



EDMOND
DE ROTHSCHILD

EDMOND DE ROTHSCHILD FUND HEALTHCARE

EXTRA-FINANCIAL PERFORMANCE REPORT 2023

MARKETING COMMUNICATION: This is a marketing communication. Please refer to the UCITS prospectus and the Key Investor Information Document before making any final investment decision.



FUND OVERVIEW

The healthcare sector is unique in combining regular and visible growth with innovation. Healthcare is an essential pillar for the sustainable growth of both developed and emerging economies as they seek to address the challenges of demographics, access to care and the funding of medical systems.

Supporting Hospitals and Foundations since 1852, the Edmond de Rothschild Group is a historic player in the healthcare sector. The EDRF Healthcare strategy, one of our very first international equity funds, was launched in 1985 with a specific focus on healthcare.

The fund seeks active exposure to sustainable growth themes (access to healthcare and therapeutic innovation to address unmet medical needs) and aims to capture the sector's performance drivers by focusing on two stock types:

1. COMPANIES OFFERING VISIBILITY AND INCOME

Large caps, pillars of the healthcare system: including pharmaceuticals, large medtech companies, health insurance companies, selected for their ability to generate steady earnings growth and recurring revenue. These players benefit from a strong competitive position and a diversified product portfolio; they aim to deliver high total shareholder return.

2. INNOVATIVE AND FAST-GROWING COMPANIES


Companies that address unmet medical needs through innovative therapies and technologies that transform patient care. These display high growth potential and are selected for their promising outlook on the basis of the addressable market and the value created by their innovations. This category includes biotechnology companies, high growth pharmaceuticals, and life sciences players enabling the transformation of the biotechnology sector.

KEY ELEMENTS 2023



**EUR 548M
AUM as of
29/12/2023**

**Labelled
fund¹
& Article 8
SFDR²**



**MEDICAL INNOVATION
19% of portfolio company
sales reinvested in R&D³
vs. 14% for the benchmark
index⁴**

**Alignment
SDG⁵**



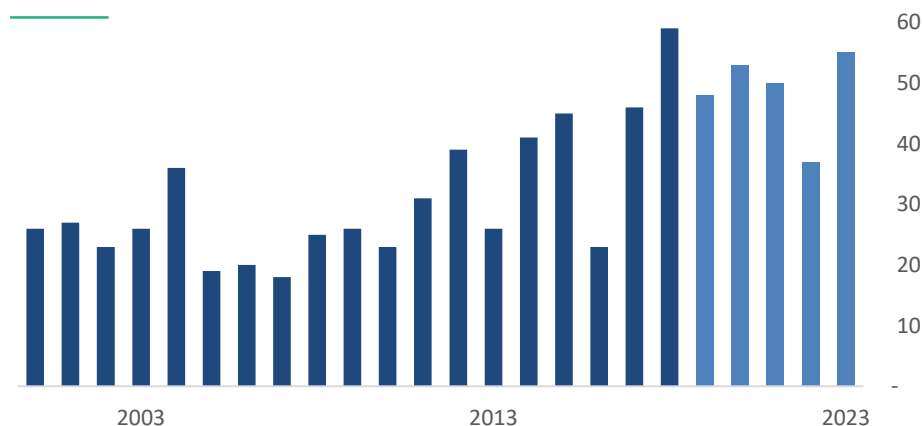
Data as of 12/29/2023 Source EDRAM Viewer, EdRAM (France) **1.** SRI label: The SRI label is a tool for choosing responsible and sustainable investments. Created and supported by the French Ministry of Finance, the label aims to make socially responsible investment (SRI) products more visible to savers in France and Europe. **2.** SFDR classification: A fund's investment policy may change over time, possibly leading to a change in its classification in accordance with the Sustainable Finance Disclosure Regulation (SFDR). If you have any doubts about a fund's SFDR classification, please contact your usual advisor. Article 8 SFDR: Article 8 funds according to the Sustainable Finance Disclosure Regulation (SFDR): funds that promote environmental or social characteristics. **3.** Research and experimental development (R&D). **4.** Benchmark: MSCI ACWI Healthcare. **5.** Alignment with the UN SDGs: The percentage of alignment with each SDG measures the company's contribution to achieving the Sustainable Development Goals.

