

Media Release of October 7, 2024

## 15-year milestone for Bellevue Medtech & Services Fund – a long story of success in healthcare investing

Bellevue Asset Management's **Medtech & Services Fund** has successfully combined stability and diversification during the past 15 years to generate value in the dynamic field of medical technology and healthcare services. The fund has outperformed the total stock market ever since its launch in 2009 and even more exciting developments lie ahead: The medtech and services sector, through its embrace of next-generation AI technology and its disruptive innovation, can truly transform healthcare over the coming 15 years.

Over the past 15 years, the medtech and services sector, which comprises the entire healthcare industry except for drug developers, has established itself as one of the most stable and reliable sources of growth within the healthcare investment universe. Steady non-cyclical demand and high product innovation give the sector a better-than-average growth profile. Average EPS growth for medtech and services is about 12%, whereas the total stock market's average EPS growth is about 6% per annum. This impressive earnings performance is also reflected in the performance track record of the Bellevue Medtech & Services Fund (ISIN B-EUR LU0415391431), which has delivered a cumulative return of 471.2% since its launch in 2009, or an annual return of 12.3% (data as of 30.09.2024). Invested assets have almost quintupled in the meantime from EUR 325 mn to EUR 1.55 bn. Stefan Blum and Marcel Fritsch have co-managed the fund from day one.

### From classic medtech to the age of digital evolution

"I would say that the sector is much more diversified and technologically advanced than it was 15 years ago," remarks Stefan Blum. "In the past the focus was on classic medtech, whereas now we have a much broader and diverse range of companies that includes revolutionary digital health solutions and services powered by artificial intelligence and data-driven technology. The sector has become more resilient to market volatility and has even greater growth potential today thanks to product innovation and steadily growing demand for healthcare services worldwide." Marcel Fritsch looks back on the industry's rapid development over the years: "I came to Bellevue in 2008, right before the height of the financial crisis – it was a very bumpy start. Business investment in research & development was plunging; big markets such as the implantable defibrillator market collapsed. But the recovery that followed was strong and sustainable. Business investment in market-expanding medtech products such as robot-assisted surgery surged. Now these are billion-dollar markets."

### Another wave of innovation is under way

The sector is now on the verge of a new era of expansion and growth. Technological innovation is creating fast-growing new markets such as the transcatheter heart valve replacement and continuous glucose monitoring that are becoming new blockbuster markets within the medtech space. The heart valve market, for example, is expected to swell to more than USD 16 bn by 2028. The market for CGM devices for continuous glucose monitoring and better diabetes management is also expanding rapidly. This global market is forecast to double to more than USD 20 bn within the space of five years.

Generative AI (GenAI) will have a decisive impact on the sector's future, which is already evident in the field of robot-assisted surgery. Companies like Intuitive Surgical have adopted AI-based robot technology

to enhance surgical precision and safety. Its recently approved next generation da Vinci 5 surgical system has raised the bar in minimally invasive surgical care through the integration of AI technology.

Healthcare services providers are also exploiting the potential that generative artificial intelligence offers. UnitedHealth is a pioneer in this segment. As a vertically integrated company specializing in health insurance solutions, care delivery and data capture and analysis, UnitedHealth's investment in big data applications goes back decades and the company is now using GenAI to make its business processes more efficient and effective and to optimize clinical decision-making. The resulting efficiency gains and cost savings have been a major driver of UnitedHealth's margin expansion and have made it more competitive.

Stefan Blum summarizes the opportunities that GenAI offers as follows: "GenAI has the potential to elevate the entire healthcare sector to a new level in terms of efficiency. Patients, companies and investors all stand to benefit in the process."

#### Outlook for the coming months – steady tailwinds

Business at the vast majority of medical technology companies has been on a strong growth trend and the total number of surgical procedures in 2024 is expected to be sharply higher year-on-year, even though the growth rate is not expected to rise any further during the remainder of this year. Pricing power is expected to remain in the low single-digit range and margins are forecast to climb higher thanks to the faster-than-average sales growth and a further improvement in supply chains. Hospital operators are benefiting from high treatment volumes and higher prices, along with an only moderate increase in labor costs. In the US health insurance space, the portfolio management team expects good top-line growth thanks to the upward trends in the number of insured people and in insurance premiums. At the moment investors tend to favor insurers with a strong presence in employee health plans. Political risk should remain relatively low and trigger only brief bouts of volatility in the healthcare sector. In the US, neither the Republican nor the Democratic party is expected to win a solid majority of seats in either chamber of Congress this November. Other arguments for investing in the Bellevue Medtech & Services (Lux) Fund are the Federal Reserve's imminent rate cuts in response to a cooling US economy, attractive stock valuation levels, the general rotation out of market outperformers witnessed in recent months, and the fundamentally superb quality of medtech and services companies.

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