WORLDWIDE HEALTHCARE TRUST PLC

Half Year Report & Accounts for the six months ended 30 September 2018

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OrbiMed Healthcare Fund Management

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Investment Week,
Investment Company
of the Year 2016,
Specialist (including
Hedge Funds) Category

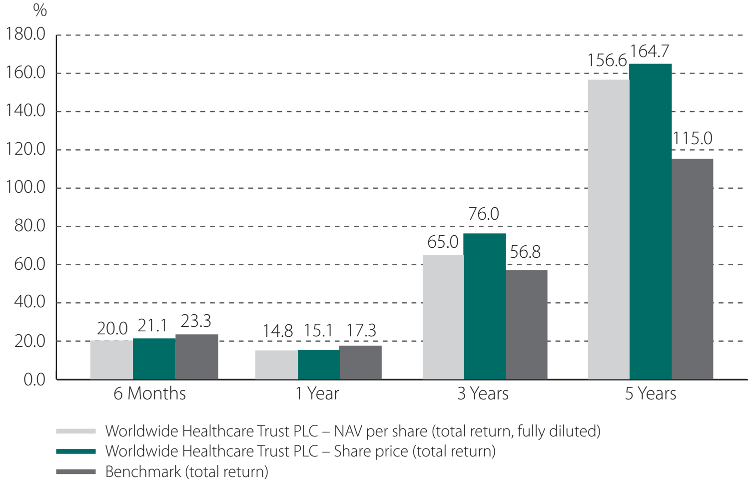
Performance

	Six months to 30 September 2018	One year to 31 March 2018
Net asset value per share (total return)* #	20.0%	2.8%
Share price (total return)* #	21.1%	5.3%
Benchmark (total return)^ #	23.3%	(2.5%)

	30 September 2018	31 March 2018	Six months % change
Net asset value per share	2,880.5p	2,411.1p	19.5
Share price	2,900.0p	2,405.0p	20.6
Premium/(discount) of share price to the net asset value per share*	0.7%	(0.3%)	–
Leverage*	18.5%	16.4%	–
Ongoing charges*	0.9%	0.9%	–
Ongoing charges (including performance fees crystalised during the period)*	1.1%	1.2%	–

Source – Morningstar.
^ Benchmark – MSCI World Health Care Index on a net total return, sterling adjusted basis. (see glossary beginning on page 30)
* Alternative Performance Measure. Leverage calculated under the Commitment Method (See glossary beginning on page 30).

Performance to 30 September 2018



Source: Morningstar and Thomson Reuters

Chairman's Statement

PERFORMANCE

The Company's net asset value total return was +20.0% and the share price total return was +21.1% over the first six months of the Company's financial year. This compares to a rise of 23.3% in the Company's Benchmark, the MSCI World Healthcare Index, measured on a net total return, sterling adjusted basis. While the Company's performance has been strong in absolute terms, the healthcare sector outperformed the broader market during the period, it is disappointing to report a slight underperformance against the Company's Benchmark.

The reasons for the Company's strong absolute performance were broad-based, with the largest contributions to performance coming from medical devices, large capitalisation biotechnology stocks and specialty pharmaceutical stocks. Currency also had a positive impact, as sterling depreciated by 7.0% against the U.S. dollar over the period; the U.S. dollar being the currency in which the majority of the Company's investments are denominated. It should also be noted that the level of leverage employed over the period increased from 16.4% at 31 March 2018 to 18.5% at 30 September 2018.

Underperformance relative to the Benchmark over the six months under review was primarily as a result of asset allocation. The Company's overweight exposure to small and mid capitalisation biotechnology stocks and also to emerging markets together with an underweight exposure to global pharmaceutical stocks and the managed care sector were the principal causes.

As we have embarked on the second half of the Company's financial year, market volatility has clearly increased. During times of rapid and unpredictable change in equity markets, periods of negative returns or relative underperformance may be unavoidable. However, our Portfolio Manager has maintained its current investment strategy for a number of years which has served the Company well. Despite the recent volatility, both the Board and our Portfolio Manager believe that it will continue to be successful in the long term.

Looking at specific names in the portfolio, the largest contributions came from medical device company **Boston Scientific** and pharmaceutical companies **Merck** and **Alexion**. The largest detractors from performance came from biotechnology company **Puma Biotechnology**, medical service company **Nevro** and also from biotechnology company **Clovis Oncology**. Further information regarding the Company's investments can be found in the Portfolio Manager's Review beginning in page 4.

CAPITAL

The Board continues to monitor closely the relationship between the Company's share price and the net asset value per share. I am

Chairman's Statement (continued)

pleased to note that the Company's share price has been trading close to net asset value per share for some months; as at 30 September the share price stood at a 0.7% premium to the Company's net asset value per share. As a result, and also due to investor demand, a total of 759,500 new shares were issued at a premium to the cum income net asset value per share during the half year, raising £21.0 million of new funds. Since the half-year end, to 21 November, a further 1,054,500 shares have been issued raising £27.6 million.

REVENUE AND DIVIDENDS

The revenue return for the period was £6.4 million, compared to £4.2 million in the same period last year; this increase came mainly as a result of a rise in the yield from portfolio investments and also sterling's depreciation against the U.S. dollar in the period. The Board has declared an unchanged first interim dividend of 6.5p per share, for the year to 31 March 2019, which will be payable on 9 January 2019 to shareholders on the register of members on 23 November 2018. The associated ex-dividend date is 22 November 2018. The second interim dividend for the year to 31 March 2019 is expected to be announced in June 2019.

I remind shareholders that it remains the Company's policy to pay out dividends at least to the extent required to maintain investment trust status. These dividend payments are paid out of the Company's net revenue for the year and, in accordance with investment trust rules, only a maximum of 15% of income arising from the shares and securities making up the investment portfolio can be retained by the Company in any financial year.

It is the Board's continuing belief that the Company's capital should be deployed rather than paid out as dividends to achieve a particular target yield.

OUTLOOK

Investor concerns over the political situation in the U.S. appear to have eased allowing them to focus on the attractive characteristics of the sector. While shareholders should be prepared for a period of volatility, as evidenced in the October market correction, your Board believes that the healthcare sector will continue to benefit from good growth prospects combined with the traditionally defensive nature of the sector. In particular, factors such as strong revenue generation, continued high levels of innovation, fair valuations, a benign regulatory environment and rising demand due, in part, to an ageing population are expected to be key drivers.

Our Portfolio Manager's focus remains on the selection of stocks with strong prospects and we reiterate our belief that the long-term investor in the healthcare sector will be well rewarded.

Sir Martin Smith
Chairman
22 November 2018

Review of Investments

MARKETS

Global equity markets for the six-month period from 1 April to 30 September 2018 moved higher with remarkable consistency, rebounding off the lows the market experienced in March, the month immediately preceding the reported period. Equity markets closed just below the 52-week high, as measured by the MSCI World Index.

Volatility remained mostly low during the period whilst currency had a decidedly large impact on measured returns. Specifically, the weakening of sterling versus the U.S. dollar created an approximate 8% gap in the MSCI World Index total return in the six-month period. To note, on a currency adjusted basis, the MSCI World Index total return was +15.2% in sterling compared to +7.1% in U.S. dollars terms.

Broadly speaking, global economic data points were strong and/or resilient during the period, and thus – despite some uncertain geopolitical hand wringing – equity markets moved higher in the six-months. In the U.S., continued positive earnings reports and a robust economy outpaced concerns around trade conflicts with China, Mexico, and Canada. European equity gains were also positive, but total returns were more modest, in part due to the Italian economic uncertainty that plagued the Eurozone. In Japan, stock market returns were very robust given a weaker yen and the re-election of Prime Minister Abe. In contrast, emerging markets saw precipitous declines in the period due to U.S. dollar strengthening and U.S.-China trade tensions rising.

Whilst the strong global economy helped push equity markets higher, the unsettled geopolitical backdrop and some volatility in technology stocks caused healthcare stocks to outperform the broader market during the period under review. As a result, global healthcare equities reached all-time highs in the period, with the MSCI World Healthcare Index measured on net total return, sterling adjusted basis returning +23.3%.

PERFORMANCE

For the six-month period, the Company posted a robust share price total return of +21.1% and a net asset value total return of +20.0%. Whilst this outperformed the broad equity markets, it modestly underperformed benchmark.

The primary source of underperformance was undoubtedly an allocation effect. Of particular note was the performance of global pharmaceutical stocks during the three-month period commencing 1 July 2018. After trading down in the previous three-month period, pharmaceutical stocks witnessed the second largest quarterly rise since the turn of the century, with a total return of nearly +15.0% in sterling terms (+13.0% in U.S. dollar terms) as measured by the NYSE Arca Pharmaceutical Index (commonly referred to the "DRG"). Global pharmaceutical stocks represented the Company's largest and most notable underweight sub-sector positioning during this period.

