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NEWS HIGHLIGHTS

EST. 2007

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

JUNE 5, 2023

OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND[1]

PORTLAND 15 OF 15 ALTERNATIVE FUND[1] COMPANY NEWS

SoftBankGroup Corp. (SoftBank) – Arm Technologies Inc. (Arm) enabling many artificial intelligence (AI) applications already taken for granted, and it will be fundamental to building the next wave of AI innovations, Rene Haas, Chief Executive Officer (CEO) said in a keynote address at the Computex trade show in Taiwan on Monday. AI has swept across the global tech industry this year, juicing stock prices and propelling Nvidia Corporation (Nvidia)to the brink of becoming the first trillion-dollar chipmaker. Arm, in search of a lofty valuation to satisfy parent SoftBank , is looking to present itself as another avenue for investors to tap into this vein of tech optimism. Citing examples from Amazon.com Inc.'s (Amazon) Alexa voice assistant and Alphabet Inc.'s Google Pixel phones to smart traffic light management and robotic beehive maintenance, Haas made the argument that on-device and small-scale AI processors will all run Arm technology. He also pointed to Nvidia's Grace Hopper next-generation architecture for accelerating AI as another example of Arm in the AI supply chain. It was the one future product that Haas could talk about, the CEO said, since Nvidia had just discussed it a day prior. Haas was otherwise tight-lipped about Arm deployments to come due to his company's quiet period ahead of an initial public offering (IPO). Arm intends to go public by the end of the year, a spokesperson confirmed Monday.

Reliance Industries Limited (Reliance) - JioCinema, the streaming service backed by Reliance netted a record number of viewers for the Indian Premier League final, the wildly popular short-format cricket tournament whose digital rights were secured by the company last year. About 32 million concurrent viewers tuned into the free-to-watch airing of the rain-delayed, then shortened, match, said a spokesperson for Viacom18, the joint venture between Reliance and Paramount Global that owns JioCinema. The close clash, held in the 130,000-person capacity Narendra Modi Stadium in Ahmedabad, saw popular veteran Mahendra Singh Dhoni lead the Chennai Super Kings to a fifth league title. Viewership was likely boosted by speculation the final would be 41-year-old Dhoni's last professional appearance, though the former Indian captain signaled he's likely to return to next year's tournament. Focus now turns to whether JioCinema can turn the success of free-to-watch IPL into paid subscriptions. Reliance Industries Ltd. has aspirations to become a global media player and JioCinema has already started charging for content after acquiring rights to Home Box Office (HBO) and Warner Bros. Discovery, Inc. shows as it takes on giants like The Walt Disney Company (Disney) and Netflix, Inc. in the massive Indian market. Ambani's media venture outbid companies including Disney to clinch the digital rights to Indian Premier League (IPL), though Disney, which is facing an exodus of paid subscribers, bagged the television broadcast rights. With a year until the next IPL season kicks off, it's unclear whether JioCinema can maintain its growth and scale. The IPL has revolutionized cricket since its inception in 2008, bringing Bollywood glamor and American sporting glitz to the stereotypically genteel sport. While the shift away from tradition has put off some fans, others have been enticed by the shorter and brasher format that typically sees a match only last around four hours.

Amazon.com, Inc. (Amazon) - is deploying artificial intelligence across a dozen of its largest warehouses to screen items for damage before orders are shipped to customers. The company said the technology should cut the number of damaged items sent out, speed up picking and packaging, and eventually play a critical role in the company's efforts to automate more of its fulfillment operations. Amazon estimates that fewer than one in 1,000 items it handles is damaged, though the number is significant for the retailer as it handles around 8 billion packages annually. The initiative comes at a time when retailers, supply-chain operators and software makers are searching for ways to use AI to speed up workflows and simplify supply-chain decision making. Amazon has been working to further automate its warehouses as it has struggled to find workers and looked to turn some of the most physically challenging and repetitive warehouse jobs over to robots.

