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NEWS HIGHLIGHTS

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

JANUARY 8, 2023

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OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND[1]

PORTLAND 15 OF 15 ALTERNATIVE FUND[1] COMPANY NEWS

Amazon.com, Inc. (Amazon) – is making plans to produce hydrogen fuel at its fulfillment center. The company is partnering with hydrogen company **Plug Power Inc. (Plug)** to install the first electrolyzer, equipment that can split water molecules to product hydrogen, at a fulfillment center in Aurora, Colorado. The electrolyzer will make fuel for roughly 225 fork life trucks at the site, although Plug says it has the capacity to fuel up to 400 hydrogen fuel cell-powered forklifts. “On-site production will make the use of hydrogen even more energy efficient for certain locations and types of facilities,” Asad Jafry, Amazon’s director of global hydrogen economy, said in a press release announcing the installation of the first electrolyzer yesterday. “Hydrogen is an important tool in our efforts to decarbonize our operations by 2040.” Hydrogen is meant to be a cleaner burning alternative to fossil fuels which is why Amazon is using it at its warehouses.

Reliance Industries Limited (Reliance) – Mukesh Ambani urged the employees of Reliance to accelerate artificial intelligence (AI) transformation across all businesses in 2024 as the company seeks to stay ahead of rivals in deploying advanced technologies. Reliance Jio Infocomm Limited is working with the Indian Institute of Technology, Bombay to launch ‘Bharat GPT,’ a large language model that would be tailored to the needs of Indian users, Akash Ambani, the tycoon’s elder son said at an event this week. Akash, who’s helming the group’s telecom and digital ventures, also said Reliance plans to integrate AI across businesses. Reliance is in the midst of transforming into a digital conglomerate by pushing into digital commerce. It now sells everything from electronics to apparel through its online and offline stores. The sector is also luring Asia’s second-richest person, Gautam Adani, whose flagship on Thursday announced a joint venture with United Arab Emirates’ AE’s International Holding Co. to explore AI, Internet of Things and blockchain technology for industrial applications. The Adani Group is increasingly looking to diversify into digital services, much like Reliance.

Samsung Electronics Co., Ltd. (Samsung) – has delayed mass production plans at its new chip plant in Taylor, Texas, the Seoul Economic Daily said, dealing a blow to the U.S. efforts to increase domestic semiconductor supplies. Mass production at the upcoming US$17 billion fab would begin in 2025, the newspaper reported, citing a speech by Choi Siyoung, President of Samsung’s foundry business at an industry event in San Francisco. Samsung previously said the factory would start production in the second half of 2024 when it announced the investment in 2021. A spokesperson said the company cannot confirm the mass production schedule right now. The report followed an earlier decision by Samsung’s bigger rival Taiwan Semiconductor Manufacturing Company Limited (TSMC) to postpone production at its new Arizona fab to 2025 from next year due to a shortage of experienced construction workers and machine installation technicians. Revisions to TSMC’s and Samsung’s plans would mean their new plants, worth tens of billions of dollars, may only come online after the US presidential election next year. U.S. environmental permit issues and the Biden administration’s slowness in delivering financial support have been plaguing domestic chip projects.

Altice USA Inc. (Altice) - Xavier Niel has expressed interest in buying the Portuguese operations of Altice telecommunications business, according to people with knowledge of the matter, joining a Saudi phone company and private equity firms in the contest. Drahi will winnow the bidders to a short list early in 2024, said one of the people, all of whom asked not to be identified because the process is confidential. Representatives for Altice and Iliad S.A., Niel’s French telecom company, declined to comment. Niel is competing with other bidders, notably Saudi Telecommunication Company as well as a group that includes buyout firms Warburg Pincus LLC and Zeno Partners as well as António Horta-Osório, former Credit Suisse Group AG Chairman. Niel also is trying to expand in Italy, making a fresh attempt in December to combine his Italian business with Vodafone Group plc's local operations. Drahi, who is selling assets as he seeks to reduce his debt pile, has said he would prefer to sell stakes in Altice's European carriers to buyout firms rather than to other phone companies.

Brookfield Asset Management (Brookfield)/ Infrastructure Funds (in which Portland Private Income LP invests) – will buy American Tower Corp's (ATC) loss-making Indian operations for US$2.5 billion, becoming the country's largest operator of telecom towers amid booming demand for data and wider use of 5G services. The acquisition is the biggest of Brookfield's three telecom-related deals in the roughly four years the Canadian company has been present in India, the world's second-largest market by number of subscribers. ATC, on the other hand, will exit India after nearly 17 years. Brookfield has around 157,000 towers and ATC operates some 77,000 towers.

