



# Market Coverage

## Sector Overview – Healthcare

### Healthcare Sector Overview

#### *I. Background*

- Sector Definition:
  - i. Provides goods and services related to medical devices, medical treatments, medical insurance, and the research and development of pharmaceuticals.
- Sector Size:
  - i. As of June 21, 2024, the Healthcare Sector is the **3<sup>rd</sup> largest sector** in the economy:
    - 1. More than \$8.33 trillion in public market capitalization.
    - 2. Representing 11.29% of the total market.
- Sector Composition:
  - i. Biotechnology; Healthcare equipment; Healthcare providers; Life sciences; Pharmaceuticals

#### *II. Players in the Sector*

Market Capitalizations as of June 21, 2024

- Abbott Laboratories (NYSE: ABT) // Market Capitalization ~\$183 Billion
- Johnson & Johnson (NYSE: JNJ) // Market Capitalization ~\$358 Billion

- Merck & Co. Inc (NYSE:MRK) // Market Capitalization ~\$336 Billion
- Pfizer Inc (NYSE: PFE) // Market Capitalization ~\$160 Billion
- Thermo Fisher Scientific Inc (NYSE: TMO) // Market Capitalization ~\$216 Billion
- Unitedhealth Group Inc (NYSE: UNC) // Market Capitalization ~\$450 Billion

### *III. Sector Performance*

- Return:
  - i. The sector has returned 6.2% throughout 2024 (year-to-date), based on the performance of the ETF SPDR Fund XLV.
  - ii. Relative to the SPY, the Healthcare Sector has underperformed the general market by 9.8% YTD 2024.

### *IV. Additional Notes*

- The Healthcare Sector is generally defensive because medical care and treatments are inelastic relative to economic conditions.
  - i. Outside of general economic conditions, other factors drive the Healthcare Sector such as:
    1. Overall health and age of the general population
    2. Government healthcare subsidies and policies
    3. Advancing technologies, FDA approvals, and new medical services
- Current trends driving change in the Healthcare Sector
  - i. Worldwide pandemics and other contagious diseases
  - ii. Increases in public healthcare expenditures
  - iii. Shortages in healthcare labor
  - iv. Payer vs. Provider economics
  - v. Sponsor-backed roll-ups of certain medical and dental practices
- Near-term growth drivers from societal and technological advancements
  - i. Artificial Intelligence and its potential to diagnosis and treat certain ailments
  - ii. Remote healthcare, such as telehealth and virtual hospitals
  - iii. “Retail Health” solutions for patients to pursue healthcare services at nation-wide retailers

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*The material in this document reflects performance based on adjusted close prices for June 21, 2024.*

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