

Future of Healthcare Fund

Fund Update 31 December 2020

For more than 180 years Australian Unity has been invested in the wellbeing of our members. Through the Australian Unity Future of Healthcare Fund (Fund) investors obtain a blend of listed, private equity and venture capital healthcare assets complemented property and social infrastructure to provide a unique exposure to the growing Healthcare demand.



FebriDX, a point of care medical device being developed by Lumos Diagnostics (The Fund has invested in Lumos Diagnostics directly and also indirectly via Planet Innovation)

Fund Facts as at 31 December 2020

Unit Price	Gross Asset Value	Investments made since inception
\$1.0005 exit price	\$33.3 million	26 listed equity 3 venture capital

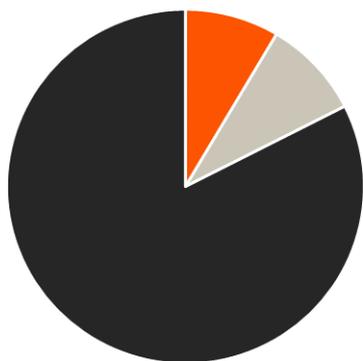
Active Unlisted Opportunities

15 venture capital / private equity

Key portfolio statistics as at 31 December 2020

Asset Sectors	\$m	Number	Actual %
Listed Equity	2.9	26	8.8
Private Equity and Venture Capital	2.9	3	8.7
Property and Social Infrastructure	0.0	0	0.0
Cash and other*	27.5		82.5
Total	33.3		100.0%

*includes cash and cash equivalents, weights include committed investments not yet settled.



■ Listed ■ PE / VC ■ Real Estate ■ Cash

Financials	
Gross assets	\$33.3m
Total debt	\$0.0m
Other liabilities [#]	\$0.0m
Net assets	\$33.3m

[#]other liabilities include management fees accrued

Portfolio Top 5 Holdings

Planet Innovation (venture capital)

An innovative healthcare device manufacturer and designer which invests in attractive healthcare opportunities. The company continues to be at the forefront of technological advancement in healthcare.

PI Services and PI Business Ventures are the two main business units of Planet Innovation. PI Services provides a complete end-to-end medical device development and commercialisation service for international healthcare, diagnostics and life sciences clients with particular expertise in Point-of-Care devices. The Fund's investment will enable Planet Innovation to expand the manufacturing facilities, to capitalise on strong demand growth from international healthcare, diagnostics and life sciences clients.

PI Business Ventures provides exposure to the growth of the now independently funded portfolio which includes; Lumos Diagnostics (Point-of-Care testing), Visus Therapeutics (ophthalmic therapies), and Atmo Bioscience (ingestible gas sensing capsule).

Clarity Pharmaceuticals (venture capital)

Radiotherapeutics company conducting novel trials into the use of new isotopes in the diagnosis and treatment of cancer. Clarity Pharmaceuticals is developing highly targeted treatment of cancers using radiolabelled peptides and antibodies. Clarity's molecularly targeted radiation (MTR), delivers radioactive isotopes for imaging and therapy using a targeting agent with a high affinity for the cancerous cells. Clarity's use of Copper isotopes Cu-64 (for diagnosis) and Cu-67 (for therapy) is enabled by their unique chelator which links the Cu isotope to the targeting agent and prevents it from leaking. The half-life, energies and method of manufacture of Cu isotopes provides significant logistical and clinical benefits over current state of the art approaches.

The first target cancer is neuroblastoma, most commonly occurring in children. The investment into Clarity Pharmaceuticals recent \$25m raise helps enable the company to move to further trials including those targeting Neuroblastoma and Neuroendocrine tumours (NETs) which are in Phase 1/2 trials. Neuroblastoma affects around 800 children in the US each year and is the most common cancer to be diagnosed in the first year of life accounting for ~15% of paediatric cancer mortality.

