

The Future of Aging: Medtech Solutions for a Healthier Tomorrow

The investment opportunity in seeking high-quality, growth businesses to capitalize on a global, secular shift.

Polen Capital's International Growth team considers medtech opportunities arising from a rapidly aging global population.

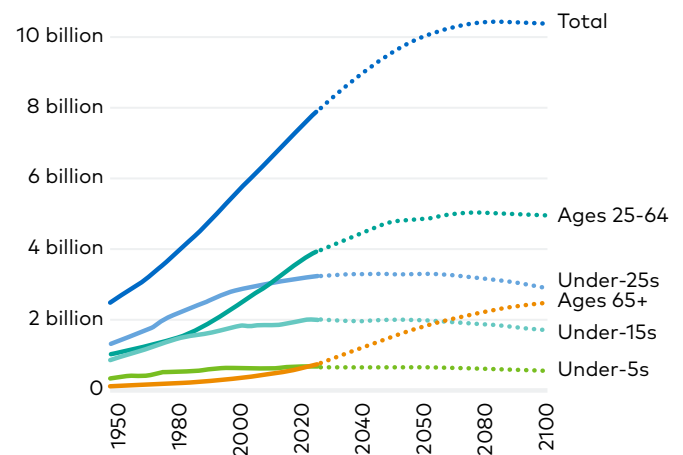
Key Highlights

- The global population is aging rapidly, leading to extended lives, increased prevalence of chronic conditions requiring monitoring and treatment, and greater attention to health care generally.
- Due to this aging dynamic, we see expanding needs for medtech (a combination of the medical and technology fields).
- Medtech applies organized technological knowledge to improve health care services' quality, safety, effectiveness, and efficiency, impacting individuals from prevention to diagnosis to cure.
- We view this innovative merging of medicine and technology as a compelling long-term investment opportunity.

The world is getting older. According to the World Health Organization, by 2030, people over the age of 60 will comprise nearly 20% of the global population; by 2050, that age group will double, and the over-80 age group is expected to triple by 2050.¹ Figure 1 provides a more dramatic view of this shift, looking back to 1950. Importantly, we believe this trend towards longer lifespans will have powerful implications for the utilization of health care products and services as individuals seek to maintain a high quality of life into their later years.

1 World Health Organization. [Ageing and health \(who.int\)](https://www.who.int)

Figure 1. United Nations Populations By Age Group, Historical, and Projected

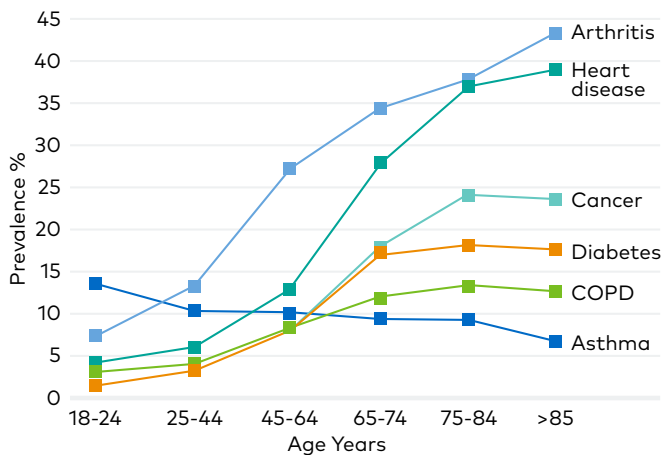


Source: UN, World Population Prospects (2022) – processed by Our World in Data. "Total" [dataset]. UN, World Population Prospects (2022) [original data].

These added years allow individuals to pursue postponed passions and potential contributions to their communities and society. Such later-life pursuits require prolonged good health, and with medical and technological advancements, aging populations will enjoy longer, more productive, and fulfilling golden years.

However, extended life spans come with an increased incidence of certain medical conditions—typically chronic in nature—such as heart disease, cancer, diabetes, and respiratory conditions (Figure 2). Such situations typically require continuous monitoring and management. This demographic shift towards older populations across the globe has increased awareness of the importance of preventative care and health in general, driving greater penetration of health care and medical devices in younger age cohorts.

Figure 2. Prevalence of Selected Chronic Conditions as a Function of Age



Source: Harris, Randall E., Epidemiology of chronic disease; global perspectives. Jones & Bartlett Learning, 2019.

