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The Pandemic and a Pathway to Normalcy: Is it Possible?

By Dixon Boardman

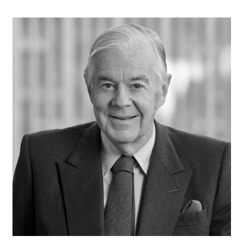
The spread of COVID-19 has continued to have tremendous repercussions for financial markets, the economy and society more broadly. While the worst of the turmoil may be behind us, concerns about a "second wave" of infection and sluggish economic activity continue to dog investors. Understandably, market sentiment is highly attuned to any news of a potential vaccine or treatments, especially as we watch the President and the First Lady of the United States battle COVID on a personal level.

There are two deceptively simple questions about any vaccine: “When will it be available?” and “How will it be distributed?”. The answers are, of course, complicated. Most vaccines have taken around four years to develop. This time, though, the pharmaceutical industry has mounted an effort that is unprecedented in its scale and scope. So it is very likely that we will see a safe and reliable vaccine relatively soon. Distribution, though, may be more challenging. There are 7.8 billion people in the world, and delivering a vaccine at affordable prices will take time. People’s willingness to accept the vaccine may also bog down the process. Recent polls show that about half of Americans already are reluctant to be vaccinated due to concerns about possible side effects, effectiveness, and a rushed approval process.

Such obstacles to addressing the coronavirus will inject further volatility into financial markets. That is down the road, though. What is on my radar right now is the possibility of election uncertainty, which could overshadow COVID for weeks or months. The bottom line is that volatility is here to stay. As a result, I believe it really makes sense to diversify an investment program with a meaningful allocation to hedge funds, especially a mix of non-correlated strategies that can produce stable returns. I also favor long/short equity funds that can participate in the upside and protect on the downside.

There is another very important reason to be in these kinds of hedge funds now: bond yields are at rock bottom. Yes, fixed income was effective as an anchor to windward in recent years, but those days are over precisely because yields are so low.

Dixon Boardman is the Founder and Chief Executive Officer of Optima and the Vice Chairman of the Forbes Family Trust. Since 1988, Optima has been a pioneer in the hedge fund space, navigating across diverse market environments while provided its clients access to differentiated opportunities. Optima’s partnership with the Forbes Family Trust brings together award-winning expertise, experience and innovation to alternative investments.



With all of this as the backdrop, I feel that investing in the healthcare sector is particularly interesting, especially with a long/short approach. This goes well beyond any COVID-related opportunities, because there is so much potential for growth in so many other areas, ranging from promising developments in the cure for various cancers, advancements in gene therapy, and orphan drugs. Biotech is around 5% of the US economy and growing, and America leads the world in advancements and innovation. The healthcare and biotech sectors currently have some of the best brains in the business, and I think it's a great place to be.

All in all, my conclusion is pretty straightforward: if there ever was a time to be in hedge funds, this is it. If not now, when?

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