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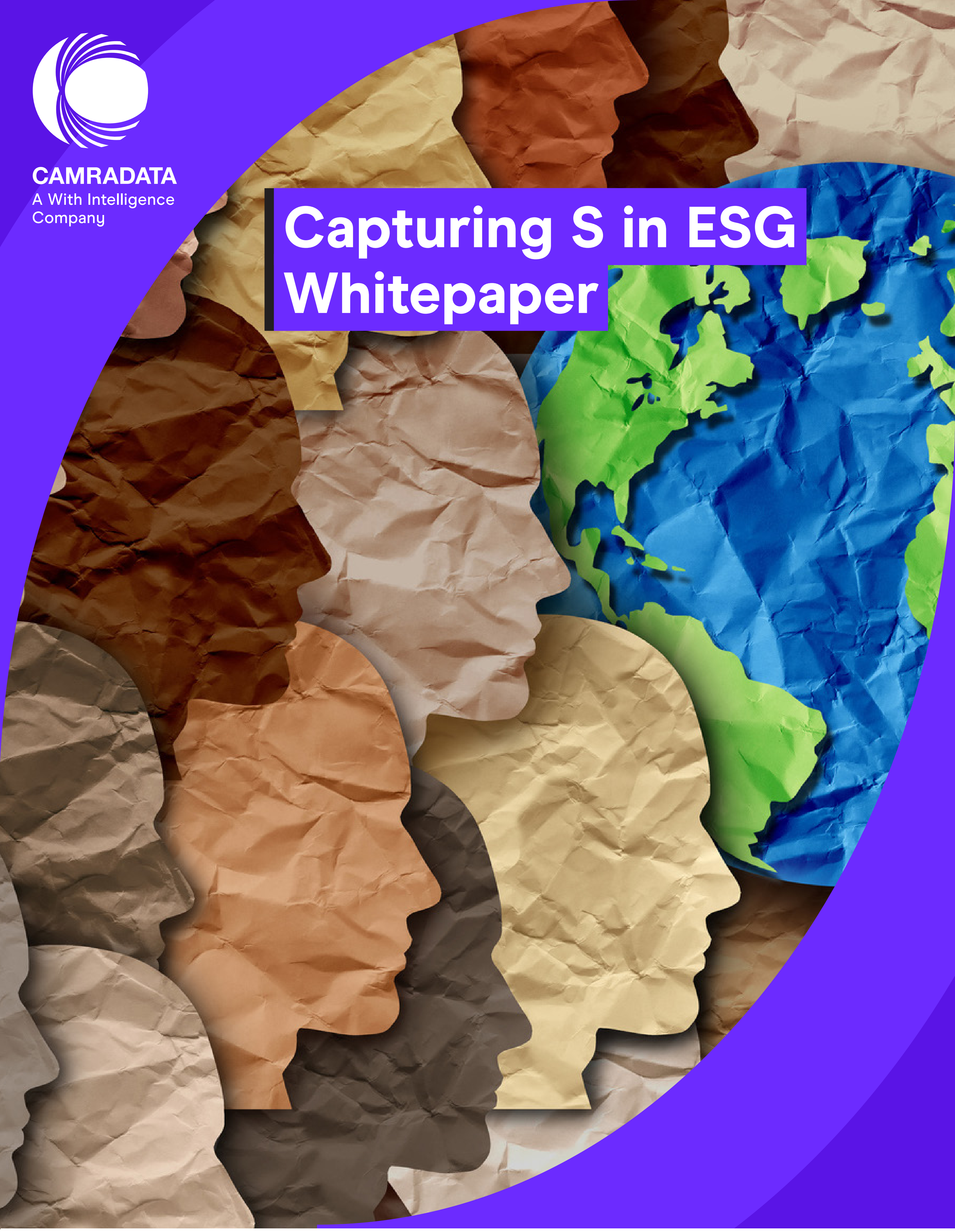
Capturing S in ESG Whitepaper



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Welcome to CAMRADATA's Capturing S in ESG Whitepaper

Shareholders, stakeholders, special interest groups? Although the "S" in ESG is meant to represent the social aspects of investment, what does it stand for in practice and where does it sit on the importance level with the other two elements?

