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

NEWS HIGHLIGHTS

EST. 2007

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

JULY 4, 2022

OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND[1]

PORTLAND 15 OF 15 ALTERNATIVE FUND[1] COMPANY NEWS

Berkshire Hathaway Inc. ("Berskhire") – Warren Buffett's Berkshire said it has bought another 9.9 million shares of Occidental Petroleum Corporation ("Occidental") OXY.N, giving it a 17.4% stake in the oil company. Berkshire paid about US$582 million for the shares, according to a filing with the U.S. Securities and Exchange Commission. Berkshire is Occidental's largest shareholder, now owning 163.4 million shares worth about $9.9 billion. Berkshire also owns warrants to buy another 83.9 million Occidental shares for $5 billion. Occidental's share price has more than doubled this year, benefiting from Berkshire's purchases as well as rising oil prices. The Berkshire investment has prompted market speculation that Buffett's Omaha, Nebraska-based conglomerate might eventually buy all of Occidental. Occidental has been reducing debt, which swelled when it bought Anadarko Petroleum Corp. for $35.7 billion in 2019. Berkshire bought $10 billion of Occidental preferred stock to help finance that purchase, and obtained the warrants at that time. It also had a $25.9 billion stake in Chevron Corporation at the end of March. Berkshire's share price has fallen 8% this year, compared with a 20% decline in the Standard & Poor's 500.

Brookfield Asset Management Inc. ("Brookfield") – Canada's Brookfield has bought a 2.6% stake in AGL Energy Ltd. ("AGL"), becoming the no.4 shareholder just over three months after being spurned in a A$5.4 billion (US$3.7 billion) bid for Australia's beleaguered top power producer. Brookfield's stake purchase comes as AGL is in limbo, searching for a new chairman and chief executive and working on a new strategy after scrapping a plan to split itself into an energy retailer and coal-fired power producer. AGL ditched the demerger plan two months after rejecting a joint takeover proposal from Brookfield and tech billionaire and climate activist Mike Cannon-Brookes, who bought an 11% stake in AGL and rallied opposition to the company split. AGL plans to update shareholders on its strategy review when it reports annual results on August 19. Based on where AGL's shares were trading before June 24, Brookfield likely bought its stake for close to the A$8.25 a share it offered with Mike Cannon-Brookes' investment firm Grok Ventures for AGL in March.

Danaher Corporation ("Danaher") – Danaher announced that it has appointed Feroz Dewan to its Board of Directors and to the Board's Science & Technology Committee. This addition expands the size of Danaher's Board from thirteen to fourteen members. Mr. Dewan is currently Chief Executive Office ("CEO") of Arena Holdings Management LLC, a global investment business. From 2003 to 2015, he worked at Tiger Global Management LLC, most recently as Head of Public Equities. Prior to that, Mr. Dewan was a private equity investor at Silver Lake Partners. Mr. Dewan earned his B.S. in Engineering with a Certificate in Applied and Computational Mathematics from Princeton University. Steven M. Rales, Chairman of the Board of Danaher Corporation, said "We are very pleased to welcome Feroz to the Board. We expect that his financial acumen and technology expertise will be a tremendous benefit to Danaher as we strive to continue building sustainable, long-term value for all of our constituents."

Amazon.com Inc. ("Amazon") – Amazon launched Store Analytics, a new physical retail store analytics service that provides brands that use either Just Walk Out technology or Amazon Dash Carts with aggregated and anonymized insights about the performance of their products, promotions, and ad campaigns. The service will also provide advertisers with greater visibility into performance metrics that show how effective their in-store promos are at converting customers into buyers, and Amazon noted that these analytics will also help Amazon Go and Amazon Fresh stores improve the shopper experience by refining the selection and availability of products and by making the store layout easier for shoppers to find their favorite products. The company said it doesn't share anything that can be linked back to individual shoppers, and the data shared only includes totals, averages and percentages about product, promotion and ad campaign performance.

Amazon recently expanded its Prime Video's Watch Party feature, enabling users to watch a movie or TV show together with friends and family across almost all devices that support Prime Video. Until now, Watch Party was only available on compatible desktops, Fire TV devices and the Prime Video app on iOS and Android devices; however, the new functionality is now available on any device that supports the Prime Video app, including most Smart TVs, streaming sticks and gaming consoles. "Prime Video Watch Party gives customers an immersive experience to share with friends, family, and other Prime Video users. A host gets to kick off the party by sharing his or her party link allowing up to 100 people to join in on the fun and chat throughout the show or movie. Watch Party is bringing people together from the comfort of our own living room," the company said in a statement.

