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NEWS HIGHLIGHTS

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

JUNE 26, 2023

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COMPANY NEWS

Amazon.com, Inc. (Amazon) - has said that its investments have contributed US\$6.1 billion of gross value and 16,000 jobs to the UK economy since 2010. This would cover the activities of all the company's various subsidiaries, including Kindle Direct Publishing, Amazon Publishing, Prime Video, Audible, Amazon Fashion, Amazon Music and Amazon Games. Overall, the company, has invested more than £4.2 billion in the UK creative industries since 2010, and has doubled its investment since 2018. Amazon also disclosed its support for more than 100 new apprenticeships across the creative industries and is doubling its creative industries apprenticeship levy funding to \$2.6 million, which supports the British Record Industry Trust, the Association for Independent Music and Women in CTRL, and several non-Amazon productions.

Amazon announced that it plans to double its investment in India over the next seven years after meeting with Narendra Modi, Prime Minister, last week alongside other high-profile American companies. To date, the company has invested about \$11 billion in India, with plans to invest an incremental \$15 billion by 2030. Most of the investment is likely earmarked for Amazon Web Services expansion, TechCrunch notes, and last month the company said it plans to invest \$12.7 billion into its cloud business in India. The South Asian country represents a key overseas market for Amazon despite the company closing several businesses in India in recent quarters. Competitor Walmart Inc. has also spent over \$2.5 billion in India this year. Tech giant peer, Alphabet Inc. (Alphabet), announced that the company will open a global fintech operation center in Gujarat International Finance Tec-City in the state of Gujarat.

Meta Platforms Inc. (Meta) - has been developing a Twitter-like, text-based social media network that would compete with Twitter. The company previously confirmed that it was “exploring a standalone decentralized social network for sharing text updates,” but did not offer further details on the nature or name of the app. According to Consumer News and Business Channel, Meta enjoys an advantage from all the users already integrated into Facebook and Instagram and has strong relationships with brands and advertisers which could generate revenue at launch. The app is reportedly codenamed Project 92, or P92, and it will be deeply integrated into Instagram, populating information from the existing social media platform. A reported integration with ActivityPub, a social media protocol designed to promote “decentralized” social networks, means that systems that run on similar protocols, like Mastodon, would have interconnectivity with Project 92. Meta is supposedly in talks with high-profile figures for them to join the platform, including the Dalai Lama and Oprah Winfrey. The company is reportedly planning for the app to be available this summer, roughly six months after it initially started building the platform.

Reliance Industries Limited (Reliance) - India's Reliance Jio Infocomm Ltd. (Jio) is in talks to raise a loan for about US\$1.6 billion to fund the purchase of equipment from Nokia Oyj (Nokia), according to people familiar with the matter. Banks involved in the discussions with Jio include Citigroup Inc. (Citibank), HSBC Holdings PLC (HSBC), and JPMorgan Chase & Co. (JPMorgan), said the people, who asked not to be named because the matter is private. The loan will likely have a maturity of as much as 15 years and will be priced over the Secured Overnight Financing Rate, they said. As the deal hasn't yet been finalized, the lineup of banks and the terms may still change. Finland's export credit agency, Finnvera PLC, will issue guarantees covering the majority of the loan, they said. Nokia announced last October that it had clinched an agreement to supply Jio with equipment for its 5G rollout in India. Ambani's Reliance was first out of the starting blocks to offer 5G in India, after investing billions of dollars to acquire the airwaves. JPMorgan, Citibank, HSBC and Nokia declined to comment.

Samsung Electronics Co., Ltd. (Samsung) - French President Emmanuel Macron will meet with the leaders of top South Korean companies on Wednesday, including Samsung, senior Elysee officials said. The chief executives are traveling to France with Yoon Suk Yeol, Korean President, who is scheduled to have a working lunch with Macron in Paris on Tuesday. Macron will host an initial gathering with eight Chief Executive Officers (CEOs), in which he will pitch his plan to reindustrialize France and transform it into a key tech hub. The French leader will then hold individual talks with the heads of SK hynix Inc. (SK) and Samsung to discuss chips and batteries, according to the officials. The meetings take place at a moment when European leaders are especially eager to attract investment. The clean-technology incentives in Joe Biden, U.S. President's landmark climate bill, the Inflation Reduction Act, are fueling concerns that Europe will fall behind in the race to attract production of electric-vehicle components and other key technologies. The officials added that France will also stress its willingness to assist South Korea with its plans to expand its nuclear power industry.

