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

JULY 2, 2024

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OWNER OPERATED COMPANIES



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ALTERNATIVE FUND



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COMPANY NEWS

Reliance Industries Limited (Reliance) – Reliance Jio, India's top wireless carrier, will raise prices on some of its mobile offerings, the company said in a statement on Thursday. Under the revised plans, new monthly charges have been raised by as much as 21% to between 189 rupees to 449 rupees (US\$2.26 to \$5.38). Annual tariffs as well as rates on postpaid plans have also been raised. The new plans will be effective from July 3, the company said. Jio's move signals an imminent industrywide increase as its two smaller rivals, Bharti Airtel Limited (Bharti Airtel Ltd) and Vodafone Group Plc (Vodafone) Idea, follow suit to help bolster revenue and recoup investments in 5G (generation) technology. The sector entered a bruising price war since Jio's entry in 2016 from which it is gradually recovering. JPMorgan Chase & Co. analysts said they expect tariff hikes of 25% spread over the next two quarters.

Reliance - India sold airwaves worth US\$1.3 billion in an auction, a fraction of what it earned in the past, as the country's three remaining private sector operators rein in capital spending in a whittled-down sector. The spectrum auction, concluded on Wednesday, received more than 113.4 billion rupees (US\$1.3 billion) in bids and sold 141 mega hertz of spectrum, the government said in a statement. Airwaves in eight bands were put on the block by the Narendra Modi administration. The country's second-largest operator, Bharti Airtel Ltd., emerged as the top bidder, buying 97 Megahertz (MHz) of airwaves for 68.57 billion rupees, the company said in an exchange filing. Sector leader Reliance Jio bought 14.4 MHz of spectrum for 9.74 billion rupees, while Vodafone

Idea acquired airwaves worth 35.1 billion rupees. The tepid airwaves auction this year is a far cry from the hectic bidding of previous auctions which bolstered the government exchequer. 2021's auction brought in \$11 billion, while the one in 2022 raked in a record \$19 billion, with Reliance Jio being the top buyer in both years. Gautam Adani's conglomerate, which was a surprise entrant in 2022 auctions, didn't participate this year. Demand was likely to be limited in the latest round of auctions as operators secure airwaves mostly to make up for spectrum licenses that are expiring soon.

Samsung Electronics Co., Ltd. (Samsung) - The largest union at Samsung said it will stage a three-day walkout beginning July 8, 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 some 28,400 workers, announced the decision Monday evening after the latest wage negotiations failed to yield any breakthroughs. The two sides had resumed talks on June 13 after some union workers took a single day off on June 7, the first strike in the company's 55-year history. Samsung had long avoided the kind of labor turmoil that plagued many of Korea's leading companies, including violent episodes at its automakers. The current disputes haven't disrupted operations, but signal a new uncertain time for its workplace culture. The union's latest decision came after management didn't accept the union's demand for additional paid leave and a higher wage hike for 855 workers who didn't agree to a 3% annual basic pay increase, Lee Hyun-kuk, deputy secretary general of the union told Bloomberg News. The union leaders met with Jun Young Hyun, new head of Samsung's semiconductor division, for the first time Monday afternoon. It's unclear how many workers would participate in the three-day walkout, but the union will encourage its members to join the effort, Lee said. The company has historically set pay increases through a council consisting of representatives from both sides, and, in March that labor-management council agreed to increase this year's pay by 5.1%, representing a 3% basic pay increase and 2.1% performance raise. But that agreement

was later called off because of differences over paid leave and bonus payments.

