

The Winds of Change: Health & Wellbeing



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Key risks

The value of investments and any income derived from them can go down as well as up and investors may not get back the original amount invested.

Screening out sectors or companies may result in less diversification and hence more volatility in investment values.

Unlocking opportunities in Health & Wellbeing

It is challenging to cover a mega trend that is as mega as Health & Wellbeing. It encompasses several sub-trends ranging from shifting demographics, to rising healthcare costs, access to healthcare, mental health awareness, nutrition, and the list goes on!

All these themes are inextricably linked to one another as well as other mega trends such as climate change. Health & wellness trends have gained traction in recent years and it feels like we are at a tipping point. Covid-19 has acted as a catalyst for acceleration in many cases, namely when it comes to policy response. The impact on the world around us has become palpable, and the opportunities created from the change are too significant to ignore.

What's changing?¹

The global population is ageing: virtually every country in the world is getting older as the proportion of the population that is 65 or older grows. Due to a mix of higher life expectancy, lower birth rates in some parts of the world and migration, the number of people that are 65 and over now outnumber children under the age of 5 globally.² The implication of an older population that is living longer is relevant for several sectors, healthcare being the obvious one, but also in areas like housing and finance.

A tectonic shift: 2015-2030 will see a 64% increase in those aged 65+

Lifestyles are changing... and our bodies are struggling to keep up. Homo sapiens have evolved over millions of years to be able to deal with everyday Stone Age problems: scarcity of food (fat and sugar mostly) and shelter being the most important to survive. We've come a long way since the Stone Age, but the reality is our bodies haven't. We are built to hunt and gather but are now sedentary and urbanised, and planted in front of screens for hours on end. This can come at great cost. For instance, while life expectancy has increased, perversely people on average are becoming less

20% of the global population is set to be obese by 2030

¹ The below is in no way an exhaustive list

² <https://www.un.org/en/sections/issues-depth/ageing/>



An aging population will see higher incidence of diabetes leading to higher deaths. Diabetes is the **6th leading cause** of death globally today, with people in older age brackets (45 and up) **6x more likely** to be diagnosed with diabetes than people aged 18-44

healthy, and the rate of obesity has increased dramatically. In fact, worldwide obesity has nearly tripled since 1975 and is now responsible for around 5% of all deaths, at an enormous economic and human cost. Worse yet, child obesity is also on the rise. We know this is tied to long-term health conditions like diabetes and heart disease that can plague adult health and government budgets.

Healthcare costs are on the rise: one of the main implications of the above is a growth in related diseases:

- **Diabetes:** Linked to obesity and inactive lifestyles, Type 2 accounts for 90% of diabetes cases and is leading most of the illness's growth. People with type 2 diabetes are 2-4x more likely to be at risk of cardiovascular obesity.
- **Cancer:** the number of new cases is set to double in high income countries (40%) and increase more than 80% in low income countries by 2030
- **Chronic lifetime diseases:** 1 in 10 adults in the US suffer from chronic disease
- **Cardiovascular disease** account for 31% deaths, a third aged 70+

As a result, healthcare costs have outgrown general inflation by +5% in the past decade, and represent ~9% of OECD GDP on average, as of 2019.

Policy action is accelerating: Governments are responding with stringent policy action which has arguably accelerated since Covid-19 emerged. For instance, ensuring the supply of affordable medicines and promoting digital healthcare (or e-health) is one of the top priorities that will be promoted

through the EU's Pharmaceutical Strategy and new EU4Health and Digital Europe programmes. But policy action isn't restricted to healthcare. It is targeting nutrition as this is seen as one of the easier (and cheaper) ways to tackle problems like obesity. Perhaps most visible to us as consumers has been the campaign for clean labelling that has gained traction in recent years. Covid-19 has galvanised the EU's Farm to Fork strategy, which has a number of measures in 2021 aiming to drive increased awareness of healthy eating: these include mandatory front of pack nutrition labelling and initiatives to stimulate reformulation of processed food. Given the looming threat to government budgets from nutrition related diseases, we only see regulation going one way as this is an easy fix to a healthcare problem that could balloon.

