

Living with the COVID Endemic

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We are all ready for COVID to go away. Unfortunately, on top of all the hardship and loss it created, the politicization of what should be a science-driven, public health matter has only exacerbated things. Sorry in advance for another article on the subject, but at Crawford Investment Counsel we feel compelled to communicate our current thoughts.

First there was COVID, which many never realized would be called Alpha in hindsight. Then Beta. In the summer of 2021, Delta was in the news given the increase in hospitalizations. This last winter, Omicron came through. While not certain, next up is a variant of Omicron currently being labeled as BA.2, but likely to soon get its own Greek letter. The BA.2 variant evolved along the family tree of a very infectious path in the Omicron family - BA.1. There is about twice as much genetic diversity from BA.2 versus Omicron (50 amino acid pairs) as there was between all of Alpha, Beta, and Delta. The differences are likely significant.

No end in sight. By this point, we need to realize that COVID is likely going to have long-term staying power as a recurring infection for years to come. Some media talking heads have been calling Omicron the end, but that is very short sighted. Living and adapting with COVID is going to be part of life.

More infectious. BA.2 is more infectious than Omicron, on the magnitude of 40% more infectious. This trait makes it the next likely dominant variant in the pandemic.

Vaccines less effective. Most of the existing vaccines appear to be less effective against BA.2, but this should be self-evident. Current vaccines are monovalent, and the original target has mutated quite a bit now.

Antibody treatments need updating. Also, antibodies from individuals that were infected with strains prior to Omicron are not neutralizing against BA.2 in convalescent sera tests. Glaxo's sotrovimab is the best therapeutic antibody, but it appears less effective against BA.2 than against Omicron.

Potentially more serious disease. BA.2 appears to be fusogenic, which means that infected cells will tend to aggregate together and produce significant amounts of new virus in the host. This is similar to Delta and is why Delta caused a greater number and more severe cases of pneumonia.

Likely increased hospitalizations. The leading reason for hospitalization during COVID is to control COVID pneumonia. Thus, if BA.2 is fusogenic, it would reason that there could be a spike in hospitalizations, and

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subsequently another cry by the healthcare community for masking, isolation, and other protocols to slow the spread.

Other complications possible. It is too early to tell, but BA.2 may also bring back some of the more unusual complications seen with the original Alpha variant including coagulopathy (troubles with bleeding and clotting).

Many of you have probably read that viruses have a tendency to become increasingly infectious and decreasingly virulent over time. Said another way, viruses become better at infecting their hosts and less deadly over time. This is largely true, but the next round of COVID infections will likely prove this wrong. When viruses do not cause high fatality rates, it is possible for the virulence of the virus to increase and then decrease over any small period of time. This is similar to 2009 swine flu, when the influenza virus mutated from a strictly human influenza A virus to include swine flu virus. There were about 60 million individuals infected with swine flu in the 2009/10 influenza season compared to a five-year average of 25 million infected from 2010-2015.

While all of this sounds bad, the next wave is likely to be a mix between the past Delta and Omicron waves. We as a global community and as a national healthcare force now have a significantly better understanding of how to fight COVID. While current antibodies may not be as efficacious, making new ones in short order for the most sick and hospitalized patients is very realistic. The antiviral drugs from Merck, Pfizer, and Gilead should still be effective against new forms of COVID, offering a more readily available therapeutic before hospitalization.

The new BA.2 strain is becoming the dominant strain in a handful of countries, such as Denmark, China, India, the Philippines, Bangladesh, and Nepal. The real world hospitalization data is on the decline in most of those countries, although it is early. But early cases have already appeared in multiple states in the U.S.

In addition, we need to increase our efforts in other places. On the vaccine front, it is time to move to a multivalent vaccine, similar to what we have done for influenza. These should probably be made on platforms that are not mRNA based, given the narrow spectrum of immunity (both time and variant). On the pharmaceutical front, more types of anti-viral medications are likely needed, given viruses tend to mutate quickly to a single agent and a multi-drug cocktail infers a more durable solution.

While studies show BA.2 could potentially be more impactful than Omicron, it is important to remember that the population has a significant advantage. Individuals recently infected with Omicron and who were fully vaccinated showed protection against BA.2. Moreover, there is now enough infection and vaccination against all strains of COVID that the population's immune system is evolving to better cope with this pandemic.

All of the above represents our best estimate around this topic. At Crawford Investment Counsel we are

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constantly working to stay informed and fully abreast of developments that can have an economic impact, in addition to monitoring and analyzing the individual progress of companies owned and those under consideration. We remain resolute this pandemic can be overcome in a reasonable timeframe, and that high-quality companies can continue to prosper. Crawford Investment Counsel has an investment philosophy and process that has been successfully implemented and honed for over 40 years. This philosophy and our experience gives us the confidence to remain invested over the long term. We intend to stay the course.

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