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Longevity: An attractive investment theme despite price and tariff risks

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Even though Donald Trump's recent announcements regarding price reduction measures in the US health care market have caused uncertainty, we still consider our "Longevity" investment theme to be attractive.

The recent announcements by US President Donald Trump regarding measures to reduce health care costs and drug prices in the US have caused uncertainty in the pharmaceutical sector over the past few days. Although the two major Swiss pharmaceutical companies have recently announced multi-billion-dollar investment commitments in the US market for the coming years in response to pressure from Donald Trump, risks remain for the sector.

It is still unclear to what extent the president's announcements will prompt the industry to lower prices in certain areas of the US health care sector and possibly raise prices for newly launched drugs in markets such as Europe. Much will also depend on whether and to what extent tariffs are imposed on pharmaceutical imports into the US. High gross margins; certain production, processing, and distribution activities in the US; as well as planned increases in US production are likely to provide some relief for Swiss pharmaceutical companies.

Despite these uncertainties, we continue to view our "Longevity" investment theme within our CIO Transformational Innovation Opportunities (TRIOs) as attractive. We focus here on the opportunities arising from increasing life expectancy and demographic change. The focus is on companies and sectors that can benefit from an aging but active population—such as health care, biotechnology, medical technology, retirement provision, and specialized consumer goods. This topic is gaining particular importance given the current debate about new US tariffs and the Trump administration's price

reduction initiative, which puts the most-favored-nation (MFN) principle at the center of the pharmaceutical sector. The intended alignment of prices with international reference prices could temporarily put pressure on the margins of some pharmaceutical companies, but at the same time increase innovation pressure and efficiency in the industry.

In our view, the structural trend toward longevity will remain intact over the long term. Demand for innovative therapies, preventive measures, and age-appropriate services is likely to continue growing, regardless of potential political interventions. We believe companies that stand out through research, diversification, and global presence are particularly well positioned to benefit from this megatrend. In addition, the longevity theme offers investors attractive diversification, in our view, as the underlying growth drivers are largely independent of economic cycles and geopolitical trade conflicts.

Especially in an environment where tariffs and regulatory interventions create uncertainty, investments in the longevity universe can bring stability and growth potential to a portfolio. Demographic developments are a global factor that is hardly influenced by politics and will persist for decades. We therefore recommend anchoring the longevity theme as a strategic building block in an asset allocation and specifically focusing on companies that benefit from an aging society—even, and especially, in times of political uncertainty and price pressure in the health care sector.

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