

<https://blog.en.erste-am.com/biotechnology-sector-searching-for-covid-remedy/>

Biotechnology sector searching for COVID remedy

Dieter Kerschbaum



© (c) Fotolia

The corona virus has a lock on the economy and the stock exchanges. Tests by the US pharmaceutical group Gilead in its search for a suitable remedy to fight the pandemic may be cause for hope. Harald Kober, senior fund manager of the equity fund ERSTE STOCK BIOTEC, keeps this company in the portfolio and has noticed a global increase in healthcare investments.

According to a news report, a drug by the US pharmaceutical group Gilead Science has been successful in the treatment of COVID-19 patients. Can you expand on that?

According to a study by The University of Chicago Medicine on the drug Remdesivir, originally developed against Ebola, caused the fever of patients to drop and the symptoms of the respiratory disease to subside, as a result of which almost all patients could be discharged within less than a week. This report was released Thursday evening on the online platform for medical news, STAT.

How do you rate the chances of FDA approval?

It is too soon to draw conclusions about imminent remedies: the study was not randomised or controlled. Therefore, the results have to be taken with a grain of salt. Initial randomised study results are due for the end of April. In case of positive study results, Remdesivir might be approved for treatment of COVID-19 as soon as May/June. The studies focus on severe, hospitalised cases.

How is Remdesivir used?

As IV, i.e. intravenously. This means it has to be administered by doctors. The production of the drug is quite complex, and the available doses are limited. According to Gilead, the company wants to produce more than 1mn doses by the end of 2020. Production capacities could be expanded with the help of other companies.

The shares of Gilead, which are also held in the portfolio of ERSTE STOCK BIOTEC, increased by 18% in late trading in the wake of this news report on Thursday. How do you rate this increase?

We have prominently weighted the shares at more than 5% in the fund – for several reasons, not only because of COVID-19. Even though this increase is good news for fund shareholders, one has to point out that the euphoria in connection with Remdesivir had already caused the company's market capitalisation to rise by USD 15bn prior to yesterday's increase in late trading.

Late trading added USD 20bn on top of that. Pricing a total of USD 35bn into a share just for one therapy seems a lot, not the least since Gilead has announced that it will be selling the drug at cost. Will that be "big business"?

*Harald Kober, Senior
Fondsmanager, Erste
Asset Management*

In the wake of the global containment measures against the pandemic, equities in the healthcare sector have moved to centre stage for investors. Many companies in the fund are based in the USA, where the pricing is a bone of contention. Is that going to change now?

The COVID-19 pandemic has led to a global increase in investments in the healthcare sector. It has highlighted the dire lack of protective equipment, test capacities, hospital beds, and suitable drugs. Here, R&D will be the main branch to benefit.

The situation has illustrated how important innovation is in response to life-threatening diseases and pandemics. Maybe COVID-19 is a reason to take into account the macroeconomic opportunity cost when pricing drugs.

Innovation will only happen if there is a return on investment!

About the fund [ERSTE STOCK BIOTEC](#)

ERSTE STOCK BIOTEC invests mainly in biotechnology companies from developed markets. The majority of the companies is based in the USA.

Legal note:

Prognoses are no reliable indicator for future performance.

Legal disclaimer

This document is an advertisement. Unless indicated otherwise, source: Erste Asset Management GmbH. The language of communication of the sales offices is German and the languages of communication of the Management Company also include English.

The prospectus for UCITS funds (including any amendments) is prepared and published in accordance with the provisions of the InvFG 2011 as amended. Information for Investors pursuant to § 21 AIFMG is prepared for the alternative investment funds (AIF) administered by Erste Asset Management GmbH pursuant to the provisions of the AIFMG in conjunction with the InvFG 2011.

The currently valid versions of the prospectus, the Information for Investors pursuant to § 21 AIFMG, and the key information document can be found on the website www.erste-am.com under "Mandatory publications" and can be obtained free of charge by interested investors at the offices of the Management Company and at the offices of the depositary bank. The exact date of the most recent publication of the prospectus, the languages in which the key information document is available, and any other locations where the documents can be obtained are indicated on the website www.erste-am.com. A summary of the investor rights is available in German and English on the website www.erste-am.com/investor-rights and can also be obtained from the Management Company.

The Management Company can decide to suspend the provisions it has taken for the sale of unit certificates in other countries in accordance with the regulatory requirements.

Note: You are about to purchase a product that may be difficult to understand. We recommend that you read the indicated fund documents before making an investment decision. In addition to the locations listed above, you can obtain these documents free of charge at the offices of the referring Sparkassen bank and the offices of Erste Bank der oesterreichischen Sparkassen AG. You can also access these documents electronically at www.erste-am.com.

N.B.: The performance scenarios listed in the key information document are based on a calculation method that is specified in an EU regulation. The future market development cannot be accurately predicted. The depicted performance scenarios merely present potential earnings, but are based on the earnings in the recent past. The actual earnings may be lower than indicated. Our analyses and conclusions are general in nature and do not take into account the individual characteristics of our investors in terms of earnings, taxation, experience and knowledge, investment objective, financial position, capacity for loss, and risk tolerance.

Please note: Past performance is not a reliable indicator of the future performance of a fund. Investments in securities entail risks in addition to the opportunities presented here. The value of units and their earnings can rise and fall. Changes in exchange rates can also have a positive or negative effect on the value of an investment. For this reason, you may receive less than your originally invested amount when you redeem your units. Persons who are interested in purchasing units in investment funds are advised to read the current fund prospectus(es) and the Information for Investors pursuant to § 21 AIFMG, especially the risk notices they contain, before making an investment decision. If the fund currency is different than the investor's home currency, changes in the relevant exchange rate can positively or negatively influence the value of the investment and the amount of the costs associated with the fund in the home currency.

We are not permitted to directly or indirectly offer, sell, transfer, or deliver this financial product to natural or legal persons whose place of residence or domicile is located in a country where this is legally prohibited. In this case, we may not provide any product information, either.

Please consult the corresponding information in the fund prospectus and the Information for Investors pursuant to § 21 AIFMG for restrictions on the sale of the fund to American or Russian citizens.

It is expressly noted that this communication does not provide any investment recommendations, but only expresses our current market assessment. Thus, this communication is not a substitute for investment advice, does not take into account the legal regulations aimed at promoting the independence of financial analyses, and is not subject to a prohibition on trading following the distribution of financial analyses.

This document does not represent a sales activity of the Management Company and therefore may not be construed as an offer for the purchase or sale of financial or investment instruments.

Erste Asset Management GmbH is affiliated with the referring Sparkassen banks and Erste Bank.

Please also read the "Information about us and our securities services" published by your bank.

Subject to misprints and errors.



Dieter Kerschbaum

Communications Specialist Austria, Erste Asset Management