Brookfield Asset Management Limited. (Brookfield) – Oaktree Capital Management (Oaktree) has raised more than US\$2.3 billion for its first private credit fund dedicated to life sciences companies, according to a statement seen by Bloomberg. The Oaktree Life Sciences Lending Fund will lend directly to biopharmaceutical and medical device companies across the globe, focusing on firms that have strong intellectual property or late-stage assets targeting difficult-to-treat medical conditions. Oaktree seeks to provide non-dilutive financing to companies in the sector that typically raise capital through the equity markets to support their capital-intensive needs, said Aman Kumar, co-portfolio manager of life sciences lending at Oaktree. Non-dilutive financing, which takes the form of structured debt and other financing structures like royalties, provides cash to a growing business while also preserving the ownership of the existing equity holders. “There are a couple of key changes starting to shift the demand to non-dilutive financing,” Kumar said. “A decade ago, 70% of innovations in the life sciences space was done in large-cap companies. Now 70% is coming from small to mid-cap companies that can't access the broadly syndicated market and previously primarily relied on raising equity.” The fund has already committed roughly 40% of the capital in the fund across 16 deals, 95% of which were to businesses not already backed by private equity firms. The fund's maximum loan-to-value at origination will not exceed 25% and average investment sizes will fall in the range of \$75 million to \$200 million, according to Kumar. Oaktree's dedicated life sciences team, which has 11 people across New York, Los Angeles and London, has committed more than \$4 billion over the past decade, including \$250 million to Seres Therapeutics Inc. and \$50 million to Oxford Biomedica PLC. Oaktree has \$172 billion in assets under management as of March 31, 2023, approximately \$24 billion of which is in its private credit platform.

Carnival Corp (Carnival)– reported second quarter of 2023 earnings and set sights on 2026 (STEM Equity Achievement) SEA Change Program. U.S. Generally Accepted Accounting Principles net loss of US\$407 million, or \$(0.32) diluted Earnings Per Share (EPS), and adjusted net loss of \$395 million, or \$(0.31) adjusted EPS, was above the better end of the March guidance range of \$425 to \$525 million net loss for the second quarter of 2023. Adjusted earnings before interest, taxes, depreciation and amortization for the second quarter of 2023 was \$681 million, at the high end of the March guidance range of \$600 million to \$700 million. Carnival reported record second quarter revenue of \$4.9 billion. The company saw continued acceleration of demand, with total bookings made during the quarter reaching a new all-time

high for all future sailings. Total customer deposits reached an all-time high of \$7.2 billion (as of May 31, 2023), surpassing the previous record of \$6.0 billion (as of May 31, 2019) by over \$1 billion, a 26% increase compared to the prior quarter. Cash from operations and adjusted free cash flow were positive in the second quarter of 2023. The company expects continued growth in adjusted free cash flow to be the driver for paying down debt over time. Second quarter of 2023 ended with \$7.3 billion of liquidity following the prepayment of over \$1 billion in near term variable rate debt. The company is introducing its SEA Change Program, a set of key performance targets designed to achieve important strategic goals over a three-year period ending in 2026. Carnival Corporation & plc's Josh Weinstein CEO commented, “We reached a meaningful inflection point for revenue this quarter, with net yields surpassing 2019's strong levels, and we achieved positive operating income, cash from operations and adjusted free cash flow.” Weinstein continued, “We are already executing on our strategy to grow revenue by taking up ticket prices, even while maintaining record onboard spending levels, building occupancy and growing capacity.” Weinstein added, “Based on continued strength in pricing, we delivered outperformance in the second quarter and raised our expectation for revenue in the second half, which coupled with the interest expense benefit we are capturing from deleveraging will bring another \$275 million dollars to the bottom line for the year.” Weinstein noted, “With bookings and customer deposits hitting all-time highs, we are clearly gaining momentum on an upward trajectory. We are focused on the durable revenue growth and margin improvement that will deliver on our SEA Change Program and propel us on the path to delevering and investment grade leverage metrics.”



