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Buy-rated companies mentioned in this report:

- **Microsoft** (MSFT; \$219.66)
- **Paypal** (PYPL; \$204.45)
- **Dollarama** (DOL.TO; C\$51.13)
- **Alphabet** (GOOGL; \$1,567.70)
- **Abbott Labs** (ABT; \$109.67)
- **Zoetis** (ZTS; \$163.55)
- **United Parcel Service** (UPS; \$174.44)
- **CAE** (CAE.TO; C\$21.24)
- **Mondelez** (MDLZ; \$57.97)
- **Intact Financial** (IFC.TO; C\$144.50)
- **Fortis** (FTS.TO; C\$54.59)
- **Suncor** (SU.TO; C\$15.67)

Source: Reuters. Prices and opinion ratings as of market close 10/16/20 and subject to change.

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As the economy gradually recovers and effective treatments and vaccines for COVID-19 begin to emerge, investors are looking ahead to a post-pandemic world. While many aspects of life and the economy will be the same, some things will certainly be different. It will not be the old normal, but a new normal, with a reshaped economy and some new habits for consumers and businesses. Trends that were in place prior to the pandemic, like online shopping, have seen accelerated growth that is not likely to wane. New trends have also emerged like working from home and increasing pet ownership. In addition, many activities that came to a halt or slowed during the pandemic, such as dining out, travel and leisure, are likely to recover when vaccines emerge. We think there are attractive investment opportunities within these changing trends.

**Technology:** We believe technology companies will continue to benefit from the adoption of digital services. We recommend **Microsoft (MSFT)** and **PayPal (PYPL)**.

**Consumer Discretionary:** We believe Canadian consumers will continue looking for value, and thus we recommend shares of **Dollarama (DOL.TO)**.

**Communication Services:** As people spend more time at home, they are spending more time online. We believe **Alphabet (GOOGL)** will benefit.

**Health Care:** The pandemic has not only impacted human health, but has also impacted the amount of spending on pet health care. We believe **Abbott Labs (ABT)** and **Zoetis (ZTS)** are positioned to benefit.

**Industrials:** We believe growth in e-commerce will drive demand for freight and logistics services, benefiting Buy-rated **United Parcel Service (UPS)**. As air travel recovers, **CAE (CAE.TO)** is positioned to benefit.

**Consumer Staples:** The consumer staples sector has seen a notable shift to online grocery shopping due to the pandemic. We recommend **Mondelez (MDLZ)**.

**Financial Services:** The pandemic has significantly impacted the financial services sector. We recommend **Intact Financial (IFC)**, a property & casualty insurer.

**Utilities:** We expect that the earnings impact of declines in commercial and industrial sales will be largely offset by cost cutting and increases in residential sales as many customers work from home. We recommend **Fortis (FTS.TO)**.

**Energy:** The energy sector is likely to experience negative ramifications from the COVID-19 pandemic from potential permanent oil-demand loss. We think **Suncor (SU.TO)** is positioned to weather the storm.

## Technology

In our view, the shift to all things digital will continue and drive most of the growth in the technology sector. We believe consumers and businesses alike will continue to adopt digital services such as digital payments, online shopping, video conferencing and cloud services. While the growth rate in this trend could slow as things return to normal, we believe digital adoption will still be at the forefront and continue to take share from nondigital alternatives.

Within the technology sector, we believe **Microsoft (MSFT) and PayPal (PYPL)** are well-positioned to benefit. Microsoft is the second-largest cloud-service provider and should benefit as more businesses shift their operations to the cloud and as the adoption of digital services increases globally. Furthermore, with many work-from-home arrangements remaining in place, this further increases demand for cloud services. In our view, PayPal remains one of the best-positioned companies to benefit from the accelerated adoption of e-commerce and digital wallets among consumers. In addition, PayPal continues to invest and build out related services, such as bill pay and subscription management.