LVMH Moët Hennessy Louis Vuitton (LVMH) – Frederic Arnault, one of LVMH Chairman and Chief Executive Officer (CEO) Bernard Arnault's five children and heirs, has been promoted to the role of Chief Executive of LVMH Watches, overseeing the TAG Heuer, Hublot and Zenith brands. The 29-year-old, who has worked for Tag Heuer since 2017, including as its CEO since 2020, will continue to report to the CEO of LVMH's watches and jewellery division Stephane Bianchi. His promotion is part of a broader reshuffle that includes Julien Tornare, Zenith CEO, replacing him at TAG Heuer and the recruitment of Benoit de Clerck, a former Richemont executive, to run Zenith. Tornare, de Clerck and Ricardo Guadalupe, longtime Hublot CEO will all report to Frederic Arnault. All of Bernard Arnault's children hold top management positions at brands in the sprawling luxury conglomerate and have been increasingly stepping into high profile roles as the family tightens its hold on the empire. Bernard Arnault, 74, one of the world's richest individuals -- at times moving ahead of Elon Musk and Jeff Bezos -- has not indicated he plans to step down any time soon. Antoine Arnault, who stepped back from day-to-day management of upscale menswear label Berluti at the start of the year, negotiated a high-profile deal to sponsor next summer's Paris Olympic Games and heads the family's holding company. Meanwhile, Delphine Arnault, Bernard Arnault's eldest child and only daughter, has been running LVMH's second largest fashion label, Christian Dior, since last year. At TAG Heuer, Frederic Arnault nudged the label upmarket, launched connected watches with a sports bent and made the first moves by LVMH to use laboratory created diamonds, incorporating them in some of the brand's most expensive watches.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

Amgen Inc. (Amgen) – announced that the U.S. Food and Drug Administration (FDA) has completed its review of the company's supplemental New Drug Application seeking full approval of LUMAKRAS (sotorasib). This review, which resulted in a Complete Response Letter, was based on the CodeBreaK 200 trial results for the treatment of adults with previously treated locally advanced or metastatic KRAS G12C-mutated non-small cell lung cancer (NSCLC). The FDA also issued a new post marketing requirement (PMR) for an additional confirmatory study to support full approval that will be completed no later than February 2028. In addition, the FDA concluded that the dose comparison PMR issued at the time of LUMAKRAS accelerated approval, to compare the safety and efficacy of LUMAKRAS 960 milligram (mg) daily dose versus a lower daily dose, has been fulfilled. The company said LUMAKRAS at 960 mg once-daily will remain the dose for patients with KRAS G12C-mutated NSCLC under accelerated approval. In May 2021, LUMAKRAS was the first KRASG12C inhibitor to receive regulatory approval in the U.S., under accelerated approval. To date, over 15,000 patients worldwide have received LUMAKRAS/LUMYKRAS through the clinical development program, early access and commercial use.

Arvinas, Inc. (Arvinas) – has received authorization from the FDA for the investigational new drug application for ARV-393, a PROTAC® degrader targeting the BCL6 protein in B-Cell malignancies. Additionally, the European Medicines Agency has authorized the clinical trial application for ARV-102, another PROTAC® degrader designed to target the LRRK2 protein for Parkinson's Disease and Progressive Supranuclear Palsy. The company intends to commence the first-in-human Phase 1 clinical trials for both ARV-393 and ARV-102 in the first half of 2024.

BridgeBio Pharma Inc. (BridgeBio) – has received FDA clearance for the investigational new drug (IND) application for BBO-8520. This first-in-class orally bioavailable small molecule is a potent direct inhibitor of KRAS G12C in both the GTP-bound (ON) and GDP-bound (OFF) state conformations. In preclinical models, BBO-8520 demonstrates significant tumor growth inhibition, even after resistance has emerged to existing (OFF) state inhibitors like sotorasib, an FDA-approved KRASG12C inhibitor.

Fate Therapeutics Inc. – has initiated the enrollment for its Phase 1 clinical trial of FT825 / ONO-8250. This is a multiplexed-engineered, chimeric antigen receptor T-cell product designed to target human epidermal growth factor receptor 2 (HER2). The product is derived from induced pluripotent stem cells (iPSC) and features a novel HER2-targeted antigen binding domain. It is specifically engineered to address challenges in treating solid tumors. The Phase 1 study is part of a strategic collaboration with Ono Pharmaceutical Co., Ltd.