Amgen Inc. (Amgen) – announced the full approval by the U.S. Food and Drug Administration (FDA) of the supplemental Biologics License Application for Blincyto (blinatumomab). Blincyto is used to treat adults and children with Cluster of Differentiation 19 (CD19) - positive B-cell precursor acute lymphoblastic leukaemia, who are in their first or second complete remission with minimal residual disease (MRD) greater than or equal to 0.1%. Approved after additional data was submitted from two phase 3 studies, Blincyto's accelerated approval is now a full approval. Blincyto is a bispecific T-cell engager (BiTE) immune-oncology therapy that targets CD19 surface antigens on Bcells. Helping the body's immune system fight cancer by detecting and targeting malignant cells, BiTE molecules bring T cells nearer to cancer cells, thereby enabling T cells to inject toxins and cause cancer cell death. Blincyto was granted breakthrough therapy and priority review designations by the FDA in the U.S. and is indicated for use as a monotherapy in the European Union. “In a phase 2 study, roughly 80% of adult patients treated with blinatumomab experienced a complete MRD response,” said Elias Jabbour, principal investigator from the department of Leukaemia at the University of Texas MD Anderson Center in Houston.

BridgeBio Pharma, Inc. (BridgeBio) – a commercial-stage biopharmaceutical company focused on genetic diseases and cancers,

presented updated six month results from Cohort 5 in PROPEL2, a Phase 2 trial of the investigational therapy infigratinib in children with achondroplasia, demonstrating a continued potentially best-in-class efficacy and safety profile at the Endocrine Society (ENDO) 2023 Annual Conference. Infigratinib is an oral small molecule designed to inhibit Fibroblast Growth Factor Receptor 3 and target achondroplasia at its source. "The safety and efficacy results seen in these Phase 2 data are extremely promising and suggest that infigratinib has the potential to be the first effective oral therapy to improve growth, enhance functionality and decrease complications in children with achondroplasia. We consider that the cumulative increases in growth velocity will translate to improvements for the medical and functional complications of achondroplasia, which will be impactful for those seeking treatment within the community," said Dr. Ravi Savarirayan, M.D., Ph.D., clinical geneticist and leader of the molecular therapies research group at the Murdoch Children's Research Institute in Melbourne, Australia and the global lead investigator for PROPEL2. The updated six-month results for 12 patients in Cohort 5 (0.25mg/kg/once daily) showed a mean increase from baseline in Annualized Height Velocity (AHV) is significant and robust at +3.38 cm/year. 83% of the children were responders, based on the criteria defined for the study with a change from baseline AHV of at least 25%, with a mean of +4.08 cm/year. Preliminary data suggests the Cohort 5 dose level may be having a positive effect on the upper and lower body segment ratio. Changes in linear growth are supported by an increase in collagen X marker, an independent, real-time biomarker of bone growth, supporting a true biologic effect from infigratinib. This increase in growth translated into an increase in z-score of +0.29 standard deviation scores compared to achondroplasia growth charts. Treatment has been well tolerated, with no serious adverse events (SAEs), or treatment emergent AEs that led to treatment discontinuation. Based on the positive results to date, BridgeBio is underway in enrolling children in the run-in for a Phase 3 trial. At ENDO 2023, BridgeBio also shared nonclinical results from studies in skeletal dysplasias as well as updates from its autosomal dominant hypocalcemia type 1 (ADH1) program, including positive 18 month data from its ongoing Phase 2 study of encaleret in ADH1 and its sponsored hypoparathyroidism genetic testing program.

Clarity Pharmaceuticals Ltd (Clarity) – announced it has commenced its 64Cu/67Cu sarcophagine (SAR)-Bombesin Phase I/II trial in metastatic castrate resistant prostate cancer (mCRPC) with the opening of the first site at BAMF Health, Inc in Michigan. COMBAT (Copper-67 SAR Bombesin in metastatic castrate resistant prostate cancer) is a dose escalation and cohort expansion trial for up to 38 participants. The aim for the trial is to determine the safety and efficacy of 67Cu-SAR-Bombesin in participants with gastrin-releasing peptide receptor (GRPr) expressing mCRPC in patients who are ineligible for therapy with 177Lu prostate-specific membrane antigen (PSMA)-617. SAR-Bombesin is a highly targeted pan-cancer radiopharmaceutical with broad cancer application. It targets the GRPr present on cells of a range of cancers, including but not limited to prostate, breast and ovarian cancers. GRPr is found in up to 100% of prostate cancers, including prostate cancers that don't express PSMA (PSMA-negative)2-6. The product utilizes Clarity's proprietary sarcophagine (SAR) technology that securely holds copper isotopes inside a cage-like structure, called a chelator. Unlike other commercially available chelators, the SAR technology prevents copper leakage into the body. SAR-Bombesin is a Targeted Copper Theranostic (TCT) that can be used with isotopes of copper-64 (Cu-64 or 64Cu) for imaging and copper-67 (Cu-67 or 67Cu) for therapy.

