JUNE 22, 2020

OWNER OPERATED COMPANIES

Ares Management Corporation, a leading global alternative investment manager, announced today the final closing of its Ares Special Opportunities Fund, L.P. (ASOF). The Fund was significantly oversubscribed at over $3.5 billion of commitments relative to its $2.0 billion target. Upon Scott Graves joining in January of 2017, the Ares Private Equity Group embarked on developing its Special Opportunities strategy as an expansion of its flexible capital investment activities. These efforts included building out an experienced team of 17 professionals, including Partners Craig Snyder and Aaron Rosen, with a goal of leveraging the competitive advantages of the Ares Platform. The team pursues a differentiated strategy that pivots opportunistically between private and public market sourced opportunities and seeks to partner with management teams by embracing an "activist for good" approach. ASOF attracted strong interest from a diverse set of more than 70 limited partners from North America, Europe, Asia and the Middle East, and investors included pension funds, sovereign wealth funds, insurance companies, endowments, family offices and private banks. Approximately half of the ASOF investors had previously invested in another Ares fund and this group of limited partners accounted for over 80% of the Fund's committed capital. The ASOF "all-weather" sourcing model positions the team to be highly effective in making compelling relative value investments regardless of market conditions. The team had been primarily focused on privately negotiated transactions heading into March 2020 with approximately $400 million deployed, but quickly pivoted with a focus more toward publicly traded investments with approximately $1.3 billion invested and committed by the Fund during the market dislocation. The Fund's $1.7 billion of invested and committed capital to date is split almost evenly between private and public situations.

Reliance Industries Limited - On June 18, 2020, Reliance Industries and Jio Platforms Limited announced that the Public Investment Fund of Saudi Arabia (PIF) will invest approximately US $1.5 million into Jio Platforms for a 2.32% equity stake on a fully diluted basis. This investment represents a 12.5% premium to the equity valuation of the Facebook investment announced on April 22, 2020. With the addition of PIF's investment, Jio Platforms has established partnerships with a marquee set of global financial investors, investing together into the Digital Society vision for India.

PIF is the sovereign wealth fund of Saudi Arabia and as part of its mandate to diversify its economy, has made its largest investment into the Indian economy to-date.

Reliance Industries Limited announced that it has raised over US $22.2 billion in just 58 days through:

1. Investments by global tech investors - ₹ 115,693.95 crore (approximately US $15.2 billion)
2. Rights Issue - ₹ 53,124.20 crore (approximately US $7.0 billion).

The combined capital raising has allowed Reliance Industries Limited to become debt free before the original schedule of March 31, 2021.

Oracle Corporation – On June 16, Oracle announced its fiscal Q4 2020 and fiscal 2020 full year results. Total quarterly revenues were $10.4 billion, down 6% year/year and down 4% in constant currency compared to Q4 last year. Cloud services and license support revenues were $6.8 billion, up 1% year/year and 3% in constant currency. Cloud license and on-premise license revenues were $2.0 billion. Q4 GAAP operating income was up 1% year/yearr to $4.3 billion, and GAAP operating margin was 41%. Non-GAAP operating income was down 2% year/year to $5.1 billion, and non-GAAP operating margin was 49%. GAAP net income was $3.1 billion, and non-GAAP net income was $3.8 billion. GAAP earnings per share was $0.99, while non-GAAP earnings per share was up 3% year/year to $1.20. Short-term deferred revenues were $8.0 billion. Operating cash flow was $13.1 billion during the trailing twelve months. For fiscal 2020, total revenues were $39.1 billion, down 1% year/year and flat in constant currency. Cloud services and license support revenues were $27.4 billion, up 3% year/year and 4% in constant currency. Cloud license and on-premise license revenues were $5.1 billion.

Fiscal 2020 GAAP operating income was $13.9 billion, and GAAP operating margin was 36%. Non-GAAP operating income was $17.4 billion, and non-GAAP operating margin was 44%. GAAP net income was $10.1 billion, while non-GAAP net income was $12.7 billion. GAAP earnings per share increased 4% to $3.08, while non-GAAP earnings per share was up 9% to $3.85.