Review of Investments (continued)

This was combined with the almost flat performance of small and mid-capitalisation biotechnology stocks during the same three-month period. As measured by the exchange-traded fund SPDR S&P Biotech ETF (commonly referred to as the "XBI"), these stocks only returned +2.0% in sterling terms (+0.8% in U.S. dollar terms), a stunning difference of over 12% compared to the DRG. Small and mid-capitalisation biotechnology stocks represented the Company's largest and most notable overweight subsector positioning during this period.

Also, of import was allocation within healthcare services. Here, the portfolio underperformed the benchmark due to our relative underweight positioning in an outperforming sector. Share prices for managed care stocks were exceptionally strong in April driven by first quarter reports despite a severe flu season headwind, which drives increased utilisation and thereby reduces profits for these companies.

Finally, the Company's investments in emerging market healthcare stocks, particularly in China, also contributed to underperformance. Macro factors, primarily revolving around the looming trade war with the United States, resulted in a crisis of confidence for investors, generating one of the largest sell-offs ever recorded in emerging markets. Thus, the Company's overweight positioning in emerging markets contributed negatively to performance and was the only absolute detractor on a subsector level in the period under review.

All other subsectors contributed positive returns in the period, with the largest contributions coming from medical devices, large capitalisation biotechnology, and specialty pharmaceutical stocks. Geographically speaking, the largest positive contributor in the six-month period was the Company's investments in Japan, owing to stock picking in that subsector.

MAJOR CONTRIBUTORS TO PERFORMANCE

Key individual contributors to performance were companies that exhibited optimal execution around new product or novel technology opportunities.

One of the most innovative companies in the medical device space, **Boston Scientific** develops products that are used in interventional cardiology, cardiac rhythm management, peripheral interventions, electrophysiology, neurovascular intervention, endoscopy, urology, gynaecology, and neuromodulation procedures. Shares in the company consistently outperformed during the six-month period for a number of reasons. Accelerating organic growth rates throughout 2018 and the subsequent improved long-term prospects for the company was the primary driver of the re-rating. Additionally, the company has engaged in nine acquisitions over the course of the year that have the potential to dramatically improve the company's longer-term growth profile, and investors warmed to this view. Lastly, increased

Review of Investments (continued)

speculation around Boston Scientific as an acquisition target has helped to buoy shares in recent months.

The revolution in the treatment of cancer remains in full swing with the advent of immuno-oncology (IO) changing the way physicians treat this dreadful disease and the positive impact IO has on patients' lives. Whilst some investors may be suffering from "IO fatigue", the management team at **Merck**, certainly are not. The company has become the global leader in IO, with their key asset, Keytruda (pembrolizumab), leading the charge.

Shares moved demonstrably higher in the period after the company presented "game changing" data for Keytruda at the American Association of Cancer Research meeting in April 2018. The study demonstrated that taking Keytruda (in combination with chemotherapy) reduced the probability of death by over 50% in patients who were newly diagnosed with advanced or metastatic lung cancer. This data heralded a new standard of care in treatment of this deadly disease. Additional approvals outside of lung cancer have pushed Keytruda to "mega-blockbuster" status with sales expected to approach U.S.$7 billion in only its fourth full year on the market.

Alexion Pharmaceuticals, specialises in the discovery and development of drugs used to treat rare diseases. Their lead product is Soliris (eculizumab), a monoclonal antibody approved to treat paroxysmal nocturnal haemoglobinuria (PNH), haemolytic anaemia, and myasthenia gravis. The share price rose due to a number of factors in the period.

The company announced two strong quarterly earnings results during the half-year, raising 2018 guidance each time. On the clinical development front, the company announced positive data for their next-generation PNH drug – ALXN1210 – and positive results for Soliris in a new indication, neuromyelitis optica, a severe condition consisting of the inflammation and demyelination of the optic nerve (optic neuritis) and the spinal cord (myelitis). The company also bolstered its pipeline by acquiring an early stage asset for the treatment of warm haemolytic anaemia, a condition in which auto-antibodies, present in the body, destroy red blood cells at temperatures equal to or greater than normal body temperature.

Wright Medical develops joint replacement devices, primarily for shoulder, foot & ankle, trauma & sports medicine procedures, as well as ortho-biologic products. During the half year, a number of positive factors drove strength in the company's shares. First, there was a faster than expected turnaround in sales force productivity, resulting in strong first and second quarter sales results. Second, the company obtained an important U.S. Food and Drug Administration (FDA) approval for a key new biologic product named "AUGMENT Injectable", a device/drug combination product for use in bone fusion of the foot/ankle. Third, the company made an acquisition of a high growth company – Cartiva – which has improved investor

Review of Investments (continued)

expectations for 2019 sales growth. Lastly, after some confusion earlier in the year regarding financing needs, the company was able to extend its existing loan agreement and received cash from a litigation settlement which helped cushion the balance sheet, removing a notable overhang.

The cure for the treatment of Alzheimer's disease remains the "Holy Grail" for the drug industry. Japanese pharmaceutical company **Eisai** has been a leader in this disease category for over two decades. Most recently, the company presented data for its most recent offering to battle this disease at the Alzheimer's Association International Conference in July 2018. Known as "BAN2401", this antibody – directed against amyloid plaques and removing them from the brain – significantly decreased the rate of cognitive decline in Alzheimer's patients in this mid-stage clinical trial. The news of this finding sent shares soaring. Whilst not without controversy, and hence share price volatility, the data for "BAN2401" was consistent with the amyloid hypothesis and was supportive of further development of this antibody to combat this terrible disease.

MAJOR DETRACTORS FROM PERFORMANCE

The largest individual detractors from performance during the half year were all due to idiosyncratic, unexpected negative catalysts that resulted in significant share price declines for each respective security. The majority of detractors came from small biotechnology companies, emblematic of the binary event nature of that subsector, and the concentration of risk within a one-product company.

Industry pundits will explain that one of the more difficult things for an emerging biotechnology company to do is pivot from a research and discovery company to a commercially viable one. **Puma Biotechnology** is the latest victim of such a company. The company launched their breast cancer drug, Nerlynx (neratinib), after the FDA approval in July 2017. Despite reported sales beating consensus revenue expectations for last two consecutive quarters in 2018, the share price sold off. Why? The company reported disappointing new patient starts for Nerlynx on those same quarterly reports, suggesting the drug's peak sales potential may not be as large as investors had been expecting. With that, investors rerated the valuation of the company.

Perhaps one of the most exciting areas of innovation in the medical device sector is in neuromodulation. One of the leaders here is California-based **Nevro**, a manufacturer of spinal cord stimulation devices for the treatment of chronic pain. However, over the past six months, Nevro shares were adversely impacted by several factors. To start, the company missed sales expectations for the first quarter of the year by a wide margin and against elevated investor expectations. Second, the company announced that the Vice President in charge of sales was leaving, raising investor concerns about future sales performance. Third, while second quarter

Review of Investments (continued)

sales results actually exceeded consensus expectations, the company materially lowered guidance for the remainder of 2018 as a result of increased sales force turnover in the quarter, which created a cloud of investor uncertainty regarding company performance over the balance of 2018 and into 2019.

Clovis Oncology is a commercial-stage biotechnology company and another example of the difficulty of an organisation moving from a development-based company to a sales one. The company markets Rubraca (rucaparib), a PARP inhibitor for the third-line treatment of patients with ovarian cancer with certain gene mutations (in this case, the BRCA gene). Shares in Clovis were weak in the period due to concerns over a slower than expected uptake of the entire PARP inhibitor class, including competitive products Lynparza (marketed by AstraZeneca) and Zejula (marketed by Tesaro).

Alnylam Pharmaceuticals, develops treatments for rare diseases utilising RNA interference (RNAi) technology, with its lead product Onpattro (patisiran) recently approved for the treatment of hereditary transthyretin (TTR) amyloidosis with polyneuropathy. Shares of Alnylam came under pressure after an unexpected positive pivotal trial of a competitor product in TTR amyloidosis with cardiomyopathy, bringing investors to question market dynamics in the space. While both European and U.S. regulators ultimately approved Onpattro, investors were disappointed by the limited indication for the treatment of TTR amyloidosis with polyneuropathy, rather than a broader label encompassing all types of TTR amyloidosis.

