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NEWS HIGHLIGHTS

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

AUGUST 30, 2021

OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

PORTLAND 15 OF 15 ALTERNATIVE FUND COMPANY NEWS

SoftBank Group ("SoftBank") – SoftBank Vision Fund 2 led a US$400 million funding round for OPay, valuing the Nigerian mobile-payments platform at $2 billion and marking the investment vehicle's first bet in Africa. Also participating in the round were Sequoia Capital China, DragonBall Capital, the venture arm of Chinese food-delivery giant Meituan, Redpoint China Ventures, Source Code Capital, SoftBank Ventures Asia and 3W Capital, according to OPay. The company's technology is designed to replace cash and other legacy payment methods, helping local governments improve financial and information security, according to OPay. Founded in 2018, the company's monthly transaction volumes exceed $3 billion. In addition to expanding in other African countries, OPay is focused on the Middle East as well. OPay previously counted ride-hailing and logistics services as part of its offerings. Last year, OPay closed its ride-hailing and bike-sharing businesses following a government ban and the rise of the Covid-19 pandemic.

SoftBank - Nuro Inc. ("Nuro"), which has unmanned delivery pods scurrying around Southwestern streets, said that it will build a US$40 million facility to assemble and test a new generation of autonomous vehicles in Nevada. The expansion marks an inflection point for the five-year-old robotics start-up. After three years refining its autonomous driving system while delivering groceries, prescriptions and pizza, it says it's ready to expand and add tens of thousands of vehicles to short-haul cargo routes around the country. Nuro currently runs its self-driving software on about 70 Toyota Prius hybrids, with a safety driver at the wheel, and 30 of its own driverless pods, dubbed R2, which are monitored remotely by a chaperone. The 125,000 square-foot planned factory would essentially add the finishing touches, including self-driving sensors and software, to R3, the company's third iteration. The all-electric machine will be sourced from BYD USA, a unit of a China-based automaker that makes a range of electric vehicles, from commuter buses to giant motor coaches. Nuro has also struck a deal to turn 76 acres of the Las Vegas Motor Speedway into a robot-car R&D center, where it will train up its algorithms on how to handle various road situations before it releases them into the wilds of suburban streets. Specifically, the delivery droids will be drilled on avoiding pedestrians, cyclists and pets. Nuro plans to finish both construction projects sometime next year. Nuro has been at the front of the autonomous driving pack for years now, thanks in part to its relatively modest mission. By focusing on non-human cargo, the company was able to do an end-run around the so-called trolley problems inherent in road accidents. Its pods stuffed with pizzas and produce, are far narrower than traditional cars and are programmed to avoid people at all costs, even if it means driving into a ditch. What's more, they are carrying some revenue. The company has been delivering groceries for Kroger for three years, a chunk of business that helped it land a $1 billion investment led by SoftBank in early 2019. More recently, it started delivering prescriptions for CVS Pharmacy, packages for FedEx Corporation and pizzas for Domino's Pizza, Inc. The restaurant business, in particular, is a higher degree of difficulty, given the emphasis on accuracy and speed.

Facebook Inc. ("Facebook") – Facebook is considering building products and features related to nonfungible tokens, or NFTs, the digital assets that have taken off with the rise of blockchain technology. David Marcus is the Head of F2, or Facebook Financial, the internal group developing the company's Novi digital wallet. That wallet could be used to hold NFTs, he said. "When you have a good crypto wallet like Novi will be, you also have to think about how to help consumers support NFTs," he added. "We're definitely thinking about this." He wasn't more specific about what kinds of NFT-related products Facebook might build. Facebook's digital wallet is "ready now," Marcus said, but the company has been waiting to launch it until it can do so alongside Diem, the digital currency previously known as Libra, which Marcus co-founded from within Facebook in 2019. Plans are for Diem to offer a so-called stablecoin backed by the U.S. dollar, but it's unclear when the coin will be introduced. The project faced immense pushback from lawmakers and regulators when it was unveiled, and while Facebook is still a partner on the project, Diem is now run independently. Marcus said Facebook would consider launching the Novi wallet without Diem "as a last resort," but he believes both are necessary to change the way people make payments. The social media giant's hope is that people will use Facebook's wallet to transfer Diem, which could reduce costly fees and lower the time it takes to send money cross-border. Without more innovation in payments technology, Marcus said, countries in the West like the U.S. will struggle to keep up with China in adapting to a world where digital payments are dominant.

