PORTLAND INVESTMENT COUNSEL® NEWS HIGHLIGHTS

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

NOVEMBER 2, 2020

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OWNER OPERATED COMPANIES

Altice USA, Inc. reported Q3 results, with revenues slightly ahead of consensus excluding one-time items while EBITDA was approximately 3% better. The management increased the buyback guidance to above $2.0 billion for the current year. They also suggested that the proceeds from the new fiber to the home venture could be used to buy back shares ($1.1 billion or approximately 7% of market cap). This would be on top of the already announced $2.0 billion of buybacks and would hold leverage at approximately 5x. High Speed subscriber adds were strong at 26 thousand, driven by share gains, wireless-only conversions, and speed enhancements. 1 Gig Broadband service is now available to 92% of Optimum and 80% for Suddenlink footprint. Business revenues grew 2% excluding abnormal items, in-line with Q2 growth rate. Altice added Small and Medium Business subscribers for the first time this year but the worsening infection rates/potential closures add uncertainty. Advertising revenue was up 5%. The company continued to refinance its debt and this has helped reduce its total interest costs by $600 million in 4 years. The management indicated that they have no incremental visibility into the takeover offer for Cogeco Inc. in partnership with Rogers Communications Inc. The current offer expires on November 15, and so far there was no active engagement from the Audette family in discussing this offer.

ARES Management Corporation reported a realized income of $0.48 which was higher than consensus of $0.44. Assets under Management (AuM) also came in slightly above forecast ($179 billion vs. $178 billion estimates) and total AuM grew +24% year/year. Fee earning AuM was lower than analysts' estimate ($113 billion vs. $120 billion estimates). 77% of ARES's management fee revenues are derived from funds with capital that is locked up for 3+ years. ARES reported inflows of $12.4 billion which came in above estimates of $10.8 billion. The largest inflow contributors were European Direct Lending ($9 billion), ARCC ($1 billion), and Alternative Credit ($1 billion). Fee-related earnings missed forecast ($107 million vs. $114 million estimate) but still grew +23% year/year. ARES's shadow AuM (AuM raised but fees yet to be turned on) was $39 billion (49% year/year), which would generate $413 million of management fees when the fees turn-on. ARES reported $4.4 billion of deployments which came in slightly below assumptions of $5 billion (vs. $7 billion in Q3 2019). Of the $4.4 billion, $2.5 billion of activity came from its credit funds and $1.2 billion from private equity. Dry-powder of $53 billion was much stronger than forecast (+55% year/year), and was driven by fundraising in U.S. and European direct lending, alternative credit, and corporate private equity funds.

Facebook, Inc. - Facebook posted a better-than-projected gain in third-quarter revenue, indicating that a major advertiser boycott had a limited impact against the backdrop of a broader revival of spending on digital marketing. The sales rose 22% to $21.5 billion, compared with the $19.8 billion average analyst estimate in a Bloomberg survey. While Facebook reached 2.74 billion monthly active users in the quarter, exceeding predictions, it saw an unusual decline in users in the U.S. and Canada, its most lucrative ad markets, as a pandemic-fueled surge from earlier this year leveled off. Because COVID-19 shutdowns have driven an increase in online shopping, Facebook has been introducing more products for advertisers to sell directly to customers through its flagship site and its Instagram photo-sharing app. Revenue in the recent quarter benefited from that shift, as well as a boost in political advertising ahead of the U.S. election. Investors were looking for a quarter helped by advertising market recovery, accelerating political ad spend and incremental contributions from a flurry of product announcements related to social commerce. Facebook said ad targeting and measurement might become more difficult next year, not just because of

regulations in Europe, but because of updates to privacy rules in Apple's iOS 14 software. In the new operating system, Apple users will have to agree to share the data with developers like Facebook. Facebook shares closed at $280.83 in New York before the Q3 report. According to the article "Facebook Posts Sales Jump on Ad Revival, Sees 'Uncertainty'" published by Bloomberg on October 29th, the stock has gained 37% this year, outpacing the 2.5% gain in the Standard & Poor's 500 Index.

