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Monthly Insights: October Outlook

Health Care

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ETFInsight Elev8 Model
Data and research through September 29, 2026

October Outlook: Health Care

Elev8 allocations: active weight descending

ETF	Score	BMK %	Elev8 %	Active pp
VGT	5	38.71	42.47	+3.76
VDE	5	3.45	6.98	+3.53
VHT	**5**	**9.67**	**12.92**	+3.25
VFH	3	11.78	12.78	+0.99
VAW	0	1.80	1.78	-0.02
VIS	0	8.10	7.88	-0.23
VOX	0	9.87	9.27	-0.59
VNQ	-3	1.71	0.00	-1.71
VPU	-6	1.90	0.00	-1.90
VCR	-2	8.43	5.92	-2.50
VDC	-6	4.58	0.00	-4.58

VHT carries 12.92% of the portfolio versus 9.67% in BMK. The overweight is +3.25 percentage points.

October setup. Improving participation and differentiated earnings drivers support the Health Care overweight. The sector has recovered much of its six-month relative decline, although equipment stocks remain weak.

Elev8 conviction. The total score is 5, placing VHT tied for rank 1 among 11 sectors. The overweight reflects the eight model inputs and the October allocation.

Participation. 45.0% of the sector's 60 S&P 500 constituents outperformed over the latest month, and 45.0% are above their 50-day average. The median one-month excess return is -1.6%.

Earnings and market tension. Lilly's growth and Medtronic's results broaden the earnings evidence behind the sector recovery. UnitedHealth adds a margin-repair example, although its reserve benefit means the evidence is mixed. This gives the overweight a more specific basis than a defensive-sector label.

The principal allocation risk. Watch product-growth guidance, medical-cost ratios excluding reserve effects and whether device stocks gain broader technical confirmation. Weakening earnings execution would undermine the recovery case.

Technical Outlook: Health Care



Support and resistance. VHT holds support near 316.09 at its 50-day average, with deeper support near 292.40 at the 200-day average. Both levels sit below the current price of 318.97.

