

**Paul Major** of the BB Healthcare Trust says investors should ignore the short-term noise around healthcare and focus instead on the long-term themes powering the three stocks below

## The bigger picture

**H**ealthcare has been a challenging area for global investors during 2019: the sector has made about 12 per cent year-to-date versus 18 per cent for the wider MSCI Global index. It has been buffeted by myriad macro-political factors, including populist policies from the White House and



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Democratic hopefuls in the US, as well as ambiguous economic data that has seen wild gyrations in investor risk appetite.

It is worth stepping back from the noise and looking at the bigger picture. Healthcare remains a secular demographic growth story beyond the machinations of the economy. Affordability issues are a growing challenge but these present investors with exciting prospects. Politics has become noisy and excitable but, when the dust settles, pragmatism will win out. ●

**illumina**

**Our health is bound to our genes as we inherit differing disease risks.** When we are sick, the body's response is a product of switching various genes on or off. Thus, genetic information could become the foundation of accurate diagnosis of risk for effective preventative

care and intervention for acute care. It may be too early to pick the winners, so a "picks and shovels" approach could be the best bet. Illumina has been called the Microsoft Windows of the genetic age in that it is an ubiquitous, scalable platform that can be adopted by the widest range of enterprises, making it the gold standard.

**Anthem**

**Apparently, the Democrats are eradicating private health insurance in the US.** Let's skirt over practicalities such as the party winning control of all three branches of government in 2020 and passing legislation that seems to be financially inadequate and yet will cost \$3trn over

10 years. In reality, private underwriters do a better job of managing health-insurance risk than the state and the proposals do little to curb healthcare cost inflation. The 2019 sell-off in US health insurance stocks is thus a compelling opportunity. We think the cheapest and best-positioned from a competitive position on a multi-year view is Anthem.

**Bristol-Myers Squibb**

**The pharmaceutical sector has lagged wider healthcare in 2019,** again due to politics – bashing drug companies is one of the few pastimes that unites Americans. Bristol-Myers Squibb has underperformed its peers as the market grapples with uncertainties over its acquisi-

tion of Celgene, leaving it the cheapest of the large-cap pharma stocks. The combination will be a veritable cash machine, able to pay down transaction debt in five years while buying back stock and investing in the business. We see a 30 per cent discount to peers that deserves to close, with solid earnings growth further compounding returns.