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

MAY 1, 2023

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COMPANY NEWS

Ares Management Corporation (Ares) – reported its financial results for its first quarter ended March 31, 2023. Generally Accepted Accounting Principles (GAAP) net income attributable to Ares was US\$94.0 million for the quarter ended March 31, 2023. On a basic and diluted basis, net income attributable to Ares per share of Class A and non-voting common stock was \$0.49 for the quarter ended March 31, 2023. After-tax realized income was \$232.0 million for the quarter ended March 31, 2023. After-tax realized income per share of Class A and non-voting common stock was \$0.71 for the quarter ended March 31, 2023. Fee related earnings were \$254.6 million for the quarter ended March 31, 2023. “Despite the continued market volatility and slower transaction activity, we achieved strong growth in many of our key financial metrics in the first quarter, including mid 20% year over year growth in management fees and fee related earnings,” explained Michael Arougheti, Chief Executive Officer (CEO) and President of Ares. “With \$16 billion in gross inflows in the first quarter, we are off to a strong start with our fundraising pipeline as we continue to experience strong investor demand for our private capital offerings.” “Our long-term capital and asset light balance sheet model position us to be opportunistic during volatile market periods,” noted Jarrod Phillips, Chief Financial Officer of Ares. “Based on our outlook for fundraising and deployment coupled with the prospects of margin expansion in the back half of this year, we remain on track with our growth objectives.”

Brookfield Corporation (Brookfield) – Avaada Energy (Avaada) said it raised US\$1.07 billion to fund its green hydrogen and green ammonia

ventures in India. Brookfield Renewable Partners, through Brookfield Global Transition Fund, will invest up to \$1 billion in Avaada Ventures Private Limited, the company said in a statement. Global Power Synergy Public Company Limited, will invest \$68 million in Avaada Energy Private Limited to cut debt and support growth. Avaada said that it is also in advanced discussions with potential investors to raise another \$200 million. Avaada currently operates a renewable energy portfolio of 4 gigawatt (GW) with plans to reach 11 GW by 2026.

Oaktree Capital Group, LLC (Oaktree) - has raised €1.2bn for its private debt fund, which will provide debt financing to performing non-sponsor middle-market borrowers across Europe. Oaktree European Capital Solutions Fund III focuses on senior and holding company financings and is diversified across western European countries and sectors, including real estate, corporates and other hard asset-backed loans. “As traditional European capital providers retreat from certain areas of the market, there is a compelling opportunity for capable private lenders to provide much needed capital backed by strong assets,” explained Nael Khatoun, managing director and portfolio manager of Oaktree’s European private debt strategy. The fund had drawn 36% of committed capital and invested almost €609 million across 24 loans as of March 2023. Oaktree has been pushing hard into the private debt space in recent years. Separately, it is raising a new US\$10 billion fund that originates larger loans for private equity-backed U.S. companies. That fund’s investment strategy focuses on senior secured loans with a deal size of at least \$500 million to borrowers that have earnings before interest, taxes, depreciation and amortization (EBITDA) of more than \$100 million. Oaktree’s private credit platform was created in 2001 and manages approximately \$24 billion across its private debt strategies as well as its 17 Capital Net Asset Value (NAV)-based financing business.

Danaher Corporation (Danaher) – Medical technology firm Danaher lowered its annual sales growth forecast due to weakness in its biotechnology business. Danaher’s biotechnology business helps companies to manufacture biological medicines, but it has been facing pressures due to a funding crunch in the sector over the last one year.

This has been exacerbated by the collapse of U.S. lender Silicon Valley Bank, a key investment banker in the biotech sector. “The tightening credit environment contributed to a reduction in demand from emerging biotechnology companies during the quarter,” Danaher said in a regulatory filing. Revenue from the company’s biotechnology business was US\$1.86 billion in the first quarter, lower than analysts’ average estimate of \$1.92 billion. The healthcare company now expects annual adjusted sales in its core operations, which exclude its COVID -19-related business, to grow in mid-single digit, compared with its previous forecast of high-single-digit growth. Danaher’s COVID -19-related business is likely to face uncertainties as the U.S. government ended the COVID -19 Public Health Emergency. Danaher’s (based in Washington D.C.) total revenue fell 7% to \$7.17 billion. Excluding one-off items, the company’s profit was \$2.36 per share for the quarter ended March 31, higher than the analysts’ expectations of \$2.25 per share. Rainer M. Blair, President and CEO, stated, “We had a good start to the year in the first quarter. Our team’s focused execution in a challenging operating environment helped deliver better-than-expected revenue, earnings and cash flow. We are especially pleased with the performance of our base business, which grew 6.0% in the first quarter.” Blair continued, “Looking ahead, we believe the combination of our leading businesses, the power of the Danaher Business System and the strength of our balance sheet differentiates Danaher and positions us to continue delivering sustainable, long-term shareholder value.”

