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# Longevity combines growth potential with stability

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**A strong start to the earnings season shows that—despite geopolitical risks—there are still opportunities for equities at present. Staying invested while broadly diversifying to mitigate existing risks therefore remains key. The theme of Longevity offers opportunities here.**

The Middle East conflict has dominated headlines in recent weeks. In the process, it has almost been forgotten that since mid-April, the earnings season for listed US companies has been underway. It is still too early for a final verdict, but in the first week of earnings season, nine out of ten companies exceeded analysts' revenue and earnings estimates. In our view, the robust momentum in corporate earnings is likely to continue. We expect S&P 500 companies' earnings to grow by 11% this year and also anticipate solid earnings development in equity markets of other key regions.

These positive corporate reports have helped the US equity market climb to a new all-time high in April. Of course, this was also driven by hopes for de-escalation in the Middle East conflict. In mid-April, the S&P 500 surpassed the 7,000-

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point mark, standing higher than at the start of the conflict on 28 February, when the index was around 6,900 points. So far, investors who have remained invested have been able to participate in the overall positive market performance, despite geopolitical risks and the associated market volatility.

We believe this is likely to remain the case in the coming months. For the US, we expect robust consumer spending, a solid labor market, and ongoing business investment to help the economy withstand higher energy prices. In Europe, we see below-average growth, but not a recession. Consumer confidence has declined, but European governments are taking fiscal measures to support the economy.

Against this backdrop, we consider a recession unlikely. While global economic growth prospects have weakened compared to the start of the year, we expect the global economy to stay on track—provided the situation in the Middle East does not deteriorate further.

Such an escalation is not our base case. In our baseline scenario, we expect a—albeit bumpy—path toward a solution that gradually allows traffic through the Strait of Hormuz to resume. In a negative scenario, however, the Strait would remain closed for an extended period. Other risks have faded into the background but have by no means disappeared. These include, for example, a setback in artificial intelligence investment due to overinvestment and misallocation.

Staying invested while broadly diversifying to mitigate risks remains essential. A solid global economy and robust corporate earnings growth suggest that markets have further potential in the coming quarters. In addition, equity markets are likely to continue to be supported by transformative innovations. While artificial intelligence remains a strong driver of long-term growth, the risks described above are increasing. We therefore recommend a diversified approach to transformative innovation that includes not only Artificial Intelligence, but also Power and resources, as well as Longevity.

The theme of Longevity, in particular, could prove to be not only a source of long-term growth in the current environment, but also a source of stability. Longevity includes investment opportunities that arise from or benefit from increased life expectancy, especially in health care. Two key therapy areas are the treatment of obesity and cancer. Swiss pharmaceutical companies are among the leading providers in cancer therapy, while European and US firms are more advanced in treating metabolic diseases.

Many companies in this sector offer defensive qualities in turbulent times. These characteristics, along with the solid balance sheets in the health care sector, could provide support, especially if there is no sign of easing in the Middle East conflict.

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