

Uncovering the pioneering firms leading the fight against cancer

Friday, 10/19/2018

Pioneering developments in oncology deliver in both areas: progress in fighting the second leading cause of death globally and access to leading-edge healthcare innovators with growth potential.



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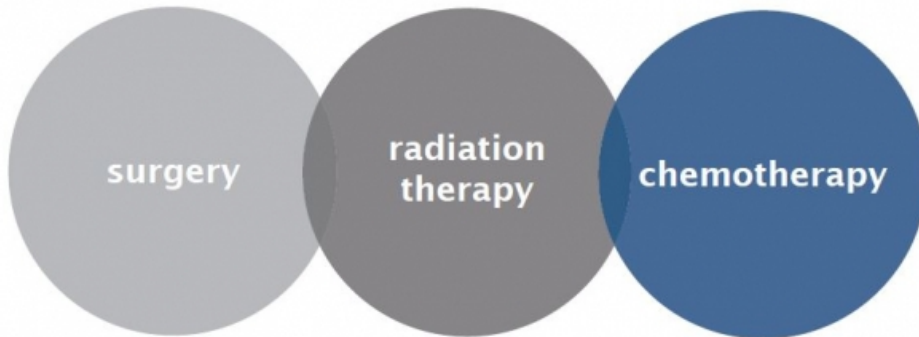
Despite significant strides in prevention and survivorship rates, cancer remains a leading cause of death across Europe. With nearly 200 variations of cancer, the complexity of navigating treatments and optimising resources is at the forefront of healthcare companies' agendas.

The data illustrating the accelerating prevalence of cancer makes for grim reading. By 2030 there will be over 22 million new cases a year, up from 14 million in 2012. This surge is being underpinned by an ageing population worldwide; cancer rates rise dramatically in +55yrs old. To tackle this problem, the oncology market is set to keep growing as companies continue to find ways to treat the disease.

Moreover, the recent surge in ethical investing, particularly among millennials, is shining a spotlight on investments which can secure financial returns while positively contributing to society. Pioneering developments in oncology deliver in both areas: progress in fighting the second leading cause of death globally and access to leading-edge healthcare innovators with growth potential.

Our fund is invested in two companies leading the way in pioneering treatments within radiation therapy. Elekta offers the world's first MRI-guided radiotherapy and Ion Beam Applications is the leading global player in proton therapy.

3 ways to treat cancer



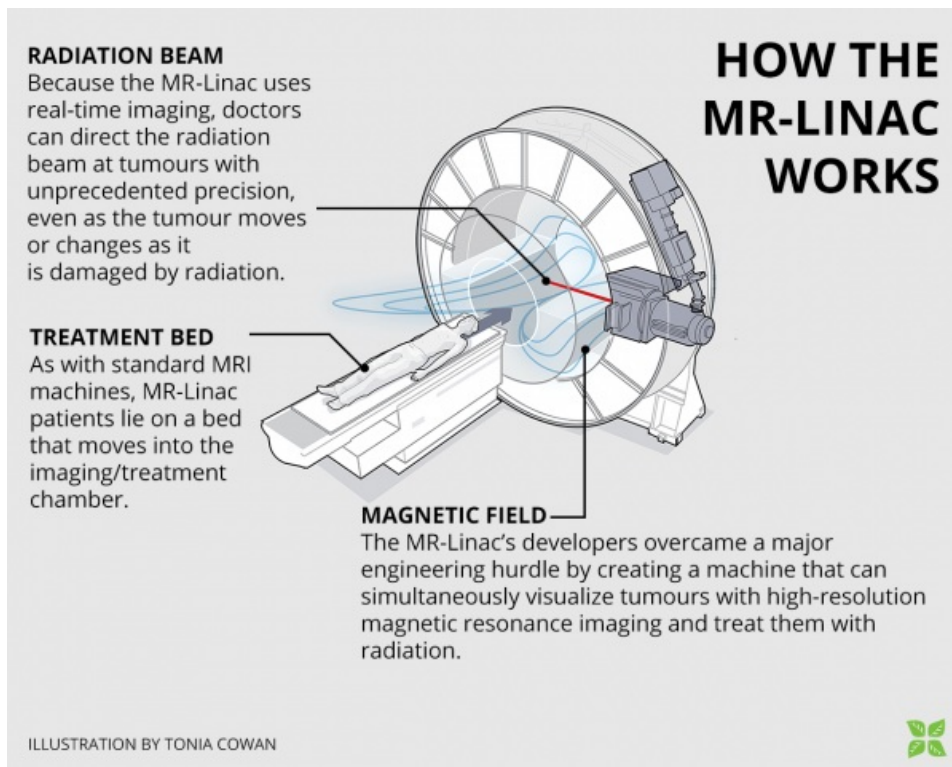
Elekta – unique tech proposition

Elekta invests in game-changing technology, through its partnership with Philips, to improve the precision and accuracy of radiation therapy. By combining the device used to emit radiation beams to treat cancer tumours (the advanced linear accelerator or linac) with high quality magnetic resonance imaging (MRI), its product, Unity, aims to address an unmet need in cancer therapy.

Unity enables clinicians greater control over radiation doses, allowing them to visualise the tumour and surrounding healthy tissue in high-quality MRI and take into account real-time changes in the location and shape of the tumour caused by breathing, swallowing and other normal bodily functions.

Integrating magnetic resonance with surgical precision radiation therapy has several advantages. By lowering dosage to surrounding healthy tissue areas, it opens new treatment areas to radiation therapy. This includes those affected by colorectal, liver and pancreatic cancer. It also improves treatment of tumours with a tendency to move, such as those present in the lungs.

