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# NEWS HIGHLIGHTS

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

**MARCH 4, 2024**

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## OWNER OPERATED COMPANIES



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COMPANY NEWS

**Reliance Industries Limited (Reliance)** - Mukesh Ambani has signed a binding agreement with The Walt Disney Company (Disney) to form an US\$8.5 billion media giant through a merger of their operations in the country, securing a dominant position in one of the world's fastest-growing entertainment markets. Reliance will control over 60% of the new unit while 37% goes to Disney, said a joint statement issued late Wednesday by the companies. Reliance will invest another 115 billion rupees (\$1.4 billion) in the new unit as growth capital and Disney may contribute certain additional assets after getting regulatory approvals. The joint venture, which creates the largest player in the local broadcasting and digital sector, will get exclusive rights to distribute Disney films and productions in India, along with a license to more than 30,000 Disney content assets. The binding pact secures Reliance's position in Asia's biggest entertainment market, especially after a rival merger between Sony Group Corporation and Zee Entertainment Enterprises Ltd. collapsed last month. Disney had initially pursued a far higher valuation for its India arm in merger talks, and the final deal reflects Ambani's clout in a landscape that the American giant struggled to navigate on its own. The overall value reflects a significant reduction in Disney's valuation, that was estimated to be as much as \$17 billion when Disney purchased 21st Century Fox in 2019. The deal is a significant boost for Reliance's streaming platform, Jio Cinema, as it can now offer Disney-Star India's content library alongside its traditional sports broadcasting lineup. Nita Ambani will serve as the chairperson of the joint venture and Uday Shankar is slated to be the vice chairperson.

**Samsung Electronics Co., Ltd. (Samsung)** - Advanced semiconductor companies have requested more than double the amount of available federal funds for projects in the U.S., Commerce Secretary Gina Raimondo said, referring to a program designed to bring chip manufacturing back to American soil. Intel Corporation, Taiwan Semiconductor Co., Ltd. Manufacturing and Samsung are seeking more than US\$70 billion from the 2022 Chips Act, Raimondo said Monday in remarks at the Center for Strategic and International Studies in Washington. The legislation set aside \$39 billion in grants, plus loans and loan guarantees valued at \$75 billion, to revitalize U.S. semiconductor manufacturing after decades of production abroad. The Commerce Department plans to spend \$28 billion of that \$39 billion pool on leading-edge facilities, Raimondo said. Raimondo also said her department will surpass a minimum \$2 billion in spending on older-generation chips, which are still essential to the global economy. The agency has announced three awards so far, totalling more than \$1.5 billion, to companies that produce those mature semiconductor models. Chip companies have invested more than \$200 billion in the U.S. before we put out a single dollar, Raimondo said. The announced awards are still preliminary, pending additional due diligence, and the money will be disbursed over time.

**Altice USA, Inc. (Altice USA)** - Charter Communications Inc. (Charter) is exploring a takeover of Altice USA according to people with knowledge of the matter. Altice USA's stock soared on the news, for the biggest jump since its spinoff in 2018. Charter is working with financial advisers as it studies the merits of a potential deal for the U.S. broadband and video services provider, the people said, asking not to be identified discussing confidential information. It's unclear whether a formal approach has been made and Charter could decide not to pursue a transaction, the people said. Representatives for Charter and Altice USA declined to comment. Altice USA, spun out of Europe's Altice NV in 2018, is one of the largest broadband and video services providers in the U.S., serving almost 5 million residential and business customers across 21 states,



according to its website. Charter's deliberations come as billionaire Patrick Drahi has made clear that every part of his Altice empire is up for sale.

