TRAPEZE
ASSET MANAGEMENT

THE THEORY OF RELATIVITY

No, not Einstein's theory. But the one that investors use to compare asset classes, as they relate to one another, to find those that are the best relative values.

These days with global growth relatively slow, inflation relatively low, central bankers relatively stimulative, government bonds at relatively (historically) low yields, stocks have been a relatively desirable asset class. U.S. stock markets are near all-time highs, rising smartly after a previous 12% correction. Some three-quarters of S&P 500 companies beat earnings expectations for Q3.

We are dyed-in-the-wool value investors, attracted to temporarily unpopular value stocks that tend to relatively underperform when interest rates are so low and riskier growth equities are preferred. We don't believe that rates will continue to remain this low, and we believe that all the stimulation will tend to improve global growth. And inflation. China, Europe and Japan have all been stimulating. The U.S. Consumer Price Index rose 0.2% in October, the best in several months. In the meantime we seek companies in the undervalued category that have strong balance sheets to survive and to grow.

The strong U.S. dollar has hurt U.S. exports and inflation. U.S. GDP, up a disappointing 2.1% in Q3, is suffering from an inventory correction and an understandable trade deficit from the high dollar. U.S. factory activity grew more slowly in October. We believe these will run their course and with improved U.S. and global growth, and better commodity prices, equities will continue to strengthen, particularly the depressed value stocks including, obviously, the very depressed commodity stocks and neglected smaller cap companies.

We also believe many commodity prices are at or near their lows, that unemployment and wage growth should continue to improve as they recently have, along with improved economic activity (low oil prices alone are stimulative) and that these combined effects should drive corporate earnings and share prices.

Investors, overly concerned about a Fed rate hike, deflation, a seemingly vulnerable stock market and a potential recession, are being cautious and cash on the sidelines is growing along with high short interest. The Fed will likely raise rates nominally in December and the market will likely yawn from its relative insignificance and the fact it's been discounted in the markets. Probably the biggest concern of the Fed is the high dollar relative to other developed country currencies. Its strength may continue and hinder growth and inflation but should help the economies of its trading partners who certainly need help. The U.S. dollar should ultimately weaken and commodity prices should improve. Commodity sentiment is so negative now we are likely near the bottom. Relativity at work.

Even though high price/earnings ratios and profit margins suggest U.S. markets are richly valued, our work does not suggest any bear market approaching soon or an imminent recession. And we see some extraordinary value opportunities in some unpopular areas. Stocks remain the asset of choice relative to bonds. Though retail sales are barely growing, consumer spending should improve. In China too, where fiscal and monetary stimulation is the order of the day. China's new two-child policy should stimulate consumer spending—on diapers for sure.

The renowned economist Milton Friedman said, "Inflation is always and everywhere a monetary phenomenon." Well, monetary growth is strong and high debt levels are the order of the day—everywhere. The U.S. government debt is a whopping $18.5 trillion. By way of example, Brazil and Russia, both in recession, are enduring considerably high inflation.

Commodity prices are sitting at floors while the U.S. dollar is at the top of a ceiling. Unless we are entering a global deflationary slowdown, today's extremes should reverse. Gold, oil, copper and other commodities have fallen to their respective global average all-in costs of production. This has depressed resource heavy Canadian stock markets, particularly the junior ones, with the Venture Exchange Index now at an all-time low. Logic would dictate that the supply/demand influences should normalize commodity prices and that resource stocks have also likely seen their lows.

The U.S. market is fully valued though growing earnings and dividends should continue to provide an upward bias to the markets. And already bearish investor sentiment is also supportive of a market that should only endure normal corrections until the next recession. A recovery in commodity prices would also help support the overall stock market.

Our All Cap Portfolios – Key Holdings

Our All Cap portfolios combine selections from our large cap strategy (Global Insight) with our best small and medium cap ideas. We generally prefer large cap companies for their superior liquidity and lower volatility. Importantly, they tend to recover back to their fair values much faster than smaller stocks, so they can be traded more frequently for enhanced returns. We continue to increase our large cap weighting. However, our small cap positions are cheaper, trading far below our fair value estimates, and therefore our All Cap portfolios still hold a significant position in small caps.