Meta Platforms Inc. – Meta is slashing its hiring goals for engineers by at least 30% this year and warned all staff to brace for a severe economic downturn. CEO Mark Zuckerberg told employees on Thursday that he's anticipating one of the worst downturns that we've seen in recent history, according to an audio recording of the weekly Q&A session, obtained by Reuters. Meta warned in May that it was slowing or pausing hiring for some mid- to senior-level positions. Zuckerberg was more precise in his address on Thursday, saying the company reduced its target for hiring engineers to around 6,000 to 7,000, down from an initial plan to hire about 10,000 new engineers, according to Reuters. The company, which had more than 77,800 employees at the end of March, is also leaving certain positions unfilled and turning up the heat on performance management to weed out staffers unable to meet more aggressive goals, Reuters reported. The move follows a generally upbeat earnings report in the first quarter, but the company warned that the war in Ukraine was weighing on sales. Meta said at the time that it would be reining in its spending plans for the year in light of a weaker revenue outlook. The pullback in hiring goals marks a reversal from rapid staffing growth in recent years. Meta Chief Financial Officer ("CFO") Dave Wehner had said in February that the company expected accelerated headcount to be the biggest contributor to expense growth in 2022, and the company added more than 5,800 new hires in the first quarter. But Meta's revision to its spending budget is affecting hiring plans along with a broader economic slowdown and pressure to its ad business from data privacy measures.

In a memo to staff that appeared on the company's internal discussion forum before the meeting, Chief Product Officer Chris Cox said the company must prioritize more ruthlessly and operate leaner, meaner, better executing teams, Reuters reported.

Meta - The remainder of the cryptocurrency project is officially shutting down.

Meta's Novi pilot, a money-transfer service using the company's own cryptocurrency digital wallet, will end on September 1, the service said on its website, a link to which it texted to its users.

Both the Novi app and Novi on WhatsApp will no longer be available, the company said on the website. Beginning July 21, users will no longer be able to add money to their accounts, Novi said, advising users to withdraw their balance as soon as possible. Users won't be able to access their transaction history or other data after the pilot ends. The company does plan to use Novi's technology in future products, such as in its metaverse project, a company spokesperson said in an email. Meta launched Novi pilot in October of last year amid scaled back ambitions to dominate the crypto remittances space. Instead of a new Diem token Meta once backed, Novi ended up using Paxos Trust Company's United Software Development Process ("USDP") stablecoin to allow wallet users from parts of the U.S. and Guatemala to conduct transactions. When he testified before Congress in 2019, Zuckerberg tried to lay to rest any concerns that his company would support launching Diem - then called Libra - without regulatory approval. Meta's ambitions for Diem, an association that it was a part of in order to bring cheap and fast payments via crypto to the world, has been scaled back over the past few years amid regulatory scrutiny. David Marcus, who headed the Novi wallet effort, left last year. Diem's assets were sold in January.

Reliance Industries Limited ("Reliance") – Reliance Brands Limited ("RBL") has announced a strategic partnership with global fresh food & organic coffee chain, Pret A Manger, to launch and build the brand in India. With this long-term master franchise partnership, RBL will open the food chain across the country starting with major cities and travel hubs. Pret A Manger, French for 'ready to eat', first opened in London in 1986. It was a shop with a mission to create handmade food, freshly prepared each day. Over 35 years later, the brand currently has 550 shops globally across 9 markets including the UK, US, Europe, and Asia, offering organic coffee, sandwiches, salads and wraps freshly made each day. As India's largest luxury to premium retailer, RBL has over 14 years nurtured and grown global brands in the country. With its insights on customers' evolving spending habits and an ambitious expansion plan, RBL's first foray into the food industry will bring the Pret A Manager dining experience, to one of the biggest retail markets in the world.

