

Pulse of the Healthcare Sector: Dorsey Wright Healthcare Technical Leaders™ Index

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Introduction

Introduced in 2013, the Dorsey Wright Technical Leaders Sector Index Family employs an objective, rules-based methodology to identify stocks with strong Relative Strength (RS) across nine macro US sectors. This approach leverages the momentum investment factor, known for its ability to pinpoint securities that have shown strong performance, suggesting their potential for continued success in the market.

The Dorsey Wright Healthcare Technical Leaders™ Index (DWHC™), powered by Relative Strength (RS), has seen significant near-term gains, reflecting broader positive trends in the healthcare sector. This growth is attributed to a shift towards more customized and efficient care models, revolutionizing healthcare delivery and payment systems. Moreover, the sector has been energized by numerous pharmaceutical innovations, contributing to its upward trajectory¹. These positive developments and consistent increases in healthcare spending and employment underscore the sector's robust demand and stability². The Dorsey Wright Healthcare Technical Leaders Index benefits from quarterly evaluations, ensuring it remains in sync with these evolving trends. Consequently, the index has not only kept pace with but surpassed other healthcare benchmarks and the general market in the short term, showcasing its dynamic adaptability.

DWHC Construction

The selection process for the Dorsey Wright Technical Leaders Sector Indexes starts with applying a liquidity filter to the largest 2,000 stocks by market capitalization from the Nasdaq US Benchmark™ Index, which initially contains around 3,000 US-listed stocks of various sizes. Using Dorsey Wright's unique classification system, these stocks are organized into nine major sectors: Basic Materials, Consumer Cyclical, Consumer Staples, Energy, Financials, Healthcare, Industrials, Technology, and Utilities.

In the case of the Dorsey Wright Healthcare Technical Leaders Index, the healthcare sector universe is ranked from strongest to weakest using the RS Matrix tool, where stocks with the greatest number of RS buy signals rank near the top. The "strongest," i.e., top-ranked names, are selected for inclusion. A minimum of 30 securities are selected for the index. The Dorsey Wright Healthcare Technical Leaders Index is weighted based on Relative Strength, such that the stronger, higher-ranked names receive relatively larger weightings. The Dorsey Wright Healthcare Technical Leaders Index is rebalanced and reconstituted quarterly to stay aligned with potential trend shifts.

¹ <https://www.mckinsey.com/industries/healthcare/our-insights/what-to-expect-in-us-healthcare-in-2024-and-beyond>

² <https://altarm.org/news-and-insights/january-2024-health-sector-economic-indicators-briefs>

Dorsey Wright Technical Leaders Sector Index Lineup

Sector	Index Symbol
Basic Materials	DWBM™
Consumer Cyclical	DWCC™
Consumer Staples	DWCS™
Energy	DWEN™
Financials	DWFN™
Healthcare	DWHC™
Industrials	DWIDX™
Technology	DWTY™
Utilities	DWUT™

DWHC Composition

Because DWHC relies on Nasdaq Dorsey Wright (NDW)'s proprietary classification system to define the Healthcare sector, some constituents do not overlap with the Health Care Industry as defined by the ICB classification system, used across most other Nasdaq indexes. Following the latest quarterly review, the Dorsey Wright Healthcare Technical Leaders Index showcases a mix of 59 companies spanning the Healthcare, Financials, and Technology industries, per ICB. It is heavily weighted towards the Pharmaceuticals and Biotechnology sector, accounting for over 72% of the index's total weight. The remaining exposure is mostly within Medical Equipment and Services and Health Care Providers, with smaller allocations to Life Insurance and Software & Computer Services. The top 10 positions, mainly classified as Pharmaceuticals and Biotechnology, contribute to over one-third of the index's overall weight. These leading companies have seen notable returns since late 2023, propelled by key strategic milestones and regulatory approvals.