Facebook Inc. – On June 15, it was announced in a WhatsApp blog post that WhatsApp has launched in-app payments in Brazil. The payments are enabled through Facebook Pay which parent company Facebook said last year it would be rolling out to Instagram, Messenger, Facebook, and eventually WhatsApp.

DIVIDEND PAYERS

Bunzl PLC - The volume of personal protective equipment sales across all customers is far greater than analysts originally anticipated, in part due to Bunzl's resilient supply chain arrangements, and for the full year it is now expected they should almost offset declines in foodservice/retail and leave group organic -1% for the full year. This outcome would result in the group's leverage reducing from approximately 1.7x Fiscal Year 2020 (estimated) (ex IFRS16) to 1.3x in Fiscal Year 2021 (estimated), even with payment of a Fiscal Year 2020 dividend reinstated. The latter gives headway for Mergers and Acquisitions sufficient to add greater than10% to Fiscal Year 2021 (estimated) earnings whilst keeping leverage less than 2x. The current crisis could accelerate the decline of high street retail, and Bunzl has more offline than online exposure; Fewer employees working in offices longer term should mean lower volumes (e.g. food packaging, paper towels); In consumer facing sectors and workplaces, hygiene could be a higher priority permanently. After a period of supply chain disruption, the potential for new outsourcing is higher, in analysts' view; Bunzl is expected to take share over the downturn and to further consolidate its target end markets albeit there's always the risk new players could enter the Cleaning/Janitorial market.

GO TO PORTLAND GLOBAL ALTERNATIVE FUND

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND

GO TO PORTLAND GLOBAL BALANCED FUND

Nestlé S.A. - In Q1 2020, Nestlé sales benefited from some stockpiling ahead of the lockdown. By contrast, some of the businesses started to suffer, such as Nestlé Professional, Nespresso B2B and shops, as well as out-of-home Waters. We believe that the trends continued, even more pronounced in Q2. We saw consumers returning to global brands. Furthermore, some consumers could come out of the pandemic with cooking as a new hobby after two or three months of preparing almost every meal themselves. A trend that could stay, at least partially. In past years, Nestlé has demonstrated its ability to turn around businesses (NSH, Gerber) or accelerate growth. Besides, the company has been able to generate significant value from disposals (U.S. confectionery business) in reallocating its capital in value-creative acquisitions or to the high value-added product categories. We expect Nestlé to continue to streamline its portfolio on value-creating activities. In the coming months, Nestlé is likely to come up with a decision on Yinlu. Despite the ongoing challenges in supply chain and significant, fast changing consumer needs as well as temporary factory closures, Nestlé demonstrated its ability to navigate through the crisis. Analysts believe that the company is well positioned to emerge from the pandemic as a winner.

Prudential Financial Inc. - Jackson National Life (JNL) a subsidiary of Prudential which is likely to be spun off, announced that listed U.S. insurance company Athene Holdings Ltd. will take an 11.1% stake in it for $500 million, which superficially implies a low valuation of $4.5 billion. However, this is only part of the story as the equity investment by Athene was accompanied by a reinsurance transaction on what appears attractive terms for JNL, so adjusting for this would imply a higher valuation for JNL, estimated at about $6.2 billion as a standalone entity which, in analysts' view, would demonstrate that the group's key subsidiaries now each have sufficient scale to be separated without recourse to new equity implying substantial upside valuation upside, with the conclusion importantly being despite COVID-19 headwinds.

LIFE SCIENCES

Novartis AG - The FDA (U.S. Food and Drug Administration) grants approval for Cosentyx in active non-radiographic axial spondyloarthritis (nr-axSpA) - the drug's fourth indication. This approval was granted on the back of the phase 3 PREVENT trial that showed a significant reduction in disease activity for patients treated with Cosentyx versus placebo. Cosentyx is the first and only fully-human biologic that directly inhibits interleukin-17A, an important cytokine involved in the inflammation and development of psoriatic arthritis (approved 2015), moderate to severe plaque psoriasis (approved 2016), ankylosing spondylitis (approved 2016) and nr-axSpA. nr-axSpA is characterized by inflammatory arthritis of the spine associated with chronic inflammatory back pain. The physical limitations can affect activities of daily living as well as leisure activities causing limitations for patients. This approval is good news that was expected ever since the PREVENT trial data was presented. It expands the usage of Cosentyx into a fourth indication, helping it to remain differentiated versus competitor drugs.

