

# PGIM JENNISON HEALTH SCIENCES FUND

JUNE 30, 2025

BARRON'S

**Best  
Fund  
Families**  
2025

Barron's Best Fund Families: Ranked #4 for best fund family over the 1-year period ended 12/31/2024, among 48 qualifying fund families based on asset-weighted returns.

## PERFORMANCE RECAP

Equities in the second quarter of 2025 were marked by dramatic volatility as the steep sell-off that began the period ultimately gave way to a strong recovery. Trade tensions roiled the markets in early April, but the subsequent de-escalation, coupled with solid corporate earnings and supportive macro data, set the stage for a rebound. The broad market demonstrated remarkable resilience in the face of rising geopolitical conflicts and reached new highs during the period.

In early April, the Trump administration announced its proposed global tariff plan, with rates much more punitive and wide-ranging than had been expected. The resulting profound turbulence in global markets culminated in the steepest equity market sell-off since the beginning of the COVID pandemic in 2020, as fears of a tariff-induced economic slowdown spiked. Barely a week later, the administration backed away from its initial hardline stance, which marked a turning point for the markets. Additional tariff announcements were paused, and a period of negotiation with trading partners began. Most significantly, talks between the United States and China appeared to result in a moderation of tariff rhetoric and optimism for a successful resolution, helping to propel markets higher.

Additionally, other macro data were favorable as corporate earnings continued to be strong, unemployment remained stable, and inflation was contained despite tariff concerns. After a challenging few months, re-ignited optimism around Artificial Intelligence (AI) propelled the technology sector and its mega-cap market constituents to strong gains. These factors, buoyed by the cooling of trade tensions, drove broad market resilience even as Middle East conflicts escalated.

While policy uncertainty and global conflicts remain unresolved, investor optimism has prevailed for the time being. Following the tariff-related low of April 8, the S&P 500 Index saw its fastest rebound in 75 years and hit an all-time high at the end of June.

Specific to healthcare, the sector has struggled under the weight of persistent challenges—like labor shortages and regulatory uncertainty—compounded this year by major new threats: the sweeping Medicaid cuts proposed in the One Big Beautiful Bill Act (OBBBA) and the potential earnings hit from Most Favored Nation (MFN) drug pricing. These pressures have driven valuations in key industries, notably pharmaceuticals and health maintenance

organizations (HMOs), to some of their most attractive levels in years, both versus the broader market and their own histories. Despite these headwinds, history shows that such periods of deep pessimism and discounted valuations especially in companies with strong free cash flow—often set the stage for outperformance, making this a unique opportunity to have exposure to innovative health care companies.

## MONTH

The S&P 1500 Health Care Index (the Index) gained 1.9% in June, underperforming the S&P 500, which advanced 5.1%. Health care technology, life sciences tools & services, and health care providers & services outperformed the Index during the period. Pharmaceuticals and Medical Technology (medtech) performed roughly in line with the Index while biotechnology declined modestly.

The Fund outperformed the Index during June. Security selection within biotechnology and pharmaceuticals drove the relative outperformance during the period. Stock selection within medtech along with an overweight to biotechnology detracted the most from relative results.

Notable contributors for the month were **Eli Lilly**, **Insmmed Incorporated**, and **Verona Pharma**. Among the notable detractors were **Argenx**, **Novo Nordisk**, and **AstraZeneca**.

## QUARTER

The S&P 1500 Health Care Index (the Index) declined 6.9% in the second quarter, underperforming the S&P 500, which gained 10.9%. Health care providers & services, life sciences tools & services, biotechnology, and pharmaceuticals underperformed the Index during the quarter. Health care technology and medtech advanced during the period.

The Fund lost value but held up significantly better than the Index during the quarter. Stock selection within biotechnology, pharmaceuticals, and life sciences tools & services, along with an underweight to health care providers & services added the most value relative to the Index. Security selection within health care providers & services along with an underweight to medtech detracted from relative results during the period.