Stryker Corporation reported operating results for the third quarter, which included reported net sales higher by 4.2% to $3.7 billion, organic net sales increased by 3.3%, reported operating income margin of 23.0%, adjusted operating income margin expanded 260 bps to 28.0%, reported EPS increased by 32.5% to $1.63 and adjusted EPS increased by 12.0% to $2.14. The response to the COVID-19 pandemic has included unprecedented measures to slow the spread of the virus taken by local governments and health care authorities globally, including the postponement of deferrable medical procedures and social contact restrictions, which have had a significant negative impact on the company's operations and financial results. "We are pleased to have returned to growth in the third quarter and delivered strong adjusted earnings and cash flow in a challenging environment," said Kevin A. Lobo, Chairman and Chief Executive Officer. "Our teams executed well in serving our customers, advancing innovations and preparing for the Wright Medical integration." Orthopaedics net sales of $1.3 billion increased 4.4% in the quarter and 3.8% in constant currency. MedSurg net sales of $1.6 billion increased 3.2% in the quarter and 2.9% in constant currency. Neurotechnology and Spine net sales of $0.8 billion increased 6.0% in the quarter and 5.5% in constant currency.

Amazon.com, Inc. - After two quarters of acceleration, Amazon revenue growth decelerated modestly in Q3 to 37% year/year from 40% in Q2, approximately 4% ahead of consensus and solidly above the high end of the guidance range. Total revenue grew approximately 37% year/year to $96.1 billion (decelerating slightly from approximately 40% in Q2), approximately 4% ahead of consensus. Online stores revenue growth decelerated to approximately 37% year/year excluding the impact of foreign exchange (from 49% in Q3) while Third-Party Services growth stayed strong at 53%, 11% ahead of consensus, representing the fastest-growing segment in the quarter and reflecting a modest mix shift towards a more diverse set of seller-provided goods and away from Amazon-provided household essentials and groceries. Other elements of Amazon's consumer flywheel were also on display, including a reimagined lineup of Echo devices, enhancements to the Alexa and Ring platforms, and a growing slate of Amazon Studios original movies including films from Sacha Baron Cohen and Tom Clancy. In Q3, Prime members streaming Prime Video grew by 80% year/year and international customers more than doubled hours streamed, helping Prime renewal rates improve on a year/year basis. Subsequent to quarter-end, Prime Day launched on October 13 and enabled $3.5 billion in sales from third-party sellers, an increase of 60% year/year. Amazon continues to invest heavily, including over $12 billion in Q3 capital expenditure, and is targeting a 50% expansion in logistics network square footage this year. Amazon Web Services showed some signs of maturity, with 29% growth for the second quarter in a row, making it the slowest-growing of Amazon's six operating segments besides the pandemic-impacted Physical Stores business. GAAP operating income set another company record, and Amazon's Q4 revenue outlook was solidly above expectations and implies approximately 33% year/year growth at the midpoint. With consumer shopping behavior shifting online at an accelerating pace, structural competitive advantages around fulfillment and scale we think much of this strength will persist beyond the current pandemic.

Apple Inc. - iPad growth of 46% year/year and 29% Mac growth drove Apple's $1 billion revenue beat to $64.7 billion in fiscal Q4 sales. iPhone sales were ahead of Apple's plan or up 10% year/year through mid-September, but the iPhone 12 delay dragged iPhone sales down 21% year/year. Slightly higher operating expenditure held EPS to $0.73 or a $0.02 beat. Apple had signaled strong AppleCare growth in fiscal Q4 2019 would provide a difficult comparison for the services unit. Instead, its 16% annual growth accelerated a touch. Apple again eschewed formal guidance. Its "directional comments" called for double-digit growth in aggregate across iPad, Mac, and Wearables (perhaps much more – Apple teased new AirPods). While robust, this essentially met consensus. iPhone 12 cycle looks much like the 11. Apple expects iPhone growth to be below 10% year/year, which consensus translates to 77 million units. Apple also expects gross margins to be flat sequentially in a seasonally higher quarter. The consensus believes this will likely lower fiscal 2021 EPS towards $3.60 -$3.70 (prior consensus - $3.91).

