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NEWS HIGHLIGHTS

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

FEBRUARY 7, 2022

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OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

PORTLAND 15 OF 15 ALTERNATIVE FUND COMPANY NEWS

Amazon.com Inc. ("Amazon" reported solid fourth quarter results, with revenue coming in roughly in line with expectations, operating income ahead of consensus despite supply chain disruptions & cost inflation, and a huge EPS beat driven by an US$11.8 billion gain on the company's investment in Rivian Automotive, Inc. ("Rivian") following its November initial public offering (IPO). eCommerce growth decelerated amid normalizing consumer behavior, although growth remains impressive when viewed on a two-year basis, and Amazon is raising the price of its Prime membership by approximately 15% in the U.S., the first increase since 2018, as it continues to enhance the value proposition across both shopping and entertainment. Amazon Web Service (AWS) revenue growth accelerated for the fourth consecutive quarter on the heels of strong demand from both new and existing enterprise customers, and the company broke out its advertising business as a standalone reporting segment for the first time, with ad revenue growing 58% year-over-year (y/y) to $31.2 billion in 2021. The first quarter revenue and profitability outlook came in below expectations, with reopening and exchange rates ("FX") headwinds contributing to the soft revenue guidance while macro challenges on the expense side are expected to persist over the coming months. Amazon faces another difficult comp in the first quarter, although growth should reaccelerate throughout the year alongside gradually easing supply chain headwinds, which coupled with impressive momentum from the company's high-margin AWS and advertising businesses should help support sentiment as we move through 2022. Amazon provided first quarter revenue guidance of $112-117 billion, up 3-8% y/y and below consensus of approximately $121 billion, including an approximately 150 basis points unfavorable impact from FX. Generally accepted accounting principles (GAAP) operating income guidance of $3-6 billion was below consensus at $6.4 billion, with management noting that it expects heightened costs related to labor constraints, supply chain disruptions, and inflation to persist during the quarter, and the outlook includes a $1 billion reduction in depreciation due to the extension of the useful life of its servers & networking equipment.

Alphabet Inc. / Google reported strong fourth quarter results, operating income of approximately US$22 billion, representing a 29.1% margin and approximately 3.5% ahead of consensus with advertising revenue growing approximately 33% y/y, approximately 5% ahead of expectations, amid continued momentum from the retail category during the holiday season along with a strong rebound in travel spend. Consolidated operating margin expanded 160 basis points y/y to 29.1%, slightly below consensus. Operating Expense (OpEx) grew 35% y/y, primarily driven by headcount growth within research and development (R&D), elevated sales & marketing related to the holiday period, as well as certain one time charges. Google plans to continue investing across the business, with an emphasis on Artificial Intelligence (AI), noting that it anticipates robust headcount growth in 2022 as well as a meaningful increase in Capital expenditure (CapEx) to support Cloud growth. Google's advertising business posted another quarter of robust growth thanks to a strong backdrop amid the holiday season and its relative insulation from privacy headwinds. Search revenue grew approximately 36% y/y and Network revenue increased approximately 26% y/y, while YouTube advertising grew approximately 25% y/y, with management citing a particularly difficult comp related to delayed brand spending at the onset of the pandemic for the sequential deceleration. Retail was once again the largest contributor to growth, complemented by strength from financial services and media & entertainment along with a continued rebound in travel spend. Increasing use of AI and automation within the advertising workflow is making it easier to manage campaigns and is driving more efficient spend, with the company's recent efforts on this front including the introduction of the Performance Max tools globally in November and enhanced demand forecasting functionality. Google Cloud revenue grew approximately 45% y/y to $5.5 billion during the fourth quarter, with Google Cloud Platform (GCP) growth outpacing the overall business, while Cloud's operating income (OI) margin improved approximately 18 percentage points (pp) y/y. Clients are increasingly leveraging Cloud's real-time data analytics and AI solutions to use their data more intelligently and better understand customers, and during 2021 Google released more than two thousand new products and features across data intelligence, multi-cloud infrastructure, cybersecurity, and Google Workspace. This innovation helped drive 80% growth in total platform volume and over 65% growth in the number of $1 billion+ deals, while the number of customers spending more than $1 million through the marketplace increased by six times for the same period. Google enjoyed a successful Pixel 6 launch during the fourth quarter, setting an all-time quarterly sales record for Pixel despite ongoing supply chain challenges. Google's Board approved a 20-1 stock split in an effort to make its shares more accessible to investors, to be implemented as a one-time special stock dividend after the market close on July 15, 2022.

