

**THE RACE FOR A VACCINE: INVESTMENT COMPANIES COMBATING CORONAVIRUS**

- **How long will it take to develop a vaccine?**
- **What's the impact of the pandemic on the biotech sector?**

With vast swathes of the world in lockdown, the one question on everyone's minds is how long will it take to develop a vaccine against COVID-19? The **Association of Investment Companies (AIC)** has spoken to **investment company and VCT managers** about the prospects for a vaccine and how their portfolio companies are contributing to the fight against coronavirus.

**What are the prospects for a vaccine?**

**Paul Major, Manager of BB Healthcare Trust**, said: "We are optimistic that a vaccine will be in commercial production within 18 months. There are more than 40 companies and groups working on a variety of approaches and we are mindful of the swine flu pandemic of 2009, when a vaccine was delivered within around six months from the WHO declaring it an emergency situation."

**James Douglas and Gareth Powell, Co-Managers of Polar Capital Global Healthcare Trust**, said: "As of 20 March, there were two vaccine candidates already in clinical trials and another 42 vaccine candidates in pre-clinical development. There are some hopes that we may see initial clinical data before year-end but it is likely that it will take a good 12 to 18 months for larger clinical studies to read out for any of these vaccine candidates."

"Even with some positive data, manufacturing hundreds of millions of doses of a new vaccine for everyone will be a significant challenge – it is likely that initial vaccine doses will be given to healthcare workers. That said, there are a number of collaborative efforts emerging to solve the manufacturing issue with governments playing a key role. For this reason, the commercial implications are difficult to assess and, in most cases, projects are being advanced as quickly as possible without much thought about the profit to be gained."

**Are any of your portfolio companies working on treatments or tests?**

**John Glencross, CEO of Calculus Capital which manages the Calculus VCT**, said: "Our portfolio company Mologic is developing a rapid test for coronavirus. They have been awarded £1 million of UK Aid to develop this test. On the back of this, the Prime Minister Boris Johnson visited Mologic's lab in Bedfordshire, where scientists are using expertise and experience from

previous epidemics to create a quicker and cheaper way to diagnose coronavirus. This rapid test could mean results are provided in 20 minutes, and without the need of a medical professional or sending samples to labs for testing. This will mean patients can be treated quickly, reducing the risk of them passing the virus on to others and helping them to recover faster.

“Another portfolio company, Genedrive, has pivoted part of its core resources towards development of two SARS-COV-2 tests, which can determine whether someone is infected with coronavirus. They anticipate that a clinically validated test could be available in approximately eight weeks. Based on discussions with sizeable third-party suppliers the company expects it could have the ability to ramp up quickly to high production volumes of over 10,000 tests per hour.

“Finally, a third portfolio company, Yourgene Health, has unveiled a contract manufacturing agreement with Novacyt SA for a COVID-19 diagnostic test. Under the deal, Yourgene will use its manufacturing facility in Manchester, UK, to ramp up production of Novacyt’s COVID-19 test, with the first batches to be shipped from the Manchester site in the next few weeks.”

**Trevor M. Polischuk, Portfolio Manager of Worldwide Healthcare Trust**, said: “Many companies are accelerating their efforts in the anti-viral space in hopes of creating a treatment to help already infected patients. In Japan, Takeda's recent acquisition of Shire and their plasma derived therapy business has led to an investigational new treatment to boost the immune function of infected COVID-19 patients. Chugai's anti-inflammatory drug, Actemra, may also be useful in treating infected patients who are suffering from severe lung dysfunction resulting from coronavirus.”

**Ailsa Craig, Manager of International Biotechnology Trust**, said: “The only way to prevent COVID-19 is through a vaccine or self-isolation. There is no other way of protecting people from infection. In terms of treatments, yes there are many programmes ongoing. Gilead has the most advanced potential treatment in terms of timescale. They expect their trials to read out in April for a drug called remdesivir. This is an anti-viral drug which was in development for another virus, Ebola. Gilead has initiated two phase 3 trials in China and several more in the US. We owned Gilead in the portfolio prior to the outbreak due to its compelling valuation and solid HIV business and we have added to the position in recent months.”

### **What is the impact of the sell-off?**

**James Douglas and Gareth Powell, Co-Managers of Polar Capital Global Healthcare Trust**, said: “We have a high level of conviction that the recent market sell-off is creating some really interesting, medium-term opportunities in the healthcare sector. Unless you take the view that the demand for healthcare services is permanently impaired, we believe we will see a strong recovery.”

**Paul Major, Manager of BB Healthcare Trust**, said: “As with all market sell-offs, the second phase is disordered and largely indiscriminate and this has created some interesting opportunities, especially in mid-cap specialty pharma/biotech, services and managed care. We have been gradually increasing our gross exposure for about a week now and will continue to do so, albeit at a measured pace. We think the overall risk/reward is now to the upside, with many of the ‘unknowns’ around this epidemic and its impact now well appreciated, if not fully quantifiable. We see many companies where sentiment is already baking in a worst-case scenario.”

### **What is the outlook for the sector?**

**Stephanie Sirota, Director at RTW Venture Fund and Partner at RTW Investments LP**, said: “High-beta sectors like biotech typically sell off hard during periods of stress and generalist investor sentiment can remain tepid for a while. That said, we are encouraged by the quality and the pace of scientific development and we are hopeful that positive catalysts will help drive the recovery. We are seeing compelling opportunities in this market given where valuations are and how well capitalised company balance sheets are. Getting past the current crisis, we think the future is bright, especially in genetic medicines, targeted oncology, and across rare diseases.”

**Paul Major, Manager of BB Healthcare Trust**, said: “Healthcare stands apart from the wider economic cycle and consumer sentiment. We consume these services because we need them, not because we want to. When the dust settles and COVID-19 has thankfully become a historical consideration, the ‘new normal’ will still feature the same demographic and societal drivers of a growing and ageing population. In the short term, there will be a tailwind as the backlog of postponed elective procedures is addressed.

“Moreover, the crisis has highlighted the stark inefficiencies and general under-investment in the healthcare system over many years, and political and consumer resistance to paying for more service resilience in future has melted away.”

**Ailsa Craig, Manager of International Biotechnology Trust**, said: “If you look at the performance of the Nasdaq Biotech Index over the past month, the sector has only fallen back to Autumn 2019 levels which is significantly better than many other sectors. This is remarkable considering that biotechnology is deemed to be a high-beta sector and such sectors tend to underperform in down markets.

“We think this shows that investors understand the sector’s defensive characteristics: regardless of an economic downturn, the global population will still grow, people are living longer and more of them are able to purchase medicines, people will still get sick and society will still need medicines. In the longer term, the virus outbreak will subside and investors will start being drawn back in by the attractive valuations. We are in a strong position with cash and potential gearing which we can put to work over the coming weeks and months.”

**- ENDS -**

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