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NEWS HIGHLIGHTS

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

JULY 24, 2023

OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND[1]

PORTLAND 15 OF 15 ALTERNATIVE FUND[1] COMPANY NEWS

Amazon.com, Inc. (Amazon) plans to spend US$120 million on a new satellite processing facility at National Aeronautics and Space Administration's Kennedy Space Center, as the company prepares itself to launch the first batch of Project Kuiper prototype satellites in 2024. The company said that construction is already underway at the new facility which will be strategically located near the launch operators that will send Kuiper satellites to orbit, including Jeff Bezos' Blue Origin. "We have an ambitious plan to begin Project Kuiper's full-scale production launches and early customer pilots next year, and this new facility will play a critical role in helping us deliver on that timeline," Steve Metayer, Kuiper Production Operations Vice President said. Amazon is to kick off manufacturing of the satellites later this year in Kirkland, Washington. TechCrunch notes Kuiper is Amazon's way of taking on SpaceX's Starlink with a constellation of more than 3,200 high-speed internet satellites in low Earth orbit.

Amazon One, the company's palm-scanning technology, will be introduced to all 500+ Amazon-owned Whole Foods Market, Inc. (Whole Foods) stores nationwide by year-end. The system works by having the customer hover their palm above a reader device, which then identifies the individual's unique palm signatures associated with the customer's payment card on file. Since its 2020 launch, Amazon One has been rolled out to more than 400 locations across the U.S. and reached a milestone of over 3 million users. These locations include Amazon's own retail stores and Amazon Go convenience stores, along with various sports stadiums, entertainment venues, and travel retailers. Now that it is expanding to Whole Foods, shoppers will not need their wallet or even phone in order to make a purchase and can just use their palm, and Prime subscribers who link with an Amazon One profile will automatically have savings applied as a membership perk.

Meta Platforms, Inc. (Meta) is collaborating with Microsoft Corporation (Microsoft) to release a new version of its artificial intelligence (AI) model, called Llama 2, to developers building software on Microsoft's Azure cloud-computing platform. Llama, Meta's earlier version of the model, was previously released for academic research but the company has never opened it up for commercial use. Microsoft also announced that it would charge businesses US$30 a month per person for access to an AI powered assistant for Microsoft 365. Meta is releasing Llama 2 as "open source" software which is typically made widely available for use, modification and sharing by the public. This release could spur competition for private, commercial models such as Open AI's Generative Pre-Trained Transformer (GPT)-4 model, the Wall Street Journal notes. Microsoft is possibly showing its willingness to expand beyond ChatGPT as it makes Llama 2 available to Azure customers. "Open-source drives innovation because it enables many more developers to build with new technology," Mark Zuckerberg, Meta Chief Executive said. "It also improves safety and security because when software is open, more people can scrutinize it to identify and fix potential issues."

Reliance Industries Limited (Reliance)'s financial services unit was valued at about US$20 billion after a special session conducted by exchanges to discover its trading value. Jio Financial Services (Jio) was priced at 261.85 rupees ($3.19) a piece based on the difference between Reliance's stock price at Wednesday's close and trading at 10:00am Thursday in Mumbai following an hour-long special pre-market session. Reliance began trading on exchanges without its financial services unit. On Wednesday, Reliance said after the spinoff, each share in Jio would be equivalent to 4.7% of Reliance's closing price that day. This would value Jio's stock at 133 rupees apiece. The spinoff will bring

Mukesh Ambani, one step closer to creating the type of conglomerate similar to Alibaba Group Holding Limited and Tencent Holdings Limited. This marks the first time that Indian exchanges utilized a new method of price discovery for listed companies undergoing mergers and acquisitions as they seek to minimize price swings in benchmark indexes. Trading in Jio will start at a later date but authorities are watching for any market volatility as Reliance carries about 11% weight in the Nifty 50 gauge. Reliance offered one share of Jio for every share owned by Reliance's investors. Reliance's stock closed at an all-time high on Wednesday as investors made a last-minute attempt to qualify for Jio's shares. Ambani surprised investors last year by announcing the demerger of Reliance Strategic Investments Limited and its subsequent listing as Jio to unlock the value of his conglomerate. While analysts have indicated that the financial unit will be valued at one time price-to-book of trailing 12-month earnings, they expect the company to command a premium valuation as Reliance details a strategic roadmap going ahead.

