

Special Report:
Healthcare Institutional
Investors

*U.S., Canada & U.K.
Report*



Edelman Trust Barometer 2022

HEALTHCARE INSTITUTIONAL INVESTORS

Fieldwork conducted: **Nov 17 – Dec 6, 2021**



U.S.

225

respondents



UK

75

respondents/country



Canada

The margin of error for survey results, at the 95% Confidence Level:
3-Market Average: +/- 4.5%, United States, United Kingdom, Canada, +/- 7.8%

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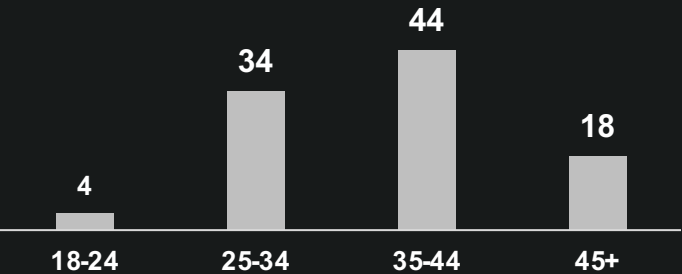
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INVESTOR PROFILE

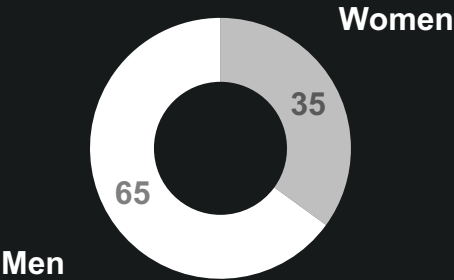
Primary investment style (%)

Growth	36
Value	19
Industry-specific	15
Hedge	10
Quantitative/Index	8
GARP	4
Activist	4

Age (%)



Gender (%)

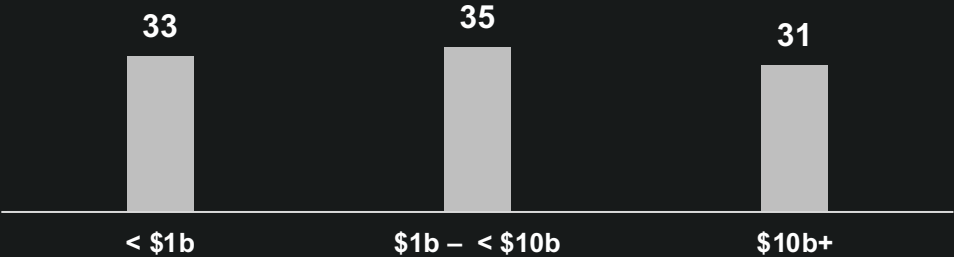


Job titles (%)



Organizations' assets under management (%)

In USD



2021 Edelman Special Report: Healthcare Institutional Investors
D2. What is the primary investment style for the funds you manage on behalf of your organization? // S1. What is your current age? // D4. What is your gender?
S12. Which of the following best describes your position or level within your company or organization? // S7. In your current job, approximately how much are your institution's investable assets?
Base: 3-Market Average n=225

HEALTHCARE INVESTOR INSIGHTS & EXPECTATIONS

1

Pandemic accelerates an increase in healthcare allocation

While organizations offering “frontline services” were most likely to benefit from increased investment in 2021, investors anticipate continued growth across sub-sectors, particularly in medical devices / equipment and pharmaceuticals.

2

Innovation is a top value driver

The pandemic has proven companies can innovate quickly. Adaptability and technological advancement are seen as top value drivers by investors in healthcare.

3

ESG expectations are high; continue to be an investor expectation

Investors expect healthcare companies to make a tangible, positive impact on society, and believe companies that do deserve premium valuation.

4

Healthcare companies seen as having poor communication

On average, investors use 5-6 sources to assess potential healthcare investments, citing most companies as unprepared to communicate effectively with investors.

