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NEWS HIGHLIGHTS

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

JUNE 3, 2024

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OWNER OPERATED COMPANIES



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COMPANY NEWS

Reliance Industries Limited (Reliance) – Mukesh Ambani is set to enter Africa with a telecom venture, seeking to win mobile broadband customers in a high-growth market. Radisys Corporation (Radisys), a unit of Reliance, will provide key network infrastructure, applications and smartphones for Ghana-based Next-Gen InfraCo. (NGIC), according to its Executive Director Harkirit Singh. He described the plans ahead of NGIC's launch announcement on Monday in Mumbai, India's financial hub. NGIC, which is planning to begin operations by the end of this year, will provide 5G broadband services to mobile operators and internet service providers in Ghana. The company is based on a premise of building affordable digital services in emerging markets, according to Singh. Other strategic partners in NGIC include Nokia, Indian outsourcer Tech Mahindra and Microsoft, which has increasingly sharpened its focus on the telecom business following an acquisition of two cloud networking firms in 2020. Ghana, a West African country with a population of just over 33 million, has three main operators: MTN Ghana, Telecel Ghana and AT Ghana, which changed its name from AirtelTigo last year after Bharti Airtel and Millicom International Cellular sold their stakes. NGIC's strategic partners, its technological prowess and the company's possession of Ghana's only 5G license will help it build broadband services at scale, a huge expense for individual mobile carriers, Singh said. Two African telecom firms, Ascend Digital Solutions Limited and K-NET, hold a combined stake of 55% in the new company, said Singh. The Ghana government will own just under 10%

of NGIC, while local mobile operators and private investors will retain the remaining shares in the firm. Singh is also the chief executive of Ascend. NGIC has the exclusive right to offer 5G services in Ghana for a decade, though its license is valid for 15 years. The company's capital expenditure for three years is US\$145 million, according to Singh. The company is looking to emulate the success of Jio Infocomm Limited (Jio) in India. Jio launched telecom services in India in late 2016 with low-cost data and free voice calling, forcing some rivals to shut down and others to consolidate. It is widely credited for making mobile data affordable to hundreds of millions of Indians. Jio is currently India's biggest mobile operator with 470 million users. Ghana's government has set an ambitious target to digitally connect the entire country over the next six years. NGIC will provide affordable mobile broadband services and devices to the people of Ghana, replicating the success of India's low-cost mobile data revolution, Ghana's Minister for Communications and Digitalization Ursula Owusu-Ekuful said in a statement. The Reliance-NGIC partnership is also a diplomatic win for India, which has sought to counter China's surging influence in Africa via measures such as digital inclusion. None of the strategic partners, including Reliance, currently own any equity in NGIC. But the company will give them an option to accept part of their payments as equity in the future, Singh said.

Samsung Electronics Co., Ltd. (Samsung)- Samsung's labor union said it plans to carry out its first strike ever, adding to the challenges for South Korea's largest company as it seeks to recover from setbacks in its semiconductor business. The National Samsung Electronics Union, the largest of the tech giant's several unions with about 28,000 workers, announced the decision Wednesday after wage negotiations with management stalled. The two sides have been in discussions since the start of this year but have failed to resolve their differences. The union's decision comes as Samsung, led by Executive Chairman Jay Y. Lee, finds itself in the unusual position of playing catchup in a key sector of the chips industry. Local rival SK Hynix Inc (SK Hynix) has jumped out to an early lead in the memory chips that are used for the development

of artificial intelligence services, a booming sector of the business. “The company remains committed to engaging in good faith negotiations with the unions, and is making every sincere effort to an agreement,” Samsung said in a statement. It’s unclear how the union action will affect Samsung’s business. Some of the union workers plan to skip work on June 7. Union leaders say they have estimated the number of workers who will participate internally but declined to specify the figure. They have plans for a subsequent strike if management declines to engage in talks, but wouldn’t reveal the date. The first strike day is a Friday, between a Thursday holiday and the weekend, so the absences will let workers take an extended break. Union leaders don’t expect a significant impact to production lines for chips and other electronics since much of the operation is automated and Samsung has an extensive workforce. The union wants top management, including Lee, to take their views more seriously. The heir of the company’s founding family pledged in 2020 to end its past practices of suppressing organized labor activities. Son Woo-mok, head of the union, said that one of the key issues in negotiations is bonus payments. In March, Samsung’s labor-management council decided to increase this year’s pay by 5.1%. South Korea has been working to contain inflation in recent months, like many other countries. Korea’s inflation slowed more than expected in April, with consumer prices rising 2.9%. Unionized workers have drawn a public backlash after holding a concert-like rally with performances by celebrities in Seoul last week. Samsung Electronics has not had a strike since its founding in 1969.

