



From our **Fund Manager's Desk**

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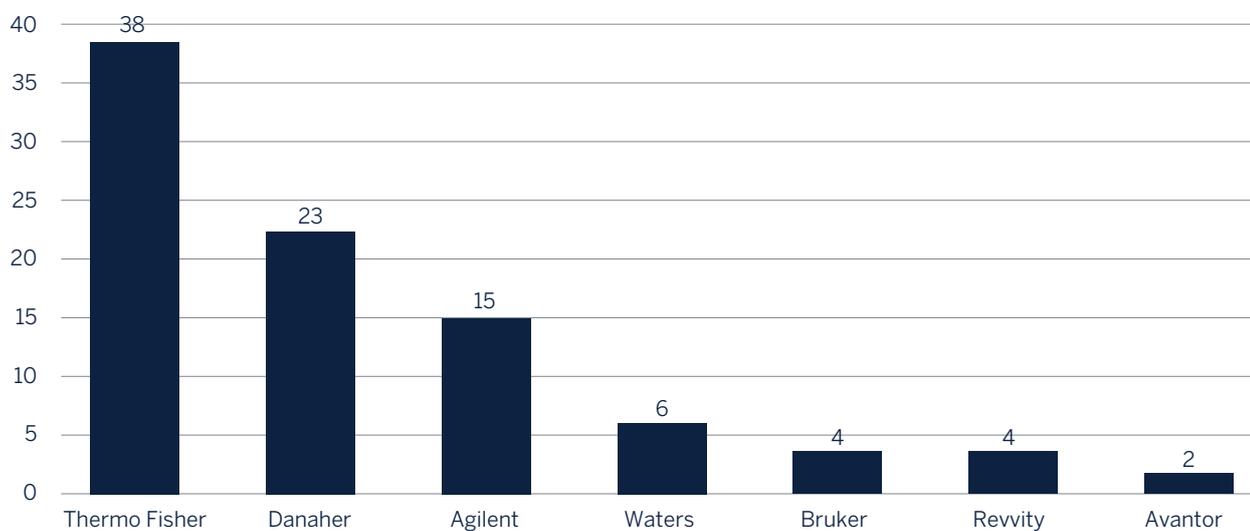
We regularly explore the investment rationale of one of the companies we own in the Melville Douglas Global Equity Fund to articulate what we find compelling. This time round we have chosen Thermo Fisher Scientific, a powerhouse in driving a healthier world.

Professor Stephen Hawking once said, "Investing in science and technology is investing in the future". As one of the leading suppliers and service providers in the life sciences and tools industry, Thermo Fisher is a key enabler of such investments in the healthcare sector while also playing a role in the environmental and industrial spheres.

Over its rich 70-year history, Thermo Fisher's unparalleled array of instruments, consumables and services are mission critical for the pharmaceutical and industrial industries, academia, and diagnostic healthcare to address the world's most pressing challenges. These include combating infectious diseases, accelerating drug discovery and development, advancing personalised medicine, ensuring food safety and quality, and protecting the environment. As an indispensable partner to scientists, Thermo Fisher invests deeply in research and development to bring cutting-edge technologies to its customers. As its customers succeed, so does it through higher sales, attractive profits, and new growth avenues.

An innovation leader amongst its life sciences and tools peers

CUMULATIVE INNOVATION AWARDS (2018 - 2022)



Source: Company reports, Bernstein



Broad exposure to the healthcare industry



Thermo Fisher's businesses are divided across four categories:

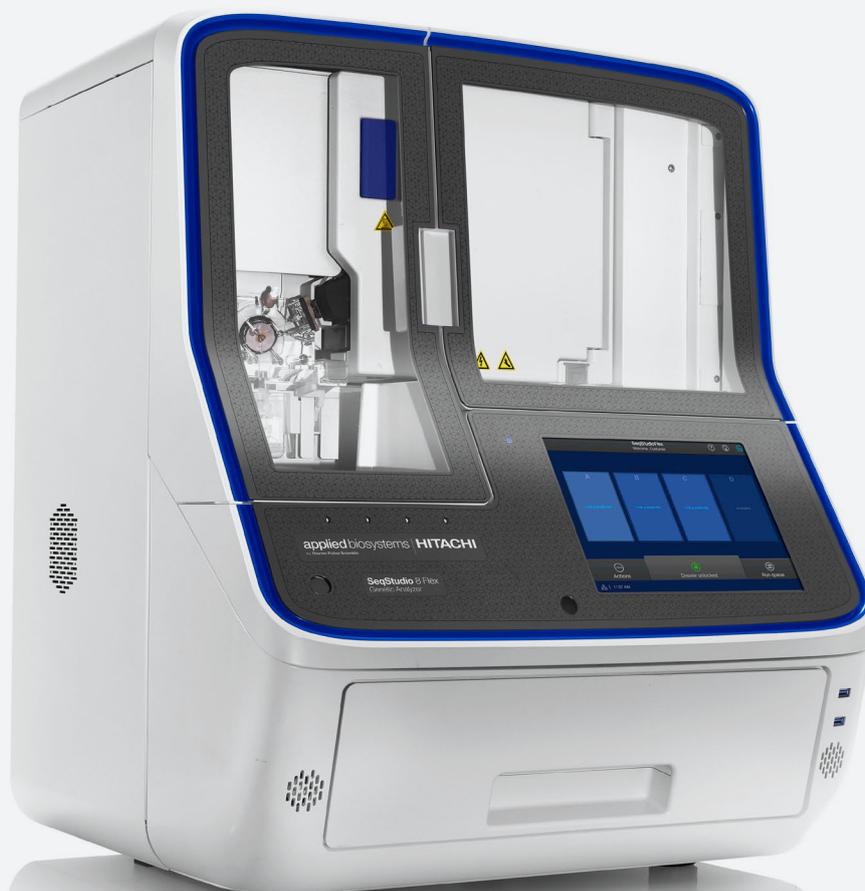
01. Life Sciences Solutions – empowering researchers

