MAY 7, 2020

OWNER OPERATED COMPANIES

Amazon.com, Inc. - Total revenue grew approximately 26% year/year to $75.5 billion (vs. 21% in Q4), approx.4% ahead of consensus and above the upper end of guidance. Online stores revenue growth accelerated to approx. 24% year/year (vs. approx.15% in Q4) as Amazon saw a surge in demand beginning in early March, particularly for household essentials, while demand for more discretionary products was lower. Physical stores revenue grew 8% year/year (vs. an approx. 1% decline in Q4) as the company saw increased demand at Whole Foods, and Amazon has increased grocery delivery capacity by approx. 60% along with an expansion of grocery pickup to 150 Whole Foods stores (vs. approx. 80 prior). To help meet the increased demand, the company has hired 175,000 employees for its fulfillment and delivery network and prioritized delivery of essential items. Amazon also raised wages for hourly employees and is taking a number of steps to ensure the safety of workers, including implementing over 150 process changes across its operations, procuring significant amounts of PPE (personal protective equipment) for its employees, and dedicating resources to developing in-house COVID-19 testing capacity. Operating income of $4 billion came in approx. 4% below consensus as Amazon had approx. $1 billion of expenses related to expanding its fulfillment network for one-day shipping and approx. $600 million of additional expenses related to COVID-19. Amazon revenue grew approx. 33% year/year in Q1 to $10.2 billion (vs. approx. 34% in Q4), approx. 1% below consensus. However, Amazon operating margin expanded 400bps quarter/quarter to 30.1%, its highest level since Q3 2018, due in part to a benefit from an extension of the useful life of its servers, which is expected to continue at a slightly moderated level going forward. Amazon continues to see healthy adoption and usage globally during the pandemic and its backlog of future contracts continues to expand, with management noting a surge in usage for video conferences, gaming, remote learning, and entertainment. Other revenue, which primarily consists of advertising revenue, grew approx. 44% year/year during Q1, and while management observed a modest pullback of ad spend in March due to COVID-19, the company continues to take share of digital ad spend globally. Amazon provided Q2 revenue guidance of $75.0-81.0 billion, in-line with consensus at $77.9 billion and representing 23% year/year growth at the midpoint. GAAP operating income guidance of ($1.5)-1.5 billion came in well below consensus of $3.8 billion and assumes ~$4.0 billion of costs related to COVID-19 as management noted Amazon is reinvesting its operating profit to ensure customer satisfaction and employee safety.

Berkshire Hathaway Inc. – While reporting first quarter results, Berkshire said most of its more than 90 operating businesses are facing "relatively minor to severe" negative effects from COVID-19, with revenue slowing considerably in April even at businesses deemed "essential." The BNSF Railway Company saw shipping volumes of consumer products and coal fall, while The Government Employees Insurance Company (GEICO) set aside money for car insurance premiums it no longer expects to collect. Some businesses cut salaries and furloughed workers, and retailers such as See's Candies and the Nebraska Furniture Mart closed stores. Buffett allowed Berkshire's cash stake to rise to a record $137.3 billion from $128 billion at the end of 2019. Berkshire said it bought "only" a net $1.8 billion of stocks in the first quarter. It also said it repurchased $1.7 billion of its own stock, but that was less than in the prior quarter. Buffett said Berkshire in April sold its "entire positions" in the four largest U.S. airlines: American Airlines Group Inc., Delta Air Lines, Inc., Southwest Airlines Co. and United Airlines Holdings, Inc. Berkshire's first-quarter net loss was $49.75 billion, or $30,653 per Class A share, reflecting $54.52 billion of losses on stock and other investments. Net earnings were

$21.66 billion, or $13,209 per share, a year earlier. Quarterly operating profit, which Buffett considers a better performance measure, rose 6% to $5.87 billion, or about $3,624 per Class A share, from $5.56 billion, or about $3,388 per share. Operating profit at Berkshire's businesses fell 3%, with declines at BNSF, utilities and energy units, and manufacturing, service and retailing operations such as Precision Castparts Corp. GEICO was able to post a 28% gain in pre-tax underwriting profit because people drove less, resulting in fewer claims for crashes. Still, the insurer, like others, is offering relief on premiums to policyholders. During the annual meeting call of Berkshire Hathaway Inc., Buffett said his conglomerate has taken many steps responding to the pandemic, including providing cash to struggling operating units and divesting from U.S. airlines. Buffett also said he remains keen on making a big acquisition, which he has not done since 2016, but has not provided financial support to companies as he did during the 2008 financial crisis because he saw nothing attractive enough, even after the recent market pull-back. Buffett said operating earnings will, through at least this year, be "considerably less" than they would have been had the pandemic not occurred.

