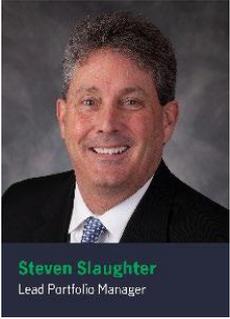


## 2026 Outlook series: Global Healthcare Equities



In 2025, global healthcare equities once again demonstrated their lower-volatility profile. Early in the year, global equities experienced a meaningful correction as artificial intelligence (AI)-related stocks sold off and higher-than-expected US tariffs fuelled uncertainty among investors. During this period, healthcare equities proved more resilient, recording a noticeably smaller drawdown than the broader market. Although the sector trailed the rebound of global equities - despite both finishing in positive territory for the full year - we believe that the defensive characteristics of the overall healthcare industry, coupled with remarkable therapeutic innovations in the biopharmaceutical, MedTech, and tools sub-segments of this sector, will continue to be rewarded with capital appreciation over a full market cycle. Current valuations relative to the broader market make for an attractive entry point today, and periods like this tend to lead to outperformance for healthcare stocks over the long term.

## 2026 Global healthcare equities outlook: Innovation supports healthcare's long-term case

### Summary:

- Regulatory and public policy changes were significant overhangs for healthcare in 2025. However, we believe that the passage of time has allowed greater visibility on several mitigating factors.
- Within the biopharmaceuticals, MedTech and life science tools, and healthcare providers and services industries, we see abundant investment opportunities in 2026.
- Demographic trends in healthcare, coupled with remarkable therapeutic innovations of this sector, will likely continue to be rewarded with share-price gains over a full market cycle.

### Market Review

In performance terms, the healthcare sector, as represented by the MSCI World Health Care Net Total Return USD Index, rose 14.8% in 2025<sup>1</sup>. Although the healthcare sector ultimately lagged the broader market, which was up by 21.6%, global equities experienced a meaningful correction during the first half of 2025, whereas healthcare stocks proved a ballast against equity market volatility<sup>2</sup>. Global equities then rallied throughout 2025, as the US administration loosened its trade policy, while healthcare stocks struggled to gain momentum.

Policy uncertainty was a key overhang for most healthcare companies, driven by the US administration's views on tariffs, drug pricing, and drug reimbursement, which weighed on all subsectors within healthcare. The unpredictable impact of these policies led investors to question the growth outlook for the space. However, announcements from the US administration on most-favoured-nation (MFN) and drug pricing were largely benign, and this overhang dissipated, boosting healthcare stocks in the fourth quarter.

<sup>1</sup> Bloomberg, data as of 31 December 2025. Total returns in US dollar. Past Performance is not an indication of future performance.

<sup>2</sup> Factset, return period: 31 December 2024 – 8 April 2025. Global healthcare stocks, represented by the MSCI World Health Care Net Total

Return USD Index, corrected by 3.6%, while global equities, represented by MSCI World Index, retreated by 11.8%. Total returns in US dollar. Past Performance is not an indication of future performance.

## 2025 developed market equity index returns<sup>1</sup>

- Global equities (MSCI World Index): +21.6%
- US equities (S&P 500 Index): +17.9%
- European equities (STOXX Europe 600 Index): +36.8%

Although healthcare stocks delivered solid gains, this period of relative underperformance has created a favourable environment for healthcare investors in 2026. The sector overall is now trading at historically low valuations compared to broader market indices, both in terms of price/earnings and price/earnings-to-growth ratios. For example, the healthcare sector's representation in the S&P 500 Index remains at historically low levels, at 9.6% as of January 2026, well below the historic average of 15%.

Our fundamental research and discounted cashflow valuation suggest meaningful upside potential in select healthcare companies at the present time, notwithstanding this short-term market dislocation.