**Barron's:** PGIM Investments ranked 4 out of 48, 8 out of 47, 12 out of 46 firms for the 1-, 5-, and 10-year periods ended 12/31/2024, respectively. See back page for methodology which takes into account Lipper rankings. PGIM Jennison Health Sciences Fund (Class Z) Lipper total return ranking for the 1-, 3-, 5-, and 10-year periods as of 12/31/2024 for the Health/Biotechnology Fund category were: 5/133, 6/128, 2/116, and 18/91, respectively. Lipper Funds category rankings are based on total return, do not take sales charges into account, and are calculated against all funds in each fund's respective Lipper category. Lipper total return ranking for the 1-, 3-, 5-, and 10-year periods as of 6/30/2025: 83/129, 14/125, 6/116, and 26/91, respectively. **Past performance is no guarantee of future results.**

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## KEY CONTRIBUTORS

- **Verona Pharma (VRNA)**
- **Neurocrine Biosciences (NBIX)**
- **Alnylam Pharmaceuticals (ALNY)**

**Verona Pharma** is a commercial stage biotech that developed and launched Ohtuvayre, a nebulized therapy for Chronic Obstructive Pulmonary Disease (COPD). This was the first novel mechanism for COPD in decades. This is an incredibly large market, with ~8.6 million patients in the U.S. on maintenance COPD therapy. The main established major branded therapies are multibillion drugs. Physician feedback ahead of the launch was incredibly positive and has remained so as physicians gained real world experience with Ohtuvayre. The launch has been incredibly strong and we expect it to remain so. We expect Ohtuvayre to become a main player in COPD and be a multibillion-dollar product at peak. On July 7th, Merck & Co. Announced they had agreed to pay \$10 billion (\$107/share) to buy Verona—a successful exit for our investment.

**Neurocrine Biosciences** the continued recovery of Neurocrine post what increasingly looks like a guidance mistake rather than an operational issue, as they reported stronger than expected 1Q results and continue to sound optimistic about 2Q as well.

**Alnylam Pharmaceuticals** is a commercial-stage biotech company focused on Ribonucleic acid (RNA)-based therapies, specifically RNAi, a powerful platform technology that has potential in a wide range of conditions. Their main franchise is in Transthyretin Amyloidosis (ATTR) cardiomyopathy (CM) and polyneuropathy (PN), related conditions driven by a misfolded protein. The first drug approved in this setting was Pfizer's (PFE's) oral tafamidis (brand names Vyndaquel/Vyndamax). More recently, BridgeBio (BBIO) has had a similar molecule to PFE's approved (acoramidis, commercialized as Attruby). However, ALNY's Amvuttra represents the first novel approach in several years, as it is a silencer that reduces production of misfolded protein almost completely, as opposed to the PFE / BBIO pills that stabilize the protein in a more functional form, making it less likely to cause harm in the body. Amvuttra is a quarterly subcutaneous injection, so it combines a novel and highly efficacious mechanism with extremely convenient dosing. Amvuttra was approved in late April for ATTR-CM, the far more common form of the disease, and early feedback suggests an extremely strong launch, driving the May stock performance. We fully expect this strength to continue for quarters and years to come, as ATTR-CM, like many rare diseases, is significantly underdiagnosed. We see diagnosis rates for these rare diseases improve, and the market size expand when a second or third drug enters the market, which is what we are seeing with ATTR-CM now, and we think Amvuttra's differentiated product profile will make ALNY a disproportionate beneficiary of said market acceleration. ALNY also has a deep pipeline of programs across cardiovascular disease, neurology, liver disease, and other areas and could be a true multi-franchise company by the end of the decade, a potentiality we still do not see reflected in the stock.

## KEY DETRACTORS

- **UnitedHealth Group Inc. (UNH)**
- **Eli Lilly and Company (LLY)**
- **Bristol-Myers Squibb Co. (BMY)**

**UnitedHealth Group Inc.** is the largest healthcare services company in the U.S. United offers health insurance to Americans who receive insurance through their employers and also through government-based programs such as Medicare and Medicaid. United also has a health technology and services unit called Optum. The stock continues to be challenged as investors have lost confidence in the ability for the company's management to execute. Three weeks after cutting guidance, United suspended its financial guidance and fired its CEO. The culprits of the problems continue to be underwriting in Medicare Advantage (MA), trend in MA, and the margins and trend in its Optum Health physician business. We expect the company to improve pricing and margins over the next few years. In addition, insider stock buying by multiple directors and the new CEO does inspire some level of confidence that management expects improvement. We will be watching trend dynamics in the near-term, margin expansion opportunities over the next couple of years, and look for the company to re-institute financial guidance in late July with its Q2 financial release.