Guardant Health, Inc. (Guardant Health) – announced preliminary, unaudited results for the quarter and full year ended December 31, 2023. Full year 2023 preliminary unaudited financial results for the twelve-month period ended December 31, 2023, as compared to the same period of 2022: Revenue of between US$562 million and $563 million, an increase of 25%; Reported 172,900 tests to clinical customers and 29,900 tests to biopharma customers, an increase of 39% and 15%, respectively. Preliminary unaudited free cash flow was approximately negative $84 million for the fourth quarter of 2023, and approximately negative $347 million for the full year 2023. Cash, cash equivalents and marketable debt securities were $1.2 billion as of December 31, 2023.

Guardant Health and Hikma Pharmaceuticals plc (Hikma) have entered into an agreement to promote Guardant Health's range of liquid and tissue biopsy tests for cancer screening, recurrence monitoring, and tumor mutation profiling across the Middle East and North Africa (MENA). This collaboration expands Guardant Health's global presence and encompasses products spanning the entire cancer care spectrum. The tests offered include Shield™ for cancer screening, Guardant Reveal™ for minimal residual disease detection and recurrence monitoring, and Guardant360® and Guardant360 TissueNext™ for comprehensive genomic profiling across all solid cancers. Hikma has exclusive rights to commercialize Guardant Health's products in a majority of countries in the MENA region through this agreement.

Iovance Biotherapeutics, Inc. (Iovance) – provided an update on its LN-145 TIL therapy in non-small cell lung cancer (NSCLC). The FDA imposed a clinical hold on the IOV-LUN-202 trial due to a Grade 5 serious adverse event related to the pre-conditioning regimen. The trial focuses on LN-145 for NSCLC patients with limited treatment options and poor prognosis. The hold does not affect other Iovance trials, including the FDA's Priority Review of lifileucel for advanced melanoma, which is on track for a Prescription Drug User Fee Act action date of February 24, 2024. Enrollment and LN-145 TIL treatment for new patients in IOV-LUN-202 will be paused, but existing patients will continue to be monitored, and those who underwent tumor resection will receive the treatment with additional precautions.

ITM Isotope Technologies Munich SE (ITM) – announced the receipt of the Radioactive Material Handling License (RAM License) for the company's NOVA facility, the world's largest Lutetium-177 production site. Lutetium-177 is an innovative medical radioisotope frequently used in Radiopharmaceutical Therapy (RPT) for the treatment of cancer. Having obtained the RAM License together with other regulatory approvals required, ITM has achieved operational readiness. The RAM License has been granted by the Bavarian Environment Agency , the relevant regulatory body, in line with the highest quality standards. The RAM License grants ITM the approval to start "hot commissioning", meaning the start of radioactive operations on-site with the purpose of qualifying and validating all systems, a mandatory process needed to obtain the pharmaceutical manufacturing authorization. The fit-out of NOVA has been completed, with all major production, safety and quality control systems installed. In addition, ITM has initiated quality control and waste management operations. NOVA will be instrumental to ITM's ability to meet the rapidly increasing global demand for radiopharmaceuticals used for cancer treatment by allowing ITM to significantly expand its capacity to supply clinics, pharmaceutical partners, and its own radiopharmaceutical pipeline. Based on its size and production scale, NOVA could potentially serve up to several hundred thousand patients worldwide per year. This facility covers an area of approximately 7,000 square meters and operates at an industry 4.0 technical level, featuring a high degree of automation in production processes and internal logistics. The facility offers clean rooms, laboratories and offices that can be used by up to 200 employees for radiopharmaceutical manufacturing meeting the highest level of quality standards.

Perspective Therapeutics Inc.– has secured a patent license agreement with Mayo Clinic for the rights to the Prostate-specific membrane antigen, (PSMA) Alpha- Positron emission tomography (PET) DoubLET platform technology, primarily for treating PSMA-expressing cancers, initially focusing on prostate cancer. This technology is a significant advancement in prostate cancer diagnostics and treatment. The PSMA Alpha-PET DoubLET platform utilizes copper-64 (64Cu) for detailed PET imaging-based diagnosis and dosimetry, and lead-212 (212Pb) for alpha-particle targeted RPT. Additionally, it can be applied for beta-particle targeted RPT using copper isotopes. Preclinical studies have shown promising results, delivering high radiation doses to tumors while minimizing exposure to critical organs and tissues.