Samsung - The new head of Samsung’s semiconductor division urged employees to work their way past challenges in the business, making his first remarks to staff after the surprise departure of his predecessor last week. Jun Young Hyun, a memory chip veteran who is returning to the company after leading Samsung SDI Co., unexpectedly replaced Kyung Kye-hyun as the new leader of its most important business line on May 21. Jun, 63, expressed confidence the 74,000-plus staff can regain their success from the past with determination and hard work. Jun takes on his new role as Korea’s largest company is facing a series of challenges. The company has fallen behind rival SK Hynix in high-bandwidth memory (HBM) or HBM chips, which have seen explosive growth because they are used for training artificial intelligence models like ChatGPT. The firm is also facing the first-ever strike in its 55-year history.

Altice USA, Inc. (Altice) - Altice International has shelved plans to sell assets in the Dominican Republic as the company continues to explore ways to cut debt. Offers received for Altice Dominicana were too low and it doesn’t need to sell anything at a discounted value, group Treasurer Gerrit Jan Bakker said on a call discussing first quarter results on Tuesday. Altice International is one of three silos of billionaire Patrick Drahi’s telecommunications conglomerate, and it has assets in Portugal, Israel and the Dominican Republic. S&P Global Ratings downgraded the company’s credit rating this month one notch to B-, six steps into junk territory, following weaker-than-expected results last year, in part due to the Israel-Hamas war. The ratings firm said the depreciation of the Dominican peso and Israeli shekel also contributed to the downgrade, and gave Altice International a negative outlook. Altice International has put many assets up for sale to reduce debt. The company is in the process of selling Altice Portugal, as well as online video advertising company Teads. Its Israeli business, Hot, is not for sale, management said on the call. Proceeds from the sale of Portugal and Teads, if

completed, will be used to cut leverage, management said on the call. Bonds of Altice International due in August 2029 rose 3.8 cents on the euro to 76.5 cents on Tuesday after the company’s earnings call, the most in two months, according to data compiled by Bloomberg.

Brookfield Asset Management Ltd. (Brookfield) – said that together with Brookfield Renewable Partners and Singapore’s Temasek Holdings it has entered into exclusive talks to buy a majority stake in French renewable power producer Neoen, valuing it at around 6.1 billion euros (\$6.6 billion). The deal marks one of the biggest take private deals in Europe this year and comes amid strong investor interest in renewable energy assets. Asset manager Brookfield said it is in discussions to acquire a 53.32% stake for 39.85 euros per share from Neoen’s main shareholders, and then the remainder of the company at the same price. “Brookfield’s offer implies an equity value for 100% of the shares of 6.1 billion euros,” Neoen said in a statement. Brookfield and partners will buy a 42% stake in Neoen owned by French billionaire Jacques Veyrat’s Impala SAS and the balance from other shareholders of Neoen, an independent producer of renewable energy operating in 16 countries. Brookfield plans to make an all-cash tender offer for the rest of Neoen at the same price and take it private once the majority stake purchase was completed, according to the statement. Founded in 2008, Neoen is one of the world’s biggest pure players in renewable energy with 8 gigawatts of solar power, wind power and storage projects in operation or under construction across France, Australia, Ireland, Finland and Sweden. It reported revenue of 524.4 million euros in 2023 and an adjusted net income of 80.4 million euros. It is targeting 10GW(gigawatt) of capacity in operation or under construction by 2025.