**Eli Lilly and Company** is a diversified biopharmaceutical company with core franchises in Diabetes, Obesity, Immunology, Neurodegeneration, and Oncology. The Company is one of the two global leaders in diabetes with tirzepatide now the strongest ever launch in diabetes and obesity under the Mounjaro and Zepbound brand names. LLY also has exciting franchises in neurology, immunology, and oncology that are starting to add meaningfully to growth. With a proven history of strong commercial execution and one of the highest Research and Development (R&D) success rates in the industry, we see opportunity for continued success. With a lack of meaningful patent expirations for the rest of the decade, LLY is uniquely positioned amongst its larger-cap peers. Eli Lilly's recent quarter was largely as expected, with a minor U.S. Mounjaro sales miss offset by strong Zepbound performance and robust international Mounjaro growth, resulting in an overall small beat for the tirzepatide franchise. Prescription trends are increasingly predictive of Lilly's results, which should reduce the quarter-to-quarter volatility seen last year. The company did not raise guidance, reflecting caution after prior guidance missteps and ongoing uncertainties this year, but quarterly margins and Earnings Per Share (EPS) exceeded expectations and a modest reduction in full-year EPS guidance was purely driven by the accounting treatment of acquired in-process R&D (acquisitions of small pipeline-stage biotech). Lilly also maintained its year-end 2024 foreign exchange assumptions in guidance, not factoring in any benefit from recent dollar weakness, setting them up for a guidance raise at midyear on both these fundamental and technical points. May stock weakness was an overreaction to the announcement of a closed formulary favoring Wegovy for a small part of CVS Caremark's book of

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Pharmacy Benefit Management (PBM) business, triggering investor fears of a price war in GLP-1s. It is now clear that fear was misplaced, CVS is truly a one-off, and with continued strong growth in volumes, we expect LLY to continue recovering from this sell-off.

**Bristol-Myers Squibb Co.** is a global pharmaceutical company focused on discovering, developing, and marketing drugs across multiple therapeutic areas, including Cardiovascular Disease, Oncology, Hematology, and Immunology. BMY currently has three key mega-blockbuster franchises that will lose patent expiry over the next decade: Revlimid which started facing limited generic competition in 2022 and will face full generic entry in 2026; Eliquis, which was part of the first round of Inflation Reduction Act (IRA) negotiations last year, with price cuts effective on Jan 1, 2026, and will face generic entry in 2028/29; and Opdivo, which faces biosimilar competition starting in 2029, although BMY aims to preserve part of the franchise with the recent launch of a subcutaneous formulation that eliminates the need for an Intravenous (IV) infusion. We initiated a position in BMY last spring as the stock seemed deeply undervalued and we had above-market expectations for their neuropsychiatric Cobenfy, the main asset acquired in the Karuna deal. We took profits earlier in 2025 as the stock had rallied and closed much of the valuation disconnect; we subsequently sold more well above current levels as we were skeptical about recent readouts due to concerns over trial design, bringing us underweight the name. Our skepticism was borne out with a pair of negative updates on Camzyos and Cobenfy, and coupled with a slightly disappointing quarter, these updates have caused the stock to decline. We exited the last of our position following 1Q earnings.

## PORTFOLIO OUTLOOK

Despite a second quarter marked by major pharmaceutical conferences that largely maintained the status quo, a range of promising opportunities are emerging across the health care landscape. Oncology remains a focal point, with AstraZeneca competitively positioned as the PD-1/VEGF bispecific antibody trials continue. In diabetes and obesity, Eli Lilly and Novo Nordisk retain dominance, while Amgen's maritide faces tolerability setbacks. Overall, large-cap biopharma saw strong performances from Neurocrine (rebounding from a guidance misstep), Alnylam (with a rapid Amvuttra launch for ATTR cardiomyopathy), and UCB (benefiting from easing tariff and pricing fears and the successful rollout of Bimzelx in hidradenitis suppurativa). On the political front, it seems like companies are becoming more comfortable as their tone was notably improved on both tariffs and drug pricing / MFN, even as we remain in limbo on both topics with no updates from the only team that matters — the White House. It feels as though the companies are starting to feel increasingly confident they will be able to get some sort of exemption, phase-in, offset, etc. on tariffs. The companies and the industry lobbies (PhRMA and BIO) are working to come up with a win-win solution (or at least a win-lose very little one) on drug pricing / MFN, as the initial discussions with the govt officials in charge of administering any such program seem to have been far

more thoughtful and open-minded than the fears stoked by the initial press conference and vague Executive Order.

