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NEWS HIGHLIGHTS

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

JULY 6, 2020

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OWNER OPERATED COMPANIES

Berkshire Hathaway Inc. – Dominion Energy Inc.



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ALTERNATIVE FUND

announced that it has executed a definitive agreement to sell substantially all of its Gas Transmission & Storage segment assets to an affiliate of Berkshire Hathaway Inc. in a transaction valued at \$9.7 billion, including the assumption of \$5.7 billion of existing indebtedness. Thomas F. Farrell, II, Dominion Energy chairman, president, and chief executive officer, said: “Today’s announcement further reflects Dominion Energy’s focus on its premier state-regulated, sustainability-focused utilities that operate in some of the most attractive regions in the country.” Warren Buffett, chairman of Berkshire Hathaway, said: “I admire Tom Farrell for his exceptional leadership across the energy industry as well as within Dominion Energy. We are very proud to be adding such a great portfolio of natural gas assets to our already strong energy business.” The gas transmission and storage assets being transacted include more than 7,700 miles of natural gas storage and transmission pipelines and about 900 billion cubic feet of gas storage.

LVMH Moët Hennessy Louis Vuitton SE – The fallout from the coronavirus crisis will likely weigh on LVMH’s earnings for some time yet, though there were some signs of recovery this month, according to executives at the world’s biggest luxury goods company during an online shareholder meeting. Second quarter earnings at the owner of Louis Vuitton and other brands will be hit particularly hard in Europe and the United States, according to Chairman Bernard Arnault. “We can only hope at this point for a gradual recovery,” Arnault told investors, adding that the second half of the year looked better. He flagged some “quite vigorous” signs of recovery in June, as virus

lockdowns lifted in much of Europe, including in Milan and Paris, two major shopping hubs. Luxury labels are still suffering from a lack of tourist travel even though consumption is picking up again on a local level as stores reopen, including in China. Finance chief Jean-Jacques Guiony said the fallout would still be felt in the months to come but that it was not possible to make definite projections.

Pershing Square Holdings Ltd. – Billionaire investor William Ackman said in June he was looking to raise \$3 billion and commit at least \$1 billion from his hedge fund Pershing Square Capital Management LP for a new blank-check investment vehicle, the largest of its kind. The special purpose acquisition company (SPAC), Pershing Square Tontine Holdings, Ltd, plans to go public with 150 million units at \$20 each, according to the filing. A SPAC uses IPO proceeds and borrowed funds to acquire a company, typically within two years. Investors are not notified in advance which company a SPAC will buy. Ackman said in the filing it will seek to acquire a venture capital-backed company that he called a “mature unicorn” which has chosen to remain private. Ackman is raising the SPAC after his hedge fund gained roughly 30% since January despite the COVID-19 pandemic.

SoftBank Group Corp. – SoftBank, the owner of the former Financial Times Stock Exchange 100 technology star Arm Holdings, is exploring a float of the microchip designer in New York. The Japanese conglomerate is considering listing Arm, which is based in Cambridge, on the Nasdaq exchange, according to market sources, where tech firms typically attract higher valuations. SoftBank took the company private in 2016 for £24 billion, signaling the start of a global investment spree. Arm dominates the global market for smartphone chip designs and is now making inroads into the market for servers and laptops, with its silicon designs favored for their power efficiency.



DIVIDEND PAYERS

Nothing significant to report.



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ALTERNATIVE FUND



GO TO
PORTLAND GLOBAL
ARISTOCRATS
PLUS FUND



GO TO
PORTLAND GLOBAL
BALANCED FUND



LIFE SCIENCES

Telix Pharmaceuticals Ltd. - announced that the US Food and Drug Administration (FDA) has granted Breakthrough Therapy (BT) designation for Telix's renal cancer imaging product TLX250-CDx (89Zr-girentuximab). Under BT status, the FDA will work closely with Telix to provide guidance to the company on the development of TLX250-CDx for the diagnosis of "indeterminate renal masses" that have been identified on CT or MRI imaging. TLX250-CDx is being developed for the purpose of determining whether such "indeterminate renal masses" are either clear cell renal cell cancer (ccRCC) or non-ccRCC, using Positron Emission Tomography (PET) imaging. BT designation offers a number of significant benefits to Telix, including eligibility for Fast Track designation, more frequent and intensive interactions with the FDA, and the opportunity to submit a "rolling" Biological Licence Application (BLA) for TLX250-CDx, where the application can be submitted in separate modules to streamline the FDA review process for approval. The criteria for BT designation require preliminary clinical evidence that demonstrates the product may have substantial improvement on at least one clinically significant endpoint over available care. Telix CEO Dr. Christian Behrenbruch said, "The granting of Breakthrough designation by the FDA for our kidney cancer imaging product provides Telix with the opportunity to interact closely with the FDA to expedite the registration process of TLX250-CDx, a particularly important consideration given the current Phase III development status of the asset. There is a significant unmet medical need to improve diagnosis and staging of clear cell renal cell carcinoma (ccRCC), which is the most common and aggressive form of kidney cancer. It's encouraging that the Agency recognizes this."



