



News Highlights

Energy Sector

Suncor Energy Inc, Canada's largest oil and gas company, plans to spend \$7.2 billion to \$7.8 billion in 2015, with more than half of those funds earmarked for growth projects. That puts capital spending next year roughly in line with 2014, as the Calgary-based company pushes ahead with key growth projects, including its Fort Hills oil sands mine in Alberta, despite tumbling oil prices. Suncor plans to spend up to \$4.3 billion on growth projects in 2015, including more than \$2 billion on its oil sands segment, and will also fund sustaining capital investments focused on "safe, reliable and efficient operations." Production in 2015 is expected to average 540,000 to 585,000 barrels of oil equivalent per day, up slightly from a projected 525,000 to 570,000 boe/d this year. The company also confirmed that its total 2014 output will come in near the bottom end of its annual guidance, due to lower-than-expected production from its oil sands operations.

Financial Sector

Grupo Aval the leading Colombian financial group, reported third quarter recurring net income of COP436 billion, up 8% in year on year terms, though down sequentially, while its net loans increased 19% year on year. The net interest margin and the non-performing loan ratio remained stable, while operating expenses increased by 6% year on year. Loan growth was driven by a 9.7% increase in mortgages and 5.8% increase in consumer loans, while commercial loan growth was muted in the period.

Too Big To Fail Capital Requirements - The world's largest banks will have to hold 16% to 20% of their risk-weighted assets in equity and cancelable debt to shield taxpayers from big bills for bailing out failed banks during a crisis, according to a plan by global regulators published Monday. The plan, drawn up by the Basel-based Financial Stability Board, would force the biggest lenders to maintain a sizeable capital cushion so that they could be wound down without causing global financial panic. Regulators see this rule as a way to put an end to the so-called "too-big-to-fail" problem--a crucial step in preventing bailouts for large lenders and shielding taxpayers from having to foot the bill for failing banks. The agreement is "a watershed in ending "too-big-to-fail" for banks," said Mark Carney, the governor of the Bank of England and chairman of the FSB. By implementing the proposed rule, alongside another one brokered in September that prevents derivative contracts being disruptively terminated if a systemic bank is being wound down, "we will move to a world where the largest, most complex banks can be resolved without the need for taxpayer support and without disruption to the wider system," Mr. Carney said at a news conference in Basel, Switzerland.

Royal Bank of Scotland has been fined £56 million for the computer systems crash in 2012 that affected 10% of UK's population, at the time locking about 6.5 million users out of their accounts.: RBS has announced an error in its previously disclosed EBA stress test results, taking its Core Equity Tier 1/ Risk Weighted Assets under the adverse scenario to 5.7%, 1% lower than its previously disclosed 6.7% result. The error was driven by RBS not including the additional deferred tax assets generated by the stressed losses. This takes RBS closer to the 5.5% pass mark on the EBA stress, although RBS's Q3 actual capital ratios are unchanged and implications for the PRA stress are limited we think, with estimates at 6.4% of Core Equity Tier 1 generation (pre-dividend) 2014-17E.

Canadian Dividend Payers

Barrick Gold Corp named mining industry veteran Shaun Usmar as its chief financial officer designate last week, marking the latest shake-up at the world's biggest gold miner. Usmar, the former finance head of Xstrata Nickel, is set to replace Ammar Al-Joundi, who will be leaving Barrick after the company's year-end results are announced. The Toronto-based gold mining giant has in the last three months let go of at least three other top executives, including its chief executive, the head of legal counsel, and its head of corporate development. The moves suggest that John Thornton, Barrick's executive chairman since April when he took the reins from founder Peter Munk, continues to put his stamp on the company. Barrick has also been reducing costs by cutting staffing levels at its head office in Toronto and other places. In September, Barrick eliminated its entire corporate development team, as takeovers are not much of a focus for the company at this time. The miner, in the last few years, has been largely focused on cutting costs and selling over \$1 billion worth of assets deemed non-core.