LVMH Moët Hennessy - Louis Vuitton, Société Européenne (LVMH) – LVMH, the world’s largest luxury company, surpassed a market cap of US\$500 billion on Monday, May 1, 2023. This is the largest valuation on record for a European company and the first above the \$500-billion mark. Shares in the French company, which owns the Louis Vuitton and Dior fashion labels, were last up 0.4% and are 33% higher in the year to date. On April 13, LVMH reported a 17% rise in first-quarter sales as China rebounded sharply after COVID-19 lockdowns were lifted. Sales came to 21.04 billion euros (US\$23.10 billion) for the three months to end-March.

Reliance Industries Limited (Reliance) - Reliance is planning to list its digital financial services unit as soon as October, according to people familiar with the matter. The company is in talks with Indian regulators to secure the necessary approvals for the market debut of Jio Financial Services Ltd. (Jio Financial) in Mumbai, one of the people said, asking not to be identified as the information is private. The parent is holding a meeting of shareholders and creditors on May 2 to vote on the plan to spin off and list the unit, according to an exchange filing in March. Deliberations are ongoing and details of the listing could change, explained the people. A Reliance representative declined to comment. A listing would position Reliance to shore up its nascent financial services presence by leveraging its growing consumer operations, which include India’s largest wireless operator and largest retailer. Reliance appointed K. V. Kamath as the non-executive chairman of Jio Financial in November. It has tapped Hitesh Sethia, a top executive from McLaren Strategic Ventures, as the unit’s CEO. Each Reliance shareholder will receive one share of Jio Financial in the listing for every share they own.

SoftBank Group Corp. (SoftBank) – Arm Ltd. (Arm), the chip design firm owned by SoftBank, said it confidentially submitted a draft registration statement to the U.S. Securities and Exchange Commission (SEC) for its proposed initial public offering (IPO). The size and price range for the proposed offering have yet to be determined, the company said in a statement, adding that the IPO is subject to market and other conditions and the completion of the SEC’s review process. Reuters

reported earlier about the filing, noting that the company plans to raise between US\$8 billion and \$10 billion. The listing could make Arm one of the largest IPOs in the U.S. of the last decade. Bankers had pitched a valuation of between \$30 billion to \$70 billion for the listing, Bloomberg previously reported, a wide range that underlines the challenges of valuing the firm against a backdrop of volatile semiconductor equity prices.

Meta Platforms, Inc. (Meta) - reported mixed first quarter results, with consolidated revenue coming in slightly ahead of expectations but impacted by a 300 basis points foreign exchange (FX) headwind. Total advertising revenue was roughly flat year over year, however operating income was better than expected despite US\$2.6 billion of charges related to reductions of workforce and office space. Artificial intelligence (AI) remained at the forefront, with Meta rolling out its conversational AI tool Bard as well as several other features intended to make the traditional search experience more effective for both consumers and advertisers. Cloud delivered strong growth and achieved profitability during the quarter, and more broadly management remains focused on sharpening the company’s efficiency, although many of the related initiatives are multi-year projects and not expected to impact the profit and loss materially for a few quarters. However, management is still committed to investing in nascent technologies and businesses, with AI chief among them. 2023 capital expenditures is expected to be modestly higher year over year, driven by a meaningful increase in technical infrastructure, and on April 19 the board authorized an additional \$70 billion in share repurchases. While the company is navigating a challenging period characterized by competitive concerns, uncertainty around the evolution of search, and lingering macro headwinds, we continue to view Meta as a core large-cap tech holding given its market and product leadership.



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JPMorgan Chase & Co. (JP Morgan) assumed First Republic Bank (First Republic) from the Federal Deposit Insurance Corporation (FDIC). It is estimated the purchase is modestly accretive to earnings per share (adds more than US\$0.5 billion of annual net income) and tangible book value (\$0.6 billion net gain), has manageable risk (a loss share agreement and 5-year, fixed-rate term financing from the FDIC) and it can be additive to its wealth management franchise.