**Berkshire Hathaway Inc.** – The U.S. government has threatened to sue the PacifiCorp unit of Warren Buffett's Berkshire Hathaway over its alleged failure to cover US \$356 million in costs associated with the 2020 Slater wildfire in southern Oregon and northern California. In its annual report filed, PacifiCorp's parent Berkshire Hathaway Energy (BHE) said the Department of Justice notified the utility last month of its intent to litigate overfire suppression costs, natural resource damages and burned area emergency response costs incurred by the U.S. Forest Service. Berkshire Hathaway Energy said PacifiCorp is cooperating to resolve the alleged claims, possibly through mediation or arbitration. It said the \$356 million could grow to reflect interest, penalties and additional environmental damages. The Justice Department has also corresponded with PacifiCorp about recovering the estimated \$625 million costs and damages to federal lands from the 2020 Archie Creek and Susan Creek wildfires in southern Oregon, the annual report said. Neither the Justice Department nor Berkshire Hathaway Energy immediately responded to requests for comment. The Slater fire started on Sept. 8, 2020 in southern Oregon and spread to approximately 157,000 acres (63,536 hectares). PacifiCorp separately faces private lawsuits from thousands of homeowners and businesses concerning Oregon and California wildfires in 2020 and 2022, including over its alleged negligent failure to shut down power lines. Multiple juries have issued verdicts against PacifiCorp, and more trials are scheduled for 2024. PacifiCorp has taken \$2.4 billion of charges through Dec. 31, 2023 for estimated wildfire losses, before recoveries from insurers. In his annual letter to Berkshire shareholders, Buffett said his Omaha, Nebraska-based conglomerate could face more wildfire losses if the frequency and intensity of severe thunderstorms keeps growing. "It will be many years until we know the final tally from BHE's forest-fire losses and can intelligently make decisions about the desirability of future investments in vulnerable western states," Buffett wrote. Berkshire bought PacifiCorp for \$5.1 billion in 2006.

**LVMH Moët Hennessy Louis Vuitton (LVMH)** – French publishing company Lagardere said it had received an offer from luxury goods group LVMH to buy Paris Match magazine. Lagardere did not provide details on the amount of the offer for the magazine title, but said it was "quite significant". "It's our duty and especially my duty reporting to the board to work on that offer," CEO Arnaud Lagardere told investors. Lagardere said its board of directors has entered into exclusive discussions with LVMH and will consult with unions representing Paris Match employees, and maybe Lagardere News. Media conglomerate Vivendi acquired Lagardere last year and currently owns 59.71% of the group.

**Nomad Foods Ltd.** – reported financial results for the three and twelve-month periods ended December 31, 2023. The company finished the year on excellent footing and given the ongoing sequential improvement in its monthly trends, the business is on track to return to positive volume growth in 2024. Key operating highlights and financial performance for the fourth quarter 2023, when compared to the fourth quarter 2022, include: reported revenue increased 1.4% to €761 million, organic revenue growth of 1.9%, adjusted EBITDA up 3.2% to €117 million and adjusted EPS of €0.32. Key operating highlights and financial performance for the full year 2023, when compared to the full year 2022, include: reported revenue increased 3.6% to €3.0 billion, organic

revenue growth of 4.9%, adjusted EBITDA increased 2.0% to €535 million, adjusted EPS of €1.61 and adjusted free cash flow of €300 million, representing an adjusted free cash flow conversion of 109%. For the full year 2024, the company expects organic net revenue growth of 3%-4%, driven by positive volume/mix, adjusted EBITDA growth of 4%-6%, and adjusted EPS of €1.75-€1.80, implying growth of 9-12%. Based on USD/EUR exchange rate as of February 17th, this translates into 2024 adjusted EPS of US\$1.89-\$1.95. The company expects full year cash flow conversion in the range of 90% to 95%. Stéfan Descheemaeker, Nomad Foods' Chief Executive Officer, stated, "I am proud of the dedication and resilience of the entire Nomad Foods team as we delivered another year of record-high sales and adjusted EBITDA." "Looking ahead to 2024, I am even more excited about our continued momentum as we return to our normal operating cadence. Frozen food consumption trends are rebounding, and we are well-positioned to deliver attractive organic growth as we sharpen our innovation focus and raise our marketing and brand investments. We are elevating our productivity agenda and aggressively managing costs, which, coupled with our effective capital allocation, positions us to generate stronger bottom-line growth and superior shareholder returns over the long-term."



