

Candriam Equities L Oncology Impact

Market Overview

February witnessed some profit taking in global equity markets as stubbornly strong inflation figures led to a rise in long term yields and to expectations of further central bank tightening. The ongoing rotation from defensive sectors, that started in the previous month, continued during February. As investor interest towards cyclicals and financials remained strong, Healthcare underperformed the market.

Within the sector, the picture was mixed and huge divergences between companies make a clear sub sector analysis more difficult. In general, pharmaceuticals showed a similar lagging trend as the one observed in January, and small biotechs continue to be in the 'penalty box' with investors awaiting for: 1. a new impetus of M&A; 2. derisked (perfect) clinical data; and 3. clear path to market strategies. We have seen more variability in the big/medium cap biotechnology companies, where news flow has held some names up (e.g., Seagen).

Portfolio Highlights

The month saw several earnings and news including:

1. In-line big pharma results for the fourth quarter of 2022. Guidance for 2023 has been rather conservative for virtually all companies.
2. MacroGenics has demonstrated solid data with its PD1 x CTLA4 bispecific in mCRPC at ASCO GU in February. These data solidify a PD1x CTLA4 broad clinical rationale in mCRPC of two other players: Xencor and AstraZeneca.
3. Revolution Medicine has published a first look of its panKRASG12X asset, RMC-6236: the data are early but encouraging.
4. SpringWorks' niraparic acid NDA was accepted with PDUFA date of August 27, 2023.
5. Bicycle's BT8009 is continuing to demonstrate a differentiated clinical profile in mUC (data at ASCO GU). Stock sold off due to the early nature of this dataset and higher expectations from the Street.
6. Blueprint announced positive and detailed results from the registrational PIONEER trial of Ayvakit in IndSM. PDUFA date is May 22, 2023.

We closed the month with M&A rumors. Seagen, a long-term position in the fund, might be again a target for big pharma. After the interest shown by Merck last year, the WSJ has reported that the company is now in early-stage talks with Pfizer, which could lead to a substantial M&A deal for the sector.

Fund Outlook

Despite the near-term preference for cyclical investments, we continue to see encouraging signs for the Healthcare sector: underlying fundamentals, continuous innovation, and strong M&A appetite by big pharma. Investor focus on cyclicals might take attention away from the defensive health care sector for the time being. This does by no mean lessen the medium- and long-term appeal of the sector. We think we have a well-balanced portfolio in line with our long-term view. As for key catalyst, 2023 will be a meaningful year for: 1. several mature I/O clinical datasets from RHHBY, GILD/RCUS, MRK and AZN with two main drugs: aTigrit and PD1 x CTLA4; and 2. many mature ADC clinical datasets including Daiichi/AZN's Trop2 TROPION trials, MRSN's UpRi trials, SGEN's Padcev (approval in 1L mUC), SGEN's B6A update, IMGN's MIRASOL trial for Mirvetuximab.

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