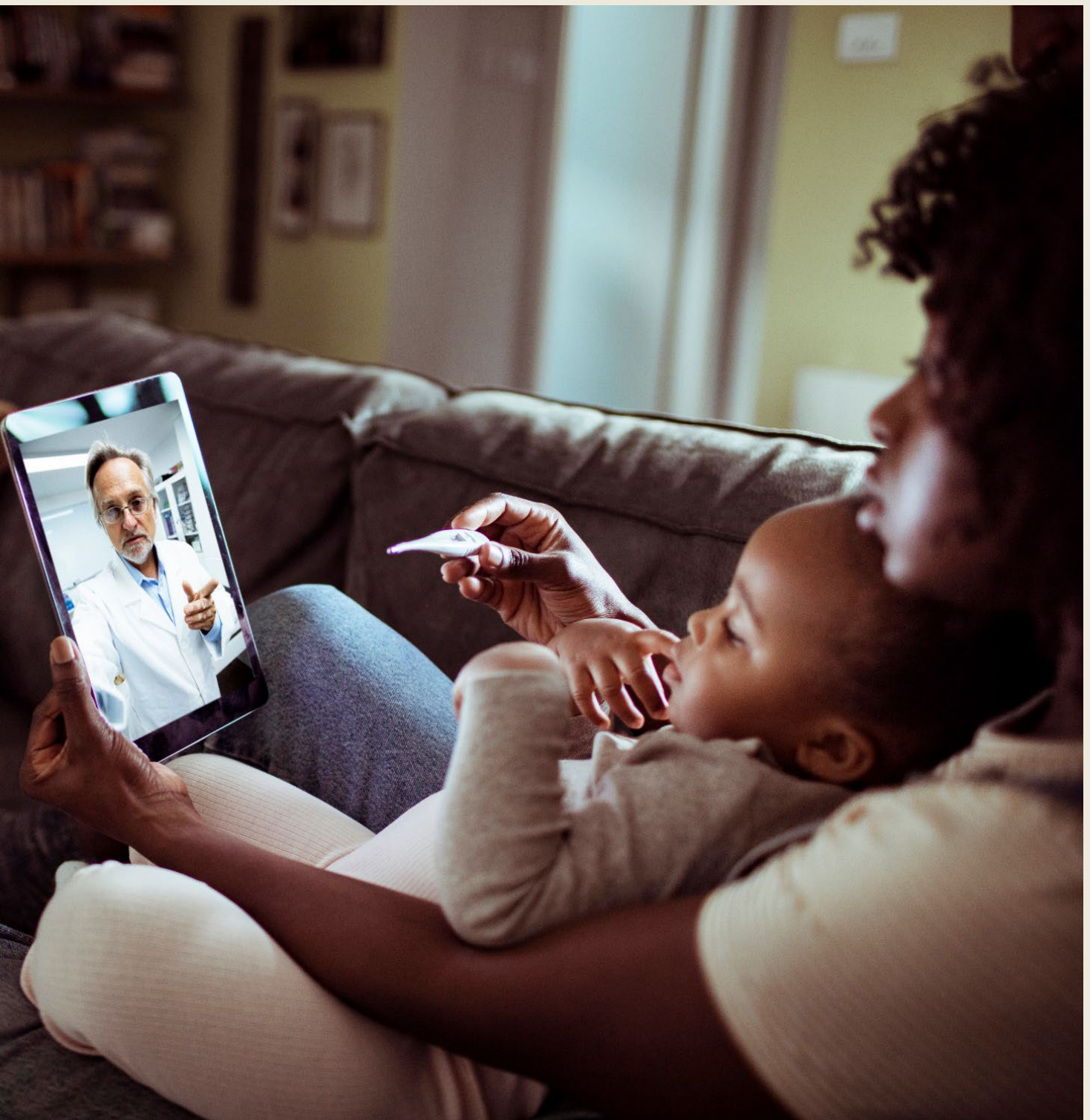


180
YEARS

Australian
Unity 
Real Wellbeing

Future of Healthcare Fund

2021 Annual Sustainability and Impact Report



Message from the Portfolio Manager

Welcome to the inaugural Annual Sustainability and Impact Report for the Future of Healthcare Fund. The Fund raised \$50.3 million in its first year with the objective of delivering a financial return from investments in preventative and remedial healthcare services, and health associated businesses, and assets that enhance the wellbeing of Australians.