ENERGY SECTOR

Enbridge Inc. – Canadian pipeline operator Enbridge Inc. can restart operations at the west leg of its Line 5 pipeline while the damaged east leg remains shut, according to a Michigan

circuit court judgement. The ruling comes after the judge granted the Michigan attorney general's motion for a temporary restraining order, requiring Enbridge to halt Line 5 operations. The pipeline's east leg will remain shut until the federal regulator, the Pipeline and Hazardous Materials Safety Administration, completes its investigations about the damage or until ordered by the court. Enbridge shut down the pipeline on June 18 following damage to the east leg, but resumed operations at the west leg after two days, until the court ordered its shutdown. The company said it plans to restart and expects the west leg operations to soon return to normal, while it conducts an inspection. Enbridge previously estimated that if Line 5 was shut, refineries served by it in Michigan, Ohio, Pennsylvania, Ontario and Quebec would get about 45% less crude than their current demand.



ECONOMIC CONDITIONS

China's state-run financial newspaper (China Securities Journal) reported about "the prospect of a healthy bull market" over the week-end and investors subsequently flock into Chinese equities (+5.7%). That optimism spurs rallies in global stock markets and spills over into commodities, FX and yields (all higher). China has leapfrogged the UK and France to become the world's fifth-largest fund domicile, as the breakneck growth of its fledgling investment sector continues despite the coronavirus-induced recession. Chinese funds increased their share of the global investment market significantly in the first three months of 2020, propelling the country from tenth to fifth position in a quarterly fund domicile ranking compiled by the European Fund and Asset Management Association and the U.S.'s Investment Company Institute. (Source: Financial Times)

Pandemic updates - The World Health Organization warned that the worse is still to come while various places around the globe have decided to reinforce lockdowns. The U.S. state of Arizona that has been especially hit hard has ordered the closures of bars, gyms and other businesses for another 30 days. Florida has ordered the use of face masks in some jurisdictions including Jacksonville where the Republican Party is expected to hold its convention in two months. Australia has imposed a four-week lock down in part of Melbourne while the UK's Leicester is set to reinstate limitations following a spike in cases. Also, researchers in China said they have found a new type of swine flu called the G4 virus that can infect humans and has "all the essential hallmarks of a candidate pandemic virus".

Hong Kong / China: China's National People Congress (NPC) unanimously passed the HK security law, with immediate effect. NPC's standing committee will also have the final say in how to interpret the law. HK leader Lam had already acknowledged not having access to the final draft. China has described the law as the "Sword of Damocles". Analysts look for China to flood HK with investments to placate businesses and the population (2019 Foreign Direct Investment -34% for HK, falling for a 4th consecutive year). With HK GDP now just approximately 3% of mainland GDP (vs. greater than 25% in 1990s), a mainland takeover across the board is coming, including the likely demise of the Cantonese culture in HK (Mandarin is the official language). With worries already in place over the need

to diversify supply chains, integrating HK into China will likely lead to a sustained outflow of foreign corporations' capital and jobs into other Asian countries (Singapore, South Korea, Vietnam look to be amongst the winners). HK's position as a financial center powerhouse will be steadily eroded going forward. HK population: net emigration of 29,200 in 2019 (approximately 7.5 million population) was the highest since 2012 and presumably this will be higher going forward if allowed by China. Pro-democracy organization Demosisto has disbanded with leaders resigning due to fears of extradition.

