IN FOCUS

HOW PRIVATE EQUITY CAN WORK WITH HEALTHCARE COMPANIES TO BUILD BETTER, LONGER LIVES

July 2021

Schroders capital

Contents

4
Stable and resilient growth drivers

4
Covid-19 Impact

5
Why private equity for healthcare?

6
Innovation creates opportunity in private equity

7
Investing across the entire company spectrum and healthcare value chain

8
Opportunities in core healthcare sub-verticals within private equity

8
Healthcare industry segmentation

8
Services

8
Equipment/devices

9
Therapeutics

11
Private equity examples

How private equity can work with healthcare companies to build better, longer lives

The scale of the global healthcare market and the strength of its long-term drivers creates a significant number of investment opportunities. Many of these are privately held companies.

Authors

Jeremy Knox
Head of Private Equity
Healthcare Investments,
Schroders Capital

Richard Damming
Co-Head of Private Equity
Investments Europe,
Schroders Capital
Member of the Healthcare practice

Erwin Boos
Head of Biotech
Venture Investments,
Schroders Capital

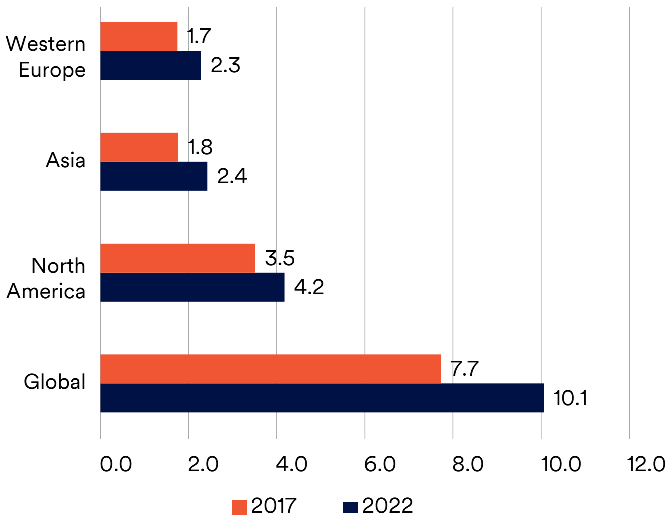
Covid-19 has put global healthcare centre stage in 2020, as care and cure have shouldered their way to the front of the world's list of major concerns. However, prior to the pandemic, the global healthcare market already represented a meaningful portion of the world's leading economies, and we expect it to grow. The Covid crisis will undoubtedly make lasting changes to the healthcare industry. However, we believe that the core themes that support rising healthcare investment are not altered by the pandemic, and would caution investors against being distracted from more lasting drivers.

Healthcare expenditure is being driven by a number of global demographic trends:

- Aging populations and increased life expectancy
- Increased prevalence of chronic disease due to aging and changing lifestyles
- Expanding middle classes in developing markets

The country with the highest absolute expenditure on healthcare, highest relative portion of GDP, and highest per capita spend on healthcare, is the US. This high level of spending is influenced in part by inefficiency, with an estimated $935 million of waste in the US healthcare system[1], accounting for approximately 25% of total US healthcare spending. The table below outlines the per capita healthcare spend and relative percentage of GDP for each country in the G7.

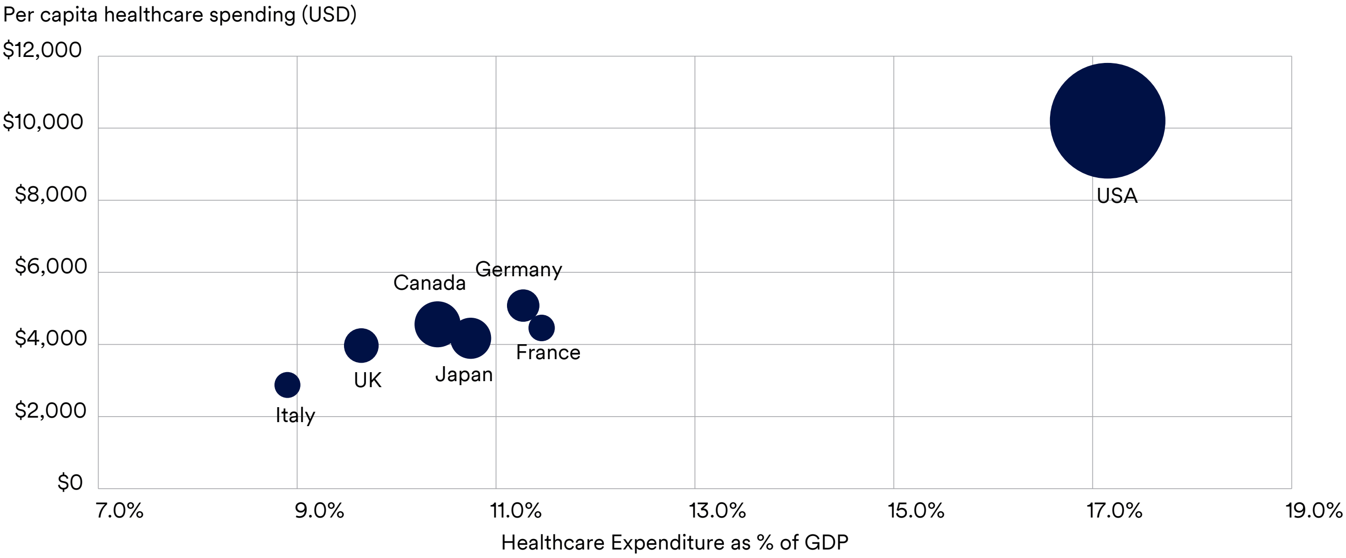
Figure 1.1: Healthcare spending: It keeps growing and growing and growing...



Source: Deloitte, Schroders Capital, 2020.