Unlike environmental concerns, the outcome and impacts of which are often writ large and heavily debated by global politicians and heads of state, and the governance element, which sees investors wring hands at corporate collapses and upsets, the "S" element is often less visible, means different things to different people, and is tackled very differently indeed.

The complex nature of society and law of unintended consequences also means this "S" element is either overlooked or actively avoided by investors and their advisers.

But the "S", along with standing on its own merit as an element to consider within investment portfolios, has significant crossover with its ESG stablemates. Environmental damage is likely to have an impact on society, while governance missteps usually have human or societal-shaped victims.

Forget the "S" within a portfolio, and who exactly are you investing for anyway?

An additional challenge sits with the monitoring, measurement and reporting of some of the aspects of "S" that are not immediately accountable in hard currency, but are vital to humanity's survival nonetheless.

With incoming regulation and guidelines attempting to herd investors into at least considering their portfolio's broader social impact, this whitepaper will look at the tools, strategies and approaches available that could elevate the "S" to sit comfortably amid the "E" and "G" when making crucial investment decisions – and could boost returns in the process.

Meet the Team

Natasha Silva
Managing Director, Client Relations

Amy Richardson
Managing Director, Business Development

Sam Buttress
Associate, Business Development

Sarah Northwood
Marketing and Events Coordinator

Orin Ferguson
Associate, Business Development

Capturing S in ESG Roundtable

The CAMRADATA Capturing S in ESG Roundtable took place in London in December 2023

Investors have had considerable success integrating environmental factors into their strategies, but the tools needed to make a similar impact on social issues remain a work in progress.

Environmental, social and governance (ESG) investing has shifted into the mainstream over the last decade, but strategies often focus on environmental concerns over social and governance issues. The social aspects in particular are often less visible, and investors consider them in a wide variety of ways.

However, many commentators stress that social aspects are as important as their environmental and governance counterparts and there is significant crossover between the three. Environmental damage is likely to have an impact on society and governance missteps usually significantly impact the environment or society.

CAMRADATA invited industry leaders and experts to discuss what the social aspect of investment looks like in practice and how the industry is tackling it.

Faye Clark, head of manager research at XPS Pensions Group, says the social aspect of ESG investing has been given relatively less attention. “Many institutional investors do not have social impact objectives because they are so focused on the environmental side of things,” she says. “There is a knowledge gap, with investors needing to understand the social issues in terms of risks and opportunities for them. There’s still a lot of work to be done.”

She argues that further education on social investing would push the issue higher up investors’ agendas.

Approaching investing in social outcomes

There is no universally accepted approach to investing in solving social issues. Rachel Titchen, charities and investment director at Broadstone, says this is due to the diversity of issues being considered.

“There is no typical approach to addressing the social aspect of ESG in asset allocation because solving social problems requires a real balancing act and there is a huge variety in the way people are trying to address it,” Titchen says.

“There isn’t a typical approach because it depends on the objectives you’re trying to attain. Pension schemes tend to have more generic objectives such as for the portfolio to have a positive social impact whereas a charity may be focused on one particular element, such as homelessness.”She highlights that the focused approach to social in social investing does not account for potential losses in other areas. “Something that benefits a particular subset of society is often at the cost of a different subset because the same situation might impact two people very differently,” she says.

> *“As fund managers, we’ve heard very often from companies that ‘people are their greatest asset’, and that’s mostly true. However, they don’t tell us anything about that asset and we need to ask better questions about their management. It’s not just about the management of their workforce, but also how they treat their customers, their wider stakeholder relationships and the quality of those connections.”*

Sarika Goel, global head of sustainable investment research at Mercer, notes that the way investors consider social issues varies by region. She identifies two topics that asset owners have been focusing on: diversity, equity and inclusion (DEI) and human rights.

“From a social perspective, a big focus is on reputational risk,” she says. “Asset owners generally need to understand those risks, so it’s less about asset allocation and more about understanding any potential human rights risks in their portfolios. They take a bottom-up approach with asset managers.

“The approach to DEI is quite different because investors aren’t only looking at the DEI of underlying investment strategies, it’s also about what is happening within the asset manager’s own house. DEI is prevalent across every single industry, relatively consistently, so for asset managers it’s also a question of whether they are walking the talk.”

