Portland Investment Counsel®
Buy. Hold. And Prosper.®

NEWS HIGHLIGHTS

EST. 2007

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

SEPTEMBER 27, 2021

OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

PORTLAND 15 OF 15 ALTERNATIVE FUND COMPANY NEWS

Brookfield Asset Management Inc. ("Brookfield") – Brookfield Asset Management and Elion Partners LLC ("Elion"), a vertically integrated industrial specialist and sponsor of institutional real estate vehicles, announced a US$1 billion strategic partnership expanding Brookfield's Real Estate Secondaries' logistics portfolio across core infill markets. Brookfield recapitalized Elion Logistics Park 55 ("ELP 55"), a Chicago master-planned industrial park with the potential to develop approximately US$1 billion of industrial real estate. The project includes five existing Class A industrial assets totalling four million square feet that are 100% leased, as well as the potential to develop up to 15 million square feet of additional industrial properties going forward. The master-planned logistics park is located adjacent to the Burlington Northern and Santa Fe Railway (BNSF railway), offers numerous tenant amenities including essential travel and repair services, and benefits from tax increment financing. "Industrial logistics real estate continues to experience positive momentum, and now is the logical time to seek long-term capital," said Juan DeAngulo, Managing Partner at Elion. "This partnership structure and Brookfield's support will enable Elion to fulfill the long-term development plans for ELP 55." The investment also included an US$80 million equity commitment to Elion's latest affiliated value-added fund, Elion Real Estate Fund V, which held its final closing last month achieving its hard cap of US$500 million. A majority of Fund V's portfolio was pre-specified upon Brookfield's commitment, representing more than 3.2 million square feet of logistics real estate across infill coastal markets. Brookfield, one of the world's largest investors in real estate with over US$200 billion in assets under management (AUM), launched its Real Estate Secondaries business a year ago. The strategy is focused on general partner investors who are looking for flexibility and liquidity in managing their private market investments.

Pershing Square Holdings Limited – Hedge fund manager William Ackman's 10% bet on Universal Music Group (UMG) helped to nearly double returns at his own portfolio to 15.3% last week after shares in the world's biggest music label surged in their first hours as a publicly traded company. Ackman, who runs hedge fund firm Pershing Square Capital Management LP, told investors that his Pershing Square Holdings portfolio returned 15.3% after fees since January. The fund was up 7.7% a week ago. The gains were largely fuelled by his investment in Universal Music Group), the label that is home to Taylor Swift, Bob Dylan, and the Beatles. Ackman pivoted a few weeks ago, buying the sizable stake in the record label through his portfolios after his initial plan to invest through a blank-check company deal crumbled in July amid scrutiny from U.S. regulators. The billionaire investor told his investors that humans need food, water, and music, and that music, which he called the cheapest form of entertainment in the world, is a very savvy investment because it pays royalties. He raised US$1.1 billion in fresh capital for the UMG stake through a co-investment vehicle, a structure he has previously used for investments in Automatic Data Processing Inc. and Air Products & Chemicals Inc. In total, Ackman's funds invested US$4 billion in UMG. Ackman posted a 70.2% return in 2020, following a 58.1% return in 2019. This year the HFRX Global Hedge Fund Index, which measures returns for the industry, is up 3.58%. In the first eight months of the year, Ackman's best performing stocks included Chipotle Mexican Grill Inc., Agilent Technologies Inc., and Domino's Pizza Inc. He sold Agilent to help fund his commitment to UMG. In its first day of trading in Amsterdam on Tuesday, UMG's shares leapt by more than a third, pushing its market value to US$55 billion in Europe's largest listing of the year.

