

Market Commentary of January 25, 2021

Medtech & Services: Unbroken opportunities for growth

Despite a challenging stock market year, Bellevue Medtech & Services managed to deviate positively from its benchmark. Also for the year 2022, Bellevue experts expect many opportunities.

Looking at annual returns, the Bellevue Medtech & Services Fund performed well (+24.8%) in 2021, a challenging investment year. It came out ahead of its benchmark (+23.7%) and, despite some pandemic-related turbulence, outperformed the Euro Stoxx 50 (+24.1%) and the Dax (+15.8%).

Our investment strategy is focused on innovative, fast-growing and large cap medtech & services companies and, to a lesser extent, on mid cap stocks with exceptionally high growth potential. This combination of weakly correlated medtech & services stocks and the integration of life sciences tools companies enable us to build a portfolio with a strong diversification profile that generates stable returns even in an environment of quickly shifting sentiment. In 2021, our investments in life sciences tool companies and US health insurers were crucial in offsetting the downside pressure that weighed on small and mid-sized growth stocks.

The outlook for the 2022 investment year is positive. Sector valuations are moderate and offer opportunities not only for investors, but also for corporate takeovers; we expect M&A activity to pick up too in the wake of the substantial valuation contraction many promising high-growth companies experienced in 2021. An example here was in early in 2022 when Stryker issued a takeover bid for Vocera, a leading provider of communication software and hardware for hospitals.

The long-term growth drivers in our investment universe are more relevant than ever: new products for diabetes therapy, minimally invasive heart valve replacement and repair procedures, and surgical robots are powerful examples of medtech innovation. In healthcare services, we believe the US health insurance industry offers the greatest upside potential.

Key value drivers here are progressive privatization (Medicare Advantage, Medicaid) and the vertical integration of services providers (primary care doctors and outpatient care centers). Life science tools companies stand to benefit from the growing levels of R&D intensity in the biotech sector and from the strong demand from vaccine manufacturers. Revenues from COVID-19 testing products have also led to acquisitions and reinvestments on a massive scale. Hospitals as well as medtech companies should benefit from the expected normalization of elective procedures.

First positive earnings announcements for fourth quarter of 2021 were published during JP Morgan's annual Healthcare Investor Conference in January, the world's largest healthcare investment symposium. Combined with the additional growth spurt caused by treatments used during the corona crisis, the current situation is attractive for investors to get involved.

Even without a normalization of the coronavirus situation, long-term growth factors such as rising life expectancy and high rates of innovation will sustain the medtech & services sector's above-average growth compared to the overall economy and generate high rates of profit. The Bellevue Medtech & Services Fund (ISIN B-EUR LU0415391431) invests in the entire healthcare market except for drug developing companies. As a fully adequate healthcare investment vehicle, the fund aims to generate a significantly higher return than a traditional healthcare fund using a comparable risk profile.

Learn more about the 2021 review and 2022 outlook in the following [video](#) with Marcel Fritsch, Portfolio Manager, Bellevue Medtech & Services Fund.

Author

Marcel Fritsch, Portfolio Manager Bellevue Medtech & Services

Marcel Fritsch joined Bellevue Asset Management in 2008 as portfolio manager of the BB Adamant Medtech & Services and BB Adamant Digital Health Fund. Prior to that, he spent more than 3 years as a consultant with Deloitte & Touche. Formulating company strategy, evaluating organizational structures and valuing companies prior to corporate transactions were among his duties in this function. Marcel Fritsch holds a degree in business economics from the University of St. Gallen (HSG).

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