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dare to care

A strong end to the year

The healthcare sector participated in the year-end rally, finishing the year up 3.7% on a total return basis and beating Real Estate, Energy, Utilities and Consumer Staples. While 2023 was a challenging year for healthcare relative to the broad market (-20%), the sector performance remains in line with the broad market over the past 2 years (+0.1%).

Overall, healthcare was dominated by macro drivers and its associated trading patterns. However, we believe that investors should look at the underlying strong and unique drivers, highlighted by multiple deals towards the end of the year.

The BIG THEMES of 2023

- **Obesity**: Both in terms of newsflow and in the total amount of market cap gained and lost, this was by far the biggest theme for the year following the groundbreaking cardiovascular benefit showed by Wegovy. There were also a few failures in the space, and thus the many readouts expected in 2024 will be closely followed.

- **Tools:** The normalisation of post-covid excess demand did not take place in 2023.Companies have limited visibility on the end market demand, and the incremental newsflow during the year was lukewarm at best.

- **Rates**: higher rates continued to weigh on SMID biotech and high growth stocks.

Deal Flow!

- December held many early Christmases for biotech investors, with 5 deals over $1bn in the sector.
- Many of thes are in therapeutic areas which have seen heavy newsflow during the year, such as obesity (Roche / Carmot $3b), radioligand therapy (BMY / RYZB $4b) and cell therapies for immune diseases (AZN / GRCL $1b).
- These deals close a strong year of dealmaking in the health care sector, with roughly $120b worth of M&A transaction announced this year, in line with last year's amount.
- **Overall,** this highlights both the pressing need for many large-cap biopharma companies to refill their pipeline and many attractive opportunities in the SMID biotech space.

Performance overview

	1M	3M	YTD	12M
Healthcare	4.4%	15.4%	3.7%	3.7%
Medtech	6.7%	22.6%	10.4%	10.4%
Services	0.4%	6.1%	-0.2%	-0.2%
Pharma	2.7%	18.9%	4.5%	4.5%
Biotech	8.8%	19.7%	3.3%	3.3%
Tools	8.4%	1.7%	-3.6%	-3.6%
World	4.9%	33.0%	23.6%	23.6%

Top 5 this month

1	Illumina	37%	Announces divestment
2	Align	28%	Expanded product approval
3	Moderna	28%	Positive clinical trial data
4	Revvity	23%	Sub-sector recovery
5	Bio-Techne	23%	Sub-sector recovery

Bottom 5 this month

1	Argenx	-14%	Negative clinical trial data
2	Merck KGaA	-9%	Negative clinical trial data
3	United Tx	-17%	Negative patent trial decision
4	Cardinal	-17%	
5	Humana	-16%	

Source: Bloomberg Finance L.P., Kieger

Up next: the JP Morgan Healthcare Conference

The next chart of the month will be in January.

In the meantime, all eyes are on the JP Morgan Healthcare Conference, at the Westin Hotel in San Francisco,

The largest (and most packed, see above) healthcare conference in the world, it sets the tone for the rest of the year.

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