



# KIEGER HEALTHCARE Monthly Commentary

Zurich, 5 January 2021

## A turbulent 2020 ended with Healthcare living up to its safe haven status, while retaining upside potential

The MSCI World Healthcare Net Return (NR) Index rose 3.1% in December 2020, compared with a 4.3% gain for the MSCI World NR Index.

As regards GICS sector performances, Healthcare (+14.1%) closed the year in the top half of the table. Only IT (+44.2%, of which 46% attributable to Apple and Microsoft), Consumer Discretionary (+37.0%, of which 72% attributable to Amazon and Tesla), Communication Services (+23.4%, of which 52% attributable to Facebook and Alphabet) and Materials (+20.5%) did better. It should also be noted that the Healthcare sector's gain came with much lower volatility (25.5%) than that of all other sectors, except for Consumer Staples (21.8%).

In December, all Healthcare sub-sectors delivered positive returns, with Equipment & Supplies performing best (4.7%) and Biotech worst (1.0%). The monthly performance was very much driven by company- rather than sector-specific news. The strongest performers were Novocure (+37.7%, positive outlook at a broker event), Ambu (+28.9%, important contract gained, management buying) and Alexion (+28.0%, takeover bid by AstraZeneca). At the bottom end of the spectrum, we find Moderna (-31.6%, broker downgrades for valuation reasons, investors increasingly concerned about a new coronavirus strain), Galapagos (-20.2%, Gilead not to seek FDA approval for "filgotinib") and Ipsen (-14.6%, restructuring of operations and write-off).

2021 kicks off with the most important sector event, the J.P. Morgan Healthcare Conference (to be held in a fully virtual format, January 11-14).

## In the spotlight

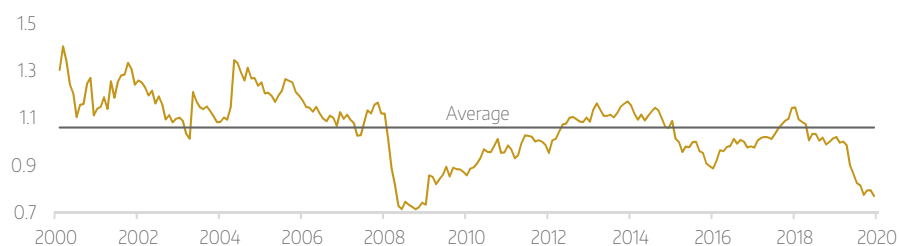
**Update on COVID-19 vaccines:** Mass vaccination programmes to protect citizens from the coronavirus have begun across the globe. On 8 December, the UK became the first country to start deploying Pfizer/BioNTech's tested COVID-19 vaccine, soon followed by several other nations. On 18 December, Moderna's vaccine candidate became the second one to be authorised for Emergency Use in the US – but has yet to be approved in Europe. The COVID-19 vaccine candidate of the two largest European vaccine producers, GlaxoSmithKline and Sanofi failed to trigger the desired immune response in people aged 50 years and older, forcing the partners to tweak it yet again. This setback is expected to delay its availability from mid-2021 to the end of the year. More importantly, the delay heralds a significant gap in the 2021 global vaccination schedule. Sanofi's second vaccine candidate (mRNA technology), for which clinical trials have not yet begun, is being developed in partnership with US company Translate Bio. AstraZeneca and the University of Oxford have communicated that they are now teaming up with Russia's Gamaleya Institute and testing whether combining shots of the AstraZeneca/Oxford and Sputnik V coronavirus vaccines could result in better protection than administering two same doses. Further, the AstraZeneca/Oxford vaccine was approved for use in the UK on 30 December. Johnson & Johnson has scaled back its US Phase 3 trial, enrolling 45,000 participants, down from the originally planned 60,000, as currently high COVID-19 infection rates should allow the generation of sufficient data with a smaller pool of participants. A data read-out is expected in January 2021. On 28 December, Novavax' vaccine candidate became the fifth to move into Phase 3 trials in the US. Novavax is currently also conducting a Phase 3 clinical study in the UK. CSL and the University of Queensland have discontinued Phase 2/3 trials of a recombinant protein vaccine after they showed patients with false positive diagnosis reads for HIV.

**M&A:** AstraZeneca has announced that it intends to acquire the rare disease company Alexion for USD 39 bn (a 45% premium to the previous closing price). This acquisition would expand AstraZeneca's immunology and rare disease presence. Baxter has approached Omnicell (medication management software vendor) with a USD 5 bn purchase offer.

**Amazon:** According to media reports, the company is planning to expand its virtual and mobile primary care service (Amazon Care) beyond its own workforce. Amazon Care comprises telemedicine visits and prescription delivery services. Although the near-term impact should be limited, in the longer run, as outlined last month, Amazon, with its disruptive power, could gain market share in the fast-growing telemedicine and retail clinic space amid the broader trend toward more convenient and cheaper sites of care. Amazon declined, however, to comment on these media reports.

## Chart of the Month

The Healthcare Sector is well positioned as we enter 2021



Source: MSCI

Based on relative forward P/E, Healthcare currently trades 23% below the MSCI World. Never since December 2009 has its discount been that large. At the same time, Healthcare boasts the best 2021 EPS revisions of any MSCI sectors YTD and strong EPS growth potential.

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