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NEWS HIGHLIGHTS

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

AUGUST 9, 2021

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OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

PORTLAND 15 OF 15 ALTERNATIVE FUND COMPANY NEWS

SoftBank Group Corporation ("SoftBank") - Trendyol, an e-commerce company backed by Alibaba Group Holding Ltd., is close to raising fresh funding at a US$16.5 billion valuation, making it Turkey's biggest start-up. The company is in talks to raise about $1.5 billion from investors including General Atlantic LLC and could complete the deal as soon as next week, the people said, asking not to be identified because the transaction isn't yet public. SoftBank is also in talks to invest in the round, and the proceeds will be used to expand the business in Turkey and abroad. The e-commerce company has benefited from a surge in online buying in Turkey, which jumped 66% last year, according to the trade ministry. Trendyol's gross merchandise value, a measure of the products it sells on its platform, has grown by about 20 times in the past three years and is on track to hit $10 billion this year, people familiar with the company noted in April. The company may sell shares in two years through an initial public offering, the people said at the time. The funding round would give Trendyol' a valuation of more than $10 billion. The company hit $9.4 billion earlier this year when its top stakeholder, Alibaba Group ("Alibaba"), invested $350 million, according to the country's commercial registry. Trendyol, founded in 2010 by Harvard Business School dropout Demet Mutlu, is Turkey's largest e-commerce marketplace platform with 34% of the market, according to Euromonitor data.

Reliance Industries Limited ("Reliance") - On Friday, a two-judge bench of India's Supreme Court ruled that an emergency order by a Singapore arbitrator last year, which stopped Reliance from proceeding with the deal, is legally binding. Amazon.com, Inc. ("Amazon") had approached the arbitration court in the city-state, and the parties will now have to wait for the deliberations of that body before a final decision. The Indian court's verdict is the latest episode in a bitter battle over the cash-starved Future Retail Limited which both Amazon and Reliance want to control. The top court also upheld a previous ruling that ordered a freeze on assets of Future Group founder Kishore Biyani. For Amazon, adding Future's Big Bazaar brand of stores to its assets would help expand its brick-and-mortar footprint across the country. Mukesh Ambani announced his plans to buy Future' Retail's assets almost a year ago to help aid his retail push. Reliance Industries has identified e-commerce and conventional retail as two focus areas, and roped in investors including Facebook Inc. and Alphabet Inc.'s Google in 2020. Future Retail said in an exchange filing on Friday that it will pursue all available avenues and legal remedies to conclude the deal and protect investors and workers. Amazon owns a stake in an unlisted Future Retail's unit and has argued that it contractually has the first right of refusal to buy Future Retail. It went to the Singapore arbitration court last year, accusing the Indian retailer under the Future Group of violating that contract when it agreed to sell its wholesale, warehousing, logistics and other retail assets to Reliance.

Facebook Inc. ("Facebook") - Samsung Electronics Vice Chairman, Jay Y. Lee, will be released from prison Friday after a justice ministry committee recommended that he receive parole, marking an important reversal for South Korea's political and business landscape ahead of a presidential election early next year. The justice ministry decided Monday to grant parole to the de-facto leader of Samsung two days before Liberation Day on August 15th, Justice Minister Park Beom-kye said during a briefing that authorities reached the decision after taking into account Lee's "emotions toward society and his attitude during incarceration," as well as the impact of the prolonged Covid-19 outbreak on the national and global economies. In late January, Lee was sent back to prison, after he was convicted of using bribery to win support for his formal succession at Samsung. During his second stint, he had served six of the 18 months that he had been expected to spend behind bars in addition to the year he was incarcerated before his initial release in 2018. In the months since his imprisonment, there had been a supply crunch in the global semiconductor industry and the role of Samsung in facilitating a Covid-19 vaccine deal with the U.S. which had fanned calls from business leaders and politicians to free the de-facto head of South Korea's largest conglomerate and chipmaker. While Lee is set to be released from jail ahead of Liberation Day, he still needs to seek exemption from a five-year employment restriction before he can return to running the conglomerate. Lee's return to the helm at Samsung could expedite key initiatives, such as a US$17 billion investment plan in the U.S. or major mergers and acquisitions. The company has announced plans to build an advanced chip making plant in the U.S., in hopes of winning more American clients and narrowing the gap with industry leader Taiwan Semiconductor Manufacturing Company.

