Quarterly Factsheet

June 30, 2020

JENNISON ASSOCIATES

Health Sciences Equity

Long-term, bottom-up fundamental approach to health care investing

Strategy Overview

Firm AUM:	$188.0B
Strategy AUM:	$2.4B
Inception Date:	June 30, 1999
Number of Holdings:	Typically 70-90
Benchmark:	S&P Health Care Index
Available Vehicles:	▪ Institutional Separate Account ▪ US Mutual Fund

Team Members

Portfolio Managers

Average Experience: 26 years

David Chan, CFA

Debra Netschert

Dedicated Analysts: 5

Average Experience: 17 years

Highlights

- The strategy seeks long-term capital appreciation by investing in a diversified portfolio of health care companies, including biotechnology, pharmaceutical, medical device, and medical service businesses. Portfolio holdings include both US and international companies with a wide range of market capitalizations.
- We believe our core competitive advantage is our investment team.
  - Collaborative investment process
  - Highly experienced dedicated health care analysts with diverse backgrounds
- We implement a growth investment style.
  - Our bottom-up, analyst-driven stock selection is based on proprietary fundamental research and what we believe are superior investment insights.
    - We believe it is important to focus on the durability and sustainability of growth rather than on absolute growth rates.
  - We are long-term investors. We may, however, trade around short-term "catalysts" if, or when, such opportunities arise.
  - We believe the correct analysis of new product opportunities can identify new growth companies and lead to significant alpha generation.
  - We regularly assess our investment ideas and reallocate capital accordingly.

Performance

	2Q20	YTD to 6/30/20	1 Year	3 Years	5 Years	10 Years	Since Inception
Health Sciences Equity Composite (Gross)	29.2%	12.6%	15.2%	11.9%	5.5%	19.6%	18.2%
Health Sciences Equity Composite (Net)*	29.4	12.0	14.0	10.8	4.5	18.7	17.6
S&P Health Care Index	14.1	-0.6	10.8	10.4	8.4	16.0	8.3

Past performance does not guarantee future results. *Source: Jennison/Mellon Analytical Solutions. *For periods prior to 11/1/13, net of fee performance is presented net of Jennison's actual advisory fees and transaction costs. For periods beginning 11/1/13, net of fee performance reflects the deduction of a model fee. It is net of transaction costs and is calculated based on the highest tier of the fee schedule in effect for the respective period (1.00%), which may not reflect the actual historical fees applied to accounts in the Composite. Inception of Health Sciences Equity Composite: 6/30/99. Periods greater than one year are annualized. See disclosures for important information.*

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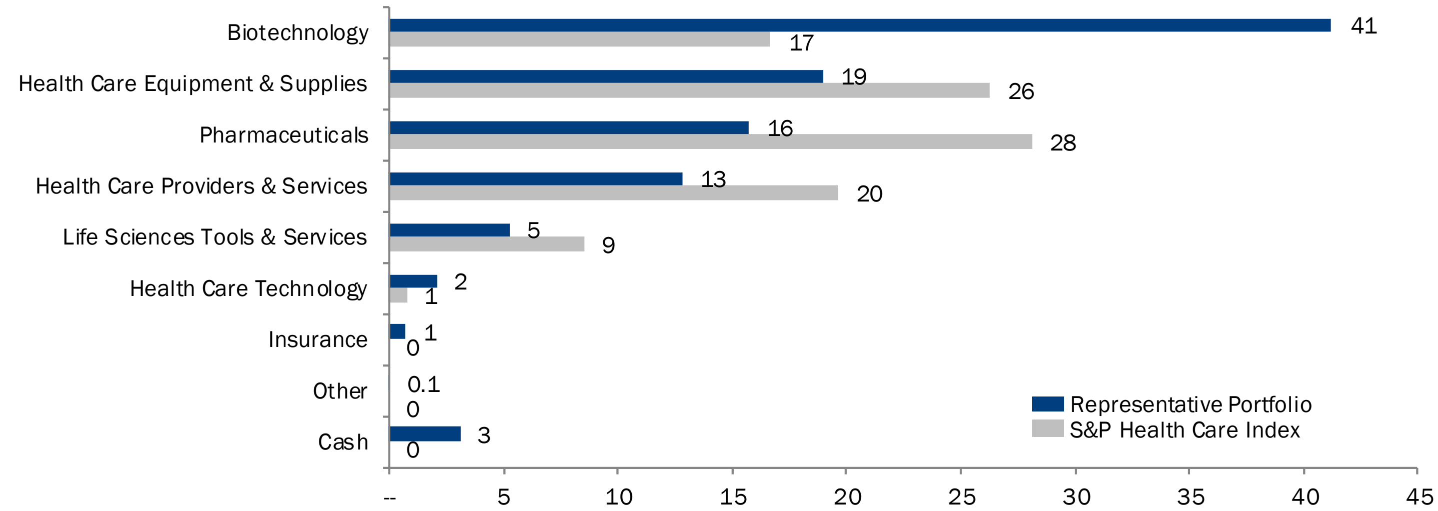
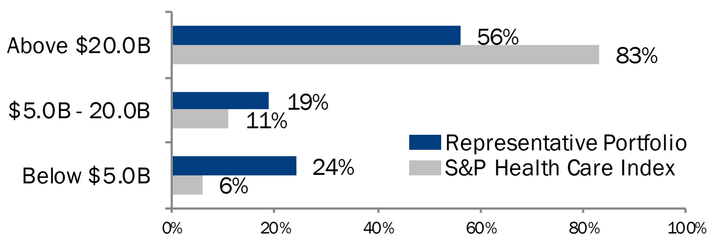
Industry Allocation