Unity thus has the potential to offer improved radiotherapy treatment for soft tissue cancers and cement Elekta's position as a pioneer of future technology.



Market structure overrides scepticism

Elekta sold off substantially in 2015 as a result of multiple profit warnings, management changes, concerns around market share losses and the emergence of cheap competition in China. Put simply, the market had lost faith in the company. For us, as contrarian investors with a long time horizon, this presented an interesting opportunity.

Market-leading technology is merely the 'jewel in the crown' of the investment case. Our main thesis is based around the fact Elekta operates in a stable duopoly with Varian – the two players control 80% of the global market. There are high barriers to entry from a regulatory and technological point of view and a large installed base, which gives the company a long-term revenue stream.

By investing in Elekta when it was out of favour and there was scepticism surrounding its R&D strategy, we have made substantial returns now the market is excited about the pipeline of new orders for Unity.

Ion Beam Applications – superior solution promises growth

Ion Beam Applications (IBA) is the market leader – with c.50% global share – in the structurally attractive, oligopolistic proton therapy market – a disruptive technology within oncology, which is expected to grow at a 15% CAGR to 2035.

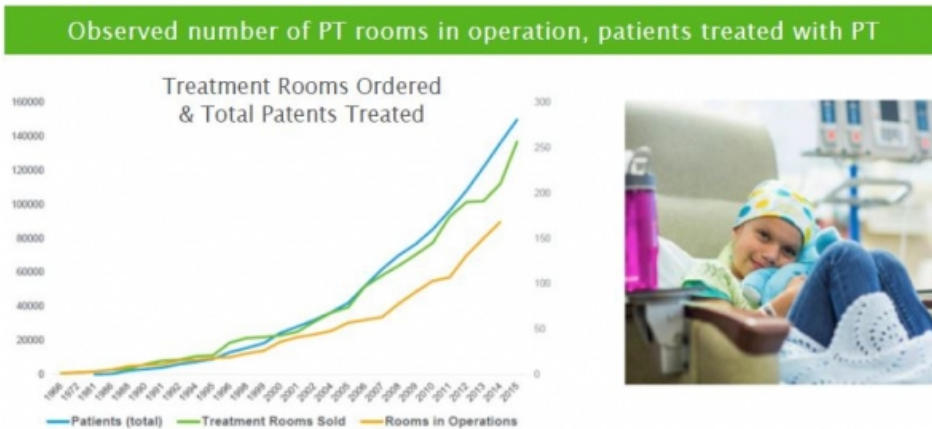
Proton therapy is considered the most advanced form of radiation therapy using high-energy proton beams to irradiate tumours. It is used today to treat many cancers and is particularly appropriate in situations where treatment options are limited and conventional radiotherapy using photon beam presents unacceptable risks to patients. These situations include eye and brain cancers, head and neck cancers, prostate, liver, lung, breast, and paediatric cancers, as well as other tumours in close proximity to one or more critical structures.

This is because proton therapy exhibits superior treatment efficacy and minimises exposure to healthy tissue behind the tumour due to the fact there is no exit beam. There are several other advantages of proton therapy, including a lower integral dose per treatment and the potential to lower the risk of side effects.

Belgian-listed IBA has delivered four profit warnings in the last 12 months, mainly due to delays in the construction process of its systems, which have caused the share price to more than halve. Despite these short-term, cyclical headwinds, the company benefits from high barriers to entry, a strong backlog equating to over €1bn of sales and a rock solid balance sheet which can support future growth.

Growth of Operational Proton Therapy Rooms

Total number of rooms worldwide, patient evolution index based on number of rooms



Contrarian edge cuts through sentiment cycle

These two examples illustrate our investment approach in action. As contrarian investors, we do not follow the herd of momentum-seeking investors. Market sentiment is often overblown and it is important to cut through the noise. What we do best is look for unloved stocks offering high quality businesses and buy into them at the point of maximum pessimism – early in the investor sentiment cycle.

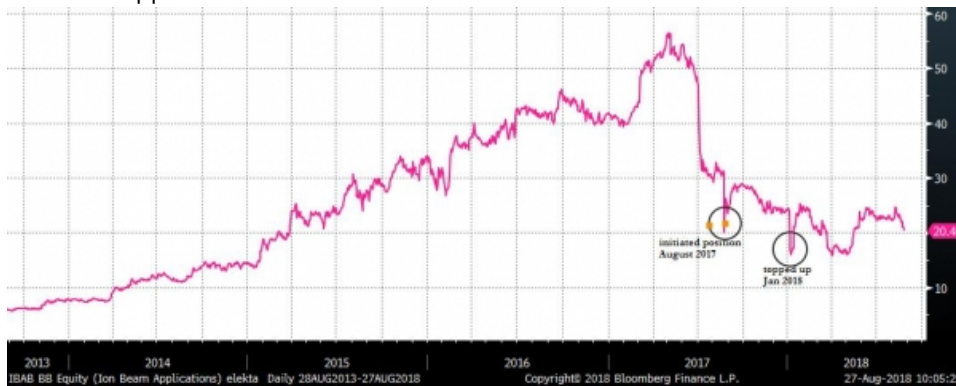
Elekta and IBA demonstrate the benefits of having a long time horizon which extends beyond short-term fear and market panic to instead focus on long-term company fundamentals. Having moved beyond the early stage of the sentiment cycle, Elekta has already delivered impressive returns for us, and we are confident IBA, which is still in the early phase, will follow a similar trajectory, given the company's exciting potential in a fascinating field within oncology.

Elekta Share Price since 2013



Source
Bloomberg

Ion Beam Applications Share Price Chart since 2013



Source
Bloomberg

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