

## Healthcare Opportunities

### An Innovative Sector

We believe the healthcare sector is in a nascent phase of a long-term, secular innovation cycle, ripe with investment opportunities offering long-term capital appreciation. Key catalysts of industry growth include:

- **An aging population.** The US Census Bureau projects that 20% of US residents will be over the age of 65 by 2030, fueling strong demand for healthcare services, treatments and drugs;
- **Innovation.** CRISPR/Cas9 (a gene-editing technique that can target and modify DNA with groundbreaking accuracy) is accelerating research to eradicate gene cells causing disease with broad applications; and
- **Favorable regulatory environment.** FDA productivity is near all-time highs.

### Strategy Overview

An actively managed, long-biased, high-conviction strategy investing in healthcare-related companies that we believe manage change advantageously, have sustainable company fundamentals and are poised to exceed earnings and/or revenue growth expectations.

### Objective

Seeks long-term capital appreciation

### Portfolio Construction

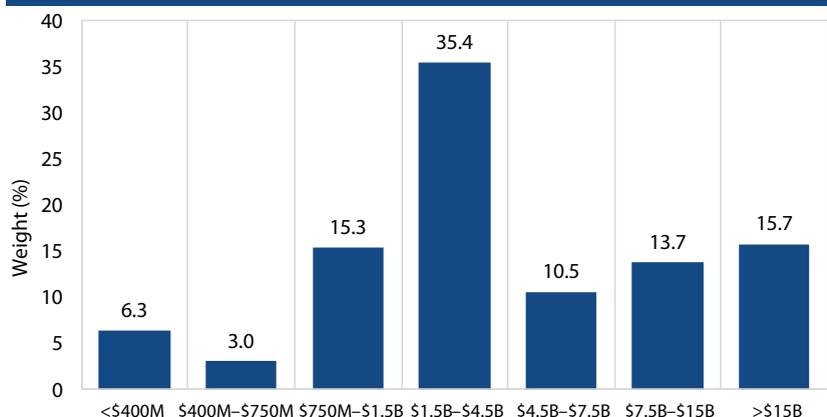
Portfolios are actively managed to continually drive to the strongest investment ideas. Position sizes are based on the conviction in the investment thesis of each company relative to other portfolio holdings and risk exposures. Early warnings signs that suggest deterioration in company fundamentals or earnings strength lead to timely sell decisions. Typical general guidelines under normal market conditions:

- Number of Positions: 40–75
- Geography: US-listed public equities, ETFs, preferred securities, and convertible bonds
- Capitalization: Greater than \$100M
- Security: Max 15%
- ETF: Max 20%
- Private Securities: Max 20%
- Hedging: May hedge healthcare-related ETFs and short individual securities, up to 20% of the portfolio market value
- Cash: Max 20%

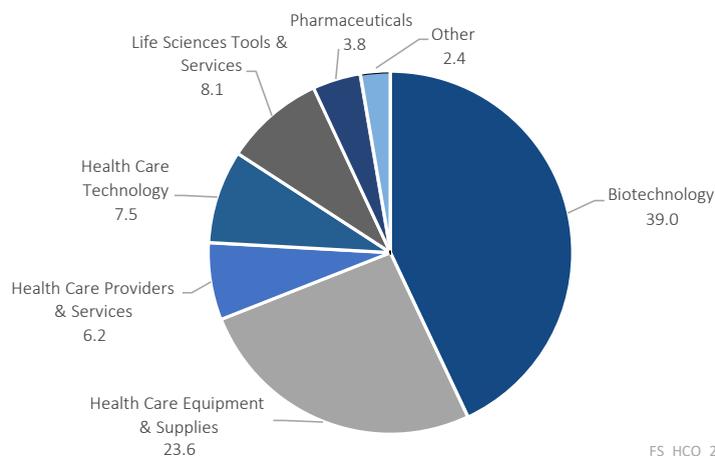
### CHARACTERISTICS

Number of Holdings	40
Top 10 Positions	30.8%
Long Exposure	100.0%
Short Exposure	0.0%
Cash Position	9.3%
Turnover (TTM)	102%
EPS Growth (FY1/FY2 wtd. avg.)	13.4%
EPS Growth (3–5 year wtd. avg.)	19.2%
Price to Earnings (FY2)*	28.0 x
Price to Sales*	3.3 x
Price to Book*	5.7 x
Market Cap (wtd. avg.)	\$12.4 B
Market Cap (median)	\$3.3 B

### MARKET CAP DISTRIBUTION



### INDUSTRY WEIGHTS (%)



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### Firm Overview

Nicholas Investment Partners is an independent, employee-owned and majority women-owned investment boutique focused on investing in dynamic, less efficient markets such as US small- and mid-cap equities and convertible bonds. We believe—and our principals' 30+ years of experience has confirmed—that investing in companies catalyzed by positive change, whose revenues and earnings are accelerating and poised to exceed expectations, has the potential to result in outstanding capital appreciation. We believe our edge comes from combining the objectivity and efficiency of quantitative tools with global fundamental equity and credit research insights.

