

Weekly Wrap 24 March 2023 – Healthcare heroes continue to outperform the ASX

Thank you for joining me this Friday the 21st April, I'm Grady Wulff, a Market Analyst with Bell Direct and this is the weekly market update. The Healthcare sector has outperformed the broader market over the last 10 years, particularly during the pandemic and in the post-pandemic era.

Investor appetite continues to grow for the companies that strive to achieve solutions for the health and wellbeing of individuals diagnosed with a vast array of diseases and conditions. The sector is up 9.16% over the last 12-months.

It's not an easy or short journey for healthcare companies to generate a consistent revenue stream or even regulatory approval for the drugs and/or treatments they develop. For most, the process spans many years and requires a considerable amount of funding from hopeful individual investors and professional money managers. It starts with an asset either a drug or device that has been made in a laboratory for many years being chosen as the best fit for a particular purpose. Then, it enters a pre-clinical set of trials on cells then small animals, and if approved, will succeed through to the phase 1 trial for a small set of humans.

The process through the phase 1, 2 and 3 clinical trials is expensive, around US\$41,000 on average per patient by Phase 3, and requires endpoints to be met along with regulators such as the TGA or FDA, or others depending on the country, needing to approve each stage toward the final submission.

Should a drug or device make it through all phase trials, a New Drug Application or NDA is submitted to the regulatory body which is assessed for 10 months under normal submission, or 6-months if the company is granted fast track like we saw during the pandemic for vaccines, and then if approved, the company can begin the commercialisation process... which requires more money from investors.

For companies making headlines this week, those who bought in at the pre-clinical trial phase have believed in the journey and are reaping the rewards as commercialisation begins.

The two big names this week were Neuren (ASX:NEU) and Telix Pharmaceuticals (ASX:TLX).

Telix Pharmaceuticals (ASX:TLX) released record results on Monday for the company's first quarter cashflow statement and accompanying activities report. In just under 12-months since being granted commercialisation of its Illucix prostate cancer imaging agent, Telix reached the milestone of \$100.1 million in revenue over the first quarter, driven by increasing global sales of Illucix.

For Telix, Bell Potter is bullish on the company's progression across both the imaging and therapeutic drug space for varying types of cancer, namely, prostate cancer.

Neuren (ASX:NEU) is the other name that made headlines this week after the company's North American development and commercialisation partner, Acadia

Pharmaceuticals, officially launched a product called Daybue which treats Rett Syndrome in Adults and children aged 2 years and over. This launch triggered a US\$40m milestone payment to Neuren as Daybue is the commercial name for Neuren's Trofinetide drug, which is the first ever drug to receive FDA approval for the treatment of Rett Syndrome in the world. The company's share price is up 58% YTD.

Bell Potter is bullish on a number of other healthcare stocks, but for investors as a whole, given the uncertainty and high volatility in the market at present, healthcare is a sector worth looking at when making investment decisions in 2023, is a sector that has delivered some great results over the last 10-years.

Locally from Monday to Thursday, the key index was virtually unchanged, rising just 0.01% as a rally for Financial, REIT and consumer discretionary stocks was offset by the energy sector plunging over 2.8%. Energy stocks were rocked by falling commodity prices, especially gas dropping on news of a global oversupply of LNG, while oil prices dropped over 2% later in the week.

The winning stocks on the ASX200 over the week were led by Telix Pharmaceuticals (ASX:TLX) jumping over 26.6%, while Core Lithium (ASX:CXO) rose 7.1% and Insignia Financial (ASX:IFL) added 6.62% over the four-day period.

At the other end, Capricorn Metals (ASX:CMM) tumbled 12.15% amid weakness in the local gold sector.

While Regis Resources (ASX:RRL) fell 10.33% on weaker-than-expected production results and New Hope Corporation (ASX:NHC) dropped 10.17%.

Taking a look at the broader market, or the All Ords, EML Payments (ASX:EML) jumped almost 30% this week in some much-needed relief for the payments company on news the company's CEO is exiting and the previously announced strategy is being scrapped.

While AMA Group (ASX:AMA) tanked 34% on the back of releasing its quarterly update including downgrading its normalised EBITDA guidance.

The most traded stocks by Bell Direct clients from Monday to Thursday were NIB Holdings (ASX:NHF), Treasury Wine Estates (ASX:TWE), Santos (ASX:STO), Pointsbet Holdings (ASX:PBH), National Australia Bank (ASX:NAB), Metals X (ASX:MLX), Scentre Group (ASX:SCG) and Regis Healthcare (ASX:REG).

Clients also took profits from Fortescue Metals Group (ASX:FMG) and Pilbara Minerals (ASX:PLS).

And when it comes to diversification through ETF investing, the most traded ETFs by Bell Direct clients this week were iShares Core S&P/ASX200 ETF (ASX:IOZ), VanEck Australian Floating Rate ETF (ASX:FLOT), and BetaShares Australian Strong Bear Hedge Fund (ASX:BBOZ).

Looking at the week ahead, Australia's all-important inflation rate data for Q1 is released on Wednesday with economists' expecting a decline to 6.8% for the three months ended March 31, from 7.8% in Q4 which will imply inflation has peaked and the RBA's monetary tightening policy is having a strong impact on cooling economic growth.

Overseas, a number of European countries will also release GDP growth rate data for Q1 including France and Germany, with the forecast expecting a decline in inflation across these European regions.

The Bank of Japan's Interest rate decision is also out on Friday next week, with the forecast for Japan's central bank to maintain its -0.1% cash rate amid reports of the BoJ being cautious of raising it too soon.

And that's all for today. Have a wonderful Friday and weekend and as always, happy investing!

- Grady Wulff, Market Analyst