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Five Common COVID-19 Questions

Insight from sub-adviser Wellington Management



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Key Points

- There is a chance that a COVID-19 vaccine may be approved before the end of 2020, but logistics and distribution likely mean it will be well into 2021 before everyone in US can be offered a vaccine.
- Though we are better prepared now, Europe is in the midst of a nasty second wave. With US cases following a similar epidemic curve, the contagion is likely to increase in the coming colder months.
- The market is rich with companies developing new therapies. Discerning investors have opportunities to allocate capital to worthy endeavors and enjoy the fruit of these labors.

1. When might a COVID-19 vaccine become available?

In light of the recent positive news on the COVID-19 vaccine front, it is possible that a vaccine could be authorized for use in the US as early as late 2020. Additional vaccines could be authorized or approved during the first quarter of 2021.

The logistics of vaccine distribution will be daunting. Under Operation Warp Speed, vaccine developers have already been manufacturing vaccine inventory at some risk, in anticipation of favorable efficacy and safety data. Nevertheless, the immediate demand will likely far exceed the initial supply.

Priority will be given to high-risk healthcare workers and first responders; then to people of all ages with comorbid conditions that put them at elevated risk of poor outcomes, along with older adults living in crowded circumstances; then to all adults over age 65; and so on. It's likely to be well into 2021 before everyone in the US can be offered a vaccine.

2. What's the prognosis for those infected?

It's a moving target and depends on several factors, including the underlying health and age of the patient, the ever-improving medical knowledge of optimal case management, and the availability of medications active against the virus.

The observed death rate from COVID-19 has dropped considerably since the pandemic first reached the US and now stands at around 0.6%–0.7% for those infected (about 6x greater than the death rate for seasonal flu). The risk of death increases with age; it is significantly higher among the elderly and those with certain underlying medical conditions.

However, regardless of age or health status, the disease may cause severe morbidity and sequelae (a condition which is the consequence of a previous disease or injury) in those who survive, including profound fatigue, diminished mental acuity, heart inflammation (myocarditis), kidney damage, and stroke. Thus, a focus only on mortality understates the magnitude of the overall societal health burden.

3. Where are we with the pandemic globally?

The latest new case count globally was around 606,500/day,¹ the highest since the pandemic began, and has been accelerating rapidly. Europe is in the midst of a nasty second wave, with US cases following a similar epidemic curve. (The rise in US cases is not an artifact of testing volumes, but rather reflects a true resurgence of the virus.) COVID-19 deaths worldwide have also been climbing. In general, developed markets have been hit harder than emerging markets.

Contagion is likely to increase in the colder months, although hospitals seem much better prepared to deal with a spike in serious cases than they were earlier this year. Hopefully, sufficient capacity and know-how are now in place. Still, hospital systems could get overwhelmed in coming months, especially in virus "hotspots."

¹ Source: Johns Hopkins University as of 11/12/20

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4. When might the world be able to return to “normal”?

Probably not for months, if not longer. The virus is likely to become endemic, meaning it could be with us indefinitely (much as the flu is). The arrival of vaccines, particularly if they prove protective over long periods and are broadly embraced by the public, will surely help mitigate the impact. Vaccines will not, however, be an “instant fix,” if for no reason other than how long their deployment will take. Vaccines are also unlikely to totally eradicate the virus; we will all need to get used to living with it.

Effective national and local policies are critical to managing the impact, lessening the disruption to lives and livelihoods, and allowing societies and economies to return to a more vibrant state of affairs. This requires a multifaceted approach, including (but not limited to): widespread testing, social distancing, and mask wearing; rapid reporting and tracing; robust management of hotspots; and clear guidance on how and when to safely reopen various sectors of society. We don’t believe the US government is there yet.

Bottom line: We don’t see any conceivable way for major developed economies to completely reopen and/or end all COVID-related restrictions before the end of 2021.

5. Any high-level thoughts on healthcare investing in today’s environment?

Though we have a new president-elect, the runoffs in Georgia for the Senate remain top of mind for investors, particularly with their potential impacts on the contours of future healthcare legislation and regulation.

Longer term, innovation in biopharmaceutical drug development is impressive. The market is rich with companies developing new therapies for heretofore untreatable diseases. The speed with which COVID-19 vaccine candidates have advanced is emblematic of what’s now possible in drug development. Discerning investors have opportunities to allocate capital to worthy endeavors and to participate in the fruits of those efforts.

To learn more about healthcare investing, please talk to your financial professional.

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