Reliance Industries Limited ("Reliance") - Jio Platforms Limited ("Jio") announced last Friday an investment of US$15 million in Two Platforms Inc., a Silicon Valley based deep tech start-up founded by Pranav Mistry, for a 25% equity stake on a fully diluted basis. TWO Company ("TWO") is an Artificial Reality company with focus on building interactive and immersive artificial intelligence (AI) experiences. After text and voice, TWO believes the next chapter of AI is visual and interactive. TWO's Artificial Reality platform enables real-time AI voice and video calls, digital humans, immersive spaces and lifelike gaming. TWO plans to bring its interactive AI technologies first to consumer applications followed by entertainment and gaming, as well as enterprise solutions including retail, services, education, health and wellness. The founding team at TWO has several years of leadership experience in research, design and operations with leading global technology companies. TWO will work collaboratively with Jio to fast-track the adoption of new technologies and build disruptive technologies such as AI, metaverse, and mixed realities.

Reliance Industries Limited ("Reliance") – Reliance Brands Limited together with Rahul Mishra, will embark on a collaborative journey to create and own a new brand that would encompass Rahul Mishra's ready to wear business through a 60:40 joint venture. Joining forces with the designer, the new brand would be synonymous with excellence and creativity world over, presenting an exclusive Ready to Wear Collection at one of the global fashion weeks. The brand will grow both vertically and horizontally to cross pollinate creativity further in the fields of accessories, footwear, home, beauty, and jewellery for a worldwide audience.

SoftBank Group Corp. ("SoftBank") – Cruise LLC ("Cruise"), the self-driving car start-up that is majority owned by General Motors Co., ("General Motors") said it is offering free rides to non-employees in San Francisco for the first time, a move that triggers another US$1.35 billion from investor SoftBank Vision Fund. Cruise started its autonomous ride-hailing service in San Francisco for employees more than a year ago and is waiting on regulatory approvals to charge fares. In the meantime, Cruise is offering free rides and will start a waiting list. By opening its cars to the public, Cruise met requirements from SoftBank to bring in the second portion of its planned investment. The Japanese fund gave Cruise $900 million in 2018 and pledged more once the company proved the cars worked and could ferry around the public at large. Cruise has applied for a permit with the California Public Utilities Commission for a permit to charge for rides. It plans to start with a small number of users and grow as more cars become available. General Motors gives Cruise about $1 billion in funding every year. In addition to that, Cruise has commitments from investors such as Microsoft Corporation, Honda Motor Company and investment firm T. Rowe Price Associates Inc. for more than $6 billion.

SoftBank Group Corp. ("SoftBank") - Alibaba Group Holding Limited ("Alibaba") shares slipped 3.6% in U.S. premarket trading after Citigroup Inc. ("Citi") analysts saw its additional American depositary share registration in the U.S. as a sign that SoftBank Group Corp. may intend to sell part of its stake. A stake sale by Softbank, a pre-initial public offering investor, would likely weaken sentiment toward Alibaba's shares, battered last year along with other Chinese technology peers by Beijing's regulatory crackdowns. The stock was 61% below its October 2020 highs as of Friday's close, having slid as much as 65%. SoftBank owns 5.39 billion ordinary Alibaba shares, equivalent to 673.76 million American Depository Shares (ADS), or a 24.8% stake, according to Citi's calculations. A potential stake sale could make sense for Masayoshi Son's SoftBank, given pressure from investors in recent months as the value of many portfolio companies, including Didi Global Inc., One 97 Communications Limited and DoorDash Inc. was dragged lower by the technology downturn. Alibaba filed a form on Friday with the Securities and Exchange Commission of the U.S. to register an additional one billion ADSs, each representing eight ordinary shares. The filing will allow its stockholders whose shares have never been registered with the regulator to have the flexibility to sell stock, explained Citi. The registration could also cover the company's need to issue new shares for an employee equity incentive plan.