Peter Hughes, a portfolio manager of the Life Changing Treatments Strategy at Redwheel, says the first steps for asset managers are identifying products and services that have a positive social impact and assessing what they can do internally to improve their own impact.

“On the products and services side, investors can initially look for guidance on what the most important targets are,” he says. “A lot of people have coalesced around the UN Sustainable Development Goals, such as quality education or good health and well-being, as they’re the most relevant to the social pillar.

“From an operational perspective, some companies have policies that reduce the impact a product can have. For example, a pharmaceutical company’s new drug could have a widespread positive impact for patients but that can be reduced by management policies on pricing, access and where it launches. As an investor you want to be looking for companies that have active policies to minimise the gap between the impact a new product could have and the impact it actually has.”

Alice Evans, strategist in the responsible investment team at Columbia Threadneedle, says the focus should also be on human capital management.

“As fund managers, we’ve heard very often from companies that ‘people are their greatest asset’, and that’s mostly true,” she says. “However, they don’t tell us anything about that asset and we need to ask better questions about their management. It’s not just about the management of their workforce, but also how they treat their customers, their wider stakeholder relationships and the quality of those connections.

> ***"The degree of customisation we've had in the last several years in terms of manager selection, underlying manager ideas and work on the index side has been because clients are very particular about what they want," Goel says. "Clients aren't necessarily aligned to all the Sustainable Development Goals (SDGs)… but they do want to understand their exposures"***

"We would then learn a lot more about the resilience and quality of that business, as understanding 'social' better would help us make informed investment decisions."

The impact of regulations

The UK FCA has introduced rules and guidance on climate-related and nature-related disclosures in recent years. Companies are now required to make disclosures in line with the Task Force for Climate-related Financial Disclosures (TCFD) recommendations.

In terms of using regulations to establish a framework for investing in solving social issues, Titchen argues that standardising approaches will come with significant challenges.

"I am an absolute believer in us all pushing for better regulations and better practices," she says.

"However, what is 'fair' is completely borne out by different perceptions – and there is no way for us to standardise perceptions. We won't be able to create a set of rules that seem fair to everyone."

Hughes says that regulation is an important starting point, as most companies would not disclose sensitive data voluntarily.

"For example, the legislation requiring disclosure of a firm's gender pay gap in the UK meant we were seeing disclosures that would not have come about otherwise," he says. "The jury is still out on whether that legislation is driving a narrowing of the gap, but it has certainly started the conversation. The disclosures can be used as a jumping off point to drive more engagement around the issue."

Goel emphasises that companies are generally more focused on ESG as a workforce strategy as they see this as a competitive advantage. The work companies do for their disclosures, such as understanding the underlying causes and outlining actions they are taking to address issues such as their gender pay gap, is particularly important to the younger generation of workers.

Marie Ang, investment director for sustainable and impact investing at Cambridge Associates, argues that the role of the client has become more important.

"Asset owners are paying greater attention, expecting greater transparency on social factors in their investments," she says. "It is important that we have a fundamental understanding of their priorities and expectations which can help back some of our more pointed engagement questions. Asset owners are also increasingly driving their own engagements, leveraging the weight of their voice and sometimes with the ability to be more frank in their approach when they publicly escalate."

The problem with data

Capturing true diversity in a group of people presents significant challenges. Titchen highlights that the metrics for measuring diversity are highly flawed and don't take some factors into account, such as socio-economic backgrounds.

"You can fill in a checklist, but what's missing is that 'additionality' factor, because when we measure social impact investing there is a focus on the additionality of the investment," she says. "It's about people that bring a different perspective to the team, and you can't capture who a person is from a ticked box."

Evans agrees that the inclusion aspect of DEI is critical. "Diversity of thought needs to make its way through into how a company operates as an organisation."

The data on impact funds can also be flawed. While the MSCI provides some data and ratings of companies to assess their management of ESG risks and opportunities, it often does not provide the whole picture.

Evans says that the limitations of data has deterred some investors from tackling social issues. "It is quite resource-intensive to bridge the gap between the data we have and what is actually useful and meaningful," she says. "It's a particular challenge when you're trying to establish a baseline of due diligence, because you can try to get different data points that might suggest exposure to elevated human rights risks but then you need to work out the differences between the companies that are managing that risk and those that aren't."