SoftBank Group Corporation ("SoftBank") - Oyo Hotels & Homes Private Limited ("Oyo"), a once high-flying Indian startup that ran into troubles during the pandemic, plans to file preliminary documents to go public as soon as next week and will seek at least US$1.2 billion, according to people familiar with the matter. The initial public offering (IPO) will consist mainly of primary shares, or those sold by the company, as well as a small portion of secondary stock, said the people, asking not to be identified because the details are private. Ritesh Agarwal, the 27-year-old founder and Chief Executive Officer, doesn't plan to sell any of his stake, one person said. Oyo is targeting an offering of about US$1.2 billion and could increase that, one of the people said. It's pushing to accelerate the initial filing to as soon as next week, though it could also happen in early October. A successful IPO would mark a dramatic turnaround for Oyo. The hotel-booking start-up, backed by Japan's SoftBank Group Corp., stumbled in its global expansion and then was hit by the COVID-19 pandemic, which effectively ended travel for months in many countries. Agarwal led the company through a painful overhaul, pulling back in certain markets, cutting the workforce and slashing compensation. He said in an interview with Bloomberg TV in August of 2021 that the pandemic hit Oyo like "a cyclone" with business plummeting sharply. Agarwal, who has been mentored by SoftBank's Masayoshi Son, refocused on the technology and services that are most valuable to his hotel partners. The startup earlier raised US$660 million in debt financing to service its existing loans. The India IPO market is booming this year, on track to hit a record in the amount of fundraising. In one positive sign for startups and their backers, the food-delivery company Zomato Ltd. went public in July and saw its shares surge, despite substantial losses. Agarwal has said that Oyo has made progress in turning around its fortunes in recent months. In September, Microsoft Corporation said it would enter a multi-year alliance with Oyo and invest US$5 million in the company. Oyo's valuation is about US$9 billion, according to the market research firm CB Insights.

SoftBank - SoftBank is leading a US$200 million investment in a robotics startup that helped spur New York City's COVID testing process, boosting the company's value to US$1.8 billion. Opentrons Labworks Inc., also known as Opentrons, was founded in Brooklyn in 2013 and was valued at US$90 million only a year ago. Last summer, the company was instrumental in helping set up New York's Pandemic Response Lab to alleviate massive testing delays in the city. Opentrons's robots speed up the process by saving humans from having to carry out repetitive tasks themselves, helping to allow the city to test as many as 45,000 swabs a day now. The pandemic has fuelled investor interest in life sciences and robotics firms, industries that have been key to the COVID response, and are crucial for preventing future outbreaks. Robotics companies in the U.S. have brought in US$4.3 billion in funding this year, more than double the same period last year, according to PitchBook Data Inc. Life science companies have raised a record US$34.8 billion so far in 2021. Opentrons sits at the intersection of these two industries, creating robots to help life scientists automate many of their experiments and processes. In July 2020, COVID-19 tests were taking seven to 14 days to come back in New York and costing as much as $2,000. Opentrons' process at the Pandemic Response Lab (PRL) reduced the window for results to as little as 24 hours and slashed the cost to less than US$28. The PRL has also been at the forefront of virus sequencing in the U.S., spotting the Delta variant mutation toward the end of April and discovering the first case of the South African variant in a New York resident. Sequencing the virus's genomes for mutations is important to provide a picture of which variants are present and how widely they're proliferating. Opentrons has since tested 2 million New Yorkers and has set up additional COVID-19 hubs in Washington and Los Angeles. The hubs conduct "pool testing" for schools, grouping tests from students at a cost of about US$1 per child and providing results by the next day, making the process affordable and efficient for large city systems such as New York's. Angela Du, a director at SoftBank Vision Funds 2, led the funding round after discovering Opentrons through her spouse, a research scientist who uses the company's technology at work. Jonathan Brennan-Badal, CEO of Opentrons Labworks Inc., says that's how the company often sources investors. Opentrons has grown to support a community of more than 1,000 scientists in 46 countries. That network allows Opentrons a first look at thousands of different customers' innovations. When it sees a groundbreaking invention, Opentrons uses its robots to help bring it to the masses. Khosla Ventures Acquisition Co also participated in the funding, as well as investor Jeff Kindler, Pfizer Inc.'s former CEO. Opentrons also recently added Robert Langer, the Moderna Inc. co-founder, to its team. Langer, who is also one of 12 Institute Professors at the Massachusetts Institute of Technology, leads the scientific advisory board of Opentrons subsidiary Neochromosome Inc. The addition of Langer points to Opentrons's ambitions in the vaccine business, as well as drug development and treatments.

