aberdeen Investments

abrdn World Healthcare Fund

Quarterly Commentary

Quarter ended March 31, 2025

Fund performance

The equity portion of the Fund rose (gross of fees) but underperformed its benchmark over the quarter.[1]

The top three detractors over the quarter were Novo Nordisk, uniQure and Teva Pharmaceutical Industries. Novo Nordisk underperformed after disappointing late-stage trial results for its next-generation obesity drug, CagriSema. The outcome raised concerns about the company's ability to maintain its first-mover advantage in the obesity market, particularly as Eli Lilly's Zepbound continued to gain ground on Wegovy. Meanwhile, uniQure also declined, affected by investor uncertainty surrounding potential Food and Drug Administration (FDA) policy shifts on gene therapies, compounded by tariff-related volatility that weighed on growth stocks. Teva Pharmaceutical Industries lagged due to cautious forward guidance and ongoing sector headwinds.

The top three positive contributors were Roche Holding, AbbVie and AstraZeneca. Roche rose on strong sales growth in its pharmaceutical and diagnostics businesses, driven by Vabysmo, which saw sales more than double year on year. The company also advanced its pipeline, supported by positive interim data for the Alzheimer's candidate trontinemab and the EU approval of Columvi for lymphoma. AbbVie gained on stronger-than-expected fourth-quarter 2024 earnings, with rising contributions from Skyrizi and

Performance

The latest available performance figures have been calculated net-of-fees in U.S. dollars for the period:

Cumulative and annualized total return as of March 31, 2025 (%)

	NAV	Market price
Quarter to date	3.05	7.92
Year to date	3.05	7.92
1 year	0.21	-2.21
3 years (p.a.)	1.98	1.96
5 years (p.a.)	8.51	11.35
Since inception (p.a.)	4.92	4.71

Past Performance is no guarantee of future results. Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. NAV return data includes investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions. abrdn Inc. (the "Adviser") became the Fund's adviser on October 27, 2023.

For periods prior to that date, the returns reflect performance information from a prior, unaffiliated adviser. The Fund is subject to investment risk, including the possible loss of principal. Returns for periods less than one year are not annualized.

[1] The Fund's blended benchmark comprises 80% S&P Global 1200 Healthcare Index, 15% S&P 500 Healthcare Corporate Bond Index, 5% S&P Composite 1500 Healthcare REITS Index.
The S&P Global 1200 Healthcare Index includes securities of those companies listed on the S&P Global 1200 Index classified according to the Industry Classification Benchmark as healthcare. The S&P Global 1200 Index is an unmanaged index considered representative of the global equity market, which captures roughly 70% of global market capitalization.
The S&P 500 Healthcare Corporate Bond Index includes securities of those companies listed on the S&P 500 Bond Index classified according to the Industry Classification Benchmark as healthcare. The S&P 500 Bond Index is an unmanaged index that comprises the corporate debt of those companies listed on the S&P 500 Index, which is considered representative of the U.S. stock market.
The S&P Composite 1500 Healthcare REITS Index includes securities of those companies listed on the S&P Composite 1500 Index classified according to the Industry Classification Benchmark as healthcare REITs. The S&P Composite 1500 Index is a broad market portfolio representing the large-, mid- and small-cap segments of the U.S. equity market.
Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

For current holdings information, please visit **abrdn World Healthcare Fund – Portfolio Holdings**

Rinvoq offsetting Humira declines. A positive outlook for 2025, including the licensing of an obesity drug and FDA approval of Emblaveo, added support. AstraZeneca performed well, driven by ongoing strength in oncology, with continued momentum in Tagrisso, Enhertu and Imfinzi.

Market review

Global equity markets ended lower over the quarter. Investors were initially optimistic about stronger economic growth after President Trump's inauguration. Meanwhile, continued disinflation had prompted the US Federal Reserve (Fed), European Central Bank and Bank of England to cut interest rates from mid-2024. However, investors began to anticipate a more measured pace of easing, as central banks maintained a data-dependent stance. In particular, some of President Trump's policies – including increased tariffs and reduced immigration – were seen as potentially inflationary. Indeed, as the quarter progressed, concerns grew over the economic impact of President Trump's tariff policies amid fears of a global trade war. Early signs suggested that tariff-driven inflationary pressures were weighing on consumer sentiment and could slow US economic growth. Simultaneously, persistent inflation raised concerns that the Fed could slow its rate cuts, despite weakening economic data, given its relatively hawkish stance.