Top 10 DWHC Holdings by Weight: Recent Regulatory Approvals & Notable News

Eli Lilly (LLY): 5.1% - Eli Lilly has been actively working on expanding its portfolio with new treatments. In late 2023, the company received regulatory approvals for several drugs, including Zepbound, Jaypirca, Omvoh, and Ebglyss, both in the US and the EU. Furthermore, Eli Lilly has been preparing for the potential approval and launch of two highly anticipated drugs, donanemab for Alzheimer's and tirzepatide for obesity. The company has been investing significantly in marketing and research to support these upcoming treatments. Donanemab has shown promising results in clinical trials, slowing cognitive decline in patients with early stages of Alzheimer's disease by 35% over 18 months compared to a placebo. This drug is particularly significant as it targets amyloid beta. This protein impairs cognition when it accumulates in the brain. In the US, regulatory action is expected by the end of the year.^{3 4}

C4 Therapeutics (CCCC): 4.3% - C4 Therapeutics has announced a significant collaboration with Merck (MRK) to discover and develop degrader-antibody conjugates (DACs) for oncology targets. C4T received an upfront payment of \$10 million and could potentially receive up to approximately \$2.5 billion across the collaboration if all options are exercised. This collaboration will leverage C4T's TORPEDO® platform and Merck's expertise in biological chemistry.⁵

IDEXX Laboratories Inc (IDXX): 3.9% - IDXX announced the launch of the IDEXX inVue Dx™ Cellular Analyzer, a slide-free cellular analyzer designed to transform how veterinarians process, diagnose, and act on cytology

³ <https://www.reuters.com/business/healthcare-pharmaceuticals/eli-lilly-forecasts-2023-adjusted-profit-below-estimates-2022-12-13/>

⁴ <https://medicalxpress.com/news/2023-07-eli-lilly-alzheimer-drug-results.html>

⁵ <https://finance.yahoo.com/news/c4-therapeutics-announces-license-research-120000772.html>

and blood morphology cases. This device uses artificial intelligence (AI) and provides practitioners with reference-laboratory-quality results in a much shorter timeframe than traditional methods. The global launch of the new product is scheduled to begin in late 2024.⁶

UnitedHealth Group (UNH): 3.8% - In early 2023, UNH officially acquired LHC Group, a home health company, for \$5.4 billion. In June 2023, UNH announced plans to acquire Amedisys for \$3.3 billion, a deal to expand its presence in the home healthcare sector. The deal is expected to close in early 2024. Both acquisitions reflect UnitedHealth's strategic investment in home-based medical services, which have seen increased interest since the pandemic.⁷

Medpace Holdings (MEDP): 3.6% - Medpace Holdings has made strides in operational expansion and leadership development. In late 2023, Medpace broadened its medical leadership teams across various specialties, including respiratory, women's health, infectious diseases, vaccines, gastroenterology, and hepatology. Medpace has also expanded its Central Labs facility in Singapore. These strategic developments aim to enhance the company's capabilities in clinical trials and global reach, ensuring that it continues offering comprehensive research services in the healthcare sector.^{8 9}

Viking Therapeutics (VKTX): 3.5% - Viking Therapeutics has had a productive period with promising results in its drug development programs. Its experimental obesity drug, VK2735, showed up to a 6% reduction in mean weight compared with a placebo and was well-tolerated in a Phase 1 study. This positive outcome caused a jump in its share price and set the stage for future studies, potentially placing Viking as a contender in the obesity treatment market. Analysts suggest that success in the upcoming trials could position Viking alongside major pharmaceutical companies to benefit from a booming US market estimated to be valued between \$50 and \$100 billion by 2031. In another development, Viking's drug for non-alcoholic steatohepatitis (NASH), VK2809, achieved its primary goal in a mid-stage trial by significantly reducing liver fat content in patients. Viking Therapeutics is well positioned to leverage its progress in a disease area with no approved treatments but with a high demand, potentially representing a multi-billion-dollar market.^{10 11 12}

CymaBay Therapeutics (CBAY): 3.2% - Gilead Sciences announced in February 2024 that it would acquire CymaBay for \$32.50 per share in cash, valuing the company at about \$4.3 billion. This strategic acquisition expands Gilead's liver disease portfolio with Seladelpar, which has shown promise in treating PBC (primary biliary cholangitis). The transaction is expected to close in the first quarter of 2024, subject to regulatory approvals and other customary closing conditions. Seladelpar has also been granted priority review by the FDA, with a target action date set for August 2024.^{13 14}

