

Health Sciences Equity

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

Strategy Overview

Firm AUM:	\$203.7B
Strategy AUM:	\$2.6B
Inception Date:	June 30, 1999
Number of Holdings:	Typically 70-90
Benchmark:	S&P Health Care Index
Available Vehicles:	<ul style="list-style-type: none"> ▪ 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

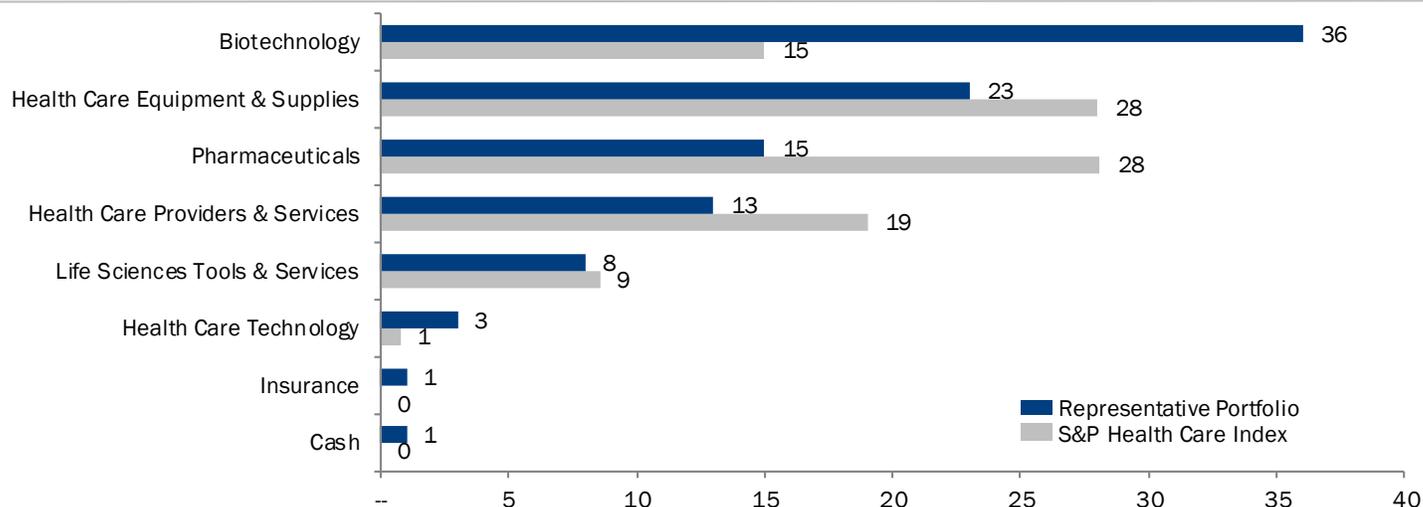
- The strategy seeks long-term capital appreciation by investing in a diversified portfolio of health care companies, including biotechnology, pharmaceutical, medical device, and medical service businesses. Portfolio holdings include both US and international companies with a wide range of market capitalizations.
- 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	3Q20	YTD to 9/30/20	1 Year	3 Years	5 Years	10 Years	Since Inception
Health Sciences Equity Composite (Gross)	9.8%	23.6%	46.1%	13.5%	11.4%	19.2%	18.5%
Health Sciences Equity Composite (Net)*	9.5	22.7	44.6	12.3	10.3	18.3	17.9
S&P Health Care Index	5.8	5.2	20.1	11.3	12.1	15.7	8.4

*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.*

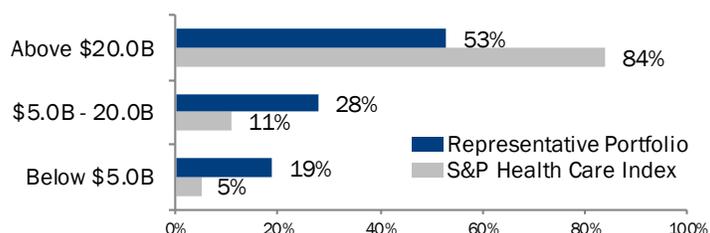
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Industry Allocation



