



in focus

Healthcare

Equity Investment Team; Mirae Asset Global Investments (USA)

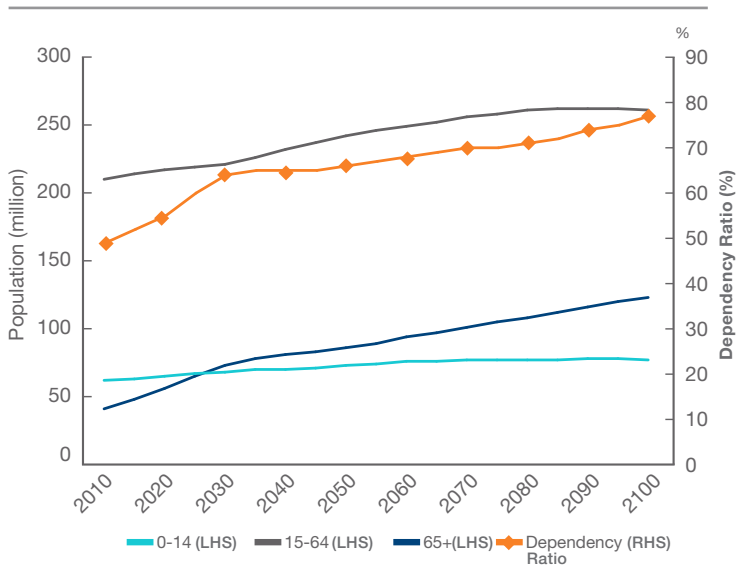
EVEN AS THE HEALTHCARE SECTOR has rounded out a fourth consecutive year of outperformance in 2014, we are confident that the sector is poised to continue to be an attractive investment option in 2015 and beyond. Our belief is supported both by macro trends that we feel will continue to bolster the sector in the coming years, as well as sector-specific issues that should provide a tailwind moving forward.

Aging populations of the world should continue to drive opportunities in healthcare

One of the most significant and well recognized macro trends that is of particular importance to healthcare is the aging populations of the world. This phenomenon is relevant both to countries in developed markets as well as their counterparts in emerging markets. In the U.S., the dependency ratio will likely overtake the rest of the world in 2020,

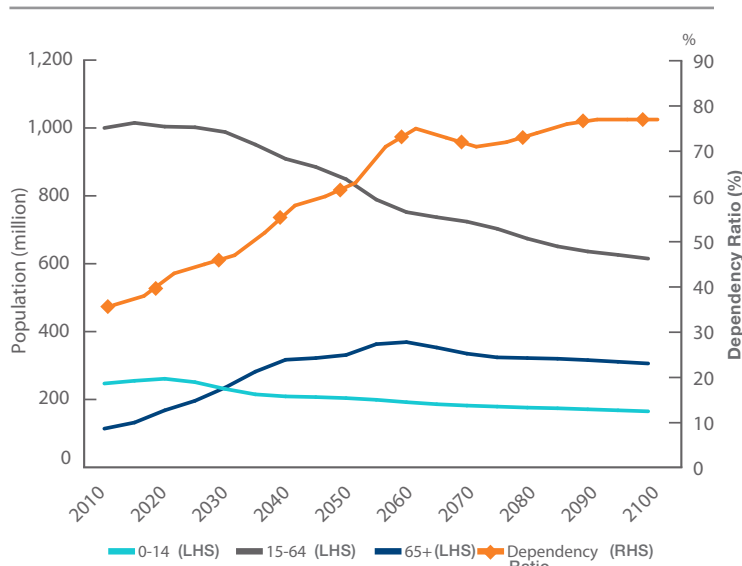
showing a steep increase between 2010 and 2030 (Figure 1). Moreover, the number of people aged 65+ is poised to exceed the number of young people (aged 0 to 14) beginning 2030. The situation in China is even more dramatic, in part due to the country's one-child policy, where the dependency ratio will likely overtake the rest of the world in 2040, and the number of people aged 65+ will exceed the number of young people 0 to 14 from 2030 (Figure 2).