## Consumer Discretionary

We believe the COVID-19 pandemic has accelerated growth for online shopping. While we believe that growth rates will slow from levels experienced in the first half of 2020 and that some customers may revert to shopping in physical retail locations, we continue to expect market-share gains for online shopping for the foreseeable future. Also, prior to the pandemic, many consumers in Canada were looking for value when shopping, and we expect this trend to continue.

We believe **Dollarama (DOL.TO)** offers significant value for consumers across its product portfolio, and we expect the company will do well in an environment where consumers are looking for deals. We also believe consumers may continue to avoid enclosed malls and shop more at strip-mall and off-mall locations, which accounts for a bulk of Dollarama locations.

## Communication Services

We believe the COVID-19 pandemic accelerated trends that were already occurring across the communication services sector. During stay-at-home orders, consumers increasingly watched online video services and played video games as they sought in-home entertainment. User engagement on social-media platforms also increased as people tried to stay connected with family and friends. Working from home and the need for home-entertainment options have also placed increased value on high-speed

Internet service via both wired and wireless networks. We believe that these trends will continue even as life returns to normal after the pandemic.

Within the communication services sector, we believe **Alphabet (GOOGL)** will benefit from these trends. Alphabet, the parent company of Google, is benefiting from the increased viewing of video content and related advertising on its YouTube platform. The company's cloud-computing services are seeing increased demand as businesses adopt cloud computing to accommodate both home-based employees and growing online-customer interaction. In addition, we feel that Google's core search business will benefit from the ongoing shift of ad spending to online platforms.

## Health Care

The pandemic has highlighted the importance of access to quality health care globally. We expect governments in emerging markets to increase health care spending to improve access to care. The pandemic has also accelerated the need for digital health care solutions. This includes virtual health care visits, easier access to data, and remote patient monitoring. Solutions used during the pandemic for drug development, such as artificial intelligence and the virtual aspects of clinical trials, could make the long process more efficient. **Abbott Labs (ABT)** is well-positioned, in our view, to benefit from many of these trends that have been accelerated. Abbott makes remote-patient monitoring devices for cardiac patients and also specializes in glucose-monitoring products for diabetes patients. In addition, it has proven to be a leader in the development of diagnostic tests. The company also gets 40% of its total sales from emerging markets. The pandemic has not only impacted human health, but also animal health. With people spending more time at home, the amount spent per pet has increased, along with the number of pet adoptions. **Zoetis (ZTS)** is well-positioned, in our view, to benefit as more and more pets are treated as family members.

## Industrials

The impacts of the coronavirus have created opportunities within industrials. First, we believe working from home and continued rapid growth in e-commerce will drive sustained growth in demand for freight and logistics services, providing a positive backdrop for Buy-rated **United Parcel Service (UPS)**. UPS is the world's largest parcel-delivery network, and it moved nearly 22 million parcels per day on average last year. As e-commerce volumes continue to rise, we believe the company will be able to improve the efficiency of its delivery routes over time, which should result in higher profitability.

Second, airline travel has significantly declined due to the virus. However, we feel that travel will grow back towards pre-COVID-19 levels over the next several years. As travel returns, certification training for pilots will be required, benefiting Buy-rated **CAE (CAE.TO)**, a global leader in simulators and training services.

### Consumer Staples

The consumer staples sector benefited from strong demand for cleaning and disinfecting products during the pandemic. The sector also saw a notable shift to online grocery shopping. We believe this shift should help many large, branded staples companies over the longer term, as their products are often prominently featured on grocer's websites. Additionally, many companies saw the online shopping trend emerging years before and invested in data analysis and distribution, in our view. This has helped some staples companies navigate through the pandemic and should position them well once this crisis ends. We think **Mondelez (MDLZ)**, the maker of Oreo cookies and other confectionary products, is a good example of a company that is taking advantage of these trends. It also has notable exposure to faster-growing emerging markets, which should also help sales and earnings over the long term.