Reliance – On Tuesday, Mukesh Ambani made way for his older son, Akash Ambani to become the chairman of India's No. 1 wireless carrier Reliance Jio Infocomm Limited. Akash's twin sister Isha, 30, is set to be appointed chair of Reliance's retail arm, and an announcement is expected soon, explained people familiar with the matter. The company declined to comment. While Reliance has telegraphed such a leadership transition, the move underscores the senior Ambani's efforts to avert family feuds that have torn many wealthy clans apart, including his own. Bloomberg News reported last year that the mogul's favored succession plan shares elements with that of Walmart Inc.'s Walton family, a framework that would allow the biggest transfer of wealth in recent times.

The changes at the top come at a crucial time for Reliance. In a pivot from its legacy oil refining and petrochemicals business, the conglomerate is diversifying into e-commerce, green energy and expanding its retail footprint across the country. Mukesh Ambani, the chairman and managing director of the group's flagship Reliance Industries, has for years studied the ways in which billionaire families, from the Waltons to the Kochs, passed on what they'd built to the next generation. In a nod to that structure, Ambani was considering moving his family's holdings into a trust-like structure that would control the Mumbai-listed flagship Reliance Industries, noted last year by people familiar with the matter.

As part of that plan, Ambani, his wife Nita, and their three children would have stakes in the new entity overseeing Reliance and be on its board, along with a few of Ambani's long-term confidantes as advisers.

Management, though, will largely be entrusted to outsiders, professionals who will handle the day-to-day operations of India's most influential company and its businesses that span oil refining and petrochemicals to telecommunications, e-commerce and green energy.

By bringing his children into formal roles, Ambani is also seeking to avoid repeating the mistake of his own father, Dhirubhai, who died in 2002 without leaving a will. Mukesh and his younger brother Anil feuded for three years over the control of Reliance, before their mother stepped in to resolve the dispute by carving up the business.

Samsung Electronics Co., Ltd. ("Samsung") – Samsung kicked off mass production of 3-nanometer chips that are more powerful and efficient than predecessors, beating rival Taiwan Semiconductor Manufacturing Company ("TSMC") to a key milestone in the race to build the most advanced chips in the world.

South Korea's largest company will begin with 3 nanometer ("nm") semiconductors for high-performance and specialized low-power computing applications before expanding to mobile processors, it said in a statement on Thursday. By applying so-called Gate-All-Around transistor architecture, Samsung's 3nm products reduce power consumption by up to 45% and improve performance by 23% compared to 5nm chips, it said. Samsung shares were down about 1% in Seoul on Thursday, in line with the KOSPI benchmark. Samsung's push to be first to market with the latest technology is essential in its uphill climb to match TSMC, which remains dominant in the contract chipmaking, or foundry, market. The Taiwanese firm accounts for more than half of the global foundry business by revenue and is the exclusive supplier of Apple Inc.'s ("Apple") Silicon processors for iPhones, iPads, MacBooks and desktop Mac PCs. TSMC and Samsung are competing for large multiyear orders from the likes of Apple and Qualcomm Inc. 3nm mass production from the Taiwanese chipmaker will commence in the second half of the year, TSMC has said. Samsung will produce 3nm chips at its Hwaseong facilities and is expected to extend that production to its newest Pyeongtaek fabrication plant. Samsung's launch of 3nm node chip production, based on a new-generation transistor architecture, shouldn't affect TSMC's market share and sales growth in the next 12 months. Despite stronger performance, Samsung's 3nm chip needs to demonstrate it can be produced at the same cost-efficiency level as TSMC's most advanced N3 process before it can gain new orders from Apple, Qualcomm and other large chip designers. Samsung's advance comes at a sensitive time for the semiconductor industry, whose place in the global geopolitical order is currently under scrutiny by leading governments. The US and China have both taken steps to bring more chip-making capacity and expertise within their borders, arguing it's a matter of national security and Samsung is in the process of setting up a new fabrication facility in Texas.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

