

	3 month (%)	6 month (%)	1 year (%)	2 years (% p.a.)	3 years (% p.a.)	Since inception* (% p.a.)
Perennial Future of Healthcare Fund	-5.4	-0.4	19.9	18.5	10.9	9.3
MSCI World Healthcare Net Return Index Unhedged (in AUD)**	-0.7	1.1	11.5	7.2	5.2	10.5
Value Added	-4.7	-1.5	+8.4	+11.3	+5.7	-1.2

* The inception date for performance calculations is 8 April 2021.

Returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance. Performance shown is net of fees and assumes the reinvestment of distributions.

** Source: MSCI. The benchmark was introduced to the strategy on 1 November 2023, it has been used retrospectively for performance comparison.

Market Commentary

The Fund returned (5.4%) for the quarter, underperforming the MSCI World Healthcare Net Return Index which returned (0.7%) in AUD.

Global markets (as measured by the MSCI World Index in USD) continued to strengthen over the quarter, outperforming the MSCI World Healthcare Index. For the calendar year, the healthcare index has underperformed most other sectors with a shift of focus.

The US 10-year Government Bond Yield rose from 3.8% to 4.6% following the election of Donald Trump. The Australian dollar depreciated against the US dollar significantly during the quarter falling from 0.69 AUD/USD to 0.62 AUD/USD.

The Russell 3000 Value and Growth Indices performed comparatively inline with each other over the period while mid to microcap healthcare stocks tended to outperform on a relative basis over the quarter.

Health Tech was the only sector during the quarter to produce a positive return while medtech outperformed on a relative basis. Other traditional safehavens like health insurance declined over the period after the murder of the UnitedHealthcare CEO in December. Following this, the MSCI Healthcare Providers and Services Index declined almost 10% as the health insurance industry practices were examined.

As Neil Bohr said, Prediction remains very difficult, especially if it's about the future but here are some for 2025.

- Trump's key picks for Healthcare, including RFK, upset expectations for a benign political and policy environment, and scared off generalist investors. Outside of vaccines we view the actual policy impact of the new administration as relatively benign on the key value drivers: FDA Approvals, Pricing to manufacturers, IPOs and M&A. Post the election sector valuations are now relatively low and attractive.
- M&A was down 2024/2023. A pro-merger Federal Trade Commissioner head appointment is expected. Given the looming Loss of Exclusivity of key products for both Big Pharma and Biotech companies. We expect more bolt-on acquisitions in the \$5-15 Billion range, and activity to pick up throughout 2025.
- IPOs started strongly in 2024 but ended flat, IPOs to increase if the inflation and rate outlook does not deteriorate.
- Weight loss drugs will remain a focus; The 1H25 trial results for LLY's oral drug orfoglipron is one to watch. Supply constraints and policy landscape the key risks.

Key Fund Features

The Fund's primary goal is to drive enduring capital growth by deploying investment capital to tackle critical challenges stemming from an ageing populace, escalating chronic and communicable diseases, disabilities, and mental health concerns.

