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INVESTING IN ONCOLOGY: FOREWARNED IS FOREARMED

RUDI VAN DEN EYNDE, Head of Thematic Global Equity, & **SERVAAS MICHIELSSENS**, Senior Biotechnology Analyst at Candriam, outline to investors the approach they have used to create & develop an investment strategy in the oncology sector.



Servaas Michielssens

Can you give a brief overview of the oncology sector?

Our investment universe covers all companies involved in the fight against cancer. This means that we are not targeting any particular sector, but all industries potentially active in this field. There are currently enormous needs in this domain, including diagnosis through mass screening, which must be made easier and more acceptable, and through tumour profiling, which provides a deeper understanding of each patient's cancer, and also through technological progress using precision systems, to enhance radiation treatment, and of course through the range of available drugs.

We cover all regions and we can invest in the different stages of solutions development across all domains.

Why launch an oncology strategy today?

Cancer, in its multiple forms, is the second-leading cause of global mortality. Demand is therefore very strong.

Furthermore, the range of players involved has broadened sufficiently to provide quite a large investment universe. This enables us to construct a highly diversified portfolio by selecting equities which may potentially increase in value as companies grow.

Moreover, as a responsible investor, Candriam associates its investments with meeting the United Nations sustainable development goals (SDGs).

The 3rd UN sustainable development goal aims at ensuring healthy lives and promoting the well-being of all at all ages. Our strategy espouses these objectives

and aims to support companies seeking solutions against cancer.

What are the key performance factors for the companies you select?

Under our analysis, we adopt a fully product-based approach. Companies must develop and/or market products which clearly enhance results for patients. We carry out in-depth analysis of clinical & medical data, comparing them to existing treatments and therapies to assess whether they enable improvements. In order to do so, we have built up a team composed of scientists, chiefly biotech PhDs, who assess the clinical quality of future therapeutic solutions and therefore detect tomorrow's winners before their success is priced into their share price.

We also cross-reference our fundamental analysis with a tried & tested valuation, as we wish to avoid investing in overpriced stocks which will have only limited upside potential.

Lastly, our selection process is based on core convictions. We draw on our in-house resources to undertake proprietary clinical and financial analysis.

This stringent process has already proved its efficiency through successful stock-picking in the pharmaceutical & medical sectors over the past 20 or so years and our know-how is recognised throughout the market.

Unlike most sectors which posted negative returns in 2018, the healthcare sector proved relatively resilient overall. Is the sector overvalued and what is the medium-term outlook?

The healthcare sector has the advantage of being relatively decorrelated from the broader equity markets. It is a relatively defensive sector, with a low level of dependence on the global economy and growth cycles. The sector has a particular performance and volatility profile. It is currently reasonably valued. It should also be noted that healthcare is an industry of the future, with an embedded megatrend

driven by innovation and sociodemographic trends including the ageing population and conditions which develop in old age. It is also worth highlighting that the investment universe is not restricted to a single sector, which allows for diversification and investment in the most profitable sub-themes.

How does Candriam's approach stand out?

Besides the fact that this strategy is almost unique in the market, Candriam can also boast 20 years' expertise in this particular field, through its hallmark biotech equity investments. We also owe our success to the people involved. During the stock-picking process, we draw on both fundamental analysis, provided by our 3 biotech experts, and also on input from our emerging equity markets team, along with the tech stocks team and the thematic equity team.

Lastly, don't forget, either, that our strategy is also backed by input from an independent scientific review committee. The committee plays a number of roles including providing investment ideas and also clarifying new technologies or medical protocols currently under development.

Ultimately, the committee provides us with other expert opinions and therefore challenges our views.

Why do you believe it is time to invest in this strategy?

We believe that there are 2 key reasons for investing in this fund. Firstly, the fight against cancer has become an issue for broader society and is affecting many global sectors. Access to healthcare is progressing constantly and is therefore becoming a worldwide megatrend. By investing in this fund, you are supporting a broad range of innovative companies which may prove to be game-changers in cancer research.

Secondly, cancer concerns us all. By investing in this fund, you are actively participating in cancer research and financing leading European associations in the fight against cancer, as Candriam donates 10% of the management fees received by the fund to key European institutions dedicated to oncology research.

FIND OUT MORE ABOUT
OUR FUNDS AND
THEIR RISK PROFILES:



www.candriam.com

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