

Jennison Associates

Healthcare Innovation is on the Move

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Lauren Godlasky:

Hello, and welcome to our conversation on the healthcare sector. I'm Lauren Godlasky, a relationship manager at Jennison Associates. And I'm joined today by our healthcare co-portfolio managers, Debra Netschert and Dan Matviyenko. Debra and Dan, welcome.

Daniel Matviyenko:

Thank you.

Debra Netschert:

Thanks for having us.

Lauren Godlasky:

You both have been investing in healthcare for over 20 years. When you look at the period from the onset of the pandemic till today, Debra, how transformative has that been for the sector?

Debra Netschert:

It's been really transformative. Healthcare isn't a sector that was able to pivot during COVID, like other sectors. It's a sector that requires human interaction. Patients have to go to the doctor to get diagnosed. They have to be able to go to the hospital to get surgeries. And so a lot of healthcare had to be put on pause.

Lauren Godlasky:

So clearly, a lot of challenges. What have you seen come out on the positive side?

Debra Netschert:

During the pandemic, two things happened: people became more tech savvy, and they also became more aware of their own health. And that's a really powerful combination when you think about the future of healthcare. We're starting to see technology come in. We're starting to see consumerization come in. And you're seeing it in places like the doctor's office. We now have touchless check-in. We also have increased use of telemedicine in different areas. And so I think when you look forward, we're going to see people using technology and being a lot more in control of their own health.

Lauren Godlasky:

So Dan, to that point, do you expect to see technology continue to expand as part of the healthcare sector?

Daniel Matviyenko:

Absolutely. And this is one of the themes we constantly play in our portfolio is the idea that technology is ever-evolving, it's ever-changing, and more importantly, it's ever-improving the lives of the patients. Our view is that over the next 5 to 10 years, healthcare will look more and more like tech. If you think back to 2000 and the tech crash of 2000, many companies like pets.com disappeared, but out of that mess came a lot of large winners, all of which we use on a daily

basis. In healthcare, we believe the same dynamic will start playing out. Data will play a bigger role. Tech will be play a bigger role with evermore adoption of various technologies, be it minimally invasive surgery or to Debra's point, telemedicine and so on and so forth. And over time, there will be a large number of conglomerates at the very top who will look very similar to what has happened in general tech. Healthcare is on the marsh as it relates to tech.

Debra Netschert:

I think a lot of this is also going to be driven by the generations that are behind us. Right now, Dan and I are in the sandwich generation, so we're taking care of older parents as the same time as we're raising kids. And I don't think the generations behind us are going to accept the healthcare system the way it is. It's super inefficient. They don't have control of it. There's too many questions and there's not enough transparency. And technology is really allowing people to understand their body better, and it's also allowing them to understand the treatments that are available to them.

Lauren Godlasky:

Are there certain parts of healthcare that you expect will accelerate at a quicker rate going forward?

Debra Netschert:

Historically, biotechnology has been one of the fastest growing areas of healthcare and where innovation has been the focus. But we're really starting to see innovation happen across the entire sector. We're really focused on companies that are developing products, services, and devices that are going to give patients faster diagnoses, better access to care.

Lauren Godlasky:

This innovation sounds all very exciting, but also so expensive. How does that impact the cost component?

Debra Netschert:

So we're seeing a lot of optimization of the primary care business model where physicians are more involved, taking more risk, where they're able to spend more time with the patient, and where they're also using technology to have more information at their fingertips while they're treating the patient. So the hope is that all this innovation is really going to bring down the overall cost of care for both patients and providers. So it's a really exciting time and it's going to allow us to have a lot of different investment opportunities over the coming years.

Daniel Matviyenko:

Absolutely. As we think about the sector, as we think about healthcare holistically, it is a spider web. All the players are connected to one another, from the payers to the facilities, to the pharmaceutical companies, and all are working towards the same goal. The entirety of this spider web, the entirety of this healthcare system will focus solely on improving the patient outcomes. It's a never-ending stream of innovation, and we're super excited about it.

Lauren Godlasky:

Sounds like a very exciting and dynamic time for the healthcare sector over the next 5 to 10 years. Thank you both again for your time today. We really appreciate your insights.

Daniel Matviyenko:

Thanks a lot, Lauren.

Debra Netschert:

Thanks for having us.

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064338-00001-00 NS19228 Expiration: 04/26/2024