

April 2021

Health Care Insights, Innovation and Impact

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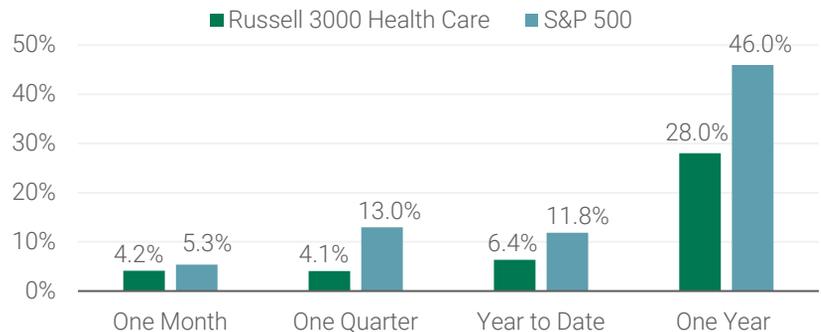
## Market Insights

U.S. stocks produced strong returns again in April, reaching record highs repeatedly during the month. This reflected a continuation of many prevailing trends in 2021, including continued progress on vaccine rollouts, signs of a strong economic rebound, ongoing fiscal and monetary support for the economy and historically strong corporate earnings.

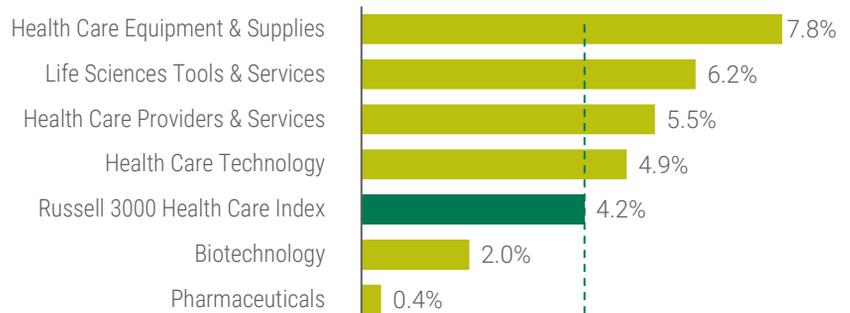
Health Care stocks produced strong gains but trailed the broader S&P 500. Pharmaceuticals and Biotechnology, while positive, lagged other industries in the sector. Except for those producing COVID vaccines, several leading pharma companies reported disappointing revenues and earnings. Biotech stocks also produced modest gains, consistent with their relatively poor performance in recent months. In addition, disappointing U.S. Food and Drug Administration decisions to deny or slow approval of various drugs in development weighed on the industry. Despite their recent underperformance, we continue to believe these are highly innovative companies with strong growth potential and the ability to create solutions to some of mankind's most intractable diseases.

Meanwhile, Health Care Equipment & Supplies stocks gained the most. Many of these were medical device company stocks, which rose at the prospect of a resumption of medical procedures postponed during the pandemic.

## Health Care Sector Performance



## How Did Health Care Industries Perform Last Month?



Data from 4/1/2021 - 4/30/2021. Source: FactSet. Performance in USD. Periods greater than one year have been annualized.

## 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

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.

A strategy or emphasis on environmental, social and governance factors (“ESG”) may limit the investment opportunities available to a portfolio. Therefore, the portfolio may underperform or perform differently than other portfolios that do not have an ESG investment focus. A portfolio's ESG investment focus may also result in the portfolio investing in securities or industry sectors that perform differently or maintain a different risk profile than the market generally or compared to underlying holdings that are not screened for ESG standards.

## COVID Vaccine Progress and Challenges

As of April 30, more than 150 million people have been afflicted with COVID worldwide. In North America and Europe, the number of new cases has fallen likely thanks to vaccine rollouts. But many Asian countries, led by India, are experiencing a surge in new cases.<sup>1</sup>

These infection trends reflect the uneven nature of vaccine distribution. Worldwide, authorities have administered more than 1.1 billion doses of the vaccine. China and the U.S. have each issued around 250 million doses, and India has delivered more than 150 million.<sup>2</sup> But, as a percentage of population, less than 10% of India's 1.35 billion citizens are fully vaccinated.<sup>3</sup> India also appears to be afflicted by a particularly contagious strain of the disease similar to that blamed for an earlier surge in cases in Brazil.<sup>4</sup>

So, while broad distribution of vaccines can have a significantly positive effect on containing the virus, much work remains with respect to more equitable vaccine distribution.

