



Investing in oncology: forewarned is forearmed

60 seconds with the
fund manager



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Marketing communication





**Rudi
Van Den Eynde**

Rudi Van Den Eynde, Head of Thematic Global Equity at Candriam, explains to investors the approach he used to create and develop an investment strategy in the oncology sector.

Can you give a brief overview of the oncology sector?

Our investment universe covers all companies involved in the fight against cancer. This means that we are not targeting any particular sector, but all industries potentially active in this field. There are currently enormous needs in this domain, including diagnosis through mass screening, which must be made easier and more acceptable, and through tumour profiling, which provides a deeper understanding of each patient's cancer, and also through technological progress using precision systems, to enhance radiation treatment, and of course through the range of available drugs.

We cover all regions and we can invest in the different stages of solutions development across all domains.

Why choose a strategy invested in the oncology sector?

Cancer, in its multiple forms, is the second-leading cause of global mortality. Demand is therefore very strong.

Furthermore, the range of players involved has broadened sufficiently to provide quite a large investment universe. This enables us to construct a highly diversified portfolio by selecting equities which may potentially increase in value as companies grow.

Moreover, as a responsible investor, Candriam associates its investments with meeting the United Nations sustainable development goals (SDGs).

The 3rd UN sustainable development goal aims at ensuring healthy lives and promoting the well-being of all at all ages. Our strategy espouses these objectives and aims to support companies seeking solutions against cancer.

What are the key performance factors for the companies you select?

Under our analysis, we adopt a fully product-based approach. Companies must develop and/or market products which clearly enhance results for patients. We carry out in-depth analysis of clinical & medical data, comparing them to existing treatments and therapies to assess whether they enable improvements. In

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order to do so, we have built up a team composed of scientists, chiefly biotech PhDs, who assess the clinical quality of future therapeutic solutions and therefore detect tomorrow's winners before their success is priced into their share price.

We also cross-reference our fundamental analysis with a tried & tested valuation, as we wish to avoid investing in overpriced stocks which will have only limited upside potential. Stock picking is also based on a non-financial analysis aimed at gaining a better understanding of the risks and opportunities associated with ESG (Environnemental, Social & Gouvernance) criteria⁽¹⁾.

We also assess the extent to which a company's activities are exposed to major sustainability issues, and how it manages its relations with stakeholders. We exclude companies that fail to meet the 10 Principles laid out in the United Nations' Global Compact, as well as controversial activities such as arms, tobacco, thermal coal and other businesses we consider unsustainable.

Lastly, our selection process is based on core convictions. We draw on our in-house resources to undertake proprietary clinical and financial analysis. This process ultimately enables us to reduce the investment universe⁽²⁾ by 20% or more.

This stringent process has already proved its efficiency through successful stock picking in the pharmaceutical & medical sectors for over 20 years and our know-how is recognised throughout the market.

What is the outlook for the health sector following the Covid-19 pandemic?

The entire health sector has been impacted by the pandemic, from companies involved in the production of vaccines to those working on Covid-19 diagnosis.

The current environment is promising for several reasons, however. First of all, health stocks are said to be defensive, as they are less sensitive to economic volatility. Given the uncertain environment, investors are increasingly focusing on this type of sector. Some segments of the healthcare sector, such as pharmaceuticals and biotech, are also benefiting from attractive valuations.

Finally, let's not forget that this sector has a promising outlook due to socio-demographic changes (population ageing and increased wealth, etc.). It is worth noting that the therapeutic oncology market is set to grow by approximately 10% per year over the next five years (Source: McKinsey 2020 Oncology Market Outlook).

How does Candriam's approach stand out?

Besides the fact that this strategy is almost unique in the market, Candriam can also boast 20 years' expertise in this particular field, through its hallmark biotech equity investments. We also owe our success to the people involved. During the stock-picking process, we draw on both fundamental analysis, provided by our 4 biotech experts, and also on input from our emerging equity markets team, along with the tech stocks team and the thematic equity team.

Lastly, don't forget, either, that our strategy is also backed by input from an independent scientific review committee. The committee plays a number of roles including providing investment ideas and also clarifying new technologies or medical protocols currently under development.

Ultimately, the committee provides us with other expert opinions and therefore challenges our views.

(1) The ESG analysis described above is applied to 90% min. of the investments within the strategy, apart from cash deposits, liquidities and index derivatives.

(2) We only take into account sectors that are not excluded by the "Candriam Exclusion Policy". This document can be downloaded here: <https://www.candriam.fr/fr/professional/market-insights/sri-publications/>

Why do you believe it is time to invest in this strategy?

We believe that there are 2 key reasons for investing in this fund. Firstly, the fight against cancer has become an issue for broader society and is affecting many global sectors. Access to healthcare is progressing constantly and is therefore becoming a worldwide megatrend. By investing in this fund, you are supporting a broad range of innovative companies which may prove to be game-changers in cancer research.

Secondly, because health is an issue that concerns us all, each year Candriam dedicates a portion of the net management fees of our responsible range and thematic funds to the financing of social impact initiatives, coordinated through the Candriam Institute for Sustainable Development.

Finally, for patients: to ensure that this disease becomes a “chronic” disease, which patients can live with on a daily basis.

The main risks of the strategy are:

- **Risk of capital loss**
- **ESG Investment Risk**
- **Equity risk**
- **Currency risk**
- **Liquidity risk**
- **Concentration risk**
- **Derivative risk**
- **Counterparty Risk**
- **Emerging market risk**
- **External factors risk**

ESG Investment Risk: The non-financial objectives presented in this document are based upon the realization of assumptions made by Candriam. These assumptions are made according to Candriam’s ESG rating models, the implementation of which necessitates access to various quantitative as well as qualitative data, depending on the sector and the exact activities of a given company. The availability, the quality and the reliability of these data can vary, and therefore can affect Candriam’s ESG ratings. For more information on ESG investment risk, please refer to the Transparency Codes, or the prospectus if a fund.



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