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

OCTOBER 30, 2023

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COMPANY NEWS

Alphabet Inc. (Google) reported a net profit of US\$19.69 billion for the July-September period, compared with \$13.91 billion a year earlier. Google's cloud business recorded its slowest in at least 11 quarters, even as sales at rival Microsoft Corporation's cloud unit boomed. Google Cloud third-quarter revenue rose 22.5% to \$8.41 billion, the slowest growth since at least the first quarter of 2021. The cloud unit reported an operating income of \$266 million, compared with an operating loss of \$440 million a year ago. Consensus had expected cloud computing revenue of \$8.62 billion. The company recorded ad revenue of \$59.65 billion in the third quarter, compared with \$54.48 billion a year earlier. Analysts on average had expected \$59.12 billion in revenue from its advertising business. Within the company's advertising segment, YouTube ads reported revenue of \$7.95 billion compared with \$7.07 billion last year.

Amazon.com, Inc. (Amazon) reported solid the third quarter results; total revenue grew 12.6% year over year to US\$143.1 billion in the third quarter, which is ~1% ahead of consensus, while profitability was well ahead of expectations, as the switch to a regionalized fulfillment network is lowering delivery distances and touchpoints, leading to lower costs. Online Stores benefited from a record Prime Day event, and categories like beauty and personal health remain strong as customers continue to orient purchasing of household essentials on Amazon, driving frequency despite broader economic uncertainty. Amazon Web Services growth was on par with the second quarter levels, and while cost optimization efforts by customers are still prevalent, some clients are starting to sign

deals for new workloads. Generative Artificial Intelligence (AI) remains a key investment priority, with Amazon continuing to invest in training. The fourth quarter revenue guidance of \$160-167 billion, up 7-12% year over year was slightly below consensus at \$167.1 billion at the midpoint and inclusive of a ~40 basis points unfavorable impact from foreign exchange, but the profitability outlook was well above expectations as the fulfillment regionalization is yielding better-than-expected benefits, and management also noted it has identified additional enhancements to its inbound processes that should further improve the cost structure.

At Amazon's Delivering the Future event in Seattle, the company made several announcements on the robotics front. This includes the announcement that starting this year, customers in College Station, Texas will be able to get medications from Amazon Pharmacy delivered via drone. Next year, the Prime Air service will launch in a third U.S. city as well as yet to be named locations in the UK and Germany. Amazon also discussed its new first-party system called Sequoia, saying, "Sequoia allows us to identify and store inventory we receive at our fulfillment centers up to 75% faster than we can today. This means we can list items for sale on Amazon.com more quickly, benefiting both sellers and customers. When orders are placed, Sequoia also reduces the time it takes to process an order through a fulfillment center by up to 25%, which improves our shipping predictability and increases the number of goods we can offer for Same-Day or Next-Day shipping."

Berkshire Hathaway Inc (Berkshire) is being sued by the billionaire Haslam family, which accused the conglomerate of using improper accounting to devalue its remaining 20% stake in Pilot Travel Centers, the largest U.S. truck stop operator. The family, including Cleveland Browns football team owner Jimmy Haslam, sold Berkshire a 38.6% Pilot stake for US\$2.8 billion in 2017 and another 41.4% stake for \$8.2 billion in January. It said it has a right to sell the remainder under the same valuation methods on January 1, 2024.

Meta Platforms Inc. (Meta) reported strong the third quarter results, with total revenue coming in ahead of expectations and ad revenue

growth accelerating to the low twenties, and profitability was well ahead of expectations, reflecting the company's ongoing efficiency efforts. AI investments continue to have a meaningful, positive impact on engagement and monetization, with AI-supported recommendation improvements driving an increase in time spent on Facebook and Instagram of 7% and 6%, respectively. Management indicated it intends to deprioritize non-AI projects across the company to partially combat the increased AI investment, with headcount growth expected to accelerate in 2024 as the company addresses a sizeable hiring backlog stemming from its restructuring. Meta expects the fourth quarter revenue of US\$36.5-34 billion, or +13-24% year over year, slightly below expectations of +20%, and reflecting a 200 basis points foreign exchange tailwind. The fourth quarter revenue outlook was wider than expected as Meta observed softer ad spend in the beginning of the quarter, which correlated with the start of the conflict in the Middle East and led to some advertisers pausing brand campaigns (but having since resumed). On the expense side, the company emphasized that efficient operations would remain a priority going forward and provided an fiscal year 24 expense outlook that calls for High Single Digit to Lower Double Digit year over year growth.