Reliance saw an uptick in foreign shareholding during the June quarter after dropping to a six-year low, as attractive valuations and positive prospects of its newly spun-off financial services unit drew global funds. Foreign ownership in Reliance rose to 22.55% in the three-month period ended June after dipping to the lowest level since 2017 earlier this year, according to the latest shareholding filed by the firm on Thursday. A recent special session that saw Jio valued at about $20 billion also helped sentiment in Reliance, which has risen more than 26% from a low in March.

Reliance's net income fell 11% to 160.1 billion rupees ($1.95 billion) for the quarter ended June 30 compared to the same period a year earlier, according to an exchange filing on Friday. Revenue was down 5.8% to 2.1 trillion rupees, meeting estimates, while total costs dipped 4% to 1.9 trillion rupees. Reliance's processing of cheap discounted Russian barrels and retail margins on fuel products was offset by weak refining and petrochemical margins. Product cracks, or the profit margin between the refined products and crude oil, contracted sharply. Fuel cracks fell by 60%-70%, V. Srikanth, Chief Financial Officer said at a briefing on Friday. Diesel cracks for the industry averaged $14.60 a barrel, down 65% from a year earlier, while gasoline cracks fell 53% to $14.50 per barrel. Reliance has entered into a licensing deal with Shein as Chinese-founded online fast-fashion giant is re-entering India market. Jio's net income during the quarter jumped 12% year-on-year to 48.6 billion rupees. Jio average revenue per user 180.50 rupees, estimate 180.56 rupees. Reliance Retail posted a quarterly earnings before interest, taxes, depreciation and amortization (EBITDA) of 51.5 billion rupees, up 34%. Oil and chemicals EBITDA dropped 23% to 152.7 billion rupees. Finance cost during the quarter jumped 46% from last year, while depreciation increased about 32%. Total debt stood at 3.19 trillion rupees on June 30, 21% higher than year earlier; cash and cash equivalents dipped 6.8% to 1.92 trillion rupees.

Ares Management Corporation (Ares) announced that Ares has entered into a definitive agreement to acquire 100% of Crescent Point Capital (CPC), a leading Asia-focused private equity firm with approximately $3.8 billion of assets under management, as of March 31, 2023. Founded in 2003, CPC has approximately 50 professionals. The team is headquartered in Singapore and has a presence in China, Indonesia, the Philippines and Vietnam. CPC pursues a private equity strategy focused on investing in industry-leading consumer companies across the larger Southeast Asia markets and China. Supported by a loyal and growing investor base over its nearly 20-year history, CPC has established a strong reputation and delivered attractive results investing through market cycles in its target sectors and geographies. Ares has established direct sourcing and investment capabilities in the Asia Pacific region across the credit, private equity, real estate and infrastructure asset classes through Ares Asia, previously known as Ares SSG. Ares Asia operates with approximately 165 professionals across a local footprint of nine offices in key Asia Pacific markets, as of March 31, 2023. This transaction highlights a continuation of Ares' global expansion and creates a compelling opportunity for Ares to capitalize on the strong growth prospects for dedicated Asia Pacific private equity strategies. "We are proud of the significant Asia Pacific presence that we have established over the years, and we believe that CPC is an excellent platform that will further enhance our footprint and capabilities in the region," said Michael Arougheti, Chief Executive Officer (CEO) and President of Ares. "We have enjoyed the opportunity to develop a great relationship with the CPC team. They are experienced investors who we believe will bring impactful synergies to our existing Asia team."

