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NEWS HIGHLIGHTS

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

SEPTEMBER 11, 2023

OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND[1]

PORTLAND 15 OF 15 ALTERNATIVE FUND[1] COMPANY NEWS

Ares Management Corporation (Ares) – Virgin Voyages, the multi award-winning cruise brand from Richard Branson's Virgin Group, announced it has closed on a C$550 million capital raise to accelerate its growth plans. The funding round was led by funds managed by the Private Equity Group of Ares, a leading global alternative investment manager, and also includes additional capital from existing investors including Virgin Group and Bain Capital. The new funding raise will enable Virgin Voyages to strengthen its financial position while supporting the brand's rapid expansion into international markets, with a relentless focus on creating an outstanding and innovative customer experience. Virgin Voyages officially launched in August 2021 and currently operates three ships, servicing the Caribbean, the Mediterranean, and by the end of the year, Australia and New Zealand. The brand is already making waves, including being named No. 1 in the mega-ship category in the 2023 Travel + Leisure's World's Best Awards and a recent clean-sweep of the five cruise categories in the 2023 Cruise Critic Cruisers' Choice Awards. "With this new investment alongside our partners at Virgin Group and Bain Capital, we believe the Company is on strong footing to capitalize on its differentiated product and value proposition in the growing cruise industry," said Aaron Rosen, Partner and Co-Portfolio Manager of Special Opportunities in the Ares Private Equity Group. "We believe that Virgin Voyages continues to be at the forefront of industry growth, and we look forward to working with Tom, Nirmal and the entire management team on this next chapter," added Jordan Smith, Partner in the Ares Private Equity Group.

Brookfield Asset Management Ltd. (Brookfield) – Brookfield is partnering with France's Société Générale Société anonyme (Société Générale) to set up a private-debt fund worth 10 billion euros (US$10.70 billion) over the next four years, a move the companies say will significantly increase their financing footprint while addressing growing demand for private debt. The French bank said that the fund would initially launch with EUR2.5 billion targeting the power, renewables, data, midstream and transportation sectors. The fund is also expected to help Brookfield and Société Générale meet the needs of insurance companies with investment-grade products based on their ratings and duration requirements. Slawomir Krupa, Société Générale Chief Executive, said the partnership "provides an entirely new answer to the growing demand for private debt and will have a positive impact on the real economy."

Brookfield is exploring the sale of Atlantis Paradise Island in the Bahamas, a source familiar with the matter told Reuters. The Toronto-based asset manager is working with an adviser to solicit potential interest in the property, and could fetch roughly US$2.5 billion for the luxury resort, the source said. Brookfield took over Atlantis in late 2011 when its previous owner Kerzner International transferred ownership in a debt-for-equity restructuring deal. Brookfield at that time exchanged $175 million worth of Kerzner International's debt in return.

Reliance Industries Limited (Reliance) – On September 8, Jio Platforms Limited (Jio) announced plans to build a state-of-the-art cloud-based artificial intelligence (AI) compute infrastructure to accelerate India's position as a growing force AI, in collaboration with NVIDIA Corporation (NVIDIA). The new AI cloud infrastructure will enable researchers, developers, startups, scientists, AI practitioners and others across India to access accelerated computing and high-speed, secure cloud networking to run workloads safely and with extreme energy efficiency. The new infrastructure will greatly speed up a wide range of India's key initiatives and AI projects, including AI chatbots, drug discovery, climate research and more. As part of the collaboration, NVIDIA will provide Jio with end-to-end AI supercomputer technologies including central processing unit, graphics processing unit, networking, and AI operating systems and frameworks for building the most advanced AI models. Jio will manage and maintain the AI cloud infrastructure and oversee customer engagement and access.

