

Q4 Healthcare Update

November 2023



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Healthcare Focused Strategies



MIDDLEFIELD
HEALTHCARE DIVIDEND
ETF

TSX TICKER MHCD	YIELD 5.8%	AUM +\$150M
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Canada's largest actively managed Healthcare sector ETF

MIDDLEFIELD
HEALTHCARE DIVIDEND
FUND

FUND CODES FE: MID325 F Series: MID326	YIELD A: 3.1% F: 2.9%	AUM +\$90M
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Dr. Richard Evans, Portfolio Advisor



Middlefield Healthcare Advisor

Dr. Evans has 20+ years of healthcare industry experience. A former senior pharmaceuticals executive with Roche and top-ranked analyst with Sanford C Bernstein, he was ranked #1 by both Bloomberg and Institutional Investor for his thought-leading industry coverage



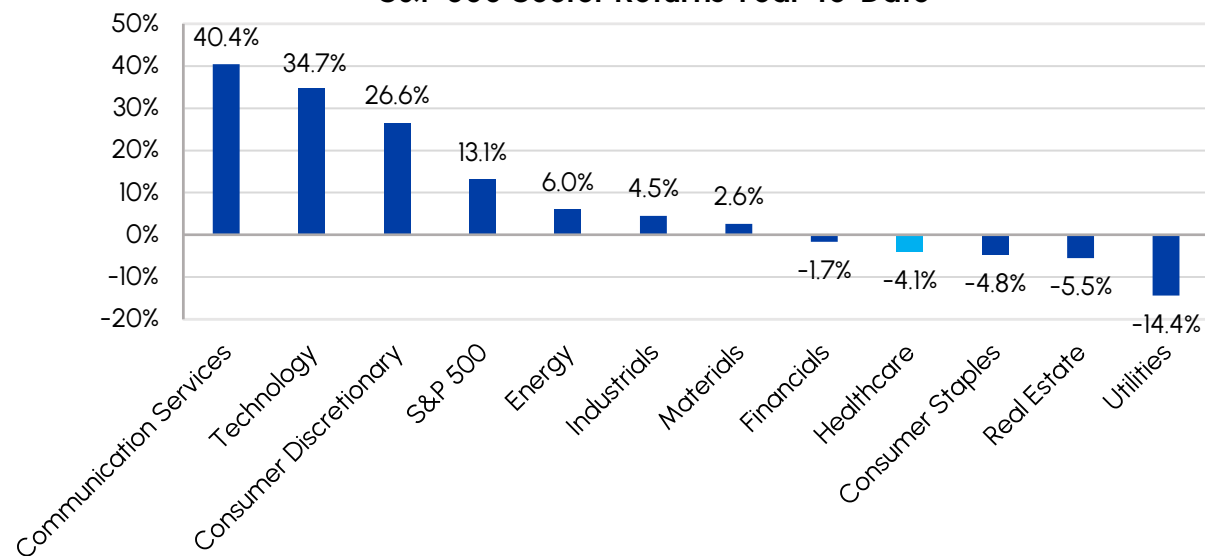
SSR is an Exclusive industry advisor providing expert analysis, unique comprehension and actionable investment ideas for Middlefield's healthcare and innovation. The firm's founders are highly regarded thought leaders with over 50 years of combined equity research experience. SSR is an Independent research firm, with no investment banking and sales & trading business .

Current Market Backdrop

Macro Backdrop

- The healthcare sector has lagged the broader market
 - Market rotation out of defensive + value into growth
 - Reversal from 2022 where defensives outperformed
- Economy has been resilient and market pricing a soft-landing
 - Consumer-facing sectors leading to the upside
- Macro risks are starting to build again
 - Tensions in Ukraine / Middle East, higher oil prices
 - Dysfunctional U.S. Congress
 - Rising treasury yields
- Middlefield's actively managed, dividend-focused strategies have performed well against this backdrop

S&P 500 Sector Returns Year-to-Date



Fund	YTD	1Y	3Y	5Y	Since Inception
Middlefield Healthcare Dividend ETF	-2.7%	5.5%	4.3%	4.3%	7.1% ¹
Middlefield Healthcare Dividend Fund (F Series)	-2.2%	6.5%	4.8%	6.4%	9.9% ²

