VM Wealth Management Limited
ETF Investment Recommendation

XLV — State Street Health Care Select Sector SPDR ETF

OVERWEIGHT

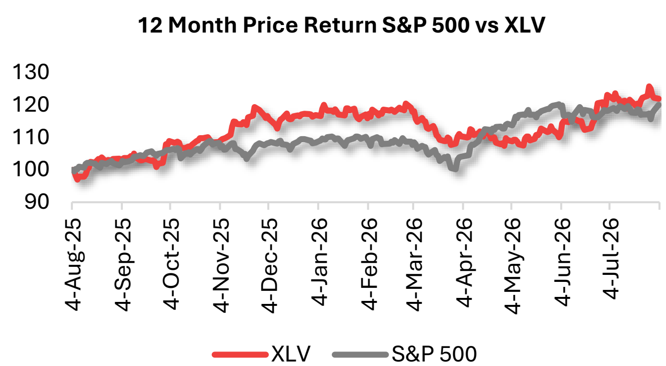
PRICE	EXPENSE RATIO	AUM	BENCHMARK	INCEPTION	CATEGORY
$162.17	**0.08%**	**$41.1B**	**Health Care Select Sector Index**	**12/1998**	**Equity — Health Care**

INVESTMENT THESIS

XLV offers low-cost, liquid exposure to large-cap U.S. health care after two years of sector underperformance driven by drug-pricing policy overhang and Medicare Advantage margin pressure. Recent tariff/pricing clarity, a re-accelerating GLP-1 drug cycle led by Eli Lilly, and a valuation reset versus the broader market support a contrarian overweight, balanced against continued regulatory and drug-pricing policy risk.

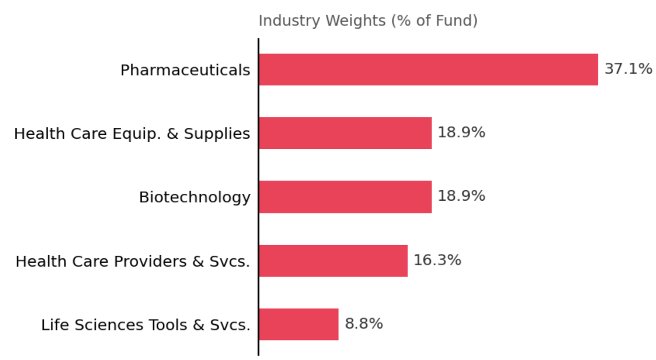
PERFORMANCE & PORTFOLIO COMPOSITION

Returns	YTD	1 YR	3 YR	5 YR
XLV	7.1%	24.0%	10.3%	6.8%
S&P 500	9.6%	20.9%	19.0%	11.8%
+/- S&P	-2.5%	+3.1%	-8.7%	-5.0%



Returns as of 7/7/2026 (3Yr/5Yr annualized); holdings per SSGA fact sheet, 3/31/2026; industry weights approximate, based on Health Care Select Sector Index constituents. Consensus 12M analyst price-target return per S&P Global/TipRanks, Jun–Jul 2026; top 10 weighted-avg = +13.0%. Top 10 holdings = 59.1% of fund; 63 total holdings.

Top Holdings	Weight %	Cons. 12M
Eli Lilly & Co.	13.7%	+9.6%
Johnson & Johnson	11.1%	+6.1%
AbbVie Inc.	7.3%	+2.9%
Merck & Co. Inc.	5.6%	+15.9%
UnitedHealth Group Inc.	4.6%	+13.8%
Amgen Inc.	3.6%	-7.3%
Thermo Fisher Scientific	3.5%	+27.9%
Abbott Laboratories	3.4%	+32.3%
Gilead Sciences Inc.	3.3%	+21.0%
Intuitive Surgical Inc.	3.1%	+47.7%



Cons. 12M reflects sell-side analyst price targets on the underlying stock, not a forecast by [Firm Name] or a guarantee of future performance. Targets are frequently revised and can differ materially from actual results.

KEY RISKS

- Policy risk: further Medicare/Medicaid pricing action or IRA drug-price negotiation rounds could pressure pharma and biotech margins
- Concentration: top 5 holdings (42% of fund) are dominated by pharma/biopharma; Eli Lilly alone is ~14% of the fund
- Managed care: Medicare Advantage cost trends remain a swing factor for UnitedHealth and the broader payer complex.
- Patent Expirations: Revenue drops sharply when major drugs lose patent exclusivity and face low-cost generic or biosimilar competition.

Investment Drivers

- Continued GLP-1/obesity drug expansion and pipeline readouts led by Eli Lilly and peers
- Further clarity on pharma tariff carve-outs and Medicare pricing frameworks reducing policy overhang
- Sector rotation into defensives if broader market growth decelerates, plus a still-favourable demographic backdrop of an aging population.
- Healthcare is non-discretionary, making XLV resilient during economic slowdowns relative to the broader market.
- Top pharmaceutical and medical device conglomerates (e.g., Johnson & Johnson, AbbVie) provide steady revenue, cash flow generation, and reliable dividend yields.

Important Disclosures

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- **OVERWEIGHT** - Security is deemed to be undervalued and is expected to outperform compared to the average market return and/or return of comparable securities in the same sector or industry.

- **MARKETWEIGHT** – Security is expected to provide similar returns compared to the market in general or at the same pace as comparable companies; neither strongly positive nor negative.

- **UNDERWEIGHT** – Security is deemed to be overvalued and is expected to underperform compared to the average market return and/or return of comparable securities in the same sector or industry.

- **ZEROWEIGHT** – This security is substantially distressed or at risk of a shock which may significantly impair its value.

VM Wealth Management | 53 Knutsford Boulevard, Kingston 5 | (876) 960-5000 | https://vmwealth.myvmgroup.com/