

BRUNSWICK

Second Annual Global Retail Investor Views on Healthcare

J.P. Morgan Healthcare Conference
New York
2019



Our Approach

The Brunswick Group conducted an online survey among retail investors to understand:

- What do retail investors prioritize when considering investments in the health sector?
- How do retail investors view the regulatory and political climate as it relates to healthcare?

Brunswick surveyed 500 retail investors in the United States.

Brunswick conducted the first annual investor healthcare survey in December of 2018, which included retail investors around the world. Tracking data from the interviews done in the United States is included in this report.



By the Numbers- Retail Investor Key Facts



Does scrutiny over drug pricing matter to investors?

41%

(+7) from 2018 survey

More than 2 in 5 retail investors strongly agree that when a pharmaceutical company is scrutinized over its drug pricing, it makes them less likely to consider investing in the company, marking a significant increase from last year's survey.



How big an issue will drug pricing be in the 2020 election?

52%

Over half of retail investors believe that the upcoming 2020 election will be more intense on drug pricing and pharmaceutical industry regulation than past elections.



How much political and regulatory risk are investors willing to take?

63%

(+6) from 2018 survey

Almost two-thirds of retail investors are willing to take a great deal or some risk on changing political and regulatory environments when investing in the pharmaceutical or biotech fields.



Will the Trump Administration support more regulations?

65%

(+11) from 2018 survey

Significantly more retail investors believe the current administration will create more regulatory restrictions on drug pricing than in last year's survey.

By the Numbers- Retail Investor Key Facts (cont'd)



Is healthcare innovation happening too slowly?

24%

(+5) from 2018 survey

Almost a fourth of retail investors believe that healthcare is innovating too slowly and needs to move more quickly.



Have cybersecurity concerns affected the sector's investment potential?

77%

(+3) from 2018 survey

A large majority of retail investors believe the healthcare industry is lagging behind other industries in implementing cybersecurity measures.



Will drug prices get regulated?

87%

(+7) from 2018 survey

More retail investors than last year agree that unless companies in the pharmaceutical sector can better justify their drug pricing models, the industry will face harsh regulations that will harm innovation and profitability.



How much risk around drug pricing are investors willing to tolerate?

57%

Over half of retail investors are willing to assume at least some uncertainty risk around how treatments are priced, when investing in the pharmaceutical or biotech industry.

The Political and Regulatory Outlook

The background features a dark blue field with two prominent diagonal bands. A purple band runs from the bottom-left towards the top-right, and a cyan band runs from the top-right towards the bottom-left. The two bands intersect in the center-right area of the frame.

Investors believe that the policy and regulatory environment is more important in healthcare investment decisions than in overall investment decisions, where cybersecurity practices are more important



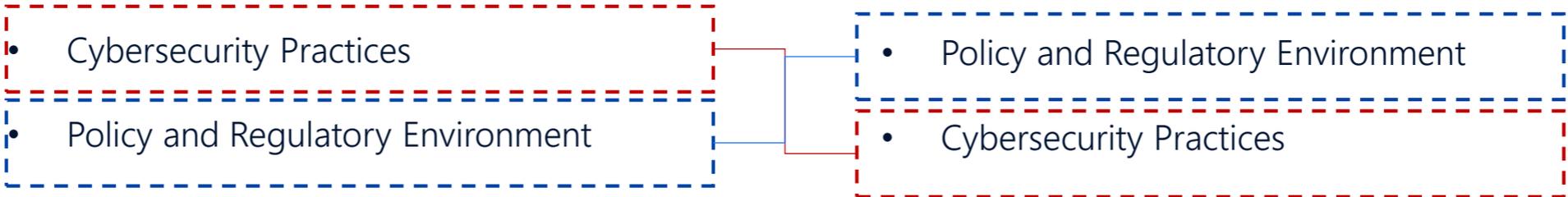
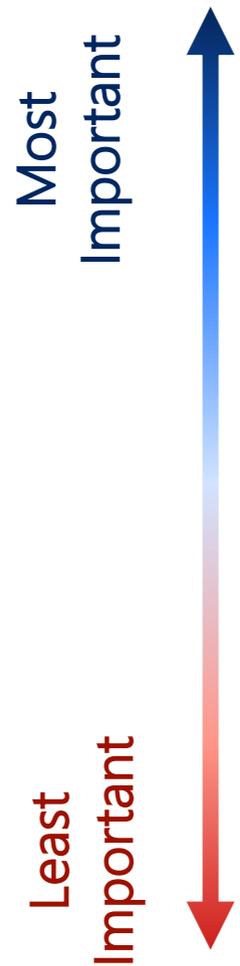
In **all investment** decisions...

