iA Investment Management

Monthly Macro & Strategy

February 2023

Sébastien Mc Mahon, MA, PRM, CFA
Chief Strategist, Senior Economist and Vice-President,
Asset Allocation & Portfolio Manager

Adil Mahroug, M.Sc.
Senior Strategist and Director, Asset Allocation

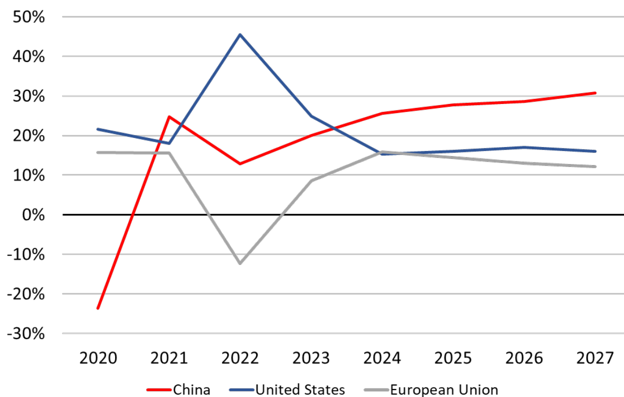
Highlights

- China's reopening should marginally support global growth in 2023 but is unlikely to change the overall trajectory for the world economy
- Even in a scenario of strong earnings contraction, global stock indices remain cheaper than Wall Street
- We reviewed our positioning within equities, and gold is making a comeback in our asset mix

China to the rescue?

China is finally reopening after announcing an abrupt reversal of its strict zero-Covid policy in January.

That is good news. China is not only the world's second-largest economy but, more importantly, it is also the largest contributor to global growth. According to the latest forecasts from the International Monetary Fund (IMF), China should account for up to 30% of aggregate global growth in the coming 5 years, or roughly twice the contribution from the world's largest economy, the United States.



The question is: Will it be enough to salvage the global economic outlook in 2023? More specifically, is it time to review the call for a global recession this year?

For context, a global economic contraction is a rare phenomenon. Since 1980, according to IMF data, only 2008 has seen a net contraction of global GDP. The consensus among economists is that a global growth rate of less than 2.5% is the threshold for a global recession. Using this rule of thumb, we see that the most recent world GDP growth forecast for 2023 from the World Bank, at 1.7%, is pointing to a global recession as a base case while the IMF, at 2.9%, is more optimistic.

In contrast, China's most recent GDP growth forecasts are 4.3% from the World Bank, 5.2% from the IMF and 5.1% from the Bloomberg survey of economists, but all are below the usual rate of 6.0% or more that we've become accustomed to.

Even though the most recent forecasts for China have upside potential, we think it is unlikely that the great Chinese reopening can turn the tide for the global economy in 2023.

First, China's economic growth has been in a constant downtrend for the past 10 years; the country has seen a dwindling contribution from the urbanization of its population, and headwinds have been slowing its demographic growth.

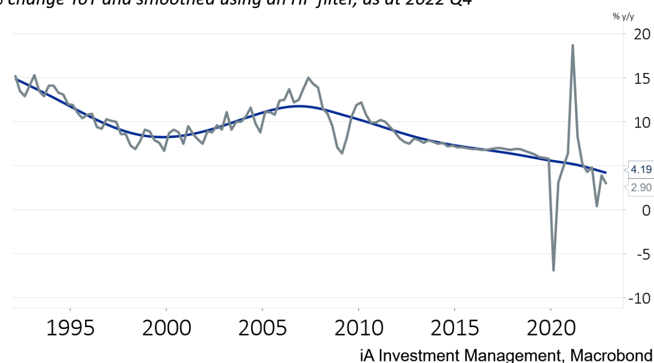
Global Asset Allocation Views (February 2023)

	--	-	N	+	++	Δ
Asset Classes						
Money Market				X		
Fixed Income				X		
Equities		X				↑
Alternatives			X			
Relative Equity						
Canadian Equities			X			↑
U.S. Equities	X					↓
International Equities			X			↑
EM Equities			X			↑
Relative Fixed Income						
Government Bonds						
IG Corporate Bonds				X		
HY Bonds	X					
Other						
Oil				X		
Gold				X		↑
USD (trade weighted)				X		
CAD/USD			X			