ESG¹ NEWS

2023: an outstanding year for medical breakthroughs

Thanks to a high level of innovation, the sector continued to contribute greatly to improving human health. In 2023, 55 innovative drugs were approved in the United States. 2023 was the second-best year in history, after 2018.

Number of new drug approvals by FDA



Several portfolio companies were under the spotlight in 2023, with innovative treatments newly introduced to the market:

- ▶ **Alzheimer:** Leqembi by **Biogen**, developed in collaboration with the Japanese company Eisai, was the first drug to be approved in 2023. After Aduhelm in 2021, Leqembi is one of the new drugs able to potentially slow the development of the disease by tackling its physiological causes.
- ▶ **Bronchiolitis in infants:** **Sanofi** successfully launched Beyfortus, a preventive treatment for bronchiolitis in newborns. In just a few months, sales topped €500 million.
- ▶ **Immune-mediated inflammatory diseases:** UCB, the Belgian pharmaceutical company, had a very positive year on the approvals front for a company of its size, with 3 product launches in immune-mediated inflammatory diseases. New products were Zilbrysq and Rystiggo for the treatment of myasthenia gravis, a rare neuromuscular disease, and importantly, its potential multi-blockbuster BimzelX to treat psoriasis.
- ▶ **Without forgetting...obesity** As a reminder, the list of 55 new innovative drugs disclosed by the Food and Drug Administration only considers “new molecular entities”. It therefore does not include the anti-obesity treatment developed by **Lilly**, Zepbound, derived from the same molecule as anti-diabetes treatment Mounjaro, which has been available on the market since 2022. The need for anti-obesity medication is huge and these new, highly effective drugs are now finally offering a solution for millions of people.

Source FDA. ¹ ESG stands for Environmental, Social and Governance criteria.

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ESG NEWS

ESG score unchanged

Overall, the healthcare sector maintained its ESG score in 2023 after several years of improvement. The sector's ESG BUILD/MSCI score (MSCI ACWI Healthcare) fell from 11.78 end 2022 to 11.71 end 2023¹.

Within the portfolio of EdR Fund Healthcare, 3 stocks particularly stood out for their positive news flow:

UCB

UCB stood out in 2023 with the development of innovative treatments and received 3 FDA drug approvals: 2 for myasthenia, a rare neuromuscular disease, and 1 for psoriasis (BimzelX).

During 2022, the company had finalised its leadership in epilepsy with the acquisition of Zogenix. The latter owns Fintepla, which already accounts for over 4% of sales in 2023.

Novartis

After withdrawing from the generic drugs business (Sandoz), Novartis chose to materialise its transformation by focusing on innovative treatments. With an MSCI ESG score of AA, Novartis ranks among the world's top 4 pharmaceutical companies (out of 14). The company also ranks in 4th place (out of a total 20) on the *Access to Medicine Index*. Novartis saw the number of patients benefiting from its treatments in low to middle-income countries rise by 31% in 2023.

Medtronic

Medtronic is deploying a robust ESG strategy. The company has recently made its digital healthcare platform code, SPICE, available in open-source in order to broaden access to healthcare. Furthermore, the company has launched its innovative Neurovascular Co-Lab platform, the always-on virtual portal to collect and examine innovative ideas for improving stroke care.

1. As indicated in the Transparency Code, MSCI's adjusted ESG score ranges from 0 to 20, with 20 being the highest risk. <https://www.edmond-de-rothschild.com/SiteCollectionDocuments/Responsible-investment/EdRF-HEALTHCARE/FR/EDRAM-FR-process-gestion-ISR-EdRF-Healthcare.pdf> The information on companies should not be considered as an opinion of the Edmond de Rothschild Group on the foreseeable development of these securities and, where applicable, on the foreseeable development of the price of the financial instruments they issue. This information does not constitute a recommendation to buy or sell these securities. The composition of the portfolio may change over time.

The results obtained on the EdR Fund Healthcare portfolio are summarised in the following table:

The Fund aims to be particularly aligned with the United Nations' Sustainable Development Goals related to Good Health and Well-Being (SDG 3).

