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SPRING 2025  
ISSUE 24

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# The value of active investment management in volatile times

Passive investment funds have become a familiar feature in the portfolios of many investors around the world. However, as geopolitical uncertainty upends investment markets, actively managed investments may offer the flexibility needed to protect and grow investors' savings through the storm.

## Understanding the passive paradigm

Passive funds, or index funds, seek to mirror the performance of investment markets – rather than exceed their performance. This is done by purchasing the underlying assets in an index according to each asset's market capitalisation.

By offering broad market exposure at relatively low fees, passive funds grew from less than 5% of the US mutual fund and ETF market to 53% over the 30 years to December 2024.<sup>1</sup> In particular, passive funds became popular in the wake of the 2008 Global Financial Crisis as investors rode the wave of historically low interest rates and high liquidity.

## Growing market uncertainty

As we enter the second half of the 2020s, the economic realities facing investors are shifting. We're experiencing:

- ▶ **Greater geopolitical uncertainty and risk.** In recent years investors have navigated the impact of Russia's invasion of Ukraine, tension with China and open conflict in the Middle East. Adding to the disruption, this year the US spearheaded restrictive international trade policies, hiked tariffs and significantly increased national debt – up-ending markets further.
- ▶ **Concentration risk.** Concentration is where a small number of companies drive much of an index's movement. At the end of 2024, just ten companies represented 36% of the value of the US market, the highest level of concentration in 40 years.<sup>2</sup> The three largest being technology companies: NVIDIA, Microsoft and Apple. As passive funds typically weight their asset allocations based on market capitalisation, investors in these funds have also seen an increase in their exposure to a smaller number of companies.
- ▶ **Weakening US economy.** Off the back of a strong 2024, some commentators see the US economy heading towards a slowdown.<sup>3</sup> It's a scenario that many investors in passive international funds will be significantly exposed to. Indeed, the popular MSCI World Index has a 72% weighting towards the US.<sup>4</sup> In contrast, active managers can use their research capabilities and agility to invest outside the US if they see stronger opportunities elsewhere – particularly in emerging markets where the gap between winners and losers can be very large. In these smaller markets, monitoring, research and a more considered investment approach can deliver improved performance.



## Taking action

In uncertain and volatile trading conditions, active fund managers use their experience and skills to select investments based on research considering wider macroeconomic, social and geopolitical factors – along with company fundamentals. They then apply these insights using a tested investment strategy. This means active managers should be better positioned to:

- ▶ **Manage downside risks** – adjusting portfolios to diversify away from sectors with greater risk and concerning levels of concentration.
- ▶ **Invest opportunistically** – capitalising on inefficiencies and mispriced assets, as well as making opportunistic investments in response to volatility. An example of this came in April this year, when the US Government announced a flurry of new tariffs on major trading partners and triggered a panic-fuelled sell-off around the world. Days later, the US government relented, and global markets promptly rebounded.<sup>5</sup> Investors who bought in the dip opportunistically acquired assets at lower prices.
- ▶ **Invest in smaller companies** – casting the net wide to identify the best outcomes for their investors. Companies that are large now were small once. By their nature, most passive funds are unable to take advantage of these types of emerging opportunities in a targeted way.

The key takeaway is that when there's a lot of geopolitical uncertainty, active investment managers may have the experience and agility needed to wisely navigate through the storm.



## How your Count Financial adviser can help

If you'd like advice on how increased exposure to active investment managers could strengthen your investment portfolio, talk to your Count Financial adviser. They'll be able to advise you on your options after taking into account your overall financial goals.

<sup>1</sup> T. Rowe Price, 'Active investing is suited to the uncertain markets ahead', July 2024, accessed 28 July 2025 and Morningstar, 'US Fund Flows: Picking Up Steam in 2024', 21 January 2025, accessed 29 July 2025

<sup>2</sup> A Oldenburg, T Kuznetsov, 'Active Management Is Suited to Uncertain Times', Morgan Stanley, May 2025, accessed 28 July 2025

<sup>3</sup> BNP Paribas, 'Economic Research', 25 July 2025, accessed 28 July 2025

<sup>4</sup> MSCI, 'MSCI World Index', 30 June 2025, accessed 28 July 2025

<sup>5</sup> National Australia Bank, 'Business Research & Insights', May 2025, accessed 28 July 2025.

# What an ageing population means for healthcare investors

Thanks to improvements in living standards, medicine and technology, Australians are living longer than ever before – driving a demographic shift that investors can't afford to ignore.



## Life down under

In the 120 or so years since Australia's federation, average life expectancy has grown significantly – from roughly 55 years of age at the turn of the twentieth century to over 80 today.<sup>6</sup>

And since 1994, the proportion of the Australian population aged over 65 has surged by five percentage points to a hefty 17% – with Australia's median age increasing from 33.4 years to 38.3 years.<sup>7</sup>

This remarkable uptick in longevity has been largely driven by medical breakthroughs, better living standards and Australia's world-class healthcare system.