## DIVIDEND PAYERS



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**The Bank of Montreal (BMO)** reported the first quarter of 2024 adjusted of CA\$2.56 vs. consensus \$3.02. The miss was primarily the result of lower revenues (-\$0.48) and higher Provision for credit losses (PCLs) (-\$0.14), offset by lower expenses (-\$0.13). Consolidated pre-tax, pre-provision earnings (PTPP) of \$3.1 billion vs. consensus of \$3.3 billion. All-bank net interest margin (NIM), excluding trading, was down 6 basis points (bps) quarter over quarter (Q/Q). PCLs of \$627 million vs. consensus forecast of a PCLs of \$507 million. 38 bps PCLs ratio (vs. 15 bps at first quarter of 2023 and 27 bps at fourth quarter of 2023). Canadian Property and Casualty (P&C) adjusted PTPP growth was up 8% year over year (Y/Y). NIM was up 3 bps Q/Q. Segment loan growth was 5% Y/Y (1% Q/Q), led by cards up 20% Y/Y (6% Q/Q). Mortgage growth was up 7% Y/Y (1% Q/Q) and commercial loans were up 3% Y/Y (flat Q/Q). U.S. P&C reports 19% Y/Y adj. PTPP growth (USD basis) with Bank of West acquisition. NIM was flat Q/Q. Average loans were down less than 1% Q/Q with avg. deposits up 2% Q/Q. Capital Markets adjusted net income down 17% Y/Y (PTPP down 20% Y/Y). Wealth adjusted net income up 51% Y/Y. This figure included a 7% decline Y/Y in Traditional Wealth earnings, and Insurance earnings increased by \$96 million Y/Y to \$53 million (after a loss in the first quarter of 2023). Core Equity Tier 1 capital ratio of 12.8%, up 30 bps from 12.5% last quarter.

**The Bank of Nova Scotia (BNS)** reported first quarter of 2024 core cash EPS of CA\$1.69 vs. consensus of \$1.61. The beat was driven primarily by revenues (+\$0.15), offset by higher expenses (-\$0.04). Consolidated PTPP of \$3.7 billion (+5% Y/Y) vs. consensus estimate of \$3.6 billion. All-bank core NIM + 4 bps Q/Q. Total PCLs of \$962 million vs. consensus of \$920 million. Canadian P&C adjusted PTPP growth of 10% Y/Y. NIMs were up 9 bps Q/Q. PCLs ratio of 34 bps was up 15 bps Q/Q, due mainly to impaired provisions rising 28% Q/Q. Avg. loan growth was down 1% Y/Y (flat Q/Q), with an increase in commercial loans (9%

Y/Y, 1% Q/Q) offset by a decline in mortgage loans (-5% Y/Y, -1% Q/Q). Card balances were up 19% Y/Y (5% Q/Q). International Banking (IB) adjusted PTPP up 13% Y/Y (constant exchange rate). PCLs ratio of 135 bps was up 16 bps Q/Q. NIMs increased 19 bps Q/Q to 4.36%. Loan growth of -2% Y/Y (flat Q/Q) was driven by a decrease in commercial loans of -6% Y/Y (-2% Q/Q), offset by mortgages 6% Y/Y (-2% Q/Q) and card balances 2% Y/Y and 1% Q/Q. We note that the wholesale contribution to IB's results were unusually strong this quarter at \$372 million, up 24% Y/Y and well above BNS's guidance of \$250 million+/quarter. Capital Markets PTPP down 21% Y/Y. Global Wealth earnings down 4% Y/Y (PTPP down 4% Y/Y). Asset under management was up 5% Y/Y and asset under administration was up 8% Y/Y, primarily driven by market appreciation. Core Equity Tier 1 capital ratio of 12.9% was above consensus of 12.4%). The biggest deviation came from the impact of the risk-weighted assets (RWA) output floor that was less than half anticipated. Total PCLs of \$962 million vs. consensus of \$920 million.

**The Canadian Imperial Bank of Commerce (CIBC)** reported the first quarter of 2024 core cash EPS of CA\$1.81 vs. consensus \$1.66. Consolidated PTPP of \$2.9 billion vs. estimate of \$2.8 billion. All-bank NIM (excludes trading) was up 6 bps Q/Q. Total PCLs of \$585 million vs. consensus forecast of \$581 million. 43 bps PCLs ratio (vs. 22 bps at the first quarter of 2023 and 40 bps the fourth quarter of 2024). Canadian P&C PTPP up 15% Y/Y. Operating leverage of 8%. NIM was up 1 bp Q/Q. Loans were up 2% Y/Y (flat Q/Q) with commercial growth of 3% Y/Y (flat% Q/Q). Credit card balances were +15% Y/Y (+4% Q/Q). U.S. Commercial Banking and Wealth Management's adj. PTPP was down 12% Y/Y (USD basis). NIM was up 5 bps Q/Q. Loans were flat Y/Y (down 2% Q/Q) and deposits down 2% Y/Y (+6% Q/Q). PCLs of \$182 million vs. \$183 million in the fourth quarter of 2023. Capital Markets earnings were down 6% Y/Y (PTPP down 4% Y/Y). Core Equity Tier 1 capital ratio of 13% was up 60 bps from last quarter, and above 12.7% forecast. The components of CET1 movement were internal capital generation (25 bps), Dividend Reinvestment Plan (DRIP) (11 bps), methodology & policy (28 bps), other (6 bps) and offset by RWA (-6 bps).

