

Risk off, again

Healthcare stocks underperform in selloff

The global healthcare sector¹ fell 6 percent in August compared to a 4.1 percent selloff in the broader equity markets². Higher interest rates and a general risk off mode among investors drove market lower after the strong rally in July. Energy and utility stocks rose while healthcare and technology stocks underperformed in August. The healthcare sector underperformance coincided with the passing of the Inflation Reduction Act and the resurface of old litigation matters in the drug sector. The selloff was broad based but led by large-cap drug stocks and life sciences tools and diagnostics stocks. Interestingly, mid-cap biotech stocks continued to do well and had another positive month, the Russell 2000 healthcare index returning a positive 2.1 percent in August, in the strongly negative tape. August was an eventful month with pipeline news flow, litigation stock price drama and more biotechnology M&A.

Fund down 5.5 percent in August

The Sector Healthcare Value Fund fell 5.5 percent in August and is down 9.8 percent on a year-to-date basis. The loss in August was driven by our pharmaceutical and medtech holdings and only partly offset by gains in our healthcare services and biotechnology holdings. Top losing positions were Glaxo, Sanofi and Incyte. Glaxo and Sanofi fell on increased sell-side focus on the potential Zantac litigation settlement costs. We were surprised by the strong share price reaction to an old and complex litigation exposure situation. Both stocks are significantly undervalued, with strong base business fundamentals and strong balance sheets/cashflow, even assuming a costly Zantac litigation settlement at some point. Winning stocks in August were Cardinal (activist investor involved), Alnylam (pipeline success sending stock up 45%) and Gilead (surprise early pipeline success with Trodelvy). The Fund outperformed the global healthcare index by 0.5 percent in August despite a sizable loss from the Zantac stocks. On a year-to-date basis, the Fund is 3.6 percent ahead of the global healthcare index.

Biotechnology resurgence

The mid-cap biotechnology sector has rallied strongly (+30%+) from the lows in mid-June of this year. This comes on the back of a dramatic selloff in 2021 and early 2022 (losing 62% from peak to trough), only comparable to the selloff experienced in the early 2000's. The recent rally has been backed by positive pipeline readouts and more M&A activity. Two additional multi billion M&A deals were announced in August, Pfizer for GBT and Amgen for ChemoCentryx, and we think more dealmaking makes strategic and economic sense. The Fund has gradually accumulated biotechnology holdings during the last 12 months and the sector currently constitute roughly 23 percent of the Fund's investments. This is higher than usual as we find more value in large biotechnology companies versus large US pharma companies currently. The distinction between large-cap biotechnology and large-cap pharmaceutical companies is blurred at best (for the most part they are very similar). Occasionally we venture into unprofitable but sufficiently de-risked mid-cap biotechnology investments with attractive risk/reward situations. This segment constitutes roughly 5 percent of the Fund currently. Alnylam was one of these stocks in which we bought a small position, on weakness, in January of 2021 and have subsequently proven to be one of our most profitable stocks on a year-to-date basis on back of continued positive pipeline success for their RNA targeted drug developments.

¹ MSCI World Healthcare Index

² MSCI World Index

Analysis of Return

Sector Healthcare Value	Absolute				Relative			August 2022
	A USD	A EUR	A NOK	Index*	A USD	A EUR	A NOK	
NAV	475.43	312.09	2,816.69					
Last Month	-5.5%	-5.8%	-5.5%	-6.0%	0.5%	0.2%	0.5%	
Year to Date	-9.8%	-10.8%	-10.1%	-13.0%	3.2%	2.2%	2.9%	
Last 12 Months	-10.7%	-11.8%	-11.0%	-11.0%	0.4%	-0.8%	0.0%	
Since Inception **	375.4%	321.3%	364.1%	280.9%	94.5%	40.5%	83.3%	
Compounded growth p.a.	14.1%	13.0%	13.9%	12.0%	2.1%	1.0%	1.9%	
Standard deviation	12.0%	12.1%	11.9%	12.8%				
Reward/Risk	1.18	1.07	1.17	0.93				
Tracking error	3.84							
Information ratio	0.46							
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

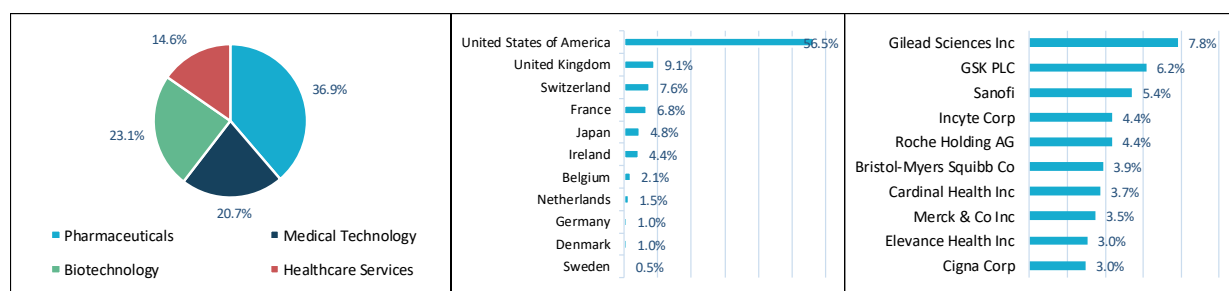
** Since inception November 16th, 2010

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
2022	-3.3%	-0.2%	2.3%	-2.5%	1.0%	-3.1%	1.3%	-5.5%					-9.8%
2021	1.5%	-2.7%	3.2%	3.3%	1.9%	1.8%	1.0%	1.7%	-4.9%	2.5%	-4.4%	6.3%	11.2%
2020	-1.8%	-4.8%	-5.5%	11.8%	3.6%	-1.5%	3.4%	1.7%	-2.5%	-4.2%	7.2%	2.9%	9.3%
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	95.3%	# of positions	51	Value at Risk	1.8%	Standard Deviation	17.5%
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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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The fund(s) are compliant with Swiss law for distribution to qualified investors in or from Switzerland. The Swiss representative is Fundbase Fund Services AG, Bahnhofstrasse 1, 8852 Altendorf SZ, Switzerland. The Swiss paying agent is Banque Heritage S.A., Route de Chêne 61, 1211 Geneva 6, Switzerland. Investors in Switzerland can obtain documents of the fund(s), such as the Confidential Information Memorandum and the financial reports free of charge from the Swiss representative.

ADDITIONAL INFORMATION FOR QUALIFIED AND APPLICABLE INVESTORS IN THE UNITED STATES

The interests in the fund(s) have not been, nor will they be, registered or qualified under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any applicable securities laws of any state or other political sub divisions of the United States, and may not be offered, sold, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person, except pursuant to an exemption from, or in a transaction not subject to the requirements of, the U.S. Securities Act and any applicable U.S. state securities laws. The fund(s) have not registered and do not intend to register under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act") in reliance on the exemption from such registration pursuant to Section 3(c)(7) thereunder and certain interpretations of Section 7(d) of the Investment Company Act by the staff of the U.S. Securities and Exchange Commission. Accordingly, the Interests are being offered and sold only: (i) outside the United States to persons other than U.S. Persons in offshore transactions that meet the requirements of Regulation S under the U.S. Securities Act; or (ii) to U.S. Persons who are (a) "accredited investors" as defined in Rule 501 of Regulation D promulgated under the U.S. Securities Act and (b) "qualified purchasers" within the meaning of Section 2(a)(51) of the Investment Company Act.

August 2021