Nomad Foods Limited (Nomad Foods) – announced the appointment of Ruben Baldew as Chief Financial Officer (CFO), effective June 17, 2024. Mr. Baldew will succeed Samy Zekhout, who is leaving his position to explore new opportunities outside of Nomad Foods. Mr. Baldew joins Nomad Foods with over 20 years of global consumer products experience, most recently as CFO of Accell Group from November 2018 until October 2023. During his tenure at Accell Group, he led multiple value creation initiatives prior to the successful sale of the business. Prior to Accell Group, Mr. Baldew spent over 15 years at Unilever PLC in various finance roles with broad, international experience in the Netherlands, Belgium, Switzerland and Thailand. Stefan Descheemaeker, Chief Executive Officer of Nomad Foods, said, “We are delighted to welcome Ruben to Nomad Foods. He is a dynamic leader with extensive experience in both financial leadership as well as other senior executive positions which will bolster our strong foundations and strategic plans. On behalf of everyone at Nomad Foods, I would like to thank Samy for his significant contributions to the company and wish him success in his future endeavors. I am particularly grateful for his leadership and support over the six years that we have worked together. Samy leaves a strong finance organization that has been instrumental to our success, as evidenced by our consistent organic revenue, earnings before interest, taxes, depreciation, and amortization (EBITDA) and earnings per share (EPS) growth, during his time with us. He has been a critical player to drive our strategic agenda, leading key initiatives such as Revenue Growth Management and Business Transformation which will benefit us for many years to come”.



DIVIDEND PAYERS



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Bank of Montreal: reported second quarter 2024 (Q2/24) adjusted EPS of CAD\$2.59 versus (vs). consensus \$2.76. The miss was primarily the result of provision for credit losses (PCLs) (-18 cents), taxes (-3c), offset by Pre-Tax, Pre-Provision Earnings (PTPP) (+11c). Consolidated PTPP of \$3.4 billion vs consensus of \$3.4 billion. Segments: Canadian Property and casualty (P&C) adjusted PTPP growth was 17% year over year (Y/Y). Net interest Margin (NIM) was +3 basis points (bps) quarter over quarter (Q/Q). Segment loan growth was 5% Y/Y (+1% Q/Q), led by cards +20% Y/Y (+2% Q/Q). Mortgage growth was 6% Y/Y (+1% Q/Q), and commercial loans were +3% Y/Y (+1% Q/Q). PCLs of \$398 million vs \$295 million last quarter. U.S. P&C reports adj. PTPP (USD basis) decline of 8% Y/Y. NIM was down 10 bps Q/Q. Average loans were down 2% Q/Q (~flat ex-RV sale) with avg. deposits +1% Q/Q. PCLs stood at \$206 million (\$211 million impaired) vs \$217 million (\$137 million impaired) last quarter. Capital Markets adjusted net income +23% Y/Y (PTPP +21% Y/Y). Trading revenues were \$615 million. Advisory revenues were \$371 million. Wealth adjusted net income +33% Y/Y. This figure included a +19% increase Y/Y in Traditional Wealth earnings, and Insurance earnings increased by >100% Y/Y. Core Equity Tier 1 capital ratio of 13.1%, up around 30 bps from last quarter and above our forecast of 12.8%. The increase was driven by internal capital generation (+15 bps), dividend reinvestment plan (DRIP) (+11 bps), Risk Weighted Assets (+5 bps) and other items (+1 bps). Bank of Montreal announced a dividend increase of 3%. Provisions for Credit Losses of \$705 million vs. forecast of a PCL of \$540 million and consensus forecast of a PCL of \$572 million. The 41 bps impaired loss rate this quarter results in a 35 bps YTD figure.

The Bank of Nova Scotia: reported Q2/24 adjusted (adj). EPS of CAD\$1.58 vs. consensus of \$1.56. The miss was primarily related to higher than forecast Provisions for Credit Losses, offset by higher revenues. Consolidated PTPP of Cad\$3.7 billion (bln) (+9% Y/Y) vs. consensus estimate of \$3.6 bln. Segment Highlights : Canadian P&C adjusted PTPP growth of 9% Y/Y. NIM flat Q/Q. PCL ratio of 40 bps was +6 bps Q/Q. Average loan growth was down 1% Y/Y (flat Q/Q), with an increase in commercial loans (+8% Y/Y, +1% Q/Q) offset by a decline in mortgage loans (down 5% Y/Y, flat Q/Q). Cards balances were +18% Y/Y (+1% Q/Q). International Banking adjusted PTPP +10% Y/Y (constant foreign exchange (FX)). PCL ratio of 138 bps was up 3 bps Q/Q. NIM was up 11 bps Q/Q to 4.47%. Loans were down 2% Y/Y (down 1% Q/Q) driven by a decrease in commercial loans of 7% Y/Y (down 2% Q/Q), offset by mortgage growth of +2% Y/Y (down 1% Q/Q). Card balances flat Y/Y and down 1% Q/Q. Capital Markets PTPP down 10% Y/Y. Trading revenues of \$456 million (mln). Advisory revenues of \$196 mln. Global Wealth earnings growth of 8% Y/Y (PTPP up 8% Y/Y). Assets under management (AUM) was up 6% Y/Y and Assets under administration (AUA) was up 7% Y/Y, primarily driven by market appreciation. Core Equity Tier1 capital ratio of 13.2% was up 30 bps Q/Q, and was driven by organic capital generation (14 bps), lower Risk Weighted Assets (15 bps), share issuances through DRIP (10 bps), fair value through other comprehensive income (FVOCI) securities (-5 bps) and other items (-1 bp). Total Provisions for Credit Losses (PCLs) of \$1,007 mln vs. \$958 mln forecast and consensus of \$1,022 mln.

