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NEWS HIGHLIGHTS

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

OCTOBER 18, 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") - The British e-commerce company THG PLC Group ("THG"), has had a rough ride since its 4.5 billion-pound (US$6.1 billion) initial public offering in September of 2020. Its shares slumped another 35% after the analyst meeting last week, wiping 1.9 billion pounds off of the group's market capitalization. THG, formerly known as The Hut Group, missed an opportunity to reassure shareholder doubts about its Ingenuity division, which helps consumer brands sell direct to their customers via the web. Masayoshi Son's SoftBank Group Corp. has an option to acquire a 20% stake in Ingenuity next year for $1.6 billion, valuing the business at $4.7 billion excluding cash. Should SoftBank exercise this, Ingenuity, which offers services such as hosting websites, managing influencers, facilitating online payments and delivery, would then become a standalone business. Last week's analyst meeting was supposed to shine a light on the division, which under the terms of this deal is worth about as much as the whole group. There were upbeat presentations from Revolution Beauty Group Limited and William Grant & Sons, the maker of Glenfiddich whisky, about the virtues of the Ingenuity business. The unit had won more than 100 clients over the last 12 months and lost only two and THG reiterated that the business was achieving a 60%-70% Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margin. However in that meeting some key questions were left unanswered such as what Ingenuity's EBITDA margin would be when it is separated. The group stopped short of spelling out the profitability of its other two main divisions, beauty and nutrition. And it didn't say what an independent Ingenuity would charge these units for its services. It currently provides them at no additional cost. That's crucial to figuring out the valuation of each part of the business. It was also notable that there were no testimonies from the consumer giants, such as Nestle SA, that are also Ingenuity clients. Much of the optimism about the business has been pinned on them. THG did reveal that SoftBank would not be exercising its option early. Instead, the potential transaction remained on schedule to take place in the first half of next year. Their worries now include whether the price will need to be renegotiated and if so, just how much capital, if any, will be injected. That matters, because THG, which is highly acquisitive, has very high cash needs. The fact that Son hasn't stepped up to show support for Ingenuity has also shown some doubt about SoftBank's commitment. THG tried to calm the situation early Wednesday, saying it currently had available cash of 700 million pounds as of September 30, 2021.

Reliance Industries Limited ("Reliance") – On October 16, Reliance announced that it bought a stake in a high-end fashion brand, run by a stylist to some of Bollywood's biggest stars, as Reliance continues to expand into luxury retail. Reliance Brands Ltd. bought 40% of MM Styles Pvt. Ltd., which owns designer Manish Malhotra's fashion house, the company noted in a statement late on Friday. The privately-held brand was launched in 2005 by the designer, who made his name over three decades by styling Bollywood stars in some of India's biggest blockbuster movies. Besides expanding the physical presence of Malhotra's brand beyond its four flagship retail stores in India, Reliance will seek to create a technology backbone for the brand and build it into a global couture powerhouse, according to the statement. Reliance didn't disclose the financial details of the transaction. The investment in Malhortra is another step in the wider aim of transforming Reliance Industries Ltd. and lessening its dependence on the oil-refining and petrochemicals businesses that he inherited from his late father. The tycoon is quickly turning his conglomerate into a technology-driven consumer and retail player as part of an increasing trend toward the consolidation of corporate power in India among a small and select group of conglomerates. As well as acquiring marquee global brands and assets abroad in recent years, Reliance has forged partnerships with numerous luxury international brands, including Burberry Group PLC, Hugo Boss AG and Tiffany & Co.

Facebook Inc. ("Facebook") – Facebook is expecting a record level of advertising during the upcoming holiday season despite supply chain disruptions that have complicated retailers plans, according to a senior executive. "All industries are seeing supply chain disruptions at the moment and it's impacting in different ways," Nicola Mendelsohn, global business group vice president, said on Bloomberg Television. "At the moment, it's very much square on for the busiest holiday period of the year and also what is likely to be the biggest online marketing period that we've ever seen." After seeing advertising drop off during the start of the pandemic, ad agencies have seen a resurgence in spending as economies reopen. However, delays in shipping, production and staffing shortages are already hurting expectations for the crucial holiday season, leading some firms to cut sales forecasts. On Monday, Facebook said that it will create 10,000 new high-skilled positions in Europe within the next five years as part of the social media giant's push to develop a metaverse. Target markets for the hiring include the Republic of Ireland, which unlike Northern Ireland remains part of the European Union, as well as Germany, France, Italy, Spain, Poland, and the Netherlands. A spokesperson for Facebook confirmed to Bloomberg the UK wasn't being included.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

Citigroup Inc. ("Citi") reported third quarter 2021 earnings per share (EPS) of US$2.15, while consensus was $1.81. Results included a pre-tax loss related to the sale of its Australia consumer business of US$680 million ($0.29) in GCB. It released $1.2 billion ($0.45) of loan loss reserves. Revenues declined 1% year-over-year and decreased 2% sequentially to $17.2 billion. Excluding the loss related to the Australia sale, revenues rose 3% year-over-year and grew 2% quarter-over-quarter to $17.8 billion. Tangible book increased 0.9% sequentially to $79.07 (trading at 0.9 times). It posted a 9.5% Return On Equity, and 11.0% Return On Tangible Common Equity. Its Core Equity Tier 1 ratio was 11.7% (-10 basis points). It repurchased 43 million shares.

