Technology revolutionizing health care
Credit Suisse (Lux) Digital Health Equity Fund
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Digitalization is revolutionizing the health care sector. With research and development contributing to breakthroughs that would previously have been unimaginable, it has the potential to markedly improve the quality of medical services and curb rising costs. Digital health is one of the fastest-growing segments in health care.

The Credit Suisse (Lux) Digital Health Equity Fund offers clients the opportunity to make focused investments in this dynamic field.

Why digital health?

The health care sector offers particularly fertile ground for digital methods and tools. For example, medical research works with huge and growing datasets. Gene sequencing or even the genetic analysis of a broad stratum of the population can lead to revolutionary findings and processes. However, without the use of smart systems, the sheer volume of data is almost impossible to handle.

Digitalization also allows existing processes to be applied in a way that is not only more exact, but also faster and entails fewer side effects. Increasingly precise imaging diagnostics and the support provided by robots in operating theaters mean better results and shorter hospital stays.

The latter is also a cost factor. The growing complexity of modern medicine and increasing life expectancy are contributing to a general rise in health care costs. This is where higher efficiency, brought about by digital process optimization, can be useful.

Why now?

Despite the obvious synergies and advantages offered by digitalization in the health care sector, it is still early days. The corresponding know-how first had to be built up, the companies needed to be founded and the technologies needed to be developed.

However, the prerequisites for a major leap forward are certainly there. The technologies have become established, the market is sufficiently mature and the regulatory framework is in place.

For investors, the time is ripe, as effective diversification is now possible. This is demonstrated not least by the fact that we have successfully built a broad-based portfolio of digital health stocks. Only a few years ago, the market simply was not broad enough. At the same time, the topic is still recent enough for investors to secure an early-mover advantage in the market.

The compound annual growth rate of the global digital health market is expected to reach 19.35% between 2018 and 2024.

Source: ZION Market Research, Global Digital Health Market, July 2018
Digital health is changing the way health systems are run and health care is delivered.


How do we invest?
The Credit Suisse (Lux) Digital Health Equity Fund is actively managed by our Thematic Equity team. The fund invests worldwide in stocks of innovative and fast-growing companies that operate at the interface between medicine and digitization. The stock-selection process is based on fundamental analysis.

The investment focus is on companies with strong research and development capabilities, which enable them to bring to market innovative products with high commercial potential. We analyze the investment universe on the basis of quantitative, qualitative, and growth-related factors.

We base our approach on internal and external research, discussions with industry experts and analysts, and regular contacts with companies.

Investment framework:
- The objective is to generate long-term capital growth, taking appropriate risk distribution into account.
- Focused portfolio of 40 to 60 small- and mid-cap stocks.
- Typical allocation of 1% to 4% per stock.
- Sustainable investing: The portfolio meets our ESG criteria.

Our global approach, with a focus on three fast-growing digital health themes

- Research and development: ~ 20% of portfolio
- Treatments: ~ 40% of portfolio
- Efficiency: ~ 40% of portfolio

Stock selection is based on four rules:

1. We define a company as pure play if technology is essential for its business model and accounts for more than 50% of its current revenue.

2. Our focus on pure plays, innovation, and start-ups results in a clear strategy based on small- and medium-sized enterprises.

3. We base our analyses on a time horizon of 7 to 10 years. This enables us to observe the structural strengths of the transformation in general terms, without short-term distortions. As a consequence of this approach, our portfolio turnover is generally low.

4. Our stock selection and portfolio construction are based on fundamental bottom-up analyses, on our conviction concerning long-term investment opportunities, and on diversification considerations.

Source: Credit Suisse
For illustrative purposes only.

Source: Credit Suisse
The abbreviation ESG stands for environmental (E), social (S) and governance (G). More information at credit-suisse.com/am/esg.
The Credit Suisse (Lux) Digital Health Equity Fund offers investors access to soundly funded and well-managed pure-play companies that will profit in the long term from the digitalization of the health care sector, and are expected to post growth rates in the double-digit percentage range.

**Key facts**
- **Fund domicile**: Luxembourg
- **Benchmark**: MSCI World ESG Leaders (NR)
- **Fund management company**: Credit Suisse Fund Management S.A.
- **Inception date**: 14.12.2017
- **Portfolio managers**: Thomas Amrein, Christian Schmid
- **Fund currency**: USD
- **Currency-hedged share classes**: EUR, CHF

**Share class** | **Valor no.** | **ISIN** | **Effective management fee p.a.$$^3$$ | **Minimum investment** | **Distribution**
---|---|---|---|---|---
USD B | 36311163 | LU1683285164 | 1.60% | None | Accumulating
USD B | 36312183 | LU1683285750 | 0.90% | USD 500,000 | Accumulating
USD UB | 36312204 | LU1683286424 | 1.00% | None | Accumulating
USD EB | 36312179 | LU1683287717 | 0.90% | None | Accumulating
EUR A | 43559979 | LU1977535069 | 1.60% | None | Distributing
EUR BH | 36311167 | LU1683285321 | 1.60% | None | Accumulating
EUR IBH | 36312185 | LU1683285834 | 0.90% | EUR 500,000 | Accumulating
EUR IA | 46408458 | LU1951512372 | 0.90% | EUR 500,000 | Distributing
EUR UBH | 36312207 | LU1683288770 | 1.00% | None | Accumulating
EUR EBH | 36312180 | LU1683287889 | 0.90% | None | Accumulating
CHF BH | 36311165 | LU1683285248 | 1.60% | None | Accumulating
CHF LBH | 36312206 | LU1683286697 | 1.00% | None | Accumulating
CHF EBH | 40995129 | LU1796813662 | 0.90% | None | Accumulating

$$^2$$While this index is officially designated as the fund’s benchmark, it is not applied as such during the investment process and the fund portfolio need not bear any resemblance to it.
$$^3$$Management fee as of 31.10.2019. The fee may change at any time without prior notice to investors. For the maximum management fee, please refer to the fund’s prospectus.
$$^4$$For institutional investors only.

**Risks**
- The investor may lose part or all of the invested amount.
- Focus on digital health companies can lead to significant sector/regional exposure.
- A slowdown in the global economy might impact the digital health sector.
- Liquidity risk (exposure to small caps).
- Equity markets can be volatile in the short term.
- Due to the possibility of increased exposure to emerging markets, the fund may be affected by political and economic risks in these countries.

Want to find out more?
Visit credit-suisse.com/thematicequities and credit-suisse.com/am/esg

The biggest winners from digital health care will be the patients who receive better treatment, and those who avoid becoming patients at all.

Source: The Economist, A digital revolution in health care is speeding up, March 2017