 Rule"

The two primary concerns when investing in the health care sector are the clinical and commercial risks. At Janus Henderson, we call this the "90/90 rule."



The example provided is hypothetical and used for illustrative purposes only.

<sup>1</sup> FDA, as of 12/31/19.

<sup>2</sup> US Census Bureau & Kaiser Family Foundation analysis of a 5 percent sample of Medicare claims from the Chronic Conditions Data Warehouse, 2011. Center for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, 2010.

<sup>3</sup> OECD Health Data 2011; WHO Global Health Expenditure Database as of 10/28/11.

<sup>4</sup> FactSet, as of 3/31/21.

<sup>5</sup> BIO Industry Analysis, 2016.

## Opportunities for Innovation

Accelerating innovation is addressing unmet medical needs.

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### Cancer

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**\$1.16 T**  
Annual global spend

Cancers figure among the leading causes of mortality worldwide, with approximately 17 million new cases and 9.5 million cancer-related deaths in 2018.

New immuno-oncology agents leverage the body's immune system to augment traditional therapies (chemo & radiation), giving those with cancer new hope and creating a panoply of investment opportunities.

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### Diabetes

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**9.3%**  
of the U.S. population has diabetes

The number of diabetic patients is increasing, having risen globally from 108 million in 1980 to 422 million in 2014. Type 2 diabetes is much more common than type 1 diabetes. Reports of type 2 diabetes in children, previously rare, have also increased worldwide.

Continuous Glucose Monitors (CGM) eliminate the need for frequent, painful testing, providing glucose level trends and proactively warning diabetics if their insulin levels are out of the norm.

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### Alzheimer's / Dementia

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**A new case is diagnosed every  
3 seconds**

The worldwide cost of dementia was \$818B in 2015 and projected to rise to over \$2T by 2030. Currently, the rate of dementia doubles every five years for an adult over age 60. New treatments are being developed to slow that growth, and potentially remove the amyloid plaques (the cause of the disease) in the patient's brain.

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### Cardiovascular Disease

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**\$863 B**  
Annual global spend

Cardiovascular disease is the leading cause of death worldwide – an estimated 17.9 million deaths each year, or one death every two seconds.

A new class of drugs, called PCSK9 inhibitors, are a revolutionary method for battling the disease, drastically reducing the patient's levels of harmful LDL cholesterol.

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### Genetic Disease

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**7,000+**  
Genetic diseases identified

Better understanding of severe genetic diseases is driving the creation of new treatments through the use of gene therapy.

These therapies have been developed to ameliorate spinal muscular atrophy, the leading cause of infant mortality, and Leber Congenital Amaurosis, which causes blindness in children. Ample opportunities exist for these types of therapies to address the more than 7,000 genetic diseases. Currently, less than 5% of genetic diseases have a treatment available.

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### Hepatitis C

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**95%**  
cure rate by Direct Acting Antivirals method

Less than 30 years after hepatitis C was identified, 95% of patients can be cured of the debilitating malady. Past initial treatments resulted in a year's worth of injections that cause flu-like symptoms. Today, new direct acting antiviral pills can cure the disease in eight weeks with virtually no side effects.

## Portfolio Management



### Andy Acker, CFA

- Portfolio Manager since 2007
- Industry since 1996

## Overview

### Benchmark:

MSCI World Health Care Index<sup>SM</sup>

### AUM:

\$14.1 B (as of 31 Dec 20)

### Morningstar Category:

Health

### Typical Holdings Range:

80 – 90

## Characteristics

	Rep. Account	Benchmark
Number of Holdings	89	158
Weighted Average Market Cap	\$91.9 B	\$139.9 B
Median Market Cap	\$9.2 B	\$20.6 B
Active Share	61.20%	–

## Top Holdings (%)

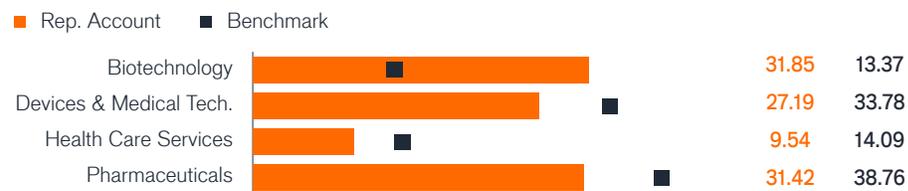
	Rep. Account
UnitedHealth Group Inc	3.99
AstraZeneca PLC (ADR)	3.93
AbbVie Inc	3.23
Merck & Co Inc	2.99
Novartis AG (ADR)	2.90

