

## **GVI Global Industrial Share Fund**

### **Stock Update Dec 2005 -Pfizer wins Lipitor exclusivity ruling**

As previously mentioned, Pfizer has underperformed the healthcare sector this year. We have continued to be buyers of Pfizer's shares over the past few months as the stock price has fallen. The market has been focusing on the immediate risks surrounding the impending Lipitor judgments and a recent non-cash charge to profit. Taking a long-term view, we have continued to find the strong cash flow of the business, its diverse drug portfolio and its pipeline increasingly attractive. We felt our view was justified by the company's subsequent decision to increase its quarterly dividend by 26% on the 14<sup>th</sup> December. This also emphasises that strong cash flow generation is as important value measure as reported earnings.

Last week, a major piece of positive news was issued by the company. After market hours on Friday 16 December, Judge Joseph J Farnan of U.S. District Court for the District of Delaware upheld the exclusivity of two Pfizer patents covering atorvastatin, the active ingredient in Lipitor, Pfizer's biggest selling drug.

Pfizer said the decision means it will be entitled to a permanent injunction prohibiting Ranbaxy Laboratories Ltd from obtaining approval for or marketing its generic version of Lipitor until 2011. Ranbaxy said it plans to appeal the drug ruling.

Since the beginning of the month, Pfizer has risen 11.7% to \$24.32 putting it on 11.8 times 2006 estimated earnings and prospective dividend yield of 3.8%. In terms of price-cash flow valuation, we believe Pfizer remains the cheapest major global pharmaceutical company on approximately 11 times historic cash flow.

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