Samsung Electronics Co., Ltd. (Samsung) – Personal Computers (PC) makers like Samsung. are pinning their hopes for reviving laptop sales on upgraded displays. At the Computex show in Taiwan this week, every major local electronics brand showed off new laptop models with organic light-emitting diode (OLED) displays, the same technology used in smartphones. OLED produces more vibrant colors, greater uniformity and superior contrast compared to conventional liquid crystal display (LCD) technology, but it uses more energy and comes at a higher cost. It's become the universal standard on smartphones, after debuting on the highest-end devices, and Samsung's display subsidiary has been advocating its proliferation to larger form factors. Samsung Display has more than 99% of the laptop OLED market. ASUSTeK Computer Inc. ' co-CEOs said they hope suppliers like BOE Technology Group Co., Ltd. or LG Display Co., Ltd (LG Display) enter the fray to drive down prices. LG Display already makes even pricier Mini LED screens for Apple Inc.'s MacBooks and may be planning to enter the laptop-scale OLED business in response to clients' requests. Apple plans to move to OLED for its MacBook lineup, Bloomberg News has reported. For now, most PC makers are putting their efforts into selling OLED as a premium feature, with many of them seeking out Pantone certification for their color accuracy. Taipei-based Micro-Star International Co. Ltd. (MSI) even introduced a 16-inch OLED laptop with Mercedes-AMG Motorsport branding at Computex. The power consumption of OLED, where every pixel is individually lit, is one of the major challenges of the technology. Beyond Taiwan, Samsung Display is also working with Dell Technologies Inc., Hewlett-Packard Development Company, L.P. (HP Inc.), Razer Inc., Lenovo Group Limited and the consumer-facing Samsung brand.

Carnival Corporation & plc (Carnival) –announced the appointment of Paul Ludlow as Carnival UK president in addition to his leadership role for Peninsular & Oriental (P&O) Cruises. In his new consolidated position, Ludlow will assume all commercial and operational responsibility for Carnival UK which includes P&O Cruises and Cunard globally. Katie McAlister, New Cunard president, who joins the company in August, will report to Ludlow. As part of this leadership change, Sture Myrmell will be leaving the business after a long and illustrious career with the company. Commenting on the changes, Carnival CEO and chief climate officer Josh Weinstein said: "Paul is a 21-year veteran of the company with far-reaching experience across every commercial department and multiple brands in our portfolio of world-class cruise lines. That deep expertise, coupled with Paul's proven leadership and track record of outstanding results, make him the clear choice to support our entire UK organization and to drive our return to strong profitability." Weinstein added: "I would also like to thank Sture for 30 years of dedicated service. From his start in our company as an officer aboard Cunard, to becoming President, P&O Cruises – Australia, to coming full circle and ultimately leading Carnival UK including the venerable Cunard brand, Sture's dedication and contributions to our company have been significant. We wish him well." Carnival UK & P&O Cruises president Paul Ludlow said: "There has never been a more auspicious time for our two brands. P&O Cruises continues to deliver outstanding success and is clearly at the forefront of contemporary, mainstream holidays. Aligned with global talent including Gary Barlow and Nicole Scherzinger, as well as credible, authentic partnerships such as the recent British Academy of Film and Television Arts Television Awards sponsorship, the future of the brand could not be brighter. Next year will be a momentous one for Cunard with the arrival of our new ship and our fourth Queen, Queen Anne, which will once again shine the spotlight on this exceptional brand with its rich legacy. I am confident that the arrival of Katie McAlister to lead the Cunard team will build on the demand for Cunard voyages in the UK and across the world." Ludlow's role is effective from June 1, 2023.