1 Source: JAMA Network.

Figure 1.2: America leads in healthcare expenditure



Source: OECD, Schroders Capital, 2020. Note: Bubbles represent size of annual healthcare expenditures.

Stable and resilient growth drivers

Schroders Capital's view is that healthcare investments are supported by global megatrends that underpin the long-term growth prospects for investments.

Megatrends that we expect to potentially support healthcare investments include technological innovation, demographic change, growth in the emerging markets and urbanization. It is Schroders Capital's opinion that each of these megatrends provides meaningful to support for investing in the core healthcare sub-verticals: services, equipment and therapeutics.

Benefitting from the megatrend tailwinds outlined above, healthcare companies also typically display resilience in times of economic volatility. This resilience is grounded in the nature and necessity of care delivered, which enables improved lives and health outcomes. The figure below outlines the key attributes, across three primary healthcare sub-verticals, that underpin healthcare companies non-cyclical tendencies.

Figure 2.1: All day, every day – healthcare investments are very resilient

Healthcare services

– Provision of care drives non-discretionary spend
– Wide variety of funding options

Therapeutics

– Value creation dependent upon successful drug development
– Lower correlation to macro environment

Equipment and device

– Basic medical equipment resistant to downturns
– Value creation dependent upon development and commercialization

Covid-19 Impact

The Covid-19 pandemic has caused material disruption across most industries with healthcare at the epicenter of the crisis. The structural changes caused by the Covid-19 pandemic have meaningfully impacted the investment landscape, but we believe will accelerate a number of trends in the healthcare market – particularly consumerization of healthcare and the rise of telemedicine – rather than introduce new dynamics.

In the medium term, as economies selectively re-open, pent-up demand for healthcare services that were unavailable during the height of the pandemic - such as normal checkups with primary care physicians or non-essential surgical procedures - will return. However, volumes will stay below 'pre-Covid' levels for some time due to capacity considerations. Innovation and product development timelines will also be accelerated potentially permanently given relaxation of some bureaucratic constraints around the globe in the search for Covid-19 treatments and vaccines. These changes will have lasting impacts on the healthcare market globally.

Longer term, new services, technologies and product offerings will emerge to meet the needs of the evolving healthcare system. There will be structural change in the delivery of care and the patient experience, in all aspects of the chain from appointment booking and patient onboarding to payment processing and healthcare professional follow-up.

Figure 2.2: Key industry trends reinforced by Covid-19

INVESTMENT THEMES	Pre Covid-19 crisis investment thesis	Adoption Speed	Additional post Covid-19 crisis investment thesis	Adoption Speed
Decentralization Shift away from clinic to home	– Long waiting times for specialists and hospital visits – Prompt availability improving outcomes – Cost efficiency	↗	– Reduces need for direct physician involvement or exposure to other people – Decentralised care / homecare becoming more relevant than ever	↑
Preventive Care Mindset shift from treatment to prevention	– Spending early on avoiding (chronic) diseases is significantly more cost efficient than treating the ill – Focus on early diagnostics – Improve quality of life at later stage of life	↗	– Increased individual willingness to take responsibility for their health	↗
Value-based care Pay for quality and outcome, not service	– Improve cost efficiency by focusing on outcomes, not provision of service – Value-based payments as new incentive	↗	– Greater demand for innovative ways to provide care smarter, faster and cheaper – Government focus on how capacity can be supported to ensure no patient is turned away or unfunded	↗
Precision Medicine Best treatment for the individual	– Combining multiple health data sources with personalised information about patients – Patients demand best solution in knowledge that individualised treatments are possible	↗	– Increasing acceptance towards of public authority-driven data capturing – Enhanced public focus on how a disease can affect individuals very differently	↗

Source: Schroders Capital, 2020.

Importantly, an emerging theme of de-globalization will impact the healthcare market and could drive significant on-shoring of supply chains for medical goods including items such as personal protective equipment ('PPE') and other items such as generic drugs which are mainly produced in Asian markets. For example, 97% of antibiotics used in the US are produced in China. While there is economic rationale for such manufacturing decisions, this concept of reshoring production capacity for essential healthcare and medical related items could drive meaningful shifts in revenue and cash flow profiles for many healthcare businesses.

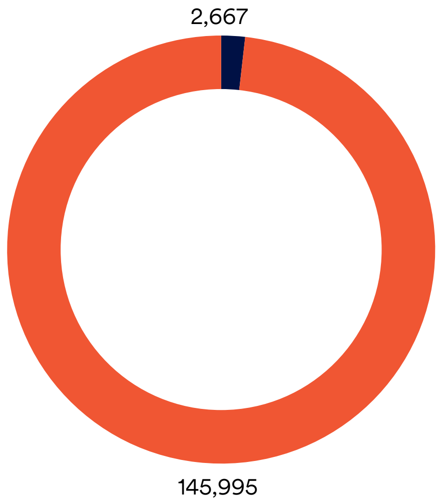
While Covid-19 will likely lead to a decrease in global GDP by up to 8% in 2020, each year poor health impacts global growth by ~15% based on premature deaths and lost productivity[2]. A changing healthcare landscape seeking to address those issues can be greatly enhanced in partnership with private equity and in many instances create opportunities to invest in leading companies seeking to address such topics. Private equity can be a great partner to these companies and is very well positioned to support the continued evolution and innovation of the global healthcare market.

Why private equity for healthcare ?

The underlying growth and innovation in the healthcare sector, as well as the potential for company transformation and consolidation among highly fragmented sub-sectors, aligns especially well with venture capital and private equity.

Within the context of earlier stage companies, venture capital can provide capital as a catalyst for innovation and company creation. For more mature companies, private equity can provide operational acumen to what are often sub-scale or undermanaged healthcare companies.