Colgate-Palmolive Company (Colgate-Palmolive) organic sales came in ahead of expectations, driven by both volume and price. Compared to expected forecasts, total company volumes were down -2%, they were ahead in every division (and roughly in-line in the U.S.). Gross margins were down as expected (albeit comfortably better than consensus expectations) and this funded a double-digit increase in advertising spend. For the full year, Colgate-Palmolive has followed the pattern seen

through much of this week with slight raises to the outlook and in this case both sales and earnings per share forecasts move up around 1% versus current consensus expectations.

The bull case on **Kimberly-Clark Corporation (Kimberly-Clark)** has been largely predicated on gross margin recovery as commodity costs ease and for this reason, all eyes have been on pulp markets and what easing spot rates could imply for deflation later this year. In that context, the market did not anticipate an upgrade to guidance, however earnings per share came in fully 25% ahead of consensus expectations (US\$0.33/share) and deflation is still to come. Kimberly-Clark now expects earnings per share growth of +6-10% (on double digit operating profit growth) versus +2-6% previously.

By zone, **Nestlé S.A. (Nestlé)**'s organic sales growth in North America and Europe beat estimates by most (both by consensus +4%), while there were misses in Greater China (by -1.8%) and Nestle Health Science (by -1.2%). By category, the biggest beats on organic sales growth came in Prepared Dishes (by +5.5%), Confectionery (by +7.7%) and Pet Care (by +4.7%). Focusing on real internal growth alone, the biggest beats were in North America (consensus +2.8%) and Asia-Oceania-Africa (consensus +2.5%), while Greater China and Nestle Health Science missed (both by consensus -1.2%). By category, real internal growth came in above consensus in Milk Products (by consensus +6.0%) and Confectionery (by consensus +5.2%). By channel, organic growth in retail sales was +8.7%, while e-commerce sales was +13.6% (reaching 16.2% of group sales). Organic growth in out-of-home channels was +17.8%.

LIFE SCIENCES



Amgen Inc. (Amgen) – reported lower first-quarter profit as expenses rose and a 2% increase in sales of its own drugs was offset by lower revenue from its deal to manufacture COVID-19 antibody treatments for Eli Lilly and Company. Amgen reported revenue of US\$6.11 billion for the quarter, down 2% from a year earlier. Product sales by volume grew 14% from a year earlier, but net selling prices fell 5%, while foreign exchange rates and other factors also limited sales revenue gains, Amgen said. Adjusted earnings per share decreased to \$3.98 from \$4.25 a year ago but came in ahead of analysts' forecast of \$3.85. First-quarter sales of cholesterol drug Repatha rose 18% from a year earlier to a record \$388 million, while sales of migraine drug Aimovig fell 32%, driven by lower prices. Sales of psoriasis drug Otezla fell 13% and arthritis drug Enbrel saw sales drop 33%, both due in part to lower net selling prices, Amgen said. Operating expenses for the quarter increased 6%, research and development costs rose 12% and Amgen said its tax rate rose 5.6%, primarily due to a Puerto Rico tax law change. Amgen slightly increased its forecast for full-year 2023 revenue to range of \$26.2 billion to \$27.3 billion, from the previous view of \$26 billion to

\$27.2 billion, excluding the impact of its pending acquisition of Horizon Therapeutics Public Limited Company.

Clarity Pharmaceuticals Ltd (Clarity) – announced its preliminary third quarter results. Clarity's cash balance was AU\$66.7 million as at 31 March 2023. The company's research and development tax incentive claim for fiscal year 22 was received in April and was \$6.7 million, which brings the cash position to approximately \$73 million. Operating cash outflows for the March quarter were \$9.4 million, which is an increase on previous quarterly outflows of \$8.3 million. The increase in costs was partially offset by the increase in interest received on Term Deposits of \$0.4 million. In addition to clinical trial costs, operating cash outflows relate to payments for research and development, staff costs, administration, and general operating costs.

Guardant Health, Inc. (Guardant Health) – announced a research collaboration agreement to study the correlation between molecular cancer biomarkers and patient response to immunotherapy treatment across more than 14 different types of cancer. Under the agreement, Guardant Health will analyze patient blood samples from PICI (Parker Institute for Cancer Immunotherapy)'s Resistance Drivers for Immuno-Oncology Patients Interrogated by Harmonized Molecular Datasets prospective study of 1,200 individuals on standard-of-care immune checkpoint inhibitor treatment regimens in community hospitals. The testing, which will be conducted with GuardantINFINITY, will provide a multi-dimensional analysis of each patient's tumor response based on both genomic and epigenomic profiling. The study will use blood samples drawn at multiple points during the treatment regimen and will assess the connection between the presence of specific cancer biomarkers and real-world clinical outcomes, including survival and immune-related adverse events. The project marks the first real-world immuno-oncology study collaboration for Guardant Health and will enable the company to significantly expand its access to real-world outcomes data for immunotherapies correlated to specific biomarkers, cancer type and stage. "The collaborative study with PICI is an excellent opportunity for us to explore the value of genomic and epigenomic tumor profiling in real-world immuno-oncology therapy settings," said Helmy Eltoukhy, Guardant Health chairman and co-CEO.