LVMH Moët Hennessy Louis Vuitton (LVMH)– Bernard Arnault is reportedly set to visit China, as European luxury goods makers closely track the pace of recovery of the key market following three years of COVID-19 disruptions. Arnault's visit to the all-important Chinese market, which comes after high-profile visits to the country this week by Jamie Dimon, JPMorgan Chase & Co (JP Morgan) CEO and Elon Musk, Tesla Inc (Tesla) chief, will take place later this month. The LVMH chairman and chief executive met with Wang Wentao, Chinese Commerce Minister in Paris in April at the Avenue Montaigne flagship store of the group's Christian Dior label. Arnault's daughter Delphine Arnault, CEO of Dior, as well as other top LVMH executives attended the meeting, and the group pledged to take part in China's International Import Expo, which will be held in Shanghai in November. Chinese officials have been eager to emphasize the country is open for business since lifting lockdowns in December. The recovery has been patchy, but the luxury sector has outperformed other consumer categories as wealthy consumers have maintained their spending habits on the mainland. The planned visit for Arnault comes at a critical time for LVMH's reboot of U.S. jeweler Tiffany, its largest acquisition ever, which it seeks to expand in China as part of a strategy to catch up with larger rival Cartier. A rebound in China helped lift LVMH's first-quarter sales, which grew 17%. Executives from other luxury companies are also emphasizing China, especially as sector sales in the United States show signs of easing off of a strong, post-pandemic surge.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

JPMorgan has notified nearly 1,000 First Republic Bank employees that they will no longer have a job as it integrates the failed lender it bought last month.

National Bank of Canada (National Bank): reported core cash earning per share (EPS) of CA$2.38 in Second Quarter(Q2)/Fiscal (F)23, which came in above the consensus estimate of $2.36. The pre-tax pre-provision earnings were down 6% quarter over quarter (Q/Q) and up 4% year over year (Y/Y). The bank reported core Return on Equity of 17.5% this quarter, which was down 90 basis points (bps) over the quarter. The Core Equity Tier 1 ratio of 13.3% was up 70bps sequentially. National Bank increased its quarterly dividend to $1.02/share, up 5% Q/Q.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

Amgen Inc. (Amgen) – announced the presentation of new data from the CodeBreaK clinical trial program, the most comprehensive global development program in patients with KRAS G12C (glycine 12 to cysteine)-mutated cancers, at the American Society of Clinical Oncology (ASCO) Annual Meeting. The research presented reinforces the efficacy of LUMAKRAS (sotorasib) in advanced non-small cell lung cancer (NSCLC) and metastatic colorectal cancer (mCRC). Additionally, data from SCARLET, an Amgen funded investigator study sponsored by the West Japan Oncology Group, will be presented and is the first study to highlight the safety and efficacy of sotorasib in combination with platinum-based chemotherapy for frontline treatment of patients with advanced NSCLC harboring a KRAS G12C mutation. In the first and only randomized study for any KRAS G12C inhibitor, data from a post-hoc analysis of the global Phase 3 CodeBreaK 200 trial included patients with advanced NSCLC and treated/stable central nervous system (CNS) lesions at baseline, as assessed by a blinded independent central review (BICR). In this analysis using a modified exploratory response assessment in neuro-oncology brain metastases (RANO-BM), LUMAKRAS demonstrated delayed time to CNS progression and longer CNS progression-free survival (PFS) compared with docetaxel. Additionally, the CNS objective response rate (ORR), an assessment of CNS tumor shrinkage following treatment, was more than double (33.3% versus 15.4%) in patients treated with LUMAKRAS (n=18) compared to docetaxel (n=13). The safety profile in this analysis was similar to the CodeBreaK 200 overall population.