Figure 3.1: Take a walk on the private side[3]



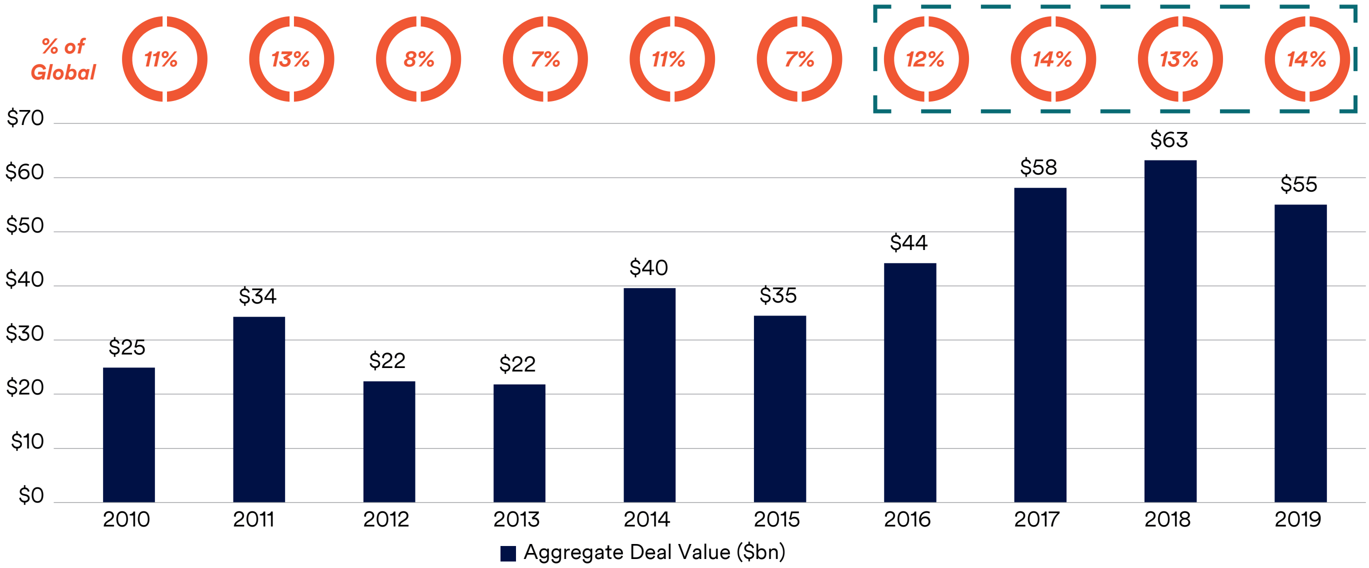
There is also a tremendous opportunity set given the large number of privately held healthcare companies. Our analysis shows that there are approximately 146,000 privately held healthcare companies based in the US, Europe and Asia. This is in contrast to only approximately 2,700 publicly traded healthcare companies in the same geographies. The drastic difference in the supply of investable companies is one of the hallmarks of our attraction to healthcare private equity.

The factors outlined above have led to a consistent increase in healthcare private equity activity. Over 700 buyout transactions - representing over $60 billion in transaction value, or 14% of all global buyout activity, were completed in 2019. This activity level presents ample investment supply and tremendous opportunity across all geographies and transaction types.

2 Source: McKinsey.

3 Source: Capital IQ, Pitchbook. Public companies represent publicly traded healthcare companies traded on major exchanges in US, Canada, Europe and Asia.

Figure 3.2: Healthcare private equity investment activity



Source: Preqin, Schroders Capital, 2020. Note: Percentages represent healthcare buyout activity as percentage of global buyout activity in given year.

However, while healthcare private equity investments offer compelling attributes and have increased in number and scale in recent years, the underlying investments can be difficult to access and exploit for many investors due to:

- The complex and regulated nature of the sector
- High barriers to entry
- Requisite healthcare and scientific expertise needed to perform due diligence on opportunities
- Restricted capacity to invest with the best healthcare companies and private equity fund managers.

Innovation creates opportunity in private equity

When one thinks of healthcare and innovation within the healthcare market, it is natural to picture new drug therapies that are created to solve unmet medical needs. This is indeed one development investors can back, but there are many parts of the drug development value chain that are ripe for innovation.

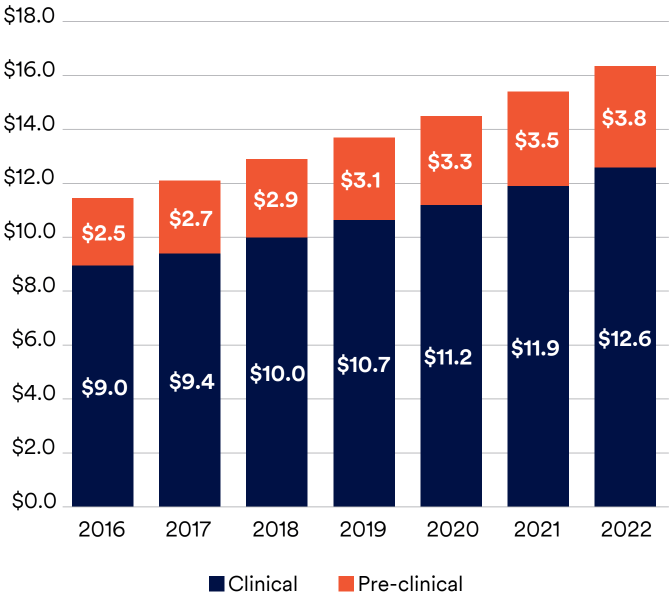
Pharmaceutical companies are looking to the next frontiers of medicine, while seeking to be more efficient in drug development to maximize returns on new therapies. This search for efficiency has led to a robust market for outsourced service providers. These form an integral part of the value chain for drug development and create significant investment opportunities in areas such as drug discovery, contract research ('CRO') and contract development and manufacturing ('CDMO'). Many of these innovative companies are private and seek private equity capital to grow their businesses both organically and via acquisition. CDMOs can be especially innovative when working with OEMs on new products and programmes, bringing expertise and efficiency to the processes.