This report seeks to provide a snippet into the impacts that your investments make to the lives of millions of people across Australia and the world.

Twenty-five years ago, when I was working as a medical device engineer at Cochlear I had the privilege to be in the clinic when a young toddlers implant switched on for the first time. It was a transformational moment not only for that toddler but also for me. In that moment I saw that innovation in healthcare can drive enormous positive life-changing benefits for our fellow Australians and people around the world. It is the delivery of these health and wellbeing benefits that ultimately leads to sustainable growth returns and why impact is central to our investment process.

We appreciate your trust in us as stewards of your capital and we are delighted to demonstrate how we have been hard at work investing with purpose.

Kind regards,



Victor Windeyer

**Portfolio Manager
Future of Healthcare Fund**



About the Fund

For more than 180 years, Australian Unity has invested in the wellbeing of our members.

Through the Australian Unity Future of Healthcare Fund investors obtain a blend of listed, private equity and venture capital healthcare assets, complemented by property and social infrastructure assets, to provide a unique exposure to the growing healthcare demand.

Commencing in November 2020, the Fund has been busy making purposeful investments. As at the end of September, the portfolio size was \$52.4 million with 54 investments in listed companies and 7 investments in unlisted companies.

[Find out more](#)

The year at a glance

143
unlisted
opportunities
considered

\$50.3m
raised for
investment

54
listed
investments
held

9
unlisted
investments made

~ \$1m+
proportional
expenditure on
research and
development

2
unlisted
investment
liquidity events

Our approach

We believe that environmental, social and governance (**ESG**) issues can have a direct impact on the risk and value of our investments. Incorporating ESG assessment enhances our knowledge and understanding of a company's management, culture and business strategy, and enables us to make better informed investment management decisions of behalf of our customers.

Our ESG risk assessment involves considering the potential financial impact of material sustainability issues from an investment standpoint, and is informed by the SASB Materiality Map to drive focus to the most relevant and material ESG risks that are most likely to interact with the fundamental value of the firm. We also look at any controversies for potential future liabilities that may impact valuation, and to assess management ability and organisational culture.

We consider the relevance and materiality of the following ESG issues:

Social: Product quality/safety, access and affordability, product design and lifecycle, supply chain risks, human rights, privacy, data security, selling practices, labour practices, health & safety, diversity, competitive behaviour.

Governance: Business integrity, board expertise, regulatory systems, risk management systems

Environment: Climate change (greenhouse gas emission), air quality, energy resources and management, water management, water and hazardous materials management, ecological impacts



To enhance the wellbeing of Australians via investment in preventative and remedial healthcare services and health associated businesses and assets.

ESG integration into investment process

Consideration of ESG issues are integral to our investment process. Ultimately our investment analysts determine whether the scale of the ESG risk is enough to impact the overall risk to the extent that it should impact valuation. Analysts provide an overall proprietary ESG risk ranking captured as either Very High, High, Medium, Moderate or Low. The ESG risk ranking for all investments in the portfolio are reviewed periodically by the fund's investment team in a specially convened meeting.

A Very High ESG Ranking will result in the investment being excluded from new investment. If its an existing asset, we will actively manage the investment to address the issues or divest.

A High ESG Risk Rating will impact our valuation for the firm and be incorporated into the discount rate applied in the financial model. This will be documented.

ESG integration across asset classes

In the Fund’s investments in early stage companies through private equity and venture capital we expect to often take relatively large positions and to have active management involvement. Helping companies grow sustainably and responsibly.

Developing new social and medical infrastructure while being mindful of the impact on local communities and the environment. We will seek to ensure new social infrastructure maximises health and wellbeing outcomes for customers and has consideration for its environmental impacts.

When investing in public companies, the Fund will vote at all shareholder meetings and encourage portfolio companies to demonstrate good corporate governance and to protect their social license to operate through rigorous management of material ESG impacts.

The goals


The Future of Healthcare Fund Sustainability and Impact Framework is informed by the United Nations Sustainable Development Goals, the World Health Organisation Top 10 Threats to Global Health, and Australian Unity’s community and social outcomes framework (described in Australian Unity’s inaugural impact report, [Our Impact 2021 Report](#)).