Berkshire Hathaway Inc. (Berkshire) – Warren Buffett has donated \$5.3 billion in Berkshire Hathaway stock to the Bill & Melinda Gates Foundation and four family charities, marking his largest annual donation since 2006. This increases his total charitable contributions to around \$57 billion. The recent donation includes approximately 13 million Berkshire Class B shares, with 9.93 million shares going to the Gates Foundation, totaling over \$43 billion given to it. Additionally, 993,035 shares were donated to the Susan Thompson Buffett Foundation, and 695,122 shares each to three charities led by his children: the Howard G. Buffett Foundation, the Sherwood Foundation, and the NoVo Foundation. Buffett, 93, intends to donate over 99% of his wealth, which he amassed through Berkshire Hathaway, a \$880 billion conglomerate. Despite giving away more than half of his stock since 2006, he still owns 14.5% of Berkshire's shares. His net worth stands at \$128.4 billion, making him the world's 10th-richest person. Buffett, along with Bill and Melinda Gates, initiated the Giving Pledge, encouraging the wealthy to donate at least half of their wealth to philanthropy. The family foundations focus on areas such as reproductive health, hunger alleviation, conflict mitigation, public safety, and supporting nonprofits in Nebraska.

Brookfield Corporation (Brookfield) (Asset Management) – has agreed to acquire a majority stake in French renewable power producer Neoen SA (Neoen) in a deal valued at €6.09 billion (US~\$6.5 billion). Brookfield and its partners will buy 53.12% of Neoen's stock at €39.85 per share, a 7.5% premium over its June 24th's closing price and a 27% premium over its pre-talks price. This acquisition, involving Brookfield Renewable and Temasek, will be conducted through a special-purpose vehicle controlled by Brookfield. Neoen owns over 8.3 gigawatt (GW) of solar, wind, and energy storage facilities across France, Finland, Mexico, and Australia. Regulatory approvals for the initial acquisition are expected by fourth quarter (Q4), with a tender offer for the remaining shares planned for first quarter (Q1) 2025.

Carnival Corporation & plc (Carnival) – reported financial results for second quarter (Q2) 2024, with a net income increase of nearly US\$500 million compared to 2023 and an adjusted net income surpassing March guidance by \$170 million. Operating income reached a record \$560 million, with revenues hitting \$5.8 billion. Full-year 2024 net yield guidance was raised to 10.25% due to strong demand, and adjusted net income guidance was increased by \$275 million. The cumulative booked position for 2024 and 2025 is at record levels, with customer deposits at an all-time high of \$8.3 billion. The company expects continued growth, with a focus on strategic portfolio optimization and debt management. Recent highlights include the installation of SpaceX's Starlink across its fleet, the release of its 14th annual sustainability report, and several prestigious awards.

LVMH Moët Hennessy Louis Vuitton (LVMH) – has acquired Swiza, the owner of L'Épée 1839, a prestigious Swiss manufacturer of high-end clocks and objets d'art. This move underscores LVMH's commitment to preserving and advancing historic craftsmanship. Based in Delémont, L'Épée 1839 has 185 years of exceptional watchmaking expertise, known for its technical feats and unique designs, including features like perpetual calendars and year-long power reserves. Founded in the 19th century by Auguste L'Épée, the company initially specialized in watch components and music boxes, evolving to produce exclusive timepieces like carriage clocks. Its creations have been favored by Heads of State and royalty. Recently, L'Épée 1839 has collaborated with luxury brands,

including Tiffany & Co. (Tiffany) and Louis Vuitton, creating notable pieces like a Formula 1 car-shaped clock and a hot-air balloon design. The acquisition aligns with LVMH's strategy to harness and develop unique horological skills within its group. L'Épée 1839's team, led by Chief Executive Officer (CEO) and Creative Director Arnaud Nicolas, will continue to innovate and collaborate with LVMH Maisons, furthering the brand's legacy and creative potential.



DIVIDEND PAYERS



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LIFE SCIENCES



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SCIENCES
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Iovance Biotherapeutics, Inc. – has submitted a Marketing Authorization Application (MAA) to the European Medicines Agency (EMA) for lifileucel, a tumor infiltrating lymphocyte (TIL) cell therapy, aimed at treating adults with advanced melanoma who have previously received specific types of prior treatment. This submission marks the first of several planned global filings for lifileucel in 2024 and 2025, targeting over 20,000 patients annually.

