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NEWS HIGHLIGHTS

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

JUNE 19, 2023

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OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND[1]

PORTLAND 15 OF 15 ALTERNATIVE FUND[1] COMPANY NEWS

Berkshire Hathaway Inc. (Berkshire) – said it added to holdings in Japan's five biggest trading houses, likely underpinning strong momentum propelling the nation's stock market to multi-year highs. Berkshire said its stakes in ITOCHU Corporation (ITOCHU), Marubeni Corporation (Marubeni), Mitsubishi Corporation (Mitsubishi), Mitsui & Co., Ltd. (Mitsui) and Sumitomo Corporation (Sumitomo) now average more than 8.5%. It first announced the buys in 2020, and the additional purchases are in line with its plans to hold the stakes long term and increase them to as much as 9.9%. Buffett's investments and his optimism about Japan's prospects have drawn attention to improving economic conditions and shareholder-friendly corporate governance reforms that have helped underpin a sparkling rally in the Nikkei share average. 10 weeks of consecutive gains have helped the Nikkei rise 28% this year. Berkshire said the aggregate value of the investments is the largest of any Berkshire-held public stocks outside the U.S. Known as "sogo shosha", Japanese trading houses deal in a variety of materials, products and food, often serving as intermediaries, and provide logistical support. The stocks are all up more than 30% this year, with Marubeni shares up 62% and having more than tripled in price since the end of 2020. The trading firms' regulatory filings of June 12 showed Berkshire holding 7.4% of ITOCHU's stock, 8.3% of Marubeni and Mitsubishi's stock, 8.1% of Mitsui's stock and 8.2% of Sumitomo's stock.

Brookfield Asset Management Ltd. (Brookfield)– IndInfravit Trust has completed the acquisition of four operational road projects from funds managed by Brookfield in an all – cash transaction of US$1 billion. IndInfravit Trust had earlier executed definitive agreements with BIF India Holdings Pte. Ltd. and Kinetic Holdings Inc. – both companies owned by funds managed by Brookfield, to purchase the equity shareholding of five operational road projects. It has completed the acquisition of Simhapuri Expressway Limited, Rayalseema Expressway Ltd., Mumbai-Nashik Expressway Private Ltd. and Kosi Bridge Infrastructure Company Private Limited. The acquisition of the fifth road project, Gorakhpur Infrastructure Company, is pending the receipt of requisite regulatory approvals. The funding for the acquisition was through rupee term loan, issue of non-convertible debentures and preferential issue of units to the unitholders namely, Canada Pension Plan Investment Board and Ontario Municipal Employees' Retirement System Infrastructure. The acquired portfolios are in Andhra Pradesh, Maharashtra and Bihar. "It is in line with IndInfravit's growth strategy and a testament to the continuing investor interest in the Indian infrastructure sector. With the strong backing of our investors – Canada Pension Plan Investment Board, Ontario Municipal Employees Retirement System and Allianz Capital Partners, we are poised to participate in Indian infrastructure monetisation plans," said Pawan Kant, chief executive officer (CEO), Ltidpl Indvit Services Limited.

Brookfield Renewable Partners L.P. (Brookfield Renewable) has reportedly agreed to buy a portfolio of wind and solar farms from Duke Energy Corporation (Duke) for US$2.8 billion ($1.05 billion in equity). Duke expects net proceeds from the transaction to be about $1.1 billion. The company also announced an $800 million write-down on the unit, in addition to the $1.3-billion charge it took earlier this year. The unit develops new projects and operates about 3.4 gigawatts of solar, wind and battery storage. U.S. utilities are racing to unload unregulated power assets outside of their home markets after Wall Street began prioritizing businesses focused on their core territories. Investors now prefer utilities that invest locally, with returns guaranteed by passing spending costs to their customers. "With this acquisition, we are adding a scale operating renewable platform with a full suite of in-house capabilities and a proven management team experienced in operations and development," said Connor Teskey, CEO of Brookfield Renewable. "We are also adding to our pipeline of renewable development projects, solidifying our position as one of the largest renewable energy businesses in the U.S. with almost 90,000 megawatts (MW) of operating and development assets." The sale is subject to satisfaction of customary closing conditions, including regulatory approval by the Federal Energy Regulatory Commission and the expiration of the waiting period under the Hart-Scott-Rodino Act. The sale is expected to close by the end of 2023.