## Potential policy shocks muted

While concerns over regulatory and public policy changes announced by the current US administration were significant overhangs for healthcare in 2025, we believe that the passage of time has allowed greater visibility on several mitigating factors. There have been changes to longstanding US policies regarding vaccine availability. While vaccination rates have declined, they appear to be at a nadir, with states and local authorities exercising their own discretion over vaccination regulations. Furthermore, the Food and Drug Administration (FDA) regulatory approval pathways appear largely intact, and we'd highlight a new, novel pathway (Commissioner's National Priority Voucher, CNPV) that allows for expeditious review of new drug applications. For reference, 46 new drugs were approved by the FDA in 2025, in line with the historical average. There is one more enduring issue for the space regarding Medicare/Medicaid reimbursement frameworks. However, this specific risk does appear manageable for most innovative companies in our space.

We expect that legislative oversight from the US Congress, along with meaningful input from corporations governed by such policies and the broader scientific community, can and should curtail any dramatic changes in this regard.

Looking into 2026, we believe the following three industries present abundant investment opportunities:

## 1. Biopharmaceuticals

Constituting roughly two-thirds of our investable healthcare universe, we remain focused on biopharmaceutical companies with best-in-class product portfolios serving patients in disease states with inelastic demand.

Our previous work related to structural changes in a post-pandemic world supports the continued urgency to effectively manage other pre-existing disease states (cancer, metabolic syndrome, central nervous system, and immunologic disorders), which our research suggests predispose these comorbid patients to higher morbidity and mortality post-Covid.

Accordingly, this has led us to maintain our optimism towards companies focusing on treating hematologic cancers, cardiovascular disease, asthma, Alzheimer's disease, and diabetes/obesity. We have also increased our exposure to companies innovating in the rare/orphan disease space, as we think the potential of these therapies is widely underappreciated.

China remains an important geography from an innovation standpoint. 2025 saw multiple licensing deals as multinational biopharma companies continued to look to supplement their pipelines. We expect the pace of China-related deals to continue. We have highlighted this impressive Chinese research competency for several years now and expect it to proliferate further in the years ahead. We continue to monitor and invest accordingly, seeking equity positions in China-domiciled originators and their multinational partners.

We previously highlighted that one of the underappreciated drivers of the healthcare industry is changes in how drugs are paid for within the Medicare population. Due to changes stemming from the Inflation Reduction Act, Medicare recipients (those over 65 years) can now access all their medicines for US\$167/month. Awareness of this change remains relatively low, but we believe it will be a key driver of increased utilisation trends in the near term. We are beginning to see some impact of these changes in key markets like cancer, heart failure, and diabetes.

## 2. MedTech and Life Science tools

The fundamentals within select areas of the global healthcare equipment/supplies and life science tools/services industries remain reasonably attractive with strong cash flow. Many of these companies are now generating above-market returns as the incremental research, capital expenditures, and pipeline investments they implemented have reached fruition in recent quarters and years, addressing important, persistent unmet medical needs.

Hypertension remains the most persistent and prevalent risk factor in all of cardiovascular medicine, with some 26% of adults in the world suffering from high blood pressure (roughly 1.2 billion people), of which approximately one in six (200 million) are considered “treatment resistant” (i.e. remain refractory or intolerant of at least three drug treatments from the six classes of drugs used to manage the disease). We are appropriately positioned to capitalise on these emerging treatment modalities.

## 3. Healthcare providers and services

Within the healthcare providers and services industry, we see significant value in select supply chain companies, specifically pharmaceutical wholesalers. We expect these companies to continue to see improving margins from favourable modifications to patient co-pay obligations, driving elevated prescription volumes.

We are well-positioned to minimise potential downside implications from US government healthcare spending cuts. We have maintained limited exposure to Medicaid, Medicare and Affordable Care Act (ACA) insurers, as well as to publicly traded hospital companies.

## Unlocking long-term growth potential through an effective investment strategy

Every industry and asset class has its own market cycle, and the duration of that cycle will vary. As the valuations of AI-related and mega-cap stocks increase, perhaps to a point of overvaluation, the market’s concentration in these companies will only continue to grow.

While we do not profess to be experts in AI-related and mega-cap stocks outside of healthcare, these

companies will need ever-expanding growth to support their high valuations. In addition, recent volatility in this sector underscores the considerable uncertainty about potential “winners and losers” in the broader AI marketplace. Recent sector flows notwithstanding, we do, however, profess a persistent conviction that demographic trends in healthcare, coupled with remarkable therapeutic innovations across the biopharmaceutical, MedTech, and tools sub-segments of this sector, will likely continue to be rewarded with share price gains over a full market cycle.

