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NEWS HIGHLIGHTS

EST. 2007

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

JULY 18, 2022

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OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND[1]

PORTLAND 15 OF 15 ALTERNATIVE FUND[1] COMPANY NEWS

Brookfield Asset Management Inc. ("Brookfield") – Deutsche Telekom AG ("Deutsche Telekom") will reportedly sell 51% of its tower business to a consortium of Canada's Brookfield and private equity group DigitalBridge Group, Inc. ("DigitalBridge") after they placed a surprise bid. Deutsche Telekom will retain the remainder of the stake. The new consortium follows the withdrawal of Spain's Cellnex Telecom which had been teaming up with Brookfield and was seen as a top contender for a stake. If indeed successful, the bid would knock out a competing offer by a consortium led by KKR & Co Inc. DigitalBridge had reportedly been looking to team up with another financial investor since the start of the auction, but the U.S. investment firm was struggling to form its own bidding consortium. A transaction would rank as Germany's biggest deal this year and Europe's second-largest, after the Benetton family and U.S. fund Blackstone Inc.'s EUR €58 billion takeover of Italian infrastructure group Atlantia SpA. The business has been valued at around €18 billion. The sales process, which kicked off in March, has attracted competition by strategic bidders and infrastructure funds for a stake in the masts unit known as Deutsche Funkturm GmbH. The deal is expected to help the German telecoms company raise enough funds to cut its debt while keeping some exposure to key infrastructure.

Softbank Group Corp. ("Softbank") – Mubadala Investment Company ("Mubadala") is in talks to acquire asset manager Fortress Investment Group ("Fortress") from SoftBank, people with knowledge of the matter said. The Abu Dhabi sovereign wealth fund is discussing a deal that would value Fortress at more than US$1 billion, one of the people said, who requested not to be identified because the information is private. Mubadala has long been a SoftBank counterpart, and in 2017 said it would be among anchor investors in the firm's debut Vision Fund. While discussions with Mubadala are at an advanced stage, there's no certainty they will reach an agreement and other potential buyers could emerge, the people said. SoftBank acquired Fortress in 2017, intending to use the New York-based firm's expertise to help manage its behemoth Vision Fund. To win approval from the Committee on Foreign Investment in the U.S., SoftBank agreed to cede day-to-day control of Fortress, which has been run independently since the acquisition.

Softbank - Softbank backed AI Medical Service Inc. ("AIM"), which specializes in endoscopy analysis, is taking steps for a possible initial public offering in Tokyo as early as next year. The Japanese start-up, which develops software to scan endoscopy images and identify potential cancers, has selected a lead manager for the initial public offering ("IPO") and is in talks with the Tokyo Stock Exchange, founder and Chief Executive Officer ("CEO") Tomohiro Tada said in an interview. The company, whose peers include US-based Iterative Scopes Inc., will begin supplying software that detects potential stomach cancers to medical institutions later this year at a monthly subscription fee of about 200,000 yen (US$1,450) including updates, Tada said. AIM's IPO plans underline continued investor appetite for medical technology amid a broader tech downturn. Venture capital investment in medical diagnostics grew 78% from the previous year to $5.8 billion in 2021, trailing only media and semiconductors, according to PitchBook Data, Inc. Gastrointestinal cancers, which account for more than a third of cancer deaths worldwide, have been a focus of investor attention. Iterative Scopes Inc. raised over $194 million and achieved a post-money valuation of $700 million in its Series B fundraising in January. Doctors miss signs of early stages of such cancers in an estimated 20% to 40% of cases, Tada said. AIM's subscription model, a departure from the industry's norm of a one-time payment, intrigued SoftBank, which led to an 8 billion yen funding round in April and made AIM the Vision Fund's third investment in its home country. AIM is targeting contracts from 1,000 hospitals in Japan. Its product launch will hinge on expected approval from Japan's Pharmaceuticals and Medical Devices Agency later this year, Tada said. The company declined to provide a revenue forecast, saying that pricing could change depending on the terms of regulatory approval. Tada estimates the global market for artificial intelligence ("AI") diagnostics to be five times Japan's and is working to sell AIM's technology overseas. The company set up an office in Palo Alto, California, in January and one in Singapore this month. AIM's international rollout starts in 2023, with eventual targets including Taiwan, Hong Kong, Thailand, Vietnam and India, he said.