Relay Therapeutics Inc. – has entered into a securities purchase agreement for a private placement financing with Nextech Systems LLC. The agreement involves the sale of 2.5 million shares of common stock at a price per share of US$12.00, representing a premium to the closing price on January 5, 2024. This transaction is anticipated to generate gross proceeds of $30.0 million for Relay Therapeutics, Inc.

Schrödinger Inc. (Schrödinger) – has given an update on its progress and outlined its development and operational goals for 2024. The company has announced an expanded three-year software agreement with Eli Lilly and Company (Lilly). This agreement, building on the collaboration established in 2022, grants Lilly large-scale access to Schrödinger's comprehensive suite of technologies. These technologies will be utilized to facilitate and expedite various stages of drug discovery, including target enablement, assessment of target druggability, hit discovery, lead optimization, and development candidate identification. Schrödinger will offer advanced support to ensure the seamless integration and optimization of the platform across Lilly's research sites.

Telix Pharmaceuticals Limited (Telix) – is exploring the possibility of conducting an initial public offering (IPO) of American Depositary Shares (ADSs) representing its ordinary shares in the U.S. and listing on the Nasdaq Global Market. The company plans to keep its ordinary shares listed on the Australian Securities Exchange. Details such as the number of ADSs, the underlying ordinary shares, offering price, and the timing of the IPO are yet to be finalized. Telix expects to file a registration statement with the U.S. Securities and Exchange Commission (SEC), and any offering is contingent upon SEC review, market conditions, investor demand, and customary approvals. The decision to proceed with the offering and Nasdaq listing is pending, and there is no guarantee of its occurrence, timing, pricing, or completion.

Telix announced unaudited revenue results for the fourth quarter and full fiscal year 2023. The company reported AU$148.1 million (US 97.1 million) of total product revenue, primarily generated from sales of Illuccix® (kit for the preparation of gallium Ga 68 gozetotide injection) in the United States, an increase of 11% on the prior quarter (the third quarter of 2023) total revenue of $133.6 million (US87.2 million). The total revenue (unaudited) for Fiscal Year 2023 is $502.5 million (US 333.0 million).

NUCLEAR ENERGY

Bloom Energy Corporation (Bloom) – and SK ecoplant Co., Ltd. (SK) are collaborating on a significant hydrogen project developed by Korea Southern Power Co., Ltd. This pioneering demonstration, set to begin in late 2025, involves the deployment of 1.8 megawatts (MW) of Bloom's Solid Oxide Electrolyzer technology. The project aims to produce green hydrogen at scale for use as transport fuel on Jeju Island, South Korea, a leading market for renewable energy projects. SK and Bloom, with an existing strategic relationship, will integrate Bloom Electrolyzer™ with SK's engineered infrastructure to generate hydrogen suitable for use as transport fuel.

BWX Technologies Inc. – has announced the appointment of Nicole W. Piasecki to its board of directors, effective January 2, 2024. With a career spanning 25 years at The Boeing Company (Boeing), Piasecki held key leadership positions, including vice president and general manager of the Propulsion Systems Division for Boeing Commercial Airplanes. Currently serving on the boards of BAE Systems plc and Weyerhaeuser Company, Piasecki is also a senior advisor to Mitsubishi Heavy Industries, Ltd. Her career trajectory includes starting in a family-owned vertical lift research and development (R&D) business and working as an engineer for United Technologies before joining Boeing.

NuScale Power Corporation (NuScale) – has announced a strategic realignment focused on commercializing its small modular reactor technology. The transition from R&D to a commercial focus is anticipated to result in annual savings of approximately US$50-60 million. As part of the restructuring, NuScale plans a reduction in its workforce, with 154 full-time employees being affected, representing about 28% of the staff. The associated severance costs are expected to be around $3 million in the first quarter. These measures aim to reinforce the company's commitment to advancing revenue-generating projects and securing new orders in the field of small modular reactors.

Plug Power Inc. (Plug) – has successfully installed and commissioned a one- MW proton exchange membrane electrolyzer system at an Amazon fulfillment center in Aurora, Colorado. This marks Amazon's first electrolyzer system, producing low-carbon hydrogen to power over 225 hydrogen fuel cell forklift trucks at the DEN8 site. The Plug 1MW electrolyzer, utilizing electricity and water to generate hydrogen, has the capacity to support up to 400 fuel cell-powered forklifts. The produced hydrogen will be compressed on-site and stored for use by the forklift trucks. This project is part of Plug's collaboration with Amazon, replacing batteries with fuel cells in forklifts at various fulfillment centers. The on-site hydrogen production model helps utilize surplus renewable electricity, avoiding emissions associated with hydrogen transportation. Andy Marsh, Plug CEO, emphasizes the significance of the project in demonstrating Plug's capability to provide end-to-end solutions in the hydrogen value chain.