5

Leadership & vision for future: critically important to trust

Both forward-thinking leadership and financial performance are critical in building trust when considering companies to invest in.*

**defined as strong leadership, a vision for the future, and willingness to take risks*

PANDEMIC
ACCELERATES
AN INCREASE
IN HEALTHCARE
ALLOCATION

SIGNIFICANT INCREASE IN HEALTHCARE ALLOCATION THROUGHOUT 2021

Percent of investors who say

I have **increased my allocation in healthcare** in 2021

 **U.S.**

 **UK**

 **Canada**

3-mkt average

78%

47 **Somewhat increased**

31 **Significantly increased**

85

33

52

75

36

39

73

24

49

PANDEMIC SPOTLIGHTS IMPORTANCE OF FRONTLINE SERVICES

Percent of investors who are currently invested in each sector

	3-mkt average	Percent of investors who increased their allocation in each in the past 12 months
Medical devices / healthcare equipment & supplies	68	47
Pharmaceutical / specialty pharmaceutical	62	45
Health & hospital systems / healthcare services	57	40
Digital / health tech / healthcare IT	56	36
Health & wellness	52	32
Biotech	49	35
Life science tools & services / Labs & CROs	46	25

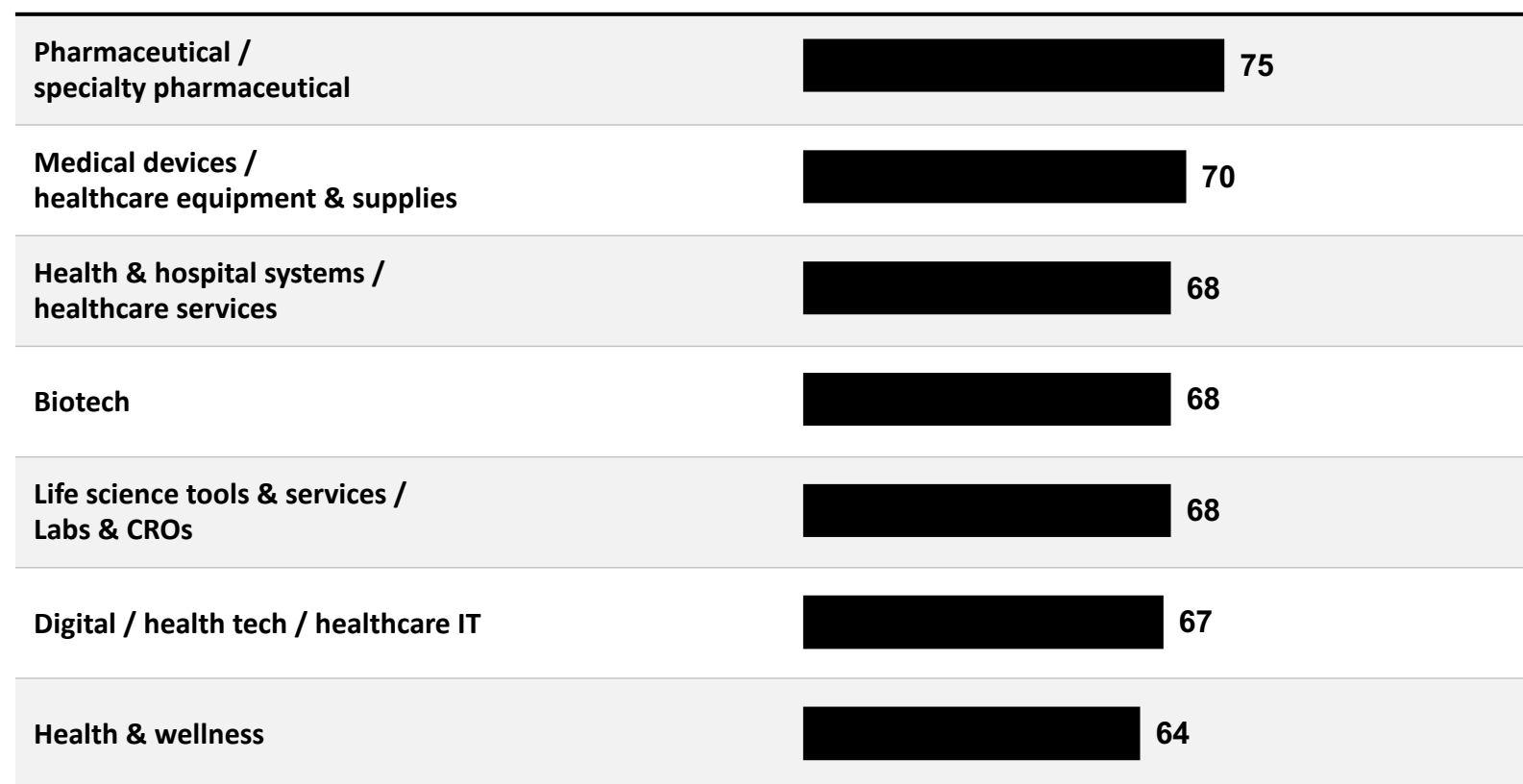
Allocation to frontline services increased the most in the past year.