Global Dividend Payers

BHP Billiton's capital markets day presentation last week was focused on its copper and coal business and generated some incrementally positive news. The company has improved on its cost reduction and capex reduction targets, and reiterated its volume growth target by FY 2017. Commitment to cash returns, however, is being limited to the progressive dividend commitments. De-merger of the non-core assets is progressing well and is on track, according to management, for a listing by mid-2015, with further clarification of the management structure. BHP Billiton continues to be a relatively defensive stock in our view given its diverse commodity exposure, and growth optionality in its petroleum and copper business.

Copa Holdings – Reported slightly better than expected operational results for its third quarter, as the system-wide passenger traffic (RPM) for October 2014 increased 12% year on year, while the load factor increased by 0.6% to 75%. The airline's capacity cuts in



Venezuela continued to negatively impact the results. Earnings before interest and tax (EBIT) margin stood at 16.7% in the quarter. The company guided for an EBIT margin of 15%-17% in 2015, down from the current 2014 EBIT guidance of roughly 19%, a result of the scaling down of its previously lucrative Venezuelan business. Copa announced a share buy-back program of \$250 million, or roughly 7% of the company float.

Johnson Matthey – expects higher earnings this year after the speciality chemicals company increased first-half profits due to stronger sales of its products that help to make cars more environmentally friendly. The company said tighter environmental legislation was mainly responsible for boosting sales in Europe and Asia of its autocatalysts, which control car emissions. Growth in car production and truck sales also helped. Johnson Matthey, the world's largest autocatalyst maker, said it expected its performance in the current financial year would be slightly ahead of last year. The company, which also refines and recycles platinum group metals, reported an underlying pretax profit of £216.4 million for the half year to the end of September, up 2% from last year. Although the largest chunk of the company's revenue comes from autocatalysts currently, Johnson Matthey is looking to grow other areas such as batteries technology. It has agreed to buy two battery materials businesses in the last two months, betting on an increase in demand for batteries in hybrid and electric vehicles. Johnson Matthey had average return on equity of 23% in the last 12 months, more than double that of its peers.

Shell won a significant victory in its long running \$3bn battle with India's tax authorities in that the High Court of Bombay ruled it 'baseless' that Shell had underpriced shares issued by its Indian subsidiary to its parent.

Syngenta today announced important steps in the implementation of its Accelerating Operational Leverage program. The program targets savings of \$1 billion by 2018 and has three main pillars: Commercial; Research and Development; and Global Operations. In Commercial, Syngenta has successfully implemented a crop-focused approach to marketing since the launch of the integrated strategy in 2011. This is now deeply embedded in the organization and fully recognized by customers. In addition, significant synergies at the global crop level have been identified which will be realized through combining and simplifying management and resources. Expected savings from the new commercial structure are \$115 million in 2015. In Research and Development, the consolidation of sites will enable the firm to reduce its fixed cost base and better identify and exploit synergies between chemistry and genetics. Expected savings from these actions are \$50 million in 2015. In Global Operations, fixed cost overheads will be reduced by moving certain activities to lower cost locations. In addition, further significant procurement and production savings are being targeted and a more efficient global logistics model is being put in place, including significant outsourcing. In Seeds, efficiency programs in field production and processing are also underway.

Expected savings from these actions are \$100 million in 2015. The actions being implemented from today, the firm believes, will result in job reductions and relocations totaling around 1,800 across the company, the majority of which will occur in 2015.

Economic Conditions

US – The headline US consumer price index (CPI) was up 1.7% year on year in October, ahead of the expected 1.6% rate, but in line with September's reading, on a background of declining energy prices. The core reading, which excludes the effects of the volatile food and energy prices, was also higher than expected, at 1.8% year on year, driven by higher costs for housing, autos, prescription drugs and medical care

U.S. housing starts unexpectedly fell in October, down 2.8%, compared to expectations of a 0.8% increase. This is odd, particularly given that, since then, homebuilder confidence jumped to its 2nd highest level in nine years in November. And it was spread out across most of the country, except for the South. There were however solid upward revisions to the prior two months. August was revised up 0.6% (to 963k units annualized), and September was bumped up over 2% to 1,038k, which is why, despite the 2.8% drop in October, starts are still over the 1 million (1,009k) mark for the second straight month.

