Late-summer stories

September was a newsflow-heavy month, with multiple medical conferences and investor events. Two relatively high-profile acquisitions (Pfizer / Metsera, $7.b for obesity assets, Genmab / Merus, $8b for head and neck cancer drug) as well as lifting policy overhangs have given momentum to the sector. On the flip side, the government shutdown may prove a headwind if it draws out for too long.

Overall, policy dynamics continue to dominate the sector despite broadly positive fundamentals news and clinical read-outs

More news on the US policy front

President Trump announced that pharma companies not building new manufacturing plants in the US by October 1st would face 100% tariffs. However, a lot remains uncertainty given the lack of details. In addition, Pfizer announced that it would sell drugs at a "significant discount" within Medicaid via a government sponsored website. This is an immaterial for the company, which has less that 5% sales exposure to Medicaid. The administration is claiming a victory, despite Medicaid drug prices already being significantly lower than in other channel.

Overall, very little fundamental has changed, however this is widely being viewed as the end of the durg pricing overhang, and the pharma sector has largely rallied as a result.

Medtech hit with 232 investigation

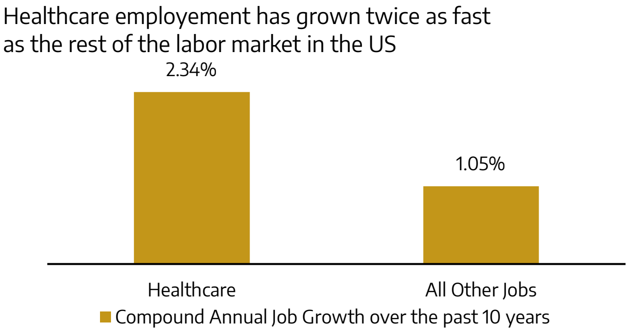
The US administration has opened a section 232 investigation into medical equipment and devices.

Such investigations aim to determine the effect of imports on national security and provide a legal basis to impose tariffs on goods deemed a threat to national security. A 232 investigation into pharmaceuticals is also currently also ongoing.

These overhangs are long-lived, with 270 days to report findings, yet finite: circa June of next year for MedTech, year-end for pharmaceuticals.

Overall, we mostly see these investigations as a hedge by President Trump, should the other avenues to impose tariffs fail.

Chart of the Month



Source: U.S. Bureau of Labor Statistics, Employement Situation

This chart shows the compound annual growth rate of jobs, over the past 10 years. Healthcare jobs have grown more than twice as fast as all other jobs in the US economy.

Population ageing has been one of the key drivers of this dynamic, as well as the associated demands for staying healthy and mobile longer.

Check out our video on this subject here.

Performance Overview

	1M	3M	YTD	12M
Healthcare	0.8%	4.2%	3.8%	5.0%
Medtech	-2.4%	-0.7%	4.7%	13.6%
Services	6.0%	5.3%	-2.9%	-10.3%
Pharma	0.4%	2.9%	4.5%	6.7%
Biotech	3.4%	10.2%	14.0%	13.8%
Tools	-2.4%	11.3%	-8.7%	-10.5%
World	3.2%	11.4%	17.4%	39.4%

Top 3 this month

1	United Therapeutics	38%	Positive clinical trial data
2	Centene	23%	Positive commentary
3	Genmab	22%	Acquisition

Bottom 3 this month

1	Humana	-14%	Negative commentary
2	Kyowa Kirin	-12%	Mixed trial data
3	Sonic Healthcare	-11%	CEO change

Source: Bloomberg Finance L.P., Kieger

Kieger Healthcare Team

Dr Maria Specogna

Lead Manager,

Sustainable Healthcare Fund

Raphael Oesch, CFA

Lead Manager,

Blue Chip Healthcare Fund

Flavio Mancino, CFA

Research Analyst

Guy Bettschart-Ghassabi, CFA, CAIA

Research Analyst

For a comprehensive overview of our investment strategies please contact us:

+41 44 444 18 44

www.kieger.com

info@kieger.com

Dianastrasse 5,
8002 Zürich

Kieger AG

Data source: Statestreet / Factset