2021 Special Report: Healthcare Institutional Investors: S8A: You indicated your firm is currently invested in healthcare. Which of the following healthcare subsectors is your firm currently invested in? Multi-choice. Base: 3 Market Average n=225 // **Q6:** How has your investment allocation changed, if at all, for each of the following healthcare subsectors over the past 12 months? Shown T2B; Increased Investment Base: Those who are invested in each sub-sector (min 104 to max 154), 3 Market Average

INVESTMENT IN HEALTHCARE SECTOR BECOMES MORE ATTRACTIVE SINCE PANDEMIC

Percent of investors who say the COVID-19 pandemic **has increased the attractiveness** of investing in each sector

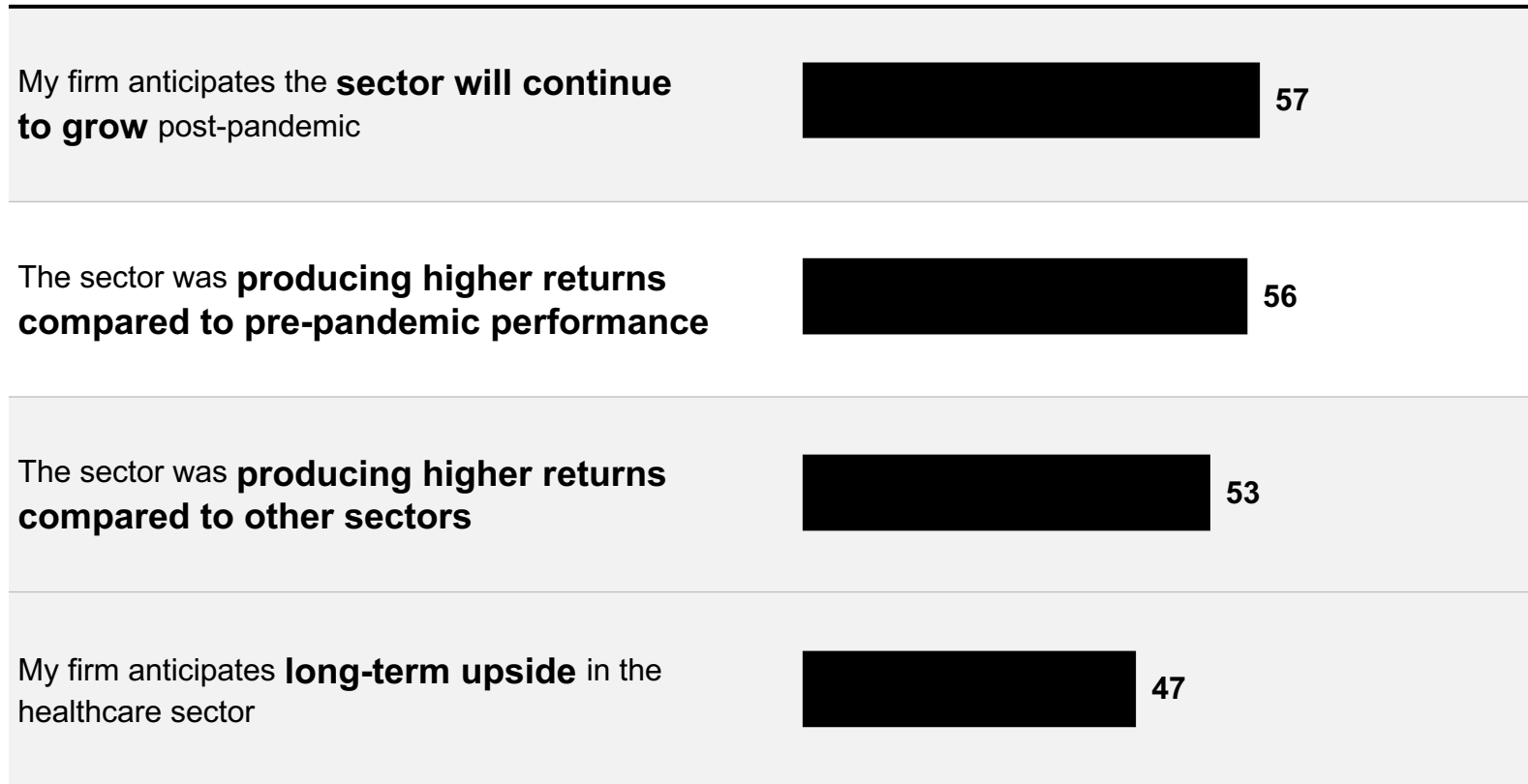
3-mkt average



ANTICIPATION OF CONTINUED GROWTH DRIVES INVESTMENT IN HEALTHCARE

Percent of investors who say the following has driven their increased investment in healthcare over the past 12 months

3-mkt average



MAJORITY AGREE PANDEMIC HIGHLIGHTED VALUE OF HEALTHCARE INVESTMENTS

Percent of investors who agree

The COVID-19 pandemic has **highlighted the value of healthcare investments** in the long-term

3-mkt average

87%

 U.S.

88

 UK

91

 Canada

81