Commercial-stage companies remained strong in 2Q, with sentiment improving and focus on binary clinical and regulatory events. Notable updates included positive Phase 2 Treprostinil (TPIP) data from Insmid (INSM), Phase 1 STAT6 degrader results from Kymera (KYMR), Phase 3 IgAN data from Vera (VERA) and Otsuka, and a pivotal trial strategy update from NGNE. Key upcoming events are TETON 2 data for United Therapeutics' Tyvaso in Idiopathic pulmonary fibrosis (IPF), APG777 Phase 2 Part A data from Apogee Therapeutics, Inc. (APGE) in atopic dermatitis, and QURE's three-year data in Huntington's Disease.

Recent Health and Human Services (HHS) and Food and Drug Administration (FDA) decisions were a major focus. On June 9, all Advisory Committee for Immunization Practices (ACIP) members were replaced by less experienced appointees. On June 18, both the director and deputy of the FDA's Office of Therapeutic Products were placed on administrative leave. Market reaction to these moves was limited, indicating that concerns about FDA functionality and potential delays are already reflected in valuations.

Capital markets activity improved modestly, with some companies raising funds following strong data, in contrast to earlier in the year when Initial Public Offering (IPO) and secondary markets were frozen. The IPO market remains largely closed, and private companies are delaying public plans. There is cautious optimism that capital markets are beginning to reopen for high-quality firms.

Second quarter performance was led by INSM, CDTX, VRNA, and BPMC. Insmid's TPIP Phase 2 data for PAH exceeded expectations, offering efficacy and convenience advantages. Cidara (CDTX) reported Phase 2b data for CD388, showing 76% flu protection and leading to a significant share price increase. Verona's (VRNA) Ohtuvayre launch for COPD continues to gain traction, and Blueprint Medicines (BPMC) saw strong uptake of Ayvakit and a 27% acquisition premium from Sanofi.

Mineralys (MLYS) was a notable detractor. The company completed registrational trials for lorundrostat in hypertension and is building its safety database for a 2026 New Drug Application (NDA). Shares declined in June due to a lack of near-term catalysts and anticipation of competitor data from AstraZeneca's Baxdrostat.

After a volatile first half, the outlook for the remainder of the year is for greater stability. Continued FDA stabilization and clarity on tariffs and drug pricing are expected to help refocus attention on sector fundamentals. An increase in M&A activity is anticipated as large cap biopharma patent cliffs approach, with several large catalysts expected to keep investors engaged.

Regarding health care service and life style tools companies, we continue to watch cost trend and utilization as it has been elevated for the past three years. We believe utilization trends are stable, which should benefit device companies and hospitals. We also believe the payors are beginning to price their business in a more disciplined way. It will take Q2 results to see if they priced appropriately for 2025 and we will be watching how disciplined the companies will be for '26. Our preferred name among the payors is CVS, which has meaningful embedded earnings power in its Aetna

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unit. We expect this earnings power to be realized over the next three years. We continue to be bullish on innovative cardiac device companies such as Edwards, Intuitive, and DexCom. All three have emerging product and market cycles.

On life science names, the group continues to be pressured by concerns re scientific research spending. The National Institutes of Health (NIH)-related grants continue to decline and there are concerns regarding pricing and regulations for the group's biopharma customers. We are selective in this group, and we are focused on names that either have exposure to biomanufacturing (Danaher, Lonza) or have lower exposure to government spending (Agilent). The life science tools group has very low sentiment and low expectations and we believe the biopharma industry will continue to invest in their businesses and therefore the raw materials companies will end up benefiting from those investments.

We are bullish on the emergence of next generation sequencing (NGS) for the diagnosis of cancer, therapy selection, and recurrence monitoring. We are positive on leaders in the space including Natera, Guardant, GeneDx, and the recent IPO of Caris Life Sciences. All three are benefitting from significant top-line momentum and rapid progression towards break-even Profit and Loss (PnLs).

Finally, we continue to watch legislative and regulatory efforts in Washington. On July 1st, the Senate passed its tax bill, which could potentially cut millions from Medicaid rolls. The House then approved the bill and the President signed it into law. That could have implications for hospitals and capital equipment suppliers should hospitals alter their capital spending plans. Some of these cuts do not start until 2027 or later, but as these items begin it could be the first time in years that the uninsured rate increases. It's also possible that the current Congress or Congress' in the future will adjust those policies, given potential political blowback.