Ardelyx (ARDX): 3.0% - Ardelyx has had a notable year with the approval and launch of its second product, XPHOZAH®, and the consistent growth in sales of IBSRELA®. Following FDA approval in October 2023, XPHOZAH® was launched in November 2023, with a strong initial response for treating hyperphosphatemia in patients with chronic kidney disease on dialysis. The company expects IBSRELA® to gain significant market share and generate substantial annual net sales.¹⁵

RxSight (RXST): 2.6% - RxSight, Inc. announced its financial and operational results for the fourth quarter and full year of 2023, showcasing significant growth. The company expects its revenue for 2024 to be

⁶ <https://www.idexx.com/en/about-idexx/news/idexx-announces-invue-dx/>

⁷ <https://www.fiercehealthcare.com/payers/unitedhealth-group-expects-bring-nearly-360b-revenue-2023>

⁸ <https://www.medpace.com/blog/medpace-central-labs-expand-singapore-facility/>

⁹ <https://www.medpace.com/blog/medpace-strengthens-medical-leadership-team-in-gastroenterology-and-hepatology/>

¹⁰ <https://www.reuters.com/business/healthcare-pharmaceuticals/viking-therapeutics-start-obesity-drug-mid-stage-trial-2023-03-28/>

¹¹ <https://www.reuters.com/business/healthcare-pharmaceuticals/viking-therapeutics-nash-drug-succeeds-mid-stage-trial-shares-jump-2023-05-16/>

¹² <https://finance.yahoo.com/news/viking-therapeutics-teachable-moment-investing-124500782.html>

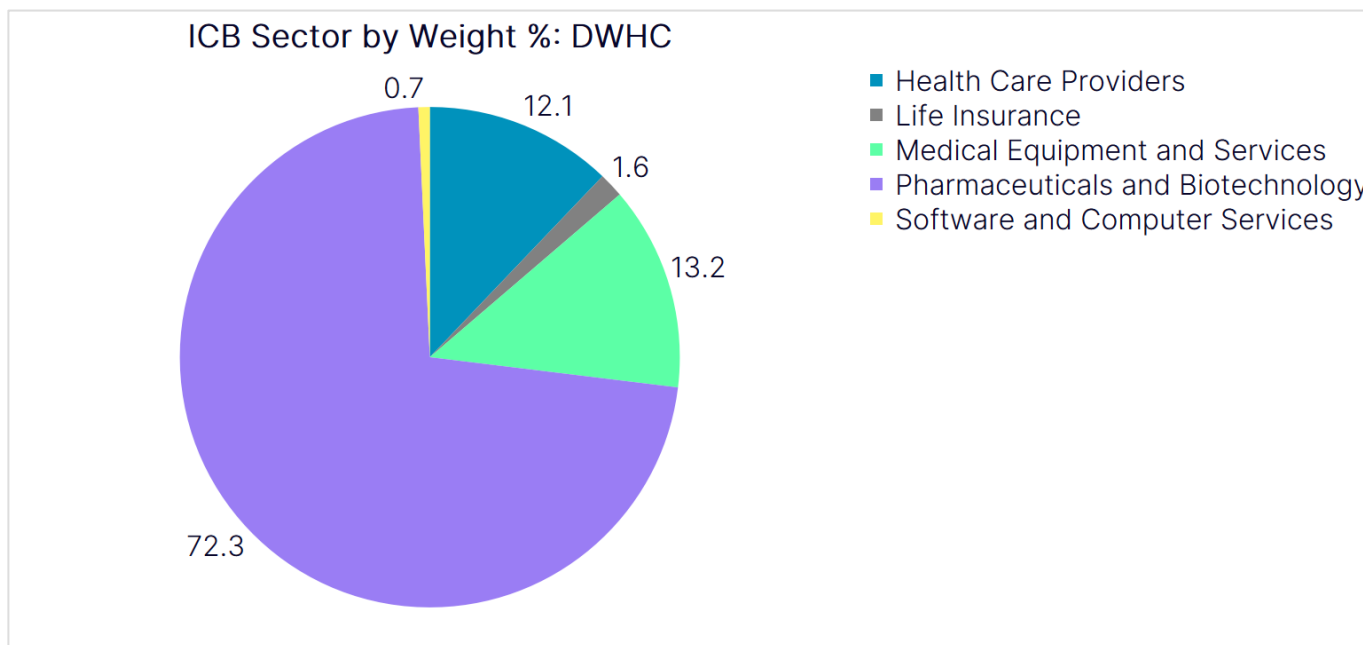
¹³ <https://www.gilead.com/news-and-press/press-room/press-releases/2024/2/gilead-sciences-expands-liver-portfolio-with-acquisition-of-cymabay-therapeutics>