- Most Recent Quarterly Earnings
- Historical Financial Performance
- Future-looking Innovation Agenda
- Announcement of New Products or Services
- Cybersecurity Practices
- Policy and Regulatory Environment
- Corporate Social Responsibility and Community Involvement Initiatives
- Staffing of Executive Leadership Positions



In **healthcare investment** decisions...

- Most Recent Quarterly Earnings
- Historical Financial Performance
- Announcement of New Products or Services
- Future-looking Innovation Agenda
- Policy and Regulatory Environment
- Cybersecurity Practices
- Corporate Social Responsibility and Community Involvement Initiatives
- Staffing of Executive Leadership Positions

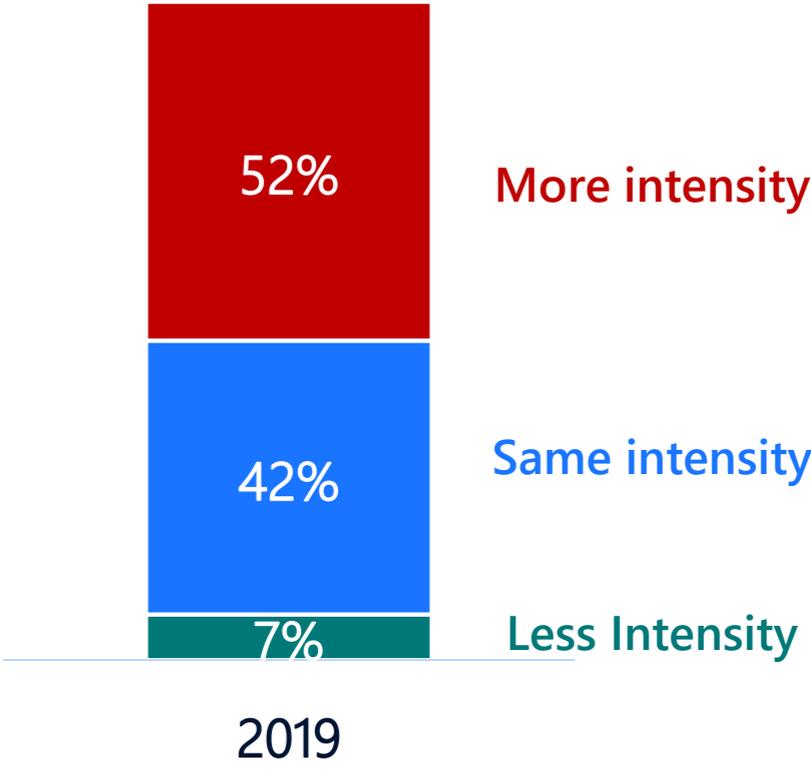
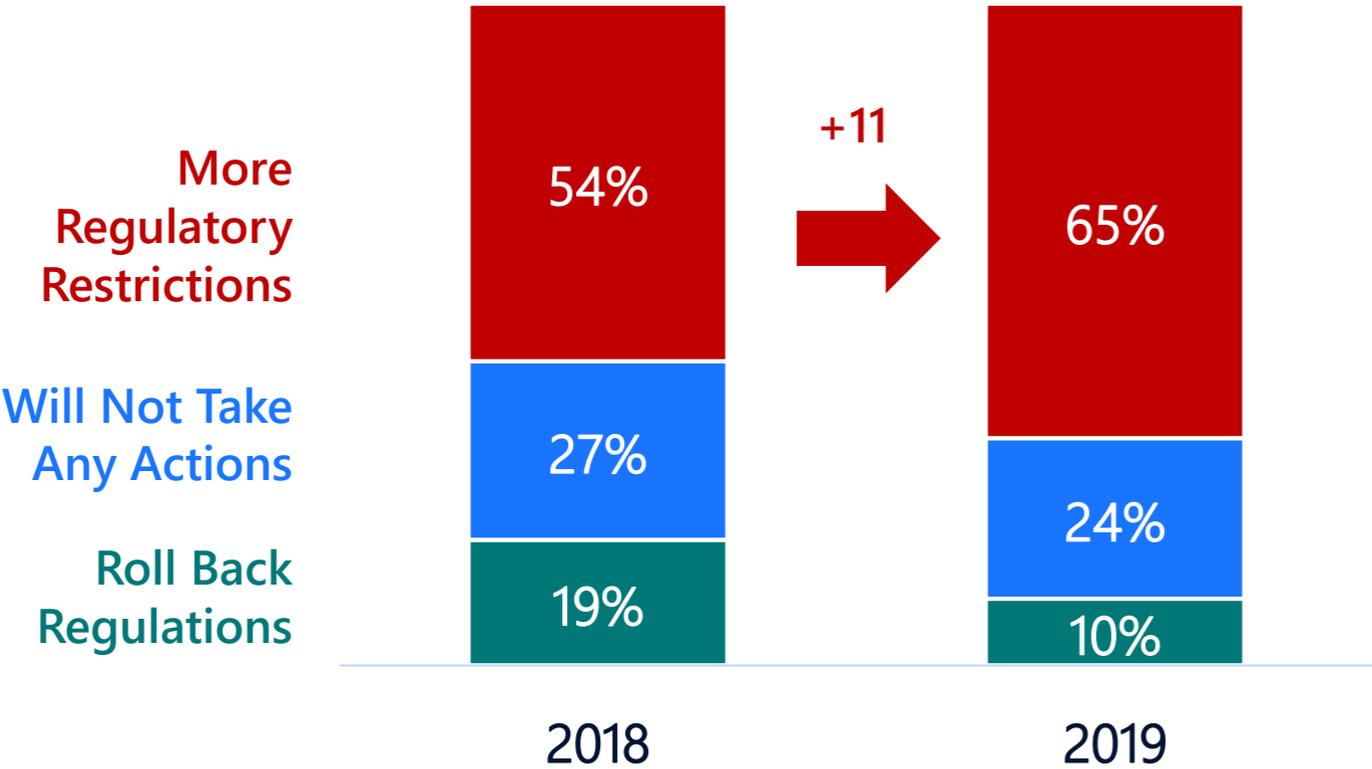


Please rank how important each of the following factors have been in shaping your investment decisions over the past 12 months...
 Now, thinking just about your investment strategy for the healthcare sector...

Retail investors believe increased regulation is coming to drug pricing and it will be a more important issue to the 2020 election than previous elections