Dentsply Sirona is a leading global manufacturer of dental equipment and consumables. After maintaining a longstanding bearish view on the stock, we became more positive on the outlook for the company as we anticipated that new management would execute on a turnaround story, including expanding margins by properly integrating previous acquisitions. This view was encouraged by publicly disclosed insider stock purchases by the CEO and CFO during the period. A stronger economy to lift sales growth was a tailwind to this strategy. However, quarterly earnings remained challenged by distributor inventory destocking that lasted longer than expected and a slower rebound in sales than anticipated.

SECTOR DEVELOPMENTS

The political backdrop in healthcare has certainly been a critical macro factor over the past 10 plus years, from U.S. healthcare reform, the passage of "Obamacare", U.S. Presidential elections, the "Repeal and Replace" debate, and of course, the current and ongoing debate over drug pricing in the United States. 2018 was expected to be different, but the Republican administration kept drug pricing at the forefront of their mandate this year. Comments from key players throughout the year, from FDA Commissioner Scott Gottlieb, to Secretary of

Review of Investments (continued)

Health and Human Services Alex Azar, to President Trump himself, the message was clear and consistent: they were going to be tough on drug prices. With that said, the evidence was mostly to the contrary.

Whilst numerous proposals were put forward including President Trump's "blueprint", nothing of significance has yet to come into law. President Trump's highly anticipated signature speech in May 2018, where he detailed his plans in the legislation entitled "American Patients First", was mostly benign. The speech was bombastic yet very short. He articulated a focus on lowering out-of-pocket expenses for patients and targeting "the middle man" (e.g. pharmacy benefit managers) in the drug chain. However, most notably, there was nothing in the speech on implementing direct drug price negotiations with drug companies, nor the allowance of the re-importation of drugs across the border, nor the rationing of the utilisation of drugs by patients.

Rather, the President focused on continued motivation to increase competition to lower drug prices via market forces, through innovation (a positive surprise) and more drug approvals. Much of the focus of the President's speech, of course, pandered to the public, promising to lower the out-of-pocket burden for patients by getting the drug plans to share rebates and discounts with said customers. Whilst some of the proposals could have a tangible impact, none were industry changing. Overall, President Trump's message was consistent with his administrational mandate: solving America's problems with pro-business and free market solutions.

Other political developments were also positive for the healthcare industry. This included President Trump's signature legislation thus far, the Tax Cuts and Jobs Act (TCJA). This plan was proposed in November 2017, passed in December 2017, and became effective for the fiscal year 2018. The positive effects were immediately noticeable: lowered corporate tax rates and lowered repatriation tax rates resulting in increased earnings power for large capitalisation corporates and more cash for debt servicing, increased dividends, share buy-backs, and business development.

Finally, the FDA is on the verge of another record year for drug approvals in 2018. Current commissioner Scott Gottlieb, a Trump-appointee, continued the enactment of his "Drug Competition Action Plan" and it has yielded impressive results. The FDA approved a record 46 novel drugs in 2017. Moreover, by 17 October 2018, the FDA approved 45 more, but with another 11 applications pending approval, each with an action date before the end of 2018, a new record is imminent. Additionally, 2017 saw a record number of generic approvals by the FDA, over 1,000 approvals. The pace for 2018 is only slightly behind that mark.

A continued hallmark in healthcare has been mergers & acquisition (M&A), particularly in the therapeutics space. The pace of M&A got off to a strong start in 2018 with a flurry of high-profile takeovers in the biotechnology sector, in hot areas like gene therapy and cell

Review of Investments (continued)

therapy. That said, the pace slowed somewhat in the second half of the year, somewhat disappointingly given the increased cash flows stemming from the Tax Cuts and Jobs Act.

Part of the reason has been the historic initial public offering (IPO) market in the U.S. The pace of the number of new biotechnology IPOs in 2018 is expected to be the second highest in history at approximately 70. Moreover, the average gross proceeds per IPO was at or near record highs. The impact? Easy access to capital may have blunted M&A. As one industry executive recently opined, *"I think as you've seen, there's also been generally a dearth of M&A across the industry recently. There has been significant funding flowing into small biotechs including via IPOs, which are at multiyear highs. So as a result, biotechs have access to ample capital and they have perhaps less need or desire to sell right now."* (Ken Frazier, CEO of Merck and Co., July 27, 2018).

STRATEGY REVIEW

The Company's mandate remains unchanged: to seek innovation and growth in the healthcare industry on a global level by investing in healthcare equities that offer the greatest return potential, being mindful of risk. As productivity and innovation rise, the number of investable ideas also rises, but the scrutiny and diligence required to isolate them becomes more complex.

Biotechnology

Sentiment on major biotechnology remains poor relative to emerging biotechnology, despite historically low valuations. Each of the large biotechnology companies has lead assets that will encounter competitive pressure or loss of exclusivity over the next five years. Fears over the sustainability of revenue growth for the large capitalisation players has kept share performance muted. We believe the large capitalisation names will eventually enjoy a positive rerating once they are able to demonstrate that their pipelines are sufficient to offset the future revenue decline of their lead assets. M&A, which has been very quiet for most of the year, could also spur a rerating of shares. Investor concerns about the midterm elections in November and potential drug pricing legislation if the Democrats were to take the House and/or the Senate were also likely keeping shares in check. However, now that the election has resulted in a split Congress, we expect drug pricing headlines to continue but the threat of meaningful legislation to subside.

In contrast, emerging biotechnology continues to benefit from the increasing speed of innovation, new technologies and a favourable regulatory environment. Advances in treatment modalities, including gene therapy, gene editing and cellular therapy, have expanded the possibilities for drug development in previously untreatable or incurable diseases, with many of these efforts driven by emerging biotechnology companies.

Additionally, under new administration, the FDA has undertaken an effort to be more accommodating of drug development and

Review of Investments (continued)

innovation, particularly in rare, orphan diseases in which traditional regulatory standards may be difficult to uphold. We see this environment as supportive for further growth in biotechnology and remain positive on the sector. Further, the near-record number of new biotechnology IPOs suggests investors remain keenly interested in the sector and remain able to deploy capital into new companies.

Pharmaceuticals

Pharmaceutical stocks proved to be an interesting case study during the half year, an enigma in which, despite facing some potentially industry changing headwinds, the stocks posted some of their strongest gains this century. In other words, generalist rotation into the group was less about the fundamentals of the industry and rather a view on the rest of the equity markets. With the sudden volatility in technology stocks and the threat of trade wars rumbling on, investors jumped to a "risk-off" mentality, blindly looking for value over growth and defensive positioning that became *de rigueur* for the second half of the half year.

The macro environment, which most recently proved quite favourable for these stocks could change however. Continued upward pressure on interest rates and as the 10-Year U.S. Treasury Yield breaks out to multi-year highs above 3.0%, pharmaceutical company share prices could suffer as investors chase yields elsewhere. Pending U.S. Federal midterm elections in November 2018 added to a volatile October. However, the election resulted in a split Congress, with the Republican Party adding to their majority in the Senate whilst the Democratic Party took a small majority in the House of Representatives. We view this result as likely a best-case scenario as "gridlock" in Washington significantly reduces the probability of industry altering legislation. The near-term impact on the biopharma space should be limited. That said, drug-pricing headlines may not dissipate in 2019 and in fact may increase with Democratic-led committees in the House.

Overall, we regard the sector as being on a solid footing as we remain at or near the high end of the current innovation cycle. New product flow and pipelines are generally strong. But the cradle of innovation does not rest within large capitalisation pharmaceutical companies. That is still the domain of emerging biotechnology companies domiciled in the United States. Therefore, M&A must be a key mandate for these companies going forward, creating a partial air of uncertainty about the state of business development within large conglomerates and their ability to adjudicate about "the next big thing" within an environment that does not reward risk taking.

Other fundamentals are mixed and thus we regard this group of stocks as rather heterogeneous: diverse in character and content with disparate growth outlooks due to a variety of factors. First, some companies are in the midst of new product cycles, driving top line growth but perhaps more importantly, driving margin expansion and thus outsized earnings growth. Other companies may be slightly earlier in their new

Review of Investments (continued)

product cycle but due diligence can unearth innovation before the market rewards it.

A looming headwind for the group revolves around biosimilar competition for mega-blockbuster, incumbent brand molecules, in particular monoclonal antibodies. Whilst still early days, price and volume erosion rates in Europe were mixed depending on geography. In the U.S., current expectations are for milder penetration rates. This has yet to be observed and 2019 will be critical in evaluating this phenomenon. Fortunately, this risk is mostly consolidated within only a few companies.

In contrast, the performance of U.S.-focused specialty and generic pharmaceutical stocks was more varied in 2018 compared to their large capitalisation brethren. Specialty pharmaceutical stocks, in general, performed well benefiting from an improved pricing environment, effective new product launches, and positive proprietary pipeline disclosures.