iA Investment Management

China: Real GDP Growth

% change YoY and smoothed using an HP filter, as at 2022 Q4



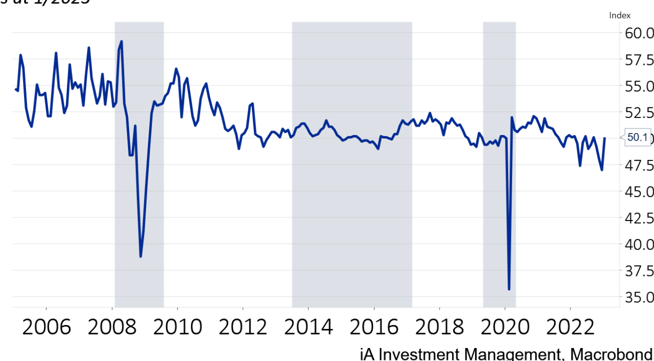
The structure of the Chinese economy has also become less favourable, as the economic engine has shifted from investment in productive capacities toward consumption. The ambitions of China's leadership to strengthen the middle class have gradually resulted in a more consumer-driven economy, with slower but more stable economic growth.

Second, the most recent data also show that China has some important challenges to overcome if it is to exceed forecasters' expectations.

The most recent PMI figures show a sizable rebound following a difficult period, for the manufacturing and services sectors alike. China's economy is evolving quickly toward a consumer-driven model but still has one foot in the previous economic model of being the manufacturing hub of the world; thus, we would argue that the two PMI indicators need to be analyzed separately.

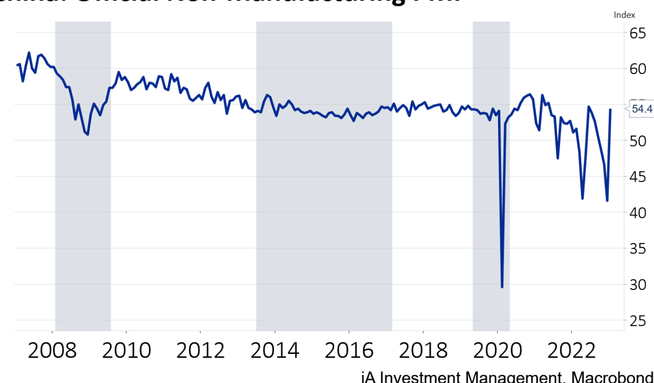
China: Official Manufacturing PMI

As at 1/2023



Let's start with the manufacturing PMI, which paints the picture of the global inventory cycle. With growth slowing around the world, global business surveys suggest that inventory levels are now seen as too high, creating a dim outlook for any bounce in global demand for Chinese exports. Even if China's growth were to reaccelerate quickly, it is highly unlikely that its trading partners would suddenly start importing more.

China: Official Non-Manufacturing PMI



The services PMI is probably a more telling indicator, for it is tightly linked to the strength of China's domestic economy. This index was recently sitting at the lowest level in its history (apart from the depths of the COVID pandemic), suggesting that some upside is possible in 2023. As the services industry has grown over the years to represent about 54% of China's GDP and 60% of its economic growth in 2020,[1] any swift rebound in the demand for services resulting from an economic reopening should boost China's growth numbers.

But how much of that burst of activity would lead to a rise in imports from other countries, and would the global economy benefit fully from it? As a reference, the United Nation's 2020 COMTRADE data suggest that China's imports of goods reached US$1.55 trillion, while the value of imports of services was only a quarter of that amount, at US$378 billion. Considering that the value of global exports of goods and services was estimated at about US$22 trillion in 2020, the impact of China's reopening should be positive but, in all likelihood, will not be enough to shield the global economy from a downturn.

Even though the above analysis suggests that a reopening of the Chinese economy might not jumpstart the global economy in 2023, there is still ample growth potential to be unleashed in China over the next few quarters.

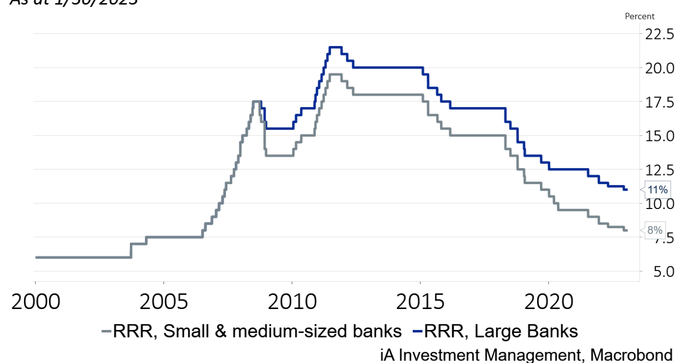
As China's population coped with stringent restrictions on its mobility in recent years, and the housing sector underwent important regulatory changes to limit speculation, the People's Bank of China (PBoC) was working hard to get the credit cycle going. Among the measures to support credit growth, the PBoC has cut the banks' reserve requirement ratio (RRR) four times since early 2020 (to 8% for small and medium-sized banks), the reverse repo notes 7-day rate twice (to 2%) and the 1-year prime loan rate three times (to 3.65%).