McCormick & Company reported Fiscal 2nd quarter 2022 ("F2Q22") adjusted EPS of $0.48, -$0.17 below Consensus ($0.65). At the corporate level, year-over-year ("YOY") sales fell -1% (versus. ("vs.") +3.1% YOY estimate), while organic sales were flat YOY (vs. forecast of +4.5% YOY). A combination of factors, including lapping a year ago inventory replenishment in the US, lockdowns in China, the exit of low margin business in India, and the conflict in Ukraine, clipped -4 points ("pts") YOY from sales growth. In the Consumer segment, organic sales were down -7% YOY while earnings before interest and taxes ("EBIT") fell -29% YOY (vs. estimated -2.5% YOY). Meanwhile, in the Flavor Solutions segment, organic sales rose +11% YOY while EBIT declined -40% YOY (vs estimated -25.0% YOY forecast). Gross margin contracted -550 basis points ("bps") YOY (vs. estimated -250bps YOY expansion), while relative selling general and administrative expenses ("SG&A") was down -20bps YOY. All-in, EBIT decreased -32.6% YOY (vs. forecast of -9.6% YOY). McCormick lowered its Fiscal Year ("FY22") outlook which now calls for EPS in a $3.03-$3.08 range (vs. $3.17-$3.22 previously – a -4% YOY reduction at the midpoint – and current Consensus of $3.15), or a -1% decline to +1% increase YOY vs FY21 (and +1-3% YOY on a constant Foreign Exchange ("FX") basis). This is now predicated on organic sales growth of +5-7% YOY (vs. +4-6% YOY previously, despite the F2Q22, miss and consensus approximately +5.5% YOY) and operating income growth of Comparable to +2% YOY (vs. +7-9% YOY previously and current.

Red Electrica Corporation ("Red Electrica") - Following the completion of the sale of 49% of Reintel, the Red Electrica Board of Directors has decided to increase shareholder remuneration in 2023 to €1 (US$1.04) per share, an increase of €0.20 (US$0.21) per share compared with the commitment established in the 2021-2025 Strategic Plan, which set a floor of €0.80 (US$0.83) per share, which will be maintained for the period 2024-2025.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

Amgen Inc. ("Amgen") – Amgen partnered with China's Fosun Pharmaceutical Co. ("Fosun") to bring Otezla and Parsabiv to patients in the country. Amgen China will out-license the two drugs to Fosun, in hopes the collaboration will allow its products to reach more psoriasis and chronic kidney disease patients in the country of more than 1.4 billion people. Otezla won approval from the National Medical Products Administration of China last August. The medicine is the first and only oral phosphodiesterase 4 inhibitor for the treatment of plaque psoriasis in China, a disease affecting 6.5 million patients in the country. Parsabiv, approved by the European Medicines Agency ("EMA") and the Food and Drug Administration ("FDA") in 2016 and 2017, respectively, is still in a regulatory review in China.

Amgen – Amgen decided to sell off its Turkish manufacturing arm. The Eczacıbaşı Group ("Eczacıbaşı") has acquired Gensenta Pharmaceuticals ("Gensenta") from the California-based pharma. The deal will see Eczacıbaşı pay US$135 million for a 99.96% stake in the company. The purchase of Gensenta will be finalized after it gets approval from the Turkish Competition Authority. According to Eczacıbaşı, Amgen Turkey will continue to keep its operations running and serve its customers. Eczacıbaşı is a Turkish industrial group that owns 46 companies and is also the founder of Turkey's first modern pharmaceutical manufacturing plant in 1952. Their manufacturing arm includes the making of original drugs and non-prescription products. The deal to sell Gensenta is a major one for Turkey as the nation's oldest pharmaceutical company, Gensenta, was founded as a laboratory in 1923 and incorporated as Mustafa Nevzat Pharmaceuticals in 1957. The company was acquired by Amgen in 2012 and in 2020 was renamed Gensenta. Gensenta is a powerhouse for pharmaceutical export from Turkey and in the manufacturing of Application Programming Interfaces ("API") and finished dosage forms. Gensenta has two manufacturing facilities located in Yenibosna, one of the main industrial areas of Istanbul. This includes separate plants for finished dosage forms as well as antibiotics and anti-cancer products, among others.

Clarity Pharmaceuticals ("Clarity") – Clarity bolstered its Scientific Advisory Board ("SAB") with the addition of a leading nuclear medicine and theranostics expert. Clarity has appointed Professor Louise Emmett to the SAB. Professor Emmett has been the company's long-term collaborator. She has aided the company in swiftly advancing Phase I studies in breast and prostate cancers, backed by her in-depth knowledge of the radiopharmaceutical space and expertise in navigating the early-stage clinical trial scene in Australia.