D.R. Horton, Inc. reported that net income per common share attributable to D.R. Horton for its second fiscal quarter ended March 31, 2020 increased 40% to $1.30 per diluted share compared to $0.93 per diluted share in the same quarter of fiscal 2019. Net income attributable to D.R. Horton in the second quarter of fiscal 2020 increased 37% to $482.7 million. Homebuilding revenue for the second quarter of fiscal 2020 increased 10% to $4.4 billion. Homes closed in the quarter increased 8% to 14,539 homes. As previously announced, net sales orders for the second quarter ended March 31, 2020 increased 20% to 20,087 homes and 22% in value to $6.0 billion. The company's cancellation rate (cancelled sales orders divided by gross sales orders) for the second quarter of fiscal 2020 was 19% which was unchanged from the prior year quarter. The Company's sales order backlog of homes under contract at March 31, 2020 increased 14% to 19,328 homes and 18% in value to $5.9 billion. At March 31, 2020, the Company had 33,400 homes in inventory, of which 16,700 were unsold. The company's return on equity (ROE) was 19.1% for the trailing twelve months ended March 31, 2020, and homebuilding return on inventory (ROI) was 20.2% for the same period. The company ended the second quarter with $1.0 billion of unrestricted homebuilding cash and $1.0 billion of available capacity on its $1.6 billion revolving credit facility for total homebuilding liquidity of $2.0 billion. Donald R. Horton, Chairman of the Board, said, "The D.R. Horton team delivered strong results in the second fiscal quarter of 2020 during an unprecedented time for our country, and we appreciate the efforts of our dedicated operational teams who continue to provide new homes to families across the United States. [...]We began to see the impact of the pandemic on our operations and housing demand in late March and April and our experienced operators across the country have and continue to quickly adjust to changing market conditions. We are well-positioned to successfully operate in this uncertain environment with our experienced team, industry-leading market share, broad geographic footprint and diverse product offerings. [...]" The company has experienced increases in sales cancellations and decreases in sales orders in late March and in April as compared to the same period in the prior year. Month-to-date in April 2020, the Company's net sales orders are approximately 11% lower than the same period a year ago. As of the date of the report, the D.R. Horton's weekly net sales order volumes in the most recent two weeks have increased as compared to the preceding four weeks, which was particularly encouraging for industry observers.

Reliance Industries Limited and Jio Platforms Limited announced on May 4, 2020 that Silver Lake will invest approximately USD753 million into Jio Platforms. This investment represents a 12.5% premium to the equity valuation of the Facebook, Inc. investment announced on April 22, 2020.

Stryker Corporation reported Q1 sales of $3,588 million, up +2.0% year/year (+2.4% organic) and above consensus of $3,572 million. Strength was driven by outperformances in instruments and medical which largely offset weakness in orthopedics (hips, knees), spine, and endoscopy, along with China. Gross Margins of 65.0% were below estimates of 66.8%. Adjusted EPS of $1.84 was down 2.1% but above consensus of $1.81. While management refrained from providing guidance for Q2 or the full year, they did provide some data points around the impact from COVID-19 and the subsequent shutdown in elective procedures, noting that the sales drop became more pronounced towards the end of March with company sales declining by 30% year/year in the last week of the month. The company estimates that 40-50% of its total global revenue includes procedures that would be considered "elective" and, accordingly, has experienced sales declines of 35-40% for the month of April. U.S. orthopedics/spine sales were down roughly 65% while medsurg and neurotechnology were down approx. 25%, respectively, in the month of April. Internationally, Asia-Pacific showed April declines of approx. 20% with management suggesting (though China had recovered to roughly 60-70% of pre-COVID levels already and Europe was down almost 55%, though Latin America remains solid) that there may have been a material improvement in outlook recently which is somewhat supported in analysts' view given the talk about resuming elective procedures in many geographies this week. Also notable was trauma, which management stated had experienced a slowdown simply due to shelter-at-home orders resulting in less trauma-inducing activities like auto collisions or construction work. On the opposite end of the spectrum, the instruments and medical equipment segments showed impressive double-digit growth, with management noting strong demand, especially for the company's beds, stretchers, and PPE, to meet the increased need from hospitals for COVID-19 patients. The company is ramping up capacity as needed while winding down production and furloughing employees in more impacted areas to optimize capacity and reduce cash burn. Additionally, management noted the company was well positioned for the anticipated shift of orthopedic/spine procedures to the outpatient arena, a dynamic that has likely been accelerated from the impact of COVID on hospital capacity and patient willingness, though management noted outpatient capacity still remains well below that of hospitals - and thus the ability to serve as an overflow pool of capacity is limited. In analysts' view, the question that remains for Stryker is at what pace do elective procedures recover and what is the sustainability and longer-term outlook for the capital side of the business. Orthopedic surgeons and hospitals are eager for procedures to return for economic reasons (and for the health benefit of patients). However, these procedures typically require overnight stays, come with copay/co-insurance/deductibles that can be a thousand dollars or more (likely more), typically require time off from work after, rehabilitation, etc. The willingness of patients to return for a procedure in the current environment and given the financial uncertainties with the COVID-19 pandemic is an uncertainty on top of the elective procedure limitations in place from government and hospital policies.