DIVIDEND PAYERS

Bayer AG had a strong 2021 second quarter sales versus expectations but 8% Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA") miss driven by Crop Sciences. Group sales grew 12.9% to €10,854 million (+8% reported, +11.3% volume, +1.6%% price, -5.2% foreign exchange, +0.3% portfolio). Group sales beat consensus expectations by 7% driven by all divisions. However, there was margin pressure in Pharma (31.4% versus consensus 32.6%) and Consumer (21.6% versus consensus 22.7%), but the main EBITDA miss came in crop sciences (16% miss) with margins at 20.3% versus consensus 26.1%. The miss is understood to be driven by three main factors: phasing on the receipt on license revenues in the region of €30-60 million which could reverse in the second half of 2021, with the remainder of the miss split of approximately 50/50 between higher costs of goods sold ("COGS") and higher staff costs (higher provisioning due to expected higher variable compensation based on better expected performance for the 2021 fiscal year). Overall CORE EBITDA declined 10.6% against expectation of a 3% decline. Core Earnings Per Share ("EPS") of €1.61 beat the consensus EPS of €1.52 by 6% despite lower CORE EBITDA. Crop Science sales +10.6% (+9% sales beat over reported consensus). Underlying volume was the largest driver (+7.4%) with significant growth in Fungicides (+22.9% constant currencies), Herbicides (+10.9% constant currencies). Corn Seed & Traits also saw a strong rebound (+8.6% constant currencies), as did Soy Seeds & Traits (+9.1% constant currencies). Foreign exchange was a -6% headwind. Pharma sales +16.2% (+5% sales beat over consensus). The growth comes off a low 2020 second quarter base that saw the effects of COVID-19 related destocking. Volume growth was the main driver at +16.5%, partially offset by -4% currency headwind. The Price had minimal impact on sales (-0.3%). Key products were largely ahead of expectations Eylea +27.4% was 10% ahead (on high European Union ("EU") demand not offset by changed Japanese ordering patterns), and Xarelto +12.6% was in line with expectations. Nexavar was weak (€110 million versus consensus €121 million) and Mirena franchise slightly ahead (€293 million versus consensus €279 million). Kogenate franchise +7.8% beat by 10%. All of the diagnostics imaging products did very well with a return to elective surgeries (CT fluid delivery +35%, Ultravist +35% and Gadovist +62%). Consumer Health sales grew +12.8% to €1,290 million, 5% ahead of consensus. Volumes grew +10.8%, price +2% and foreign exchange had negative effects to the business of -6.4%. Group sales guidance upgraded from 3% to 6% growth, but EBITDA guidance of €10.6-10.9 billion maintained on expected lower EBITDA margin of 25% (previously 26%). EPS guidance increased from €6.10-6.3 to €6.4-6.60.

Citigroup Inc. ("Citi") announced it reached an agreement to sell its Australian Consumer Banking Business to National Australia Bank ("NAB"). This is the first of Citi's intended 13 Asia/EMEA exits; NAB paying an A$250 million premium to net assets (1.25x pro forma book to NAB); expected to close by March 2022. Citi's Australian Consumer Bank, which includes residential mortgages (c.A$7.9 billion or $5.8 billion), deposits (approximately A$9.0 billion) and unsecured lending (c.A$4.3 billion, $3.2 billion) will be transferred to NAB, together with 800 employees upon close of the transaction.

Consolidated Edison, Inc. ("Con Edison") reported a second quarter EPS of $0.53 versus consensus at $0.62 and below the 2020 second quarter Electronic Position Fixing System ("EPFS") of $0.07. The vast majority of the shortfall continues to be COVID-19 related headwinds. However, Con Edison still reaffirmed the 2021 fiscal year guidance of $4.15-4.35 giving the sense that things, more or less, went as planned through the first half (despite being flat year-to-date). A couple variables to consider in the second half include the recent settlement for Tropical Storm Isaias penalties – we estimate a $0.05-0.06 EPS headwind that Con Edison will need to offset; also, if or when Con Edison is allowed to begin collecting some late payment revenues, the guidance assumes there will be some amount but the magnitude of that amount is unclear.

Costco Wholesale Corporation ("Costco") reported July comparisons ex-foreign exchange and gas of +8.0%, above the consensus estimate of +5.6%, despite a tough comparison of +15.8% from a year ago. U.S. comps ex-foreign exchange/gas were up 8.5% versus consensus of 5.3%, Canada comps ex-foreign exchange/gas were 5.5% versus the consensus at 5.4%, and other international comps ex-foreign exchange/gas were 7.8% versus the consensus at 6.9%. On a two-year stack basis, U.S. comps ex-foreign exchange and gas slightly accelerated to 24.2% in July from 21.4% (or 23.8% when adjusted for the calendar shift) in June 2021. By category, ancillary continued to outperform, given easy comparisons from last year related to closures and lower gasoline volumes. E-commerce decelerated to +5.7% ex-foreign exchange in July, from +18.0% in June. On a two-year stacked basis, e-commerce ex-foreign exchange decelerated in July to +81.8% versus +104.7% in June. Traffic continued to decelerate, although remaining positive at +6.9% globally versus +8.1% in June (on tougher comparisons). However, worldwide traffic accelerated on a 2-year stack basis to +8.5% in July from +6.5% in June and U.S. 2-year stack traffic accelerated to 10.3% in July versus 7.3% in June (or approximately 9.7% on an adjusted basis in June). Meanwhile, the average ticket remained positive at +6.4%, despite a difficult comparison from July 2020. Gas volumes were up significantly versus last year and positive versus 2019, as well. Even though sales have been incredibly strong, supply shortages in appliances and electronics are hindering some sales due to a lack of availability of inventory. The July 2-year e-commerce deceleration was impacted from Prime Day from two years ago – which was a benefit to e-commerce in June. Ex the Prime Day impacts, the underlying e-commerce performance was still good in July. Much like stimulus, the child tax credit may benefit Costco, however it will likely be more beneficial for other lower income demographic retailers.

