

# Candriam Equities L Biotechnology

## Market Overview

The health care sector started the year well, outperforming broad equity markets which were pushed higher also by continued strength in the technology sector. Within health care, the major pharma and biotechnology companies were top performers – though with wide dispersions between individual companies. Smaller caps biotechnology companies saw some profit taking after the strong advances made in December. Life Sciences companies continue to bottom out with some positive remarks on order intake from a couple of those companies during their earnings calls.

## Portfolio Highlights

The beginning of the year was rich in clinical updates across different therapeutic areas. Starting from the neuromuscular diseases, in the treatment of Duchenne's muscular dystrophy (DMD), Dyne Therapeutics and Sarepta has presented clinical updates of their next generation exon skipping therapies. Sarepta's phase 2 data has shown over 5% of dystrophin expression which crossed the bar for further development into phase 3 of clinical studies. Dyne's low dose first in human data suggested that the drug candidate has the potential to reach ~5-10% dystrophin expression in the dose optimization studies. Dyne has also presented an update of their clinical program in myotonic dystrophy (DM1) which alongside positive biomarkers improvement has also indicated initial trends on functional improvement in patients. Vertex has presented topline data from the phase 3 study in acute pain treatment, showing an efficacious and safe, potentially approvable alternative to opioids. The drug candidate has shown compelling efficacy compared to the opioid therapy in the abdominoplasty (model of soft tissue pain) trial. Ionis announced positive phase 3 trial for donidalorsen, a prophylactic treatment for hereditary angioedema. Detailed results are expected in the middle of the year. Kura Oncology has presented first menin inhibitor combination therapy data for the treatment of a type of leukemia showing stellar safety and compelling efficacy which exceeded the expectations.

From the regulatory updates, the first biologic therapy approval this year was scored by Vertex with Crispr Therapeutics – Casgevy, the first gene-edited cell therapy was approved for beta thalassemia, on top of last year approval for sickle cell disease.

The interest in biotech M&A seems sustained from last year. Sanofi announced the acquisition of Inhibrx focusing on their late stage asset for Alpha-1 antitrypsin (AAT) deficiency with clear best-in-class profile relative to the only standard of care being plasma-derived enzyme replacement therapy. The rest of the Inhibrx's oncology portfolio will be spun out into a new company. Cytokinetics stock rallied on the rumors of takeover interest announced by Wall Street Journal.

The earnings seasons has started with several portfolio companies reporting their results from last year. Sarepta's strong preliminary sales of gene therapy for DMD Elevidys drove to better-than-expected overall 4Q23 product sales and very strong stock performance in January. Danaher registered beat on respiratory testing, while base business excluding Covid was trending down, however biotech and life sciences relate sales came modestly above expectations. Bruker last quarter results came in very positive with organic sales growth 12% ahead of expectations.

## Fund Outlook

The ongoing expectations of a global economic slowdown continues to support the outlook for interest rate cuts by the Fed – though the market seems overly optimistic as to amplitude and timing of those cuts. On top of this, US elections might bring extra volatility to markets. Within this context, we remain positive on health care, and the generally good earnings season hitherto and a record 66 new drug approvals in the US in 2023 are all supportive of this view, with the sector finally showing some outperformance versus broad markets over the last months.

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