

Healthcare cools during the dog days of summer

Healthcare underperforms as the equity market bull run continues

The healthcare index increased by 2.1% in August compared to a 6.7% rise for the global equity market. Despite its 4.6% underperformance during the month, the healthcare sector continues to outperform the broader market year to date. In a more risk-on environment, the mid-cap segment fared better with the Russell 2000 Healthcare Index up 5.5%. Despite an initial reversal at the start of August, the momentum factor remained prevalent and a headwind for our strategy. Key news-driven events included progress on CV-19 testing/vaccines, the US presidential election, a weakening dollar, bolt-on acquisitions, and unexpected pipeline failures. On an individual sub-sector level, medical technology outperformed with the biotechnology and healthcare services segments underperforming in August. From a regional perspective, Japan was the best performing with European healthcare stocks being the laggard measured in US dollars.

Fund up 1.7% in August

The Sector Healthcare Value Fund ended August up 1.7%, marginally underperforming the global healthcare index by 0.4%. For the year, the Fund has returned 6%. This month's absolute return came from our large-cap holdings, with our mid-cap exposure underperforming during August. On an individual sub-sector basis, all our risk books delivered stable returns but led by our pharmaceutical and medical technology investments. From a regional perspective, our US risk positions were the largest positive contributors to the Fund's performance. The most profitable single stock investments during the month were Medtronic (reported better than expected earnings and guidance), Alexion (announced a share buyback and pipeline progress), and Bristol Myers (favorable patent ruling for Eliquis). With Philips NV (reduced previously announced guidance following US cancellation of a ventilator order), NuVasive (concerns over continued elective procedure delays) and Sanofi having the highest underperformance.

Testing – “stronger for longer”

The initial spike in antibody testing may have cooled a little recently. However, we believe that the plethora of new tests coming to the market, including the newly approved rapid COVID antigen tests from Abbott Labs and Roche, will help to support a more extensive and more prolonged pandemic diagnostic market than may initially have been envisaged. The up and coming flu season will also be an additional demand driver, particularly in a point of care setting where there will be a need to know whether a patient is suffering from regular seasonal flu or CV-19 when deciding on the correct course of treatment to be administered. The slower herd immunity that countries are struggling with globally is also helping to drive the demand for both antigen and antibody tests. Naturally, a more gradual adoption rate of any approved vaccines will also further enhance the testing segments' pandemic opportunities. Our Fund has both direct and indirect exposure to this theme through risk positions in the life science tools, diagnostic and lab sub-sectors.

Analysis of Return

Sector Healthcare Value	Absolute				Relative			August 2020
	A USD	A EUR	A NOK	Index*	A USD	A EUR	A NOK	
NAV	459.96	307.59	2,751.28					
Last Month	1.7%	1.6%	1.4%	2.1%	-0.4%	-0.4%	-0.6%	
Year to Date	6.0%	4.8%	4.3%	7.7%	-1.7%	-3.0%	-3.5%	
Last 12 Months	20.2%	18.0%	17.7%	22.4%	-2.2%	-4.3%	-4.6%	
Since Inception **	360.0%	315.3%	353.4%	246.7%	113.2%	68.6%	106.7%	
Compounded growth p.a.	16.6%	15.4%	16.5%	13.4%	3.3%	2.1%	3.1%	
Standard deviation	11.9%	12.0%	11.8%	12.4%				
Reward/Risk	1.40	1.29	1.39	1.08				
Tracking error	3.47							
Information ratio	0.82							
Best month	11.8%	11.8%	11.4%	11.6%				
Worst month	-7.9%	-8.2%	-8.1%	-8.1%				
Maximum drawdown	-25.4%	-25.9%	-25.2%	-27.0%				

