

Why and how does the private sector invest in global health?

Philanthropy in Global Health –
Governance and Effectiveness Criteria



Agenda

- Who we are
- Sustainable Investments
- Global Health as an investment topic in the financial markets




Bank Sarasin & Co. Ltd

- Swiss Private Bank, founded in 1841
- Specialised in asset management, private banking and trading
- Approx. € 51bn assets-under-management
- More than 1,170 employees
- Headquarters in Basel; offices in Zurich, Geneva, Lugano, Dubai, Guernsey, Hong Kong, London, Munich, Paris and Singapore.




Sustainable Investments at Bank Sarasin

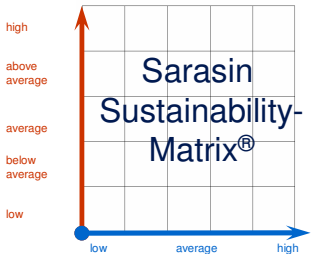
- More than EUR 5 bn sustainable assets-under-management.
- One of the largest managers in continental Europe
- 17 years of expertise in sustainability research and asset management
- 25 professionals with an average of 14 years of job experience
- Proprietary database and rating system with information about around 1100 companies and 170 additional bond issuers
- Broad product range




Sustainability Assessment of Companies

Basic Concept

Sustainability of the company in comparison to other companies of the same sector



Sustainability of the industry in terms of technology and products



How do we invest in global health: Pharma

- Global health is a key issue for sustainable development.
- Global health is part of Bank Sarasin's sustainability assessment of pharma companies.
- Neglected diseases R&D and products are non-profit, but comparatively low cost. Partnerships with e.g. philanthropic institutions improve financials.
- But there are benefits for companies:
 - Corporate social responsibility in the core activity
 - positive reputational impact (society and employees)
 - creating access to new markets
 - enhance credibility of the intellectual property system
 - longer-term, products for the potential spread of tropical diseases to northern countries.



How do we invest in global health: Pharma (2) Criteria and weights for the social rating

	Main criteria	Weight	Key indicators
Social profile 60%	Strategy & management	20%	Integration into business strategy and organisational structure, planning and control processes, quality of reporting
	Govt. & general public	30%	Developing countries' access to medicines, research into neglected diseases, lobbying
	Investors	5%	Composition of the board of directors, voting rights, quality of financial reporting
	Suppliers	5%	Requirements for working conditions, transparency of selection process
	Employees	10%	Health & safety, work/life balance, redundancies, training and professional development opportunities, employee surveys
	Clients	25%	Efficacy and safety of products, ethical marketing practices, production of generics
	Competitors	5%	Hostile takeovers, price fixing, patent disputes



How do we invest in global health: Pharma (3)

- Examples for companies that scored well: GSK, sanofi-aventis, Novartis
- Last 5 years: Industry reacted to the challenge, substantial improvements (preferential pricing, R&D)
- New market based incentives: priority review voucher (FDA)
- Advance Market Commitments: donors (gov. or foundations) commit to guaranteed, preferential prices for a specific number of products for a certain number of years.
- In the last 2 years: expansion of demand for access to medication against noncommunicable diseases (e.g. Glivec/India)
- Generics



How do we invest in global health: Biotech

- Biotech can play an important role in closing the innovation gap in discovering new therapeutics for neglected diseases.
- BIO Ventures for Global Health (spin-off from BIO): accelerate market based solutions to the neglected diseases of the developing world.
- Examples: Intercell vaccines (Japanese Encephalitis (dual use), Tuberculosis)
- Also: Crucell, Genzyme, Anadis
- Qiagen: papillomavirus test specially designed for minimal infrastructure in developing countries



How do we invest in global health: Other...

- Medtech companies are less exposed to the issue of global health. But there is also a need for technology solutions for minimal infrastructure healthcare. (e.g. Essilor in rural India)
- The only pure play investment in global health: Bonds of the International Finance Facility for Immunisation
- IFFIm has been designed to accelerate the availability of funds to be used for health and immunisation programmes. 2 bonds so far.
- Wellcome Trust also issued a bond in 2006.
- Other industries affected: e.g. Mining



Other options to invest in global health?

- Access to Medicine Index project (lead by the Access to Medicine Foundation): Framework for benchmarking pharma companies on the management of this issue. Could be the basis for an equity indices.
- Microfinance: indirect effect, investments in healthcare businesses are marginal
- Hurdles: Insufficient returns / Healthcare infrastructure is mainly state run
- Africa is moving into the investment focus...



Global health investments: Opportunities in Africa

- Africa's investment climate is becoming more attractive: Dramatic increases in foreign direct and private equity investment, substantial gains in stock market indices, and improved political stability
- IFC and its partners are planning to mobilize up to \$1 billion of investment in african healthcare over the next five years.
- Investment opportunities include improving the sector's physical capacity as well as staffing for health care delivery.
- Target: Creating an equity investment vehicle (\$100 million to start, and up to \$300-350 million over five years) to provide health care entrepreneurs and businesses with better access to equity.
- Such investment will initially be accessible for specialized institutional investors and eventually high net worth individuals.



Global health investments: Opportunities in Africa (2)

- A fund is currently being launched by Africa Social Capital Company (owned by Seven Seas Capital Management LLC (US) and Indigo Venture Partners Pty (South Africa))
- Africa Healthcare Fund: The Fund intends to invest in unlisted private sector healthcare companies in Sub-Saharan Africa.
- Small and medium sized businesses such as clinics, hospitals, diagnostic laboratories, pharmaceutical manufacturing and distribution companies and health insurance companies.
- Companies with a demonstrated market-based approach to increase access to quality, affordable healthcare.
- Private equity, closed-end, minimum investment ~\$10 mn



Sustainable Investment

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Increase social leverage

- Philanthropic institutions can increase their social leverage by adopting sustainable/socially responsible investment (SRI) policies for their financial investments.
- SRI market size: 2% in Europe, 9% in the US
- SRI influences companies: contacts with investors/analysts, ratings, reputational impact
- SRI investors: pension funds, churches, retail and increasingly in private banking and foundations
- SRI: equities large caps, small&midcaps, private equity, bonds



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Conclusions

- Very limited investment access to global health so far.
- "Indirect": Invest in pharma/biotech companies with R&D and products for neglected diseases.
- New market based incentives improve financials for ND products.
- There are no pure play global health stocks.
- Global health bonds: IFFIm
- Market conform returns are the basis for more investment in global health.
- Upcoming investment opportunities in Africa.
- Global health is an ideal investment topic for socially responsible investors.



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