Altice USA, Inc. (Altice) - Patrick Drahi said that Altice would unveil different options for de-leveraging in the coming days, including an equity raise and partnerships with different players. He was speaking to investors at a non-deal roadshow in London on Wednesday. Drahi said that advisers had been hired to review every silo, including Altice France, Altice International and its subsidiaries in Portugal, the Dominican Republic and ad-tech company Teads, according to an unofficial transcript of the event. An Altice spokesperson confirmed the accuracy of the transcript. Separately on Wednesday, French newspaper Les Echos reported that Altice is in advanced negotiations to sell its 92 data centers in France to a Morgan Stanley infrastructure fund, in a deal that would be valued at about €1 billion (US$1.1 billion). A spokesperson for Altice wasn't immediately available for comment, and a spokesperson for Morgan Stanley declined to comment. During the London meeting, Drahi reiterated that Altice France wants to improve cash flow by €1 billion ($1.1 billion) by or before 2027 using a combination of lower costs, lower spending and perhaps higher prices. The potential for Altice-owned carrier SFR to participate in the consolidation of the French telecom market depends on how European regulators treat a proposed joint venture between Orange S.A. and Masmovil, Drahi said. The event featuring Drahi and other executives, including the head of Altice Portugal, Ana Figueiredo, the chief executive of French carrier SFR, Mathieu Cocq, and Malo Corbin, the group's Chief Financial Officer, was organized by The Goldman Sachs Group, Inc. Asked about the Portuguese probe, Drahi reiterated that the probe did not target the company itself, but certain ex-employees who have allegedly misbehaved.

Bonds issued by Drahi's telecoms companies rallied after reports that he is considering selling off a chunk of one of his businesses in a drive to cut the group's debt pile. Altice France bonds due in 2029 rose 2.6 cents on the euro to 75.5 cents, set for the largest daily gain since the bonds were issued in 2020. Bonds issued by Altice Finco due 2028 also rose 3.6 cents on the euro to 75.5 cents. Drahi has pledged to reduce the debt load of his sprawling group of companies, which faces a string of debt maturities in the coming years as well as a surge in its borrowing costs. In a call with investors in London on Wednesday, he pledged to propose different options including an equity raise and business partnerships to help with the deleveraging effort. As well as Altice France, Drahi's network also includes Altice International, which operates in markets including Portugal, the Dominican Republic and Israel.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

Amgen Inc. (Amgen) – Amgen announced exciting data from a study arm of the CodeBreaK 101 clinical trial, a Phase 1b study evaluating LUMAKRAS (sotorasib) with carboplatin and pemetrexed in adult patients with KRAS G12C-mutated advanced non-small cell lung cancer (NSCLC). In patients treated in the first-line setting (n=20), the confirmed objective response rate (ORR) was 65%, with a 100% disease control rate (DCR) (95% CI: 83.2, 100). In assessable patients in the second-line setting (n=13), the ORR was 54%, with a DCR of 85% (95% CI: 54.6, 98.1). Among patients with protein ligand-1 (PD-L1) expression less than 1%, the ORR was 62% in the first-line setting and 50% in the second-line setting. With a median follow-up of 3.0 months, preliminary rapid and durable responses were observed. Progression-free survival and overall survival were immature. The LUMAKRAS plus chemotherapy combination reported treatment-related adverse events (TRAEs) consistent with LUMAKRAS and other platinum doublet-based approaches. The most common TRAEs were neutropenia/neutrophil count decrease (53%), anemia (39%) and thrombocytopenia/platelet count decrease (37%). No fatal adverse events occurred. Based on these results, Amgen has initiated a Phase 3 study of LUMAKRAS plus carboplatin and pemetrexed in first-line KRAS G12C-mutant and negative for programmed cell death PD-L1 advanced NSCLC (CodeBreaK 202), with enrollment expected to start before the end of 2023.

Guardant Health, Inc. (Guardant) – Guardant announced that Geisinger Health Plan (Geisinger) now offers coverage for the Guardant Reveal minimal residual disease (MRD) test. Guardant Reveal is a blood test that detects circulating tumor DNA (ctDNA) in blood after treatment, including surgery, to help oncologists identify cancer patients with residual or recurring disease who may benefit most from adjuvant therapy or surveillance. It is the first blood-only liquid biopsy test commercially available for MRD testing. Geisinger is providing coverage for the Guardant Reveal test for individuals with stage II or III colorectal cancer after curative treatment (including surgery) to inform physician decisions about post-treatment therapy and to monitor for disease progression, recurrence or relapse. The frequency of testing covered is aligned with monitoring guidelines established by the National Comprehensive Cancer Network for colorectal cancer. It includes the initial ctDNA test 4 to 6 weeks after surgery (or 2 to 4 weeks after completion of systemic therapy) and thereafter every 3 to 6 months for the first two years, and every 6 to 12 months for the following 3 years. "We are pleased that Geisinger Health Plan has taken this important step to make blood testing for residual disease more accessible to its members," said Helmy Eltoukhy, Guardant Health chairman and co-chief executive officer (CEO). "This decision will help oncologists make more informed decisions about treatment and monitoring for colorectal cancer patients and survivors, to help improve their outcomes."