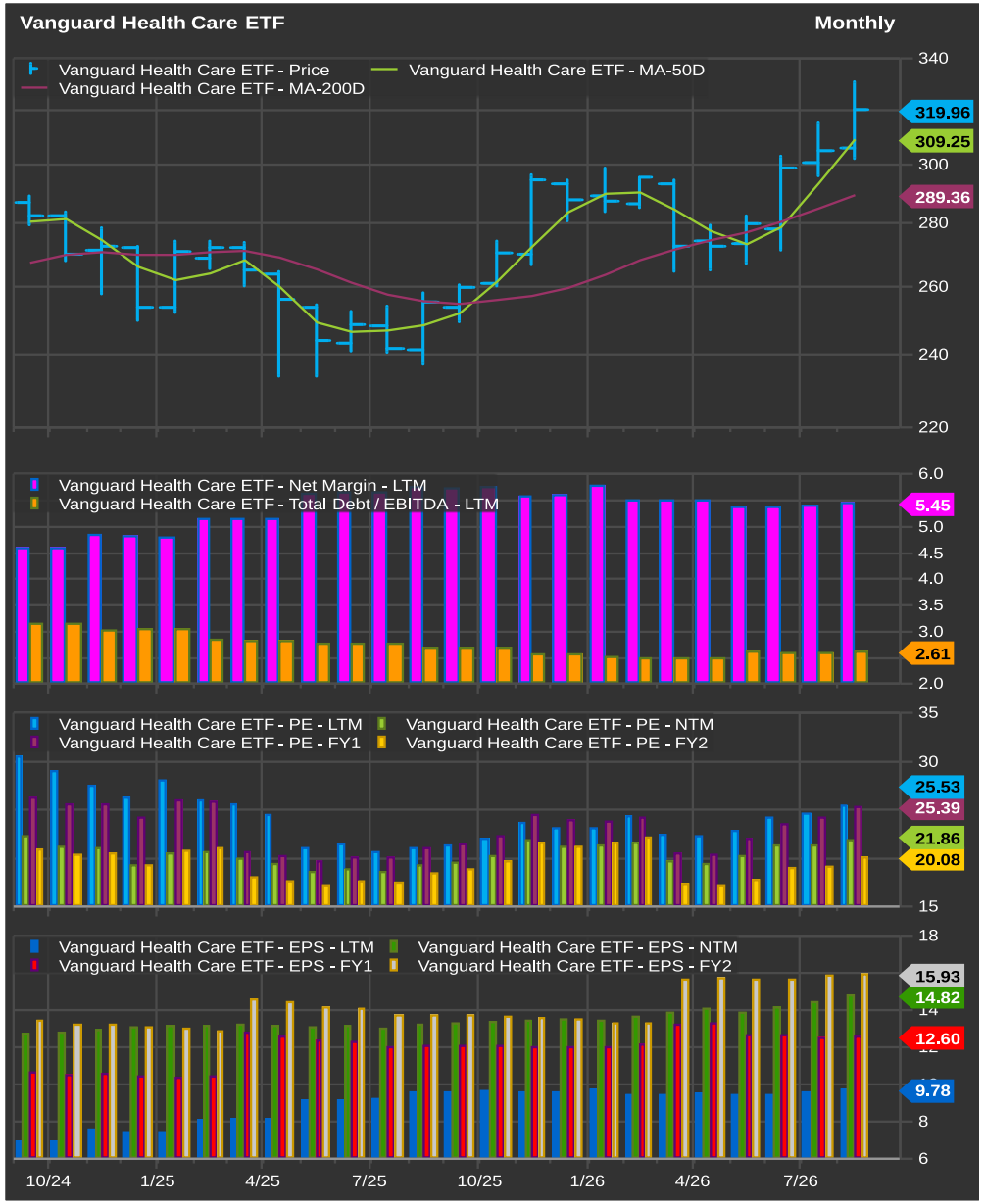
Momentum. RSI at 52.7 indicates broadly balanced buying and selling pressure. MACD and its signal line remain close together, so the momentum signal offers limited conviction. Sustained price strength would be needed to confirm that the recovery is gaining force.

Twelve-month relative trend. VHT has outperformed the S&P 500 by 9.36% over the previous twelve months. This October-to-September curve covers a different horizon from the six-month industry exhibit.

Developments during the chart window. Lilly's August update and Medtronic's September results give the late-period recovery identifiable operating support. The sector contains both product-growth and cost-repair stories. Sustained price improvement would be more convincing if it extends beyond a few innovation beneficiaries.

What price must confirm. Holding initial support near 316.09 and expanding participation beyond pharmaceutical leaders would reinforce the overweight. A break below that average would make the recent relative recovery less convincing.

Fundamentals: Health Care



Profitability and balance sheet. The monthly VHT exhibit shows a trailing net margin of 5.45% and total debt / EBITDA of 2.61x. Margin direction and cash conversion will determine how much revenue growth reaches shareholders.

Valuation and estimates. Trailing P/E is 25.53x versus 21.86x on next-twelve-month earnings. FY1 and FY2 multiples are 25.39x and 20.08x. The lower forward multiple depends on forecast earnings becoming reported profits.

The earnings hurdle. NTM EPS of 14.82 is 51.5% above trailing EPS of 9.78. FY2 EPS of 15.93 is 26.4% above FY1 EPS of 12.60. These compare displayed earnings bases and are not next-quarter growth forecasts.

Managed-care profit quality matters. UnitedHealth's Q2 medical cost ratio improved to 86.7% from 89.4%, but $860m of favorable reserve development contributed. The chart's aggregate net margin cannot distinguish current-period underwriting from reserve effects. That distinction matters when extrapolating a recovery in sector earnings.

Guidance provides a forward checkpoint. UnitedHealth's July release set adjusted full-year EPS at $19.50–20.00. October commentary should show whether operating improvements can sustain that range as medical utilization develops. A lower forward sector P/E depends on forecast earnings actually arriving.