Ares Capital Corporation (ARCC) reported Q3 2020 core net investment income per share of $0.39, in-line with consensus of $0.39. Interest income and structuring fees were modestly lower than estimated, but offset by higher dividend and other income. Book value increased quarter/quarter by approximately 4% and was driven by unrealized gains in the portfolio. Investments on non-accrual were 5.1% of the portfolio at amortized costs and up from 4.4% in the last quarter. While non-accruals are ticking up, it still appears to be at manageable levels in our view and below the peak of 6-6.5% during the Global Financial Crisis. ARCC had $706 million of new commitments during Q3, $447million of which were funded. 94% of the commitments were in first lien and the remainder were in preferred and equity securities. Against that, ARCC had $353 million of exits. The portfolio mix at quarter end was 45% first lien (vs. 44% previously) and 28% second lien (vs. 30%). Overall yield on debt and income-producing securities at amortized cost was up quarter/quarter at 9.1% (from 8.9%). Leverage was approximately 1.10x debt to equity, roughly unchanged from approximately 1.11x in the prior quarter.

Ares Management Corporation has absorbed a considerable chunk of a US$800 million financing package for Capstone Logistics, LLC, the supply chain company that is being acquired by private equity investor H.I.G. Capital. Ares has picked up US$200 million of the debt deal for Capstone through a privately placed second-lien loan. The investment firm, through its Ares Capital arm, is also coordinating the syndication of a US$600 million seven-year first-lien financing in the U.S. leveraged loan market. Ares' mandate to lead the first-lien loan for Capstone is the latest sign of private credit firms gaining clout in a market dominated by large-scale investment banks. This year, private credit investors with deep pockets have showcased their ability to commit to larger, middle-

market loans that banks, more traditional sources of capital for these lenders, may have passed on.

Ares Management made a non-binding offer to buy AMP Limited, an Australian wealth manager. AMP, a Sydney-based company, said discussions were at an early stage and did not disclose the offer value. AMP had a market value of AU$4.40 billion (US$3.1 billion) before the news broke. Australia media, which first reported the takeover discussions, said Ares had offered about AU$5 billion. AMP ceded its position as Australia's largest wealth manager to IOOF Holdings Ltd. after its rival bought National Australia Bank Ltd.'s financial advisory arm in August.

