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# NEWS HIGHLIGHTS

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

SEPTEMBER 9, 2024

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## OWNER OPERATED COMPANIES



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COMPANY NEWS

**Reliance Industries Limited (Reliance)** – Reliance has won a bid to build a 10 gigawatt-hour battery unit, a move that will help the company deepen its footprint in the new energy space. Reliance outcompeted six firms to become the sole developer, taking advantage of an incentive program rewarding industrial output, according to a statement by the Ministry of Heavy Industries. As its grid expands and its transport system electrifies, India may see battery demand rise to as much as 260 gigawatt-hour by 2030, according to government projections. That will be needed to balance the intermittency of renewable sources such as wind and solar, which are set to help the country reach 500 gigawatt of non-fossil fuel capacity by the end of the decade. To support the transition, Prime Minister Narendra Modi's government in 2021 approved a 181 billion rupee (US\$2.2 billion) 'production-linked' incentive plan to boost the country's battery storage capacity to 50 gigawatt-hour. Three firms were allocated a total capacity of 30 gigawatt-hour in March 2022. Ambani announced a \$7.2 billion investment to enter the green energy segment in 2021, with plans to build four gigafactories making solar modules, hydrogen, fuel cells and a battery cluster. A year later he raised the planned spending to \$8.9 billion.

**Reliance Industries Limited (Reliance)** - Mukesh Ambani and Gautam Adani are wooing India's retail investors as this group entrenches itself into the country's financial markets. Adani Enterprises is for the first time marketing bonds to mom and pop investors, and on Wednesday said the quota set aside for this segment was fully subscribed on the first day of the sale. The following day, Reliance Industries' board approved

giving shareholders an extra share for every one they hold, a move that boosts liquidity and affordability for small investors as it increases the number of shares in the portfolio while slashing the stock price. Adani's debt sale taps into a new source of funding at a time when the group is moving past a short-seller attack last year and riding a surge in investor confidence. Reliance's bonus issue may be a sweetener for shareholders of the conglomerate who were awaiting clarity on the initial public offerings of its telecom and retail units but got no steer from Ambani, in his annual speech last week. Millions of Indians have flocked to the stock market in recent years, lured by a recent bull run and pivoting away from traditional bank deposits. "When Reliance grows, we reward our shareholders generously," Ambani said in the speech to Reliance shareholders on Aug. 29, minutes after the company announced plans for its first bonus issue since 2017. "When our shareholders are rewarded handsomely, Reliance grows faster and creates more value."

**Samsung Electronics Co., Ltd. (Samsung)** – South Korea seeks more flexibility and incentives from the US to encourage Seoul's compliance with additional curbs on advanced semiconductor exports to China that Washington is considering, according to its trade minister. "For countries or companies trying to comply with the US in good faith, there should be some kind of carrots," South Korean Trade Minister Cheong Inkyo said in his first interview with media since he took office in January. "That would help US policy be embraced more easily." South Korea is among a handful of semiconductor powerhouses that face a potential US ban on exports to China of state-of-the-art chips, including high-bandwidth memory, used to train artificial intelligence. It was reported last month the US is working on several restrictions aimed at limiting sales of AI chips and equipment. One possible stick the US could wield is the foreign direct product rule, which allows American officials to control the flow of foreign-made products that use even the smallest bit of US technology. The US is the dominant equipment and material player in half of 10 key chipmaking stages including etching, plasma deposition and sputtering, with Japan and the Netherlands controlling the rest including wafer cleaning and lithography. Samsung Electronics Co. has long relied on technology, materials and expertise provided by the US

and its allies. South Korea is currently unable to send China the types of chipmaking equipment that would enable next-generation technology, Cheong said. He anticipates overall semiconductor trade between the two countries to decline in the long run due to various limitations. Cheong declined to specify what US incentives would be welcome, or comment on whether Seoul and Washington are in talks over export controls on the latest technology. He said his country would respond to any additional restrictions by exploring ways to reduce business disruptions. South Korea has a history of winning concessions from the US over its technology operations involving China. Last year, Washington gave SK Hynix and Samsung indefinite waivers to ship equipment to their chip plants in China. Negotiations with the US have also allowed South Korean chipmakers to largely maintain their profitability despite cutting relations with entities of concern designated by Washington, Cheong said.

