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NEWS HIGHLIGHTS

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

MAY 8, 2023

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COMPANY NEWS

Amazon.com, Inc. (Amazon) announced that it will launch Fire TV Channels which will give customers access to a wide variety of “premium, free content” on Fire streaming sticks, streaming boxes, and Fire-branded televisions. Similar to the offering from Roku, there will be numerous free content options including channels for local and national news, sports, travel, cooking, music videos, old television (TV) shows, and more. The company has announced content partnership deals with professional National Hockey League (NHL) hockey, Professional Golf Association (PGA) golf, gossip site TMZ, ABC News and media giant Conde Nast, among over 400 publishing partners. While Amazon already offers several free ad-supported TV (FAST) channels, this rollout is designed to be a major upgrade to the platform. “With Fire TV Channels, we’re delivering a simple, category-based experience that makes it easy to discover what you want to watch while constantly expanding content offerings.” said Charlotte Maines, director of Fire TV advertising, monetization, and engagement.

Alphabet Inc. (Alphabet) and Apple Inc. (Apple) jointly announced a partnership that will see the two companies lead an industry-wide initiative to draft a new specification that would alert users about unwanted tracking from Bluetooth devices. The collaboration follows numerous instances of Bluetooth trackers like Apple’s AirTag being used for stalking among other criminal activities, and the two companies are seeking input from other industry participants and advocacy groups in the matter. Alphabet and Apple submitted a proposed specification as an Internet-Draft via a standards development organization which will

be reviewed over the next few months by other interested parties. Any feedback will be incorporated into a production implementation that will be released by year’s end for support on iOS and Android. “Android has an unwavering commitment to protecting users and will continue to develop strong safeguards and collaborate with the industry to help combat the misuse of Bluetooth tracking devices,” said David Burke, Alphabet’s vice president of Engineering for Android.

Berkshire Hathaway Inc. (Berkshire) – posted a US\$35.5 billion first-quarter profit, reflecting gains from stocks such as Apple, while higher investment income and a rebound at car insurer Government Employees Insurance Company (GEICO) bolstered operating results. Berkshire also sped up repurchases of its own stock, buying back \$4.4 billion, while paring its investments in other stocks such as Chevron Corporation (Chevron), which is still a major holding. Results were released ahead of Berkshire’s annual shareholder meeting in Omaha, part of a weekend that draws tens of thousands of people to the city. Buffett, 92, has run Berkshire since 1965, transforming it from a struggling textile company into a conglomerate with dozens of businesses including GEICO, the Burlington Northern Santa Fe (BNSF) railroad, Berkshire Hathaway Energy, and manufacturing and retail units including See’s Candies and Dairy Queen ice cream. The diversification has led many investors, not just Buffett fans, to view Berkshire as a stable long-term investment even amid recession fears and concerns about the banking industry. Net income equaled \$24,377 per Class A share and rose from \$5.58 billion, or \$3,784 per share, a year earlier. That in part reflected a 27% jump in Apple’s stock price, leaving Berkshire with a \$151 billion stake in the iPhone maker. Accounting rules require Berkshire to report unrealized gains and losses with net results, and Buffett urges investors to ignore the resulting volatility. Quarterly operating profit increased 13% to \$8.07 billion, or about \$5,561 per Class A share, from \$7.16 billion. Those results benefited from GEICO snapping a six-quarter string of underwriting losses, and a 68% increase in how much Berkshire’s insurance units generate from investments. GEICO’s pre-tax underwriting gain was \$703 million, benefiting from higher premiums, fewer crashes and a significant drop in ad spending, which may have led to fewer high-

risk drivers seeking coverage. Berkshire's cash hoard grew \$2 billion in the quarter to \$130.6 billion, as the company sold \$13.3 billion of stocks and bought just \$2.9 billion. Chevron appears to have been among the sales, with Berkshire's stake falling 28% to \$21.6 billion though the oil company's stock price dropped just 9%. Berkshire also owns a 23.6% stake in another oil company, Occidental Petroleum Corporation. Its stock sales more than offset the \$8.2 billion Berkshire spent to boost its stake in truck stop operator Pilot Travel Centers LLC (Pilot) to 80% from 38.6%, leaving the founding Haslam family with 20%. Profit at the BNSF railroad fell 9% to \$1.25 billion, hurt by higher fuel costs and lower shipping volumes. Berkshire Hathaway Energy, normally a steady earnings generator, saw profit fall 46% as it set aside \$359 million for legal and other costs from wildfires in Oregon and northern California, where it has multiple operations, in 2020. Operating results also reflected October's purchase of insurance holding company Alleghany Corporation, while net results included a gain related to Pilot.