Brookfield Corporation – Brookfield Infrastructure Partners and Antin Infrastructure Partners, private equity firms, are reportedly among several bidders to acquire majority stake in Techem GmbH, a provider of energy management services worldwide, from Partners Group, for €9 billion (US\$9.5 billion).

Danaher Corporation (Danaher) announced results for the third quarter ended September 29, 2023. Net earnings refer to net earnings attributable to common shareholders. Results for the third quarter include the operations of Veralto Corporation (Veral), which was spun-off to Danaher's shareholders on September 30, 2023. Net earnings were US\$1.1 billion, or \$1.51 per diluted common share and non-Generally Accepted Accounting Principles (GAAP) adjusted diluted net earnings per common share were \$2.02. Revenues decreased 10.5% year-over-year to \$6.9 billion. Non-GAAP core revenue decreased 11.5%, including a 3.0% non-GAAP base business core revenue decline. Operating cash flow for the third quarter was \$1.7 billion and non-GAAP free cash flow was \$1.3 billion. The company's fourth quarter and full year outlook include only Danaher's continuing operations, excluding the impact of Veralto. For the fourth quarter 2023, the company anticipates that non-GAAP base business core revenue from continuing operations will be down mid-single digits year-over-year. For full year 2023, the company anticipates that non-GAAP base business core revenue from continuing operations will be down slightly year-over-year, primarily driven by the winddown of the COVID-19 related business.

Reliance Industries Ltd. (Reliance) – Reliance Jio (Jio) unveiled a satellite broadband service on Friday as the company seeks to broaden internet access to the remotest corners of India, muscling into a sector where Elon Musk's SpaceX and Sunil Mittal's OneWeb also have ambitious plans. India's largest wireless operator demonstrated JioSpaceFiber on Friday at an industry conference in New Delhi and said in a statement that this will help deliver high-speed internet across the country at highly affordable prices, Jio said in a statement. The company, which didn't share any pricing details or give a timeline for the commercial roll out of the services, will be using SES SA (SES)'s medium earth orbit satellite technology. Jio formed a joint venture with Luxembourg-based SES in 2022 to offer satellite broadband connectivity, plugging a missing link in Reliance's telecom infrastructure that includes a deep optic fiber footprint across India. Adding satellite broadband to its

robust infrastructure will also help the operator bolster its e-commerce, streaming entertainment and financial services offerings.

Reliance, led by billionaire Mukesh Ambani, posted a net income growth of 27% to 173.9 billion rupees (US\$2.1 billion) for the quarter through September compared with the same period last year, according to an exchange filing on Friday. The company reported a 1.3% rise in revenue to 2.35 trillion rupees, topping estimates. Total costs slipped 1.4% to 2.12 trillion rupees, but finance costs surged 26% primarily due to higher interest rates and currency depreciation, according to the filing. There could be a significant decline in capital expenditure plans as Jio completes the nationwide roll out of its 5G wireless services by December. V. Srikanth, Chief Financial Officer said on an earnings call Friday. Capital spending for the latest quarter was 388.15 billion rupees, up 19% from last year. While strong festive shopping bolstered the Reliance's retail operations, a 14% reduction in crude oil prices led to lower price realization for its refinery products reducing the revenue for oil-to-chemicals segment. Ambani is currently steering his energy-to-entertainment conglomerate through a leadership transition as well as rapid diversification into new sectors. The appointment of his children on Reliance's board received shareholder's approval, according to a separate filing Friday. They have been overseeing the digital, retail and energy businesses respectively for the past couple of years. Jio Financial Services Ltd., the newly spun-off finance unit which was listed in August, saw quarterly profit doubling in its first set of earnings earlier this month. Reliance Retail returned to fund-raising after three years and sold stakes worth almost \$1.9 billion to Qatar Investment Authority, Kohlberg Kravis Roberts & Co. L.P. and United Arab Emirates's Abu Dhabi Investment Authority since August. The most-recent investment valued India's largest retailer at pre-money equity value of 8.38 trillion rupees, Reliance said in an October 6 filing. Reliance Retail is gearing up for an Initial Public Offering but has not indicated a timeline.