Figure 1: U.S. Age Demographics, 2010-2100.



Source: United Nations, 2014.

Figure 2: China Age Demographics, 2010-2100.



Source: United Nations, 2014.

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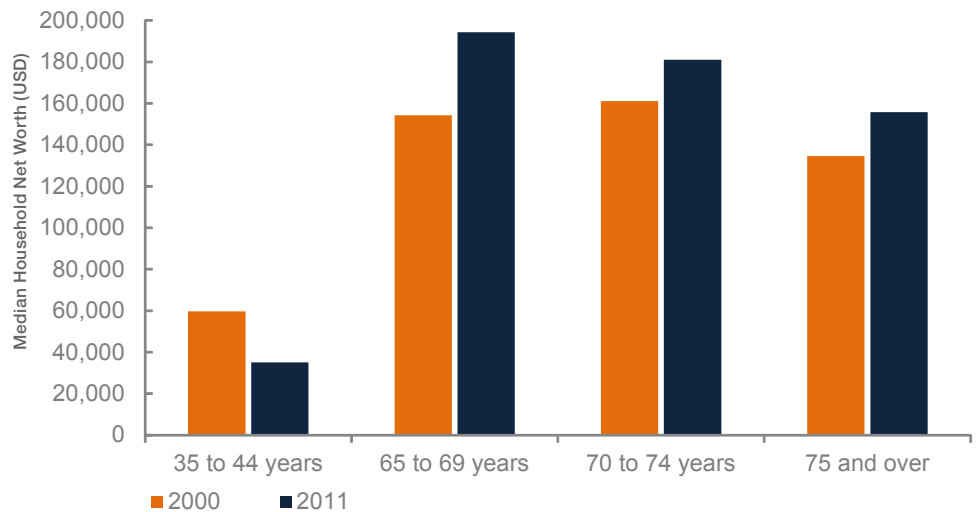
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It is clear that as the world's population ages, so grows the patient population that requires treatments and services that healthcare companies provide.

It is clear that as the world's population ages, so grows the patient population that requires treatments and services that healthcare companies provide. This shift in demographics is also accompanied by a wealth disparity between the older and younger generations. In particular, we point to the U.S., where the wealth gap of the population age 65+ is several times that of the group aged

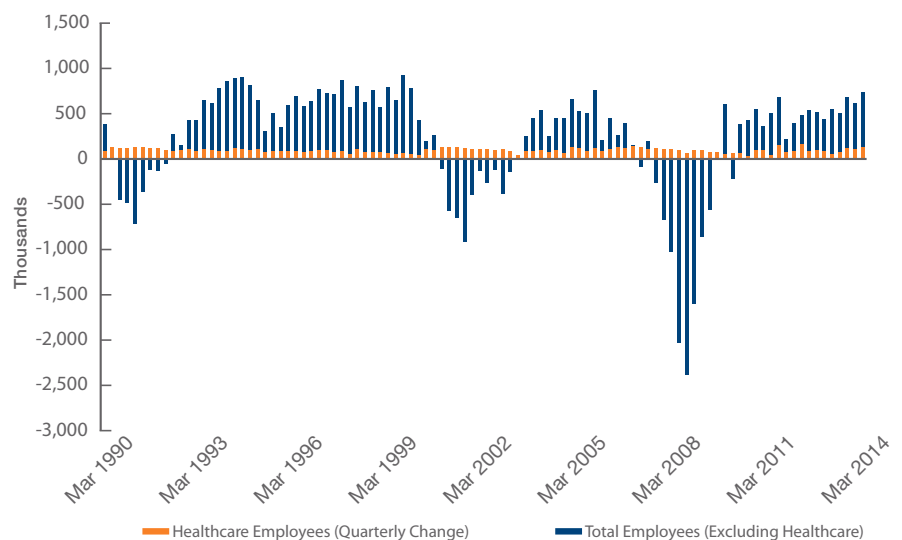
34-44 (Figure 3). Further, the overall wealth of the older population continues to increase on a yearly basis, as is shown for the years 2000-2011 in Figure 3. Indeed, we interpret these data to mean that, from a broad perspective, the group of people who are in greatest need of healthcare, i.e., the group aged 65+, also has the means to pay for this care.