Hughes says that there are also other issues around the data that covers social issues. "There is a bias against small caps and against emerging markets companies, as there's poor data coverage and a company's ability to resource a corporate responsibility department is still very influential for its overall score," he says. "It's clearer how a climate transition fund can demonstrate how it is contributing to its overarching goal and the KPIs it has hit, but on the social side there's not the same measurability."

Achieving social objectives and financial returns

The idea of sacrificing financial returns to meet ESG criteria has become a controversial issue this year, particularly in the US. Republican-led states including Florida and North Carolina have introduced 'anti-ESG' legislation to prohibit state funds from considering ESG measures when investing, forcing them to make decisions based solely on financial factors.

However, Hughes argues that social goals can be compatible with financial objectives. "There is a myth that has built up that some investors are willing to give up some of their financial returns in order to achieve an ESG goal of some variety – but that's not true," he says. "The industry will do itself a disservice if it doesn't try to design financial products with both a financial objective and a sustainable objective that work together."

He says that ESG funds with strong financial returns will attract further investment, including from investors who are not as passionate about solving social issues.

Evans says that the industry has further to go to reach a shared understanding of the financial benefits of improving management of social issues. "I've heard from the devil's advocate position that it could be financially advantageous to exploit workers because it saves money," she says. "I can point to the lack of resilience in the supply chain that that leads to and the associated operational, reputational and regulatory risks, but there aren't enough case studies yet to consistently show that financial impact. The issues Boohoo has suffered are a good example."

While public scandals go some way to establishing that risk, companies would need to be convinced of the long-term financial benefits of working to solve social issues for it to become standard practice.

Achieving the goals

Individual clients have their own objectives for their investments and these will dictate how they approach trying to solve social issues through investing.

"The degree of customisation we've had in the last several years in terms of manager selection, underlying manager ideas and work on the index side has been because clients are very particular about what they want," Goel says. "Clients aren't necessarily aligned to all the Sustainable Development Goals (SDGs)... but they do want to understand their exposures. We need to do more work on improving the transparency of exposures because that is what asset owners are using when engaging their managers."

Clark highlights the difference in approach between investors and managers. "From an investor perspective, it's all about education and understanding these issues, the risks and the opportunities," she says. "In the asset manager space, there are lots of interesting products coming onto the market and more resources being invested in this area, but there needs to be clear non-financial targets to measure and monitor progress against."

Ang argues that while addressing social factors can look different for each client, most are on the same page about solving them.

"We all agree that there is a certain level of diligence that we need to have and should be trying to raise standards as much as we can," she says. "

"But we need to clearly articulate what dimension of social factors, risks and opportunities we mean as part of our financial analysis so we can accurately talk about outcomes and materiality. We need to be clear when we are talking about diversity reflected through demographic metrics, DEI as a holistic concept, or assessing for labour rights and ethical treatment along our value chains."

> ***"We need to be clear when we are talking about diversity reflected through demographic metrics, DEI as a holistic concept, or assessing for labour rights and ethical treatment along our value chains."***

Roundtable Participants

Alice Evans

Responsible Investment Strategist (Social)

Personal Profile

Alice is a strategist in the Responsible Investment team, leading on the approach to Social issues across investment and stewardship. She joined Columbia Threadneedle through the acquisition of BMO GAM (EMEA) in 2021, having previously been with BMO since 2010. Between 2018 and 2022 Alice was Co-Head of Responsible Investment, focusing on Active Ownership and ESG Integration, and from 2010 to 2016 she was a fund manager in Responsible Global Equities.

Prior to joining the group, Alice gained ten years of investment experience, initially at JP Morgan Asset Management then at Henderson Global Investors, as a fund manager on the Sustainable & Responsible Investment funds and a healthcare sector specialist. Alice holds an MSci in Physics from the University of Bristol and is a CFA Charterholder.

Company Profile

Columbia Threadneedle Investments is a leading global asset manager that provides a broad range of actively managed investment strategies and solutions for individual, institutional and corporate clients around the world.

We invest to make a difference in your world, and the wider world, and millions of people rely on us to manage their money and invest for their future.

