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

NOVEMBER 25, 2024

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COMPANY NEWS

Reliance Industries Limited (Reliance) – An Indian startup controlled by Mukhesh Ambani is entering the market for human-like robots, taking on US and Chinese rivals who have a head start in the burgeoning field. Addverb Technologies Limited (Addverb), backed Reliance Group, will introduce its first humanoid robots in 2025, Sangeet Kumar, its co-founder and chief executive officer, said in an interview. The humanoids will be able to perform tasks across industries such as fashion, retail and energy, he said, without giving specific examples or their price. The startup, known for its industrial and warehouse automation robots, will manufacture the humanoids in its facility in the Noida suburb of Delhi, starting with a small number of about 100 in the first year. Addverb is one of the newest entrants into the market as advances in hardware and artificial intelligence push human-like robots closer to the mainstream. Addverb is working with various units in Ambani's vast Reliance business, taking advantage of resources like the Artificial Intelligence (AI) tech and fifth generation (5G) networking of its Jio Platforms telecom arm. The startup will trial and deploy the humanoids across the conglomerate's businesses, and they'll enter fields such as elder care and defense in a meaningful way in three to five years, Kumar said. The startup is capitalizing on Reliance's global relationships to get access to Nvidia Corporation's (Nvidia) newest processing units, Qualcomm Incorporated's 5G tech and Intel Corporation's motherboards, Kumar said. Addverb unveiled its plan for humanoids to a select few in Mumbai last month during Nvidia Chief Executive Officer (CEO)

Jensen Huang's visit. Addverb is 56% owned by Reliance India's largest company by market capitalization. The startup has 300 customers including European shipping provider A.P. Moller-Maersk, Latin American e-commerce giant MercadoLibre Inc. and logistics company United Parcel Service, Inc. Sales are closing in on US\$100 million in the financial year through March 2025, with overseas customers accounting for nearly two-thirds of that, Kumar said. Valued at \$260 million when Reliance acquired a majority stake in 2022, Addverb is seeking investors to plow in capital as it boosts investment in humanoid development and manufacturing. It's in discussions with current backers as well as private equity and venture capital firms, Kumar said. Going forward, Addverb wants to commercialize military-grade robots. The firm is developing quadruped robots for India's defense forces, and Bharat Electronics Limited., India's state-owned defense electronics company, has placed an order to test them for military use, Kumar said. The startup is in early discussions with India's space agency to take a humanoid to Mars, he said.

Samsung Electronics Co., Ltd. (Samsung Electronic) – Nvidia is working as quickly as possible to secure approval for the supply of Samsung Electronics' AI memory chips, the company's CEO Jensen Huang said in an interview with Bloomberg. According to the report, CEO Huang made these comments during an interview with Bloomberg TV on Nov. 23 at the honorary doctorate degree ceremony at the Hong Kong University of Science and Technology. Huang explained that Nvidia is considering receiving both the 8-layer and 12-layer versions of Samsung Electronics' 5th generation high-bandwidth memory. On October. 31, during a third-quarter earnings conference call, Samsung Electronics stated, "We are currently mass-producing and selling both the 8-layer and 12-layer High Bandwidth Memory 3 Extended (HBM3E)," and added, "We have made significant progress in completing important stages of quality testing for major customers, and we expect to expand sales in the fourth quarter." Currently, Nvidia receives most of its HBM

supply from SK Hynix Inc. For Samsung Electronics, securing Nvidia as a client for their HBM3E is crucial to joining the AI semiconductor rally. The demand for advanced memory solutions has surged with the rapid growth of AI and machine learning applications, making reliable and high-performance memory a key component for companies like Nvidia. Additionally, Nvidia's need for Samsung Electronics' HBM supply is seen as a strategic move to enhance its price negotiation power and supply stability. Nvidia, a leading technology company known for its graphics processing units (GPUs) and significant role in AI and machine learning technologies, is keen on ensuring a stable and competitive supply chain. The inclusion of Samsung Electronics as a memory supplier could provide Nvidia with the cutting-edge memory solutions required for high-performance computing applications, including AI, graphics, and data centers.

Brookfield Asset Management Inc. (Brookfield)—the Tennessee Valley Authority (TVA) has entered a 10-year power purchase agreement with Argo Infrastructure Partners and Brookfield for 377 megawatt (MW) of hydroelectric power from the Smoky Mountain Hydro Facilities in east Tennessee and western North Carolina. Set to begin in 2025, the agreement will deliver over 14 gigawatt-hour GWh of carbon-free energy annually, supporting TVA's goal of achieving net-zero emissions by 2050. The Smoky portfolio of four hydro dams—Cheoah, Calderwood, Chilhowee, and Santeetlah—avoids approximately 1.1 million tons of carbon dioxide (CO₂) emissions each year, meeting the region's growing energy demand. This collaboration reinforces TVA's focus on reliable and clean energy while aiding industrial and digital sector growth. Leaders from TVA, Argo, and Brookfield emphasized the importance of renewable power in driving sustainability and economic growth.