Stock Valuation: Health Care

Selected constituents: relative P/E ascending

Stock	Rel. P/E	1M excess	50DMA dist.
ABBV	**0.87x**	+4.5%	+2.8%
ABT	**0.88x**	-10.0%	-6.5%
UNH	**0.89x**	-3.0%	-2.9%
MRK	**0.99x**	+1.1%	+1.7%
JNJ	**1.14x**	+1.7%	+1.2%
TMO	**1.31x**	+9.4%	+8.5%
LLY	**1.39x**	+1.1%	+0.6%
ISRG	**1.83x**	+11.6%	+8.4%

The table compares selected major franchises and relevant industry exposures.
ABBV is the lowest-multiple name in this group at 0.87x the index NTM P/E.
The selection is illustrative and is not a lowest-P/E screen of the whole sector.

Valuation dispersion. ABBV at 0.87x and ISRG at 1.83x show the range across these franchises. Differences in growth, margins and earnings cyclicality matter when judging that spread.

Price confirmation. ABBV has +4.5% one-month excess return and trades 2.8% above its 50-day average. The stock contributes positively to the model score. Valuation and recent price action offer complementary support.

Earnings behind the multiple. Lilly's premium needs sustained product growth, whereas insurers require confidence in medical-cost estimates. Device companies depend more on procedure demand and product cycles. Those earnings differences explain why relative P/E should be read alongside the business model rather than used as a single ranking of attractiveness.

How to use the comparison. The table orders selected franchises by relative forward P/E. Compare the discount or premium with recurring profitability and investment needs, then use the price columns as a separate check on market expectations. The selection is illustrative, so it does not establish that the first row is the cheapest stock in the sector.

Industry Relative Trends: Health Care



Six-month sector result. VHT has underperformed the S&P 500 by 0.33% over the previous six months. The result measures relative performance over April–September, separate from the twelve-month daily chart.

The strongest industry. The health care technology group has outperformed the S&P 500 by 60.35% over the previous six months. Its positive relative result identifies a pocket of leadership within the sector.

The weakest industry. The equipment & supplies group has underperformed the S&P 500 by 21.64% over the previous six months. The contrast with health care technology argues for an industry-specific view of earnings and risk.

Other important curves. Life sciences tools outperformed by 18.76%, Biotechnology outperformed by 4.36%, Providers & services outperformed by 2.69%, each over the previous six months.

Operating context for the dispersion. Pharmaceutical innovation, procedure volumes and insurance underwriting follow different cycles. Medtronic's organic growth is a counterexample to assuming that a weak device curve proves deteriorating sales. The industry chart therefore identifies where price confirmation is missing, rather than substituting for operating evidence.

Industry Breadth: Health Care

Sorted by outperforming share, then median excess return

Industry	Stocks	Beat BMK	>50DMA	Median ex.
Life sciences tools	11	**100.0%**	100.0%	+9.4%
Health Care Technology	1	**100.0%**	100.0%	+1.4%
Pharmaceuticals	7	**71.4%**	71.4%	+1.1%
Biotechnology	8	**62.5%**	75.0%	+2.6%
Providers & services	15	**26.7%**	13.3%	-3.0%
Health care equipment	18	**5.6%**	11.1%	-7.0%

Life sciences tools leads on the sorting measure with 100.0% positive breadth. Read the percentage alongside the constituent count before assuming it represents broad leadership.

Rolling one-month excess returns. Equal-count breadth across S&P 500 constituents. Industry labels follow current GICS classifications.

Participation within the sector. 45.0% of constituents beat the benchmark, while the median stock underperformed by 1.6%. The table shows whether the strongest industry curves have broad stock support.

A different horizon. One-month constituent breadth complements the six-month industry curves. A group can remain ahead over six months while recent participation deteriorates.

The weaker end. Health care equipment has 5.6% positive breadth and 11.1% above the 50-day average. That leaves limited confirmation of a durable recovery.

