PORTLAND INVESTMENT COUNSEL® NEWS HIGHLIGHTS

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

DECEMBER 7, 2020

OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

PORTLAND 15 OF 15 ALTERNATIVE FUND COMPANY NEWS

Pershing Square Holdings Ltd. – Billionaire hedge fund manager William Ackman, who cautiously hedged his portfolio before the historic market sell-off in March, has extended his gains to 62.8% for the year so far. Last month, Ackman's publicly traded Pershing Square Holdings portfolio gained 13.4%, lifting the $11.4 billion portfolio to a net gain of 62.8% in the first 11 months of 2020, according to a performance review. Ackman recently told investors that the firm is having its best ever year and that he is "bullish" for 2021. But he warned of possible volatility ahead as the coronavirus continues to take its toll. To guard against swings, Ackman said he put on a new hedge -- roughly one third the size of the one he put on earlier this year -- as corporate credit spreads are very tight. He earned $2.6 billion in profits from the first hedge and plowed that money back into the market, buying more of the stocks he already owns at cheaper prices. This summer Ackman raised the biggest blank-check fund ever helping swell his firm's total assets under management -- including all hedge funds and Pershing Square Tontine Holdings -- to $17 billion.

Reliance Industries Ltd. – The National Company Law Tribunal (NCLT) has approved a resolution plan for Reliance Infratel submitted by a group entity of Reliance Industries, according to a regulatory filing. The resolution plan submitted by Infrastructure Projects, a division of Reliance Projects & Property Management Services Limited, a wholly owned subsidiary of Reliance Industries Limited, for the resolution of Reliance Infratel Limited, has been approved by the NCLT, Mumbai bench via its Order dated December 3, 2020, Reliance said in a filing on December 4.

Reliance Communications' telecom infrastructure arm Reliance Infratel, has around 43,000 towers and 172,000 route kilometres of fiber. According to media reports, lenders are expected to get around $674 million from the resolution process. The resolution plan was approved by 100 per cent votes of the committee of creditors.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

Bank of Montreal reported core cash EPS of $2.41. This was 26% better than the consensus $1.91. The result was up 31% quarter/quarter and only down 1% year/year. The beat relative was driven by a combination of better-than-expected Provisions for Credit Losses (PCL), Net Interest Margin expansion, capital markets revenues and other fee income, partially offset by higher-than-expected expenses. Core Return On Equity was 12.6%, and book value per share came in at $77.40, up 8% year/year. The bank's Core Equity Tier 1 ratio came in at 11.9% versus 11.6% in Q3 fiscal 2020, with the increase coming from 25 basis points of internal capital generation and 8 basis points from shares issued. Risk Weighted Assets was flat quarter/quarter at $336.6 billion. Total PCL came in at $432 million, below consensus at $700 million. This was down 59% quarter/quarter but well above the $253 million reported in Q4 fiscal 2019.

Bank of Nova Scotia (BNS) reported Q4 2020 core cash EPS of $1.45 versus consensus of $1.22. The variance was predominately due to lower Provisions for Credit Losses as BNS reported a sizable 6% quarter/quarter decline in pre-tax pre-provision earnings, highlighting the pandemic's material hit to the bank's earnings power, particularly for the international business. The company reported a Core Equity Tier 1 ratio of 11.8% (+50 basis points quarter/quarter) mainly driven by strong internal capital generation and lower risk weighted assets.

Canadian Imperial Bank of Commerce (CIBC) announced that Katharine Stevenson will be the Chair of CIBC, replacing John Manley. Ms. Stevenson is believed to be first woman chair of a major Canadian bank. CIBC reported core cash EPS of $2.79 vs. consensus at $2.53. EPS was down only 2% year/year. Pre-tax pre-provisions earnings were down 3% year/year, as total revenue declined 2% year/year. The beat was driven entirely by provisions for credit losses (PCLs) ($291 million). Net interest income was in line with expectations, but market-sensitive revenue missed due to lower-than-expected trading and investment banking revenue. In terms of segments, Canadian Retail, Canadian Commercial, and U.S. Commercial all beat expectations, while Wholesale missed due to lower-than-expected revenues. Net Interest Margin at the Canadian Retail unit was up 5 basis points quarter/quarter, similar to its peers. The bank's Core Equity Tier 1 ratio climbed 35 basis points quarter/quarter to 12.1%. On the mortgage front, balances (ex. Home Equity Line Of Credits) were up 6% year/year. Core Return On Equity was 13.5%, and Book Value Per Share came in at $84.05, up 5% year/year.