Brookfield Asset Management – Spanish drug maker Grifols, S.A. (Grifols) announced that Brookfield's potential €6.45 billion (US\$6.8 billion) offer undervalues the company's long-term potential, urging shareholders not to accept. Brookfield, in a non-binding proposal, offered €10.50 per A share and €7.62 per B share, aiming to take Grifols private in partnership with the founding Grifols family. Grifols' board met and decided against recommending the offer, citing its misalignment with the company's prospects. Grifols' shares fell over 5% to €10.34 after the announcement, continuing a year marked by a 30% market value decline following allegations by short-seller Gotham City Research LLC (Gotham), which the company has denied. Meanwhile, Spain's High Court opened an investigation into Gotham for potential violations of market and consumer protection laws.

BGC Group, Inc. (BGC) – announced that Chairman and CEO Howard W. Lutnick has been nominated by President Donald J. Trump to serve as the 41st U.S. Secretary of Commerce. Lutnick expressed his commitment to promoting economic growth, innovation, and financial security in his new role. Upon Senate confirmation, Lutnick plans to step down from his positions at Cantor Fitzgerald, L.P., BGC, and Newmark Group, Inc. and divest his interests in these companies to comply with government ethics rules. He recommended John Abularrage, Jean-Pierre Aubin, and Sean Windeatt as Co-CEOs of BGC to ensure continuity and success. BGC stated there will be no changes to its corporate structure and will provide additional updates in the future.

LVMH Moët Hennessy Louis Vuitton SE (LVMH) –workers are striking against plans to bottle cognac in China, aimed at bypassing new Chinese

tariffs of 30–40% on European Union (EU) brandy imports. The tariffs, seen as retaliation for EU duties on Chinese electric vehicles (EVs), have disrupted the cognac industry, which relies heavily on China, its second-largest export market. French President Macron urged Chinese President Xi Jinping to lift the tariffs at the G20, with diplomatic efforts ongoing. Unions fear job losses if bottling shifts to China and are pushing for protections under the "controlled designation of origin" label. Broader industrial action across the Cognac region is being considered.



LIFE SCIENCES



Amgen Inc. (Amgen) – has announced the appointment of Howard Chang, M.D., Ph.D., as Senior Vice President of Research and Chief Scientific Officer, effective December 16, 2024. Chang, a leading physician-scientist with expertise in human genetics and disease biology, will oversee Amgen's research priorities in rare disease, oncology, inflammation, and cardiometabolic therapeutic areas.

BridgeBio Pharma Inc. (BridgeBio) – announced that Attruby™ (acoramidis) has been approved by the Food and Drug Administration (FDA) to reduce cardiovascular death and cardiovascular-related hospitalizations in patients with transthyretin amyloid cardiomyopathy (ATTR-CM). It is the first and only product with a label specifying near-complete stabilization of transthyretin. Following the approval, BridgeBio will receive a US\$500 million payment under its royalty funding agreement.

Perspective Therapeutics Inc. – presented initial results from its Phase 1/2a trial of [212Pb]VMT-α-NET for treating somatostatin receptor 2 (SSTR2)-positive neuroendocrine tumors (NETs). Eight of nine patients experienced durable disease control, and six had measurable tumor reductions. The company is continuing dose escalation, with recruitment ongoing at the 5.0 millicurie (mCi) dose. The trial is part of a broader effort to develop targeted radiopharmaceutical therapy for NETs.

RadNet, Inc. (Radnet) – has amended its credit facility, securing a 0.25% reduction in interest rates on its term loans and revolving credit facility. The new terms reduce the interest rate on term loans to either Term Secured Overnight Financing Rate (SOFR) plus 2.25% or an alternate base rate plus 1.25%. This amendment is expected to save RadNet approximately US\$2.2 million annually in interest expenses. The closing of the amendment is anticipated next week. RadNet remains well-positioned with strong liquidity, including nearly \$750 million in cash and low leverage.

Schrödinger, Inc. – is expanding its initiative to develop a computational platform that predicts toxicology risks early in drug discovery, aiming to reduce the likelihood of drug development failures due to off-target protein binding. (LVMH) –workers are striking against plans to bottle cognac in China, aimed at bypassing new Chinese

from the Bill & Melinda Gates Foundation, building on an initial US\$10 million grant, to accelerate this effort.