Brookfield Renewable secured US$650 million from a $500 million bought deal and $150 million invested by Brookfield affiliate Brookfield Reinsurance. The renewable energy company sold 8.2 million of its LP units at $30.35 and 7.43 million of its shares at $33.80. The stocks are listed on both New York Stock Exchange and Toronto Stock Exchange. Brookfield Renewable is using the money to fund $265 million of equity it is contributing to purchase a renewable energy portfolio from Duke for US$1.05 billion, the balance coming from institutional partners. The acquired portfolio consists of 5,900MW of operating renewable energy projects and a 6,100MW development pipeline. The purchase is expected to boost 2024 funds from operations by at least 3%, with 90% of cashflows from the operational assets contracted under long-term purchase agreements with a weighted-average life of 13 years. Brookfield had already spent more than $1 billion on acquisitions this year, headlined by its joint purchase of Australia's Origin Energy Limited (Origin) in March with GIC Private Limited and Temasek Holdings (Private) Limited that saw it invest $750 million. Entering the year, the company had said it planned to invest $6–$7 billion in acquisitions over the next five years. With Origin and Duke, it is on pace to exceed that target.

Reliance Industries Limited (Reliance) - is in talks with lenders for a foreign-currency loan of up to US$2 billion to fuel the ongoing expansion of its oil-to-telecoms business, according to people familiar with the matter. Reliance plans to use India's dedicated external commercial borrowing route to secure the loan, the people said, asking not to be identified because the discussions are private. The facility may have a maturity period ranging between three to five years, one of the people said, and the proceeds will be used for capital expenditure and to refinance another loan that matures in September. Lenders involved in the discussions include Bank of America Corporation, Citigroup Inc. and Standard Chartered PLC, one of the people said. Spokespeople for those banks declined to comment, while a representative for Reliance said they couldn't immediately comment. Ambani is raising funds as he continues to build out the telecoms and consumer-facing arms of a business based on a foundation of crude-oil refining. Reliance's expansion spree has been fueled by generous borrowings after the firm managed to achieve net debt zero status in 2020. Reliance has said it aims to invest $75 billion in renewable energy over 15 years and last year acquired the $3 billion streaming rights to the highly coveted Indian Premier League cricket tournament. The firm is also rolling out 5G network services across India, which is expected to cost $25 billion.

Samsung Electronics Co., Ltd. (Samsung) - South Korea is pivoting to a hard-line stance in its relations with China following meetings between the two where Beijing used high-handed diplomatic rhetoric, the DongA newspaper cited a key government official as saying. Seoul will seek to reduce dependence on China's supply chains and if needed could change how South Korea defines the "three nos" security understanding with China, DongA reported, citing the South Korean official it did not name. The South Korean government plans to de-risk from its reliance on Chinese goods, such as battery materials, the newspaper reported, emphasizing that it wasn't to the extent of completely decoupling from the world's second-largest economy. Xing Haiming, China's Ambassador, this month told Lee Jae-myung, South Korean opposition leader, that he would be grateful if the government of Yoon Suk Yeol, current President, freed itself from external factors when dealing with China, likely a reference to Seoul's deepening ties with the U.S. Chang Ho-jin, First Vice Foreign Minister, summoned Xing the following day to issue a stern warning over the remarks it deemed provocative and interfering in the county's domestic politics. On Saturday, China responded, expressing grave concerns and dissatisfaction over Seoul's comments, speaking in a meeting with Chung Jae-ho, South Korean Ambassador, according to a statement from the Beijing government. The statement from China also said leadership hopes South Korea will reflect on current issues in their bilateral relationship and take them seriously. During a closed-door cabinet meeting held in the presidential office Tuesday, President Yoon Suk Yeol said the Chinese ambassador's remarks were inappropriate for a diplomat, according to a separate report from Yonhap News, citing multiple people who attended the cabinet meeting. Yoon is caught between the U.S., his country's main security ally, and China, South Korea's biggest trading partner. He's shown support for Biden administration calls to restructure global supply chains to reduce dependence on China, drawing criticism from Beijing. The U.S. has applied pressure to allies including South Korea to comply with its sweeping curbs on the sale of advanced chips and chipmaking equipment to China, where major South Korean semiconductor makers such as SK Hynix Inc. and Samsung operate facilities.

