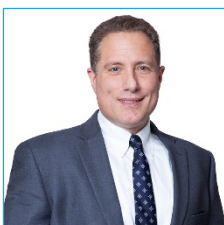

Covid-19 index: when might life return to ‘normal’?

Return to Normal series | May 2021



Paul DiGiacomo
Head of Equity Research

As one of the world’s largest economies the US is a key focus for investors. With every country attempting to return to normality following the coronavirus pandemic, we are monitoring when US economic activity might get back on track, as well as other measures of “normality” such as entertainment and leisure, high street shopping, and schools reopening. The result is an index that measures progress toward a post-pandemic world.

Our Return to Normal index

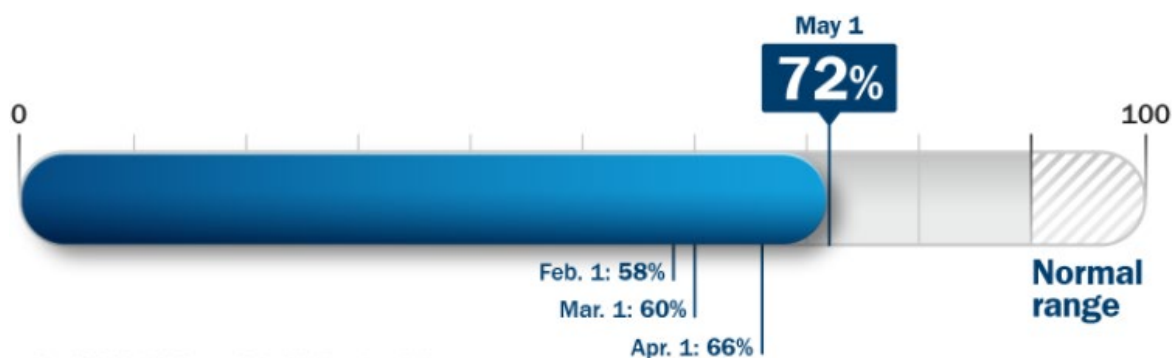
As the US continues its Covid-19 vaccination program, the Return to Normal Index measures human activity data relative to pre-pandemic levels. The index is constructed by our data scientists and fundamental analysts and tracks activities in the US, including travel, returning to work and school, brick-and-mortar shopping and eating out. By design, the index is focused on measuring components of daily life rather than economic indicators such as GDP growth. The percentage level will move closer to 100 as daily life normalises, and our analysts will update it on a regular basis.

What has changed?

Since our April update, the Return to Normal Index has climbed further, to 72%, fuelled by gains in travel, entertainment and a return to in-person schooling. Now that immunity levels are increasing – through a combination of vaccinations and prior infections – we expect to see a continued decline in active cases over the next couple of weeks. As a base case scenario, we expect the index to advance over the month of May as greater immunity and seasonal factors push activity levels higher. If there are no significant setbacks, the US could reach the normal range by August. We are continuing to watch the data on variants in the US, and if we see a large spike in cases, the momentum carrying the country to our normal range could slow.

Activity numbers won't all return to where they were before Covid. The index could hit "normal" at a point lower than the 100 level due to continued changes in behaviour, like working from home and reduced business travel. The definition of the future normal is evolving, and the index's normal threshold will reflect our data science and fundamental research insights.

Figure 1: The Return to Normal Index tracks activity compared with pre-pandemic levels as we progress to post-Covid life