Telix Pharmaceuticals Limited (Telix) – is expanding its theranostic pipeline by adding new candidates targeting Fibroblast Activation Protein (FAP), a promising cancer marker. Initially focusing on bladder cancer, this development complements Telix’s existing urology portfolio, which includes kidney and prostate cancer treatments and diagnostic products. The company has entered into agreements to acquire FAP-targeting therapeutic and diagnostic radiopharmaceuticals developed by Professor Frank Roesch and his team.

NUCLEAR ENERGY

Centrus Energy Corp. (Centrus Energy) – announced that Russia’s Techsnabexport (TENEX) has had its license to export low-enriched uranium to the U.S. canceled, effective through December 31, 2025. This move follows Russia’s temporary restrictions on uranium exports to the U.S., a response to the U.S. ban on Russian uranium imports. TENEX now needs to secure specific export licenses from Russian authorities for the remaining 2024 shipments and those in 2025. However, Centrus Energy expressed uncertainty about whether these licenses will be granted or issued in time, which could impact the company’s ability to fulfill customer delivery commitments.

Centrus Energy further announced that it will invest approximately US\$60 million over the next 18 months to resume and expand centrifuge manufacturing at its Oak Ridge, Tennessee facility. This investment will lay the foundation for a potential large-scale expansion of uranium enrichment at Centrus’ American Centrifuge Plant in Piketon, Ohio. A large-scale expansion, however, would require significant multi-billion dollar investments from both public and private sources.

Oklo Inc. (Oklo) – announced that Atomic Alchemy Inc., a company it plans to acquire in an all-stock deal, has signed a Memorandum of Understanding (MOU) with Zeno Power Systems Inc. (Zeno Power). This partnership focuses on supplying radioisotopes like strontium-90 (Sr-90) and americium-241 (Am-241) for Zeno Power’s Radioisotope Power Systems (RPSs), which provide clean, reliable energy for critical space and terrestrial missions. The collaboration leverages Oklo’s recycling processes to recover these isotopes, supporting Zeno Power’s innovative “nuclear batteries” designed for remote environments like space exploration and undersea applications. Zeno Power, which has secured over US\$65 million in contracts with NASA, the U.S. Navy, and the U.S. Space Force, demonstrated its first Strontium-90,(Sr-90) heat source in 2023. The partnership aims to enhance the availability of critical isotopes, accelerating the deployment of persistent energy solutions for demanding missions, from seabed exploration to lunar operations.

ECONOMIC CONDITIONS

Canadian Inflation - The Consumer Price Index (CPI) rose 0.4% in October following a 0.4% pullback in September, one tick above consensus expectations (in not seasonally adjusted terms). In seasonally adjusted terms, headline prices progressed 0.3% following a flat print in the prior month. This translated to an annual inflation rate of 2.0%, up from 1.6% in September which was the lowest since February 2021. Prices increased in 7 of the 8 categories surveyed, namely, in order of magnitude, shelter (+0.7%), clothing/footwear (+0.5%), food (+0.3%), transportation (+0.3%), health/personal care (+0.2%), alcohol/tobacco (+0.15%) and household ops (+0.1%). Meanwhile, prices declined in recreation/education/reading (-0.2%). Annual inflation was above the national average in Alberta (+3.0%) and British Columbia (+2.4%). It was in-line in Ontario (+2.0%) and below the mark in Québec (+1.6%) and the rest of the provinces. Core inflation measures were as follows: 2.6% for CPI trim (up two ticks from last month) and 2.5% for CPI median (up two ticks from last month). As a result, the average of the two measures rose from 2.4% to 2.6%.

U.S. Housing Starts – U.S. housing starts fell much more than expected, down 3.1% to 1.3 million annual rate (a.r.) in October. Construction of single-family units sagged for the first time in three months, while volatile multi-family residential managed to climb up. Construction activity in the South dropped 8.8% and was likely further impacted by the hurricanes. Overall, home building remains at muted levels and well below the 16-year high of 1.828 million a.r. hit during the peak of the 2022 housing frenzy. Building permits, a good proxy for future home construction, edged down 0.6% to 1.42 million a.r and have essentially gone nowhere for the past couple of years. But home builders may now be showing a flicker of optimism; the National Association of Homebuilders confidence gauge jumped to a seven-month high amid expectations that the Trump administration will loosen some ‘red tape’. Although the overall economy is holding up better than expected, the interest-sensitive housing sector continues to take a beating. We’re expecting residential construction to contract again in the fourth quarter (Q4) 2024. Chair Powell noted in his November press conference: “The real issue with housing is that we have had, and are on track to continue to have, not enough housing”. The supply problem will keep the housing market in a soft patch for some time.