Amazon.com, Inc. (Amazon) and The Walt Disney Company (Disney) - announced Thursday that "Hey Disney!," the new voice assistant built on Alexa technology, is officially available in the U.S. for most voice-activated Echo devices. Hey Disney! marks the first time that an Alexa Custom Assistant (ACA) has launched on Echo devices inside customers' homes. ACA allows companies to customize Alexa's technology so it is specific to their brand and supports their in-house tech. The custom assistant has its own voice and personality, and features over 20 characters across Disney, Pixar, and Star Wars franchises. Users can issue Hey Disney! simple commands like setting an alarm or timer, and there are thousands of custom interactions, from jokes and greetings to trivia games and soundscapes, among other activities. Users must sign up for an annual subscription in the Alexa Skills Store to access the voice assistant.

Amazon Freevee ("Freevee", formerly IMDbTV) has reached a deal with Warner Bros. Discovery, Inc. (Warner Bros.) and MGM Studios (MGM) to bring 23 free ad-supported TV (FAST) channels to the streaming service. The agreement will reportedly help Amazon reach its goal of growing Freevee's slate of FAST channels by 75% in 2023, and there are currently over 280 channels available on the platform. The 11 Warner Bros. channels include "Cake Boss," "Say Yes to the Dress," "Extreme Couponing," "Ghost Brothers," "Paranormal Lockdown" and more. Freevee will also add 12 MGM FAST channels, including the "The Pink Panther," "Stargate," "MGM Presents" and "The Outer Limits." Amazon acquired MGM in 2022 receiving access to over 21,000 titles in the process, and the company also launched Amazon MGM Studios Distribution, marking the first time that Amazon has licensed original content to third parties. This announcement comes on the heels of Amazon adding more than 100 Amazon Original series to Freevee, including hit shows like "Reacher," "Upload," "The Terminal List," "Goliath" and "The Wheel of Time."

Alphabet Inc. (Alphabet) - has finally launched its script editor tool, offering more powerful automations for a Google Home-powered smart home. The tool is available and the script editor is part of Google's new web interface for Home which also has live feeds for any Nest cameras on an account. Automations in the smart home let you string multiple devices together to automate tasks such as turning lights on, playing music, locking doors, and so on. There are more advanced options for automations than are currently available in the Google Home app. Similar to other platforms that allow for advanced connections – like Home Assistant and features offered in Samsung SmartThings and Apple Home through Apple Shortcuts – the Google Home script editor requires some basic coding knowledge.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

Amgen Inc. (Amgen) – After nearly 20 years away, pharma vet Paul Burton, M.D., Ph.D., is returning to Amgen, where he will take on an expanded version of the chief medical officer position he currently holds at Moderna, Inc. On June 26, Burton will assume the title of Amgen senior vice president and Chief Medical Officer (CMO) according to an internal memo sent to Amgen staff by David Reese, Research &Development (R&D) Executive Vice President. The appointment comes a few months after Amgen shook up its structure with the formation of a so-called chief medical officer. The changes expand the CMO's oversight to include global medical, regulatory and patient safety issues as well as R&D strategy and operations. In the recently renovated role, Burton will report to Reese. The pharma vet took up the CMO role at Moderna in July 2021, when he was poached from Johnson & Johnson (J&J) shortly after the company rolled out its COVID-19 vaccine. During his 16 years at J&J, Burton held various leadership positions, most recently as chief global medical affairs officer for its pharmaceutical unit Janssen. Prior to J&J, Burton had actually been at Amgen, working as a global development leader after the Immunex Corporation merger from 2002 to 2005.

