Third Quarter Review

GLOBAL EQUITY AND CUMBERLAND INTERNATIONAL FUND STRATEGIES

After generating very robust returns during the second quarter, global equity markets continued to climb higher in the third quarter. The key factors that drove stocks higher included improving economic conditions and massive amounts of stimulus provided by central banks around the world. As Q4 gets underway and as we look ahead to next year, the key forces that will impact the stock market include the economy, government stimulus, the US Presidential Election, and COVID-19.

Market Review

During the third quarter, most global stock markets were in positive territory, although there was a wide variance in the returns across geographic regions and industry sectors. Returns were strong in the United States and the Emerging Markets, but returns were more muted in Europe. In the US, the S&P 500 was up by nearly 9% and the Nasdaq was up by more than 11%. The MSCI Emerging Markets Index was up 9.6% led by strong returns in China and India. Meanwhile, the Stoxx 600 index in Europe was only up 0.6% and was pressured by negative returns across France, Spain, and the United Kingdom.

The returns for the S&P 500 during the third quarter were led by cyclical sectors with double digit percentage gains across the following sectors: Consumer Discretionary, Materials, Industrials, and Information Technology. The Energy sector and the Financial Services sector continued to be laggards with returns of -19.7% and +4.5%, respectively, during the third quarter.

Portfolio Review

The Global strategy outperformed its benchmark during the third quarter of 2020. Significant contributors to performance included Nike, Thermo-Fisher Scientific, Abbott Labs, Taiwan Semiconductor, Alibaba, and DSV Panalpina. The key detractors from performance included Baxter International, Becton Dickinson, Coloplast, and PT Bank Central Asia.

The International strategy also outperformed its benchmark during the third quarter of 2020. Significant contributors to performance included Sika, Teleperformance, Geberit, Taiwan Semiconductor, Alibaba, and DSV Panalpina. The key detractors from performance included Kao, Safran, Roche, and Coloplast.

During the second quarter, we initiated a new position in Mastercard in the Global strategy.

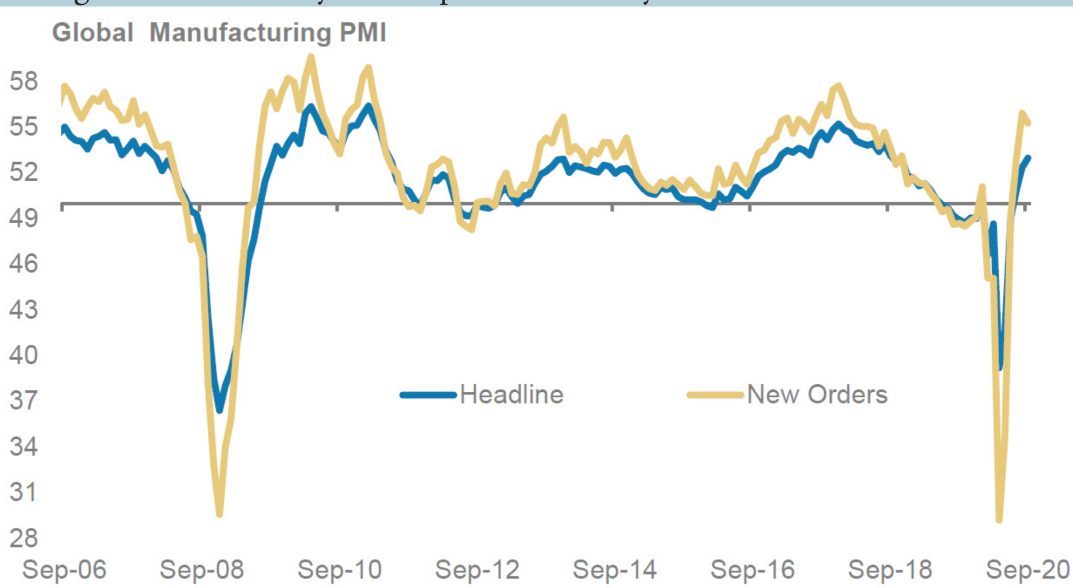
Mastercard is a global card network and the second-largest player in the industry ranked by market share. Within the payments industry, Mastercard acts as a middleman, utilizing its network capabilities and infrastructure to facilitate the authorization, clearance, and settlement of worldwide payment transactions. The company earns revenues by collecting fees based on the number and dollar value of the transactions it helps facilitate. Importantly, Mastercard does not take on credit risk given that it does not issue credit cards nor does it make any loans to consumers or businesses. Mastercard is a high quality business benefiting from the structural shift of payments away from cash to mobile, online, and contactless transactions. Mastercard has a global platform and is especially well positioned to grow given that the opportunity in payments is greatest in international markets. In many parts of Europe and Asia 25-50% of payments are still made through cash & cheques. In Latin America and Africa, there are many countries where more than 50% of payments are still made in cash & cheques. Looking ahead, Mastercard is seeking to build on its success within consumer payments as it branches out to business-to-business transactions (B2B). B2B payments could provide a tremendous growth opportunity over the next several decades with Mastercard management estimating the B2B opportunity at more than $120 trillion in annual volume. We are confident in the management team's ability to navigate and execute on this exciting opportunity.