Thermo Fisher's Life Sciences Solutions portfolio provides scientists with tools used in drug and vaccine discovery and early disease diagnosis. This includes areas such as personalised medicine and cell and gene therapy, which are at early stages of development and harness the power of cells and genes to treat and cure diseases through targeted treatment.

Products include its genetic analysers, such as the SeqStudio Flex, which has the remarkable ability to read the building blocks of DNA. This allows scientists to understand how genes work and identify

mutations which can cause diseases. Its analysers are also able to measure DNA fragments and how many copies there are. This provides scientists with a deeper understanding of gene expression, which is the process by which genes are activated or silenced, ultimately influencing cell behaviour and function. Applying this to practice, researchers are developing drugs which can turn on genes that suppress tumors or turn off genes which cause inflammation. From autoimmune disorders and chronic pain to cancer and cardiovascular disease, the potential applications of gene-targeted drugs are bountiful.

A CUTTING-EDGE THERMO FISHER GENETIC ANALYSER





02. Specialty Diagnostics - early detection and accurate diagnosis

Thermo Fisher's comprehensive Specialty Diagnostic products enable timely and accurate patient diagnosis which allows for informed healthcare provider decisions and enhanced patient outcomes. These products are used both in clinical settings, such as hospital laboratories and clinics, doctors' offices, as well as in food safety laboratories for the safety and quality testing of consumer products. In clinical settings, their blood test systems are the backbone for disease diagnosis and monitoring, while specialized instruments and consumables enable diverse applications like drug and hormone testing, first-trimester screening, pathogen detection and testing for organ transplants.

03. Lab products - scientific breakthroughs are sown in well-equipped laboratories

The breadth and depth of Thermo Fisher's lab products provides customers with choice and convenience, making it a one-stop shop for all lab requirements. Thermo Fisher offers a broad spectrum of lab equipment, ranging from microscopes to incubators and furnaces which are used in the discovery of ground-breaking science. The consumables, such as plastics and chemicals, used in conjunction with the equipment, creates an attractive razor blade business model, as their single use creates a recurring revenue stream.

A differentiating factor to the business is service.

Thermo Fisher provides clinical research services, where it performs clinical research on potential drugs on behalf of biopharma companies for a fee. The compelling feature is that revenue is earned irrespective of whether the potential drugs become commercially successful. For drugs that are approved, the company also provides outsourcing development and manufacturing services. Facilitating a swift and efficient drug development pathway, this outsourcing strategy allows biopharma companies to maximize the financial benefits during the patent-protected period of a drug.

04. Analytical Instruments - tackling analytical complexity

Thermo Fisher's Analytical Instruments product suite enables the understanding of diseases and biology and supports the research and development of drugs in the biopharma industry.

An illustration of this is the electron microscope, which has transformed the field of drug discovery. This tool allows researchers to visualize drug structures and their interactions at the atomic level, providing valuable insights for unlocking potential treatments for diseases. Electron microscopes are also used in understanding the behaviour of complex biological targets such as viruses which have enabled the development of antiviral drugs. The ability to see the previously unseen and understanding diseases at the atomic level is paving the way for more effective and targeted therapies.