Meta Platforms, Inc. ("Meta") - Facebook's parent company Meta is cutting back on its planned office expansions in New York. According to people familiar with the matter, Meta has decided against taking an additional 300,000 square feet of space at 770 Broadway, where it's already located. The company is also pausing plans to further build out its new offices in Hudson Yards as it evaluates what to do with the space, explained the people, who requested not to be named due to discussing private information. Meta spokesperson Jamila Reeves said the company remains firmly committed to New York and is looking forward to opening the Farley Building near Pennsylvania Station in the coming months. Many tech companies have been moving toward more flexible, remote-working options since the start of the pandemic. At the same time, broad stock market declines and increasing concerns about the potential for the US economy to head into a recession have prompted some companies to slow hiring. Meta has announced plans to slow or pause hiring for some mid- to senior-level positions. While Meta is still building out giant offices in Manhattan, the company's more-cautious approach is a potential harbinger of future challenges across the city's office market as businesses seek to cut costs and re-evaluate real estate strategies. New York still faces a glut of office supply, with more than 18% of space available despite a slight leasing rebound earlier this year, according to second-quarter data from Savills Research. Meta is still committed to large leases the company signed in recent years at both Hudson Yards and the redeveloped Farley Building. While most of its employees worked from home, the firm continued to build out its new offices and seek extra space in anticipation of even more growth.

Reliance Industries Limited ("Reliance") – Charoen Pokphand Group Company, Ltd. ("CP Group") and Reliance Industries Ltd. are among suitors for German retailer Metro AG's ("Metro") wholesale operations in India, according to people familiar with the matter, as the companies seek to deepen their retail portfolio in one of the world's largest consumer markets. The Thai conglomerate controlled by tycoon Dhanin Chearavanont and its Indian counterpart backed by billionaire Mukesh Ambani have submitted non-binding bids, noted the people. Amazon.com Inc. ("Amazon"), whose founder Jeff Bezos is the world's second richest man, is also considering lodging an offer, the people said. Metro has been working with advisers on a potential sale of the Indian business, which could fetch a valuation of US$1 billion to $1.2 billion, according to one of the people, who requested not to be identified as the information is private. Suitors could be shortlisted for the next round of bidding as soon as August, the person explained. Deliberations are ongoing and companies could decide against any offers, noted the people. Metro hasn't made any final decision and details could still change, they added. Representatives for Amazon, Metro and Reliance declined to comment, while CP Group didn't immediately respond to requests for comment. Metro entered the Indian market in 2003 and currently operates 31 wholesale distribution centers across the country, serving business customers only, according to its website. Its core customers include hotels, restaurants, and different types of corporates such as small retailers.

Amazon announced a multi-year agreement to serve as Delta Air Lines, Inc. ("Delta") preferred cloud provider to power its digital business transformation. Amazon's AWS Elemental Data ("AWS") will help Delta "unlock technologies and streamline processes that will make the customer experience faster, smoother, and more secure—from the booking process to the flight experience." In addition, the airline is also providing its employees with the opportunity to take part in training with the AWS Designated Virtual Trainer (DVT) program to increase cloud adoption and develop new client-facing and internal capabilities. The company is also working with AWS to modernize the core technology platforms that support its customer engagement center operations. With Amazon Connect (a fully managed, easy-to-use, omnichannel cloud contact center service), Delta customers who call for reservations or customer care specialists will have a more streamlined experience and Delta customer care specialists can respond in real time to customers with new online and text support.

Google LLC, ("Google") – Google announced that YouTube TV has exceeded 5 million paid subscribers (including users on limited-time free promotional trials) in just five years, positioning the platform as the US' biggest internet-based pay TV service. Originally launched in 2017 in five US markets, YouTube TV is now available in over 99.5% of US households, providing an alternative to traditional pay TV options and access to a bundle of popular channels and content. "Five years ago we launched YouTube TV to rethink how we watch live TV, give users more choice, and unlock a new revenue stream for our partners," YouTube Chief Product Officer ("CPO") Neal Mohan said in a statement. "Today, we're thrilled that YouTube TV has become a thriving business of more than 5 million subscribers and trailers. This milestone is a testament to the amazing work the team has done to build a best-in-class experience."