CROs are a great example of this opportunity as they address significant business challenges:

- Patent cliffs leading to loss of material revenue for large pharma
- Rising drug development costs
- Increasing complexity and pressure on pharmaceutical pricing.

Figure 4.1: Driving new drug discovery via outsourced services

US contract research organization market ($ billion)



Another dynamic influencing the CRO market is increasing specialization. With many significant therapeutic specialties largely addressed, manufacturers have turned to more specialised therapeutic areas. This has led to dramatic increases in spending on such therapies with the share of net spending on specialty drugs more than doubling from 2011 to 2017[4].

This increase in specialization creates opportunity for CROs as specialty drugs require highly customized clinical trials and have to be completed by highly experienced research organizations. Further, organizations such as the US Food and Drug Administration ('FDA') have boosted regulatory requirements such that pharmaceutical companies need to perform more tests and collect more data, all of which places a greater importance on CROs in the drug development process (Figure 4.1).

4 Source: IQVIA Institute.

Investing across the entire company spectrum and healthcare value chain

In our view, given the global nature of healthcare and the global megatrends that drive it, a global investment approach is needed to benefit from the full range of opportunities. A global purview enables access to the most attractive relative value, by both geography and stage of company life. Figure 5.1 is an example of an approach capitalising on various themes and opportunities diversified by geography and stage of company development.

The themes outlined also present opportunities in specific sub-verticals within healthcare. Investors with deep relationships have been able to leverage their global reach and perspective to inform due diligence and execute investments along the lifecycle of company development and value chain of a particular product or service. Figure 5.2 is an example of that concept within the dental prosthetics market that Schroders Capital has participated in in recent years.

Figure 5.1: Thematic growth drivers around the world

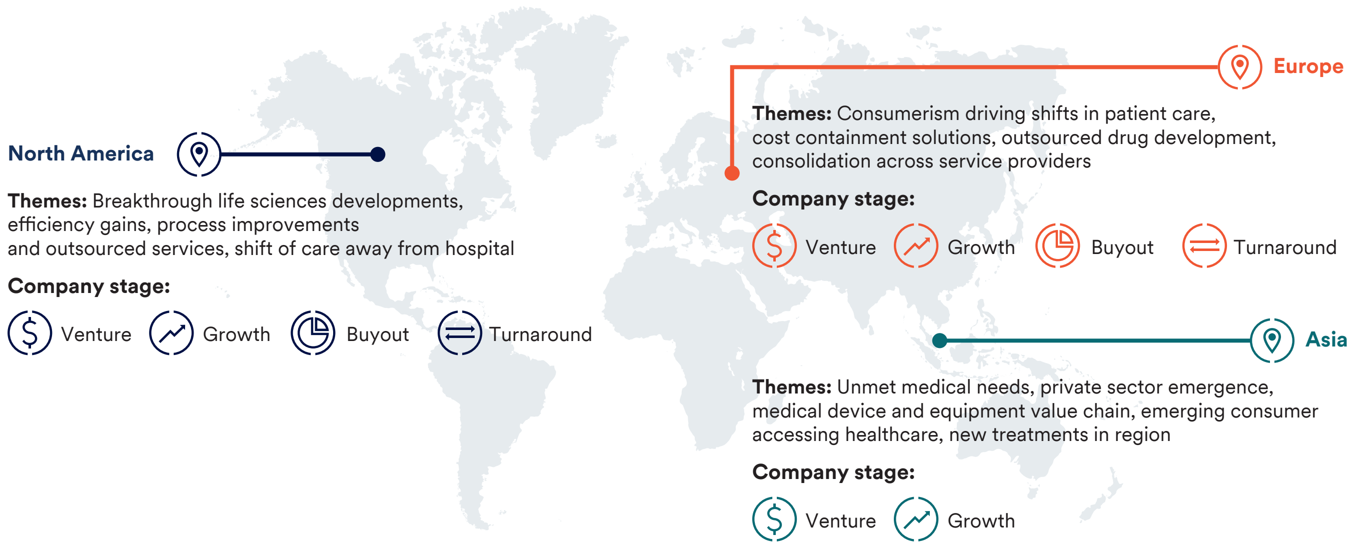


Figure 5.2: Smile! Making money in dentistry

Dental Material Supplier
Selling Price: $2.5/tooth

Company A
- Co-investment into a leading dental zirconia supplier in China
- Zirconia generates high margins due to its superior qualities and the relatively low pecentage of the overall cost of protheses to end customers
- Company sells its products both locally as well as internationally

Production of dental protheses
Selling Price: $45-80/tooth

Company B
- Co-investment into leading French manufacturer and distributor of dental protheses
- Production outsourced to China for bulk of the volume with quality supervision by Company B on site
- Mainly use zirconia as material for the protheses

Company C
- Late primary investment in a fund manager, where Company C are the main value drivers
- Company C manufactures and distributes dental prostheses with the 2 separate brands

Treatment of patient
Selling Price: $350-500/tooth

Company D
- Co-investment in pediatric focused dental practice management company
- The company is active in restorative procedures which can in some cases include the use of dental prostheses

Company E
- Late primary investment with a fund manager, with Company E as a key value driver
- The company runs a dental chain across Switzerland; dental prostheses are a key part of the service offering to patients

Private equity examples:

Equipment and device

Domestic replacement of foreign brands: Company A Endoscopy

Company A is the leading domestic endoscope device company in China, specializing in research and development, manufacturing and sale of endoscope devices. With 30+ FDA/CFDA certificates obtained, Company A is the only local player with world-class product quality to compete with multinational corporations.

Schroders Capital has been a value-added partner, via distribution introductions in Europe and the US. Company A has been maintaining ~50% year-over-year revenue growth since 2017.