Figure 3: U.S. Relative Wealth Gap, 2000-2011.



Source: U.S Census Bureau, 2014.

Figure 4: U.S. Non-farm Payrolls Since 1990.



Source: Bureau of Labor Statistics, 2014.

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The proportion of healthcare employees compared to the total number of employees in the U.S. has continued to grow from 1990 until today.

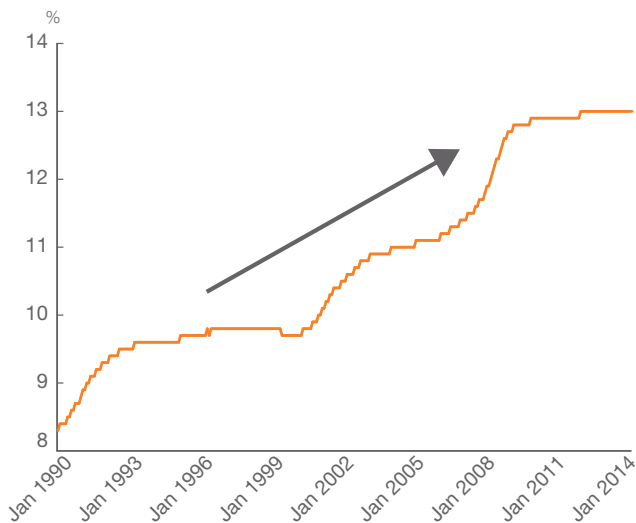
Healthcare companies continue to invest in workers to expand their business

The strength of the healthcare sector is also reflected in employment statistics. To that point, the U.S. healthcare industry has not experienced a single quarterly decrease in the number of employees since 1990 (Figure 4). Additionally, the proportion of healthcare employees compared to the total number of employees in the U.S. has continued to grow from 1990 until today, increasing from 8% to 13% (Figure 5). On a worldwide basis, the healthcare sector is now the fourth-

largest sector, accounting for approximately 12% of the total as of 2014 (Figure 6). This has represented strong growth compared from 2007, when the sector represented 8% of the total and was only the eighth-largest sector.

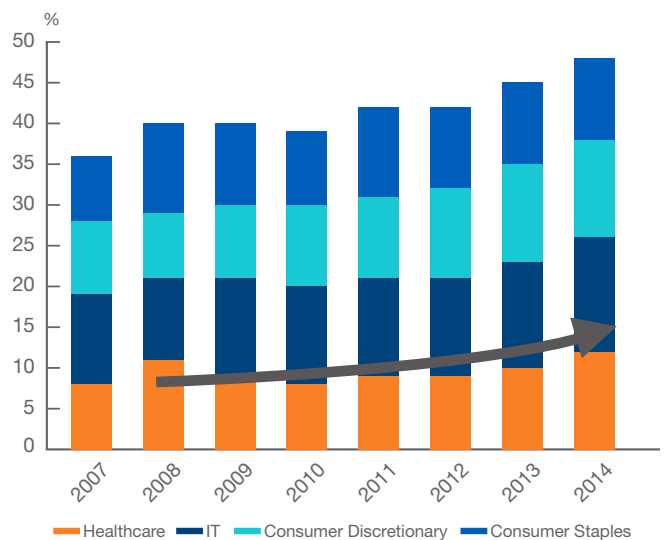
We anticipate that these employment trends are likely to continue, as companies look to capitalize on the growing demand in the marketplace, driven in part by the aging population and the means to pay for the healthcare that this population needs.