Berkshire Hathaway Inc. ("Berkshire Hathaway") – Brazil's Nubank is reportedly seeking a valuation in its planned U.S. initial public offering that would push the eight-year-old fintech past the US$55.4 billion value of the country's top traditional lender. In a recent funding round led by Warren Buffett's Berkshire Hathaway, Nubank was valued at $30 billion. With 40 million clients in Latin America, Nubank is the latest of several fast-growing financial services companies - often serving customers overlooked by banks - grabbing investors' attention. If Nubank is listed at a market capitalization greater than Itau Unibanco Holding SA's $55.4 billion, it would vault into the ranks of the world's largest fintechs, ahead of recently listed Robinhood Markets Inc., for example. In recent weeks Nubank's bankers have allegedly pitched a valuation of as much as $100 billion. Nu Pagamentos, as Nubank was formally known, ended 2020 with a loss of 230 million reais and a loan book of roughly 18 billion reais. In the first quarter it managed to turn a profit, with net income of 6.8 million reais ($1.30 million), according to Brazil's central bank. Last year, Itau posted 18.5 billion reais in profit, or a return on equity of 14.5%, despite the pandemic. Its loan book totaled 870 billion reais. In a sign of growth potential, Nubank has already issued more debit cards than Itau, luring many clients who had avoided traditional bank accounts. Nubank has also embarked on a wider regional expansion encompassing Mexico and Colombia. According to a ranking by CBInsights, Nubank is the seventh most valuable unicorn worldwide, behind fintechs Stripe, Klarna Bank ABand Revolut. Nubank has hired investment banking units of Morgan Stanley, Goldman Sachs Group, Inc. and Citigroup Inc. to help lead its United States listing.

Pershing Square Holdings Ltd. – Bill Ackman, who last year launched the biggest-ever special-purpose acquisition company, said he remains committed to finding a merger partner for his blank-check company Pershing Square Tontine Holdings Ltd. (PSTH). "Our plan to return cash to shareholders once Special Purpose Acquisition Rights Company (SPARC) is approved does not in any way mean that we are walking away from PSTH and giving up on completing a deal," Ackman wrote in the Pershing Square Holdings interim financial statements. "We remain committed to finding a transaction for PSTH," Ackman wrote on Tuesday, adding, "If we have not done so by the time SPARC is approved, we will then continue to pursue a business combination, on behalf of SPARC rather than PSTH." Ackman created the SPARC as part of a deal to buy a stake in Universal Music Group (UMG), which he proposed earlier this summer for Pershing Square Tontine Holdings but abandoned amid regulatory questions. Instead his hedge funds, including Pershing Square Holdings (PSH), promised to purchase between 5% and 10% of UMG by mid-September and have already purchased a 7.1% stake. To help raise cash for the purchase, Ackman said he sold his stake in Agilent Technologies Inc., his portfolio's second-best performer in the first half of the year. He said again he thinks regulators should grant approval to his SPARC "within a reasonable time frame that is in months not years" and said investors could help the process by contacting the U.S. Securities and Exchange Commission and the New York Stock Exchange.