## Conclusion: Bottom-up research informed by trend and valuation analysis, driving high-conviction core allocation

Overall, we continue to emphasise a bottom-up fundamental research process informed by our assessment of emerging scientific and medical trends, coupled with a thorough intrinsic valuation analysis. Within the biopharmaceuticals, MedTech and life science tools, and healthcare providers and services industries, we see abundant investment opportunities. This investment approach should ensure that our capital allocation focuses on companies that address important unmet medical needs, pursue underappreciated market opportunities, and/or demonstrate the ability to bend the healthcare cost curve.

## Important Information Disclosure

© 2026 Manulife Investment Management. All rights reserved. Manulife, Manulife Investment Management, Stylized M Design, and Manulife Investment Management & Stylized M Design are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.

This information is for the exclusive use of the intended institutional investors or their agents and may not be transmitted, reproduced or used in whole or in part for any other purpose, nor may it be disclosed or made available, directly or indirectly, in whole or in part, to any other person without our prior written consent. It is intended only for recipients in jurisdictions where receiving this information is permitted by law.

The distribution of the information contained in this presentation may be restricted by law and persons who receive it are required to comply with any such restrictions. The contents of this presentation are not intended for distribution to, or use by, any person or entity in any jurisdiction or country in which such distribution or use would be contrary to any applicable laws or regulations. By accepting this material, you confirm that you are aware of the laws in your own jurisdiction relating to the provision and sale of the funds, portfolios or other investments discussed in this presentation and you warrant and represent that you will not pass on or use the information contained in this presentation in a manner that could constitute a breach of such laws by any Manulife entity or any other person.

## About Manulife Wealth & Asset Management

As part of Manulife Financial Corporation, Manulife Wealth & Asset Management provides global investment, financial advice, and retirement plan services to 19 million individuals, institutions, and retirement plan members worldwide. Our mission is to make decisions easier and lives better by empowering people today to invest for a better tomorrow. As a committed partner to our clients and as a responsible steward of investor capital, we offer a heritage of risk management, deep expertise across public and private markets, and comprehensive retirement plan services. We seek to provide better investment and impact outcomes and to help people confidently save and invest for a more secure financial future. Not all offerings are available in all jurisdictions. For additional information, please visit [manulifeim.com](http://manulifeim.com).

Manulife | CQS Investment Management, is a trading name of CQS (UK) LLP, authorised and regulated by the UK Financial Conduct Authority, and/or CQS (US), LLC, which is a registered investment adviser with the US Securities and Exchange Commission and a member of the National Futures Association. The term "CQS" or "Manulife | CQS Investment Management" as used herein may include one or both of CQS (UK) LLP and CQS (US), LLC. Manulife | CQS Investment Management is a subsidiary of Manulife Investment Management (Europe) Limited.

This material has not been reviewed by, is not registered with any securities or other regulatory authority, and may, where appropriate, be distributed by the following Manulife entities in their respective jurisdictions. Additional information about Manulife Investment Management may be found at [manulifeim.com/institutional](http://manulifeim.com/institutional)

Australia: Manulife Investment Management Timberland and Agriculture (Australasia) Pty Ltd, Manulife Investment Management Timberland and Agriculture Inc, Manulife Investment Management (Hong Kong) Limited. Canada:

Manulife Investment Management Limited, Manulife Investment Management Distributors Inc., Manulife Investment Management (North America) Limited, Manulife Investment Management Private Markets (Canada) Corp. Chinese Mainland: Manulife Overseas Investment Fund Management (Shanghai) Limited Company. European Economic Area: Manulife Investment Management (Ireland) Ltd. which is authorised and regulated by the Central Bank of Ireland Hong Kong: Manulife Investment Management (Hong Kong) Limited. Indonesia: PT Manulife Aset Manajemen Indonesia. Japan: Manulife Investment Management (Japan) Limited. Malaysia: Manulife Investment Management (M) Berhad 200801033087 (834424-U) Philippines: Manulife Investment Management and Trust Corporation. Singapore: Manulife Investment Management (Singapore) Pte. Ltd. (Company Registration No. 200709952G) South Korea: Manulife Investment Management (Hong Kong) Limited. Switzerland: Manulife IM (Switzerland) LLC. Taiwan: Manulife Investment Management (Taiwan) Co. Ltd. United Kingdom: Manulife Investment Management (Europe) Ltd. which is authorised and regulated by the Financial Conduct Authority

United States: John Hancock Investment Management LLC, Manulife Investment Management (US) LLC, Manulife Investment Management Private Markets (US) LLC and Manulife Investment Management Timberland and Agriculture Inc. Vietnam: Manulife Investment Fund Management (Vietnam) Company Limited.