We have more than 2,500 people including over 650 investment professionals based in North America, Europe and Asia, and assets under management of £481 billion. Whatever world you want, our purpose is to help you achieve it.

Peter Hughes

Portfolio Manager, Redwheel Life Changing Treatments Strategy

Personal Profile

Peter joined Redwheel in July 2023 as a Partner and Portfolio Manager in the Sustainable Growth team. He will manage the Redwheel Life Changing Treatments strategy.

Prior to Redwheel, Peter was a Fund Manager at AXA Investment Managers, managing portfolios focused on health and longevity. He also led AXA IM's healthcare solutions impact research as part of its responsible investment framework and was the firm's expert representative to the Access to Medicines Foundation.

He also worked at Architas in roles covering investment and relationship management.

Company Profile

Redwheel is a specialist, independent investment organisation. Our active investment heritage is built on a foundation of innovation, origination and high conviction.

Our business was established in 2000 with a simple ambition: to create an environment in which exceptional fund managers can operate in a manner that allows them to maximise the benefits of their skills over the long-term.

We have always remained true to that ambition. Today, we have more than 174 people aligned to that goal, including 57 dedicated investment professionals working across seven independent investment teams.

There are three key attributes that define who we are:

- Autonomy
- Independence
- Ownership

Roundtable Participants

Rachel Titchen

Charities and Investment Director

Personal Profile

Rachel is an enthusiastic and passionate Charities Investment Consultant with a drive to improve the way this sector is serviced. She has had clients ranging from £1m to £1bn and treats them all with the same level of care and dedication. Rachel's ability to see the wider picture and address each Board as a unique set of individuals gives her clients positive experiences and allows her to form trusted relationships.

As an Actuary, she also works with DB Pension Scheme Trustees as their Investment Consultant. Rachel has worked in consulting for over 10 years and is driven by a passion to deliver her advice in an easy to understand way and bring everyone around the table with her.

Broadstone

Marie Ang

Investment Director, Sustainable and Impact Investing

Personal Profile

Marie conducts investment due diligence on sustainable and impact investment opportunities, thematic research in areas of strategic interest, and supports client mandates to achieve greater portfolio integration of impact, ESG, climate and DEI considerations.

She has worked in impact investing since 2015 and was part of the team that launched SVX, an impact investing firm spun out of MaRS Discovery District in Toronto, Canada. There she developed and led strategy and innovation services. Prior to this role, she conducted due diligence and supported a portfolio of ventures with growth and impact management needs. During her MBA, she worked at AHL Venture Partners, a family office, and Zamo Capital.

Previously, Marie worked in international development, gaining experience in Tanzania, Palestine and Indonesia, where she focused on entrepreneurship, economic development and impact management.

EDUCATION

MBA from London Business School
BSc (GRS) Hons in Resource Economics from the University of British Columbia

C|A Cambridge Associates

Sarika Goel

Global Head of Sustainable Investment Research

Personal Profile

Sarika is a Principal in Mercer's Wealth Business and Global Head of Sustainable Investment Research. She leads on building and expanding research coverage of SI investment strategies across asset classes, including those aligned to the UN Sustainable Development Goals, climate transition and other stewardship themes. She also leads on ESG research and integration across asset classes, working with other manager research boutiques to assess how asset managers are integrating ESG into their investment decisions. Sarika is a member of the Strategic Research Group and responsible for intellectual capital focusing on implementable solutions in sustainability themes.

Prior to joining Mercer in 2010, Sarika spent three years at RBC Wealth Management in London within the Advisory and Discretionary business groups. Previously, she spent two years as an equity research associate at Scotia Capital in Toronto, Canada, covering the Canadian Banks and Diversified Financials sectors.

Sarika holds an MBA from the Rotman School of Management, University of Toronto, and is a CFA® charterholder.

Mercer

Faye Clark

Head of Manager Research, XPS Pensions Group

Personal Profile

Faye is responsible for the fund ratings at XPS Pensions Group and involved in all manager research projects. She has over 14 years' experience in the industry with a background in investment consulting having advised pension schemes from £20m to over £1.5bn of AUM, in addition to treasury portfolio assets.

Faye is part of the Diversity Project and is D&I lead in the Investment team at XPS.