**INNOVATION IS A TOP
VALUE DRIVER**

INDUSTRY RESPONSE TO COVID-19 CRISIS PROVES SECTOR HAS POTENTIAL TO INNOVATE AT SPEED

Percent of investors who
agree
3-mkt average

87%

2021 Special Report: Healthcare Institutional Investors: Q7:
To what extent do you agree or disagree with the following
statements regarding investing in healthcare? Shown NET Agree
=T3B Agree Base: 3-Market Global Average n=225; United
States n=75, United Kingdom n=75, Canada n=75

The COVID-19 pandemic has proven that...

Healthcare companies **are able to innovate faster
than they have done historically**



U.S.



UK



Canada

88

87

87

MAJORITY BELIEVE COVID-19 VARIANTS WILL CONTINUE TO DRIVE DIGITAL TRANSFORMATION

Percent of investors who
agree

3-mkt average

82%

2021 Special Report: Healthcare Institutional Investors: Q7:
To what extent do you agree or disagree with the following
statements regarding investing in healthcare? Shown NET Agree
=T3B Agree Base: 3-Market Global Average n=225; ; United
States n=75, United Kingdom n=75, Canada n=75

The COVID-19 virus and its variants will **continue to accelerate the digital transformation** in the healthcare industry for as long as it remains endemic



U.S.