**Brookfield Asset Management Ltd. (Brookfield)** – is reportedly nearing the sale of Saeta Yields, a renewable energy company with assets in Spain and Portugal, to Masdar of the United Arab Emirates for over 1.5 billion euros (US\$1.66 billion). Saeta Yields owns 28 wind farms, 10 photovoltaic parks, and seven solar thermal plants. Brookfield, which acquired Saeta in 2018 for 1 billion euros and delisted it, has not commented on the deal, and Masdar and Saeta were also unavailable for comment. Masdar, a leading renewable energy company, recently purchased a 49.99% stake in 48 solar plants controlled by Endesa, a unit of Italy's Enel, for 817 million euros (\$887 million). Spain and Portugal's rich solar and wind resources have attracted both domestic and international firms, fuelling a surge in renewable energy investments amid the global shift towards sustainability.

**Brookfield Corporation** – Oaktree Capital Management has agreed to sell Banca Progetto, an Italian specialty finance bank, to funds managed by Centerbridge Partners, a private equity firm. Oaktree, which first invested in Banca Progetto (formerly Banca Popolare Lecchese) in 2015, has grown the bank's loan book from 50 million euros (US\$55 million) to 7.6 billion euros by the end of 2022. Banca Progetto has focused on lending to small- and mid-sized Italian businesses, with loans guaranteed by the state totalling 6.9 billion euros by the end of 2023. The sale comes after Oaktree explored various exit strategies, including a potential stock market listing, over the past three years. Banca Progetto reported a net profit of 72 million euros (\$79.6 million) last year, with a return on equity (ROE) of 28%, well above the Italian bank average of 12.3% in 2023. While financial terms were not disclosed, sources indicated the bank was valued at over 500 million euros, a premium to its book value of nearly 300 million euros.

**Berkshire Hathaway Inc. (Berkshire)** – has continued reducing its stake in Bank of America Corporation (Bank of America), with total sales amounting to nearly US\$7 billion since mid-July. The conglomerate disclosed it sold 18.7 million shares of Bank of America between September 3 and September 5, generating approximately \$760 million. Despite these sales, Berkshire remains the bank's largest shareholder, holding around an 11.1% stake. Due to regulatory requirements, Berkshire must continue reporting its sales until its stake drops below 10%. Buffett began investing in Bank of America in 2011, purchasing \$5 billion of preferred stock, reflecting his confidence in CEO Brian Moynihan's efforts to restore the bank's health after the 2008 financial crisis.

**LVMH Moët Hennessy Louis Vuitton SE (LVMH)** – Christian Dior Couture has appointed Benedetta Petruzzo, former CEO of Prada's Miu Miu label, as its new managing director, effective October 15. Petruzzo

will oversee product and supply chain teams at Dior and will report to Delphine Arnault, the eldest child of LVMH chief Bernard Arnault, who became Dior's CEO over a year and a half ago. This appointment follows Dior's efforts to address the fallout from an Italian investigation into working conditions at its subcontractors. Petruzzo, a former Bain consultant, previously held a key role at Kering before joining Prada in 2020. Petruzzo replaces Charles Delapalme, a prominent figure at LVMH, with new responsibilities for Delapalme to be announced. Her recruitment comes amid Dior's attempts to enhance its supply chain strategy and increase control over production following the probe. The investigation has also led to scrutiny over whether Dior and Armani misled consumers about their supply chain practices. All five of Bernard Arnault's children are in significant management roles within LVMH.



## DIVIDEND PAYERS



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**Verizon Communications, Inc. (Verizon)** (NYSE, NASDAQ: VZ) and Frontier Communications Parent, Inc. (Frontier) (NASDAQ: FYBR) announced they have entered into a definitive agreement for Verizon to acquire Frontier in an all-cash transaction valued at US\$20 billion. This strategic acquisition of the largest pure-play fiber internet provider in the U.S. will significantly expand Verizon's fiber footprint across the nation, accelerating the company's delivery of premium mobility and broadband services to current and new customers. It will also expand Verizon's intelligent edge network for digital innovations like AI and IoT. The combination will integrate Frontier's cutting-edge fiber network into Verizon's leading portfolio of fiber and wireless assets, including its best-in-class Fios offering. Over approximately four years, Frontier has invested \$4.1 billion upgrading and expanding its fiber network, and now derives more than 50% of its revenue from fiber products. Frontier's 2.2 million fiber subscribers across 25 states will join Verizon's approximately 7.4 million Fios connections in 9 states and Washington, D.C. In addition to Frontier's 7.2 million fiber locations, the company is committed to its plan to build out an additional 2.8 million fiber locations by the end of 2026. The transaction has been unanimously approved by the Verizon and Frontier Boards of Directors. The transaction is expected to close in approximately 18 months, subject to approval by Frontier shareholders, receipt of certain regulatory approvals and other customary closing conditions.

