

For professional investors only

Profits in Prevention

The RobecoSAM Sustainable Healthy Living Strategy is a conviction-based, thematic strategy that captures market opportunities arising from trends in health and lifestyle. The Strategy is based on bottom-up stock selection and seeks to achieve long-term capital appreciation through exposure to healthy behavior, preventative and diagnostic care markets. The Strategy aims to outperform the MSCI World Index by 3–5 % per annum, gross of fees.

Challenge: Exploding Healthcare Costs

Healthcare costs are exploding worldwide. Worldwide the cost of health stands at nearly 10% of GDP and is steadily rising. Double that and you get the proportion of GDP the US spends annually on healthcare—an alarming rate that is not only excessive but unsustainable.¹

Chronic Disease— a major cost

The single biggest component to healthcare costs around the world is the treatment of chronic diseases a classification that includes diabetes, high blood pressure, cardiovascular disease, stroke and many cancers. In the US, half of all adults suffer from at least one chronic disease. That rises to three of four at 65 and older. Americans spend a staggering 86% of all healthcare costs on treating chronic diseases.² The developing world paints a similar picture.

Chronic Disease— the result of Lifestyle Choices

The rise in chronic disease is directly linked with the rise in obesity. The International Diabetes Federation, estimates that by 2040 one in ten persons will have “diabesity,” (obesity-induced type-2 diabetes).³ Obesity and accompanying chronic diseases are largely the result of unhealthy lifestyle choices earning them the moniker “Lifestyle diseases.”

Over the past few decades, caloric intake has spiked resulting from our intake of ready-made, salt-laced, sugar-laden processed foods and drinks. Compounding the problem still is rapid urbanization. Formerly active rural populations have shifted to sedentary city jobs; formerly natural rural diets have been traded for convenient, calorie-dense packaged food.

The problem grows older...and younger

Obesity rates among the young are increasing worldwide. In China, the number of obese children have quadrupled in just one generation.⁴ Which means that they will suffer from chronic disease younger and over a longer span of life.

If these disturbing trends continue, the economic impact of obesity will be devastating. Developing countries will be hit the hardest due to the double burden of rapid urbanization and aging populations.

RobecoSAM Sustainable Healthy Living Strategy?

- Unique focus on prevention to combat rising healthcare costs and improve health and well-being.
- Captures market opportunities from positive consumer behavioral and lifestyle trends.
- Offers exposure to innovative technologies across the life sciences and consumer goods sectors.
- A systematic investment process that integrates sustainability research and analysis.
- Experienced cross-disciplinary investment team with a strong financial and scientific background.

More spending is not the cure

What can be done to avert disaster for national healthcare budgets as well as ensure a healthy productive quality of life beyond retirement? The last few decades of data on health expenditures shows that more spending does not guarantee better health. The US spent \$3.2 trillion in 2015 on healthcare nearly 18% of its GDP⁵— but had no better outcomes than countries which spent half as much.

Solutions: The Power of Prevention

Combining Health and Living

The Healthy Living movement is steadily gaining momentum driven by individuals who are proactive in managing health and well-being now to prevent illness later. There has been a marked uptick in sports and wellness activities as well as growth in the apparel, equipment, and accessories markets that support them.

In addition, the appetite for natural, organic and anything deemed “healthy” is also flourishing. The organic food market had its best year ever in 2015 (the most recent estimates), growing nearly 11% compared to just 3 percent for the food industry as a whole.⁶ Recognizing the growth opportunities, traditional industry giants are investing heavily in R&D to bring healthier alternatives to the market.

The markets for wearable devices and mobile health and wellness apps are also growing, together with the appetite to collect and share information and seamlessly integrate health with lifestyle. PwC estimates that no fewer than 411 million users will be wearing devices by 2020.⁷

Developing trends in the Developing World

Telecommunications infrastructure in developing countries is often more developed than their healthcare and transportation systems as is the rate of user adoption of newer technologies. For this reason, mobile telecommunications solutions have tremendous growth potential to optimize healthcare delivery in these markets.