**JPMorgan Chase & Co. (JPM):** has selected HSBC Holdings plc (HSBC) and Standard Chartered plc (StanChart) to operate its custody businesses in Hong Kong and Taiwan, with assets worth more than US\$500 billion, a spokesperson for the U.S. bank said, JPM has decided to outsource its local custodian in Hong Kong to HSBC and Taiwan to StanChart, the spokesperson said. JPMorgan is aiming to complete the transition to the two banks before the end of this year, according to two separate sources with knowledge of the matter.

**Royal Bank of Canada (RBC)** reported the first quarter of 2024 adjusted EPS of CA\$2.85 vs. consensus estimate of \$2.79. HSBC Canada expense accretion timeline front-end loaded, with 60% of expense synergies in Year 1 versus 20% in initial deal expectations. Consolidated highlights. PTPP of \$6.0 billion in line with our estimate of \$6.0 billion. Core adjusted expense growth stood at 2% Y/Y. All-bank Net Interest Margin (NIM) excludes trading down 7 bps, due mainly to non-recurrence of accounting adjustments in the prior quarter. Provisions for Credit Losses (PCLs) of \$813 million vs. consensus forecast of \$754 million. 37 bps PCL ratio (vs. 25 bps at Q1/23 and 34 bps at Q4/23). Canadian P&C reports 4% PTPP growth. Segment loan growth was 6% Y/Y (+1% Q/Q), led by commercial up 14% Y/Y (+4% Q/Q), while Real Estate Secure Lending (RESL) loan growth. Card balances were also up 13% Y/Y (up 3% Q/Q). NIM up 1 bp Q/Q. PCLs ratio rose to 32 bps from 24 bps in the fourth quarter of 2023. Capital Markets earnings

were down 7% Y/Y (PTPP down 9% Y/Y). Adjusted Wealth Management earnings were down 13% Y/Y. Citizens National Bank (CNB) loan growth was flat Y/Y (down 2% Q/Q) and NIM increased 20 bps Q/Q, due to a 24 bps benefit from intercompany transaction offset by lower asset yields (-3 bps) and higher funding costs (-1 bp). Core Equity Tier (CET) 1 capital ratio of 14.9% was up ~40 bps from last quarter, higher than the 14.6% forecast. The increase in CET 1 ratio was the result of internal capital generation (33 bps), fair value other comprehensive income (OCI) adjustments (13 bps), DRIP (12 bps), other items (4 bps), which were offset by Risk Weighted Asset inflation (-23 bps). RBC is targeting a 12.5% CET 1 ratio pro forma HSBC. The bank also announced the elimination of the discount on its DRIP program.

**Toronto Dominion Bank (TD)** reported the first quarter of 2024 cash EPS of US\$2.00, vs consensus of \$1.93. Consolidated Adj. PTPP of \$5.3 billion vs estimate of \$5.2 billion. Total PCLs of \$1,001 million vs. consensus of \$927 million. Canadian P&C posts 6% PTPP growth Y/Y. Segment loan growth was 7% Y/Y (+1% Q/Q), led by commercial growth of 8% Y/Y (2% Q/Q). Cards were up 11% Y/Y (2% Q/Q). NIM was up 6bps Q/Q. PCLs stood at \$423 million vs \$390 million in Q4/23. U.S. P&C adj. PTPP down 17% Y/Y (USD basis, excl. The Charles Schwab (SCHW) charge & excl. Federal Deposit Insurance Corporation (FDIC) charge). NIM was down 4bps Q/Q on lower deposit margins. Segment loans were up 9% Y/Y (+2% Q/Q). PCLs stood at \$285million vs \$213 million in the fourth quarter of 2024. TD has disclosed that the FDIC is going to re-assess banks for a higher charge, which will affect all banks that are exposed (i.e., not just TD). Capital Markets adj.net income was down 14% Y/Y. Wealth earnings were flat Y/Y. Insurance segment earnings were up 1% Y/Y. Core Equity Tier 1 ratio of 13.9% was 20bps below consensus and down approximately 50bps from the fourth quarter of 2023. Key factors impacting CET 1 movement were internal capital generation (+25bps), increase in RWA (-26bps), repurchase of common shares (-33bps), impact of regulatory changes (-17bps) and other items (+2bps). Buybacks amounted to \$1.7 billion shares this quarter, down roughly half from the fourth quarter of 2023 repurchase activity.