NUCLEAR ENERGY

Centrus Energy Corp. (Centrus) – Centrus announced that the company expects to begin first-of-a-kind production of High-Assay Low-Enriched Uranium (HALEU) in October 2023, approximately two months ahead of schedule, at the American Centrifuge Plant in Piketon, Ohio. "This will be the first new U.S.-owned uranium enrichment plant to begin production since 1954," said Daniel B. Poneman, Centrus President and CEO. "What better way to commemorate the 70th anniversary of President Eisenhower's historic Atoms for Peace initiative than to restore a domestic uranium enrichment capability that will support our energy security and clean power needs, enable long-term national security and nonproliferation goals, and generate great new jobs for American workers." Under a competitively-awarded, cost-share contract signed with the U.S. Department of Energy in 2022, Centrus is required to begin production of HALEU by the end of this year. In June, Centrus announced it had 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 – the last major regulatory hurdle prior to beginning production. Centrus is now conducting final system tests and other preparations so that production can begin in October. HALEU is an advanced nuclear fuel required for most of the next-generation reactor designs currently under development. The capacity of the 16-centrifuge cascade that is expected to begin enrichment operations in October will be modest – about 900 kilograms of HALEU per year – but with sufficient funding and offtake commitments, Centrus could significantly expand production. A full-scale HALEU cascade, consisting of 120 centrifuge machines, with a combined capacity to produce approximately 6,000 kilograms of HALEU per year, could be brought online within about 42 months of securing the necessary funding. Centrus could add an additional HALEU cascade every six months after that. That would mobilize hundreds of union workers in Ohio to build and operate the plant and support thousands of direct and indirect jobs across a nationwide manufacturing supply chain.

NuScale Power Corporation (NuScale) – NuScale is set to see Japan's Chubu Electric Power Company, Incorporated (Chubu) buy a stake in the company from the Japan Bank for International Cooperation (JBIC), as Chubu Electric Power Company, Incorporated bets on small modular nuclear reactors to help combat climate change. The move comes after Japan made a major nuclear power policy shift last year to tackle its energy crisis more than a decade after the 2011 Fukushima disaster prompted it to idle most of its reactors. "As an equity owner, we want to expand our revenue base through investing in NuScale," Hiroki Sato, Chubu's global business division CEO, continuing to say, "the small modular reactor is an emission-free power source and it is important to secure all management options that are essential for the future decarbonised electricity sources." Chubu has not disclosed the size of the stake nor the price. This is not the first interest in NuScale from Japanese companies, the JBIC and two Japanese companies - JGC Holdings Corp and IHI Corp bought a total of 8.5% in NuScale in 2022, with the JBIC spending about US$110 million. The acquisition by Chubu is subject to approval by U.S. authorities, which is expected to take about one month.

ECONOMIC CONDITIONS

Canadian employment registered a 40,000 increase in August, above consensus expectations for a 20,000 increase and more than offsetting the previous month's loss (-6,000). Meanwhile, the participation rate declined by a tick to 65.5%. The unemployment rate remained unchanged at 5.5%. The increase in employment exclusively stemmed from both part-time jobs (+8,000) and full-time positions (+32,000). The private (-23,000) sector registered a decline that was more than offset by gains in the self-employed (+50,000) and public (+13,000) sectors. August's job increase came exclusively from the services sector (+42,000), while employment in the goods sector was down (-3,000). On the goods side, the decrease stemmed from manufacturing (-30,000), agriculture (-11,000) and utilities (-2,000) while the construction (+39,000) and natural resources (+5,000) sectors were up. On the services side, notable increases were registered in the professional/scientific services (+52,000), other services (+21,000) and transportation/warehousing (+13,000) sectors. Meanwhile, there were declines in the education (-44,000), finance/insurance (-16,000) and public administration (-3,000) sectors. Regionally, there were job gains in Alberta (+18,000), Québec (+15,000) and British Columbia (+12,000) while employment was down in Ontario (-9,000). Wage inflation was 5.2% on a year-over-year basis in August (up from 5.0% in July).

