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## **Healthcare Reform Continues to Cloud Investment Waters**

**Media Release 24<sup>th</sup> March 2010** With both Australia and the United States in the midst of intense political debate around the provision of healthcare the investment landscape within the healthcare sector remains clouded, says one of Australia's largest independent asset managers.

"Following on from yesterday's Rudd versus Abbott debate we're going to hear more and more about healthcare and hospitals in the run-up to the federal election and until there is more certainty in the regulatory and funding environment the investment picture for healthcare stocks is going to be murky at best," said Scott Bender, portfolio manager at Dalton Nicol Reid.

Mr Bender said that what was becoming increasingly clear is that large companies are likely to be pinpointed as easy targets from a political perspective as opposed to doctors who hold a very powerful lobbying position.

"We are looking at potentially large changes in the provision and funding of health services in Australia at a time when governments are looking to tighten fiscal spending," said Mr Bender. "Within that environment listed companies are likely to be seen as easy targets."

Mr Bender said the impact of policy change is already painfully apparent in the pathology market with Primary Healthcare being sold down heavily after results from their pathology business were significantly below market expectations. Sonic and Healthscope were also facing tougher operating environment, said Mr Bender, following government price cuts.

"In the past the sector has been a major beneficiary of stable government funding," said Mr Bender. "As this is no longer the case investment into companies within the sector becomes more challenging and requires stronger bottom-up analysis. Healthcare companies that are less reliant on government funding are those that are more likely to continue to operate strongly. For example, high quality device companies such as Cochlear appear to be well-placed."

Dalton Nicol Reid is an independent Australian investment manager that delivers client-focused, quality investment solutions to institutions and high net worth investors.

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Level 3  
100 Eagle Street  
Brisbane, Q 4000

GPO Box 3263, Q 4001  
07 3229 5531 Telephone  
07 3229 5531 Facsimile

info@dnr.com.au  
www.daltonnicolreid.com.au

DNR AFSL Pty Ltd  
AFSL 301658  
ABN 39 118 946 400

Media Enquiries to:

Harley Dalton, Dalton Nicol Reid

[Harley.dalton@dnr.com.au](mailto:Harley.dalton@dnr.com.au) +61 7 3229 5531, +61 417 344 966

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