Halfway through the year

As we enter summer, the weather turned milder for markets too. The market rally continued in June, led by cyclical sectors. This was reflected within the healthcare sector, were MedTech outperformed, in part thanks to supportive volume trends. While the broad market has increased exposure to risky assets, this has not helped the Biotech group, which remains range-bound since the beginning of last year. Recession fears have proved unbased thus far, at least in the US. The defensive Healthcare services and pharmaceutical groups, while up on the month, have accordingly underperformed.

Overall, healthcare performance over the month was positive, and the year-to-date performance stands at 0.7%.

What mattered for healthcare:

ADA, ASCO, EHA EULAR, FOCIS and broker conferences; June was a full of gathering in the healthcare sector. Those were occasions for clinical data releases and management commentary on the intra quarter trends.

The major focus points remain the same, with utilisation, diabetes and obesity in the spotlight.

High-profile gene therapy approvals this month were validation of decades of work in the space.

In detail

Conference season:
June was packed with conferences, both on the broker and the medical side. This was the opportunity for companies across the market-cap spectrum and industry to give updates on pipeline and preliminary views on the upcoming Q2 prints. Major themes were:

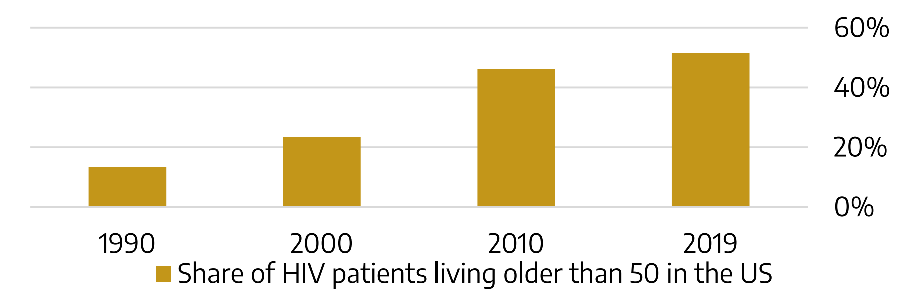
- **Policy uncertainty**: large cap pharma companies have submitted the first lawsuits against price negotiations mandated by the IRA
- **Diabetes and obesity** markets remain a focal point for companies and investors. Both data presented and commentary by companies show that many large-cap companies are trying to enter the field.
- Utilisation (see below)

Don't touch my utilization
Concerns around healthcare utilisation rates were already in the spotlight last month. In June we saw again that investors remain very sensitive to the topic, as comments by leading healthcare insurance UnitedHealth caused the managed care group to lose close to USD50bn in market cap over a single day. United pointed to stronger than expected volume trends. The group finished the month down 2.1% and is down 11% over the year. Conversely, these comments were a positive for medtech names, in particular those exposed to elective procedures. While we will know for sure in a few weeks when Q2 reporting kicks off, the magnitude of the moves shows the intensity of investor scrutiny around these trends. In the meantime, the medtech recovery we had expected at the beginning of the year seems to be playing out.

Gene Therapy advances
This month saw two major regulatory events in the gene therapy space. Sarepta's (- 8% ytd) Elevidys for Duchenne muscular dystrophy received FDA approval in select patient populations. Biomarin's (-14% ytd) Roctavian was also approved to treat hemophilia A. These high-profile approvals reflect the intense work invested in understanding the biology of these treatments and developing functional and safe treatments.

Top 5 in May:
Align +25%, Universal Health Services + 19%, Veeva +19%, Catalent +16%, Philips +15%
Bottom 5 in May:
Novocure -44%, Getinge -25%, Bachem -18%, Repligen -18%, Humana -12%

Chart of the Month: HIV patients life expectancy has greatly increased



Source: Our World in Data, Kieger

Quality of life has dramatically improved for HIV patients over the past thirty years. Patients living with HIV are now living much longer than in the 90s. This chart shows that in the US, the share of patients living to ages above 50 has increased from less than 15% to more than 50% between 1990 to 2019. This is due to better drugs as well as the reduction of number of pills to take, which in turn has improved compliance. This illustrates how improving outcomes must also take patient behaviour into account.

Check out our video on the subject here.

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