Our small cap holdings have remained extremely undervalued, mostly attributable to the extended commodity bear market. Now that gold and oil prices are trading at or below the all-in cost of production, a rebound should not be far off. Most of the oil producers and gold producers globally have all-in sustaining costs above today's low oil and gold prices. Normally, these commodities trade at a 30-40% premium to the industries' average all-in costs. Although we've witnessed prices below industry costs in the past, it's usually during periods of great economic dislocation and, even still, those periods are short-lived—typically lasting only several months.

Meanwhile, each of our small company holdings has recently had, or is about to have, a major positive transformational event which should assist in lifting their respective fair market values (FMVs). Although these smaller, less liquid holdings, are potentially more volatile, the risk of permanent impairment appears minimal while upside potential remains high. We elaborate on these key holdings below.

Specialty Foods Group, a shareholding in a private company held in our taxable accounts, has been preparing to liquidate its assets through a wind-down. The company has placed $40 million (of its more than $50 million cash) in trust, earmarked to be distributed to stakeholders. It has a remaining business line which is performing very well. The approval of the wind-down plan, including the distribution of cash held in trust and the sale of the remaining business and distribution of its proceeds, requires Board approval and the complicated corporate organization structure needs to be unwound. We expect a partial return of capital from the existing cash in the next few months with further distributions thereafter, though the timing and amounts remain uncertain. Our current carrying value is based on a third party valuation as at June 30 and, in our view, there still remains upside to our carrying value, mostly dependent on the sale value of the remaining business.

Orca Exploration finalized its agreement with the IFC (an arm of the World Bank). The company can now draw on up to $60 million if needed. Though, Orca's needs may have diminished as it has now reworked 2 key wells successfully and a third is underway and the costs are significantly below original estimates. The development work significantly boosts Orca's deliverability and a production boost should follow over the next 12 months. The country's new pipeline is now operational. Orca still provides nearly all of the natural gas to the country and given the droughts and agricultural requirements, hydroelectricity should no longer be a competing source of power. And the addition of new power plants powered by natural gas will materially boost demand in the region.

The World Bank has also been providing aid to the government allowing TANESCO, the national power utility and Orca's primary customer, to meet its current obligations to Orca. We still expect Orca to receive all its arrears too. Orca's cash (it has no debt) and funds still owed by TANESCO, net of payables, amount to about 75% of the entire share price. With an estimated reserve value of over $11 per share, the combined value is about 4 times the share price. The country reelected the incumbent party, though with a new President committed to stemming corruption and increasing efficiency. We believe the new government officials will now work expeditiously to bring Orca's dearly needed gas to market.

St Andrew Goldfields recently entered into an agreement to be acquired in a share exchange by Kirkland Lake Gold. The deal was done at a 46% premium to both companies' 20-day volume-weighted average price, allowing St Andrew to trade closer to its FMV. Since Kirkland is also undervalued, in our view, there remains healthy upside. Kirkland is amongst the highest grade gold miners in the world. Given its proximity to St Andrew, it was a natural fit to combine these two companies in the Timmins/Kirkland Lake camps. The combined company should produce around 300,000 ounces in 2016, making Kirkland an intermediate producer which should trade closer to its net asset value. We expect the company to deliver significant free cash flow enabling it to pull harder at each entity's respective land packages. Kirkland has had excellent ultra high-grade exploration results recently and St Andrew brings along its 120 km expansive land package with many regional drill targets. The combined company is worth about $0.60 in St Andrew share terms in our estimate, even at today's gold price, providing good upside potential. Once gold prices rise back to normal—at a reasonable premium to the industry all-in average cost of production, in line with the marginal cost of production—there should be even more upside.

Dynacor Gold Mines has had a couple of poor quarters. The gold price decline is reducing Dynacor's profitability as grades are falling. Even though output remains stable, costs are somewhat out of line with expected volumes. Offsetting the recent weakness in earnings is the anticipation of the new mill completion in early 2016 which should lift earnings power significantly. The company has been a miller of gold, not a miner, which leaves it less susceptible to bullion price movements; however, the recent gold declines have reduced industry production and the existing mill is a multi-hour drive through the mountains for most ore suppliers. The new mill, which is right on the main highway, should be more accessible to suppliers and should lower costs as well. Furthermore, the results from the company's own exploration properties have been supportive of Dynacor either being able to justify its own viable mine or creating value from the joint venturing or outright sale of these properties. An NI 43-101 report delineating an initial resource is expected in the first half of '16. We anticipate serious interest from other majors in the area in Dynacor's potential mine(s). Our view of the FMV is over double the share price, without any potential value from the exploration property—Tumipampa.