**Walmart Inc. (Walmart)** announced on January 30, 2024, its Board of Directors authorized a 3-for-1 stock split of its common stock effective February 23. Based on 2,684,264,089 shares of common stock outstanding as of February 22, the company calculates there will be approximately 8,052,792,267 shares outstanding on February 23 after giving effect to the stock split. Trading in the stock on a split-adjusted basis began February 26, 2024.



**Arvinas, Inc. (Arvinas)** – has announced its financial results for the fourth quarter and full year of 2023 while also providing a corporate update. The company continues to enroll participants globally in multiple clinical studies of vepdegestrant (ARV-471) for ER+/HER2- metastatic breast cancer. Additionally, pending further data and discussions with regulatory authorities, the expanded development plan for vepdegestrant

will involve a new Phase 3 trial in combination with CDK4/6 inhibitors in the second-line setting and a new Phase 3 trial of vepdegestrant plus Pfizer's novel CDK4 inhibitor in the first-line setting. Furthermore, Arvinas has received regulatory clearance to initiate first-in-human Phase 1 clinical trials for PROTAC® targeting BCL6 and the first neuroscience PROTAC® degrader targeting LRRK2.

**BeiGene Ltd. (BeiGene)** – has announced that the U.S. Food and Drug Administration (FDA) has accepted its Biologics License Application (BLA) for TEVIMBRA® (tislelizumab). This application pertains to the combination of TEVIMBRA with fluoropyrimidine- and platinum-containing chemotherapy for treating patients diagnosed with locally advanced unresectable or metastatic gastric or gastroesophageal junction (G/GEJ) adenocarcinoma. The FDA is anticipated to provide a decision on the BLA by December 2024.

**BridgeBio Pharma, Inc. (BridgeBio)** – and Bayer AG (Bayer) have announced a European licensing agreement for acoramidis, a treatment for patients with transthyretin amyloid cardiomyopathy (ATTR-CM). Under the agreement, BridgeBio grants Bayer exclusive commercialization rights for acoramidis in Europe. BridgeBio will receive royalties based on a tiered structure, starting at the low-thirties percent, allowing BridgeBio to share in the potential success of acoramidis. Additionally, BridgeBio will receive up to US\$310 million in upfront and near-term milestone payments, with potential for additional undisclosed sales milestones.

**Fate Therapeutics Inc.** – announced its financial results for the fourth quarter and full-year 2023, highlighting significant developments. These include receiving a grant from California Institute for Regenerative Medicine to support a Phase 1 study for FT819 targeting Systemic Lupus Erythematosus and the initiation of Phase 1 trials for FT522 and FT825/ONO-8250 aimed at cancer treatment.

**Iovance Biotherapeutics, Inc. (Iovance)** – has announced that the U.S. launch of Amtagvi™ (lifileuce) is fully underway following its approval by the U.S. Food and Drug Administration (FDA). Amtagvi is hailed as the first and only one-time, individualized T cell therapy for a solid tumor cancer. Regulatory submissions for Amtagvi are progressing as planned in the European Union, United Kingdom, and Canada. Patients eligible for Amtagvi have been identified at nearly all of the 30 Authorized Treatment Centers (ATCs), with approximately 50 ATCs expected to be operational by the end of May 2024.

**Iovance** has announced the lifting of a partial clinical hold by the U.S. Food and Drug Administration (FDA) on the registrational IOV-LUN-202 trial. This trial focuses on investigating LN-145 TIL cell therapy in non-small cell lung cancer (NSCLC). Collaborating with the FDA and an independent data monitoring committee, Iovance has implemented additional safety measures and monitoring protocols. Following review and approval of these measures by the FDA, Iovance has been given clearance to resume patient enrollment in the IOV-LUN-202 trial.