RioCan Real Estate Investment Trust reports Funds From Operations/ unit of $0.41 (-13%), ahead of consensus of $0.38. For Q3, REI reported FFO/unit of $0.41 (down -13% year/year, compared to consensus of $0.38). The primary variance to forecast was the sale of an interest in a condo project that drove about $0.04 in gains. Excluding condo gains and investment gains from both periods, it's estimated FFO/unit solely from retail operations declined -13%, outperforming expectations of a -16% decline. It is also estimated FFO/ unit from retail operations would have increased by approximately +10% from Q2. In-place occupancy declined 90 bps year/year (and 60 bps sequentially) to 95.4%, with total committed occupancy down 120 bps year/year to 96.0% (down 40 bps sequentially). The decline in occupancy rates relative to Q2 2020 was primarily due to disclaimed leases relating to tenant bankruptcy filings (tenants representing approximately 2.8% of REI's rents have filed for bankruptcy/Companies' Creditors Arrangement Act (CCAA), although stores representing only 0.9% of rent having closed so far). Leasing results were solid considering the current leasing environment, as REI renewed 948,000 square feet of leases (88% retention rate), at rents 4.6% higher than expiring rents. For the quarter, REI collected 93.4% of gross billed rents, inclusive of Canada Emergency Commercial Rent Assistance (CECRA) government funding, an improvement from 84.5% in Q2. The improvement in rent collections was primarily driven by tenants paying their deferred rents. As of October 28, REI collected 92% of October gross rents, with approximately 93% of REI's tenants being open. As of October 28, REI has entered into agreements to sell partial or 100% interests in a number of its properties totaling $276 million. Of these dispositions, $228 million are income producing and $49 million are development properties. The weighted average cap rate on the income producing properties is 3.6%. These disposals included a 50% non-managing interest in eCentral (residential) and ePlace (commercial) developments in downtown Toronto to Woodbourne Capital Management, its current partner on the residential portion of The Well and a number of other projects. Additionally, REI agreed to sell Woodbourne a 50% non-managing interest in Rhythm, REI's residential rental development in Ottawa at its Westgate Shopping Centre site. The disposition at Rhythm was sold for a gross value of $5.4 million, equating to $51 per buildable square foot. Leverage as of Q3 stood at 9.1x Debt /last twelve months EBITDA (compared to 44.4% and 8.8x in Q2). Assuming 100% of the gross proceeds from the $276 million in dispositions REI has agreed to sell are used to pay down debt, it's estimated that REI's leverage would decline to 8.7x. REI maintained its guidance of $1.60 in FFO/unit for 2020. REI has done $1.21 in FFO/ unit YTD, implying it expects $0.39 in FFO/unit in Q4.

The Toronto Dominion Bank, Canada's largest lender by assets, is giving all full- and part-time employees $500 bonuses as a reward for their efforts during the pandemic. The award will go to about 90,000 non-executive employees around the world. U.S. and Canadian workers will receive that amount in their local currencies, and employees outside of those countries will get a roughly equivalent award. "TD colleagues have demonstrated unparalleled resilience and determination," Chief Executive Officer Bharat Masrani said Thursday in a memo to employees. "I am incredibly proud of your efforts to support our customers, communities and each other under the most trying circumstances." (Source: Bloomberg)

Walgreens Boots Alliance, Inc. (WBA) reported Q4 adjusted EPS of $1.02, above consensus of $0.96 and Q4 implied guidance of approximately $0.98 at the mid-point driven mostly by below the line items. WBA provided 2021 guidance of positive low-single digit growth from fiscal 2020 EPS of $4.74 (approximately $4.79-$4.89), which was slightly below consensus of $4.80. We believe guidance continues to embed a gradual recovery of the business throughout fiscal 2021 with growth in 2nd Half 2021 being materially better vs. 1st Half not only from COVID-19 impact subsiding year/year but also due to an improvement in reimbursement environment post-lapping of heightened pressure in 2020. However, the guidance does not assume "significant" or "extensive" government restrictions. While this applies to both the U.S. and International businesses, we are seeing early signs of government actions in Europe where COVID-19 cases have been materially increasing – with parts of U.K. imposing restriction with a full 17-day lockdown in Wales. The lockdowns thus far are likely not "extensive" enough for WBA to update guidance but wider and more restrictive measures throughout the U.K. would lead to slower than expected recovery on the international side putting guidance at risk in analysts' view.