Fate Therapeutics ("Fate") – Fate announced that it expanded its off-the-shelf, induced pluripotent stem cells ("iPSC") derived, cell-based cancer immunotherapy collaboration with ONO Pharmaceutical Co., Ltd. ("ONO") to include the development of chimeric antigen receptor ("CAR") natural killer ("NK") cell collaboration candidates. In addition, as part of the collaboration's expansion, ONO will contribute novel binding domains targeting a second solid tumor antigen. Under the original Collaboration and Option Agreement entered into between Fate and ONO in September 2018, ONO has contributed novel binding domains targeting an initial solid tumor antigen, and Fate is currently conducting preclinical development of a multiplexed-engineered, iPSC-derived CAR T-cell product candidate for solid tumors. Under the terms of the amended Collaboration and Option Agreement, Fate will advance iPSC-derived CAR NK and CAR T-cell product candidates to a pre-defined preclinical milestone, at which point ONO has an option to assume responsibility for worldwide development and commercialization with Fate retaining the right to jointly develop and commercialize in the United States and Europe. Fate retains all rights of manufacture of collaboration products on a global basis. Fate will continue to receive committed research funding from ONO during the preclinical option period, and is eligible to receive a preclinical option exercise fee as well as clinical, regulatory and commercialization milestone payments from ONO in connection with the development and commercialization of each product candidate. In addition, Fate is eligible to receive tiered royalties on net sales by ONO of each product candidate in the ONO territory. "Based on the collaboration progress and Fate's proven ability to develop innovative product candidates, we are excited to expand our collaboration to include a second solid tumor target and to continue our work with Fate in developing first-in-class, off-the-shelf CAR NK and CAR T-cell therapies for cancer patients," said Toichi Takino, Senior Executive Officer, and Executive Director of Discovery & Research at ONO.

Fate – Fate announced that Brian T. Powl has been appointed Chief Commercial Officer. Mr. Powl brings to Fate extensive commercial leadership experience in hematologic malignancies and solid tumors, having previously served as the Global Commercial CAR T lead at Celgene Corporation where he oversaw the commercial development strategy of the company's CAR T-cell therapies. Mr. Powl most recently served as Senior Vice President, Commercial Development & Marketing at MEI Pharma, Inc., ("MEI Pharma") where he led the commercialization efforts of a late-stage small molecule program in B-cell malignancies across marketing, sales, market access and commercial operations. Prior to MEI Pharma, Mr. Powl was Vice President, Global Commercial CAR T lead at Celgene Corporation ("Celgene"), where he oversaw a global portfolio of new cell therapy products, including the commercialization of the B-lymphocyte antigen ("CD19")- and B-cell maturation antigen ("BCMA")-targeted CAR T-cell therapy programs. During his tenure at Celgene, Mr. Powl also held various senior level positions, including leading their flagship multiple myeloma franchise in which he led the marketing of Revlimid and Pomalyst as well as their global commercial operations group for oncology products outside the United States. Prior to Celgene, Mr. Powl held sales and marketing positions at Novartis Oncology Pharmaceutical Company and Centocor, Inc. Mr. Powl holds a BS in Biochemistry from the University of California, San Diego and an MBA in Healthcare Management/Marketing from the Wharton School at the University of Pennsylvania. "We are excited to welcome Brian to Fate Therapeutics as we begin to chart our late-stage clinical development and product launch pathways across our iPSC-derived cell product franchises in hematologic malignancies and solid tumors," said Scott Wolchko, President and CEO of Fate.

OncoBeta GmbH ("OncoBeta") – Avion Medical Skin Centres ("AMSC") have entered into an agreement with OncoBeta to treat non-melanoma skin cancer ("NMSC") patients in Australia, with the new, non-invasive Rhenium-SCT. The first AMSC location will open in Melbourne Victoria, to patients in the third quarter of 2022. Treatments will be provided at a brand-new world-class facility at the Melbourne Theranostics Innovation Centre ("MTIC") in North Melbourne, which provides unparalleled access to a combination of nuclear medicine technologies, therapeutics and innovative research. Dr. Sam Vohra, founder of AMSC, says, "We are very proud to be opening this new treatment centre in the heart of Melbourne's oncology precinct and to offer this ground-breaking treatment to NMSC patients in Australia. The clinical evidence has already proven that Rhenium-SCT is an effective alternative to traditional invasive options and can significantly improve patient outcomes and quality of life."