Allocation context. Elev8 retains an overweight in VHT. Breadth is a separate diagnostic and does not mechanically change the model allocation.

October Investment Themes: Health Care

Earnings drivers and the conditions needed for stronger conviction

Lilly: product growth supports the overweight. Lilly's August 5 Q2 release reported 48% revenue growth and raised full-year revenue guidance to $85–87bn. That is concrete earnings support for VHT's +3.25 pp active weight. The investment case depends on sustained demand and delivery capacity, with pricing and reimbursement remaining risks.

Medtronic: devices provide another growth source. Medtronic's September 1 Q1 FY2027 release reported $9.756bn revenue, up 13.7% on both a reported and organic basis. This provides a company-level counterpoint to weak device-industry relative performance. A strong operating quarter can precede a stock recovery, but it does not establish that the whole industry has turned.

UnitedHealth: the margin recovery needs normalization. UnitedHealth's July 16 Q2 release reported $112.0bn revenue and $8.0bn earnings from operations, versus $5.2bn a year earlier. UnitedHealthcare's operating margin reached 4.6%. The improvement adds a cost-repair thesis alongside pharmaceutical and device growth, with medical utilization and pricing discipline determining durability.

The common investment risk. Product growth and margin recovery diversify the earnings thesis, but carry different failure modes. Pricing or reimbursement can impair pharmaceuticals, while unexpected utilization can reverse insurer margin gains. A broader rally would require both sets of risks to remain manageable.

Top 10 Stock Performers: Health Care

Rolling one-month excess return, highest to lowest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Moderna (MRNA)	Biotechnology	Uptrend	**+43.2%**	N/A	162.6	0.62
Illumina (ILMN)	Life sciences tools	Bullish Reversal	**+26.4%**	2.39x	54.5	1.38
Revvity (RVTY)	Life sciences tools	Bullish Reversal	**+17.5%**	1.36x	31.5	1.16
Agilent Tech. (A)	Life sciences tools	Bullish Reversal	**+14.2%**	1.36x	24.1	1.53
Viatris (VTRS)	Pharmaceuticals	Bullish Reversal	**+12.1%**	0.36x	11.7	0.94
Intuitive Surgical (ISRG)	Health care equipment	Consolidation	**+11.6%**	1.83x	-3.6	1.18
West Pharmaceutical Services (WST)	Life sciences tools	Bullish Reversal	**+11.6%**	2.00x	11.3	1.19
Mettler-Toledo Intl. (MTD)	Life sciences tools	Bullish Reversal	**+10.8%**	1.59x	12.8	1.03
Thermo Fisher Scientific (TMO)	Life sciences tools	Bullish Reversal	**+9.4%**	1.31x	21.1	0.84
Waters (WAT)	Life sciences tools	Bullish Reversal	**+7.1%**	1.43x	15.3	1.46

S&P 500 constituents. FactSet / MTIR, September 29, 2026.

Leaders in context. MRNA leads at +43.2% excess return. 10 of these ten stocks outperformed the benchmark.

Model contribution. 9 of ten stocks contribute positively to the model score. Positive model contributions support several names, although the recent winners differ in valuation and price structure.

What to watch. Sustained relative strength and earnings revisions matter more than a single month's ranking. Compare price pattern and valuation before increasing concentration.

Bottom 10 Stock Performers: Health Care

Rolling one-month excess return, lowest to highest

Company	Industry	Pattern	1M ex.	Rel. P/E	Mom.	Beta
Cooper (COO)	Health care equipment	Downtrend	**-20.3%**	0.63x	-26.7	0.56
Stryker (SYK)	Health care equipment	Downtrend	**-16.5%**	0.88x	-23.2	0.66
Abbott Laboratories (ABT)	Health care equipment	Downtrend	**-10.0%**	0.88x	-5.9	0.33
Baxter Intl. (BAX)	Health care equipment	Bullish Reversal	**-9.8%**	0.60x	3.2	0.66
STERIS (STE)	Health care equipment	Downtrend	**-9.2%**	0.93x	-11.0	0.50
Zimmer Biomet (ZBH)	Health care equipment	Downtrend	**-8.9%**	0.53x	-9.3	0.20
Insulet (PODD)	Health care equipment	Downtrend	**-8.0%**	0.93x	-24.2	1.29
Align Technology (ALGN)	Health care equipment	Downtrend	**-7.7%**	0.62x	-20.9	1.82
Zoetis (ZTS)	Pharmaceuticals	Downtrend	**-7.4%**	0.58x	-18.8	0.59
Labcorp (LH)	Providers & services	Bullish Reversal	**-7.4%**	0.82x	1.8	0.49

