

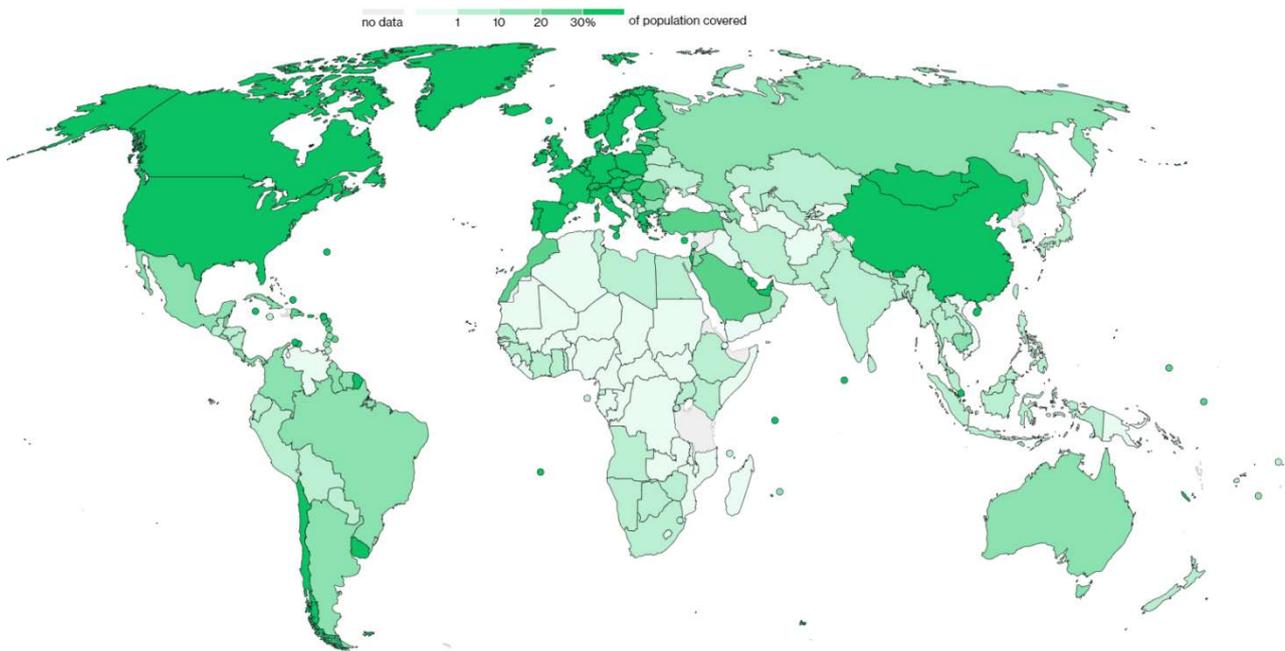
## May 2021 — Over the Horizon Market Commentary by David Offer

While some modest share market weakness was experienced in May, by month end our share market still managed to eke out a reasonable gain of 1.6%, with the All-Ordinaries Index closing up 116 points at 7,406 points. The positive momentum has continued in June, with our share market up 3.2% at the mid-point of the month. Notably, Commonwealth Bank has cracked the ton, passing through the \$100 mark and sitting at \$103.90 at the time of writing.

While Melbourne endures its fourth lockdown and Australian States bicker with the Federal Government over purpose-built quarantine centres, the rest of world is getting on with the real job of defeating COVID through rolling out a vaccination program unparalleled in human history.

The following information is sourced from Bloomberg - <https://www.bloomberg.com/graphics/covid-vaccine-tracker-global-distribution>

Globally, 2.42 billion doses of different vaccines have now been administered across 180 countries, with over 35 million doses now being administered daily. This equates to 15.8% of the global population being fully vaccinated.



Distribution is lopsided, with countries and regions with the highest incomes getting vaccinated more than 30 times faster than those with the lowest.

### Uneven Access to Vaccines

Least wealthy Most wealthy

The wealthiest 27 places have 26.2% of the vaccinations...