DIVIDEND PAYERS

The Clorox Company reported Q3 2020 Core EPS of $1.90 which compares to Consensus $1.72. The beat was entirely driven by stronger than expected profitability. Cleaning organic sales up +32% driven by stronger volumes with double-digit shipment growth across all business units; Lifestyle organic sales +10% driven by better price/mix; International organic +22.5% with volumes and price/mix higher; Gross margins +330 bps; Household organic sales up just +2% on weaker than expected volumes and price/mix; and Supply disruption due to COVID-19 in Dietary supplements (within Lifestyle) led to sales declines for the business unit. Guidance Fiscal Year 2020: Raised: EPS: $6.70-$6.90 (vs. $6.05-$6.25 prior) reflecting +6-9% EPS growth; Net sales growth: +4-6% (vs. down low-single-digits to +1% prior) with organic sales now expected to be in the +6-8% range; Gross margins now expected to be up strongly (vs. down slightly prior) and SG&A to be 15% of sales (vs. 14% of sales prior); and lowered tax rate to 21-22% (vs. 22-23% prior). As widely anticipated, Clorox posted exceptionally strong sales & earnings growth this quarter. With its namesake disinfecting & cleaning products, as well as a broader portfolio that includes household basics, the surge in consumer demand has been widely appreciated by the market. Where there is some positive surprise, at least versus Consensus forecasts, is the degree of flow-through to profitability.

Novartis International AG Q1 2020 sales beat consensus by about 4% and core operating profit beat consensus by 14%. Consequently, core EPS of USD1.56 also beats consensus CHF1.37. Divisional sales beat consensus with Innovative Medicines 3.4% ahead and Sandoz 6.6% ahead. Also core operating margins for both division were clearly better than expected. Innovative Medicines: Entresto posted better sales vs consensus (+6.6%), and Cosentyx slightly missed estimates vs consensus (-3.6%). Aside these key growth drivers, Zolgensma performed roughly in-line and the same is true for Piqray and Mayzent. Beovu was stronger than anticipated, likely as safety issues only arose later in the quarter. Novartis confirms its fiscal year 2020 guidance for continuing operations at this time of net sales expected to grow mid to high-single digit and core operating income expected to grow high-single to low double digit. Overall a very strong start into the year. At the full-year conference, Novartis mentioned, that it expects Q1 2020 to be the strongest quarter of the year, as in the second half generic pressure will increase and also first sales of Zolgensma and Xiidra will annualize. Novartis outlines that the pandemic had a positive effect on their top- and bottom-line.

Red Eléctrica de Españareleased Q1 2020 net profit broadly in line with Bloomberg consensus expectations (€172.6 million vs €173.5 million). Q1 2020 EBITDA was in line with consensus at €402 million and revenues line was reported in line with expectations at €500.5 million, reflecting the cut in allowed return to 6% nominal pre-tax and the first time consolidation of Hispasat. EBIT was 0.5% above expectations (€274.8 million vs €273.5 million), due to the effect of lower-than-expected depreciation of pre-1998 assets. It's forecast there will be an average positive impact of €25 million lower depreciation per year, as a consequence of the extension of operational useful life of the assets, but the depreciation impact could have been higher in the first years. In its press release, Red Electrica announced that they will propose the €1.05 Dividend Per Share 2019 for approval in the next annual general meeting.

