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

NEWS HIGHLIGHTS

EST. 2007

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

JANUARY 30, 2023

The views of the Portfolio Management Team contained in this report are as of January 30, 2023 and this report is not intended to provide legal, accounting, tax or specific investment advice. Views, portfolio holdings and allocations may have changed subsequent to this date. This research and information, including any opinion, is compiled from various sources 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. The contents of this Newsletter reflect the different assumptions, views and analytical methods of the analysts who prepared them. For Advisor Use Only.

OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND[1]

PORTLAND 15 OF 15 ALTERNATIVE FUND[1] COMPANY NEWS

Reliance Industries Limited (Reliance) – Reliance Jio announced on January 24 the launch of its 5G services across 50 additional cities. With this, Jio users across 184 cities are now enjoying Jio 5G wireless services as Reliance Jio has become the first and the only operator to launch 5G services in most of these cities. This is one of the largest rollouts of 5G services, not just in India, but anywhere in the world. In the last several months, Jio has increased the speed and intensity of the 5G rollout across the nation with the aim that most of their customers to be able to enjoy and benefit from 5G services in 2023. Jio 5G is the only stand-alone 5G architecture with no dependency on 4G network and it has a large mix of 5G spectrum across 700 megahertz (MHz), 3500 MHz, 26 gigahertz (GHz) bands. Carrier Aggregation seamlessly combines these 5G frequencies into a single robust data highway.

Brookfield Asset Management Inc. (Brookfield) – is reportedly in talks to take over the private equity secondaries business of Deutsche Bank AG's (Deutsche Bank) asset management arm. Deutsche Bank's DWS Group (DWS) has been pitching its secondaries business, which raised an initial US$550 million fund just over a year ago, to interested parties as part of a plan to pull back from areas where it doesn't have sufficient scale. The secondaries market is a fast-growing corner of the private equity business that allows investors to buy and sell stakes in existing funds, offering liquidity to clients that traditionally had their money locked up for many years. Many asset managers have started secondaries funds, with deal volumes jumping to $53 billion in the first half of 2022. Brookfield got into the secondaries market two years ago through its real estate business with the launch of an $875 million fund, according to Pitchbook, followed by its infrastructure unit, which also launched a secondaries strategy. Brookfield Chief Executive Officer (CEO) Bruce Flatt said in 2020 that secondaries could eventually become a $50 billion business for the firm. The proposed sale of DWS's secondaries business comes as the asset manager tries to move resources to other parts of the firm. DWS is trying to grow its alternatives business, which includes real estate, infrastructure and private debt. As part of its plans to grow that franchise, DWS hired Paul Kelly from Blackstone Inc. as global head of alternatives.