ECONOMIC CONDITIONS

Canadian employment remained unchanged in December, below consensus expectations for a 15 thousand(K) increase. Meanwhile, the participation rate declined two ticks to 65.4%. As a result, the unemployment rate remained unchanged at 5.8%, one tick below consensus expectations. The stagnation in employment is the result of a decrease in full-time jobs (-24K) fully offsetting the increase in part-time positions (+24K). Employment in both the private sector (+11K) and the public (+7K) sector was up in the month. Self-employment, meanwhile, was down (-18K). December's variation in employment was positive in the services sector (+43K), while employment in goods (-43K) was down. On the goods side, the decrease stemmed mainly from the manufacturing (-18K), agriculture (-18K) and construction (-14K) sectors, while employment in utilities (+3K) and forestry (+4K) was up slightly. On the services side, the largest increases were registered in professional/scientific services (+46K), health care (+16K) and other services (+12K). These increases were partially offset by declines in trade (-20K), business services (-14K) and transportation/warehousing (-4K) sectors. Regionally, there were job gains in British Columbia (+18K), Alberta (+7K) and Québec (+10K), while employment was down in Ontario (-48K). Hours worked were up 0.4% in December following a 0.8% decline in November. Wage inflation was 5.7% on a year-over-year basis in December (up from 5.0% in November). The employment rate for the 25-54 age group is now at its lowest level in 23 months. However, the decline in the youngest age group (population aged 15-24) has been even more pronounced over the past year, falling 3.1%, a drop never seen outside of a Canadian recession. We also note that immigrants have borne the brunt of this labour market reversal over the past year. Despite clear signs that the labour market is easing, wage pressures remain significant. In our view this complicates the task of the central bank, despite the economy showing signs of weakening. We expect these wage pressures to ease in 2024, as the economy has not yet fully felt the impact of the rate hikes already implemented, which should lead to economic contraction.

Canada Consumer Price Index increased 0.1% in November, two ticks above consensus expectations (not seasonally adjusted). In seasonally adjusted terms, headline prices were up 0.25% after a flat print the prior month. This translates to an annual inflation rate of 3.1%, unchanged from October. Prices increased in 7 of the 8 categories surveyed, led by recreation (+0.7%), shelter (+0.5%), alcohol/tobacco (+0.4%) and clothing/footwear (+0.4%). Price increases in food (+0.2%), transportation (+0.2%) and health/personal care (+0.1%), meanwhile, were more moderate. For their part, prices in household operations (0.0%) were unchanged in the month. Annual inflation was above the national average in Québec (+3.6%), Ontario (+3.3%) and British Columbia (+3.2%), while it was below that mark in Alberta (+2.5%).

U.S. payroll growth accelerated in December to a stronger than expected 216k jobs up from a downwardly revised 173K in November. There was a net downward revision to the prior two months of 71K jobs, so the U.S. labor market cooldown trend remains intact. The three-month moving average of payroll growth moderated to 164K per month down from 180K in November. Still there was growth in nearly all major categories last month with the bulk of the job gains coming from education and health care (+74K), government (+52K), and leisure and hospitality (+40K). Job growth also picked up in construction (+17K), retail trade (+17K), and professional and business services (+13K). The lone sign of weakness came from the temporary help sector which shed another 33K jobs. Manufacturing payroll gains slowed to 6K in December from 26K in November, largely in-line with our forecast, as the return of striking unition autoworkers workers wore off.

The U.S. unemployment rate held at a low 3.7%, unchanged from November's level and only a tenth of a percentage point above where the unemployment rate was way back in February 2023. The labor force participation rate fell to 62.5% from 62.8% as the labor force fell by 676K and household employment unwound recent gains, dropping by 683K. A mixed picture here, but in our view continued low levels of unemployment do not bode well for the first quarter rate cuts from the Federal Reserve. Average hourly earnings were up 0.4% in December in-line with November's robust increase and above consensus forecasts looking for some moderation. The year-on-year growth rate increased to 4.1%, though average hours worked slipped to 34.3 from 34.4 in November, which should reduce concerns about surging compensation gains.

