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NEWS HIGHLIGHTS

EST. 2007

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

SEPTEMBER 6, 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

Berkshire Hathaway Inc. ("Berkshire") – Warren Buffett's Berkshire has trimmed its stake in BYD Company Limited ("BYD") , seven weeks after prompting speculation it might sell its entire multi-billion dollar stake in the largest Chinese electric car company. In a Hong Kong Stock Exchange filing, Berkshire said it sold 1.33 million Hong Kong-listed shares of BYD for about HK$370 million (US$47 million), reducing its stake in BYD's total issued H shares to 19.92% from 20.49%. The filing is the first confirmation that Berkshire has reduced its BYD investment since the 20.49% stake entered Hong Kong's Central Clearing and Settlement System on July 11, with Citigroup serving as custodian. BYD's share price fell nearly 12% the next day. Buffett's company had acquired 225 million BYD shares in 2008, giving it a 7.73% stake, equal to the 20.49% stake in H shares, according to BYD's annual report. Berkshire paid $232 million for its shares, whose value had by the day of the filing grown to about $7.5 billion. Buffett has said his business partner Charlie Munger, 98, was the impetus for the investment. Neither BYD nor Berkshire immediately respond to requests for comment. Electric vehicle sales in China have risen in recent months, benefiting from government measures to spur demand. BYD said rising sales from January to June helped offset disruptions from supply chains and domestic outbreaks of COVID-19. BYD also overtook Tesla, Inc.as the world's largest seller of electric vehicles.

SoftBank Group Corp. ("SoftBank") – ARM Limited ("ARM") sued Qualcomm Technologies, Inc.("Qualcomm") for breach of contract and trademark infringement, setting up a legal showdown with one of its biggest customers. The conflict centers on Qualcomm's acquisition of chip start-up Nuvia, Inc. ("Nuvia") last year. That business developed chip designs using ARM licenses and they can't be transferred to Qualcomm without permission, according to the suit filed in the U.S. District Court in Delaware. Nuvia's licenses were terminated in February after negotiations failed to reach a resolution, ARM said. Qualcomm and ARM are two of the world's most influential chip companies, and their standoff is bound to be closely watched in the industry. ARM's customer list already includes the biggest names in technology, which have embraced its designs because they're relatively inexpensive to use and require less power. After gaining a foundation in mobile devices, ARM's innovations are now increasingly part of computers. Companies such as Amazon.com, Inc.'s Amazon Web Services ("AWS") are using ARM's technology as the basis for in-house chip designs, allowing them to break Intel Corporation 's hold on the market for data-center server processors. Such chips can sell for more than US$10,000 each. ARM has two types of customers: companies that use its designs as the basis for their chips and ones that create their own semiconductors and only license the ARM instruction set. Qualcomm has had both kinds of arrangements with ARM over the years, but the Nuvia deal is part of a push to design more of its chips itself. ARM is arguing that the Nuvia products still rely on technology that Qualcomm hasn't negotiated the right to. ARM acts a traffic cop on the use of technology by verifying each new processor's compatibility. That gives it a unique window into what companies are doing across the industry. It should also allow it to see whether Qualcomm chips include work done by Nuvia ahead of its acquisition. According to ARM, anything created under those cancelled licences should have been destroyed.

Softbank Group Corp. ("Softbank") - SoftBank is planning to cut at least 20% of staff at its Vision Fund operation, following public pledges from Masayoshi Son to reduce headcount at the world's biggest tech investor, according to people familiar with the matter. The company will slash a minimum of 100 positions and may announce the job cuts as early as this month, said the people, asking not to be named as the information is not public. The cuts will mostly be in the UK, U.S. and China operations, which have the most headcount, said the people. The Vision Fund unit had about 500 employees including Latin America funds staff. Son said in August he plans widespread cost-cutting at his conglomerate and the Vision Fund investment arm. Executives are still debating how extensive the cuts should be, with some calling for cuts as high as 50%, according to one person.

Senior and junior employees in both front and back offices are being scrutinized to an extent never seen before, the people said. The U.S. has 200 people including Latam staff, the UK has 150 people while China has 50 people, according to another person.

