

Wealth matters

Foresight: Why care? Opportunities for growth, stability and impact

“Care underpins the entire global economy – it is an engine for growth, prosperity, and well-being, and is the foundation for social life. Investing in the care economy today is critical to ensure an inclusive, sustainable and resilient future.”

WORLD ECONOMIC FORUM, THE FUTURE OF THE CARE ECONOMY, MARCH 2024

Imagine a world without sufficient care – where the vulnerable are left without support and the sick without treatment. As the global population grows and the proportion of older individuals increases, the pressure on our care systems will intensify. Continuous innovation, government support, growth in supply (including labour) and investment are essential to ensure the sector remains accessible, affordable and efficient.

The care economy offers diverse opportunities for investors, with a blend of growth, stability and social impact potential. At Mutual Trust, we gain exposure through both public and private markets, including private market equity (such as venture capital), listed equities, private credit and direct property opportunities. Our exposures span cutting-edge medical and biotech innovations, digital health, physical and mental wellbeing support, medical and aged care property or operators, insurance providers and disability housing.

In our latest *Foresight* article, we explore the major benefits of including exposure to the care economy in portfolios. We also highlight emerging, promising innovations.

The ‘care’ economy is an essential and dynamic part of our world, encompassing a broad range of care areas. This article primarily focuses on the health and well-being aspects of care, including health sciences, disability support and aged care.

The sector is comprised of industries with diverse dynamics, from fast-growing health-tech companies to relatively stable health service providers. For investors, exposure to this vital sector can offer portfolio diversification, more stable returns and access to significant growth potential. Investments are supported by several important advantages, including:

1. Growing demand – driven by changing demographics, particularly ageing populations;
2. Resilience and stability during economic cycles;
3. Innovation and technological advancements – particularly across medical technology, biotechnology and digital health; and
4. Positive social impact – providing a healthier, more equitable society.

1. Growing demand – driven by changing demographics, particularly aging populations.

Growth in the care sector is underpinned by a growing and ageing population. This major structural trend is important – as our population ages, the demands on the care system intensifies. It has ramifications for economic growth and productivity through additional pressure on a smaller cohort of the working population. It also influences government policies and budget spending – President-elect Donald Trump’s recent election victory is drawing attention to U.S. healthcare policies.

Most advanced economies are ageing rapidly. People are living longer – the average life expectancy has increased from 30 years in the 1800’s to 72.8 years, based on McKinsey Global Institute analysis.



Referred to as the “*silver tsunami*”, statistics indicate:

- Globally, for the first time in history, there were more people aged over 60 years than children under five in 2020, according to the World Health Organisation (WHO);
- The world’s population aged 60 or over is expected to double between 2020 and 2050 (WHO);
- The U.S. population aged 65 and over is likely to double from 49 million in 2016 to 95 million in 2060 and account for nearly a quarter of the population (U.S. Census data); and
- Australians aged 65 and over has more than doubled since 1995, to an estimated 4.2 million in 2020 (ABS data) - this represents 16% of the Australian population and is projected to reach over 20% by 2066.

The older age group has an increased reliance on care, given the elevated prevalence of long-term health conditions. As mobility becomes an issue, home care and at-home medical services are likely to increase in tandem. The Mutual Trust International Portfolio is positioned to benefit from the potential increase in the use of home care via **CVS Health Corporation (CVS)** – the largest pharmacy in the U.S. which has exposure to primary care, value-based care and in-home evaluation capabilities.

We are also positive on the long-term demand for hospital care. **HCA Healthcare Inc. (HCA)** is the largest hospital group in the world by market capitalisation and operates 182 hospitals and 2,300 sites of care. It continues to expand with a strong pipeline of development projects poised to benefit from future growth.

Demand for care is driven not only by an ageing population, but also simply by a growing population and the desire for a higher standard of care and additional support services (mental health and outpatient support, disability services and well-being initiatives). This sustainable demand provides a backdrop of persistent growth for well positioned companies to leverage.

2. Resilience and stability during economic cycles – driven by necessity

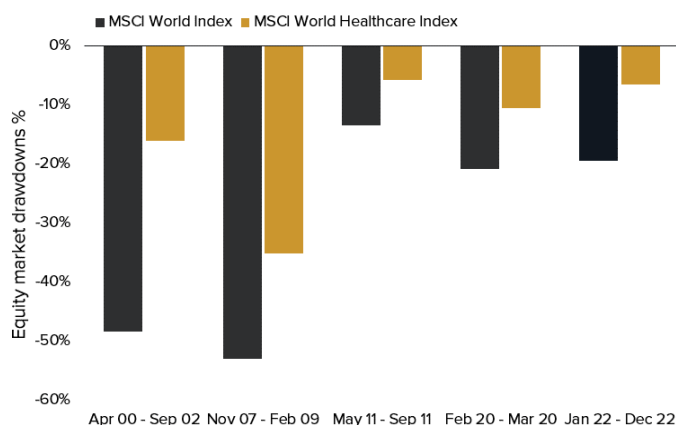
Given its essential nature, the care economy has proven to be relatively stable through economic cycles – people will always need medical care, medications and health services.

Therefore, high-quality established healthcare companies tend to offer an element of stability to portfolios during economic downturns, compared to more cyclical exposures. Historically, the MSCI World Healthcare Index (USD) has delivered smaller drawdowns than the broader market during periods of equity market selloffs.