Enerdynamic Hybrid Technologies (EHT) is an income position—a secured debenture. The bond yields 18% and matures in less than 2 years, though we believe it will be redeemed by the company early next year. EHT is a manufacturer of prefab structures whose buildings can also be outfitted with the company's solar and wind systems. The company remains on track to generate substantial profits over the next 12 months and stands to win contracts for schools, housing, health care centers and military shelters from various jurisdictions around the world. EHT announced a major contract win in Africa in August and more should follow shortly. The debenture's healthy coupon attracted us along with the security feature—a $20 million dollar debenture secured by over $40 million in existing assets.

Both *Manitok Energy* and *Corridor Resources* have dropped out of our top 10 All Cap holdings primarily because of material weakness in their share prices.

Manitok's lender, the National Bank, asked the company to repay about $35 million of its outstanding approximate $66 million of debt by next spring—apparently the bank is reducing its overall exposure to the sector. This request, along with another setback in oil and gas prices, led to a considerable decline in the share price as investors have assumed the company is imperiled. We do not believe this is the case. The company should be able to refinance its debt in order to comply with the bank's request. Even though equity dilution will likely accompany such a refinancing, the net asset value should still be much higher than the heavily depressed share price. We had purchased additional shares in the company's issue in May as they were completing the Wayne acquisition. We did not anticipate the bank calling part of Manitok's loan, especially where no covenants have been breached. Most importantly, the company's wells should be highly profitable even at low oil prices. And, after the latest acquisition, the company has about 300 drilling locations which should provide for years of growth.

Corridor's share price has declined quite a bit as well. In its case, there has not been a specific announcement that has affected the price but rather a continued drift downward given the moratorium for fracking is still in place in New Brunswick and the continued overall weakness in the junior resource market. Meanwhile, a few positive industry studies have emerged regarding fracking and we hope the temporary ban is lifted by the Province shortly. The core samples at Anticosti Island, QC, have been as good as, or better than expected, and the first actual wells will be drilled next summer. Our analysis continues to arrive at a value for the company that is multiples of the share price. The McCully Field alone, along with the company's net cash balance, justifies a substantially higher value, without the highly prospective Frederick Brook, Anticosti and Old Harry projects.

Our top holdings in our All Cap portfolios also include large caps *Hershey Foods*, *Softbank*, *Jacob's Engineering*, *Berkshire Hathaway* and *MetLife* which are discussed below in our Global Insight portfolio review.

Our All Cap Portfolios – Portfolio Changes

In the last few months we added new positions in *Jacob's Engineering*, *Goldman Sachs*, *Power Financial*, *Bank of Montreal*, *McKesson* and *Whole Foods Market*—all summarized in our Global Insight portfolio review below. We sold AIG, Intel and Celanese—after buying them in late August—after each ran up to TRAC™ ceilings, in line with our FMVs. We sold each of Honda Motor, Leucadia National, National Bank of Canada and Technip, as all triggered sell signals falling below their respective floors or inflecting down from ceilings.

Global Insight (Large Cap) Portfolios – Key Holdings

Through October 31, our Global Insight Long/Short composite (our large cap portfolios) is up 2% (USD) and 12% (CAD) annualized since inception June 1, 2012, net of all fees. A complete description of the Global Insight Model is available on our website. Our target for our large cap positions is more than a 20% return per year over a 2-year period, though many may rise toward our FMV estimates sooner should the market react to their undervaluations sooner. Or some may be eliminated sooner if they decline and breach TRAC™ floors. Since inception, our long positions have performed well. The gains on our "longs" have annualized at 9% in USD and 17% in CAD. The overall performance has been inhibited by risk management tools utilized (cash, shorts, puts) and losses from resource sector positions.

At less than 70 cents-on-the-dollar versus our FMV estimates, our Global Insight holdings appear to be the cheapest, in aggregate, since we began the large cap only model over 3 years ago.

Fiat Chrysler Automobiles continues to be our largest position. With the Ferrari IPO completed, we believe profit margins and financial deleveraging are next to be addressed. The recently reported Q3 results came in ahead of estimates with revenue 3% above consensus and EBIT 18% above estimates. CEO, Sergio Marchionne, insists the recent slowdowns in China and Brazil have not impacted the company's medium-term targets. We continue to value shares of Fiat at $18.