Reliance Industries Ltd. (Reliance Industries) - Shareholders of Reliance Industries, along with its secured and unsecured creditors have approved the resolution to demerge the company's financial services arm, Reliance Strategic Ventures. Nearly 100% of the votes cast were in favour of the resolution. With the approvals now in place, the unit will be renamed as Jio Financial Services. Reliance Industries had approved the demerger of the financial services arm in October 2022. Veteran Banker K. V. Kamath will be the non-executive chairman of the demerged entity. Shareholders of Reliance Industries will receive one share of the demerged entity for every one share held in the parent company. Jio Financial Services will acquire liquid assets (including treasury shares) of Reliance Industries' financial services arm to bring adequate regulatory capital for lending to consumers and merchants, and to incubate other financial services verticals, including insurance, payments, e-broking and asset management over the next three years. Following the demerger, shares of Jio Financial Services will be listed on both Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

SoftBank Group Corp. (SoftBank Group) – Samsung Electronics Co., Ltd. (Samsung) faces its first-ever labor strike after an influential union threatened to stage a walkout to protest wages and the company's alleged attempts to block labor organization. The union, which says it represents about 9% of Samsung staff or about 10,000 employees, issued a statement Thursday accusing Korea's largest company of shutting its leaders out of salary negotiations. The union had previously asked for wage increases of more than 6% this year, in part to offset domestic inflation running at more than 4%. Samsung management announced last month a 4.1% hike for its highest performers and 2% for average workers for 2023, according to the union. The company followed all related procedures and will continue to communicate with the union, Samsung said. It's unclear whether the organization will follow through. The union is also demanding that Jay Y. Lee, Samsung Chairman, join the discussions. If Samsung goes on a strike, the other 11 unions at Samsung Group affiliates such as builder Samsung C&T Corp or electric car battery maker Samsung SDI Co., Ltd. will follow suit, said Oh Sang-Hoon, a union representative for Samsung Fire & Marine Insurance Co., Ltd. Asia's largest electronics company said last week it expected demand to only gradually improve in a range of markets from smartphones to Personal Computers and storage, driven by a Chinese economic recovery and accelerating Artificial Intelligence (AI) development. That could begin happening only from the second half of this year. South Korean unions are an influential voice in local politics and company strikes are not uncommon, but the walkout would

be the first to hit Samsung since its 1969 founding. Samsung's unions secured the right to strike last year after wage talks failed but didn't follow through. Thursday's action began after talks between Samsung and union leaders fell through this week. A government agency helping arbitrate the negotiations halted discussions after failing to resolve that deadlock, the Korea Herald reported Wednesday. The union negotiation body this time initially wanted a 10% wage hike before proposing various options including a premium over rivals or a lump-sum payment, according to the newspaper. Samsung last month agreed to an average increase this year of about 4%, but the union argues that deal was inadequate and bypassed the labor organization.

LIFE SCIENCES

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Amgen, Inc. (Amgen) – announced new data from a real-world study of nearly half of a million postmenopausal women with osteoporosis in the U.S. Medicare program showing Prolia (denosumab) injection reduced fracture risk in patients versus oral alendronate, a frequently prescribed bisphosphonate treatment. The study's results showed that Prolia reduced the relative risk of fracture across various fracture types. In addition, longer duration of treatment with Prolia was associated with a greater reduction in major osteoporotic (MOP) fracture risk. Patients were evaluated from treatment initiation to first instance of a fracture outcome, treatment discontinuation or switch, disenrollment from Medicare, or death. Prolia is the first approved therapy that specifically targets Receptor of activator of nuclear factor kappa beta (RANK) Ligand, an essential regulator of bone-removing cells (osteoclasts). Prolia is approved and marketed in over 80 countries worldwide. These findings provide important insights into the effectiveness of Prolia versus oral alendronate on osteoporotic fracture outcomes in post-menopausal women with osteoporosis at high risk for fracture using real-world data.