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	\$28,187.76
Median	\$11,024.52
Weighted Average	\$61,387.85
Average	\$35,479.79

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

Largest Holdings

Immunomedics	4.9%
UnitedHealth	3.8
DexCom	3.6
AstraZeneca - ADR	3.3
Natera	3.2
Abbott Laboratories	3.1
Humana	3.1
Vertex Pharmaceuticals	3.0
Eli Lilly	3.0
Sarepta Therapeutics	2.9
	33.9%

Source: Jennison. See disclosures for important information.

Largest Absolute Impact (3Q20)

	Average Weight	Total Return	Contribution to Return		Average Weight	Total Return	Contribution to Return
Top Five				Bottom Five			
Immunomedics	3.0%	140%	3.17%	BioMarin Pharmaceutical	3.0%	-38%	-1.54%
Natera	3.0	45	1.15	Assembly Biosciences	1.8	-30	-0.60
Shockwave Medical	1.1	60	0.58	Sarepta Therapeutics	3.3	-12	-0.44
Silk Road Medical	1.1	60	0.55	Eli Lilly	3.2	-9	-0.34
Abbott Laboratories	3.0	19	0.55	Illumina	1.8	-17	-0.33

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.

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Overview

In the representative portfolio:

- Stock selection in biotechnology was a major source of outperformance.
- Security selection was also favorable in health care equipment and supplies, health care providers and services, and health care technology.
- Pharmaceuticals positions rose but less than the benchmark sector.

Key Contributors

- **Immunomedics** (IMMU) soared on news that Gilead Sciences agreed to purchase it at a significant premium to IMMU's closing price the day before the announcement. Immunomedics develops monoclonal antibody-based therapeutics for the treatment of cancer, autoimmune disorders, and other serious diseases. In April, the US Food and Drug Administration (FDA) approved the company's Trodelvy for the treatment of adult patients with metastatic triple-negative breast cancer (mTNBC) who have received at least two prior therapies for metastatic disease. In July, the company announced that in a Phase 3 study Trodelvy met its primary endpoint of progression-free survival, as well as key secondary endpoints. This could further accelerate adoption of Trodelvy and help secure reimbursement outside the US.
- **Natera's** Panorama screens genetic disorders in fetal DNA as early as nine weeks into pregnancy through a blood draw from the mother, which, unlike other methods, poses no risk to the fetus. Panorama is widely reimbursed by insurance companies for use in testing high-risk pregnancies, including those of older women or women with family histories of Down syndrome or other genetic disorders. In August, the American Society of Obstetricians and Gynecologists (ACOG) called for use of non-invasive prenatal testing in all, not just high-risk, pregnancies, which should mean a significant expansion of the addressable market. Natera is leveraging the same technology for other applications, including cancer screening (where detection months before clinical symptoms are identified could lead to easier or altered treatment) and organ transplantation (where indications of failure before clinical manifestation could result in more aggressive use of immunosuppressants to save the organ).
- **Shockwave Medical** develops and sells intravascular lithotripsy (IVL) products that use sonic pressure waves to break down plaque in patients with calcified cardiovascular disease. The company's IVL products are safe, minimally invasive, and easy to use. We see several catalysts that could strengthen near- and longer-term adoption of IVL, including US approval in coronary settings and an improved reimbursement backdrop. IVL also has the potential to disrupt the atherectomy market (in atherectomies, tiny rotating blades or a laser on the end of a catheter shave or vaporize away plaque).