IGM Biosciences Inc. (IGM) – announced the pricing of its upsized underwritten public offering of 3,285,327 shares of its voting common stock and 7,312,500 shares of its non-voting common stock, in each case at a price to the public of US\$8.00 per share. In addition, IGM has granted the underwriters a 30-day option to purchase up to an additional 1,589,673 shares of its voting common stock at the public offering price, less underwriting discounts and commissions. All of the shares in the public offering will be sold by IGM. The public offering is expected to close on or about June 26, 2023. Concurrent with the public offering, IGM intends to sell, subject to the consummation of the public offering and other customary conditions, in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act), 2,812,500 shares of non-voting common stock to certain institutional and other accredited investors affiliated with or managed by Redmile Group, LLC at a sale price equal to \$8.00 per share. However, the consummation of the public offering is not contingent on the consummation of this concurrent private placement. IGM expects to receive total gross proceeds of approximately \$107.3 million from the public offering and the concurrent private placement, before deducting the underwriting discounts and commissions and estimated offering expenses payable by IGM in connection with the public offering and the concurrent private placement. Bank of America Corp. Securities, Jefferies Financial Group Inc., Stifel Financial Corp., and Guggenheim Strategic Opportunities Fund Securities are acting as joint book-running managers for the public offering.

POINT biopharma Global Inc. (POINT biopharma) – announced the publication of preclinical data from their pan-cancer, fibroblast activation protein- (FAP)-targeted program, PNT2004. PNT6555, the lead candidate in the PNT2004 program, led to complete and durable tumor regression and improved survival in Human Embryonic Kidney-murine FAP (HEK-mFAP) tumor-bearing mice when chelated to any one of the three radioisotopes studied: lutetium-177 (177Lu), actinium-225 (225Ac), and terbium-161 (161Tb). Additionally, 177Lu-PNT6555 in combination with anti-Programmed Cell Death Protein (PD) -1 checkpoint blockade was assessed in the aggressive, immunocompetent Computed Tomography 26 (CT26)-mFAP mouse model and demonstrated a significant survival benefit compared to either treatment alone. "By continuing to develop expertise in more isotopes, POINT is better positioned to create optimized next-generation radioligands, which match a ligand's properties with the most appropriate isotope," said Joe McCann, Ph.D., CEO of POINT Biopharma.

POINT biopharma and AdvanCell announced a collaboration on the development of a global 212Pb (lead) radioisotope and radioligand supply chain and drug manufacturing network to specifically support the clinical development and commercialization of 212Pb-labeled radioligands by each company. 212Pb is differentiated as both an alpha and beta-emitting isotope with a simple decay chain that has demonstrated promising clinical results1 in compassionate use and phase 1 settings. 212Pb is produced via a generator using thorium (228Th, 1.9 year half-life) or radium (224Ra, 3.6 day half-life) sources. 228Th is available in significant quantities and has a half-life that supports 212Pb generators with ~1 year shelf-lives stationed at a selected number of regional locations globally. The short half-life of 212Pb (10.6 hours) has the benefit of delivering >99% of the tumor cell-killing radiation in only 72 hours, which reduces the time that the ligand needs to be retained in the tumor, a common limitation for targeted radioligand therapies. The short half-life may also promote the

earlier maintenance of functional immune cells infiltrating the tumor relative to longer-lived isotopes. In contrast, only ~20% of the decays from 225Actinium occur in 72 hours, so prolonged tumor retention is required to achieve the same payload delivery. “We constantly strive to use the right isotope for the job, and variations in ligand and tumor characteristics require different isotope properties,” said Joe McCann, Ph.D., CEO of POINT Biopharma.