BridgeBio Pharma Inc. (BridgeBio) – reported its financial results for the first quarter ended March 31, 2023. Cash, cash equivalents, marketable securities and restricted cash (current), totaled US\$467.0 million as of March 31, 2023, compared to \$466.2 million as of December 31, 2022. The net increase of \$0.8 million in cash, cash equivalents, marketable securities and restricted cash (current) is primarily attributable to the net proceeds received of \$143.0 million from the follow-on public offering. Operating costs and expenses decreased by \$47.4 million to \$128.0 million for the three months ended March 31, 2023, compared to \$175.4 million for the same period in the prior year. The overall decrease in operating costs and expenses for the first quarter of 2023 compared to the comparative period was mainly due to decreases in research, development and other (R&D) expenses of \$15.5 million resulting from the company's reprioritization of its R&D programs; selling, general and administrative expenses of \$12.6 million resulting from its company-wide streamlining of costs; and restructuring, impairment and related

charges of \$19.3 million since the majority of the restructuring initiatives were initiated in the first quarter of 2022. The effects of the company's restructuring initiative that was started in the first quarter of 2022 are continuing to be realized due to the company's reductions in its operating costs and expenses.

Clarity Pharmaceuticals Ltd. (Clarity Pharmaceuticals) – announced the appointment of Dr. Othon Gervasio as Senior Medical Director, effective immediately. Dr. Gervasio is an experienced senior leader with over 20 years in Research and Development (academic and clinical research) and Medical Affairs. His most recent role was Medical Director at Novartis AG (Novartis), Australia and New Zealand. Dr. Gervasio has worked for 13 years at Novartis and was involved in a wide range of projects, including clinical trials in oncology, the launch of several oncology products in various platforms, medical affairs strategy for therapies from pre-clinical to late-stage clinical development, as well as pre- and post-marketing authorisation.

Fate Therapeutics Inc. (Fate Therapeutics) – announced first quarter results. Cash, cash equivalents and investments as of March 31, 2023 were US\$412.8 million. In addition, as of March 31, 2023, cash receivables from collaborations were \$13.5 million. The company expects its cash, cash equivalents, and investments to exceed \$300 million at year-end 2023. Revenue was \$59.0 million for the first quarter of 2023, of which \$52.3 million was associated with the termination of its collaboration with Janssen Pharmaceuticals and \$6.7 million was derived from its ongoing collaboration with ONO Pharmaceutical Co., Ltd. (ONO). Under the ONO collaboration, a one-time amount of \$6.2 million was recorded as revenue for the first quarter of 2023 associated with the company's conduct of IND-enabling activities for FT825/ONO-8250, for which ONO exercised its development and commercialization option in November 2022. For each of the remaining three quarters of 2023, the company expects to recognize approximately \$0.8 million in revenue under the ONO collaboration in connection with its conduct of preclinical development activities for a second collaboration candidate targeting an undisclosed solid tumor antigen. For the first quarter of 2023, Generally Accepted Accounting Principles (GAAP) operating expenses were \$87.6 million, including research and development expenses of \$65.6 million and general and administrative expenses of \$21.9 million. Such amounts included \$11.0 million of non-cash stock-based compensation expense and a one-time charge of \$12.9 million for severance and other employee termination-related costs associated with the company's corporate restructuring. For the full year ending December 31, 2023, the company expects its GAAP operating expenses to be between \$265 million to \$285 million.