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

JPMorgan Chase & Co., ("JPMorgan") – JPMorgan reported a second quarter of 2022 earnings-per-share ("EPS") of US$2.76 as compared to $2.87 consensus. The variance was tied to lower aggregate revenue and a higher tax rate; expenses dollars were lower than forecast and credit costs were essentially in line. All in, a respectable result, in our view, with a 17% Return on tangible equity ("ROTE") and Core Equity Tier 1 ("CET1") that increased to 12.2%. The forward look was macro dependent, of course, but net interest income guided upwards to approximately $58 billion ex Markets (from $56billion+ as of the May 2022 Investor Day ex Markets assuming the Federal Reserve ("Fed") funds rate reaches 3% by year-end); Adjusted expense guidance of approximately $77 billion for the full year was unchanged. Firm-wide average loans were up 7% quarter over quarter; deposits were up 9%; fixed income, currencies and commodities trading was lower; equities was higher; Investment banking was lower than the forecast; there were $6 billion of net long term inflows in the Asset Management business; aggregate net charge-off of $657 million were lower than the forecast; the tax rate was 200 basis points ("bps") above forecast. CEO Jamie Dimon added, "As a result of the recent stress tests and the already scheduled G-SIB increase, we will build capital and continue to effectively and actively manage our Risk Weighted Assets. In order to quickly meet the higher requirements, we have temporarily suspended share buybacks which will allow us maximum flexibility to best serve our customers, clients and community through a broad range of economic environments." On the macro, as per CEO Jamie Dimon: "In our global economy, we are dealing with two conflicting factors, operating on different timetables. The U.S. economy continues to grow and both the job market and consumer spending, and their ability to spend, remain healthy. But geopolitical tension, high inflation, waning consumer confidence, the uncertainty about how high rates have to go and the never-before-seen quantitative tightening and their effects on global liquidity, combined with the war in Ukraine and its harmful effect on global energy and food prices are very likely to have negative consequences on the global economy sometime down the road. We are prepared for whatever happens and will continue to serve clients even in the toughest of times."

Microsoft Corporation, ("Microsoft") - Netflix, Inc. ("Netflix") announced that it has selected Microsoft as its global advertising technology and sales partner to support the roll out of Netflix's lower priced, ad-supported subscription plan. Netflix chief operating officer ("COO") Greg Peters noted that ad efforts are still in the "very early days" with "much to work through," however the company previously indicated it intends to launch the tier before the end of 2022. "Microsoft has the proven ability to support all our advertising needs as we work together to build a new ad-supported offering. More importantly, Microsoft offered the flexibility to innovate over time on both the technology and sales side, as well as strong privacy protections for our members," Peters wrote in a blog post. "It's very early days and we have much to work through. But our long-term goal is clear. More choice for consumers and a premium, better-than-linear TV brand experience for advertisers. We're excited to work with Microsoft as we bring this new service to life."

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

Amgen Inc., ("Amgen") – Amgen announced early data for Lumakras as part of a combo against a host of cancers—including patients with KRAS-mutated non-small cell lung cancer (NSCLC). The data, released as an early abstract from the upcoming World Conference on Lung Cancer, found that just more than a quarter of NSCLC patients treated with the combo experienced a partial response and nearly two-thirds had disease control. However, the efficacy jumped among four NSCLC patients that had never been treated with a KRAS-inhibitor. Among those patients, three experienced a partial response and all four had stable disease. The company says dose expansion is "underway" to further define efficacy between the two groups. The findings were part of a phase 1 dose-escalation study testing Lumakras with Sanofi S.A. and Revolution Medicine's ("Revolution") SHP2 inhibitor. The two companies teamed up to co-develop the inhibitor, coined RMC-4630, four years ago. In November 2019, Revolution partnered with Amgen to test Lumakras (then known as AMG 510) with the SHP2 inhibitor. The early trial recruited 21 cancer patients who had received at least two lines of prior treatment, 11 of whom had NSCLC. Six patients had colorectal cancer, while one had ovarian cancer and three had other solid tumors. Ten of the patients had been previously treated with a KRAS-inhibitor, most of whom received Lumakras. Two received Mirati Therapeutics' clinical-stage competitor, Adagrasib. In addition to the data in NSCLC patients, the early data tease hints at promise for the combo in other cancers. The patient with ovarian cancer achieved a partial response with an 81% reduction in tumor burden. Five out of six patients with colorectal cancer reached disease control, including one patient who had a 26% reduction in tumor burden. Investigators reported no life-threatening or disabling side effects, but grade 3 effects occurred in 29% of patients, ranging from high blood pressure to diarrhea. One patient dropped out of the trial due to a treatment-related side effects.