D.R. Horton, Inc. (D.R. Horton) reported that net income per common share attributable to D.R. Horton for its third fiscal quarter ended June 30, 2023 decreased 16% to US$3.90 per diluted share compared to $4.67 per diluted share in the same quarter of fiscal 2022. Net income attributable to D.R. Horton in the third quarter of fiscal 2023 decreased 19% to $1.3 billion compared to $1.6 billion in the same quarter of fiscal 2022. Homebuilding revenue for the third quarter of fiscal 2023 increased 5% to $8.7 billion compared to $8.3 billion in the same quarter of fiscal 2022. Homes closed in the quarter increased 8% to 22,985 homes compared to 21,308 homes closed in the same quarter of fiscal 2022. For the nine months ended June 30, 2023, net income per common share attributable to D.R. Horton decreased 21% to $9.39 per diluted share compared to $11.85 per diluted share in the same period of fiscal 2022. Net income attributable to D.R. Horton for the nine months ended June 30, 2023 decreased 23% to $3.2 billion compared to $4.2 billion in the same period of fiscal 2022. Homebuilding revenue for the first nine months of fiscal 2023 increased 2% to $22.9 billion compared to $22.5 billion in the same period of fiscal 2022. Homes closed in the first nine months of fiscal 2023 increased 1% to 59,989 homes compared to 59,532 homes closed in the same period of fiscal 2022. Donald R. Horton, Chairman of the Board, said, "The D.R. Horton team delivered strong results in the third fiscal quarter of 2023, highlighted by earnings per share (EPS) of $3.90 per diluted share. Our consolidated pre-tax income was $1.8 billion on an 11% increase in revenues to $9.7 billion, with a pre-tax profit margin of 18.3%. Despite continued higher mortgage rates and inflationary pressures, our net sales orders increased 37% from the prior year quarter, as the supply of both new and existing homes at affordable price points remains limited and demographics supporting housing demand remain favourable."

Samsung Electronics Co., Ltd. (Samsung) – Stellantis N.V. (Stellantis) and South Korea's Samsung SDI Co., Ltd. (Samsung SDI) have signed an agreement to build a second U.S. battery plant as the automaker expands its range of electric vehicles. The factory will start production in 2027 and have an initial capacity of 34 gigawatt-hours, Samsung SDI said in an emailed statement Monday. Stellantis and Samsung SDI last year announced plans to build a US$2.5 billion battery plant with annual capacity of 33 gigawatt-hours in Kokomo, Indiana. A site for the second factory hasn't yet been chosen. Samsung SDI will accelerate its entry into the U.S. by building the new plant, Choi Yoon Ho, CEO said. Stellantis, the owner of the Jeep, Peugeot and Ram brands, has pledged to sell 5 million battery-electric vehicles by the end of 2030. It aims to make all of its European passenger car sales fully electric by that time, as well to make half of its North American sales battery powered. Samsung SDI is also building a $3 billion battery plant with General Motor Company. It will have annual capacity of 30 gigawatt-hours and mass production should start in 2026.

Altice USA, Inc. (Altice) is weighing a potential sale of Cheddar News (Cheddar), the news network once billed as "Consumer News and Business Channel for millennials," less than five years after buying the company according to the New York Times Dealbook. Altice has hired The Goldman Sachs Group, Inc. (Goldman) to help explore strategic alternatives for Cheddar News, according to three people with knowledge of the matter. They cautioned that Altice is still weighing its options and may decide against a sale. Representatives for Altice and Goldman declined to comment. A sale would be a retreat from Altice's big bet on the streaming news company. Altice, which is controlled by Patrick Drahi, paid US$200 million for the streaming network in 2019. The deal was seen as a way to elevate the company's news division, which also includes the News 12 channel. Cheddar had pitched itself as the future of financial news, featuring interviews with CEOs, newsmakers and journalists from the floor of the New York Stock Exchange. Cheddar doesn't operate like a traditional cable business. Jon Steinberg, the network's founder, the former BuzzFeed president, struck deals to distribute it across a wide range of platforms. Among them: Gas Station TV and MTV's college campus network, which Cheddar bought in 2018. Some of those pacts aren't as profitable as cable distribution deals, however. Rather than having TV providers like Comcast pay a fee for each of Cheddar's viewers, the channel relies mostly on advertising revenue.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