Source: Middlefield, as at September 30, 2023
Annualized total returns, assuming the reinvestment of distributions and net of fees

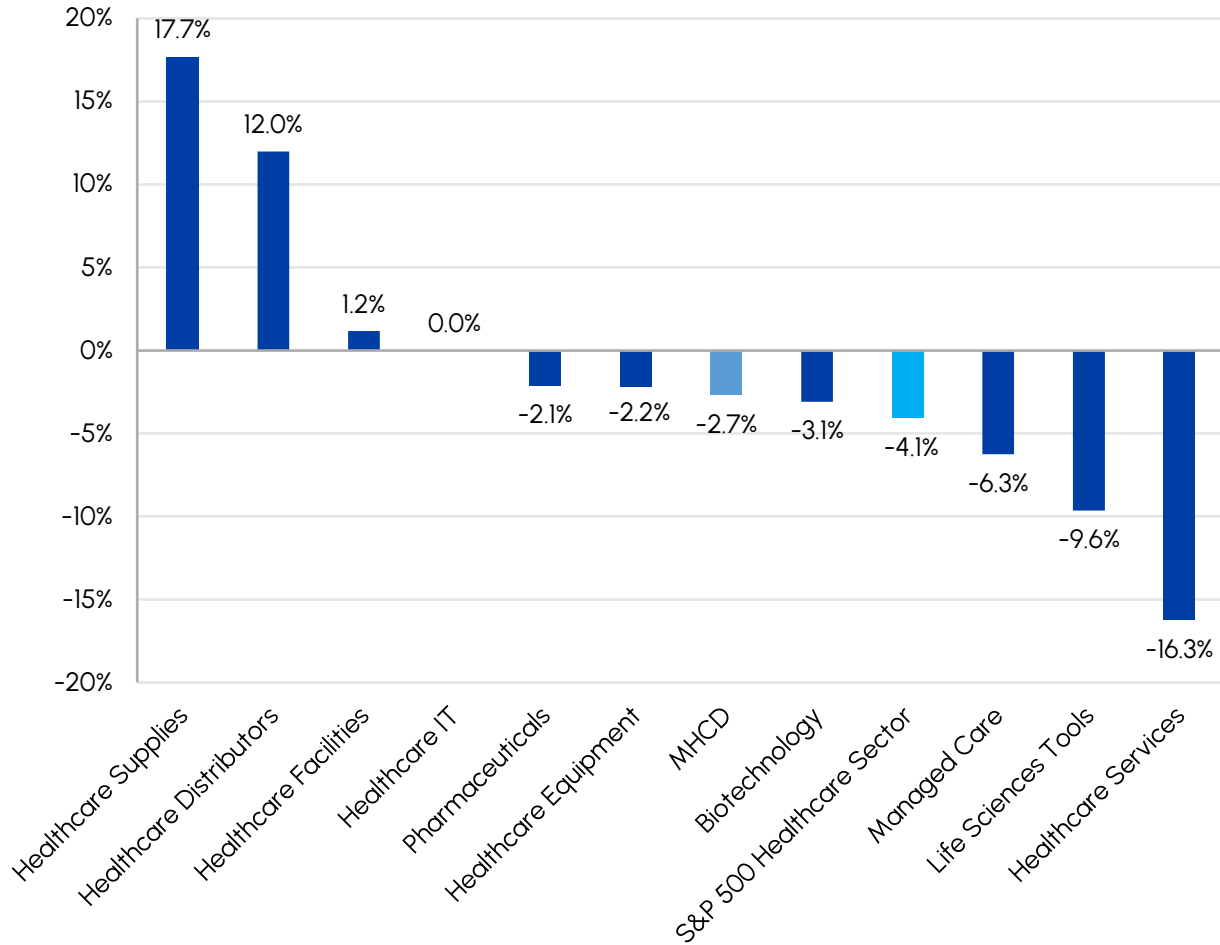
¹Inception date: July 21, 2017

²Inception date: October 23, 2014

*ETF Yield

Sub-Industry Performance

S&P 500 Healthcare Sub-Industry Returns (YTD)



Fund Attribution (YTD)