Key Detractors

- **BioMarin Pharmaceutical** develops pharmaceuticals for rare, often genetic, diseases that affect small percentages of the population. Of seven products currently on the market, Vimizim (mucopolysaccharidosis IV), Brineura (Batten's disease), and a phenylketonuria (PKU) therapy, Palynziq, are expected to be the biggest growth drivers. Key late-stage pipeline opportunities include Vosoritide (achondroplasia) and Roctavian (formerly Valrox) (gene therapy for hemophilia). The stock's weakness reflected the FDA's unexpected August determination that Roctavian is not ready for approval in its present form, delaying the therapy's approval timeline by two years to late 2022 and removing a key near-term growth driver for the company.
- **Assembly Biosciences** develops innovative therapeutics that target the hepatitis B virus (HBV) and diseases associated with the microbiome. The FDA granted "fast track" designation to ABI-H0731 (vebicorvir), the company's lead oral HBV core inhibitor, in 2019. In August 2020, Assembly presented encouraging incremental biomarker data from an ongoing Phase 2 trial of vecicorvir as well as early response data for the company's second-generation core inhibitor (ABI-H2158), which showed greater antiviral activity in early studies than vecicorvir. The vecicorvir data confirms previously disclosed durable reduction in HBV pgRNA and DNA in both treatment naïve and virologically suppressed cohorts. Vecicorvir's safety profile compared favorably to a soon competing developmental therapy, which appears to be associated with clinically significant elevations in liver function test and declines in renal function. The efficacy and safety data indicate the potential for Assembly's core inhibitor regimens in treating and possibly curing HBV, a multibillion dollar market opportunity.
- **Sarepta Therapeutics'** RNA-targeted drugs regulate the production of proteins associated with rare neuromuscular diseases. The company's Exondys 51 is the first treatment approved for Duchenne muscular dystrophy (DMD), a rare, genetic, and progressive disorder that destroys muscles and frequently leads to death. It treats DMD patients with exon 51 mutations, which represent about 13% of the addressable DMD market. In December 2019, the FDA 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, including DMD and limb-girdle muscular dystrophy. Sarepta's weakness in the quarter reflected fears that the FDA's action on BioMarin's Roctavian may signal a tougher regulatory stance on gene therapies.

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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.
- Regardless of the result of the US presidential election in November, drug pricing and health care coverage expansion will likely remain areas of focus. Democratic nominee, former Vice President Biden, favors expanding Affordable Care Act (ACA) health care coverage and combatting inequality with a public insurance option that would be offered to all Americans on a sliding scale according to income and lowering the eligibility age for Medicare coverage from 65 to 60. Details have yet to be presented, but we think expanded coverage is generally a positive for most health care sectors; however, hospitals could be negatively affected if the mix of reimbursement shifts away from commercial to Medicare rates. Trump has not proposed a comprehensive plan, but his recent executive orders include protecting people with pre-existing medical conditions from insurance discrimination (already ensured by the ACA but under threat in a case before the US Supreme Court) and ending surprise medical billing.
- Efforts to develop a vaccine for Covid-19 are advancing at remarkable speed, with new data becoming available virtually every day. We are optimistic that promising results from a number of clinical trials will result in an effective vaccine in the coming months. But it may be another 12-18 months before a finished product - the likely prerequisite for a broad-based recovery in confidence and activity - is globally available. We are also monitoring antibody and antiviral treatments.
- The pandemic could have a permanent and salutary impact on the health care sector. The past several months have highlighted inefficiencies within the system and the serious implications of administrative mismanagement. At the same time, we have witnessed phenomenal speed of discovery and the multiple modalities available within the biotechnology, life sciences, and health care technology industries to address unmet medical needs. As a result, many companies may be able to penetrate their total addressable markets at accelerated rates.
- Other possible post-Covid changes include:
 - Increased use of telemedicine
 - An accelerated shift to alternative sites of care, for example, more surgeries and procedures performed in ambulatory surgical centers rather than hospitals
 - Increased awareness of personal health and use of self-monitoring technologies
 - Touchless check-ins at doctor's offices
 - Increased use of noninvasive diagnostics like liquid biopsy and noninvasive prenatal testing, as well as the acceptance of advanced technologies that monitor immune responses by monitoring the behavior of immune cells
 - Increased robotic surgery use
 - Increased use of virtual clinical trials that could accelerate drug development and lower costs.

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