Altice USA, Inc. (Altice) - Altice International S.à r.l. is doing something unusual with the proceeds of its recent refinancing, it is keeping the money in an escrow account and collecting interest on it while leaving the bond slated for repayment outstanding until maturity. The firm raised €800 million (US\$843 million) in the leveraged loan market last month, with the proceeds to be used to redeem, defease or otherwise discharge a €600 million bond. But while companies typically call a bond at the first opportunity after raising the money, Altice is keeping its January 2025 note outstanding and setting aside the cash in a ring-fenced account a process known as defeasance. The move is underpinned by a rapid rise in risk-free rates that has left them higher than the coupons of some junk bonds which were priced during the era of easy money. With short-term government bond yields at more than 3.5% and the coupon on Altice's bond at 2.25%, the company can make more money by collecting interest on the deposit than by calling the bond. Altice stated in the deal launch that the bonds would be defeased or otherwise discharged, implying they wouldn't be called, and this was reiterated on the lender call before the loan priced, according to Altice's head of investor relations. Altice followed the rational course of action from an issuers perspective in a rising interest rate environment, Wood added. He didn't comment on how much money the firm expects to make in interest. Altice makes up a large part of the European junk bond index that the company's financial decisions can have far-reaching implications. The practice of keeping refinancing cash in an escrow account, if it becomes more common, may upend a hot trade in the high yield market of buying up bonds with upcoming maturities at low levels,

with the bet that they'll be redeemed before their maturities at par or above.

Samsung Electronics Co., Ltd. (Samsung) - Rebellions Inc. (Rebellions) aims to raise about US\$100 million from global investors to accelerate the development of a next-generation AI chip, banking on growing interest in the hardware needed to run artificial intelligence services. It's turning to Samsung to fabricate its chips, taking advantage of its 4-nanometer technology. The South Korean startup is discussing Series B financing that may value the company at more than \$500 million, people familiar with the talks said. The three-year-old firm has engaged with firms in Japan, Hong Kong, Singapore and Europe, said the people, who asked to remain unidentified revealing private negotiations. It's planning to close the round by the end of this year, they added.

Rebellions is one of several players trying to break into a rapidly growing market for semiconductors that can run AI software, competing against fellow startups from California-based Groq Inc. to Toronto's Tenstorrent Inc. as well as global leaders such as Nvidia Corporation. A representative for Rebellions declined to comment.

DIVIDEND PAYERS



Colgate-Palmolive Company (Colgate)'s third quarter of 2023 results were solid in our view and represented a continuation of the positive trend first seen last quarter with a sequential improvement in volumes, gross margins up and strong (north of 20%) growth in advertising spend. By the nature of Colgate's geographic exposure it gets the benefit from sustained inflationary pricing, but what really stood out this quarter was volume growth alongside pricing in emerging markets, with volumes inflecting positive (to +1%) including +5.5% volume growth in Latin America, the strongest level since 2013.

McDonald's Corp (McDonald) beat Wall Street estimates for third-quarter profit and sales, powered by demand for its cheaper burgers and fries from diners struggling with still-high food prices, as well as new launches. Global comparable sales at McDonald's jumped 8.8% in the quarter ended September 30, while analysts on average expected a 7.36% rise, according to London Stock Exchange Group data. Comparable sales in the United States climbed 8.1% in the quarter, beating estimates of a 7.4% increase, thanks also to higher average spending at stores. Meanwhile, same-store sales in McDonald's international operated markets increased 8.3%, edging past expectations for 8.03% growth. Total quarterly revenue increased 14% to US\$6.69 billion, beating estimates of \$6.58 billion. Net income rose to \$2.32 billion, or \$3.17 per share, from \$1.98 billion, or \$2.68 per share, a year earlier. On an adjusted basis, McDonald's posted a per-share profit of \$3.19, handily beating estimates of \$3.00.

LIFE SCIENCES



Clarity Pharmaceuticals Ltd. (Clarity) and PSI CRO AG (PSI), a global contract research organisation have entered into an agreement and have commenced work towards Clarity's Phase III diagnostic trial of SAR-bisPSMA in prostate cancer participants, CLARIFY. CLARIFY derives from "Positron Emission Tomography (PET) using 64Cu-SAR-bisPSMA in participants with high-risk prostate cancer prior to radical prostatectomy: A prospective, single-arm, multi-centre, blinded-review, Phase III diagnostic performance study". It is a non-randomised, open-label clinical trial in 383 participants. The aim of the Phase III trial is to assess the diagnostic performance of 64Cu-SAR-bisPSMA PET to detect prostate cancer within lymph nodes located in the pelvic region. Evaluation will take place over 2 imaging timepoints, Day 1 (day of administration) and Day 2 (approximately 24 hours post administration). CLARIFY is expected to begin recruitment in late 2023.