## Return of Deferrable Medical Procedures

As COVID cases slow in many developed market economies, medical procedures postponed because of virus mitigation measures are expected to resume.<sup>5</sup> An increasing proportion of these will be robot-assisted procedures. A widely cited 2020 study showed the number of robot-assisted surgeries rose from about 1% to 15% of all procedures in the U.S. from 2012 to 2018, with rapid adoption expected to continue in the U.S. and overseas.<sup>6</sup>

Such surgeries are proliferating because of the considerable benefits they confer to patients and care providers. They are typically less invasive than traditional surgeries resulting in faster recovery times, shorter hospitalizations, less blood loss and lower risk of infection. These robotic systems create tremendous efficiencies, presenting the opportunity for meaningful impact and improvement in patient outcomes.

## Company in Focus: Stryker

**Stryker** is an innovative medical device manufacturer gaining market share in orthopedic procedures with its MAKO robotics platform. The company's strong commitment to innovation is reflected in a robust research and development budget, leading to new product launches and broader application of existing robotic devices.

This approach means an investment in the stock is consistent with the social impact goal of new or innovative treatments for diseases. In addition, we believe the company is committed to providing access to its devices in both developed and emerging markets. That's evidenced by Stryker's partnership with the Indo UK Institute of Health's Medicity program to expand access to affordable joint replacements for patients in India. Furthermore, our environmental, social and governance (ESG) team has conducted an evaluation and risk assessment of the stock and views its ESG quality overall as positive and stable.

<sup>1</sup> “Covid map: Coronavirus cases, deaths, vaccinations by country,” BBC News, May 4, 2021.

<sup>2</sup> Ibid.

<sup>3</sup> Krishna Das, “India's vaccinations plummet as coronavirus infections soar,” Reuters, May 4, 2021.

<sup>4</sup> Veronica Hackethal, M.D., MSc, “India's COVID-19 Variant: What We Know So Far,” *MedPage Today*, April 29, 2021.

<sup>5</sup> Nick Paul Taylor, “Analysts tip surgeries to rebound. Rising COVID-19 cases threaten these forecasts,” *MedTech Dive*, March 30, 2021.

<sup>6</sup> Kyle H. Sheetz, M.D., MSc, Jake Claffin, BS, and Justin B. Dimick, M.D., M.P.H., “Trends in the Adoption of Robotic Surgery for Common Surgical Procedures,” *JAMA Network Open*, no. 3 (January 3, 2020).



**Michael Li, Ph. D.**  
Sr. Portfolio Manager



**Henry He, CFA**  
Portfolio Manager



**Kevin Lewis, CFA, CAIA**  
Sr. Client Portfolio Manager

## About the Authors

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.

Michael holds a bachelor's degree in materials science and engineering from the University of Science and Technology of China, a master's degree in business administration from the Wharton School of the University of Pennsylvania and a Ph.D. in chemistry from the University of Michigan.

Before joining American Century, **Henry He** was a senior equity research analyst and portfolio manager at BNP Paribas Investment Partners, where he was responsible for managing the firm's health care and biotechnology sector funds. Henry holds a bachelor's degree in economics from Harvard University.

**Kevin Lewis** works with clients to provide insights and perspectives on global growth equity markets. Kevin holds a bachelor's degree in business from Virginia Tech.

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### American Century Investments®

4500 Main St.  
Kansas City, MO 64111

330 Madison Ave.  
New York, NY 10017

1665 Charleston Rd.  
Mountain View, CA 94043

360 E. 2nd St.  
Los Angeles, CA 90071

2 Ice House St.  
Hong Kong

12 Henrietta St.  
London, WC2E 8LH

1 Farrer Pl.  
Sydney, NSW 2000

Taunusanlage 8  
60329 Frankfurt, Germany