

Funds Commentary

Highlights

Worldwide Healthcare (BUY) – Attractive anomaly
Fidelity European Values (NR) – Discount approaching widest in 10 years

Details

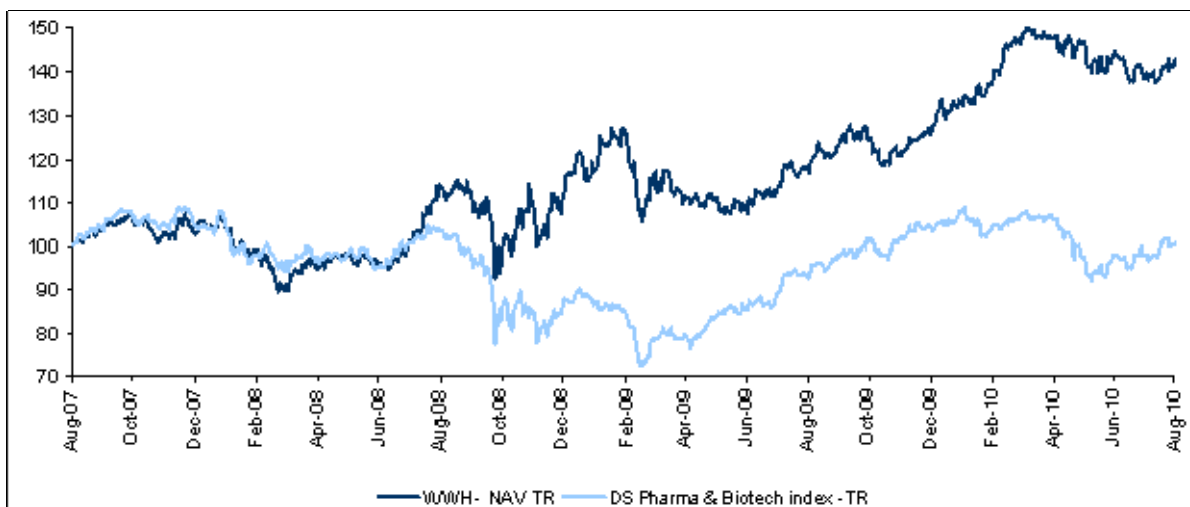
Worldwide Healthcare (WWH; BUY) – Attractive anomaly

Price (p)	Cum inc NAV dil. (p)	Discount est. (%)	Market Cap (£m)	Yield (%)	Next News
645	720.5	11	278	1.3	Interims November

Oriel view: Worldwide Healthcare (formerly Finsbury Worldwide Pharmaceuticals) has seen its discount widen of late in spite of its continued outperformance of the benchmark, the Datastream World Pharmaceutical and Biotechnology Index (£) over the last quarter to 30 June. The 11% discount currently appears anomalous to us, not just in light of the continuing outperformance but also when one considers that the newly launched Polar Capital Global Healthcare (PCGH; NR) is trading on an estimated 8% premium to NAV. We reiterate our BUY recommendation on Worldwide Healthcare reflecting the low valuations to be found among healthcare stocks, the prospect of increased M&A activity and the track record of Orbimed Capital. We also highlight the DCM and 6% discount target which should result in more active buyback activity should the discount widen any further.

- **Fund objective: Worldwide Healthcare Trust PLC** invests worldwide in pharmaceutical, biotechnology and related companies in the healthcare sector with the objective of achieving a high level of capital growth.
- **Outperformance continuing:** The 3 month period ended 30 June 2010 was a challenging one for the Company due in part to mixed performance from large pharmaceutical companies such as Novartis, which performed well following positive news-flow regarding its treatment for multiple sclerosis, and Pfizer whose performance lagged due, in part, to the unexpected stoppage of an experimental osteoarthritis drug in late stage development. Over the three-month period, the Company's fully diluted net asset value per share fell by 5.6%, compared to a fall of 8.6% in the benchmark.
- **Portfolio:** As at 30 June, the fund was invested 63% in North America, 26% in Europe, 11% in the Far East, so the fund is reasonably well diversified globally, which should be seen in our view as an attraction for UK based investors who frankly do not have a lot to choose from among UK listed pharma stocks. There is also diversification by market cap with 75% in large cap and 25% in small cap stocks.