No Manulife entity makes any representation that the contents of this presentation are appropriate for use in all locations, or that the transactions, securities, products, instruments, or services discussed in this presentation are available or appropriate for sale or use in all jurisdictions or countries, or by all investors or counterparties. All recipients of this presentation are responsible for compliance with applicable laws and regulations.

This material is intended for the exclusive use of recipients in jurisdictions who are allowed to receive this information under their applicable law. The opinions expressed are those of the author(s) and are subject to change without notice. Our investment teams may hold different views and make different investment decisions. These opinions may not necessarily reflect the views of Manulife Investment Management or its affiliates. There can be no assurance that actual outcomes will match the assumptions or that actual returns will match any expected returns. The information and/or analysis contained in this material has been compiled or arrived at from sources believed to be reliable, but Manulife Investment Management does not make any representation as to their accuracy, correctness, usefulness or completeness and does not accept liability for any loss arising from the use of the information and/or analysis contained here. Neither Manulife Investment Management or its affiliates, nor any of their directors, officers or employees shall assume any liability or responsibility for any direct or indirect loss or damage or any other consequence of any person acting or not acting in reliance on the information contained here.

The information in this material may contain projections or other forward-looking statements regarding future events, targets, management discipline or other expectations, and is only current as of the date indicated. The information in this material including statements concerning financial market trends, are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. This material was prepared solely for informational purposes and does not constitute, and is not intended to constitute, a

recommendation, professional advice, an offer, solicitation or an invitation by or on behalf of Manulife Investment Management or its affiliates to any person to buy or sell any security or to adopt any investment strategy, and shall not form the basis of, nor may it accompany nor form part of, any right or contract to buy or sell any security or to adopt any investment strategy. Nothing in this material constitutes investment, legal, accounting, tax or other advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. Neither Manulife Investment Management nor its affiliates provide legal or tax advice, and you are encouraged to consult your own lawyer, accountant, or other advisor before making any financial decision. Prospective investors should take appropriate professional advice before making any investment decision. In all cases where historical performance is presented, note that past performance does not guarantee future results and you should not rely on it as the basis for making an investment decision.

The distribution of the information contained in this presentation may be restricted by law and persons who access it are required to comply with any such restrictions. The contents of this presentation are not intended for distribution to, or use by, any person or entity in any jurisdiction or country in which such distribution or use would be contrary to any applicable laws or regulations. By accepting this material, you confirm that you are aware of the laws in your own jurisdiction relating to the provision and sale of the funds, portfolios or other investments discussed in this presentation and you warrant and represent that you will not pass on or use the information contained in this presentation in a manner that could constitute a breach of such laws by any Manulife entity or any other person.

**Australia:** Manulife Investment Management (Hong Kong) Limited (Manulife IM (HK)) and Manulife Investment Management Timberland and Agriculture Inc. (MIMTA) are exempt from the requirement to hold an Australian financial services license under the Corporations Act 2001 (Cth) in respect to the financial services provided to wholesale clients in Australia. Manulife IM (HK) and MIMTA accordingly do not hold an Australian financial services license. Manulife IM (HK) is regulated by the Securities and Futures Commission of Hong Kong ("SFC") under Hong Kong laws, and MIMTA is regulated by the Securities and Exchange Commission of the United States of America under United States of America laws, both of which differ from Australian laws. This document is directed at wholesale investors only.