Telix Pharmaceuticals Limited (Telix) – announced it has entered into an agreement to acquire Lightpoint Medical (Lightpoint) and its SENSEI radio-guided surgery business. Lightpoint is a United Kingdom-based medical device company specialising in the intra-operative detection of targeted radiopharmaceuticals. SENSEI is an ultra-miniature robotic gamma probe for intracavitary use that is able to provide radiopharmaceutical-based surgical guidance (“radio-guided surgery”) by enabling the intra-operative detection of cancer in real time. Telix’s initial commercial objective is to align SENSEI with Telix’s Illuccix/TLX599-CDx programs for prostate cancer. Additionally, there is considerable scope to expand into other urologic and non-urologic malignancies. Lightpoint also has innovative capabilities in artificial intelligence (AI) for surgical guidance that will complement Telix’s own AI program. This highly strategic and synergistic transaction broadly strengthens Telix’s capabilities in deploying molecular imaging in the surgical setting. The acquisition will further enhance and differentiate Telix’s innovation position and product depth in urology by enabling targeted radiation to be harnessed across the entire continuum of cancer patient care, from initial diagnosis and staging, to surgical intervention and therapeutic use. SENSEI has attained a marketing authorisation in the United States, having been registered with the U.S. FDA since September 2020. SENSEI has also attained a Conformité Européenne Mark for use in the European Economic Area (and other applicable countries) in January 2021 for intra-operative detection of sentinel lymph nodes and cancer metastasis via the lymphatic system, supporting broad clinical use of the product. The SENSEI probe is currently the only gamma probe validated for use with the Intuitive Surgical DaVinci robotics system. Telix initially established a strategic collaboration agreement with Lightpoint in August 2021 to jointly develop SENSEI with Telix’s investigational PSMA-targeting single-photon emission computed tomography imaging agent TLX599-CDx for prostate cancer. The Lightpoint SENSEI business will be integrated into Telix and operate as a new surgeon-focused business unit, driving the ongoing development of SENSEI combined with Telix’s pharmaceutical pipeline. This new business unit will also support development of Telix’s other related medical device and software technologies, such as Telix’s recently acquired artificial intelligence platform.



NUCLEAR ENERGY

Cameco Corp (Cameco) – Westinghouse Electric Company (Westinghouse) announced it signed a Front-End Engineering and Design (FEED) contract with Bulgaria’s Kozloduy NPP-Newbuild for a new Advanced Passive (AP)1000® reactor to be located at the Kozloduy site. Work is commencing per the agreement to assess Bulgarian industry and the existing infrastructure at the Kozloduy site for its potential to support the construction of an AP1000 reactor. “We are pleased to begin work to deliver the world’s most advanced, Generation III+ reactor technology to provide clean and reliable baseload energy for our customer and the people of Bulgaria,” said David Durham, Energy Systems President for Westinghouse. “We thank NPP Kozloduy New Builds Plc and the Bulgarian Parliament for their confidence in our

industry-leading, Nth of a kind technology. We commend NPP Kozloduy New Builds Plc for their thoughtful approach to best-in-class project delivery that will ensure high localization of the work.” Earlier this year, both entities signed a memorandum of understanding establishing a joint working group to plan deployment of the AP1000 reactor in Bulgaria. The working group is evaluating regulatory, licensing and design requirements and developing a streamlined execution path in support of Bulgaria’s energy strategy. The FEED contract is the first step in delivering the AP1000 reactor project. There are currently two Russian-designed water-water energy reactor -1000 reactors in operation at the Kozloduy site. Westinghouse signed a 10-year agreement in December 2022 to supply nuclear fuel to one of the units starting in 2024. The fuel will be supplied out of Westinghouse’s fabrication site in Västerås, Sweden and is the only fully Western option to Russian supply. The AP1000 advanced reactor is the only operating Generation III+ reactor with fully passive safety systems, modular construction design and has the smallest footprint per megawatt electric on the market. In addition to one AP1000 reactor operating and another nearing completion at the Vogtle site in Georgia, four AP1000 units are currently setting operational performance records in China with six additional reactors under construction. Poland recently selected the AP1000 technology for its nuclear energy program and nine units have been announced for Ukraine. The technology is under consideration at multiple other sites in Central and Eastern Europe, the UK, and in the U.S.