Medtech Explained

As the name suggests, medical technology (medtech) combines the medical and technology fields. This broad discipline applies organized technological knowledge to improve health care services' quality, safety, effectiveness, and sustainability. Medtech companies potentially impact individuals from prevention to diagnosis and cure. We see its presence in everyday objects like syringes, surgical masks, gloves, glasses, and wheelchairs to more complex devices, including body scanners, gene mutation tests, implantable devices including heart valves and pacemakers, and replacement joints for knees and hips.

The area encompasses broad categories of products and services. Medical devices include products, services, or solutions that prevent, diagnose, monitor, treat, and care for individuals by physical means. In vitro diagnostics are noninvasive tests used on biological samples (e.g., blood, urine, and tissue) to determine a person's health status. Digital health refers to tools and services that use information and communication technologies to improve health and lifestyle prevention, diagnosis, treatment, monitoring, and management.

The Investment Case for Medtech

Beyond escalating global demand for medtech products and services, the structure of these businesses presents unique investment challenges and opportunities. Most medtech categories are competitively stable, with two to four players controlling the bulk of the market share, given the high barriers to entry and scale. The main factors at play start with high research & development (R&D) costs, which can reach billions of dollars annually. Further, the regulatory framework is complex in ensuring the safety of

medtech products and services, with inconsistent requirements across countries and regions. Medtech companies must comply with regulations governing product design, development, manufacturing, testing, and marketing. These challenges can present difficult to nearly impossible obstacles for new entrants to overcome, and even when regulatory requirements are met, effectively scaling distribution is an additional hurdle.

"Societies are aging rapidly across the globe, creating robust demand for medical equipment and treatments to address the health needs of older people. The medtech industry is highly regulated and technologically complex, which helps drive consolidation and the dominance of a select group of highly profitable, scaled businesses."

Daniel Fields, CFA, Portfolio Manager & Analyst
Polen Capital Large Company Growth Team

We believe some of the most compelling medtech businesses are domiciled outside the U.S. Our investment team rigorously assesses the related political, legal, and regulatory environment nuances, particularly when investing internationally. Along with our primary perspective as a bottom-up business owner, we carefully consider the potential for such macro factors to keep companies from generating the durable growth upon which our philosophy is based.

At the Forefront of Innovation

Medtech is a dynamic sector, with new products and technologies constantly emerging. Despite potential barriers, our long-standing Polen investment philosophy is designed to uncover truly quality businesses. We seek innovative businesses, as indicated by their product pipeline, R&D commitment, effective cash management, product or service efficacy, and management team strength. We outline three of our current medtech holdings below. In our view, the strength and value of these businesses reinforce our view that compelling investment opportunities exist beyond U.S. borders.

Medtronic

Medtronic (MDT), the world's largest medical technology company, based in Ireland, develops, manufactures, distributes, and sells device-based

medical therapies and services. Its business focuses on cardiac and vascular issues, minimally invasive technologies, restorative treatments, and diabetes. Demand for Medtronic's services expands as aging individuals are more likely to need spine implants, pacemakers, valve replacement surgery, or ablation procedures.

We view Medtronic's pipeline as rich, with opportunities from pulse field ablation to micro pacemakers and the Hugo™ robotic-assisted surgery system (RAS). They invest aggressively in their R&D pipeline. Furthermore, we observe a long-term mindset and commitment to product innovation with significant new product launches, which we believe will accelerate growth and improve profitability. Our investment in Medtronic dates back to 2017.



Siemens Healthineers (SHL), based in Germany, is a leader in medical imaging and radiotherapy linear accelerators. Its portfolio of products, services, and solutions is

at the center of clinical decision-making and treatment pathways. With patient-centered innovation at its core, Siemens Healthineers aspires to create better outcomes and experiences regardless of a patient's geography or specific medical needs. Their mission is to enable providers to increase value by equipping them with innovative technologies and services in diagnostic and therapeutic imaging, laboratory diagnostics, molecular medicine, and enterprise services.

We see the company's benefits from the structural growth drivers of aging populations, escalating cancer and heart disease prevalence, and a general trend toward more proactive and preventative health care. We anticipate accelerated revenue growth due to expanded product offerings, which should create cross-selling opportunities and deeper customer relationships. We also envision room for improving margins. We first purchased Siemens Healthineers in 2018.