¹⁴ <https://www.cymabay.com/investors-media/news-events/press-releases/detail/595/cymabay-reports-fourth-quarter-and-year-ended-december-31>

¹⁵ <https://ir.ardelyx.com/news-releases/news-release-details/ardelyx-provides-update-growing-commercial-momentum-and-2024>

between \$128.0 million and \$135.0 million, indicating a growth rate of approximately 44% to 52% over 2023. This growth is attributed to cataract surgeons and patients' increasing adoption of its Light Adjustable Lens system.¹⁶

Altimune (ALT): 2.5% - Altimune has been actively working on developing treatments for serious health conditions and has made some notable advancements. In late 2023, the U.S. Food and Drug Administration (FDA) granted Fast Track designation for Altimune's Pemvidutide for treating non-alcoholic steatohepatitis (NASH), a severe liver condition. The Fast Track designation aims to expedite the development and review of drugs that treat serious conditions and fill unmet medical needs. This is significant for Altimune, as it reflects its commitment to addressing the challenges of NASH, for which there are currently no approved treatments. In addition to this regulatory milestone, Altimune reported positive topline results from its 48-week Phase 2 obesity trial of Pemvidutide. The study results were encouraging, showing a 15.6% mean weight loss with the 2.4 mg dose, translating to an average weight loss of 32.2 lbs. at 48 weeks. Such findings could differentiate Pemvidutide from other incretin-based therapies, potentially making it a significant treatment option for obesity, especially for patients with cardiovascular disease risk factors. Pemvidutide, the investigational peptide-based GLP-1/glucagon dual receptor agonist, is being developed to treat obesity and metabolic dysfunction-associated steatohepatitis (MASH), previously known as NASH. It is designed to act similarly to diet and exercise on weight loss by suppressing appetite and increasing energy expenditure.^{17 18}



¹⁶ <https://finance.yahoo.com/news/rxsight-inc-announces-preliminary-unaudited-150000899.html>

¹⁷ <https://ir.altimmune.com/news-releases/news-release-details/altimmune-announces-positive-topline-results-momentum-48-week>

¹⁸ <https://ir.altimmune.com/news-releases/news-release-details/altimmune-announces-presentation-pemvidutide-clinical-data>

DWHC: Top 10 Holdings as of 2/29/2024 EOD

Name	Symbol	ICB Sector	DWHC Weighting	Return Since 09/30/2023
Eli Lilly	LLY	Pharmaceuticals and Biotechnology	5.1	40.3
C4 Therapeutics	CCCC	Pharmaceuticals and Biotechnology	4.3	490.9
IDEXX Laboratories Inc	IDXX	Medical Equipment and Services	3.9	31.5
UnitedHealth Group	UNH	Health Care Providers	3.8	-2.1
Medpace Holdings	MEDP	Pharmaceuticals and Biotechnology	3.6	64.0
Viking Therapeutics	VKTX	Pharmaceuticals and Biotechnology	3.5	594.7
CymaBay Therapeutics	CBAY	Pharmaceuticals and Biotechnology	3.2	116.0
Ardelyx	ARDX	Pharmaceuticals and Biotechnology	3.0	128.2
RxSight	RXST	Medical Equipment and Services	2.6	95.4
Altimmune	ALT	Pharmaceuticals and Biotechnology	2.5	364.6