## 3 Year Reward and Risk

### Statistics

	Composite	Benchmark
Alpha	-0.40	–
Beta	1.09	1.00
Standard Deviation	17.84	15.02
Sharpe Ratio	0.74	0.84

## Sector Allocation (%)



Performance (%)	Q121	1 Year	3 Year	5 Year	10 Year	Since Inception (1/1/99)
Composite (pure gross*)	-2.84	35.85	14.67	14.56	17.57	12.60
Composite (net)	-3.56	31.98	11.36	11.25	14.18	9.34
MSCI World Health Care Index <sup>SM</sup>	0.90	29.80	14.09	12.17	13.63	7.36

**Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value.** Returns greater than one year are annualized. Returns are expressed in U.S. dollars. All returns reflect the reinvestment of dividends and other earnings.

\*Pure gross performance results do not reflect the deduction of any trading costs, fees or expenses and returns will be reduced by such advisory fee and other contractual expenses as described in the individual contract and Form ADV Part 2A. Pure gross returns are supplemental to net returns.

Net returns are calculated by subtracting the highest applicable Managed Account fee (3.00% annually, or 0.25% monthly) from the pure gross or gross composite return. The Managed Account fee includes all charges for trading costs, portfolio management, custody and other administrative fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The fees are available on request and may be found in Form ADV Part 2A.

Index returns are provided to represent the investment environment existing during the periods shown. The index is fully invested, including the reinvestment of dividends and capital gains. Index returns do not include any transaction costs, management fees or other costs, and are gross of non-reclaimable withholding taxes, if any and unless otherwise noted.

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**Janus Henderson**  
INVESTORS

Index represents the MSCI World Health Care Index<sup>SM</sup>.

**There is no assurance the stated objectives will be met.**

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style.

Portfolio holdings are as of the date indicated, and are subject to change. This material should not be construed as recommendation to buy or sell any security.

Sector weights based on GICS.

Global Life Sciences Diversified ADR Managed Account Composite, benchmarked to the MSCI World Healthcare Index<sup>SM</sup>, includes portfolios that concentrate on finding growth companies located both inside and - through ADR shares - outside of the United States that have a life science orientation. "Life sciences" industries may include the following industry groups: health care; pharmaceuticals; agriculture; cosmetics/personal care; and biotechnology. A typical portfolio invests in 80 to 90 equity securities. Prior to January 1, 2020, returns for the composite are for the Global Life Sciences Composite, which consisted of separately managed institutional accounts, proprietary mutual funds as well as sub-advised pooled funds. The composite was created in January 2020.

Janus Henderson Investors claims compliance with the Global Investment Performance Standards (GIPS®). For the purpose of claiming GIPS compliance, Janus Henderson Investors defines its GIPS Firm as the following entities within Janus Henderson Group plc that directly manage assets: Henderson Global Investors Limited, Henderson Global Investors (Singapore) Limited (excluding private equity assets), Henderson Investment Funds Limited, Janus Capital Management LLC, Janus Henderson Investors (Australia) Institutional Funds Management Limited and Perkins Investment Management LLC. The GIPS firm was formed on January 1, 2018 as a result of the merger of the predecessor GIPS firms Janus Capital Management LLC and Henderson

Global Investors, which previously claimed compliance since January 1, 1994 and January 1, 2009, respectively.

To receive a complete list and description of composites and/or a presentation that complies with the requirements of the GIPS® standards, please contact Janus Henderson at 800.668.0434.

**MSCI World Health Care Index<sup>SM</sup>** reflects the performance of health care stocks from global developed markets.

**Alpha** compares risk-adjusted performance relative to an index. Positive alpha means outperformance on a risk-adjusted basis. **Sharpe Ratio** measures risk-adjusted performance using excess returns versus the "risk-free" rate and the volatility of those returns. A higher ratio means better return per unit of risk. **Standard Deviation** measures historical volatility. Higher standard deviation implies greater volatility. Beta measures the volatility of a security or portfolio relative to an index. Less than one means lower volatility than the index; more than one means greater volatility.

**Discounted Cash Flow (DCF)** analysis is a valuation method used to estimate the attractiveness of an investment opportunity. DCF analysis uses future free cash flow projections and discounts them (most often using the weighted average cost of capital) to arrive at a present value, which is used to evaluate the potential for investment. If the value arrived at through DCF analysis is higher than the current cost of the investment, the opportunity may be a good one. **Free Cash Flow (FCF)** represents the amount of cash generated by a business, after accounting for reinvestment in non-current capital assets and net changes in debt issued by the company. **Return On Invested Capital (ROIC)** is a measure of how effectively a company used the money invested in its operations.

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