United Nations



As a Healthcare fund the impact targets for **Goal 3 Good Health and Wellbeing** have particular relevance and are all valid targets for the Fund. Also relevant are

- **Goal 9 Industry, Innovation and Infrastructure**, which involves in the development and upgrade of infrastructure and scientific and technological capabilities within the health sector (SDG9.1, 9.2 and 9.3)
- **Goal 10 Reducing inequalities** in particular empowerment of the disabled (SDG10.2), and
- **Goal 11 Sustainable cities**, access for all to basic services. (SDG11.1)



World Health Organisation (WHO)

Top 10 Threats to Global Health



1	Air pollution and climate change
2	Non-communicable diseases
3	Global influenza pandemic
4	Fragile and vulnerable settings
5	Antimicrobial resistance
6	Ebola and other high-threat pathogens
7	Weak primary health care
8	Vaccine hesitancy
9	Dengue
10	HIV

¹ [United Nations Sustainable Development Goals](#)

² [World Health Organisation Top 10 Threats to Global Health](#)

Portfolio impact

The Fund’s investments touch several branches of the Healthcare sector from ophthalmology to oncology. The Fund actively avoids companies that are pseudo-medicines, leading to worse long term consequences (i.e. opioids) or without appropriate policies and procedures in place (including anti-slavery policies)

Branch of Healthcare	% of total investment*
Oncology	20.1%
Diagnostics	17.6%
Diabetes	11.1%
Genetic Diseases	11.1%
Cardiovascular	11.0%
Other / Unclassified	9.6%
Immunology	5.9%
Surgical	3.5%
Neuroscience	2.7%
Ophthalmology	2.0%
Other / Unclassified	5.4%
Total	100.0%

*note this excludes cash and cash equivalents as at 30 September 2021

Of the 17 United Nations Sustainable Development Goals, the Fund is closest aligned to Goal 3, **Good Health and Well Being**.



The Fund also contributes to the prevention of some of the World Health Organisation’s Top 10 Threats to Global Health.

In Appendix 1 at the end of this document, each of our investments have been mapped to at least one of the United Nations Sustainable Development Goals or WHO’s Top 10 Threats to Global Health.

Specific investment impacts

It is important to note that in this our first year and first impact report we will look to highlight the specific impact and contribution of our investee companies, rather than quantifying the specific impact relative and proportional only to the Fund. In some of the investee companies, such as the unlisted venture capital style investments of the Fund, we have had more direct influence on the outcomes and therefore impact, when compared with the megacap international companies.

Covid-19 Pandemic

The Covid-19 pandemic needs little in the way of introduction, at the time of writing this report, just over 200 million cases have been recorded or 2.5% of the world's population. The true number is higher given insufficient testing in some nations. The pandemic has led, thus far, to 4.3 million deaths and is the most significant health crisis since HIV / AIDS in the 1980s and the Spanish Flu in the late 1910s.³

The Fund has been invested in companies that have been making a difference. **Lumos Diagnostics** developed CoviDx in response to the pandemic. CoviDx is a rapid, point of care test taking just 15 minutes for results. The test is CE marked. In addition, FebriDx, a rapid test to determine whether a patient has a viral or bacterial infection, or both has also been used in the battle against the pandemic. Longer term, FebriDx will assist in a potentially larger health crisis with the rise of "super-bugs" or bacteria that is anti-microbial resistant. Anti-microbial resistance is a top-10 threat to global health and the key pathogen impact target for the fund outside the pandemic. **AstraZeneca** needs little introduction to Australians but has been making an impact with one of the dominant vaccines globally. The pharmaceutical giant pledged not to profit on the vaccine during the pandemic and has been selling to governments for several dollars less per dose than other leading vaccines. Due to this relative cost, production volume and ease of storage relative to Moderna and Pfizer, AstraZeneca will likely to continue to be important in developing countries. The world is extremely fortunate to have three leading, safe and effective vaccines, outside of the common three, several other companies have been in the race including Johnson and Johnson (Janssen) and Novavax. **Sanofi** another company held by the Fund is also in the supporting position in partnership with GSK, commenced Phase III clinical trials for their Covid-19 recombinant vaccine candidate. The Phase II initial results showed promising immune responses across all adult age groups.⁴

