Exposure rates of the Dorval Asset Management Range – 27th November 2020

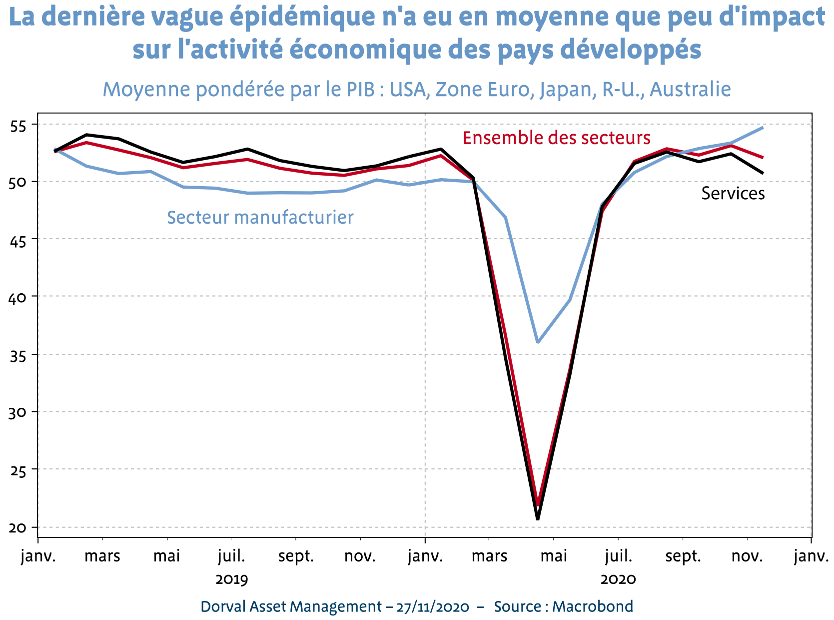
Dear Clients and Partners,

Investors are now naturally expecting the end to the pandemic crisis in 2021 on the back of vaccine developments, while the equity markets are also applauding the resilience of the world economy in the midst of a fresh upsurge in cases. This hardiness substantiates the idea that the 2020 shock will be easier to reverse than many observers had expected – a notion that does not seem to be entirely priced in on the markets.

November's preliminary data from Markit business surveys on developed markets have provided some valuable information. The services PMI naturally dipped in Europe due to lockdown measures, but the decrease was fairly contained with a showing of 41.3 vs. an all-time low of 11.7 in April, and was partly offset by momentum in the manufacturing sector (53.6): meanwhile Japanese, Australian and particularly US figures show no signs of waning to boot. Overall, the average composite PMI for developed markets remained fairly stable, and has stood above the 50 mark over the past several months, while the manufacturing sector continues to gather speed (cf. chart 1).

The latest surge in the epidemic has had little impact on economic activity in developed markets on average