Generic pharmaceutical stocks, on the other hand, were a mixed bag. Many generic companies underperformed due to continued pricing pressure in the U.S. market and delayed product approvals for complex but value driving generics. Interestingly, the riskiest generic companies were some of the best performers in this group, as investors overlooked debt-laden balance sheets to reward the management teams of companies with extremely depressed valuations executing turnaround strategies.

Although improved investor sentiment has driven a valuation recovery in the specialty and generic pharmaceutical sector, we believe further multiple expansion is likely as proprietary pipelines remain undervalued for many companies. In addition, we anticipate an uptick in significant business development and M&A activity, especially for specialty pharmaceutical companies, as net leverage within this group is relatively low.

Medical Technology and Devices

Despite mostly higher share prices in 2018 – and thus higher valuations – trends in the Medical Devices sector remain favourable. We highlight several key metrics pointing toward a continuation of strong organic sales growth which can continue to drive stocks higher. First, the economy. Consumer confidence in the United States, by far the largest market for devices, remains at multi-year highs. Second, unemployment in the United States is approaching a 50-year low. Third, research and development (R&D) spending as a percentage of sales for the industry remains at elevated levels, an encouraging sign for a continued innovation cycle. Finally, the rate of new Premarket Approvals (PMAs) by the FDA has accelerated over the past five years, which should sustain sales growth for the next five plus years.

Undeniably, valuations remain high, but we believe current levels are warranted given the growth profile of many large capitalisation companies in the sector. Specifically, we are looking for high-single digit to low double-digit organic sales growth, further augmented by M&A, and strong cost controls leading to low to mid-teens earnings per share growth.

Review of Investments (continued)

Turning to stock selection, we continue to prefer specific device areas where both innovation and demand are high, such as cardiology. Surgical robotics – where technology advances have been and will continue to be disruptive to historical surgical paradigms – remains a hot area. We have renewed interest in diabetes – given the sheer market size and potential for several new product cycles to drive elevated growth rates for manufacturers. Finally, extremities implants/biologics are at the early stages of the adoption curve and can make astute investment opportunities.

Life Science Tools and Services

It has been an eventful period for the Life Science Tools and Services sector. The prospect of trade wars affected the sector due to its high exposure to China. Whilst first quarter earnings were mixed as some companies had idiosyncratic mishaps, second quarter earnings demonstrated broad re-acceleration to all-time highs in organic growth and allayed fears of the near-term impact of tariffs.

Therefore, with the sector at an all-time high in organic growth and near an all-time high in valuation, questions have persisted around the sustainability of growth in 2019 as well as the impact of tariffs and foreign exchange. Whilst we expect that growth will moderate somewhat in 2019 due to the difficulty of overcoming tough comparisons in 2018, we believe that the sector's business mix has fundamentally shifted. Companies have pivoted towards durable, higher growth biopharmaceutical markets and away from cyclical industrial markets, and we expect the sector to sustainably grow at "new normal" levels of 5% plus, significantly higher than the days of 3-4% prior to 2017.

Though we acknowledge that tariffs and trade war rhetoric will be significant drivers of sector sentiment, we see tariff concerns as overblown, as sales of life science tools to China have remained robust throughout the year. Moreover, domestic companies lack legitimate local technology and capabilities that could displace global tools companies. Finally, we view valuations as elevated but justifiable with strong market demand being offset somewhat by macro concerns.

Healthcare Services

Healthcare payor and provider stocks have performed well during the half year driven by a trio of factors: positive fundamental trends, M&A activity, and corporate tax reform. Specifically, utilisation is modestly higher in a strengthening U.S. economy, but at least a small uptick was captured in managed care pricing. The U.S. Department of Justice approved two pending vertical mergers (CVS Health Corporation and Aetna Inc. and Cigna Corporation and Express Scripts Holding Company), altering the landscape of the industry and removing an overhang. Finally, lower U.S. tax rates are most favourable to healthcare services companies that operate almost exclusively domestically.

Given the outcome of the U.S. midterm elections and resulting division in power of the U.S. Congress, we remain bullish on health

Review of Investments (continued)

maintenance organisations. These companies stand to benefit from relatively stable cost trends, margin expansion thanks to the best Medicare reimbursement rates in a decade (the current administration supports privatisation), better investment income from interest rates and potentially more vertical integration. In contrast, we are bearish on drug supply chain companies, including distributors, which will be negatively impacted by government regulation aimed at reducing drug price increases.

Emerging Markets

In China, our investment strategy continues to focus on leaders in innovation and high-quality generics in the pharmaceutical sector. The China FDA is committed to improve the efficiency of their drug approval system and to increase the quality of generic drugs sold in China.

During the period, the scope of mandatory quality consistency evaluation for generic drugs, currently marketed in China, expanded from oral dosage to injection. Meanwhile, we see the increasing cost control pressure from the state medical insurance schemes and expect potentially aggressive price cuts of branded generic drugs in the next year.

The macro environment and market sentiment in China in the past six months were not favourable. We are in the midst of U.S.-China trade tension and as a result the Chinese currency depreciated by approximately 9%.

We have been cautious and conservative about participating in biotechnology IPOs on the Hong Kong Stock Exchange due to the rich valuations. The exchange amended its Main Board Listing Rules (Listing Rules) in 2017 to allow pre-revenue New Economy companies to list on the Main Board. We are patiently waiting for opportunities to participate when the asset is priced at a more reasonable valuation.

Despite regulatory headwinds and policy changes, the Indian pharmaceutical industry has surprisingly experienced prescription volume-driven growth rate acceleration. The industry grew approximately 9% during the half year and benefited from several positive volume drivers including rising disposable income, the rising prevalence of chronic diseases, improving medical infrastructure and increasing insurance coverage. Price improvement also had a modest positive impact on industry growth. Overall, the current period's industry growth rate markedly exceeded last year's figure (-4%), which was depressed by trade inventory corrections stemming from the introduction of the Goods and Services Tax (GST).

Looking ahead, we anticipate more of the same strong tailwinds with favourable volume growth and, to a lesser extent, slightly improved pricing, sustaining mid-to-high single digit industry growth. We are closely monitoring the roll out of the National Health Protection Scheme (NHPS), a government funded healthcare programme that will expand health insurance coverage throughout the country. At present, over 60% of India's healthcare expenditure is "out of pocket" and NHPS is expected to reduce this burden and boost healthcare consumption overall as a result.

Review of Investments (continued)

Exports to the ever-important U.S. market account for more than 40% of Indian pharmaceutical revenues and companies with a significant U.S. presence continue to experience significant pricing erosion due to customer consolidation and increased Abbreviated New Drug Application (ANDA) approval rates at the FDA. The pace of decline has moderated somewhat to high single digits compared with the mid-teens decline witnessed a year ago, as afflicted companies trim their product portfolio in response to weaker pricing. Price declines are likely to be partially offset by rupee depreciation against U.S. dollar. Despite these challenges, the U.S. market remains a major source of profitability for a majority of Indian generic companies. Indian companies have begun realigning U.S. efforts by focusing on complex and specialty products and stepping up supportive investments in R&D, regulatory compliance and quality improvement. As a result, our focus remains on Indian pharmaceutical companies with increasing U.S. exposure, clean regulatory track records and differentiated generic pipelines.

Additionally, Indian pharmaceutical companies continue to benefit from the high double-digit growth rates registered in emerging markets such as South East Asia, Middle East, Africa, and Eastern Europe. Many companies have increased exposure to these geographies via a local manufacturing presence (either organic or acquired) or supply agreements with large distributors. We prefer Indian pharmaceutical companies with exposure to these high growth emerging markets since it could provide some offset to the challenging trends encountered in the U.S. market.

OUTLOOK FOR 2019

The current period saw healthcare stocks trade on a number of different factors, from macro headwinds and tailwinds and on mostly positive fundamentals as well. For 2019, we expect a shift to more of a focus on fundamentals to drive share prices. First, political controversy should ebb given that drug pricing noise should recede and the election cycle should be silent. Second, the secular demand and consumption of healthcare goods and services remains strong. Third, healthcare valuations for the most part are reasonable.

However, as market volatility has spiked in October, its potential impact to returns cannot be ignored. Whilst difficult to predict, it may be reasonable to assume that volatility may remain elevated into 2019 as long as trade negotiations, Brexit, U.S. federal policy, and other macro factors remain in flux.

That said, innovation-driven growth remains at the forefront of our bullish view of the healthcare sector. The current new product cycle across the industry is clearly the best since the "me too" days of the 1990s. Whilst biosimilars will become more prominent in 2019, the industry is not facing a patent cliff as it did in the 2000s. In addition, the regulatory environment is very supportive with record setting new drug approval rates. Overall, we expect many performance generating opportunities to exist as this golden age of innovation continues.