Lantheus Holdings Inc. (Lantheus) – has acquired the global rights to Life Molecular Imaging's radio diagnostic products (RM2), targeting the gastrin-releasing peptide receptor (GRPR) for prostate and breast cancers, which includes the clinical-stage radiotherapeutic and radiodiagnostic pair 177Lu-DOTA-RM2 and 68Ga-DOTA-RM2. The acquisition, costing US\$35 million upfront with additional regulatory milestone payments and royalties, strengthens Lantheus' prostate cancer portfolio and expands its pipeline to include breast and other cancers.



NUCLEAR ENERGY

Centrus Energy Corp. (Centrus Energy) – The U.S. is bidding to eventually buy up to US\$2.7 billion worth of domestically-supplied enriched uranium to strengthen the nuclear reactor fuel supply chain and reduce dependence on Russian imports. This initiative follows legislation signed by President Joe Biden in May, which banned imports of enriched uranium from Russia due to its invasion of Ukraine. Russia had supplied about 24% of the fuel used by U.S. reactors. The Department of Energy will award two or more contracts, each lasting up to 10 years, to new or expanding enrichment facilities. Companies like Centrus Energy and Urenco Group (Urenco) could benefit from this move. Proposals are due by August 26. Energy Secretary Jennifer

Granholtz emphasized that increasing domestic uranium enrichment capacity is vital for national security and the nuclear industry. Centrus Energy expressed readiness to submit a proposal, highlighting the importance of this step in restoring the U.S. nuclear fuel supply chain. Urenco has not yet commented.

Constellation Energy Corporation (Constellation) – permanently shut down the natural gas-fired Mystic Generating Station in Charlestown, Massachusetts, on May 31, as reported by the Energy Information Administration (EIA). The plant's future had been uncertain since 2018 when its previous owner, Exelon Corporation, considered retiring it due to profitability issues. However, the grid operator ISO New England Inc. required it to remain operational until May 31, 2024, due to its importance in ensuring fuel security and system reliability during peak winter demand. The shutdown raised concerns about the future of the adjacent Everett LNG terminal, which supplied all of Mystic's natural gas. Nevertheless, Constellation has secured new long-term supply contracts with regional utilities, keeping the Everett terminal operational through the winter of 2029-2030. These contracts will help maintain a steady supply of natural gas for New England, especially during the winter months when natural gas prices often spike due to pipeline limitations.

ECONOMIC CONDITIONS

Canadian Inflation surprised sharply to the upside with headline printing 0.3pp above the market consensus at 2.9% year over year (y/y) as prices rose by 0.6% month over month (m/m) (market (mkt): 2.6%, 0.3%). Price pressures were more broadly based in May, translating to a 0.33% m/m increase for Consumer Price Index (CPI)-trim/median as the Bank of Canada (BoC)'s core measures firmed by 0.15 percentage point (pp) to 2.85% y/y on average. This report isn't what the BoC would have liked to see after delivering its first rate cut and although the BoC can still point to downward momentum from 3month core inflation rates this rise will make another interest rate cut hard to deliver in the near term in our view.

US Core Personal Consumption Expenditures (PCE) inflation, the Federal Reserve's preferred measure of consumer inflation, moderated in-line with forecast to 0.08% in May from an upwardly revised 0.3% increase in April. This was the lowest monthly pace since November 2020 and will give the Federal Reserve (Fed) some confidence that inflation is resuming its downward path after a brief spike earlier in the year. Year-on-year, core inflation fell an encouraging two tenths of a percentage point to 2.6% from 2.8% in April, also in-line with our forecast. The three-month annual rate is now running at a 2.7%, well-below the six-month annual rate of 3.2%. PCE inflation overall fell 0.01% in May, down from 0.3% in April, in-line with projections with the year-on-year inflation rate slipping to 2.6%.

