



CIO sees long-term investment opportunities in healthcare. (Getty)

Looking for long-term growth in healthcare and beyond

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CIO looks at how personalized healthcare innovations may unlock long-term investment opportunities in the fast-growing fields of oncology, genetic therapies, and medtech—as well as other opportunities beyond technology.

Investors looking for long-term healthcare opportunities are increasingly focused on solutions that combine new technologies with personalization.

One recent development was the 26 April headline announcing that the first UK patients will begin a phase 3 trial of a personalized mRNA cancer treatment, known as mRNA-4157 (V940), at University College London Hospitals NHS Foundation Trust. Developed by Moderna and Merck, the vaccine aims to provide a cure for melanoma and potentially other cancers through customization to each patient's particular tumor, with the goal of enhancing survival rates and preventing the cancer's recurrence.

But without taking single-name views, we note that investor enthusiasm should be tempered by that fact that seeming “breakthrough” treatments can be subject to failure, strict regulatory treatment, or long timescales for commercialization.

With this in mind, CIO suggests far-sighted investors with an interest in alternative growth themes look at three particular areas of healthcare for diversified investment ideas:

Oncology. CIO thinks that aging populations will lead to rising global cancer incidence in the coming years, with the rate of growth in new cases potentially running at more than double the rate of population growth until 2040. With the present market for oncology drugs worth around USD 160bn and currently growing at a low-double-digit rate, we see

potential for it to grow sustainably at above-GDP growth rates in the medium term. We favor a diversified investment strategy, biased toward growth stocks, but with exposure to defensive, income-generating pharma stocks.

Genetic therapies. Genetic therapies offer a revolutionary approach by acting "upstream" of traditional drugs to target the fundamental causes of diseases. This offers scope to provide cures for rare and inherited diseases, and possibly applications in more common conditions. We think the field may be supported by an increasingly positive regulatory outlook, with the US Food and Drug Administration expecting to approve 10–20 new cell and gene therapies per year by 2025. With a projected market size of over USD 25bn in sales by 2026, we see significant growth potential in this sector, which could be augmented by further biopharma acquisition interest as capital market activity normalizes through 2024.

Medtech – especially medical devices. Aging populations and a near 30% growth rate in the over-65 age group to more than one billion people by 2030 will likely create more opportunities for companies selling medical products and devices. Medical devices may reduce the risk of worsening of a treated condition, improve users' quality of life, or solve problems currently untreatable with drugs. We estimate the total size of five key markets for implantable or wearable devices—ophthalmology, orthopedic implants, hearing aids, dental implants and aligners, and cardiovascular devices—to have stood at around USD 140 billion in 2023. However, we see considerable opportunity for this to expand as major emerging economies like China and India raise their GDP share of healthcare expenditure.

Seeking long-term growth opportunities aligns with CIO's Message in Focus to look for opportunities beyond technology. We see numerous compelling ideas in regional champions, high-quality companies with market-leading positions, strong brands, and high free cash flow generation that can perform well whatever the market cycle phase. We also like structural growth themes linked to greentech amid the low-carbon transition, and the ocean economy.

For more information, please review our [Introduction to the healthcare sector](#), [Equity Preferences](#) and [Opportunities beyond technology](#) reports.

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