

A Snapshot Of Health Care Stocks

S&P 500 Health Care Sector/Subsector Indices
(Y-T-D, 1-Year and Average Annualized Total Returns thru 6/23/17)

	Y-T-D	1-Year	3-Year	5-Year	10-Year	15-Year
Health Care	17.88%	14.83%	11.80%	18.59%	10.82%	9.39%
Biotechnology	16.06%	17.13%	10.15%	24.75%	15.72%	14.93%
Pharmaceuticals	12.87%	8.55%	8.83%	15.78%	9.83%	7.68%
Managed Health Care	21.84%	33.92%	27.96%	27.79%	13.33%	14.93%
Equipment	26.57%	19.43%	17.12%	19.74%	9.24%	9.69%

Source: Bloomberg.
Past performance is no guarantee of future results.

View from the Observation Deck

1. Of the 30 total returns referenced in the table, only seven (23.33%) were less than double-digits. As we have often noted, from 1926 through 2016, the S&P 500 Index posted an average annual total return of 10.04%, according to Ibbotson Associates/Morningstar.
2. All 23 of the double-digit total returns in the table exceeded the 10.04% long-term average of the broader stock market.
3. For comparative purposes, the S&P 500 Index posted the following total returns for the same periods featured in the table: 9.98% (Y-T-D); 17.81% (1-Year); 9.80% (3-Year); 15.24% (5-Year); 7.25% (10-Year); and 8.40% (15-Year), according to Bloomberg.
4. Ironically, with all of the attention garnered by the rising cost of health care, including the current effort to repeal the Affordable Care Act, the subsector with the best showing in the table was Managed Health Care (a type of health insurer).
5. The Kaiser Family Foundation reported in March 2017 that 43% of adults with health insurance admit they have difficulty affording their deductible, and close to 33% say they have trouble covering their premiums and other cost sharing. Affordability remains a serious problem in need of a strategic remedy, in our opinion.
6. Under the existing Affordable Care Act, which again has the potential of being repealed and replaced by Congress in the months ahead, the Centers for Medicare & Medicaid Services estimate that health care spending as a share of GDP is expected to grow from 17.8% in 2015 to 19.9% in 2025, according to its own release.
7. Taking into account how big of a role health care spending plays in the U.S. economy, this is the kind of sector that investors may want to consider for their portfolio, in our opinion. As of 5/31/17, Health Care represented 13.9% of the S&P 500 Index, according to S&P Dow Jones Indices.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Health Care Index, S&P 500 Biotechnology Index, S&P 500 Pharmaceuticals Index, S&P 500 Managed Health Care Index and S&P 500 Health Care Equipment Index are all capitalization-weighted indices focused on either the health care sector or its subsectors. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.

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