**Lantheus Holdings, Inc.** – announced the U.S. Food and Drug Administration (FDA) approval of the supplemental new drug application (sNDA) for DEFINITY®. This approval allows DEFINITY to be used as an ultrasound enhancing agent for pediatric patients with suboptimal echocardiograms. DEFINITY is currently the most utilized and extensively studied diagnostic ultrasound enhancing agent in the U.S.

**RadNet Inc. (RadNet)** – has reported its fourth-quarter 2023 results. Revenue increased by 9.5% to US\$420.4 million, with the Imaging Center reporting segment contributing \$415.3 million, an 8.6% rise from the previous year. Procedural volumes increased by 7.9%, with same-center volumes rising by 5.5%. Additionally, RadNet has formed a Digital Health reporting segment, integrating its software, informatics, and AI operations. The company has also entered the Houston market through the acquisition of seven imaging centers. For 2024, RadNet anticipates revenue and Free Cash Flow to increase in both the Imaging Center and Digital Health segments.

**RadNet** – announced that it has signed a definitive agreement to purchase the assets of seven imaging centers in the greater Houston, Texas metropolitan area from Houston Medical Imaging, LLC. Upon closing the acquisition, which is anticipated to occur during the second quarter, 2024, RadNet will be entering its first new market since 2020. The acquisition is subject to customary closing conditions. The seven centers, once acquired, will continue to operate under the Houston Medical Imaging brand, and will offer multi-modality services, including MRI, CT, PET/CT, X-ray, ultrasound, mammography and other procedures. During 2023, these seven centers collectively performed over 135,000 procedures and produced over US\$28 million of revenue.

**Schrödinger, Inc. (Schrodinger)** – has reported financial results for the fourth quarter and full-year 2023. Fourth-quarter software revenue rose to US\$68.7 million, marking a 44% increase from the same period in 2022. The company achieved a 20% annual total revenue growth, reaching a total revenue of \$216.7 million for the full year. Schrödinger anticipates further growth in software revenue by 6% to 13% in 2024. On the pipeline front, Schrödinger's novel MALT1 inhibitor, SGR-1505, showed good results in a Phase 1 study involving 73 healthy volunteers. The drug demonstrated good tolerance, with no serious adverse events or toxicities observed, and confirmed target engagement by inhibiting over 90% of IL-2 secretion in activated T cells.

**Telix Pharmaceuticals Limited (Telix)** – has announced its acquisition of Texas-based Contract Development and Manufacturing Organization (CDMO) IsoTherapeutics in a cash and stock transaction valued at US\$13.6 million. The deal involves Telix paying \$2 million in cash and \$6 million in shares upfront, with an additional \$5 million in cash contingent on milestone achievements within 12 months after the closing.



## NUCLEAR ENERGY

**BWX Technologies, Inc. (BWX)** – has announced its fourth quarter and full-year 2023 results. In the fourth quarter, revenue rose in both operating segments for BWX. The increase in Government Operations stemmed from heightened naval nuclear component production, long-lead materials procurement, microreactors and special materials processing. Meanwhile, the rise in Commercial Operations revenue was attributed to increased revenue from commercial nuclear field services and fuel handling, along with higher medical sales, although partially offset by slightly lower fuel and components volume.

**Cameco Corporation (Cameco)** – Canada will expedite the approval process for new nuclear projects, but will not exclude them from the federal environmental review as requested by the province of Ontario, Energy and Natural Resources Minister Jonathan Wilkinson said. All



new major projects in Canada, including nuclear reactors, have to be reviewed under the Impact Assessment Act (IAA), which the government has promised to revise this spring after the Supreme Court last year ruled it overstepped into provincial jurisdiction. Wilkinson said the legislative revisions to the IAA will be limited to addressing the concerns of the court because if the government does more than that, it would “have to open up large scale consultations that will take significant time.” “That being said, we do have some ideas that as to how we can make the process more efficient and respond to the thoughts and aspirations of the provinces,” Wilkinson told Reuters in an interview, adding that accelerating the process will not come at the cost of addressing environmental concerns. Canada is the world’s second-largest uranium producer, but the long regulatory process has resulted in miners like NexGen Energy having to wait seven years and counting to build the world’s largest uranium mine in Saskatchewan. Nuclear energy enjoys broad public support, employing more than 70,000 people, yet Canada’s newest reactor came on line more than two decades ago and no nuclear project has been approved since the IAA was introduced in 2019.