Meta Platforms Inc. ("Meta") – Meta's weak revenue outlook confirmed that the social media landscape seems to be rapidly shifting toward short-form video, a space dominated not by Facebook but by TikTok. Meta warned in its earnings results that revenue for the current quarter would come in at about US$27 billion to $29 billion, well below the $30.25 billion median estimate of analyst estimates. Meta also reported that user numbers for the quarter ended in December had stagnated. The weak showing sent Meta's shares plunging sharply after the results were announced. While the market was braced for signs of slowing user growth, it was surprised by the extent to which the company expected to lose out on advertisement dollars as competitors such as TikTok gain ground. Meta's Instagram platform has its own short-form video feature called Reels, but TikTok, owned by ByteDance Ltd., dominates the space for short user-generated videos. Meta is not only losing consumers to TikTok but also seeing lower revenue from advertisements destined for the shorter format on its own apps. The growing competition from TikTok compounds the uncertainty surrounding Meta's future. Zuckerberg has been adamant that the company's long-term success depends on the metaverse, his vision of a virtual world where consumers can play, socialize and work. He is spending accordingly. Results released Wednesday show Meta has lost more than $20 billion over the last three years on projects tied to the metaverse.

D.R. Horton Inc. ("D.R. Horton") – raised its fiscal 2022 revenue forecast as it benefits from record-high home prices that helped the largest U.S. homebuilder report a stellar quarterly profit. The company beat first-quarter profit estimates despite an acute shortage of properties on the market, largely due to labor and raw material shortages. U.S. homebuilding jumped to a nine-month high in December and new home sales increased 11.9% to a seasonally adjusted annual rate of 811,000 units in the month, the highest level since March. "Housing market conditions remain very robust," Chairman Donald R. Horton said, adding that D.R. Horton was on track to deliver double-digit volume growth in fiscal 2022. The Texas-based company said it expects 2022 revenue between US$34.5 billion and $35.5 billion, up from $32.5 billion to $33.5 billion, and homes closed between 90,000 homes and 92,000 homes. Homebuilding revenue for the first quarter of fiscal 2022 increased 17% to $6.7 billion from $5.7 billion a year earlier, while total revenue rose to $7.05 billion from $5.93 billion. Net income attributable rose to $1.14 billion, or $3.17 per share, in the quarter ended December 31 2021, from $791.8 million, or $2.14 per share, a year earlier. Analysts on average had expected a profit of $2.79 per share on revenue of $6.7 billion, according to Institutional Brokers' Estimate System (IBES) data from Refinitiv. Net sales orders for the first quarter ended December 31, 2021, increased 5% to 21,522 homes to $8.26 billion compared to 20,418 homes and $6.42 billion in the same quarter a year earlier.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

Costco Wholesale Corporation ("Costco") reported January comps excluding FX and gas of +10.8%, above the consensus estimate of +6.8%, despite a tough comparison of +15.7% from a year ago. The U.S. comparables excluding FX/gas were up 9.5% versus consensus of 6.4%, Canada comparables excluding FX/gas were 13.9% versus consensus at 7.7%, and Other International comparables excluding FX/gas were 14.6% versus consensus at 8.3%. The shift in Lunar New Year/Chinese New Year benefited other international sales by approximately 4% and total company sales by approximately 0.5%. On a two-year stack basis, U.S. comparables excluding FX and gas accelerated to 25.9% in January from 22.5% in December 2021. Costco commented that January inflation was consistent with December.