UK



Canada

85

77

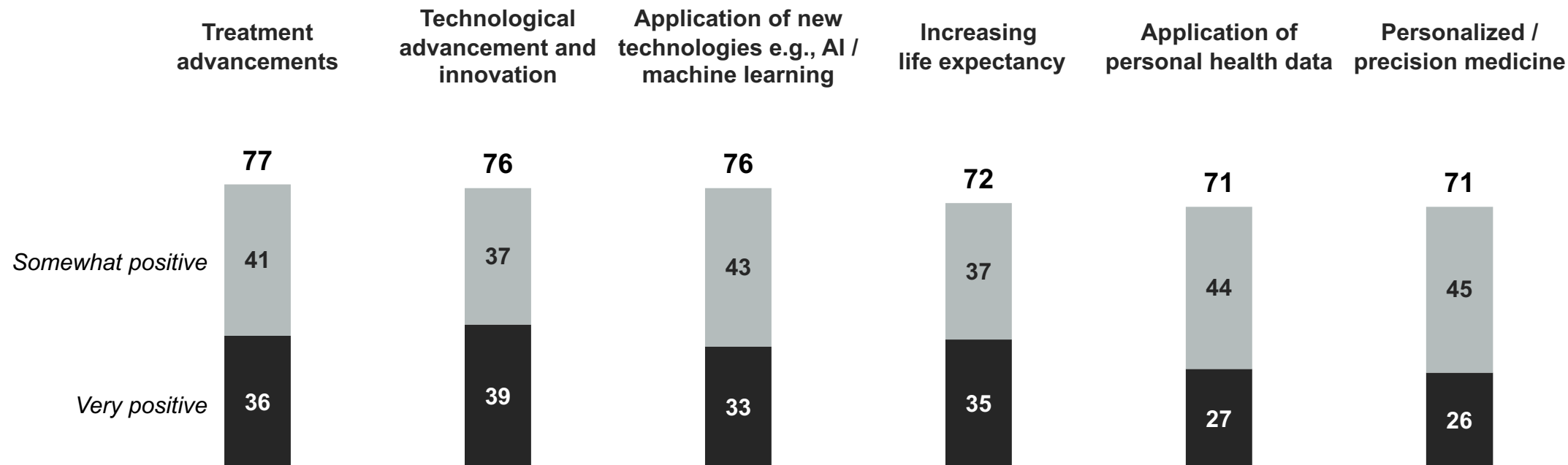
85

KEY DRIVERS OF FINANCIAL OUTLOOK: ADVANCEMENTS IN TREATMENT, TECH, ARTIFICIAL INTELLIGENCE/ MACHINE LEARNING

Percent of investors who say

The following will have a **positive impact** on the financial outlook of the healthcare industry over the next 12 months

3-mkt average



ESG EXPECTATIONS
ARE HIGH;
CONTINUE TO BE AN
INVESTOR
EXPECTATION

ESG MANDATES CRITICAL TO HEALTHCARE INVESTMENTS

Percent of investors who agree

My firm will not invest in healthcare companies **without sufficient ESG mandates**

 **U.S.**

 **UK**

 **Canada**

3-mkt average

73%

65

79

76

ESG PERFORMANCE KEY INDICATOR OF PREMIUM VALUATION, BETTER RETURNS, AND RESILIENCE

Percent of investors who agree

A healthcare company with strong ESG performance **deserves a premium valuation** to its share price

3-mkt average

81%

Healthcare companies that prioritize ESG represent **better opportunities for long-term returns** than healthcare companies that do not

3-mkt average

79%

A healthcare company with strong ESG performance is **more resilient in a crisis**

3-mkt average

76%

HIGH INVESTOR EXPECTATIONS FOR HEALTHCARE COMPANIES TO BE PURPOSE-DRIVEN

Percent of investors who agree

I must trust that a healthcare company is **taking proactive action to have a positive impact on society** before making or recommending an investment

3-mkt average

84%

I must trust that a healthcare company is **proactively prioritizing ESG practices** before making or recommending an investment

3-mkt average

82%

MAJORITY OF INVESTORS ENGAGE IN IMPACT INVESTING IN HEALTHCARE

Percent of investors who say

My firm is **currently engaged in impact investing** in healthcare

 U.S.

 UK

 Canada

3-mkt average

73%

76

76

68

HEALTHCARE
COMPANIES SEEN
AS HAVING POOR
COMMUNICATION
WITH INVESTORS

HEALTHCARE COMPANIES SEEN AS HAVING POOR COMMUNICATIONS

Percent of investors who agree

Healthcare companies have historically communicated poorly with investors in general

3-mkt average

68%

 U.S.

71

 UK

68

 Canada

67

HEALTHCARE COMPANIES UNPREPARED FOR EFFECTIVE COMMUNICATION

Percent of investors who
agree

3-mkt average

61%

2021 Special Report: Healthcare Institutional Investors: Q24.
Please indicate the extent to which you agree or disagree with
the following statements regarding the information you use to
decide on investments in healthcare. Shown NET Agree T3B;
Base: 3-market average n=225 ; United States n=75, United
Kingdom n=75, Canada n=75

Most healthcare companies **are unprepared to
communicate effectively** with investors



U.S.



UK



Canada

64



52



68



HEALTHCARE COMPANIES SHOULD COMMUNICATE CLEARLY & CONSISTENTLY ACROSS MULTIPLE CHANNELS

Percent of investors who use each source to assess investments

Investors use **5-6 sources on average** to assess potential healthcare investments.

