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NEWS HIGHLIGHTS

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OUR VIEWS ON ECONOMIC AND OTHER EVENTS AND THEIR EXPECTED IMPACT ON INVESTMENTS

SEPTEMBER 28, 2020

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OWNER OPERATED COMPANIES

Berkshire Hathaway Inc. – E.W. Scripps Co. has agreed to buy broadcaster ION Media Networks Inc. for \$2.65 billion as the TV station owner, backed by Warren Buffett’s Berkshire Hathaway Inc., scales up operations to counter a rise in online streaming. Berkshire will make a \$600 million preferred equity investment in Scripps to finance the deal and will receive a warrant to buy up to 23.1 million shares of Scripps. The U.S. broadcast media sector has seen a flurry of mergers in recent years as advertising dollars shift to internet and as a growing number of young viewers cancel cable subscriptions in favour of watching content online. As part of the deal, Scripps said its units Katz networks and Newsy will combine with ION Media to create a national television networks business.



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COMPANY NEWS**

Facebook Inc. - Apple Inc. said it is giving some businesses a reprieve from paying a 30% commission on paid events and experiences through mobile apps, a move that comes as the App Store owner faces scrutiny from software developers and regulators over how its digital marketplace operates. The announcement on September 25 follows a Facebook Inc. statement confirming that Apple approved its request to exempt businesses hosting live online events through its app from being required to pay a cut of sales to Apple. Apple’s move, which will last until the end of the year, is significant because the company doesn’t normally allow app developers to process payments for in-app purchases themselves or use third-party services, saying those alternative platforms could pose security risks. The technology company instead makes developers use its own payment system and takes a 30% cut of sales from paid apps and in-app purchases, as well as from digital subscriptions in the

first year. Apple has said that amount is in line with what most other app marketplaces charge and helps cover the cost of store services it provides, such as user privacy.

Nomad Foods Ltd., Europe’s leading frozen food business, has announced that it has joined the groundbreaking “10x20x30” initiative to root out food loss and waste from its supply chain. 10x20x30 includes signatories from more than ten of the world’s biggest food retailers and manufacturers, with each having committed to engage in a “whole supply chain” approach to halving food loss and waste by 2030. Stéfan Descheemaeker, Chief Executive Officer at Nomad Foods, said: “At Nomad Foods, we know that partnerships and collaboration are essential to driving impact and reducing waste. That’s why we’re pleased to announce that we have signed up to this initiative, as we continue to champion our progress towards the target of halving food loss and waste by 2030. We believe that our influence within the food industry, our wide consumer reach and our unique capacity to promote freezing as a solution to food wastage make us perfectly positioned to raise awareness of the issues and lead the way towards a less wasteful food industry.” As a leading signatory of the initiative, Nomad Foods has committed to a 50% reduction target in its operations, to measure and publish food loss and waste inventories, and to create actionable strategies to reduce this waste. The food retailers and providers behind 10x20x30 include AEON, Ahold Delhaize, Carrefour, IKEA Food, Kroger, METRO AG, Migros (Turkey), Pick n Pay, The Savola Group, Sodexo, Tesco and Walmart. Each year, one-third of all food produced in the world is lost or wasted, resulting in significant economic, environmental, and food security impacts. This amount of food loss and waste equals \$940 billion in economic losses annually. It is responsible for 8% of global greenhouse gas emissions.

Oracle Corporation – On September 27, a federal judge blocked the Trump administration’s attempt to ban TikTok downloads in the U.S., giving the Chinese-owned app a short-term victory as it scrambles to ensure its future while caught in a battle of brinkmanship between

global superpowers. The ruling by Judge Carl Nichols of the U.S. District Court in Washington, D.C., gives TikTok owner ByteDance Ltd. more time to get approval from U.S. and Chinese authorities for a pending deal that includes Oracle Corp. and Walmart Inc. The court drama on Sunday, with the ruling landing less than four hours before the ban was to take effect, was a new chapter in a protracted saga still without a clear ending. President Trump this month gave the deal his preliminary blessing as a way to address his administration's national-security concerns. The U.S. Committee on Foreign Investment in the U.S. must approve the particulars, including the question of who would have majority ownership. The Chinese government could also reject it. The specter of a future U.S. government ban remains. The Commerce Department plans to implement a full ban on November 12, rendering the app unusable for U.S. users if an American deal for TikTok isn't completed by then. The courts could also ultimately side with the government and allow the ban to move forward.