Portfolio Managers

Victor Windeyer & Sam Walker

APIR Code

AUS9268AU

Distribution Assessment Frequency

Annual

Minimum Initial Investment

\$20,000

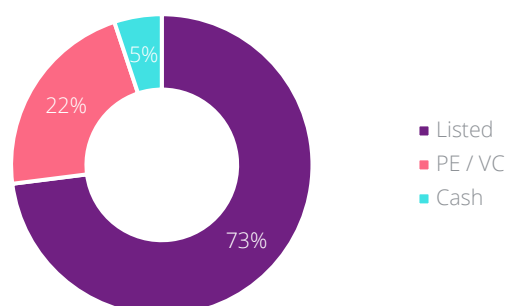
Inception Date

April 2021

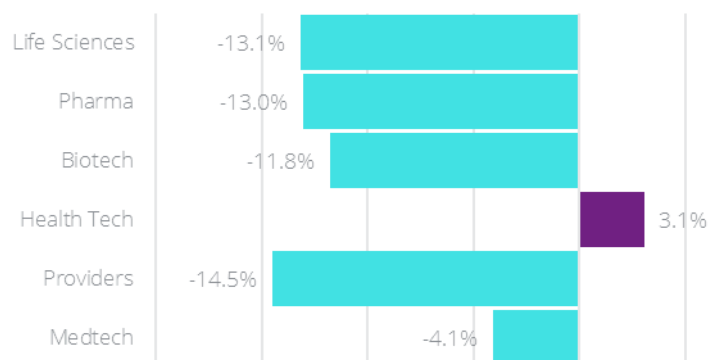
Fees

0.95% p.a. + recoverable expenses + performance fee

Portfolio Allocation



MSCI Sub-Industry Quarterly Performance



Source: Bloomberg, returns in USD

Performance Update

Scholar Rock (NASDAQ: SRRK) returned +497.0% (in AUD terms) over the quarter. The company had a successful Phase III clinical trial for Spinal Muscular Atrophy (SMA) Type 2 and 3, an indication with a high unmet need. With the data in hand, the biotech will seek regulatory approval for the drug and seek to conduct further clinical trials to expand the age range for which the drug is approved. The company has a general focus on muscle wasting diseases and has a drug candidate that they believe may improve the quality of weight loss when used in combination with glucagon-like peptide-1 (GLP1).

Unlisted Company during the quarter, an unlisted company was revalued upwards contributing +1.3% to the Fund's return. The revaluation event arose due to the successful first close of a further funding round consisting of new and existing investors.

Penumbra (NYSE: PEN) appreciated 36.6% (in AUD terms) over the quarter. The company is a leader in the thrombectomy (clot retrieval) space, whilst it experienced some headwinds during early 2024, the Q3 result indicated that some of these headwinds had become more manageable, or at least had received more clarity. In addition, Inari (NASDAQ: NARI, not owned) published a study called PEERLESS which looked at their clot retrieval system versus catheter-directed thrombolytics (where clots are dissolved with medication delivered via a catheter). The study highlighted reduced deterioration, faster recovery, decreased hospital resource use and a pleasing safety profile for use of Inari's mechanical thrombectomy device. While the study uses Inari's device, the outcomes of the trial increases the market's awareness of the benefits of mechanical thrombectomy over more traditional methods of treatment.

Sanofi (EPA: SAN) declined 5.9% during the quarter to detract from the Fund's performance. Large pharma retreated over the quarter with the President's nominee Robert F Kennedy Junior (RFK) being put forward for the US Health Secretary position. RFK has been very controversial in the past around his views on vaccines, more tempered counters to his views have been that RFK is pro-choice (as opposed to vaccine mandates) and is data driven. The impact of this policy uncertainty on Sanofi is derived from Beyfortus, a Respiratory Syncytial Virus (RSV) vaccine approved for use in infants. RSV is the leading cause of infant hospitalisations. Real-world evidence demonstrated around 80% reduction in hospitalisations of infants under 6 months of age across several studies. Although Beyfortus is an important growth engine for Sanofi, the drug is a minor revenue line compared to the total revenues. The company is rapidly advancing its pipeline and well placed to weather policy uncertainty.

Novo Nordisk A/S-B (CPH: NOVOB) returned (17.6%) for the quarter. The long awaited CagriSema trial read out in December disappointing the market. The drug is a fixed dose combination of a long-acting amylin analogue and a GLP-1. Expectations were for a larger weight loss than the 22.7% weight loss achieved over the 68-week trial. However, only 57.3% of patients achieved the highest dose significantly lower than the molecules as a standalone drug. While this may explain the lower-than-expected weight loss achieved it does raise questions with respect to the tolerability of the combination. Further results are expected from CagriSema over 2025 which will provide additional information on the drug's safety profile.