### Financial Services:

The pandemic has significantly impacted the financial services sector. From an earnings standpoint, banks have been the most impacted, driven by the need to build large reserves for bad loans. Central banks responded to the developing crisis by lowering interest rates, which also pressured earnings. Meanwhile, insurance revenues and earnings have proven to be more resilient. For clients looking for additional exposure to the financial services sector, we recommend **Intact Financial (IFC.TO)**, a property & casualty insurer. Intact Financial has a strong historical track record, delivering steady growth and industry-leading profitability. Recent acquisitions have strengthened the earnings outlook and provided additional diversification.

### Utilities

We believe utilities will be among the industries least impacted by the pandemic. We expect that the earnings impact of declines in commercial and industrial sales will be largely offset by cost cutting and by increases in residential sales as many customers work from home. We believe **Fortis (FTS.TO)** provides an opportunity for investors. We expect solid earnings and dividend growth from Fortis, Canada's largest utility company. The company's price-to-earnings ratio is roughly in line

with its Canadian peers. We believe a premium is justified due to the significant portion of regulated utility operations in its earnings profile and the solid 6% annual earnings growth we expect on average. We prefer more regulated utility companies because of the greater consistency in earnings and dividends they tend to produce.

### Energy

The energy sector is likely to experience negative ramifications from the COVID-19 pandemic from potential permanent oil-demand loss. A further shift toward working from home would likely weigh on demand for gasoline, although this could be partially offset by more people driving cars instead of using mass transit. We also expect the recovery in jet fuel demand to take several years. We remain focused on owning stocks in the integrated oil subsector, such as **Suncor (SU.TO)**, and in the storage & transportation and refining & marketing subsectors over the long term, where companies have strong balance sheets that allow them to weather commodity-price weakness and support dividends.

While life post-pandemic will not be the same, the principles of investing have not changed. We recommend clients invest in quality companies across a variety of sectors that are well-positioned to take advantage of our reshaped economy.

The list below highlights Buy-rated companies. Each company has a solid financial position, strong management team, and what we believe is a sustainable competitive advantage.

Sector	Company Name	Symbol	Price	% off 52 Week High	Dividend Yield	Dividend Outlook	S&P/Moodys Credit Rating
Technology	Microsoft	MSFT	\$219.66	6%	1.0%	Rising	AAA/Aaa
Technology	Paypal	PYPL	\$204.45	4%	0.0%	Rising	AAA/Aaa
Consumer Discretionary	Dollarama	DOL.T	C\$51.13	5%	0.3%	Rising	NR/NR
Communication Services	Alphabet	GOOGL	\$1,567.70	9%	0.0%	No Dividend	AA+/Aa2
Health Care	Abbott Labs	ABT	\$109.67	4%	1.3%	Rising	BBB/Baa1
Health Care	Zoetis	ZTS	\$163.55	3%	0.5%	Rising	BBB/Baa1
Industrials	United Parcel Service	UPS	\$174.44	2%	2.3%	Rising	A-/A2
Industrials	CAE	CAE.T	C\$21.24	49%	0.0%	Rising	A-/A2
Consumer Staples	Mondelez	MDLZ	\$57.97	3%	2.2%	Rising	BBB/Baa1
Financials Services	Intact Financial	IFC.T	C\$144.50	8%	2.3%	Rising	NA/Baa1
Utilities	Fortis	FTS.T	C\$54.59	8%	3.7%	Rising	A-/Baa3
Energy	Suncor	SU.T	C\$15.67	65%	5.4%	Stable	BBB+/Baa1

Source: FactSet, S&P/Moody's, Edward Jones. Prices and opinion ratings as of market close 10/16/20 and subject to change. Past performance is no guarantee of future results.

### Maintaining Your Balance Through the Ups and Downs

While the impact from the coronavirus on results will have a range of implications across different equity sectors in the near term, remember to focus your attention on time horizons much longer than four or even eight years. Your financial goals and investment strategy should remain top priorities, regardless of the near-term environment. By maintaining an appropriately diversified portfolio and staying invested for the long term, you can be in a better position to weather any uncertainty or market volatility that may arise.

**Please see our opinion on each of the companies mentioned in this report for more information on the benefits, valuation, and risks of investing in these stocks.**

## Required Research Disclosures

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