U.S. manufacturing activity improved somewhat in December with the Institute for Supply Management **Manufacturing Index edging up to 47.4** from 46.7 in November. Despite the slight improvement, the manufacturing sector has contracted for 14 successive months amid elevated interest rates, high borrowing costs and tepid demand for goods. Moreover, that is the longest period of contracting activity since 2000/2001 when the dot-com bubble exploded. Six of the 10 components improved, led by a 3.9-points jump in new export orders. The production gauge climbed 1.8 points and is just above the break-even level of 50.0. On the flip side, the new orders index declined 1.2 points and has contracted for 16 consecutive months. Meanwhile, falling commodity prices are benefitting U.S. manufacturers with the prices paid index slumping 4.7 points – the biggest drop since May 2023 – to 45.2. In our view the U.S. manufacturing sector is likely to continue struggling in the near-term absent a drop in interest rates and a subsequent rebound in the demand for goods. The positive news is manufacturing activity, while still shrinking, is showing signs of stabilizing.

U.S. Housing starts unexpectedly rose 14.8% in November following an upwardly revised gain of 0.2% in October. Starts have now risen for three consecutive months as homebuilders attempt to make up for the inventory shortfall in the existing home market. Advances were broad based with single family starts soaring 18.0% – the third straight increase and the highest level since April 2022 – and multifamily starts climbing a more modest 6.9%. The solid increase pushed the year-on-year growth rate up to 9.3% after three annual declines in a row. The annual increase was driven entirely by a 42.2% jump in single family starts with multifamily starts plunging 33.1%. However, building permits – a forward-looking indicator of future home construction – fell 2.5%, more than negating the 1.8% advance in October. Volatile multifamily permits declined 8.5% while single family permits edged up 0.7%. Despite the dip, total permits are 4.1% higher than a year ago, the first annual increase since July 2022. Easing mortgage rates and a dearth of inventory of existing homes have prompted homebuilders to ramp up construction. At 1.56 million units, the annualized pace of starts is now on par with pre-pandemic levels, implying the drag on gross domestic product from weak residential investment is starting to diminish. However, with the months' supply of existing homes for sale at the current pace at just 3.6 in October, it will take some time to balance supply and demand and improve affordability.

U.S. existing home sales edged up 0.8% in November. That breaks a streak of five consecutive monthly declines. A dip in mortgage rates in November—the 30-year fixed rate fell to 7.44% from 7.62% in October—revived demand somewhat although borrowing costs are nearly two and half times what they were just two years ago. Single family home sales climbed 0.9%—the first advance since February 2023—while condos/co-op sales were flat. The rebound improved the year-on-year growth rate to -7.3%, the smallest decline since April 2022. Total housing inventory in November was 1.13 million units, down 1.7% from October but 0.9% higher than a year ago. That represents a 3.5- months' supply at the current sales pace, down from 3.6 months in October but up from 3.3 months in November 2022. Despite the slight improvement in the inventory situation, **median home prices climbed 4.0% from November 2022** with all four regions posting price increases. In our view while home sales will be buoyed by declining mortgage rates, they will be restrained by low inventory, challenging affordability and slower job growth. Absent a dramatic increase in supply that will dampen home price growth, the residential market is expected to remain weak in the near term.

UK inflation surprised sharply to the downside for the second month in a row in November, with the headline rate falling to 3.9% year over year (y/y) (market (mkt): 4.3%, Bank of England (BoE: 4.6%) and core dropping 0.6ppts to 5.1% y/y (mkt: 5.6%). Services inflation also surprised to the downside, as we expected, and fell to 6.3% y/y (mkt: 6.6%, BoE: 6.9%). The weakness in the data was broad based, with everything from food, services, and core goods coming in soft. In particular, a 0.4% month over month decline in recreation and cultural goods, and a big decline in computer games and admission fees to theatres and live music events came in weak. However, in our view, despite this data, given the notable uncertainty surrounding UK macro data at the moment, the BoE will likely want to see more signs of weakness in the labour market and wage growth before feeling comfortable enough to make a dovish pivot and lower rates.

FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now -0.34% and the UK's 2 year/10 year treasury spread is -0.43%. 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 6.42%. Existing U.S. housing inventory is at 3.5 months supply of existing houses as of October 31, 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 13.78 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: *"Where words fail, music speaks." ~ Hans Christian Andersen*

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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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