Lumos Diagnostics (venture capital)

Lumos Diagnostics' device, FebriDX is a finger prick point of care device that can discriminate between viral and bacterial infections. This will have a meaningful impact on the way patients are treated and tested in a primary care setting. The test takes less than 10 minutes to provide the GP with the results which will allow for better prescribing stewardship of antibiotics and preserve their effectiveness delaying bacterial resistance which is a top 10 threat to global health. The device is already approved and for sale in a number of markets and the investment is to fund scale up, approval and marketing in additional markets. The terms of the investment (a pre-IPO convertible note) offered an attractive risk-adjusted return for the Fund and provided Lumos Diagnostics with the necessary capital and a clear path for an IPO within 2 years.

Pro Medicus (ASX: PME)

Pro Medicus (ASX: PME) is at the forefront of radiology information systems, and Picture Archiving and Communication Systems (PACS) providing advanced visualization solutions across the globe.

Lead product Visage Imaging Platform provides a fast, clinically rich, scalable cloud platform that enables diagnostic, clinical, and mobile imaging workflows. PME is using artificial intelligence to deliver more robust and efficient clinical outcomes in the radiology field.

Vertex Pharmaceuticals (NASDAQ: VRTX)

A leader in the treatment of cystic fibrosis (CF) a rare genetic disorder, the drugs developed are the first to treat the condition rather than the symptoms. The company has a pipeline of genetic therapies which, if successful and developed will impact the lives of many.

Portfolio activity for this quarter

Key Listed Positioning

During the period we have commenced deploying funds into Australian and international equities. We will continue to deploy funds into the listed market over the coming quarter.

This quarter the key positions are an investment in Pro Medicus (ASX: PME) and Vertex Pharmaceuticals (NASDAQ: VRTX), and a portfolio of diabetes companies.

Property and Social Infrastructure Transactions

No Property or Social Infrastructure transactions have been executed, we are currently in the process of sourcing opportunities.

Private Equity and Venture Capital Transactions

- \$1.5m invested in Planet Innovation
- \$1.0m invested in Clarity Pharmaceuticals
- \$0.4m committed to the purchase of Lumos Diagnostics

We are currently in due diligence with a number of venture capital and private equity opportunities.

Revaluations

During the December 2020 quarter, no assets were revalued.

Markets 4Q20

Markets in the final quarter of 2020 were buoyed by hope; hope of a vaccine, hope of a sharp economic recovery and hope that 2021 will be better. The global economy continues to be well supported by governments and monetary policy through low central bank rates and bond buying programs.

US 10-year government bond yields rose over the quarter from 0.68% to 0.91%. The Australian dollar strengthened from 0.71 AUD/USD to 0.77 AUD/USD over the period. US president, Donald Trump was voted out of the white house in November and eyes turned to the Georgia, senate run-off for a reading on the potential for sweeping policy change in the US. An unchecked Biden administration may have ramifications for drug pricing in the key US market and reversal of tax cuts with greatest implications for big pharmaceutical companies. Never-the-less, markets preferred the stability offered by Biden and ultimately rallied on Congress' confirmation of Biden's election.

The MSCI World Healthcare Index returned 7.0% over the quarter underperforming the broader benchmark (MSCI World Index) which returned 14.1%. The S&P / ASX 300 Healthcare Index (dominated by CSL) returned -1.0% during the quarter underperforming the S&P / ASX 300 Index which returned 14.9%.

The spotlight was on pharmaceuticals over the quarter with data on various Covid-19 vaccines being published by several companies including AstraZeneca, Moderna and Pfizer. Having delivered the COVID vaccine that the world requires to move forward and grow Big Pharma seeded its own underperformance as value trade outperformed growth and defensives, to the extent that Big Pharma stocks are now attractive on an absolute and relative basis.

Outlook

In general terms, the pandemic related recovery seems to be sentiment based driven by hope rather than earnings. Private equity and venture capital investments broadly offer more compelling opportunities than listed markets at the current point in time. Healthcare property returns over recent years have been strongly influenced by property yield compression and relative attractiveness to the long-term bond rate. We expect medium to long term returns to be guided by underlying investment fundamentals.

