

Market commentary, 12 October 2021

Bellevue Healthcare Outlook: Innovative treatments in biotech and medtech sectors

Stefan Blum, Lead Portfolio Manager Bellevue Medtech & Services:

“One of the products that regulators are expected to approve before the current year ends is Dexcom's G7 sensor, which monitors the glucose levels of diabetes patients in real time. Omnipod 5, a tubeless automated insulin delivery system developed by Insulet, could also receive US regulatory approval before the current year is over.

Abbott has already received marketing approval for its MitraClip G4, a minimally invasive transcatheter valve replacement solution for patients with functional mitral regurgitation or leaky heart valves. Neurostimulation is another area where impressive technological progress is being made. It alleviates the symptoms of neurological disease by delivering targeted impulses directly to the nervous system. At present this treatment is mainly applied to treat pain, migraine and epilepsy.

We assume that the number of investment projects that have been put on hold due to the many medical procedures that had to be postponed because of the pandemic will continue to shrink during the remainder of the year thanks to rising vaccination rates. Non-cyclical demand for medtech products should therefore continue to climb higher. This means medtech companies and medical clinics are in a good position to keep growing their sales at a mid-single-digit pace during the coming years, which is twice as fast as the estimated overall market growth rate. Most companies are valued at attractive levels compared to historical data, so M&A activity is likely to gain momentum too.”

Christian Lach, Lead Portfolio Manager Bellevue Biotech:

“Regarding mRNA, we are confident that the regulatory approval of COVID-19 vaccines based on this technology is only the first of many revolutionary breakthroughs to come. The advantage of mRNA messenger molecules is that, like specialized software, they always activate the same production process in the body no matter how complex the antigen or protein blueprint may be. Besides vaccines for other infectious diseases, mRNA technology could revolutionize the way cancer and autoimmune diseases are treated. In oncology, we expect that many cell-based therapies and bispecific antibodies for treating blood cancers and solid tumors will eventually be approved. We are also eager to see how quickly new approaches in gene therapy will make it to the market, especially genome editing technology, which could be used to cure hereditary diseases. With this tool, doctors can fix genetic defects for good by snipping out the faulty DNA sequences and replacing them with the correct sequence. CRISPR Therapeutics is in pole position with its trials of gene editing tools to treat hereditary blood diseases.”

Stefan Blum, Lead Portfolio Manager Bellevue Digital Health:

“We view telemedicine, remote monitoring systems for treating medical conditions and digital treatment devices for patients with chronic conditions such as diabetes, cardiovascular and kidney diseases as the largest fast-growing markets. Digital solutions in general that enable more efficient healthcare at lower cost are another growth market. New product approvals or important trial readouts, such as for Intuitive Surgical's 'Ion' robotic biopsy platform, will boost the stock prices of some companies in the portfolio.

Over the medium to long term digitization in healthcare will reach similar levels and have a similar impact as has already witnessed in everyday life and in the world of work. Compared to classic medical technology, the market for digital healthcare is more heavily regulated. This means new competitors face high entry barriers, which gives the fund a distinctive profile.”

About the authors:

Stefan Blum

Stefan Blum joined Bellevue Asset Management in 2008 and is portfolio manager of the funds Bellevue Medtech & Services and Bellevue Digital Health. Prior to joining Bellevue Asset Management, he spent 4 years as head of investor relations at Sonova. As a financial analyst at Bank Sarasin, he covered medical technology and high tech stocks. After that he served as CFO of Obtree Technologies Inc. Stefan Blum obtained a degree in business administration from the University of St. Gallen and is CEFA charterholder.

Dr. Christian Lach

After working as a member of the Management Team BB Biotech/ BB Medtech at Bellevue Asset Management AG until 2008, Christian Lach was Senior Portfolio Manager Biotechnology at Adamant Biomedical Investments AG. Since 2015, he has been working again at Bellevue Asset Management as Senior Portfolio Manager Healthcare Funds & Mandates. He holds a degree in natural sciences (Dipl. Natw. ETH) and a doctorate in economics from the University of St. Gallen (Dr. oec HSG).

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