Sven H. Borho and Trevor M. Polischuk
OrbiMed Capital LLC
Portfolio Manager
22 November 2018

Review of Investments (continued)

PRINCIPAL CONTRIBUTORS TO AND DETRACTORS FROM NET ASSET VALUE PERFORMANCE

For the six months to 30 September 2018

Top Five Contributors	**Contribution £'000**	**Contribution per share (p)***
Boston Scientific	27,366	54.7
Merck	22,433	44.8
Alexion Pharmaceuticals	21,511	43.0
Wright Medical	17,786	35.5
Eisai	16,479	32.9
	105,575	210.9

Top Five Detractors		
Puma Biotechnology	(8,340)	(16.7)
Nevro	(7,892)	(15.8)
Clovis Oncology	(6,272)	(12.5)
Alnylam Pharmaceuticals†	(3,905)	(7.8)
Dentsply Sirona	(3,883)	(7.6)
	(30,292)	(60.4)

*based on 50,069,548 shares being the weighted average number of shares in issue during the six months ended 30 September 2018.

†not held in the portfolio as at 30 September 2019

Source: Frostrow Capital LLP

Portfolio

as at 30 September 2018

Investments	Country/region	Market value £'000	% of investments
Alexion Pharmaceuticals	USA	85,606	5.3
Boston Scientific	USA	76,417	4.7
Merck	USA	74,996	4.7
Biogen	USA	73,192	4.5
Allergan	USA	58,467	3.6
Wright Medical	USA	51,527	3.2
Vertex Pharmaceuticals	USA	51,228	3.2
Novo Nordisk*	Denmark	49,728	3.1
Edwards Lifesciences	USA	46,263	2.9
Mylan	USA	43,228	2.7
Top 10 investments		**610,652**	**37.9**
Cigna	USA	42,828	2.7
Thermo Fisher Scientific	USA	40,528	2.4
Anthem	USA	39,486	2.4
Humana	USA	37,939	2.4
Celgene	USA	37,219	2.3
Eisai	Japan	35,420	2.2
Takeda Pharmaceutical	Japan	34,924	2.2
Regeneron Pharmaceuticals	USA	33,679	2.1
Bristol-Myers Squibb	USA	31,500	2.0
Jazz Pharmaceuticals	Ireland	28,569	1.8
Top 20 investments		**972,744**	**60.4**
Intuitive Surgical	USA	25,743	1.6
Illumina	USA	25,498	1.6
Sarepta Therapeutics	USA	24,969	1.5
DaVita	USA	24,355	1.5
Puma Biotechnology	USA	22,591	1.4
Johnson & Johnson	USA	21,718	1.3
Bayer	Germany	21,674	1.3
UnitedHealth	USA	20,804	1.3
Novartis	Switzerland	20,469	1.3
Chugai Pharmaceutical	Japan	20,186	1.3
Top 30 investments		**1,200,751**	**74.5**

*includes Novo Nordisk ADR equating to 0.7% of investments.

Portfolio (continued)

as at 30 September 2018

Investments	Country/region	Market value £'000	% of investments
Nevro	USA	19,372	1.2
Dentsply Sirona	USA	17,013	1.1
Agilent Technologies	USA	14,873	0.9
Molina Healthcare	USA	14,196	0.9
Bluebird Bio	USA	13,077	0.8
Coherus Biosciences	USA	13,065	0.8
Array BioPharma	USA	12,788	0.8
BeiGene**	China	12,417	0.8
Bausch Health	Canada	12,266	0.8
PTC Therapeutics	USA	11,950	0.7
Top 40 investments		**1,341,768**	**83.3**
Centene	USA	11,124	0.7
Deciphera Pharmaceuticals	USA	10,977	0.7
Nippon Shinyaku	Japan	10,975	0.7
Galapagos	Belgium	10,962	0.7
Genmab	Denmark	10,596	0.7
Sino Biopharmaceuticals	China	10,538	0.6
Stryker	USA	10,382	0.6
Aerie Pharmaceuticals	USA	9,997	0.6
Teleflex	USA	9,469	0.6
Wright Medical Contingent Value Rights	Netherlands	9,390	0.6
Top 50 investments		**1,446,178**	**89.8**
Clovis Oncology	USA	9,276	0.6
Exelixis	USA	9,183	0.6
MEDNAX	USA	9,045	0.5
Spectrum Pharmaceuticals	USA	8,200	0.5
Abbott Laboratories	USA	8,106	0.5
Santen Pharmaceutical	Japan	7,899	0.5
Alliance Healthcare Services FRN 20/04/2024 (unquoted)	USA	7,659	0.5
Cadila Healthcare	India	7,516	0.5
Tandem Diabetes Care	USA	6,904	0.4
Ironwood Pharmaceuticals	USA	6,347	0.4
Top 60 investments		**1,526,313**	**94.8**

**includes BeiGene ADR equating to 0.6% of investments.

Portfolio (continued)

as at 30 September 2018

Investments	Country/region	Market value £'000	% of investments
Insmed 1.75% 15/01/2025 (unquoted)	USA	6,130	0.4
Bioventus FRN 21/11/2021 (unquoted)	USA	5,881	0.4
Aetna	USA	5,629	0.3
Medical Depot Holdings FRN 21/12/2023 (unquoted)	USA	5,353	0.3
111	China	5,184	0.3
CRISPR Therapeutics	Switzerland	4,699	0.3
Indivior	United Kingdom	4,639	0.3
Radius Health	USA	4,368	0.3
Fluidigm	USA	4,304	0.3
Amicus Therapeutics	USA	4,119	0.2
Top 70 investments		**1,576,619**	**97.9**
Insmed	USA	4,065	0.3
Shandong Weigao Group Medical Polymer	China	3,974	0.2
IHH Healthcare	Malaysia	3,854	0.2
Wenzhou Kangning Hospital	China	3,756	0.2
HCA	USA	3,627	0.2
China Medical System	China	3,019	0.2
McKesson	USA	2,777	0.2
Jubilant Life Sciences	India	2,727	0.2
Yestar Healthcare	China	2,479	0.2
ImmunoGen	USA	2,145	0.1
Top 80 investments		**1,609,042**	**99.9**
ElectroCore	USA	2,131	0.2
Allakos	USA	2,038	0.1
RA Medical Systems	USA	1,443	0.1
Shanghai Fosun Pharmaceutical	China	1,320	0.1
Adamas Pharmaceuticals	USA	514	0.0
Innoviva FRN 18/08/2022 (unquoted)	USA	84	0.0
Aegerion Pharmaceuticals 2% 15/08/2019 (unquoted)	USA	74	0.0
Alimera Sciences	USA	47	0.0
Total equities and fixed interest investments		**1,616,693**	**100.4**

Portfolio (continued)

as at 30 September 2018

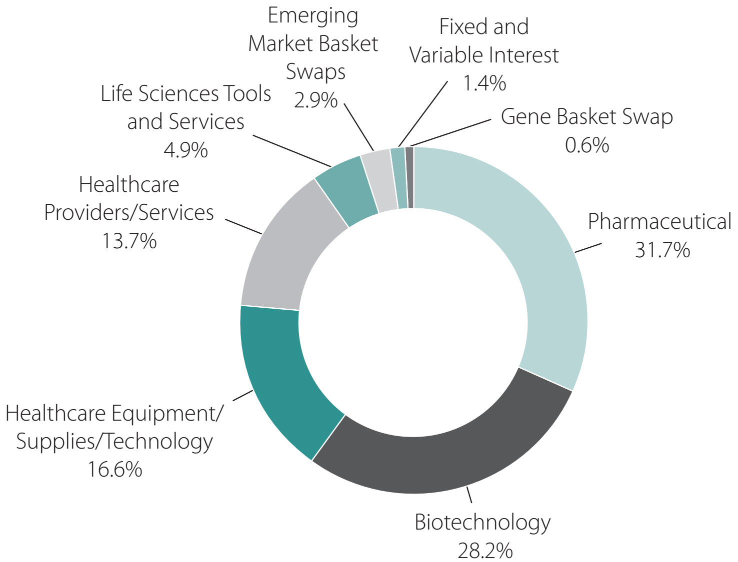
Investments	Country/region	Market value £'000	% of investments
OTC Equity Swaps – Financed			
Emerging Markets Healthcare (Basket)	Emerging Markets	19,083	1.2
Jiangsu Hengrui Medicine	China	17,811	1.1
JPM China HC A-Share (Basket)	China	15,484	1.0
Aier Eye Hospital Group	China	14,312	0.9
India Health Care (Basket)	India	11,277	0.7
JPM Gene (Basket)	USA	10,482	0.6
Jiangsu Nhwa Pharmaceutical	China	4,468	0.3
Shenzhen Salubris Pharmaceuticals	China	3,463	0.2
Hualan Biological Engineering	China	2,945	0.2
Jointown Pharmaceutical Group	China	1,274	0.0
Less: Gross exposure on financed swaps		(106,493)	(6.6)
Total OTC Swaps		**(5,894)**	**(0.4)**
Total investments including OTC Swaps		**1,610,799**	**100.0**
Put Options (Long)		4	0.0
Put Options (Short)		(366)	0.0
Call Options (Long)		379	0.0
Call Options (Short)		(14)	0.0
Total investments including OTC Swaps and Options		**1,610,802**	**100.0**

See note 1 beginning on page 25 for further details in relation to the OTC Swaps and Options.

