

5 INSIGHTS FROM FUND MANAGER



MIRAE ASSET HEALTHCARE FUND

Sectoral/Thematic Fund - An open-ended equity scheme investing in healthcare and allied sectors.

Investment Strategy

The scheme has at least 80% investments in Pharma, Healthcare, and allied sectors. Healthcare is an evolving theme which has tremendous growth potential and includes businesses in hospitals, diagnostics, specialty chemicals, medical equipment, insurance, and other allied sub sectors. The endeavour is to maintain a concentrated portfolio of 30-40 stocks in this theme. Fund has the flexibility to invest across market capitalization and style in selecting investment opportunities within this theme.

Net AUM
as on Nov 30, 2022

INR 1724.64 Crores

Benchmark

S&P BSE Healthcare
Index (TRI)

Scheme Inception date

2nd July 2018



Fund Manager - VRIJESH KASERA

Master of Business Administration Chartered Financial Analyst

Mr. Kasera has professional experience of more than 16 years, and his primary responsibility includes Investment Analysis & Research. He has been associated with Mirae Asset Mutual Fund since 28 November 2016. Prior to this assignment, he was associated with Axis Capital Ltd. as an Equity Research Analyst. He has also been associated with Edelweiss Broking Ltd.

What is the broad overview about the Indian healthcare category?

Indian companies have emerged as a reliable source of low-cost generics manufacturing in the world, both on the API as well as formulations. This has established India as a leading player in the largest pharma market of US and Indian companies supply approximately 30% of the total US market volumes for medicines.



Indian Pharma industry has undergone periods of volatility; the upcycle driven by US (between 2010-15) and downcycle driven by large investments made during 2013-15 which led to increased supply & lower prices. Since 2016, while the US facing business have undergone a downcycle, domestic branded businesses have been stable and became more relevant. The brand-ed generic focused companies were re-rated, while US generic focused companies got de-rated.

There was a shift in capital allocation and companies started allocating lesser capital towards US focused businesses. This was visible in lower capital expenditure & reduced research & development outlays during 2018-2022. Overall, Indian healthcare businesses have become more efficiently run, manufacturing focused and after a very long period, most businesses have reduced debt positions

Launch of several niche products in the US market, stable US price erosion levels, decent product pipeline, favourable INR terms, stable growth from branded generic market and positive impact of lower raw material prices could drive the sector earnings going forward. Given that free cash flows generation may be possible (now and future), we may expect activity on mergers & acquisitions (M&A) and capital allocation towards slightly higher risk opportunities (complex generics / Innovation / Biosimilars). .

What can be the top three growth drivers for the healthcare theme for the next five years?

Improved cash position implies higher investments for growth including M&A – there are multiple areas (India branded, biosimilars, complex generics, innovation, emerging markets presence, manufacturing assets) where Indian healthcare would look for growth avenues going forward. Cash positions may have improved after a long time and future deployment may drive growth.

Investments into biosimilars / complex generics – the pharma markets have witnessed much higher growth for biologics (innovation) as more and more novel drug approvals by FDA / other agencies are for biologics. The entry barriers are going down which may augur well for most Indian players as capital requirements could move lower.

Mix improvement / lower costs / contribution from recent investments to drive margins – we believe margins for most companies may have been impacted by multiple reasons in the recent past. Going ahead, we may expect lower raw material and logistics costs – a key reason for margin improvement. With India expected to further normalise, US complex generic pipeline to deliver and recent price hikes in India to start contributing, we expect these may further add to improvement in margins. All this together, may lead to high EBITDA growth vs sales growth over the next five years.

What can be the key headwinds to this growth?

- We believe capital allocation could be a key driver for growth and invariably we have seen multiple companies not doing well on that front with some misses over the last 1-2 decades. Any outsized acquisition especially in international markets, may adversely impact valuation multiples and impede growth.
- Multiple complex generics are in the pipeline for many pharma companies but given the nature of these assets, execution & timing of launches could be an important going ahead. If delays are more than expected, the opportunity loss could be large for such ventures.
- Any big liability because of large value launches in the US could get impeded on account of any litigation.
- Multiple import alerts, bigger focus on local manufacturing by various countries are all general risks for the healthcare theme.