XPS Pensions Group

Moderator

Elizabeth Pfeuti

Chief Client Officer

Personal Profile

Former Dow Jones staffer Elizabeth Pfeuti is Rhotic's Chief Client Officer and a member of the Rhotic Media executive leadership team. A highly-decorated journalist, Elizabeth has been in financial journalism for around 15 years. At Dow Jones, she covered the asset management, investment banking and investor services beats for Financial News, where she also wrote on a wide range of regulatory themes

She was previously the European Editor for CIO Magazine and boasts an exceptional contact book of buy-side and in-house institutional CIOs and asset management executives. More recently she has worked on corporate briefs for pension consultants, investment banks and asset management groups.

ESG Viewpoint: Investing in a Just Transition

It's essential we consider the social dimension as we transition to a low carbon world. We explore the investment implications of a Just Transition.

- The energy transition is underway. With it comes a host of opportunities for businesses and investors as we build the low carbon economy.
- The transition brings many social impacts with it, and these will require effective and proactive management.
- We are engaging with companies on their plans for a just transition and are looking for evidence of strategic thinking and concrete action.
- We outline the key components of a successful strategy.
- We explore what a just transition means from an investment perspective, including the opportunities within our social bond strategies.

> *"Effective and proactive management of the social implications of transition will build resilience and underpin the ability to deploy capital at scale"*

Why a 'Just Transition' matters to investors

The energy transition is underway. A rich seam of opportunities for businesses and investors is emerging as we build the low carbon economy, while the risks and dilemmas we will need to navigate are also becoming ever more evident. As signatories to the Net Zero Asset Managers Initiative[1] and the Just Transition Finance Challenge[2], we are committed to considering these fully as we embed the changes into our investment analysis.

As the transition progresses, consideration of the social dimension is critical. Significant risks to local communities and livelihoods need to be mitigated to avoid social unrest; investment is required in the skills to deliver green growth; and the thoughtful planning and building of trust and social licence with communities, customers and wider stakeholders must be put in place to ensure a just transition, with minimal negative impact on the worst off in our communities. Effective and proactive management of the social implications of transition will build resilience and underpin the ability to deploy capital at scale. As investors, we need to understand what this looks like and be clear in our expectations for the fair treatment of people.

What do we mean by a 'Just Transition'?

'Just transition' is a term that acknowledges and addresses the human implications of the energy transition, both in transitioning 'out' of carbon intensive infrastructure and transitioning 'in' to new energy sources, products and services. It is not a firm set of rules but rather a concept and an ambition, though 'guidelines for a just transition' were published by the International Labor Organisation (ILO) as part of the 2015 Paris Agreement and represent a basic framework for good practice.[3]

It is generally accepted that there are three core elements of a just transition, as articulated by the G7-backed Impact Taskforce, which are: advancing climate and environmental action; improving socio-economic distribution and equity; and increasing community voice.

As investors, these topics arise in our discussions with companies within the broader context of engagement around workforce management, customer and wider stakeholder relations and general business planning.

Authors:

Alice Evans
Responsible Investment Strategist

Vicki Bakhshi
Director, Responsible Investment

Letitia Byatt
Social Impact Analyst

What's next?

It is evident that a 'just transition' matters greatly, and investors, the corporate sector and society as a whole will benefit from giving the social dimension of transition the attention it requires. These issues take time and considerable effort to plan for, but we are already seeing market leaders take important steps. Our expectations for companies driving the transition to outline meaningful strategies are increasing as we move forward. We will continue to engage for progress, and to work on a robust assessment of related risk and opportunity in our investment analysis.

We expect the scope to broaden. The concept of a just transition is often limited in application to the fallout of closure of high carbon power generation, but we believe it has much wider applicability. We can extend the principles to the whole social side of climate change adaptation and mitigation as companies plan for supply-chain resilience, from shifts in agriculture sourcing to garment factories in South Asia exposed to physical climate risk.

There are challenges in tackling this topic. Social and environmental targets can sometimes come into conflict, and we must work hard as investors to avoid contradictory expectations on companies while supporting meaningful efforts to navigate the difficulties. A just transition to net zero can only really be achieved through a collaborative approach between all stakeholders, and we are fully committed to playing our part as investors.