Furthermore, developing countries are still prone to contagious outbreaks of infectious diseases. A critical means to mitigate these risks are through simple but effective use of household health products. For example, pneumonia and diarrhea are the two leading causes of death in children under five, causing an estimated 1.8 million preventable deaths annually. Hand-washing with soap can reduce diarrhea rates by at least 30% and pneumonia by 20%.⁸

Efficient Diagnostics: Secondary Prevention

Early Diagnosis Saves Lives and Money

Despite all our preventative efforts, the reality is that chronic diseases will never be totally eliminated. If prevention is the cure, then diagnostics and treatment is the next best alternative. Diagnostics already plays a critical role in effective healthcare delivery accounting for 2% of medical costs but influencing 60% of medical decisions.⁹ Early screening enables rapid disease discovery, improved clinical decisions, efficient and targeted treatment, and better health outcomes. And equally important, early intervention saves money by catching diseases before they become more acute for the individual and costlier to treat.

Patient Heal Thyself

By 2018, 50 percent of the more than 3.4 billion smartphone and tablet users will have downloaded mobile health applications.¹⁰ An important next step in chronic disease treatment will be to leverage mobile platforms and technologies and put diagnostic testing and analytics directly into the hands of patients. On the supply side, healthcare providers can apply mobile technologies to integrate care and reduce costs in other aspects of healthcare delivery including health record maintenance, information management, physician consultations, and ongoing monitoring.

Moreover, putting more control in the hands of patients increases engagement, compliance with treatment regimens and promotes healthy behaviors overall.

“You can’t have a healthy economy without a healthy population—so what’s good for health, is good for business.”

Bicycle chain ring

Ultra-light, durable components are turning the modern bicycle into a healthy and technologically innovative means of transport.



Opportunities

RobecoSAM’s Sustainable Healthy Living Strategy captures investment opportunities arising from trends in consumer behavior, technology, diagnostics and health. It identifies innovative companies that develop sustainable solutions to promote healthy lifestyles, as well as prevent, diagnose, and treat chronic diseases across four key investment clusters:

Healthy Nutrition

Companies offering organic and natural nutritional products and solutions for food safety and analysis.

Activity

Companies producing fitness equipment, footwear, sports apparel, active-wear, and wearable accessories; operators of sports & wellness centers.

Lifestyle Disease Solutions

Companies providing innovative chronic disease care, diagnosis & prevention equipment & analytics, and efficient, integrative healthcare solutions.

Hygiene & Personal Care

Companies offering personal care products that promote hygiene, infection management and preventative care as well as nutritional supplements.

Why invest now?

- In an uncertain market environment, the Healthy Living Strategy offers an attractive combination of defensive characteristics while providing significant opportunities for outperformance.
- The product is especially suited for investors who believe equity markets will remain strong, while looking for downside protection.
- The strategy boasts a strong track record with attractive returns and low volatility relative to MSCI World.



Moritz Dullinger, Portfolio Manager
RobecoSAM Sustainable Healthy Living Strategy

Sustainable Development Goals

Access to nutritious food, good health, and well-being are basic rights that should be guaranteed and protected for individuals worldwide. Through its investments and active engagement strategies, the RobecoSAM Sustainable Healthy Living Strategy supports the United Nation’s Sustainable Development Goals of Zero Hunger (SDG No. 2) and Good Health and Well-being (SDG No. 3). More information on the UN SDGs is available online at the United Nations’ Sustainable Development Knowledge Platform.



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⁵ US Centers for Medicare & Medicaid Services, National Health Expenditure Fact Sheet, 2015, <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet.html>

⁶ US Organic Trade Association, 2016 State of the Industry Report, 2016, http://ota.com/sites/default/files/indexed_files/OTA_StateofIndustry_2016.pdf

⁷ PwC: Wearable Tech and the Future of Digital Health Infographic, <https://www.digitalpulse.pwc.com.au/infographic-wearable-health/>

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⁹ Roche Diagnostics, 2017, <http://www.roche.com/about/business/diagnostics/about-diagnostics.htm>

¹⁰ US Food & Drug Administration, Mobile Medical Applications, <https://www.fda.gov/MedicalDevices/DigitalHealth/MobileMedicalApplications/default.htm>