KIEGER

**KIEGER HEALTHCARE
Monthly
Commentary**

Zurich, 1 December 2020

Stocks up on US elections and vaccine news

The MSCI World Healthcare Net Return (NR) Index rose by 9.0% in November 2020 and the MSCI World NR Index gained 12.8%.

November was the best month for global equities year-to-date (12.8%), with cyclicals outperforming defensive sectors. Energy (+29.4%), Financials (+19.4%) and Industrials (+15.9%), all hit particularly hard by the pandemic, rallied on promising vaccine news (see next page). Utilities, Consumer Staples and Healthcare trailed the monthly sector performance ranking, with mid-single-digit gains.

The reporting season is now over and the trends outlined in last month's report proved correct, with a vast majority of companies beating consensus expectations at both the EPS (79%, for an aggregate upside surprise of 19%) and sales (71%, for an aggregate upside surprise of 2%) levels. Sub-sector trends were reaffirmed with Life Sciences Tools & Services (testing tailwinds), Providers & Services and Equipment & Supplies (rebounding sales) posting above-average results, and US and European Pharma underperforming.

In terms of stock prices, Providers & Services gained the most in November: the outcome of the US elections means that this sub-sector is unlikely to undergo major changes. Pharma and Biotech also rose on the election, as well as on company-specific vaccine, news. Conversely, Life Sciences & Tools companies lost ground in the wake of the vaccine announcements (declining testing sales). More on page 2.

KIEGER

In the spotlight

Biopharma update: On 9 November, BioNTech and Pfizer stated that their COVID-19 vaccine had been found to be 90% effective in preventing COVID-19 in participants without evidence of prior infection. Final results (published 9 days later) showed 95% efficacy. The stocks of diagnostic firms that have developed COVID-19 tests plunged on the news, wiping out more than USD 47 bn of market value. On 16 November, Moderna communicated that its vaccine is 94.5% effective against COVID-19. And on 23 November, AstraZeneca declared its vaccine to have shown an average efficacy of 70% with two different dosing regimens: 90% efficacy with a half dose followed by a full dose given to 2,741 people, and 62% with two full doses given to 8,995 probands.

On the drug side, the FDA has issued an Emergency Use Authorization (EUA) for Eli Lilly's bamlanivimab and for Regeneron's REGN-COV2 antibody cocktails. Both EUAs apply to mild-to-moderate COVID-19 patients who are not hospitalised but are at high risk of progressing to a severe form of COVID-19.
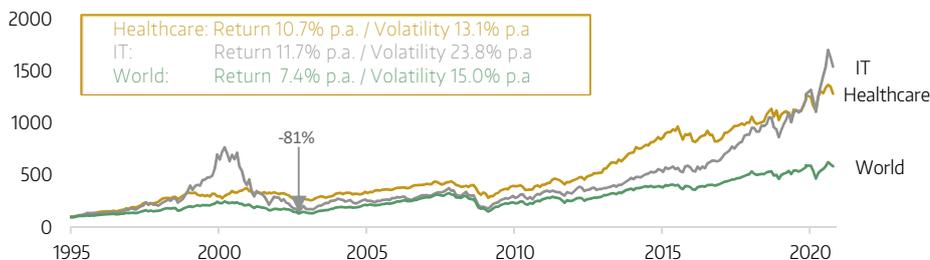
Biogen's experimental treatment (aducanumab) for Alzheimer's disease was deemed effective by FDA briefing documents on 4 November, increasing its chances of swift approval. However, aducanumab was thrown back into doubt on 6 November when a scientific advisory panel contradicted the FDA's positive conclusions, judging that Biogen's trial data does not provide sufficient evidence that the drug really works. It is now up to the FDA to decide whether it agrees with the advisory panel that recommends an additional trial. The agency has until March 2021 to make that decision.

Amazon, after having acquired PillPack in 2018, announced the launch of its online ''Amazon Pharmacy'' business. It is expected that this will bring some transparency (with insurance co-pay, without insurance) to drug prices. While the news has been expected for the past two years, it still wiped out an aggregate USD 40 bn of market cap from CVS, Walgreens and drug distributors. Short-term, the impact should be limited for pharmacies. Longer-term, Amazon with its disruptive power, could shift away a material number of scripts from retail channels.

Politics: The best possible US election outcome for healthcare (Democrat President and Republican Senate) drove a rally in Pharma/Biotech (drug pricing to remain unchanged) and Managed Care (benefitting from a status quo in the healthcare system) stocks on the day after the election. The split political leadership is unlikely to lead to remarkable disruptions in the system.

Chart of the Month

Healthcare has outperformed IT and global equities on a risk-adjusted basis since 1995

Healthcare: Return 10.7% p.a. / Volatility 13.1% p.a
IT: Return 11.7% p.a. / Volatility 23.8% p.a
World: Return 7.4% p.a. / Volatility 15.0% p.a

Source: MSCI indices, since 31.12.1994, rebased, in USD, net dividends reinvested)

Over the past 26 years, the healthcare sector has posted a performance similar to that of the IT sector, albeit with much less volatility. The healthcare sector is driven by four strong long-term drivers: ageing population, lifestyle changes, a growing middle class in emerging markets and technological innovation. We believe that these long-term drivers will continue to produce strong risk-adjusted returns for the healthcare sector.

Kieger Healthcare Team

Urban Fritsche
Lead Manager Impact Healthcare Fund
+41 44 444 1858
urban.fritsche@kieger.com

Dr. Maria Specogna
Lead Manager Sustainable Healthcare Fund
+41 44 444 1828
maria.specogna@kieger.com

Raphael Oesch, CFA
Lead Manager Healthcare Blue Chip Fund
+41 44 444 1849
raphael.oesch@kieger.com

Flavio Mancino, CFA
Research Analyst
+41 44 444 1626
flavio.mancino@kieger.com

Alexandra Egg, CFA
Research Analyst
+41 44 444 1829
alexandra.egg@kieger.com

Camille Rigaud, CFA
Research Analyst
+41 44 444 1857
camille.rigaud@kieger.com

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

Kieger AG

+41 44 444 1844
info@kieger.com
www.kieger.com

Kieger is a proud member/signatory of