Guardant Health Company (Guardant) – announced that Singapore's Health Sciences Authority (HSA) has granted regulatory approval of Guardant360 CDx, a liquid biopsy test for tumor mutation profiling, also known as comprehensive genomic profiling (CGP), in patients with advanced solid cancers. The Guardant360 CDx test was also approved as a companion diagnostic to identify patients with advanced non-small cell lung cancer (NSCLC) with epidermal growth factor receptor (EGFR) alterations who may benefit from treatment with TAGRISSO (osimertinib). Guardant360 CDx is the first blood test to be approved by Singapore's HSA for comprehensive genomic profiling for all solid tumors. Since being introduced as a laboratory developed test (LDT), the Guardant360 liquid biopsy has become widely accepted for blood-based CGP with more than 400 peer-reviewed publications. The Guardant360 CDx test was the first blood test to be approved by the U.S. Food and Drug Administration (FDA) for comprehensive genomic profiling for all solid tumors, and it is now FDA approved as a companion diagnostic test for four targeted therapies in NSCLC and one in advanced breast cancer. In March 2022, the test was also granted regulatory approval by Japan's Ministry of Health, Labour and Welfare for tumor mutation profiling in patients with advanced solid cancers as well as a companion diagnostic to identify patients with microsatellite instability-high (MSI-High) solid tumors who may benefit from Keytruda (pembrolizumab) and patients with MSI-High advanced colorectal cancer who may benefit from Opdivo (nivolumab). In addition, Guardant Health is currently involved in multiple studies with drug development companies to develop Guardant360 CDx as a companion diagnostic for new therapies.

IGM Biosciences , Inc. (IGM) – announced an update on its clinical development program for IGM-8444, a novel multivalent death receptor 5 (DR5) agonist, in patients with metastatic colorectal cancer. Phase 1 data reported from a cohort of patients treated with IGM-8444 in combination with FOLFIRI, with and without bevacizumab, showed a very encouraging safety profile, which was broadly comparable to that expected from chemotherapy alone in this setting. Specifically, in the 51 colorectal cancer (CRC) patients treated with IGM-8444 plus FOLFIRI, with and without bevacizumab, no drug related clinically significant hepatotoxicity was observed and only grade 1 and grade 2 transient liver enzyme elevations were noted, through the data cut-off date of April 12, 2023. The majority of colorectal patients in this study were on their third line of treatment or beyond and over 70% of the patients treated with the combination regimens had previously been treated with irinotecan-based chemotherapy. In these predominantly third-line metastatic colorectal cancer patients, the combination of IGM-8444 dosed at 3 milligrams per kilogram(mg/kg) and FOLFIRI without bevacizumab showed promising activity. This is the group of patients which had the longest treatment follow up. In this 24-patient group, the median progression-free survival (PFS) in the 24 patients was 5.6 months as of the data cut-off date of April 12, 2023, which is higher than the historical median progression-free survival of approximately 2 months with standard of care third-line colorectal cancer treatment without bevacizumab. The longest observed progression-free survival in this group has extended beyond 16 months and 11 of these 24 patients remained on treatment as of the data cut-off. Importantly, multiple patients showed longer durations of treatment with IGM-8444 and FOLFIRI than they had with their previous FOLFIRI regimens. Encouraged by these results, IGM has initiated a randomized trial in second-line patients with metastatic colorectal cancer to assess the benefit of 3 mg/kg of IGM-8444 combined with the current standard of care regimen of FOLFIRI and bevacizumab. This open-label trial began in the first quarter of 2023, and the company hopes to have enrolled approximately 110 patients in the trial by the first quarter of 2024 and to have median progression-free survival data from these patients by the end of 2024.

IGM announced that the FDA has cleared two Investigational New Drug (IND) applications for imvotamab, an IgM-based CD20 X CD3 bispecific antibody T cell engager, enabling the initiation of Phase 1b studies in both severe systemic lupus erythematosus (SLE) and severe rheumatoid arthritis (RA). The company plans to begin patient enrollment in both multicenter clinical studies in the third quarter of 2023. The primary outcome measure of the Phase 1b SLE and RA clinical trials will be the safety, tolerability, pharmacokinetics, pharmacodynamics and biologic activity of imvotamab in patients with severe SLE and severe RA who have failed multiple prior therapies. In preclinical in vivo studies, imvotamab has demonstrated deep B cell depletion within tissues, where depletion of pathogenic immune cells may be critical to long-term clinical benefit in autoimmune diseases. Imvotamab has also demonstrated in preclinical in vitro studies that it can be more effective in depleting B cells with low levels of CD20 expression as compared to rituximab. Further, recently reported results from the company's Phase 1 and Phase 2 non-Hodgkin's lymphoma (NHL) studies demonstrated an incidence of cytokine release syndrome (CRS) that was lower than the rates of CRS reported for other T cell engaging bispecific CD20 x CD3 antibodies in comparable NHL clinical studies.