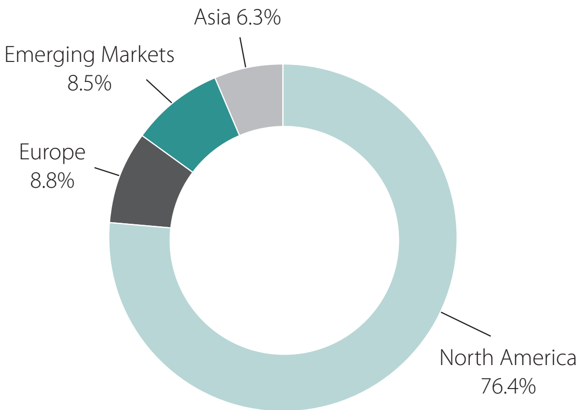
Portfolio Analysis

as at 30 September 2018

By Sector



By Geography



Interim Management Report

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties associated with the Company are set out on pages 22 to 24 of the Annual Report & Accounts for the year ended 31 March 2018, which is published on the Company's website. Such risks and uncertainties are as applicable for the remaining six months of the Company's financial year as they have been for the period under review. The risks can be summarised under the following headings: Investment (including leverage risks); Operational (including financial, corporate governance, accounting, legal, cyber security and regulatory risks); and, Strategic (including shareholder relations and share price performance).

The Board acknowledges the continued uncertainty surrounding the UK's decision to leave the EU. While the Board does not consider that this decision has significantly altered the risk profile of the Company as the vast majority of the Company's investments are based outside the EU, it acknowledges that there has been a considerable level of currency volatility since the decision was taken. The Company does not currently hedge its currency exposure..

RELATED PARTY TRANSACTIONS

During the first six months of the current financial year no material transactions with related parties have taken place which have affected the financial position or the performance of the Company during the period.

GOING CONCERN

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and, more specifically, that there are no material uncertainties relating to the Company that would prevent its ability to continue in such operational existence for at least twelve months from the date of the approval of this half yearly financial report. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

DIRECTORS' RESPONSIBILITIES

The Board of Directors confirms that, to the best of its knowledge:

(i) the condensed set of financial statements contained within the Half Year Report has been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting); and

(ii) the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Half Year Report has not been reviewed or audited by the Company's auditor.

For and on behalf of the Board

Sir Martin Smith

Chairman

22 November 2018

Income Statement

for the six months ended 30 September 2018

	(Unaudited) Six months ended 30 September 2018			(Unaudited) Six months ended 30 September 2017		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Gains on investments	–	238,502	238,502	–	84,691	84,691
Exchange (losses)/gains on overdraft	–	(4,766)	(4,766)	–	7,618	7,618
Income from investments (note 2)	8,141	–	8,141	5,573	–	5,573
AIFM, portfolio management, and performance fees (note 3)	(286)	1,166	880	(244)	(14,001)	(14,245)
Other expenses	(375)	–	(375)	(365)	–	(365)
Net return before finance charges and taxation	**7,480**	**234,902**	**242,382**	**4,964**	**78,308**	**83,272**
Finance charges	(65)	(1,232)	(1,297)	(42)	(792)	(834)
Net return before taxation	**7,415**	**233,670**	**241,085**	**4,922**	**77,516**	**82,438**
Taxation	(975)	343	(632)	(758)	–	(758)
Net return after taxation	**6,440**	**234,013**	**240,453**	**4,164**	**77,516**	**81,680**
Return per share (note 4)	**12.9p**	**467.4p**	**480.3p**	**8.9p**	**165.9p**	**174.8p**

The "Total" column of this statement is the Income Statement of the Company. The "Revenue" and "Capital" columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations and the net return after taxation is attributable to the owners of the Company.

The Company has no recognised gains and losses other than those shown above and therefore no separate statement of Total Comprehensive Income has been presented.

Statement of Changes in Equity

for the six months ended 30 September 2018

	(Unaudited) Six months ended 30 September 2018 £'000	(Unaudited) Six months ended 30 September 2017 £'000
Opening shareholders' funds	1,202,188	1,100,903
Issue of new shares	20,994	23,482
Return for the period	240,453	81,680
Dividends paid – revenue	(5,497)	(7,447)
Closing shareholders' funds	**1,458,138**	**1,198,618**

Statement of Financial Position

as at 30 September 2018

	(Unaudited) 30 September 2018 £'000	(Audited) 31 March 2018 £'000
Fixed assets		
Investments	1,616,693	1,259,926
Derivatives – OTC swaps	4,683	34,105
	1,621,376	**1,294,031**
Current assets		
Debtors	4,663	6,601
Derivatives – put and call options	383	587
Cash	20,169	9,932
	25,215	**17,120**
Current liabilities		
Creditors: amounts falling due within one year	(177,496)	(107,865)
Derivatives – OTC Swaps	(10,577)	–
Derivatives – put and call options	(380)	(1,098)
	(188,453)	(108,963)
Net current liabilities	**(163,238)**	**(91,843)**
Total net assets	**1,458,138**	**1,202,188**
Capital and reserves		
Ordinary share capital	12,656	12,466
Share premium account	338,210	317,406
Capital redemption reserve	8,221	8,221
Capital reserve	1,085,719	851,706
Revenue reserve	13,332	12,389
Total shareholders' funds	**1,458,138**	**1,202,188**
Net asset value per share – (note 5)	**2,880.5p**	**2,411.1p**

Notes to the Financial Statements

1. ACCOUNTING POLICIES

The condensed Financial Statements for the six months to 30 September 2018 comprise the statements set out on pages 23 and 24 together with the related notes below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting', the AIC's Statement of Recommended Practice issued in November 2014 and updated in January 2017 and February 2018 ('SORP') and using the same accounting policies as set out in the Company's Annual Report and Financial Statements at 31 March 2018.

Going concern

After making enquiries, and having reviewed the Investments, Statement of Financial Position and projected income and expenditure for the next 12 months, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. The Directors have therefore adopted the going concern basis in preparing these condensed financial statements.

Fair value

Under FRS 102 and FRS 104 investments have been classified using the following fair value hierarchy:

Level 1 – Quoted market prices in active markets

Level 2 – Prices of a recent transaction for identical instruments

Level 3 – Valuation techniques that use:

- (i) observable market data; or
- (ii) non-observable data

Notes to the Financial Statements
(continued)

As of 30 September 2018

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments held at fair value through profit or loss	1,591,512	–	25,181	1,616,693
Derivatives: OTC Swaps (asset)	–	4,683	–	4,683
Derivatives: OTC Swaps (liability)	–	(10,577)	–	(10,577)
Derivatives: put and call options (long)	–	383	–	383
Derivatives: put and call options (short)	–	(380)	–	(380)
Total	**1,591,512**	**(5,891)**	**25,181**	**1,610,802**

As of 31 March 2018

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments held at fair value through profit or loss	1,227,205	–	32,721	1,259,926
Derivatives: OTC Swaps	–	34,105	–	34,105
Derivatives: put and call options (long)	–	587	–	587
Derivatives: put and call options (short)	–	(1,098)	–	(1,098)
Total	**1,227,205**	**33,594**	**32,721**	**1,293,520**

2. INCOME

	(Unaudited) Six months ended 30 September 2018 £'000	(Unaudited) Six months ended 30 September 2017 £'000
Investment income	8,141	5,573
Total	**8,141**	**5,573**

Notes to the Financial Statements
(continued)

3. AIFM, PORTFOLIO MANAGEMENT AND PERFORMANCE FEES

	Revenue £'000	(Unaudited) Six months ended 30 September 2018 Capital £'000	Total £'000	Revenue £'000	(Unaudited) Six months ended 30 September 2017 Capital £'000	Total £'000
AIFM fee	(60)	(1,146)	(1,206)	(54)	(1,019)	(1,073)
Portfolio management fee	(226)	(4,284)	(4,510)	(190)	(3,611)	(3,801)
Performance fee reversal/(charge) for the period*	–	6,596	6,596	–	(9,371)	(9,371)
	(286)	**1,166**	**880**	**(244)**	**(14,001)**	**(14,245)**

*During the six months ended 30 September 2018, primarily due to underperformance against the Benchmark in the September 2018 quarter, a reversal of prior period provisions totaling £6,596,000 occurred (six months ended 30 September 2017: charge of £9,371,000).

