

Asset Management

Newsletter December 2018

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Technology revolutionizing health care Credit Suisse (Lux) Global Digital Health Equity Fund

Summary

The Credit Suisse (Lux) Global Digital Health Equity Fund corrected substantially during the fourth quarter of 2018, to bring the year's performance down to slightly positive. Compared to the MSCI World Index, the fund was still able to outperform. The most important headwind arose from a concentration in small- and mid-cap names that mainly belong to the growth category. However, this stems from the pure-play investment approach the fund vigorously pursues. Apart from the market impact, the companies on balance have shown strong corporate results and several were the target of an M&A transaction. We are taking advantage of the current market volatility to selectively increase positions.



Christian Schmid
Senior Portfolio Manager



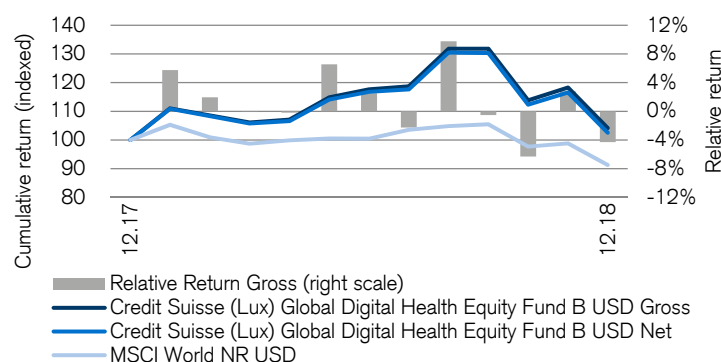
Thomas Amrein
Senior Portfolio Manager

Portfolio statistics

Fund Currency	USD
Reference Index	MSCI World (NR)
Legal Structure	Luxemburg UCITS
Subscriptions & Redemptions	Daily
Inception Date	14.12.2017

Data as of 31.12.2018. Source: Credit Suisse

Performance



	Q1	Q2	Q3	Q4	Annualized
2018	6.1%	10.9%	12.0%	-20.9%	4.2%
Since 01.01.2018					4.2%

Ongoing charge: 1.87%, Source: Credit Suisse, Data as of: 31.12.2018

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Risks

- No capital protection: investors may lose part or all of their investment in this product.
- Political developments concerning the health care sector could have a significant adverse impact on the Digital Health sector.
- Exposure to small and mid caps can result in higher short-term volatility and may carry liquidity risk.
- As the fund focuses on highly innovative companies, volatility can be significantly elevated.

Market review

Despite a more positive tone in the ongoing trade war between the US and China, the prospect of a possible deal was not enough to trigger a year-end rally and to allay fears of an economic slowdown. While the market breadth had diminished well ahead of the fourth quarter of 2018, small- and mid-cap names continued to underperform large-cap companies. In some cases, these corrections went very far, especially where there was no fundamental change to the business at all, leading to a considerable recovery potential – also triggered by M&A.

Performance review

The fund corrected substantially in the fourth quarter of 2018. Up to the end of September, despite very high volatility, the fund had been able to substantially gain both on an absolute and on a relative basis. The fund underperformed the MSCI World Index in the fourth quarter in gross USD terms (source: StatPro), which is not surprising since we are exposed to small- and mid-cap companies and the fund has a beta above one (returns' volatility relative to market). Three companies were the target of an acquisition: Mazor Robotics, athenahealth and Tesaro. Those holdings in aggregate helped to stem the decline, although they were not sufficient. Especially in the R&D and treatment segments, stocks saw heavy losses – despite almost no impact overall from any of the ongoing macro concerns and hence no change to the business outlook.

* We define pure-play companies as those with over 50% of revenues generated from the theme.

Strategy and outlook

Our fundamental research into digital health gives us confidence in the long-term structural growth drivers powering the theme and our contacts with industry experts provide insight into the corporates to help us select the most attractive opportunities in the theme. Our seven-to-ten-year investment horizon allows us to look beyond short-term market noise and focus on the long-term structural changes in the industry. The pure-play* concept is at the heart of Credit Suisse Thematic Funds. It is designed to deliver focused exposure to a theme while allowing for adequate liquidity and diversification. The pure-play focus means that we invest only in companies where more than half of current revenues are derived from goods and services directly related to the theme.

Portfolio action

Throughout the fourth quarter of 2018, we increased positions where we judged there to have been an overreaction. At the same time, we reduced the holdings that were involved in M&A to finance the transactions. In addition, we started investing in a couple of pure-play companies that we deem to be uniquely positioned within the theme, Guardant Health (leader in liquid biopsy), Moderna (leader in RNAi development) and Zai Lab.

Share classes

Currency	Share Class	Segment	Effective management fee p.a. ¹	Maximum management fee p.a. ¹	Min. investment	TER	Valor	ISIN
USD	B	Retail	1.60%	1.92%	None	1.87%	38311163	LU1683285164
USD	IB	Retail	0.90%	1.20%	USD 500,000	1.17%	38312183	LU1683285750
USD	EB	Institutional	0.90%	0.90%	None	1.12%	38312178	LU1683287707
USD	UB	Retail	1.00%	1.50%	None	1.27%	38312204	LU1683288424
EUR	EBH	Institutional	0.90%	0.90%	None	1.20%	38312180	LU1683287889

¹ Management fee as of 31.12.2018. The fee may change at any time without prior notice to investors. For the maximum management fee, please refer to the fund's prospectus.

Additional share classes are available. Refer to the fund Sales Prospectus for more information.

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