**AT&T Inc. (AT&T)**, the largest fiber provider in the U.S., is expanding where it can serve world-class fiber reaching more people and places across the country than anyone else. To bring fiber to more Americans, AT&T is pursuing a variety of economically-attractive models that complement its primary focus of growing its organic in-footprint fiber network. These other models include: its Gigapower joint venture with BlackRock, through a fund managed by its Diversified Infrastructure business, commercial open-access agreements, and public-private partnerships supported by federal infrastructure funding through programs like BEAD. The Company already serves more than 8.8 million AT&T Fiber customers and passes 28 million+ total consumer and business fiber locations. Customers continue to show they love AT&T Fiber. AT&T was voted the best fiber provider in the country according to the 2024 American Customer Satisfaction Index and AT&T Fiber is America's fastest Internet with the most reliable speeds according to Ookla. AT&T's continued fiber expansion grows its ability to serve

customers how they want to be served with 5G and fiber connectivity from one provider. Today, about four of every 10 AT&T Fiber households choose AT&T wireless service. AT&T's Mobility business also performs better where it offers fiber. AT&T's postpaid phone subscriber share is about 500 basis points higher where the Company offers AT&T Fiber versus its average subscriber share nationwide.



## LIFE SCIENCES



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SCIENCES  
ALTERNATIVE FUND<sup>1</sup>

**Amgen Inc. (Amgen)** – presented new data on its first-in-class therapy IMDELLTRA™ (tarlatamab-dlle), a delta-like ligand 3 (DLL3)-targeting Bispecific T-cell Engager (BiTE®) molecule, at the 2024 World Conference on Lung Cancer (WCLC). The data highlighted two key studies for extensive-stage small cell lung cancer (ES-SCLC). The Phase 1b DeLLphi-303 study demonstrated the potential of IMDELLTRA combined with PD-L1 inhibitors as a first-line maintenance therapy for a specific type of lung cancer, showing positive results in disease control and safety. Additionally, the Phase 2 DeLLphi-301 study presented long-term follow-up data, demonstrating sustained safety and efficacy in previously treated patients. Amgen emphasized that these results support the use of IMDELLTRA as a targeted immunotherapy for a specific type of lung cancer, particularly for patients who have progressed after platinum-based chemotherapy.

**Lantheus Holdings, Inc. (Lantheus)** – has appointed Julie Eastland to its Board of Directors, effective September 3, 2024. As an experienced biotechnology and financial executive, Eastland will serve as an independent director and a member of the Board's Audit Committee. With her expertise in finance, strategic planning, operations, and transactions, Eastland is expected to contribute significantly to Lantheus' growth and innovation. The Board now consists of ten members, eight of whom are independent. Eastland expressed enthusiasm for supporting the company's future initiatives and improving patient care.

**Perspective Therapeutics, Inc.** – has been granted Fast Track Designation by the U.S. FDA for its radiopharmaceutical, 212Pb VMT01, aimed at diagnosing and treating patients with unresectable or metastatic melanoma expressing the MC1R protein. This designation will expedite the development and review of the drug, offering potential benefits like more frequent FDA interactions, priority review, and accelerated approval. The company recently completed a Phase 1/2a trial assessing VMT01's safety and is planning further studies, including a combination therapy cohort with anti-PD-1 therapy, pending approval.

**RadNet Inc.** – has announced a partnership with HOPPR to develop and commercialize a Medical-Grade Generalized Foundational AI Model aimed at advancing cancer detection in breast, prostate, and lung imaging. This collaboration will utilize generative AI focused on medical imaging and diverse data sets to create Fine-Tuned models for specific tasks in cancer detection. HOPPR's foundational model enhances medical research by simplifying and reducing the costs of data collection and training, serving as a versatile, pre-trained architecture adaptable for specialized applications. The partnership will strengthen DeepHealth's AI-powered health informatics portfolio, allowing for faster and more

efficient creation of future solutions and supporting the evolution of radiology. DeepHealth's cloud-native operating system is designed to integrate clinical and operational tools, improving radiology workflow efficiency and patient outcomes.