---

[1] https://www.asiaperspective.com/china-services-sector-government-support/

China: Reserve Requirement Ratio (RRR)

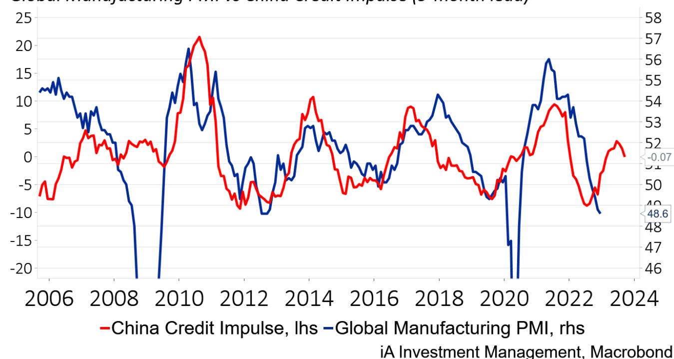
As at 1/30/2023



The result is that China's credit impulse, usually one of the most significant leading indicators of the global economic cycle, has rebounded since the lows reached in 2021 but has not made much of a dent in the global trend.

World: China's Credit Cycle and the Economic Cycle

Global Manufacturing PMI vs China Credit Impulse (9-month lead)



It is still reasonable to expect that China's grand reopening will be a factor in helping the global economic cycle eventually find its footing. But the absence of reaction from the global economy, and the fact that the Chinese credit impulse is already starting to fade, suggest once again that China won't be able to prevent a global recession in 2023.

Strategy: What about earnings?

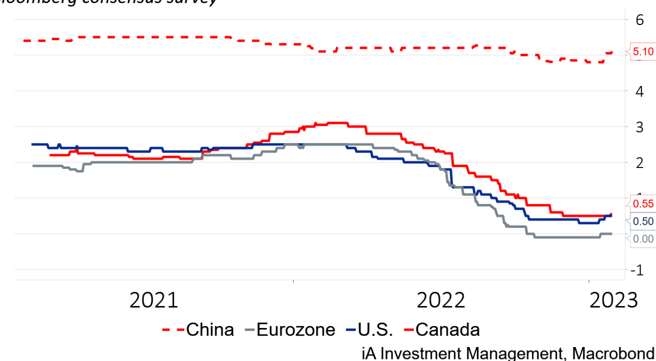
Last month's piece included a deep dive on market valuations, with three main takeaways: 1) the combination of elevated price-to-earnings (P/E) multiples and aggressive monetary policy tightening is a recipe for negative returns; 2) outside such extraordinary periods, valuations are not so predictive of future, short-term performance; and 3) the U.S. stock market is still more expensive than the world's other markets.

This month, we focus squarely on earnings per share (EPS) and more specifically on the prospects for growth in a recession year, as we expect 2023 to be. Investors should always keep in mind that some valuation ratios, such as the forward P/E ratio, are prospective and reflect the consensus on the potential for a stock or index to increase its earnings in the coming period. These ratios are thus sensitive to estimation error, and markets can in fact be more or less expensive than the ratio suggests.

It will come as no surprise that we expect 2023 to be a year of transition when global economic growth could be elusive. As discussed in the previous section, the consensus is pointing toward global real GDP growth of less than 2.5%, in other words growth below the generally accepted threshold for a global recession. More specifically, the consensus among economists is for zero growth in Canada, the United States and Europe, whereas China is expected to grow by almost 5.0%.