As part of the French SRI label, we are committed to ensuring that the **Carbon Intensity scope 1 and 2 indicators** and the **percentage of Global Compact signatories** are better than the benchmark index.

Corrective actions within the portfolio are implemented to ensure that the fund maintains a better footprint than the index on these two indicators.

ESG indicators	EdR Fund Healthcare	MSCI World Healthcare	
ESG Score (Coverage rate)	11.84/20 (99%)	11.71/20 (100%)	✓
Share of controversial companies according to MSCI (/10)	4.18/10 (99%)	3.36/10 (100%)	✓
SOCIAL IMPACT INDICATORS			
Share of women in the workforce (coverage rate)	53.79% (91%)	51.58% (95%)	✓
Share of women in the executive committee (Coverage rate)	23.89% (99%)	22,75% (99%)	✓
Share of women on the board (Coverage rate)	36.27% (99%)	36.57% (99%)	-
R&D intensity (Coverage rate)	19.38% (100%)	13.54% (94%)	✓
ENVIRONMENTAL IMPACT INDICATOR			
Climate alignment, in degrees (coverage rate)	2.86 (98%)	2.91 (99%)	✓
Carbon intensity (eq CO2/Million € de VE) scopes 1 et 2 (Coverage rate)	2.09 (98%)	5.04 (99%)	✓
GOVERNANCE IMPACT INDICATORS			
Combined CEO/Chair (%)	41.24% (99%)	46.14% (100%)	✓
HUMAN RIGHTS IMPACT INDICATOR			
Global Compact signatory (coverage rate)	68.70% (90%)	58.29% (100%)	✓

These indicators are defined on page 11.

Source: Carbon 4 Finance, EdRAM (France), MSCI. Données au 29/12/2023

As indicated in the Transparency Code, MSCI's adjusted ESG score ranges from 0 to 20, with 20 being the highest risk. Determined by EdRAM (France) according to its proprietary methodology for ESG ratings of issuers.

ACTIVATING SUSTAINABLE DEVELOPMENT OBJECTIVES

In 2023, 400 million people - from a total world population of 8 billion - did not have access to basic healthcare. According to the UNPD (UN Development Programme), almost 1.6 billion people live in fragile settings with little or no access to medical care. The fund is aligned with the United Nations' Sustainable Development Goal promoting "Good Health and Well Being".



Score d'alignement ODD :
Fonds : 29,6% vs. Indice de référence : 29,7%¹

BioMarin

Founded in 1997, BioMarin specialises in the treatment of rare genetic conditions. The company's innovative approach to genetic research led to the development and sale of treatments that address unmet medical needs.

Main initiatives:

- ▶ BioMarin has stepped up efforts to facilitate "access to care" by teaming up with NGOs to distribute gene therapies in low-income countries.
- ▶ The company has also invested in diversity and inclusion initiatives, developing training programmes for its employees and funding projects promoting equal opportunities within the healthcare sector.

Novo Nordisk

Founded in 1923, Novo Nordisk is a global healthcare player and a pioneer in the fight against diabetes. The company has pledged to innovate in the treatment of chronic diseases, with a direct impact on the quality of life for millions of patients throughout the world.

Main initiatives:

- ▶ The company has improved access to care for over 40 million diabetes sufferers and has invested over 6.5 billion dollars in R&D for the development of innovative treatments.
- ▶ In partnership with Aspen, Novo Nordisk produces human insulin for the African continent and has introduced flexible storage insulin in 29 countries, highlighting its commitment to sustainable and accessible healthcare.

Baxter

Since the creation of the company 90 years ago, Baxter has become a leading player in the development of medical technology and plays a crucial role in the continuum of care, offering innovative solutions for hospitals and home care.

Main initiatives:

- ▶ Baxter has enabled over 200,000 patients in developing countries to have access to peritoneal dialysis.
- ▶ The Baxter International Foundation has invested 51 million dollars to support low-income communities, underpinning the company's strong commitment to improving healthcare worldwide.

