

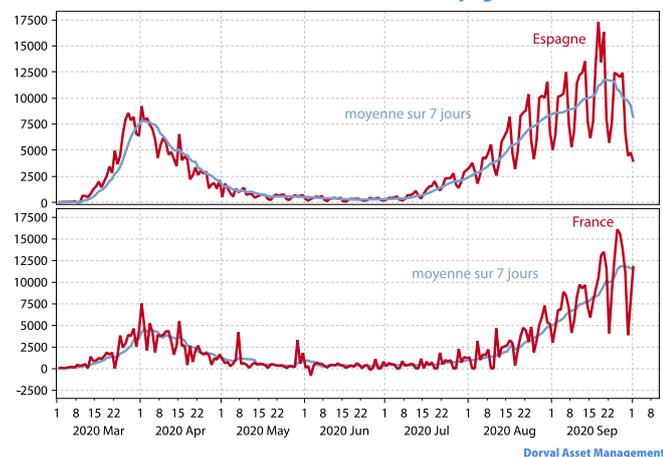


Exposure rates of the Dorval Asset Management Range – 2nd October 2020

Dear Clients and Partners,

Caution remains the watchword, but the second surge in Covid-19 cases in both Spain and France seems to be close to – if it hasn't already hit – its peak (cf. chart 1). This would confirm that the various aftershocks that reverberated in the wake of the initial pandemic shock in the spring are all following the same successive patterns, whether in Asia, the United States or Europe, with a much lower mortality rate and a moderate economic fallout.

Peak in Covid-19 cases in Spain and France hit or within sight
Pic de cas de Covid-19 atteint ou en vue en Espagne et en France



- *Spain / 7-day average*
- *France / 7-day average*

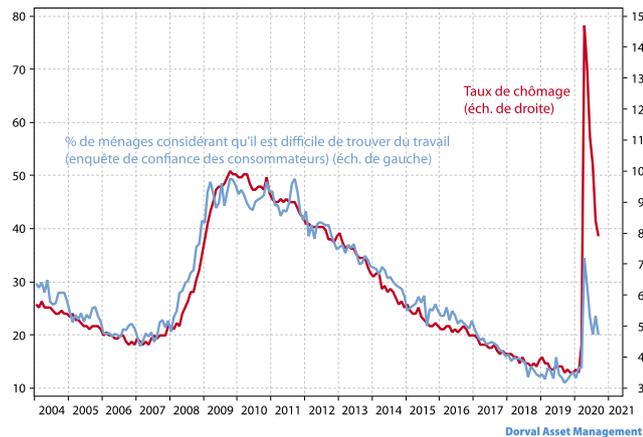
The aftershocks that spread through the south and east of the United States in June/July, as well as in Japan and Hong Kong in July/August lasted on average six weeks, with cases then abating. There will be other spikes in the virus – including one that is probably under way in the east of the United States – but investors are increasingly shaking it off. The world recovery is indeed continuing, and disruption from the virus in the most exposed sectors is fairly broadly offset by an uptick in other business sectors, such as real estate, construction, durable goods, etc. Meanwhile, the decline in the number of cases is being borne out in Latin America and India, and investors are also now waiting for confirmation of vaccines and treatments that will help them look ahead to a post-Covid future from the start of next year.

US economic indicators published over the past few days confirm ongoing buoyant momentum. Based on reported figures, the Atlanta Fed's nowcast model expects a 35% jump in GDP in 3Q (annualized growth, vs. -31% in 2Q), with a particularly notable contribution from residential construction (+49%) on the back of the drop in mortgage rates. Lastly, September's 7.9% jobless rate is still affected by furlough measures in sectors



hampered by precautionary measures to counter the virus, but is moving closer into line with household perception figures (cf. chart 2).

Jobless stats and household perception in the United States Taux de chômage et perception des ménages aux Etats-Unis



- **Unemployment rate (RHS)**
% of households who feel that it is difficult to find a job (consumer confidence survey, LHS)

These various figures are vital as they indicate that the US economy has little risk of collapsing, even in the absence of a fresh pre-electoral support plan, which is still being negotiated as we write. Conversely, a further fiscal stimulus program would push forecasters' growth projections up significantly, making for some fairly positive asymmetry on this question.

Against the current backdrop, we maintain our portfolios' focus, with a slant on sectors and stocks that stand to gain most from the world economic recovery, which is set to gather pace right throughout 2021, while also bearing in mind longer-term themes like the energy transition and digitalization of the economy.

Our exposure rates are as follows:

- **Dorval Convictions:** Our exposure rate is 75%.

DORVAL ASSET MANAGEMENT

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