RadNet, Inc. (Radnet) – announced that it has received U.S. Food and Drug Administration (FDA) clearance for the third-generation release of its Quantib Prostate 3.0 Magnetic Resonance Imaging (MRI) AI software, further enhancing the offering with new and updated tools. Quantib Prostate software for MRI reading support was first introduced in the U.S., followed by a class IIb CE marking in Europe in 2021. Quantib Prostate 3.0 is a state-of-the-art AI-based software solution that advances the MRI prostate reporting workflow and its output for radiologists and urologists. It provides a suite of tools that improve reporting quality and speed, including AI-based segmentations and volumetry, prostate-specific antigen (PSA) density calculation, precise registration and movement correction, one-click segmentation of lesion candidates, Prostate Imaging Reporting & Data System (PI-RADS) scoring support, and standardized reporting to facilitate easy and comprehensive communication of results. The FDA 510 thousand special clearance introduces a major upgrade to the latest Quantib Prostate 2.1 release. The upcoming release of the product will include an improved prostate and sub-region segmentation algorithm, automated drawing of the lesions on the PI-RADS sector map, and other functionalities that will enhance the user experience. "We are excited to present this update of Quantib Prostate, which enables us to continue to support our customers with the newest developments and improved AI

algorithm performance. We strive to regularly and continuously improve our software in order to support radiologists and urologists in the best possible way," said Arthur Post Uiterweer, CEO of Quantib. Quantib B.V., a wholly owned subsidiary of RadNet.

Telix Pharmaceuticals Limited (Telix) – announced the expansion of its AI capability with the signing of an agreement to acquire Vienna-based Dedicaid GmbH (Dedicaid), a spin-off of the Medical University Vienna. Dedicaid's core asset is a clinical decision support software (CDSS) AI platform capable of rapidly generating indication-specific CDSS applications from available datasets, for use with positron emission tomography (PET) and other imaging modalities. Each CDSS application is trained to predict outcomes such as the severity of disease, risk to the patient and/or inform treatment decisions. The AI platform is also favourably differentiated from commercially-available AI solutions currently used in prostate-specific membrane antigen positron emission tomography (PSMA-PET) imaging, which are limited to supporting clinicians in the interpretation and reading of images – without a prediction capability. This differentiation is driven by the Dedicaid developed AutoML (automated machine learning) engine behind the AI platform, effectively meaning it is a "zero code" solution. This greatly reduces the time, cost and level of expertise required to build, test and validate new CDSS applications, facilitating a streamlined development and regulatory pathway for each new application. This acquisition will give Telix the ability to rapidly generate CDSS applications that are highly complementary to the company's radiopharmaceutical pipeline. Following completion of the transaction, Telix aims to finalise validation activities and regulatory submissions FDA 510 thousand and CE Mark (Europe) for the AI platform as a 'software as a medical device' during 2023. Dr. Michael Wheatcroft, Chief Scientist at Telix said, "AI adds a new dimension of support to the clinician and patient by using data generated through medical imaging to facilitate timely and effective clinical decision making. This acquisition provides Telix with a powerful AI development platform that greatly enhances our ability to rapidly generate new applications from clinical imaging data. These applications have the potential to assist clinicians in predicting disease progression and treatment response, thus supercharging and differentiating Telix's AI offering. It is also intrinsically aligned to the philosophy behind theranostics – which is to use the insights from medical imaging to inform and guide an optimal treatment pathway."

Telix announced additional positive results from its completed pivotal Phase III ZIRCON study of TLX250-CDx (89Zr-DFO-girentuximab) in clear cell renal cell carcinoma (ccRCC). New data presented demonstrates the high value of TLX250-CDx PET/CT (computerized tomography) imaging in detecting ccRCC, with secondary analysis confirming utility and effectiveness in very small renal masses, which are prevalent and present a significant diagnostic challenge. In very small renal lesions (≤ 2 centimeter, a secondary endpoint), sensitivity was 84% for all three readers, with specificity 92.3% to 100%. This reinforces the accuracy of this investigational diagnostic imaging agent across all analyses, with previously presented data showing an overall sensitivity and specificity of 86% and 87%, respectively. Dr. Colin Hayward, Chief Medical Officer at Telix stated, "The excellent sensitivity and specificity for small lesions considerably expands the clinical utility and potentially the commercial opportunity for TLX250-CDx. We expect that the ability to diagnose even very small lesions as ccRCC will be an important factor in driving market adoption, subject to product approval."