Treating Cancer

Cancer is a leading cause of death globally, outranked only by cardiovascular diseases. In some cancers, the survival rate has improved significantly over the past three decades. In prostate cancer through awareness, improved diagnosis, and treatment, the 5-year survival rate has risen from 60% in 1987-1991 to 95.4% in 2012-2016.⁵ There is still a lot to be done in treating cancer. **ImmVirX**, a company that is developing new cancer immunotherapy combinations to fight cancers of a high unmet need including colorectal, gastric, pancreatic and ovarian cancer. Likewise, **Clarity Pharmaceuticals**, a radiopharmaceutical company is targeting neuroblastoma, among others. Neuroblastoma is the leading cause of cancer deaths in children under five years old. **Kazia**, a listed drug company is targeting glioblastoma, the most common brain cancer a diagnosis associated with a very poor prognosis. **Immutep**, another listed Australian company is investigating the use of lymphocyte activation gene-3 (or LAG-3) which is a cell surface molecule that plays a vital role in regulating the immune system. Used in conjunction with chemotherapy or immune therapy for various cancers it is hoped to improve the efficacy of treatment.

³ [WHO Coronavirus Dashboard](#)

⁴ [Phase 3 Clinical Trial for Covid-19 Recombinant Protein Vaccine Candidate](#)

⁵ [Cancer Australia](#)

Genetic Diseases

Unfortunately, the genetic lottery has benefits for some and lifelong hardships for others. Fortunately, treatment is improving with some conditions. **Vertex Pharmaceuticals**, a leading company for the treatment of the underlying cause of cystic fibrosis (CF). In the 1950s, children with the most common and serious forms of CF rarely lived past the age of 5, today, the average life expectancy is mid-40 and rising.⁶ There are currently more adults with CF than children indicating the dramatic improvement in life for people with the condition. Technology advances in gene therapy have ushered in a new generation of companies seeking to balance the outcomes of the genetic lottery. **Intellia Therapeutics** made history in 2021 with the read out of the first in human trial results for a treatment for Amyloidosis (Transthyretin) ATTR. ATTR is a condition where abnormal proteins in the body change shape and clump together to form amyloid fibrils which build up in tissues and organs preventing them from working properly, potentially causing life threatening organ failure. The interim results of Intellia showed promising results, comfortably surpassing the standard levels of care. **Editas**, is another new generation genomics company with a leading candidate for Sickle Cell Diseases (SCD). SCD affects haemoglobin which can distort red blood cells into a crescent shape. This disease deprives organs of oxygen-rich blood which can lead to organ damage. Closer to home in Australia, is **Neuren Pharmaceuticals**, which has two drugs in clinical development for serious neurological disorders. One condition that Neuren is aiming to treat is Rett syndrome which is estimated to affect one in every 10,000 to 15,000 female births.

Diabetes

As one of the most challenging problems for public health worldwide, Diabetes is a chronic disorder in which a person has high blood sugar, either because the body doesn't produce enough insulin or cells do not respond to the insulin that is produced. Diabetes is associated with conditions affecting feet, eyes, kidneys and cardiovascular health. According to Diabetes Australia, 41% of people with diabetes report poor psychological well-being due to the mental strains of managing the disease.⁷ **Dexcom**, a leading continuous glucose monitoring (CGM) device company has changed the lives of millions living with the condition, no longer is a finger prick test required in monitoring blood sugar levels. **Tandem Diabetes Care** also has contributed to the managing of the disease with insulin infusion pumps that regulates the infusion. Helping to counter too low a blood sugar level which is just as dangerous is **Zealand Pharma** which has drugs for hypoglycaemia and development of an artificial pancreas. The Fund is also invested in **Novo Nordisk**, a leading manufacturer of insulin. For more information on this part of the portfolio please see our recently published [Spotlight on Diabetes article](#).

Diagnostics

Early detection is paramount for treatment success in many health conditions, as a result the Fund invests in several companies that are contributing to early and accurate detection of conditions. **Planet Innovation**, an Australian success story employs over 350 of the brightest people to develop a full spectrum of commercialisation capabilities, largely in diagnosis. Endoscopy is a leading diagnostic procedure for a range of conditions however there has been a risk of complications from cross-contamination of devices and affordability in developing countries. **Olympus, Ambu** and **IQ Scopes** are three companies that are developing single use scopes to mitigate the risk of cross contamination. Olympus and Ambu already have significant endoscopy businesses. Accurate detection and good workflow processes are essential for any good diagnostic company. Australian radiology information systems company **Pro Medicus** is providing a world-leading technology solution to scans and x-rays allowing for a faster work flow in diagnosis.

