

## Thoughts on COVID-19 Virus

A strong start to the year that saw the signing of the first phase of the US-China Trade War deal being signed was unfortunately derailed by a black-swan event – the arrival of the Novel Coronavirus.

We had spent a significant amount of time in Hong Kong in January in which things had calmed down significantly. The retail industry was starting to recover and night hotspots like Lan Kwai Fong were noticeably bustling. On some days, it felt as though things had returned to normal.

We conducted a field trip to Festival Walk, a shopping mall owned by **Mapletree North Asia Trust** that was shut down because of violent protests earlier in November. You can read more about it [here](#).

The effects of the Wuhan Virus has even affected our shores with a noticeable uptick in more confirmed and suspected cases and even sporadic incidents of food hoarding in Singapore.

The Wuhan Virus has distinct similarities to SARs in that its origins were rooted in China and has seen the surrounding region being impacted by it.

1. The SARS crisis intensified in February 2003 and peaked by end-April.
2. During this period, the Hang Seng index was **down 10% from peak to trough**.

While the situation unfolding, it's important to take that the mortality rate of the virus outside of China is extremely low which are skewing the figures. If anything, it reflects the quality of healthcare in China and its poor response at the initial stages to contain the outbreak.

Most of the fatalities have been centred in the Hubei Region which has suffered greatly because its healthcare system has come under significant stress.

We do not want to downplay the severity of the crisis for it is indeed severe. However, we have every belief and confidence that it is a temporal storm that will pass just like previous health crises like H1N1, MERs and more.

Business activity has come to a virtual halt for industries like Property Development and Automobile Sales where it comes as no surprise that sales in China have plunged.

It is worthwhile noting that while share prices had dropped sharply because of SARs in Hong Kong in 2003, they quickly rebounded as the crisis abated and almost delivered a 200% return in the ensuing years as the economy picked up speed.

In short, these activities were resume once this current healthcare crisis is brought under control.

While the timing of this current health crisis is unfortunate, our ending paragraph of our memo on Hong Kong in November is apt.

In the old legend the wise men boiled down the history of mortal affairs into the single phrase, "This too will pass." We believe that these words will likewise apply to this COVID-19 virus in the time to come.

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