¹Source: Edram, based on MSCI "SDG Net Alignment score" data, activation thresholds determined by Edram according to its proprietary methodology. The information is for informational purposes only and should not be considered as an opinion of the Edmond de Rothschild Group on the foreseeable development of these securities and, where applicable, on the foreseeable development of the price of the financial instruments they issue. This information does not constitute a recommendation to buy or sell these securities. The composition of the portfolio may change over time.

DIALOGUE AND ENGAGEMENT

Our approach to engagement is part of the broader framework of shareholder commitment and voting policy of Edmond de Rothschild Asset Management (France). This is applicable in France and internationally for all managed portfolios.

The engagement process has two main components:

- ▶ on the one hand, an active voting policy¹ and a dialogue with companies prior to general meetings,
- ▶ and on the other hand a more targeted commitment to ESG issues identified by the management team.

The engagement process implemented within the EdR Fund Healthcare aims to encourage companies to communicate and improve their ESG practices, while contributing to the fund's performance.

Some ESG issues can have a material impact on the valuation of companies

Indeed, certain ESG issues can have a material impact on company valuations. The fund's investment process includes an estimate of the potential for additional stock market appreciation linked to the commitment (earnings growth and/or expansion of valuation multiples).

In 2023, the Responsible Investment team's managers and analysts discussed extra-financial practices with 6 of the 42 companies in the portfolio, representing 14% of the portfolio (UCB, Novartis, NovoNordisk, Roche Sanofi...).

For example, we have initiated a formal engagement process with Radnet, the largest private operator of radiology centers in the United States (350+ diagnostic centers), to encourage the company to improve its governance (on issues such as independence of the Board of Directors, independence of the auditor), to increase transparency in terms of executive remuneration, and to develop better environmental and social communication (implementation of extra-financial reporting).

Finally, in 2023, at the meetings of companies in our portfolio, the managers voted on 470 resolutions proposed by 35 companies, representing a voting rate of 90% of the companies in our voting perimeter. The opposition rate was 23%, notably on auditor renewal issues.

1. See voting policy : <https://www.edmond-de-rothschild.com/SiteCollectionDocuments/Responsible-investment/OUR-ENGAGEMENT/FR/EdRAM-FR-Politique-de-vote.pdf>

Source of voting statistics : ISS. Data as of 29/12/2023. The information on companies should not be considered as an opinion of the Edmond de Rothschild Group on the foreseeable development of these securities and, where applicable, on the foreseeable development of the price of the financial instruments they issue. This information does not constitute a recommendation to buy or sell these securities. The composition of the portfolio may change over time.

FOCUS ASTRAZENECA



Present in over 100 countries, AstraZeneca develops a holistic approach to sustainability, addressing diverse issues ranging from climate change to access to healthcare. The company ranked 3rd in the 2022 Access to Medicine Index.

(Source: Access to Medicine Foundation)

In 2022 and 2023:

- **454 million people benefited from the access to care programmes**
- **11,390 healthcare professionals received training through the Healthy Heart Africa (HHA) programme**
- **20 million trees planted since 2020 under the AZ Forest initiative and 50 million by 2025**
- **1,107 NGOs and non-profit organisations were funded**

In recent years, the company's strategy has given pride of place to research and innovation in key therapeutic areas, with the development of treatments in oncology, auto-immune diseases, vaccines and rare diseases.

By promoting the concept of "sustainable science" throughout the value chain, AstraZeneca combines operational excellence, a lower environmental impact, and improved access to care.

- ▶ **R&D:** collaboration with **My Green Lab** and the "Switch Off Optimisation" programme **to lower the impact** of laboratory activities.
- ▶ **Clinical trials:** broader diversity in clinical trial participants to better reflect patients likely to use the drugs, guaranteeing a robust and reliable body of proof.
- ▶ **Production: the Ambition Zero Carbon strategy** aims to lower absolute greenhouse gas emissions in order to reduce scope 1 and 2 emissions by **98% by 2026**.
- ▶ **Access to care: drugs provided free of charge** in over **20 low or middle-income countries**.



Source: AstraZeneca. Données au 29/12/2023. The information on companies should not be considered as an opinion of the Edmond de Rothschild Group on the foreseeable development of these securities and, where applicable, on the foreseeable development of the price of the financial instruments they issue. This information does not constitute a recommendation to buy or sell these securities. The composition of the portfolio may change over time.

