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NEWS HIGHLIGHTS

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

JANUARY 25, 2021

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OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

PORTLAND 15 OF 15 ALTERNATIVE FUND COMPANY NEWS

Brookfield Asset Management Inc. and KKR & Co. Inc. are, reportedly, among top infrastructure investors weighing bids for a share of Saudi Aramco's oil pipelines. Apollo Global Management Inc. and China's state-backed Silk Road Fund Co., Ltd. are also said to have been studying whether to make offers. The stake sale could fetch Aramco around US$10-billion. The world's top oil producer has asked for expressions of interest and aims to receive non-binding offers next month. Aramco's advisers are also gauging interest from other potential bidders including sovereign wealth fund China Investment Corp. Some bidders may team up given the size of the transaction. Aramco has been seeking to raise funds by selling stakes in non-core assets, mirroring a strategy adopted by Abu Dhabi National Oil Company (Adnoc). An investor group including Brookfield and GIC Private Limited invested $10.1-billion in Adnoc's natural-gas pipelines last year. While large Canadian pension funds often pursue such assets, some may shy away from the Aramco deal given political tensions between the Canadian government and Saudi Arabia.

Reliance Industries Ltd. – On January 22, Reliance Industries reported a record profit of US$2.1 billion aided by its consumer businesses. The group's wireless operator, Reliance Jio Infocomm Ltd. has started advance tests to prepare the fifth-generation, high-speed network, it said in a statement last week. But the company's plans hinge on the availability of spectrum as the Indian government still hasn't auctioned the required airwaves. The Mumbai-based group, whose businesses span oil refining and petrochemicals to retail and telecommunications, said it's testing the transmission speeds using locally-developed equipment. Reliance Jio, with almost 411 million users, reported a 15.5% jump in profit for the three months through December from the preceding quarter, while earnings margins before interest, taxes, depreciation and amortization touched 47%. Net income at the group rose 13% from a year earlier, beating analyst estimates. The latest quarterly results bolster Ambani's ambitions to transform Reliance from an energy giant into a technology titan, a pivot that has received $27 billion from global investors including Facebook Inc. and Google. Ambani, Asia's second-richest man, promised last month that Jio will be the first to roll out 5G in India in the second half of this year. He's looking to lure nearly 300 million users still on the older 2G technology offered by Jio's rivals.

SoftBank Group Corp. - Southeast Asian ride-hailing player Grab Holdings Inc. has picked banks for a potential U.S. initial public offering, that could raise at least $2 billion, according to people familiar with the matter. Morgan Stanley and JPMorgan Chase & Co. have been selected to work on a listing that could happen as soon as the second half of this year, the people said. More banks could be added and details of the offering could change as deliberations continue, said the people, who asked not to be identified as the information is private. Grab's IPO considerations come after talks to combine with Indonesian rival Gojek stalled. The latter start-up is now in advanced discussions to merge with local e-commerce pioneer PT Tokopedia instead, creating a powerful regional player in online services that may then seek to go public, Bloomberg News reported this month. A Gojek-Tokopedia tie-up could create a Southeast Asian powerhouse with a valuation of about $18 billion and businesses encompassing ride-hailing and payments to online shopping and grocery delivery.

That could threaten Grab's own effort to expand across the region, particularly in the largest market of Indonesia. The Singapore-based company backed by SoftBank Group Corp. grew net revenue 70% in 2020 after bouncing back from a COVID-19 trough. The start-up, which was last valued at more than $14 billion, is now angling to delve deeper into online finance and food delivery.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