Johnson & Johnson (JNJ) announced the second quarter of 2023 results, posting revenue of US$25.5 billion, up 6.3% year over year reported (operational growth excluding FX of +7.5%), above consensus of $24.6 billion, with non-GAAP EPS of $2.80, up 8.1% reported year over year, beating consensus of $2.62. The company raised 2023 guidance, with operational sales guidance of $99.3 billion-$100.3 billion (reflecting growth of 7.0-8.0% versus 5.5-6.5% previously) and adjusted operational EPS guidance of $10.60-10.70 (reflecting growth of 4.5-5.5% versus 3.5-4.5% previously). Overall, JNJ's second quarter results and commentary reflect an environment with improving procedural dynamics as backlogs are being worked through. JNJ saw positive growth across its ortho business as it has leveraged positions in higher-growth areas of the market such as robotics, extremities, ambulatory surgical centers, and revision/cementless knees. Partially offsetting growth in MedTech was China volume-based procurement, as well as supply challenges mainly seen in hips. Spine as a standalone was again the worst relative performer but saw solid growth. On the margin front, MedTech margins improved year over year and quarter over quarter to 28.6% as JNJ offset inflationary pressures with proactive cost management and favorable litigation settlements. All told, the company's commentary for the rest of 2023 reflects continued strong underlying market and company-specific growth and an improving supply situation.

Novartis AG (Novartis) raises group sales guidance from mid-single digit to high-single digit growth and core EBIT from high single-digit to low double-digit. This is driven by the Pharma division, with Sandoz guidance unchanged. Pharma sales 4% beat, EBIT 6% beat. Sales grew 9%. Key beats include Entresto (7% - driven by robust demand), Kisqali (8% - increasing recognition of overall survival benefit), Piqray (12% - benefitted from indication expansion into PIK3CA-related Overgrowth Spectrum), Kesimpta (13% - increasing demand/access), Scemblix (25% - growth in all regions), Pluvicto (8% - strong U.S. demand, U.S. and Europe Union manufacturing sites continue to gradually ramp. Actively starting new patients/onboarding new centres). Cosentyx saw a more modest 3% beat, with ex U.S. growth of 18%cc (constant currencies) offset by -12% in the U.S. which continues to see high level of competition, as well as the second quarter revenue deductions from channel mix. Sandoz sales in-line, EBIT 6% beat. Sales grew 8% with volume increasing 9% and pricing -1%. Sales growth was driven primarily by its largest region, Europe (+13%), Canada and Latin America grew +16%, with growth offset by weakness in the U.S. (-8%). The core operating margin of 18.0% was ahead of cons 16.9%. The spin is expected to occur in the early fourth quarter, pending shareholder approval at the extraordinary general meeting on 15 September. New US$15 billion share buyback announced. This is to be completed by year-end 2025. This follows the completion of the previous $15 billion share buy-back in June 2023.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

BeiGene, Ltd. (BeiGene) announced that the Committee for Medicinal Products for Human Use of the European Medicines Agency has issued a positive opinion recommending approval for tislelizumab as monotherapy for the treatment of adult patients with unresectable, locally advanced or metastatic esophageal squamous cell carcinoma (ESCC) after prior platinum-based chemotherapy. The Marketing Authorization Application (MAA) for ESCC is based on results from BeiGene's RATIONALE 302, a global, randomized, open-label, Phase 3 study (NCT03430843) to investigate the efficacy and safety of tislelizumab when compared with investigator's choice chemotherapy as a second-line treatment for patients with unresectable, locally advanced or metastatic ESCC. The study enrolled 513 patients from 132 research sites in 11 countries in Asia, Europe, and North America. The study met its primary endpoint with a statistically significant and clinically meaningful survival benefit for tislelizumab compared with chemotherapy (hazard ratio 0.70 [95% confidence interval 0.57 - 0.85]; one-sided P=.0001; median overall survival 8.6 versus 6.3 months). The safety profile for tislelizumab was consistent with previous trials. The MAA included safety data for 1,972 patients who received tislelizumab monotherapy in seven clinical trials.