D.R. Horton Inc. (D.R. Horton) – reported that net income per common share attributable to D.R. Horton for its first fiscal quarter ended December 31, 2022 decreased 13% to US$2.76 per diluted share compared to $3.17 per diluted share in the same quarter of fiscal 2022. Net income attributable to D.R. Horton in the first quarter of fiscal 2023 decreased 16% to $958.7 million compared to $1.1 billion in the same quarter of fiscal 2022. Homebuilding revenue for the first quarter of fiscal 2023 increased 1% to $6.74 billion from $6.68 billion in the same quarter of fiscal 2022. Homes closed in the quarter decreased 6% to 17,340 homes compared to 18,396 homes closed in the same quarter of fiscal 2022. Net sales orders for the first quarter ended December 31, 2022 decreased 38% to 13,382 homes and 40% in value to $4.9 billion compared to 21,522 homes and $8.3 billion in the same quarter of the prior year. The company's cancellation rate (cancelled sales orders divided by gross sales orders) for the first quarter of fiscal 2023 was 27% compared to 15% in the prior year quarter. The company's sales order backlog of homes under contract at December 31, 2022 decreased 46% to 15,759 homes and 44% in value to $6.2 billion compared to 29,347 homes and $11.1 billion at December 31, 2021. At December 31, 2022, D.R. Horton had 43,200 homes in inventory, of which 27,800 were unsold. 7,100 of the company's unsold homes at December 31, 2022 were completed. The company's homebuilding land and lot portfolio totaled 551,000 lots at the end of the quarter, of which 25% were owned and 75% were controlled through land and lot purchase contracts. D.R. Horton's return on equity (ROE) was 31.5% for the trailing twelve months ended December 31, 2022, and homebuilding return on inventory (ROI) was 39.5% for the same period. D.R. Horton ended the first quarter with $2.0 billion of unrestricted homebuilding cash and $2.0 billion of available capacity on its revolving credit facility for total homebuilding liquidity of $4.0 billion. Donald R. Horton, Chairman of the Board, said, “Beginning in June 2022 and continuing through today, we have seen a moderation in housing demand caused by significant increases in mortgage interest rates and general economic uncertainty. While these pressures may persist for some time, the supply of both new and existing homes at affordable price points remains limited, and demographics supporting housing demand remain favorable. We are well-positioned to navigate changing market conditions with our experienced operators, diverse product offerings and flexible lot supply and are focused on turning our inventory to maximize returns and capital efficiency in each of our communities. The strength of our balance sheet, liquidity and low leverage provide us with significant financial flexibility, and we plan to maintain our disciplined approach to investing capital to enhance the long-term value of our company, including returning capital to our shareholders through both dividends and share repurchases on a consistent basis.”

Danaher Corporation (Danaher) – announced results for the fourth quarter and full year 2022. For the quarter ended December 31, 2022, net earnings were US$2.2 billion, or $2.99 per diluted common share which represents a 25.0% year-over-year increase from the comparable 2021 period. Non-Generally accepted accounting principles (GAAP) adjusted diluted net earnings per common share were $2.87 which represents a 6.5% increase over the comparable 2021 period. Revenues increased 2.5% year-over-year in the fourth quarter of 2022 to $8.4 billion. Non-GAAP core revenue growth was 7.5%, including 7.5% non-GAAP base business core revenue growth. For the full year 2022, net earnings were $7.1 billion, or $9.66 per diluted common share which represents a 13.5% year-over-year increase. Non-GAAP adjusted diluted net earnings per common share for the year were $10.95, which represents a 9.0% increase over the comparable 2021 amount. Revenues for the full year 2022 increased 7.0% to $31.5 billion. Non-GAAP core revenue growth was 9.5%, including 8.0% non-GAAP base business core revenue growth. Operating cash flow for the full year 2022 was $8.5 billion and non-GAAP free cash flow was $7.4 billion. Starting with the first quarter 2023, Danaher will revise its definition of base business core growth to exclude revenues related to COVID-19 testing, vaccines and therapeutics, in addition to the exclusion of currency translation, acquisitions and divested product lines. For the first quarter 2023, the company anticipates that non-GAAP base business core revenue growth will be up mid-single digits. For the full year 2023, the company anticipates non-GAAP base business core revenue to be up high-single digits.

SoftBank Group Corporation (SoftBank) – new start-up bets hit a record low last quarter as valuations continued to slide. The world’s largest tech investor, participated in just eight investment rounds totaling US $2.1 billion in the three months ending in December. It was the first time the number of SoftBank’s deals fell to single digits since the launch of its Vision Fund. Start-up investments by SoftBank’s Vision Fund unit came below $350 million in the quarter just ended, noted a person familiar with the matter. In total, the segment invested more than $144 billion in five-and-a-half years, which averages out to more than $6 billion per quarter. SoftBank is not alone. Rivals Tiger Global Management, Sequoia Capital and Coatue Management LLC have also tightened their spigots after shouldering big write-downs in 2022. Denied lucrative exits by a rout in tech valuations, deep-pocketed investors have pulled back, hitting pause on billion-dollar funding rounds that had become common in recent years. SoftBank’s Vision Funds transformed the venture capital ecosystem, directing billions of dollars into hundreds of start-ups and forcing other investors to match their big bets. By flooding private markets with easy money, SoftBank and its rivals allowed companies to chase growth while avoiding the scrutiny of public listings. Early-stage investors could hope for a lucrative exit as late-stage investors fought to buy their stakes, lifting valuations throughout an opaque corner of investment. With SoftBank’s billionaire founder Masayoshi Son having promised to play defense as long as the market stays weak, SoftBank is unlikely to reverse course anytime soon. Instead of spending on deals, SoftBank splurged on ¥532 billion (US$4 billion) of share buybacks, propelling a 15% gain in its stock during the three months ended December 31. It was the stock’s best quarterly performance in almost two years.