Vodafone Group PLC ("Vodafone") reported third quarter Fiscal 2022 revenues were 0.6% ahead of consensus with a respectable 2.7% organic service revenue growth and largely steady growth rates in most of the major markets. The net advertisement trends were more mixed - Germany was disappointing (enterprise support program for fixed broadband where Vodafone lost customers) and Spain a bit weak too. However, in Italy and the UK commercial performance improved. The weak net advertisements in Germany caused by renewed lockdown measures and its high exposure to physical retail distribution. It was also negatively affected by the new telecoms law taking effect leading to issues around customer service and contract extensions. Given Germany is approximately 50% of Operating Free Cash Flow (OpFCF) the continued weakness in the most important market remains an issue, especially as Vodafone has now been delivering a disappointing performance in Germany for nearly two years. This is likely to dampen the otherwise good performance elsewhere in the group. Guidance reiterated: Adjusted earnings before interest tax, depreciation and amortization and special losses (EBITDAAL) of €15.2 to 15.4 billon (consensus €15.3 billion) and Adjusted free cash flow (FCF) >€5.3 billion (consensus €5.2 billion); and group revenues €11,684 million, organic growth 3.7% y/y (second quarter of 2021/22 was 2.9%) which was 2.4% above consensus; Service revenue €9,647 million, organic growth 2.7% y/y (second quarter of 2021/22 was 2.4%) which was 0.6% above consensus and Europe service revenue €7,502 million, organic growth 0.5% y/y (second quarter 2021/22 was 0.3%) which was 0.1% versus consensus estimates so in line.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND

Novartis International AG ("Novartis") reported headline fourth quarter results in line with consensus expectations. Underlying profit performance for both Pharma and Sandoz was actually better than expectations, offset by corporate costs US$125 million ahead of consensus forecasts, assumed to reflect non-recurring charges for the disposal of the Roche stake. Within Pharma, key product trends were mixed with Cosentyx and Entresto both below expectations, offset by strong Kesimpta and Kisqali. Pharma margin was 1 percentage point ahead of forecasts. Sandoz sales were 3% ahead of expectations but earnings before interest and taxes (EBIT) significantly beat, 13% ahead of consensus. The surprise negative was Fiscal Year 2022 EBIT guidance below consensus expectations. The company is targeting Fiscal Year 2022 sales and Core EBIT to growth mid-single digits at constant currency. Sales guidance is in line but EBIT guidance is below consensus. The strategic review of Sandoz is ongoing with an update expected by year end 2022 at the latest. Previous guidance "by year end 2022."

Roche Holding AG ("Roche") reported a mixed set of fourth quarter and second half results. Fourth quarter sales beat expectations with Pharma 3% ahead of consensus on stronger legacy drug revenue and significant COVID-19 demand for Ronapreve. Tecentriq notably missed consensus by 9%, offset by better Hemlibra. Diagnostics sales beat expectations by 7% on strong COVID-19 demand. However the second half Group EBIT missed expectations by 8% driven by both Pharma (7% miss) and Diagnostics (14% miss). Mix towards lower-margin COVID-19 revenue and higher cost of goods sold (COGS) overall were the key driver, together with a significant ramp up in Pharma selling, general and administrative expenses (SG&A) spending. The second half EPS was 5% below consensus, benefiting from lower tax. As expected, Fiscal Year 2022 guidance was impacted by the assumed unwind in COVID-19 demand. Roche is targeting Group sales to be flat to low-single-digit growth in Fiscal Year 2022. This includes an assumption of SFr2 billion loss of COVID-19 sales and SFr2.5 billion further biosimilar erosion. Roche points to a high-single digit underlying sales decline ex-COVID-19, ex-biosimilars.

Key pipeline updates include the submission of T cell immunoglobulin and ITIM domain (TIGIT) in non-small cell lung cancer brought forward from 2023 to 2022. And etrolizumab P3 failed in Crohn's disease and has been removed from the pipeline.