Personal spending growth remained subdued, rising just 0.2% in May from a downwardly revised 0.1% increase in April. In inflation adjusted terms, however, personal spending increased a respectable 0.3% after dropping 0.1% in April. Real durable goods spending rebounded 1.1% after declining 0.7% in April, the largest contributor to the increase was recreational goods (computer and software and accessories) and vehicles, while real services spending managed a modest 0.1% increase on rising transportation services (led by air transportation) as more

Americans embarked on summer vacations. The personal saving rate improved to 3.9% in May from 3.7% in April.

Personal income growth accelerated to a robust 0.5% in May, somewhat above consensus expectations, and coming off of a solid April gain of 0.3%. In inflation adjusted terms, real disposable income growth (personal income excluding current taxes) jumped 0.5%, breaking a four-month string of disappointing results. Strong real disposable income growth should help sustain some real consumer spending gains in the months ahead, despite the growing headwinds of depleted pandemic savings and high credit card interest rates.

This personal income and spending report should keep the September rate Fed cut in play in the markets, while at the same time increasing investor confidence that moderate economic growth can be maintained even as rates stay higher for longer.

US Institute for Supply Management (ISM) Manufacturing Index slipped to 48.5 in June, missing the consensus call for a slight improvement to 49.1 from 48.7 in May. The battered U.S. manufacturing sector has now shrunk for the nineteenth time in the past twenty months amid high borrowing costs and tepid demand. Eight of the 10 sub-indexes fell with the key production gauge sliding 1.7 points to 48.5—the first contraction since February. The imports and new export orders indexes fell 2.6 and 1.8 points respectively, while the employment index slipped back into contraction territory, implying manufacturing jobs declined in June. On a more optimistic note, the prices paid index fell 4.9 points—the biggest drop since May 2023—and the new orders index rose 3.9 points to 49.3, indicating orders are nearly stabilizing. In brief, in our view the U.S. manufacturing sector is expected to remain weak until the Fed starts to reduce interest rates in September.

Euro Zone headline inflation edged down to 2.5% y/y (mkt: 2.5%), in line with the national data out prior. Core came in a bit stronger than expected though and remained at 2.9% y/y (mkt: 2.8%). While energy was a big negative driver on the headline rate, with petrol prices declining roughly 2% m/m, food, core, and services all put upside pressure on the print. Services was perhaps the most troubling part of the data, with prices increasing 0.6% m/m—one of the largest June increases on record, which follows the second largest May increase in the month prior. While this leaves Q2 inflation roughly in line with the ECB's forecasts, the surprising resilience in services momentum will not be welcomed by policymakers.

Australia inflation rose with headline printing 4.0% y/y (consensus (cons): 3.8%, Apr: 3.6%). Ex-volatile items & holiday travel, Consumer Price Index (CPI) also made little progress at 4.0% y/y, down slightly from 4.1% last month, but hovering at elevated levels for 6 straight months. Annual trimmed mean (i.e., core) inflation also came in at 4.4% y/y, the highest since November last year. Housing, food and transport continue to drive headline inflation higher over May, similar to April. Worryingly, tradeables (foreign prices) inflation accelerated to 1.6% y/y (April: 1.1%) and non-tradables (e.g., domestic prices) inflation edged higher to 5.2% y/y (April: 5%). With Reserve Bank of Australia speakers reinforcing the need for the Bank to stay vigilant to upside risks to inflation, an ugly Q2 CPI report on 31st July could be the pivotal data point that nudges the Board to consider rate hikes again to tame inflation in our view.



FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now -0.31% and the U.K.'s 2 year/10 year treasury spread is 0.06%. 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 6.86%. Existing U.S. housing inventory is at 3.7 months supply of existing houses as of May 31, 2024 - 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 12.61 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: *"Whenever you find yourself on the side of the majority, it is time to pause and reflect."* - Mark Twain

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

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