NUCLEAR ENERGY

Constellation Energy Corporation (Constellation)– operator of the U.S.' largest fleet of reliable, carbon-free nuclear plants, announced it is acquiring NRG Energy Inc.'s 44% ownership stake in the South Texas Project Electric Generating Station, a 2,645-megawatt, dual-unit nuclear plant located about 90 miles southwest of Houston. The transaction is valued at US$1.75 billion, with an effective purchase price of $1.4 billion after taking into consideration the present value of tax benefits to Constellation. The transaction will be financed with a combination of cash and debt. "The South Texas Project is an exceptionally well-maintained plant and its ability to produce resilient, carbon-free energy 24/7 makes it among the most valuable power sources in the world," said Joe Dominguez, president and CEO of Constellation. "With the potential to run for at least 46 more years with the right policy support, we look forward to working with the South Texas Project's other owners to continue bringing clean, reliable electricity to this growing region for decades to come." After the transaction, Constellation will be one of three owners with oversight of the South Texas Project Nuclear Operating Company (STPNOC), which will continue to operate the plant. The purchase is subject to approval by the Nuclear Regulatory Commission and Department of Justice. We expect the deal to be completed by year end. One of the newest and largest nuclear plants in the U.S., the South Texas Project has an exceptional track record for safety and reliability, generating enough carbon-free power for two million average homes. Constellation is an industry leader in operating nuclear plants safely, efficiently and reliably, with a fleetwide capacity factor of more than 94% over the past decade, or about 4% higher than the industry average. The company has ownership interests in 13 generating stations with 23 nuclear units capable of producing approximately 21,000 megawatts of electricity, enough clean energy to power approximately 15 million homes. BofA Securities is serving as the exclusive financial advisor to Constellation and Sidley Austin LLP is the lead transaction counsel to the company.

Plug Power Inc. (Plug) – a leading provider of turnkey hydrogen solutions for the global green hydrogen economy, plans to develop three green hydrogen production plants in Finland, resulting in the production of 850 tons per day (TPD) of green hydrogen, or 2.2 gigawatts (GW) of electrolyzer capacity, by the end of the decade with final investment decision (FID) by 2025/2026. Using Plug's Proton exchange membrane (PEM) electrolyzer and liquefaction technology, the green hydrogen produced at these sites will support the production of ammonia and green direct reduced iron (DRI), reduce dependence on fossil fuels, and materially support the decarbonization of Europe. These projects are expected to represent some of the largest investments in the European market. Plug has initiated discussions with large financial investors and debt providers. Plug expects capital structure will include a majority of non-recourse debt, similar to other renewable asset financing. At a signing ceremony in Helsinki, Finland, Andy Marsh, Plugs CEO secured the commitment of three Finnish municipalities to access land, kicking off these historical projects. The sites will be strategically located in Finland to take advantage of its abundant decarbonized and clean energy sources, such as nuclear, wind and hydro power. In Kokkola, Finland, the site is expected to generate 85TPD of liquid green hydrogen, and up to 700 kilotons (kt) of green ammonia per year, using 1 gigawatt (GW) of electrolyzers. The liquid green hydrogen will be produced for local use and for export to western Europe from the Port of Kokkola. Green ammonia will also be exported through the same port. In Kristinestad, Finland, a 1GW electrolyzer plant located close to a former coal plant will generate green hydrogen for green steel production (2.0 megatonne per year of DRI/HBI (hot briquetted iron) produced) exported from the port of Kristinestad. In Porvoo, Finland, the site will produce up to 100TPD by 2030. The hydrogen will be used for local mobility and exported through pipeline injection to Western Europe. For the development of the ammonia plant, Plug is partnering with Hy2Gen, the global project developer of renewable hydrogen, ammonia and hydrogen-based e-fuels. Hy2gen is backed by Hy24, the largest global hydrogen infrastructure fund, by Mirova, a management company dedicated to sustainable investment, by Caisse de dépôt et placement du Québec (CDPQ), a global investment group investing in the energy transition, by Technip Energies, a leading engineering and technology company for the energy transition, and Trafigura, a market leader in the global commodities industry. Plug will also collaborate with Hy2Gen AG (Hy2Gen) on the development of hydrogen derivatives (e-fuels, methanol and ammonia) on other projects in the region, enabling industry and transport users to reduce their carbon footprint. For the development of the DRI/HBI plant, a form of green reduced iron, Plug is partnering with GravitHy, an industrial company dedicated to decarbonizing the steel value chain and in which Plug was a founding partner alongside other large corporations (EIT InnoEnergy, Engie SA, Forvia SE, IDEC Coporation, Primetals Technologies Limited). GravitHy is also developing a similar integrated site which will produce 2 million tonnes of DRI/HBI in the south of France. This is a strategically important move for Plug and will enhance European energy security. This scale of electrolyzer capacity accounts for close to 5% of the RePower EU plan, which has targeted 10 million tons of renewable hydrogen produced in Europe by 2030. These projects will support the development of green electricity and green hydrogen around the European backbone pipeline near the Bothnian Bay and contribute to Finland's efforts to become carbon neutral by 2035, a goal set by the Finnish government in the National Climate and Energy Strategy. Plug's planned green hydrogen production sites are expected to create around 1,000 direct jobs and over 3,000 indirect jobs, significantly boosting the local economy.