Roche Holding AG (Roche) reported strong first quarter of 2023 sales, 1% ahead of consensus forecasts. Pharma was the key driver, a 2%

beat versus consensus expectations. The key driver was an exceptionally strong launch uptake for Vabysmo (ophthalmology), 32% ahead of market expectations.

Novartis AG (Novartis) reported very strong first quarter of 2023 results with Group sales 3% ahead and Group Core earnings before interest and taxes (EBIT) 9% ahead of both consensus expectations. The beat was seen in both Innovative Medicine Initiative and Sandoz International. The Pharma margin performance was particularly impressive, with Core EBIT margins of 38.7% versus consensus 36.8%. As expected, the key pipeline focus was on the recent positive success of the Kisqali NATALEE adjuvant study and the recent FDA approval for additional manufacturing capacity for Pluvicto. Both Kisqali and Pluvicto were key drivers of the revenue outperformance in the first quarter and key drivers of the fiscal year 2023 guidance upgrade.



ECONOMIC CONDITIONS

Canada's real gross domestic product (GDP) rose 0.1% in February, less than consensus expectations and the Statistics Canada's preliminary estimate of a 0.3% advance. Production rose in 12 of the 20 industrial sectors covered in February. Both services-producing and goods-producing industries registered a 0.1% increase. On the services side, the strongest gains were registered in professional, scientific and technical services (+0.6%) and education (+0.5%), while management (-2.4%), arts, entertainment and recreation (-1.4%) and wholesale trade (-1.3%) posted declines. The increase in goods sector output, meanwhile, was led by gains in utilities (+0.6%), construction (+0.3%), and mining/quarrying/oil & gas extraction (+0.1%) while output declined in agriculture (-0.9%) and manufacturing (-0.1%). Industrial production was up 0.1% month over month. Finally, Statistics Canada's preliminary estimate showed that GDP dipped 0.1% in March.

The U.S. economy downshifted in the first quarter largely due to a drawdown in inventories, weaker business spending, and a further drag from housing, with offsets from robust spending by households and governments. Real GDP growth slowed to 1.1% annualized from 2.6% in the fourth quarter, undershooting expectations of a 2% advance. Inventories shrank in the quarter, slicing 2.3 points from headline growth.

Nonresidential investment slowed to just 0.7%, with a large drop in equipment spending not fully offsetting another double-digit rise in structures (payback after six straight quarterly declines).

Residential construction contracted a lesser 4.2% after plunging 25.1% in the prior quarter, marking some stability in the housing market.

Consumer spending accelerated 3.7% after a modest 1.0% advance in the fourth quarter. But much of the strength came at the start of the quarter, with assists from warmer weather and higher Social Security payouts, and spending appears to have fizzled more recently. Durables demand soared 16.9%, driven by January's spike in auto sales, though there were broader increases as well. Nondurables demand remained soft, up just 0.9%, as food consumption fell. However, services demand picked up to a 2.3% pace amid widespread strength. Piling on were governments, notably a 7.8% jump in federal spending, with gains in both defense and nondefense items. A 4.8% bounce in exports also helped, though this was largely offset by a 2.9% rise in larger imports.

U.S. durable goods orders jumped by a more-than-expected 3.2% in March, halting two straight months of declines. Boeing bookings took flight, pushing transportation up 9.1%. Excluding transportation, orders inched up 0.3%. Metals eked out some gains, though momentum has largely stalled. Meanwhile, computers and electronic products climbed to the highest since November 2008 and electrical equipment continued to steadily increase.

FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now -0.56% and the UK's 2 year/10 year treasury spread is -0.07%. 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 6.34%. 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 16.05 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 could be encouraging for quality equities.

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Glossary of Terms: 'CET' core equity tier, 'EBITDA' earnings before interest, taxes, depreciation and amortization, 'EPS' earnings per share, 'FCF' free cash flow, 'GDP' gross domestic product, 'ROE' return on equity, 'ROTE' return on common equity, 'ROTCE' return on tangible common equity, 'conjugate' a substance formed by the reversible combination of two or more others.

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

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