

Remember, remember, the 5th of November



The main event of the month was the American election and the many waves it generated across countries and sectors. In the healthcare sector, the nomination of RFK as head of the HHS was widely negatively received, as discussed below. However, following a very strong earnings season for the sector and positive commentary for the year ahead at recent conferences, we see an attractive setup for healthcare in 2025

Overall, we see the healthcare sector as attractively valued and see room to create value through active management in a volatile market.



What the RFK?

The appointment of Robert Kennedy, aka RFK, as Secretary of the US Department of Health by Trump has weighed on the sector over the past few weeks. This unexpected nomination contrasts with the relative calm with regards to healthcare prior to the election, as the sector had largely remained out of the campaign rhetoric.

RFK has long been a vocal opponent of the FDA, childhood vaccination, and the pharmaceutical and agricultural industries in general. One of the focal points of RFK's political discourse has been tackling chronic diseases, notably as relates to modern lifestyles.

In particular, RFK has singled out the food and agriculture industry as being responsible for these diseases via their products.

In addition, per media reports RFK's team is working closely with the Trump team to select heads of key departments such as the FDA (Food and Drug Administration), NIH (National Institutes of Health), CDC (Centers for Disease Control) and CMS (Centers for Medicare and Medicaid Services).

However, both RFK and the heads of key departments need to be confirmed by the Senate. While held by a Republican majority, these confirmations will likely require some level of compromise by the nominees.

Overall, there are still many unknowns, starting with what RFK's priorities will be for the agency. While the news of his nomination was received very negatively by the sector, we believe impact of future earnings will be modest.

Finally, we view such market dislocations as opportunities to bring value through active management.



A strong setup for HC in 2025

Despite the year-to-date underperformance and intense headline pressure on the sector in the past few weeks, we look into the coming new year with optimism. The sector's fundamental earning profile is strong with annualized earnings expected to grow on aggregate 6% faster than the market in the mid-teens.

Despite this, sector valuations are at a discount following two years of underperformance and the recent headline volatility. Finally, structural drivers of increasing disease burden and healthcare costs globally are unchanged.

We therefore see an attractive setup for the sector in 2025.

Performance Overview

	1M	3M	YTD	12M
Healthcare	-0.9%	-8.4%	7.7%	11.8%
Medtech	3.2%	1.5%	13.5%	20.6%
Services	6.7%	-2.9%	7.1%	7.5%
Pharma	-3.6%	-13.9%	7.6%	9.8%
Biotech	-6.4%	-9.8%	4.9%	13.2%
Tools	-1.1%	-9.7%	0.8%	8.8%
World	4.6%	4.4%	21.8%	27.7%

Top 5 this month

1	Pro Medicus	28%	Momentum, large contract
2	McKesson	26%	Earnings beat and raise
3	Waters Corp	19%	Earnings beat, biz. rebound
4	DaVita	19%	Positive commentary on 25
5	Insulet	15%	Earnings beat

Bottom 5 this month

1	Bayer	-24%	Earnings, miss and lower
2	Moderna	-21%	Earnings, RFK
3	Grifols	-18%	M&A offer retracted
4	Amgen	-12%	Obesity trial data
5	Astellas	-12%	Drug not approved by FDA

Source: Bloomberg Finance L.P., Kieger

Kieger Healthcare Team



Dr Maria Specogna

Lead Manager,
Sustainable Healthcare Fund



Raphael Oesch, CFA

Lead Manager,
Blue Chip Healthcare Fund



Flavio Mancino, CFA

Research Analyst



Guy Bettschart, CFA, CAIA

Research Analyst



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



+41 44 444 18 44



www.kieger.com



info@kieger.com



Dianastrasse 5,
8002 Zürich



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