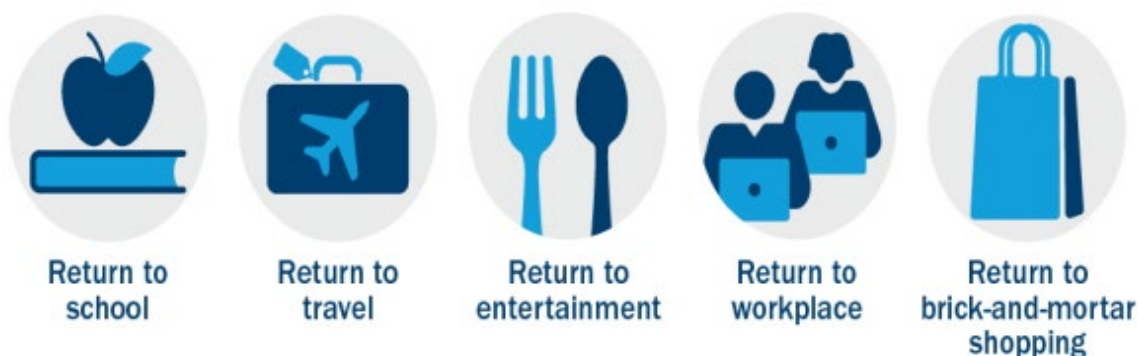


Source: Columbia Threadneedle Investments, 1 May 2021

What are we monitoring, and where is it at?

We are analysing the time people spend engaging in a broad set of activities outside their homes (Figure 2). The index components have implications for economic growth, but the primary objective is to monitor how close or far we are to returning to normal life.

Figure 2: Tracking inputs

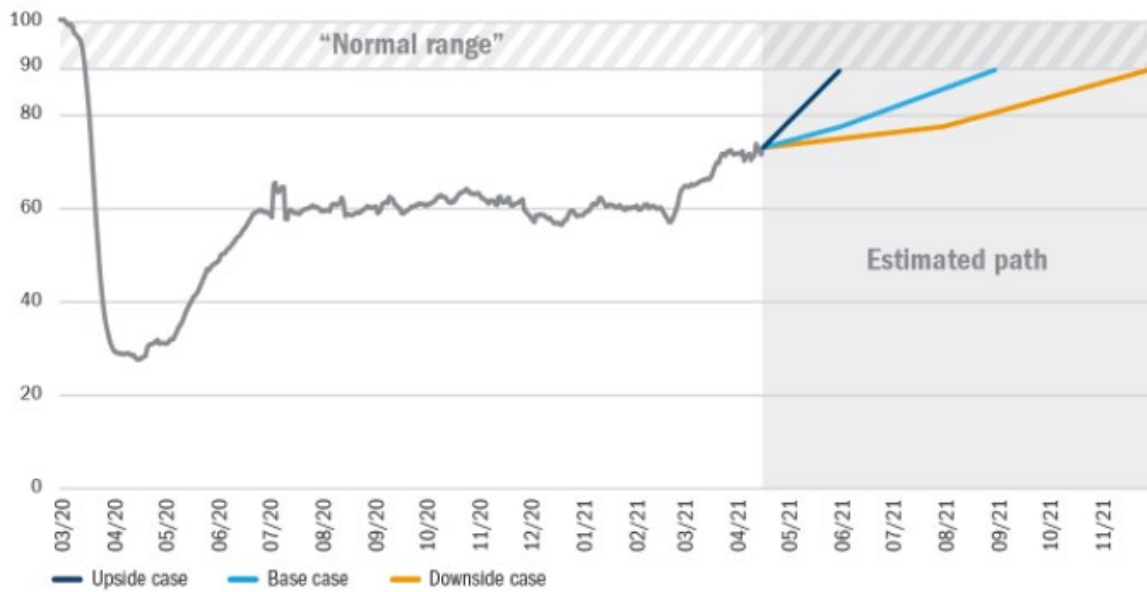


Our index suggests we are still 28% below pre-Covid activity levels. The levels of component activity vary: the return to brick-and-mortar stores is 18% below its pre-Covid level and a normal work routine is 23% below. The subcomponent with the lowest level is travel/entertainment: 43% below pre-Covid levels.

What could drive change?

Faster vaccine distribution and uptake could accelerate the path to normal (ie, the upside case). Developments that could impede a return to normal (ie, the downside case) include the emergence of variants that are resistant to current vaccines or slower uptake of the vaccine in certain places (because of people's unwillingness to get vaccinated or shortfalls in supply).

Figure 3: The Return to Normal Index over time – level as of 1 April 2021: 66%



Source: Columbia Threadneedle Investments, 1 May 2021

This index provides a framework as we analyse companies. It is a roadmap for what normal activity might look like after Covid and how long it will take to get there. The information allows us to test a company's own assumptions and make adjustments in our views as needed.