Clarity Pharmaceuticals Ltd (Clarity) – said radiopharmaceuticals developer Petnet Solutions will manufacture ready-to-use 64Cu sarcophagine (SAR) -bis prostate-specific membrane antigen (PSMA) for U.S.-based clinical trials under the Clinical Supply Agreement in accordance with current Good Manufacturing Practise (Cgmp) criteria. In particular, 64Cu SAR-bisPSMA is an investigational positron emission tomography (PET) agent that is expected to begin a pivotal Phase III trial in the United States by the end of 2023, with a potential second Phase III trial in 2024. The firms' Master Services Agreement will allow for the expedited technology transfer of other Cu-64-based imaging agents from Clarity to the Petnet Solutions network in the U.S. for current and future clinical trials. Both the Clinical Supply Agreement and the Master Service Agreement take effect on 13 June 2023. Before the end of the calendar year 2023, Petnet Solutions is anticipated to deliver the initial supply. The Clinical Supply Agreement has a three-year starting term, whereas the Master Services Agreement has a five-year initial term.

RadNet, Inc. (RadNet) – national leader in providing high-quality, cost-effective, fixed-site outpatient diagnostic imaging services, announced the closing of its underwritten public offering of 8,711,250 shares of its common stock at a price to the public of US$29.75 per share, which includes the entire overallotment option to the underwriters of 1,136,250 shares. The gross proceeds to RadNet from the offering, before deducting the underwriting discounts and commissions and other offering expenses, are expected to be approximately $259.2 million. RadNet intends to use the net proceeds from the proposed offering to pay down $100 million of its first lien term loans and for working capital and general corporate purposes. Jefferies Financial Group Inc. and Raymond James Financial, Inc. acted as joint active book-running managers for the offering. Barclays PLC, Truist Securities, RBC Capital Markets and TD Securities Inc also acted as joint book-running managers for the offering. CJS Securities acted as a co-manager for the offering.

Telix Pharmaceuticals Ltd (Telix) – announced that the first patient has been dosed in a global Phase II study of the Company's carbonic anhydrase- Carbonic Anhydrase IX (CAIX) -targeting PET/CT imaging agent TLX250-CDx (89Zr-DFO-girentuximab), exploring this potential target across a broad range of cancer indications. The STARBURST study is a prospective, open label Phase II "basket" study to investigate CAIX expression in patients with a diverse range of solid tumours – including breast, cervix, colorectal, gastric, esophageal, head and neck, lung, ovarian, pancreatic and vulval cancers – for potential diagnostic and therapeutic applications. CAIX is a protein overexpressed on the surface of clear cell renal cell carcinoma, the cancer target in Telix's highly successful Phase III ZIRCON study. It is also expressed to varying degrees in many other advanced-stage solid tumours with poor prognosis. Tumours that express CAIX are typically hypoxic, more aggressive and feature a tumour micro-environment that can be resistant to therapy, particularly immunotherapies. STARBURST is exploring these tumour types in the refractory setting to assess whether tumour sites can be targeted, both for imaging and potentially therapeutic purposes. The study builds on encouraging preliminary data from two investigator-initiated studies in triple-negative breast cancer and non-muscle-invasive bladder cancer, which demonstrate the potential of TLX250-CDx in these disease settings with unmet medical need. The half-life of 89Zr means that imaging these tumours with TLX250-CDx will enable predictive dosimetry for therapeutic radionuclides, effectively serving as a theranostic "scouting" study for future studies harnessing therapeutic radionuclides.

NUCLEAR ENERGY

Centrus Energy Corp. (Centrus) – announced that it has successfully completed its operational readiness reviews with the U.S. Nuclear Regulatory Commission (NRC) and received NRC approval to possess uranium at the Piketon, Ohio site and introduce uranium into the cascade of centrifuges Centrus has constructed. This is a critical milestone in advancing toward first-of-a-kind production of High-Assay, Low-Enriched Uranium (HALEU) and means that Centrus remains on track to begin production by the end of 2023. Centrus began construction of a cascade of centrifuges in 2019 under contract with the U.S. Department of Energy. In 2022, Centrus secured a competitively awarded follow-on contract to finish construction, complete final regulatory steps, bring the cascade into operation, and produce HALEU for the Department's use. The operational readiness reviews were required under Centrus' NRC license, which was successfully amended in 2021 to make the Piketon site the only NRC-licensed

