

Follow the Science

SANJIV TALWAR, M.D., PH.D.

Senior Vice President, Portfolio Manager,
Senior Analyst and Head of Healthcare



ALEX BERNSTEIN: Hello, I'm Alex Bernstein and you're listening to the Alger Podcast, Investing in Growth and Change. Rapid dynamic change in the health care industry, driven by scientific advancements, is something that we've seen repeatedly over the past few years. Keeping up with so many advancements can be daunting for the most proficient investor. But maybe not to Dr. Sanjiv Talwar, portfolio manager of Alger's Health Sciences Strategy, who has made a career out of tracking and investing in scientific research. Sanjiv, thanks so much for joining me this afternoon.

SANJIV TALWAR: Thanks, Alex.

ALEX: Sanjiv, just to start, you have 15 years of investment experience, much of that in the health care industry. But before all of that you spent some time as a surgeon in India. Is that right?

SANJIV: That's right. I started my scientific and medical career in India and went to medical school, and then after that came to the U.S. at the University of Pennsylvania where I spent a very long time in academia and research. Maybe more than a decade. I was intensely interested in medicine and clinical practice growing up. And I had these plans of becoming a neurosurgeon which was a really fascinating area but coming to the U.S. for graduate school or even beyond I got even more interested in the science of things behind it. So, I did then make a career switch. Got a PhD also and then focused very much on neuroscience for the next 12 or 13 years. Because that was the age of exploding innovation across the fields; companies like Genentech and Amgen were just being born. But research pretty much fueled by the revolutions in computing and some of the instruments to measure genetic changes and nuclear biology was quite profound and it became an irresistible kind of change for me at least.

ALEX: But eventually you transitioned full time to investing. How did that come about?

SANJIV: It was gradual. Ten years I devoted along with mentors to developing a science known as the brain-machine interface. And at that time in the early 2000s we had some considerable breakthroughs, and with that it became clear to me what innovation can do for the world in a commercial setting.

And so those were my initial steps to leave academia and research but really think about some of the broader and higher level changes going on in the world and what things like finance could really fuel. Taking research out of labs, out of heavily scientific settings and putting it into the world.

ALEX: Sanjiv, when you came to the firm earlier this year, you took over Alger's existing health sciences strategy. What was your approach to the portfolio when you first started working with it?

SANJIV: Oh yes, some exciting time. The approach I take is not different in philosophy, different in some areas but it's obviously a venerated fund over a very long time. In my mind it would be a fund that very heavily focused on the same themes that Alger thinks about which is Positive Dynamic Change.

So, philosophically top down it's not going to be different but because of my comfort in many areas of science and medicine I'll be bringing some of that into our thinking. I'm going to seek to apply some changes. For example, prior technology, genomics, I spent a whole lifetime studying those areas, I feel very comfortable including my past investment experience, as well as commercial innovations. So, the innovation team that we have at Alger, I see it expanding into this commercial innovation that we're always, always focused on.

But innovation within science and clinical medicine, I think that really affords very big opportunities. So, along with our focus in the commercial side of businesses, there's going to be a heavy additional focus on the R and D process and product development.

ALEX: Sanjiv, you mentioned to me the importance of three very specific investing pillars that you and your team focus on. Can you talk about those three pillars, and then what kinds of companies fall within those pillars?

SANJIV: Yes, so that's quite a rigorous framework we try and employ, across these three pillars. One is scientific data and innovation, and then there's the clinical side of things, and then there is commercial innovation and commercial change across all the sectors. So, I think top down what we do is try and define ten or 15 areas, the data of central interest to us and these are areas where changes are taking place. Scientifically, clinically and commercially. And then finding companies that really fill that kind of innovation or that kind of change. So, some of the areas for example in buyer technology and traditional pharmaceuticals, I think some of the most extraordinary changes ongoing are in auto-immune diseases and of course cancer, much informed by the underlying biology and the genomics expertise that's slowly regaining.

