SPECTRUM®

MOTIVE INVESTING:

How to make sustainable healthcare investments

With Motive Investing, you don't invest your money into just any block of shares or assets but use your capital to promote specific areas that you deem particularly important. **Sascha Georg Ernst, Division Manager of Sales Management** at 1822direkt, explains how to make investing a matter dear to your heart – while also making it safer, profitable and impact-oriented.

What is Motive Investing?

Regardless of whether you're investing for the first time or you're already an experienced investor – picking the right investments can be a challenge. In order to enable you to select from investments in specific subject areas (motives) in a targeted manner, stock market experts observe market events, analyse current trends and evaluate this information. They create a portfolio of dedicated investments from which you can choose those that match your investment motive. You can invest in shares, ETFs or funds from your favourite industry.

Environment, technology, trends or social issues: the areas of Motive Investment can cover different interests. As a particularly exciting investment area, healthcare is becoming more and more popular.

Why invest in the healthcare industry?

"Health is the most valuable human possession", as the old saying goes. Prosperity, education and better health systems have led to increasing life expectancy. At the same time, the prevalence of diseases of civilisation (often referred to as lifestyle diseases) is increasing. The healthcare system is facing a major challenge: because we are living for longer, there are more chronically ill people and people in need of care, too. Our modern lifestyle contributes to the development of diseases of civilisation such as obesity, diabetes or mental illnesses such as depression.

Science responds to the increasing number of diseases with medical innovations. Constant technical progress ensures a solid growth market in many areas of the healthcare industry. Successes are being achieved in terms of prevention, treatment methods and medical technology.

Biotechnology enables new treatment methods

Biotech is one example. This is a science which combines findings and methods from biology and technology. It sounds like science fiction, but it has long been part of everyday life in many areas of medicine. Be it the precision work of robots in operating theatres or new AI tools in cancer research that recognise cancer structures in the tissue and can use the information obtained to select a tailor-made therapy.

Healthcare trends: preventing diseases, living healthily

Diet, exercise, lifestyle – younger people in particular put their health first and are willing to invest money to maintain a healthy body and mind. More and more products and services in almost all areas of life are aimed at the health-oriented Millennials and Generation Z. While superfoods and vegan food alternatives are turning the food industry upside down, wellness and active vacations are booming in tourism. Gym memberships and home fitness equipment are also in demand like never before. Health optimisation is also supported by advancing digitisation in the medical sector (e-health/medicine 2.0). Fitness trackers count every step, every heartbeat and the calories burned in order to achieve ideal health with the help of intelligent software. And if you still have an unanswered question, many doctors are now available to help in an online consultation if you wish. All of these trends create opportunities for investment and growth.

Covid-19 as a driver of growth

BioNTech, Novavax, Moderna, AstraZeneca and Johnson & Johnson; for a long time, the names of the major vaccine manufacturers were only known to industry insiders. Through the Covid-19 pandemic, these companies have become household names. The Covid-19 pandemic has significantly spurred interest in medical advances. Above all, mRNA technology has come into focus and has helped mRNA vaccines to achieve a breakthrough. This will probably soon pay off in other areas as well: the technology was originally developed to treat cancer. Research is making great progress here, which fuels the hope that new vaccines can also be used in this area in the near future.

New products and treatments

While pharmaceutical producers benefitted most recently through the sale of vaccines, there has been an increased overall interest throughout healthcare topics, positively affecting the industry for some time. Irrespective of Covid-19, healthcare spending has been increasing for years. Whether for the treatment of allergies, diabetes or high blood pressure – new drugs and methods enable increasingly comprehensive treatment of many widespread diseases. In the future, it will also be possible to prevent or cure diseases for which there were no good treatment options for a long time. The HIV virus is a good example. While the disease was considered extremely difficult to treat for decades, infected people can now lead a long and healthy life with the help of 1 to 2 pills a day.

The ageing of society and advances in medical technology make the healthcare system an interesting investment for the future. The healthcare motive offers many exciting investment options. You can get started with a small investment – another advantage of motive investing.

The healthcare industry is booming and will probably also benefit from structural growth drivers in the future. The fundamental advantages of investing in the health motive are therefore obvious.