HALEU production facility. Construction of the cascade and most of the support systems is now complete, and Centrus has also finished initial testing of these systems. The next steps are for Centrus to complete construction of the on-site HALEU storage area and conduct final testing activities prior to operation, with initial HALEU production set to begin by the end of the year. HALEU is an advanced nuclear fuel required for most of the next-generation reactor designs currently under development. Nine of the ten advanced reactor designs selected for funding under the Department of Energy's Advanced Reactor Demonstration Program, including the two demonstration reactors, will rely on HALEU, as will the first non-light water reactor to enter licensing review by the NRC. Separate from the operations contract, Centrus is investigating the possibility to scale up the Piketon facility with additional centrifuge cascades for expanded HALEU production – provided that sufficient funding or offtake contracts can be secured. A full-scale HALEU cascade, consisting of 120 individual centrifuge machines, with a combined capacity of approximately 6,000 kilograms of HALEU per year (6 Maximum Transmission Unit /year), could be brought online within about 42 months of securing the funding to do so. Centrus has the capability to add an additional cascade every six months after that. Such an expansion would mobilize hundreds of union workers in Ohio to build and operate the plant and support thousands of direct and indirect jobs across a 100% domestic manufacturing supply chain.

Constellation Energy Corporation (Constellation)– CVS Health Corporation (CVS Health) agreed to an 18MWagreement with Constellation to purchase zero-emission, renewable energy equivalent to the annual electricity use of its 147 CVS Health locations throughout Michigan. Through a 12-year agreement beginning in April 2025, CVS Health will purchase energy and renewable energy certificates (RECs) from Swift Current Energy's Double Black Diamond Solar Project (Double Black Diamond) in Illinois. This is made possible by a long-term agreement between Constellation and Swift Current Energy under which Constellation will purchase a portion of the energy and RECs generated by Double Black Diamond. Construction of the project began in earnest in March 2023. In total, CVS Health will procure approximately 35,000 MW hours of energy per year from Double Black Diamond, which is expected to help the company reduce its carbon footprint by nearly 17,000 metric tons calculated on an annual basis. This is the equivalent emissions of nearly 3,800 gasoline-powered passenger vehicles driven for one year, according to U.S. Environmental Protection Agency greenhouse gas equivalencies. CVS Health will use the Constellation Offsite Renewables (CORe) product to facilitate its renewable energy transaction. CORe connects customers to the economic and sustainability benefits of large-scale, offsite renewable energy projects and is among Constellation's suite of retail power products that help customers achieve their carbon reduction goals.

NuScale Power Corporation (NuScale)– NuScale, Nuclearelectrica, E-INFRA, Nova Power & Gas, Fluor Corporation and Samsung C&T Corporation have signed a memorandum of understanding (MoU) to collaborate to implement NuScale small modular reactor plants (SMR) in Romania and elsewhere in Central and Eastern Europe. Under the MoU the companies will work together to support the development of NuScale VOYGR power plants - which feature its SMRs - at a former coal-fired plant at Doicești in Romania and also at other potential locations across the region. Nuclearelectrica says that the SMR plant at Doicești - due to be the first NuScale one outside of the U.S. - will directly create 190 permanent jobs plus potentially thousands more for companies seeking to take advantage of a "clean, stable, affordable and safe energy source". The combined expertise of Nuclearelectrica, NuScale Power, E-INFRA, Nova Power & Gas, Fluor Corporation and Samsung C&T Corporation will provide support for SMR deployment and implementation of NuScale's SMR power plant in critical areas of development such as: project planning, licensing, permitting, engineering, procurement, construction, operation, maintenance, decommissioning, financing and local resources capitalization, thus enabling regional SMR like-minded states to benefit from the experience and deploy SMRs safely and in line with the national energy needs. They believe that the combined expertise of those involved means that "in important areas of development, such as project planning, obtaining licences and authorisations, engineering, procurement, construction, operation, maintenance, decommissioning, financing and capitalisation of local resources" they will be able to help "regional states that share the same interest in the development of SMRs to benefit from experience and implement SMRs under conditions of safety and in accordance with national energy needs". The NuScale Power Module on which the VOYGR nuclear power plants are based is a pressurised water reactor with all the components for steam generation and heat exchange incorporated into a single 77 MW unit. It is the first SMR design to receive approval from the U.S. Nuclear Regulatory Commission. The company offers a 12-module VOYGR-12 power plant capable of generating 924 MWe as well as the four-module VOYGR-4 (308 MW) and six-module VOYGR-6 (462 MW) plants and other configurations based on customer needs.