S&P 500 constituents. FactSet / MTIR, September 29, 2026.

Laggards in context. COO has the weakest return at -20.3% excess return. 0 of these ten stocks outperformed the benchmark.

Model contribution. 2 of ten stocks contribute positively to the model score. Negative model contributions reinforce the weak relative performance across much of this group.

What to watch. A low multiple or oversold condition is insufficient on its own. Look for stabilization in earnings expectations and a repair in price before treating weakness as opportunity.

Economic and Policy Drivers: Health Care

Employment supports demand, but growth has moderated. Health Care added 13,000 August jobs versus a 32,000 average monthly gain over the prior year, BLS reported September 4. Employment remains positive, yet the slower pace argues against assuming uniform acceleration across providers and services. Product innovation and company execution remain more discriminating drivers.

Inflation separates pricing from utilization. August headline CPI rose 3.4% year over year. Labor and operating-cost pressures matter for providers, while benefit design and medical utilization matter for insurers. UnitedHealth's improving medical cost ratio offers evidence of repair, but reserve development and membership mix must be assessed before treating that improvement as recurring.

Policy sensitivity remains company specific. The September rate hike raises financing costs, while the September 27 USTR recommendations could affect selected medical-device trade if implemented. The recommendations do not establish realized tariff savings. October conviction should rest on guidance and reimbursement economics rather than an assumed policy benefit.

October release checkpoints. Payrolls on October 2, CPI on October 14 and retail sales on October 15 will update labor, inflation and consumption. The October 27–28 FOMC meeting and October 29 GDP/PCE releases provide further tests. Scheduled events are prospective, with no results assumed.

Evidence that would change the assessment. The most useful October evidence would be stable forward guidance with improving current-period margins. Policy headlines without a measurable earnings effect should carry less weight in the allocation review.

Elev8 Model Components

Total score descending, with ties ordered by active weight

ETF	Pat.	Mean	Wtd.	OB/OS	Sector	Ind.	Eq↑	Rate↑	Total
VGT	1	1	1	0	2	0	1	-1	**5**
VDE	1	1	1	1	0	0	0	1	**5**
VHT	**1**	**1**	**1**	**0**	**2**	**1**	**-1**	**0**	**5**
VFH	0	1	1	1	-1	-1	1	1	**3**
VAW	0	1	-1	1	-1	-1	0	1	**0**
VIS	-1	1	-1	1	-1	-1	1	1	**0**
VOX	0	-1	1	0	1	0	0	-1	**0**
VCR	-1	-1	1	1	-1	-1	1	-1	**-2**
VNQ	-1	-1	-1	1	-1	-1	1	0	**-3**
VPU	-1	-1	-1	1	-1	-1	-1	-1	**-6**
VDC	0	-1	-1	0	-1	-1	-1	-1	**-6**

VHT scores 5.

Balance of evidence. VHT has 5 positive and 1 negative component readings. Positive inputs outweigh the offsets, although the total does not imply uniform agreement across all eight components.

Relative conviction. Technology, Energy and Health Care share the highest total score of 5. Staples and Utilities sit at -6. This spread distinguishes the strongest model support from the weakest, while the allocation table shows the portfolio exposure to each.

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Model: ETFInsight Elev8, September 29, 2026. Constituents: FactSet / MTIR corrected S&P 500 data.
Charts: Myrtle Tree Investment Research. Research cutoff: September 29, 2026.