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 ("BMO") - BMO reported the 2021 third quarter adjusted Earnings Per Share ("EPS") of CA$3.44 versus consensus $2.93. The beat was driven by higher net revenues (+42 cents) with about half coming from securities gains and the other half from core revenue outperformance. Provisions for Credit Losses (PCLs) also contributed 19 cents to EPS outperformance. Consolidated Pre tax pre provision earnings ("PTPP") was up 12% year-over-year. Excluding trading revenues, consolidated revenue growth was +14% year-over-year. Canadian Property and Casualty ("P&C") adjusted PTPP growth was 19% year-over-year. Provision for credit losses ("PCLs") of $94 million were down 84% year-over-year and down 33% quarter-over-quarter. Net Interest Margin (NIM) was down 4 basis points quarter-over-quarter at 2.62%. Segment loan growth was 5% year–over-year. Commercial loan growth was up 2% year-over-year (and up 2% quarter-over-quarter). U.S. P&C reports 12% year-over-year PTPP growth (USD basis). BMO released $49 million of PCLs versus loan losses of $247 million last year (and a release of $19 million in the second quarter of 2021). NIM was down 2 basis points quarter-over-quarter at 3.49%. Segment loans were down 2% year–over-year with commercial loans down 1% year-over-year and down 2% quarter-over-quarter. Capital Markets adjusted net income growth of 30% year-over-year (PTPP down 6% year-over-year). Total trading revenues (teb) were $592 million, (down 22% year-over-year). Advisory revenues were $411 million. Wealth adjusted net income up 16% year-over-year. This figure included a 19% increase year-over-year in Traditional Wealth and Insurance earnings up 5% year-over-year. Core Equity Tier 1 capital ratio of 13.4% up from 13.0% last quarter. The approximately 40 basis point increase from 2021 second quarter was the result of +48 basis points of internal capital generation and -2 basis points from higher Risk Weighted Assets.

Bank of Nova Scotia ("BNS") - BNS reported a 2021 third quarter core cash EPS of CA$2.01 versus consensus of $1.90. The beat was driven by lower than expected provisions for credit losses (PCLs) (+14cents), non-interest expenses (+2cents) and tax rate (+2cents). Consolidated Pre Tax Pre Provision earnings (PTPP) was down 1% year–over-year. Operating leverage was negative 2%. Excluding trading revenues, consolidated revenue growth was +5% year-over-year. Canadian P&C adjusted PTPP growth of 15% year-over-year. Net Interest Margins were down 3 basis points quarter-over-quarter. PCL ratio of 7 basis points was down 78 basis points year-over-year and down 9 basis points quarter-over-quarter. Segment loan growth was 7% year-over-year, led by mortgages (+10% year-over-year and +4% quarter-over-quarter) and commercial loans (+7% year-over-year and +4% quarter-over-quarter). International Banking adjusted PTPP fell 2% year-over-year. PCL ratio of 100 basis points was down 233 basis points year-over-year and down 18 basis points quarter-over-quarter. NIMs declined 23 basis points quarter-over-quarter to 3.72%. Segment loans were down 12% year-over-year and down 3% quarter-over-quarter. Capital Markets adjusted PTPP down 32% year-over-year. Trading revenues of $626 million were down 29% year-over-year. Advisory revenues of $198. Corporate loan balances were up 1% quarter-over-quarter (though down 16% year-over-year). Global Wealth earnings up 19% year-over-year (PTPP up 18% year-over-year). Assets Under Management ("AUM") was up 17% year over year (highlighted by 21% growth domestically) and Assets Under Administration ("AUA") up by 17% year-over-year as well. Core Equity Tier 1 capital ratio of 12.2%. The 10 basis points decline from second quarter of 2021in part the result of an increased ownership in BNS Chile. Net organic capital generation was +21 basis points (+32 basis points from organic capital generation less -11 basis points from Risk Weighted Asset growth).

Canadian Imperial Bank of Commerce ("CIBC") reported adjusted EPS of CA$3.93 versus consensus at $3.41. EPS was up 45% year-over-year, and Pre Tax Pre Provision (PTPP) earnings was up 7% year–over-year. Revenue was up 7% year-over-year with modest beats from net interest income, market sensitive revenue, and other fee income. Expenses were in line. On a segmented basis, all operating segments beat estimates. The bank's Core Equity Tier 1 ratio declined 7 basis points quarter-over-quarter to 12.30%, as about 40 basis points of internal capital generation was offset by Risk Weighted Asset growth of 33 basis points as the bank accelerated organic growth (especially commercial/corporate). Core Return On Equity was 17.9%, and Book Value Per Share came in at $90.06, up 8% year-over-year. Total Provisions for Credit Losses came in at a -$99 million (driven by a recovery in provisions on performing loans of $207 million and lower impaired provisions) versus consensus at +$118 million.