OncoBeta GmbH (OncoBeta) – Results from a recently completed study show topical rhenium-188 skin cancer therapy to be a highly effective option for treating non-melanoma skin cancer (NMSC) of up to 3 millimeter thickness. NMSCs are the most common cancers seen in the European population and their incidence are rising all over the world, with 7.7 million cases reported globally in 2017. In Australia, 2 in 3 people will be diagnosed with skin cancer in their lifetime and this is likely to increase as the population ages. Typically, treatment options for NMSCs include surgery, radiation, and cryotherapy. Surgical intervention is currently the most common treatment for invasive tumors, but it can lead to unfavorable cosmetic outcomes for some presentations. A team of researchers in Germany, led by dermatologist Professor Julia Tietze, and funded by OncoBeta, Germany, investigated the efficacy and safety of topical rhenium-188 ionizing radiation therapy for the treatment of invasive NMSC. The study involved 22 patients with 40 histologically confirmed NMSCs (57.5% basal cell carcinomas, 12.5% cutaneous squamous cell carcinomas, 30% Bowen's disease lesions). Following the rhenium-188 single-session treatment, the response rate, adverse events, and cosmetic outcomes were assessed at 14 days, 4 months, and 12 months. The key findings included:

- Response rate at 12 months was 97.5% with 95.0% complete responses (clinically or histologically proven).
- No adverse events reported during the application of rhenium-188.
- Most patients (62.5%) did not experience an adverse event during the trial period.
- Most adverse events were reported at 14 days post-treatment, with 20% of lesions itching, 12.5% were painful (mostly minor pain) and 7.5% had a burning sensation.
- The majority of treated lesions were not reported to be painful.



NUCLEAR ENERGY

Assystem S.A., an international engineering group, has reported a 17.0% increase in consolidated revenue, totaling €421.7 million for the first nine months of 2023 compared to the same period in 2022. The growth is attributed to strong demand across all business sectors, successful recruitment campaigns, and higher talent retention, helping them achieve the planned employee numbers. Within the Nuclear activities sector, revenue increased by 15.8%, reaching €293.6 million, with significant like-for-like growth, a positive impact from changes in the scope of consolidation, and a negative currency effect contributing to the overall performance.

BWX Technologies, Inc. (BWXT) has been awarded a U.S. Naval Nuclear Propulsion Program contract worth around US\$300 million to manufacture naval nuclear reactor fuel. Their subsidiary, Nuclear Fuel Services, Inc., located in Erwin, Tennessee, will handle the fuel production. BWXT's fuel and reactors are used in various U.S. Navy vessels, including submarines and aircraft carriers. After the fuel is manufactured, it will be transported to a BWXT facility in Virginia for final installation into naval reactors. These reactors are designed to last the entire lifespan of submarines and are refueled only once in the case of aircraft carriers. Work under the contract has already started, with a target completion date in mid-2025.

Cameco Corporation (Cameco) signed a uranium supply agreement with China Nuclear International Corporation, a subsidiary of China National Nuclear Corporation (CNNC), one of the country's largest nuclear power operators. The contract, finalized earlier this year, was marked as part of the 2023 International Forum on Natural Uranium Industry taking place in Beijing. "China is counting on nuclear energy to play a major role in its commitment to achieve net-zero emissions, and CNNC is a large and growing part of that effort," said Tim Gitzel, Cameco president and Chief Executive Officer. "Cameco is very pleased to continue increasing our contribution toward the attainment of China's important climate goals." Terms and details of the supply agreement are commercially confidential and will not be disclosed publicly. The contract volumes are reflected in the 215 million pounds of uranium Cameco reported having under long-term contracts as of April 27, 2023, and the reported average annual delivery volumes of 28 million pounds per year from 2023 through 2027 as of June 30, 2023.