Guardant Health, Inc. ("Guardant") – Guardant filed suit against Foundation Medicine, Inc. ("FMI") in a U.S. District Court in California for false advertising and unfair competition. Guardant alleged in its complaint that FMI made false and misleading statements in its advertising about the accuracy of Guardant360, Guardant's liquid biopsy for cancer, as well as that of its own tests, which include tissue biopsy and a liquid biopsy FoundationACT, which launched last year. FMI touted its FoundationACT test as "best in class" with "unparalleled accuracy"— claims that Guardant alleged are false. For example, Guardant wrote that the sensitivity and specificity of FMI's FoundationACT is far lower than the 99% that FMI claims, according to data FMI presented at the American Society of Clinical Oncology's annual meeting. FMI also said in its advertising that the Guardant360 test is inaccurate and has a high rate of false positive results. But Guardant said this assertion is based on an inappropriate comparison of data—according to FMI, Guardant360 detects c-MET (hepatocyte growth factor receptor) alterations, a mutation common in cancers that have developed drug resistance, in 15% of breast cancer patients versus. the 1% of patients in other studies found to have the mutation. Guardant has asked the court to require FMI to "retract, remove and correct" its false and misleading claims and to instruct FMI to stop making or disseminating false and misleading statements about its own tests and Guardant360. "We welcome competition because accelerating advances in oncology will benefit millions of patients," said Guardant CEO Helmy Eltoukhy in a statement, "But it is vital that clinicians receive accurate and truthful information, because this affects patient safety. We believe that companies in the cancer diagnostics business—companies that must have patient care as their central mission—should not misrepresent science for commercial gain. When they do, we believe that appropriate corrective action must be taken."

ECONOMIC CONDITIONS

Canadian housing starts pulled back to 273,800 annualized units in June, a still robust level of new construction in our view. That leaves the average pace over the first half of the year at 258,000, and 272,000 for the second quarter. Urban single-family starts fell to 60,400 in the month, while multi-family homes jumped above 200,000. All in, unlike the resale market, new building activity is running strong—but this segment of the market lags, so any cracks wouldn't realistically begin to show in the data until later in the year. And, it remains to be seen how much this side of the market will actually crack given that we still have demographic demand for housing. Regionally, the monthly picture was very mixed. Quebec, Atlantic Canada and Alberta posted the largest declines, while activity in B.C. and Ontario was higher. The bigger picture, however, is pretty robust activity across the country (especially Alberta recently), consistent with booming markets from coast to coast through the pandemic.

Canadian existing home sales fell 5.6% in seasonally-adjusted terms in June, leaving activity down 23.9% from a year ago. Sales have now fallen back into pre-COVID-19 ranges and below the 10-year average for the first time since the pandemic broke out. The period of extreme excess demand is essentially over in our opinion and we are on track for a very weak year ahead for resale volumes and prices. Meanwhile, new listings rose 4.1% in the month (+10% year-over-year), which continues to loosen the market balance. The national sales-to-new listings ratio fell to 51.7% in June, which we would still consider balanced, but that's the lowest since 2015 and momentum is clearly headed in a softer direction. And, there are already clear buyers' markets popping up in parts of the country, especially some of the suburbs/exurbs (namely Ontario and parts of B.C.) that saw extreme strength last year. Others, like Calgary and Atlantic Canada, are still holding in well. Against that backdrop, the benchmark national price fell 1.9% (seasonally adjusted) in the month, deeper than any month during the 2017 correction or 2009 financial crisis. And, there are some heavy month-to-month drops now scattered across various markets. Prices are still up 14.9% from a year ago, but they're clearly down from the March high. The average price is now down 1.8% year-over-year, the first negative print since the start of the pandemic. It seems the market had already reacted after the Bank of Canada's initial move in rates and so the latest 1% rate hike potentially sets us up for an even deeper correction.