As at 30 September 2018 no performance fees were accrued or payable (31 March 2018: £9,731,000 accrued, £959,000 payable). Of the 31 March 2018 accrual £3,135,000 crystalised and became payable as at 30 June 2018 and £6,596,000 reversed due to underperformance, as noted above. The performance fee paid related to outperformance generated as at 30 June 2017 that was maintained as at 30 June 2018.

The maximum amount that could become payable by 30 September 2019 is £8,149,000. This would only be payable in full if the September 2018 quarter's underperformance is reversed and the outperformance achieved as at 30 June 2018 is re-attained.

Also see glossary beginning on page 30.

Notes to the Financial Statements
(continued)

4. RETURN PER SHARE

	(Unaudited) Six months ended 30 September 2018 £'000	(Unaudited) Six months ended 30 September 2017 £'000
The return per share is based on the following figures:		
Revenue return	6,440	4,164
Capital return	234,013	77,516
Total return	**240,453**	**81,680**
Weighted average number of shares in issue for the period	50,069,548	46,719,666
Revenue return per share	12.9p	8.9p
Capital return per share	467.4p	165.9p
Total return per share	**480.3p**	**174.8p**

The calculation of the total, revenue and capital returns per ordinary share is carried out in accordance with IAS 33, "Earnings per Share (as adopted in the EU)".

5. NET ASSET VALUE PER SHARE

The net asset value per share is based on the assets attributable to equity shareholders of £1,458,138,000 (31 March 2018: £1,202,188,000) and on the number of shares in issue at the period end of 50,620,778 (31 March 2018: 49,861,278).

6. TRANSACTION COSTS

Purchase transaction costs for the six months ended 30 September 2018 were £440,000 (six months ended 30 September 2017: £366,000).

Sales transaction costs for the six months ended 30 September 2018 were £334,000 (six months ended 30 September 2017: £266,000).

These costs comprise mainly commission.

Notes to the Financial Statements

(continued)

7. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Company are listed in the Interim Management Report on page 22. An explanation of these risks and how they are managed is contained in the Strategic Report and note 16 of the Company's Annual Report & Accounts for the year ended 31 March 2018.

8. COMPARATIVE INFORMATION

The condensed financial statements contained in this half year report do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half years ended 30 September 2018 and 30 September 2017 has not been audited or reviewed by the Company's auditor.

The information for the year ended 31 March 2018 has been extracted from the latest published audited financial statements of the Company. Those financial statements have been filed with the Registrar of Companies. The report of the auditor on those financial statements was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report, and did not contain statements under either section 498 (2) or 498 (3) of the Companies Act 2006.

Earnings for the first six months should not be taken as a guide to the results for the full year.

Glossary of Terms and Alternative Performance Measures ("APMs")

Alternative Investment Fund Managers Directive (AIFMD)

Agreed by the European Parliament and the Council of the European Union and transported into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds (AIFs) and requires them to appoint an Alternative Investment Fund Manager (AIFM) and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Benchmark

The performance of the Company is measured against the MSCI World Health Care Index on a net total return, sterling adjusted basis.

Discount or Premium (APM)

A description of the difference between the share price and the net asset value per share. The size of the discount or premium is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the net asset value per share the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.

Equity Swaps

An equity swap is an agreement in which one party (counterparty) transfers the total return of an underlying equity position to the other party (swap holder) in exchange for a one-off payment at a set date. Total return includes dividend income and gains or losses from market movements. The exposure of the holder is the market value of the underlying equity position.

Your Company uses two types of equity swap:

- funded, where payment is made on acquisition. They are equivalent to holding the underlying equity position with the exception of additional counterparty risk and not possessing voting rights in the underlying; and,
- financed, where payment is made on maturity. As there is no initial outlay, financed swaps increase economic exposure by the value of the underlying equity position with no initial increase in the investments value – there is therefore embedded leverage within a financed swap due to the deferral of payment to maturity.

Glossary of Terms and Alternative Performance Measures ("APMs") (continued)

Leverage (APM)

Leverage is defined in the AIFMD as any method by which the AIFM increases the exposure of an AIF. In addition to the gearing limit the Company also has to comply with the AIFMD leverage requirements. For these purposes the Board has set a maximum leverage limit of 140% for both methods. This limit is expressed as a % with 100% representing no leverage or gearing in the Company. There are two methods of calculating leverage as follows:

The Gross Method is calculated as total exposure divided by Shareholders' Funds. Total exposure is calculated as net assets, less cash and cash equivalents, adding back cash borrowing plus derivatives converted into the equivalent position in their underlying assets.

The Commitment Method is calculated as total exposure divided by Shareholders Funds. In this instance total exposure is calculated as net assets, less cash and cash equivalents, adding back cash borrowing plus derivatives converted into the equivalent position in their underlying assets, adjusted for netting and hedging arrangements.

See the definition of Options and Equity Swaps for more details on how exposure through derivatives is calculated.

	Six months to 30 September 2018 £'000		One year to 31 March 2018 £'000	
	Fair Value	Exposure*	Fair Value	Exposure*
Investments	1,616,693	1,616,693	1,259,926	1,259,926
OTC equity swaps	(5,894)	100,599	34,105	126,125
Put + Call options	3	9,233	(511)	13,098
	1,610,802	**1,726,525**	**1,293,520**	**1,399,149**
Shareholders' funds		1,458,138		1,202,188
Leverage %		18.5%		16.4%

*Calculated in accordance with AIFMD requirements using the Commitment Method

MSCI World Health Care Index

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Glossary of Terms and Alternative Performance Measures ("APMs") (continued)

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NAV Total Return (APM)

The theoretical total return on shareholders' funds per share, reflecting the change in NAV assuming that dividends paid to shareholders were reinvested at NAV at the time the shares were quoted ex-dividend. A way of measuring investment management performance of investment trusts which is not affected by movements in discounts/premiums.

	Six months to 30 September 2019	One year to 31 March 2018
Opening NAV	2411.1p	2,367.2p
Increase in NAV	469.4p	43.9p
Closing NAV	**2,880.5p**	**2,411.1p**
% increase in NAV	19.5%	1.9%
Impact of reinvested dividends	0.5%	0.9%
NAV Total Return	**20.0%**	**2.8%**

Ongoing Charges (APM)

Ongoing charges are calculated by taking the Company's annualised ongoing charges, excluding finance costs, taxation, performance fees and exceptional items, and expressing them as a percentage of the average daily net asset value of the Company over the year.

	Six months to 30 September 2018 £'000	One year to 31 March 2018 £'000
AIFM & Portfolio Management fees	5,716	9,862
Other Expenses	375	908
Total Ongoing Charges	**6,091**	**10,770**
Performance fees paid/crystalised	3,136	3,387
Total	**9,227**	**14,157**
Average net assets	1,332,048	1,183,992
Ongoing Charges (annualised)	**0.9%**	**0.9%**
Ongoing Charges (annualised, including performance fees paid or crystalised during the year)	**1.1%**	**1.2%**

Glossary of Terms and Alternative Performance Measures (“APMs”) (continued)

Options

An option is an agreement that gives the buyer, who pays a fee (premium), the right – but not the obligation – to buy or sell a specified amount of an underlying asset at an agreed price (strike or exercise price) on or until the expiration of the contract (expiry). A call option is an option to buy, and a put option an option to sell.

The potential loss of the buyer is limited to the higher of the premium paid or the market value of the bought option. On the other side for the seller of a covered call option (your company does not sell uncovered options) any loss would be offset by gains in the covering position, and for sold puts the potential loss is the strike price times the number of option contracts held. The exposure, used in calculating the AIFMD leverage limits, is determined as the delta (an options delta measures the sensitivity of an option’s price solely to a change in the price of the underlying asset) adjusted equivalent of the underlying position.

Performance Fee

Dependent on the level of long-term outperformance of the Company, a performance fee can be become payable. The performance fee is calculated by reference to the amount by which the Company’s net asset value (‘NAV’) performance has outperformed the Benchmark.

The fee is calculated quarterly by comparing the cumulative performance of the Company’s NAV with the cumulative performance of the Benchmark since the launch of the Company in 1995. Provision is also made within the daily NAV per share calculation as required and in accordance with generally accepted accounting standards. The performance fee amounts to 15.0% of any outperformance over the Benchmark (see page 28 of the Company’s Annual Report & Accounts for the year ended 31 March 2018 for further information).