LIFE SCIENCES

Roche Holding AG ("Roche") announced positive headline data for Polivy (polatuzumab vedotin) in the P3 POLARIX study in first-line diffuse large B-cell lymphoma (DLBCL). POLARIX compared polatuzumab + Rituxan, cyclophosphamide, doxorubicin and prednisone (R-CHP) versus current standard of care Rituxan +CHP + vincristine (R-CHOP). The positive POLARIX trial is the first study to show an improvement over standard of care in 1L DLBCL in circa.20 years. DLBCL is the most common form of non-Hodgkin lymphoma (NHL), representing c. one-third of cases. It is most prevalent in adults aged 55 to 85. DLBCL is an aggressive form of NHL. It does usually respond well to first-line therapy but c.40% of patients relapse in time. The U.S. 5-year survival with DLBCL is circa 64%. Roche estimates that circa 150,000 patients are diagnosed annually with DLBCL. Approximately 18,000 patients are diagnosed annually in the U.S. Polivy is an antibody-drug conjugate (ADC) against CD79b expressed on B-cells. It is already approved for relapsed/refractory DLBCL. Polivy uses the Seagen ADC linker technology. Seagen is entitled to royalties on World Wide sales.

ECONOMIC CONDITIONS

Remote work has changed Canadians' willingness to commute: The Globe & Mail reported that after more than a year of working from home, many Canadians aren't ready to give up on the benefits of avoiding the commute to work. According to a recent study conducted by Angus Reid on behalf of flexible workspace provider International Workplace Group (IWG), nearly a third of Canadians want a commute of no more than 15 minutes. Another 22% want to work entirely from home, and nearly 40% want a hybrid model that blends in-person and remote work. Overall, only 12% of the more than 1,500 employed Canadian respondents are willing to travel more than 15 minutes to work on a daily basis. According to Statistics Canada, Canadians spent an average of 24 minutes travelling to work in 2016, with more than 850,000 workers dedicating over an hour to travelling in each direction every day. "People want to eliminate the commute for work that is not purpose-driven," says Wayne Berger, chief executive officer of the Americas for IWG. "They want the ability to structure their days, or where they need to be each day, based on what's required." The shift in attitude toward commuting represents a significant departure from a long-standing norm that dictated everything from how businesses operate to how cities are designed. "This presents an opportunity for cities and provinces and municipalities to start rethinking urbanization," Mr. Berger says. "It will help alleviate the stress on a taxed infrastructure and an overextended public transit system."

Canadian employment: The July Labour Force Survey came in weaker than expected with the Canadian economy adding 94 thousand jobs during the month, falling short of the market consensus for 150 thousand, as the unemployment rate fell to 7.5%. On a more positive note, most (+83 thousand) new jobs were full time positions in contrast to June, which contributed to a solid (+1.3%) increase in total hours worked. Job growth was led by services (+93 thousand), helped by further gains across accommodation/food services (+35 thousand), while good-producing employment was largely unchanged. Total employment is still 246 thousand (-1.3%) below pre-COVID-19 levels, and we expect the jobs recovery to slow further in the coming months.

U.S., nonfarm payrolls rose 943 thousand in July, more than the +870 thousand print expected by consensus. Adding to the good news, the prior months' results were upgraded by a sizeable 119 thousand. The private sector added 703 thousand jobs. Employment in the goods sector increased 44 thousand thanks to gains in manufacturing (+27 thousand), construction (+11 thousand) and mining/logging (+6 thousand). Services-producing industries, meanwhile, expanded payrolls by 659 thousand, with notable increases for leisure/hospitality (+380 thousand), education/health (+87 thousand), professional/business services (+60 thousand) and transportation/warehousing (+50 thousand). Employment in the public sector progressed no less than 240 thousand as state/local administrations added 222 thousand jobs. Average hourly earnings rose 4.0% year-over-year in July, more than the median economist forecast calling for a 3.9% gain and up from 3.7% the prior month. The unemployment rate fell from 5.9% to 5.4%. Full-time employment surged a massive 1,265 thousand in the month, while part-time positions fell 250 thousand.

FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now 1.10% and the U.K.'s 2 year/10 year treasury spread is 0.45%. 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 could be 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 1.9 months' supply of existing houses - well off its peak during the Great Recession of 9.4 months and what we consider to be a more normal range of 4-7 months.

The VIX (volatility index) is 16.91 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 is encouraging for equities.

And finally ……

"It's not riding the tiger that is the problem, it's the dismount" ~John Mauldin

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Glossary of Terms: 'CET' core equity tier, 'EBITDA' earnings before interest, taxes, depreciation and amortization, 'EPS' earnings per share, 'FCF' free cash flow, 'GDP' gross domestic product, 'ROE' return on equity, 'ROTE' return on common equity, 'ROTCE' return on tangible common equity, 'conjugate" a substance formed by the reversible combination of two or more others.

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

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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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