How are we embracing the change?

Change occurs over very different timescales: glacial in the case of demographics shifts, and overnight in the case of policy action. Whatever the pace however, the direction of travel is clear. The impact of these trends will be deep, with the potential to be highly disruptive for sleepy incumbents, but highly supportive for companies that are on the front foot of sustainability – these companies will benefit from multiyear tailwinds.

Health and Wellbeing starts with healthcare. An older population that is living longer will require better treatment for a number of growing ailments. Oncology has attracted substantial investment, but there appears to be a clear winner: **AstraZeneca**, the global pharmaceutical company, has focused its R&D to target areas like lung cancer and pancreatic cancer where they are bringing new generation drugs to the market,



leapfrogging competition. The growth is very well underpinned and secure because of the patents that confer protection – a significant component of the economic ‘moat’ for Astra. Cancer treatment however is also reliant on radiation therapy where Elekta has a dominant position. **Elekta** is one of only 2 global radiotherapy equipment manufacturers, and it is using its reach and technology to introduce innovative and more accessible linear accelerators (or linacs) to the market. Low income countries that have the lowest penetration of linacs will benefit from their new affordable product. But with growing pressure on healthcare systems, there is a need to make hospital visits more efficient and more cost effective. **Philips**, the global leader in ultrasound and image guided therapy, helps hospitals reduce costs and improve diagnosis quality by providing equipment like their image guided cardiovascular therapy which allows early intervention, enables minimally invasive surgery, and reduces time in hospital. This not only saves costs but also materially improves the lives and wellbeing of patients.

Obesity is a ticking time bomb. Growing at an alarming rate in emerging markets, it is also the bane of western governments, and one of the main causes of type 2 diabetes. **Novo Nordisk** has the best and most innovative diabetes drugs on the market and is pushing the envelope on obesity treatment, which has yet to be recognised as a disease, but given its significance, is in our opinion a large potential market longer term.

Nutrition is naturally the answer. Whilst over the very long term, industrialisation has made bad nutrition more accessible, the shorter-term trend has seen a strong reversal of these bad

habits. Egged on by regulation, consumer trends are changing, championed by younger more environmentally and health conscious generations. The hunt for cleaner, healthier, more nutritious and natural foods has been accelerating for several years and we have seen the proliferation of new products on the market aiming to address these growing needs. Specialty ingredient companies like Ireland based **Kerry Group**, or German **Symrise** provide solutions to some of the complex challenges faced by the food manufacturers. Consumers want products that are tasty yet nutritious, whilst regulators are mandating strict label transparency, and specialty ingredient companies make this possible by acting as R&D outsourcers and partners to the food manufacturers. As owners of the technology and IP³, they provide the consumer insight, world class innovation and application expertise to make an impossible burger, possible.



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³ Intellectual Property



A final note... to be continued

Climate change is a recurring theme in these trends, although not glaringly obvious. It impacts our health and wellbeing and threatens to have an increasingly big influence every day. Our global Agri-food system is arguably not only unsustainable from a health and nutrition perspective, but also from an environmental and climate perspective. Consumers have started to understand and embrace their role in the fight for the planet. They understand that lifestyle choices make a big and direct impact on the environment, and this has been one of the main drivers behind movements like 'plant-based'. Whilst this has many health and environmental benefits, it also comes with its challenges... which we can discuss next time.

* includes Energy Transition and Sustainable Mobility themes

Our BMO Sustainable Opportunities European Equities Strategy has a large exposure to the health and wellbeing theme (percentages as at Jan 2021).

 Health & Wellbeing	32
 Digital Empowerment	18
 Sustainable Finance	15
 Sustainable Cities*	15
 Resource Efficiency	11
 Connect & Protect	7

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