SAP SE, the world's largest provider of enterprise software and software-related services, continues to perform well. We have long held the belief that SAP's cloud and SaaS vision is more focused than its competitors. Q3 results only served to reaffirm our view with revenue from cloud solutions up 116%. We have revised our FMV estimate up to €80.

Hershey, the confectionary giant, recently reported a mixed quarter. Despite slowing revenue, earnings beat estimates by 3% thanks to greater than expected margin expansion. However, the company reduced its sales growth outlook and lowered its full-year earnings guidance. The U.S. market was blamed. Management noted weaker candy, mint, and gum trends due to a mix of Halloween shipment timing and lower-margin snacks. Given the company's high return on capital we look forward to the potential reinvestment opportunities in 2016, even at the expense of near-term earnings per share. We continue to estimate a $105 FMV to the shares.

CST Brands, the convenience store and gas station chain, continues to execute on its plan to accelerate location growth while focusing on high margin convenience store offerings. The company's recently reported quarterly results were materially ahead of our expectations with earnings per share 33% above consensus. We calculate the sum-of-the-parts value above $45 per share.

Coming interest rate hikes should boost the earnings of insurers *Prudential* and *MetLife*. We continue to be impressed with the operating performance of both insurers despite record low interest rates, a tough regulatory environment, and volatile financial markets. Prudential trades close to our estimated $95 per share FMV. MetLife, on the other hand, trades at a 20% discount to our $60 estimated FMV.

Beyond its undervaluation, there continues to be plenty that is noteworthy regarding *General Motors*. The company's recently reported quarter had record unit sales in China and the company enjoyed an 18.2% North American market share in October. Additionally, the company's longstanding target of 10% EBIT by 2016 appears to be a full year ahead of schedule. Additionally, the recent scandal at Volkswagen may help GM in China, its most important market. Our fair value estimate is $46 per share.

Berkshire Hathaway continues to add to its captive owned company segment. The recent $32 billion Precision Castparts acquisition should prove accretive to 2016 earnings. Importantly, this illustrates the continued shift to direct ownership of high quality businesses. The stock picking expertise of Buffett and Munger is no longer the thesis as the 100% owned insurance, rail and other first class assets now make up the majority of our valuation estimate, which is above $250,000 per Class A share and rising.

Shares of construction services company *Jacobs Engineering* have declined by more than 40% since the beginning of 2014. Its poor performance has come as many of its end markets—energy and mining in particular—continue to experience challenging times. At our purchase price of approximately $40, we felt the risk/reward was in our favor. In response to the environment, Jacobs has initiated a comprehensive overhead cost reduction program expected to yield savings of up to $160 million. Furthermore, it has authorized a $500 million share buyback program. Our valuation model, assuming only modest growth over the next few years to reflect the challenging environment, yields an FMV estimate of $50.

Goldman Sachs, the preeminent investment banking franchise in the world, was added to the portfolio during the quarter. We see return on tangible common equity hovering between 11% and 12%. Our $200 FMV estimate equates to approximately 11x expected 2017 earnings per share.

Global Insight (Large Cap) Portfolios – Portfolio Changes

In the last few months we added new positions in *American Express, IBM, Syngenta AG, Porsche Automobil, Sumitomo, Goldman Sachs, Jacob's Engineering, Xerox, Bank of Montreal, Whole Foods Market, McKesson, Bed Bath & Beyond* and *Biogen*—all summarized here. We sold AIG, Intel and Celanese—after buying the latter two in late August—after each ran up to TRAC™ ceilings, in line with our FMVs. We sold each of Honda Motor, Leucadia National, National Bank of Canada, Owens-Illinois, Twenty First Century Fox, Priceline.com, First Quantum Minerals and Technip, as all triggered sell signals falling below their respective floors or inflecting down from ceilings.

In the period, new additions—all at TRAC™ floors and at least 20% below our FMV estimates—include the companies detailed below.

American Express, the credit card provider and payment processor, presented an interesting opportunity following the loss of its customer Costco. This is a high quality franchise that we believe can return to mid single-digit revenue growth and low double-digit earnings per share growth. Offered below a market multiple, while producing a sustainable 25% return on equity (ROE) and expected to grow earnings per share by more than 10% in 2017, the shares appear significantly mispriced. Our FMV estimate is $90.

