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NEWS HIGHLIGHTS

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OUR VIEWS ON ECONOMIC AND OTHER EVENTS AND THEIR EXPECTED IMPACT ON INVESTMENTS

JUNE 29, 2020

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OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

Altice USA, Inc. – Broadband provider Altice USA, Inc. (ATUS) has now seen its former parent Altice Europe NV exit its shareholder roster. Altice Europe elected to sell 17.9 million ATUS shares to a broker dealer, representing substantially all of its remaining stake in the company. Consistent with its share repurchase program, ATUS is reportedly buying about 3.6 million shares directly from the broker dealer for about US $85 million. Altice Europe was founded and controlled by Franco-Israeli billionaire Patrick Drahi.

Brookfield Asset Management Inc. – Abu Dhabi National Oil Company (ADNOC) said it had signed a $10 billion gas infrastructure deal with a consortium of investors. The mega pipeline deal is the world's single largest energy infrastructure investment this year. A consortium of Global Infrastructure Partners (GIP), Brookfield Asset Management, Singapore's sovereign wealth fund GIC, Ontario Teachers' Pension Plan Board, NH Investment & Securities and Italy's Snam will invest in select ADNOC gas pipeline assets valued at $20.7 billion, ADNOC said. The group of investors will acquire a 49% stake in newly formed subsidiary ADNOC Gas Pipeline Assets, while ADNOC will hold the remaining 51%. The deal comes as the world's top oil and gas companies, including ADNOC, scramble to control costs in response to the coronavirus crisis which has hammered oil demand and prices. A transformation strategy embarked on four years ago has helped ADNOC adapt more quickly to market changes, and it would continue to work with strategic investors to attract foreign capital and maximise value from its resources. Under the gas infrastructure deal, ADNOC will lease its ownership of the pipeline assets to ADNOC Gas Pipelines for 20 years in return for a volume-based tariff. The new subsidiary will distribute 100% of free cash to the investors as quarterly dividends.

Danaher Corporation – Beckman Coulter, a subsidiary of Danaher Corp, announced that its Access SARS-CoV-2 IgG assay has received Emergency Use Authorization (EUA) from the U.S. Food & Drug Administration (FDA). Beckman Coulter has already shipped tests to more than 400 hospitals, clinics and diagnostics laboratories in the U.S., and has begun distribution of the new antibody test globally to countries that accept the FDA EUA and CE Mark. The company is able to deliver more than 30 million tests a month. "At a time when significant confusion was created by the initial influx of poor-quality antibody tests, our team worked meticulously to develop a highly sensitive and specific assay," said Julie Sawyer Montgomery, president of Beckman Coulter. "With 100% Positive Percent Agreement and 99.6% Negative Percent Agreement, our test significantly reduces the risk for false positives, delivering the results that health care providers and their patients can trust. A lot has been written about accuracy issues with the initially launched antibody tests, but a test at this level offers positive predictive values greater than 90% even in very low prevalence communities. And, in areas hardest hit by the virus, the positive predictive values of our assay are greater than 98%." "We anticipate that understanding the immune status of communities and convalescent plasma donation will play important roles in the fight against COVID-19 before a vaccine is widely available," said Shamiram R. Feinglass, M.D., MPH, chief medical officer Beckman Coulter. Dr. Feinglass added, "We developed the Access SARS-CoV-2 IgG test to help clinicians determine if a patient was infected with COVID-19 in the past and developed an immune response. In contrast, a total antibody test can't help a clinician determine whether an individual is currently infected or whether they developed an immune response from an earlier infection. The clinician must therefore perform additional testing, requiring added time and cost."

SoftBank Group Corp. – On June 23, Softbank (SBG) announced the sale of public securities linked to T-Mobile shares in two separate transactions. Softbank Group was expected to sell up to 198,314,426 shares of common stock of T-Mobile. The aggregate amount that SBG is expected to receive is equal to the sum of the aggregate purchase price for these shares (up to US $20,115 million), less underwriting discount and commission and certain other expenses.

On June 25, Softbank announced another JPY 500 billion buyback program which is part of the same plan published on March 23, 2020. Together with the shares repurchased to date, the newly announced share repurchase program brings the total amount of the share repurchase decided to date up to JPY 1 trillion.