ECONOMIC CONDITIONS

Statistics Canada released its gross domestic product (GDP) estimate for the first quarter of 2023. The economy grew at an annualized rate of 3.1%, above consensus estimate calling for a 2.5% increase. The previous quarter's result, meanwhile, was revised down a tick to -0.1%. Domestic demand rebounded in the first quarter (+2.6%), as household consumption expenditures (+5.7%), government investment (+13.8%) and non-residential investment (+8.7%) swelled, more than offsetting a decline in residential investments (-14.6%), government spending (-1.5%) and investment in machinery and equipment (-9.6%). Trade had a significant positive impact on GDP, with exports (+10.1%) jumping sharply while imports increased only slightly (+0.9%). Inventory depletion continued in the quarter, resulting in a negative contribution of 2.3% to GDP. Nominal GDP grew by 4.2% on an annualized basis following a 3.0% decrease in the final quarter of 2022. Also in nominal terms, disposable income dipped an annualized

3.9%, its first decline in five quarters. Consumption, meanwhile, rose 8.6% annualized. As a result, the savings rate dropped from 5.8% to 2.9%, which is essentially in line with its pre-pandemic level (2.8%). Industry data showed that output remained unchanged in March. Goods were down 0.1% while services were flat. Statistics Canada also released an advance estimate for April showing an increase of 0.2% month over month.

U.S. Nonfarm payrolls increased 339,000 in May, the most since January's advance. Moreover, the prior two monthly increases were revised up by a total of 93,000. Most sectors continue to pump out a steady stream of jobs, with government piling on with another 56,000 increase and leisure and hospitality adding 48,000 positions. However, aggregate work hours fell 0.1% and are down slightly so far in the second quarter from the first quarter, flagging a slower quarter for GDP. In addition, the household survey was virtually the complete opposite of the establishment report. It printed a 310,000 decline in employment, which, coupled with a moderate rise in the labour force, pushed the unemployment rate up by 0.3 percentage points to 3.7%. The number of unemployed spiked by 440,000 to above 6 million. Likely in response to the loosening in labour market conditions, average hourly earnings growth slowed to 0.3% in the month, trimming the yearly rate to 4.3%. The acceleration in payrolls, coupled with a recent upturn in job openings, suggests that American businesses are still aggressively hiring, likely to meet resilient consumer demand. However, the other areas of softness in this report suggests that the labour market is losing steam. In light of a recent downward revision to unit labour costs data, the Federal Reserve will take further comfort from the gradual moderation in wage growth. There's likely enough pockets of softness in this report for the Federal Open Markets Committee to pass on raising rates at the next meeting, though another strong payrolls gain in June, coupled with another disappointing inflation report, could set the stage for a rate increase in July in our view.