GDP Growth Forecasts for 2023

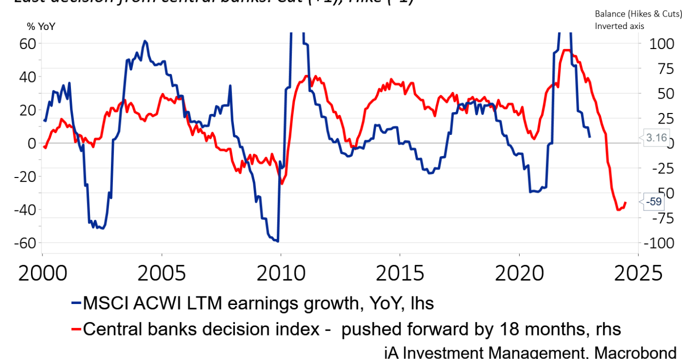
Bloomberg consensus survey



As EPS growth is tightly linked to economic growth, we should expect most global indexes to post lower-than-average earnings growth in 2023. As a matter of fact, even though the relationship between our main leading economic indicator (see chart below) is not precisely 1:1, the accumulated tightening of monetary policy and the headwinds it creates for global economic growth should be detrimental to global firms' ability to improve their bottom lines. In fact, this chart suggests that a global EPS contraction of up to 20% would not be out of the ordinary, at least when we look at episodes of economic hardship over the past 20-odd years.

MSCI ACWI Earnings vs Global Monetary Policy Cycle

Last decision from central banks: Cut (+1), Hike (-1)



So this context elicits the question: Are the market's EPS growth estimates for 2023 consistent with the prospect of a recession? And, if not, what does that mean for actual market valuations?

iA Investment Management

Market expectations for EPS growth in 2023, local currencies, as at January 30

Index	2022 Estimated EPS	2023 Expected Earnings per Share	Expected earnings per share growth in 2023
Russell 2000	38	83	117%
NASDAQ	245	457	87%
S&P/TSX Small Cap	39	54	38%
Nikkei 225	1478	1834	24%
MSCI Europe	10	12	23%
MSCI EM	9	11	21%
MSCI EAFE	143	162	13%
S&P 500	206	222	7%
MSCI ACWI	39	41	6%
MSCI ACWI Ex-U.S.	23	24	5%
MSCI China	6	6	3%
S&P/TSX Composite	1512	1536	2%
MSCI EM Ex-China	103	90	-13%

The table above paints an informative picture.

First, small cap indexes, while attractive on a relative basis (we showed last month that the recent valuations were below the historical 50th percentile, the Canadian small cap index being especially cheap with a 4th percentile), are expected to deliver vigorous EPS growth in 2023, making their valuation estimates shaky. The same applies to the NASDAQ, with market analysts optimistic that listed firms can almost double their earnings this year. Also notable is that Japan, Europe, EAFE and emerging markets are seen as posting growth of about 25% despite the economic headwinds, although such growth could also be discounted as mostly a rebound from a tumultuous 2022.

Even though earnings' estimates for 2023 have come off quite a bit for the S&P 500, they still indicate that it should outperform the rest of the world.

Now we come to the second part of the analysis. Focusing solely on estimates for 2023, we look at how the main global indexes rank in terms of current valuations and, more importantly, at how the ranking would be affected by different stress scenarios. Specifically, we recalculate the current P/E ratios based on 2023 earnings with the assumption of no growth, as well as EPS contractions of 10% and 20%. We do recognize that one-size-fits-all scenarios like these might not be the most nuanced approach, as every region is at a different stage of its economic cycle, but they do have the advantages of offering commonality and levelling the playing field.

Equity markets valuation based on different EPS scenarios for 2023, as at January 30

Index	Current Fwd. P/E based on 2023 earnings	Estimated Fwd. P/E given 0% EPS growth in 2023	Estimated Fwd. P/E given 10% EPS contraction in 2023	Estimated Fwd. P/E given 20% EPS contraction in 2023
Russell 2000	22.8	49.5	55.0	61.8
NASDAQ	24.9	46.5	51.7	58.1
S&P 500	18.1	19.5	21.6	24.3
S&P/TSX Small Cap	13.8	19.0	21.1	23.7
Nikkei 225	14.9	18.5	20.6	23.1
MSCI ACWI	15.7	16.7	18.6	20.9
MSCI Europe	12.7	15.6	17.4	19.5
MSCI EM	12.7	15.4	17.1	19.3
MSCI EAFE	13.0	14.7	16.4	18.4
S&P/TSX Composite	13.4	13.6	15.1	17.0
MSCI ACWI Ex-U.S.	12.9	13.5	15.0	16.9
MSCI China	11.8	12.2	13.5	15.2
MSCI EM Ex-China	13.1	11.4	12.7	14.2

What jumps out from the table above is that the NASDAQ and Russell 2000 indexes are already in expensive territory but could quickly become two to four times more expensive than the other global indexes if strong EPS growth does not materialize in 2023. Even though we demonstrated last month that valuations in themselves are not outstanding predictors of short-term returns, they do provide guidance on relative performance between indexes, and more expensive markets can fall out of favour quickly in periods of volatility.