Plug Power Inc. (Plug)– will deliver containerized proton exchange membrane (PEM) electrolyzer systems to Avina Clean Hydrogen Inc. (Avina) for a green hydrogen production facility that will serve the commercial mobility sector in southern California. Plug's electrolyzers will support the first hydrogen production facility for heavy-duty trucks in Southern California. Plug has a right of first refusal to supply electrolyzers for Avina's next hydrogen production facility. To help California reach its ambitious climate goals of slashing greenhouse gas emissions 85% by 2045, Avina will work with fleet operators and refueling station providers to provide green hydrogen supplied by Plug's electrolyzers. Each of Plug's electrolyzer units will enable Avina to produce up to two metric tons per day of green hydrogen, or 730 metric tons annually. Plug's 5 MW turnkey electrolyzer is the largest available outdoor solution with the smallest footprint in the market, making it easier and more affordable to install than other solutions. The electrolyzers will be built using stacks manufactured at Plug's state-of-the-art gigafactory in Rochester, N.Y., the world's first and largest PEM fuel cell and electrolyzer manufacturing gigafactory. Delivery of the systems is expected in the second quarter of 2024, and the production facility is anticipated to be fully operational in mid-2024. Vishal Shah, founder and CEO, Avina commented upon the announcement "By leveraging Plug Power's proven, highly efficient, containerized PEM electrolyzer units, Avina is well positioned to provide a reliable source of green hydrogen to commercial mobility and other markets in California."

Plug, a leading provider of turnkey hydrogen solutions for the global green hydrogen economy, will supply Blue EnerFreeze, the energy subsidiary of STEF, the European market leader in the transportation and logistics of food products, with a complete green hydrogen ecosystem across two distribution centers, before potentially expanding further into their network of over 100 sites. One of the distribution centers is close to Paris, France and the other is close to Madrid, Spain. Temperatures in STEF's chilled and frozen food storage warehouses can plunge to negative 30 degrees Celsius, in worst cases. Under these conditions, lead acid battery-powered forklifts lose their charge quickly. Meanwhile, hydrogen fuel cells display superior performance in cold storage environments, offering higher asset utilization and increased levels of autonomy in demanding, typically multi-shift, mobility applications. The transition from lead-acid batteries to Plug's hydrogen fuel cells will potentially improve STEF's forklift labor productivity due to maximum power over an entire shift. Battery-powered lift trucks lose approximately 14% of their speed over the last half of the battery charge. Unique to cold storage applications, the switch to fuel cells allows operators to stay productive longer. This also means that lift truck operators can continue working in the cold storage facility for a full shift strengthening their comfort and avoiding changing of the batteries. In parallel, fuel cell power solutions never require charging or changing. Battery changing currently requires 15 minutes per shift compared to two minutes for hydrogen refueling. Over a year, that 13 minutes saved per shift represents more than 234 hours of lost productivity per forklift truck in a three-shift operation. Toyota Motor Corporation will provide compatible fuel cell-ready forklift models, designed and manufactured for operator comfort, productivity and efficiency in mind, for this project as part of its commitment to developing fuel cell projects across Europe. The Paris and Madrid cold/freezer storage sites will be converted to fuel cells and be operational in the first quarter of 2024. After the success of these two sites, STEF and Plug plan to expand the use of fuel cells in STEF's more than 100 distribution centers in Europe, where STEF provides specialist solution services for our industry, retail and food service customers in 8 European countries.