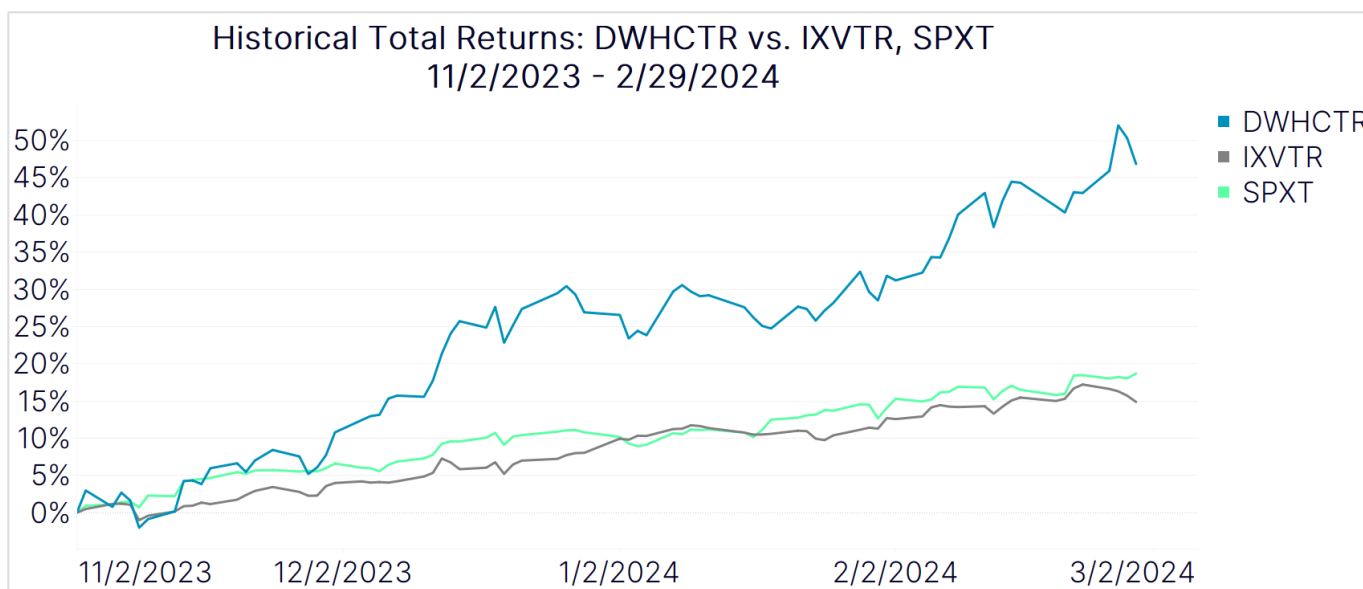
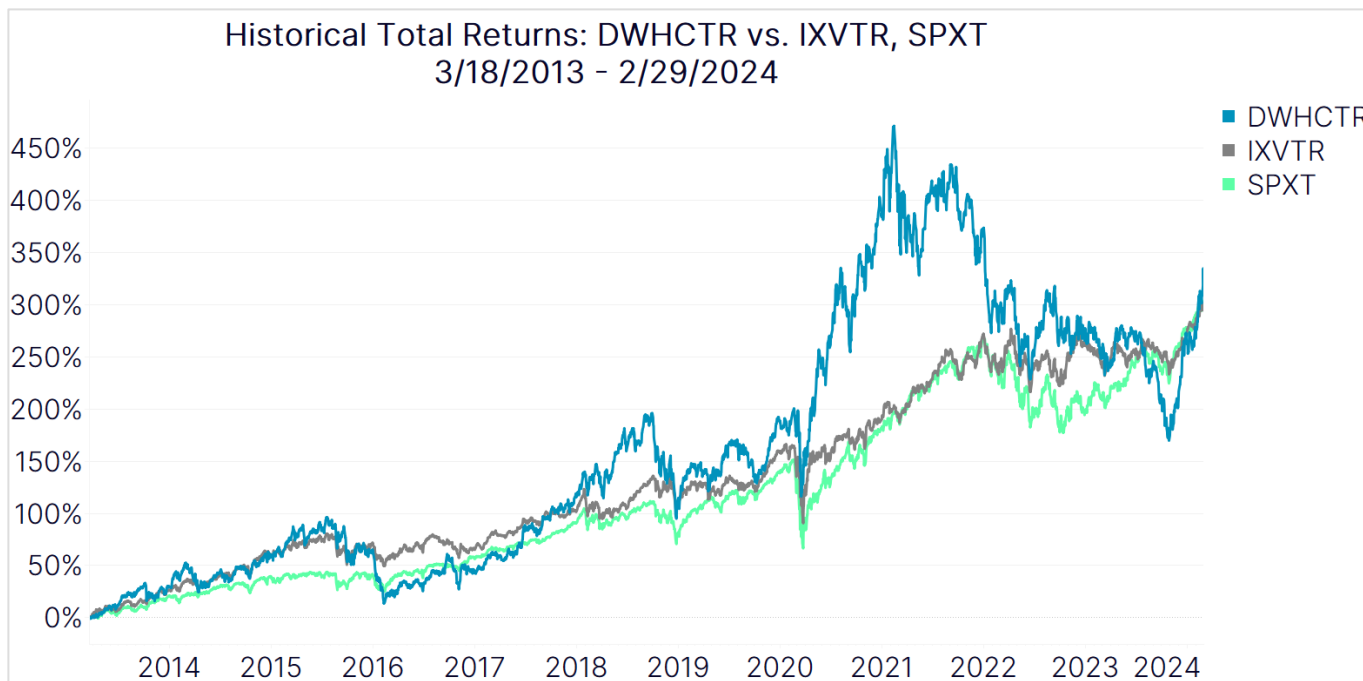
Sources: Nasdaq, FactSet