We remain adaptable to capitalize on market shifts and policy-driven opportunities, maintaining a long-term focus on healthcare advancements. Our diversified portfolio approach aims to combine rigorous bottom-up analysis with a multi-dimensional risk management approach. We focus on effective stock selection to identify outperformers, while carefully managing factor exposures, volatility, beta, and market correlations. That said, this heightened—if not peak—uncertainty should, over time, benefit our ability to properly identify superior management teams, products, and services poised to thrive in this evolving landscape.

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AVERAGE ANNUAL RETURN AS OF 6/30/2025						
Total Returns (without sales charges)	YTD	1-year	3-year	5-year	10-year	Since 06/30/1999
PGIM Jennison Health Sciences Fund Z	-5.19	-7.63	7.81	6.98	5.94	13.58
S&P 1500 Health Care Index	-1.69	-5.96	3.12	7.47	7.94	8.11
SEC Standardized Returns (with sales charges)						
PGIM Jennison Health Sciences Fund Z	—	-7.63	7.81	6.98	5.94	13.58

**Source: PGIM Inc. Past performance does not guarantee future results. Current performance may be lower or higher than the past performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. For the most recent month-end performance go to [pgiminvestments.com](https://pgiminvestments.com).**

Gross operating expense: Class Z, 0.86%. Expenses are as of the most recent prospectus. Net operating expenses reflect expenses after fee waivers and/or expense reimbursements by PGIM Investments, if any. The contractual reduction date is the date through which PGIM Investments has agreed to waive fees or reimburse expenses, if applicable. Expenses for the current year may exceed the net operating expenses listed above due to exclusions from any applicable contractual waiver or reimbursement, which may fluctuate. PGIM Investments may recoup certain waived fees or reimbursed expenses. See the prospectus for more information.

**Class Z shares may be available to group retirement plans and institutional investors through certain retirement, mutual fund wrap and asset allocation programs. They may also be available to institutional investors and through fee- or commission-based retail brokerage programs of certain financial intermediaries. Class Z shares are generally closed to new retirement plans. Please see the prospectus for additional information about fees, expenses, and investor eligibility.**

Annualized returns without sales charges describe the return to the investor before any sales charges are imposed. SEC standardized return describes the return to the investor after maximum sales charges are imposed. All returns assume share price changes, as well as the compounding effect of reinvested dividends and capital gains. Returns may reflect fee waivers and/or expense reimbursements. Without such, returns would be lower. Performance by share class may vary. The performance data featured represents past performance for a period of less than one year. While past performance is never an indication of future results, short periods of performance may be particularly unrepresentative of long-term performance for certain types of funds.

Risks of investing in the fund include but are not limited to the following: The Fund concentrates in investments in **health sciences companies**, which may be relatively small and thinly traded, have persistent losses during a new product's transition from development to production, or erratic revenue patterns, and may be under regulatory scrutiny and are subject to risks of the adverse impact of legislative actions and government regulations. **Growth style investing** may subject the Fund to above-average fluctuations as a result of seeking higher than average capital growth. **Equity and equity-related securities** may be subject to changes in value, and their values may be more volatile than those of other asset classes. **Small- and Mid-cap investments** may be subject to more erratic market movements than large-cap stocks. **Foreign securities** are subject to currency fluctuations and political uncertainty. Investments in **currency** may result in a decline in the fund's net asset value due to changes in exchange rates. There is no guarantee the Fund's objective will be achieved. Risks are more fully explained in the fund's prospectus.

The following are the top 10 holdings by percentage of total net assets as of 06/30/2025: Eli Lilly & Co (15.19%), Abbott Laboratories (5.13%), Vertex Pharmaceuticals Inc (4.91%), Intuitive Surgical Inc (4.69%), Argenx SE - ADR (4.59%), Gilead Sciences Inc (3.56%), Thermo Fisher Scientific Inc (3.54%), Neurocrine Biosciences Inc (3.52%), Novo Nordisk A/S - ADR (3.32%) and Alynham Pharmaceuticals Inc (3.23%). Holdings are subject to change. **Holdings are subject to change.**

**S&P 1500 Health Care Index** is an unmanaged capitalization-weighted index that measures the performance of the health care sector of the S&P Composite 1500 Index. **Standard & Poor's 500 (S&P 500) Index** is an unmanaged market capitalization-weighted index of 500 stocks of large U.S. companies. Indices are unmanaged and an investment cannot be made directly into an index.

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**Consider a fund's investment objectives, risks, charges, and expenses carefully before investing. The prospectus and summary prospectus contain this and other information about the fund. Contact your financial professional for a prospectus and summary prospectus. Read them carefully before investing.**

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