Lantheus Holdings Inc. (Lantheus) – reported financial results for its first quarter ended March 31, 2023. Lantheus worldwide revenue for the first quarter of 2023 totaled US\$300.8 million, compared with \$208.9 million for the first quarter of 2022, representing an increase of 44.0% over the prior year period. Lantheus first quarter 2023 GAAP net loss was \$2.8 million, or \$0.04 per fully diluted share, as compared to GAAP net income of \$43.0 million, or \$0.61 per fully diluted share for the first quarter of 2022. Lantheus first quarter 2023 adjusted fully diluted net income per share, or earnings per share (EPS), was \$1.47, as compared to \$0.97 for the first quarter of 2022, representing an increase of approximately \$0.50 from the prior year period. Lastly, net cash provided by operating activities was \$108.5 million for the first quarter 2023. Free Cash Flow was \$99.3 million in the first quarter of 2023, representing an increase of approximately \$92.3 million from the prior year period.

Relay Therapeutics Inc. (Relay Therapeutics) – reported first quarter 2023 financial results. As of March 31, 2023, cash, cash equivalents and investments totaled US\$937.8 million compared to approximately \$1 billion as of December 31, 2022. Relay Therapeutics expects its current cash, cash equivalents and investments will be sufficient to fund its current operating plan into 2025. Research and development expenses were \$82.8 million for the first quarter of 2023, as compared to \$51.7 million for the first quarter of 2022. The increase was primarily due to \$16.3 million of additional clinical trial expenses, \$9.4 million of additional employee-related costs, which include \$4.5 million of additional stock-based compensation expense, and \$3.3 million of additional costs for preclinical programs and platform technologies. General and administrative expenses were \$19.6 million for the first quarter of 2023, as compared to \$16.1 million for the first quarter of 2022. The increase was primarily due to additional employee-related costs, which include \$3.6 million of additional stock-based compensation expense. Net loss was \$94.2 million for the first quarter of 2023, or a net loss per share of \$0.78, as compared to a net loss of \$62.0 million for the first quarter of 2022, or a net loss per share of \$0.57.

Schrodinger Inc. (Schrodinger) – announced first quarter earnings. Total revenue for the first quarter increased 33% to US\$64.8 million, compared to \$48.7 million in the first quarter of 2022. Software revenue for the first quarter was \$32.2 million, compared to \$33.1 million in the first quarter of 2022. Software revenue in the first quarter of 2023 included a small number of multi-year agreements that did not fully offset revenue from multi-year agreements in the first quarter of 2022. Drug discovery revenue was \$32.6 million for the first quarter and included a \$25 million milestone from The Bristol-Myers Squibb Company, compared to \$15.6 million in the first quarter of 2022. Software gross margin increased to 78% for the first quarter, compared to 77% in the first quarter of 2022. Operating expenses were \$76.2 million for the first quarter, compared to \$56.6 million for the first quarter of 2022. The increase was driven by additional headcount to support the company's progressing internal pipeline and its software business, Clinical Research Organization (CRO) expenses, and royalties. Other income for the first quarter was \$186.0 million, primarily associated with changes in fair value of equity investments, interest income, and a \$147.3 million gain relating to the cash distributions from Nimbus in connection with the sale of Nimbus's TYK2 inhibitor to Takeda. Net income for the first quarter was \$129.1 million, compared to net loss of \$34.4 million in the first quarter of 2022. During the first quarter, Schrödinger reported a non-cash tax expense of \$26.4 million associated with the cash distribution from Nimbus. At March 31, 2023, Schrödinger had cash, cash equivalents, restricted cash and marketable securities of approximately \$532 million, compared to approximately \$456 million at December 31, 2022. For the three months ended March 31, 2023, Schrödinger reported a non-GAAP net loss of \$27.5 million compared to a non-GAAP net loss of \$28.3 million for the three months ended March 31, 2022.

Telix Pharmaceuticals Ltd. (Telix Pharmaceuticals) – announced that it has entered into an agreement with Bayer AG (Bayer) to supply Illuccix (TLX591-CDx, kit for the preparation of gallium Ga 68 gozetotide injection) for the Phase III ARASTEP study. This global study is investigating the efficacy of Bayer's androgen receptor inhibitor (ARI) darolutamide plus androgen deprivation therapy (ADT) versus ADT alone in hormone-sensitive prostate cancer, in patients with high-risk biochemical recurrence who have no evidence of metastatic disease

by conventional imaging and a positive prostate-specific membrane antigen positron emission tomography (PSMA PET)/CT at baseline. The study will enrol up to 750 patients across various sites such as in Europe, Japan and the United States. The more sensitive PSMA imaging may identify prostate cancer lesions not detectable by conventional imaging such as computed tomography (CT) scans, magnetic resonance imaging (MRI) and bone scans.