Kimberly-Clark Corporation reported Q4 2020 Core EPS of $1.69, which compares to Consensus $1.60. Though non-operating items roughly equated to the EPS beat, the same can be said for higher selling, general and administrative (SGA) spending. Organic sales up +5.4% driven by stronger pricing and volume; Consumer Tissue organic sales up +14% driven by outperformance in North America; K-C Professional organic sales down just -9% with outperformance globally and Personal Care organic sales up +5% driven by outperformance in Developed, Developing and Emerging markets. Gross margins down -65 basis points (bps) with operating margins down -210 bps and Personal Care operating margins down approximately 300 bps. Top line growth came in well ahead of expectations and knowing non-operating tailwinds, K-C chose to reinvest materially in advertising & other SG&A. This should provide for some cushion into the higher cost & slower growth environment of 2021 in analysts' view. For 2021, clearly the discussion of birth rates will be a factor, but analysts continue to believe that this year's investments behind premium innovation & branding will help to mitigate macro challenges to some degree. Guidance Adjusted EPS $7.75-8.00, current Consensus stands at $7.76; Net sales up +4-6%; Adjusted operating profit similar to up +2% year/year; Adjusted non-operating expense expected to decrease year/year; Tax Rate: 22-24%; Dividend up +6.5% year/year; Share repurchase $650-750 million.

The Procter & Gamble Company reported Fiscal Q2 2021 Core EPS of $1.64, which compares to Consensus $1.51. The beat was driven by better top-line and operating leverage. Total company organic sales up +8% driven by stronger price/mix. Grooming organic sales up +6% on stronger volume growth. Fabric Care & Home Care organic sales up +12% driven by stronger price/mix. Baby, Feminine & Family Care organic sales up +6%. Beauty Care organic sales up +5% and the only division to disappoint was Healthcare organic sales up just +8.5% driven by weaker volumes in cold/flu products. Gross margins up +150 bps and Operating margins up +260 bps with operating leverage benefit to margins at 210 bps. The company raised its 2021 guidance: Net Sales growth to +5-6% (vs. +3-4% prior); Organic Sales growth to +5-6% (vs. +4-5% prior); Core EPS Growth to +8-10% (vs. +5-8% prior) also including and share repurchases to up to 10 billion (vs. $7-9 billion prior). The magnitude & quality of P&G's results this quarter again speak to the positive momentum for its brands in analysts' view, and the tremendous operating leverage and cash flow that is the result of such strong sales growth. For the 2nd quarter in a row, P&G raised its intention for share repurchases; now standing at $10 billion versus guidance in August for something in the $6-8 billion range.

LIFE SCIENCES

Telix Pharmaceuticals Limited announced that the first patients have been dosed in the Phase III ZIRCON1 clinical trial of Telix's renal cancer diagnostic imaging product TLX250-CDx (89Zr-girentuximab) in the United States. The objective of the ZIRCON trial is to evaluate the sensitivity and specificity of Positron Emission Tomography/Computed Tomography imaging with TLX250-CDx to non-invasively detect clear cell renal cell carcinoma (ccRCC) in patients with indeterminate renal masses in comparison with surgical resection (histology), as the standard of truth. The ZIRCON trial, which includes twelve participating clinical study sites across the U.S. and Canada, initiated patient recruitment in U.S., with the first patients being dosed with TLX250-CDx at University of California, Los Angeles (UCLA), and Seattle Cancer Care Alliance, University of Washington, Seattle (SCCA). The remaining seven U.S. sites and three sites in Canada are expected to commence patient recruitment progressively over the next month. Telix Chief Medical Officer, Dr. Colin Hayward, stated, "We are pleased to have commenced the Phase III ZIRCON clinical trial in North America and wish to express our gratitude to Prof. Allan Pantuck and Dr. Delphine Chen, principal investigators at UCLA and SCCA, respectively, as well as their clinical research teams and patients, who have made this important milestone possible."