Source: Jennison/Mellon Analytical Solutions. The cash percentage represents cash and cash equivalents. See disclosures for important information.

Market Capitalization Breakdown



	Representative Portfolio (Millions)
Weighted Median	$24,683.60
Median	$6,465.51
Weighted Average	$58,193.11
Average	$31,822.83

Source: Jennison/Mellon Analytical Solutions. See disclosures for important information.

Largest Holdings

BioMarin Pharmaceutical	4.0%
UnitedHealth	3.8
DexCom	3.8
Sarepta Therapeutics	3.5
Eli Lilly	3.5
Vertex Pharmaceuticals	3.5
AstraZeneca - ADR	3.4
Humana	3.1
Natera	2.8
Abbott Laboratories	2.8
	34.2%

Source: Jennison. See disclosures for important information.

Largest Absolute Impact (2Q20)

Top Five	Average Weight	Total Return	Contribution to Return
Sarepta Therapeutics	3.9%	64%	2.16%
DexCom	3.7	51	1.73
BioMarin Pharmaceutical	4.3	46	1.62
Immunomedics	1.9	163	1.38
Natera	2.4	67	1.33

Bottom Five	Average Weight	Total Return	Contribution to Return
NextCure	0.6%	-42%	-0.27%
Genetron - ADR	0.0	-25	-0.10
Constellation	0.3	-20	-0.10
Bristol-Myers Squibb	0.5	-7	-0.08
Biogen	0.6	-7	-0.08

Past performance does not guarantee future results. *Source: FactSet. The holdings identified do not represent all of the securities purchased, sold or recommended by Jennison during the time period shown. A complete list of holdings and how each contributed to the representatives portfolio's return is available upon request. See disclosures for important information.*

Overview

In the representative portfolio:

- Holdings in virtually every sector, especially biotechnology, contributed positively to absolute and relative return, with stock selection and sector weights broadly beneficial.
- An underweight in life sciences tools and services detracted modestly from relative return.

Key Contributors

- **Sarepta Therapeutics**' RNA-targeted drugs regulate the production of proteins associated with rare neuromuscular diseases. Its Exondys 51 was the first approved treatment for Duchenne muscular dystrophy (DMD), a rare, genetic, and progressive disorder. It treats DMD patients with exon 51 mutations, which represent about 13% of the addressable DMD market. In December 2019, the US Food and Drug Administration (FDA) unexpectedly approved Vyondys 53 (golodirsen) for the treatment of exon 53 mutations. Sarepta is in the late stage of developing another first-generation exon-skipping agent: casimersen, for the treatment of exon 45 mutations. Sarepta is also developing a gene therapy platform for the treatment of rare neuromuscular diseases; its most advanced program is a micro-dystrophin gene therapy program for the treatment of DMD, followed by programs for limb-girdle muscular dystrophy (LGMD). In June, Sarepta announced positive efficacy and safety results from a study of SRP-9003, its investigational gene therapy for LGMD subtype 2E.
- **DexCom** designs, develops, and sells continuous glucose monitoring (CGM) systems that eliminate the need for people with diabetes to test their blood glucose levels through finger sticks. With the launch of the G6 CGM last year, DexCom is a clear technological leader in the industry. As US CGM penetration is in its nascent stages, the market has significant room to grow. Opportunities are likewise attractive outside the US, where penetration rates are even lower. We expect the company's focus on margins and profitability to drive mid-teens operating margins over the next several years. First-quarter revenue and earnings surpassed expectations.
- **BioMarin Pharmaceutical** develops pharmaceuticals for rare, often genetic, diseases that affect small percentages of the population. In June, the company announced additional data from a previously reported four-year update of its open-label Phase 1/2 study of Roctavian (formerly Valrox) (gene therapy for hemophilia) Roctavian. The data showed continued positive efficacy, durability, and patient quality of life improvements. In addition to its core competency in enzyme-replacement therapies for lysosomal-storage diseases, BioMarin is extending its reach to include new technology platforms in gene therapy and small molecules. The company's business is well diversified by product and geographic market.