SoftBank - As the UK government’s hopes for homegrown chip giant Arm Limited (Arm) to list in London dim, local investors may still be able to own a slice of the firm. Even if Arm picks the US for a listing, the British public could buy shares in the chip designer through a retail offer. PrimaryBid has presented the idea to ministers, having previously organized a similar arrangement alongside the US listing of the owner of luxury members’ clubs Soho House in 2021. Arm and the UK Treasury declined to comment. A representative for SoftBank didn’t respond to a request for comment. Arm owner SoftBank, which is also PrimaryBid’s largest shareholder, intends to put the unit back on the market and was targeting a valuation of at least US$60 billion in March. The UK firm is central to the chip industry with its processor designs powering about 95% of mobile devices, according to its website. Prime Minister Rishi Sunak, who in December spoke to Arm’s CEO Rene Haas and SoftBank founder Masayoshi Son, has been lobbying for an Arm listing in London as well as the US, the Financial Times reported. That effort has focused on making the case for a dual primary listing, a boost for the city of London’s post-Brexit ambitions. That would give Arm access to Financial Times Stock Exchange indices, boosting liquidity in its shares, but Son has said his focus is to take Arm public in the US because of its deep investor base and attractive valuations. The process has been delayed due to uncertainty in global markets. The PrimaryBid proposal could leave the UK with the consolation prize of a UK retail offer alongside a US listing. That would enable people to buy shares in the country where Arm has roots as Acorn Computers in 1970s Cambridge. It could also help promote a government push to attract people’s savings into tech companies with an aim of boosting their returns and helping growth sectors. Top executives at trading platforms AJ Bell PLC, Hargreaves Lansdown plc and Interactive Investor Ltd. have been urging UK companies to open up their initial public offerings (IPOs) to retail buyers as the government works on various capital market reforms. PrimaryBid estimates there could be £3 billion (US$3.7 billion) of demand from ordinary investors in Arm, which had a substantial following among private investors when it was previously listed in the UK.

Samsung Electronics Co., Ltd. (Samsung) - Nokia Corporation (Nokia) signed a new multiyear cross-license patent agreement with Samsung that enables the handset maker to use Nokia’s technology in its products. The deal follows the expiry of a previous agreement at the end of 2022, and covers fundamental inventions in 5G and other technologies, the Finnish company said in a statement last Monday.

Samsung will make payments to Nokia beginning January 1, explained Nokia, without disclosing further details of the deal, saying the terms are confidential. At Nokia, licensing has grown more important over the past decade since it stopped making phones and focused on networking gear and intellectual property. It continues to rely heavily on royalties from its inventions used in the global smartphone market but has in recent years begun to branch out to other sources of intellectual property revenue, including charging automakers for the use of its innovations. Nokia said the agreement aligns with its previously disclosed outlook. In December, Nokia extended a patent licensing deal with Huawei Technologies Co, Ltd. and is yet to come to an agreement with two other Chinese phone makers, Guangdong Oppo Mobile Telecommunications Corp., Ltd, (OPPO) and Vivo Communication Technology Co. Ltd. (vivo).