ECONOMIC CONDITIONS

U.S. Consumer Price Index (CPI) increased increase 0.1% in May, in line with market expectations and pulling headline inflation down by 0.9 percentage points to 4.0% year over year. This is the slowest since March 2021 and looks encouraging against the 9.1% year over year peak last June. Lower gasoline prices (-5.6%) and subdued food price gains (0.2%) offset much of the expected 0.4% increase in the core index. For the core CPI, this marks the fifth 0.4% reading in the past six months (the other one was 0.5%), pulling core inflation down by 0.2 percentage points to 5.3% year over year and showing less impressive improvement from September's 6.6% peak (and it's the slowest since November 2021). Both tenant and owners' equivalent rent rose 0.5% month over month. Although still elevated, these results are down from the 0.7%-to-0.8% ranged readings we were seeing just three months ago. The deceleration should continue in the months ahead given the lagged impact of recently falling market prices. Core services prices also rose 0.4%.

U.S. retail sales rose 0.3% in May, better than expectations of a flat reading (prior month unrevised). That leaves sales up a tepid 1.6% from a year ago, but a firmer 4.0% excluding gas stations. So, while spending momentum (on goods) has clearly slowed in recent months, and even more so when stacked up against 2% year over year core goods inflation, it's not completely breaking. Indeed, the details of the May report were solid, all things considered. Auto sales increased 1.4% (which was probably the biggest surprise), building materials jumped 2.2%, and there were broad gains across general merchandise, restaurants, furniture and online stores. All told, core retail sales excluding autos, gas and building materials were up 0.2%, which was bit soft, but isn't likely to prompt any major downward revisions to the second quarter real consumer spending or Gross Domestic Product (GDP) growth.

Chinese credit growth disappoints again, extending the weak growth seen in April and suggest underlying loan demand remains lackluster. Aggregate financing only rose by CNY1560 billion (consensus: CNY1900 billion, April: CNY 1217 billion) which cut aggregate financing growth to a near-record low of 9.5% year over year from 10% last month. New yuan loans also came in less than expected at CNY1360 billion (consensus: CNY1550 billion, April: CNY 719 billion), with growth down to 11.8% from 12.2% previously. This reflected tepid borrowing from the household and non-financial business sectors, which suggest that the economic recovery may be stalling. Overall, China's economy is facing demand-side issues (weak household/business sentiment, waning global demand) rather than an issue with credit supply.

UK employment numbers saw solid wage growth again with average hourly earnings surging above expectations. The ex-bonus number jumped 7.2% year over year in April and well above the 6.9% consensus call by economists and above the 6.8% revised year over year number in March. The unemployment rate ticked lower to 3.8% and below the 4% consensus call. Markets had expected 150,000 new jobs but the UK economy produced 250,000 in April.

UK GDP rose 0.2% month over month in April, in line with the consensus, thus recovering from most of March's 0.3% month over month decline. Services output grew 0.3% month over month, also in line with the consensus, in large part due to a notable 1% month over month increase in wholesale and retail trade and a 1.3% month over month rise in information and communication. The education sector also contributed to the increase in services output, seemingly due to the downtick in strike action. The health component put some downside pressure on the print, declining 1.3% month over month, in part due to more junior doctor strikes days. Overall, this puts the second quarter GDP on track to match the Monetary Policy Committee's forecast of flat quarter over quarter growth. Looking ahead to the May print, the extra bank holiday for the King's coronation should weigh quite heavily on GDP growth.

Australia May Jobs report beat expectations, with jobs gain at +75,900 (consensus: 17,500), reversing the -4,000 decline last month. The one-off decline in jobs last month was largely due to noise from the Easter holidays but the magnitude of the rebound caught many by surprise which was largely driven by strong gains in full-time jobs (+61,700). Looking at longer-term trend, jobs growth on a 3/6 moving average basis is still fairly steady which suggests brisk hiring while participation rate also hit a record at 66.9%. Consequently, unemployment edged lower to 3.6% (last: 3.7%) and the report highlights a continuing tight labour market.