Equities, ETFs and funds – differences, opportunities and risks

Whether pharmaceutical stocks, ETFs for medical technology or biotechnology funds: if you want to invest your capital in the healthcare industry, you have various options. The available investment options differ in important ways in how they can help you to achieve your investment goals as effectively as possible.

Investing in healthcare with pharmaceutical stocks

When you buy a share, you become a co-owner of a company. If the company develops successfully, the value of a share increases. In some cases, additional dividends are paid out to shareholders annually or quarterly. However, stocks also have the risk of fluctuating sharply and, depending on the development, of slipping in price – in the worst case this can lead to total loss of the capital invested.

Healthcare ETF: healthcare exchange traded funds

An Exchange Traded Fund (ETF) is a mutual fund that trades on the stock exchange and invests in a broader market. It replicates an index 1:1 (e.g., German stock index DAX 40 or bond index REX) and is not actively managed. Each index has a precise definition of which securities may be included. Both the fund's performance and the securities included are transparent to the buyer at any time.

Advantages of ETFs

The running costs of an ETF are lower compared to a fund actively managed by a portfolio manager. Thus, a larger part of the investment flows into performance. In addition, an ETF develops exactly like the associated index: as a rule, a moderate return can be achieved in the long term. The broad spread of risk makes ETFs interesting for smaller portfolios, too.

There is no risk in the event of insolvency of the ETF provider: Since ETFs are part of the separate assets, the investment is protected.

Disadvantages of ETFs

ETFs can be affected by price fluctuations - they can only be as successful as the indices they cover.

Healthcare funds

A fund allows you to put your money into different types of assets. For example, into stocks, commodities or bonds. Fund managers invest in many different securities at the same time within a dedicated framework. Fund managers track companies which are supposed to have the highest increase in value in the future and try to avoid stocks which they expect to incur a loss.

Advantages of funds

A fund aims to outperform the market and thus to achieve an above-average return.

There is no risk of insolvency of the investment company. Since funds – like ETFs – are also part of the separate assets, the investment is protected.

Disadvantages of funds

Funds are also affected by price fluctuations and have higher management costs than ETFs due to them being actively managed.

Impact investing: is healthcare a sustainable investment?

Impact investing goes one step beyond motive investing. Not only can you invest your money based on your personal interests and with the goal of a high return, you can support good causes at the same time. Impact investing focuses on sustainable investments that have a positive impact on the environment or society.

What is impact investing?

Impact investing measures the success of an investment not only in terms of financial performance, but also in terms of its impact. Impact investing should ideally reflect impact in a direct, intentional and measurable way. Environmental, social and governance (ESG) factors are the three main criteria for classifying the sustainability and ethics of an investment or a company. More and more companies are publishing their ESG reports, creating more transparency for investors.

Information such as the ecological footprint, the amount of recycled waste or the number of new jobs created should make the rating understandable for the investor. However, there is currently no binding standard that can be used to compare the values of different companies.

Every company affects the environment and society as a whole. Hence, the number of people who want to invest money sustainably is growing constantly. By increasingly putting their money into an Impact Investing ETF or impact investing fund, investors are helping to reduce the economy's environmental and social footprint.

There are also companies in the healthcare sector that enable impact investment. These predominantly include companies that offer products and services that aim to improve people's quality of life and health in a social or ecological way.

Investing sustainably

The impact of an investment can become obvious in improvements in the healthcare industry: if you invest your money in sustainable funds in the medical industry, you can indirectly help doctors spend more time with individual patients and their treatment, for example. This improves the chances of recovery and increases patient satisfaction. However, a sustainable investment can also be made in individual projects: for example, through shares that fund the construction of nursing homes or the modernisation of rehabilitation centres.

Investing in the future with healthcare

The healthcare industry is booming. There is no guarantee that positive developments will continue, however, increasing life expectancy, the growth of diseases of civilisation and a new health awareness indicate that the industry could continue to ensure a solid growth market in the future. With the healthcare motive, you can choose from a variety of exciting stocks, ETFs and funds. In addition, by considering impact-oriented investments, you can not only generate a return, but also contribute to a better society.

With 1822direkt's securities account, you can trade securities conveniently and cost-efficiently: find out more about our range of securities here!

There are many possibilities for motive investing beyond the healthcare industry, too. Sustainability and e-mobility are also investment trends well-worth researching.

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