Schrodinger Inc. ("Schrodinger") – Schrodinger announced that the FDA cleared its investigational new drug ("IND") application for its MALT1 inhibitor, SGR-1505 (a mucosa-associated lymphoid tissue lymphoma translocation protein 1 inhibitor). Schrödinger expects to initiate a Phase 1 clinical trial of SGR-1505 in patients with relapsed or refractory B-cell lymphoma in the second half of 2022. The planned multi-center, dose-escalation study will be conducted in patients with relapsed or refractory B-cell malignancies to evaluate the safety, pharmacokinetics, pharmacodynamics, and preliminary signals of therapeutic activity of SGR-1505 as a monotherapy. Once the recommended dose is determined, an expansion cohort is planned to evaluate SGR-1505 in combination with other anti-cancer agents, such as BTK and BCL-2 inhibitors, in patients with specific B-cell malignancies. "FDA clearance of the IND for SGR-1505 marks an important milestone for our MALT1 program and underscores the impact of incorporating a digital chemistry strategy into research programs," said Robert Abel, Ph.D., Chief Computational Scientist.

ECONOMIC CONDITIONS

Ukraine War: Based upon current invasion progress, Russia now controls 2/3rd of Ukraine's Black Sea maritime shelf, which hold an estimated 80% of the country's offshore natural gas and oil reserves (some estimates suggest Ukraine has the 2nd largest natural gas reserves in Europe). On land, much of the fighting has been in the Dnieper-Donetsk region which holds approximately 80% Ukraine's oil, natural gas, and coal production reserves. Controlling the Black Sea also means Ukraine cannot readily export grains as a top-10 exporter and competitor to Russia. Lastly, Ukraine is thought to have Europe's largest concentration of rare earth minerals. From a natural resources standpoint, the stakes are extremely high for the West (for Europe, the promise of energy independence from Russia, should Ukraine be allowed to become a large exporter of natural gas; for US/Europe, developing an alternative supplier of rare earths minerals away from China is critical). In other words, the stakes are equally as high for the West as it is for Russia.

Canadian real Gross domestic product ("GDP") increased 0.3% in April, above consensus (+0.2%), led by oil production and the travel & entertainment sectors. However, casting a less-upbeat note on proceedings was the early estimate for May activity, which points to a 0.2% pullback, dimming the overall outlook for second quarter ("Q2") as a whole. If the May drop holds, it would represent only the second monthly GDP decline in a year (January also fell on Omicron restrictions). The combination of the April/May results suggests growth will be roughly 4% annualized in Q2 but will then slip below 2% in the coming quarter. A strong start to the year still suggests growth for all of 2022 may approach 3.5%, but we look for a serious chill in the second half and then expect only 1.5% growth in 2023. April's solid gain was driven by two separate stories: the resource sector surged 3.3%, led by a 5.6% increase in oils ands production, and mining surged on a 3.9% rise in potash output. The second big driver was the comeback in travel, as the accommodation sector jumped 7.2% in the month and air transportation surged 20.0% month over month ("m/m") (and then airport lineups suddenly began in earnest the following month). Notably, the hotel & restaurant sector was almost entirely back to pre-pandemic levels in April (whereas it was still operating about 33% below those norms a year ago). In sharp contrast, air transportation was still estimated to be operating about 50% below pre-pandemic levels in April, at least according to the GDP figures. The arts, entertainment and recreations sector was in between, still down 12% from early 2020 levels, but recovering with pace in the spring. The estimated 0.2% drop in May looks to be due to broad weakness in the goods-producing sectors, even as many beaten-down service sectors likely recovered further. Resources, construction and manufacturing all are expected to slip. Another big weight in coming months will be the deepening dive in home sales. Real estate agent activity fell 15% m/m in April alone and is now down 25% y/y from the levels of a year ago.

It's been a difficult month for manufacturers worldwide. Euro Area manufacturing Project Managers' Index ("PMI") fell to its lowest level since the summer of 2020. Ditto for the U.K., while Japan kept it to a near one-year low. China, thanks to its reopening efforts, saw the Caixin manufacturing PMI rise to an above-expected 51.7 in June, the highest since May 2021, so it is a special case. In the U.S., activity slowed markedly. The In-Store Marketing ("ISM") manufacturing PMI fell for the fourth time in the past six months, with June's 3.1 points ("pts") drop leaving it at 53.0, the lowest since June 2020. Of the five equally-weighted components: new orders -5.9 pts to 49.2, lowest since May 2020, which was also the last time it was sub-50; employment -2.3 pts (3rd decline in a row) to a near 2-year low of 47.3, the second time the component has contracted; inventories +0.1 pts to a 7-month high of 56.0; production +0.7 pts (2nd improvement in a row) to a 4-month high of 54.9 and supplier delivery delays -8.4 pts (2nd improvement in a row) to 57.3, lowest since July 2020