In order to ensure that only sustained outperformance is rewarded, at each quarterly calculation date any performance fee payable is based on the lower of:

i) The cumulative outperformance of the investment portfolio over the Benchmark as at the quarter end date; and

ii) The cumulative outperformance of the investment portfolio over the Benchmark as at the corresponding quarter end date in the previous year.

The effect of this is that outperformance has to be maintained for a twelve-month period before the related fee is paid.

In addition, a performance fee only becomes payable to the extent that the cumulative outperformance gives rise to a total fee greater than the total of all performance fees paid to date.

Glossary of Terms and Alternative Performance Measures ("APMs") (continued)

Share Price Total Return (APM)

Return to the investor on mid-market prices assuming that all dividends paid were reinvested.

	Six months to 30 September 2018	One year to 31 March 2018
Opening share price	2,405.0p	2,304.0p
Increase in share price	495.0p	101.0p
Closing share price	**2,900.0p**	**2,405.0p**
% increase in share price	20.6%	4.4%
Impact of reinvested dividends	0.5%	0.9%
Share price Total Return	**21.1%**	**5.3%**

How to Invest

RETAIL INVESTORS ADVISED BY FINANCIAL ADVISERS

The Company currently conducts its affairs so that its shares can be recommended by financial advisers in the UK to ordinary retail investors in accordance with the Financial Conduct Authority (FCA) rules in relationship to non-mainstream investment products and intends to continue to do so. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

INVESTMENT PLATFORMS

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stock broker or other financial intermediary. The shares are available through savings plans (including Investment Dealing Accounts, ISAs, Junior ISAs and SIPPs) which facilitate both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities. A list of some of them, that is not comprehensive nor constitutes any form of recommendation, can be found below:

AJ Bell Youinvest	www.youinvest.co.uk/
Alliance Trust Savings	www.alliancetrustsavings.co.uk/
Barclays Stockbrokers	www.smartinvestor.barclays.co.uk/
Bestinvest	www.bestinvest.co.uk/
Charles Stanley Direct	www.charles-stanley-direct.co.uk/
Club Finance	www.clubfinance.co.uk/
Fidelity	www.fidelity.co.uk/
Halifax Share Dealing	www.halifax.co.uk/Sharedealing/
Hargreaves Lansdown	www.hl.co.uk/
HSBC	investments.hsbc.co.uk/
iDealing	www.idealing.com/
IG Index	www.igindex.co.uk/
Interactive Investor	www.iii.co.uk/
IWEB	www.iweb-sharedealing.co.uk/share-dealing-home.asp
James Brearley	www.jbrearley.co.uk/Marketing/index.aspx
James Hay	www.jameshay.co.uk/
Saga Share Direct	www.sagasharedirect.co.uk/
Selftrade	www.selftrade.co.uk/
The Share Centre	www.share.com/
Saxo Capital Markets	uk.saxomarkets.com/

How to Invest (continued)

LINK ASSET SERVICES – SHARE DEALING SERVICE

A share dealing service is available to existing shareholders through the Company's Registrar, Link Asset Services, to either buy or sell shares. An online and telephone dealing facility provides an easy to access and simple to use service.

There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade 'real time' at a known price which will be given to you at the time you give your instruction.

To deal online or by telephone all you need is your surname, investor code, full postcode and your date of birth. Your investor code can be found on your tax voucher or certificate. Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service, please contact: www.linksharedeal.com (online dealing).

Telephone: 0371 664 0445 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 8.00 am – 4.30 pm, Monday to Friday excluding public holidays in England and Wales).

RISK WARNINGS

- Past performance is no guarantee of future performance.
- The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stockmarkets in which the Company invests and by the supply and demand for the Company's shares.
- As the shares in an investment trust are traded on a stockmarket, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.
- Although the Company's financial statements are denominated in sterling, it may invest in stocks and shares that are denominated in currencies other than sterling and to the extent they do so, they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.
- Investors should note that tax rates and reliefs may change at any time in the future.
- The value of ISA and Junior ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs and Junior ISAs may not be maintained.

Company Information

Directors
Sir Martin Smith, (Chairman)
Sarah Bates
Sven Borho
Dr David Holbrook
Humphrey van der Klugt, FCA
Doug McCutcheon

Registered Office
One Wood Street,
London EC2V 7WS

Website
www.worldwidewh.com

Company Registration Number
3023689 (Registered in England)

The Company is an investment company as defined under Section 833 of the Companies Act 2006.
The Company was incorporated in England on 14 February 1995. The Company was incorporated as Finsbury Worldwide Pharmaceutical Trust PLC.

Alternative Investment Fund Manager, Company Secretary and Administrator
Frostrow Capital LLP
25 Southampton Buildings,
London WC2A 1AL
Telephone: 0203 008 4910
E-Mail: info@frostrow.com
Website: www.frostrow.com
Authorised and regulated by the Financial Conduct Authority.

If you have an enquiry about the Company or if you would like to receive a copy of the Company's monthly fact sheet by e-mail, please contact Frostrow Capital using the above e-mail address.

Portfolio Manager
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Telephone: +1 212 739 6400
Website: www.orbimed.com
Registered under the U.S. Securities Exchange Commission.

Depositary
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London E14 5JP

Auditor
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Prime Broker
J.P. Morgan Securities LLC
Suite 1, Metro Tech Roadway
Brooklyn, NY 11201
USA

Registrars
Link Asset Services
The Registry
34 Beckenham Road, Beckenham
Kent BR3 4TU
Telephone (in UK): 0871 664 0300†
Telephone (from overseas): +44 371664 0300†
E-Mail: enquiries@linkgroup.co.uk
Website: www.linkassetservices.com

Please contact the Registrars if you have a query about a certificated holding in the Company's shares.

†Calls cost 12p per minute plus your phone company's access charge and may be recorded for training purposes. Calls outside the UK will be charged at the applicable international rate. Lines are open between 09:00 and 17:30 Monday to Friday excluding public holidays in England and Wales.

Stockbroker
Winterflood Securities Limited
The Atrium Building,
Cannon Bridge, 25 Dowgate Hill,
London EC4R 2GA

Company Information (continued)

FINANCIAL CALENDAR

Financial Year End	31 March
Final Results Announced	June
Half Year End	30 September
Half Year Results Announced	November
Dividends Payable	January/July
Annual General Meeting	July

Share Price Listings

The price of your shares can be found in various publications including the Financial Times, The Daily Telegraph, The Times and The Scotsman.

The Company's net asset value per share is announced daily on the TrustNet website at www.trustnet.com

Identification Codes

SEDOL	:	0338530
ISIN	:	GB0003385308
BLOOMBERG	:	WWH LN
EPIC	:	WWH

Global Intermediary Identification Number (GIIN)

FIZWRN.99999.SL.826

Legal Entity Identifier (LEI)

5493003YBCY4W1IMJU04

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Worldwide Healthcare Trust PLC

Investment Objective and Policy

Worldwide Healthcare Trust PLC is a specialist investment trust that invests in the global healthcare sector with the objective of achieving a high level of capital growth. In order to achieve its investment objective, the Company invests worldwide in a diversified portfolio of shares in pharmaceutical and biotechnology companies and related securities in the healthcare sector. It uses gearing, and derivative transactions to enhance returns and mitigate risk. Performance is measured against the MSCI World Health Care Index on a net total return, sterling adjusted basis (Benchmark). Further details of the Company's investment policy are set out in the Company's Annual Report and Accounts.

Accessing the Global Market

The healthcare sector is a global one and accessing this global market as a UK investor can be difficult. Within the UK, there are diminishing options for investment as the universe of healthcare companies is shrinking through merger and acquisition activity. The Company offers an opportunity to gain exposure to pharmaceutical, biotechnology and related companies in the healthcare sector on a global scale.

Worldwide Healthcare Trust PLC is able to participate in all aspects of healthcare, anywhere in the world because of its broad investment mandate. These may include patented specialty medicines for small patient populations and unpatented generic drugs, in both developed countries and emerging markets. In addition, the Company invests in medical device technologies, life science tools and healthcare services. The overall geographic spread of Worldwide Healthcare Trust PLC is also extensive with investments in the U.S., Europe, Asia and emerging markets.

How to Invest

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stock broker or other financial intermediary. The shares are available through savings plans (including investment dealing accounts, ISAs, Junior ISAs and SIPPs) which enable both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities. Further details can be found on pages 35 and 36.

Winner: Investment Week,
Investment Company of the Year 2016,
Specialist (including Hedge Funds) Category

The Company is a member of The Association of Investment Companies.

Worldwide Healthcare Trust PLC
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