Canada – The headline Canadian inflation rate (change in the consumer price index) took everybody by surprise, jumping four tenths in October to 2.4%, despite a dip in gasoline prices. The core inflation, which excludes the effects of eight most volatile price series, including food and gasoline, was also higher than expected, at 2.3%, versus 2.1%. The price increase were broad based, led by automobiles, clothing and housing costs.

UK inflation rose to an annual rate of 1.3% in October, up from 1.2% in the previous month, official figures show. The slight increase moves the rate, as measured by the Consumer Prices Index (CPI), above its recent five-year low. However, the small rise in the rate of inflation is unlikely to alter the central bank's decision to keep its key interest rate at 0.5% for the time being. The Bank targets an inflation rate of 2%. (Source:BBC)

UK house price growth picked up to 12.1% in the year to the end of September, official figures show, despite other surveys suggesting a slowdown. (Source : BBC)

ECB - ECB President Mario Draghi sent a strong signal Friday that the central bank is ready to "step up the pressure" and expand its stimulus programs if inflation fails to show signs of quickly returning to the ECB's target. His comments came as China's central bank unexpectedly reduced its benchmark lending rate for the first time in over two years, by 0.4% to 5.6%, amid signs that its economy is slowing. In a speech to a banking conference, Mr. Draghi said the



ECB was prepared, if needed, to expand its purchases of assets, which raises the amount of money flowing in the economy.

Japanese Prime Minister officially pushed off the sales tax hike for 18 months and calls a snap election for December 14th, two years ahead of when he is legally required to do so. In addition, he says he is preparing a fresh package of tax and spending measures to help give the economy a lift. Learning from the lessons of Europe, Abe seems compelled to boost demand through fiscal and monetary means rather than focusing on debt reduction, raising the eyebrows of rating agencies. Abe is taking a major risk here given Japan has a public debt load that is more than twice the size of the economy. A fall in its rating status will hurt.

Financial Conditions

China: The central bank unexpectedly cut rates late on Friday, stepping up efforts to support small and medium-sized enterprises (SMEs) which are struggling to repay loans and access credit, as the economy slides to its slowest growth in nearly a quarter of a century. (Source Reuters)

US Federal Reserve policymakers remain determined to signal that although Quantitative Easing has stopped, the stimulus remains via keeping rates at present low until mid 2015. The US 2 year/10 year treasury spread is now 1.82% and the UK's 2 year/10 year treasury spread is 1.50% - meaning investment banks remain constrained from profiting from a steep yield curve and instead are seeking operational efficiencies, including job cuts and lower compensation, to maintain acceptable levels of profit, i.e. above their costs of capital. It seems the top tier 6-9 investment banks will continue to command their market and possibly increase their share – as barriers to entry for newcomers have in our view been raised.

Influenced by the withdrawal of quantitative easing, the US 30 year mortgage market rate has increased to 3.99% - (was 3.31% end of November 2012, the lowest rate since the Federal Reserve began tracking rates in 1971), as the Federal Reserve effectively continues to give priority to incentivising home ownership. Existing US housing inventory is at 5.3 months supply of existing houses. So the combined effects of low mortgage rates, near record high

affordability, a more promising economic recovery, job creation, and low prices are finally supporting the housing market with housing inventory well off its peak of 9.4 months and we believe now in a more normal range of 4-7 months.

The VIX (volatility index) is 12.90 (compares to a post-recession low of 10.7 achieved in early June) and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 augurs well for quality equities.

Mutual Funds

Portland currently offers 6 Mutual Funds:

- Portland Advantage Fund
- Portland Canadian Balanced Fund
- Portland Canadian Focused Fund
- Portland Global Income Fund
- Portland Global Banks Fund
- Portland Global Dividend Fund

Private/Alternative Products

Portland also currently offers 4 private/alternative products:

- Portland Focused Plus Fund LP
- Portland Private Income Fund
- Portland GEEREF LP
- Portland Advantage Plus Funds

Net Asset Value:

The Net Asset Values (NAV) of our investment funds are published on our Portland website at <http://www.portlandic.com/prices/default.aspx>

Sources: Thomson Reuters, Bloomberg, Credit-Suisse, BMO, TD, Barclays

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