⁶ [Cystic Fibrosis](#)

⁷ [Diabetes Australia](#)

Cardiovascular Disease

Cardiovascular disease is the leading cause of death globally. The Fund is invested in **Edwards Lifesciences**, a leading company in the sector dedicated to providing innovative solutions for people with the disease. **Atricure** is a leading provider of treatment of atrial fibrillation (AF) and related conditions. In Australia, 2017 – 2018 saw 72,000 hospitalisations with AF and it was associated with 9% of deaths. Studies suggest that 2% of the general population are affected by the disease.⁸ Aside from leaders in the field, the Fund invested in a start-up, **Venstra Medical** which is developing a new percutaneous ventricular assist device (pVAD), a temporary heart pump used to assist the heart while it is repaired, or a permanent solution is found. The device will assist in addressing cardiogenic shock which typically follows a heart attack. Over the past two decades, cardiogenic shock mortality has remained unchanged at ~50%.⁹

⁸ [Atrial Fibrillation in Australia](#)

⁹ [Cardiogenic shock: the next frontier in acute cardiovascular care](#)

Clinical benefit drives financial returns

“ Better clinical outcomes drive higher demand, revenues, margins and ultimately higher profit. ”

Victor Windeyer

Portfolio Manager

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Our commitment

Our team remains committed to advancing the health and wellbeing of Australians through the Future of Healthcare Fund and we are excited about the opportunities within our unlisted deal pipeline and the extra-ordinary innovation occurring globally.

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Future of Healthcare

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Important information

The Australian Unity Future of Healthcare Fund comprises a stapled security of ordinary units in two managed investment schemes; Australian Unity Future of Healthcare Fund No. 1 and Australian Unity Future of Healthcare Fund No. 2 ('Fund'). Units in the Fund are issued by Australian Unity Funds Management Limited, ABN 60 071 497 115, AFS Licence No. 234454 ('AUFM') as trustee. Information provided here is general information only and current at the time of publication and does not take into account the objectives, financial situation or needs of any particular person. In deciding whether to acquire, hold or dispose of the product you should obtain a copy of the Information Memorandum and seek professional financial and taxation advice. For more information, please visit australianunity.com.au or call our team on 1300 407 698. This information is intended for recipients in Australia only. This presentation is confidential and must not be distributed by the recipient in whole or in part to any other person without obtaining the prior written consent of AUFM. Units in the Fund are only available to wholesale investors as defined under the *Corporations Act 2001*. Past performance is not a reliable indicator of future performance.

We have only included the impact goals where we have created a mapping to an investment. A precise mapping of each investment to an impact target requires judgement and is not always possible. This is particularly in the case with the UN SDG's as the fund impact is primarily focussed on the health and wellbeing of Australians, and the UN SDG's are primarily about increasing health and wellbeing in development countries. The table above has a short form abbreviation of the relevant impact goal the full description of the relevant UN SDG target, World Health Organisation Top 10 threats to global health and Australian Unity's community and social values is described in the table below.

Full description of relevant Impact goals that have been specifically mapped to investments

United Nations SDG	3.2	End preventable deaths of newborns and children under 5 years of age, with all countries aiming to reduce neonatal mortality to at least as low as 12 per 1,000 live births and under-5 mortality to at least as low as 25 per 1,000 live births
	3.3	End the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases
	3.4	Reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being
	3.5	Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol
	3.B	Support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on the TRIPS Agreement and Public Health, which affirms the right of developing countries to use to the full the provisions in the Agreement on Trade-Related Aspects of Intellectual Property Rights regarding flexibilities to protect public health, and, in particular, provide access to medicines for all
	3.D	Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks
	9.5	Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending
	10.2	Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
	11.1	Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
	WHO Top 10	2
5		Antimicrobial resistance
Australian Unity's community and social values	1	Lifelong Wellness: Better access to healthcare
	2	Lifelong Wellness: Improved health outcomes
	5	Strong Communities: Leading social innovation
	6	Strong Communities: Supporting living in place