The last two decades have brought enormous progress in the diagnosis and treatment of cancer. But there is still much further to go. (ddp)

**Longer term investments**

**Investing in the fight against cancer**

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Despite great strides in diagnosis and treatment, cancer is still the second leading cause of death globally. In a new report on its Oncology theme, the UBS Chief Investment Office (CIO) looks at how long-term investors can contribute to progress in the fight against cancer; for example, by allocating funds towards innovative therapies.

The last two decades have brought enormous progress in the diagnosis and treatment of cancer. Yet while cancer mortality rates have fallen in much of the developed world, the disease remains the second leading cause of death globally, and is now the leading cause in China. The World Health Organization (WHO) recorded 18 million new diagnoses in 2018, and 9.6 million cancer deaths.

"The good news is that a better understanding of the molecular basis of cancer and the human immune system has led to the development of a broad and deep pipeline of anti-cancer drugs," write CIO analysts Lachlan Towart and Carl Berrisford. "Important developments in recent years include the clinical and commercial success of immuno-oncology, as well as the successful development of personalized cell therapy treatments like CAR-T for blood cancers."

However, there is much more still to do. With an aging global population, cancer incidence is expected to continue rising in the coming years, despite well-publicized initiatives to reduce risk factors. According to the WHO, over 27 million new cases could be diagnosed annually by 2040.

CIO believes long-term investors can contribute to progress in the fight against cancer, and highlights that the drivers underpinning its Oncology investment theme remain strong. "We see innovative cancer therapeutics as the most investable way to benefit from the theme," say Towart and Berrisford. "The USD 150bn market for drugs to treat cancer is growing in low double-digits, and we expect it to outpace global GDP growth over our long-term investment horizon." By 2025, the global oncology market could reach USD 250bn.

Companies with marketed cancer-treatment drugs offer generally consistent sales trends, in CIO’s view, as well as earnings growth above GDP independent of the economic cycle, strong cash returns on capital, and well-covered...
dividends. Meanwhile, exciting innovation can be found at smaller, development-stage biotech companies.

Cancer drugs make up almost a third of the global pharma pipeline, with many clinical trials currently focusing on the use of new drugs in a post-surgical setting. Over time, CIO thinks cancer treatments are likely to become “more individualized, more personalized, and more targeted”. Cell therapies should also play an increasingly important role.

In some therapeutic areas, it may be too early to pick winners. Given the risks associated with the long-term nature of drug development, CIO recommends investing in a diversified portfolio of pharmaceutical and biotechnology companies exposed to its Oncology theme.

Private market investments in this area, including impact investments, also offer an opportunity for long-term investors to capture an illiquidity premium inherent in the long-term horizon of drug development.

For more information, please see CIO’s new report, “Longer Term Investments: Oncology”.

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