Amazon.com, Inc. (Amazon) - launched a new prescription drug subscription service called RxPass which allows Prime users in the U.S. to receive as many generic versions of medications as needed for a monthly flat fee of US$5. The company says the service will initially cover generic medication for 80 common conditions but would not comment on its plans to add more drugs over time. According to Dr. Vin Gupta, chief medical officer of Amazon Pharmacy, more than 150 million people in the U.S. already take one or more of the medications in the initial offering list of RxPass. “Prime members already get fast, free delivery on prescription medications, and RxPass is one more way to save with Amazon Pharmacy. Any customer who pays more than $10 a month for their eligible medications will see their prescription costs drop 50% or more, plus they save time by skipping a trip to the pharmacy,” said John Love, vice president of Amazon Pharmacy. Amazon has made inroads into the healthcare market in recent years, including the acquisition of PillPack in 2018, the launch of Amazon pharmacy in 2020, and the acquisition of OneMedical in 2022.

Amazon - announced that it will start charging delivery fees for Fresh grocery orders that are less than US$150 in value, in a move that it says will help keep prices low for the service. Prime members who order from Amazon Fresh for home delivery after February 28 will incur a $9.95 delivery fee for orders under $50, while orders between $50 and $100 will include a $6.95 delivery fee, and orders between $100 and $150 will carry a $3.95 delivery fee. Previously, the company guaranteed free delivery on Fresh orders over $35 to its members of the $139 per year Prime service. “This service fee will help keep prices low in our online and physical grocery stores as we better cover grocery delivery costs and continue to enable offering a consistent, fast, and high-quality delivery experience,” explained Amazon. The new policy comes as the company is conducting a comprehensive review of its expenses given the uncertain macro backdrop.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

Colgate-Palmolive Company (Colgate) reported fourth quarter 2022 (4Q22) Core earnings per share (EPS) of US$0.77, which compares to Consensus $0.77. Gross margins -250 basis points (bps) missed expectations significantly and North America organic sales +4.5% with volumes down -6% and a sequential deceleration in volumes. 2023 Guidance : EPS up low to mid-single digits. Consensus +7%; Net Sales: +2-5%. Consensus +3.5%. To some degree, we think management guiding lower comes from business reinvestment as the gross margin shortfall this quarter but still in-line EPS delivery came with cost reduction across operating expenses and there were several mentions in the release around continuing to invest for the future health of the business.

Johnson & Johnson (J&J) - Management reported full year sales of US$94.943 billion (bil) ($92.764 bil ex-COVID -19) vs consensus $95.014 bil, with Pharma sales of $52.563 bil ($50.384 bil ex-COVID-19), and Medtech sales of $27.427 bil. J&J’s US Med Device business had a strong finish, delivering ~10% in hips and knees, 7.5% growth in Spine and Sports Med and over 24.9% growth in cardio (Interventional Solutions). Upside in Q4 EPS relative to estimates was driven by sales net of cost of goods sold (COGS) (+2 cents (c)), R&D (+5c), Non-Op (+2c) and lower shares (+1c), with selling, general and administrative (SG&A) and tax expense roughly in-line. Gross margins of 72.7% versus (vs.) estimates of 71.3%. Guidance roughly in-line with consensus: Sales for 2023 expected to be $96.9-97.9 bil (ex-COVID vaccine sales), up 3.5 – 4.5% organic, vs. consensus of 3.9%. EPS for 2023 is expected to be $10.40 – 10.60, vs. consensus of $10.35. The effects the COVID-19-related procedural disruptions and China volume-based procurement (VBP) are expected to continue through first half of 2023 (1H23) while a key management theme was growth improving throughout the year with first quarter 2023 (1Q23) weaker than second quarter (2Q23) and 1H23 weaker than second half (2H23) driven by patent expiries (Zytiga and Invega Sustenna), competition, Forex (FX), and inflation related costs. For 2023 catalysts, it will be a rich year with CARTITUDE-4 and the potential MARIPOSA interim as biggest events, although timing is uncertain given these are event driven. Additional catalysts include first look for Nipo in Rheumatoid arthritis and Autoimmune Hemolytic Anemia (2H23), and the Phase 2 TARIS platform (2H23). The Kenvue IPO remains on track for this year.