Worldwide Healthcare NAV TR vs DS Pharma &Biotech TR



Source: Thomson Datastream

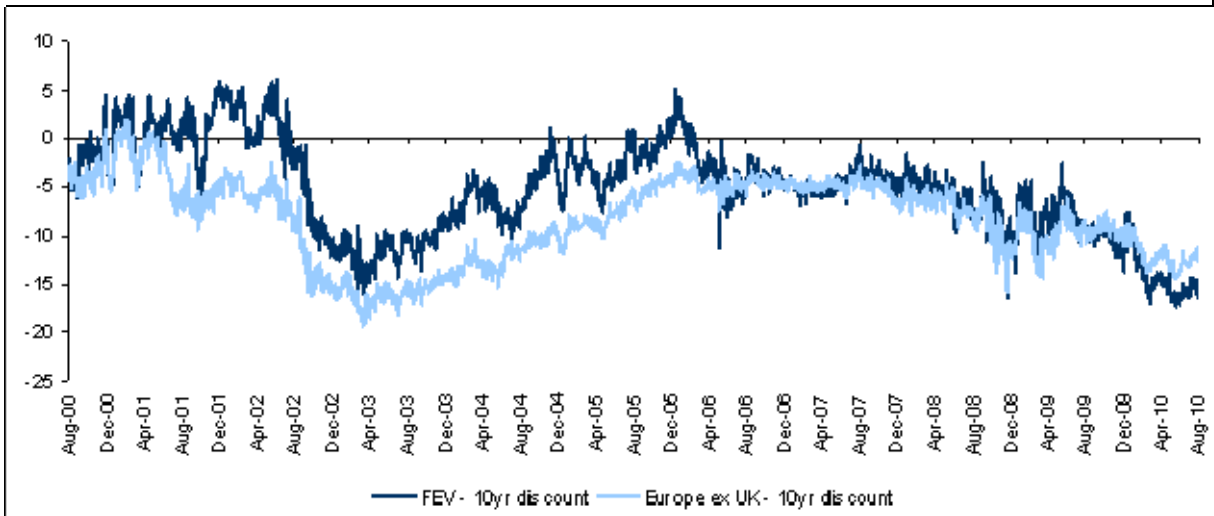
Fidelity European Values (FEV; 968p; NR) – Discount approaching widest in 10 years

- The largest fund has the widest discount:** A quick review of the European funds sector this morning reveals that Fidelity European Values (FEV) now remarkably has the widest discount in the sector at 16% (ex income). Seasoned observers will recall that FEV has traditionally been one of the best performers and one of the more highly rated funds, as the graphs below demonstrate. Performance in recent times has been disappointing however. The most recent release from the company highlights an overweight position in healthcare as having affected performance in June. Other significant positions include an overweight in consumer services and underweights in financials and industrials (Source: Company factsheet June 2010).
- With a market cap of £475m, FEV is the largest fund in the European sector. Sentiment towards the European funds has undoubtedly been affected by economic and currency concerns, but at the current discount, which is close to its widest level over the last 10 years, FEV is worthy of some consideration.

Top 10 holdings	% of NA
Nestle	5.2
Sanofi-Aventis	3.8
Siemens	3
Roche	2.9
Zurich Fin Servs	2.9
UBS	2.6
Total	2.5
Daimler	2.5
BNP Paribas	2.3
SAP	2.2

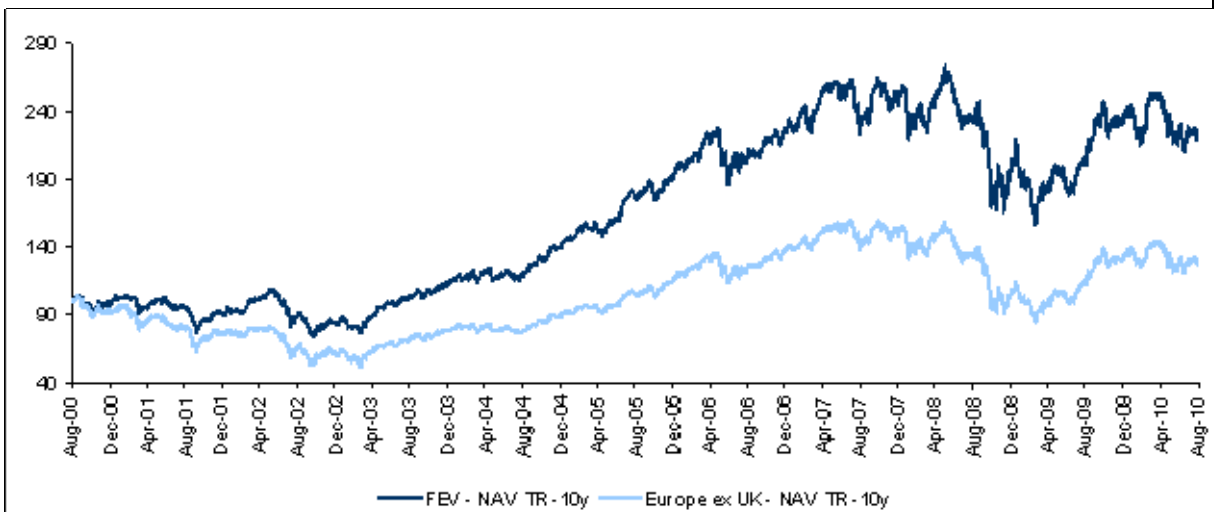
Source: Company factsheet, 30 June

FEV discount vs Europe ex UK



Source: Thomson Datastream

FEV NAV TR vs Europe ex UK NAV TR



Source: Thomson Datastream

NR = not rated

The Funds Commentary is prepared by Oriel Investment Funds Research and Sales