Performance Contributors

- Pharmaceuticals
- Healthcare Distributors
- Managed Care

Performance Detractors

- Healthcare Supplies
- Healthcare Services
- Life Sciences Tools & Services

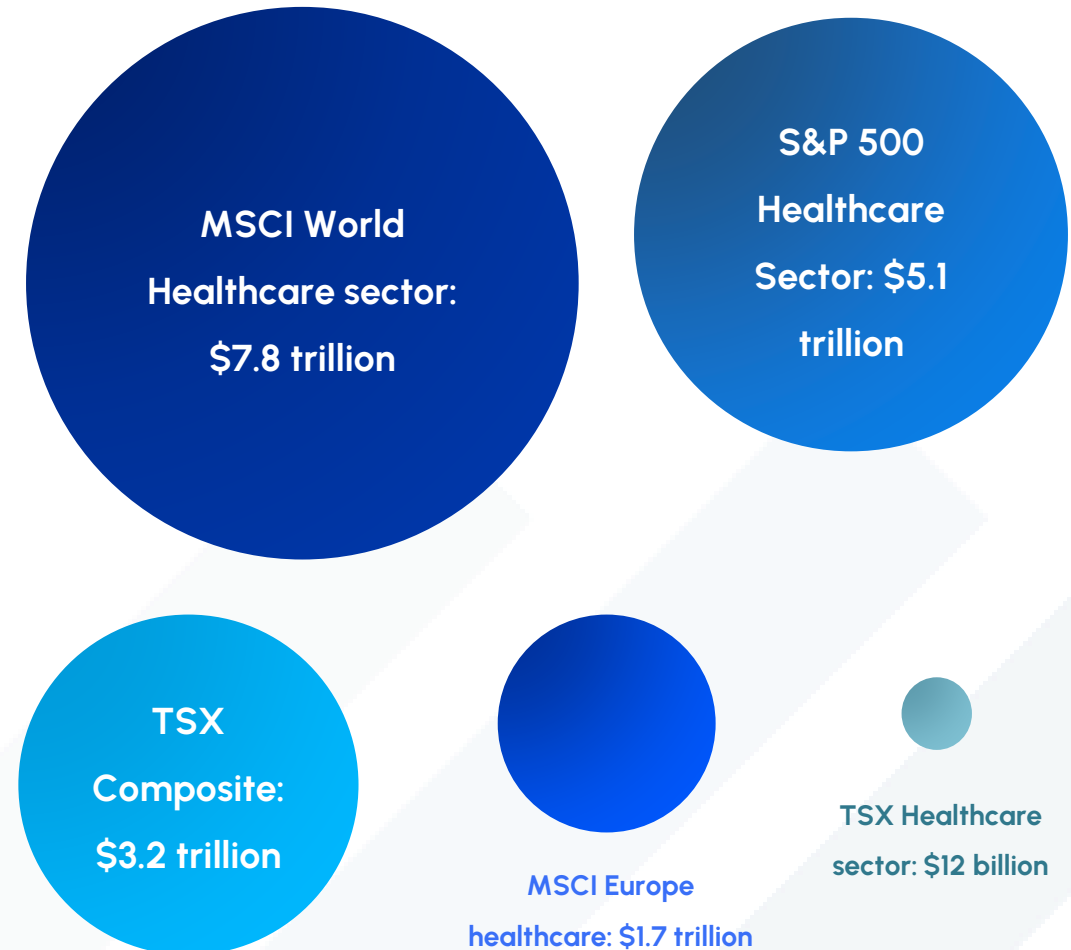
Source: Bloomberg. Returns and Attribution as at September 30, 2023

Non-Cyclical Long-Term Drivers for Healthcare Companies

Why its important to own healthcare over the long-term?

- **Defensive Growth:** Healthcare companies sell needs-based products & services and offer earnings stability
- **Aging demographics** and higher healthcare spending
 - People aged 65+ spend over \$20k per year on healthcare
- Healthcare is **underrepresented in Canadian portfolios**
 - Less than 1% of the TSX Composite Index vs. 13.4% of the S&P 500 Index (2nd largest sector)
- **Diversified sector** with both defensive and growth characteristics
 - Attractive mix of income and capital appreciation potential

HC Market Sizes



Our Favourite Healthcare Sub-Sectors Right Now



Biopharma

- Driving force of the global healthcare sector comprised of defensive companies with low leverage, stable earnings and growing dividends
- **YTD Update** - Companies with exposure to exciting new growth opportunities in diabetes and obesity have outperformed (e.g., Eli Lilly, Novo Nordisk, Amgen)