Kimberly-Clark Corporation (KC) - reported 4Q22 Core EPS of US$1.54, which compares to the Consensus of $1.51 with organic sales in-line (despite recent concerns around US Nielsen data) and gross margins inflecting to be up +275 bps (ahead of forecasts). Organic sales beat estimates in Personal Care (most notably with North America 4% higher than expected) but fell short in Consumer Tissue most materially driven by both volumes & pricing in North America. KC Professional organic sales grew +2% as washroom products accelerated in North America. However, the guidance for 2023 is disappointing with Adjusted EPS: +2-6% ($5.74 to $5.97) while current consensus stands at $6.45. The disappointment stems from the FX headwind (a "low double digits" hit to operating profit) and Non-operating expense up $40 million (mm) year over year (YoY) (attributed to interest-rate driven employee benefit expense).

McCormick & Company, Incorporated (McCormick) - reported F4Q22 adjusted EPS of US$0.73, -$0.13 below Consensus ($0.86). Relative to our model, organic sales were below while gross margin compression was far more severe, leading to an earnings before interest and taxes (EBIT) and EPS miss. Weaker volume in its Consumer segment due to China disruption and higher levels of retailer inventory heading into the holiday season were the primarily culprits to the sales miss. At the corporate level, YOY sales declined -2% YOY, while organic sales increased +3% YOY (vs. forecast of +7.5% YOY). In the Consumer segment, organic sales declined -3% YOY (vs. forecast of +4.0%) while EBIT declined -6% YOY (vs. estimated +8.0% YOY). Notably, in the key Americas region, McCormick faced an unexpected -6% impact from inventory restocking comparisons. Meanwhile, in the Flavor Solutions segment, organic sales rose +14% YOY (vs. +14.0% YOY forecast), while EBIT declined -27% YOY (vs. estimated +5.0% YOY forecast). Gross margin contracted a much more severe than forecast -410bps YOY (vs. estimated -200bps YOY contraction), while relative SG&A decreased -260bps YOY. All-in, EBIT declined -10% YOY (vs. forecast of +7.4% YOY). McCormick provided initial fiscal year (FY) 23 EPS guidance in a $2.56-$2.61 range, or a +1-3% YOY increase vs FY22 – well below the current consensus view of $2.88. This is predicated on +5-7% YOY organic sales growth (Consensus at ~+5% YOY) and operating income growth of +9-11% YOY (Consensus ~+11.5% YOY). This is predicated on gross margin expansion of +25-75bps YOY (Consensus +130bps YOY) even in the face of +low to mid-teens YOY inflation. Importantly, McCormick & Company, Incorporated Common Stock (MKC) now looks for +$125mm of one time cost saves on top of its typically annual CCI cost savings program (vs its previous +$100mm expectation) and anticipates it will realize about +$75mm of these in FY23. This is anticipated to be an +8 point (pt) YOY tailwind to operating income growth, offset by an expected -8pt YOY headwind related to the recovery of incentive comp. Below the line, MKC looks for $200-$210mm in interest (an -8% YOY headwind to EPS) and a tax rate of 22%.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

GO TO ITM AG INVESTMENT TRUST[1]

GO TO ITM AG INVESTMENT LP[1]

Amgen Inc. (Amgen) – Drug maker Amgen announced that it let go about 300 U.S. employees or about 1.2% of its total workforce, citing recent organizational changes to its commercial team. The company had about 24,200 staff members in over 50 countries, as of December 31, 2021, according to its latest annual regulatory filing with the U.S. Securities and Exchange Commission. Big Tech firms and Wall Street titans have led a string of layoffs across corporate America in recent weeks. Amgen's move to trim its workforce shows how rapid interest rate hikes and a fading boom in demand post pandemic has begun to weigh on the healthcare sector.

Illumina, Inc. - a deoxyribonucleic acid (DNA) sequencing and array-based technologies provider, and Nashville Biosciences, a subsidiary of Vanderbilt University Medical Center (VUMC), have teamed up with Amgen to provide whole-genome sequencing of approximately 35,000 DNA samples. The sequencing of this sample cohort, which primarily comprises DNA from African-Americans, is intended to mitigate their underrepresentation in research for clinical applications of genomics. The sequencing will be performed by deCODE genetics, a subsidiary of Amgen.