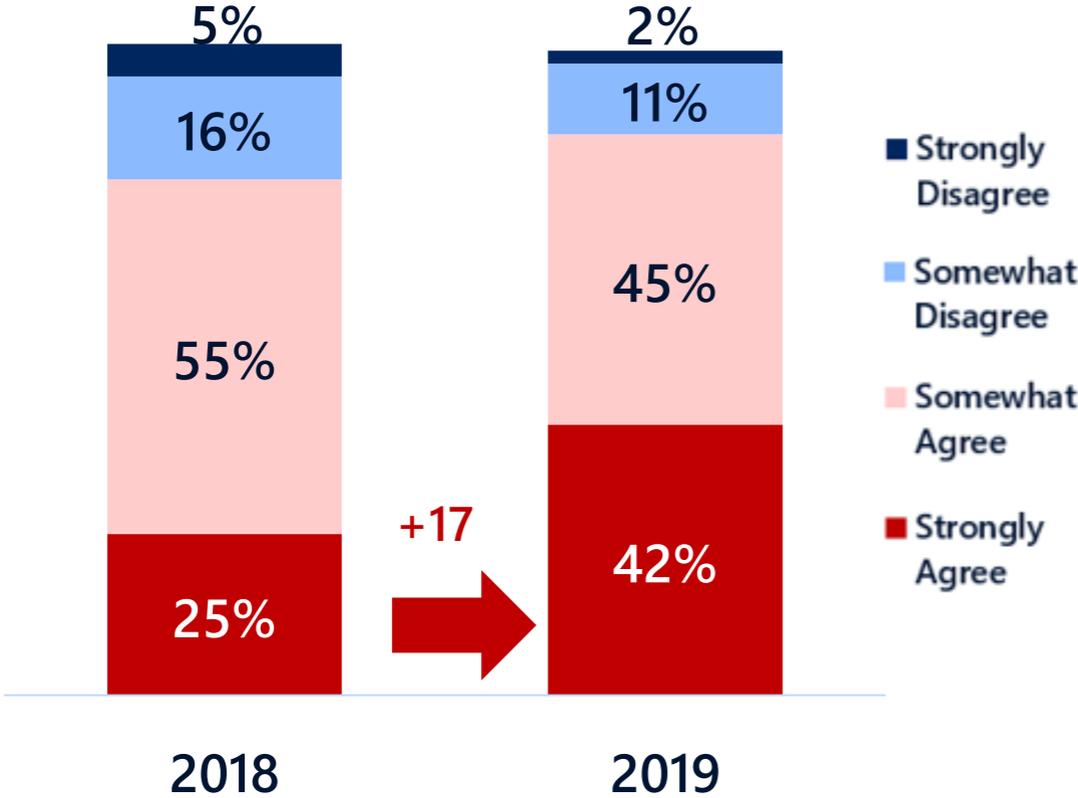
Do you believe the current administration in Washington will create **more regulatory restrictions** on drug pricing, will **roll back regulations** on drug pricing, or **will not take any actions** around drug pricing?

Given that drug pricing and pharmaceutical industry regulation will be major issues in the 2020 election, how would you compare the expected level of intensity to prior campaign seasons?