U.S. Institute for Supply Management (ISM) manufacturing PMI slipped by 0.2 points to a 2-month low of 46.9 in May, in-line with expectations and the third decline in the past five months. That is seven straight months below 50, or, in contraction territory. Of the five equally-weighted components: (i) new orders -3.1 points to near 3-year lows; (ii) production +2.2 points, the 3rd increase in a row and expanding for the first time in half a year; (iii) employment +1.2 points (2nd increase in a row); (iv) inventories -0.5 points (5th decline in a row); and (v) supplier deliveries were less delayed for the fourth month in a row, which is negative for the index. 'Good' news for the Federal Reserve, prices paid took a 9-point dive to a 5-month low of 44.2.

Saudi Arabia announced oil production cuts on the weekend of an extra 1 million barrels per day (bpd) starting in July. That puts production at its lowest level in several years and highlights Saudi Arabia's commitment to stabilize oil markets despite little help from allies. Russia, the second largest Organization of the Petroleum Exporting Countries (OPEC)+ producer, was not required to make any additional cuts this year. United Arab Emirates (UAE) will increase its production limit for next year, as some African members were asked to give part of their unused quotas away. OPEC plans to reduce overall production targets from January 2024 by a further 1.4 million bpd versus current targets.

China Purchasing Managers Index (PMI)s showed a further loss of momentum in May and disappointed expectations. China manufacturing PMI slipped to 48.8 (consensus. 49.6) as the output component retreated to contractionary territory after 3 straight months of expansion. New orders and employment PMI components also deteriorated, and the manufacturing sector appears to be stuck in the doldrums. Similarly, non-manufacturing PMI also dropped to 54.5 (consensus. 55.3), albeit still in expansionary territory. However, the recent COVID-19 wave may nudge households to self-isolate and we don't expect any relief for the services sector in the near-term. Overall, the disappointing PMI readings in May adds to confirmation that activity in China is slowing and authorities may need to lean on another rate cut to give some support to the economy.

Hong Kong's office space sector. Despite a full return to work-in-the-office environment (subway ridership has surpassed 2019 levels), Hong Kong's class A (i.e. prime) office vacancy rate has continued to surge higher, reaching 14.73% in April (<6% at end-2019) versus New York City 12.5% and Singapore 4.5%. Primary reasons cited include: (i) The West is Leaving. Ongoing exodus of Western firms due to geopolitical uncertainties (finance industry comprises ~30% office space); (ii) Trophy Skyscrapers. Estimated 7 millimeter (mm) square foot (sq. ft) new Class A office space coming online over the next 3 years vs. 1.8 million sq. ft absorption rate pre-COVID-19; (iii) Still Nosebleed Rates. Class A building prices and rents have fallen -26% / -29%, respectively (Mar 2023 versus 2018 peak) but still leaves Hong Kong with the world's highest occupancy costs and: (iv) Mainland Isn't Coming Fast Enough. Mainland companies accounted for ~11% Q1 new leases (~15% 2017-19 average) and ~8% commercial property purchases (~19% pre-COVID-19). Based upon the reports, the office space glut could take nearly a decade to work down in our view (i.e. would need to absorb ~8.6 million existing Class A space to get back to pre-COVID-19 vacancy levels, new construction coming online over next 3 years looks to add 1.6 million sq. ft more than demand even optimistically assuming a return to 1.8 million sq. ft pre-COVID-19 absorption rate; this implies ~10.2 mm sq. ft / 1.8mm = approximately 6years required absorption post 2026).

FINANCIAL CONDITIONS

The U.S. 2 year/10-year treasury spread is now -0.79% and the UK's 2 year/10-year treasury spread is -0.24%. 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 could be an early warning of an economic slowdown.

The U.S. 30-year mortgage market rate has increased to 6.93%. 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 14.93 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: *"Silence is a true friend who never betrays." ~ Confucius*

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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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