BridgeBio Pharma, Inc. (BridgeBio) reports positive results from ATTRibute-CM, its Phase 3 study of acoramidis in transthyretin amyloid cardiomyopathy, or ATTR-CM. ATTRibute-CM was designed to study the efficacy and safety of acoramidis, an investigational, next-generation, orally-administered, highly potent, small molecule stabilizer of transthyretin. BridgeBio will host an investor call on July 17, 2023 at 8:00 am ET to discuss these results. Key results from the clinical trial included a highly statistically significant improvement in the primary endpoint, an 81% on-treatment survival rate (versus a 74% survival rate on placebo), which begins to approach actuarial models of life expectancy absent ATTR-CM (85% in this population as has been documented). Also, the absolute risk reduction was 6.43% and the relative risk reduction was 25%. In addition, a highly statistically significant relative risk reduction of 50% ($p<0.0001$) on frequency of cardiovascular-related hospitalization. The impact and marked magnitude of risk reduction was seen across all analytical methods employed. The Company consistently observed a statistically significant treatment effect at 30 months across additional measured markers of morbidity, quality of life, and function.

Telix Pharmaceuticals Limited (Telix) said it has treated the first patient with its targeted radiation therapy TLX250 (177Lu-DOTA-girentuximab) in combination with Merck KGaA's DNA-dependent protein kinase inhibitor peposertib in a Phase I study. The Phase Ib study, called STARSTRUCK, includes patients with solid tumors expressing carbonic anhydrase IX (CAIX). Researchers will enroll up to 80 patients in the trial and evaluate three dose levels of the TLX250-peposertib combination. Once a dose has been established, Telix will enroll two cohorts of patients: an all-comers group of clear-cell renal cell carcinoma patients and another group of CAIX-positive solid tumor patients, excluding those with renal cell carcinoma. TLX250 delivers targeted radiation therapy to cells expressing CAIX, an antigen found on the surface of clear-cell renal cell carcinoma cells, and induces DNA damage in those cells. Telix and Merck KGaA have conducted preclinical studies that suggest that TLX250 in combination with peposertib may prevent the cells from repairing this damage. Telix is also studying TLX250 in combination with Bristol Myers Squibb's Opdivo (nivolumab) in a Phase II trial in clear-cell renal cell carcinoma patients and in another Phase II trial in combination with Opdivo and Exelixis' Cabometyx (cabozantinib) as a first-line treatment for clear-cell renal cell carcinoma.

NUCLEAR ENERGY

Ares Acquisition Corporation – X-Energy Reactor Company, LLC (X-energy), a leading developer of advanced small modular nuclear reactors and fuel technology for clean energy generation and Energy Northwest, a premier provider of carbon-free electricity, announced the signing of a joint development agreement (JDA) for up to 12 Xe-100 advanced small modular reactors in central Washington capable of generating up to a total of 960 megawatts of carbon-free electricity. Energy Northwest expects to bring the first Xe-100 module online by 2030. Energy Northwest owns or operates numerous clean energy generating facilities throughout the Northwest region of the United States, including Columbia Generating Station in Richland, which is the only commercial nuclear energy facility in the region. Under the JDA, the Xe-100 project is expected to be developed at a site controlled by Energy Northwest adjacent to Columbia Generating Station. Energy Northwest and X-energy have engaged extensively on plans for an Xe-100 facility in central Washington since 2020. The JDA defines and details the scope, location, and schedule under which the commercial development of the project will move forward. The companies will also work together to determine the best approaches to licensing and regulatory matters, as well as the project delivery model. Each Xe-100 module can provide 80 megawatts of full-time electricity or 200 megawatts of high-temperature steam. X-energy's innovative and simplified modular design is road-shippable and intended to drive scalability, accelerate construction timelines and create more predictable and manageable construction costs. The Xe-100 high-temperature gas-cooled reactor technology can power a broad range of applications through its high-temperature steam output that can address the needs of large regional electricity providers as well as industrial manufacturing systems.