Physician practice management

Building Switzerland's leading dental network: Company C

Company C was founded with the aim to create a trusted network in Swiss dentistry with patient-friendly opening hours and a consistently high quality across all branches. After reaching 13 centers, the founders were seeking external support to accelerate the further scale-up.

Schroders Capital introduced one of Europe's first healthcare-focused private equity managers, to the founders of Company C. The fund manager subsequently helped Company C to evolve from an entrepreneurial set-up to a leading dental chain by introducing standardized processes, operational improvement initiatives and a framework to assess new locations. As a result, Company C was able to accelerate its expansion program and profitably grow to 33 centers when the fund manager exited its stake. The transaction marked one of the first major private equity investments in the European dental care industry. The sector is attracting significant private equity interest today given its large market size, high fragmentation and structural succession issues, where a large number of retiring owners faces limited interest by young doctors to take over practices.

Outsourced services

Driving new drug development: Company B

Company B specializes in providing clinical site services to special populations in the central nervous system ('CNS') therapeutic area. Schroders Capital co-invested in Company B alongside a leading US middle market fund manager with a focus on regulatory and compliance driven service companies. Company B was created to capitalize on the robust flow of resources into developing drugs targeting the CNS, which was one of the largest and fastest growing therapeutic areas. Company B pursued an active M&A strategy to consolidate a highly fragmented market and completed 6 acquisitions during the holding period increasing revenue and EBITDA significantly. Ultimately, Company B attracted significant interest from financial buyers and was sold to a larger healthcare focused private equity fund seeking to continue the growth trajectory of the business.

Therapeutics

Next generation cancer vaccine: Company D

Company D focuses on cancer immunotherapy and is developing first-in-class therapeutic cancer vaccines derived from its technology platform. Company D spun out of the University of Geneva in 2012 to advance technology seeking to address limitations that held back earlier generations of cancer vaccines. The technology is based on a chimeric protein made up of three functional parts, including a cell-penetrating peptide which promotes the efficient cross presentation of epitopes to cytotoxic T cells.

Colorectal cancer - Company D's core target - is the third most commonly diagnosed cancer, with over 1.4 million new cases per year. The company was acquired in 2019. This acquisition highlights how immuno-oncology breakthroughs trigger big pharma interest. These immunotherapy treatments, which use the body's immune system to attack cancerous cells, could be as revolutionary as the arrival of chemotherapy was in the 1940s.

Opportunities in core healthcare sub-verticals within private equity

The healthcare market is made up of a diverse group of companies and assets serving various constituents in the healthcare value chain. Private equity is an effective way to access these themes on a global scale.

The scale and complexity of healthcare warrants simplification. The landscape can be broken down into sub-verticals; in particular into services, therapeutics and equipment & devices. We will expand upon the opportunity set within each key sub-vertical later.

Services

The global healthcare market is large and growing, but it is fragmented. Each market faces unique opportunities and challenges that private equity investments in the healthcare services vertical can help address. For example, in developed markets such as the US and Europe, changes in healthcare policy and the search for efficiency have created opportunities for services companies with the end goal of reducing costs and improving quality of care and patient outcomes. This ever-changing landscape is also leading to consolidation in the healthcare services sector, as new business models have emerged as leaders and are gaining share organically and via M&A in certain subsectors.

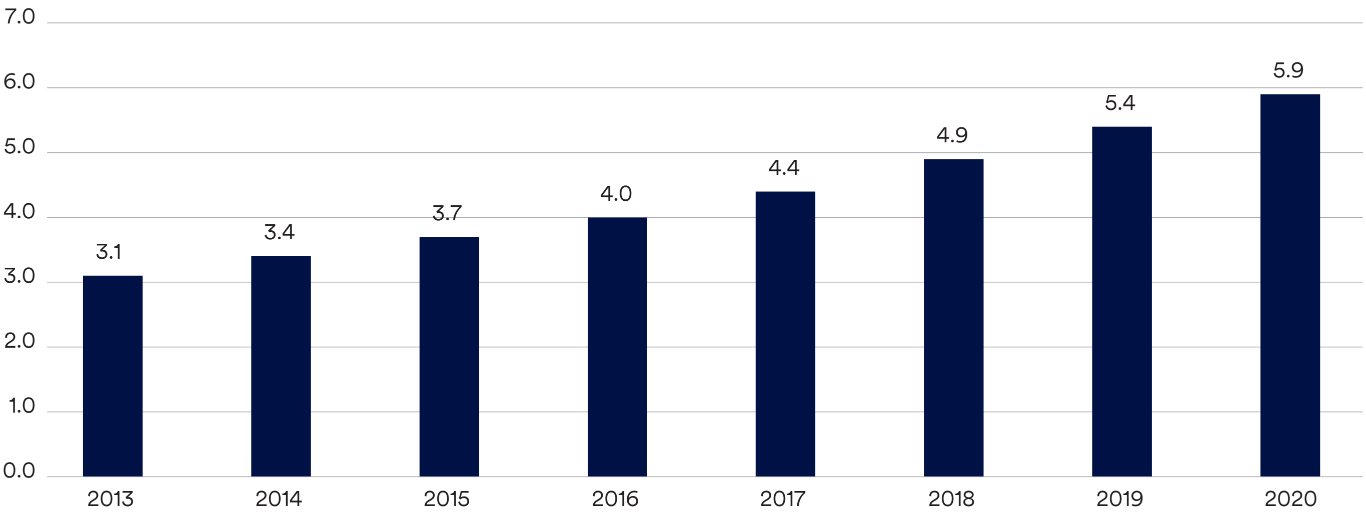
One area within healthcare that has been significantly impacted by changes in the broader landscape is the outsourced services market. Increasing regulation and cost pressures are forcing healthcare organizations to seek new and creative ways to reduce costs. These pressures have led to outsourcing functions that do not fall within core competencies. Examples of such functions include medical equipment rental, payment processing/revenue cycle management, equipment sterilization and commercial laundry services. Outsourcing allows organizations to stay at the forefront of the ever changing landscape while reducing the need for significant capital investments. As can be seen in Figure 5.3 economic forces pressuring healthcare companies has led to consistent growth in outsourced services.

