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## Market Vertigo

It is undeniable that the current environment is unprecedented in modern times and that its impact has been felt globally and across every aspect of our day-to-day lives. From an investment perspective, with the market dropping precipitously, we want to revisit our recent commentary on market “vertigo” and highlight where we see opportunities amid the current chaotic markets.

Vertigo can give a sense that a plane is in a tailspin, even though it may in fact be flying straight. Pilots are trained in that situation to look at the gauges to determine if they are in fact in a tailspin. With a market that is in a tailspin – we too should be looking at our gauges and adjust our levers accordingly.

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## Gauges

We are starting to get more quality data, with more consistent and focused strategies from governments that are following impacted regions around the world and taking lessons from those that have started to bring the outbreak under control. The traditional financial gauges we look at right now however aren’t providing a clear picture. We know that economic data will deteriorate in the short term as the magnitude and the duration are unknown, and we know that significant measures are being put into place to limit the duration and severity.

While many gauges are still unknown, qualitative gauges are at extremes. There is Fear & Panic. This isn’t just in the market, there is genuine fear and panic in people, and it has swelled progressively over the last week. Volatility is at extreme – near historical peak levels, while technical indicators are over-sold. Lastly, there is a massive amount of monetary and fiscal stimulus occurring, globally.

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## Healthcare Update

Amid the market carnage, there have been several positives for the sector.

1. The shift in the lead for Joe Biden meaningfully reduces the binary outcome risk in November.
2. Despite being in the deep red, the sector has been acting relatively defensively.
3. The sentiment towards the sector regarding drug prices has shifted driven by the fact that several companies committed to finding solutions and treatments for Covid-19. Details below.

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## COVID-19 - Treatment Developments

Gilead, a leader in antivirals, is believed to have the lead on a treatment currently with Remdesivir. It was given to some critically ill patients on the Japanese cruise-ship (Diamond Princess) with some early indications of positive results. It is also initiated 2 phase III studies ongoing this March. Management guidance for results by the end of April but may be sooner.

Regeneron through its VelocImmune research technology has capacity to test numerous antibodies at once, they used this to quickly discover and implement treatments for Ebola and in early Feb. announced further collaborations with the US Government. They also are working with Sanofi on how their rheumatoid arthritis drug could treat some symptoms.

Most companies that have the capacity to do so have ramped up research ranging from Abbvie’s testing of HIV related drugs, Johnson & Johnson’s recent mobilization resources to find a vaccine to begin clinical trials this month and Sanofi has several early stage collaborations. At the same time, existing drugs for treatments of other indications such as, Malaria have also shown preliminary positive results and many other companies and institutions, both large and small, have ongoing programs ramping up to discover and develop treatments and vaccines.

# Harvest Portfolios Group

## Market Commentary

March 18, 2020



### HHL, HHL.U & HHL.B

World Class Portfolio of Healthcare Leaders

As at February 28, 2020



### What do you want to own today? High quality positioned for recovery.

We believe that when this virus is under control and containment measures are lifted, our ETFs that hold high quality companies - that have weathered economic turmoil in the past - may be positioned to benefit from the stimulus packages in the medium term while valuations provide support in the shorter term. While this is an extreme environment, we've discussed with advisers regarding our ETFs: "This is what we own, in both up and down markets: High quality, leading companies in their respective sectors". That messaging has not changed throughout the cycle but in the current environment is perhaps a bit more relevant.

### HBF, HBF.U & HBF.B

World Class Portfolio of Brand Leaders

As at February 28, 2020



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