We repurchased *IBM* during the quarter after it fell more than 15% subsequent to its Q2 earnings release. IBM is a maligned stock for several reasons: flat revenue growth, persistent revenue recognition investigations, and reliance on financial engineering (i.e., share buybacks) for bottom line growth. That said, we believe these issues are more than priced in. In fact, at just 9x estimated '16 earnings, the stock market's expectation is for indefinite *negative* growth. While revenue growth may be elusive in the short term, digging deeper, long-term growth initiatives are underway. Cloud and data analytics, a part of IBM's "strategic imperatives" group, generate over $24 billion in sales and are growing at 60% and 7%, respectively. Backing up these new initiatives is a healthy services backlog and workhorse enterprise business. Our FMV estimate is $160, or 10.5x 2016 estimated EPS.

During the quarter we purchased shares of leading agricultural company *Syngenta AG*. In May, Monsanto approached Syngenta with a $46 billion bid only to drop it in August after being rejected by Syngenta's Board. Syngenta's shares quickly fell to their pre-bid level of around CHF300. While Monsanto's bid disappeared, the value of Syngenta's business remained unchanged yet the share price declined. We took advantage of the opportunity to buy shares that we felt had a fair value of close to CHF400. Rumors about new suitors—and even Monsanto returning—have pushed shares close to their May highs. Should Syngenta's shares inch close to CHF400 we will look to redeploy our funds into a more attractive opportunity rather than wait for a suitor to materialize.

Our timing could not have been worse for our purchase of *Porsche Automobil Holding SE* shares. Over the last few years the German auto manufacturers have been good investments, despite a falling euro. After we exited our Volkswagen position earlier this year, we were eager to repurchase shares after they fell to around the €150 level. However, rather than reinvest in Volkswagen, we turned our attention to Porsche, Volkswagen's majority shareholder. At the time, shares of Porsche were under pressure as the company faced a variety of lawsuits dating back to its failed attempt to acquire 100% of Volkswagen in 2008. We believed that the legal costs were quantifiable and the company's shares were undervalued on a sum-of-the-parts basis. Unbeknownst to us—and the whole world—Volkswagen was engaged in a global scheme to conceal the true emissions of its diesel engines. We have revised our FMV for Porsche which is dependent upon the cost for Volkswagen to fix the roughly 11 million cars around the world that have so-called "defeat devices" installed. We have assumed around €25 billion in total scandal-related costs which translates to an estimated FMV of €50 for Porsche. Good news has just emerged though as Volkswagen revealed most European diesel cars will only require a 30-minute software update (some models will also require a new air filter). Given the share price has risen, we are likely to part with our shares soon unless we see more evidence that the cost to fix the outstanding cars is materially lower than our base-case estimate.

With the collapse of all commodity prices, all eyes are on *Sumitomo's* nickel, iron ore, and energy assets. This Japanese conglomerate has already written down the value of its commodity-related assets, such as its exposure to Miceraro Usiminas (Brazilian iron ore mines), with further impairments expected to be recorded over the next year. Not surprisingly, shares have been under pressure with such ugly headlines. However, resource businesses make up less than 20% of its earnings. In fact, the other 80% of Sumitomo's earnings—generated from its media, lifestyle, and real estate assets—is doing just fine, with total adjusted profits for the first six-months of 2015 rising 4% over last year. Our sum-of-the-parts value is ¥1,600, with upside should commodity prices recover.

Xerox is a leading provider of business process and documents outsourcing. Until recently we remained concerned with the overall portfolio management of the two operating segments while we justified the undervaluation on management's somewhat poor execution. However, the company recently announced a strategic review of its Health Enterprise division. We believe this is an important first step and we envision further divisional reviews, hopefully one that includes the entire Business Process Outsourcing division. Without major margin improvements we value shares of Xerox at $12.

Typically you won't find us owning any of the Canadian banks as there are usually more compelling opportunities in our global large cap universe. Currently we own two: Bank of Nova Scotia, and newly acquired *Bank of Montreal*. Canadian banks have been hit hard over the last year over concerns about the Canadian economy, stricter regulatory requirements and outstanding loans to resource companies. We do believe the group's ROE has been permanently downshifted due to higher capital requirements. However, the recent correction drove bank stocks too far below our estimate of their fair values even factoring in the new ROE paradigm. Our FMV estimate for Bank of Montreal is $85.