ATOMIC LEVEL ANALYSIS – THERMO FISHER ELECTRON MICROSCOPE



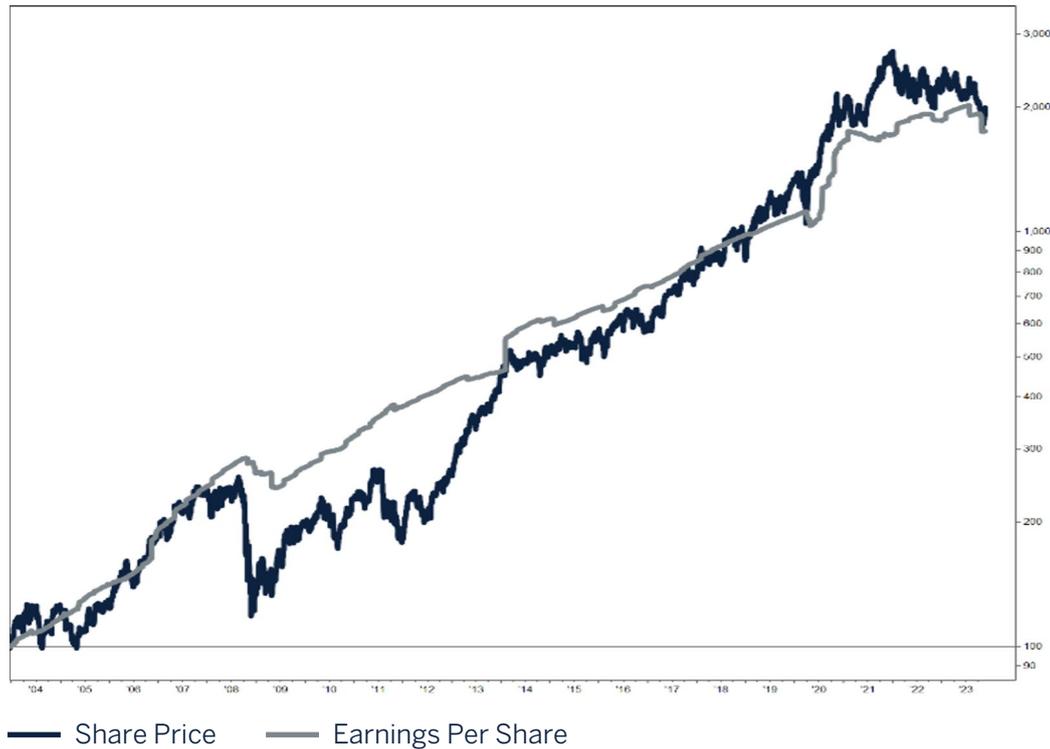
Source: Thermo Fisher

It's not just healthcare. The instrument portfolio also includes products which support the development of next-generation semiconductors and enable the clean energy transition by supporting the development of breakthrough battery technology. Thermo Fisher's tools solve complex quality control challenges by enabling the study and modification of the microscopic world of semiconductors while also speeding up time to market for manufacturers.

A pillar of financial strength, investment potential and a force for good

Thermo Fisher's financial performance is a testament to a corporate culture of sound commercial strategies combined with an unwavering commitment to scientific advancement. The company has steadily grown its revenue over the past decade by +14% per annum, and earnings have exhibited robust +17% annualized growth. As shown in the 20-year chart, this has been the underlying driver of its commendable share price performance.

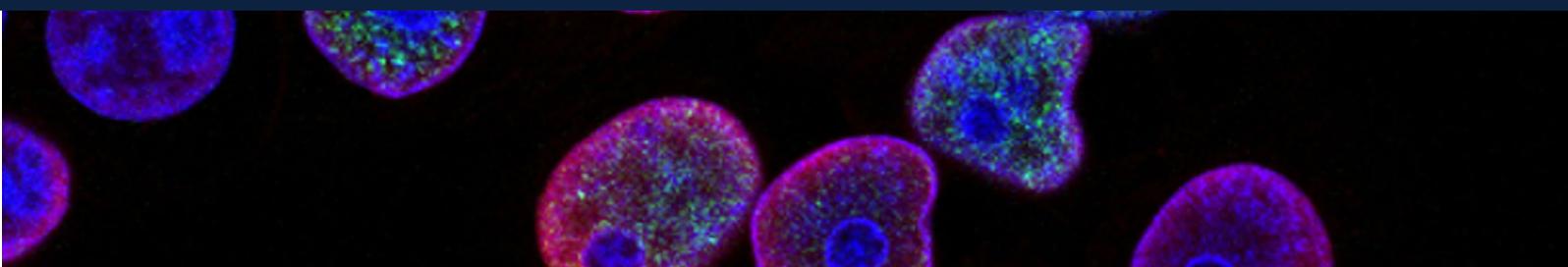
THERMO FISHER SHARE PRICE - POWERED BY COMPOUND EARNINGS GROWTH



Source: FactSet

Over the pandemic, Thermo Fisher benefited from the essential materials and services provided to biopharma companies for the manufacturing of COVID-19 vaccines as well as through the sale of COVID-19 testing kits. This short-term boost has since unwound and temporarily stalled earnings growth and the share price. We see this as a contrarian opportunity for a long-term investor to gain exposure to a long runway of innovation driven growth.

Thermo Fisher is the picks-and-shovels supplier in ongoing scientific and technological progress. As such the shares tap into ongoing human ingenuity.



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