

## COVID-19 Questions and answers

### **Q: What do we know about the virus?**

COVID-19 (caused by the latest coronavirus) probably originated in animals. The earliest known cases in humans were reported in Wuhan, China in December 2019 where it is suspected the virus transferred to humans. The word corona refers to the crown-like structure of the virus, and other viruses in this family includes influenza and the common cold. However, the more dangerous SARS and MERS viruses also belong to this family and followed a similar transmission route from animals to humans. Symptoms include headache, fever, coughing and shortness of breath. In more serious cases, it can lead to pneumonia, kidney failure and death.

### **Q: How serious is the virus?**

The seriousness of any virus is measured in terms of the rate at which it is spread to others (transmissibility), and its mortality rate. While the coronavirus spreads more easily between humans than SARS or MERS (caused by other types of coronaviruses), it currently has a relatively low mortality rate (estimated between 2% and 3.4%). Johns Hopkins University in the USA has developed an [interactive map](#) that tracks the spread of the virus and logs deaths and recoveries (best opened on a desktop or laptop device, as the link may not open for all mobile users). It is difficult to get an accurate indication of its mortality, since only serious cases are likely to be reported. The mortality rate in the early stages of an outbreak can therefore often appear higher than it actually is. The elderly and those with weakened immune systems appear to be at greater risk. We discuss the economic impact of the virus below.

### **Q: How does it spread?**

According to the [World Health Organisation](#) (WHO), the virus is transmitted through respiratory droplets when people cough, sneeze or speak. Frequent hand washing is recommended – but it is not necessary for most people to wear a face mask. Practicing good hygiene should be the first line of defence for everyone. You can follow the link to watch a [video by the WHO](#) on how to prevent the spread of the virus.

### **Q: Should we expect similar outbreaks in future?**

As people are travelling more frequently and our economies are becoming ever more integrated, it is predicted that outbreaks like this might become more common. Climate change is also impacting the transmission of diseases to areas where they did not occur naturally before (e.g. the Zika virus spreading from Brazil to the rest of South America).

### **Q: What is the impact on South Africa?**

The first case in South Africa was reported in Kwa-Zulu Natal on 5 March 2020. The individual had just returned from Italy and is currently being quarantined. The Cowan House Preparatory School attended by the children of patient zero was closed on Friday 6 March. As with any outbreak, much will depend on our ability to limit the spread of the virus. Some have pointed out that warmer weather may slow down its spread, while others have pointed out that large parts of our population have compromised immune systems (due to TB and HIV) and may be more susceptible to the virus. It is difficult to predict at this time how many people will become infected.

### **Q: How do I choose what (and who) to believe?**

We live in an era where fake news is rife. Apply the same rules as you would when it comes to any news story and rely on trusted sources for an informed opinion. Apply a simple screening process that includes what the person who is saying it has to gain, how credible they are and whether they are authorities on the subject. A viral social media post may not be the right source to base your decisions on! Generally you can trust information from bodies like the [World Health Organisation](#), the [International Monetary Fund \(IMF\)](#) and the

[World Economic Forum \(WEF\)](#). The [Department of Health](#) also offers guidance on outbreaks and has established a coronavirus hotline (08 000 29999). PSG has prepared this communication as a service to its clients and advisers. We are not medical experts, but we understand markets and insurance very well. We will restrict our guidance to these areas.

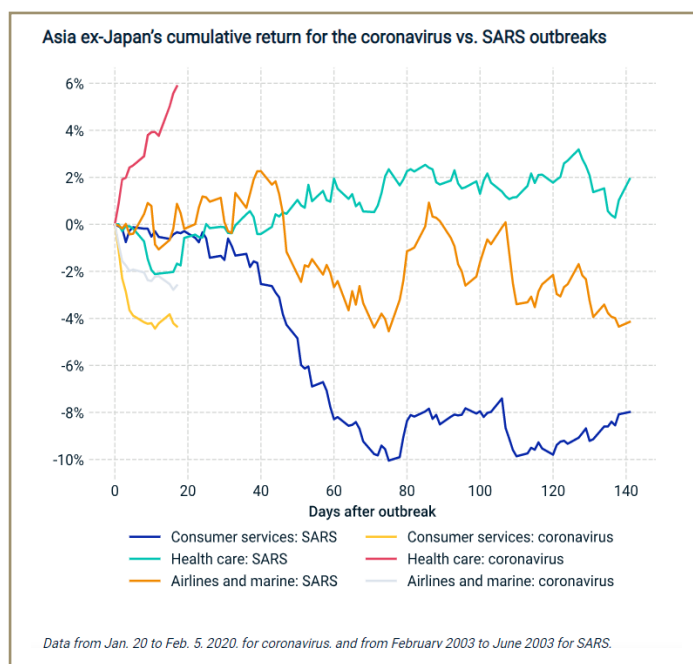
### Q: How is the virus likely to impact the economy?

It is difficult to say at this stage exactly how the virus will unfold, and for how long the effects will last. In China whole cities have become ghost towns as self-imposed and forced quarantine took effect. Elsewhere factories and businesses were shut down. In Italy (the third most infected country) schools and universities have been closed for the next two weeks. Closing factories impacts the demand for commodities, and restricting the movement of people lowers demand. Suppliers who cannot find the parts or material they need may also be unable to produce as planned.