LIFE SCIENCES

ITM Isotopen Technologien München AG – ITM Medical Isotopes GmbH and IsoGen have signed a formal supply arrangement to provide a reliable supply of Lutetium-177 to the world's health-care system using Bruce Power reactors as a key supply source. The arrangement was made possible through IsoGen's partnership with Bruce Power, Canada's only private-sector nuclear energy generator, in combination with ITM's know-how in the development of medical isotopes, and will ensure reliable, consistent supply of medical isotopes for use in targeted therapies for cancer patients around the world for the next 15 years. The agreement, which follows the signing of a Memorandum of Understanding (MOU) in November 2019, defines the use of the new Isotope Production System (IPS) to be deployed in conjunction with ongoing Life-Extension work at the Bruce Power site. The IPS, designed and manufactured in Ontario by IsoGen, offers functional flexibility and will support the future production of other isotopes in addition to Lutetium-177, providing the world's health-care system with a stable supply of isotopes for decades. Vic Fedeli, Minister of Economic Development, Job Creation and Trade, praised the partnership. "Ontario continues to position itself as a world leader in the production of life-saving medical isotopes," said Minister Fedeli. "The innovation of Ontario companies, and international partnerships are critical to ensuring Ontario's economic recovery from the COVID-19 outbreak. Today's announcement is further proof that Ontario is open for business, open for jobs and open for investment." Production of Lutetium-177 at Bruce Power is expected to start in 2022, following regulatory and other approvals. Lutetium-177 is produced by irradiating Ytterbium-176. The process involves placing Ytterbium-176 source

material in special sealed containers that are then conveyed into one of the Bruce Power reactors using the proprietary Isotope Production System (IPS). The Ytterbium-176 is then irradiated for about one week and the resulting intermediate Lutetium-177 is then sent to ITM for further processing into highly-pure pharmaceutical grade Lutetium-177 for subsequent distribution to health care facilities worldwide. Development of the IPS is currently in its final phase of engineering, testing, and design at the state-of-the-art Framatome engineering facility in Kincardine, ON. “This is a landmark day for IsoGen and we are thrilled to finalize our agreement with ITM,” said John D’Angelo, President of IsoGen. “Through the combination of IsoGen’s proprietary production technology, the reliability and capacity of the Bruce Power reactors, and ITM’s patented processing technology and industry-leading supply network, we have set the stage to create the largest, most secure supply of Lutetium-177 in the world. This will be a benefit to our pharma partners, and to cancer patients now and in the future, knowing they can rely on a stable supply of isotope for decades to come.” Processing and global distribution of pharmaceutical grade Lutetium-177 by ITM is enabled through the company’s global network of radiopharmaceutical production facilities. The partnership’s primary goal is to guarantee the supply of pharmaceutical-grade Lutetium-177 and meet the medical community’s growing demand for this important isotope. “We are very pleased to further strengthen our partnership with Bruce Power and IsoGen by signing this exclusive agreement which ensures us a consistent and reliable irradiation service for critically needed radioisotopes for the next 15 years,” said Steffen Schuster, CEO of ITM. “This partnership will further increase the scalability of our production and thus ensure a steady supply of no-carrier-added Lutetium-177 on a global scale, further increasing the availability of this promising treatment option to cancer patients worldwide.”

Novartis AG - For Q3 2020, Novartis reports Group sales of CHF 12.259 billion, which falls 1.9% short of consensus estimates. However, Group core operating profit of CHF 4.069 billion beat consensus by 3.9%. Consequently, the reported Group core EPS of CHF 1.52 is ahead of consensus CHF 1.46. While the miss on the top-line stems from both business units, with volume (+7%) offset by price (-4%) and generic erosion (-3%), the profitability beat derives solely from Innovative medicines. Entresto and Zolgensma beat estimates. Zolgensma reported strong sales in the rest of the world, whereas Germany accounts for more than 50% thereof. Cosentyx posted first time more than US$1 billion per quarter, but still missed estimates as new patients starts still lag due to the pandemic. Dermatology, ophthalmology, and Sandoz retail negatively impacted by COVID-19 and Gilenya missed expectations due to the pandemic impact, competitive pressure and inventory decrease. By division: Pharma net sales $9.84 billion (+1% cc) vs. consensus $10.00 billion; operating margin 35.8% vs. analysts’ 34.8% and consensus 34.9% driven by COVID19-related spending impacts (“new ways of working”). Sandoz net sales $2.42 billion (-3% cc) vs. consensus $2.52 billion; operating margin 27.2% vs. consensus 23.5% on improved gross margin (+2.6% cc) and COVID-19 spending impact. Fiscal 2020 Group profitability guidance changed to “low double-digit to mid-teens” from “low double digit” and sales growth guidance for Sandoz changed to “broadly in-line” from “low single-digit growth. The management remains confident in their high 30s longer-term pharma margins and mid to high 20s for Sandoz with some of the COVID-19 savings sticking. The CEO pointed to an Adcomm for Entresto (for use in heart failure with preserved ejection fraction (HFpEF) treatment, an exercise program and aggressive control of blood pressure and heart rate) in December and innovative pricing to avoid typical barriers to uptake for cholesterol drug Leqvio, with an early 2021 launch well ahead of confirmatory trials to show mortality gains.