Despite the challenges, it is also clear that the opportunities generated by the low carbon energy transition have the potential to be extraordinary, for both investors and society. It will require effective management of the social issues for that potential to be realised and lay solid foundations for growth. We will continue to develop our thinking on the topic of a just transition and to work in support of its success.

Interested in learning more?

Considering the social dimension of the transition to a low carbon world is essential. We explore the investment implications of a Just Transition, outline what a successful strategy looks like and detail the results of our engagement with companies around their plans.

Download the full ESG Viewpoint to learn more. https://docs.columbiathreadneedle.com/documents/ESG%20Viewpoint_Investing%20in%20a%20Just%20Transition.pdf?inline=true

[1] *The Net Zero Asset Managers initiative – An international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions*

[2] *Just-Transition-Criteria.pdf (impactinvest.org.uk)*

[3] *Guidelines for a just transition towards environmentally sustainable economies and societies for all (ilo.org)*

Healthcare Investing With a Patients-First Focus: Compelling Opportunities Beyond Innovation

"Focusing on treatments that have a life changing impact on patients realigns investing in healthcare by moving the core focus away from innovation and back on patients."

Innovation is often revered when it comes to investing, including when it comes to the healthcare sector. Focusing on treatments that have a life changing impact on patients realigns investing in healthcare by moving the core focus away from innovation and back on patients. We believe this is not only key from an impact perspective but also critical to companies achieving commercial success.

A patients-first approach to healthcare investing

Patients are unquestionably the most important stakeholder and the ultimate end consumer in healthcare, but it can be widely seen that the promise of 'innovative' technologies such as genomics often overshadows the actual relevance for patients.

We believe putting patients at the heart of investing in healthcare can identify more commercially compelling companies. Treatments that provide life changing results meaningfully advance the standard of care, making them more valuable to patients, physicians, payers[1] and policymakers. This gives companies that develop life changing treatments the possibility to earn higher returns if they can optimise patient access.

The pitfalls of focusing on innovation

The fate of the world's first approved gene therapy, Glybera, highlights the pitfalls of viewing investments through the lens of innovation rather than what matters to patients. Glybera was approved by the European Medicines Agency in 2012 to treat rare disease lipoprotein lipase deficiency (LPLD) and was undoubtedly an example of first-in-class innovation. It was, however, a commercial disaster, selling only one dose before being pulled from the market by its manufacturer in 2017[2].

Glybera faced significant challenges in commercialisation, perhaps the most important of which were questions surrounding the drug's impact on patients. A long-term study observed that while the drug reduced inflammation of the pancreas in up to 50% of patients, it didn't sufficiently eliminate this serious complication associated with LPLD[3].

LPLD is a rare disease which can make it more challenging to find patients, but treating rare diseases can be commercially successful. For example, AstraZeneca has a successful rare disease franchise, with lead commercial drugs Soliris and Ultomiris selling more than $5bn globally in 2022 by treating a number of rare diseases[4].

Author:

Peter Hughes,
Portfolio Manager,
Redwheel Life Changing Treatments Strategy

Glybera also had a high list price, almost $1m per dose. High costs are more common for rare disease drugs because of the low number of patients and the high costs of developing, testing and launching drugs. However, a high list price does not prevent commercial success. Novartis sells rare disease drug, Zolgensma, with a list price of $2.1m and, because of its strong patient benefit, reported net sales of over $1.3bn in 2022[5].

Glybera is an example of successful innovation, but investment failure because a return was not earned for the cost of developing the drug and funding clinical trials. It is one of many examples demonstrating how lack of a strong positive impact on patients can derail commercial success, despite exhibiting innovation.

Opportunities for investors

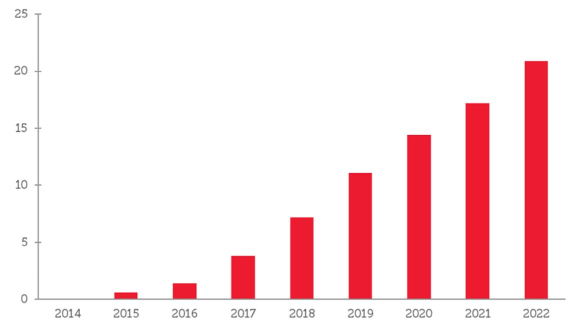
We see three opportunity sets when looking at companies that can have a life changing impact on patients: life changing drugs, health system strengthening, and life changing care.