Given the current demographic boom, the pace of hiring would have to average around August's level to prevent the unemployment rate from rising in the coming months. This has not been the case over the past 4 months (the unemployment rate has risen by 5 tenths since April), and we doubt it will be the case in the coming months. With the Canadian gross domestic product (GDP) data just released, there is every reason to believe that companies will be very reluctant to hire in the coming months in our view. The trend in profits (-26% annualized since the beginning of the year) is inconsistent with the increase in employee compensation (+8%), which could lead to difficult decisions for companies. According to the latest Canadian Federation Of Independent Business survey, labor shortages are easing and concerns about weak domestic demand rose sharply in August, which does not suggest a hiring spree in the coming months in our view. Consistent with those developments, we note that private employment has been down over the last 2 months (-40,000), the sharpest drop since June 2022.

U.S. ISM services Purchasing Managers' Index surprisingly increased 1.8 percentage points to a six-month high of 54.5 in August. All sub-components rose, with the employment index leading the charge— up 4.0 percentage points to 54.7. This was the highest level since November 2021 and in line with broad-based payroll gains seen in last Friday's jobs report. New orders rose 2.5 percentage points to 57.5, while business activity edged up. Meantime, the supplier deliveries index climbed slightly, though held below the 50-mark. On the inflation front, the prices paid index climbed for the second straight month, up 2.1 percentage points to 58.9, marking a four-month high and suggesting that material costs and wages picked up. In summary this report showcased a services sector that remains sturdy amid robust demand and hiring. That will keep rates high for longer in our view.

Australia Second Quarter GDP came in at 0.4% quarter over quarter (consensus:0.4%, Reserve Bank of Australia (RBA):0.2%), +2.1% year over year and suggest that the economy didn't slow as much as initially expected (note that first quarter GDP was also revised higher to +0.4% from +0.2%). Across components, domestic demand (consumption and investment) held up fairly well, adding 0.7% points while net exports also contributed +0.8% points due to strong exports of services from the jump in international student and tourist arrivals. However, the sharp drop in inventories was a big drag on growth, subtracting 1.1% points to GDP, partially offsetting the gains in other GDP components. Of concern, households savings ratio dropped to 3.2%, lowest the second quarter of 2008and suggest households are digging into savings to tide them through the high cost-of-living pressures and interest rates repayments. Productivity measured by output per hour also fell for the 3rd straight quarter, down 2% quarter over quarter and may pressure unit labour cost higher and could result in a lengthy return to the RBA 2-3% inflation target.

German Factory Orders slumped -11.7% in July, failing expectations of a -4.3% print. German exporters association says that most of their members see trade declining or strongly declining in 2023. Most cite weak economic situations in Asia and South America. German Kiel Institute for the World Economy said that the economic outlook has clouded over and there is no momentum in the second half of the year despite easing supply bottlenecks.

FINANCIAL CONDITIONS

Bank of Canada left its overnight target unchanged at 5.0%. This decision was in line with the consensus forecast. Complementing the restrictive policy stance, the Bank said it would continue its Quantitative Tightening program, which involves passively running off its Government of Canada bond holdings. Unlike in the prior two statements, there was actually an explicit warning to tighten further: "Governing Council remains concerned about the persistence of underlying inflationary pressures, and is prepared to increase the policy interest rate further if needed". In addition, the Bank largely repeated what they had said in June and July that they'll "continue to assess the dynamics of core inflation and the outlook for consumer price index inflation". In this assessment, they remain focused on the evolution of excess demand, inflation expectations, wage growth and corporate pricing behavior.

Bank of Japan's Governor Ueda said "we will end negative interest rates if we judge that achievement of our price target becomes possible…" and "cannot rule out possibility we will have sufficient data by year-end to determine whether we can end negative rates – "Governor comments over the week-end have seen Japanese markets roiled with the Japanese Yen up almost 1% and 10-year Japan Government Bond yields up to 0.7%. While the comments on negative interest rate policy are conditional on progress being made on inflation and wages, the mention of the timing by year end is earlier than expected when most of the rhetoric so far is that they were a long way off.

The U.S. 2 year/10 year treasury spread is now -0.70% and the UK's 2 year/10 year treasury spread is -0.62%. 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 7.14%. Existing U.S. housing inventory is at 3.3 months supply of existing houses as of June 30, 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 13.99 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: ***"Compound interest is the eighth wonder of the world. He who understands it, earns it … he who doesn't … pays it." ~Albert Einstein***

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1.Not all of the funds shown are necessarily invested in the companies listed

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