Key Detractors

- **NextCure** develops novel immunomedicines to treat cancer and other immune-related diseases. The company's FIND-IO technology platform uses proprietary approaches to functionally assess immune pathways in both primary immune cells and established cell lines from immune lineages. The platform helps to identify proteins that can be targeted with novel immunomedicines to repair and maintain anti-tumor immunity. The stock's decline reflected news that NextCure expects delays across its entire development pipeline due to the COVID-19 pandemic. The company is delaying new enrollment of a Phase II NC318 single-agent study in non-small cell lung cancer (NSCLC) and the initiation of a NC318/chemotherapy combination study, which was planned for mid-2020; it is temporarily suspending a Phase I study of NC410, NextCure's LAIR-1 candidate.
- **Genetron** focuses on the Chinese cancer-testing market. Its gene panels address various tumor types and include a range of sample types and technologies to help in the selection of appropriate therapies for diagnosed cancer patients. Genetron's core business is its portfolio of lab-developed tests (LDTs), but it is expanding into the in-hospital channel, which decentralizes next-generation sequencing (NGS) testing to hospitals and allows for a path to national reimbursement (LDTs are paid out-of-pocket). Through a third channel, it provides NGS services to biopharmaceutical partners. Genetron is also developing a liquid biopsy assay for the currently untapped market for early liver cancer detection in high-risk patients. China's NGS cancer-therapy-selection market is three times larger than the comparable US market and has only a mid-single-digit penetration rate. The LDT market is nascent, highly fragmented, and large enough, we believe, to support multiple players.
- **Constellation Pharmaceuticals** discovers and develops novel therapeutics that address serious unmet medical needs in patients with cancers caused by abnormal gene expression. Through its integrated epigenetics platform, it generates small molecules that selectively modulate gene expression in tumor and immune cells, stimulating antitumor activity. The company's lead asset, CPI-0610, is being developed to treat myelofibrosis (MF), a rare bone marrow cancer that disrupts the production of blood cells. The current standard of MF care, Incyte's Jakafi, has a response rate of only 30-40%, waning efficacy over time, and still requires transfusions for many patients. Recent clinical trial data show that CPI-0610 has a synergistic benefit on top of Jakafi as well as efficacy as a stand-alone agent. Constellation plans to take CPI-0610 into Phase 3 trials later this year.

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Outlook

- The strategy remains heavily invested in biotherapeutic companies with what we view as compelling fundamentals and innovative products/pipeline drugs.
- The prospects of health care companies vary by industry and individual company fundamentals.
- *Biotechnology.* We are comfortable with the cash positions of small cap biotech companies held in the portfolio, as many have raised money over the past year. With regard to potential clinical trial delays, we note that:
  - The FDA is being communicative, accommodative, and flexible.
  - Fully enrolled trials are the least likely to see delays; clinical sites will prioritize or proceed with fully enrolled trials, especially if they are pivotal.
  - Oncology trials and trials related to diseases with high unmet medical needs seem to be taking precedent. For conditions with no current standard of care - oncology usually falls into this category - or where the benefit outweighs the risk, trial enrollments are continuing.
  - However, given pandemic-related constraints, some patient enrollments for new clinical trials are being suspended.
  - Companies affected by trial-enrollment delays can prepare remotely, which could allow them to enroll patients more quickly once conditions normalize.
- We are confident that suspensions and delays will be temporary and that they pose no material long-term risk to companies held in the portfolio.
- *Pharmaceuticals*. Pharmaceutical companies look to have low exposure to COVID-19. New patient starts could be delayed, and drugs used for acute illnesses (antibiotics, analgesics, anesthetics) or administered by physicians (vaccines, macular degeneration injections) could be disrupted, but most drug sales should be unaffected, including those of self-administered diabetes and respiratory disease treatments.
- *Medical devices*. Cardiology and orthopedic device procedures have been largely suspended in the US and Europe. We expect overall sales declines in the current quarter, but health systems will be motivated to restart procedures as soon as capacity allows. We are focused on high-quality companies that make cardiology, orthopedics, and ophthalmology devices, as well as companies that make diabetes devices, where demand is relatively inelastic.
- *Managed care*. Reduced health care utilization will be a tailwind to insurers. These cost savings should outweigh COVID-19 patient care costs. We prefer companies with low recession exposure (i.e., insurers not hurt by unemployment) such as those with exposure to government health insurance programs.
- *Hospitals*. We expect hospital companies will be hurt by delayed or deferred procedures and potentially higher costs for COVID-19-related protective equipment. However, hospitals are receiving government financial assistance and are generally protected by policy makers. The valuations of hospital stocks have dropped, providing some potentially attractive short-term investment opportunities.
- *Life sciences tools*. The group has been resilient, although scientists working from home could reduce demand for instruments/consumables. There could be positive demand tailwinds related to lab testing and research related to food safety and viruses. We are focused on quality names that should be well-positioned after the pandemic subsides, especially companies with bioproduction assets. We have trimmed companies exposed to government funding.
- *Telemedicine*. The pandemic has caused a sea change that could permanently modify health care benefits, treatment, and consumer behavior. Employees are now seeking out telemedicine services, and insurance plans are waiving co-pays and co-insurance for those that utilize it. Preliminary data suggest that since the pandemic's outbreak, telemedical visits have increased substantially, with most visits coming from new users.

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