Reliance Industries Limited ("Reliance") – The race between tycoons Mukesh Ambani and rival Gautam Adani is heating up, with the two billionaires going head-to-head to try claim the title of world leader in renewable energy. India, an outlier as a major greenhouse gas producer that's yet to announce a net zero emissions target, has seen its key businesses lead the charge with plans to build an industry around decarbonization on billions of dollars of investment. Adani Group Limited, run by the second-wealthiest person in Asia and namesake of the ports-to-power business conglomerate, said on Tuesday it will invest US$20 billion over 10 years in renewable power. The announcement comes on the heels of Ambani, Asia's richest man and owner of oil refining and petrochemical giant Reliance Industries Ltd., who said in June that it would spend US$10 billion in green energy over three years. With the COP26 climate summit in Glasgow just weeks away, India is under pressure from global leaders to commit to a net zero target. While the nation's political leaders have considered setting a carbon neutrality goal, Prime Minister Narendra Modi's government has argued that as a developing nation where per capita electricity consumption is less than half of the world average, it needs the energy and developed countries should shoulder the burden of emissions cuts. Though the government hasn't made an official net zero target, it is unlikely Ambani and Adani would have taken these steps without government support. And private money from the tycoons may spur India to move faster toward being a greener country while also helping fill a mushrooming hunger for electricity as its economy paces at double-digit growth. India's power demand has risen sharply after the pandemic. India's government has also been taking steps toward greener energy with plans to more than quadruple renewable power capacity to 450 gigawatt by the end of this decade. That requires nearly US$650 billion in investment across the power sector, according to Bloomberg. Both Adani and Ambani's companies are bidding for government incentives intended to spur domestic manufacturing of solar power equipment.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

CK Hutchison Holdings Limited is to merge its Indonesian telecoms division with the local unit of Qatar's Ooredoo Group LLC in US$6 billion deal that is expected to be the country's largest inbound foreign merger. The companies said the merged group would generate about US$3 billion in annual sales with market share of 25% making it Indonesia's second largest telecoms company and a challenger to state-backed PT Telekomunikasi Selular, more commonly known as Telkomsel, which has about 50% market share.

Compass Inc. will be reporting Group performance in the fourth quarter, ahead of the close of the financial year on September 30, 2021. With 10 days of operations to go, the Group's revenue performance in the fourth quarter is expected to improve to approximately 86% of 2019 revenues, slightly ahead of our guidance of 80-85%. For the full year 2021, our revenues are expected to be approximately 76% of 2019. The outperformance was led by Sports & Leisure with improved attendance (particularly outdoor sports) and strong per capita spending. Healthcare and Defense, Offshore & Remote sectors have been resilient throughout the pandemic and continued to trade above 100% of 2019 revenues during the period. Since the start of this September, the return to Education has been strong with high on campus spending, while trading in Business & Industry was in line with expectations. The Group's underlying operating margin in the fourth quarter is expected to be around the mid-point of the guidance range of 5.5% to 6.0% as management continue to mobilize costs and inflation whilst adapting operations according to clients' changing requirements. For the full year 2021, the group's underlying operating margin is expected to be around 4.4%.

Costco Wholesale Corporation ("Costco") reported another strong fourth quarter with earnings per share (EPS) of US$3.76 versus consensus of US$3.55. While there are tough core-on-core gross margin comparisons (combined with inflationary headwinds), we believe Costco is better positioned than most retailers to execute in this environment.

JPMorgan Chase & Co said it had acquired Frank Financial Aid, a college financial planning platform used by over 5 million students in the United States. The deal is the latest in a string of acquisitions by the largest U.S. bank, and will allow the bank to deepen ties with students, it stated. (source Reuters)

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND

Telix Pharmaceuticals Limited ("Telix") – announced that the U.S. Food and Drug Administration (FDA) has extended the review period for the company's New Drug Application (NDA) for its prostate cancer imaging investigational product Illuccix® (TLX591-CDx, kit for the preparation of 68Ga-PSMA-11 injection) by three months. The revised target Prescription Drug User Fee Act (PDUFA) goal date of December 23, 2021 will allow the FDA to review and consider further manufacturing-related information submitted by the company and conclude the label review. This is a standard review extension period. Telix attended a late-cycle review meeting with the FDA on June 17, 2021. During the meeting, the FDA indicated that there were no outstanding substantive manufacturing or clinical review issues with Telix's submission. However, the company's Pre-Authorization Inspection (PAI) fell subsequent to the late-cycle review meeting and raised a well-defined set of manufacturing-related observations. The company has fully responded to those observations and the FDA is currently reviewing. Dr. Christian Behrenbruch, Telix CEO, stated, "The timing of our PAI relative to the late-cycle review meeting meant that additional review time was needed to address manufacturing-related observations. This has pressured the FDA's initial PDUFA review timeline and hence the company has incurred this time extension. The final part of the NDA process is the label review, which we consider to be a straightforward matter, given the precedent of PSMA-PET imaging agents in the market and the clear adoption of PSMA PET in clinical practice guidelines. The FDA has not requested additional safety or clinical data. We look forward to being in a position to bring to patients in the U.S. access to this flexible, highly specific and sensitive imaging tool for the detection of prostate cancer."

