



EXCELSIA EDGE

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GLP-1 Medicines Are Transforming Healthcare and Creating New Investment Opportunities

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July marks fibroids awareness month, providing us an opportunity to reflect not only on improving access to healthcare but also on the innovations reshaping treatment outcomes. One of the most significant developments in global healthcare remains the rapid adoption of GLP-1 medicines, **led by Ozempic (semaglutide) and Mounjaro (tirzepatide)**, which have transformed the treatment of diabetes while emerging as highly effective therapies for obesity.

For investors, however, the story is evolving beyond breakthrough science. It is increasingly becoming a structural investment theme.

For several years, affordability constrained adoption. Branded GLP-1 therapies typically cost thousands of rand per month, limiting access for many patients. That landscape is beginning to change. The expiry of key semaglutide patents across several international markets has paved the way for generic manufacturers, materially reducing treatment costs and expanding patient access. Health Canada recently became the first G7 regulator to approve a generic version of semaglutide, with additional applications under review. Generic medicines in Canada have historically been priced between **45% and 90% below** branded equivalents, highlighting the potential for significantly broader access.

Importantly, this is not simply a market-share substitution story. Lower prices are expected to expand the total addressable market by enabling millions of patients, particularly across emerging economies, to access treatment for the first time. In South Africa, IQVIA estimates the domestic GLP-1 market at approximately **R2.2 billion today**, with the potential to grow to between **R4 billion and R8.6**

billion by 2028 as affordability improves and prescribing increases.

Healthcare Continues to Generate Alpha

From an investment perspective, healthcare remains one of the most compelling structural growth sectors globally, supported by ageing populations, rising obesity prevalence, increasing healthcare expenditure and continued pharmaceutical innovation.

Within Excelsia's SA equity portfolios, this structural theme has translated into measurable alpha generation.

Our **overweight allocation to the Pharmaceuticals & Biotechnology sector**

contributed positively to relative performance against the FTSE/JSE Capped All Share Index. This was due to Aspen Pharmacare (Aspen), whose **8.4% share price appreciation in June (c. 28% year-to date)** generated positive stock-selection alpha, reinforcing the value of active fundamental research over passive benchmark exposure.

Our conviction in Aspen reflected improving company fundamentals, including a stronger balance sheet following the disposal of its Asia-Pacific portfolio, enhanced capital allocation flexibility, increasing exposure to the rapidly expanding GLP-1 therapeutic market, as well as commercialisation of its human insulin manufacturing contract with Novo Nordisk. Aspen has been one of the portfolio's most significant positive contributors, demonstrating how high-conviction stock selection can translate structural investment themes into portfolio alpha.

This highlights a fundamental principle of active portfolio management: sustainable alpha is generated not merely by participating in market rallies, but through disciplined sector allocation combined with superior security selection.

Aspen Pharmacare: Positioned for the Next

Phase of Growth

Against this backdrop, Aspen is emerging as one of the most strategically positioned healthcare companies in South Africa.

The company has strengthened its financial position following the disposal of its Asia-Pacific business, improving balance sheet flexibility while sharpening its focus on higher-growth pharmaceutical opportunities. Commercial Pharmaceuticals has continued to deliver resilient earnings, supported by disciplined execution across its global operations.

Aspen is also positioning itself at the forefront of the generic GLP-1 opportunity. Dr Reddy's, with whom Aspen has partnered has launched its generic semaglutide drug in Canada, and other major economies. Aspen also plans to eventually launch its own generic semaglutide. Manufacturing is expected to be supported by Aspen's facilities in South Africa and France.

Closer to home, Aspen's distribution partnership for Eli Lilly's Mounjaro has exceeded expectations, with management forecasting annual local sales exceeding **R1 billion**, highlighting robust demand for next generation diabetes and obesity therapies.

Although recent challenges at Dr. Reddy's have delayed commercial shipments of generic semaglutide due to an API (active pharmaceutical ingredient) related quality issue, we view this as an operational rather than structural setback. The long-term investment thesis remains intact as affordability continues to improve and global demand accelerates.

Beyond Weight Loss

The investment opportunity extends well beyond obesity treatment. GLP-1 therapies are increasingly being evaluated across a broader range of disease areas, including cardiovascular disease, chronic kidney disease, and neurodegenerative conditions

such as Alzheimer's disease. As clinical evidence expands, GLP-1 medicines have the potential to become one of the most important pharmaceutical platforms of the coming decade, creating multiple long-duration growth opportunities for companies with manufacturing capability, commercial scale and global distribution networks.

Evidence of Consistent Alpha Generation

Excelsia's investment philosophy centres on identifying opportunities (based on valuation) before they become fully reflected in market valuations. The healthcare sector and Aspen in particular, illustrates how disciplined fundamental research, active sector positioning and high-conviction stock selection can generate sustainable alpha over time.

This approach continues to be reflected across our equity strategies. As of June 2026, Excelsia's 3 year performance numbers are as follows:

- **Core SA Equity** delivered **18.13%** versus **17.84%** for the FTSE/JSE Capped All Share Index.
- **Aggressive SA Equity** returned **18.85%** compared with **17.84%** for the benchmark.
- **Global Equity** generated **23.52%**, outperforming the **20.22%** return of the MSCI ACWI over the same period.

These outcomes demonstrate that alpha has been generated through active security selection, disciplined sector allocation, and a focus on companies with attractive valuations.

As awareness on women's health this month reminds us of the importance of improving healthcare outcomes, the investment case is equally compelling. Better access to innovative medicines has the potential not only to improve lives but also to create sustainable long-term value for investors. The GLP-1

revolution is no longer simply about weight loss, it represents a structural transformation of global healthcare, and Aspen remains well positioned to benefit from this next phase of growth.

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