* MSCI World Healthcare Index USD

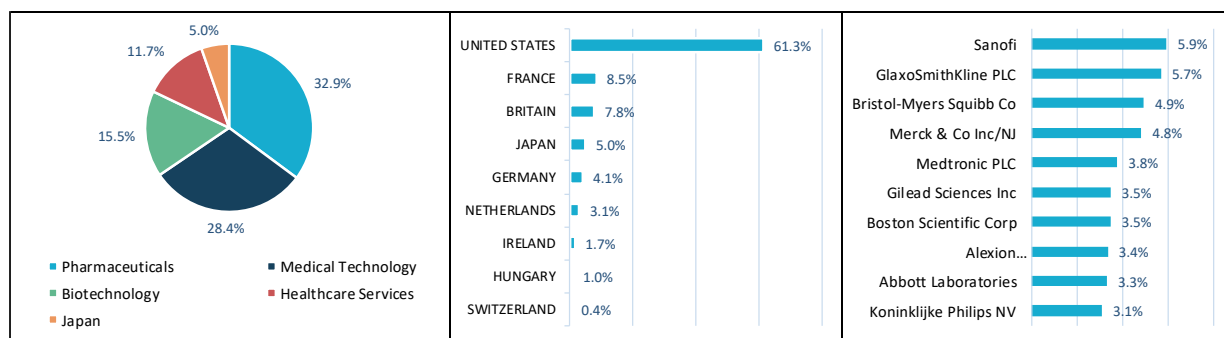
** Since inception November 16th, 2010

All performance figures from Sector Healthcare Value are net of fees

Class A USD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	-1.8%	-4.8%	-5.5%	11.8%	3.6%	-1.5%	3.4%	1.7%					6.0%
2019	7.4%	2.8%	0.7%	-1.9%	-4.3%	6.0%	0.4%	-0.8%	0.4%	4.0%	5.4%	3.0%	24.9%
2018	5.6%	-3.0%	-0.6%	1.6%	1.7%	1.5%	4.6%	3.0%	1.8%	-6.7%	4.2%	-7.9%	5.0%
2017	2.6%	5.1%	0.8%	2.5%	2.4%	2.9%	-0.3%	0.8%	1.6%	-2.0%	1.4%	-0.6%	18.4%
2016	-6.7%	-0.5%	3.9%	4.4%	2.9%	1.0%	4.8%	-3.1%	0.8%	-5.3%	0.3%	1.8%	3.7%
2015	1.7%	5.4%	2.2%	0.3%	2.6%	-0.1%	4.2%	-3.0%	-6.5%	6.5%	0.3%	1.7%	15.5%
2014	1.2%	6.2%	-1.0%	-0.1%	2.8%	1.8%	-0.7%	2.1%	0.4%	1.9%	2.9%	0.7%	19.5%
2013	8.6%	0.9%	4.3%	3.8%	1.7%	-0.5%	7.5%	-1.9%	3.1%	2.7%	4.5%	2.1%	43.0%
2012	3.6%	0.9%	4.4%	0.4%	-3.7%	6.8%	1.2%	1.7%	4.6%	-1.6%	1.6%	0.8%	22.2%
2011	0.2%	2.6%	0.9%	7.4%	2.9%	-2.6%	-3.0%	-3.1%	-4.4%	7.8%	-3.0%	2.1%	6.9%
2010											-1.7%	6.4%	4.6%

Analysis of Risk

Exposure	93.6%	# of positions	43	Value at Risk	2.5%	Standard Deviation	24.6%
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Fund Details

Fund Type	UCITS	Class	ISIN	Bloomberg Ticker
Fund Style	Actively managed	A USD	IE00B40JDW74	SECHVAU ID Equity
Fund Name	Sector Healthcare Value Fund, a sub-fund of Sector Capital Funds Plc	A EUR	IE00B0L26Q21	SECHVAE ID Equity
		A NOK	IE00B0L26Q21	SECHVAN ID Equity
Domicile	Ireland			
Portfolio Manager	Sector Gamma AS			
Inception Date	16 November 2010			
Liquidity	Daily			
Base Currency	USD			
Morningstar Rating	★★★★★			

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February 2020