What has been the investment approach & fund positioning?

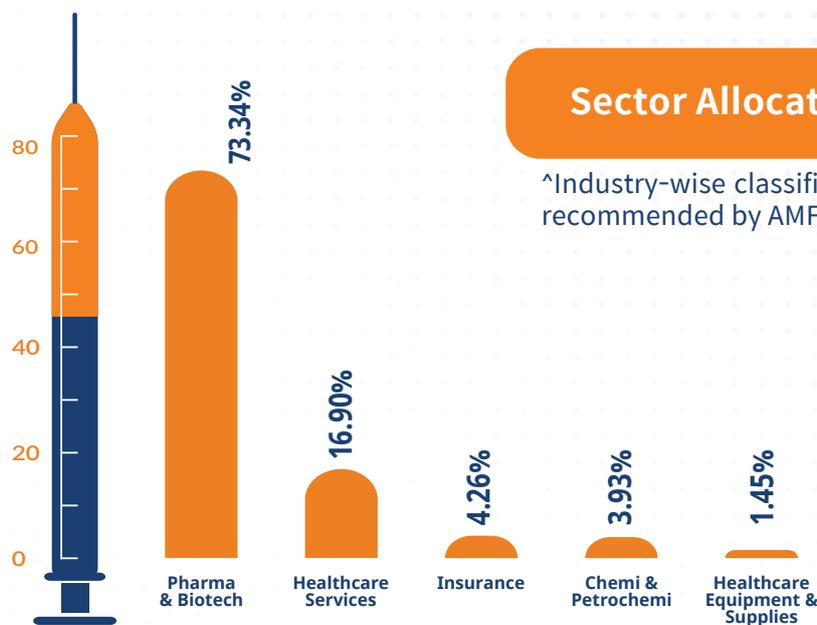
We follow the GARP (Growth at reasonable price) framework while selecting the business we invest in. We look for long term holdings in the portfolio & attempt to have a lower churn in the fund. We are currently overweight on domestic focused pharma firms, healthcare, and hospitals. We are underweight in diagnostics, Contract research and manufacturing services (CRAMS) and export focused pharma businesses. (As on end Nov-22, portfolio details are followed in the article)



How should an investor expect and approach investing into the healthcare theme?

Discerning investors could allocate their core allocation to mainstream investment themes like market cap-based equity funds based on their preference, asset allocation and short- & medium-term goals.

For their thematic allocations, they could consider healthcare as a category to invest in amongst other thematic options. We believe healthcare is an integral part of a growing economy like India. With broad indications that healthcare as a percentage of India's GDP may go up as the country progresses over the next few decades, we believe investors with extended long term investment tenure and depending on the risk appetite, one may invest a part of their portfolio in such a theme.



Sector Allocation

^Industry-wise classification as recommended by AMFI

Data Source: Internal, Bloomberg, Brokerage house reports on healthcare sector, portfolio details as on 30-Nov-22

Note: Investment strategy stated above may change from time to time without any notice and shall be in accordance with the strategy as mentioned in the Scheme Information Document. please read the offer document to know in detail about the asset allocation.

Statutory Details: Trustee: Mirae Asset Trustee Company Private Limited; Investment Manager: Mirae Asset Investment Managers (India) Private Limited (AMC); Sponsor: Mirae Asset Global Investments Company Limited.

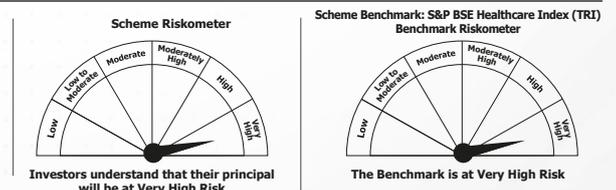
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PRODUCT LABELLING

Mirae Asset Healthcare Fund is suitable for investors who are seeking*

- To generate long term capital appreciation
- Investments in equity and equity related securities of companies benefitting directly or indirectly in Healthcare and allied sector in India

*Investors should consult their financial advisors if they are not clear about the suitability of the product.



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For further information about other schemes (product labelling and performance of the fund) please visit the website of the AMC: www.miraeassetmf.co.in

Please consult your financial advisor or mutual fund distributor before investing.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.