Reliance Industries Ltd. – On September 23, Reliance Industries Limited announced that global investment firm KKR & Co. Inc. will invest approximately US\$750million into Reliance Retail Ventures, a subsidiary of Reliance Industries. This investment values Reliance Retail at a pre-money equity value of approximately US\$57 billion. KKR's investment will translate into a 1.28% equity stake in Reliance Ventures on a fully diluted basis. This marks the second investment by KKR in a subsidiary of Reliance Industries, following an investment in Jio Platforms announced earlier this year. Reliance Retail Limited, a subsidiary of Reliance Retail Ventures, operates India's retail business, serving close to 640 million footfalls across its approximately 12,000 stores nationwide. Reliance Retail's vision is to galvanize the Indian retail sector through an inclusive strategy serving millions of customers by empowering millions of farmers and micro, small and medium enterprises and working closely with global and domestic companies as a preferred partner, while protecting and generating employment for millions of Indians. Reliance Retail, through its New Commerce strategy, has started a digitalization of small and unorganised merchants and is committed to expanding the network to over 20 million of these merchants. This will enable the merchants to use technology tools and an efficient supply chain infrastructure to deliver a superior value proposition to their own customers.



DIVIDEND PAYERS

Novartis AG – Following review of the strong data, the U.S. Food & Drug Administration (FDA) requests Novartis to conduct a pivotal confirmatory study for the intrathecal (IT) formulation of Zolgensma (used to treat spinal muscular atrophy (SMA)) and further support the regulatory admission of Zolgensma IT. This request is not linked to the partial clinical hold on Zolgensma IT. While Novartis writes in its press release that “this guidance provides clarity on the path to registration for AVXS-101 (Zolgensma) IT”, the company also states that “trial design and other details are being evaluated and a comprehensive update on the overall Novartis SMA



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clinical development program will be provided at a future time following further discussions with health authorities”. While the path forward is clear, timelines are not - aside that the additional study will push out the potential approval from 2022 to 2023. Following the recent launch of Evrysdi, it's assumed that the prevalent Type 2 and 3 patient population will be dominated by Roche Holding AG's new and oral treatment.



LIFE SCIENCES

Telix Pharmaceuticals Limited announced it has submitted a New Drug Application (NDA) to the United States Food and Drug Administration (FDA) for TLX591-CDx (Kit for the preparation of 68Ga-PSMA-11), a radiopharmaceutical targeting Prostate-Specific Membrane Antigen (PSMA) for the imaging of prostate cancer using Positron Emission Tomography (PET). Telix's NDA submission for TLX591-CDx includes clinical data from over 600 patients obtained from both prospective and retrospective clinical studies performed by Telix or in collaboration. The submission also builds on definitive peer-reviewed clinical research conducted at leading academic centres including the University of California, Los Angeles (USA), the Peter MacCallum Cancer Centre (Australia) and Heidelberg University Hospital (Germany).



ENERGY SECTOR

Valero Energy Corporation may keep the large hydrocracker idle through the rest of the year at its 335,000-barrel-per-day (bpd) Port Arthur, Texas, refinery because of demand loss during the COVID-19 pandemic. The 57,000-bpd hydrocracker was shut on August 25 in preparation for Hurricane Laura and remains shut while most units at the refinery have restarted. The hydrocracker uses high pressure, high heat and a catalyst in the presence of hydrogen to convert gas oil into diesel and other motor fuels.



ECONOMIC CONDITIONS

Canada house prices: The Financial Post reported last week that the pandemic will punish Prairie house prices the most in Canada, but even hotspots Toronto and Vancouver will see prices drop on the back of rising rental market vacancies and lower immigration rates, according to a new report. Average single family detached house prices will fall by 6.7% next year as the recovery stalls, economic stimulus fades and debt problems increase, Moody's Analytics and RPS Real Property Solutions Inc. forecast in a housing market outlook published last week. The figure combining all housing types is a drop of more than 7%. Calgary and Edmonton will lead the losers with 10% peak-to-trough slides in prices next year as oil market woes continue, with Regina next at more than a 9% drop predicted. Toronto follows with a near 9% fall forecast. Vancouver prices are expected to drop at just less than 7%, the report said. “The housing market will no longer be able to escape the poor condition of the labour market as vacancy and delinquency rates rise in 2021,” report author Abhilasha Singh of Moody's Analytics said in a statement. “However, while all regions are expected to experience price declines, the size of the impact will vary meaningfully across them.” The report follows earlier forecasts by Canadian Mortgage and Housing Corp. (CMHC), the country's largest public mortgage provider, and cited its data. Last week, CMHC chief economist Bob Dugan reaffirmed his call that house prices could decline by 18% because of pandemic-induced weak housing demand.