Equipment/devices

Medical equipment and device companies operate in a highly regulated environment across the entire product life-cycle. The regulatory and quality requirements are complex, and vary by global region as well as complexity of the device. The industry has a relatively small number of large, diversified companies and a large number of smaller companies that are mainly engaged in research and development of new devices for specific therapeutic areas, many of which are ideal partners for private equity.

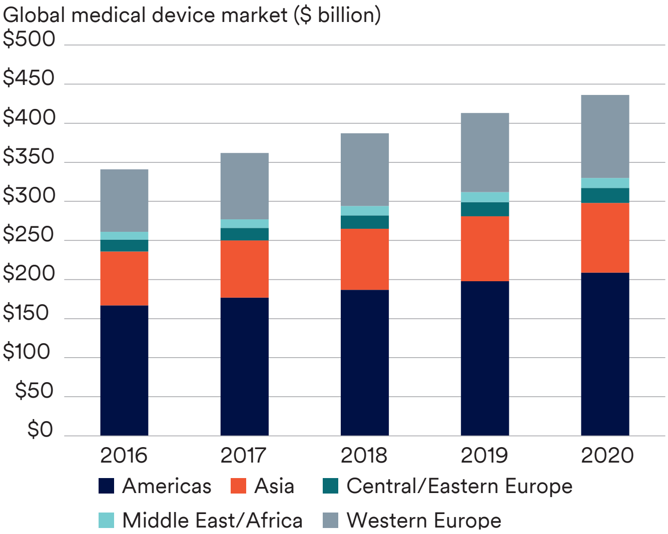
Figure 5.3: Outsourcing is the winner in an ever changing world

Total outsourced preclinical spend ($ billion)



We expect the global medical device and equipment industries to grow substantially in the next decade. We also expect this growth to be driven primarily by Asia as its economies continue to evolve while more consumers begin to access better healthcare. Particularly for China, whose medical devices and equipment have been the fastest-growing sub-sectors, we see policy changes favouring local brands from various aspects, such as: local products benefit from accelerated China Food and Drug Administration ('CFDA') approvals; differentiated reimbursement ratios between local and multi-national corporation products facilitating usage of local brands at hospitals; and a new tendering system that encourages local device companies to upgrade their pipeline to fuel future growth.

Figure 5.4: Steady as she goes: Device market continues to grow



There is also likely to be a meaningful convergence of technology and medical equipment and devices, as data is leveraged to better serve patients and integration of advanced technologies is applied in hardware. Sophisticated data analysis and the use of such data to create bespoke equipment and device products and treatments is an area of high interest and potential. In the future the data that is collected by equipment and devices could become as valuable as the hardware itself. This paradigm shift is evident in a 2013 ruling by the International Medical Device Regualtors Forum ('IMDRF') which expanded the category beyond hardware to include Software as a Medical Device ('SaMD') which is defined as 'software intended to be used for one or more medical purposes that perform these purposes without being part of a hardware medical device.' Changes such as these are likely to shift the notion of what equipment and devices mean to many users, however, next generation technologies like augmented reality, virtual reality and remote patient monitoring are already finding their way into surgical systems and platforms for training of healthcare professionals and for use with patients. These developments and advancements are ripe for partnership with venture capital and private equity and should provide a great access points for investors in this industry.

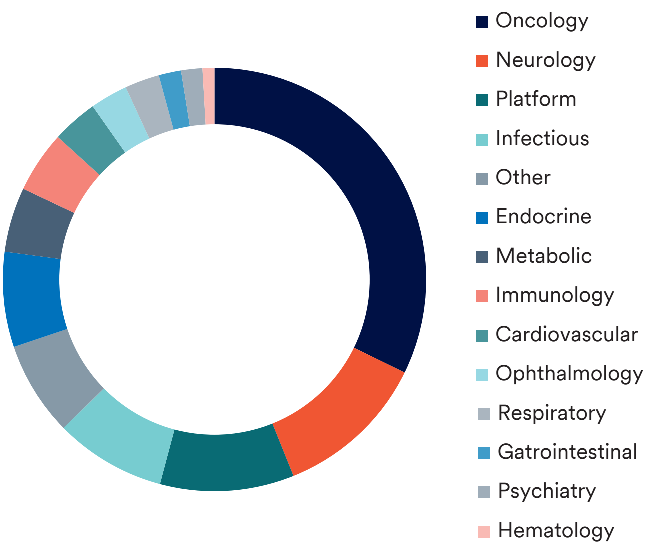
Therapeutics

The therapeutics market is influenced by many unmet medical needs identified in the fields of cancer, inflammation, orphan diseases, kidney diseases, respiratory and others. We expect the aging population in the western world will also continue to push the demand for more and better therapies for age-related diseases (such as Alzheimer's and Parkinson's). In terms of therapeutic area, oncology is currently the largest opportunity with neurology and infectious diseases ranking high in terms of funding (Figure 5.5).

The pharmaceutical industry outsources a significant share of new drug development to independent biotechnology start-ups that are funded by venture capital. Typically, large pharmaceutical and biotechnology companies have close ties to these innovative companies through licensing agreements, strategic investments, research partnerships and in some cases, pre-agreed exits that are subject to certain conditions. The M&A market is expected to be strong given the continuous need of the pharmaceutical industry for innovative products to replace their aging product pipelines. A number of drugs, generating significant revenues, will go off-patent in the coming years. This has manifested itself in manufacturers focusing on more specialised therapies.