Canadian Imperial Bank of Commerce (CIBC): reported Q2/24 core cash EPS of CAD\$1.75 vs. consensus \$1.65. The beat was due to lower PCLs (+5c) and lower taxes (+2c) offsetting lower PTPP (-4c). Consolidated PTPP of \$2.7 bln vs estimate (est). of \$2.7 bln. All-bank Net Interest Margin (excl. trading) was flat Q/Q. Canadian P&C PTPP +8% Y/Y. NIM was down 5bps Q/Q. Loans were +2% Y/Y (flat Q/Q) with commercial growth of +2% Y/Y (+1% Q/Q). Credit card balances were +15% Y/Y (flat Q/Q). PCLs at \$311 mln vs \$357 mln in the prior quarter. U.S. Commercial Banking and Wealth Management's adj. PTPP was down 6% Y/Y (USD basis). NIM was down 6bps Q/Q. Loans were down 1% Y/Y (+1% Q/Q) and deposits up 5% Y/Y (+1% Q/Q). PCLs were at \$136 mln vs \$182 mln last quarter. Capital Markets earnings were up 2% Y/Y (PTPP up 2% Y/Y). Trading revenues (teb) of \$575 mln. Advisory revenues of \$191 mln. Core Equity Tier 1 capital ratio of 13.1% was up around 10bps from last quarter. The components of Core Equity Tier 1 (CET1) movement were internal capital generation (+26bps), share issuances (+12bps) and offset by Risk Weighted Asset growth (-30bps). Provisions for Credit Losses of \$514 mln vs. consensus forecast of \$565 mln.

Royal Bank of Canada (RBC): reported Q2/24 adjusted EPS of CAD\$2.92 vs. consensus estimate of \$2.76. RBC's adjusted figure includes \$0.10 of Day 1 provisions tied to the HSBC Bank Canada (HSBC) acquisition, resulting in a "clean" figure of \$3.02. From this basis, the beat was driven by lower PCLs (+5c) and PTPP (+4c). Consolidated PTPP of \$6.2 bln estimate of \$6.1 bln. All-bank Net Interest Margin excl. trading was +3bps Q/Q, with HSBC Canada accounting for +1bps of the movement. Canadian P&C reports +17 PTPP growth (with HSBC CA). Excluding HSBC CA, PTPP was up 13% Y/Y. Capital Markets earnings were up 31% Y/Y (PTPP up 24% Y/Y). Total trading revenues of \$1,036 mln vs our \$1,000 mln estimate. Advisory revenues of \$734 mln vs. our \$650 mln forecast. Adj. Wealth Management earnings were up 8% Y/Y (excluding Federal Deposit Insurance Corporation (FDIC) fee). City National Bank (CNB) loan growth was down 3% Y/Y (-2% Q/Q) and NIM increased 4bps Q/Q. Core Equity Tier 1 capital ratio of 12.8%. Down ~200bps sequentially and just above our 12.7% forecast. The decrease in CET 1 ratio was the result of the HBCA transaction (-240bps) and increases in RWAs (-29bps), which were offset by net internal capital generation (+38bps), DRIP (+13bps) and other items (+3bps). Provisions for Credit Losses (PCLs) of \$920 mln. Excluding HSBC Bank Canada Day 1 provision, the PCL of \$720 mln was well below consensus of \$936 mln. Excluding HSBC Canada, the total PCL ratio of 32bps includes 30bps on impaired loans and 2bps on performing loans. Management's guidance is for an impaired loss rate of 30-35bps.