Roche Holding AG - Phase 3 IMpassion031, evaluating Tecentriq in combo with chemotherapy versus placebo + chemotherapy, met its primary endpoint by showing an improvement in pathological complete response (pCR) for the treatment adjuvant (before surgery) breast cancer - regardless of PD-L1 expression. This data will be discussed with health authorities globally and is good news - it comes slightly early versus expectation for read-out in the second half of 2020. We believe this trial will 'only' allow filing in the neo-adjuvant setting, and not in the larger adjuvant (after surgery) setting.

Roche Holding AG - Ipatasertib met one of its co-primary endpoints in patients with prostate cancer. Phase 3 IPATential150 evaluating ipatasertib in combination with standard-of-care compared to placebo plus standard-of-care met one of the co-primary endpoint in patients with metastatic castration-resistant prostate cancer and whose tumors had PTEN (the tumor suppressor protein) loss. The other co-primary endpoint was not met. The safety profile for the combination was consistent with previous analyses. The trial will continue until the next planned analysis and data will be shared with health authorities. Ipatasertib is an oral, highly specific, investigational medicine designed to target and bind to AKT (protein kinase B), which blocks the PI3K/AKT signaling pathway - a key driver of cancer cell growth and proliferation in prostate cancer. While last week's presented data are encouraging, overall survival benefit and additional secondary endpoints are not yet mature. Still, having met one of two co-primary endpoints makes this a positive trial.

Telix Pharmaceuticals Limited announced that the Company's ZIRCON phase III trial of TLX250-CDx (89Zr-girentuximab) has recommenced patient recruitment in Europe, following a pause to clinical trial activity as a result of the COVID-19 pandemic. Patient recruitment to the ZIRCON trial has recommenced at clinical sites in France with the dosing of two patients with TLX250-CDx at Centre Hospitalier Universitaire (CHU) de Nantes (Nantes, France). Clinical sites in Belgium and the Netherlands have also been reactivated, with patient recruitment expected to resume in the next two weeks. Telix expects clinical trial sites in Australia, Canada, Turkey and USA to follow between now and September, subject to conditions remaining stable. Telix CEO, Dr. Christian Behrenbruch stated, 'We are relieved to be restarting patient recruitment into the ZIRCON study and gratefully acknowledge the patience and dedication of our investigators and their clinical staff during this necessary hiatus. Although we had stopped patient enrolment, we had not paused recruitment and we see an encouraging patient backlog to regain momentum.' ZIRCON (Zirconium Imaging in Renal Cancer Oncology, NCT03849118) is an international multi-centre Phase III study at 33 sites in Europe, Australia, Turkey, Canada and the United States (subject to regulatory approval in the various jurisdictions). ZIRCON is a prospective imaging trial in approximately 250 renal cancer patients undergoing kidney surgery, to determine the sensitivity and specificity of TLX250-CDx PET imaging to detect clear cell renal cell cancer (ccRCC) in comparison with histologic 'standard of truth' determined from surgical resection specimens.

ENERGY SECTOR

Valero Energy Corporation announced that Jason Fraser, who has served as Valero's Executive Vice President and General Counsel since January 2019, has been appointed by Valero's Board of Directors to serve as the Company's Executive Vice President and Chief Financial Officer, effective July 15, 2020. Mr. Fraser will succeed Donna Titzman. Richard Walsh, Valero's current Vice President and Deputy General Counsel, will be promoted to Senior Vice President and will succeed Mr. Fraser as General Counsel, effective July 15, 2020. Mr. Fraser has significant leadership experience at Valero, having served as Valero's General Counsel since January 2019 and previously serving as a Senior Vice President with oversight of Valero's Public Policy, Strategic Planning, Governmental Affairs, Investor Relations and External Communications functions. Previously, Mr. Fraser also served as President of European Commercial Operations, overseeing the Company's European commercial businesses, and Vice President of Specialty Products Marketing. Mr. Fraser began his career with Valero in 1999. Mr. Fraser earned his Bachelor of Business Administration degree from the Business Honors Program at the University of Texas at Austin, and his Juris Doctor from Harvard Law School. Prior to attending the University of Texas, Mr. Fraser served in the U.S. Army from 1986-1990.