ECONOMIC CONDITIONS

Russia’s internal strife is currently raising more questions than answers. For Yevgeny Prigozhin, leader of the mercenary force Wagner Group, the mixed bag includes (i) almost unhindered advance two-thirds of the way to Moscow from Ukraine front lines within 36 hours; (ii) exile to Belarus but ongoing ability to rule (for now); (iii) yet again proving his Group’s allegiance is higher than Russia’s military to Putin and (iv) ultimately his unwillingness to commit his forces to seize Moscow. For Putin, the mixed bag includes: (i) smartly engineering a pardon to avoid potential regime change; (ii) loss of credibility in not going through with his fiery speech to destroy Wagner President when he called the rebellion a “betrayal” and “treason”; (iii) reportedly fleeing Moscow (along with other elites) on Saturday as negotiations were ongoing and (iv) opening Pandora’s Box in showing weakness and enticing rogue operators to begin arranging contingent side deals if things really start to fall apart. In turn, this raises serious questions over Russia’s thousands of chemical/nuclear weapons and installations (when Wagner seized the city of Rostov over the weekend, reports are Wagner also seized control of the nuclear weapons stored at a key base).

Canada Housing Market: On a seasonally adjusted basis, home sales increased 5.1% from April to May, a fourth consecutive monthly increase. Sales growth continues to be widespread across the country again this month, with the biggest increases seen in Prince Edward Island (+22.3%), Saskatchewan (+9.2%) and Alberta (+8.0%). Conversely, Nova Scotia (+0.9%) and Manitoba (+1.0%) saw smaller increases. On the supply side, new listings jumped 6.8% in May, a second consecutive monthly increase. Overall, supply decreased in Canada as testified by the number of months of inventory (active listings to sales) decreasing from 3.3 to 3.1 in May. This remains up from the trough of 1.7 reached in the pandemic but remains low on a historical basis. The active listings to sales ratio is still tighter than its historical

average in the majority of Canadian provinces, with only Manitoba indicating a ratio above average. Housing starts in Canada decreased in May (-58,900 to 202,500 K, seasonally adjusted and annualized), falling short of consensus expectations calling for a 240,000 print. This decline more than offset April's 47,800 increase and was the sharpest since December 2021. In urban areas, declines in housing starts were seen in Ontario (-43,100 to 67,700), British Columbia (-20,100 to 38,200), Québec (-6,600 to 22,500) and the Maritimes (-1,500 to 8,100). Meanwhile, an increase was registered in the Prairies (+12,600 to 46,000) on gains in Manitoba (+3,000 to 7,000) and Alberta (+9,600 to 36,500) while starts in Saskatchewan (+100 to 2,500) remained essentially unchanged.

U.S. housing starts unexpectedly rose 21.7% to US\$1.63 million annualized in May, marking the highest level in more than a year. What is even more surprising is that the gains were driven by single-family units, which jumped 18.5%, while volatile multis also increased. Although home construction fell in the Northeast, it surged in the Midwest and South, while posting solid gains in the West. Meantime, building permits, a good gauge for future home construction, rose 5.2% to 1.49 million annualized. Permits for single-family dwellings climbed for a fourth straight month. According to the latest National Association of Home Builders Housing Market Index, homebuilder sentiment improved to an 11-month high. Limited inventory in the resale market and easing material costs continue to hoist confidence. The much stronger-than-expected figures suggest residential construction is improving, despite elevated mortgage rates. In our opinion, the Federal Reserve's rate rises may not be over.

U.S. Existing home sales edged up 0.2% to US\$4.30 million annualized in May, halting two straight months of decline. The better-than-expected figure was driven by condos, while sales of single-family homes slipped 0.3%. The South and the West posted gains while the Northeast and the Midwest saw further declines. The median selling price contracted 3.1% year over year, the biggest drop since the end of 2011, to \$396,100. Still, prices edged up compared to the prior month and look to be steadying, in seasonally adjusted terms, amid limited listings. Meantime, the number of homes available for sale fell 6.1% year over year, the first annual decline in 7 months. At the current pace, it would take 3.0 months to sell all homes on the market. While that's better than the record-low of 1.6 months seen back in January 2022, conditions are still tight in our opinion.

French Services Purchasing Managers' Index (PMI) plummeted in June from 52.5 to 48.0. This takes it to the lowest level since early 2021, with weak demand being driven by strong inflation and more challenging financial conditions (a sign that the European Central Bank (ECB)'s rate hikes are starting to pass through to the real economy). Manufacturing PMI came in roughly unchanged and in line with expectations, at an already-weak 45.5, leaving the overall Composite PMI at 47.3, its weakest reading since early-2021.