FOCUS CVS HEALTH



CVS Health offers access to free screening and consultations with health professionals through its “Project Health” programme.

This programme specifically targets patients with difficult access to the health system.

Since its launch, “Project Health” has covered health expenses worth over 139 million dollars for 1.1 million Americans.

With 70% of US residents living less than 5 km away from a CVS pharmacy, the company plays a key role in improving access to care and medical coverage thanks to integrated clinics and a wide range of healthcare services:

- ▶ **Access to care:** CVS Health tackles hurdles hindering access to healthcare by deploying **digital tools** adapted to the visually impaired, facilitating access to medical care for all. In partnership with **local players**, CVS Health has expanded its offering to meet the needs of the most vulnerable groups, thereby guaranteeing equitable access to healthcare services.
- ▶ **Supply chain management:** CVS Health has optimised its supply chain through the ownership of health insurance and pharmacy benefit managers (PBM), which **saves an average 9.71 dollars** per member over a 30-day period.
- ▶ **Regional footprint:** The company benefits from an exceptional geographical presence, with CVS Health pharmacies located throughout the country and able to reach over **4.5 million Americans every day**. In addition to its network of pharmacies, CVS Health manages over **1,000 retail locations, including walk-in clinics** and healthcare facilities in **35 states**, confirming its central role in the American healthcare system and its commitment to **promoting universal access to medical care**.



Source: CVS Health. Données au 29/12/2023. The information on companies should not be considered as an opinion of the Edmond de Rothschild Group on the foreseeable development of these securities and, where applicable, on the foreseeable development of the price of the financial instruments they issue. This information does not constitute a recommendation to buy or sell these securities. The composition of the portfolio may change over time.

Appendix: ESG impact indicators

We use impact indicators to measure the extra-financial performance of the fund.

The Edmond de Rothschild Asset Management (France) IR team has decided to focus on some of the most relevant ones. The following indicators were calculated for both the index and the portfolio:

ESG score: ESG score from MSCI are on a scale from 0 to 20, with 20 being the highest risk.

Controversy score: the controversy score is the weighted average of each company's Sustainalytics controversy score. Controversies range from 0 to 5, with 5 being the highest, depending on the degree of intensity, recurrence and materiality.

Carbon intensity carbone (tonnes eq CO₂/Million € de VE), scopes 1, 2 : Ratio of Scope 1, 2 or 1, 2, 3 induced emissions to the company's EVIC. Double counting between Scopes 1, 2 and 1,2,3 is removed for portfolio-level footprint

Scope 1: direct emissions from resources owned and controlled by the company.

Scope 2: indirect emissions from the production of purchased energy.

Share of women in the workforce: number of women employees expressed as a percentage of the total workforce.

Share of women in executive committees: number of women at executive committee as a percentage of the total members of the executive committee.

Share of women on the board: number of women directors at the board as a percentage of the total board members.

Combined CEO/Chair: Non-separation of the functions of Chairman and Managing Director approach. The separation is a principle of good governance favoured by Edmond de Rothschild Asset Management.

R&D intensity: R&D expenditures as a percentage of revenue.

Climate alignment, also measured by Carbon4 Finance: measures the portfolio's alignment with a climate trajectory by 2100.

Signatories of the United Nations Global Compact: the Global Compact is a voluntary initiative launched by the United Nations that sets out 10 key principles on the environment, human rights, labor rights and business ethics.

Indicators are calculated using the most recent data available. For each indicator calculated, we specify the coverage rate corresponding to the portion of the fund or index for which we were able to obtain the information.

WARNING

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**MANAGEMENT COMPANY
EDMOND DE ROTHSCHILD ASSET MANAGEMENT
(LUXEMBOURG)**

4 rue Robert Stumper, L -2557 Luxembourg

**GLOBAL DISTRIBUTOR and SUB-INVESTMENT MANAGER
EDMOND DE ROTHSCHILD ASSET MANAGEMENT (FRANCE)**

47 rue du Faubourg Saint-Honoré -75401 Paris Cedex 08 - France
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332.652.536 R.C.S. Paris

www.edram.fr

SUSTAINABILITY IN ACTION



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