Roche Holding AG - Regeneron announced positive results from a phase 2 study of REGN-COV2 in non-hospitalized mild-to-moderate COVID-19 patients. REGN-COV-2 reduced the viral load and decreased the need for COVID-19 related medical visits by 57% in the overall study population and by 72% in patients with one or more COVID-19 risk factors. REGN-COV2 has already been filed with the Food and Drug Administration for Emergency Use Authorization (EUA) and analysts expect it to be granted shortly. The Phase 3 portion of this trial continues in non-hospitalized patients. REGN-COV2 is a combination of two monoclonal antibodies and was designed specifically to block the infectivity of SARS-CoV-2, the virus that causes COVID-19. In August, Roche and Regeneron announced that the two companies will collaborate on developing and manufacturing REGN-COV2. Regeneron will distribute REGN-COV2 in the U.S. and Roche will be responsible for distribution outside the US (equaling a 50:50 profit split). Under this collaboration, the overall capacity of REGN-COV2 is expected to increase by 3.5x. In analysts’ view, this is the most promising data set of any SARS-CoV-2 treatment seen thus far and is good news in the global fight of the pandemic.

Telix Pharmaceuticals Limited has secured an exclusive Intellectual Property license agreement with the German Cancer Research Center (DKFZ) for a novel imaging technology in the field of image-guided surgery for prostate cancer. The license agreement is the result of Telix exercising its option under a research collaboration agreement entered into with the DKFZ in August 2019. This innovative technology involves the use of a ‘dual-labelled’ prostate-specific membrane antigen (PSMA)-targeting molecule that comprises both a radioactive isotope (68Ga) and a fluorescent dye. The resulting imaging agent is able to simultaneously provide both pre-operative imaging of prostate cancer patients with Positron Emission Tomography (PET), as well as highly accurate intra-operative visual (fluorescent) localization of prostate cancer tissue in real-time by the surgeon. Telix Pharmaceuticals CEO, Dr. Chris Behrenbruch stated “Robotic surgery delivers over seven million procedures a year globally and already makes extensive use of intra-operative fluorescent imaging. Bringing molecular imaging into the operating theatre is a natural evolution of Telix’s existing commitment to prostate cancer imaging. Our colleagues at the DKFZ have been acknowledged as world leaders in the field of prostate cancer imaging and we are delighted to be further expanding our prostate cancer imaging capability with this excellent technology.”

Telix Pharmaceuticals Japan K.K., a wholly-owned subsidiary of Telix Pharmaceuticals Limited, announced the completion of Phase I enrolment of the company’s Phase I/II ZIRDAC-JP study of Telix’s renal cancer diagnostic imaging product TLX250-CDx (89Zr-girentuximab) in Japan. The ZIRDAC-JP study (Zirconium Dosing and Comparison in Japan) is a Japanese multi-centre Phase I/II study that will recruit approximately 40 patients in total. The objective of the Phase I component of the ZIRDAC-JP study is to comparatively evaluate the safety, tolerability, radiation dosimetry and pharmacokinetics / pharmacodynamics of TLX250-CDx in Japanese patients. The patient population for the ZIRDAC-JP trial has been selected to be identical to Telix’s global Phase III ZIRCON trial, which is presently recruiting patients at 33 sites internationally and is expected to complete recruitment in Q1 2021. The ZIRDAC-JP study has been designed in consultation with the Japanese Pharmaceuticals and Medical Devises

