

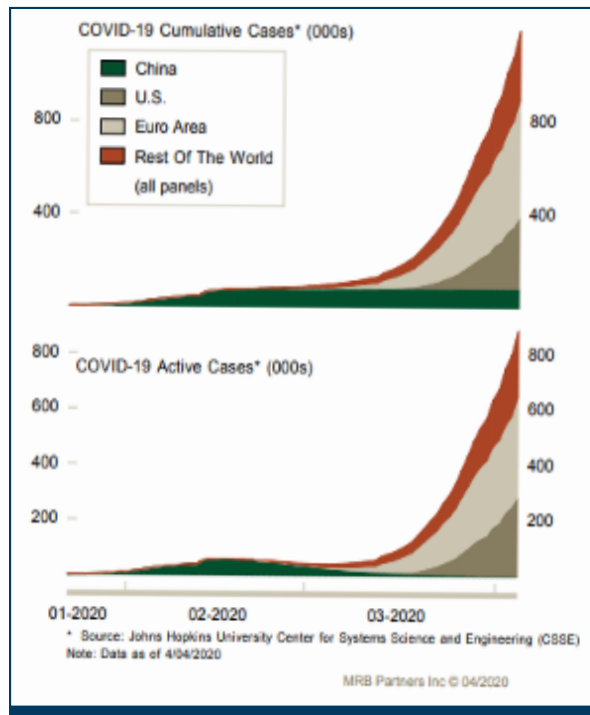
Clarien Update

There is tremendous uncertainty about how COVID-19 will evolve in the months ahead. Scientists are unable to answer key questions yet given the lack of mass testing for antibodies for the COVID-19 virus. Such an antibody test would be able to tell us how many people have been infected and have recovered so far, for example.

Fundamental data such as the level of economic activity, unemployment and the earnings of companies will all be determined by how the virus COVID-19 unfolds so we think it is important to assess the variety of possible outcomes.

With Italy and Spain having probably already peaked in terms of new cases, the US, if it follows the same trajectory, is likely two or three weeks away from peaking. In fact, modeling shows New York, Detroit and New Orleans—and areas around those cities—will likely reach the peak of their outbreaks in the next six to seven days.

The Rapid Spread of COVID-19



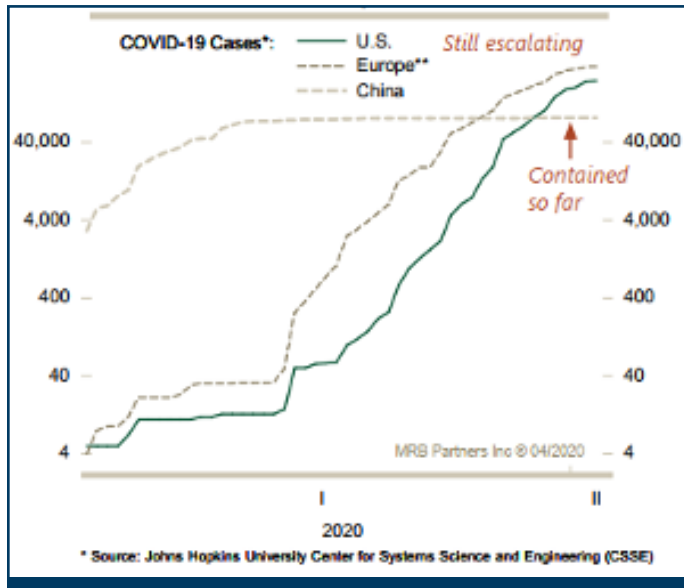
However, uncertainty around the transmission rate, the mortality rate and the demand for intensive care treatment are wide, such that any forecast must be interpreted with caution. There is room for some optimism, with the virus in retreat in China and other parts of Asia.

According to Thomas McAndrew of the University of Massachusetts at Amherst, statistical models point to the potential for a peak in the number of hospitalizations in May and for a second peak sometime in the fall.

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The increasingly widespread lockdowns point to a peak in the global rate of COVID-19 infections in late-Q2 or early-Q3 (see chart below).

Europe and the U.S. are the COVID-(19) Epicenters



The current mainstream view is that widespread lockdowns will have to remain in place for at least the coming month to limit the infection rates in Europe and North America. Any possibility for the global economy to open up afterwards depends on comprehensive testing and the ability to deal properly with the health care aspects of treating those infected.

The optimistic case is that effective tests to identify and mitigate the virus become widely available reasonably

soon. If individuals that have recovered and develop immunity that can be certified, then the global economy can be gradually opened up. The downside scenario assumes that the economic recession persists for most of the next 12 months.

Our base-case is for this recession to have a U-shaped recovery with a gradual rebound in economic activity in the second-half of 2020. The length of the recession will depend on the evolution of the virus and the associated public health policies, but the prompt and aggressive fiscal and monetary policy responses imply that the downturn could be short after the epidemic recedes.

It is impossible to provide the certainty that we all as investors desire. At Clarien, we advise continued near-term caution and rebalancing gradually as the most sensible strategy for investors. The facts can change quickly, especially given the uniqueness of the current crisis.

If you would like to read an interview with one of the world’s leading medical researchers in the field of immunology, Professor Peter C. Doherty of the Peter Doherty Institute for Infection and Immunity, please let us know and we can share. Professor Doherty won the Nobel Prize for Medicine in 1996 for his work on how the body’s immune cells protect against viruses. The interview was conducted by BCA Research, one of our research partners.

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