Competitor Analysis

Like S&P's Health Care Select Sector Index (IXV), a traditional cap-weighted broad healthcare competitor benchmark, the Dorsey Wright Healthcare Technical Leaders Index is overweight Health Care. However, that is the only industry group that the two have in common. The Health Care Select Sector Index, which uses S&P's classification system, has a 4% weight to Consumer Staples and 1% to Industrials, while DWHC has exposure to Financials and Technology. Additionally, DWHC comprises a relatively smaller subset of companies, focusing on proven winners across small, mid, and large-cap stocks. There are only six common holdings between the two healthcare indexes, accounting for 20.5% of DWHC's total weight. These six names account for approximately 23% of IXV.

DWHC Performance

Since launching on March 18, 2013, the Dorsey Wright Technical Leaders Healthcare Total Return™ Index (DWHCTR™) has achieved a cumulative total return of 319.8%, edging out the S&P 500's total return of 303.9% and IXV's total return of 294.1%. Despite this overall success, the journey has been marked by volatility, reflective of the fluctuating nature of the healthcare sector. Notably, 2023 posed challenges with a 4% dip, attributed to the inherent volatility of a momentum-based strategy during downturns in the healthcare sector. However, a remarkable recovery commenced in early November 2023, with DWHC rallying 46.8% by the end of February 2024, significantly outperforming the S&P 500 and IXV benchmarks by 28.1% and 31.9%, respectively. Year-to-date through February 29, 2024, PTH has gained 15.7% on a total return basis, outperforming the S&P 500 Index by 9.4%. This resurgence underscores DWHC's ability to dynamically adapt to market trends, guided by its objective, rules-based approach to capturing relative strength.