SoftBank Group founder, Masayoshi Son, ended his company's annual shareholder meeting with a surprise by announcing he was stepping down from the board of Chinese e-commerce group Alibaba.

Son said that his departure shouldn't be interpreted as signifying any disagreements, even though Alibaba co-founder Jack Ma is also quitting SoftBank's board at the same time. Ma and Son have maintained a close friendship since the Japanese entrepreneur was an early investor in Alibaba and helped it along to its current value of roughly US $600 billion, calling it the crown jewel of SoftBank's portfolio.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND

GO TO PORTLAND GLOBAL BALANCED FUND

The Bank of Nova Scotia is selling its operations in Belize, the latest in a string of Caribbean and Central American divestments as the bank narrows its international focus and redeploys capital toward its core Latin American markets. Caribbean Investment Holdings Ltd., a holding company with Belize banking interests, has agreed to buy 100% of Scotiabank (Belize) Ltd. for US $30.5 million. The price tag could increase to US $35 million if there are positive regulatory changes before the transaction closes. The deal has a 12-month closing timeline and still requires regulatory approval. The sale is an incremental step in a broad reordering of Scotiabank's international business. Over the past few years, the bank has trimmed exposure to Caribbean, Central American and Asian markets, while doubling down on four countries – Mexico, Chile, Colombia and Peru – that it refers to as its "Pacific Alliance." The bank has put a particular emphasis on offloading non-core Caribbean and Central American assets. Last October, Scotiabank finalized the sale of banking operations in seven Caribbean countries, including St. Lucia, Grenada and Dominica, to Trinidad and Tobago-based Republic Financial Holdings Ltd. It struck a deal the following month to sell its British Virgin Islands assets, also to Republic Financial. Earlier in 2019, it sold off assets in Puerto Rico, the U.S. Virgin Islands and El Salvador. The bank still has a significant presence in several Caribbean and Central American countries, including the Dominican Republic, Panama and Costa Rica. (Source: The Globe & Mail)

U.S. banks not being forced to cut dividends due to Fed stress test. Last week, the Federal Reserve released results from the Dodd-Frank Act Stress Test (DFAST) and the Comprehensive Capital Analysis and Review (CCAR). One of the biggest takeaways from this release was that the Fed is imposing a ban on U.S. bank share buybacks and is capping dividends. However 'capping' does not equate to cutting dividends, an important distinction. Banks will be allowed to maintain their current dividends, so long as they are generating enough earnings (on a rolling basis) to cover the payout. The concern for Canadian bank investors was that if the Fed had mandated dividend cuts, fears that OSFI could follow suit would have been revived as had been the case earlier this year when European bank regulators mandated its banks to cut dividends.

LIFE SCIENCES

Novartis AG has reached settlements with the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC) resolving all Foreign Corrupt Practices Act (FCPA) investigations into historical conduct by the Company and its subsidiaries. This settlement covers: 1) inappropriate economic benefits provided to Greek healthcare professionals from 2012 to 2015 in connection with the ophthalmology product Lucentis; 2) books and records issues pertaining to the Lucentis conduct and to conduct related to a 2009 epidemiological study; as well as 3) the inappropriate economic benefits provided to Vietnamese healthcare professionals and books and records violations from 2011 to 2014. As part of the settlements, Novartis and certain of its current and former subsidiaries will pay US $233.9 million to the DOJ and US $112.8 million to the SEC. With this settlement, all outstanding FCPA investigations into Novartis are now closed. Moreover, in March 2020, the FDA said it will not sanction Novartis over alleged data manipulation involving Zolgensma (gene therapy). Analysts find these developments important steps towards living the new Novartis values that the company committed to under its CEO Vas Narasimhan and hope to see a sustainable positive impact on the company's reputation.