**Relay Therapeutics, Inc.** – has announced positive interim results for RLY-2608, an investigational inhibitor against specific types of mutations, in treating a type of breast cancer. Patients who received RLY-2608 in combination with fulvestrant showed a median progression-free survival (PFS) of 9.2 months, despite being heavily pre-treated. The objective response rate (ORR) was 33% across all patients and 53% in those with kinase mutations, with favourable tolerability and minimal treatment discontinuations due to adverse events. These results support the initiation of a pivotal second-line study in 2025.



## NUCLEAR ENERGY

**Cameco Corporation** – Westinghouse Electric Company has delivered the first reload of VVER-440 fuel assemblies to Finland's Loviisa Nuclear Power Plant, marking a significant milestone in diversifying Fortum's fuel supply with a reliable Western alternative. This achievement was celebrated at an event attended by the Minister of Climate and the Environment, Kai A. Mykkänen, and other officials. Westinghouse and Fortum signed a long-term partnership in November 2022 to develop, license, and deliver VVER-440 fuel, building on their previous collaboration from 2001 to 2007, during which Westinghouse supplied nearly 750 fuel assemblies to Loviisa. The new Westinghouse VVER-440 and VVER-1000 fuel designs are also in use in Ukraine and Bulgaria. Fortum emphasized the importance of the Loviisa Nuclear Plant's safe and reliable operation for Finland's energy security and its commitment to providing stable, clean electricity. The plant's two VVER pressurized water reactors (PWR) produce about 10% of Finland's electricity, helping to prevent around six million tonnes of carbon dioxide emissions annually.

**Cameco Corporation** – Westinghouse Electric Company has launched the Hive™ nuclear-specific Generative Artificial Intelligence (GenAI) System, designed to deliver customized AI solutions to its global customer base. This innovative system aims to enhance cost efficiency and scheduling across the entire nuclear reactor lifecycle, from design and licensing to manufacturing, construction, and operations. The Hive System provides access to over 100 years of Westinghouse's proprietary industry knowledge, supported by its engineers and data scientists through a secure infrastructure. The system helps customers optimize maintenance, enhance inspections, and improve digital user experiences by offering critical information at the right time. Additionally, the Hive System features the berth™ Nuclear Large Language Model AI, named after Bertha Lamme, the first female engineer at Westinghouse, which includes tailored models and tools for various applications. Westinghouse aims to use the Hive System to create customized solutions for clients, such as streamlining plant maintenance, ensuring nuclear fuel safety, and optimizing manufacturing processes. According to Lou Martinez Sancho, Westinghouse's Chief Technology Officer, the company has developed a secure and compliant infrastructure aligned with the highest ethical standards, reinforcing its position as a leader in nuclear innovation.

**Plug Power Inc. (Plug)** – has been awarded a US\$10 million grant by the U.S. Department of Energy (DOE) to lead the development of

advanced hydrogen refuelling infrastructure for medium and heavy-duty vehicles. The project, called HYPER-Fuel, will feature liquid-to-gaseous and cryogenic dispensing technology. It is part of the DOE's broader \$62 million investment in 20 projects across 15 states to accelerate clean hydrogen technologies. Collaborating with Washington State University, the University of Maryland, and the National Renewable Energy Laboratory, Plug aims to create a high-flow hydrogen refuelling station with capacities exceeding 2 tonnes daily and fuelling rates of over 8 kg/min, catering to heavy-duty vehicles.



## ECONOMIC CONDITIONS

**Canadian employment rose 22 thousand (K) in August**, short of consensus expectations for a 25K increase. The participation rate, meanwhile, rose a tick to 65.1%. This translated into a two-tick increase in the unemployment rate to 6.6%, a tick above consensus expectations. The increase in employment was the result of part-time positions expanding 66K, more than offsetting the 44K decline in full-time positions. Meanwhile, the number of jobs in the private sector rose 38K, while employment in the public sector (-9K) and self-employed (-7K) contracted. Service-producing industries outperformed in August, with employment rising 20K. Education (+27K), health care (+25K) and trade (+14K) contributed the most to net job gains, while employment was down in other services (-19K), professional/scientific and technical services (-16K), business/building and other support services (-8K) and public administration (-6K). The goods sector didn't fare as well, with employment up only 3K. Gains here were registered in manufacturing (+11K), construction (+3K) and agriculture (+2K) while the resources (-7K) and utilities (-7K) sectors were down. Employment in the core age cohort (25-54) expanded 39K while employment among the 15-24 years old (-1K) and 55 and over (-11K) contracted. Regionally, there were job gains in Québec (+15K), Alberta (+13K), Nova Scotia (+5.0K) and Manitoba (+4K) while employment was down in Ontario (-8K) and British Columbia (-4K). Hours worked were down 0.1% in August after rising 1.0% in July. Wages were up 4.9% on a year-over-year basis in August (down from 5.2% in July). In summary full-time employment fell sharply, wiping out most of last month's gains. As a result, the unemployment rate rose by two tenths to its highest level since May 2017, excluding the pandemic. By way of comparison, the policy rate stood at just 0.5% back then, in stark contrast to today's 4.25%. People trying to enter the job market for the first time - young people and new arrivals - are the main victims of Canada's weak hiring climate. In our view the report reflects a labour market that continues to weaken at a rapid pace. In this context, and assuming the inflation problem has been fixed, we believe the door is open for the Bank of Canada to get to neutral rates (between 2.5% and 3.0%).

