

SUSTAINABLE MEGATRENDS: INVESTING IN HEALTH AND WELL-BEING

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Key takeaways

- Covid-19 has amplified structural public health issues and the ongoing need for advancing health and well-being.
- Companies focused on solving sustainability problems related to infectious diseases, poor nutrition, and inconsistent personal hygiene through the products they sell may be poised to benefit.
- Fixed income investors can pursue long-term alpha by investing alongside the health and well-being sustainability shift.



Sustainability challenges surround us. From climate change risk to public health crises, the global economy is being tested by numerous sustainability issues. As the urgency and severity of these sustainability concerns become increasingly pressing, and consumers and policymakers demand change, many companies are innovating solutions and incrementally adopting more sustainable practices. These sustainability megatrends are expected to reshape entire industries and sectors, presenting opportunities for investors.

In this series, we explore the megatrends underpinning the secular sustainability shift with a focus on five key sustainability pillars: climate change, eco solutions, resource efficiency, health and well-being, and sustainable growth. As the world grapples with the Covid-19 pandemic, we start our series discussing health and well-being.

A health and well-being crisis

Public health challenges have been around for centuries. From combating epidemics and non-communicable diseases to preventing substance abuse, improving healthcare access, and developing vaccines, the world continues to grapple with a plethora of health-related issues. While significant strides have been made to increase life expectancy, reduce child mortality rates, expand immunization coverage, and combat diseases, many challenges remain. These problems are further exacerbated by inequalities and disparities across countries with the poorest most at-risk.

The Covid-19 pandemic and social movements aimed at reducing inequalities have brought public health to the forefront of concern for consumers, businesses and policymakers more so today than in the past. The pandemic has exposed structural issues in certain health systems

and the critical need for broad access to quality healthcare services, affordable medicines and vaccines. Covid-19 underscores the need to allocate capital to companies working to solve the most pressing health challenges. Investors can align portfolios to potentially benefit from growing demand for quality, affordable healthcare services and products, while simultaneously supporting efforts to help enhance quality of life and build a more sustainable society for future generations.

Sustainability challenges by the numbers

1.2 million	Worldwide deaths attributed to Covid-19 ¹
5+ million	Children die before their fifth birthday each year. ²
50%+	At least half of the world's population does not have access to essential health services. ³
\$7 trillion	The cost non-communicable diseases could impose on developing countries over the next 15 years. ²
11 million	The number of deaths that could be prevented annually by adopting a planetary diet focused on high-quality plant-based foods. ⁴
2-8% of GDP	The cost of obesity in direct health care costs and lost productivity represents 2–8% of global GDP, roughly the equivalent of smoking or armed violence and war. ³

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Defining sustainability: Health and well-being

Health and well-being issues span a wide range of important topics. For purposes of identifying investable segments within fixed income, we will focus on healthcare, nutrition, hygiene and access to educational services.

Sustainability defined: Health and well-being

Enhancing human well-being through better high quality, affordable health care, nutrition, hygiene and access to educational services.

Within the health and well-being sustainability pillar, we've identified four key segments in which we can align portfolios with ongoing shifts in the economy and simultaneously effectuate change by investing in fixed income issuers or securities aligned with these themes.

- **Nutritious, sufficient food:** Evidence continues to mount that ultra-processed, sugar-saturated foods that have dominated grocery store shelves for decades are harmful to humans' health. Consumers are moving away from processed and saturated foods and are demanding healthier options and more of essential, sustainably grown foods like vegetables, fruit, nuts, meat and fish.
- **Personal hygiene:** The reduction of human illness over the last 50-100 years can be attributed to improvements in healthcare, food, and water quality, but also to personal hygiene. As evidenced by Covid-19, our susceptibility to disease has not gone away, even in the developed world. Therefore, it is important to maintain high levels of hygiene. Minimizing disease exposure to all people but especially

to infants, the elderly and people suffering from chronic illnesses that suppress their immune systems is crucially important to save lives. We expect both consumers and hygiene producers realize this in the wake of the Covid-19 pandemic, suggesting demand for personal hygiene products will only grow.

- **Medicines and vaccines:** Only five billion people have access to medicine⁵, indicating the world has a long way to go to improve access to medicine. This is clearly an inequality problem as the world's poorest populations lack access. Affordability remains fundamental to improving access for the two billion people who do not benefit from modern science and medicine. On the vaccine side, for example, only 30% of women in the world have access to human papilloma virus (HPV) vaccine. According to WHO, global vaccination rates in the most common childhood diseases have stalled and remain far from the estimated 95% needed to prevent outbreaks.

Within these segments, we look for companies with significant product portfolios that focus on solving problems of nutrition, personal hygiene, medicine and vaccines. For example, in healthcare, sustainable leaders exhibit significant exposure to medicine and vaccines at a reasonable cost to improve global access to essential medicines. Leaders tend to have an existing foothold in this market with significant market share, while sustainable improvers have smaller exposure to these solutions with strong growth profiles for the next five to ten years.

Investable sectors and examples

Theme	Investable Sectors	Investment Examples
Nutritious, sufficient food	-Food and beverage -Agriculture -Consumer products -Grocers	A vertically integrated global produce company focused on sustainable agricultural products. Emphasis on fresh fruit with most of the business exposed to various fruit markets.
Health & wellness	-Consumer discretionary	A US-based fitness club chain that provides low-cost memberships. By providing gym memberships at a fraction of the price and promoting an all-inclusive environment, they have opened the market to the masses.
Personal hygiene	-Consumer products	A global leader in hygiene and sanitation products. Manufactures a diverse set of consumer healthcare products across the world with exposure to 180 countries.
Medicines and vaccines	-Pharmaceuticals	A biotech and pharmaceutical company with a strong product portfolio of medicine for non-communicable diseases. Manufactures 50% of the medicines listed on the World Health Organization's list of essential medicines.

Summary

Health and well-being challenges abound globally, highlighting the need for solutions to solve sustainability issues related to nutrition, personal hygiene, medicine and vaccines. Companies may be positioned to benefit as they address these problems through the products and services they sell. Asset managers can help advance change and enhance human well-being by engaging with companies, either bi-laterally or collaboratively, to encourage better healthcare, nutrition, hygiene and access to educational services. For fixed income investors, this broader shift toward solving health and well-being challenges presents opportunities to pursue long-term alpha by investing sustainably.

¹Bloomberg News & Johns Hopkins University. Data pulled from Bloomberg terminal on 11/2/2020.

²World Health Organization & United Nations. 2018. <https://www.who.int/ncds/governance/third-un-meeting/brochure.pdf>

³United Nations. 2017. https://www.un.org/sustainabledevelopment/wp-content/uploads/2017/03/ENGLISH_Why_it_Matters_Goal_3_Health.pdf.

⁴UN Global Compact. 2019. https://www.unglobalcompact.org/docs/publications/2019_HealthReport_Web.pdf

⁵Access to Medicine Foundation. 2020. <https://accesstomedicinefoundation.org/>

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