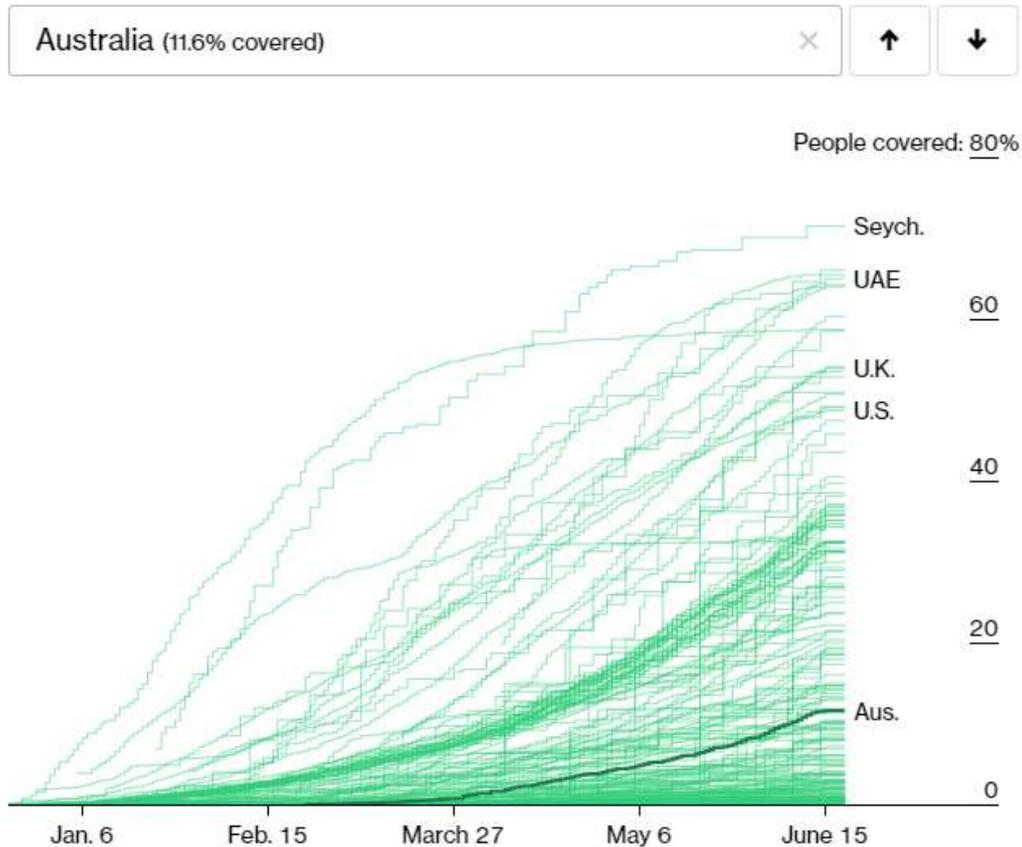
Hover for more comparisons



...but 10.4% of the world's population

Note: Vaccine access calculations account for the number of doses needed for full protection; some vaccines require a two-dose regimen while others require just a single dose. Countries and regions are ordered by GDP per capita (PPP).

In a global context Australia, with our slow start to our vaccination program, is not doing so well.



Note: "People covered" divides the doses administered for each vaccine type by the number of doses required for full vaccination. Data from Bloomberg's Covid-19 Vaccine Tracker

According to Dr Anthony Fauci, Director of the US National Institute of Allergy and Infectious Diseases, 70 – 85% of a population needs to be vaccinated to effectively prohibit the spread of COVID within a community. COVID rates have generally flattened or declined where vaccination rates are highest. This is supported by evidence emerging out of Israel, which was previously ravaged by COVID. Prior to vaccine rollout, 10% of Israel's population had contracted the disease, a higher

percentage than Spain, the United Kingdom and on par with the US. Israel is now globally leading in vaccinations, with 58% of its population now vaccinated. With 68% of Israel's population having either had COVID and therefore possessing antibodies to fight the virus or been vaccinated, new COVID cases are rapidly falling despite restrictions being eased and life now largely back to normal.

It is estimated it will take the United Kingdom, Canada and many European Countries only another 2 to 3 months to reach 75% vaccine coverage of respective populations. China is tracking for 3 months and America 5 months to reach their 75% milestone. Australia and New Zealand are estimated to reach 75% coverage in 10 months, though this will hopefully compress as our vaccinations programs ramp up. Once fully vaccinated (most vaccines require two injections), it takes approximately 2 weeks for immunity to fully develop.

At a global level, at the current pace of 35.1 million vaccinations a day, it will take another year to achieve a high level of global immunity. Positively, the vaccination rate is steadily increasing, with vaccine production increasing and new vaccines by additional manufacturers coming to market. Boris Johnson's call for the world to be vaccinated by the end of next year appears realistic, particularly with the Group of Seven nations pledging 1 billion doses of COVID-19 vaccines for distribution to poorer nations.

As such, the outlook for defeating COVID is extremely positive and perhaps sooner than we might otherwise think. Vaccine manufacturers are confident vaccines can be adjusted to combat new strains that may emerge. It is likely that an annual booster shot will be required to maintain immunity against emerging strains.

A rapid receding of COVID from the global psyche will result in further substantial changes as we leave our 'new normal' and return to our 'old normal'. For example, global travel will resume and, with people making up for lost time, we suspect airlines may struggle to keep up with demand. Globally, economic activity is expected to increase and this is reflected in an oil price that is continuing to track higher. The oil price is now higher than at the onset of Covid.



We continue to align portfolios for an ongoing COVID recovery. We maintain our view that the unprecedented stimulatory policies undertaken by the both Federal Government with its immense budget deficits and the Reserve Bank of Australia in maintaining interest rates at 0%, are increasingly out of sync with the broader 'real' economy that is stronger than acknowledged and likely to be operating without impact of COVID quicker than expected. Never before has there been policies of this magnitude to stimulate the national economy and indirectly encourage inflation. Off an already relatively strong base, we think that these policies will be more successful than currently anticipated.

With the end of the financial year almost upon us, we are busily reviewing superannuation contributions, pension payments and other June 30 matters. While we are confident we have such matters in hand, please do not hesitate to contact our office if you would like to discuss any June 30 matters that you feel relate to your financial circumstances or investment portfolio.

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