### Key Highlights

- 100% employee owned
- Majority women owned
- Founded in 2006
- Headquartered in San Diego County, CA
- \$1.1 billion firm AUM

### Investment Capabilities

#### Equity

- US Small Cap
- US SMID Cap Growth
- US Growth Equity

#### Opportunistic

- US Equity Opportunities
- Healthcare Opportunities

#### Convertibles

- Convertibles
- Convertibles Plus
- Convertible Arbitrage

COMPOSITE PERFORMANCE	HEALTHCARE OPPS (GROSS)	HEALTHCARE OPPS (NET)	S&P 500	R3000 HEALTHCARE
QTD	-24.98	-23.14	-13.52	-10.73
YTD	0.24	-1.10	-4.38	5.63
1 YEAR	0.24	-1.10	-4.38	5.63
ITD*	18.50	15.15	7.93	14.05

\*Composite inception date: 1/1/2017. Returns over one year are annualized. See performance disclosure for additional information. Past performance is no guarantee of future results.

### PORTFOLIO MANAGER

#### Lisa Wheatley, Partner/Portfolio Manager



Lisa Wheatley has 17 years of investment experience. Previously, Lisa spent five years as Co-Head of M&A at Life Technologies Corporation, a NASDAQ-listed life science company with \$14 billion in market capitalization, later acquired by Thermo Fisher Scientific. In this role, she was responsible for analysis and recommendations of potential mergers, acquisitions, divestures, equity investments and other strategic partnerships for the management team thereby gaining valuable insight in the healthcare sector, especially genetic testing, drug discovery and development, and medical devices. Lisa earned a B.A. in Economics and a B.S. in Business Administration with a Finance concentration from the University of Richmond.

### INVESTMENT TEAM LEADERSHIP

#### Catherine Nicholas, Managing Partner/CIO



Catherine Nicholas has over 30 years of investment experience. Prior to co-founding Nicholas Investment Partners in 2006, she was the Global Chief Investment Officer of Nicholas-Applegate, a \$40 billion investment firm, and former portfolio manager for Global, Small Cap and Micro Cap products. Catherine earned her B.S. in Business Administration, cum laude, and her M.B.A. in Finance from the University of Southern California. She currently serves on the advisory board of the USC Marshall School of Business.

#### John Wylie, Partner/Portfolio Manager



John Wylie has over 35 years of investment experience. Prior to joining Nicholas Investment Partners in 2007, he was co-founder and Co-Chief Investment Officer of CapitalWorks Investment Partners where he was the lead portfolio manager for Convertible Arbitrage and Micro Cap strategies. He also worked with Catherine Nicholas for ten years at Nicholas-Applegate, where he headed credit strategies including Convertibles and High Yield. John earned his B.A. in American Studies, cum laude, from Amherst College.

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Nicholas Investment Partners, L.P. ("Nicholas") is an independent investment adviser registered with the SEC. Registration with the SEC does not imply a certain level of skill or training. The firm maintains a complete list and description of performance composites, which is available upon request. Policies for valuing portfolios, calculating performance, and preparing presentations are available upon request. **Past performance is no guarantee of future results. Current performance may be lower or higher than the performance presented. This information is intended for institutions, consultants and qualified investors only.** No part of this material may be copied or duplicated, or distributed to any third party without written consent.

Nicholas does not guarantee the success of any investment product. There are risks associated with all investments and returns will vary over time due to many factors such as changing market conditions, liquidity, economic and other factors. The value of investments can go down as well as up, and a loss of principal may occur. Although Nicholas attempts to limit various risks, risk management does not imply low risk. All risk models are inherently limited and subject to changes in economic, political and market conditions, as well as changes in the strategies' holdings, among other things, which could affect the risk profile of any portfolio managed by Nicholas. Small- and mid-cap companies may be subject to a higher-degree of risk than larger more established companies' securities. The liquidity of the markets for these small and mid-cap companies may adversely affect the value of these investments. Concentrated or sector strategies are expected to maintain higher exposures to a limited number of securities or sectors which could increase the volatility, market, liquidity and other risks of the strategy.

Some information herein reflects general market commentary and the current opinions of the author which are subject to change without notice. It is provided for general informational purposes only and does not represent investment, legal, regulatory or tax advice and should not be construed as a recommendation of any security, strategy or investment product. There is no guarantee any opinion, forecast, or objective will be achieved in the future. The information, charts and reports contained herein are unaudited. Although some information contained herein was obtained from recognized and trusted sources believed to be reliable, its accuracy and completeness cannot be guaranteed. Unless otherwise noted, Nicholas is the source of illustrations. References to specific securities, issuers and market sectors are for illustrative purposes only. Nicholas does not undertake to keep the recipients of this report advised of future developments or of changes in any of the matters discussed in this report.

