

## After earnings, outperformance



Despite some early month jitters, markets recovered quickly and were soon encouraged by the Fed's commentary at Jackson Hole.

Market reactions to quarterly results continued to be extreme, but overall reported earnings showed strong operational quality as the healthcare sector overtook the broad market in year-to-date performance.

**Overall**, we exit this reporting season with strong confidence in the sector's continued performance into yearend.

### End of Q2 reporting

Companies wrapped up the second quarter reporting this month. Fundamental performance was very strong across the board.

Previously observed trends of high utilization, and early signs of recovery in the life science tools space remain intact.

In addition, healthcare had the highest aggregate earnings growth of all sectors. See our "Chart of the Month" for more information.

**Overall**, we continue to see deep strength in the fundamentals of the sector.

### Performance Overview

	1M	3M	YTD	12M
Healthcare	5.5%	10.4%	17.6%	20.3%
Medtech	7.4%	7.1%	11.8%	17.0%
Services	2.1%	10.7%	10.3%	21.4%
Pharma	8.3%	11.2%	25.2%	23.8%
Biotech	2.9%	13.7%	16.5%	23.0%
Tools	-1.2%	7.4%	11.8%	8.1%
World	2.6%	6.3%	16.7%	24.3%

#### Top 5 this month

1	Exact	35%	Earnings
2	Galderma	23%	Drug Approval
3	Eli Lilly	19%	Earnings
4	SOBI	19%	Trial results
5	Sysmex	17%	Earnings

#### Bottom 5 this month

1	Moderna	-35%	Earnings
2	Charles River Labs	-19%	Earnings
3	Neurocrine	-10%	Schizophrenia trial data
4	Cochlear	-10%	Earnings
5	Bio-Techne	-9%	Earnings

Source: Bloomberg Finance L.P., Kieger

### Continued healthcare resilience

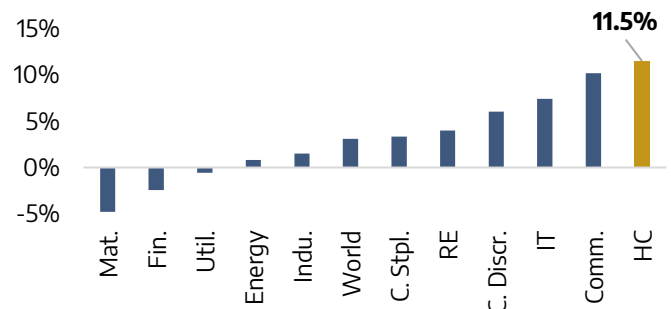
The healthcare sector proved resilient to the early August market turbulences. Broad market performance dropped behind healthcare performance on a year-to-date basis.

But more importantly, this outperformance was maintained as markets broadly started performing again, partly reflecting the market leading earnings growth and solid Q2 earnings scorecard.

**Overall**, we see this resilience as an encouraging sign of recognition of the sector's fundamental strength.

### Chart of the Month

#### Q2 y/y earnings growth



Healthcare posted year-over-year earnings growth of 11.8%, the highest rate of all sectors. This growth surpasses even strong performers like Communication Services at 10.2% and IT at 9.8%.

Additionally, 75% of healthcare companies exceeded analyst expectations.

Such strong earnings results demonstrate the sector's resilience and underlying structural strong growth. This is especially significant as concerns about the general consumer sentiment is growing.

Check out our video on this subject [here](#).

## Kieger Healthcare Team



**Dr Maria Specogna**

Lead Manager,  
Sustainable Healthcare Fund



**Urban Fritsche**

Lead Manager,  
Impact Healthcare Fund



**Raphael Oesch, CFA**

Lead Manager,  
Blue Chip Healthcare Fund



**Flavio Mancino, CFA**

Research Analyst



**Camille Rigaud, CFA**

Research Analyst




**Guy Bettschart, CFA, CAIA**

Research Analyst



**For a comprehensive overview of our investment strategies please contact us:**

 +41 44 444 18 44

 [www.kieger.com](http://www.kieger.com)

 [info@kieger.com](mailto:info@kieger.com)

 Dianastrasse 5,  
8002 Zürich

 Kieger AG

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