

March 20, 2020

## Dear Clients and Colleagues

As we progress through this difficult period, data and information are evolving at a frantic pace. With conclusive data, predictability can be established. Scientific papers have started to publish on topics and data related to the pandemic and more are expected in the coming weeks.

The Global Alpha team is continuing to meet with companies through conference and video calls. Companies with global operations can offer interesting insights on how regions are reacting. We are noticing a well organized effort to get back on track in China. Our companies that have production facilities in China are getting back to work implementing strict safety and security measures. In certain cases, these measures are being transferred to their North American facilities.

The largest challenge seems to be on the capacity of a region to put in place restrictive measures, and to diagnose, isolate and treat the virus early. Shanghai is a great example; a city of 30 million people, 800 kilometers from Wuhan, where there were 400 recorded cases with great patient recovery numbers. Historically, the 1918 flu pandemic data showed very different outcomes from city to city, depending on their preparedness. In dealing with COVID-19 today, are we learning quickly enough from the success stories of the past?

Every year, the Centers for Disease Control and Prevention (CDC) stocks millions of pandemic and terrorism related vaccines for diseases such as anthrax with strict protocols on how to implement actions in cases of emergency. In this present pandemic case, the process of diagnosing, isolating and treating the virus lagged, as exemplified in Italy. With a budget exceeding \$6.5 billion, the CDC specifically committed \$730 million to immunization and respiratory diseases. This is probably not sufficient considering the present human and economic impact. With a \$40 billion vaccine market worldwide, we can expect immunization preparedness budgets to rise substantially into the multibillion range.

It remains early but safe to say that healthcare should be one of the first sectors to be affected positively long term with increased regulatory and budgeting around emergency measures. Further inventory levels of beds, equipment, treatment, staff and vaccination technology that reduces development time from years to months. Also increasing the healthcare tailwind, the event of a recession should produce increased government spending in defensive sectors such as healthcare and infrastructure. Global Alpha always holds an important weight of well managed, profitable, health care companies as these companies are non-cyclical, offer growth and are defensive in nature.

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Here is list of our holdings positioned to be involved in the transformation of healthcare post-crisis.

**Nihon Kohden (6849 JT)**

Nihon Kohden is a Japanese diversified medical device equipment manufacturer with strong presence in Japan and the United States (US). Its patient monitoring systems are widely used in emergency rooms, operating rooms and intensive care to measure patients' vital signs.

**Raffles Medical Group (RFMD:SP)**

The Singapore based hospital owner and operator has expanded its activities in China, in addition to its growing facilities in Singapore and South East Asia. The company is well positioned to act in partnership with the Chinese authorities as China expands its medical infrastructure.

**RadNet (RDNT:US)**

RadNet operates the largest network of radiology clinics in the US. Radnet acts in partnership with hospitals to alleviate radiology burdens and reduce cost. The hospital partnership model will certainly be helpful in better planning crisis management.

**Evotec (Evotec:GY)**

Evotec is a biotechnology research outsourcing company based in Germany. Evotec owns many technologies that help drug companies get more predictable research results in a much shorter time frame. Their technologies include vaccine development applications.

**Tecan (TECN:SE)**

Tecan is a Switzerland based medical equipment company. As diagnostic instruments have become more efficient at analyzing large quantities of samples, Tecan is filling the void of supplying uniform sample preparations. Tecan is the global leader at manufacturing machines that prepare the samples before they are inserted in the proper analyzer.

**Omnicell (OMCL:US)**

Omnicell is a US based technology company that assists hospitals in managing their pharmacy units with automation and tracking. Drugs can be dispensed and accounted for at a much higher speed when using Omnicell equipment.

Have a great and safe weekend.

Sincerely,

The Global Alpha team

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