ECONOMIC CONDITIONS

Canadian office vacancies have hit their highest point in more than a quarter century, surpassing the levels reached after both the dotcom bubble and the global financial crisis. The distress in the commercial real estate market comes as the COVID-19 pandemic continues to keep workers home and as employers reconsider how much space they'll need long term. The national vacancy rate reached 15.7% in the third quarter, the highest since 1994, according to a report released Friday by commercial real estate brokerage CBRE Group Inc. Across the country, office buildings that began construction before the pandemic are being completed and hitting the market even as many tenants are walking away from the space they have now, the report says. With the highly contagious Delta variant of the coronavirus spurring a new wave of infections, many companies and workers are delaying their office return despite provincial regulations allowing it. The vacancy trend is uneven, particularly in Canada's largest cities. For example, available space in downtown Toronto, home to the country's major banks, decreased slightly, while the citywide rate continued to climb. Vancouver has the lowest vacancy rate in the country at 7.4%, but that's still rising, up from 6.9% the previous quarter, as new supply continues to outpace demand. Calgary office vacancies are the highest in Canada at 32.9%. (source – Bloomberg)

Canada's largest port Vancouver anticipates it will run out of container capacity by the second half of this decade, threatening to prolong the price pains of Canadian importers and exporters. Robin Silvester, president and CEO of the Vancouver Fraser Port Authority, said that even with a current project set to expand capacity by the equivalent of 600,000 containers, the Port of Vancouver's current spacing will mean logjams and worrisome congestion could begin anytime between 2025 and 2028. Container capacity broke records in the first half of the year at the port, the federal agency reported on September 23, 2021. The number of containers flowing in and out of the maritime gateway surged 24% from the same period last year and topped 2019 figures by 15%, a reflection of growing demand for consumer goods and raw materials amid the pandemic. The grim outlook comes at a time when, worldwide, ocean ports are experiencing severe backlogs that have ships waiting days or weeks to unload cargo as a result of rotating consumer demand during the height of the COVID-19 pandemic. "The current situation is very much exceptional," said Trevor Heaver, professor emeritus at the University of British Columbia's Sauder School of Business Heaver. As people stayed home because of virus containment measures, he said, they piled items in their online shopping carts that led to shortages for such products as cleaning supplies and electronics. Businesses, in turn, began stockpiling inventory, which boosted demand for shipping containers to transport materials throughout the supply chain. At the same time, natural disasters — such as a typhoon in China — along with labour shortage at ports, either due to outbreaks or low supply, exacerbated container pile-ups at various ports, he said. (source Financial Post)

Canadian retail sales following a massive rebound in June coming off the easing of social distancing measures, Canadian retail sales tapered in July pulling back 0.6% month-over-month, less than the -1.2% print expected by consensus. The prior month's result, meanwhile, was unrevised at +4.2%. Sales were down in five of the eleven subsectors in July, due to declines in food/beverages (-3.4%), building material/garden equipment (-7.3%) and sporting goods/hobbies/books (-12.4%). Sales at auto dealers, meanwhile, rose 0.4%. Excluding autos, consumer outlays contracted 1.0%. On a regional basis, sales were down in Alberta (-1.8%), British Columbia (-1.2%) and Quebec (-1.1%) among others. The only provinces which posted an increase were Ontario (+0.9%) and New Brunswick (+0.2%). In real terms, retail sales were down 1.1% countrywide. Finally, Statistics Canada early estimate for August nominal sales showed a 2.1% increase.