U.S. Consumer Price Index rose 1.3% in June, more than the already solid +1.1% print expected by consensus. This came after a 1.0% increase the prior month. Prices in the energy segment jumped 7.5% in June on steep gains for gasoline (+11.2%) and gas utility (+8.2%). The cost of food, meanwhile, sprang 1.0% after having registered their biggest jump in 30 years the prior month (+1.2%). The core consumer price index ("CPI"), which excludes food and energy, rose 0.7%, two ticks more than the median economist forecast of +0.5%. Prices for ex-energy services advanced at the steepest clip in 30 years (+0.7%) on gains for shelter (+0.6%), medical services (+0.7%) and transportation (+2.1%), this last category boosted by a 1.9% increase in the price of motor vehicle insurance. Airline fares, on the other hand, declined 1.8% following two massive gains in April (+18.6%) and May (+12.6%). The cost of core goods, meanwhile, progressed 0.8% on gains for used (+1.6%) and new vehicles (+0.7%), apparel (+0.8%) and tobacco/smoking products (+0.6%), among others. Year on year, headline inflation clocked in at 9.1%, up from 8.6% the prior month and the highest since the early 1980s. The 12-month core measure eased from 6.0% to 5.9% but nonetheless managed to top consensus expectation for a +5.7% print.

U.S. retail sales came in better than expected in June, but virtually all the increase reflects higher prices rather than more consumption. Sales rose 1.0% and the prior month's decline was revised a little higher, leaving sales 8.4% above year-ago levels. These are hefty figures on the surface, but not when stacked up against a 1.3% pop in the monthly CPI and 9.1% yearly inflation rate. Sales were inflated by higher gas station receipts and a bounce in still-weak autos. The control measure that feeds into personal consumption expenditures (which strips out gas, autos, building materials, and food services) jumped 0.8%, though the prior month was revised down to show a moderate decline. That still implies a fairly flat real consumer spending number for June following a 0.4% drop in May, leaving the second quarter estimate tracking around 1% annualized and down from 1.8% in the first quarter.

U.S. industrial production fell 0.2% in June, a few ticks below consensus. May was revised down (unchanged instead of +0.1%). Output remains positive compared to a year ago (+4.2%) and is still up 6.1% (annualized) overall in the second quarter. But what the industrial production print highlights is that, while some recent economic performance has been exemplary, the outlook continues to weaken. Furthering that theme, manufacturing output fell 0.5% (consensus -0.1%)—the second consecutive monthly drop—and yet managed to grow 4.2% (annualized) in the quarter. The weakness in the manufacturing sector was widespread with durable output falling 0.3% and nondurables dropping 0.8%. On the latter, every group except for two (apparel and leather and chemicals) fell by at least 0.8% in the month. The chip shortage continues to hamper auto production as motor vehicle assembly slid to 10.31 million units (annualized) in June and May was revised down to 10.51 million units. While that means auto production posted a solid second quarter gain, production still remains well short of where it needs to be to alleviate inventory shortages in the sector.

China June exports surprised to the upside again and rose by 17.9% year-over-year (consensus: 12.5%, May: 16.9%), likely boosted by recent strong US imports outturn and the expansionary June manufacturing purchasing managers' index ("PMI"). Exports to the US and EU were strong, rising by 19.3% year-over-year and 17.1% year-over-year respectively while demand for work from home equipment and high-tech equipment haven't waned given the robust exports numbers for these products in June. However, imports growth slowed to 1.0% year-over-year (consensus: 4.0%) from 4.1% last month likely due to heightened consumer caution over China's strict zero COVID-19 strategy. Vehicle imports (-37.8% year-over-year) and electrical/mechanical imports (-11.3% year-over-year) were the main drags on imports growth this month.

Chinese Gross Domestic Product ("GDP") disappointed at +0.4% year-over-year against the 1.2% consensus and the +4.8% at the last print. Growth was the slowest pace since the COVID-19 outbreak in Wuhan and highlights that the Zero-COVID-19 approach remains damaging on the economy. Shanghai continues to implement lockdowns in areas despite cases stabilizing.

UK GDP was better than expected at +0.5% in May and had a minor upward revision to the April number. Numbers though were influenced by better industrial supply, resilience in construction and a bounce in public sector output which economists do not think will continue. Expectations are that UK GDP is likely to drop in the second quarter and limit the Bank Of England on its ability to continue to hike rates.

European politics are still under the microscope in Italy. Bloomberg reports the League and the Forza Italia are no longer backing the support deal with Prime Minister Mario Draghi and it appears the main parties are ready to go down the route of a snap election. Speculation is that Mario Draghi is determined to resign as Italy's prime minister next week if he does not have the backing of all the parties in his splintered governing alliance. His resignation was already rejected once by Italian

President Sergio Mattarella after the Five Start Movement abstained from a confidence vote in the senate.