New Zealand first quarter GDP contraction nudged its economy into a technical recession (2 straight consecutive quarters of negative quarter over quarter growth), contrary to Reserve Bank of New Zealand's expectations for a +0.3% quarter over quarter read. GDP growth came in at -0.1% quarter over quarter, y in line with consensus expectations with annual growth registering at +2.2% year over year. The softer GDP read was led by the contraction in business/professional services sector at -3.5% quarter over quarter, followed by the manufacturing, retail trade and transport sectors. By the expenditure measure, GDP growth was -0.2% quarter over quarter given private sector inventories drawdowns and a fall in services exports. Encouragingly, household consumption expenditure and private investment rose but, in our view, this is likely fleeting as high interest rates will start to bite.

FINANCIAL CONDITIONS

U.S. interest rates: As expected, the Federal Open Markets Committee voted to leave the target range for the federal funds rate unchanged at 5.00% to 5.25%. The decision to hold follows 10 straight rate increases, that saw the policy rate rise by 500 basis points. Meanwhile, the Federal 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 (US$60 billion/month) and agency mortgage-backed securities ($35 billion/month). Once again, there were no dissenters in the decision. This is the 8th consecutive unanimous decision.

On the economy, the statement notes that "activity has continued to expand at a modest pace", which is effectively the same message as in May. The decision to hold steady "allows the Committee to assess additional information and its implications for monetary policy". However, A second straight hold may not be likely as the statement subtly hinted at future rate increases, a message that was more forcefully reinforced in the 'dot plot'. Indeed, the statement now says "in determining the extent of additional policy firming that may be appropriate…" rather than "in determining the extent to which additional policy firming may be appropriate…" As always, the Federal Open Market Committee "remains highly attentive to inflation risks". The dot plot reads more hawkish than its predecessor, with the median projection signaling two additional 25-basis points rate hikes between now and the end of the year, i.e., one more than what had been anticipated by the markets before the meeting. And the surprise didn't end there, the level of policy rates anticipated at the end of 2024 and 2025 having also been revised upwards, from 4.250% to 4.625% in the first case, and from 3.125% to 3.75% in the second. The Federal thus still expects rates to fall towards their neutral level (unchanged at 2.5%) in the mid- to longer-term, albeit more slowly than it had previously anticipated. The points remained widely dispersed in the two most distant years of the horizon, a sign of the high level of uncertainty surrounding these forecasts. The Summary of Economic Projections, meanwhile, showed a more resilient economy, with the 2023 fourth quarter over fourth quarter growth forecast having been upgraded from 4.1% to 4.5% and the end-of-year unemployment rate forecast having moved from 4.5% to 4.1%.

The European Central Bank raised the three key rates another 25 basis points, which brought the refi rate to 4.00% (highest since September 2008), the deposit rate to 3.50%, and the marginal lending facility to 4.25%. Are they finished? No. The projections for core CPI were revised up considerably. Headline CPI was tweaked a bit higher, and the core CPI showed "tentative signs of softening". And, that their past rate hikes are "being transmitted forcefully". But the comment that seemed to calm expectations was offset with the line that inflation is "projected to remain too high for too long" and at the Press Conference President Lagarde said that "We're not satisfied with the inflation outlook", there is "still ground to cover", and that "We're not thinking about pausing".

The Bank of Japan board members unanimously decided to keep policy rates unchanged overnight as expected. The overnight policy rate stays at -0.1% while the 10-year Japanese Government Bond target remains at 0% with allowing fluctuations of +/- 50 basis points. The Japanese central bank continues to believe that the pace of CPI will "decelerate toward the middle of fiscal 2023" and that "inflation expectations have been more or less unchanged recently after rising". Also, the Bank "will continue to maintain the stability of financing, mainly of firms, and financial markets, and will not hesitate to take additional easing measures if necessary".

The U.S. 2 year/10 year treasury spread is now -0.95% and the UK's 2 year/10 year treasury spread is -0.59%. 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 6.67%. 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 14.19 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: *"Nobody cares how much you know, until they know how much you care." ~ Theodore Roosevelt*

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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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PIC23-033-E(06/23)