Roche Holding AG -The Food and Drug Administration (FDA) issued an Emergency Use Authorization (EUA) for Roche's new Elecsys Anti-SARS-CoV-2 antibody test. The test, that runs on Roche's cobas analyzers, is designed to determine if a patient has been exposed to the coronavirus. Shipping of the new test has already started and Roche will ramp up production capacity to high double-digit millions per month. Once a person is infected with the coronavirus, the human immune system makes antibodies to fight the virus. Roche's Elecsys can determine, if a person has such antibodies. If the test is positive, the person was already infected with the coronavirus and potentially is immune. On March 13th, Roche already received EUA for its cobas SARS-CoV-2 test that - contrary to the antibody test - can determine if a person is currently being infected. Thus, polymerase chain reaction (PCR) tests are use earlier in the outbreak compared to antibody tests.. As population immunity to SARS-CoV-2 is still rather low, the antibody test needs to be highly reliable. With a specificity >99.8% and 100% sensitivity, Elecsys fills this need. At this stage of the pandemic, an antibody test is needed to determine the population's immunity to the coronavirus. Once again, Roche helps at the forefront to fight the pandemic with its high throughput solution. Analysts believe this to be less of an financial driver than a reputational one. Still, analysts expect Roche Diagnostics to profit from additional sales of cobas analyzers and the new tests.

LIFE SCIENCES

Telix Pharmaceuticals Limited announced that it has submitted a marketing authorisation application (MAA) in Europe for TLX591-CDx (68Ga-PSMA-11 Injection) for the imaging of prostate cancer with Positron Emission Tomography (PET). In accordance with the current European Association of Urology (EAU) guidelines on prostate cancer imaging, Telix is seeking a product approval in Europe for TLX591-CDx for the indication of imaging patients with elevated prostate-specific antigen (PSA) after radical prostatectomy or radiation therapy. This indication, which is broadly termed biochemical recurrence (BCR), is reported to occur in 20-40% and 30-50% of men who have undergone prostatectomy or radiation therapy with curative intent, respectively. Telix's European MAA for TLX591-CDx is the result of an extensive pan-European collaboration and includes clinical data obtained in over 2,000 patients from both prospective and retrospective studies at leading European nuclear medicine centres.

Institutions contributing clinical data include Ospedale Sant'Orsola (Bologna, Italy), Ordensklinikum, St Vincent's Hospital (Linz, Austria), University Hospital of RWTH University (Aachen, Germany), Cliniques Universitaires Saint-Luc UCL (Brussels, Belgium) and Nuclear Medicine Biophysics Paris Hôpital Tenon (Paris, France). Telix CEO Dr Christian Behrenbruch said that "Getting to the point of submitting a marketing authorisation based on extensive clinical data and a robust manufacturing package, is the rarely achieved goal of every small biopharmaceutical company. We have the added advantage that use of our technology has also now been written into clinical practice guidelines in Europe and the United States, so we expect rapid adoption post-approval. In addition to recognizing the clinical partners that have contributed to this submission, I'd like to acknowledge the outstanding pioneering work by scientists and clinicians at Heidelberg University in Germany and the Deutsches Krebsforschungszentrum (German Cancer Research Centre), whom we have to thank for the opportunity to bring this exciting technology to market for the benefit of patients."

ENERGY SECTOR

Nothing significant to report.

ECONOMIC CONDITIONS

COVID-19 -The true extent of the potential economic shock is starting to become clear. Some economists expect that U.S. gross domestic product may fall by as much as 30-40% in the second quarter; in the UK, the Office for Budget Responsibility produced a scenario suggesting the lockdown could lead to the deepest economic downturn since the early 18th century. At a more granular level, the damage can be seen in the job cut announcements by some of the world's major airlines. (Source: Financial Times)

The U.S. economy contracted 4.8% annualized in the first quarter, a little worse than the consensus view, with broad weakness apart from government and residential construction. A much deeper fall is expected in the second quarter, before the economy reawakens in the months ahead. Consumer spending plunged 7.6%, led by durables (especially autos) and services, with a partial offset from booming grocery store sales. Nonresidential investment contracted 8.6%, led by machinery and structures. Exports tumbled 8.7% with much of the rest of the world on lockdown, too. The decline in GDP would have been worse if not for a 15.3% slide in imports and a big 21% jump in residential construction, reflecting the strong housing market prior to the pandemic. Government spending also rose, albeit modestly. Disposable income growth slowed to 1.9% annualized, while the personal savings rate kicked up two percentage points to 9.6%. A higher savings rate may be one of the lasting legacies of the pandemic. GDP should snap back in Q3 with many states already slowly reopening parts of their economy but much will depend on how well the outbreak can be contained in the weeks, months and year ahead.