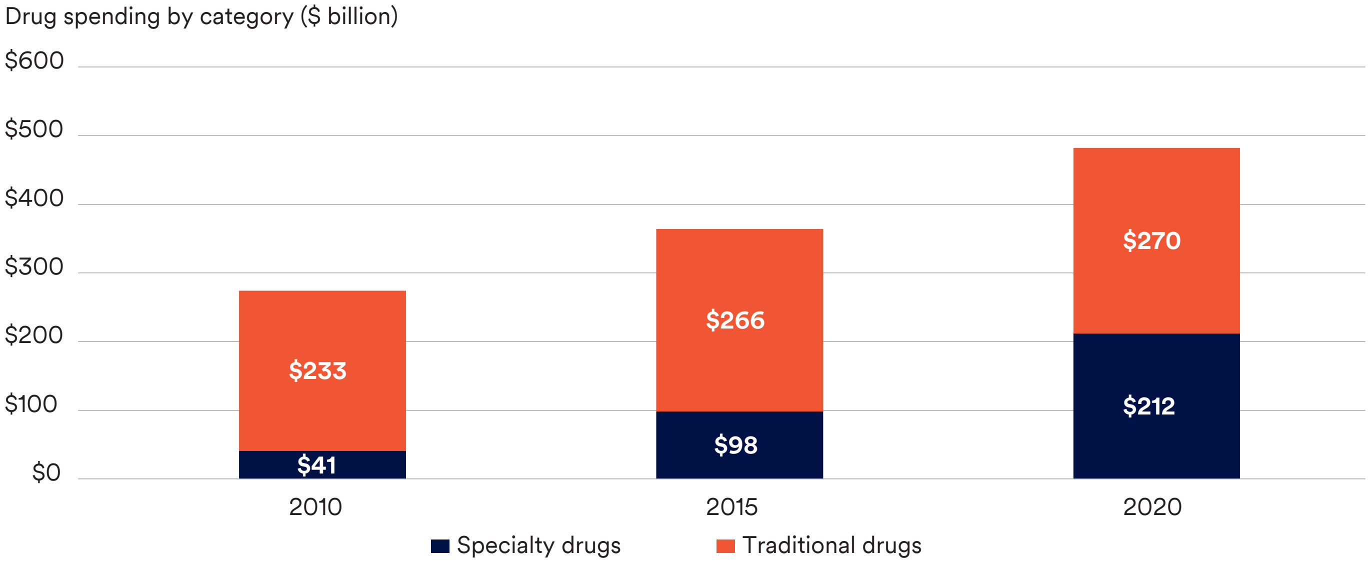
Schroders Capital expects that these factors will combine to ensure that demand for new and better drugs will continue to be strong, irrespective of the general economic climate. We believe there is real value in focusing on investing behind drugs with positive health-economic aspects. These can address substantial and unmet medical needs, provide major improvements of patient's quality of life and lower the overall costs of disease management. Private equity investments benefit from these trends via venture capital investments in new drug therapies that have the characteristics outlined above.

Figure 5.5: Highly diverse set of therapeutic opportunities



Source: VentureSource.

Figure 5.6: It's good to be special



Conclusion

The healthcare private equity landscape is highly diverse and global in nature but will have long lasting impacts coming out of the Covid-19 pandemic.

To find the most attractive relative value in the ever changing global healthcare market, it is important to have a diversified portfolio of investments in key global markets that span the full spectrum of company lifecycle.

This allows an investor to capitalize on business transformation from early stage and highly innovative venture capital backed companies and control-oriented buyout investments supporting the consolidation of fragmented sub-sectors.

Schroders Capital recommends a global approach in partnership with a provider that has global healthcare coverage and access to the top performing, access-restricted fund managers and innovative, market leading companies.

Important Information

The views and opinions contained herein are those of the authors as at the date of publication and are subject to change and may become outdated due to market or regulatory developments. Such views and opinions may not necessarily represent those expressed or reflected in other Schroders communications.

This document is intended to be for information purposes only. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument or security or to adopt any investment strategy. The information provided is not intended to constitute investment advice, an investment recommendation or investment research and does not take into account specific circumstances of any recipient. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice.

Information herein is believed to be reliable but Schroders does not represent or warrant its completeness or accuracy. No responsibility or liability is accepted by Schroders, its officers, employees or agents for errors of fact or opinion or for any loss arising from use of all or any part of the information in this document. No reliance should be placed on the views and information in the document when taking individual investment and/or strategic decisions. Schroders has no obligation to notify any recipient should any information contained herein change or subsequently become inaccurate. Unless otherwise authorised by Schroders, any reproduction of all or part of the information in this document is prohibited.

Any data contained in this document has been obtained from sources we consider to be reliable. Schroders has not independently verified or validated such data and it should be independently verified before further publication or use. Schroders does not represent or warrant the accuracy or completeness of any such data.

All investing involves risk including the possible loss of principal.

Third party data are owned or licensed by the data provider and may not be reproduced or extracted and used for any other purpose without the data provider's consent. Third party data are provided without any warranties of any kind. The data provider and issuer of the document shall have no liability in connection with the third party data. www.schroders.com contains additional disclaimers which apply to the third party data.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall. This document may contain 'forward-looking' information, such as forecasts or projections. Please note that any such information is not a guarantee of any future performance and there is no assurance that any forecast or projection will be realised.

European Union/European Economic Area: Issued by Schroder Investment Management Limited,1 London Wall Place, London, EC2Y 5AU. Registered Number 1893220 England. Authorised and regulated by the Financial Conduct Authority.

Note to Readers in Australia: Issued by Schroder Investment Management Australia Limited, Level 20, Angel Place, 123 Pitt Street, Sydney NSW 2000 Australia. ABN 22 000 443 274, AFSL 226473.

