



BINARY CAPITAL

Binary Capital Investment Management



Chief Investment Officer Note Real and Genuine Investing

Long-termism shapes our relationships and our investments.

August 2021



[binarycapital.co.uk](https://www.binarycapital.co.uk)

Real and Genuine Investing



At Binary Capital Investment Management, we see investments as not just narrow listed entities from which we can make money from. Clearly, we want to make investment returns for our clients, that is a core focus, that is important, it is imperative. Beyond this focus we want to invest in areas that are productive, productive to society, for people in the immediate vicinity, and more widely globally. Selecting strategies and companies that make a real difference. Companies that do good. Companies that solve genuine world problems.

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A core focus for us is investing according to specific ethical, or environmental, social and governance (ESG) criteria. We have investment strategies dedicated in this area and have importantly demonstrated leading returns on an absolute level as well as when compared to our peer group. Do good, and also make investment returns.

A leading thematic allocation in our sustainable strategies is healthcare. We are very interested in the intersection of healthcare and technology, and how that will play out now and importantly in the future. We are excited about this. Our sustainable investment strategies have a strong theme of healthcare running through them. Our sustainable growth and adventurous strategies having around 23% in healthcare equities, this compared to an index allocation of around 15%, so significantly overweight.

It is our firm belief that over the next generation the future of healthcare will be transformative. The engagement around new treatments, new medical developments, the use of video and robotic technology, artificial intelligence and machine learning will all develop into leading direct medical solutions in western as well as emerging markets. Transforming healthcare outcomes. The covid pandemic accelerated many technological areas of healthcare, this momentum will only develop further. Healthcare globally is still very inefficiently run, managed and sub-optimal for the consumers. That is changing and will continue to change. Much investment is being undertaken. For example, Chinese pharmaceutical R&D is expected to double over the next two years, to around \$40bn.

In an increasingly consumer-oriented world, the same mindset of retail purchases is crossing over into healthcare demands and choices. A global race to develop the cutting-edge healthcare solutions is in place, with the winners having the opportunity to take on huge market share in many treatment areas: advanced cancer detection and cure, dementia and cardiovascular treatments, better infection treatments and cure and so on. There is a realistic possibility that, within the next 10 years, some cancers will have a cure in via innovative cellular therapy.



Many healthcare companies, or certainly the ones we closely look at, are effectively technology and research companies with healthcare dedication. Transformative companies that we believe will do good for society as well as for shareholder returns. Our overweight position in the US is a testament to our belief that most of the best healthcare and biotechnology companies come from there. The US leads the way in innovation, corporate governance and scaling genuine high growth world-class companies.

As I have noted here, in our sustainable strategies the healthcare theme is very dominant, indeed key. It plays an important part in our overall investment thinking and the performance we have delivered so far this year. Some of our underlying top holdings are world-class healthcare companies, Moderna, Illumina being two examples.

A focus always for us is investing with a long-term mindset, a patient and fearless philosophy. All of this works well in healthcare and biotechnology investing, where it is only over time that the opportunities and shareholder value will be realised in any one company. Short-term movements in such companies are often volatile, random and based on irrelevant newsflow. We ignore such, to focus on the long-term and key goals. We look 10 years out.

Bringing all this into the current and into actual reality. To put some numbers on this. Our sustainable adventurous portfolio net return was +5% in August, and for the year to date +15.4%, in excess of the comparative benchmark return. A large portion of this return, around 35%, has come from our healthcare allocations.

The sustainable portfolio also delivered strong returns in 2019 and 2020. Our consistent approach to our investment strategy is clear, results driven and market leading. Performance bears that out.

For us, sustainable investing and sustainable investment strategies are not some marketing led theme that we push out. It does not follow *any* index like approach. It comes from a place of genuine understanding, showing *leadership* by experience and action. Demonstrating value across the range of strategies. We aim to give clients market leading solutions away from the newsflow hype and narrative. This is core to our investment work.

This is what we do.

Saftar Sarwar
Chief Investment Officer
August 2021



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