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## Investing in the future of the healthcare industry: Bellevue launches innovative AI Health Fund

**Generative Artificial Intelligence (GenAI) is bringing about an unprecedented technological transformation. The tremendous opportunities this is creating, both for businesses and investors, are particularly compelling in the healthcare industry.**

One way of profiting from the GenAI trend is to invest directly in technology companies such as Microsoft (OpenAI), Google or Amazon. This approach often entails significant volatility, though, because tech investors tend to price a company's maximum future potential into its market valuation early on and the risk associated with future technology developments can turn out to be greater than expected.

"The investment approach we are taking with the Bellevue AI Health (Lux) Fund that was launched on November 30, 2023 is different. Our fund is clearly focused on GenAI and the resulting investment opportunities in the healthcare sector. Healthcare will benefit greatly from GenAI," says Co-Portfolio Manager Stefan Blum, which explains the rationale behind the launch of Bellevue Asset Management's latest healthcare fund.

### **Tremendous advantages for the healthcare system**

Companies that put GenAI at the center of their business strategy and allocate significant resources towards the development and deployment of this technology stand to gain a decisive competitive advantage. According to a PwC study, healthcare is one of the top 3 sectors that will benefit the most from GenAI. "We firmly believe that GenAI will be a major driver of shareholder value in the healthcare sector. The IT-related risks of implementing AI in healthcare are more calculable than in other industries because healthcare is such a highly regulated market. People's lives are at stake and the clinical benefit is what counts," says Marcel Fritsch, Co-Portfolio Manager. "Successful deployment of GenAI also requires large amounts of data, and such data is exclusively owned by healthcare sector companies. This is why partnerships between large healthcare businesses and large tech companies should be particularly fruitful – they establish the bridge between vital health-related data and GenAI technology," he adds.

### **AI Health: Broad range of application areas**

The greatest potential improvements that could be achieved through the usage of GenAI in healthcare are shorter drug development times, reduced drug development risks, new and better treatment methods, and significantly lower administrative spending. Developing a new drug takes 10 to 15 years on average and costs USD 1 to 4 bn. This process can clearly be optimized with generative AI. Companies such as Amgen are relying on "generative biology" approaches and have halved the average time required for target identification and verification while doubling the success rate. GenAI is also being used in medical imaging and diagnostics, as well as in ultrasound scanning systems equipped with AI-enabled image guidance, in systems that enable early diagnosis of heart failure, and in electronic health record systems, where it increases efficiency and minimizes the administrative burden. UnitedHealth, the largest health insurer in the US, is an impressive example of GenAI adoption. It is using GenAI to identify and avoid unnecessary medical care and treatments.

## Investment strategy for tech and healthcare investors

The Bellevue AI Health Fund (ISIN B-USD LU2721086093) is a global equity fund with an actively managed portfolio of 50 to 70 stocks, mostly from the healthcare sector, rounded out with a small number of tech companies that do much of their business with the healthcare industry. The fund's focus is on liquid mega and large caps, supplemented with selected mid-cap investments. In addition to fundamental metrics ranging from valuation multiples and growth profiles to profit margins, a proprietary “Bellevue AI Affinity Score” has been developed to determine how attractive a company is from an AI perspective. The Bellevue AI Affinity Score measures company efforts to develop and deploy GenAI and the resources it is investing towards this end. From an investment perspective, this enhances the fund's ability to pick out the winners and avoid the losers, as stock performance will clearly diverge over time. The estimated average annual sales growth of the fund's well-diversified portfolio over the next 3 to 4 years is about 8% and its average earnings per share growth is 15%. The fund is suitable for tech investors interested in an attractive diversification of their existing portfolio as well as for generalist investors seeking to invest in promising companies active in the healthcare sector.

Portfolio Managers Stefan Blum and Marcel Fritsch have many years of experience in healthcare and digital health investments. Dr. Annie Zeng, Catharina Claes and Dr. Teresa Vilanova provide them with investment research and analysis support. The two Portfolio Managers also have access to the expertise of Bellevue's 20-person healthcare investment team.

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