RioCan Real Estate Investment Trust announced that it is lowering its monthly distribution by 33% to an annualized rate of $0.96 from $1.44 previously. The change will take effect with the January 2021 distribution. In the press release, management noted that this action was taken for a number of reasons including the unknown length and breadth of store closures. Further, analysts believe that management would like to decrease the risk that funding committed development projects will require either an increase in leverage, asset sales, or a dilutive equity offering. Based on the current unit price, RioCan's revised distribution equates to a yield of 5.3% and the REIT's payout ratio declines from 101% of analysts' 2021 Adjusted funds from operations estimate to 67%.

Royal Bank of Canada reported core cash EPS of $2.27, versus consensus at $2.05. This result was up 2% quarter/quarter and up 3% year/year. The beat was driven by credit, a 2% year/year decline in expenses, and higher-than-expected Net interest income on better-than-expected all-bank Net Interest Margins. Provisions for Credit Losses (PCLs) this quarter came in at $427 million (down 37% quarter/quarter and 14% year/year) vs. consensus at $740 million. On a segmented basis, Capital Markets once again delivered the biggest beat, but Canadian Banking and Insurance also reported solid beats. Net Interest Margin declined only 2 basis points quarter/quarter in Canadian Banking and 7 basis points in U.S. Wealth. Core Return On Equity was 16.3% just 14 basis points below a year ago. The bank's Core Equity Tier 1 ratio came in at 12.5% versus 12.0% in Q3 fiscal 2020. The improvement was mostly due to the 31 basis points of internal capital generation net of PCLs, 11 basis points from lower market risk weighted assets, and a 10 basis point benefit from pension obligations. Total PCLs came in at $427 million versus consensus at $740 million. This was down 37% quarter/quarter and 14% year/year.

SSE PLC announced it is selling down a 10% stake in Dogger Bank Wind Farm A and B to Eni SpA for £202.5 million (20% of their stake). Equinor ASA is also selling down a 10% stake meaning that the project will be SSE 40%, Equinor 40% and ENI 20%. This implies a value of approximately £1 billion for the first two stages – Dogger A is 1,200-megawatts (MW) and Dogger B is 1,200MW so 2,400MW in total. SSE's 50% stake in the entire Dogger Bank project (A, B and C) is consensus estimated to be valued about £1.25 billion. A sale of the first two projects, 2,400MW, for a value of approximately £1 billion implies a price of £840 million/gigawatt (GW), which is approximately a 30-40% uplift on the capital expenditure costs of approximately £2.17-3.0 billion/GW (£2.17 billion excluding transmission costs, £3 billion/GW pre-transmission costs) in line with renewable development uplifts. This could imply a valuation of £1.3 billion for SSE's stake in Dogger (40% of A and B and 50% of C). On top of this, SSE have guided up their EPS for 2020/21 from 75-85 pence/share at November results (implying a 10 pence/share Dogger uplift) to 85-90 pence including a 19 pence/share gain on the sale of the Dogger Bank stake. Gregor Alexander, SSE's Finance Director, said: "The sale of a stake in Dogger Bank Wind Farm to Eni is another successful example of SSE's approach to partnering to create and secure value for shareholders. This transaction will enable us to fund further low carbon growth opportunities, helping to deliver governments' net zero ambitions and our own target to treble our renewable output by 2030."

The Toronto-Dominion Bank reported core cash EPS of $1.60 versus the consensus at $1.27. This result was down 3% year/year. Pre-tax pre-provisions earnings were down 4% year/year as better than expected revenue growth of 2% year/year was more than offset by higher than expected net interest expenses growth of 6% year/year. The EPS beat was mostly due to lower than expected Provisions for Credit Losses, which accounted for 82% of the 33 cent beat vs. consensus. Net interest Margin (NIM) once again declined steeply in the U.S. down 23 basis points quarter/quarter , while NIM at the Canadian Property & Casualty segment increased 3 basis points quarter/quarter. Capital was once again a key positive as the bank's Core Equity Tier1 ratio remained at the top of the sector at 13.1% in Q4. Core Return On Equity was 13.3% and Book Value Per Share came in at $49.49, up 9% year/year.