**U.S. nonfarm payrolls rose 142 thousand (k) in August**, compared to the predicted 165k. But they did rebound as expected from June and July's performance where we saw a net downward revision of 86k jobs. July's revised number was a much weaker and a more concerning 89k. The 3-month average of monthly job growth slipped to 116k from 141k in July with private sector payroll growth over the past three months running at a more modest 96k. The unemployment rate fell to 4.2% from 4.3% in July as household employment growth rebounded to an even stronger 168k and the number of unemployed fell by 48k. The labor force participation rate remained steady at 62.7%. Average hourly earnings growth increased more than expected as well up 0.4%

in August with the year-on-year rate improving to 3.8% from 3.6% in July which should help support real consumer spending power at a time when personal savings need to be rebuilt. Job growth was uneven across sectors in August, but a majority of categories saw a rebound in job growth from the July pace. We saw improvement in leisure and hospitality (+46k), construction (+34k) government (+24k), and financial services (+11k), even as education and health care continued to add jobs at a decent monthly pace of 47K. Yet, the troubled manufacturing sector shed a larger than expected 24k jobs in August and retailers lost a net 11k jobs last month. Information continued to shed workers with another 7k decline, though that was an improvement from July when the sector shed 15k. In summary, the August Employment report confirmed Jay Powell's message from Jackson Hole that the labor market has cooled considerably, and the direction of travel is clear.

**U.S. Institute for Supply Management (ISM) services purchasing managers index (PMI)** ticked up to 51.5 in August. New orders climbed (+0.6 points (pts) to 53.0) while business activity continued to expand, albeit at a slower pace (-1.2 pts to 53.3). The rest of the details were lacklustre. The prices paid sub-index edged up 0.3 pts to 57.3, suggesting that material and wage costs climbed at a slightly faster pace, in line with the 12-month moving average. Meantime, the backlog of orders fell 6.9 pts to 43.7. While this sub-index can be volatile, it has held in the contraction zone for two of the last three months. The employment index dropped 0.9 pts to 50.2, just barely above the 50-mark. In summary the U.S. services sector expanded slightly in August even as employment growth slowed and order backlogs plunged.



## FINANCIAL CONDITIONS

**Bank of Canada** lowered the target for the overnight rate by 25 basis points, a decision in line with the consensus and market expectations. The rate reduction brings the policy rate to 4.25%, the lowest since January 2023. The move also pushes the BoC's policy rate 125 bps below the Federal Reserve's (based on the upper bound target), the most since 2000 (although that gap will likely narrow in September). Meanwhile, balance sheet normalization will continue as expected. Driving the decision to cut was "continued easing in broad inflationary pressures" and "excess supply in the economy [putting] downward pressure on inflation". With a 25 basis point rate cut all but assured, the focus of this decision was always going to be on the Bank's guidance/stance. Overall, there was very little changed relative to July as Macklem reiterated it is still "reasonable" to expect further rate cuts (as long as inflation cooperates). At the margin, there appears to be a bit more confidence on the inflation outlook as shelter prices are seen as "starting to slow". And as we got a sense of in July, they "increasingly" want to guard against too much slack and inflation undershooting over the projection horizon. In our view the BoC's base case outlook is for continued 25 basis points cuts at each of the remaining meetings in 2024 (and likely into 2025 too).

The U.S. 2 year/10 year treasury spread is now 0.05% and the U.K.'s 2 year/10 year treasury spread is -0.03%. 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 6.35%. Existing U.S. housing inventory is at 4 months supply of existing houses as of Aug

22, 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 20.40 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

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PIC24-052-E(09/24)