NUCLEAR ENERGY

Cameco Corporation (Cameco) – signed a deal worth US\$4 billion at current prices with Ukrainian state-owned utility Energoatom to power the utility’s nuclear reactors. Under the agreement, Cameco will supply Ukraine with uranium hexafluoride (UF6) from 2024-2035, allowing the country to end its reliance on Russian fuel. The supply agreement includes nine reactors under Ukrainian control, with the option to supply six captured reactors in the southeastern Zaporizhzhia region if Ukraine retakes them. The deal gives each side the right to change sales volumes with two years’ notice. The unusual flexibility of the deal announced in February, the details of which have not been reported previously, reflects the uncertainties caused by Russia’s war with its neighbour and underlines the high stakes for both parties. For Cameco, the risks are financial where Ukraine, whose energy grid and thermal power generators have been military targets since the invasion, might require less uranium should Russia capture or damage more reactors. For Ukraine, reliance on a single provider leaves it with few alternatives to maintain power supplies. Prior to Russia’s invasion of Ukraine in February last year, Ukraine ran its nuclear reactors on Russian fuel, producing 55% of the country’s electricity.

Cameco reported its financial results for the first quarter of 2023. Net earnings of CA\$119 million; adjusted net earnings of \$115 million: first quarter results are a result of higher deliveries and higher average realized prices in both the uranium and fuel services segments as the company continues the transition to their tier-one cost structure. In the uranium segment, average realized price was 11% higher than the same period last year, and in the fuel services segment, average realized prices were 9% higher. As expected, with 9.7 million pounds delivered, the first quarter represents almost a third of the total expected 2023 deliveries in the uranium segment, which is a departure from the pattern experienced in a low-price environment when deliveries were heavily weighted to the fourth quarter. The company also reflected strong production performance in the first quarter. The uranium segment produced 4.5 million pounds during the quarter. Cameco continues to expect 20.3 million pounds of production in 2023. The production ramp up at McArthur River/Key Lake is progressing well with 3.4 million pounds (2.4 million pounds Cameco’s share) produced in the first quarter. Cameco continues to plan production to align with its contract portfolio and customer needs. The company achieved long-term contracting successes in new markets where total volumes under long-term contracts of approximately 215 million pounds of uranium and more than 70 million kgU of UF6 conversion services with deliveries spanning more than a decade, many of which have market-related pricing mechanisms. The recently announced long-term UF6 supply arrangements will see a supply to new markets well into the next decade. As of March 31, 2022, the company has \$2.5 billion in cash and cash equivalents and short-term investments and \$1.0 billion in long-term debt. The final financing for the Westinghouse acquisition will be determined based on the cash

balance, future expected cash flow generation, and market conditions at the time of close.

Constellation Energy Corporation (Constellation Energy) – reported its financial results for the first quarter of 2023. GAAP Net Income for the first quarter of 2023 decreased to US\$96 million from \$106 million GAAP Net Income in the first quarter of 2022. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) (non-GAAP) for the first quarter of 2023 decreased to \$658 million from \$866 million in the first quarter of 2022. Adjusted EBITDA (non-GAAP) in the first quarter of 2023 primarily reflects increased labor, contracting, and materials costs as well as decreased capacity revenues and unfavorable impacts of nuclear outages partially offset by favorable market and portfolio conditions in 2023 compared to 2022. Constellation’s nuclear fleet, including its owned output from the Salem Generating Station, produced 42,463 gigawatt-hours (GWhs) in the first quarter of 2023, compared with 42,598 GWhs in the first quarter of 2022. Excluding Salem, the company’s nuclear plants at ownership achieved a 92.8% capacity factor for the first quarter of 2023, compared with 93.0% for the first quarter of 2022. The company expects to be comfortably in the top half of their guidance range for full year Adjusted EBITDA (non-GAAP) from \$2,900 million - \$3,300 million. The company expected to deliver on their commitment to shareholders, having commenced a \$1 billion share repurchase program, repurchasing approximately \$250 million in the first quarter, equivalent to approximately 3.2 million shares, and paid a first quarter dividend per share of \$0.2820, double that of prior quarter. Constellation Energy further disclosed that they have begun producing hydrogen at Nine Mile Point, demonstrating the value of producing hydrogen with carbon-free nuclear energy to help address the climate crisis. The clean Hydrogen Generation System operating at Nine Mile will help set the stage for possible large-scale deployments at other clean energy centers in the company’s fleet that would couple clean hydrogen production with storage and other on-site uses. As part of Constellation’s broader decarbonization strategy, the company is currently working with public and private entities representing every phase in the hydrogen value chain to pursue development of regional hydrogen production and distribution hubs.