Those are two areas that I keep a close eye on, then there are some more. For example, the medical device sectors, I am extremely interested in the innovation and the disruption that comes out of robotic surgery, diabetes management and then structural heart defects. And I think even areas like aesthetics are showing some great amount of change. And then the actual what we call the "arms dealers" or the picks and shovels companies that supply all of this innovation is a big interest and this is largely around their ability to analyze the genome, analyze molecules, analyze proteins. That's a very big area. Another area is bioprocessing.

So, we define these areas and it's not just heavily scientifically focused or technology focused. There are areas outside of these core areas. For example, in hospitals there is this very long-term trend, which is accelerating as we speak, to outpatient surgical centers. I think there's a lot of value being created there. Even in managed care, I think a lot of value is being created in medical advantage and some of the business models that are quickly changing the space. And I think that kind of growth is going to continue.

ALEX: Could you give us just one or two examples of particular companies that you're excited about, and why?

SANJIV: Yes, I'd love to talk about that. So, one of the

companies we identified in the aesthetic space; very long runway, new technology, patented far out and a business model that is not based on the traditional reimbursement rather than it's out of pocket. And I think it's an ongoing trend coming out of COVID; some of the technologies that are in aesthetics, there's a rapid change there.

And we've seen that in the past, Botox as an example of a legendary brand that has grown and grown. But there are many areas around it, and I think the advance there both commercially and technology is quite profound. So, we took in sizeable investment in that space in a particular company and then there are a couple more.

There are, on the biotechnology front, a couple of companies that we identified. One in this allergy setting, targeting molecular changes that so far have been very mysterious to science, but the field is getting a lot of insight into that and I think it can deliver a lot of value.

There are others in the same realm of autoimmune changes in the eye, around something called "age-related atrophy in the retina." These sort of areas that are a very vast need especially as we get older. No breakthroughs yet but a few of those companies are I think, to present very large breakthroughs in areas of very, very large need.

And then maybe there's a third one which probably falls into the pick and shovels arena but quite an unknown company. Previously known as an industrial semi-conductor company but remarkably has pivoted into the life sciences with the capabilities they have in automation. The very long road ahead is a complicated story but it's an area of science and research and clinical trials that's probably the only investable company in the space. So, quite exciting investments.

ALEX: Sanjiv, you mentioned to me that the most significant driver of almost everything your team focuses on is scientific advancements. And when you say that I would guess that you're talking about tracking advancements that could potentially take years before they become investable. Is that correct?

SANJIV: Yes, actually I would agree completely. I think science and data informs most of the investing decisions that I take. And this is not just in early stages. We're talking about large scale commercial organizations or even commercial innovation in trends. But it does come out of tracking things very early.

SANJIV (continued): I try and track, once we've defined areas of central interest, where the greatest unmet needs are and where the greatest potential market opportunities in value creation can be. Not just science for the sake of science because we are investors. And yes, it is essential in my mind to be following data and the science when the academics are working on it, an environment that I feel very comfortable in. And then the emerging properties of bought technologies as well as biology start defining what a product, or a drug might look like. That gives a lot of insight into the later stage companies. It's almost as if you get an education of maybe early-stage things but it's very understandable in terms of what companies that are mature companies are trying to double and where most of that value I think later on will come from. So, very much so we track things at a very, very early stage. It informs almost every decision. What it gives me at least, what I feel comfortable with, is proof of concepts. When the odds for things changing become pretty clear. Applicable across the investing landscape, and that does form one base of my investing, this notion of proof of concept. So, putting new changes into context very rapidly I think is something we do quite well. So, we do spend a lot of time focusing on those sorts of changes but very much in the context of what has been going around in the world, either scientifically, clinically or commercially.

ALEX: Sanjiv, one final question. I just wanted to know how the transition has been for you and your team, to bring your professional sensibilities to what's known as the Alger Way of investing?