The performance of the global healthcare sector notably outpaced that of global equities over the quarter. This was due to the relatively defensive nature of healthcare stocks, along with other sectors such as utilities and real estate that also outperformed. Investor risk aversion increased amid concerns that President Trump's recent tariff announcements could prove inflationary and weigh on US economic growth. There were also heightened geopolitical tensions due to the ongoing wars in Ukraine and the Middle East. The energy sector outperformed too, supported by its perceived role as an inflation hedge, the Trump administration's 'energy dominance' policy, and heightened geopolitical tensions. Materials also fared well, as fears of a potential trade war and geopolitical uncertainty supported gold prices. Elsewhere, the consumer discretionary sector was the main laggard, reflecting mounting concerns about the health of the US consumer. Information technology also notably underperformed, as the prospect of interest rates staying higher for longer weighed on the sector, given its large weighting to growth companies whose future discounted earnings would be negatively affected.

Activity

During the first quarter of 2025, we made several changes to the portfolio. Generally speaking, the portfolio management team saw relative value differentials in smaller-cap equities over large-cap pharmaceuticals and initiated several positions in mostly non-US companies. Some of these new initiations included ProQR Therapeutics, Ascendis Pharma, Merus, and Mereo Biopharma Group. With the exception of ProQR Therapeutics, these companies all had programmes in later-staged clinical development and/or novel approved products that are generating revenues.

We sold several positions over the quarter, which included Biogen, Beigene, Avantor, Tempus AI, and Grail. The decision to sell Biogen was primarily motivated by a lack of confidence on pipeline developments and challenging sales growth estimates. Other sales were primarily motivated by valuation concerns.

Outlook & strategy

The tariff announcements proved more detrimental to growth and more inflationary than expected. Given that tariffs now appear as a more concrete policy measure for the US – as opposed to representing a negotiating tool – investors' reaction is reflective of a broad-based downward repricing of global growth. This highlights that investors are most concerned about the impact on US economic growth, through a combination of demand destruction (caused by higher retail prices) and lower investment spending (caused by corporate uncertainty). Some initial estimates from investment banks and our own macroeconomic research outlook point to a 1-2% hit to GDP. The speed at which we have moved from a market characterised by rises in US stocks, Treasury yields and the US dollar is remarkable.

In general, the near- and long-term outlooks for healthcare companies remain favourable. Long-term demographic trends of an aging population should continue to support the growing demand for new healthcare products and therapies. Due to the healthcare sector's generally defensive characteristics, its relative underperformance in the short term should position it favourably, especially if the US and global economies slow down.

Important Information

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Fund's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the Fund. The net asset value (NAV) is the value of an entity's assets less the value of its liabilities. The market price is the current price at which an asset can be bought or sold. There is no assurance that the Fund will achieve its investment objective. Past performance does not guarantee future results.

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International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging market investments.

Investments in THW may be subject to additional risks including limited operating history, security selection, concentration in the healthcare industries, pharmaceuticals sector, biotechnology industry, managed care sector, life science and tool industry, healthcare technology sector, healthcare services sector, healthcare supplies sector, healthcare facilities sector, healthcare equipment sector, healthcare distributors sector, healthcare REIT, interest rate, credit/default, non-investment grade securities, key personnel, discount to NAV, anti-takeover provisions, related party transactions, non-diversification, government intervention, market disruption, geopolitical, and potential conflicts of interest. Please see the Fund's most recent annual report for more information on risks applicable to the Fund. As of 9/30/2023, Tekla Capital Management LLC was the Fund's investment manager. Effective immediately after the market close on 10/27/2023, abrdn Inc. became the Fund's investment manager. Destra Capital Advisors LLC, a registered investment advisor, is providing secondary market servicing for the Fund.

Please see the Fund's most recent annual report for more information on risks applicable to the Fund.

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Ref #AA-210425-192243-5