MedTech

- Medical device companies offer a wide range of products and services that contribute to the diagnosis, treatment and monitoring of medical conditions
- **YTD Update** – Weight-loss drug euphoria has caused investors to reconsider market opportunities. Some companies will be impacted, while others will benefit



Managed Care

- Managed Care Organizations (MCOs) generate consistent revenue streams and stable earnings from premiums paid by their growing pool of members
- **YTD Update** – Healthcare utilization and medical costs surged during H1, but MCOs now have reduced expectations and lower valuations



Lilly

stryker®

Boston
Scientific

United
Healthcare

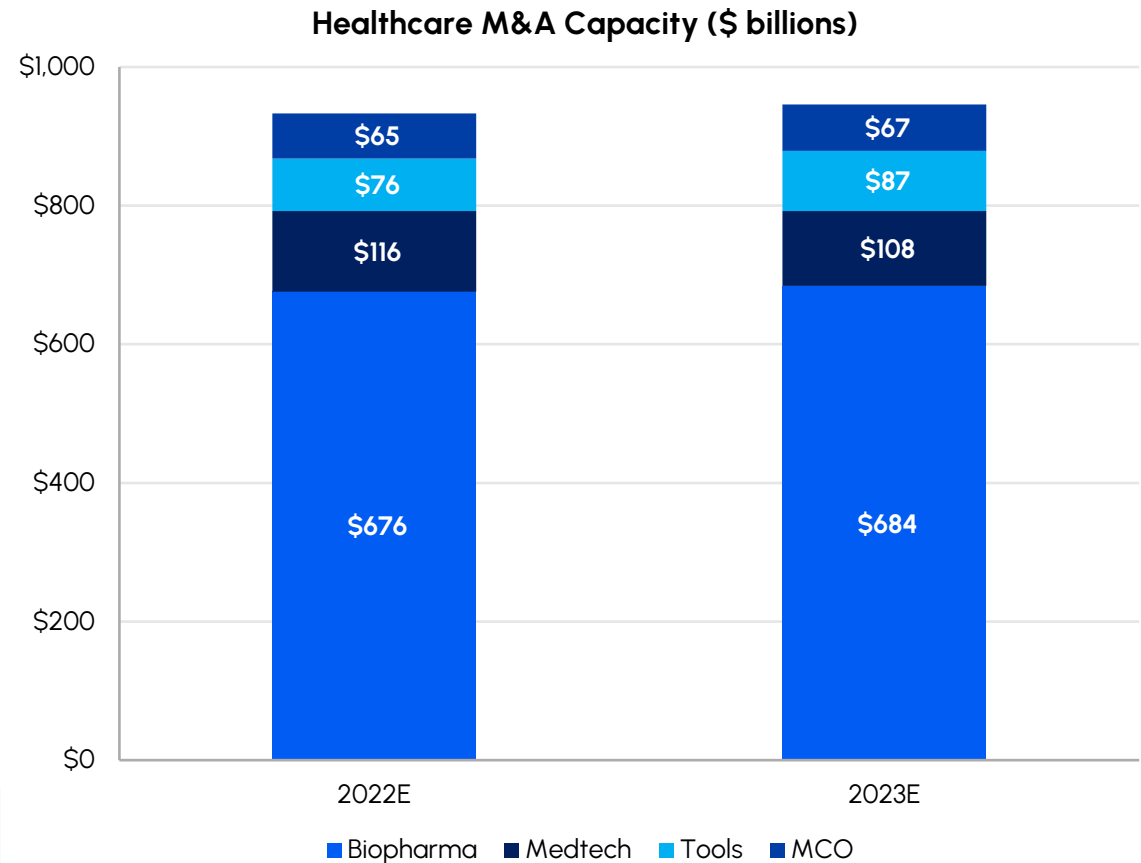
Humana

Defensive Growth – Biopharma

- High earnings visibility supports stable and growing dividends
- Diversified businesses geographically and by product
- Successful R&D efforts can yield multi-billion-dollar opportunities and create high barriers to entry
- Current environment is ripe for M&A
 - COVID-19 revenues have led to record cash balances for incumbents to make acquisitions and bolster pipelines
 - Disruptive biotech companies are on sale



Record M&A Capacity for Large Cap Biopharma



Source: Goldman Sachs Investment Research.

