



## CANDRIAM EQUITIES L ONCOLOGY IMPACT CELEBRATES ITS FIRST YEAR; TIME FOR A PROGRESS UPDATE



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Global Equity

**Servaas  
Michielssens**  
Senior Biotechnology  
Analyst

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Senior Biotechnology  
Analyst

*The fund is managed by four portfolio manager/analysts. What is the investment process implemented to decide when to buy or sell portfolio positions? Who has the final decision? Is there a right of veto?*

**Rudi Van den Eynde (RVdE):** Servaas Michielssens and I, as joint managers, steer the fund. Final investment or divestment decisions are therefore our responsibility.

As you know, our assessment is based on two key criteria: clinical analysis and fundamental analysis. Both these “tests” have to be passed in order to begin discussing the investment case with Servaas and the analysts. Understanding the efficiency of new screening tests, new potential treatments and new tumour-profiling methods, etc. requires specific medical skills. This is why our team is composed of scientists, including biotechnology PhD holders like Servaas and Malgorzata Kluba. This is also why the team organises regular conference calls with opinion leaders who are renowned specialists in their field. These discussions provide us with a clearer picture of the new technologies and protocols being developed.

The other analytical approach we use is of course fundamental, as we are primarily seeking to identify the companies likely to

create the greatest value for our investments. Our fundamental analysis covers five key criteria: management quality, business growth, companies’ competitive advantages, value creation, and gearing, which must be limited.

*So, the fund was launched one year ago. What investment period do you have in mind for the stocks you analyse and pick?*

**RVdE:** The stocks we hold in the portfolio are acquired under a long- term investment policy. There are nonetheless two events which trigger an automatic review. Firstly, if the investment case changes, i.e. if any of the five fundamental criteria are brought into question or are no longer valid. We are particularly attentive to clinical data published by companies or any of their competitors involved in developing treatments for the same ailments. The second event triggering a review is if there is a takeover or a merger, of course. In all of these cases, we review and reassess our position.

*The fund has already experienced five merger & acquisition deals in just one year. How do you account for this? Is this trend likely to continue in 2020? Which sectors are most likely to benefit from M&A?*

**Servaas Michielssens (SM):** Firstly, it is important to highlight that there has been a great deal of M&A. As the sector is research-driven, it is highly disruptive. Oncology has made more progress over the past 15 years than it did during the whole of the 20th century.

Furthermore, you have to understand that Big Pharma needs to feed off research in order to avoid rapidly lagging their competitors. It is therefore sometimes easier to buy a company which is in the process of developing an innovative product, rather than begin a research programme from scratch. This factor explains the keen appetite among pharma sector majors for innovative fledgling companies.

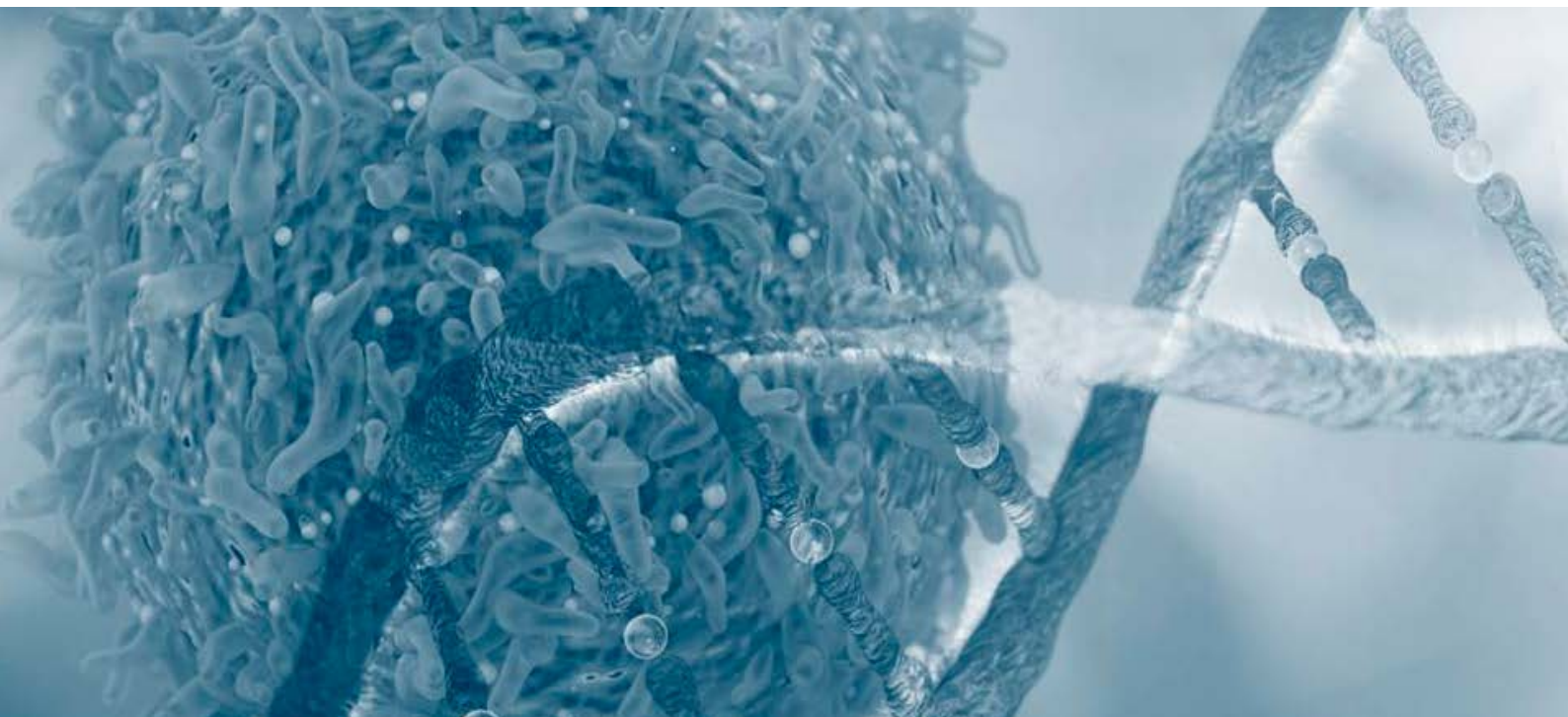
So why were there so many mergers & acquisitions among the **Candriam Equities L Oncology Impact** portfolio holdings? Simply because we target these types of companies and have the capacity to identify nuggets at a very early stage of their development, thanks to our clinical and scientific analysis process. We are able to invest in companies when they are still in their clinical test phase before they are profitable, whereas the market tends to prefer buying companies when they are already in their commercial stage, and when they are already much more expensive. Our 20 years of experience in biotechs has enabled us to develop our specific approach to analysing clinical data.