LIFE SCIENCES

Telix Pharmaceuticals Limited announced December 2 that its application for a Therapeutic Goods Administration (TGA) determination for its prostate cancer imaging product TLX591-CDx (68Ga-PSMA-11), a radiopharmaceutical for the imaging of prostate cancer using Positron Emission Tomography (PET), has been granted Priority Review status. This important outcome grants Telix a significantly accelerated timeframe of 150 working days for product dossier review and approval. The company's preliminary application to the TGA for TLX591-CDx was made at the same time as Telix's New Drug Application (NDA) submission to the United States Food and Drug Administration (FDA), the first successful commercial NDA submission for PSMA imaging in the United States. This represented a major commercial milestone for the company and followed Telix's European submission in April 2020. In addition, a Medical Services Advisory Committee (MSAC) application is already in progress1 and Telix expects that MSAC approval and commercial availability of TLX591- CDx should coincide around May-June of 2021, subject to TGA review and approval.

Telix has been granted Human Research Ethics Committee approval and received Clinical Trial Notification clearance by the TGA to commence

Phase I study of the company's next generation prostate cancer therapy product TLX592, in patients with advanced prostate cancer. TLX592 has been developed using Telix's proprietary RADmAb engineered antibody technology. Like the company's existing TLX591 antibody development program, TLX592 targets prostate specific membrane antigen (PSMA) a target that is almost ubiquitously expressed by prostate cancer cells. TLX592 has been engineered to clear far more rapidly from a patient's circulation, making it suitable for use as a targeting agent for 225Ac (actinium-225). Actinium is a potent therapeutic alpha emitting radionuclide and treatment with -emitting radionuclides is commonly referred to 'Targeted Alpha Therapy' or TAT. The Phase I 'CUPID' study is a single centre, open-label trial that will evaluate the safety and tolerability, pharmacokinetics, biodistribution and radiation dosimetry of TLX592 in patients with advanced prostate cancer.

Telix also reported the outcome of the pre-Investigational New Drug (IND) meeting with the United States Food and Drug Administration (FDA) held on November 24th, during which the company and the FDA reviewed key aspects of the Phase III clinical development plan for Telix's prostate cancer therapy product TLX591 (177Lu-DOTA-rosopatamab). Telix confirmed its intention to proceed with the Phase III ProstACT study as an international, multi-centre, randomised controlled trial (RCT) comparing best standard of care with and without TLX591, in patients with PSMA-expressing metastatic castration-resistant prostate cancer (mCRPC), who have disease progression following prior treatment with a novel androgen axis drug (NAAD). The primary endpoint for the ProstACT study will be radiographic progression-free survival (rPFS), with secondary outcome measures including overall survival, quality-of-life and safety. Based on the statistical plan presented to the FDA, the ProstACT study will enrol approximately 390 patients.

Telix noted that the FDA has approved the institutional use of 68Ga-PSMA-11 at the University of California, Los Angeles (UCLA) and the University of California, San Francisco (UCSF) under an academic New Drug Application (NDA) submission. This is a highly anticipated event within the U.S. nuclear medicine industry and paves the way for the FDA to approve commercially available products, enabling the broader availability of this important technology to American men with prostate cancer. The Prostate Cancer Foundation today noted in response to the FDA bulletin: "With this FDA approval, 68Ga-PSMA-11 PET scanning will be available at only UCLA and UCSF. Radiopharmaceutical companies will likely apply for expedited FDA approval to make 68Ga-PSMA- 11 "kits" so that this technique will eventually be available to more patients throughout the US."

ENERGY SECTOR

Pioneer Natural Resources Company – Global oil demand will likely recover to its pre-pandemic levels of 100 million barrels per day (bpd) by 2022 or early 2023, according to Scott Sheffield, Chief Executive Officer of Pioneer Natural Resources, a key equity holding of Portland Energy Opportunities Alternative Fund. Demand next year is likely to be around 97 million bpd, Sheffield said, speaking at a virtual conference. He added the oil industry will "still need some help from OPEC" with supply cuts of 3 million to 5 million bpd next year. Pioneer, one of the largest independent U.S. shale operators, is putting drilling rigs back to work in the Permian Basin oil field, but plans for oil production growth of zero to 5% in 2021 while demand recovers. The company will close its $4.5 billion all-stock buyout of Parsley Energy, Inc., another holding of Portland Energy Opportunities Alternative Fund, in the first quarter of the year. Sheffield said he expects "several more" such mergers in the oil industry.