Interestingly, the MSCI China, MSCI ACWI Ex-U.S., MSCI EM Ex-China and S&P/TSX Composite indexes would all remain cheaper than the current S&P 500 valuation, even with a 20% contraction in EPS this year. The same cannot be said for the MSCI Europe, MSCI EAFE and MSCI EM indexes, but we still note that their valuations would remain below the key level of 20 in the worst scenario.

There are three main takeaways from this exercise.

First, the consensus among economists is that 2023 will most likely be a recession year, and expectations for earnings growth need to reflect this prospect. Even though the low single-digit growth expected for the MSCI ACWI Ex-U.S., MSCI

China and S&P/TSX Composite indexes might not be too far off, we need to take anything above 5% growth with a grain of salt.

Second, current valuations send a clear signal that value can be found mostly outside the U.S. market. China, Canada, and Europe, in particular, seem to offer a margin of safety, prompting us to review the geographical composition of our funds this month (more details in the next section).

Third, it generally pays to be a realist rather than an optimist in the field of portfolio management; therefore, we think it makes sense to favour markets for which expectations are more moderate in 2023 so as to limit the potential impact of negative surprises. Europe might be in a different situation, with the turmoil of 2022 related to geopolitical tensions and the energy crisis effectively providing a soft starting point.

Bottom Line

Equities

We made a few important changes to our geographical mix this month.

As discussed in the previous section, our framework suggests that valuations are elevated for the U.S. stock indexes and that more value can be found elsewhere in the world. It will most likely be hard to avoid a recession in 2023 or, even in an optimistic scenario, a soft patch for economic growth, meaning that expectations for EPS growth need to be moderated.

We also recognize that global equities are deep into a bear market, and that the potential gain from a maximum underweight in equities has become more limited.

We thus are making a tactical shift within equities to a neutral position on Canada, EAFE and EM (via China) while underweighting the U.S. stock market even more. The net impact is that our funds remain defensive, with a slight underweight in equities, but with all the underweight in the U.S. market.

S&P 500

Technical resistance

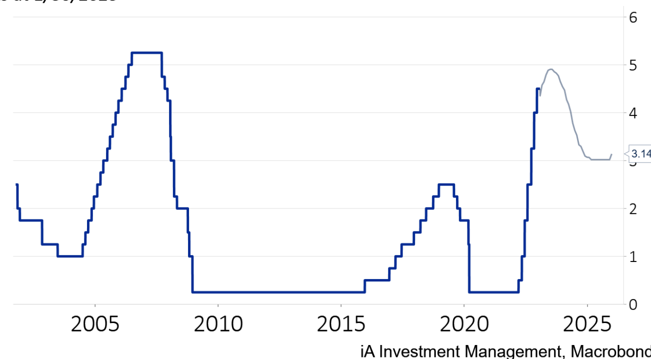
Meanwhile, the rebound in risk sentiment continued to lift the equity indexes in January. Even so, the S&P 500 again hit its head on the resistance line, which still seems to be holding. Of note in January was the outperformance of growth and meme stocks, which were the darlings of retail investors in 2021, as well as a bounce in the most-shorted names, both suggesting that the quality of this rebound may not have been sufficient for a durable advance.

Of particular concern to us is the disconnect between the Federal Reserve's messages and the market's expectations.

First, even though the minutes of the Fed's December 14, 2022, meeting state clearly that "in view of the persistent and unacceptably high level of inflation, several participants commented that historical experience cautioned against prematurely loosening monetary policy", the markets continued to price in about 50 basis points (bps) of rate cuts in the second half of 2022.

Implied Fed Fund Rate

As at 1/30/2023



It is entirely possible that the Fed, bending to market or political pressure, will ease monetary policy before year-end if inflation falls more quickly than expected or if the U.S. economy deteriorates more materially. But our base case is that the Fed will do what it says; in other words, there is potential for volatility in the first half of the year if (or when) investors absorb the Fed's message.

Second, the recent easing of financial conditions also flies in the face of the Fed's intentions to curb inflation with tighter financial conditions. Again, the most recent Fed minutes state that "… an unwarranted easing in financial conditions, especially if driven by a misperception by the public of the Committee's reaction function, would complicate the Committee's efforts to restore price stability." The message is clear: The Fed may have had the market's back for most of the past two decades (the well-known "Fed put"), but we expect central bankers to lean against rebounds in equity prices until their job is done, and once again we note the elevated risks of volatility.