Clarity Pharmaceuticals ("Clarity") – a clinical-stage radiopharmaceutical company developing next-generation products to address the growing needs in oncology, is pleased to announce that it has completed cohort 1 and advanced to cohort 2 in the 64Cu/67Cu SARTATE™ Neuroblastoma trial (CL04 trial). Clarity's Executive Chairman, Dr Alan Taylor, commented, "We are very excited to successfully advance our SARTATE™ product in neuroblastoma, having completed cohort 1 of this therapy trial with 67Cu SARTATE™. Dosing patients at 75MBq/kg body weight in cohort 1 of the CL04 trial enabled us to generate initial data to assess the safety profile along with some initial efficacy data for this product. We look forward to progressing the trial at some of the leading cancer centres in the U.S. at the increased dose level of 175MBq/kg body weight, which we hope will build upon the mounting diagnostic and therapeutic benefits of this theranostic product and improve the treatment paradigm for children with this insidious disease." The CL04 trial is a theranostic (diagnosis and therapy) trial in paediatric patients with high-risk neuroblastoma (NCT04023331). It is a multi-centre, dose-escalation, open label, non-randomised, Phase 1/2a clinical trial with up to 34 patients conducted at five clinical sites in the U.S. Neuroblastoma most often occurs in children younger than five years of age and presents when the tumour grows and causes symptoms. It is the most common type of cancer to be diagnosed in the first year of life and accounts for around 15% of paediatric cancer mortality. High-risk neuroblastoma accounts for approximately 45% of all neuroblastoma cases. Patients with high-risk neuroblastoma have the lowest 5-year survival rates at 40%-50%. In 2020, the U.S. Food and Drug Administration (FDA) awarded Clarity two Orphan Drug Designations (ODDs), one for 64Cu SARTATE™ as a diagnostic agent for the clinical management of neuroblastoma and one for 67Cu SARTATE™ as a therapy of neuroblastoma, as well as two Rare Paediatric Disease Designations (RPDDs) for these products. Should Clarity be successful in achieving U.S. FDA New Drug Applications for these two products, RPDDs may potentially allow the company to access a total of two tradeable Priority Review Vouchers (PRVs) which most recently traded at US$110 million per voucher. Dr. Taylor said, "The support and persistence we have experienced throughout the neuroblastoma trial to date from our numerous supporters, such as the clinical sites, Clarity's team, our collaborators and the U.S. FDA, is indicative of the importance and urgency of improving the prognosis of children with high-risk neuroblastoma, where current treatment strategies are limited. Despite the challenges we faced during the pandemic, which had a significant impact on clinical site operations and management, as well as recruitment hurdles in the U.S., we continue to progress this trial with increased determination and fervour to ensure we achieve our ultimate goal of improving treatment outcomes for children and adults with cancer."