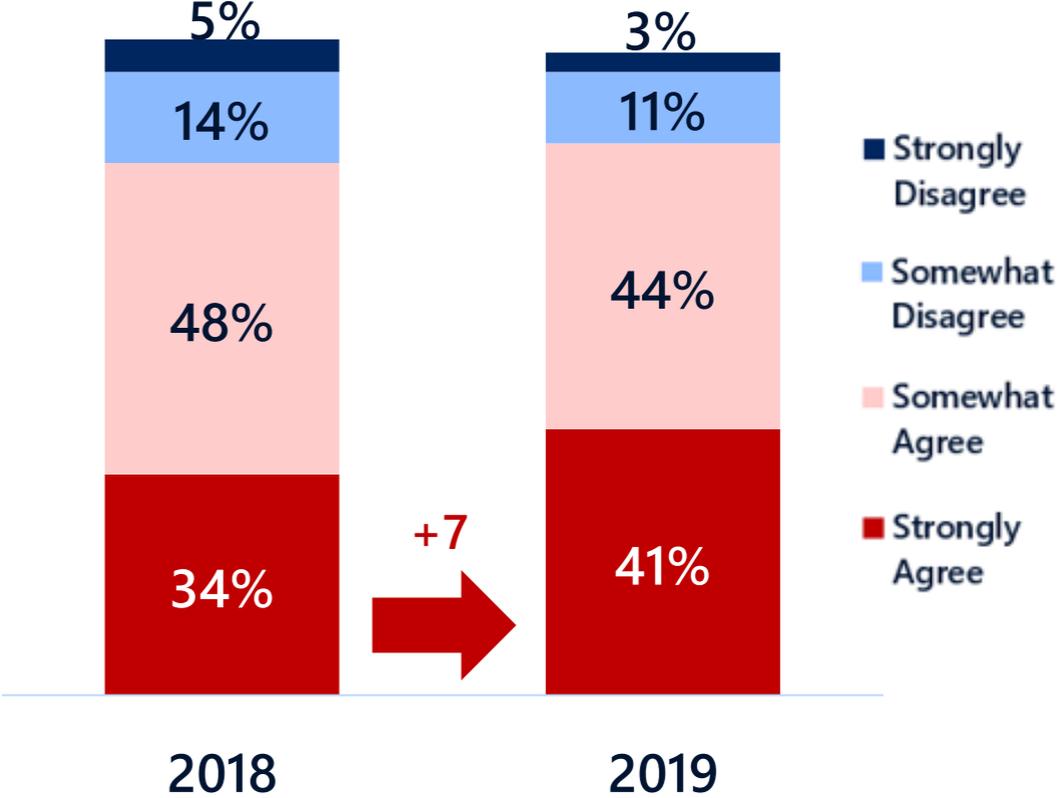


More investors this year believe that pharmaceutical companies will face harsh regulations unless they can better explain their pricing models

Unless companies in the pharmaceutical sector can better justify their drug pricing models, **the industry will face harsh regulations** that will harm innovation and profitability.



When a pharmaceutical company is being scrutinized over its drug pricing, it **makes me less likely to consider investing** in that company.



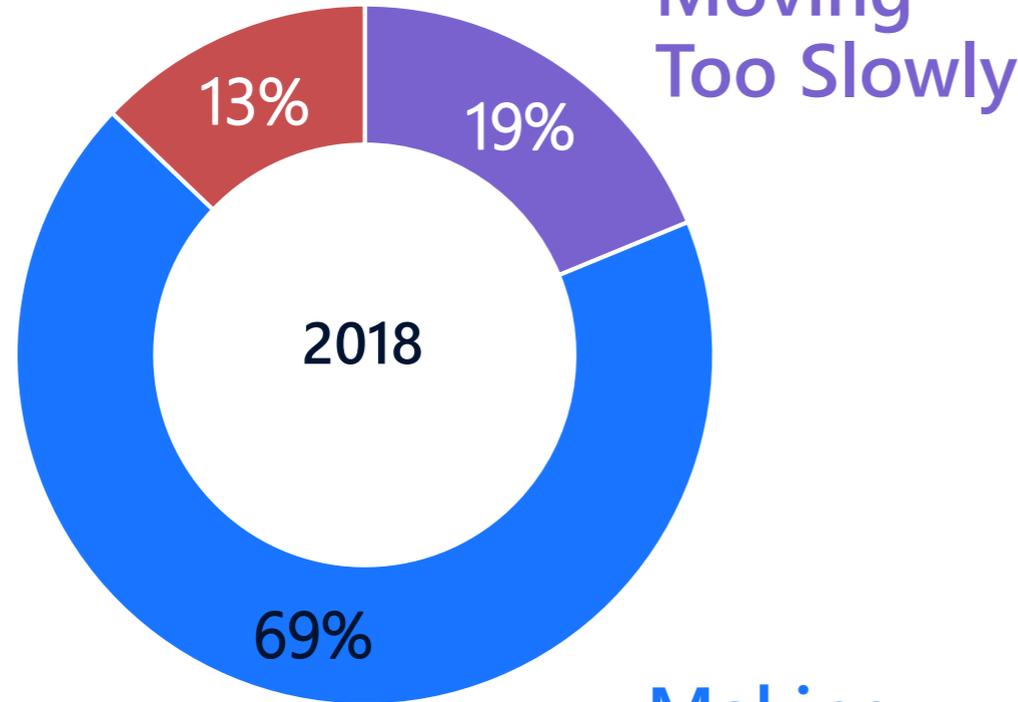
Innovation and Risk

The background features a dark blue field with two large, overlapping geometric shapes. A purple shape starts from the bottom left and extends towards the center. A cyan shape starts from the top right and extends towards the center, overlapping the purple shape. The text 'Innovation and Risk' is centered horizontally and partially overlaps the purple shape.