Bloom Energy Corporation (Bloom Energy), a fuel cell innovator that has deployed over 1 gigawatt (GW) of clean, reliable power, is launching Series 10 — a ground-breaking, 10 megawatt (MW) fuel cell offering with a five-year, flat-rate contract shipped in just 50 days, disrupting the traditional electricity-buying model. The Series 10 Bloom Energy Server enables customers to rapidly meet growing power needs and net-zero compliance at competitive costs and without committing to a long-term contract or worrying about cost increases. The transition to net zero has created challenges across all industries, threatening energy security, availability, and resiliency. Businesses and communities have witnessed steep price increases, lack of power availability, and long-duration power outages. Customers are seeking rapid power capacity increases to grow their businesses with flexible options that will not bind them to long-term contracts. The 10 MW block design of the Series 10 optimizes cost, deployment speed, and operations by building on Bloom Energy's proven modular Energy Server technology. Starting from $0.099/kilowatt-hour, the Energy Server can be shipped within 50 days for the shortest contract commitment to date — five years. The offer will include maintenance and 24/7 monitoring. Optional add-ons include microgrid and combined heat and power compatibility. Unlike intermittent technologies, the Series 10 offers guarantees 100% output for the duration of the term, which at 10 MW provides enough energy to power the equivalent of 8,000 homes. The Bloom Energy Server generates electricity through an electrochemical process rather than combustion, nearly eliminating harmful air pollutants that cause severe respiratory diseases and poor air quality. The Energy Server is net-zero compliant and can operate on hydrogen, responsibly sourced natural gas, renewable natural gas, or blends of these fuels. Bloom leads the U.S. stationary fuel cell industry with roughly 95% of the market share of installed fuel cell capacity since 2018, delivering a powerful combination of resiliency, predictability, and sustainability.

ECONOMIC CONDITIONS

Canada Inflation in June surprised economists with a tiny rise of 0.1%, following stable prices in May. This weakness, combined with a base effect, enabled annual inflation to pass an important milestone, returning to the Bank of Canada's target range after 26 months of failure. There are several reasons for this achievement, including the moderation in food prices, which had been slow to ease at a time when commodity prices had fallen significantly worldwide. While still elevated on a historical basis, the 0.3% increase in June is the weakest in a year. There was also positive development in other categories as shown by Consumer Price Index (CPI) excluding food & energy rising by a tepid 0.1%, for a second consecutive month, and at its lowest pace in 28 months. As a result, CPI excluding food and energy annual inflation dropped to 3.5% from 4.0%, but the recent momentum is much lower as shown by the 3-month annualized pace increasing at only 2.5%. However, it should be noted that the component that contributed most to annual inflation this month was mortgage interest costs, whose evolution is directly linked to the Bank of Canada's decision to raise rates. Excluding this component, which rose by 30% year-on-year, CPI excluding food and energy rose by just 2.5% in the year, and by only 1.6% on a three-month annualized basis.

Housing starts in Canada increased in June (+81.4 thousand to 281.4 thousand, seasonally adjusted and annualized), beating consensus expectations calling for a 220.0 thousand print. This increase more than offset May's 58.9 thousand decrease and was the sharpest ever. In urban areas, increases in housing starts were seen in Ontario (+50.2 thousand to 116.8 thousand), British Columbia (+24.9 thousand to 63.6 thousand), Québec (+3.7 thousand to 25.0 thousand) and the Maritimes (+8.9 thousand to 17.6 thousand). Meanwhile, a decrease was registered in the Prairies (-5.5 thousand to 39.2 thousand) with gains in Saskatchewan (+4.6 thousand to 6.7 thousand) which were offset by losses in Alberta (-10.1 thousand to 25.7 thousand) while starts in Manitoba (-0.1 thousand to 6.7 thousand) remained essentially unchanged. Starts increased in Toronto (+43.9 thousand to 85.8 thousand), Vancouver (+19.1 thousand to 46.3 thousand) and Montréal (+0.8 thousand to 10.1 thousand) while they decreased in Calgary (-10.1 thousand to 14.3 thousand). However, it's not expected these numbers to stay at that level all year long. It's expected Canadian homebuilders may be cautious in the coming months given elevated construction costs and interest rates and the coming economic slowdown. As a result, the supply-demand imbalance, exacerbated by Canada's immigration-driven population boom, is unlikely to be resolved anytime soon in our view.