U.S. Existing Home Sales - U.S. existing home sales climbed by a better-than-expected 3.4% to 3.96 million annualized in October. That was the biggest jump since February, but it comes after the prior month posted the lowest level in almost 14 years. Overall, the housing market remains weak and activity will likely stay muted heading into 2025. Despite lacklustre sales, the median selling price climbed 4% year over year to \$407,200—not too far from record highs. The number of homes available for sale is trending higher, but the level is still relatively low. At the current pace, it would take 4.2 months to sell all homes on the market. That reflects a fairly tight market, though it’s near the longest duration since the 2020 shutdowns. Despite a resilient U.S. economy,

the interest-sensitive housing market is “frozen”, as Chair Powell described it during the November press conference. Potential buyers are facing the worst affordability in decades. With the U.S. Federal Reserve (Fed) now signalling it is in no hurry to ease monetary policy, mortgage rates have recently climbed back up to nearly 7%, after sliding to a two-year low in September. Meantime, potential sellers just don't want to give up favourable mortgage terms that were locked-in during the pandemic. While the U.S. Fed remains on an easing path, more rate cuts are needed to reignite the housing market.

UK Retail Sales - UK retail sales were softer than expected with a -0.7% month over month decline in October (market -0.3%), and the September print revised 0.2 percentage points lower to +0.1%. Details showed declines in both food stores (-0.6%) and non-food stores (-1.4%), though the latter does come on the back of 3 months of strong gains. The largest fall came from clothing & footwear (-3.1%), which is usually just a function of how quickly temperatures change at this time of year; with this past month giving the first November snowfall since 2010, sales of winter clothes will surely rebound in November. The report does also mention some negative impact on sales from low consumer confidence and higher uncertainty around the budget (which was on 30 October). There's nothing here that looks like it should affect the Bank of England policy one way or the other, where we still look for a pause in December before more rate cuts in the first half of next year.

Eurozone Purchasing Manager's Indices - Eurozone purchasing manager's indices disappointed almost across the board, with just Germany's manufacturing purchasing managers index managing to eke out a small upside by rising 0.2 percentage points in November to 43.2 (market 43.0). Otherwise, German services slipped from 51.6 to 49.4 (market 51.7), French services from 49.2 to 45.7 (market 49.0), and French manufacturing from 44.5 to 43.2 (market 44.5). This is the first time that the Eurozone services sector has been in contraction territory since January. Details of the report were just as grim, with confidence in the outlook dropping to its lowest level in just over a year. New orders fell for the 6th month in a row, backlogs of work are falling, and firms have cut back on workforce numbers. However, outside of France and Germany, where sentiment is being hit harder by political uncertainty, the rest of the Eurozone remained 'strongly optimistic'. Overall, the Eurozone is going to have a challenging few months ahead, navigating its own political uncertainty combined with the upcoming U.S. tariffs.

Canadian Retail Sales - In Canada, retail sales increased 0.4% in September to C\$66.9 billion, in-line with consensus expectations for a 0.4% increase. Consumer outlays improved in 6 of the 9 subsectors, led by food/beverage retailers (+3.0%), building materials/supplies (+3.0%), general merchandise (+0.6%) and health/personal care (+0.5%). On the flip side, a slight minority of sectors registered monthly declines, notably gasoline stations (-2.1%), motor vehicles/parts dealers (-0.7%) and clothing/accessories/shoes (-0.8%). Excluding autos, retail sales were up 0.9% in the month, a result notably better than the one expected by the median economist forecast (+0.4%). On a regional basis, sales were up in 5 of the ten provinces, with the biggest increases occurring in Alberta (+2.3%), Quebec (+0.6%) and British Columbia (+0.6%). The largest declines for retail sales were in Ontario (-0.1%) and New Brunswick (-0.7%). In real terms, retail sales rose 0.8% Canada-wide. Finally,

Statistics Canada's early estimate for October suggests nominal sales could have increased 0.7% in the month.



FINANCIAL CONDITIONS

U.S. Treasury Secretary - Scott Bessent was nominated to Treasury Secretary Friday evening. He's seen as the more centrist candidate and one with significant markets experience, helping to explain the market's reaction. The Wall Street Journal suggests he advised Donald Trump to pursue a 3-3-3 strategy—cutting the budget deficit to 3% of Gross Domestic Product (GDP) by 2028 (from 7% today), pursuing 3% GDP growth through deregulation, and producing an additional 3 million barrels of oil per day.

The U.S. 2 year/10 year treasury spread is now -0.01% 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 6.84%. Existing U.S. housing inventory is at 4.2 months supply of existing houses as of November 21, 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 15.03 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: *“Inside every cynical person, there is a disappointed idealist.” ~George Carlin*

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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, 'GAAP' Generally Accepted Accounting Principles, '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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