BridgeBio Pharma, Inc. (BridgeBio) – PellePharm is a Bridgebio company which has entered into an agreement with Israeli biotech Sol-Gel Technologies Ltd. to sell the rare disease drug patidegib for almost US$75 million. Patidegib, a hedgehog signaling pathway blocker, is being investigated to treat Gorlin syndrome, a rare genetic disorder that increases the risk of developing certain kinds of cancer such as basal cell skin cancer and medulloblastoma, a type of brain cancer. The disease affects around one in every 31,000 people, and an estimated 70,000 people worldwide. The biotech said that it will be paying PellePharm $4.7 million upfront with an additional $70 million in development, non-disclosure agreement (NDA) and commercial milestones, plus single-digit royalties. The deal is expected to close on January 30.

Guardant Health Inc. (Guardant) – laid off approximately 7% of its workforce, or about 130 individuals. The layoffs were reportedly spread across different departments, including account management, bioinformatics and technology development. The latter group has undergone a significant restructuring, according to a former employee who wished to remain anonymous. In a statement, Guardant confirmed the extent of the workforce reduction, citing the need to balance innovation with "financial discipline and focused execution" in the current economic environment, but did not detail how different positions or sectors were affected. Calling the layoffs a difficult decision, Guardant wrote that it expects the move "to better support both our near- and long-term growth as well as our path to profitability."

Guardant announced that the U.S. Food and Drug Administration (FDA) has approved its Guardant360® companion diagnostic (CDx) liquid biopsy test as a companion diagnostic to identify advanced or metastatic breast cancer patients with estrogen receptor 1 (ESR1) mutations who may benefit from treatment with ORSERDU (elacestrant), a nonsteroidal selective estrogen receptor degrader to be commercialized by Stemline Therapeutics, Inc., a wholly-owned subsidiary of Menarini Group. ORSERDU is the first therapy to be approved by the FDA for advanced breast cancer patients with ESR1 mutations, with disease progression following at least one line of endocrine therapy. ESR1 mutations are present in approximately 40% of ER+/HER2 (human epidermal growth factor receptor 2) - advanced breast cancers. The FDA approved Guardant360 CDx in conjunction with the approval of ORSERDU for postmenopausal women or adult men with ERpositive, human epidermal growth factor receptor 2 (HER2)-negative, ESR1-mutated, advanced or metastatic breast cancer with disease progression following at least one line of endocrine therapy.

Guardant and The Royal Marsden NHS Foundation Trust partnered on highly anticipated T.R.A.C.C Part C trial to use Guardant Reveal blood test to help guide treatment decisions in colorectal cancer. This study will evaluate the use of circulating tumor DNA (ctDNA) to guide chemotherapy treatment decisions after curative-intent surgery in patients with early-stage colorectal cancer (CRC). The trial is intended to determine whether patients can be spared unnecessary chemotherapy and the associated side effects if they test negative for ctDNA using the Guardant Reveal blood test following surgery. The study will use the Guardant Reveal blood test to detect minimal residual disease (MRD) by measuring the DNA shed from tumor cells into the bloodstream. Global studies have shown that a negative ctDNA result after surgery is associated with a significantly lower likelihood of the cancer returning. The T.R.A.C.C Part C trial aims to evaluate the use of ctDNA results from the Guardant Reveal test to guide chemotherapy treatment decisions in a multi-center, prospective, randomized study over the next four years. TRACC Part C began opening sites in August 2022 and will involve approximately 40 sites across the United Kingdom with a planned recruitment of 1,621 patients over four years. The Royal Marsden NHS Foundation Trust announced that the first patient was enrolled in T.R.A.C.C Part C in September 2022. The trial is funded by the Efficacy and Mechanism Evaluation (EME) Programme, a Medical Research Council (MRC) and National Institute of Health Research (NIHR) partnership.