U.S. retail sales rose 0.2% in June following an upwardly revised gain of 0.5% in May. The headline increase was less than expected, weighed down by a decline in gas station receipts and a surprisingly modest advance in autos (new unit sales flagged a sizable increase). Excluding cars and gasoline, sales rose 0.3% reflecting gains in furnishings, electronics and appliances.

UK headline inflation surprised to the downside in June and fell to 7.9% year over year (market: 8.2%, Bank of England: 7.9%). Moreover, core also came in softer than expected, falling to 6.9% year over year (market: 7.1%). A seventh consecutive fall in petrol prices was the major driver of the fall in the headline rate, but as expected, a softening in the year over year pace of food prices also weighed on the print. On core, year-on-year services inflation fell 0.2 percentage points to 7.2% in part due to a softer-than-usual increase in airfares following the surprisingly strong 20% month over month increase in May.

U.S. Existing home sales sank 3.3% to 4.16 million annualized in June, returning to the pace of monthly declines we saw during the spring. The condo market took a step back (-2.2%) after driving sales higher last month, while sales of single-family homes slipped 3.4%. The Northeast managed to buck the trend this month, as sales grew 2.0%. They were unchanged in the Midwest, while both the South and the West saw sales fall by more than 5%, reversing gains from May. With inventory stuck at 1.08 millon units (or 3.1 months of supply), prices are stabilizing. The median selling price contracted 0.9% year over year, though that marks a significant improvement from May, and, at US$410,200, it's the second-highest price ever recorded dating back to January 1999. The market could likely absorb more inventory, but with conventional mortgage rates solidly above 7% since the latter part of May, households are reluctant to move and give up their more favourable lending terms. That trepidation is clearly weighing on inventory as it was down 13.6% compared to last year.

UK flash Purchasing Managers' Indexes (PMIs) came in softer than expected in July, with the manufacturing index falling for the 5th consecutive month to 45.0 (market: 46.0) and the services index dropping 2.2-points to 51.1 (market: 53.0). The drivers of the decline in the manufacturing PMI were very broad based, with all five of the subcomponents contributing to the declining—though new orders and output were the biggest drivers. Overall, survey participants noted headwinds in business activity stemming from rising interest rates, high inflation, and more cautious clients due to the uncertain economic outlook. Services firms in particular also noted cutback in business and consumer spending. As in the euro area data, inflationary pressures continued to ease in the UK, though services pressures remain much stickier than in the manufacturing sector.

French flash PMIs came in worse than expected across the board in July. The services index fell for the third consecutive month to a 29-month low of 47.4 (market: 48.5) while the composite index declined to 46.6 (market: 47.7)—a 32-month low. Weaker demand conditions appear to have been the main driver of the weak data, in part due to a softer than expected bounce back in the Chinese economy so far this year. While inflationary pressures continued to ease, services prices are still increasing at a highly elevated pace, which according to anecdotal evidence was in part due to higher labour costs.

German flash PMIs came in much lower than expected in July. The manufacturing PMI fell all the way to a 38-month low of 38.8 (market: 41.0) while the composite PMI fell to 48.3 (market: 49.8), thus bringing it into contractionary territory for the first time since January. Driving the decline in the manufacturing index was primarily sharp declines in new orders and output, as demand condition continues to soften due to everything from customer hesitancy, destocking, high inflation, and rising interest rates. Adding to the negative report was another decline in business expectations—the fifth decline in a row. On a positive note, inflationary pressures continued to ease for both input and output prices, though price pressures remain stickier in the services sector.

FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now -1.02% and the UK's 2 year/10 year treasury spread is -0.68%. 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 6.72%. Existing U.S. housing inventory is at 3.1 months supply of existing houses as of June 30th, 2023 - well off its peak during the Great Recession of 11.1 months and we consider a more normal range of 4-7 months.

The volatility index (VIX) is 13.79 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: *"All you need in this life is ignorance and confidence, and then success is sure." ~ Mark Twain*

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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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