OPEC+ Output Agreement – Major oil producers agreed to increase output by a modest 500,000 barrels per day (bpd) from January, relative to the expectations. The increase means the Organization of the Petroleum Exporting Countries (OPEC) and Russia, a group known as OPEC+, would move to cutting production by 7.2 million bpd, or 7% of global demand from January, compared with current cuts of 7.7 million bpd. OPEC+ had been expected to extend existing cuts until at least March, after backing down from earlier plans to boost output by 2 million bpd. Hopes for a speedy approval of COVID-19 vaccines spurred a rally in oil prices at the end of November - Brent soared 27% in November - several OPEC+ producers started questioning the need to keep such a tight rein on oil policy, as advocated by OPEC leader Saudi Arabia. Higher prices also prompted U.S. producers last week to boost output for a third week in a row for the first time since May 2019. Russian Deputy Prime Minister Alexander Novak said the group would now gather every month to decide on output policies beyond January with monthly increases not exceeding 500,000 bpd.

ECONOMIC CONDITIONS

The U.K. has become the first Western nation to approve a COVID-19 vaccine. The Pfizer/BioNTech vaccine is good to go and inoculations will begin next week.

Canadian employment rose 62,000 in November according to the Labour Force Survey, significantly above consensus expectations calling for +20,000. This gain, combined with a one tick decline in the participation rate (to 65.1%), translated into a reduction of the unemployment rate from 9.0% to 8.5%. Job creation in October was driven by all class of workers, the public sector (+31,600), the private sector (+23,100) and self-employment (+7,400) all being up. Employment in the goods sector advanced 44,200 with gains in construction (+26,300), agriculture (+8,500), resources (+9,700) and manufacturing (+3,800) more than offsetting declines in utilities (-4,100). Services-producing industries, for their part, added 17,900 jobs on sharp improvements in wholesale/retail trade (+27,100), transportation/warehousing (+20,300) and finance/insurance/real estate (+15,000) among others. These gains were more than enough to offset declines for accommodation/food services (-23,800) and information/culture/recreation (-25,600). Full time employment was up 99,400 while the ranks of part-timers dropped by 37,400. On a 12-month basis, hourly earnings fell from 5.2% to 4.8%.

U.S. Nonfarm payrolls rose about half as much as expected in November, by 245,000 after a 610,000 increase the prior month. Payrolls are still down 9.8 million or 6.5% from February's level. Government jobs plunged by 99,000, almost entirely due to layoffs of temporary census workers, though local government also continued to shed positions. While most industries continued to create jobs, the pace clearly downshifted, with private payrolls up 344,000 versus a downwardly-revised 877,000 in October. **Retail and food services both shed positions**, likely due to the renewed closure of indoor dining and bars and some other restrictions that took effect. The household survey reported 74,000 fewer positions. If not for a 0.2 percentage points (ppts) drop in the participation rate and a 400,000 dive in the labour force, the unemployment rate would have risen. **It fell a modest 0.2 ppts to 6.7%**, though after a big drop the prior month. The number of unemployed is 10.7 million or 4.9% above February's level. Permanent job losses edged higher and are now up 2.5 million since February.

FINANCIAL CONDITIONS

The Reserve Bank of Australia (RBA) left rates unchanged at 0.1% as markets expected. On bond purchases, the RBA says it will do "more if necessary" and will keep the bond purchase program under review. Governor Lowe says the economy needs "significant gains" in employment and tighter labour markets in order for inflation to return the 2-3% target.

The U.S. 2 year/10 year treasury spread is now 0.79% and the U.K.'s 2 year/10 year treasury spread is 0.37%. 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 2.71%. Existing U.S. housing inventory is at 2.5 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 21.97 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally

"The noblest pleasure is the joy of understanding." – Leonardo da Vinci

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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.

1.Not all of the funds shown are necessarily invested in the companies listed

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