U.S. Real personal spending was down 0.4% in May (or +0.2% in nominal terms), which was in line with assumptions. However, the prior four months were revised down. January's 1.5% gain is now 1.3%, February's 0.1% lift is now flat, March's 0.5% increase is now 0.3%, and April's 0.7% jump is now 0.3%. So that means slower momentum as the second quarter began. Cars (-8.2%) saw the biggest hit, due to the lack of them on the lots and their high price tags. The same can be said for recreational goods & vehicles (-1.5%). Dining out fell for the first time in four months. But recreation services (one of those discretionary areas), transportation services, and health care were saved, at least for now.

China's official manufacturing and service sector PMIs moved back into expansion, with the latter bouncing particularly sharply as COVID-19 restrictions eased across the country. Supply chain pressures continued to ease as reflected in supplier delivery times, order backlogs and output prices. Employment and trade components remained in contraction however, as did small business sentiment. Despite easing restrictions the official "around 5.5%" growth target remains out of reach without further significant stimulus. Q2 growth on a sequential basis may actually be negative.

Australian retail sales were strong again in May and clocked their 5th straight month of increase. Spending rose by 0.9% m/m (cons: 0.4%, Apr: 0.9%) and was broad-based, with department stores (5.1% m/m) and food services (1.8% m/m) driving the headline.

FINANCIAL CONDITIONS

Banks should take a conservative approach to setting aside capital to cover risks from "unbacked" crypto assets on their books, the global Basel Committee of banking regulators said in proposals last week which now also cover blockchain. Cryptoassets have fallen in value in recent weeks partly triggered by the collapse of terraUSD, a stablecoin whose value was derived by complex algorithmic processes (source: Reuters).

The U.S. 2 year/10 year treasury spread is now 0.05% and the U.K.'s 2 year/10 year treasury spread is 0.39%. 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 5.70%. 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 27.56 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 could be encouraging quality equities.

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

This research and information, including any opinion, is based on various sources including corporate press releases,annual reports, public news articles and broker research reports and is believed to be reliable but it cannot be guaranteed to be current accurate or complete. It is for information only, and is subject to change without notice. This Newsletter is not an offer to sell or a solicitation of an offer to buy any security nor is it necessarily an indication of how the portfolio of any Portland Fund is invested. The securities discussed in the Newsletter may not be eligible for sale in some jurisdictions. The views expressed by any external links and subsequent media, including but not limited to videos, are not necessarily those of Portland Investment Counsel Inc. and are provided for general information purposes only. Portland Investment Counsel Inc. assumes no responsibility for the information provided by external sources.

Use of any third party quotations does not in any way suggest that person endorses Portland Investment Counsel Inc. and/or its products.

Certain statements constitute forward-looking statements, including those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend" and similar expressions to the extent they relate to a security. The forward-looking statements are not historical facts. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Portland Investment Counsel Inc. has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise.

RISK TOLERANCE

Risk tolerance measures the degree of uncertainty that an investor can handle regarding fluctuations in the value of their portfolio. The amount of risk associated with any particular investment depends largely on your own personal circumstances including your time horizon, liquidity needs, portfolio size, income, investment knowledge and attitude toward price fluctuations. Investors should consult their financial advisor before making a decision as to whether this Fund is a suitable investment for them.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. The indicated rates of return are the historical annual compounded total returns including changes in units [share] value and reinvestment of all distributions [dividends] and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. The rates of return are used only to illustrate the effects of the compound growth rate and are not intended to reflect future values of the mutual fund or returns on investment in the mutual fund. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Information presented in this Newsletter should be considered for background information only and should not be construed as investment or financial advice. As each individual's situation is different, you should consult with your own professional investment, accounting, legal and/or tax advisers prior to acting on the basis of the material in the Newsletter. Commissions, management fees and expenses may be associated with investment funds. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the prospectus or offering document before investing.

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

PIC22-034-E(08/22)