Investors are becoming more polarized, with a declining belief that healthcare is making encouraging advances

Innovation in healthcare is...

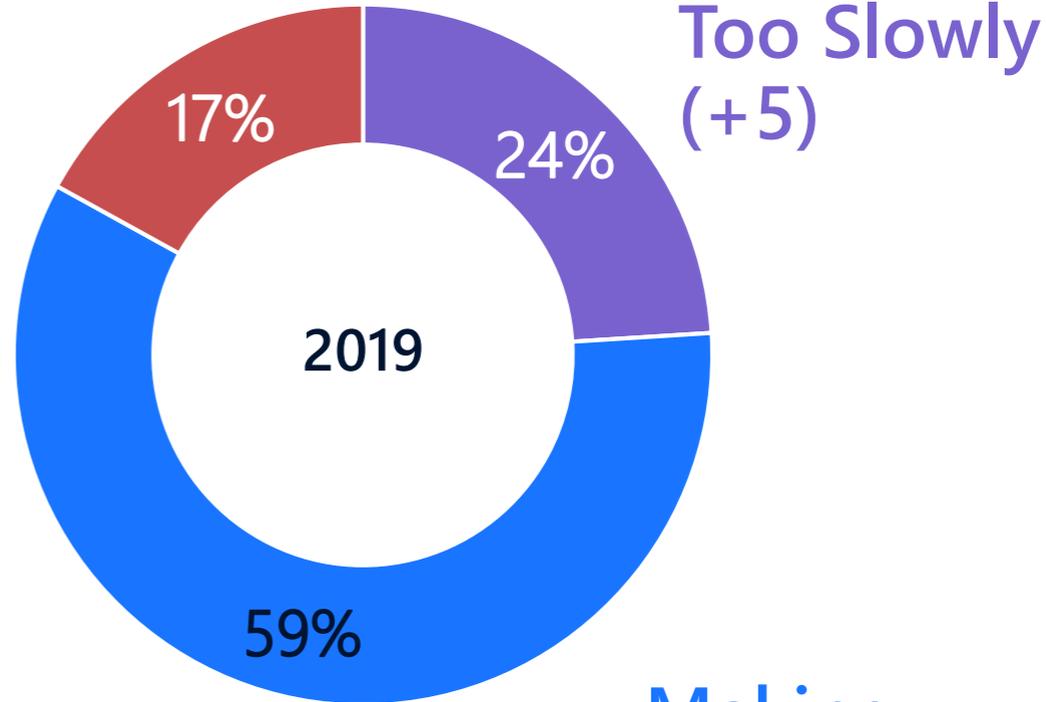
Innovating Too Fast



2018

Making Encouraging Advances

Innovating Too Fast (+4)