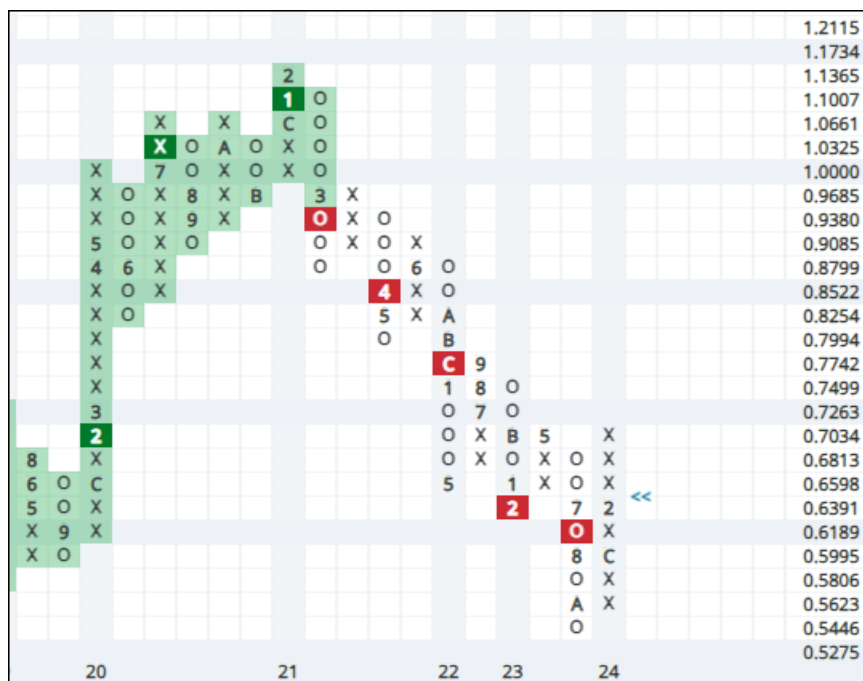
PTH: Technical Review

The Invesco DWA Healthcare Momentum ETF (Nasdaq: PTH) tracks the Dorsey Wright Healthcare Technical Leaders Index (DWHC). So far this year, PTH’s YTD performance puts it in the top 1% versus a universe of 17,000+ funds spanning all sectors, asset classes, and regions/countries. PTH’s notable performance is reflected in its strengthening technical picture on the Nasdaq Dorsey Wright (NDW) Research Platform.

PTH’s price has trended higher, and the magnitude of PTH’s movement has also strengthened. Compared to the broader market using the S&P 500 Equal Weighted Index (SPW) as a proxy, PTH is winning the Relative Strength battle on a near-term basis and continuing to edge closer to regaining the long-term leadership position. In December 2023, PTH outpaced the SPW enough to return its market relative strength chart to a column of Xs, signaling that it has increased at a pace higher than the market and, therefore, has a higher

chance for continued outperformance. PTH’s market relative strength chart sits just one box away from returning to a market RS buy signal for the first time since March 2021.

Relative Strength Chart: PTH vs SPW



Following a rules-based methodology, Nasdaq Dorsey Wright rates mutual funds and exchange-traded funds (ETFs) using the NDW Fund Score System, assigning each fund a score. Fund Scores range between 0 and 6, with 6 being the strongest score possible, and are calculated daily using closing data from the previous trading session. Fund Scores are objectively driven using 19 individual technical data points, which include a combination of absolute and relative measurements, and are each assigned a proprietary weighting. A Fund Score can be divided into three segments, each accounting for approximately one-third (33%) of a fund’s total score: trend analysis, market Relative Strength analysis, and peer Relative Strength analysis.

- Trend: Point & Figure chart trend positive or negative
- Market Relative Strength: compares the relative price movement of a fund versus a major market index benchmark to determine which is stronger – the ETF in question or the broader market.
- Peer Relative Strength: compares the relative price movement of a fund versus a peer index benchmark to determine which is stronger – the ETF in question or its assigned peer group.

As of February 29, 2024, the Invesco Dorsey Wright Healthcare Momentum ETF (PTH) had a notably strong fund score of 4.72, which reflects a mostly positive technical outlook. PTH’s trend and peer relative strength analysis segments are positive, while all but two of the Market Relative Strength metrics are positive. On a strictly technical basis, any mutual fund or ETF with a Fund Score of 4 or higher is considered exceptionally strong, and a higher score indicates a more bullish outlook, just like we are seeing today with PTH.

Sources: Nasdaq, FactSet, Bloomberg.

Accessing the Index

The Dorsey Wright Healthcare Technical Leaders™ Index (DWHC™) is available to investors through the Invesco DWA Healthcare Momentum ETF (Nasdaq: PTH).

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