Royal Bank of Canada ("RBC") reported adjusted EPS of CA$3.00, 11% better than the consensus at $2.71. This result was up 8% quarter-over-quarter and 35% year-over-year. The beat was driven by credit with Provisions for Credit Losses (PCLs) this quarter coming at a recovery of $540 million versus consensus at an expense of $36 million. Pre Tax Pre Provision earnings of $5,224 million was above the consensus at $5,115 million and up 6% year–over-year. On a segmented basis Canadian Banking (CB) delivered the biggest beat, but Capital Markets, Insurance, and Caribbean Banking also reported solid beats. Wealth Management was in line with estimates, and Investor & Treasury Services ("I&TS") came in below expectations. Net Interest Margin decreased 4basis points quarter-over-quarter at CB. Core Return On Equity was 19.8%. The bank's Core Equity Tier 1 ratio came at 13.59%, up 82 basis points quarter-over-quarter. This result was above the consensus estimate of 13.50%. Record internal capital generation of 49 basis points were partially offset by a 35 basis points decline due to Risk Weighted Asset growth excluding foreign exchange. Total PCLs came in at a recovery of $540 million versus the consensus at an expense of $36 million.

TD Canada Trust ("TD") reported core cash EPS of CA$1.96 versus consensus at $1.92. This result was up 57% year-over-year and down 4% quarter-over-quarter. Pre Tax Pre Provision (PTPP) earnings were up 3% year-over-year when adjusted for the impact of the bank's U.S. strategic card portfolio, foreign exchange, and insurance fair value. The EPS beat was primarily driven by lower-than-expected provisions for credit losses (PCLs) at -$37 million (recovery), better than consensus at +$115 million. And better-than-expected other fee income was partially offset by lower-than-expected market sensitive revenue. Capital was once again a key positive as the bank's CET1 ratio remained at the top of the sector at 14.45%. The increase was mostly due to internal capital generation (+45 basis points), offset by the impact of acquisitions (Wells Fargo's Canadian Direct Equipment Finance business, -15 basis points) and a 2% quarter-over-quarter increase in Risk Weighted Assets (-5 basis points). Core Return On Equity was 15.6% and Book Value Per Share came in at $51.21, up 7% year-over-year.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND

Roche Holdings AG ("Roche") announced that it is voluntarily withdrawing the accelerated approval of Tecentriq from the U.S. market in 1st-line PD-L1+ triple negative breast cancer (TNBC). The withdrawal does not affect any other approved indications for Tecentriq in the U.S., or the ex U.S. mTNBC approval. Tecentriq was first to market in PD-L1+ TNBC, gaining an accelerated approval in March 2019 based on the P3 progression free survival (PFS) results of IMPassion130 study of Tecentriq + nab-paclitaxel in mTNBC. This study then failed to show an OS benefit in an intent-to-treat (ITT) population. However, it is understood the OS benefit seen in the PD-L1 subgroup was clinically meaningful, but this could not be formally tested as was not pre-specified in the hierarchical study design, and thus was not deemed confirmatory data. The second IMPassion131 study Tecentriq + paclitaxel (a different chemo agent), could have been confirmatory data but consequently failed to meet the PFS endpoint in PD-L1+ patients. The Food and Drug Administration ("FDA") Oncology Drugs Advisory Committee (ODAC) previously voted 7 to 2 in favour of maintaining Tecentriq's accelerated approval in this setting back in April of this year, despite the lack of OS benefit in ITT study population and the IMPassion131 failure. Ahead of the ODAC meeting, there have been other voluntarily withdrawals in bladder (including Roche's Tecentriq) and SCLC where there was a clear lack of confirmatory data. In the Roche press release the phrase "Roche made this decision following consultation with the U.S. FDA, based on the agency's assessment of the current mTNBC treatment landscape". Keytruda was second to market in the US in the same TNBC setting but was approved based upon PFS data from a P3 study in which the chemo combination was physician's choice. That same P3 study (Keynote-355) recently met the overall survival (OS) endpoint, thus producing confirmatory data for its approval. We expect the recent Keytruda OS data is the key driver behind the change in regulatory decision on Tecentriq's accelerated approval. Whilst the metastatic breast cancer indication was a not a large driver of Tecentriq sales to date, this Keytruda win further cements Merck's therapy as the likely preferred drug in the PD-(L)1 class, across many indications.

