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Longevity Economy strategy Strategy outperformed benchmark as COVID vaccine rollouts continued globally

- The strategy outperformed its benchmark in January, buoyed by digital health holdings
- Optimism around COVID vaccine rollouts has been tempered by emergence of new, more transmissible variants
- Focus remains on long-term changes brought about by ageing populations

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What's happening?

In January, Joe Biden was inaugurated as US President after a tumultuous transition period, the UK ended its transition period and began trading under a new agreement with the EU and COVID vaccine rollouts continued globally. Given the gravity of events and after a strong 2020 performance, it is no surprise that global markets took a pause in January with the MSCI AC World index falling a modest 0.5% in USD terms.

COVID-19 continues to dominate headlines. The emergence of new, more transmissible and possibly more deadly variants of COVID-19 makes it harder to predict when social distancing measures can be fully relaxed globally. However, it is reasonable to expect mortality rates to fall as vaccination programs start to offer protection to high risk groups. Preliminary evidence suggests the currently authorised vaccines provide protection against the most prevalent of the emerging variants of COVID-19, which offers reason for optimism.

Portfolio positioning and performance

The Longevity Economy strategy outperformed its reference benchmark in January. Strong contributions came from a number of our digital health holdings that are part of the fund's Wellness theme, such as Tabula Rasa and Teladoc. Teladoc has become widely known during the COVID-19 pandemic as provider of virtual physician appointments, it has seen demand spike as people look to avoid visiting medical centres in favour of virtual interactions with healthcare professionals.

Tabula Rasa is perhaps less well-known but provides an invaluable service to patients with serious illnesses, and typically advanced age. Tabula Rasa's suite of solutions improve management of chronically ill patients, for example by highlighting the risk of adverse drug-drug interactions that are a leading cause of hospitalisation in patients taking

multiple drugs. The prevalence of chronic illness and consumption of prescription drugs correlates with increasing age, so solutions that can mitigate the risks of chronic disease medication management can improve outcomes for patients and healthcare systems.

Another positive contributor to performance was recreational boating company, Brunswick, which is part of the fund's Silver Spending theme. The company has benefited recently from robust demand as consumers seek activities less impacted by social distancing measures.

In contrast, other leisure-exposed names, Las Vegas Sands and Royal Caribbean detracted from performance as resurgent virus cases lowered the prospect of a return to global travel and leisure demand.

Outlook

The beginning of mass vaccination programs against COVID-19 increased optimism that social distancing measures may soon be relaxed in multiple regions. However, the emergence of more transmissible variants somewhat tempered these expectations. It is fair to say significant optimism is already reflected in share prices for many companies. Undoubtedly asset prices have been supported by unprecedented fiscal stimulus from governments in major economies. The stimulus has dwarfed the stimulus provided in the aftermath of the Global Financial Crisis. While this has supported many people and businesses who would have faced insolvency without financial support, it is likely that the debt raised to fund these measures will entail higher taxes over the long-term, which could subdue long-term economic potential.

The end of Brexit uncertainty provides greater clarity on the future trading relationship between the UK and EU and removes the long-perceived threat of no-deal. We are starting to see the key priorities of the Biden administration in the US, with the economic fallout of COVID-19 and the climate crisis high on the agenda. Time will tell if additional stimulus can be agreed by Congress given the Democrats narrow working majorities in both chambers.

Stepping back from macroeconomic considerations, we retain the view that high quality management teams, operating businesses with a sustainable competitive advantage and with the benefit of secular tailwinds are well-placed to navigate the current disruption. Despite the headwinds many businesses have faced over the last 12 months, the unshakeable conclusion on the outlook for the Longevity Economy is that the global population continues to age and this creates opportunities for companies that are positioned to benefit from long-term changes in consumption patterns that ageing populations will bring.

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