Polar Capital Global Healthcare Trust PLC

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Small-cap sell-off might not be done yet, warns Polar Capital healthcare fund manager

Last month's global equities sell-off prompted a few in the City to get a bit twitchy with some of their holdings.

Not Polar Capital Global Healthcare Trust PLC (LON:PCGH) fund manager Daniel Mahony, though.

Large caps in better health, though
"We virtually did nothing last month," Mahony explains. "We've seen a few of these sell-offs and I think the worst thing you can do is react to the market."

Given the size of the drops, some have been speculating that now might be a good time to go back in, but Mahony isn't so sure, particularly when it comes to the smaller companies.

"I think you have to be careful. Valuations of some of these really racy, growth momentum names have come back but they could go a lot further."

The manager sold down some of his small- and mid-cap exposure in the run-up to the sell-off, but his caution doesn't extend to the big pharma stocks - the AstraZenecas and Mercks of this world - which make up around 85% of the portfolio.

"The large cap stocks look good value right now … because [they] didn't get super expensive about a year ago at the racy end of the market."

Mahony is keen to stress that there is much more to his trust than just picking the biggest names in pharma and healthcare and sprinkling in some exciting small caps.

"It's not as simple as buying the ten top companies, because there's a structural change going on and there will be winners and losers. The winners could win big and the losers could lose big."

He points to Novartis and AstraZeneca - both of which he owns - which have been working hard on developing their drug pipelines, as examples of those who are getting "on the front foot".

He's a bit more fearful for companies with older drugs such as GlaxoSmithKline, which he thinks will start to come under pricing pressures in the near future.

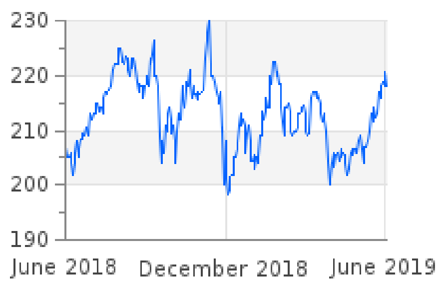
Mahony got into fund management and analysis after a spell in research.

Having studied at Oxford and then Cambridge, he moved over to California, the "golden Mecca" for biotechs, where he worked for a drug company developing cancer treatments.

Price: 218p

Market Cap: £265.46M

1 Year Share Price Graph



Share Information

Code: PCGH
Listing: LSE

52 week	High	Low
	230.00p	197.50p

Sector: Health Care, Equipment & Services

Website: www.polarcapitalhealthcaretrust.com

Company Synopsis:
The Polar Capital Global Healthcare Trust plc was launched in June 2010. In 2017 shareholders extended the life of the Company until 2025. It seeks to generate capital growth by investing in a global portfolio of healthcare stocks across all healthcare sub-sectors.   Polar Capital's healthcare team is highly experienced with a broad and diversified skill-set and a strong track record.

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"I had an accident where I lost a year's worth of work because a freezer broke down and at that point I thought, 'you know what, I'm done with research'."

Double your money in seven years

From there, he spent two years in New York attending night classes to beef up his finance and accounting knowledge, before moving back to London to work for Morgan Stanley.

Helping him pick the winners and losers now is a team of six analysts, all of whom, like him, have a background in healthcare.

"What we're trying to do is help our clients position themselves. Previously you could own Glaxo or Astra and you'd be fine in a portfolio, but now you need to make sure you're in the right big caps.

"If you own Astra, especially if you're a private client, come and own us instead, because we'll give you diversification and we think that, by and large, we should be able to outperform any single investment over a period of time."

History would suggest that Mahony's claims have some credibility, too. The trust's stated aim is to deliver returns of 8-10% per annum, which as he points out, would almost double investors' money in seven years.

"That's what we did between 2010 and 2017, so we're just trying to repeat that."