U.S.: Financial Conditions Index
Bloomberg, as at 1/30/2023

Fixed Income

The ebbs and flows of investor sentiment were also beneficial to fixed income, as sovereign yields moved broadly lower across the curve during the month. Notably, the U.S. 10-year yield fell from 3.9% to below 3.4% at mid-month, its lowest level since September 2022.

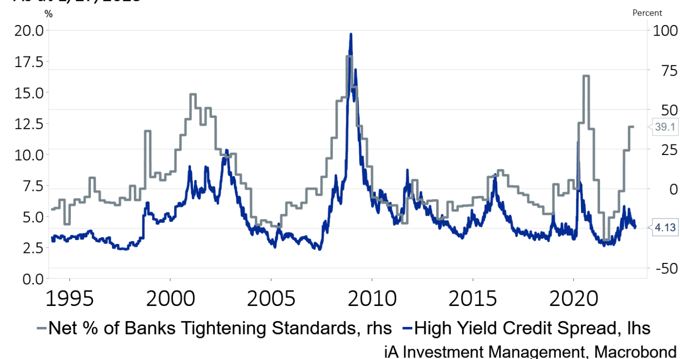
The pricing of terminal rates has also moved slightly lower in North America and Europe, with fading inflationary pressures and a general sense in the markets that maybe central banks can afford to drop their weapons earlier than previously expected. Although we recognize that some progress is apparent on the inflation front, we think it is likely that the Fed will raise rates to 5.0% before pausing, given the still-strong labour market and how far inflation remains from the central bank's target range.

The Bank of Canada did, in fact, announce its intentions to pause its hiking cycle after raising its leading rate in late-January, by 25 bps, to 4.5%. While the bar is high for the governing council to change its mind and tighten its monetary policy further in 2023, the recent strength in the labour market, if it continues, could force its hand into giving it one last go. Our base case is that the Canadian overnight rate stays put at 4.5% through the rest of the year, and that the first rate cut comes at the very end of the year, or at one of the first decision meetings of 2024.

U.S.: 10-Year Rate
As at 1/27/2023

Our positioning continues to reflect our view that sovereign bonds offer attractive returns, given the level of interest rates and the potential for capital gains, if a recession does indeed materialize. We remain overweight fixed income, with a tilt toward long-duration government bonds.

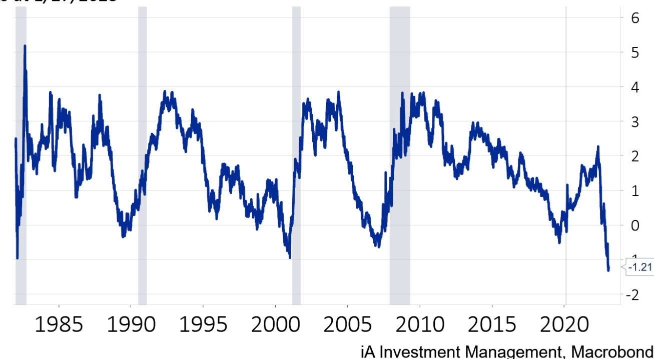
High Yield Spreads vs Bank lending Standards
As at 1/27/2023



In the credit space, we continue to overweight high-quality securities, with a preference for low- duration bonds, whose risk-adjusted payoff is favourable. We are maintaining a negative outlook on high-yield credit, as our basic long-term relationship charts suggest that spreads should be wider, given the banks' lending standards.

Finally, given our expectations that global central banks will stick to their guns and fight inflation to the end, we expect global yield curves to remain mostly inverted, at least in the coming months.

U.S.: 10Y - 3M Government Bond Spread (bps)
As at 1/27/2023



Commodities and FX

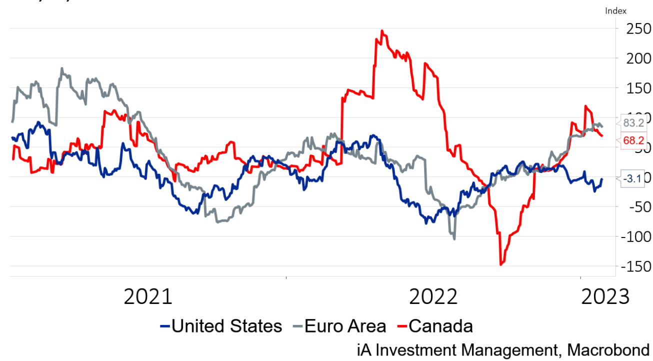
The U.S. dollar's downward move resumed in January, backed by more upbeat risk sentiment and with the accumulation of better economic surprises in Europe lifting the euro. Even though it is too early to call an economic bottom, we have to recognize that the outlook is quickly getting brighter across the pond; mild weather so far this winter is pushing down energy prices, inflation numbers are rapidly improving, and business optimism has shifted abruptly higher in recent months.