IGM Biosciences, Inc. – announced that the first patient has been dosed in its Phase 1 clinical trial evaluating IGM-7354, a targeted IL-15/IL-15R IgM antibody which could potentially be used for the treatment of patients with solid and hematologic malignancies. The multicenter, open-label, dose escalation Phase 1 clinical trial will evaluate IGM-7354 intravenously administered as a monotherapy in patients with relapsed and/or refractory solid tumor cancers. The key objectives of this trial are to provide an initial assessment of pharmacokinetics, safety and immune cell proliferation. If IGM-7354 shows an encouraging safety profile and significant increases in T cells and natural killer (NK) cells in this clinical trial, the company may begin combination studies of IGM-7354 with T cell engaging antibodies in 2024. The company may also decide to pursue combination studies with Chimeric antigen receptor (CAR)-T cell or CAR-NK cells with a partner.

Telix Pharmaceuticals Limited (Telix) – issued its Appendix 4C quarterly cash flow statement and accompanying Activities Report for the quarter ended 31 December 2022 (Q4 2022). Telix achieved positive cash flow from operating activities: net operating cash flow improved by US$6.9 million over the prior quarter to a $1.6 million inflow for the quarter. Cash receipts from customers were $72.2 million, up 62% from $44.5 million in the prior quarter. In Q4 2022, the third quarter of commercial sales, Telix generated $76.8 million (US$50.5 mm) revenue from sales of its prostate cancer positron emission tomography (PET) imaging agent, Illuccix®. This represents a 43% increase on the prior quarter ($53.7 million, Q3 2022). Sales momentum continues to build, due to active reimbursement and growth across three major segments of hospital customers, independent imaging centres and government (Veterans Affairs) customers. The company's distribution network now consists of 190 nuclear pharmacies nationwide, facilitating industry-leading on-time delivery and scheduling flexibility. Total revenue of $78.2 million was generated from prostate imaging sales (including commercial sales of Illuccix in the U.S.) during the quarter. Of this, $1.4 million was generated from rest of world sales, predominantly being pre-commercial sales in Europe and the United Kingdom.

ECONOMIC CONDITIONS

U.S. Bureau of Economic Analysis put out its first estimate of fourth quarter gross domestic product (GDP) growth. The economy reportedly expanded 2.9% annualized in the quarter, the median economist forecast was +2.6% print. This gain hoisted economic output 5.1% above its pre-COVID-19 level and reduced the output gap to only 0.5%. Domestic demand weakened in the three months to December as gains for personal consumption (+2.1% quarter over quarter (q/q) annualized), intellectual property (+5.3%) and structure investment (+0.4%) were offset in part by declines for equipment (-3.7%) and residential investment (-26.7%). Government spending (+3.7% q/q annualized) contributed to growth in the quarter. As might be expected, households continued to redirect their consumption from goods (+1.1% q/q annualized) towards services (+2.6%). Spending on the latter thus move further above its pre-crisis level.

The S&P Global Flash U.S. Composite Purchasing Managers' Index (PMI) clocked in at 46.6. This is better than the 45.0 registered in December but it still reflected a marked contraction in private-sector activity (the indicator was stuck in contraction territory for the seventh straight month).

French services PMI surprised to the downside in January, falling slightly to 49.2 (market (mkt): 49.8). The report also showed a sixth successive fall in private sector new businesses, which lead backlogs of work to decline. On the other hand, there was further easing of input price inflation, another pick-up in business confidence, and more resilience shown in the French labour market.

The German manufacturing PMI surprised sharply to the downside in January, falling 0.1 to 47.0 (mkt: 48.0). The decline was driven by a fall in the employment index and solid decline in stocks of purchases. That said though, input prices slowed notably to the weakest since October 2020 and business confidence improved for the fourth straight month.

UK PMI January flash data came in mixed with the manufacturing index jumping to 46.7 (mkt: 45.5) while the services index fell to 48.0 (mkt: 49.5). The manufacturing sector was weighed by lower interest in consumer orders, as the cost-of-living crisis continues to weigh on households. In the services sector, survey respondents cited higher interest rates and lower consumer confidence as the key drivers in the decline in business activity. While input cost inflation continued to fall, average prices charged by private sector companies increased notably, as firms tried to pass on rising staff wages.