German Manufacturing PMI slipped a couple of points to 41.0, which puts it at its lowest values since the emerging days of the pandemic, and at one of its lowest values since the Global Financial Crisis. Firms reported the first decline in output prices in over 2.5 years, which should come as some comfort to the ECB, though pass-through from firms to consumer prices takes time. Job creation slowed to a three-month low. Services PMI surprised to the downside a couple of points as well, not unlike its French counterpart, slipping three points to 54.1. But with the Composite PMI still at 50.8, German activity remains (just) in expansion

territory in June, with momentum again slowing into the third quarter of 2023.

UK Flash PMIs surprised to the downside in June, with the Manufacturing PMI sliding roughly a point to 46.2, while the Services PMI fell 1.5 points to 53.7. There were mixed price signals in this report, with manufacturing prices falling outright for the first time in 7 years, while service providers recorded another steep rise in prices charged. Wage costs were higher too and were fueling higher output costs. This PMI data suggests the UK is doing slightly better than the euro area, but still shows a slowing in the pace of growth into the second half of the year.

UK inflation data came in stronger than expected once again in May, with headline inflation falling to 8.7% year over year (market: 8.4%, Bank of England: 8.3%) and core increasing to 7.1% year over year (market: 6.8%)—marking the fourth consecutive upside surprise to both headline and core. While the food component put some downside pressure on the print, this was more than compensated for by notable increases in recreation & culture and restaurants & hotels. Another notable driver was airfares, which surged over 20% month over month. This left services prices 0.8% higher than in April — the largest May increase on record. Moreover, core goods, which were the main surprise in the strong April data, also came in much stronger in May with an increase of 0.8% month over month as well — the third-largest May increase on record.



FINANCIAL CONDITIONS

Canadian Banks - Canada's Office of the Superintendent of Financial Institutions announced a 50 basis points increase at the Domestic Stability Buffer (DSB), raising it to 3.5% of total risk-weighted-assets (; with this increase, the new regulatory minimum Core Equity Tier1 ratio moves to 11.5% (effective November 1, 2023). Each of the "Big 6" Canadian Banks' Common Equity Tier 1 levels were above the new regulatory minimum at the end of the second quarter of 2023 with a group average of 13.3%, ranging from 11.9% at Canadian Imperial Bank of Commerce to 15.3% at Toronto-Dominion Bank . The higher capital levels are intended to reduce lending capacity/loan growth and will serve as a Return on Equity headwind for Canadian bank investors.

The Bank of England increased rates by 50 basis points. This takes Bank Rate to 5.00%. The vote was a definitive 7-2 vote, with the usual 2 dissents to keep rates unchanged. The text of the decision was largely unchanged, suggesting that further hikes will occur until and unless the data shifts materially softer; there was no sign of the Marginal Propensity to Consume thinking they've reached terminal. 50bps was largely justified by the recent economic trends (3-month annualised core wage and inflation rates between 8-9%).

UK Chancellor Jeremy Hunt held a meeting with the CEOs of various UK banks to discuss headwinds in the mortgage market, and actions from banks to help alleviate some pressures on and provide tailored support to borrowers struggling with (higher) repayments. As expected, some of these initiatives built on what was agreed ~6 months ago on what is expected from mortgage lenders. Examples here include more flexibility around extending the term of the mortgage (to temporarily reduce monthly payments), allowing customers to temporarily switch to interest-only payments "where appropriate". These actions will not affect borrowers' credit scores. Other measures announced were new, including a commitment by banks not to repossess a customer's home



within 12 months from a first missed payment, and an earlier ability for customers to lock in a new rate up to 6 months before the end of a current fixed rate-term (and flexibility to apply for a better deal within that 6-month period), etc. As widely trailed, Chancellor Hunt was more focused on continuing to lean on lenders to provide tailored support to borrowers experiencing difficulties than on any fiscal intervention in the mortgage market.

The U.S. 2 year/10 year treasury spread is now -1.02% and the UK's 2 year/10 year treasury spread is -0.86%. 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 6.63%. 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 14.08 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: "Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it." ~ Ronald Reagan

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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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