POINTBiopharma Global Inc. ("POINT") – a company accelerating the discovery, development, and global access to life changing radiopharmaceuticals, announced business progress updates, including the completion of its Indianapolis, Indiana production facility, as well as the scheduled presentation of dosimetry data from the lead-in cohort of the company's Phase 3 trial in metastatic castration–resident prostate cancer (mCRPC) at the 2022 Society of Nuclear Medicine and Molecular Imaging (SNMMI) Mid-Winter & American College of Nuclear Medicine (ACNM) Annual Meeting. "With our facility now operational, POINT is one of the only pharmaceutical companies globally positioned to manufacture radiopharmaceuticals on a commercial scale," said Dr. Joe McCann, Chief Executive Officer of POINT Biopharma "Our team's significant experience and expertise in the development of radiopharmaceuticals is highlighted by the consistency and speed of our execution of the SPLASH trial. These unique core strengths position POINT to be a leader in this burgeoning modality." POINT's Indianapolis manufacturing facility opened in October 2021, the Investigational New Drug (IND) amendment to add the facility to the company's supply chain for the SPLASH trial occurred in December 2021, and production of no-carrier-added (n.c.a.) lutetium-177 (Lu-177) PNT2002 clinical trial product commenced in January 2022. The 80,000 square foot facility is licensed for alpha and beta emitting isotopes, and contains dedicated space for commercial-scale manufacturing. A virtual tour of the facility is accessible at https://manufacturing.pointbiopharma.com/. Dosimetry data from the SPLASH trial, evaluating PNT2002 for the treatment of metastatic castration-resistant prostate cancer (mCRPC), will be presented at SNMMI; the randomization phase is currently enrolling approximately 400 patients in both U.S. and Canada (European and UK enrollment to commence in the first quarter 2022). There are 21 sites currently enrolling in North America. Site activations throughout Europe and the UK are ongoing, and all sites are expected to be open by the second quarter of 2022. The company continues to expect to report top line data from SPLASH mid-2023. The target indication, treatment of patients with prostate-specific membrane antigen (PSMA) avid mCRPC who have progressed following treatment with androgen receptor-axis-targeted (ARAT) therapy, represents a patient population of approximately 36,000 per year in the U.S. POINT is currently assessing the regulatory pathways for PNT2003 based on feedback and ongoing discussions with regulatory authorities. PNT2003 targets somatostatin receptor-positive neuroendocrine tumors (NETs). PNT2003's use of n.c.a. Lu-177 enables it to be administered in outpatient clinics without the need for the clinic to maintain costly dedicated waste streams, providing a unique advantage over the currently approved radiopharmaceutical product for the Gastroenteropancreatic neuroendocrine tumors (GEP-NETs) indication. The company will receive actinium-225 (Ac-225) in 2022 from the U.S. Department of Energy Isotope Program to support early-stage pipeline; in-house manufacturing of n.c.a. Lu-177 remains on track for launch in 2023. Along with third party supply partnerships, POINT's internal n.c.a. Lu-177 production capability will be the backbone of the company's clinical and commercial production and provides supply chain redundancy. To accelerate the company's in-house n.c.a. Lu-177 production program, POINT recently announced both a long-term supply agreement with Kinectrics for ytterbium-176 (Yb-176) which is the input material for creating n.c.a. Lu-177 in October 2021, and a technology license agreement with SCK CEN (Belgian Nuclear Research Center) for Lu-177 purification technology in November 2021. In addition, the company has secured access to neutron irradiation through SCK CEN at the Belgian Reactor 2 (BR-2) reactor, as well as other reactors.

Telix Pharmaceuticals Limited ("Telix") – S&P Dow Jones Indices announced that it will remove Sydney Airport (XASX: SYD) from the S&P/ASX 200, subject to final court approval of the scheme of arrangement whereby the company will be acquired by Sydney Aviation Alliance Property Limited. S&P Dow Jones will remove Sydney Airport from the S&P/ASX 200 effective prior to the open of trading on February 10, 2022. Sydney Airport will be replaced by Telix Pharmaceuticals Limited (XASX: TLX) in the S&P/ASX 200 effective prior to the open of trading on February 10, 2022.

ECONOMIC CONDITIONS

Canadian employment registered a significant pullback in January due to pandemic related sanitary measures, with a reduction of 200 thousand jobs, way below the 110 thousand reduction expected by consensus. January's job losses, combined with the drop in labour force participation rate (65.0%), resulted in a rise in the unemployment rate from 6.0% to 6.5%. The decline in employment was caused by part-time jobs (-117 thousand) while full-time jobs also posted a pullback (-83 thousand). Private sector took a hard blow registering a 206 thousand drop and public sector was also down in the month. On the other hand, self-employed (+13 thousand) posted a decent gain. The services sector (-223 thousand) was negatively impacted in January. Accommodation and food services (-113 thousand), information/recreation (-48 thousand), business services (-22 thousand), trade (-18 thousand) and other services (-13 thousand) were the worst performers. Meanwhile, employment in the goods-producing sector (+23 thousand) was on the rise with gain in several categories (construction (+23 thousand), utilities (+5 thousand), resources (+6 thousand) while manufacturing (-10 thousand) was down. Agriculture was flat. Regionally, among the four largest provinces, Ontario (-146 thousand) and Quebec (-63 thousand) registered severe losses. Alberta (+7 thousand) and BC (+4 thousand) registered gains.