The Canadian Nuclear Safety Commission (CNSC) announced its decision to renew the mine and/or mill operating licences held by Cameco for the Key Lake, McArthur River and Rabbit Lake uranium operations in Saskatchewan, Canada. According to CNSC, the Key Lake and McArthur River licences were renewed for a period of 20 years, and the Rabbit Lake licence was renewed for a period of 15 years. "In making its decision, the commission considered submissions from Cameco, CNSC staff, and over 30 intervenors," CNSC said in a press release. "After reviewing all submissions, the commission concluded that Cameco remains qualified to carry on the activities that the renewed licences will authorize." According to Cameco, McArthur River and Key Lake are the world's largest high-grade uranium mine and mill, which have collectively produced 535 million pounds using a variety of mining methods. Rabbit Lake was the longest operating uranium mine in North America. Over 41 years of mining, the operation produced more than 203 million pounds of uranium concentrates. Rabbit Lake was transitioned into safe care and maintenance in the second quarter of 2016.

NuScale Power Corporation (NuScale), responding to a critical short-seller report, dismisses it as inaccurate and deceptive. The report contains speculative and unfounded claims about NuScale's financials and the small modular nuclear reactor (SMR) industry. NuScale refutes these claims and highlights its relationships with reputable entities like Standard Power, a firm supported by U.S.-based high net worth family offices and financial institutions, and ENTRA1 Energy, an independent power producer and energy transition platform backed by the Habboush Group. The company emphasizes that customers are choosing NuScale's SMRs for their projects, particularly in the AI data center sector. Standard Power has independently endorsed NuScale's SMRs for its facilities in Ohio and Pennsylvania, with site preparation already in progress. NuScale advises investors to disregard the report, which appears aimed at undermining the company's stock value.



ECONOMIC CONDITIONS

U.S. economy expanded 4.9% annualized in the third quarter, more than the median economist forecast calling for a +4.5% print. Year over year, real Gross Domestic Product (GDP) expanded 2.9%. Domestic demand grew at a very healthy clip in the three months to September, supported by household consumption (+4.0% quarter over quarter annualized) as well as structure (+1.6%), intellectual property (+2.6%) and residential (+3.9%) investment. In the latter case, it was the first gain recorded in two and a half years. Business equipment spending (-3.8%), on the other hand, fell for the third time in the past 4 quarters. Government spending rose 4.6%. Going against the recent trend, household spending grew at a faster pace in the goods segment (+4.8%) than in the services segment (+3.6%). In any case, consumption growth was solid in both categories. Trade had a small negative impact on growth (-0.07 percentage point), as a 6.2% expansion in exports was more than offset by a 5.7% gain for imports. Inventories, for their part, added no less than 1.32 percentage point to the headline GDP figure.

European data sees the German economy contracting by only -0.1% in the third quarter which was better than the -0.2% expected. German state Consumer Price Index (CPI) releases were generally lower. Spanish CPI comes in at +0.3% month over month and +3.5% year over year against expectations of +0.5% and +3.8% respectively.



FINANCIAL CONDITIONS

Bank of Canada left its overnight rate at 5.00% in October as widely expected, as a softer growth outlook allowed them to look past a large upgrade to the inflation forecast in the October Monetary Policy Report. The Bank is not forecasting a recession, but did flag a "faster-than-expected" slowdown as a key risk. The inflation backdrop added a hawkish tilt as the Bank expressed concern that "progress towards price stability is slow and inflationary risks have increased". The Bank's guidance repeated that it remains prepared to hike again if needed but also cited "clearer signs that monetary policy is moderating spending and relieving price pressures". The Bank is encouraged by the recent slowdown in demand, but will need to see more evidence this is working to reduce price pressures to stay on hold into 2024.

European Central Bank unanimous decision to leave key interest rates alone for the first time in over a year (or since June 2022) leaving: refi rate at a 22½-year high of 4.50%; marginal lending facility at a 15-year

high of 4.75% and deposit rate at a record-high 4.00%. The Press Release was very similar to September's, with the commentary about data-dependency and that inflation is still expected to stay high for too long. And past hikes are "increasingly dampening demand", which is helping cool inflation. It also repeated that key line, which set the thought process rolling last time that they're cooling the desire to keep hiking. In a nutshell, if rates stay where they are "for a sufficiently long duration", or for a long time, then they "will make a substantial contribution to this goal", or, the goal of bringing inflation back down to 2%. And there were some encouraging words on inflation. It acknowledged that CPI "dropped markedly in September" and that "most measures of underlying inflation have continued to ease".

The U.S. 2 year/10 year treasury spread is now -0.15% and the UK's 2 year/10 year treasury spread is -0.22%. 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 7.79%. Existing U.S. housing inventory is at 3.4 months supply of existing houses as of September 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 20.30 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: **"History is a set of lies agreed upon."** ~ Napoleon Bonaparte

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PIC23-058-E(11/23)