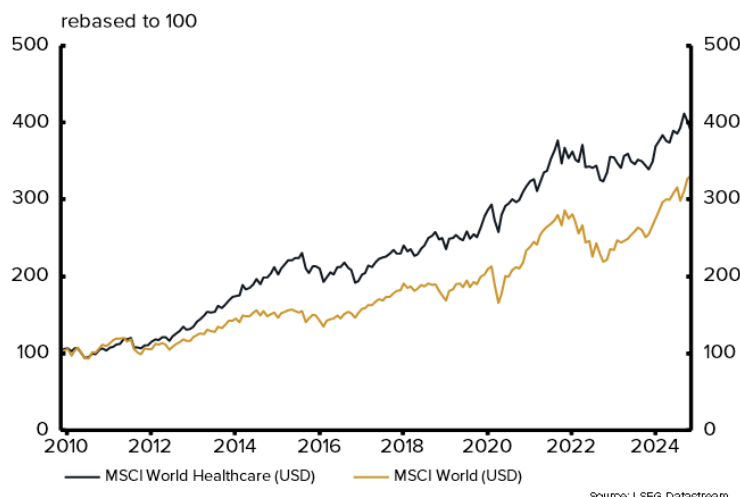
Although the sector has underperformed more recently (in part due to the rally in technology-related mega-caps), the MSCI World Healthcare Index has outperformed the broader market over the past 15 years. This trend is consistent with the Australian healthcare sector (S&P/ASX 200 Healthcare Index) performance and underscores the more defensive nature of listed equity healthcare investments.

Meanwhile, direct property exposure to hospitals, medical centres or disability housing (such as **Barwon Disability Accommodation Fund**) can typically provide more defensive exposure within a portfolio’s property allocation versus other commercial real estate sectors.

Healthcare – more stability during drawdowns



MSCI Healthcare Index vs MSCI World



3. Innovation and technological advancements

“The delivery of healthcare today is inconsistent and uneven. We are on a mission to fund high impact med-tech, health-tech and biotech research-based startups that will decrease mortality and improve quality of life for millions of humans.”

MAIN SEQUENCE VENTURES

Life-changing innovations are transforming patient care, improving outcomes and creating new investment opportunities for portfolios – offering higher-growth potential.

As the population grows and ages, overwhelming demand necessitates new and improved solutions. Research funding and cutting-edge innovation remains critical to help fight diseases, source improved treatments, boost efficiency and improve patient outcomes.

The pandemic catalysed advancement in some areas as behaviours changed. Virtual healthcare solutions became increasingly popular – providing more accessible and affordable care solutions through telehealth and online outpatient support. This nascent market is expected to grow 22% per annum globally over the next eight years (from US\$161 billion in 2024, to US\$791 billion in 2032) according to a report by Fortune Business Insights.

As healthcare technology becomes increasingly digitally enabled, artificial intelligence (AI) and data analytics are being used to better optimise efficiency, accuracy and precision – such as in pharmaceutical development or patient treatment plans.

4. Positive social impact – providing a healthier, more compassionate society

Investing in the care economy supports advancements aiming to improve and save lives. It supports the well-being of individuals and communities, provides essential services to vulnerable individuals and plays a crucial role in shaping a healthier and more equitable society.

At Mutual Trust, we recognise many families of wealth are passionate about making a difference beyond philanthropic endeavours. We are committed to sourcing investments which aim to generate attractive financial returns through seeking scalable solutions to global problems, including global healthcare and wellbeing – we take a ‘shared value’ approach.

Below are examples of innovative solutions held through diversified funds in Mutual Trust portfolios across various asset classes, including both private and public markets:

Disease treatments, such as cancer

Based in Sydney, early-stage company **ImmVirX** seeks to advance a new generation of cancer treatment by developing a novel oncolytic immunotherapy – essentially using a patient’s own immune system to fight cancer.

ASX-listed **Telix** is a Melbourne-based radiopharmaceutical company committed to precision oncology. The company is developing a new class of drug able to deliver radiation therapy directly to cancer cells, often referred to as “theranostics”. This approach aims to reduce the risk of impacting or killing healthy tissue or organs and allows for precise and focussed doses of radiation.

Mental and physical wellbeing

Embark Behavioural Health is an organisation based in the U.S. providing mental health treatment for preteens, teens and young adults. Embark Behavioural Health provides an evidenced based approach across various programs to help patients experience growth, learning and healing. Programs include Virtual Appointments, Outpatient treatment and therapeutic boarding schools, among others.

Viking Therapeutics is a NASDAQ-listed biotech company developing treatments for liver and metabolic diseases. The company is actively developing next generation obesity treatments, with their lead candidate VK2735 showing promising results in terms of efficacy and tolerability, promoting greater fat loss while preserving muscle mass.

Virtual healthcare solutions

Coviu, an Australian company established in 2015, provides an all-in-one virtual care platform built for mental health professionals, GPs and specialists as well as other allied health services. The company makes telehealth a practical solution to meet patient needs. The onset of the Covid-19 pandemic was a catalyst for the drastic uptake of Coviu software.



Artificial Intelligence in drug discovery and treatment optimisation

Deep-tech start-up **Pending.AI** is using AI and quantum mechanics to create solutions to help scientists in the pharmaceuticals industry to design, create and test new drugs, optimising the drug discovery process.

Sydney-based **Prospection** uses data-analytics and AI to improve patient outcomes by focussing on patient-centric intelligence (PCI). By gathering historical data from millions of people, Prospection’s AI algorithms help facilitate comprehensive and accurate insights about how to effectively treat a patient without unnecessary delays.

For more details regarding our range of investment opportunities or our shared value approach to responsible investing, please call or email your Mutual Trust Advisor.



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