The healthcare sectors key strategic long-term innovation drivers remain intact. New technologies that expand into untreated indications, improve patient outcomes vs. existing therapies, and lower costs for hospitals, payers or healthcare systems are the key determinants of revenue, earnings and stock performance.

In a tactical sense, for international healthcare markets we think that 2021 will be a tale of two halves; First, continued COVID-19 headwinds already seen through 4Q20 continuing through 1H21; followed by a stronger 2nd half benefiting from the roll out of vaccines, easy comparative periods, and pent up demand from deferred procedures. We expect the more accommodating regulatory approach required to respond to COVID to persist benefitting innovators over the mid-term, with reimbursement risk to remain an overhang.

Initial Investors

Having raised \$33.4m the Fund towards the end of the quarter (18th December), the Fund commenced deploying the Funds into both venture capital and listed investments.

We would like to thank all our early investors and look forward to making an impact on the Healthcare industry over the coming years.

Assets as at 31 December 2020

Asset Details ²					
	Notes	Sector	Current Valuation (\$m) ¹	Current Valuation (%)	Valuation Date
Listed Equity					
Pro Medicus (ASX: PME)	-	Health / IT Convergence	0.4	1.1	
Vertex Pharmaceuticals (NASDAQ: VRTX)	-	Biologics, Cell & Gene Therapies	0.3	0.9	
Insulet Corporation (NASDAQ: PODD)	-	Metabolic Syndrome & Diabetes Epidemics	0.2	0.5	
Olympus Corporation (TSE: 7733)		Health / IT Convergence	0.2	0.5	
Sanofi (EPA: SAN)		Pathogens	0.2	0.5	
Other Listed	-		1.6	9.8	
Total Listed Equity			2.9	8.8	
Private Equity and Venture Capital					
Planet Innovation	-	Pathogens	1.5	4.5	Dec 2020
Clarity Pharmaceuticals	-	Precision Medicine and Molecular Diagnostics	1.0	3.0	Dec 2020
Lumos Diagnostics	-	Precision Medicine and Molecular Diagnostics	0.4	1.2	Dec 2020
Total Private Equity and Venture Capital			2.9	8.7	
Cash and Cash Equivalents					
Cash and Cash Equivalents			27.5	82.5	
Total Cash and Cash Equivalents			27.5	82.5	
Total Portfolio			33.3	100.0	

Notes

- Valuation Policy - Regular valuation of private equity and venture capital is an important aspect of managing the Fund. Valuations are conducted by qualified independent valuers or our internal framework where appropriate. We have a policy of generally conducting valuations at least once a year. Additionally, as part of our active management approach, we may test asset values on market.
- The table includes investments committed to but not yet settled, cash has been adjusted to reflect these committed investments.

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Important information

The Australian Unity Future of Healthcare Fund (the Fund) comprises stapled security of units in the Australian Unity Future of Healthcare Fund No.1 (Trust No.1) and the Australian Unity Future of Healthcare Fund No. 2 (Trust No.2)Fund). Units are issued by Australian Unity Funds Management Limited (AUFM) ABN 60 071 497 115, AFS Licence No. 234454 as Trustee for Trust No.1 and Trust No. 2. The information in this document is general information only and is not based on the objectives, financial situation or needs of any particular investor. You should obtain financial and legal advice relevant to your circumstances before making investment decisions. In deciding whether to acquire, hold or dispose of the product, investors should obtain the current Information Memorandum (IM) dated 11 December 2020 (Australian Unity Future of Healthcare Fund) to consider whether the product is appropriate for them. Copies of the IM are available at australianunity.com.au or by calling our Investor Services team on 13 29 39. Investment decisions should not be made upon the basis of its past performance or distribution rate since each of these can vary. The information provided in the document is current at the time of publication.