Reliance Industries Limited ("Reliance ") - Reliance will invest 2 trillion rupees (US$25 billion) to roll out its 5G services across India, Mukesh Ambani, its chairman, said as he continues to expand and diversify his portfolio. Reliance Jio Infocomm Limited ("Reliance Jio"), the telecom unit of the conglomerate will deploy a standalone 5G version that doesn't depend on the earlier 4G network and will deliver speedier connectivity, Ambani told investors at an annual shareholder meeting on Monday. After its October launch, Reliance Jio 5G is expected to provide country-wide services by December 2023, he said, adding that the service has the potential to connect 100 million homes as well as accelerate the adoption of fixed broadband services. Ambani's 5G bet comes after he emerged as the biggest buyer in an India spectrum auction earlier this year. He is hoping he can attract high-end users and bolster Reliance's e-commerce and media strategy. Reliance's 5G service "will connect everyone, every place and everything with the highest quality and most affordable data," Ambani said. "It will be world's largest and most advanced 5G network." Ambani said the new standalone 5G service will help Reliance Jio deliver "new and powerful services like low latency, massive machine-to-machine communication, 5G voice, edge computing and network slicing, and metaverse." The wireless carrier also forged a collaboration with Qualcomm Technologies, Inc. to develop 5G solutions for India, he said.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

Bank of Montreal ("BMO") reported adjusted earnings per share of CA$3.09 versus consensus $3.09 for the third quarter in 2022. All-bank Pre Tax Pre Provision earnings (PTPP) was down -2% year over year. Operating leverage was -2%. Excluding trading revenues, consolidated revenue growth was 4% year over year. Canadian P&C adjusted PTPP growth was 15% year over year. Provisions for Credit Losses ("PCL") of $89 million compared to a PCL of $54 million last quarter. Net Interest Margin was up 6 basis points quarter over quarter at 2.72%. Segment loan growth was 12% year over year, led by commercial up 16% year over year (4% quarter over quarter). U.S. Personal and Commercial reports 16% year over year PTPP growth (USD basis). $53 million of PCLs versus a release of $30 million in the second quarter in 2022). Net interest margin was up 20 basis points quarter over at 3.70%. Segment loans were up 13% year over year (16% year over year excluding Public-Private Partnership and 3% quarter over quarter) with commercial loans up 15% year over year and up 3% quarter over quarter. Capital Markets adjusted net income down 52% year over year (PTPP down 47% year over year). Total adjusted trading revenues were around $358 million, which was below expectations as it included mark-to-market losses of $88 million in BMO's leveraged lending over half year business. Advisory revenues were $220 million versus forecast of $216 million. Wealth adjusted net income down 15% year over year. This figure included a 13% decline year over year in Traditional Wealth earnings (part driven by divestitures), while Insurance earnings were down 23% year over year. Core Equity Tier ("CET") 1 capital ratio of 15.8%, down from 16.0% last quarter. BMO's around 20 basis points CET 1 ratio decrease from the second quarter in 2022 was primarily the result of +31 basis points of internal capital generation, +10 basis points from the dividend reinvestment plan, offset by -20 basis points from the management of fair value changes and -46 basis points from higher Risk Weighted Assets. Total PCL is $136 million versus consensus forecast of a PCL of $195 million. The PCL ratio is10 basis points (versus -6 basis points at the third quarter in 2021 and 4 basis points at the second quarter in 2022).

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

Amgen Inc. ("Amgen") – The company's KRAS inhibitor, Lumakras has been shown to be effective in KRAS-mutated non-small cell lung cancer ("NSCLC") in a phase 3 trial that should serve as a confirmation study for its earlier accelerated approval in this setting. The 345-subject CodeBreaK 200 trial of once-daily Lumakras (sotorasib) met its primary objective of improving progression-free survival ("PFS") compared to chemotherapy with intravenous docetaxel in KRAS G12C-mutated NSCLC patients previously treated with platinum-based doublet chemotherapy and checkpoint inhibitor therapy. Only the top-line result is available for now, but the positive finding should be sufficient to convert Lumakras conditional approval to a full one, with the full data set due to be reported at a future medical meeting. Lumakras was cleared by the Food and Drug Administration in May 2021 for KRAS G12C-mutated NSCLC patients who have received at least one prior systemic therapy, marking the culmination of a decades-long effort to bring a KRAS-targeting drug to market. KRAS mutations are seen in around a quarter of NSCLC tumours, with KRAS G12C mutations in particular found in approximately 13% of cases, but for a long time was considered to be an "undruggable" target.

Guardant Health, Inc. ("Guardant") – announced an expanded collaboration with Merck Group ("Merck"), operating its biopharmaceuticals business in the U.S. and Canada as EMD Serono Canada, to further leverage the GuardantINFORM real-world evidence ("RWE") platform to help accelerate development efforts for Merck's precision oncology pipeline. The expanded strategic collaboration will focus on therapy development for core cancer indications with significant unmet need. Under the expanded collaboration, Merck will work closely with data scientists at Guardant on a variety of therapy development initiatives that utilize the genomics and clinical information accessible through the GuardantINFORM platform. The GuardantINFORM clinical-genomic platform is intended to help accelerate research and development of the next generation of cancer therapeutics by offering biopharma partners an in-silico platform that combines de-identified longitudinal clinical information and genomic data collected from the Guardant360 liquid biopsy test. With data from more than 225,000 patients diagnosed with locally advanced and metastatic cancers, this robust dataset offers real-world insights into anti-cancer therapy use in the clinic, tumor evolution, and treatment resistance throughout each patient's treatment journey for many advanced solid tumor cancers, including non-small cell lung, breast, colon, and prostate. "Expanding our collaboration with Merck represents a great opportunity to help accelerate the development of their pipeline of potentially transformative cancer medicines," said Helmy Eltoukhy, Guardant Health chairman and co-CEO. "We are excited to see how further leveraging the GuardantINFORM real-world evidence platform can help them bring much-needed cancer therapies to patients more quickly."

