

## TRANSACTION RATIONALES

### Purchases

#### Thermo Fisher: Turning itself into a growth company

Thermo Fisher Scientific ("TMO") is the one of its kind in the life science & laboratory industry. TMO's tools and reagents are used in laboratories to perform analyses of materials, compounds and life science ingredients in scientific, research and development, as well as testing and quality control environments. In addition, TMO provides a wide array of mission critical ingredients for research and production of pharmaceutical products and it runs a clinical research organization (CRO) for the Biotech/Pharma industry. TMO holds the no. 1 or 2 position in almost every market segment and it has by far the largest sales force in the industry.

Thanks to the acquisitions in higher growth segments in recent years, forecast organic growth has risen from 4-5% when we first acquired a position in our style neutral strategies to a range of 7-9% today. In addition, the solid free cash flow margin will continue to finance acquisitions and occasional share buy backs, driving a low double-digit growth of Owner's earnings for at least the next 5 years. The recent underperformance of the Life Sciences Sector now offers us the opportunity to add this high-quality grower to the growth strategies at a discount not seen in a long time.

#### 5-year chart: Thermo Fisher vs. the Bloomberg World Index and the Sector



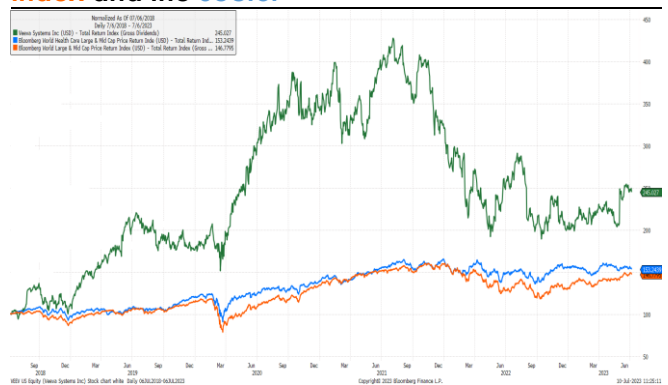
Source: Bloomberg  
Total return in USD  
Data range 06.07.2018 – 06.07.2023  
Note: past performance is not a reliable indicator of future results

#### Veeva: Provider of critical software to the Life Science industry

Veeva is the leading provider of cloud-based software solutions tailored to the life sciences industry. It provides an ecosystem of products to address the operating challenges and regulatory requirements that companies in the industry face. The company operates in two categories: Commercial solutions and R&D solutions.

Commercial solutions entail vertically integrated customer relationship management services and end-market data and analytics solutions mainly through its CRM and add-ons. As a first mover in a niche space, Veeva faces little competition, and has already established itself as the global standard for life sciences CRM, where it holds a market share of over 80%. Similar to Veeva CRM, Vault has also been able to catch on with its users effectively and turn them from single-application users to multichannel users. Since Vault spans multiple functions within a life sciences company, there are many different end markets that Veeva can enter. Within Vault's suite of applications, some products are complementary, and others are designed to solve issues in different silos.

#### 5-year chart: Veeva vs. the Bloomberg World Index and the Sector



Source: Bloomberg  
Total return in USD  
Data range 06.07.2018 – 06.07.2023  
Note: past performance is not a reliable indicator of future results

While growth in the CRM-segment will be limited to mid- to high-single digits, the company's future growth will be driven by Vault and R&D Solutions as users purchase more applications within the platform. Pharma R&D and therein trial management and document handling are key focus areas of Veeva management going forward. Overall, we expect Owner's Earnings to grow in the mid-teens for the foreseeable future. While we have had Veeva on our radar for quite some time, valuation was always the key hurdle for investment. Now, after the 40% correction since September 2021, the stock has finally reached an attractive entry point, in our view. We buy an initial position in Veeva.

## Sales

### IQVIA: Concerns after extensive investment case review

After several discussions with IQVIA, its competitors and external experts, our doubts about the strength of their moat in their data business has grown considerably, as have our concerns about management's focus and actions, particularly their capital allocation and balance sheet management. We conclude from the aforementioned discussions that IQV is at risk of being disrupted over time by more focused and more nimble competitors in their key data business (by Veeva). Nonetheless, the stock has outperformed the Health Care Sector in 2023. The same is true since our first purchase in January 2020, where IQVIA has outperformed the market and the sector by 10% resp. 15%. While valuation still looks undemanding, we sell all our holdings in IQVIA because of said doubts and the still considerable balance sheet leverage that the company never reduced as they had promised a few years back. We re-invest the sales proceeds in defensive quality names that have underperformed in 2023, such as Thermo Fisher and Veeva.

**5-year chart: Iqvia vs. the Bloomberg World Index and the Healthcare Sector**



Source: Bloomberg  
Total return in USD

Data range 06.07.2018 – 06.07.2023  
Note: past performance is not a reliable indicator of future results

With kind regards,

**Emerald Wealth Partners AG**, Investment Office

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