We continue to hold an overweight position in the U.S. dollar, as history suggests that it should remain in favour until the ultimate bottom in risk sentiment. That being said, we recognize that the good economic news in Europe and China's reopening are leading to capital flows that could be detrimental to the greenback in the short and long runs. Our

conviction is fading steadily, so we will reassess this position next month.

Economic Surprises: U.S., Canada & EU

As at 1/27/2023



The loonie continued to rally against the greenback in January, which means that our call to move to a neutral stance was not the timeliest. Our models suggest that the Canadian dollar is close to being fairly valued, but that 2023 could be a strong year for the CAD/USD cross rate. We are maintaining a neutral stance for now but expect to adjust our positioning accordingly in the coming months.

Commodity prices again came under pressure in January, especially crude oil in the first half of the month. Our take on oil is still that underinvestment in recent years should limit production growth, and that both WTI and Brent prices are supported by fundamentals and will slowly move higher in the coming years.

We warmed up to gold in January and have decided to move from a neutral stance to a slight overweight. We were vocal in recent months about the need to see the price of gold move along with its fundamentals before we would again consider it a tactical trade, and we think the time is right to get moving with this trade.

Gold Price

New York, USD, as at 1/27/2023

The recent fall in real rates and U.S. dollar weakness have pushed the price of gold above US$1,900 for the first time since April 2022, and the setup seems favourable for further gains. Although it is clearly possible that gold is overbought in the near term, we would most likely use any substantial weakness to add to our position because we expect the greenback to ultimately weaken in the coming year.

Market Performance

(Total return, in local currency)

As of January 31, 2023	MTD%	QTD%	YTD%	Δ1Y%
Equity				
S&P 500	6.3%	6.3%	6.3%	-8.2%
S&P/TSX	7.4%	7.4%	7.4%	1.6%
NASDAQ	10.6%	10.6%	10.6%	-18.9%
MSCI World	6.5%	6.5%	6.5%	-5.9%
MSCI EAFE	6.3%	6.3%	6.3%	2.6%
MSCI EM	6.6%	6.6%	6.6%	-8.0%
Commodities				
Gold	5.7%	5.7%	5.7%	7.3%
CRB	0.4%	0.4%	0.4%	-4.4%
WTI	-1.7%	-1.7%	-1.7%	-10.5%
Fixed Income				
FTSE Canada Universe Bond Index	3.1%	3.1%	3.1%	-5.8%
FTSE Canada Long Term Bond Index	5.5%	5.5%	5.5%	-11.4%
FTSE Canada Corporate Bond Index	3.0%	3.0%	3.0%	-4.4%
Currency				
DXY	-1.4%	-1.4%	-1.4%	5.8%
USDCAD	-1.8%	-1.8%	-1.8%	4.7%
USDEUR	-1.5%	-1.5%	-1.5%	3.4%
USDJPY	-0.8%	-0.8%	-0.8%	13.0%
USDGBP	-1.9%	-1.9%	-1.9%	9.1%

As of January 31, 2023	MTD%	QTD%	YTD%	Δ1Y%
S&P/TSX Sectors				
Financials	8.6%	8.6%	8.6%	-5.4%
Energy	4.5%	4.5%	4.5%	21.0%
Industrials	3.6%	3.6%	3.6%	8.2%
Materials	10.7%	10.7%	10.7%	16.5%
Information Technology	19.5%	19.5%	19.5%	-28.0%
Utilities	3.6%	3.6%	3.6%	-5.3%
Communication Services	5.5%	5.5%	5.5%	1.1%
Consumer Staples	1.9%	1.9%	1.9%	15.2%
Consumer Discretionary	6.4%	6.4%	6.4%	2.0%
Real Estate	10.7%	10.7%	10.7%	-7.8%
Health Care	14.6%	14.6%	14.6%	-51.6%
S&P 500 Sectors				
Information Technology	9.3%	9.3%	9.3%	-16.5%
Health Care	-2.0%	-2.0%	-2.0%	1.5%
Consumer Discretionary	15.0%	15.0%	15.0%	-20.5%
Financials	6.7%	6.7%	6.7%	-6.4%
Communication Services	14.2%	14.2%	14.2%	-27.3%
Industrials	3.7%	3.7%	3.7%	1.1%
Consumer Staples	-1.1%	-1.1%	-1.1%	-2.7%
Energy	2.7%	2.7%	2.7%	37.3%
Utilities	-2.0%	-2.0%	-2.0%	-0.1%
Real Estate	9.9%	9.9%	9.9%	-14.1%
Materials	9.0%	9.0%	9.0%	0.5%