Outlook

As we look to the future, we are monitoring several factors that will help determine the direction of global equity markets.

The global economy continues to recover from the severe downturn that transpired earlier this year as COVID-19 led to a shutdown throughout many parts of the world. As seen in the chart below, the Global Manufacturing Purchasing Managers Index (PMI) continues to grind higher. During the month of September, the Global Manufacturing PMI increased to 53.0 from 52.4 in August. This marks a further continuation of the sharp bounce-back in manufacturing activity that has been in place since May. While the increase in activity was broad-based, it was particularly pronounced in Emerging Markets. This is encouraging given the economic weakness that has prevailed across many emerging markets in recent years. Furthermore, the ratio of new orders to inventories has reached a level that is comparable to the previous cycle high that was established in 2017.

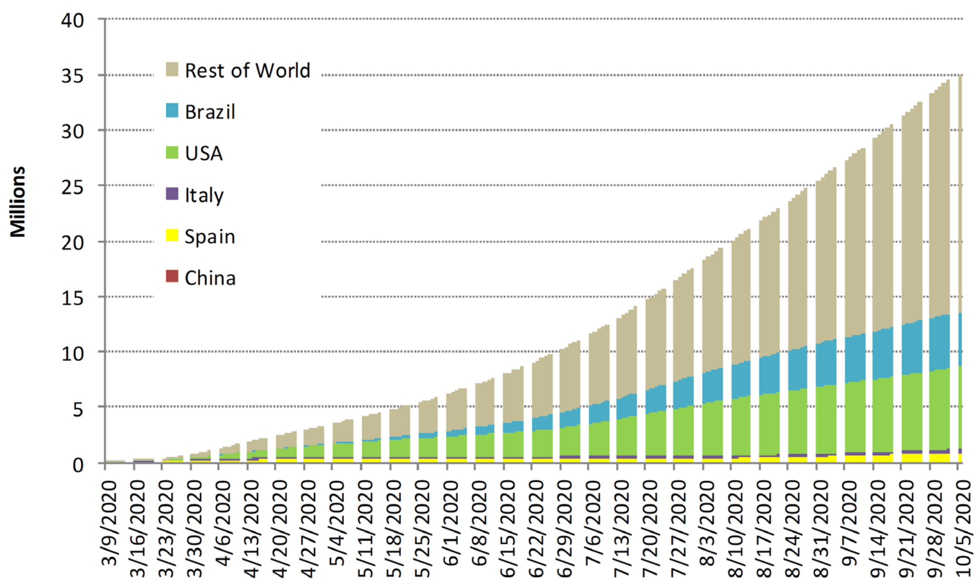
Global PMI Update- October 2020
Making Further Headway into Expansion Territoy



Source: Markit, Haver Analytics, IMF, national sources, Morgan Stanley Research. Note: Prior to Apr 11, Canada, Indonesia & Colombia are excluded from Global aggregate due to lack of data . Korea and Taiwan are excluded from all charts in this publication due to unavailability of the September 2020 data.