Agency (PMDA) to collect the necessary data to potentially bridge to the ZIRCON study, by confirming that dosing and pharmacology of TLX250-CDx in Japanese patients is equivalent to non-Japanese patients. Following data review and consultation with the PMDA, Telix expects to commence the Phase II component of the ZIRDAC-JP study in early 2021.

ENERGY SECTOR

Cenovus Energy Inc.'s acquisition of Husky Energy Inc. creates a new Canadian-owned major oil producer and lends the long-struggling oil patch greater stability during its biggest crisis in decades. The CA$3.8 billion combination is the largest Canadian oil and gas deal in nearly four years based on enterprise value. Cenovus, the third-biggest Canadian producer by output, narrowed the gap with top producers Canadian Natural Resources Limited and Suncor Energy, Inc. by acquiring Husky. Cenovus Chief Executive Alex Pourbaix told investors the deal lowers the company's operating costs and adds pipelines, storage and refineries, making it more resilient to low prices. Along with integrating the companies, Pourbaix said he will identify non-core assets to eventually shed. "We're like the dog that caught the car," he said. "We have a lot of hard work ahead of us."

ECONOMIC CONDITIONS

Canada's real GDP continued to recover in August, gaining 1.2% month/month, a result above the +0.9% print expected by consensus. This marks the fourth monthly gain in a row for this indicator, however, total output is still down 4.6% from its pre-pandemic (February) level.

U.S. Personal spending rose a stronger-than-expected 1.4% in September, actually accelerating after a 1.0% bounce in August. Real spending rose 1.2%, and is now down just 2.6% since February and only 2.0% from a year ago. Spending on goods continued to outpace services in September due to COVID anxieties, but the latter also rose. Clothing and autos led the strength in goods spending, while health care and recreational services were big drivers of services.

U.S. Personal income also rose more than expected, up 0.9% after a 2.5% decline in August. Strength in worker compensation more than offset a drop in Unemployment Insurance benefits following the earlier slicing in half of the $600 weekly federal supplemental payment (which expired July 31). However, the latter was partially offset by an increase in other social transfers, largely via an increase in Lost Wages Supplemental Payments, another emergency relief program for laid-off workers. The strong gain in income kept the savings rate high at 14.3%, though this is down from 14.8% in August and April's 33.6%. It is still almost double levels at the start of the year, providing ongoing support to consumption. Core Personal Consumption Expenditure prices rose an expected 0.2% and the yearly rate rose a tick, albeit to a lower-than-expected level of 1.5% due to a downwardly-revised August rate of 1.4%. The Fed is now farther away from achieving its goal of lifting inflation moderately above the 2% target for a period.

U.S. durable goods orders jumped 1.9%, nearly 4x expectations, in September, which is impressive considering aircraft orders were slashed by over 46%... as metals (primary and fabricated), communications equipment, and transportation equipment (primarily cars) drove the gain, but offset by machinery.

Conference Board, U.S. consumer confidence unexpectedly slipped 0.4 points to 100.9 in October, the lowest since August. Interestingly, despite being upbeat about the present situation (up for two straight months), what is around the corner is spooking people out. Expectations fell 4.5 points to a 2-month low of 98.4. Likely how the virus plays out will determine how confident consumers will be ahead of the holiday season.

