

Weekly Flash

Megatrends – Smart Healthcare

MARKET PERFORMANCES (as of November 13, 2020 – 15:30 CET)

	CURRENT	CHANGE 1 WEEK	CHANGE YTD		CURRENT	CHANGE 1 WEEK	CHANGE YTD
S&P 500 Index	3'537.01	0.79%	9.48%	Gold	1'891.42	-3.02%	24.69%
S&P/Toronto Stock	16'582.18	1.84%	-2.82%	Silver	24.70	-3.47%	38.69%
EuroStoxx 50	3'430.68	7.07%	-8.40%	Oil WTI	40.74	9.69%	-33.28%
SMI Index	10'488.12	1.60%	-1.21%	EUR/USD	1.1816	-0.45%	5.42%
DAX Index	13'061.57	4.66%	-1.41%	EUR/CHF	1.0798	-1.09%	0.50%
Nikkei Index	25'385.87	4.36%	7.31%	USD/CHF	0.9139	-1.79%	-5.57%
Emerging Market Index	66'635.13	0.32%	8.41%	USD/JPY	104.78	-1.41%	-3.58%
Yield 10Y US Treasuries	0.891	0.0720	-102.70	CAD/USD	0.7613	0.56%	1.09%
Yield 10Y German Bund	-0.556	0.0661	-36.65	USD/CNY	6.6082	0.00%	-5.35%

[Source: Bloomberg]

Summary

- Rising healthcare costs resulting from demographic trends, paired with a highly digitized world, call for a smart approach in today's healthcare sector.
- Smart Healthcare offers a cost-effective way to solve patient's as well as insurance companies' needs.
- Industry stakeholders are increasingly embracing solutions driven by technology when it comes to healthcare.

Digitization helps to reduce healthcare expenditures

According to the World Industry Outlook of the Economist Intelligence Unit, global healthcare spending is projected to rise at an annual rate of 4.1% between 2017 and 2021, up from 1.3% between 2012 and 2016. This is not only due to a rising average life expectancy, which is expected to increase by more than one year between 2016 and 2021, but also due to a rising world population, which shall reach 10bln in 2060, according to UN DESA's Population Division. In 2020, healthcare spending is expected to surpass 15% of GDP in North America, 10% of GDP in Western Europe and 5% of GDP in the emerging world. As healthcare cost already represent a relatively high share of GDP, a constant further increase seems unsustainable. In order to overcome inefficiencies and save costs, the industry needs to invest heavily in new technologies to deliver holistic, patient-oriented and cost-effective, "smart" healthcare solutions.

The industry will go through a massive transformation

Smart Healthcare comes in many facets. Healthcare IT is one of them. IQVIA, for example, uses Artificial Intelligence (AI) to support life sciences companies' clinical success rates, thereby enhancing R&D efficiency. The so-called wearables, on the other hand, generate valuable insights into people's health. An example includes Apple's watch, which comes with an electrocardiogram feature and is sensing atrial fibrillation, which is an irregular heart rate that increases the risk of a stroke or heart failure. All recordings and any noted symptoms are stored in the Health app of the iPhone and can be shared as PDF with physicians. Smart Healthcare is also at play in the pharmaceutical and biotech industry. Gilead, which focuses on oncology and HIV/HCV treatments, is developing a new cancer

treatment, which uses the body's own immune system to fight cancer. Cancer is still one of the main causes of death and the newest research shows promising results. "Insurtech" is another Smart Healthcare segment, where insurance companies invest in telehealth, health tracking and data analysis, acting as incubators for start-ups. Image-guided therapy, which includes everything from diagnostics to robotic surgery procedures, is gaining more and more industry acceptance, too: the da Vinci surgical robot platform, for example, enables doctors to perform robotic-assisted minimally invasive procedures. The use of these techniques comes with many benefits: lower risk of complications, shorter hospital stays and lower costs. A study performed by Accenture showed that especially people in their late teens to mid-forties prefer robotic-assisted to traditional surgery. According to Grand View Research, the global Smart Healthcare market is expected to grow at a compound annual rate above 16% from 2020 to 2027.

Smart Healthcare is also economically smart

According to Accenture, the use of Artificial Intelligence in healthcare represents a cost-saving opportunity of \$150bln in the U.S. by 2026, benefiting everyone from patients to doctors to healthcare providers and insurers. In light of strongly rising healthcare costs, massive investments in new technologies are inevitable. We therefore view Smart Healthcare as a dynamic area with substantial growth potential. Increasing tech affinity of existing and potential users, paired with the Internet of Things, Big Data and Artificial Intelligence make up for an exciting investment opportunity.

Conclusion

Population growth and ageing will drive healthcare costs to unsustainable levels. Healthcare is the least digitalized sector, which drives massive investments in new technology. The adoption of technology will lead to massive cost savings benefiting patients and insurers alike. The prospect of strong growth over several years likely offers attractive investment opportunities.

Please contact your Wealth Management Advisor for more information regarding our Megatrends and stock specific recommendations.

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