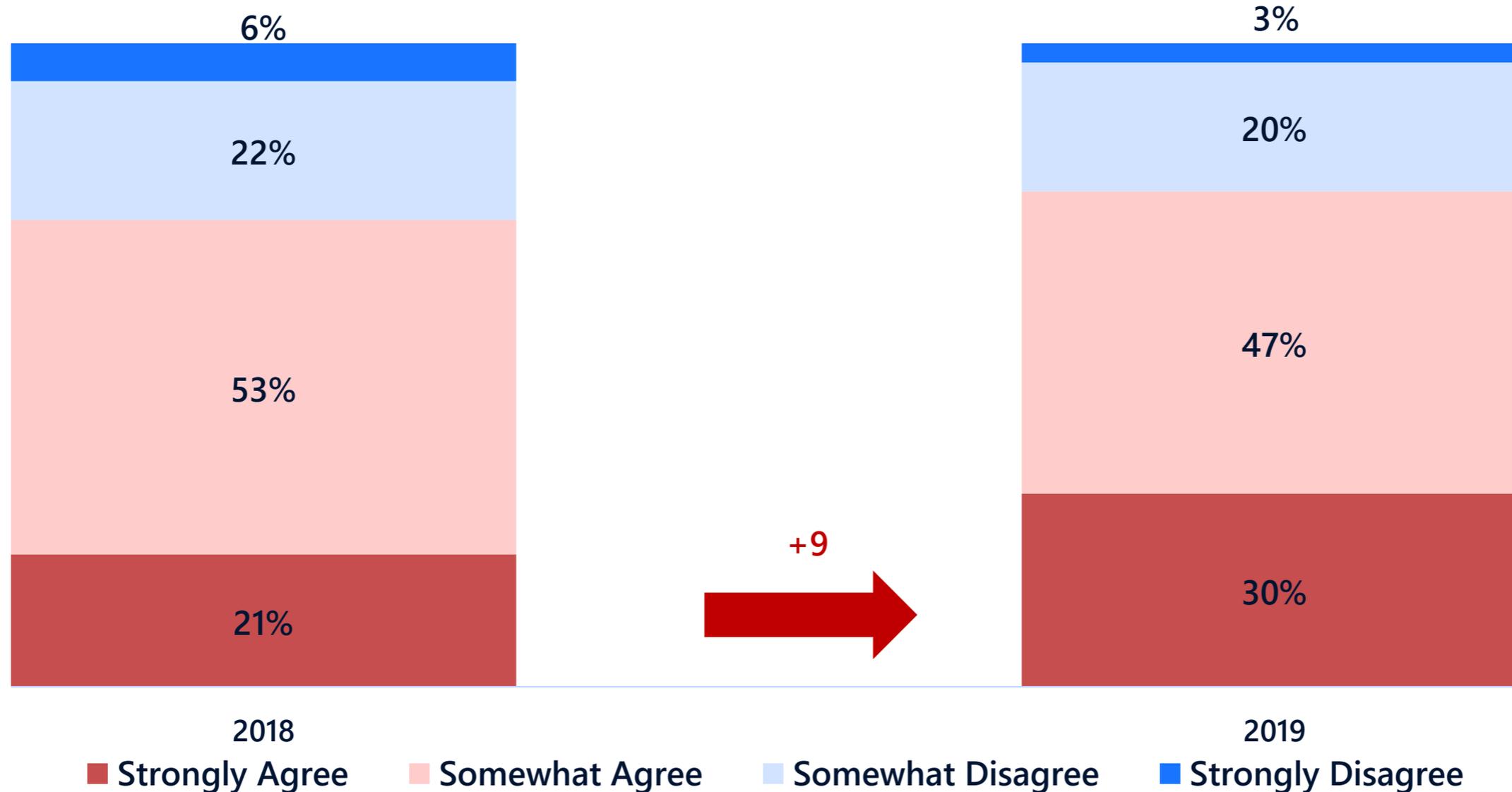
2019

Making Encouraging Advances (-10)