Weight Loss Drug Boom

- Diabetes + obesity are a potential **\$100 billion opportunity**
- GLP-1 agonists were initially developed to treat T2 diabetes
 - Come with the added benefit of weight-loss
- Novo Norisk (Ozempic / Wegovy) and Eli Lilly (Mounjaro) have established leadership positions
- Key issues to monitor:
 - Reimbursement / Pricing
 - Side effects
 - Patient adherence

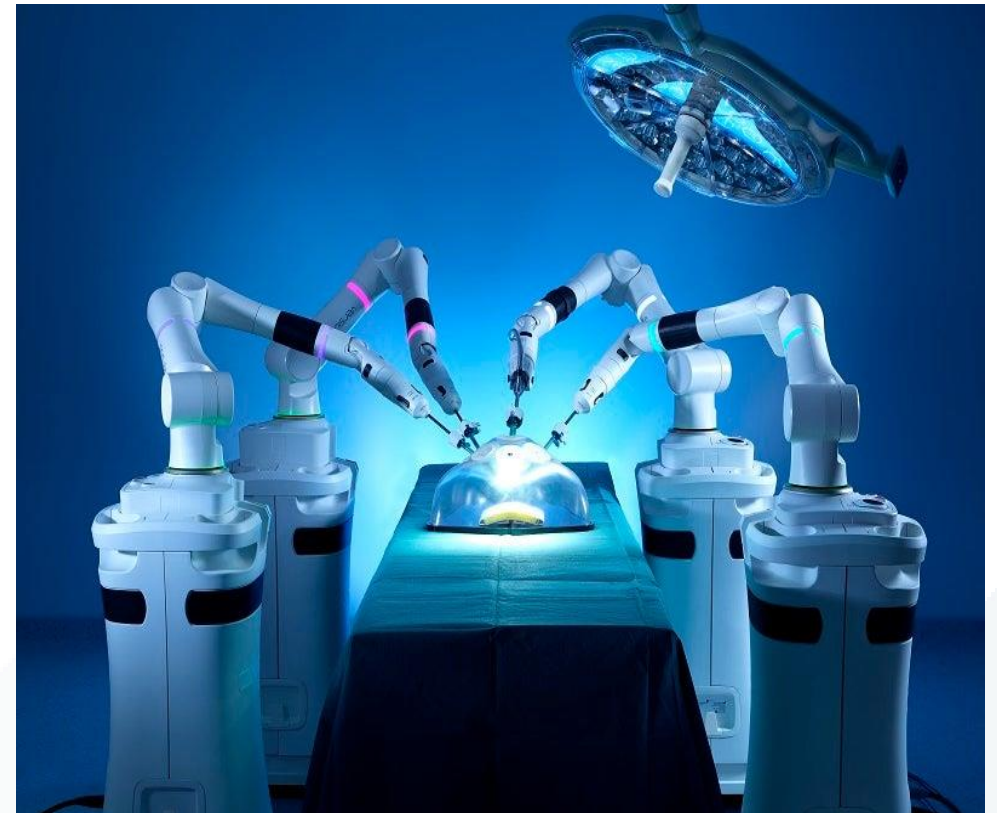


Pr **OZEMPIC**[®]
semaglutide injection

once weekly
mounjaro[®]