U.S. personal spending plunged 7.5% in March, by far the steepest on record though little surprise after the Q1 GDP fall. Real spending fell 7.3% in the month and 7.6% annualized in Q1, the most since the 1980's recession, and a prelude to a much steeper drop-off in Q2. For Q1, real spending on autos, clothing, recreational services, and restaurants and accommodation each fell by more than 29%, and even health care was down 18%. By contrast, spending on groceries jumped 25%, the most on record. Personal income fell 2.0% in March, while the savings rate kicked up to 13.1% from 8.0%. Core PCE prices declined an expected 0.1% in the month, trimming the yearly rate to 1.7%. We believe it is headed toward 1% in the year ahead.

U.S. Initial jobless claims tallied 3.84 million last week, topping the consensus call and taking the six-week total to an unprecedented 30.3 million, or nearly 19% of the labour force. Though down from earlier record highs, the still-high number of claims reflects further lay-offs and states clearing earlier backlogs. The number should drop-off quickly in coming weeks as more businesses reopen, but won't return to pre-virus levels of around 200,000 for a long time in our view.

U.S. consumer confidence crumbled in April. Worries about their health, jobs, incomes, restrictions on movement, all culminated in one month. The Conference Board's consumer confidence index plunged a record 31.9 pts to 86.9, the lowest since June 2014. This was on top of March's 13.8 point drop. The present situation component plunged a record 90.3 points to 76.4, the lowest since December 2013. But there is hope about the future, that this situation is temporary and the world will get through it. The expectations component rose 7.0 points to 93.8, and that is key and a good gauge on how consumers will behave in our view once the lockdowns are lifted….perhaps not immediately but eventually.

FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now 0.45% and the U.K.'s 2 year/10 year treasury spread is 0.20% - 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 costs of capital. Also, the narrowing gap between yields on the 2 year and 10 year Treasuries is of concern given its historical track record that when shorter term rates exceed longer dated ones, such inversion is usually an early warning of an economic slowdown.

Influenced by the withdrawal of quantitative easing, the U.S. 30 year mortgage market rate has increased to 3.23% (the lowest rate since the Federal Reserve began tracking rates in 1971). Existing U.S. housing inventory is at 3.1 months' supply of existing houses. So the combined effects of low mortgage rates, near record high affordability, economic recovery, job creation, and low prices are still supporting the housing market with housing inventory well off its peak of 9.4 months and we believe now at the low end of a more normal range of 4-7 months.

The VIX (volatility index) is 37.53 (compares to a post-recession low of 18.00 achieved in early November) and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

Portland Investment Counsel Inc. currently offers Mutual Funds & Private/Alternative Products - visit www.portlandic.com

Individual Discretionary Managed Account Models - SMA

Net Asset Value:

The Net Asset Values (NAV) of our investment funds are published on our Portland website at www.portlandic.com/prices

We want to share our insights with you and welcome your feedback. Our website has the latest, as well as archived videos, company profiles, and press articles. Please visit us at www.portlandic.com.

Portland Investment Counsel Inc. | **portlandinvestmentcounsel** | **Portland Investment Counsel Inc.** | **@PortlandCounsel**

Glossary of Terms: 'boe' barrel of oil equivalent, a measurement of a unit of energy, 'boed' refers to barrel of oil equivalent per day, 'CET' core equity tier, 'EBITDA' earnings before interest, taxes, depreciation and amortization, 'EPS' earnings per share, 'FCF' free cash flow, 'GDP' gross domestic product, 'netback' is a measure of oil and gas sales revenues net of royalties, production and transportation expenses and is used to compare performance in the oil and gas industry, 'ROE' return on equity, 'ROTE' return on tangible equity, 'ROTCE' return on tangible common equity.

Portland Investment Counsel Inc., 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7 Tel.:1-888-710-4242 • www.portlandic.com • info@portlandic.com

PIC20-027-E(04/20)