The company's website	48
Investment portfolio	44
PDF ESG Report	37
The company's Investor Relations website	37
Financial filings (10-K, proxy)	35
Investment pipeline	35
Report Summary/Fact Sheet	33
ESG Microsite	31
Communications from the C-Suite (e.g., presentations)	31
Investor days and/or conference presentations	29
Digital Web Report	29
The company's LinkedIn page	29

2021 Special Report: Healthcare Institutional Investors. Q25.
Which of the following sources, if any, do you use to source information regarding you or your firm's healthcare investments?
Multichoice. Base: 3 Market Average: n=225

PERFORMANCE INFORMATION CRITICAL TO HEALTHCARE INVESTMENTS

Percent of investors who
agree

3-mkt average

78%

2021 Special Report: Healthcare Institutional Investors: Q24.
Please indicate the extent to which you agree or disagree with
the following statements regarding the information you use to
decide on investments in healthcare. Shown NET Agree T3B;
Base: 3-market average n=225; United States n=75, United
Kingdom n=75, Canada n=75

My firm **will not invest in companies** that do not
provide sufficient operational and/or performance information



U.S.



UK



Canada

72



79



83



LEADERSHIP & VISION
FOR FUTURE:
CRITICALLY
IMPORTANT
TO TRUST

VISION AND LEADERSHIP ARE A CLOSE SECOND TO FINANCIAL PERFORMANCE WHEN BUILDING TRUST IN A HEALTHCARE COMPANY

Percent of investors who say

Categories that are most **important to building trust** in a healthcare company I am considering investing in:



2021 Special Report: Healthcare Institutional Investors: Q12.
And which are most important to building your trust in a company of interest? Shown- at least one factor ranked Top 1/2/3. Base: 3
Market Average n=225

TRUST IN COMPANY CEO CRUCIAL TO INVESTMENT DECISIONS

Percent of investors who
agree

3-mkt average

87%

2021 Special Report: Healthcare Institutional Investors: Q10:
Thinking specifically about your firm's investments in healthcare,
please indicate the extent to which you agree or disagree with
the following statements regarding trust. Shown NET Agree;
T3B. Base: 3-Market Average n=225; United States n=75, United
Kingdom n=75, Canada n=75

I must trust a healthcare company's CEO
before making or recommending an investment



U.S.



UK



Canada

85

87

88

TRUST IN COMPANY BOARD OF DIRECTORS CRUCIAL TO INVESTMENT DECISIONS

Percent of investors who
agree

3-mkt average

82%

2021 Special Report: Healthcare Institutional Investors: Q10:
Thinking specifically about your firm's investments in healthcare,
please indicate the extent to which you agree or disagree with
the following statements regarding trust. Shown NET Agree; T3B
Base: 3-Market Average n=225; United States n=75, United
Kingdom n=75, Canada n=75

**I must trust a healthcare company's Board of
Directors** before making or recommending an investment



U.S.



UK



Canada

81



79



85



RECOMMENDED ACTIONS

RECOMMENDED ACTIONS FOR BUILDING AND MAINTAINING TRUST WITH HEALTHCARE INVESTORS

1

Highlight stability of company within healthcare industry as we enter recession

Emphasize performance, growth trajectory and industry impact since COVID-19 pandemic

Communicate catalysts and milestones that drive continued progress

2

Examine & showcase impact of innovation strategy, especially around technology

Clear and consistent articulation of strategies around treatment advancements, tech innovation, AI, and ML with the impacts to business bottom line are important to normal course communications as well as for reinforcement through thought leadership

3

Prioritize the ESG mandate as a core element of investor communications

Ensure strong positioning of and updates on ESG program, including impact

Recognize the import of consistent ESG reporting

4

Deploy clear, consistent IR collateral & leverage a multi-channel communications strategy to educate investors

Ensure IR materials and website are user-friendly, educate, and drive conviction in the investment thesis

Leverage a multi-channel communications strategy for communicating both normal course and transformative events

5

Showcase corporate vision, performance, and strong leadership, as well as strategic hiring decisions, to build trust and encourage investment

Highlight leadership through earnings and operational updates, leverage C-suite and Board appointments, and showcase execution of strategy across communications.