For investors, the Columbia Threadneedle Return to Normal Index can act the same way: it's an additional input to consider as they research their individual asset allocation and portfolio decisions.

Understanding where we are on the path to normal life will be a critical question in 2021. This data can help inform investors' asset allocation decisions and set expectations on market activity.

Important Information:

For use by Professional and/or Qualified Investors only (not to be used with or passed on to retail clients). This is an advertising document.

This document is intended for informational purposes only and should not be considered representative of any particular investment. This should not be considered an offer or solicitation to buy or sell any securities or other financial instruments, or to provide investment advice or services. **Investing involves risk including the risk of loss of principal. Your capital is at risk.** Market risk may affect a single issuer, sector of the economy, industry or the market as a whole. The value of investments is not guaranteed, and therefore an investor may not get back the amount invested. **International investing** involves certain risks and volatility due to potential political, economic or currency fluctuations and different financial and accounting standards. **The securities included herein are for illustrative purposes only, subject to change and should not be construed as a recommendation to buy or sell. Securities discussed may or may not prove profitable.** The views expressed are as of the date given, may change as market or other conditions change and may differ from views expressed by other Columbia Threadneedle Investments (Columbia Threadneedle) associates or affiliates. Actual investments or investment decisions made by Columbia Threadneedle and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be suitable for all investors. **Past performance does not guarantee future results, and no forecast should be considered a guarantee either.** Information and opinions provided by third parties have been obtained from sources believed to be reliable, but accuracy and completeness cannot be guaranteed. This document and its contents have not been reviewed by any regulatory authority.

In Australia: Issued by Threadneedle Investments Singapore (Pte.) Limited ["TIS"], ARBN 600 027 414. TIS is exempt from the requirement to hold an Australian financial services licence under the Corporations Act and relies on Class Order 03/1102 in marketing and providing financial services to Australian wholesale clients as defined in Section 761G of the Corporations Act 2001. TIS is regulated in Singapore (Registration number: 201101559W) by the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289), which differ from Australian laws.

In Singapore: Issued by Threadneedle Investments Singapore (Pte.) Limited, 3 Killiney Road, #07-07, Winsland House 1, Singapore 239519, which is regulated in Singapore by the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289). Registration number: 201101559W. This advertisement has not been reviewed by the Monetary Authority of Singapore.

In Hong Kong: Issued by Threadneedle Portfolio Services Hong Kong Limited 天利投資管理香港有限公司. Unit 3004, Two Exchange Square, 8 Connaught Place, Hong Kong, which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 regulated activities (CE:AQA779). Registered in Hong Kong under the Companies Ordinance (Chapter 622), No. 1173058.

In the UK: Issued by Threadneedle Asset Management Limited, registered in England and Wales, No. 573204. Registered Office: Cannon Place, 78 Cannon Street, London EC4N 6AG. Authorised and regulated in the UK by the Financial Conduct Authority.

In the EEA: Issued by Threadneedle Management Luxembourg S.A. Registered with the Registre de Commerce et des Sociétés (Luxembourg), Registered No. B 110242 44, rue de la Vallée, L-2661 Luxembourg, Grand Duchy of Luxembourg.

In the Middle East: This document is distributed by Columbia Threadneedle Investments (ME) Limited, which is regulated by the Dubai Financial Services Authority (DFSA).

For Distributors: This document is intended to provide distributors with information about Group products and services and is not for further distribution.

For Institutional Clients: The information in this document is not intended as financial advice and is only intended for persons with appropriate investment knowledge and who meet the regulatory criteria to be classified as a Professional Client or Market Counterparty and no other Person should act upon it.

In Switzerland: Threadneedle Asset Management Limited. Registered in England and Wales, Registered No. 573204, Cannon Place, 78 Cannon Street, London EC4N 6AG, United Kingdom. Authorised and regulated in the UK by the Financial Conduct Authority. Issued by Threadneedle Portfolio Services AG, Registered address: Claridenstrasse 41, 8002 Zurich, Switzerland.

Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.