Canadian home prices climb in August, but pace of gains slows for third consecutive month. Canadian home prices rose in August from July, though the pace of price growth slowed for the third consecutive month. The Teranet-National Bank Composite House Price Index, which tracks repeat sales of single-family homes in 11 major Canadian markets, rose 1.0% in August from July. That follows a 2.0% gain in July and a 2.7% gain in June. On an annual basis, the index was up 18.4%, its 13th consecutive acceleration and the strongest 12-month gain on record. That was driven by a 32.4% gain in Halifax, Nova Scotia and a 30.2% gain in Hamilton, Ontario. On a monthly basis, all 11 major markets were up for a sixth straight month, including a 2.1% gain for Ottawa-Gatineau and 1.7% gain for Hamilton. (source Globe & Mail)

U.S. durable goods orders blew past expectations, jumping 1.8% in August while the prior month was revised to show an increase of 0.5%. After plummeting at the onset of the pandemic, orders have since sprinted and now sit at the highest since July 2014. The pickup came mostly on the back of commercial aircraft bookings, lifting overall transportation equipment up 5.5%, even as motor vehicle and parts halted a three-month winning streak. Excluding transportation, orders rose just 0.2%. Machinery fell from record highs, down 1.2%, and marking the first drop since April 2020. Primary metals fell 1.5%, stepping down from a near decade high. Core orders, which exclude aircraft and military hardware, rose 0.5%, while core shipments climbed 0.7%, both above expectations. Non-defense capital goods shipments increased 0.3%, flagging still-healthy third quarter business spending.

U.S. housing starts jumped 6.0% in August to a 2-month high of 1.615 million units annualized. This followed upward revisions in the prior two months—July's 7.0% drop is now a 6.2% decline; and, June's 3.5% increase is now a 4.0% rise. All the gains, however, were in multi-family units (condos, apartments) while single-family units fell for the second month in a row to a 4-month low. By region, it was more broad-based, with gains everywhere except in the West. The future looks better. Building permits unexpectedly increased for the second consecutive month, with a 6.0% jump in August alone (biggest since January) to 1.728 million units, with more applications allowed for both singles and multiples.

The German election came and went pretty much as expected as the centre-left Social Democratic Party of Germany (the SPD) edged out Angela Merkel's CDU/CSU with 25.7% to 24.1% lead and now we'll have a period of negotiation to determine the exact structure of the next government. After 16 years of Angela Merkel, we are heading into a bit of uncertainty and there may be some concern that a leftist coalition will be a little more free spending than what we are used to out of Germany but maybe a little more spending out of Germany ultimately won't be a bad thing for Europe?

FINANCIAL CONDITIONS

U.S. Federal Reserve Open Markets Committee, in a unanimous vote, left the target range for the federal funds rate unchanged at 0% to 0.25% at the conclusion of its two-day meeting. Also, as expected following a disappointing August Non Farms Payroll report, there was no formal announcement that an asset purchase taper would be launched imminently. The statement did, however, note that "if progress continues broadly as expected, the Committee judges that a moderation in the pace of asset purchases may soon be warranted"

Bank of England, Monetary Policy Committee (MPC) policy decision left rates at +0.10%, and the Quantitative Easing target at £895 billion. But by echoing the language from the previous statement that "some modest tightening of monetary policy over the forecast period was likely to be necessary", the MPC continued to signal that rate hikes are on the horizon and suggests in our view that the Bank of England is moving closer to raising interest rates in 2022, rather than in 2023 as we had previously expected.

In Norway, the Norges Bank raised rates as expected by +25 basis points (to 0.25%) commenting in the statement that "the policy rate path is a little higher than in the June 2021 Monetary Policy Report". The Norges Bank also pointed to another rate rise in December, which we think is consistent with consensus, and the beginning of its normalization strategy was also evidenced by committing to raise its countercyclical buffer on banks to 2.0% (albeit that is effective end-2022).

The U.S. 2 year/10 year treasury spread is now 1.21% and the U.K.'s 2 year/10 year treasury spread is 0.56%. 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 2.88%. 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 consider a more normal range of 4-7 months.

The VIX (volatility index) is 18.12 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 am not young enough to know everything...."
Oscar Wilde

Portland Investment Counsel Inc. currently offers Mutual Funds & Private/Alternative Products - visit www.portlandic.com

Individual Discretionary Managed Account Models - SMA

Net Asset Value:

The Net Asset Values (NAV) of our investment funds are published on our Portland website at www.portlandic.com/prices

We want to share our insights with you and welcome your feedback. Our website has the latest, as well as archived videos, company profiles, and press articles. Please visit us at www.portlandic.com

Portland Investment Counsel Inc. portlandinvestmentcounsel Portland Investment Counsel Inc. @PortlandCounsel

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

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

PIC21-071-E(09/21)