Whole Foods Market, the organic focused grocer, recently posted a deterioration in its comparable store sales growth (-0.2% for the quarter) and marginally reduced its square footage growth target. The company's earnings per share missed estimates, driven by price investments which negatively impacted gross margins. Trading in-line with other grocers, these negatives are well understood and the share price barely budged. We believe several initiatives are misunderstood and should turn into positive free cash flow momentum in the coming quarters. Namely, management's increased spending plans—marketing and smaller store launches—combined with cost cutting initiatives should address competitive threats. We believe the company will return to past margin levels over the coming years which helps form the basis for our $38 FMV estimate.

McKesson is the largest amongst the three player U.S. pharmaceutical distributors. The industry enjoys significant barriers to entry, as size and scale of network are paramount. With the recent Walgreens Boots Alliance bid for Rite Aid, which accelerated the share price weakness of McKesson, we took notice and initiated a position. Even if Rite Aid is acquired, a big 'if' due to competitive issues, McKesson stands to lose less than 10% of its net income. Because of the ongoing client attrition and Rite Aid headlines, the market appears to have overlooked potential flow through of generic pricing to McKesson's income statement and added synergies from recent acquisitions. We estimate McKesson's value at $220, even assuming the Rite Aid contract is completely lost.

Home furnishing leader *Bed Bath & Beyond* should benefit from operating leverage over the next few years as heightened e-commerce investments ease while the company's online penetration expands. We see a material runway for e-commerce sales as the channel only accounts for 12% of total sales today, up by 25% year-over-year. In addition to offering mid-to-high single-digit revenue growth, the company continues to return capital to shareholders via share repurchases. Our FMV estimate is $70.

Shares of biotechnology giant *Biogen* offered an attractive opportunity recently as investors focused on the known short-term growth challenges. We are looking past the third-party payer and patent concerns and expect Biogen to resume mid-to-high single-digit growth in the medium term. We believe the core patent protected portfolio is worth $215 per share while the company's net cash balance sits at $18 per share. The robust brain disease pipeline is top tier and could be worth over $150 per share. We value the company at $380.

Income Holdings

The 10-year U.S. government bond yield is 2.2%. Rates remain low, held back by the slow growth environment, high U.S. dollar and disinflation. Higher rates are likely soon though. High-yield corporate bond yields have now risen to 8.1%. And, high-yield bonds remain in a bear market—TRIM™, our indicator of momentum, gave a sell signal last December. Because of the spectre of rising rates, particularly in high-yield securities, and a dearth of attractive opportunities, we have essentially been inactive, purchasing just one position in the last 6 months. We continue to explore for opportunities, both via screening and our network of contacts, and patiently await better risk/reward parameters.

We continue to hold a number of undervalued income positions and we collect outsized interest income on these positions due to the depressed prices. Our income holdings have an average current annual yield (income we receive as a percent of current market value of income securities held) of about 9%.

Of note, regarding our top income holdings: *Specialty Foods*, now an equity holding of a private company, held only in our taxable income accounts, is expected to return capital to us in the months ahead (see the reference under All Cap holdings above); *Sun Product* bonds (a private company held only in our taxable accounts) has solid earnings from its consumer staple business; *JAKKS Pacific's* convertible bonds may benefit from the possibility of a buyout; *Advantex Marketing* debentures remain secured by the company's asset base; *Ruby Tuesday's* bonds are well covered by underlying real estate; *Telecom Systems* has increased in value as the company is exploring strategic alternatives for enhancing value; *Enerdynamic Hybrid Technologies* should have a material earnings lift from new contracts; *Brookfield Real Estate Services* continues to earn from the steady royalties based on the increasing number of real estate agents in its network; *IBI Group* has benefited from the recent equity issue solidifying the bonds; *Northwest International Healthcare Properties REIT* bonds are underpinned by a stable income stream.

Relativity

For some years now global growth has been relatively slow and stimulus has been the order of the day for governments and central banks everywhere. The U.S. economy is finally picking up somewhat with better consumer spending and savings levels, a strengthening housing market, unemployment at a healthy 5% and wage rates improving. The recent terrorist tragedy in Paris and threats elsewhere have created travel alerts which will no doubt affect tourism. But Europe appears to be improving somewhat too, and more stimulus there seems to be forthcoming with a view also to lower the euro. The IMF is now forecasting a relatively improved 3.6% global GDP growth rate for next year. While Brazil and Russia may be in recession, China and India are still growing smartly.

In keeping with the theme of showing how assets and economic conditions and interest rates and inflation expectations and central bank accommodation are all relative to one another, we believe we have nearly exhausted the word "relative". And that's coming from two relatives.

Herbert Abramson and
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