Indeed, other countries are seeing similar gains. The United Nations expects the number of people aged 65 and over will double between 2023 and 2050 – reaching a total of 1.6 billion worldwide.<sup>8</sup> It's a megatrend that's driving some compelling opportunities for investors.

## A shot in the arm for healthcare companies

One byproduct of an older population is accelerating spending on healthcare and aged care. With rising demand, spaces in aged care accommodation are expected to be in short supply and Australians will require increased medical treatment as they age. What's more, we may be entering a golden age of medical progress as AI technologies transform medical research, imaging, diagnosis and treatment.<sup>9</sup>

The companies riding this tailwind include pharmaceuticals, bio-techs, medical equipment manufacturers, medical technology companies, aged accommodation providers and the service providers that work directly with older patients.

In the 10 years to 28 July 2025, the healthcare sector – as measured by the ASX200 Health Care index (XHJ) – returned 10.72% per annum. That's a stronger upturn than the 8.81% per annum recorded by the broader ASX200.<sup>10</sup> Of course, past performance is not an indicator of future performance.

## The tide is rising – which boats will float?

Given the breadth of businesses classified under the 'healthcare' banner, there are several ways investors can take advantage of this trend. Yet investors also need to be mindful that the rising tide of an ageing population won't lift every boat equally.

This is because investing in individual healthcare companies can carry high risk, particularly those linked to drug discovery and drug approval outcomes. Indeed, clinical drug trials average only a 10% success rate.<sup>11</sup>

What's more, healthcare companies are exposed to complex regulatory risks. It can take a long time before an investment in health research and development generates financial returns to investors, even for successful health innovations.

That's why using a professional investment manager can be a smart way to gain exposure to the healthcare sector.

A professional investment manager can use its specialist market knowledge and experience to help build a diversified portfolio of investments that taps into the growing demand for healthcare products. Equally important, a diversified portfolio can mitigate against the risk of individual companies performing worse than expected. It's about giving your investment the best chance for growth over the long term.

Healthcare performance drivers	
<b>Government spending</b>	Federal government spending on healthcare is budgeted to reach \$127.1 billion for the 2025–2026 financial year <sup>12</sup>
<b>Innovation</b>	Australia is ranked 9th place in global rankings for healthcare innovation <sup>13</sup>
<b>Inelastic demand</b>	unlike discretionary spending, demand for medical services tends to remain relatively stable regardless of changes in price or income
<b>Non-cyclical</b>	long term spending programs and investment contracts help buffer the sector from short term factors



## How your Count Financial adviser can help

If you'd like to discuss how increased exposure to Australian healthcare companies could bring growth and diversification opportunities to your investment portfolio, talk to your Count Financial adviser. They'll be able to advise you on your options after taking into account your overall financial goals.

6 Australian Institute of Health and Welfare, 'Deaths in Australia', Australian Government, 9 April 2025, accessed 28 July 2025

7 Australian Institute of Health and Welfare, 'Profile of Australia's population', Australian Government, 9 April 2025, accessed 28 July 2025

8 F Richter, 'The world's oldest populations', World Economic Forum, 22 February 2023, accessed 28 July 2025

9 CSIRO, 'CSIRO report highlights 'extraordinary era' of AI in healthcare', 27 March 2024, accessed 28 July 2025

10 S&P Global, 'S&P/ASX 200 Health Care, S&P/ASX 200', total return, 28 July 2025, accessed 29 July 2025

11 National Library of Medicine, 'Why 90% of clinical drug development fails and how to improve it?', 11 February 2022, accessed 28 July 2025

12 Australian National Audit Office, 'Health, Disability and Ageing | Australian National Audit Office (ANAO)', Data excludes the NDIS. Accessed 28 July 2025

13 Freopp, 'Australia: #9 in the 2024 World Index of Healthcare Innovation', 20 December 2024, accessed 28 July 2025

# The numbers

Life expectancy at birth was

**81.2**

years for males and

**85.3**

years for females in 2020–22<sup>14</sup>

Australia's population was

**27,400,013**<sup>15</sup>

people at 31 December 2024

Annual natural increase was

**105,200**

and net overseas migration was

**340,800**<sup>16</sup>

Foreign investment in Australia rose

**\$326.9b**<sup>17</sup>

to \$4,970.6b

Australian investment abroad rose

**\$492.4b**<sup>18</sup>

to \$4,317.4b

The Australian economy rose

**0.2%**<sup>19</sup>

in seasonally adjusted chain volume measures

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CONTACT YOUR COUNT ADVISER AT:

<sup>14</sup> Reference period: 2020–22

<sup>15</sup> Reference period: December 2024

<sup>16</sup> Reference period: December 2025

<sup>17</sup> Reference period: 2024

<sup>18</sup> Reference period: 2024

<sup>19</sup> Reference period: March 2025