Canadian real Gross Domestic Product ("GDP") rose 0.6% in November (well above the flash estimate of 0.3%) and the early read on December was roughly flat. Statistics Canada is also reporting that growth for all of the fourth quarter came in at +1.6%, which translates to an annualized pace of roughly 6.3%. The latter figure compares with the Bank of Canada's latest estimate of 5.8% in the fourth quarter (or about 1.4% not annualized), and would mark the strongest quarterly performance of the year. The upgrade to November's figure lifted overall output above pre-pandemic highs for the first time. That good news comes with two caveats: 1) Canada's population has grown considerably (about 1.7%) since February 2020, so there's a long way to go before we have a full recovery in per capita terms, and 2) these figures cover the period just prior to the Omicron-related restrictions early in the New Year, which should lead to a pullback in January GDP in our view.

U.S. Nonfarm payrolls increased 467 thousand higher in the month, defying speculation of a decline and well above the consensus read of over 100 thousand. More startling were the massive upward revisions in the two previous months, by a total of 709 thousand. While payrolls growth has moderated, from 510 thousand in December, 647 thousand in November and 677 thousand in October (and an average of 555 thousand in 2021), this compares significantly better than the median gain in the past quarter century of 173 thousand. The only really negative news is that payrolls are still down 2.9 million from pre-virus levels (or -1.9%), but with this rate of jobs growth further progress seems very likely. The labour market even performed somewhat better during the pandemic than previously thought, with the March 2021 level revised up by 374 thousand. Basically, every industry is hiring. Amazingly, despite a pullback in indoor dining, food services dished out 108 thousand new jobs in January, leading a 151 thousand increase in the leisure and hospitality sector (hotels also created 23 thousand new positions). The sector is showing little slowing in recent months, despite Omicron, though is still down 1.8 million since February 2020, or -10.3%. The household survey also was golden, with an increase of 1.2 million new jobs and lifting the employment rate by 0.2 percentage points. The participation rate was revised modestly higher in earlier months, though at 62.2% is still shy of the 63.4% level in February 2020. The unemployment rate nudged up a tenth to 4.0% due to a spike in the labour force...which, in the current environment of shortages, should see a reduction. The tight market continues to pressure wages higher, with average hourly earnings popping 0.7%, lifting the yearly rate to 5.7% from a revised-higher 5.0%. This will add persistence to inflation and in our view the Federal Reserve may well decide to initiate its first interest rate increase with as much as a 0.50% rise.

Australian Fourth Quarter Retail Sales saw a spectacular jump of 8.2% quarter-over-quarter (q/q). In addition, officials announced news that Australia will open its borders to all double vaccinated visitors starting in February 2021. Australia's borders have been closed to foreign visitors since March 2020.

FINANCIAL CONDITIONS

The Bank of England voted to raise Bank Rate by 25 basis points to 0.50%. In a surprisingly hawkish turn, four Monetary Policy Committee (MPC) members voted for a 50 basis points hike, and alongside messaging that Bank Rate would continue to rise in the coming months, have sent the signal that the MPC is impatient higher rates. That said, with year three of inflation revised down massively to 1.6%, the projections also send a strong signal that the MPC thinks there is too much priced into markets. We believe their message is one of a few more quick hikes, and a terminal rate below market pricing. Given nearly half the committee voted for a 50 basis points increase, a March increase of another 25 basis points should be expected.

The U.S. 2 year/10 year treasury spread is now 0.62% and the U.K.'s 2 year/10 year treasury spread is 0.13%. 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 3.55%. 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 a more normal range of 4-7 months.

The VIX (volatility index) is 23.57 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 could be encouraging for quality equities.

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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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