Compass Group PLC ("Compass"), the world's largest food services group which operates in 45 countries, employs around 550,000 people and serves over 5.5 billion meals a year, has announced a commitment to reach Net Zero greenhouse gas (GHG) emissions across its global operations and value chain by 2050. The Group's Net Zero target makes Compass the first international company in the contract catering industry to announce a global commitment to a 2050 net zero emissions economy. It includes ambitious emissions reduction targets over the next decade which have been validated by the Science Based Targets initiative (SBTi), and a further commitment to be carbon neutral worldwide in its own operations (Scope 1 & 2) by 2030. Compass Group's decarbonization strategy will be delivered through collaboration, innovation, and investment across its global operations. Specific actions include:

- Transition of all fleet vehicles globally to 100% plug-in electric
- Switch to renewable electricity across all its own operations
- Reformulate menus to be low carbon and switch towards more plant-based proteins
- Increase sourcing from regenerative agriculture
- Focus on packaging solutions to further reduce single-use plastic
- 50% reduction in food waste across its operations globally by 2030
- Increase share of seasonal and locally sourced produce
- Invest in climate positive projects worldwide to support decarbonization, compensation and neutralization including reforestation, biodiversity, freshwater, land and ocean initiatives
- Deliver a global deforestation-free and land conversion-free supply chain strategy

As well as driving significant reductions in its own operations, Compass will use its scale and global reach to influence and work collaboratively with clients, industry associates, governments and suppliers to reduce their direct GHG emissions, set their own Net Zero and Science Based Targets and help create a more sustainable global food system for all. This announcement follows the commitment made earlier this year by the Group's UK & Ireland business to deliver Climate Net Zero across its operations by 2030. Compass intends to leverage the experience of early adopter countries such as the UK to share best practice across the Group and drive accelerated transformation towards its global Net Zero goal.

JPMorgan Chase & Co. reported third quarter 2021 earnings per share of US$3.74, well ahead of consensus at $2.98, with or without $0.19 of income tax benefits. The upside was broad-based, with the trifecta of better revenue, lower than forecast expenses/operating leverage realization, and lower/better provision expense (with both more reserve release and lower than forecast losses). Reported basis Return On Tangible Capital Employed ("ROTE") was 22%; strip out both loan loss reserve release and the tax benefit and "core" ROTE is still at 18% on Core Equity Tier 1 of approximately 13%. Firm-wide average loans were up 2% quarter-over-quarter (up 3% quarter-over-quarter ex-Paycheck Protection Plan ("PPP")); in commercial banking, average loans up 1% quarter-over-quarter ex-PPP; in capital conservation buffer("CCB") average loans were up 3% quarter-over-quarter ex-PPP with management speaking to stabilization in payment rates; firm-wide average deposits were up 2% quarter-over-quarter driving additional liquidity build; investment banking well ahead on the strength of mergers and acquisitions (M&A)/Equity Capital Market (ECM) in particular; fixed Income, currency & commodities and equities trading were each moderately better suggesting a more material pickup in September in our view. With $5 billion in buybacks in the quarter; Book Value ("BV") and Tangible BV per share increased 2% and 1% sequentially. The 2021 fiscal year net interest income and adjusted expense guidance to approximately $71 billion consistent with prior--the former more visible as interest rates rise.

ECONOMIC CONDITIONS

U.S. inflation flared back up again. Headline Consumer Price Index (CPI) was up 0.4%, in line with expectations, lifting the index 5.4% above year-ago levels, the fastest gain since 2008, or in 13 years. Food gained 0.9% which, apart from April 2020, is the biggest monthly increase in 13 years. Cereal (+1.1%), meats (+3.3%), fruits & vegetables (+0.6%), coffee (+1.9%), seasonings (+1.4%), etc. Energy rose 1.3%, but there are likely bigger gains coming in our view. Housing climbed 0.6%, the most in 16 years (or since October 2005). Used car prices fell for the second month in a row (-0.7%), but still soared 24.4% year-over-year. And there is still a long wait list for new vehicles as prices for new cars rose 1.3% or 8.7% year-over-year, the fastest since the late 80s. But not everything is going up; Airfares fell for the third straight month (-6.4%), clothing was down for the first time in half a year (-1.1%), and medical care was flat. So, core prices were more tame, up just 0.2%, which was better than expected and steady at 4.0% year-over-year.

U.S. Retail sales unexpectedly rose 0.7% in September and the prior months' gain was bumped up to 0.9%. Sales are now 14% above year-ago levels. The big surprise is that auto dealers reported a 0.6% increase in sales, despite another plunge in unit sales last month. Escalating car prices are a factor, and fleet sales are likely getting hit more by vehicle shortages than retail purchases. Soaring prices were also reflected in higher food and gasoline station receipts. Still, spending gains were broadly based in the month, with even food services rising modestly for a second straight month, likely reflecting the cresting Delta wave. Demand is well-supported by rising employment, higher wages, and excess savings (in aggregate).

FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now 1.18% 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 3.05%. 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 16.56 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 could be encouraging for quality equities.

And finally: "Those who know how to think need no teachers."
Mahatma Gandhi

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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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