ECONOMIC CONDITIONS

Canada's consumer price index (CPI) fell 0.2% month/month in December (not seasonally adjusted), below consensus expectations calling for a positive print (+0.1%). In seasonally adjusted terms, headline prices advanced 0.1% on gains for recreation/education/reading (+1.0%). Alternatively, clothing/footwear (-1.1%), food (-0.4%), health/personal care items (-0.1%), household ops (-0.1%) and alcoholic beverages/tobacco (-0.1%) declined in the month. Transportation and shelter were flat in December. Year on year, headline inflation fell 3 ticks to 0.7%. On a regional basis, the headline annual inflation rate was above the national average in Quebec (+0.8%), BC (+0.8%) and Alberta (+0.8%) while it came in line for Ontario (+0.7%). The Bank of Canada's (BoC) three core inflation measures on a year-on-year basis were as follows: CPI-common at 1.3% (down two ticks), CPI-trim at 1.6% (down one tick) and CPI-median at 1.8% (down one tick). In our view, this weakness is temporary and should dissipate when sanitary measures are relaxed. We continue to expect sticky inflation despite the economy running below capacity and high unemployment rate. Generous government aid programs are creating artificial labour shortages and they are expected to last until vaccines will allow a progressive return to normality. Commodity prices, including food (a heavyweight in the basket), have also risen strongly which could also affect the purchasing power of Canadian consumers in the months ahead. Supply chain disruptions could last for some time helping core inflation to persist close to the BoC mid-point target over the next 12 months.

U.S. existing home sales unexpectedly rose 0.7% to 6.76 million in December, moving closer to the 14-year highs reached in October. The gain was largely in the Northeast, suggesting warmer, drier weather may have helped. Also helping are decent affordability in most regions (even with the median price up 12.9% in the past year) and increased activity driven by teleworkers (if they can find a property given record low availability). The housing market continues to show remarkable resilience to the pandemic, and could get a second wind after the second wave crests in our opinion.

FINANCIAL CONDITIONS

The Bank of Canada (BoC) opted to keep its main policy rate at the effective lower bound of 0.25%. Once again, the Bank committed to keep the target for the overnight rate at the effective lower bound "until economic slack is absorbed so that the 2% inflation target is sustainably achieved". The Bank noted it doesn't expect this to happen until "into 2023"—guidance that is unchanged from October projections. Importantly, the Bank's Quantitative Easing program (the Government of Canada Bond Purchase Program) will be left unchanged at "at least $4 billion per week" and will continue until "the recovery is well underway". Once again, the statement noted that the economy "will continue to require extraordinary monetary policy support". There was however, a new line of forward guidance introduced here: "As the Governing Council gains confidence in the strength of the recovery, the pace of net purchases of Government of Canada bonds will be adjusted as required." On the economy, the statement noted the recovery has been interrupted as many countries face new waves of the virus. However, "the earlier-than-anticipated arrival of effective vaccines has reduced uncertainty from extreme levels" (though uncertainty is still high and the outlook remains conditional on the virus). The Bank expects negative growth in the first quarter but a strong rebound in Q2. Overall, the medium term outlook is "stronger and more secure" than in October. On inflation, the BoC expects a sustainable return to the 2% target in 2023. The BoC now expects GDP to expand 4.0% in 2021 with a sizeable upward revision to 2022's growth outlook, from 3.7% to 4.8%. The arrival of effective vaccines against COVID-19 certainly motivated this change. Stronger growth projections also translated into a more vigorous inflation forecast. It was the 2021 numbers that showed the biggest revisions, with CPI inflation now projected to reach 1.6% in the year (up from 1.0%). The longer-term outlook, however, remains rather weak; the Bank expects inflation to reach 2% only in 2023.

The European Central Bank (ECB) left its ultra-easy policy unchanged as expected last week but kept the door open to more stimulus as the outlook sours amid a spreading COVID-19 pandemic. Having extended support well into next year with a massive stimulus package in December, the ECB is already providing nearly all the help it can and the flexibility built into its measures allows the bank to ramp up bond purchases without a fresh decision by policymakers. Although no further changes to policy are seen for months and possibly all year, widening lockdown measures and the slow pace of vaccinations challenge the ECB's projection of a quick economic rebound from the second quarter and raise the risk that more stimulus may be needed sooner rather than later. (Source: Reuters)

The U.S. 2 year/10 year treasury spread is now 0.94% and the U.K.'s 2 year/10 year treasury spread is 0.41%. 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 2.77%. 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 23.34 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 intelligent investor is a realist who sells to optimists and buys from pessimists" Benjamin Graham

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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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