

News & Views Q1 2020



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This quarter has marked the end of the longest bull market in history after a decade-long recovery since the global financial crisis. Entering 2020, nobody would have predicted the “black swan” event that was to come, providing a lethal shot to both the financial markets and global economies.

Since a new SARS-(severe acute respiratory syndrome) related virus was first reported in Wuhan in December under the name SARS-CoV-2, it has dominated global headlines. Although markets have recovered from the initial sell-off, which was the fastest in history, uncertainty remains both in terms of the path of the virus and that of economic recovery.

The Global Sustainable Outcomes (GSO) strategy has navigated this crisis well, benefiting from our focus on quality companies with solid environmental, social and governance (ESG) credentials and financial liquidity. This saw the strategy falling -14.7% vs the MSCI World decline of -21.3% from 31 December 2019-31 March 2020 – an 8.3% outperformance.¹

More importantly, several of our investments made a strong impact during this crisis. The largest sustainable theme within GSO is that of health, wellbeing and food security, accounting for roughly 27% of our holdings. This pandemic has served to highlight the importance of medical innovation and good health.

Medical technology has accelerated in recent years and this has been clearly on display during this crisis with the rapid progress made with both the development of vaccines as well as therapeutic treatments targeting the virus. The genome of the disease was mapped by mid-January and there are 70+ vaccine programmes underway. In the past this would have taken years not weeks to achieve.



Medical technology has seen rapid progress in developing a vaccine. Source: iStock/Getty Images International.

Several of our healthcare holdings² have made a positive contribution, including:

- **Gilead** (a world leader in antiviral/anti-inflammatory medicines): its specialist skills in developing anti-viral drugs means it has a key role to play in developing treatments for new viruses such as Covid-19. Gilead’s CEO also said any potential treatment would be affordable and accessible to all.
- **Thermo Fisher Scientific** (the world leader in serving medical science): it developed a key diagnostic test to detect nucleic acid from SARS-CoV-2. Its products were also used by scientists to find evidence that the virus is genetically stable and therefore a good target for a vaccine.

Covid-19 has also served to highlight the importance of strong government-funded healthcare systems which provide quality healthcare to all. This is particularly relevant in the US which has huge inequality in its healthcare provision, which could widen further as unemployment rises. This supports the expansion of US Medicaid, a federal and state programme that helps with medical costs for the elderly, disabled and those with low incomes. A core holding in the strategy, Centene, is the leading Medicaid-managed care provider and will play a vital role in expanding this programme to the broader population.

Technology has also played a key role during this pandemic. With lockdown, employees are forced to work from home.

Large cloud platform providers have had to meet the surge in demand for their services. A core holding in the strategy, Microsoft, has successfully done so, and not just for office workers but also students. My children have been successfully using Microsoft teams to conduct online lessons with their teachers and co-ordinate their learning. Governments have also been using such services to share Covid-19 dashboards with citizens and have provided key support to critical health and safety organisations such as first responders.

Improved levels of hygiene, meanwhile, have been critical in helping to slow the spread of Covid-19. Two of our holdings have played a key role here:

- **Ecolab** is a leading microbial control expert whose hygiene and sanitation solutions for commercial companies are key in supporting hygienic and healthy environments. Its solutions have helped ensure the environment for workers in essential services is clean and sanitary.
- **SGS SA** is an industrial inspection, testing and analysis services company. It is offering the services of its network of experts in health and safety, hygiene, disinfection monitoring, emergency planning, training and hazardous waste management to support businesses navigating this crisis.

¹ Columbia Threadneedle Investments, 1 April 2020.

² Mention of specific stocks is not a recommendation to deal.

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