

Health Care: A New Wave of Progress Driven by Innovation and AI



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After several months of strong performance in the healthcare sector, Adeline SALAT-BAROUX and Sébastien MALAFOSSE¹, equity fund managers¹, review recent developments in the healthcare sector. They examine scientific advances, the resurgence in funding, and the acceleration of mergers and acquisitions (M&A). They also analyze the long-term opportunities offered by artificial intelligence and innovation in healthcare.

Is the healthcare sector at a tipping point?

We believe the sector is entering a new phase. After several mixed years, investors are once again turning to the sector, which is regaining real momentum, driven by a genuine acceleration in innovation. Furthermore, the regulatory framework has also become clearer for major pharmaceutical companies, mergers and acquisitions are back on the rise, biotech companies are securing funding more easily, and all suppliers within the ecosystem are benefiting. As a result, the sector is gaining ground in the markets.

1. The identities of the managers listed in this document may change during the product's term



Is this upswing here to stay?

The sector owes its recent rise to the return of its fundamentals, particularly clinical advances that are bringing scientific innovation back to the forefront.

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The positive Phase III results announced by Moderna and Merck & Co for their personalized mRNA vaccine against melanoma illustrate the potential of new therapeutic approaches in oncology. The approval of Revolution Medicine’s Rasonque treatment, the first innovation in more than 30 years for pancreatic cancer, also contributes to this momentum. New therapeutic approaches in the field of oncology include the development of personalized cancer vaccines, as well as research into treatments targeting pancreatic cancer. This work is being conducted by several companies, including Merck & Co., BioNTech, and Erasca².

Does messenger RNA open the door to personalized cancer treatments?

The results obtained in melanoma represent a significant milestone. They show that messenger RNA can go far beyond the prevention of infectious diseases and find practical applications in cancer treatment.

The goal of personalized cancer vaccines, tailored to each patient’s tumor profile, is to help the immune system better target cancer cells. These advances still need to be confirmed over time and for other cancers, such as lungs or colon cancer, but they open very promising prospects for precision oncology.

Does the resurgence of M&A mark a real turning point for the biotech industry?

Yes, this resurgence is one of the most significant indicators of the period. By the end of August, the number of transactions exceeding \$1 billion had already surpassed the total recorded for the entire year of 2025.

2. Information regarding securities should not be construed as an opinion by the Edmond de Rothschild Group on the expected performance of such securities or, where applicable, on the expected price movements of the financial instruments they issue. This information should not be construed as a recommendation to buy or sell these securities.



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Major pharmaceutical companies are facing challenges in renewing their drug portfolios. They are therefore actively seeking differentiating molecules, technologies, and platforms, often developed by small- and mid-cap biotech companies.

AbbVie's acquisition of Apogee illustrates the consolidation trend underway in the field of autoimmune diseases. Since the beginning of the year, several acquisitions have also been completed in the fields of cell therapy, diagnostics, and medical technologies, notably involving ArcellX, Exact Sciences, and Penumbra³. These transactions reflect the interest in innovation in the fields of biotechnology and medical technologies.

With interest rates on the rise, we are seeing a deterioration in financing conditions?

In fact, the opposite is true. Since the beginning of 2026, financing in the sector has increased by 57% compared to 2025⁴, driven by corporate acquisitions and clinical breakthroughs. The record for the largest biotechnology IPO, held since 2018 by Moderna, has been broken twice this year, first by Kailera (obesity) and then by Parabilis (cancer). This trend is helping to revitalize the entire healthcare innovation ecosystem.

What role can artificial intelligence play in this new phase?

We believe the healthcare sector will be one of the major beneficiaries of artificial intelligence. This technology is finding more applications in the sector. Beyond being a source of operational efficiency, AI helps accelerate the discovery of new drugs. It brings personalized medicine to an industrial scale thanks to new diagnostic and therapeutic approaches.

In medical technology, AI increases the speed, quality, and clinical utility of imaging equipment. Several companies in the healthcare sector are integrating artificial intelligence into their operations, particularly in genomic sequencing, the early detection of cancer recurrence, and medical imaging. For example, these fields are being explored by Oxford Nanopore, Natera, and Siemens Healthineers³.

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4. Source: Edmond de Rothschild Asset Management. Data as of August 31, 2026.

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Which segments do you find most promising?

Within our strategy, we focus on areas where innovation addresses major unmet medical needs: oncology, rare diseases, the central nervous system, medtech, and diagnostics. AI, data, and sequencing are already transforming the detection and management of diseases.

The portfolio combines established players with innovative companies that have strong potential. We have recently strengthened our exposure to medtech and capitalized on opportunities related to mergers and acquisitions. Our criteria remain the same: differentiating technology, solid clinical data, and visible growth.

What is your key conviction for the coming months?

After several lackluster years, the sector’s fundamentals are gradually regaining the upper hand. The healthcare sector appears to be the big winner of AI. We are seeing productivity gains that are creating a virtuous cycle. Innovation in the field of pharmaceuticals leads to improved patient care and, consequently, a decline in disease.

While the market sometimes tends to pit “winners” against “losers,” the acceleration of innovation is bringing together the various players in the healthcare sector. In our view, this momentum should continue to strengthen in the coming months.



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