ITM AG – ITM Isotopen Technologien München AG (ITM) and POINT Biopharma Inc. have signed two supply agreements for no-carrier-added (n.c.a) Lutetium-177. The new supply agreements reinforce the value of ITM's radionuclide platform as well as the centrality of Lutetium-177 n.c.a in targeted radionuclide therapy programs around the world. The two supply agreements are for the medical radioisotope no-carrier-added Lutetium-177 (n.c.a. 177Lu) / EndolucinBeta® to support clinical and commercial supply of PNT2002, a 177Lu-PSMA radiopharmaceutical for prostate cancer treatment. Under the terms of the first agreement, ITM has partnered with POINT Biopharma for their clinical development of PNT2002, a 177Lu-PSMA radiopharmaceutical for the treatment of metastatic castrate-resistant prostate cancer. PNT2002 is a radiopharmaceutical candidate with an excellent profile and will be investigated in a phase III clinical trial launching with the enrolment of patients in the fourth quarter of 2020. Additionally, both parties signed a long-term commercial agreement for the supply of n.c.a. 177Lu following the marketing approval of PNT2002. ITM's no-carrier-added Lutetium-177 (brand name EndolucinBeta®) is a radiopharmaceutical precursor used for Targeted Radionuclide Therapy in Precision Oncology. ITM manufactures n.c.a. 177Lu for development partnerships, distribution to clinics worldwide, and its own growing Precision Oncology Pipeline. N.c.a. 177Lu has marketing authorization in the EU and DMF (Drug Master File) in the U.S. Radiolabeled to disease-specific targeting molecules like antibodies or peptides, the tumor tissue is precisely targeted and destroyed by cytotoxic doses of medium-energy ionizing radiation. ITM has developed a unique methodology to produce a highly pure form of Lutetium-177, containing no metastable Lutetium-177m. POINT Biopharma has a growing portfolio of best in class pharmaceutical assets and is working to revolutionize radiopharmaceutical drug development and commercialization for cancer treatment. The company specializes in radioligand therapies and is committed to bringing them to market quickly. The company anticipates its clinical trial programs to commence in 2020.

ENERGY SECTOR

Occidental Petroleum Corp will write down the value of its oil and gas properties by up to US $9 billion this quarter and restructure some debts. The U.S. oil producer is trying to shed nearly $40 billion in debt from its purchase of rival Anadarko Petroleum last year. The latest writedown stems from declining energy demand amid the COVID-19 pandemic and global glut that has oil trading 38% below what it cost in January. Occidental and many of its peers dismissed workers and cut budgets by billions of dollars as energy markets fell. Occidental plans to replace $9.12 billion in notes due in 2021 and 2022 and issue new notes that would remove provisions that could have pushed it into default. Warren Buffett's Berkshire Hathaway Inc., which last year bought $10 billion of Occidental preferred shares to help it finance the Anadarko deal, will receive a June 30 dividend in shares, Occidental said, to save cash. With its share price down 57% year to date, Occidental must pay the dividend with increasingly more stock, giving Berkshire a growing stake in the company. Occidental recently set a July 1 deadline to accept bids for properties in Wyoming and Colorado that could bring up to $700 million.

ECONOMIC CONDITIONS

The International Monetary Fund has lowered its global growth forecast for this year and next in the wake of the coronavirus pandemic. It now predicts a decline of almost 5% in 2020, substantially worse than its forecast only 10 weeks ago in April. The U.K. economy is expected to contract more than 10% this year, followed by a partial recovery in 2021. That would be one of the most severe declines, although not as deep as forecast for Italy, France or Spain. The IMF's managing director, Kristalina Georgieva, had already warned that the April forecast had been overtaken by events, and that the likely path of the global economy was looking worse. (Source: BBC)

U.S. existing home sales fell for the third month in a row in May. April **pending home sales** took a 38% nosedive from February's high. Very few contracts signed in April, therefore, very few sales contracts closed. In May, existing home sales dropped 9.7% last month to a near-decade low (October 2010) of 3.91 million units annualized. That's a steep 26.6% below year-ago levels. And the setback was spread across **all four corners** of the country. **Single-family homes** (in super-tight supply) declined 9.4%, but **condos** were down a more significant 12.8%, which is the eighth straight month that sales have been weaker than singles. More owners put their homes on the market … **the supply of homes available to be bought** rose in May. Inventories are still down 18.8% year/year, keeping prices elevated (**median sales price** rose 2.3% year/year). But with the 30-year fixed mortgage rate at a record low 3.13%, existing home sales should hopefully rise, to end this three-month losing streak, in June.

