

February 2022

Health Care Insights, Innovation and Impact

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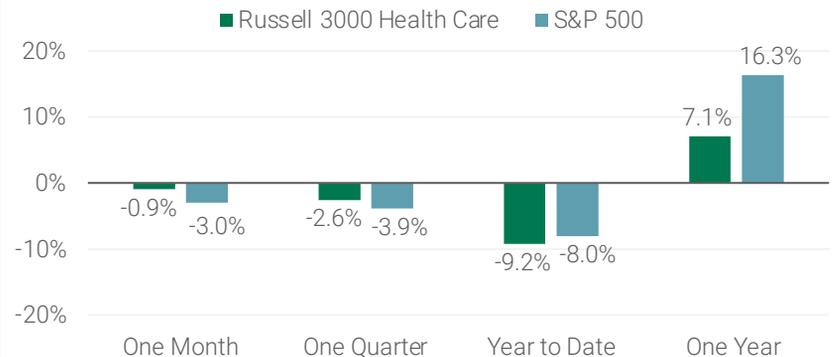
Data from 2/1/2022–2/28/2022. Source: FactSet. Performance in USD. Periods greater than one year have been annualized. **Past performance is not a guarantee of future results.**

Market Insights

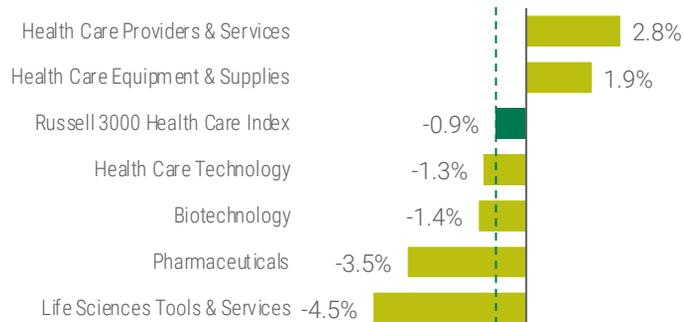
The S&P 500® Index endured its worst month since the onset of the pandemic. After touching a record high early in the year, the market was vulnerable to profit-taking. January's volatility extended into February because of the highest inflation in 40 years and worries the Federal Reserve would raise interest rates faster than expected. But markets reversed sharply mid-month as reported corporate earnings showed growth in 2021 at the best level in more than a decade. This rally was short-lived, however, as investors worried about the potential for war in Ukraine and its consequences for inflation and economic growth.

Health care stocks declined in absolute terms but held up much better than the market as a whole. The sector's performance was colored by the broader market rotation out of growth stocks and into value-oriented shares. For example, Biotechnology stocks tend to be growth-oriented companies with the promise of strong future revenue and earnings growth. These are precisely the sorts of stocks that suffer as interest rates rise, making realized earnings today more valuable than the promise of future earnings. As a result, Biotech stocks declined. Life Sciences Tools and Services stocks fell the most in February from a fundamental slowdown in business as the omicron variant overwhelmed hospitals with COVID patients, crowding out routine medical procedures. In contrast, Health Care Providers and Services stocks produced strong gains as revenues and profits rebounded in 2021 after a difficult 2020.

Health Care Sector Performance



How Did Health Care Industries Perform Last Month?



United Nations Sustainable Development Goals



“Ensure healthy lives and promote well-being for all at all ages.”

Impact Themes



New or Innovative Treatments for Diseases Including Cancer



Access to Medicines and Health Care Services



New Solutions for Lowering Health Care Costs



Enhancing the Productivity of Medical Equipment, Services and Software

American Century ESG Trend Signals** are defined as follows:

Positive – The issuer’s overall ESG profile or performance under a given pillar is improving over the last three years or that it is projected to improve (outlook).

Stable – The issuer’s overall ESG profile or performance under a given pillar is neither improving nor worsening over the last three years.

Negative – The issuer’s overall ESG profile or performance under a given pillar is deteriorating over the last three years or that is projected to worsen (outlook).

**Please note that the ESG Trend Signals apply to both an issuer’s overall ESG quality rating and its performance under individual E, S and G pillars.

Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations General Assembly. They were developed by a global team of industry and government leaders and adopted by all 193 member states. The SDGs include 17 goals and 169 attendant targets aimed at solving some of the world’s most pressing problems by 2030. The goals include eradicating poverty, providing environmental resources, and achieving gender and income equality.

The vast majority of American Century’s investment strategies are subject to the incorporation of ESG considerations into the investment process employed by each strategy’s portfolio managers. When portfolio managers incorporate Environmental, Social and Governance (ESG) factors into an investment strategy, they consider those issues not captured by traditional financial analysis. When selecting investments, portfolio managers incorporate ESG factors into the portfolio’s existing asset class, time horizon, and objectives. Therefore, ESG factors may limit the investment opportunities available, and the portfolio may perform differently than those that do not incorporate ESG factors. Portfolio managers have ultimate discretion in how ESG issues may impact a portfolio’s holdings, and depending on their analysis, investment decisions may not be affected by ESG considerations.

COVID and Beyond

The average daily rate of new COVID infections peaked globally in late January and has been declining since that time.¹ We credit this progress, in part, to the rollout of effective vaccines, which have been shown to reduce the number and severity of cases.² Unfortunately, vast disparities in vaccination and infection rates exist between developed and emerging economies and these inequalities must be addressed.³

Across the developed world, where vaccine availability and uptake has been high, governments are rolling back COVID restrictions. What’s more, island nations such as Australia, New Zealand and Japan are reopening to travelers.⁴ Japan is also on track to ease restrictions in March. But many other countries, including China, continue to adhere to strict “zero-tolerance” policies.

COVID has created uncertainty for the Health Care sector for two years, weighing on health care providers by disrupting or postponing needed medical procedures.⁵ It has also negatively affected medical device companies and others dependent on procedure volumes to demonstrate financial and social impact.

As we emerge from this latest COVID surge, we believe the fundamentals of many health care companies are strong and potentially well-positioned going forward. Powerful new diagnostic and data analytics allow for more efficient research, diagnosis and potentially better outcomes. Advancements in medical devices are also creating better treatment options. As a result, we think health care companies are at the forefront of several technological, demographic and market trends that can promote strong, sustainable growth for years. We believe this represents an opportunity for investors to do well while doing good.

Company in Focus: Shanghai Fosun

We believe Shanghai Fosun is attractive due to its innovation, strategic partnerships and significant potential to have a positive societal impact. Examples of its strategic partnerships include a distribution deal with robotic surgical system maker Intuitive Surgical and a joint venture with Kite Pharma (owned by Gilead Sciences) to develop and commercialize CAR-T cell therapy to treat cancer.

The company’s diversified, innovative approach means we believe the stock is consistent with the social impact goals of new or innovative treatments for diseases, alongside a commitment to providing greater access to treatment and devices in developed and emerging markets as evidenced by the company’s many partnerships with vaccine manufacturers, medical device and biotechnology firms. Furthermore, our environmental, social and governance (ESG) team has conducted an evaluation and risk assessment of the stock. Our ESG team sees Fosun’s ESG quality overall as stable and positive.

¹World Health Organization, WHO Coronavirus (COVID-19) Dashboard, accessed March 4, 2022.

²U.S. Centers for Disease Control and Prevention, “The Possibility of COVID-19 After Vaccination,” December 17, 2021.

³Our World in Data, “Coronavirus (COVID-19) Vaccinations,” updated March 4, 2022; WHO Coronavirus Dashboard.

⁴Laurie Baratti, “Australia Now Fully Open for Travel as Last State Unseals Its Borders,” Travel Pulse, March 3, 2022; and New Zealand Government, “When New Zealand’s borders open,” March 2, 2022; and “Japan opens borders to non-resident foreigners,” *The Japan News*, March 3, 2022.

⁵Impact of COVID-19 on Elective Procedures in the U.S., 2020-2023, Frost & Sullivan, December 2020.

About the Authors



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Before joining American Century in 2002, **Michael Li** worked as a scientist and project manager for the Pharmaceutical Research Institute of Bristol-Myers Squibb Co., managing teams that filed new drug applications to the U.S. Food and Drug Administration.



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Past performance is no guarantee of future results.

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