*Your oncology investment strategy delivered remarkable returns in 2019, outperforming the broader healthcare sector. How do you view the next 12 months? Are you overweight in any particular sub-sectors or are there any others in which you are more wary in terms of valuation?*

**RVdE:** Despite gaining 23.24 %<sup>1</sup> in 2019, the healthcare sector slightly underperformed the broader market, whereas our strategy delivered returns of +40%<sup>2</sup>. It is important to note, however, that, over the longer term, the healthcare sector has outperformed the MSCI World<sup>3</sup> index by almost 3.5% per year. It should also be highlighted that the sector has been slightly less correlated to equity market cycles in the past. It therefore offers a more defensive profile, but nonetheless provides exposure to megatrends. One thing is certain, however, analysts across all sectors will be watching the US elections very closely.

“ *Oncology has made more progress over the past 15 years than it did during the whole of the 20<sup>th</sup> century.* ”

This is particularly the case in the pharmaceutical sector. Depending on which candidate is doing well in the opinion polls and the debates that will inevitably cover the topic of the healthcare system and drug reimbursements in the US, company valuations will fluctuate. However, provided you are well informed, this type of volatility can also provide excellent investment opportunities.



*You have opted to donate 10% of your net management fees to research institutes. Does this mean that the companies you invest in are not doing enough research?*

**SM:** It is complementary. Fundamental research is often the foundation for future private research projects and we believe that they go hand in hand. We believe it is entirely coherent to support fundamental research, although, in practice, it is private research which ultimately leads to significant progress in people's health.

The latest Nobel Prize in Medicine was awarded to William G Kaelin, Peter J Ratcliffe and Gregg L Semenza for their discovery of the way cells detect and adapt to the presence of oxygen. This is a key factor in treating many ailments, including cancer. The previous Nobel Prize awarded to James P Allison and Tasuku Honjo for their work in immunotherapy also enabled enormous progress to be made. Former US president Carter is still alive today at 94 probably partly thanks to them.

“ Our hope is that one day it will be possible to live with cancer, as is the case today with HIV. ”

*Today is World Cancer Day. What message would you like to relay as an investor?*

**RVdE:** Our hope is that one day it will be possible to live with cancer, as is the case today with HIV. Although huge progress has been made in research over the past few years, there is still much to be achieved. Participating in financing the fight against cancer is therefore essential and we are proud to announce Candriam's donation of more than 80 000€ to this cause for 2019. Moreover, will also enable investors to benefit from long-term performance potential. One year after its launch, the Candriam Equities L Oncology Impact fund has already exceeded USD 575 million in assets under management<sup>4</sup>. Let us hope that many more investors will join us.

<sup>1</sup>Data from 31.12.2018 to 31.12.2019 – Data in USD – MSCI© World Health Care net total return - Source: MSCI.com  
<sup>2</sup>Data from 31.12.2018 to 31.12.2019 – Data in USD – Source: Candriam  
<sup>3</sup>Data from 31.12.2009 to 31.12.2019 – Data in USD – Source: MSCI.com  
<sup>4</sup>Data as at 31.01.2020. Source: Candriam.



## FUND SPECIFICATIONS

Candriam Equities L Oncology Impact is a sub-fund of the Candriam Equities L Sicav fund.

**C-share class launch date:** 15.11.2018

**Management fees (max):** 1.60%

**Share-class type:** Accumulation

**Total AUM (M USD) as at 31.01.2020:** 578

**Currency:** USD

**ISIN code:** LU1864481467

**NAV frequency:** Daily

**Investment manager:** Candriam Luxembourg

**Legal form:** Luxembourg-domiciled UCITS Sicav

**Investment period:** 6 years

*The Candriam Equities L Oncology Impact fund incurs the risk of loss of capital, as the net asset value of the fund can diminish notably on account of its equity market exposure, currency risk and risks associated with derivative financial instruments and emerging markets.*





**€125 bn**  
AUM  
as of 30 June 2019



**554**  
experienced and committed  
professionals



**20 years**  
leading the way in  
biotech and healthcare  
investments

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