12-Month Market Scenarios (As of February 2023)

Scenario	Description
Baseline (55%)	Global inflation remains persistent but slows down through the year. Inflation rate remains slightly above 3% in most advanced economies by year-end. Central banks continue to tighten in the first half of 2023, before taking a pause mid-year. The first rate cut by the Fed comes in 2024, while the Bank of Canada starts easing by late-2023. Advanced economies enter a shallow recession around mid-2023, but unemployment rates do not rise as much as during the typical recession. China's reopening gives some support to global growth but does not change the overall trajectory. The slowdown is more pronounced in Europe, as fiscal space is limited, giving governments less room to stimulate the economy. The premium on energy prices remains even though the global slowdown puts downward pressure on energy demand, as producers have underinvested in capacity over the last few years. The war in Ukraine, the global droughts and high fertilizer prices continue putting upward pressure on food prices. The bear market in equities continues to its resolution in the form of a capitulation event, with a likely bottom in 2023. Sovereign yield curves remain inverted for most of the year. Long rates have risen substantially and present an interesting value proposition given the growth and monetary policy outlook. **Overweight duration and USD and underweight equities.**
Bearish Sticky Inflation (20%)	Inflation expectations become de-anchored from central bank targets, and leading rates are hiked beyond current market expectations. Central banks keep their leading rates at the terminal level well into 2024. The economic downturn leads to a more material deterioration in unemployment. The recession is deeper in Europe and, with fiscal space being limited, governments have less room to stimulate the economy. The bear market continues but drawdowns are larger. The absolute low for equities moves to 2024. The bond bear market is prolonged as market participants are forced to reprice bonds in the wake of higher terminal rates. **Underweight equities, duration, and fixed income. Overweight cash and USD.**
Bullish Falling Inflation and Pivot (10%)	Inflation returns to target quicker than expected, allowing central banks to start easing in the second half of 2023. Less monetary tightening is necessary overall, and terminal rates are slightly lower than currently expected. Most advanced economies avoid a recession, although we still go through a soft patch. Energy prices are supported by strong demand. Base metal prices enter a new super cycle, given their role in the energy transition. Stock and bond markets rebound as a recession is avoided. **Overweight equities, base metals, and bonds. Underweight cash and USD.**
Other (15%)	Escalation or resolution of the conflict in Ukraine. Resurgence of Covid. Escalation of tensions between China and the US. Faster than expected global economic slowdown.

About iAIM

A magnet for top investment talent, iA Investment Management is one of Canada's largest asset managers, with over $100 billion under management across institutional and retail mandates. We help investors achieve their long-term wealth creation goals through innovative investment solutions designed for today's complex markets. We are building upon our historic success, supporting the growth of our core strengths, and exploring innovative ways to meet investor needs. We are rooted in history and innovating for the future. Our experienced portfolio managers use a proprietary investment methodology, rooted in iAIM's unifying commitment to strong risk management, analytical rigor a disciplined, process-driven approach to asset allocation and security selection.

Rooted in history. Innovating for the future.

General Disclosures The information and opinions contained in this report were prepared by Industrial Alliance Investment Management Inc. ("iAIM"). iAIM is owned by Industrial Alliance Insurance and Financial Services Inc. a subsidiary of iA Financial Corporation Inc. ("iA Financial Corporation"). iA Financial Corporation is a TSX Exchange listed company and as such, iAIM is related to iA Financial Corporation. The opinions, estimates and projections contained in this report are those of iAIM as of the date of this report and are subject to change without notice. iAIM endeavours to ensure that the contents have been compiled or derived from sources that we believe to be reliable and contain information and opinions that are accurate and complete. However, iAIM makes no representations or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. There is no representation, warranty or other assurance that any projections contained in this report will be realized. There is no representation, warranty or other assurance that any projections contained in this report will be realized. The pro forma and estimated financial information contained in this report, if any, is based on certain assumptions and analysis of information available at the time that this information was prepared, which assumptions and analysis may or may not be correct. This report is not to be construed as an offer or solicitation to buy or sell any security. The reader should not rely solely on this report in evaluating whether or not to buy or sell securities of the subject company. The reader should consider whether it is suitable for your particular circumstances and talk to your investment advisor.