LIFE SCIENCES



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PORTLAND LIFE
SCIENCES
ALTERNATIVE FUND¹

Amgen Inc. (Amgen) – has received U.S. Food and Drug Administration (FDA) approval for the company's Bkernv as the first interchangeable biosimilar to AstraZeneca plc's Soliris (eculizumab). Bkernv is indicated for treating paroxysmal nocturnal hemoglobinuria (a type of rare blood disorder) and atypical hemolytic uremic syndrome (a type of rare genetic

disorder) and includes a warning for serious meningococcal infections. The interchangeability designation permits pharmacy-level substitution for Soliris, subject to state regulations. Bkernv is available through a restricted Risk Evaluation and Mitigation Strategies program due to its infection risk.

Arvinas Inc. (Arvinas) – completed the previously announced transaction with Novartis AG (Novartis) following (Hart–Scott–Rodino) HSR clearance. This clearance, along with other conditions being met, triggers a one-time upfront payment of US\$150 million from Novartis to Arvinas. The transaction includes a license agreement and an asset purchase agreement. Arvinas is also eligible for up to \$1.01 billion in contingent payments based on achieving specific development, regulatory, and commercial milestones for ARV-766 (an investigational drug for certain types of prostate cancer), alongside tiered royalties from global net sales of ARV-766, with potential reductions under certain conditions.

Bridgebio Pharma, Inc. (Bridgebio) – released additional analyses of its Phase 3 study of acoramidis in Transthyretin amyloid cardiomyopathy (ATTR-CM) spotlighting the link between serum transthyretin (TTR) levels and the drug’s long-term efficacy in endpoints like survival and hospitalization. The analyses presented at the International Symposium on Amyloidosis, there is a “statistically significant correlation” between increasing serum TTR levels and a decreased risk of death, cardiovascular death, and cardiovascular-related hospitalization through 30 months of treatment. For each increase in 1 milligram (mg) of serum TTR levels on day 28 of treatment, the risk of cardio death was reduced by 5.5% through month 30, which the company added is the first prospective demonstration of the correlation between serum TTR levels and the decrease in risk of cardiovascular death in the disease. Acoramidis is currently under review by the FDA. Vyndamax was first approved in ATTR-CM in 2019.

Clarity Pharmaceuticals Ltd (Clarity) – has secured a supply agreement with SpectronRx to ensure a steady supply of the copper-64 (Cu-64) isotope for its diagnostic products, which are advancing through clinical trials, including a pivotal Phase III trial. Enabled by Clarity’s Screening Activity Report (SAR) Technology, Cu-64 allows centralized, high-volume manufacture and broad distribution to any (positron emission tomography) PET imaging location. According to the company, copper-64’s half-life of 12.7 hours provides a good imaging window, reducing scheduling strain on imaging centers and enhancing performance. SpectronRx will support Clarity’s commercial launch of Targeted Copper Theranostic products, complementing Clarity’s existing Cu-64 supply network in the US and Australia.

Fate Therapeutics Inc. - announced the resignation of the company’s CFO. Edward J. Dulac III announced his resignation as Chief Financial Officer of Fate Therapeutics, Inc., effective June 14, 2024, to pursue another opportunity. The company’s board of directors plans to appoint J. Scott Wolchko, the current President and Chief Executive Officer (CEO), to succeed Mr. Dulac as CFO and serve as the principal financial and accounting officer immediately following the resignation. Mr. Wolchko previously held the CFO position until August 2020.

Telix Pharmaceuticals Limited (Telix) – announced positive radiographic progression-free survival (rPFS) data from Prostate SELECT trial of TLX591 rADC therapy candidate in prostate cancer. Telix has announced additional positive results from the Prostate SELECT trial of TLX591, an investigational anti-PSMA radio-antibody-drug conjugate (rADC) therapy for treating a type of prostate cancer known as metastatic

castrate-resistant prostate cancer (mCRPC). The trial reported a median (rPFS) of 8.8 months, suggesting promising efficacy for TLX591. This builds on previous data demonstrating a favorable safety profile and biodistribution.