GDP-weighted average: US, euro area, Japan, UK, Australia

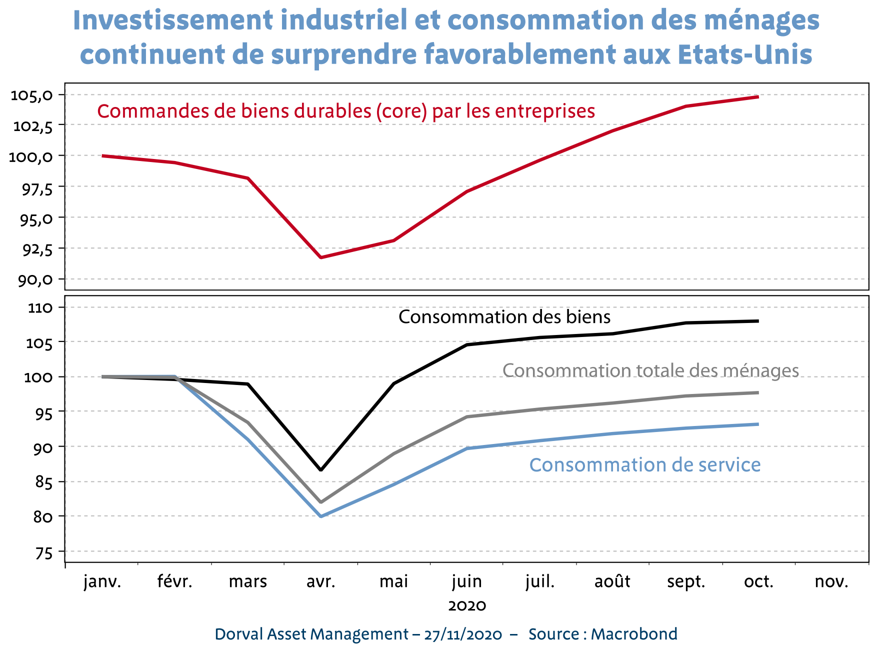


- *All sectors* / *Manufacturing sector* / *Services*

NEITHER BEAR NOR BULL BUT CAMELEON

We also saw a number of pleasant surprises from several sources in the United States (cf. chart 2), where sectors that are most exposed to interest rates – including housing – have reacted very positively to shrinking interest rates. More surprisingly, industrial investment has taken a sharp upturn since the spring, with a surge in durable goods orders (excluding defense and aviation) to reach a record high in October 2020. Lastly, consumer spending continued to grow, despite the fall-off in fiscal support for households, as they continue to draw on savings set aside during the spring and summer, with spending on manufactured goods hitting fresh highs. Despite fresh restrictions due to the uptick in the virus, the latest indications from credit card data suggest that November is set to stay solid.

Industrial investment and household spending continue to pull off some positive surprises in the US



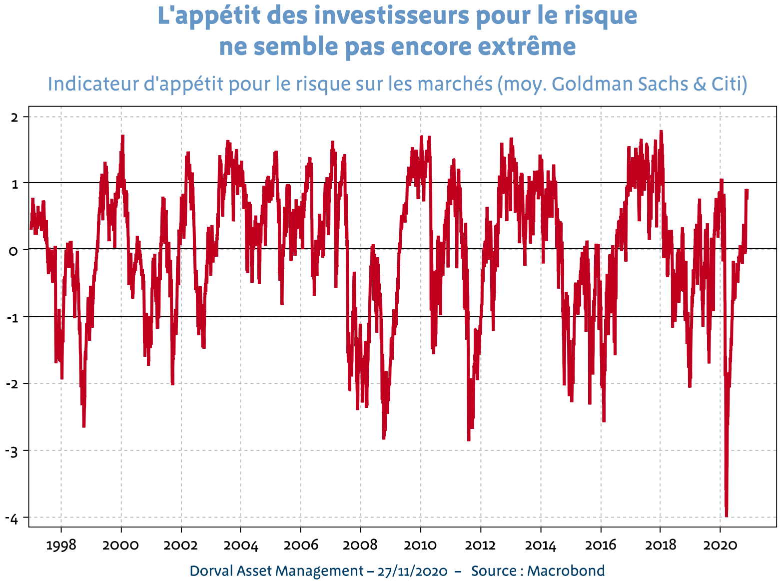
- *Companies' core durable goods orders*
- *Spending on goods / Total household spending / Spending on services*

These aspects are significant in the economic scenario for 2021: if all these figures are corroborated in December and January, the starting point for world GDP will be much higher than many economists had previously feared. This suggests that the reopening of the economy driven by vaccines – along with current and future fiscal and monetary stimulus – will not only drive a strong recovery, but will also enable the economy to swiftly make up for the ground lost in 2020.

In such circumstances, we could expect investors to veer into euphoria, and given the speed of the upswing (+13% on the MSCI World since end-October) we may well think that this is already happening. Additionally, the consensus for 2021 has become very optimistic, which could curb upside for equities. However, overall risk appetite levels on the markets for now remain short of figures during periods of great relief such as 2009/10 and 2017 (cf. chart 3). With this in mind, we maintain our high equity exposure, particularly on sectors and stocks that were hardest hit by the Covid-19 crisis, while we have bolstered our exposure to European small-caps in our global funds.

Investor risk appetite does not look extreme yet

Risk appetite indicator on markets (average Goldman Sachs & Citi)



Our exposure rates are as follows:

- **Dorval Convictions**: Our exposure rate is 99%.

DORVAL ASSET MANAGEMENT

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