

CAPSTONE Portfolio Updates

August 16, 2019

Replacing Schlumberger & Telefonica

After careful review of the holdings in your Liberty One CAPSTONE portfolio, our investment committee has chosen to upgrade your portfolio by replacing Schlumberger Limited (SLB) & Telefonica, S.A (TEF) with CVR Energy, Inc (CVI) & BCE, Inc (BCE). We view that current weakness in Oil and Gas capital expenditure (CAPEX) spending could be dragged on for longer than expected, and SLB's lack of exposure to US shale operations could mitigate its long-term growth potential. Telefonica is one of the largest telecommunication company globally, but its heavy exposure in Europe and Latin America pose some serious macro headwinds for the company, in our opinion. We view the more challenging business environment and higher regulatory risks as factors that led to our replacement decisions.

CVR Energy is a diversified energy company engaged in crude oil refining and nitrogen fertilizer manufacturing. We view the current crack spread environment as attractive and beneficial for the company. The company also pays a healthy dividend and have expressed interests in becoming a potential buyout candidate. BCE is one of the three largest telecom company in Canada, controlling 40% of market share. We are encouraged by the strong relationships the company has built with its regulators and its economies of scale which creates a high barrier of entry for new entrants.

If you have any questions about these or any changes in your Liberty One portfolio(s), potential tax implications, or would simply like to learn more, please contact your financial advisor.

Thank you for your continued trust and confidence!

Liberty One



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