Spanish Prime Minister Sanchez unexpectedly announced yesterday that the government will temporarily bring in a tax on Spanish financial banks; this will be targeted at raising EUR€1.5 billion (US$1.52 billion) annually in each of 2023 and 2024.

New Zealand Consumer Prices Index came in above elevated expectations at +7.3% year-over-year, the highest print in 32 years and well above the Reserve Bank of New Zealand's target band of 1-3%. Some antipodean banks are now calling for a 50 bps hikes at the last three remaining policy meetings in 2022 and have moved their terminal rate forecast to 4% from 3.5%.

FINANCIAL CONDITIONS

Bank of Canada: After consecutive 50 bps rate hikes in April and June, increased their pace of tightening, lifting the overnight target by 1% to 2.50%, the largest rise since 1998. 75 basis point had been the widely-held expectation by markets and economists alike but the Governing Council judged it was appropriate to 'front-load the path to higher rates'. Consistent with earlier rate hikes, the Bank also raised its deposit rate proportional to the overnight target (i.e., by 100 bps to 2.50%. In 'normal times' the deposit rate is set 25 basis points below the overnight target). Today's move brings the policy rate into middle of the Bank of Canada's estimated 2-3% neutral range and might soon argue for a relatively more cautious hiking trajectory. On this front, it's notable that the Bank no longer says it might have to act more forcefully, or forcefully at all. The Bank simply notes that its "interest rates will need to rise further" with the pace of hikes being dictated by the Bank's assessment of the economy and inflation.

Elsewhere in the rate statement, the Bank highlighted another upside surprise to inflation, stating, Canadian inflation "is higher and more persistent" than previously thought. The central bank also released the latest edition of its Monetary Policy Report ("MPR") which included sizeable downward revisions to the global growth forecast for 2022 (from 4.2% to 3.5%) and 2023 (from 3.2% to +1.8%). These changes were made to reflect the impacts of Russia's aggression in Ukraine and continued supply chain disruptions. "As well, high inflation and monetary policy tightening in many countries are beginning to moderate demand", the report stated. Turning to Canada, the Bank of Canada acknowledged a strong rebound in hard-to-distance service sectors and an economy "clearly" in excess demand but signalled growth was showing signs of slowing. Specifically, higher prices were beginning to weigh on household spending and higher interest rates were causing a sharp slowdown in the housing market. After a strong showing in 2022 (+3.5%, lower than the +4.2% penciled in the previous edition of the MPR), economic growth was expected to slow to just 1.8% next year (down from 3.2% prior). Further down the horizon, the Bank of Canada anticipated GDP to expand 2.4% in 2024. As for the output gap, the bank estimated it at around +0.5% to+1.5% in the second quarter, up from the estimate of 0.25% to +0.75% first quarter. As expected, policymakers significantly increased their CPI inflation projection for this year (from 5.3% to 7.2%) and next (from 2.8% to 4.6%). Global factors such as food and oil prices, as well as elevated transport costs, remained the main driver of inflation but the Bank of Canada noted that domestic demand conditions were also contributing to elevated inflation. Nevertheless, the central bank remained confident that inflation would ease back towards target in 2024 (+2.3%).

"If you've got a mortgage or if you're considering to make a major purchase you can be confident that interest rates will be low for a long time" Tiff Macklem, Bank of Canada (July 20, 2020)

Reserve Bank of New Zealand hiked rates 50 bps for the third consecutive meeting and takes the benchmark rate to 2.5% and says it will continue to hike rates until its sure inflation is contained. The central banks estimated neutral range is estimated to be between 2.0% to 3.0%. The hike was expected and expectations are for another two more rounds of 50 bps hikes before the Reserve Bank of New Zealand pauses to assess.

The U.S. 2 year/10 year treasury spread is now -0.18% and the U.K.'s 2 year/10 year treasury spread is 0.17%. 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 5.51%. 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 24.69 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: *"Life would be infinitely happier if we could only be born at the age of eighty and gradually approach eighteen." ~ Mark Twain*

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1.Not all of the funds shown are necessarily invested in the companies listed

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PIC22-037-E(07/22)