ODDO BHF

INTERVIEW *with*

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AI and Healthcare: what opportunities lie ahead?

" *Artificial intelligence feeds on data, and the largest database in the world can be found in the human body.* "

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A theme with structural implications that we see as offering market opportunities is healthcare in connection with artificial intelligence.

Some might argue that healthcare is the number one field of interest for artificial intelligence (AI), particularly as we stand on the brink of the "super intelligence" era. We tend to agree with this view for the following reasons.

1. Artificial intelligence feeds on data, and the largest database in the world can be found in the human body.

2. In recent months, leading figures in AI, such as Jensen Huang (founder of Nvidia), Sergey Brin (co-founder of Google) and Dario Amodei (co-founder of Anthropic), have unanimously supported this view.

3. The work of DeepMind's AlphaFold on protein structures are paving the way for new, more personalised therapies across a wide range of indications.

4. AI is expected to enable healthcare to move from identifying correlations to establishing causation, particularly in the field of genomics.

5. AI is expected to generate significant cost savings in Western healthcare systems, as exemplified by the "Value-Based Care model" in the United States.

Why is this theme promising?

This theme is part of a broader trend, emerging in the post-DeepSeek era, that favours companies leveraging AI (as opposed to those enabling it), with healthcare being one of the key sectors.

What is your investment strategy in this market segment? What sets it apart from other strategies in the same sector?

The fund we manage, ODDO BHF Artificial Intelligence, is a global thematic equity fund using artificial intelligence to identify the most alpha-generating sub-themes and innovative companies linked to AI. As a result, the portfolio is truly multi-sectoral. Healthcare is one of the sectors represented in the portfolio, currently accounting for 13.5% of the fund's total assets as of January 31, 2025. It is important to note that ODDO BHF Artificial Intelligence is an equity fund, meaning it carries capital loss and equity market risks.

Our investment strategy in this sector is the same as for the rest of the portfolio. After defining the investment universe of companies leveraging AI, an ESG and carbon analysis is applied to narrow down this universe in line with the fund's sustainable investment objectives. The portfolio management team then conducts a quantitative screening and rigorous fundamental analysis to select the 30 to 60 strongest convictions.

When applied to the healthcare sector, our strategy can be summarised as follows:

- **A strong focus on the United States**, which offers the deepest pool of innovative companies with the best management teams and applied research capabilities;

- **Diversification across all healthcare segments** (health insurance, MedTech, life sciences, pharmaceuticals and biopharmaceuticals), excluding pre-commercial biotech, which we do not consider an "investable" sector;

- **A balanced mix of highly innovative small companies and global market leaders** with a more defensive profile.

What are the main risks associated with this theme, and how do you address them?

We have identified and integrated several key risks into our investment approach.

- **Geographical risk**: we have chosen not to invest in China to mitigate regulatory risks in this sector and we have limited exposure to Europe, where we see fewer market leaders.

- **Regulatory risk:** we avoid segments and companies exposed to potential legal disputes.

- **Sector rotation risk**: the potential shifts between sectors (e.g., Tech vs. Healthcare) require agility in portfolio construction to adjust to market dynamics.

- **Risks related to the new Trump administration**: examples include the resurgence of anti-vaccine movements and concerns over the PBM (Pharmacy Benefit Management) business model, which plays a key role in managing pharmaceutical benefits in the U.S.

Main Risks

ODDO BHF Artificial Intelligence is primarily exposed to the following risks: Capital loss risk, Equity market risk, Risk associated with holding mid-cap stocks, Market volatility, Liquidity risk of underlying assets, Modelling risk, Currency risk

Investors are encouraged to consult the Key Information Document (*Document d'Information Clé*) and the fund prospectus for a detailed overview of the risks associated with the fund.