Note to Readers in Canada: Schroder Investment Management North America Inc., 7 Bryant Park, New York, NY 10018-3706. NRD Number 12130. Registered as a Portfolio Manager with the Ontario Securities Commission, Alberta Securities Commission, the British Columbia Securities Commission, the Manitoba Securities Commission, the Nova Scotia Securities Commission, the Saskatchewan Securities Commission and the (Quebec) Autorite des Marches Financiers.

Note to Readers in Hong Kong: Schroder Investment Management (Hong Kong) Limited, Level 33, Two Pacific Place 88 Queensway, Hong Kong. Central Entity Number (CE No.) ACJ591. Regulated by the Securities and Futures Commission.

Note to Readers in Indonesia: PT Schroder Investment Management Indonesia, Indonesia Stock Exchange Building Tower 1, 30th Floor, Jalan Jend. Sudirman Kav 52-53 Jakarta 12190 Indonesia. Registered / Company Number by Bapepam Chairman's Decree No: KEP-04/PM/MI/1997 dated April 25, 1997 on the investment management activities and Regulated by Otoritas Jasa Keuangan ('OJK'), formerly the Capital Market and Financial Institution Supervisory Agency ('Bapepam dan LK').

Note to Readers in Japan: Schroder Investment Management (Japan) Limited, 21st Floor, Marunouchi Trust Tower Main, 1-8-3 Marunouchi, Chiyoda-Ku, Tokyo 100- 0005, Japan. Registered as a Financial Instruments Business Operator regulated by the Financial Services Agency of Japan. Kanto Local Finance Bureau (FIBO) No. 90.

Note to Readers in People's Republic of China: Schroder Investment Management (Shanghai) Co., Ltd., RM1101 11/F Shanghai IFC Phase (HSBC Building) 8 Century Avenue, Pudong, Shanghai, China, AMAC registration NO. P1066560. Regulated by Asset Management Association of China.

Note to Readers in Singapore: This is prepared by Schroders for information and general circulation only and the opinions expressed are subject to change without notice. It does not constitute an offer or solicitation to deal in units of any Schroders fund and does not have regard to the specific investment objectives, financial situation or the particular needs of any specific person who may receive this. Schroder Investment Management (Singapore) Ltd, 138 Market Street #23-01,CapitaGreen, Singapore 048946. Company Registration No. 199201080H. Regulated by the Monetary Authority of Singapore.

Note to Readers in South Korea: Schroders Korea Limited, 26th Floor, 136, Sejong-daero, (Taepyeongno 1-ga, Seoul Finance Center), Jung-gu, Seoul 100-768, South Korea. Registered and regulated by Financial Supervisory Service of Korea.

Note to Readers in Switzerland: Schroder Investment Management (Switzerland) AG, Central 2, CH-8001 Zürich, Switzerland. Authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).

Note to Readers in Taiwan: Schroder Investment Management (Taiwan) Limited, 9F, 108, Sec.5, Hsin-Yi Road, Hsin-YI District, Taipei 11047 Taiwan, R.O.C. Registered as a Securities Investment Trust Enterprise regulated by the Securities and Futures Bureau, Financial Supervisory Commission, R.O.C.

Note to Readers in the United Arab Emirates: Schroder Investment Management Limited, 1st Floor, Gate Village Six, Dubai International Financial Centre, PO Box 506612 Dubai, United Arab Emirates. Registered Number 1893220 England. Authorised and regulated by the Financial Conduct Authority.

601707

Legal notice

This document contains sensitive information that is confidential and proprietary to Schroders Capital Management AG and its affiliates ('Schroders Capital'). The information is intended for informational and discussion purposes on a confidential basis solely by the person to whom the materials were originally delivered. The materials do not constitute an offer to sell or a solicitation of an offer to purchase any securities in any jurisdiction. The materials and the information contained herein may not be reproduced, distributed or used for any public or commercial purpose, nor disclosed to any person other than the person to whom these materials were originally delivered, whether in whole or in part, without the prior written permission of Schroders Capital. Each recipient of these materials agrees to return such materials to Schroders Capital promptly upon request. The statistical data and other factual statements contained herein have been obtained from publicly available documents, or other sources considered by Schroders Capital to be reliable, but no representations are made as to their accuracy and completeness. Certain statements express Schroders Capital's view as of the date stated, which is subject to change. Additional and/or other information may be available at a later stage. Schroders Capital may elect to update the information at some point in the future, but specifically disclaims any obligation to do so, even if Schroders Capital's estimates or expectations change. Recipients of this document should be aware that past performance of an Schroders Capital fund and/or Schroders Capital managed account is not necessarily indicative of the future performance that can be expected by investors. Accordingly, there can be no assurance that an Schroders Capital fund and/or an Schroders Capital managed account will achieve comparable results or that an Schroders Capital fund and/or an Schroders Capital managed account will be able to implement its investment strategy or achieve its investment objective. Certain statements contained herein, including without limitation, the words 'believes', 'anticipates', 'intends', 'expects', 'may', 'plans', 'projects', 'will', 'would' and words of similar import, constitute 'Forward-Looking Statements'. Such Forward-Looking Statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Fund to be materially different from any future results, performance or achievements expressed or implied by such Forward-Looking Statements. Any analysis of potential investments is necessarily based on past performance which is not necessarily indicative of future results. Schroders Capital and the Fund cannot guarantee that they will actually achieve the plans, intentions or expectations expressed or implied in such Forward-Looking Statements. Investors should not rely on Forward-Looking Statements as representing the views of Schroders Capital or the Fund as of any date subsequent to the date set forth on the cover page hereof. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates or expectations change.

Contact us

Nils Rode
Chief Investment Officer
Nils.Rode@schroderCapital.com

Schroders Capital Management (Switzerland) AG
Affolternstrasse 56, CH-8050 Zurich, Switzerland
T: +41 (0)58 445 55 55

schroderscapital.com