NuScale Power Corporation (NuScale) – NuScale disclosed plans to build small modular reactors (SMRs) worth up to US\$7.5 billion in the Philippines. Top officials of NuScale relayed their intention in a meeting with Philippines President Ferdinand Marcos Jr. moments before he went to see U.S. President Joe Biden at the White House. Marcos, who is in the U.S. capital for a five-day working visit, said NuScale’s SMR project would be critical in addressing the country’s energy shortage, which has caused hours long outages in several provinces. The Oregon-based NuScale said it would soon be conducting a study to identify the possible sites for its SMRs in the Philippines. Last September, Marcos met with executives of NuScale during his official visit to the U.S. Marcos has been strongly advocating the inclusion of nuclear power in the Philippines’ energy mix. In his first State of the Nation Address in July last year, Marcos said the time was ripe to examine the country’s policies toward nuclear energy, noting that with modern technology, safeguards have been placed against possible accidents.

Plug Power Inc. (Plug Power) and South Korea’s SK E&S Co., Ltd. (SK) have pledged to spend KRW 1 trillion (USD 746 million/EUR 678.3 million) to build a gigafactory for hydrogen facilities and a research facility in South Korea. The member of South Korean industrial conglomerate SK Group said it will inject KRW 510 billion into the project, while U.S.-based turnkey hydrogen solutions provider Plug

Power will cover the remaining KRW 490 billion. The investment will be made by the duo's SK Plug Hyverse joint venture (JV). The duo's plan is to produce hydrogen fuel cell systems, hydrogen fueling stations and electrolyzers and supply certain markets in Asia. The factory will be installed in a major metropolitan area in South Korea, with commercial operations planned to start in 2025. The joint venture also plans to invest in building liquefied hydrogen stations across South Korea. Liquefied hydrogen has a higher energy storage density and stability compared with gaseous hydrogen. SK Plug Hyverse JV is 51%-controlled by SK, with Plug Power holding the remaining shares. The two companies have been working together since early 2021 when SK Group made a US\$1.6 billion (EUR1.4 billion) capital investment in Plug Power and became its largest shareholder.

Plug Power a leading provider of turnkey hydrogen solutions for the global green hydrogen economy, unveiled a new high-power stationary fuel cell system for charging commercial electric vehicle (EV) fleets. Operators deploying commercial electric vehicles face many obstacles, from grid power capacity restrictions to clean power requirements to long waits for grid infrastructure upgrades and installations. As many operators are delaying or forgoing EV adoption due to these challenges, Plug Power provides operators with a new solution: a clean hydrogen-powered fuel cell system that cost effectively charges EV fleets, getting zero-emission EV vehicles deployed to meet fleet operator's sustainability and operational goals. Plug Power has significant interest in this new solution from EV fleet owners such as delivery van fleets, rental car companies with battery EVs, and telecom providers with fleets of maintenance vehicles, as well as public charging networks and EV charger manufacturers. Plug's standard 18,000-gallon liquid hydrogen tank combined with its new megawatt-scale proton-exchange membrane (PEM) fuel cell solution can provide over 60 megawatt hours (MWh) of instantaneous energy – enough to charge more than 600 EVs.