Clarity Pharmaceuticals (ASX: CU6) was the largest detractor for the period with the stock down some 49.4% over the period. Despite the pullback the stock remains up over 120% for the calendar year. As for the pullback there are several factors that may have contributed including an unwinding of the index inclusion trade, macro factors, an unbundling for radiopharmaceutical pricing and potentially other advances in the lead indication, treatment of metastatic prostate cancer. Clarity was included in the ASX300 in September which saw a strong appreciation in the September quarter followed by inclusion in the ASX200 in the December quarter, typically an ASX300 inclusion sees a greater price appreciation than an ASX200 inclusion and some traders may have taken advantage of this phenomena with little attention paid to the stock fundamentals. In addition, the policy uncertainty initiated by RFK's nomination has seen a general pullback of the sector, over the period the S&P Select Biotech Index, which is an equal weighted index, declined around 10%. There has also been an unbundling of radiopharmaceutical pricing which comes into effect 1st January 2025. This policy is intended to improve access to nuclear medicine diagnostic procedures however this has reduced the strong financial incentive to adopt newly approved or trial imaging agents over approved agents. Clarity has a new imaging agent hence this price unbundling which should ultimately be beneficial may slow adoption of new technologies. Over the quarter, there has been some very early yet promising results in other modalities for metastatic prostate cancer therapy. While unlikely to be a major contributing factor to recent underperformance we are monitoring this closely.

Impact

Spinal Muscular Atrophy (SMA) is a rare genetic disease that causes progressive muscle weakening and wasting. SMA affects motor neurons which are the nerve cells responsible for the control of muscle movement. If the muscles cannot be given instructions through the nerve cells, then the muscles stop functioning and eventually waste away. There are five types of SMA, categorised by the age of onset. Scholar Rock conducted a Phase III trial which focused on SMA Type 2 and SMA Type 3. Type 2 patients show symptoms at between 6 and 18 months old, they can sit independently but cannot walk. Type 3 patients show symptoms between 18 months and adolescents, some can walk independently but have weakness in arms and legs.

The study of 156, non-ambulatory patients between the ages of 2 and 21 explored two dose concentrations versus placebo, all treatment types were in addition to standard of care. In the main population (between 2 and 12), the study demonstrated an improvement in the Hammersmith Functional Motor Scale Expanded (HFMSSE) of 1.8 points over the 12-month trial. This indicates a gain in motor function which is pleasing in this condition where the standard of care typically sees a deterioration in motor function.

The Phase II extension study provided insights out to 4 years which demonstrated that gains in motor function were maintained even out to the data cutoff date. The drug is the only selective anti-myostatin therapy across any indication to show clinical improvement to date.

Portfolio Activity for this Quarter

Listed equities positioning

Few changes were made over the quarter.

Private equity and venture capital transactions

The Fund did not participate in any unlisted transactions.

Revaluations

There was one revaluation during the quarter contributing 1.3% to the Fund's return.

Top 10 Positions	Description
Alnylam Pharmaceuticals (NASDAQ: ALNY)	RNA interference pioneer with a focus on several rare diseases.
Boston Scientific (NYSE: BSX)	Cardiovascular and surgery medtech
Clarity Pharmaceuticals (ASX: CU6)	Radiopharmaceutical company
Eli Lilly & Co (NYSE: LLY)	Large pharma with weight loss drugs as a focus
ImmVirX (Unlisted)	Biotech targeting difficult cancer indications.
Novo Nordisk (CPH: NOVO-B)	A leader in weight loss and diabetes markets
OncoRes Medical (Unlisted)	Intra-operable tumour margin detection device.
Sanofi (EPA: SAN)	Large pharma with very diverse business
Venstra Medical (Unlisted)	Temporary heart pump (pVAD)
Zealand Pharmaceuticals (CPH: ZEAL)	Diabetes and metabolic disease company



Portfolio Manager Victor Windeyer (right) and Assistant Portfolio Manager Sam Walker (left).

Future of Healthcare Investment Team



Victor Windeyer
Portfolio Manager
E: vwindeyer@perennial.net.au
T: +61 409 808 110



Sam Walker
Assistant Portfolio Manager
E: swalker@perennial.net.au
T: +61 408 168 563

Contact us



Level 27, 88 Phillip Street
Sydney NSW 2000



1300 730 032



invest@perennial.net.au



www.perennial.net.au

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