

Candriam Equities L Biotechnology

Market Overview

August followed its traditional market patterns, with most global equities experiencing losses due to seasonal factors, global economic concerns, and speculation about Federal Reserve rates. Healthcare showed relative strength, driven by large-cap pharmaceuticals. Large biotechs saw volatility based on earnings and news, while small-cap biotechs lagged behind driven by the risk-aversion market.

Portfolio Highlights

The first half of the month was marked by a flurry of earnings reports, which, for the most part, exceeded expectations. Results largely came in ahead of expectations with most companies raising guidance on the quarter.

As anticipated within the industry, regulatory approvals for certain drugs triggered significant positive movements in specific stocks. Notably, **Neurocrine's** commercial drug, Ingrezza, secured FDA endorsement for treating chorea associated with Huntington's disease. This expanded approval broadens the drug's commercial potential, initially granted for Tardive Dyskinesia, another condition characterized by involuntary and repetitive movements. Additionally, **Regeneron's** High-Dose Eylea obtained FDA approval for the treatment of various ophthalmic conditions, following a slight delay due to ongoing inspections at a third-party filler. This enhanced version of the company's top-selling drug, Eylea, offers patients a more convenient administration frequency.

Mirati announced the publication in the prestigious scientific journal Cancer Discovery of encouraging early data for their PRMT5 inhibitor in solid tumors. These results suggest that the drug holds potential in reducing tumor volume among patients with genetic deletions of the MTAP gene, a subgroup constituting approximately 10% of all cancer patients.

To close August, **Amgen** positively resolved the legal dispute with the Federal Trade Commission (FTC) for the biotech acquisition announced in December of the previous year. Product bundling concerns by FTC have been addressed, thus paving the way for the deal to move forward by the end of this year. This development aligns with the broader positive trend of mergers and acquisitions (M&A) within the biotech sector throughout the year.

Fund Outlook

Our outlook hasn't changed despite the sector's underperformance this year compared to broader markets. We still see the healthcare sector's long-term appeal intact due to ongoing demand and innovation from companies serving this need, which will remain strong drivers.

In September, we expect data coming from relevant medical congresses: World Conference on Lung Cancer (WCLC), European Respiratory Society (ERS). From the regulatory side, FDA will hold an AdCom to evaluate the approval of Alnylam's first-generation silencer Onpatro for the treatment for cardiovascular-related amyloidosis.

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