Japan's January preliminary Manufacturing PMI held steady at 48.9 and Services climbed to 52.4 from 51.1.

Australian Consumer Price Index (CPI) for December rose by 8.4% y/y and higher than the forecasted 7.7%. Q4 vs Q4 came in at 7.8% y/y (7.6% forecasted) and hit its highest level since 1990. Australia continues to see strong domestic and international holiday travel in addition to electricity and new dwelling demand. The stronger numbers add pressure for the Reserve Bank of Australia to be more aggressive than the 19 bps priced in for the Feb 7 meeting.

New Zealand CPI for the fourth quarter remained unchanged at 7.2% with higher food prices (+11% y/y) and elevated transportation costs (+8.4% y/y) and higher housing and household utilities costs (+8% y/y). While inflation has remained elevated, there are signs that inflation may have already peaked in Q3. Reserve Bank of New Zealand had previously forecasted peak inflation in Q2 of 2023.

FINANCIAL CONDITIONS

Bank of Canada (BoC) increased its overnight target by 25 basis points to 4.50%, in line with the consensus forecast. This move marks the Bank's eighth consecutive hike and brings cumulative tightening since March 2022 to 425 basis points. Complementing this latest policy rate hike, the Bank said it would continue its Quantitative Tightening (QT) program, which involves passively running off its Government of Canada (GoC) bond holdings. In the first half of the year, we'll see C$51 billion (par value) drop off the balance sheet. That's a step up from the $41 billion that matured in the second half of 2022. There was another key change in the Bank's forward looking section of the statement. While December's statement noted they'll be "considering whether the policy interest rate needs to rise further", they've now indicated that the default move for March is no change: "If economic developments evolve broadly in line with the Monetary Policy Report (MPR) outlook, Governing Council expects to hold the policy rate at its current level while it assesses the impact of the cumulative interest rate increases". Nonetheless, the Bank left itself an "out" by stating they're "prepared" to hike further, if needed.

As for the Bank's assessment of the economy, the statement notes that the economy is in excess demand with recent growth data stronger than expected and labour markets remaining tight. The BoC sees "growing evidence" that restrictive policy is slowing demand, especially household spending. A further slowdown is expected ahead domestically, while weaker foreign demand will weigh on exports with another acknowledgment that three-month rates of core inflation have come down, "suggesting that core inflation has peaked".

The central bank also released the latest edition of its MPR which included upward revisions to the global growth forecast for 2022 (from 3.2% to 3.6%) and 2023 (from 1.6% to 1.9%). These changes were made to reflect resilient consumption in the United States and, more importantly, earlier-than-expected abandonment of the zero-COVID-19 policy in China. The BoC also noted the continued easing in global supply chain disruptions and an associated easing in inflation pressures. Further down the road, the BoC anticipated the global economy to expand 2.4% in 2024, slightly less than the 2.6% penciled in the October MPR. Turning to Canada, the BoC raised its growth forecast from 3.3% to 3.6% in 2020, and from 0.9% to 1.0% in 2023. These moves were only partially offset by lower growth in 2024 (from 2.0% to 1.8%).

The U.S. 2 year/10 year treasury spread is now -0.71% and the U.K.'s 2 year/10 year treasury spread is -0.14%. 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 6.02%. 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 20.15 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 : *"The secret of life is honesty and fair dealing. If you can fake that, you've got it made." ~ Groucho Marx*

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 may contain forward-looking statements which can be identified by the use of words such as "may", "should", "will", "anticipate", "believe", "plan", "estimate", "expect", "intend", "scheduled" or "continue" or 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 significant risks, uncertainties assumptions, contingencies and other factors (many of which are outside the control of, and unknown to Portland Investment Counsel Inc. and its directors, officers, employees, agents or associates), that could cause actual results or performance to be materially different from any future result so performed, expressed or implied by such forward-looking statements. 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, tax, 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

PIC23-008-E(01/23)