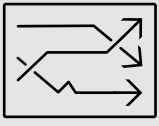


# abrdrn World Healthcare Fund

## Quarterly Commentary

Quarter ended September 30, 2024

### Fund performance



The equity portion of the Fund gained (gross of fees)<sup>1</sup> but underperformed its benchmark<sup>2</sup> over the quarter.

At the stock level, Novo Nordisk detracted from performance. Despite strong sales and earnings growth in its diabetes and obesity franchises and double-digit growth in Wegovy, the stock's performance was mixed. Meanwhile, Merck & Company's stock declined primarily due to concerns over Gardasil sales in China. Despite an overall strong performance, Merck reported a significant drop in Gardasil shipments from its Chinese distributor, Chongqing Zhifei Biological Products Company. This was attributed to higher-than-normal inventory levels and reduced promotional efforts by the distributor. Additionally, China's ongoing anti-bribery and anti-corruption campaign affected the market for medical products, further weighing on Gardasil's sales. Dexcom's shares also fell after the company missed second-quarter revenue expectations and issued weak guidance for the full year. Despite making progress with its continuous glucose monitoring systems, Dexcom faced execution challenges that undermined investor confidence.

Conversely, UnitedHealth Group's stock appreciated after the company's second-quarter earnings demonstrated continued strong performance in its business segments. Meanwhile, the medical-loss-ratio pressures seen earlier in the year, as well as the business interruptions due to a cyber attack, have abated. AbbVie was also favourable. Its stock performed strongly due to robust sales growth in its immunology and oncology portfolios, particularly in Skyrizi and Rinvoq, as well as better-than-expected earnings and revenue. Additionally, the company raised its full-year earnings per share guidance, further boosting investor confidence. Meanwhile, Roche Holdings' shares appreciated on the heels of some encouraging early-stage data for an oral obesity drug, highlighting its potential to become a player in the obesity-treatment market in the long term.

### Market review

Global equity markets ended higher over the quarter. Given continued disinflation in recent months, the US Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) have all now started cutting interest rates. Moreover, investors are factoring in further interest-rate reductions in most regions before the end of 2024, particularly as the risk of a US recession has risen in the face of a slowing labour market. However, with some inflationary pressures still lingering, the world's major central banks

<sup>1</sup> Past performance is no guarantee of future results. Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. Net asset value return data include investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions.

<sup>2</sup> The Fund's blended benchmark comprises 80% S&P Global 1200 Healthcare Index, 15% S&P 500 Healthcare Corporate Bond Index, 5% S&P Composite 1500 Healthcare REITS Index.

The S&P Global 1200 Healthcare Index includes securities of those companies listed on the S&P Global 1200 Index classified according to the Industry Classification Benchmark as healthcare. The S&P Global 1200 Index is an unmanaged index considered representative of the global equity market, which captures roughly 70% of global market capitalization.

The S&P 500 Healthcare Corporate Bond Index includes securities of those companies listed on the S&P 500 Bond Index classified according to the Industry Classification Benchmark as healthcare. The S&P 500 Bond Index is an unmanaged index that comprises the corporate debt of those companies listed on the S&P 500 Index, which is considered representative of the U.S. stock market.

The S&P Composite 1500 Healthcare REITS Index includes securities of those companies listed on the S&P Composite 1500 Index classified according to the Industry Classification Benchmark as healthcare REITs. The S&P Composite 1500 Index is a broad market portfolio representing the large-, mid- and small-cap segments of the U.S. equity market.

Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

For current holdings information, please visit [abrdrn World Healthcare Fund - Portfolio Holdings](#)



have maintained a data-dependent stance on monetary policy. Against this backdrop, corporate second-quarter results have generally exceeded expectations, particularly from those companies exposed to artificial intelligence (AI). However, investors continued to be concerned about the outlook for the Chinese economy – especially the country’s property sector – and the implications for global economic growth. The ongoing wars in Ukraine and the Middle East remain other key risks.

The performance of the global healthcare sector broadly matched that of global equities over the quarter. Relatively defensive sectors such as real estate and utilities outperformed the S&P World Index as investors factored in further interest-rate cuts before the end of the year given continued disinflation and slowing growth. In contrast, energy was the main laggard due to lower oil prices because of ongoing demand worries. Information technology and communication services also underperformed the index over the quarter due to concerns about high valuations and the need for heavy investment in AI.

## Performance

The latest available performance figures have been calculated net-of-fees in U.S. dollars for the period:

### Cumulative and annualized total return as of September 30, 2024 (%)

	NAV	Market price
Quarter to date	5.89	3.84
Year to date	15.81	23.64
1 year	22.06	26.94
3 years (p.a.)	5.13	3.69
5 years (p.a.)	9.70	10.66
Since inception (p.a.)	6.01	5.90

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## Activity

We initiated several new positions due to increased conviction. These included uniQure, an Amsterdam-headquartered company developing a therapeutic for Huntington’s disease, and BioNTech, a Germany-based developer of vaccines and oncology products. The company has an interesting bispecific antibody in oncology that targets both the PD1 and VEGF checkpoint targets.

The Fund also participated in a series A financing in Radiant Biotherapeutics, a Toronto-based biotechnology company. Radiant Biotherapeutics is an antibody-platform company leading the new frontier of multi-valent, multi-specific therapeutics to deliver transformative therapies for patients. Radiant’s proprietary Multabody platform leverages avidity and multi-specificity simultaneously to generate highly efficacious Multabodies with superior potency than other antibody platforms.

Conversely, the Fund closed several positions over the quarter, including Zimmer Biomet, Baxter and Charles River Laboratories, due to falling conviction in their near-to-medium-term performance.

## Outlook & strategy

Macroeconomic factors remain as unpredictable as ever, with intense scrutiny of data and predictions about when a pivot in interest-rate direction will occur. Geopolitical pressures remain elevated throughout the world. Recessionary concerns are all too present, as global growth stagnates while inflationary pressures remain. Our main focus for the portfolio is at the stock level, ensuring the portfolio is well diversified on both a regional and sector basis, and robust enough to preserve capital in periods of market weakness. We aim to have exposure to higher-quality businesses with the financial strength to withstand volatility and with exposure to strong structural drivers for long-term growth.

In general, the near- and long-term outlooks for healthcare companies remain favourable. Long-term demographic trends of an aging population should continue to support the growing demand for new healthcare products and therapies. Due to the healthcare sector’s generally defensive characteristics, its relative underperformance in the short term should position it favourably, especially if the US and global economies slow down.

## Important Information

### Past performance is no guarantee of future results.

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Fund's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the Fund. The net asset value (NAV) is the value of an entity's assets less the value of its liabilities. The market price is the current price at which an asset can be bought or sold. There is no assurance that the Fund will achieve its investment objective. Past performance does not guarantee future results.

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging market investments.

Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in the market value of an investment), credit (changes in the financial condition of the issuer, borrower, counterparty, or underlying collateral), prepayment (debt issuers may repay or refinance their loans or obligations earlier than anticipated), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

Investments in HQH, HQL, THQ, and THW may be subject to additional risks including limited operating history, security selection, concentration in the healthcare industries, pharmaceuticals sector, biotechnology industry, managed care sector, life science and tool industry, healthcare technology sector, healthcare services sector, healthcare supplies sector, healthcare facilities sector, healthcare equipment sector, healthcare distributors sector, healthcare REIT, interest rate, credit/default, non-investment grade securities, key personnel, discount to NAV, anti-takeover provisions, related party transactions, nondiversification, government intervention, market disruption, geopolitical, and potential conflicts of interest.

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REF # AA-231024-184804-3

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