ECONOMIC CONDITIONS

Canada consumer price index increased 0.3% in May (not seasonally adjusted), bouncing back from its steepest monthly drop last month (-0.7%) since December 2014. Year on year, the headline rate declined from -0.2% in April to a decade-low 0.4% in May. The Bank of Canada's core common inflation ratio came in slightly lower at 1.4%.

Canada retail sales cratered (-26.4%) in April, much worse than the print expected by consensus (-15.1%). Sales were down in all of the 11 subsectors (the first time this happened in 27 years), led by autos/parts dealers (-44.3%). Excluding autos, sales were down a still substantial 22.0%. It should come as no surprise that April was the worst monthly drop in retail spending on record; the country as a whole was on government-mandated lockdown during the month.

A full U.S. economic recovery will not occur until the American people are sure that the novel coronavirus epidemic has been brought under control, Federal Reserve Chair Jerome Powell said last week, as he began the first of two days of hearings before U.S. lawmakers. While recent signs of improvement including a surprise gain in employment and a record rise in retail sales last month are encouraging, the damage inflicted by forced economic shutdowns to curb the spread of the virus has left a very deep hole to fill, especially on the employment front, Powell said. (Source: Reuters)

The U.S. Federal Reserve last week launched its Main Street Lending Program, the most complex program undertaken yet by the U.S. central bank to help keep the backbone of the economy from buckling under the strains of the coronavirus pandemic. The program, targeted at companies that were in good shape before the pandemic but may now need financing to retain workers and fund operations, will offer up to $600 billion in loans through participating financial institutions to U.S. businesses with up to 15,000 employees or with revenues up to $5 billion.

U.S. housing starts rose for the first time since January, up 4.3% in May to a 2-month high of 974,000 units annualized. There was an **upward revision** to April but at 934,000, is still the lowest in five years, while March was **revised down** to 1.27 million (was 1.28 million). Compare this to better times… like **last year**… and starts are still **23.2% below** those levels. But at least they climbed. The improvement was based mostly in **multis** (+15.0%) while the more-important **singles** were little changed (+0.1%). Clearly, it is easier for consumers to race out to the stores than it is for builders to start building again, even with construction remaining open over the last couple of months. And, on top of the **pandemic**, the other usual factors continue to hold back activity: **land** and **labor**. On a regional basis, starts in the **South**, which accounts for nearly half of total starts, fell for the third straight month. **Excluding the South**, housing starts surged 36.0%.

U.S. retail sales soared a record 17.7% in May, doubling consensus estimates and after a record 14.7% plunge (revised from 16.4%) in April. And there were **upward revisions** to the prior two months. And core sales surged 11.0%. On a sector basis, it was broadly based. A month of being locked down has sparked a fresh take on one's home, apparently. **Furniture store sales** increased 90%, retracing more than half of the losses so far. **Gasoline station receipts** increased for the first time since December. **Clothing stores** showed a 188% gain. Another positive sign was the 88.2% spike in **sporting goods, hobby/book/music stores**…. that is a good indicator when consumers are spending on wants, not needs. Add to that the desire to have a meal cooked by someone else but yourself… **restaurants/bars** poured in a 29.1% increase, although the capacity limitations (distance between tables, fewer customers in at a time, etc) are a constraint.

U.S. Industrial production rose 1.4%, about half the expected amount, after a downwardly-revised 12.5% plunge in April. The sector is still operating 15.4% below pre-virus levels in February. **Manufacturing misfired** with just a 3.8% bounce after a near 16% slide in April. Most industries posted gains, led by a big rebound in autos as the major producers reopened plants on May 18. Still, auto production has reversed only a fraction of the prior two monthly declines. Production of business equipment rebounded 5.8% after diving 23% in April, while consumer goods rose a relatively light 3.9% considering the prior month's 12.7% drop and the 17.7% surge in May retail sales. Mining dropped 6.8%, actually a little worse than in April, amid a further slide in oil production. Utilities demand didn't come roaring back with the reopened factories, falling 2.3%. The **capacity utilization rate** rose to 64.8%, but this was from a downwardly-revised record low of 64.0% in April. That's a good 15 percentage points below the long-run level.