The U.S. Commerce Department reportedly has imposed export restrictions on Semiconductor Manufacturing International Corporation (SMIC) (China's #1 semiconductor firm), with U.S. firms being required to apply for a license in order to export certain products to SMIC. The restrictions reportedly were implemented due to "an unacceptable risk of diversion to a military end use" and confirmed recent market speculation of U.S. action against SMIC. Market concerns include significant damage to SMIC's manufacturing capability, with SMIC receiving up to 50% equipment from the U.S. A formal U.S. statement is expected early this week. In analysts' view this continues the steady degradation of trade ties between the two countries and the potential impairment to SMIC is likely large enough to trigger a response from China hard-liners. Recall Global Times article last weekend which flagged China was ready to announce an "unreliable entity list" and companies at risk include Apple, Boeing, Cisco, Fedex, and Qualcomm.

U.S. new home sales unexpectedly rose in August, up 4.8% to 1,011,000 units annualized, the first time it reached the one million mark in 14 years, or since 2006. Plus, the **prior three months were revised higher...** for example, July's 901,000 reading is now coming in at 965,000. Demand continues to outstrip supply ... **inventories of unsold new homes** fell for the fifth straight month, leaving the **months' supply** at a record-low 3.3. **Median prices** actually fell from year-ago levels but they had spiked last August.

U.S. existing home sales in August rose for the third straight month. After two straight months surging over 20%, sales cooled in August, up a respectable 2.4% to a 14-year high of 6.00 million units, annualized, in-line with expectations. Both **single-family homes** and **condos** were bought during the month. For those homeowners who are taking advantage of strong demand to sell (such as those who want to downsize to a condo) are doing so at a good time... **median prices** are up over 11% year/year, the largest increase in roughly seven years. Demand is strong (think of the continuation of "Work From Home"), while the **number of homes and condos available to be sold** shrank for the second straight month. Higher prices are pushing certain homes farther away from first timers. Those who are new to this (**first-time homebuyers**) accounted for 33% of home sold, down from 34% in July and the smallest share since February. **Investors or those who want a second home** also saw their share slip to a 2-month low of 14% (fewer and pricier options).

U.K. / Europe - there is speculation that this week's Brexit trade negotiations could deliver a breakthrough and prevent Britain from enduring a messy break with the European Union. Michael Bernier, U.K. Chief Negotiator, and his counterpart David Frost will hold a final round of scheduled discussions starting this Tuesday. Hopes are that they will be able to come to a sufficient agreement so that the "Brussels Tunnel" can occur next week. The Brussels Tunnel is a two-week period of intense discussions that hammers out an accord in time for a summit of European leaders on October 15. News services are reporting that the EU will water down its demand for onerous checks on the goods between Great Britain and Northern Ireland, and in return, the U.K. would agree to some "baseline rules" on state aid for U.K. businesses.



FINANCIAL CONDITIONS

Reserve Bank of New Zealand kept rates unchanged at 0.25% and reiterated forward guidance. The Large Scale Asset Purchase Program (LASP) limit was also kept at NZ\$100 billion.

The U.S. 2 year/10 year treasury spread is now 0.54% and the U.K.'s 2 year/10 year treasury spread is 0.27%. A narrowing gap between yields on the 2 year and 10 year Treasuries is of concern given its historical track record that when shorter term rates exceed longer dated ones, such inversion is usually an early warning of an economic slowdown.

The U.S. 30 year mortgage market rate has increased to 2.90. Existing U.S. housing inventory is at 3.3 months supply of existing houses - well off its peak during the Great Recession of 9.4 months and we consider a more normal range of 4-7 months.

The VIX (volatility index) is 26.68 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally

"Genius is one percent inspiration, ninety-nine percent perspiration." - Thomas Edison.

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Glossary of Terms: 'boe' barrel of oil equivalent, a measurement of a unit of energy, 'boed' refers to barrel of oil equivalent per day, 'CET' core equity tier, 'EBITDA' earnings before interest, taxes, depreciation and amortization, 'EPS' earnings per share, 'FCF' free cash flow, 'GDP' gross domestic product, 'netback' is a measure of oil and gas sales revenues net of royalties, production and transportation expenses and is used to compare performance in the oil and gas industry, 'ROE' return on equity, 'ROTE' return on tangible equity, 'ROTCE' return on tangible common equity.

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RISK TOLERANCE

Risk tolerance measures the degree of uncertainty that an investor can handle regarding fluctuations in the value of their portfolio. The amount of risk associated with any particular investment depends largely on your own personal circumstances including your time horizon, liquidity needs, portfolio size, income, investment knowledge and attitude toward price fluctuations. Investors should consult their financial advisor before making a decision as to whether this Fund is a suitable investment for them.

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