With regard to the coronavirus, the number of global cases continues to rise as seen in the chart below. COVID-19 cases have recently spiked close to home in both Ontario and New York, as well as overseas with several countries across Europe experiencing a resurgence in COVID-19 cases. Some countries such as Albania, Bulgaria, and Czech Republic, are seeing higher case numbers than earlier in the year. France, the UK, Poland, the Netherlands, and Spain appear to be dealing with the much-feared second wave and have started taking action to curb it. And less than a week after reopening, schools in some New York City neighborhoods will close as the city tries to get ahead of a worrisome spread of COVID-19.

Distribution of Known COVID-19 Cases



Source: Bloomberg News, OAM Reseach calculations

The upcoming US presidential election is shaping up to be one of the most contentious and consequential in modern history. There is a wide range of outcomes in terms of potential policy changes, all of which will have implications for the growth of the economy and the performance of the stock market.

Over the last few months there has been a lot of anxiety regarding the uncertainty and the volatility that could result from a contested US election. In the days that followed the Presidential debate, Joe Biden widened his lead in the polls. This has given rise to more discussion about what a Democratic victory could mean for the economy and the stock market. A victory by Joe Biden is often associated with concerns over higher corporate taxes, although some of the strategists at JPMorgan appear to be less concerned about this. In a recent note, JPMorgan strategists pointed out that Biden made his tax-hike proposals in a very different world without the virus and he will likely view things differently today. The strategists believe that tax increases will likely be watered down with Biden placing more focus on a business recovery and job growth.

There is a long-standing view that Democrats are bad for the economy and therefore bad for the stock market. As Joe Biden's lead has widened, there has been more speculation about the possibility of a Presidential sweep should the Democrats win both the White House and Congress. If this scenario materializes, conventional wisdom suggests that it would increase the odds of Biden's tax increases. But does it imply poor returns for the stock market? If history is used as a guide, investors should not get too alarmed about this. According to LPL Financial, the S&P 500 has been higher 9 of the past 10 times and 15 of the past 18 times Democrats controlled both the White House and Congress. And the stock market returns have been very respectable over the last 70 years when Democrats have controlled both the White House and Congress. As seen in the chart below the S&P 500 has increased by 13.2% annually, on average, under this scenario. At the end of the day the possibility of a Democratic sweep should not be at the top of the list of worries for investors.

Should a Democratic Sweep Scare Markets? Probably Not

S&P 500 Index Returns When Democrats Controlled The White House and Congress

Year	President	S&P 500 Index Return
1951	Harry Truman	23.7%
1952	Harry Truman	18.2%
1961	John F. Kennedy	26.6%
1962	John F. Kennedy	-8.8%
1963	John F. Kennedy/Lyndon B. Johnson	22.6%
1964	Lyndon B. Johnson	16.4%
1965	Lyndon B. Johnson	12.4%
1966	Lyndon B. Johnson	-10.0%
1967	Lyndon B. Johnson	23.8%
1968	Lyndon B. Johnson	10.8%
1977	Jimmy Carter	-7.0%
1978	Jimmy Carter	6.5%
1979	Jimmy Carter	18.5%
1980	Jimmy Carter	31.7%
1993	Bill Clinton	10.0%
1994	Bill Clinton	1.3%
2009	Barrack Obama	25.9%
2010	Barrack Obama	14.8%
	Average	13.2%
	Median	15.6%
	% Positive	83.3%

Source: LPL Research, FactSet 07/14/2020 (1950-Current)
All indexes are unmanaged and cannot be invested indto directly. Past performance is no guarantee of future results

As we look ahead to next year, we hold a cautiously optimistic view as we believe the global economy will continue on the path to recovery. While there will periodic bouts of volatility, we believe the building blocks are in place for a global economic recovery.

Phil D'Iorio
Lead Manager,
Cumberland* Global and International Equities
October 6, 2020

*Cumberland refers to Cumberland Private Wealth Management Inc. (CPWM) and Cumberland Investment Counsel Inc. (CIC). CIC acts as sub-advisor to certain CPWM investment mandates including the CPWM Global and International mandates with Phil D'Iorio as its lead Portfolio Manager. Phil D'Iorio is a Portfolio Manager at CIC.

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