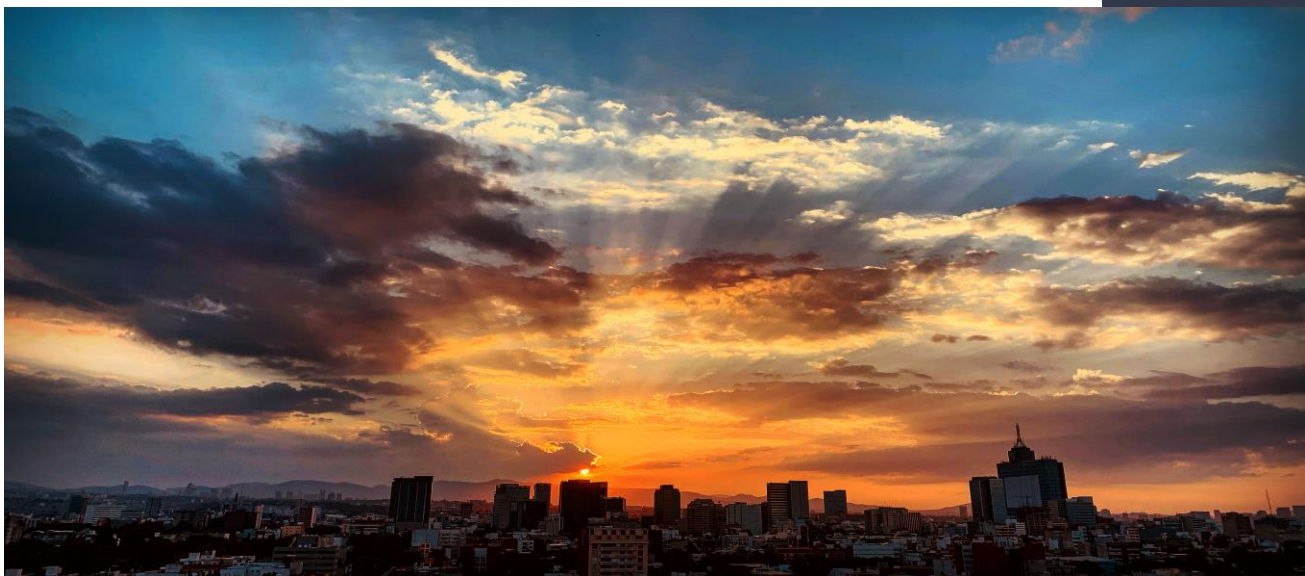


Hope on the horizon



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The last eighteen months have been a rollercoaster ride. Sars-CoV-2 proved to be an unknown quantity that led to multiple approaches from different countries to deal with the viral outbreak. We have learned many lessons, and we continue to do so. For one thing, science has given us some reasons to be hopeful.



Viruses are constantly changing, some faster than others. Thankfully this particular virus does not change as often as, say, the human immunodeficiency virus (HIV). Keeping the absolute number of viral transmissions low reduces the opportunities for mutations. The theory is that buying time allows the virus to burn itself out. Unfortunately, this approach has not proven to work and that is where vaccines have come in.

The rapid development of vaccines was a significant scientific achievement. They have worked remarkably well, although they are not 100% effective. Part of the reason is that they were designed based on the blueprints of the wild-type virus that first emerged in Wuhan. Since then, the virus has changed many times, the most problematic version being the Delta variant. So, although it is not immune-escaping, the protection afforded by these first-generation vaccines has certainly weakened. Recent data from the UK and Israel confirm that protection against severe disease and death remains largely intact at more than 90% efficacy for the most widely-used vaccines.

As global cases have been rising recently, we have seen a clear bifurcation in outcomes. Countries and states in the US with a relatively lower level of vaccine coverage have had the worst of the current outbreak. Case numbers, case fatality rates and hospitalisations are all worse in the unvaccinated populations. Now, vaccines do not completely prevent transmission, but even where infection occurs, it is a milder disease in the vast majority of cases. The forgotten benefit is that blunting the disease reduces the likelihood of other viral sequelae, in this case collectively known as 'long Covid'.