SANJIV: Yes, it's been awesome. There clearly is an Alger way. And maybe the only thing I bring to the philosophy is in particular areas of very long expertise that I may have, but it feels like a very dynamic place, and a very innovative place in terms of thinking about investing. Because everybody else is also thinking in terms of growth. Alger has been a legendary growth investor for more than 50 years now and so that thinking permeates everything I think, including the analysts. And so, it seems to me natural to have a health science evolution within that cultural backdrop.

ALEX: Sanjiv, thanks so much for speaking with me today.

SANJIV: Thanks Alex, great talking to you.

ALEX: And thank you for listening. For more information on the Alger Health Sciences strategy, and for more of our latest insights, please visit www.alger.com.

DISCLOSURE

The views expressed are the views of Fred Alger Management, LLC (FAM) and its affiliates as of December 2021. These views are subject to change at any time and may not represent the views of all portfolio management teams. These views should not be interpreted as a guarantee of the future performance of the markets, any security or any funds managed by FAM. These views are not meant to provide investment advice and should not be considered a recommendation to purchase or sell securities. Holdings and sector allocations are subject to change.

Risk Disclosures: Investing in the stock market involves risks, including the potential loss of principal. Growth stocks may be more volatile than other stocks as their prices tend to be higher in relation to their companies' earnings and may be more sensitive to market, political, and economic developments. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness such as COVID-19 or other public health issues, recessions, or other events could have a significant impact on investments. A significant portion of assets will be invested in healthcare companies, which may be significantly affected by competition, innovation, regulation, and product obsolescence, and may be more volatile than the securities of other companies. Investing in companies of small capitalizations involve the risk that such issuers may have limited product lines or financial resources, lack management depth, or have limited liquidity. Private placements are offerings of a company's securities not registered with the SEC and not offered to the public, for which limited information may be available. Such investments are generally considered to be illiquid. Foreign securities involve special risks including currency fluctuations, inefficient trading, political and economic instability, and increased volatility. Active trading may increase transaction costs, brokerage commissions, and taxes, which can lower the return on investment. **Past performance is not indicative of future performance.**

The following positions represented the noted percentages of firm-wide assets as of 9/30/21: Amgen, Inc. 2.7%, Genentech, Inc., 0.0%; Abbvie, Inc, 0.0%.

Important Information for US Investors: This material must be accompanied by the most recent fund fact sheet(s) if used in connection with the sale of mutual fund and ETF shares. Fred Alger & Company, LLC serves as distributor of the Alger mutual funds.

Important Information for UK and EU Investors: This material is directed at investment professionals and qualified investors (as defined by MiFID/FCA regulations). It is for information purposes only and has been prepared and is made available for the benefit investors. This material does not constitute an offer or solicitation to any person in any jurisdiction in which it is not authorised or permitted, or to anyone who would be an unlawful recipient, and is only intended for use by original recipients and addressees. The original recipient is solely responsible for any actions in further distributing this material and should be satisfied in doing so that there is no breach of local legislation or regulation.

Certain products may be subject to restrictions with regard to certain persons or in certain countries under national regulations applicable to such persons or countries.

Alger Management, Ltd. (company house number 8634056, domiciled at 78 Brook Street, London W1K 5EF, UK) is authorised and regulated by the Financial Conduct Authority, for the distribution of regulated financial products and services. FAM and/or Weatherbie Capital, LLC, U.S. registered investment advisors, serve as subportfolio manager to financial products distributed by Alger Management, Ltd.

Alger Group Holdings, LLC (parent company of FAM and Alger Management, Ltd.), FAM, and Fred Alger & Company, LLC are not an authorized person for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA") and this material has not been approved by an authorized person for the purposes of Section 21(2)(b) of the FSMA.

Important information for Investors in Israel: : This material is provided in Israel only to investors of the type listed in the first schedule of the Securities Law, 1968 (the "Securities Law") and the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995. The Fund units will not be sold to investors who are not of the type listed in the first schedule of the Securities Law.

Fred Alger & Company, LLC 100 Pearl Street, New York, NY 10004 / www.alger.com