**Chinese Mainland:** This material is prepared solely for informational purposes and does not constitute an offer to sell or the solicitation of an offer to buy any securities in Chinese Mainland to any person to whom it is unlawful to make the offer or solicitation in Chinese Mainland. The securities may not be offered, sold or delivered, or offered or sold or delivered to any person for re-offering or resale or redelivery, in any such case directly or indirectly, in Chinese Mainland in contravention of any applicable laws.

The issuer does not represent that this material may be lawfully distributed, or that any securities may be lawfully offered, in compliance with any applicable registration or other requirements in Chinese Mainland, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the issuer which would permit a public offering of any securities or distribution of this material in Chinese Mainland.

Accordingly, the securities are not being offered or sold within Chinese Mainland by means of this material or any other document. Neither this material nor any advertisement or other offering material may be distributed or published in Chinese Mainland, except under circumstances that will result in compliance with any applicable laws and regulations.

Further, neither this material nor any funds/strategies mentioned in this material (if any) has been submitted to or approved by the China Securities Regulatory Commission or other relevant Chinese government authorities (which, for the purposes of this paragraph, does not include the authorities in Hong Kong SAR, Macau SAR or Taiwan Region), unless otherwise expressly indicated. Securities denominated in foreign exchange or with the underlying investments in the offshore markets may only be offered or sold to investors of Chinese Mainland that are authorized and qualified to buy and sell such securities. Prospective investors resident in Chinese Mainland are responsible for obtaining all relevant and necessary approvals from the Chinese government authorities, including but not limited to the State Administration of Foreign Exchange (if needed), before investing.

**Hong Kong:** This material is provided to Professional Investors, as defined in the Hong Kong Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules, in Hong Kong only. It is not intended for and should not be distributed to, or relied upon, by members of the public or retail investors.

**Malaysia:** This material was prepared solely for informational purposes and is not an offer or solicitation by anyone in any jurisdictions or to any person to whom it is unlawful to make such an offer or solicitation.

**Singapore:** This material is intended for Accredited Investors and Institutional Investors as defined in the Securities and Futures Act.

**South Korea:** This material is intended for Qualified Professional Investors under the Financial Investment Services and Capital Market Act ("FSCMA"). Manulife Investment Management does not make any representation with respect to the eligibility of any recipient of these materials to acquire any interest in any security under the laws of Korea, including, without limitation, the Foreign Exchange Transaction Act and Regulations thereunder. An interest may not be offered, sold or delivered directly or indirectly, or offered, sold or delivered to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea, except in compliance with the FSCMA and any other applicable laws and regulations. The term "resident of Korea" means any natural person having his place of domicile or residence in Korea, or any corporation or other entity organized under the laws of Korea or having its main office in Korea.

**Switzerland:** This material may be made available in Switzerland solely to Qualified Investors (as defined in Article 10(3) and (3ter) of the Swiss Collective Investment Schemes Act ("CISA") and its implementing ordinance), at the exclusion of Excluded Qualified Investors. The information provided in this material is for information purpose only and does not constitute an offer, a solicitation or a recommendation to contract a financial instrument or a financial service. This document does not constitute implicit or explicit investment advice. The information provided herein is general in nature and does not constitute an advertisement of financial products in Switzerland.

**United Kingdom:** This communication is directed only at investment professionals and any investment or investment activity to which it relates is available only to such persons. Manulife Investment Management (Europe) Ltd. is authorized and regulated by the Financial Conduct Authority.

**European Economic Area:** The data and information presented is directed solely at persons who are Professional Investors in accordance with the Markets in Financial Instruments Directive (2004/39/EC) as transposed into the relevant jurisdiction. Further, the information and data presented does not constitute, and is not intended to constitute, "marketing" as defined in the Alternative Investment Fund Managers Directive. Manulife Investment Management (Ireland) Ltd. is authorized and regulated by the Central Bank of Ireland.

**United States:** Manulife Investment Management (US) LLC (Manulife IM US) and Manulife Investment Management (North America) Limited (Manulife IM NA) are indirect wholly owned subsidiaries of Manulife. John Hancock Investment Management LLC and Manulife Investment Management (US) LLC are affiliated SEC-registered investment advisors using the brand name John Hancock Investment Management. This material is not intended to be, nor shall it be interpreted or construed as, a recommendation or providing advice, impartial or otherwise.

5256461