ECONOMIC CONDITIONS

U.S. Personal spending rose 0.3% in July and actually fell 0.1% after accounting for inflation, as the latest virus wave and rising inflation have already lowered consumer confidence, although this followed a 0.5% advance the prior month. This leaves real spending little changed relative to the high second quarter average, so even with expected gains in coming months, spending looks to downshift sharply to possibly a 3% annualized pace from the 11% rate of the previous two quarters. As expected, the weakness was in goods (volumes down 1.6%), led by autos and recreation goods and vehicles, though the declines were broad based. Spending is in our view rotating from short-in-supply goods and toward services, the delivery of which is also challenged by labour shortages. The latter likely explains the underwhelming 0.6% jump in services volumes, led by restaurants and hotels, though at least the increases were widespread as July marked the first full month in which most pandemic-restrictions were pulled.

U.S. personal income surprised to the upside with a 1.1% gain, as higher wages and salaries (+1.0%) and the first payment of funds from the expanded Child Tax Credit more than offset falling unemployment insurance payouts as more states ended the emergency programs. Wages and salaries are both above pre-pandemic levels and long-run trends, a reflection of both rising employment and earnings. And cumulated excess savings should continue to support spending for some time in our view. The personal saving rate actually backed up to 9.6% in July from 8.8% and remains comfortably above pre-virus levels.

U.S. Personal Consumption Expenditure prices rose an expected 0.4%, pulling the annual rate up two notches to 4.2%. Core prices also rose as expected, by 0.3%, the smallest advance in five months. This held the yearly rate at an upwardly-revised 3.6%. But the shorter-term metrics are worrisome in our view, with the 3-month and 6-month annualized rates both above 5%. The yearly core rate is set to rise further this year, in part, due to low base-year effects and ongoing global supply-chain glitches made worse by the re-energized pandemic.

U.S. goods trade deficit sharply declined to US$86.4 billion in July from a record $92.1 billion in June, as exports rose further while imports pulled back after earlier blistering gains.

U.S. existing home sales unexpectedly rose in July, despite higher prices (+18% year-over-year) and the prior month's drop in pending home sales (signed but not closed contracts). Total sales rose 2.0% to 5.99 million units annualized, the second increase in a row and the highest since March. And the buyers picked up single-family homes (+2.7%), while condo sales were down 2.7%. The number of homes available for sale rose for the fifth straight month, but are still 12.0% below year-ago levels. Months' supply still very tight at 2.6, considering that during normal times, there is about 5-6 months' supply. The median sales price is up 17.8% from a year ago, or 18.6% for single-family homes, which is putting pressure on first-time buyers. The percentage of homes sold to first-time homebuyers slipped to 30% in July, the lowest since early 2019. (During normal times our view is approximately 40%-to-45 %). Those picking up a second residence increased slightly to 15% of sales, while repeat homebuyers made up 47%.

U.S. Durable goods orders fell 0.2% in July, about as expected, as transportation equipment weighed (-2.2%). Excluding transportation, orders rose an above-expected 0.7%. More orders were put in for primary metals, fabricated metals, and machinery, while electrical equipment fell for the first time since the spring, and computers & electronics slipped. And, nondefense aircraft parts took a near 50% dive. Core orders (nondefense capital goods orders excluding aircraft) stalled, up just 0.05%, which is disappointing but this followed yet another upward revision to June (was +0.5%, then +0.7%, now +1.0%). Core shipments (nondefense capital goods shipments) grew for the second month in a row, up 0.4% in July, following a downward revision to June to a still-decent 1.8% (was +2.0%).

FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now 1.09% and the U.K.'s 2 year/10 year treasury spread is 0.46%. 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 could be an early warning of an economic slowdown.

The U.S. 30 year mortgage market rate has increased to 2.87%. Existing U.S. housing inventory is at 2.6 months' supply of existing houses - well off its peak during the Great Recession of 9.4 months and we believe is a more normal range of 4-7 months.

The VIX (volatility index) is 16.40 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 is encouraging for quality equities.

And finally: "Doubt is not a pleasant condition, but certainty is absurd"
Voltaire

Net Asset Value:

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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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