Performance contribution/attribution, characteristics and portfolio risk statistics information is from a representative account for the strategy composite. The representative account was chosen based on non-performance criteria such as account size, cash flows and the level of account restrictions. While Nicholas believes the information is representative of other accounts in the strategy, specific information for other accounts may differ from the representative account. Nicholas used third-party information in the preparation of the characteristics and/or market environment charts. While Nicholas believes the third-party information was obtained from reliable sources, we cannot guarantee the accuracy, adequacy or completeness of the information obtained from these sources.

Index returns are provided as a general indicator of the investment environment existing during the time periods shown and are provided for comparison purposes only. The returns for the index do not include any transaction costs, management fees or other costs. Investors may not make direct investments into any index. Investors should consider comparing the performance of any potential investment to other benchmarks and indices that are representative of their particular investment objectives, horizons and risk tolerances.

Specific securities identified do not represent all securities purchased, sold or recommended to advisory clients and represent the largest positions by portfolio weight. It should not be assumed that investments in these, or any other portfolio securities, were or will be profitable in the future. For a complete list of all securities held during the period or additional information related to this presentation please email [info@nicpartners.com](mailto:info@nicpartners.com).

Gross and net returns, presented within were calculated in US dollars on a time-weighted, total return basis, including reinvestment of all dividends, interest and income, realized and unrealized gains or losses and are net of brokerage commissions, execution costs, and any applicable foreign taxes. Accrual accounting was used for dividend income recognition. Securities transactions are accounted for on trade date. Cash and cash equivalents are included in the performance returns. The gross returns do not give effect to investment advisory fees which would reduce gross returns. The deduction of investment advisory fees will reduce gross returns and are subject to compounding. The composite results include all actual, fee paying fully discretionary accounts under management by Nicholas after one full calendar month that have substantially the same investment objectives, policies and restrictions. Unless otherwise noted the returns reflect the performance of the product composite. Performance and incentive based fees will have similar, yet often larger, impacts to performance and account values than standard management fees. Please see Nicholas' ADV Part 2A for a complete description of investment advisory fees.

The composite performance shown does not include the impact of private investments, although the strategy may invest in private, illiquid securities in the future. The strategy may invest up to 20% in private investments which may be illiquid. The strategy may also invest 20% of its assets in short sale positions. A short sale is a transaction in which an account sells a security it does not own in anticipation that the market price of that security may decline. Selling securities short involves unlimited risk as the security's price can theoretically continue to appreciate indefinitely which may result in unlimited losses. In addition, short positions typically involve increased liquidity risk, transaction costs, and the risk that the third party to the short sale may fail to honor its contract terms. The account may have to pay a fee to borrow particular securities and is often obligated to pay over

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any accrued interest and dividends on such borrowed securities to the buyer. Any gain will be decreased, and any loss increased, by the transaction costs described above. The successful use of short selling may be adversely affected by imperfect correlation between movements in the price of the security sold short and the securities being hedged.

**Net returns reflect the deduction of the highest investment management fee for the product, which is 1.00% and a 10% performance fee.** The performance fee was accrued at the end of each month based on the total profits for the month. The performance fee is subject to a highwater mark with no hurdle. Any earned performance fee is paid after each calendar year. Actual fees charged may vary by portfolio due to various conditions such as account size, client relationship, complexity, etc. Client's accounts may also be subject to additional fees unrelated to Nicholas such as custodial and administration fees, among others.

During the product incubation period from January 1, 2017 through December 31, 2017, the benchmark presented as a general indicator of stock market performance was the Russell 3000 Healthcare Sector index. Beginning on January 1, 2018 the S&P 500 replaced the Russell 3000 Healthcare Index as a proxy for the general market performance. The change was made retroactively to inception. Although this strategy is focused on the healthcare sector, its performance objective is to exceed the general market performance, as measured by the S&P 500, over a full market cycle. This strategy is not intended to track the performance or resemble the construction of any specific benchmark and may deviate significantly from the index shown. The strategy holdings are expected to be highly concentrated in the healthcare sector which may create risks that will vary significantly from the S&P 500 index which is more diversified across multiple sectors.

The S&P 500 Index is a widely regarded gauge of the US equities market, that includes 500 leading large cap companies in leading industries of the US economy. Although the S&P 500 focuses on the large cap segment of the market, with approximately 80% coverage of available market capitalization, it is also typically used as a proxy for the total market. Index returns include the effect of dividends and income which are reinvested daily.

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**Meredith Genova**

858-381-8176 (direct)  
646-573-9248 (cell)

**Laura DeMarco**

858-381-8181 (direct)  
858-692-5194 (cell)

**Tammy Wiseman**

858-381-8183 (direct)  
619-857-1195 (cell)