ECONOMIC CONDITIONS

Russia's decision to keep the Nordstream natural gas taps turned off (no supply to Europe) until the "collective West" removes all the sanctions against Russia for its Ukraine invasion. Individual European nations (e.g. Sweden, Germany) have stated that they'll offer billions in aid to domestic electricity companies, consumers, etc., but we believe it foreshadows a cold winter on the continent amongst gas rationing until supplies can be replaced over the coming months and years.

Statistics Canada released its GDP estimate for the second quarter of 2022. The economy reportedly expanded an annualized 3.3% in the quarter, a result below consensus expectations (+4.4%). Following in the footsteps of a 3.1% expansion in the first quarter in 2022, this gain increased economic output 1.7% above its pre-crisis level. Final domestic demand continued to be strong in the second quarter of the year, growing at a 2.9% annualized rate. Spending on services rose a significant 16.3% while goods consumption rose 2.4% allowing total household consumption to rise 9.7%. Business investment also contributed to the quarterly advance with machinery & equipment rising 19.3% and non-residential structure posting an 11.1% rise. At the opposite, residential sector posted a significant pullback showing a 27.6% drop. Government also had a negative impact on quarterly performance with investments dropping 7.9% and expenditures being flat. Relative to their pre-crisis levels, services consumption was still down 2.1% while spending on goods was up 5.3%. Trade had a negative impact on growth as the rise in exports (+10.9%) was outpaced by the significant increase in imports (+30.5%). Those imports contributed to the buildup in inventory that added 5.9 percentage points to the headline growth figure.

Nominal GDP grew by 17.9% on an annualized basis, following a 15.8% increase in the first quarter in 2022 and a 15.2% in the fourth quarter in 2021. This is good news for the fiscal health of Canadian governments and businesses. Disposable income grew an annualized 3.9% thanks to an 8.0% rise in in compensation while transfers received dropped by 13.2% as most of the federal support being discontinued at this point. The household savings rate consequently dropped from 9.5% to 6.2%. This is still above this indicator's pre-crisis level (roughly 2.7%). Industry data showed a 0.1% GDP growth reading in June, with increases in the goods sector (+0.1%) and in services-producing industries (+0.2%). Statistics Canada also released an advance estimate for July showing a decline of 0.1% month over month.

U.S. nonfarm payrolls jumped 315 thousand in August, in-line with consensus, while July's 528 thousand significant increase was revised 526 thousand and June's 398 thousand increase was shaved to 293 thousand. These are still solid figures in our view: so far this year, the U.S. has created 3.5 million jobs. The household survey showed 442 thousand new jobs, or 621 thousand over the past two months. But 786 thousand Americans poured into the labor force, the first inflow in three months. The labor force is now finally back above pre-pandemic levels. Hence, the 0.3 percentage points jump in the participation rate to a 5-month high of 62.4%, and the 0.2 percentage points uptick in the jobless rate to a 6-month high of 3.7% (but that is still very low). Although aggregate hours worked slipped 0.1% in the month, it barely offset the strong 0.6% jump in July. And employers continue to entice workers with cash -average hourly earnings rose 0.3%, a bit below the average over the past year but still up 5.2% year over year. Solid employment gains across a wide swath of industries will keep the U.S. economy moving forward. And there are over 11 million job openings. This does not change the view that the labor market is "clearly out of balance" (to quote the Fed Chair) and will keep the central bank tightening into year-end in our view.

China's August manufacturing Purchasing Managers Index revealed a better outcome of 49.4 (consensus 49.2) from 49.0 previously, but remained in contraction. Key was new orders while output and employment also came in below 50 at 49.2, 49.8 and 48.9, respectively. Supplier delivery times also worsened, dropping to 49.5, suggesting a deterioration in supply chains.

FINANCIAL CONDITIONS

The U.S. 2 year over 10 year treasury spread is now -0.15% and the U.K.'s 2 year over 10 year treasury spread is -0.10%. 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 5.66%. 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 volatility index ("VIX") is 26.55 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 is encouraging for quality equities.

And Finally: *"A fanatic is one who can't change his mind and won't change the subject"* ~ Winston Churchill

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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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