The Long Game: MedTech

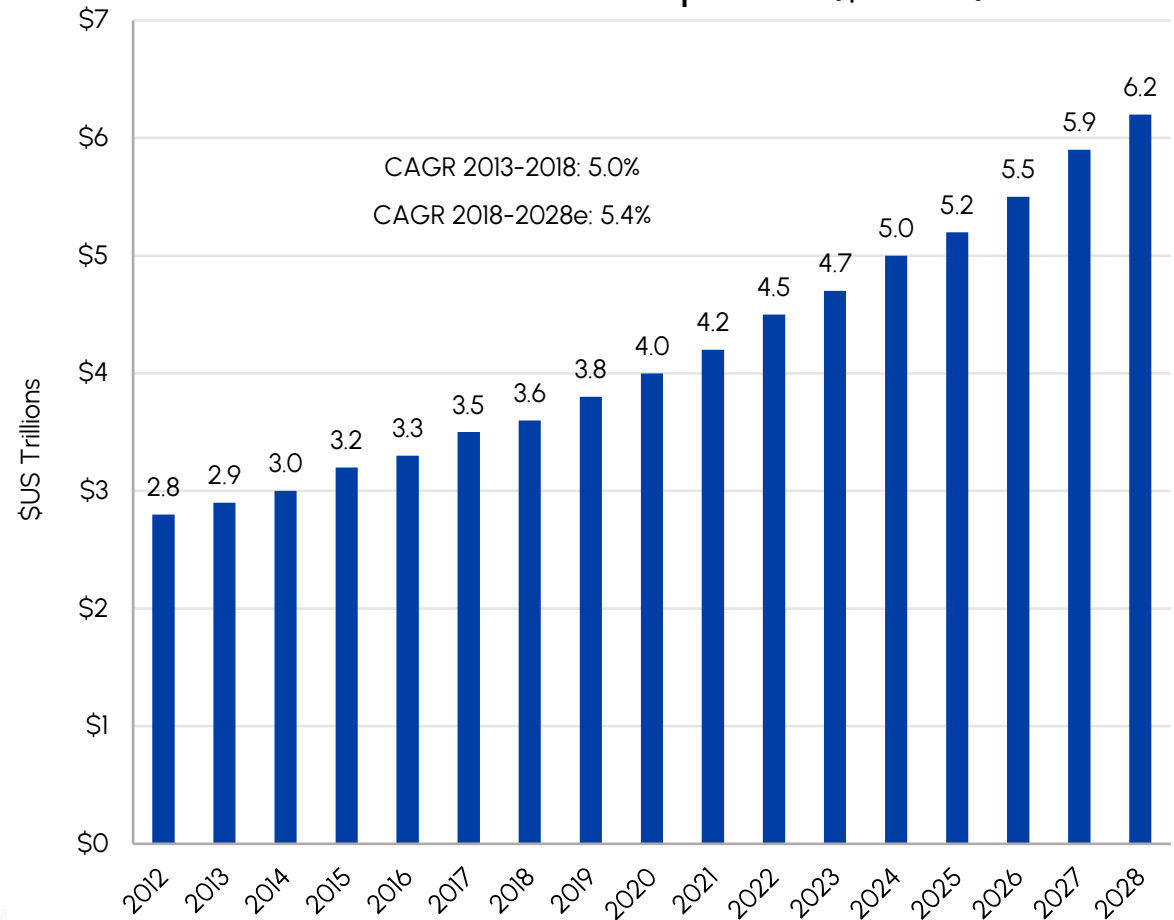
- Medical equipment + devices are playing an increasingly important role in how diseases being are diagnosed, monitored and treated
- Operational environment has improved significantly
 - Last year's headwinds are becoming tailwinds
 - Seniors replacing hips and knees at an unprecedented rate
- **Impacts from weight-loss drugs are overblown**
 - Orthopedics, cardiology, T1 diabetes are insulated
 - Sleep apnea, kidney disease and bariatric surgery are exposed
 - T2 diabetes will be impacted at a very gradual pace
- High-quality companies trading at depressed valuations



Near-Term Protection: Managed Care

- Demand for essential healthcare services will remain stable, regardless of economic conditions
- Consistent recurring revenue from member premiums
- Growing seniors population supports an attractive long-term outlook for Medicare Advantage plans
- Manageable political risks with gridlock in Congress
 - PBM reform a key area to watch
- Defensive businesses trading below their historical multiples

U.S. Total Healthcare Expenditure (\$Trillions)



Sources: CMS, Alliance Bernstein, October 2022

Summary

Timing is Right	<ul style="list-style-type: none">• Healthcare has lagged, macro conditions are uncertain and the economy is slowing
Needs-based Products & Services	<ul style="list-style-type: none">• Healthcare represents a fundamental part of people's lives and is insulated from prevailing economic conditions
Underrepresented in Canada	<ul style="list-style-type: none">• The structure of the Canadian market leaves investors underexposed to the largest and most important sector in the economy
Stable and Growing Dividends	<ul style="list-style-type: none">• Healthcare companies benefit from high earnings visibility and attractive profit margins which supports steady and consistent dividend income
Diversification	<ul style="list-style-type: none">• Inherently diversified sector with both defensive and growth attributes provides an attractive mix of dividend income and capital appreciation potential



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