French Finance Minister Bruno Le Maire indicated last week that France's second lockdown underway would target a -15% reduction in economic output versus -30% reduction during the country's first lockdown. Stimulus measures aimed at helping companies impacted by Work From Home measures is estimated to cost EUR 15 billion/month, including (i) 6 billion/month solidarity fund, (ii) 7 billion/month partial employment top-up benefits, and (iii) 1 billion/month cost for exempting companies from some social taxes. Le Maire also indicating notable differences this time will include (i) building sites and construction material stores to remain open, and (ii) direct lending to companies who cannot borrow from banks and repayment of government loans can be suspended without being considered an event of default (i.e. rolling loan).

FINANCIAL CONDITIONS

The Bank of Canada opted to keep its main policy rate at the lower effective bound of 0.25%—a decision fully expected by markets. Once again, the Bank committed to keep the policy rate at the effective lower bound "until economic slack is absorbed so that the 2% inflation target is sustainably achieved". The Bank noted it doesn't expect this to happen until "into 2023". The Bank's Quantitative Easing (QE) program (the Government of Canada Bond Purchase Program) will be recalibrated "gradually" from $5 billion in purchases per week to $4 billion per week going forward. Additionally, there will be an increased focus on longer-term bonds "which have more direct influence on the borrowing rates that are most important for households and businesses". The Governing Council judges that "with these combined adjustments, the QE program is providing at least as much monetary stimulus as before." The statement reiterated that the program will continue "until the recovery is well underway".

The European Central Bank (ECB) has kept rates unchanged … the refi rate (0.00%), marginal lending facility (0.25%) and the deposit facility -0.50%)... and they'll stay there (or lower) until it sees inflation "robustly converge" to something close to, but below, 2%; **Bond purchases will continue under the €1.35 trillion PEPP** (Pandemic Emergency Purchase Programme) until at least the end of June 2021 or until the ECB judges that the crisis is over... and the purchases will be flexible, across asset classes and jurisdictions; Net purchases will continue under the APP (Asset Purchase Programme), at a pace of €20 billion/month for as long as necessary, and with the additional **€120 billion temporary envelope**, until the end of the year. Interestingly, the phrase that the bank stands ready to adjust all instruments, if needed, was missing in action. Instead, the opening paragraph laid out the landscape for a possible change at the December 10 meeting.... incoming information (on the pandemic,

vaccines, the exchange rate) will be "carefully" assessed and, along with the ECB staff's economic projections at that time, "the Governing Council will recalibrate its instruments, as appropriate, to respond to the unfolding situation and to ensure that financing conditions remain favourable to support the economic recovery and counteract the negative impact of the pandemic on the projected inflation path." That is the key sentence… and **President Lagarde** re-read it during the press conference. She pointed out that the instruments referred to all of their instruments, not just the PEPP. And that the various teams and staff members were already hard at work, looking at each tool, how they each work and how they could work together (or alone) most effectively to help keep financing conditions favourable and on the path to their inflation goal. Her emphasis that the risks are "clearly, clearly" tilted to the downside was noteworthy. Using the word twice gave it extra attention…. like Fed Chair Powell's "we're not thinking about, thinking about, raising rates". And the "clear deterioration" in the near-term outlook, and that the services sector was "slowing visibly". Indeed, there were few positive comments made today, except that manufacturing was recovering, and that monetary and fiscal policy were working together, a "really welcomed change". And that the recovery is expected to gradually take hold in 2021. In summary, our interpretation is that more monetary accommodation is needed and the ECB will step up to the plate in December to deliver it.

The U.S. 2 year/10 year treasury spread is now 0.67% and the U.K.'s 2 year/10 year treasury spread is 0.29%. 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 2.81%. Existing U.S. housing inventory is at 2.7 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 37.38 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally

"Nothing is more obstinate than a fashionable consensus" Margaret Thatcher, British Prime Minister 1979-1990

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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 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.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. The indicated rates of return are the historical annual compounded total returns including changes in units [share] value and reinvestment of all distributions [dividends] and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. The rates of return are used only to illustrate the effects of the compound growth rate and are not intended to reflect future values of the mutual fund or returns on investment in the mutual fund. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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