Telix – announced that it has completed the submission of a Biologics License Application (BLA) to the United States FDA for its investigational radiodiagnostic PET agent, TLX250-CDx (Zircaix, 89Zr-DF0-girentuximab), for the characterization of renal masses as clear cell renal cell carcinoma (ccRCC). The rolling BLA submission, initiated in December 2023 with timelines pre-agreed with the FDA, was based on Telix’s successful global Phase III ZIRCON study in ccRCC. The clear cell variant of renal cancer is the most common and aggressive sub-type of kidney cancer. The ZIRCON study met all co-primary and secondary endpoints, demonstrating a sensitivity of 86%, specificity of 87% and a positive predictive value (PPV) of 93% for ccRCC, including in small, difficult to detect lesions. As part of the BLA submission process, Telix has requested a Priority Review under the eligibility criteria of the Breakthrough Therapy designation. If granted, this would potentially support an expedited review time. If Zircaix is approved, TLX250-CDx will be the first targeted radiopharmaceutical imaging agent specifically for kidney cancer to be commercially available in the U.S. and further builds on Telix’s successful urology imaging franchise.



Cameco Corporation (Cameco) – Westinghouse Electric Company (Westinghouse) delivered the first reload of water energy reactor (VVER)-1000 fuel assemblies to Kozloduy Nuclear Power Plant (KNPP) in April, marking a key fuel diversification milestone in Bulgaria. The loading of the new fuel into KNPP Unit 5 was celebrated at an event attended by Prime Minister of the Republic of Bulgaria Dimitar Glavchev, Minister of Energy Vladimir Malinov and the U.S. Ambassador to Bulgaria Kenneth Merten. Westinghouse and KNPP signed a 10-year supply contract in December 2022. KNPP Unit 5 is using the Robust Westinghouse Fuel Assembly (RWFA) VVER-1000 fuel design, which has a decade of excellent, safe operational performance in several Ukrainian nuclear plants. The first delivery follows a thorough and extensive fuel licensing process, a joint effort between KNPP and Westinghouse, supported by the Bulgarian engineering company ENPRO Consulting Ltd., which conducted safety analysis and fuel licensing activities. “Kozloduy celebrates its 50th anniversary this year and we are pleased to contribute to our customer’s fuel supply diversification with this first reload,” said Tarik Choho, Westinghouse President of Nuclear Fuel. “We are looking forward to building on this long-term partnership as we also make significant progress with Kozloduy NPP on the opportunity to build two Westinghouse AP1000® units at this site.” KNPP is the only nuclear power plant in Bulgaria. Units 5 and 6 have a total installed capacity of 2GW and supply approximately one-third of the country’s electricity. These units have been upgraded and modernized to extend their operational lives by 30 years each.

Plug Power Inc. (Plug Power) – Plug Power, Airbus SE, Hartsfield-Jackson Atlanta International Airport and Delta Air Lines have announced a collaboration on a feasibility study for a hydrogen-based hub at one of the world’s busiest airports – Atlanta International Airport (ATL). Launched earlier this year, the study aims to define the necessary infrastructure, operational feasibility, and safety requirements for using hydrogen as a fuel source for future aircraft operations at ATL. The



potential use of hydrogen in future aircrafts could decrease overall carbon dioxide (CO₂) emissions and lead to the decarbonization of air transport activities, supporting a more sustainable future for the aviation industry.



ECONOMIC CONDITIONS

Statistics Canada Gross Domestic Product (GDP) estimate for first quarter (Q1) 2024. The economy expanded at an annualized rate of 1.7%, lower than consensus estimate calling for a 2.2% increase. The previous quarter's result, meanwhile, was revised down from 1.0% to 0.1%. Domestic demand was up in Q1 (+2.9%), as household consumption (+3.0%), non-residential structures (+1.9%), investment in machinery & equipment (+6.4%), residential investments (+1.7%), government consumption (2.1%) and government investments (+2.1%) posted increases. Trade had a slight positive impact on GDP, as exports (+1.9%) registered a larger increase than imports (+1.5%). Inventory investment was lower compared to fourth quarter (Q4) resulting in a negative contribution of 1.5% to GDP. Nominal GDP grew 0.3% on an annualized basis following a 6.1% increase in the fourth quarter of 2023. Also in nominal terms, disposable income jumped an annualized 7.4% following a 5.6% increase in Q4. Consumption, meanwhile, rose 5.0% annualized. As a result, the savings rate rose from 6.2% to 6.9%, remaining above its pre-pandemic level (2.8%). Industry data showed that output was flat in March, in line with consensus expectations. Both goods and services were flat in the month. Statistics Canada also released an advance estimate for April showing an increase of 0.3%.