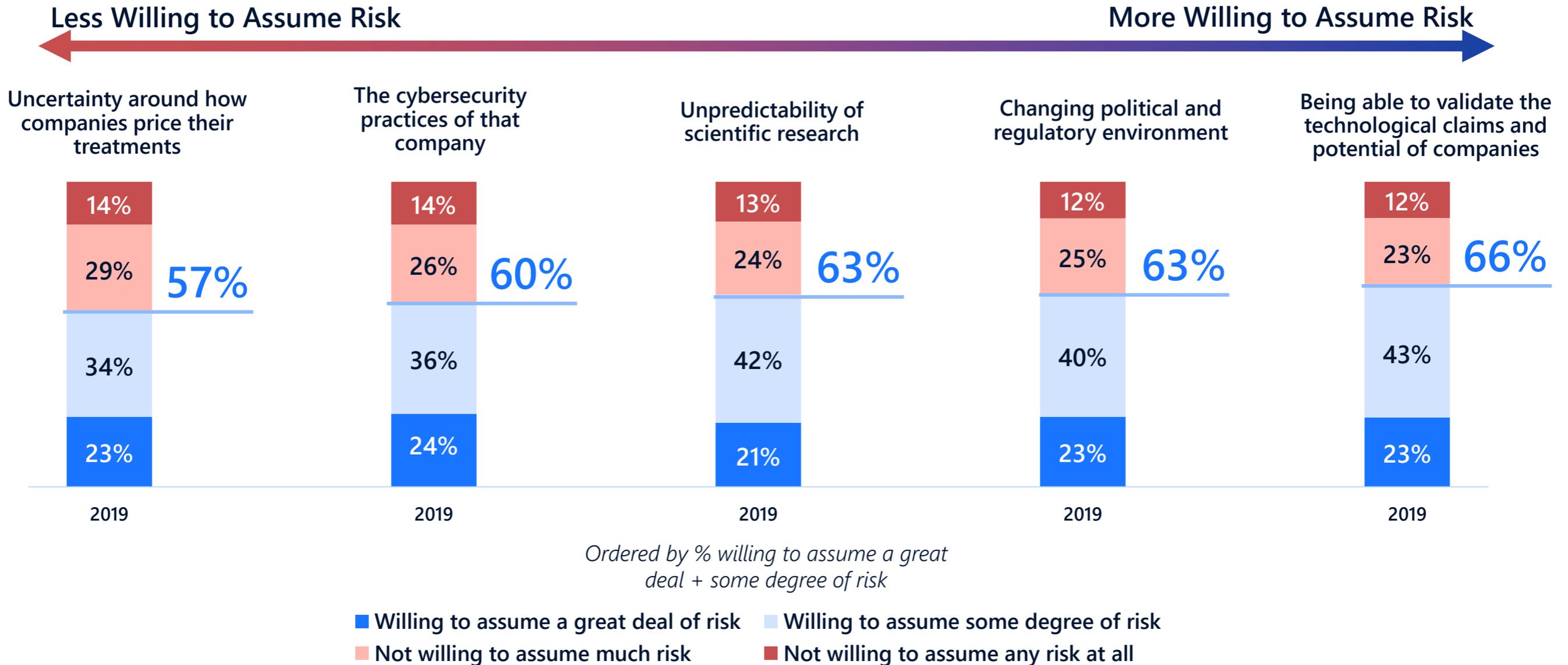
Which of the following statements comes closest to your view about the rate at which innovation is happening in the field of healthcare?

And, increasingly, retail investors feel that healthcare is lagging behind other industries on innovations

Currently, the healthcare industry is lagging behind companies in other industries when it comes to developing and marketing meaningful innovations.



Investors are least willing to take risks on uncertainty around treatment pricing and most willing to tolerate risk on validating technological claims



When thinking about your investments in the pharmaceutical or biotech fields, how much risk are you willing to take on when it comes to:



Implications

Implications

1 Retail investors believe the political environment is trending against the pharmaceutical industry

Retail investors express greater belief than last year that unless pharmaceutical companies can better justify their drug pricing models, the industry will face harsh regulation, which will harm innovation and profitability. This sentiment is likely driven by the perspective that the current administration will impose more regulatory restrictions on drug pricing and it will be a more central issue to the 2020 election than in previous elections.

2 Investors are becoming less satisfied with the speed of healthcare innovation

Investors express a decreased belief that healthcare is making encouraging advances, and an increase in those who both believe it is innovating too slowly and too fast. A vast majority also view the healthcare industry as lagging behind other industries in innovation.

3 Investors are deterred by risk associated with drug pricing

Investors report they are less likely to consider investing in a company when it is being scrutinized over drug pricing. Further, the type of risk they are least willing to tolerate, when investing in the pharmaceutical field, is uncertainty around how companies price their treatments.

One firm.
Globally.

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