

Cash Flow and Carey



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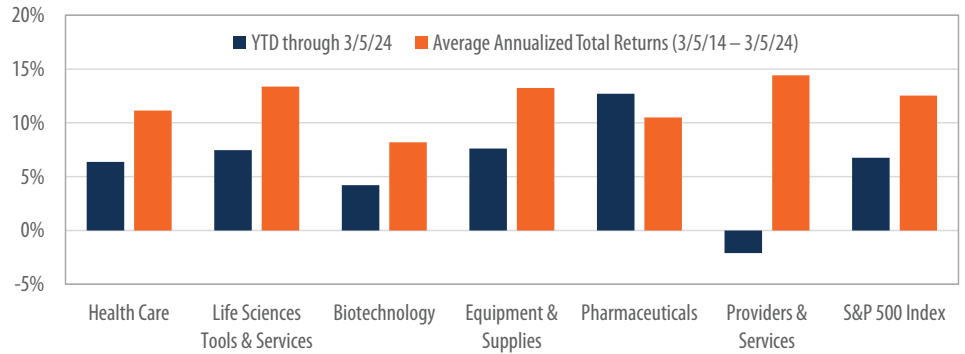


This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions, or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The S&P 500 Health Care Index and the S&P subsector indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector or industry.

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A Check Up On Health Care

S&P 500 Index, S&P 500 Health Care Index & Related Health Care Subsector Index Total Returns Through 3/5/24



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

View from the Observation Deck

Today's blog post focuses on the health care sector and shows its total returns over two distinct time frames: year-to-date (YTD) through 3/5/24 and over the trailing 10-year period ended on the same date. For comparative purposes, we have included the return on the S&P 500 Index to reflect the broader market. To view our last post on this topic, please [click here](#).

Three of the six health care related sectors/subsectors represented in today's chart have outperformed the S&P 500 Index over the 10-year period ended 3/5/24.

The three subsectors and their average annual total returns are as follows: Providers & Services (14.41%); Life Sciences Tools & Services (13.37%); and Equipment & Supplies (13.25%). For comparison, the S&P 500 Health Care Index and the broader S&P 500 Index saw total returns of 11.15% and 12.54%, respectively, over the same 10-year period. Notably, the top performing subsector on a 10-year basis is also the worst performer so far in 2024 (Providers & Services).

The S&P 500 Health Care Index's 11.15% 10-year average annual total return was the third highest of the 11 major sectors that comprise the S&P 500 Index, behind the S&P 500 Information Technology and S&P 500 Consumer Discretionary sectors, which registered average annual total returns of 21.61% and 11.88%, respectively (not in chart).

As of 3/1/24, the S&P 500 Health Care Index is estimated to experience earnings and revenue growth of 13.7% and 7.1%, respectively, in 2024.

The only sector with higher expected revenue growth in 2024 is Real Estate at 11.5%. For comparison, the earnings and revenue growth estimates for the S&P 500 Index stood at 9.7% and 4.4%, respectively, as of the same date.

Takeaway

A study by Fidelity Investments revealed that a 65-year-old couple who retired in 2023 should expect to spend an average of \$315,000 on health care expenses through retirement, and the figure is expected to rise. The Centers for Medicare and Medicaid Services project that national health care expenditures will grow by 5.4% per year on average through 2031. In 2022, health spending accounted for 17.3% of U.S. Gross Domestic Product. Outside of near-term political headwinds, we think the health care sector presents a unique opportunity, especially given its future demand profile.