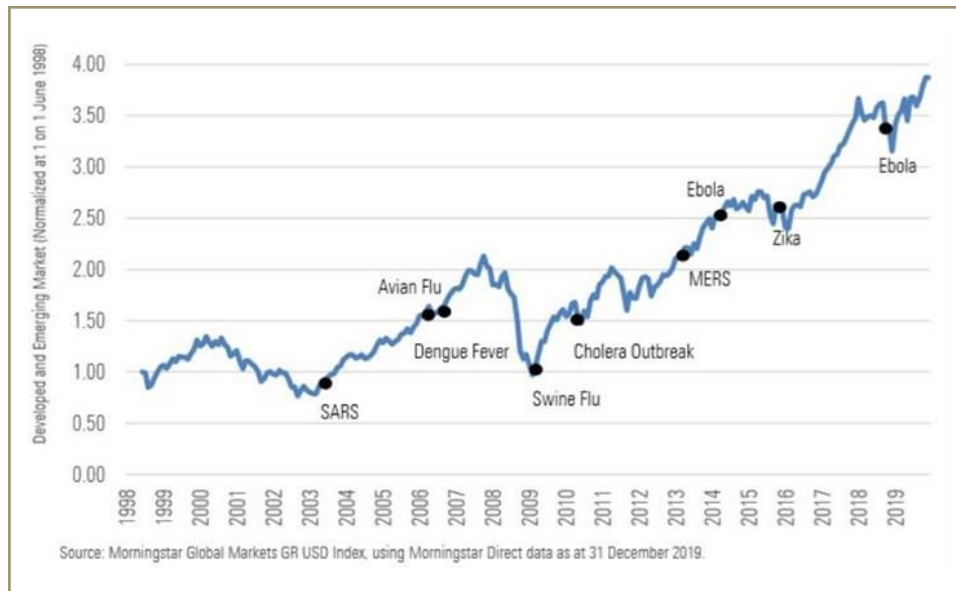
On 4 March the IMF indicated that they expected COVID-19 to affect significant elements of both supply and demand, and for these effects to spill across borders. In areas where quarantines and business closures have resulted, we have seen a significant drop in demand. On 19 February, Adidas reported that their sales in China dropped by 85% since the report of the outbreak. However, the closed factories supply goods and parts across the world and the supply disruption will therefore be felt across the world. On 4 March, Apple announced that it has a shortage of replacement components for damaged iPhones. The IMF anticipates that these disruptions will likely lead to slower global economic growth for this year. They cited rising uncertainty and costs to doing business, and tightening credit as additional concerns. They expect global growth to drop below that recorded in 2019.

### Q: What is the impact on markets likely to be?

The markets are forward looking and are highly efficient at incorporating new information and risks. Investors generally dislike uncertainty, and flock to safe-haven assets during times like these. While US bond yields have reached new lows and gold has reached new highs, markets have been volatile. Immediately following on the outbreak, we saw a drop in the demand for commodities from China and a fall in oil prices. The travel and tourism sectors have come under pressure as flights have been scaled down in light of people canceling or postponing travel plans. On the other hand, if past epidemics provide any indication, companies that provide medical supplies and services may benefit. However, we are not yet in a position to judge how long the impact will last or when markets will recover. If past outbreaks can be used as a guideline, the impact is likely to be short lived.



Source: MSCI.com



Source: Morningstar

### **Q: Should I switch my investments because of the coronavirus?**

We recommend always holding some cash as part of your balanced portfolio to fund living expenses. However, we believe that although we may see lower economic growth in the short term, the case for long-term investment in equities remains unchanged. Cash is unlikely to provide you with the needed long-term returns. While market corrections can offer buying opportunities, it may be too early to call a bottom to the market. If you are unsure, speak to your financial adviser before deciding to make any changes to your investments.

### **Q: What about the funds managed by PSG Wealth? Are you doing anything to manage the impact of the outbreak?**

PSG Wealth is in contact with underlying fund managers in its multi-managed solution funds on an ongoing basis. We continue to monitor the impact of the outbreak on our funds and will respond if we believe it is necessary.

### **Q: Should I cancel my travel plans?**

The World Health Organisation publishes guidance on travelling to different countries. We advise you [check their site](#) before you leave or plan a trip.

### **Q: Will my travel insurance pay out if my flight is cancelled, or if I become sick and cannot fly?**

Insurers have issued new requirements regarding travel insurance and the coronavirus, and some require that travel insurance is taken out within a certain time of a ticket being booked. It is best to check with your adviser as provisions will differ between insurers. While it is always wise to have travel insurance in place, we highly recommend you ensure you're covered when travelling in light of the latest outbreak.

**Q: What should I do if I believe I am infected?**

If you believe you have contracted the virus, we encourage you to seek medical advice earlier rather than later and to avoid infecting others by practicing good hygiene. Early intervention is associated with better outcomes in those where symptoms become more serious. The [Department of Health](#) has established a 24-hour coronavirus hotline (08 000 29999).

### Additional questions for employers

**Q: Would my group medical benefits cover my employees' medical costs?**

Your staff should be covered for medical expense as a result of the outbreak. Please contact your employee benefits consultant for further guidance.

**Q: Will the illness cover of my employees pay out if, for example, my call centre staff need to be quarantined?**

Most types of illness cover will only pay out if people are sick, and not if they are quarantined only. Waiting periods may also apply to this type of cover. Please speak to your employee benefits consultant for more detail.

**Q: Will my short-term business interruption cover pay out if my operations are disrupted due to the outbreak?**

Most types of business interruption cover require physical damage to property before the cover takes effect. For this reason, it is unlikely that your business will be covered if it closes due to the illness or quarantine of staff or an inability to obtain materials. Please speak to your adviser for more guidance.