U.S. sales of single-family new homes rose much more than the consensus expected in May, **increasing by 16.6% to 676,000 annualized** (consensus 630,000). This followed a sharp downward revision to April's figure to 580,000 units, a drop of 5.2%. The May rebound left sales 12.7% above year-ago levels. Sales rose in three of the four major geographical regions, with the Midwest the exception. The rebound, coupled with a drop in new homes for sale, chopped the available supply to 5.6 months at the current sales rate from 6.7 months in April, denoting a **balanced market**. The median sales price rose a modest 1.7% year/year. After jumping 36% in May, mortgage applications for home purchases hit 11-year highs earlier this month. Moreover, the National Association of Home Builder's present-sales index jumped to 63 in June, retracing more than half of its earlier plunge. New homes may be getting a boost from a population shift toward the suburbs due to increased telework. Record low mortgage rates and rebounding incomes will also support demand, though a return to the previous cycle-high of 774,000 reached in January could take a few years given elevated joblessness.

U.S. Consumer spending rose 8.2% in May, lighter than expected, though the prior month's plunge was bumped up to a decline of -12.6%. An 8.1% gain in real spending reclaims one-third of the lockdown dive, and leaves spending down 9.8% year/year. The May increase was led by durables, notably autos and recreational goods and vehicles, which have been boosted by the Coronavirus Aid Relief and Economic Security (CARES) Act payments. Services rebounded a lesser 5.2%, led by health care (think dentist visits to fill cavities) and food services and accommodations (as restaurants opened their doors). The spending data for the first two months of the second quarter suggest a **modest rise to Q2 estimates of an approximately 40% (annualized) contraction in real spending and GDP.**

U.S. Personal income pulled back a less than expected 4.2% in May after an upwardly-revised 10.8% jump in April. This was because the bulk of the CARES Act payments to households were issued in April.

Income was still supported by a rebound in wages and salaries, due to returning jobs, and a sharp increase in unemployment insurance payments, due to the sky-high jobless rate. Personal income is still above pre-virus levels, and while the savings rate pulled back from the record 32.2% in April, it remained high at 23.2%. That should support spending in coming months, notably among high-income earners who have held back.

U.S. Core Personal Consumption Expenditures prices unexpectedly rose 0.1%, partly due to a surprising bounce in auto prices, keeping the yearly rate at 1.0%. We still expect the massive amount of slack in the economy to push core inflation lower this year.

The European Union is committed to clinching an agreement with Britain on its future relationship with the bloc it left at the end of January, but not at any cost, European Council President Charles Michel said last week after a meeting of EU leaders. Mr. Michel told a news conference that Brussels and London needed to intensify negotiations before the Brexit transition period ends on Dec. 31. He added that the EU's positions on level-playing field fairness issues and Northern Ireland remained essential. (Source: Reuters)

The euro zone economy will need a long time to recover from its pandemic-induced crisis and a string of solid data in recent days is not necessarily a good guide to recovery, European Central Bank chief economist Philip Lane said last week. Opening the economy will yield substantial improvement in near-term growth indicators but since the contraction was also exceptionally large, activity will remain far below the pre-crisis level for an extended period and the scale of the initial rebound may not be a good guide, Mr. Lane said in a speech. "The outcome of negotiations about the EU recovery fund will be an important factor in determining the future path for the euro area economy," Mr. Lane added. (Source: Reuters)

FINANCIAL CONDITIONS

The U.K.'s debt is now worth more than its economy after the government borrowed a record amount in May. The £55.2 billion figure was nine times higher than in May last year and the highest since records began in 1993. The borrowing splurge sent total government debt surging to £1.95 trillion, exceeding the size of the economy for the first time in more than 50 years. Chancellor Rishi Sunak said the figures confirmed the severe impact the virus was having on public finances. "The best way to restore our public finances to a more sustainable footing is to safely reopen our economy so people can return to work." "We've set out our plan to do this in a gradual and safe fashion, including reopening high streets across the country this week, as we kickstart our economic recovery," he added. (Source: BBC)

The U.S. 2 year/10 year treasury spread is now 0.48% and the U.K.'s 2 year/10 year treasury spread is 0.24%. 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 35.04 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

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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.

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