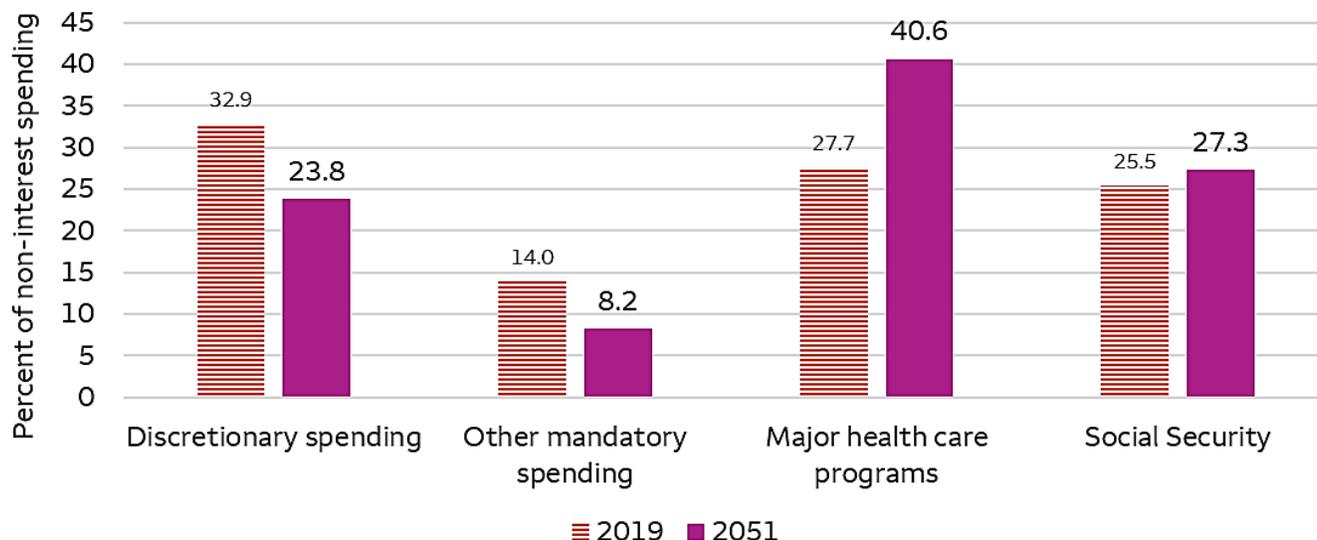


Booster dose of spending may lift Health Care sector



Sources: Congressional Budget Office, The 2021 Long-Term Budget Outlook, data as of March 2021.

Projected federal non-interest spending for 2051, compared to 2019 expenditures

The Congressional Budget Office (CBO) projects that spending on major health care programs, like Medicare, Medicaid, the Children’s Health Insurance Program, and Affordable Care Act subsidies, will rise from 27.7% of federal outlays to over 40%.¹ This increase comes at the expense of discretionary and other mandatory spending, which include items like food stamps, tax credits, and defense spending.

The CBO also projects federal health program expenditures will increase to almost 10% of gross domestic product (GDP) by 2051.² Legislatively, the pandemic has shed light on emergency supply shortages and debates over mandatory vaccinations, Food and Drug Administration (FDA) approval processes, and access to affordable health care. While the pandemic may have opened the door to more government health care involvement, we believe that the issues raised over the past year will remain policy focuses over the long term.

What it may mean for investors

For now, we believe that investors should retain the full recommended strategic allocation to the Health Care sector — we maintain a neutral rating. As government involvement in all aspects of the health care sector grows, we expect additional investment opportunities to emerge.

Mary Rumsey, Investment Strategy Analyst

This chart was excerpted from the *Policy, Politics & Portfolios*, “Post-pandemic federal health care policy to expand” dated September 28, 2021

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¹ Congressional Budget Office, The 2021 Long-Term Budget Outlook, data as of March 2021.

² Ibid.

Risk Considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Sector investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. Some of the risks associated with investment in the **Health Care sector** include competition on branded products, sales erosion due to cheaper alternatives, research and development risk, government regulations and government approval of products anticipated to enter the market.

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