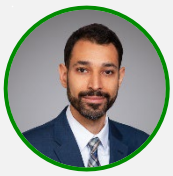
TD Global Healthcare Leaders Index ETF

2024 OCT

As of October 2024

TDOC



Analyst Commentary

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As I write this month's commentary, the November 2024 U.S. Presidential Election has concluded. I'll highlight some of the key themes for this election, and how the election may shape the Health Care sector for the quarters ahead.

While Healthcare has arguably taken a back seat this election cycle and hasn't been front and centre with either candidate, healthcare affordability has remained a key focus for voters according to polling data. At the top of the list, drug prices remain a sticking point for consumers, especially for those with high deductible health plans (HDHP). The next administration will feel pressure to address rising costs, but the appetite for large-scale reforms such as the Affordable Care Act (ACA) or the Inflation Reduction Act (IRA) appears low.

While both parties support maintaining the Affordable Care Act (i.e., Obamacare), the Democrats want to go a step further, and maintain the subsidies that were created during the COVID-19 pandemic. On the other hand, it is unclear whether the Republicans will renew those subsidies in 2025.

Also, essential to watch coming out of the election is whether Democrats or Republicans will seek to expand direct drug price negotiations for Medicare, a program initially rolled out under the Inflation Reduction Act (IRA). The list of drugs where Medicare negotiates prices will expand from 10 in 2024, to 25 in 2025. Given that the program is new, it is unlikely either Democrats or Republicans will seek to expand the program anytime soon. However, with direct drug price negotiations as a solid tool to control costs, expansion cannot be ruled out, especially if the federal government faces more acute budget pressures.

For companies in the Pharmaceutical and biotech industries, the more mixed the three branches of Government, the higher the likelihood of political and regulatory gridlock. A Democratic or Republican sweep, while not harmful in the short term, does increase the risk of negative political or regulatory headwinds down the road.

For the full year 2024, Health Care revenues are expected to grow approximately eight percent year-over-year ("YoY"), and earnings grow approximately five percent YoY as we finally overcome the headwind from the loss of COVID-19 related sales. Looking out over the next few years, we'd expect growth to normalize to the approximate range of 9% Compound Annual Growth Rate ("CAGR") seen over the last 30 years.

The TD Global Healthcare Leaders Index ETF ("TDOC") was up 11.7% year-to-date ("YTD") at the end of October 2024. However, returns trailed the broader market with the MSCI World Index posting a 23.3% gain YTD, driven by gains in the Technology and Communication Services sectors.

The primary contributors to TDOC performance in October included Bristol-Myers Squibb Co, (+12.5% month-over-month ("MoM")), Gilead Sciences Inc, (+9.3% MoM), and AbbVie Inc, (+7.4% MoM). The primary detractors included Elevance Health Inc, (-19.5% MoM), Regeneron Pharmaceuticals, (-17.7% MoM), and ThermoFisher Scientific Inc., (-8.9% MoM).

Looking out over the long run, we believe that TDOC continues to be well positioned and will continue to benefit from the many attractive attributes of the Healthcare sector including largely inelastic demand, strong volume growth driven by an aging population, as well as historically strong research and development productivity which has repeatedly expanded the addressable market for healthcare. Combined with attractive valuations compared to the broader market, we believe the Health Care sector remains well positioned to outperform over a multi-year horizon.

Standard Performance – TD Global Healthcare Leaders Index ETF

Returns as of October 31, 2024	1 Month	3 Months	6 Months	1 Year	Since Inception	Inception Date
TD Global Healthcare Leaders Index ETF	**-2.09%**	**-2.06%**	**6.34%**	**19.59%**	**8.25%**	**04/07/21**

Source: TD Asset Management Inc., as of October 31, 2024. Returns for periods greater than one year are annualized.

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