US Core Personal Consumption Expenditures PCE inflation, the Federal Reserve's (the Fed) preferred measure of consumer inflation, moderated in April in-line with our forecast to 0.249% from 0.3% in March. This was the slowest monthly pace of core inflation all year and will give the Federal Reserve a bit more confidence that the burst of inflation we saw earlier in the year is not the beginning of a new upward trend in our view. Even so, core inflation year-on-year remained at an elevated 2.8%, the same as in March, and is likely still not as tame as the Fed would like to trigger an imminent rate cut decision. The three-month annual rate is still running at an elevated 3.5%, up from 3.2% over the last six months. Overall PCE inflation was 0.3% in April, in-line with projections and March's increase, and the year-on-year rate held at 2.7%.

US Personal spending growth slowed a bit more than expected to just 0.2% in April from a downwardly revised 0.7% increase in March. In real, inflation adjusted terms, personal spending fell 0.1%. Real non-durables goods spending led the decline, falling 0.5%, as gasoline and other energy prices decreased, and some retailers have started to cut prices as demand falters. Real durable goods spending fell 0.1%, while real services spending managed a modest 0.1% increase on rising health care spending. Rapidly rising prices in recent months have depleted personal savings, and a slowing labor market may finally be taking a toll on some consumers' willingness and ability to spend. The personal saving rate remained at a modest 3.6% in April, well-below the 12-month average of 5.2%.

US Personal income increased a more tepid 0.3% in April, in-line with our projections, coming off a strong March gain of 0.5%. This was in-line with consensus forecasts. In inflation adjusted terms, the slowdown in income growth is even more dramatic. Real disposable personal income

growth, income excluding current taxes, slipped to 0.1% in April and has shown no growth over the last three months. This is a clear and sharp slowdown in real disposable income that is expected to weigh more heavily on consumer spending in the months ahead.

Overall, the April personal income and spending report shows a shift in consumers' willingness and ability to spend in the second quarter. Moreover, moderating demand appears to be starting to temper the surge in inflation we saw in the first three months of the year. Still, it will take more evidence of this inflation moderation in the months ahead to give the Fed the confidence to pull the trigger on its first rate cut this year, in our view.

Australia Retail sales rose 0.1% month over month (m/m), below consensus at 0.2% to be up 1.3% y/y. The small but slightly positive April print was not enough to offset the large decline in March with the ABS stating, "Looking across the past two months, we see weak underlying spending in most parts of the retail industry". The weakest segments in April were food, clothing and soft goods with New South Wales (NSW) and South Australia (SA) the only states showing positive retail sales growth in April. Also, The Australia and New Zealand Banking Group Limited (ANZ) consumer confidence posted its lowest print for 2024, a sign that cost-of-living pressures are impacting household spending. The Reserve Bank of Australia has emphasized household spending remains a key uncertainty for economic policy.

Australia headline Consumer Price Index (CPI) came in stronger-than-expected at 3.6% y/y (cons: 3.4%, March: 3.5%) and suggest that the disinflation progress in Australia may have stalled. Ex-volatile items & holiday travel, CPI inflation was 4.1% y/y, hovering at such elevated levels for 6 months. Housing, food, alcohol were the main drivers of headline CPI over April. Troublingly, non-tradables (e.g., domestic prices) inflation held steady at 5% y/y while tradables (e.g., foreign prices) inflation rebounded to 1.1% y/y. With domestic services prices looking stickier, the RBA could be forced to act and so we expect the tone may sound more hawkish at the June meeting.



FINANCIAL CONDITIONS

The U.S. 2 year/10-year treasury spread is now -0.41% and the U.K.'s 2 year/10 year treasury spread is -0.14%. 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 7.03%. Existing U.S. housing inventory is at 3.5 months supply of existing houses as of December 31, 2023 - well off its peak during the Great Recession of 11.1 months and we consider a more normal range of 4-7 months.

The VIX (volatility index) is 13.43 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: "Compound interest is the eighth wonder of the world. He who understands it, earns it; he who doesn't, pays it." ~Albert Einstein

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Glossary of Terms: 'CET' core equity tier, 'EBITDA' earnings before interest, taxes, depreciation and amortization, 'EPS' earnings per share, 'FCF' free cash flow, 'GDP' gross domestic product, 'ROE' return on equity, 'ROTE' return on common equity, 'ROTCE' return on tangible common equity, 'conjugate' a substance formed by the reversible combination of two or more others.

1. Not all of the funds shown are necessarily invested in the companies listed

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