The UK and Israel have been interesting test cases. Both were successful with the vaccine rollout although employing different strategies: Israel exclusively using the Pfizer vaccine with a 3-4 week gap between the two doses; the UK using a combination of the Pfizer and AstraZeneca/Oxford vaccines with a longer interval. The current wave hit harder in the UK, but there was a clear dislocation between case numbers and the number of people in hospitals. Israel held up better for a lot longer, although recent concerns have seen a drive to give booster doses to the over 50s. Both countries have largely opened up, retaining some non-pharmaceutical interventions voluntarily and by diktat, yet hospitalisations and death have largely remained contained.

Singapore was first out of the blocks in articulating a long-term strategy of dealing with the pandemic. First, achieve a high level of vaccine coverage. Second, accept that the virus will be endemic and, therefore, unlikely to be eliminated. Finally, treat it as any other endemic virus such as influenza A viruses. Practically, this means shifting focus to the number of people in hospital from the absolute case numbers. The caveat here is that the strategy assumes that vaccines continue to provide a high level of protection against current and emerging variants.

New Zealand and Australia have followed a different path since the beginning. A 'Zero Covid' strategy remains very much in favour. If they can keep the virus out, build immunity over time with vaccines, and wait for the rest of the world to get high immunity levels, it would then allow a return to normality, eventually. This strategy is

probably the most optimal from an epidemiological perspective but unsustainable for some economies highly dependent on international traffic for goods and services. How these two countries will fare over time will be an interesting test case. The Australian prime minister recently expressed confidence in the strategy, although conceded that the disease is likely to become endemic.

This brings us full circle to our dependence on vaccines to keep the virus in check. If public health policies shift focus from case numbers to hospitalisations and deaths, that will be a big step in learning to coexist with the virus. Perhaps this might even make it an easier sell to those hesitant to take up the vaccine – get vaccinated and you can go about your business.

Characterisation of the immune correlates of protection (COPs) was another seminal moment. Sure, this is still a work in progress, but the initial breakthrough is highly encouraging. COPs are a minimum hurdle of protection, typically defined by a level of neutralising antibody titres, above which one is afforded protection from severe disease. This is a simplistic explanation as the immune system is far more complex, with multiple layers, such as CD-8+ T-cells, adaptive cellular immunity and IgA antibodies typically found in mucosal surfaces. Nevertheless, knowing this level helps determine at which point waning immunity needs to be boosted. In addition, it means vaccines can be designed for emergent variants and tested very quickly against this benchmark, and can be deployed rapidly if they pass muster.

The scientific community is not just reacting to new variants. A huge amount of surveillance work is being conducted globally and shared on the GSIAD platform. This helps to catch potentially dangerous variants early, genotype them and start designing tweaks to the vaccines. In addition, artificial intelligence is being deployed to predict mutations that carry the potential to confer immune-escaping properties for the virus. As the virus evolves to ensure its survival, our scientists are fighting back on multiple fronts – plant-based vaccines, intranasal delivery mechanisms and even pan-coronavirus vaccines are being trialled.

We derive confidence from the relative success of highly-vaccinated populations in the face of a formidable Delta variant. If vaccines continue to keep people from dying, we continue to be successful in our innovation efforts and the virus does not mutate too much away from the original, there is real hope that we will learn to effectively live with this virus. Non-pharmaceutical interventions may still have a place, just as with colds and influenza, but this would bode well for economic growth, social interactions and mental health, and much more.

We continue to monitor this fluid situation diligently and incorporate all our insights into the investment process. We invest across all the asset classes to contribute positively to this public health emergency while championing sustainable business practices. In conclusion, we remain confident that even in the face of Covid-19, we can successfully strike the right balance between profit and purpose, giving us hope for the future.

Economic Commentary

FTSE 100 weekly winners

Just Eat Takeaway.com N.V.	10.0%
Ocado Group PLC	8.3%
Fresnillo PLC	4.7%
Rentokil Initial plc	4.4%
AstraZeneca PLC	3.6%
Smith & Nephew PLC	2.9%
SSE plc	2.6%

FTSE 100 weekly losers

Anglo American plc	-15.4%
Burberry Group plc	-14.3%
Antofagasta plc	-9.4%
Glencore plc	-8.1%
Abrdn plc	-7.6%
Evraz PLC	-7.5%
Rio Tinto plc	-7.5%

FTSE 100 index, past 12 months



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