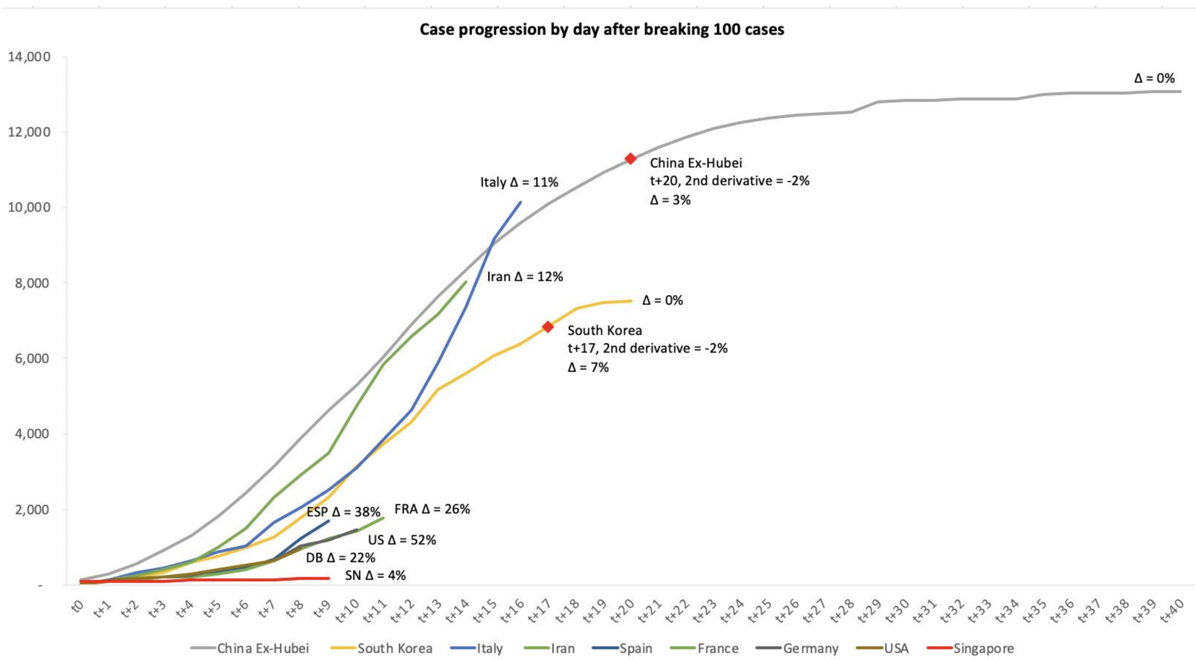
MUNRO PARTNERS

Tracking the Coronavirus (COVID–19)

As growth equity investors, our day job usually involves tracking down great companies that can win in areas of strong structural change. However, as absolute return investors, occasionally something comes along that forces us to take our head out of the company profits and losses to try and understand the risks associated with a large exogenous event. COVID-19 is clearly such an event.

Munro Partners has been tracking the coronavirus daily since China confirmed the outbreak on January 20 in Wuhan Province. As an absolute return manager, we analyze the data and patterns to provide insight in terms of timing and ways to protect against the financial downside for our clients.

And we have noted a pattern.



Source: Worldometer, Munro Partners

Looking at our chart on confirmed COVID-19 cases by country, we can see a clear trend developing. Progression of confirmed cases by day (with t+0 at 100 cases on a country-by-country basis), we see that the rate of increasing cases (second derivatives) have an inflection point between 15 and 20 days. That is, from the time a country crosses 100 cases, it takes roughly 20 days to get the outbreak under control (new daily cases are less than the day before).

CI Investments | Trusted Partner in Wealth™

China ex-Hubei is the longest test case with an inflection point at 20 days. While there were 127 cases at t+0 (first point) increasing rapidly to 11,287 cases by t+20, a further 20 days later (t+40) there were "just" 1,784 new cases. A similar inflection point occurred in South Korea at t+17, whereby the daily number of new cases started to fall. While Italy is still experiencing rapid case increases to t+14, if South Korea and China ex-Hubei is used as a reference point, we should expect to see an inflection point in new cases over the next week. That would be welcome good news. However, based on these patterns, we can also expect to see rapidly increasing cases in the larger economies of the U.S., France, Spain and Germany over the coming two weeks as they enter the peak period of expanding confirmed cases.

For equity markets, this creates, we expect, a difficult juxtaposition. Will the market look to China, South Korea and hopefully Italy as evidence that the virus will ultimately be contained; or will they look at increasing confirmed cases in G7 nations and deduce the economic fallout from this shock is expanding?

To be clear, there are obvious testing, climate and cultural differences between each country we track, with Singapore (warm climate) the obvious outlier, and we don't profess to be medical experts as to how the virus may evolve. But from our point of view, we would make two observations:

1. The next few weeks will be crucial to containing the virus spread in developed economies and the economic fall-out could dramatically increase.
2. This can be contained. Countries have done it already, and long-term this should ultimately create a good opportunity for investors.

But in the meantime, stay safe.

MUNRO PARTNERS

IMPORTANT DISCLAIMERS

This document is provided as a general source of information and should not be considered personal, legal, accounting, tax or investment advice, or an offer or a solicitation to buy or sell securities. Every effort has been made to ensure that the material contained in this document is accurate at the time of publication. Market conditions may change which may impact the information contained in this document. All charts and illustrations in this document are for illustrative purposes only. They are not intended to predict or project investment results.

The opinions expressed in the communication are solely those of the author and are not to be used or construed as investment advice or as an endorsement or recommendation of any entity or security discussed. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies.

Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI Investments Inc. has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate," or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Investments Inc. and the portfolio manager believe to be reasonable assumptions, neither CI Investments Inc. nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

Published March 11, 2020.

CI Investments | Trusted Partner in Wealth™