ICON Plc (ICLR) is an Ireland-based world-leading health care intelligence and clinical research organization. ICON assists pharmaceutical and medtech

companies to design, organize, and execute clinical trials. It provides outsourced services for the planning, enrollment, and execution of trials for biotech, pharmaceutical, and medical device companies globally. From "molecule to medicine," they advance clinical research for businesses, governments, and public health organizations. ICON develops innovations, drives emerging therapies forward, and strives to improve patient lives.

A growing elderly population drives a great need for new medical devices, pharmaceuticals, and services like ICON offers. As pharmaceutical and medtech companies benefit from aging populations, they reinvest profits into new product research, further driving demand. Speed to market is critical for ICON's customers. Through its scale, network, and expertise, we believe ICON can execute trial research more effectively and efficiently than its customers could on their own. As such, a key growth driver is greater penetration of outsourcing. Roughly half of the total addressable market for clinical trial work for the industry is handled

internally, while the other half is outsourced to players like ICON. We believe outsourcing's share will continue to trend upward, and expanding global medical R&D spending will benefit ICON. In our view, few scale players like ICON can provide comprehensive coverage, identify trial subjects, and enroll them quickly. We have held ICON Plc since 2017.

Investor Takeaways

At Polen Capital, we navigate markets through the lens of a business owner, favoring what we believe to be high-quality companies with sustainable cash flows and enduring competitive advantages. While we remain abreast of macroeconomic conditions, rather than speculate on interest rates, central bank policy, and geopolitical risks, we are committed to building concentrated portfolios of compelling companies that we cover extensively over the long term. Our research and experience show that medtech is a captivating and expanding investment opportunity where we see encouraging opportunities on the horizon. Given the exciting innovation and progress at the intersection of medicine and technology, we remain intrigued by medtech.

Going Beyond with Polen Capital

Polen Capital is a team of experienced investment industry professionals who share an unwavering commitment to our clients, investors, community, and each other. We have been dedicated to serving investors by providing concentrated portfolios of what we believe are the highest-quality companies for more than three decades. At Polen Capital, we have built a culture of results, and in this, an inherent belief in going beyond what's expected for the people and communities we serve.

We adhere to a time-tested process of researching and analyzing companies around the globe—seeking only the best to build highly concentrated portfolios. Then, we invest for the long haul and with a business owner's mindset, giving these companies time to grow.

Important Disclosures

This content is provided for informational purposes only. Opinions and views expressed constitute the judgment of Polen Capital as of June 2024 and may involve a number of assumptions and estimates which are not guaranteed and are subject to change without notice. Although the information and any opinions or views given have been obtained from or based on sources believed to be reliable, no warranty or representation is made as to their correctness, completeness or accuracy. Opinions, estimates, forecasts, and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice, including any forward-looking estimates or statements which are based on certain expectations and assumptions. The views and strategies described may not be suitable for all clients. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations. This disclosure does not identify all the risks (direct or indirect) or other considerations which might be material when entering any financial transaction.

This content has been prepared without taking into account individual objectives, financial situations or needs. It should not be relied upon as a substitute for financial or other specialist advice. This paper is provided for informational purposes only and may not be reproduced in any form or transmitted to any person without authorization from Polen Capital Management.

Connect with Us

For more information on Polen Capital visit www.polencapital.com and connect with us on [LinkedIn](#).

Past performance is not indicative of future results. There can be no assurances that any portfolio characteristics depicted herein shall be replicated in the future.

Medtronic is a holding in Polen's International Growth portfolio as of March 31, 2024. Siemens Healthineers is a holding in Polen's International Growth and Global Growth portfolios as of March 31, 2024. Icon PLC is a holding in Polen's International Growth and Global Growth portfolios as of March 31, 2024.

Portfolio information is shown as of March 31, 2024 and should not be construed as a recommendation to purchase, hold or sell any particular security. There is no assurance that any securities discussed herein will remain in a Polen Capital portfolio or that the securities sold will not be repurchased. The securities discussed do not represent the entire portfolio holdings. Actual holdings will vary depending on the size of the account, cash flows, and restrictions. It should not be assumed that any of the securities, transactions or holdings discussed will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. A complete list of our past specific recommendations for the last year is available upon request.

Past performance does not guarantee future results and profitable results cannot be guaranteed.

20240604-3611110