

# New Capital Healthcare Disruptors Fund



Monthly Commentary | As of 31 October 2024

## Executive summary

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### Key events in market

While the underlying fundamentals of our holdings have remained strong (based on the initial data from third quarter reports), we believe macroeconomics and political angst will represent an outsized influence on near-term returns. Longer term, given current demographics – an aging population, declining life expectancy, and inflationary pressures in healthcare – we remain optimistic on our mandate.

### Key performance & positioning updates

The New Capital Healthcare Disruptors Fund dropped 6.1% in October, lagging the MSCI World Healthcare Index by approximately 130 basis points. The relative shortfall was attributable to disappointing quarters from two medical device names (Transmedics and Idexx Laboratories).

## House view

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The MSCI World All Countries index corrected in October, registering a total return of -2.2% in the month. However, the performance since the beginning of the year remains a solid 16.4%. The performance of the MSCI ACWI was burdened by the correction in China and Asian markets as the surge seen in September was not supported by credible announcements of fiscal expansion. The month saw also increased volatility: the Vix index of implied volatility in SP500 options rose to above 22 from about 16 at the beginning of the month, levels that unsurprisingly represented a headwind to global equities.

The weakness of stock prices mirrored a sell off in fixed income markets, with the US Treasury 10-year yield adding almost 0.50% to rise to the highest since early July. Notably, the yield increase reflected a higher risk premium on top of upwardly revised expectations about future monetary policy. Furthermore, inflation expectations increased in the period, although the price of commodities, including oil, industrial metals and agricultural goods, fell. Finally, the US dollar index appreciated by more than 3%, this happened despite the price of gold of surging more than 4% for the month.

As much as these developments seem contradictory, they closely align with the increased belief amongst investors that the Republican party candidate Donald Trump has a better chance of winning the US Presidential elections than vice President Kamala Harris, the Democratic party candidate. Increased investors' focus on the US elections overshadowed the European Central Bank decision to cut rates again in October and the UK budget by the new Labour government under Keir Starmer.

## Fund performance and positioning

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The New Capital Healthcare Disruptors Fund dropped 6.1% in October, lagging the MSCI World Healthcare Index by approximately 130 basis points. The relative shortfall was attributable to disappointing quarters from two medical device names (Transmedics and Idexx Laboratories).

The top individual contributors were:

- Argenx – shares of this autoimmune biotech climbed after an upside third quarter report. Management cited strong demand for its flagship drug, Vyvgart.
- Intra-Cellular Therapies – shares of this neuropsychiatry biotech climbed on an upside third quarter report. Management citing strong demand for Caplyta, a leading treatment for patients suffering from schizophrenia and bipolar disorder.
- Elevance – shares contributed as we did not own this large index weight that underperformed in the period.

The top individual detractors were:

- TransMedics – shares of this transplant device leader faltered in the wake of a disappointing third quarter report. We maintained our position here, as the shortfall was largely attributable to one-time factors.
- Align Technology – shares of this orthodontia leader drifted lower amidst softening demand from China.
- Idexx Laboratories – shares of this pet diagnostics leader declined amidst macroeconomic headwinds and a nationwide decline in veterinarian visits.

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## Sub-Sector Positioning:

Exiting October, 51% of the Fund is allocated to biotechnology stocks, which we believe are poised to rally on strong product launches, new drug approvals, and further consolidation activity. We also have an 16% allocation to medical devices, which are primed to benefit in a rising healthcare utilization environment. Additional weights include differentiated life sciences stocks (14% of the Fund), best-in-class healthcare technology/cloud-based solutions (7% of the Fund), pharmaceuticals (6% of the Fund), and healthcare supplies (3% of the Fund). The Fund ended the month with a little over 2% in cash.



***While the underlying fundamentals of our holdings have remained strong (based on the initial data from third quarter reports), we believe macroeconomics and political angst will represent an outsized influence on near-term returns.***



|                              | New Capital Healthcare Disruptors Fund | Benchmark | Reference Benchmark |
|------------------------------|--|-----------|---------------------|
| 1 Month                      | -6.10%                                 | -4.82%    | -5.75%              |
| 3 Months                     | -0.82%                                 | -2.59%    | -3.30%              |
| 6 Months                     | +5.76%                                 | +5.24%    | +3.01%              |
| YTD                          | +4.76%                                 | +8.63%    | -1.67%              |
| 1 Year                       | +27.39%                                | +19.94%   | +19.89%             |
| 3 Years                      | -16.61%                                | +10.38%   | -23.34%             |
| Since Inception Annualised   | -1.37%                                 | +5.55%    | -5.25%              |
| Since Inception (18/05/2021) | -4.64%                                 | +20.50%   | -16.99%             |

Past performance is not a guide to the future. The value of your investments and the income from them may fall as well as rise as a result of market as well as currency fluctuations and you may not get back the full amount invested. The Fund is actively managed and as such does not seek to replicate its benchmark index, but instead may differ from the performance benchmark in order to achieve its objective. Fund performance is net of fees and representative of the USD I Acc Share Class, OCF 0.99%, and shows a maximum of five previous calendar years and current year to date (computed on a NAV to NAV basis). Where share class inception begins prior to the five previous years the chart has been re based to 100. Where the Fund has fewer than five full years of performance, returns are shown from the inception date. Benchmark: MSCI World Health Care Net Total Return USD Index; Reference Benchmark: Solactive Developed Markets Healthcare Mid & Small Cap Index NTR. Source: EFG Asset Management, Bloomberg. As at 31 October 2024.

## Outlook

While the underlying fundamentals of our holdings have remained strong (based on the initial data from third quarter reports), we believe macroeconomics and political angst will represent an outsized influence on near-term returns.

Longer term, given current demographics – an aging population, declining life expectancy, and inflationary pressures in  
For professional clients, qualified investors and accredited investors only.

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healthcare – we remain optimistic on our mandate. By strategically investing in disruptive technologies – that improve patient outcomes, drive economic/productivity benefits for physicians, and lower the overall cost of care – we can help to create a better healthcare system – while also providing attractive long-term returns for investors.

We also believe the current environment bodes well for insular growth investing (e.g., our mandate), as it provides exposure to attractive Growth stocks, while avoiding direct hits from an expected macroeconomic slowdown.

In closing, we continue to believe that the broad (albeit moderating) economic uncertainty coupled with improving fundamental execution provides a wealth of opportunities for active managers like ourselves, and that our portfolio constituents embody the same characteristics investors should seek to embrace at the early stages of a fledgling economic cycle: companies with best-in-class management teams with the vision and capacity to execute against long term plans; brands with differentiated products and services; and market-leading or share-gaining constituents in secular growth markets.



***By strategically investing in disruptive technologies – we can help to create a better healthcare system – while also providing attractive long-term returns for investors.***



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**All sources: EFG Asset Management (UK) Limited ("EFGAM"), Factset, Bloomberg, Morningstar as at end of the month. Any other sources as applicable.**

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Country of origin of the collective investment scheme: Ireland. The information contained in this document is merely a brief summary of key aspects of the fund.

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**Austria, France, Luxembourg, the Netherlands, Portugal, Spain and Sweden:** from the European Facility Service provider, FE fundinfo with registered address 6 Boulevard des Lumières, Belvaux, 4369 Luxembourg

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