U.S. jobs: Nonfarm payrolls exceeded expectations with a 4.8 million increase in June following an upwardly revised 2.7 million gain in May (2.5 million previously). This still leaves employment down 14.7 million from February. Private payrolls rose 4.8 million after a 3.2 million rebound in May. The gains were broad based. Leisure and hospitality recovered another 2.1 million positions, accounting for two-fifths of the gain in nonfarm payrolls. Food services added another 1.5 million jobs, and retail 0.7 million. Manufacturing rose 376,000 after a 250,000 gain in May. **Household survey employment jumped similarly, by 4.9 million**, lifting the employment rate 1.8 percentage points to 54.6%. This reduced the number of unemployed by 3.2 million, though still leaving 17.8 million people waiting to get called back or looking for another job. The number of **permanent job losses rose another 0.59 million** to 2.9 million, taking the increase since February to 1.6 million. This is concerning as it reflects business closures and diminished capacity at others that are open. The **unemployment rate fell to 11.1%** from 13.3% in May and the post-war high of 14.7% in April. It was tempered by a 0.7 percentage points rise in the participation rate to 61.5%, still 1.9 percentage points below February's level.

U.S. manufacturing ISM jumped 9.5 points in June, beating expectations, to 52.6, the first time over the expansionary 50 mark since February (pre-COVID) and to the highest since April 2019. That was the largest one-month increase since August 1980. The **employment** component also jumped in June, up 10.0 points (biggest increase since April 1961) to a 3-month high of 42.1....still contracting, but at a slower rate.

Canada - Last week Bloomberg reported data released from Statistics Canada, which show an unprecedented 11.6% plunge in gross domestic product in April, the first full month of lockdowns to curb the COVID-19 pandemic. That is worse than the previous record drop of 7.5% recorded in March. The article notes it's the fullest picture yet of what is likely to be a very short recession, with a flash estimate suggesting the economy is already bouncing back. But the report also reveals the damage was profound and will require years to reverse. According to Statistics Canada, with activity resuming as provincial governments begin easing restrictions, GDP is expected to rebound by 3% in May, which would be the biggest monthly increase ever, and another strong gain is expected in June. That said, policy makers, economists and businesses remain guarded and are warning not to assume these growth rates will continue beyond the reopening phase. The article points out that Canada is embarking on the path to recovery at a vulnerable time. While the oil sector is struggling, Canadian households are among the most indebted in the world and immigration

-- a key growth driver in recent years -- is being curbed by travel bans and closed borders.



FINANCIAL CONDITIONS

U.S. - The Trump administration last week cleared a path for ordinary savers to invest in private equity funds through their employer-sponsored retirement accounts, handing the alternative investment management industry a victory after a years-long push. The U.S. Labor Department, which governs 401(k) retirement accounts, said private equity could be used within the professionally managed funds on offer to savers, such as target date funds, which invest in multiple asset classes. The retirement accounts were not cleared to offer private equity funds directly, meaning private equity managers can only expect to access a portion of the \$6.5 trillion 401(k) market — but they could still gain as much as \$400 billion in new assets, Evercore analysts projected. (Source: Financial Times).

U.S. / China / Hong Kong - The U.S. House passed a bill imposing sanctions on banks that do business with Chinese officials involved with the crackdown on Hong Kong pro-democracy protestors. In addition, the U.K. called China's new HK security law a "clear violation" of the handover treaty. PM Johnson says the U.K. will offer up to 3 million HK citizens with British Overseas status a path to full British citizenship. U.S. Senator Marco Rubio says he will unveil legislation in the coming weeks that will seek a ban of 20 Chinese firms (including telecom giant Huawei and video surveillance firm Hikvision) from U.S. capital markets. Rubio says he wants to make it clear to the Communist Party that they will no longer be able to exploit the U.S. financial system.

China's central bank said last week that the country's economic growth faces challenges from the global coronavirus pandemic, despite signs of improvement amid business re-openings. The People's Bank of China (PBOC) said in a statement it would continue to guide lending rates lower by exploiting the full potential of reforms, and would strengthen financial support to small- and medium-sized enterprises and private firms. (Source: Reuters)
The U.S. 2 year/10 year treasury spread is now 0.53% and the U.K.'s 2 year/10 year treasury spread is 0.27%. 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 3.07%. 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 27.78 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And finally

"I could agree with you but then we'd both be wrong." – Harvey Specter

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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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RISK TOLERANCE

Risk tolerance measures the degree of uncertainty that an investor can handle regarding fluctuations in the value of their portfolio. The amount of risk associated with any particular investment depends largely on your own personal circumstances including your time horizon, liquidity needs, portfolio size, income, investment knowledge and attitude toward price fluctuations. Investors should consult their financial advisor before making a decision as to whether this Fund is a suitable investment for them.

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

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