Life changing drugs

We believe drugs that make a meaningful difference to patients' lives have a higher probability of commercial success. This includes drugs that are changing medical practice today, such as anti-cancer drug, Keytruda, which harnesses the immune system to attack cancer cells and is forecast to be the biggest selling drug worldwide in 2023[6].

Keytruda, also known as pembrolizumab, is part of a class of drugs called immunotherapy because it harnesses the body's own immune system to fight cancer. Keytruda can be used across a range of cancers, and unusually for a drug approved in 2014, it continues to show new positive benefits for patients in clinical trials today. For instance, recent clinical results have contributed to doctors envisaging immunotherapy as potentially curative for certain types of cancer, providing hope for millions worldwide.[7]

Keytruda's sales have accelerated since gaining approval in 2014 ($bn)



Source: Merck, February 2023. The information shown above is for illustrative purposes only and is not intended to be, and should not be interpreted as, recommendations or advice.

Health system strengthening

Sometimes, even when treatments are available, other barriers prevent or delay a patient from getting optimal care.

We believe companies that improve access to care, enable future innovations and improve diagnosis can create additional growth opportunities for companies throughout the healthcare sector.

The scale of the problem is considerable: it is estimated that as many as 4.5bn people worldwide lack access to all the healthcare services they need (as of 2021)[8].

Over half of the world lacks access to essential health services

Source: as of 2021, World Health Organization – Tracking Universal Health Coverage: 2023 global monitoring report

Life changing care

There is an array of opportunities that address health needs outside of pharmaceuticals. Only 10% of healthcare spending is spent on prescription drugs at the pharmacy counter in the US healthcare system, with the remaining 90% allocated to everything from hospitals to administration.[9]

Many healthcare systems globally are experiencing growing demand and increasing pressure on finite budgets. We believe delivering better patient care outcomes will reduce the burden on health systems, driving greater adoption of innovative care solutions.

Solutions improving efficiency of care delivery, care provision outside traditional care settings and medical devices have significant growth potential, particularly given the slow adoption of technology in healthcare, a sector which is still reliant on fax machines[10] .

Ultimately, a compelling narrative for investors seeking both impact and financial returns

We are at a pivotal moment in global health amid a marked prevalence of conditions such as non-communicable diseases, including cardiovascular disease, which accounts for 41 million deaths globally per year[11]. At the same time, many health systems globally remain disrupted in the wake of the COVID-19 pandemic[12] .

We believe investors can capitalise on the increased focus on global health through embracing a patients-first approach, which we believe not only aligns with the social pillar of ESG but also identifies opportunities that have a greater probability of commercial success. This additionally provides a compelling method of capturing the less volatile and growth-oriented nature of the healthcare sector that can offer some resilience as market cycles return.

Source:

[1]Payers typically refers to health insurers or government-funded healthcare programs that pay for healthcare goods and services.
[2]https://www.nbcnews.com/health/health-news/firm-pulls-world-s-first-gene-therapy-treatment-no-one-n748906 accessed on 23/08/2023
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[4]Bloomberg, as at October 2023
[5]https://www.novartis.com/investors/financial-data/product-sales accessed on 21/08/2023
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Key Information

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Redwheel Life Changing Treatments

A long-term structural investment opportunity

Global health spending per capita could more than double by 2050[1], which makes healthcare a large and dynamically attractive market for many investors. Several factors are increasing pressure on global health systems and policymakers are increasingly focused on the health of their populations. This is leading to an abundance of opportunities in innovative healthcare companies that are at the forefront of meeting these challenges.

The Redwheel Life Changing Treatments Strategy takes a patient-first approach, investing in companies that can strengthen healthcare systems, provide life changing drugs or life changing care. By focussing on what truly matters to patients, the team aims to identify more commercially successful companies and maximise the positive impact on patients by extending lives and enhancing wellbeing on a global scale.

Find out more >

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[1] Lancet: Past, present and future of global health financing, 9th September 2022.

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