The European Union must urgently decide on a package of fiscal measures to help the bloc through its pandemic-induced economic crisis, European Central Bank board member Fabio Panetta told French newspaper Le Monde. "It is extremely urgent and the aim should be to deploy it as soon as possible, no later than early 2021," Panetta was quoted on Tuesday as saying. "The longer we wait, the costlier it will be to intervene." (Source: Reuters)

U.K. employment: The number of workers on U.K. payrolls dived more than 600,000 between March and May, official figures suggest. Meanwhile, the number of people claiming work-related benefits - which includes the unemployed - was up 126% to 2.8 million. The early estimates reflect the impact of around six weeks of lockdown in which large parts of the U.K. were shut. But economists say the full effect on employment will not be felt until wage support schemes end in October. (Source: BBC)

China's economy may grow 3% this year as the government ramps up policy support, said Zhang Ming, a researcher at the Chinese Academy of Social Sciences, a top government think tank. Gross domestic product could return to 2% to 3% growth in the second quarter as factories step up production, Zhang said in a forum held online on Tuesday. (Source: Reuters)

FINANCIAL CONDITIONS

The Bank of Japan kept rates unchanged but expanded its special lending program to JPY 110 trillion from JPY 75 trillion.

The Reserve Bank of Australia maintained its 3-year yield control target and its cash rate and says both will be maintained until there is progress towards inflation and full employment objectives.

Both central banks said (as is really standard central bank rhetoric now that they will not hesitate to take additional easing measures if necessary. It remains clear in our view that central banks are still fighting a battle of confidence rather than just tight liquidity conditions.

The Bank of England kept policy rates unchanged at 0.1% and increased Quantitative Easing (QE) target by £100 billion to £745 billion with a vote of 8-1. Chief Economist Haldane was the sole dissenter preferring instead to keep QE unchanged. The Bank of England (BOE) statement said that the recent data "suggest that the fall in global GDP in 2020 Q2 will be less severe than expected at the time of the May policy report…." This is likely a signal that the BOE does not plan to move to a negative rate environment in the near-term. The BOE says it will likely hit its QE target towards the turn of the year and plans to slow its pace of purchases given liquidity conditions have improved. The BOE estimates Q2 contraction to be near -20% which is better that pre-COVID estimates of -27%. Nonetheless, the outlook still remains uncertain and likely predicated on the success of the UK economy emerging from its current lockdown and its ability to negotiate good 'Brexit' trade agreements.

Britain's financial regulator has warned U.K. banks that they will need an entirely new way of dealing with personal and business debt, as the coronavirus pandemic pushes ever more borrowers into arrears or default. Charles Randell, chair of the Financial Conduct Authority, told bank bosses last week that the crisis had forced millions of their customers to add to debt levels that were already "too much" — and the regulator had to get involved, even though business lending is currently outside its remit. (Source: Financial Times)

Six asset managers including M&G and Legal & General said they were keeping property funds totalling more than $7.5 billion in assets frozen as valuers continue to struggle to assess real estate due to the coronavirus crisis. M&G froze its $3.2 billion U.K. Property Portfolio in December, as uncertainty over Brexit and weakness in Britain's retail commercial property sector prompted redemption requests. (Source: Reuters)

The U.S. 2 year/10 year treasury spread is now 0.50% and the U.K.'s 2 year/10 year treasury spread is 0.26%. A 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.

The U.S. 30 year mortgage market rate has increased to 3.13%. Existing U.S. housing inventory is at 3.1 months supply of existing houses - well off its peak during the Great Recession of 9.4 months and we consider a more normal range of 4-7 months.

The VIX (volatility index) is 33.45 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

PIC20-034-E(06/20)