Figure 5: U.S. Healthcare Employees as a Percentage of Total U.S. Employees.



Source: Bureau of Labor Statistics, 2014.

Figure 6: The Worldwide Healthcare Sector Continues to Grow Relative to Other Sectors.



Source: Factset, 2014.

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We believe there will be ample scope for investors to capitalize on the continued growth and success of the healthcare industry in markets around the world.

Strength of the therapeutics verticals

Some of the most exciting sub-sectors of healthcare in recent years have been the pharmaceutical and biotechnology verticals. Advancements in therapeutics that treat serious diseases, alleviate suffering, and improve overall quality of life of those suffering from various types of conditions have driven global drug spending. The five-year CAGR (Compound Annual Growth Rate)¹ for global drug spending for the period of 2008-2013 was 4.5% (Figure 7), with total spending at nearly \$1 trillion USD in 2013. On the heels of this expansion, growth is anticipated to accelerate further to 5.8% over the 2013-2018 timeframe, with global spending forecasts reaching \$1.3 trillion USD by 2018. In our view, advancements in science and technology will pave the way for companies to develop groundbreaking therapies to improve the lives of those in need, and in so doing enjoy the rewards of their efforts.

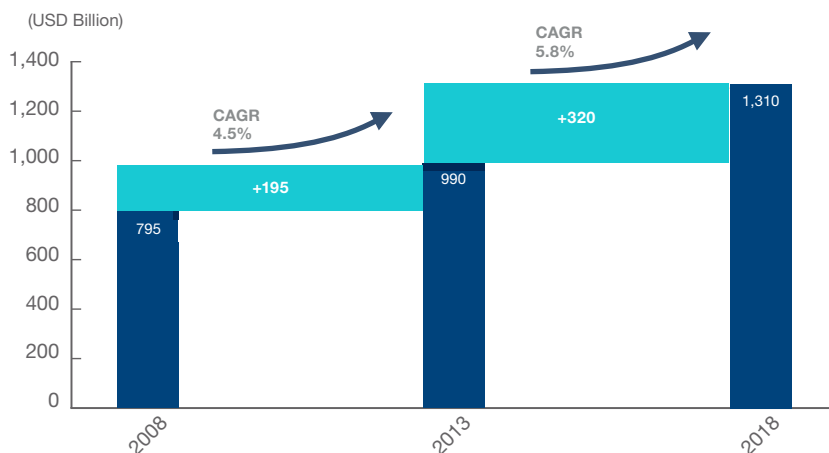
We believe there will likely be ample scope for investors to capitalize on the continued growth and success of the

healthcare industry in markets around the world. While it is true that healthcare costs have increased significantly, and governments and healthcare systems are looking for ways to reduce this burden, there are incentives for companies that successfully innovate care – either in the service industry or the therapeutics space – to help to reduce overall healthcare costs. Such innovators will be able to charge a premium for their services or products that improve patient outcomes and ultimately lower expenditure.

Emerging markets will play a critical role in healthcare investing

We anticipate that there will be significant opportunities for healthcare companies in emerging markets in the coming years. In addition to the aging population dynamic, growth will also be driven by the ever-increasing wealth of the populations in emerging markets. Moreover, as emerging markets governments continue to expand the scope of state-backed healthcare, companies domiciled both in developed markets as well as in the emerging market countries that serve these populations should be able to benefit.

Figure 7: Global Spending on Therapeutics is Expected to Accelerate.



Source: IMS Market Prognosis, 2014.

Mirae Asset is uniquely positioned to capitalize on global healthcare trends

Given our expertise in understanding the dynamics at play in the healthcare sector on a global scale and a team that works closely together while being spread over multiple regions, we believe Mirae Asset is uniquely positioned to adeptly manage a portfolio of healthcare stocks in both developed and emerging markets.

¹The year-over-year growth rate of an investment over a specified period of time.

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