ECONOMIC CONDITIONS

U.S., nonfarm payrolls rose US 253,000 in April, a lot more than the median economist forecast calling for a +185,000 print. However, this positive surprise was offset by a -143,000 cumulative revision to the previous months' data. Employment in the goods sector advanced 33,000 on gains for construction (+15,000), manufacturing (+11,000) and, to a lesser extent, mining/logging (+7,000). Jobs in services-producing industries, for their part, expanded no less than 197,000, with notable increases for health/social assistance (+64,000), professional/business services (+43,000), leisure/hospitality (+31,000) and financial activities (+23,000). Alternatively, 23,000 jobs were cut in the temporary help services segment. Employment in the public sector progressed 23,000, with gains at both the federal (+3,000) and state/local (+20,000) levels. Average hourly earnings rose 4.4% year over year in April, up from 4.3% the prior month and two ticks above consensus expectations. Month on month, earnings progressed 0.5%, again two ticks above consensus expectations and the steepest monthly gain recorded in more than a year.

Released at the same time the household survey painted a slightly less upbeat picture of the situation prevailing in the labour market, with a reported 139,000 increase in employment. This gain, combined with an unchanged participation rate (62.6%), translated into a one-tick decline

of the unemployment rate to 3.4%. Full-time employment rose 161,000, while the ranks of part-timers thinned 84,000.

Chinese Caixin Manufacturing Purchasing Managers' Index (PMI) unexpectedly dropped from 50 to 49.5 in April and back into contraction territory similar to the official PMI data. The report highlighted softer demand and total new orders that fell for the first time in three months. On a positive note, firms reported on becoming more optimistic that consumer spending will rise in the next 12 months.



FINANCIAL CONDITIONS

The US Federal Reserve as expected raised the target range for the federal funds rate by 25 basis points to 5.00% to 5.25%. This marks the tenth straight rate increase of this 500 basis point tightening cycle that began in March 2022. Meanwhile, the Fed will continue to reduce its holdings of Treasuries and Mortgage Backed Securities pursuant to a pre-existing program and subject to monthly caps for both Treasuries (\$60 billion/month) and agency Mortgage-Backed Securities (MBS) (\$35 billion/month). The interest rate on reserve balances increased an equivalent 25 basis points to 5.15% while signaling a potential pause at the next meeting. The Fed now says it will take into account the cumulative tightening and lags of monetary policy on economic activity, inflation and economic and financial developments instead of anticipating further "additional policy firming to attain a stance of monetary policy that is sufficiently restrictive". Chair Powell says he was still not yet convinced that monetary policy was adequately restrictive, but will also not rule out the possibility of rate cuts at this moment.

The European Central Bank (ECB), as expected, toned down the pace of rate hikes. After three 50 basis points hikes in a row, which were preceded by two 75 basis points rate hikes in a row, it raised key interest rates by 25 basis points, bringing the main refinancing rate to 3.75% (the highest since October 2008), the marginal lending facility to 4.00%, and the deposit facility to 3.25%. That is a total of 350 basis points of rate hikes in nearly a year. The Press Release also announced that it will stop reinvestments under the Asset Purchase Programme (APP) as of this July. That, will help the €7 trillion balance sheet (down from a peak of €8.8 trillion) shrink further. But that is something that President Christine Lagarde denied firmly. In fact, the ECB head was very clear when she pointed out that there was almost unanimous support for today's decision, and that "some" felt that 50 basis points would be appropriate, while "others" thought that 25 basis points was good. Moreover, no one said pause. In fact, President Lagarde said "we are NOT pausing" and that the ECB has "more ground to cover". The key takeaway was that they are not finished.

The Norges Bank raised rates by 25 basis points to 3.25% as expected and hit their highest levels since 2007. The central bank also warned that rates may go even higher in June. The Norges Bank says that a higher policy rate is needed to dampen inflation, while the labour markets remain tight and wage growth set to be higher in 2023 than the year before. Norges Banks says "if the Krone remains weaker than projected or pressures in the economy persist, a higher policy rate than envisaged earlier may be needed".

The U.S. 2 year/10-year treasury spread is now -0.47% and the UK's 2 year/10 year treasury spread is -0.01%. 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 6.49%. 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 17.82 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

We are taking a short break from circulation, our next newsletter is to be Tuesday, May 23, 2023.

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

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