

A tariff-ic month

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The key news items this month were the US tariffs. This led to a major sell-off which has mostly recovered since. The healthcare sector underperformed during the month, but this was not only due to tariffs: UnitedHealth, the second largest company in the index, cut guidance due to higher healthcare utilization. While negative for that company, we see it as a confirmation of our core view of accelerating healthcare demand.

Overall, our confidence in the sector is unchanged, but this example reinforces our commitment to rigorous stock selection.



What happened?

On April 2nd, Donald Trump announced tariffs on goods from all countries. However, pharmaceutical products are explicitly exempt from these tariffs as detailed in the initial executive order.

On April 9th, news of potential 25% tariffs on all pharmaceuticals are circulated. These have been discussed amongst senior staffers as well as mentioned by Trump, however, there has been no policy announcement.

Later that day, a 90-day pause on the original tariffs is announced.

On April 22nd, news reports circulated that the Trump administration was looking to link the price of US drugs to the (lower) prices paid in other developed countries, referred to as “Most-Favoured Nation” (MFN) pricing. This is a policy which the first Trump administration had already started working on, but which was sidelined at the time.

During this time, US tariffs on Chinese imports escalated to 124%, while China retaliated by imposing tariffs of 147% on US imports.



What have companies said so far?

Several companies have reported Q1 earnings, and almost all commented on this situation. In general, companies expect revenues to be affected by amounts ranging from 1.3% to less than a tenth of a percent of current year sales. This is small enough that it can be absorbed by sales growth without impacting guidance.

However, this impact only factors in the tariffs which were announced around mid-April, i.e. very high tariffs on Chinese imports as well as 10% tariffs globally until July 1st, with the original, high global tariffs afterwards.

Many companies have started to move around inventory and to shift their supply chains to be able to withstand further shocks.

Rumours around plans for pharma-specific tariffs as well as the possibility of introducing MFN pricing remain the biggest overhang for the sector. Company executives have been outspoken regarding the negative impact of such policies, which could lead to drastic access issues for patients in the US.

Overall, given Trump’s currently reduced political capital, we remain confident on the outlook for the sector.

Performance Overview

	1M	3M	YTD	12M
Healthcare	-1.9%	3.1%	3.1%	4.3%
Medtech	0.0%	4.2%	4.2%	13.2%
Services	-8.0%	2.8%	2.8%	-5.0%
Pharma	0.6%	5.2%	5.2%	7.5%
Biotech	-3.0%	6.5%	6.5%	6.3%
Tools	-6.0%	-14.6%	-14.6%	-16.2%
World	0.9%	-0.9%	-0.9%	17.6%

Top 3 this month

1	Chugai	27%	Earnings
2	Sartorius Stedim	19%	Earnings
3	Eurofins	18%	Earnings, buyback

Bottom 3 this month

1	UnitedHealth	-21%	Earnings, miss and cut
2	Avantor	-20%	Earnings, mkt share loss
3	Bristol-Myers Squibb	-18%	Trial failures

Source: Bloomberg Finance L.P., Kieger

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