**Constellation Energy Corporation (Constellation)** – reported its financial results for the fourth quarter and full year 2023, which included GAAP Net Loss of (US\$36) million and Adjusted EBITDA (non-GAAP) of \$1,137 million for the fourth quarter of 2023, while GAAP Net Income was \$1,623 million and Adjusted EBITDA (non-GAAP) was \$4,025 million for the full year 2023, exceeding the top end of guidance range of \$3,800 million to \$4,000 million. The company expanded the nation’s largest, highly reliable, carbon-free nuclear fleet by acquiring a partial ownership stake in the South Texas Project Nuclear Generating Station. Constellation completed the initial \$1 billion of share repurchases and authorized an additional \$1 billion in continuation of the program, reinforcing commitment to return value to shareholders. The issuer credit rating was upgraded by Standard & Poor’s (S&P) for the second time since separation, from BBB to BBB+, reflecting improving financial measures and risk profile. The company also doubled the annual per share dividend from the 2022 level. Commenced \$350 million project to expand renewable energy portfolio by completing the repowering of Criterion and beginning the repowering of Missouri wind generation facilities. “We had extremely strong financial and operational performance as our nuclear fleet continued to achieve unmatched reliability, allowing us to deliver carbon-free energy to our customers in all hours of the day under some of the harshest weather conditions in decades,” said Joe Dominguez, president and CEO of Constellation. “Our generation fleet was matched by an industry-leading commercial business serving the most competitive large industrial customers and three-fourths of the Fortune 100 last year, including top names in technology and other industries seeking to drive economic growth with clean energy across our nation. We took a disciplined approach to growing our business in 2023, completing our acquisition of a partial stake in the South Texas Project nuclear plant, repowering our wind assets, taking steps to extend the life of our nuclear plants and investing in new equipment to increase their output. We are delivering our hourly-matched carbon-free energy product to top sustainability leaders, and our results reflect growing acknowledgement by our customers that nuclear energy delivers unique value that can’t be matched anywhere in the marketplace.”

**Plug Power Inc. (Plug)** – announced its financial results and operational milestones for the quarter and fiscal year ended December 31, 2023.

The company achieved progress in operational efficiency and strategic investments aimed at promoting global sustainability and energy independence. Key highlights include the successful commissioning of the Georgia hydrogen plant, operating the largest proton exchange membrane electrolyzer system in the U.S., and deploying the first large-scale megawatt (MW)-level stationary product, enhancing hydrogen production capabilities. In 2023, Plug expanded its material handling installed base with key customers like Walmart, Home Depot Inc., and Amazon.com, Inc. (Amazon), and installed a 1 MW electrolyzer system at an Amazon fulfillment center for on-site green hydrogen generation.



## ECONOMIC CONDITIONS

**Statistics Canada released its GDP estimate for the fourth quarter of 2023.** The economy expanded at an annualized rate of 1.0% versus consensus estimate of 0.8% increase. The previous quarter’s result, meanwhile, was revised up from -1.1% to -0.5%. Domestic demand was down in the fourth quarter (-0.7%), as residential investments (-1.7%), non-residential structures (-11.6%) investment in machinery & equipment (-5.7%) and government consumption (-1.9%) posted pullbacks while household final consumption was essentially flat (+0.2%). Government investments increased (+3.2%). Trade had a strong positive impact on GDP, with exports (+5.6%) bouncing back while imports retreated (-1.7%). Inventory investment was lower compared to Q3 resulting in a negative contribution of 0.5% to GDP. Nominal GDP grew 6.6% on an annualized basis following a 6.5% increase in the third quarter of 2023. In nominal terms, disposable income rose an annualized 5.3% following a 9.1% increase in the third quarter. Consumption, rose 4.7% annualized. As a result, the savings rate declined from 6.3% to 6.2%, remaining above its pre-pandemic level (2.8%). Industry data showed that output was flat in December, below consensus estimate calling for 0.2%. Goods were down 0.2% while services were flat. Statistics Canada also released an advance estimate for January showing an increase of 0.4%.

In summary, while growth was slightly stronger than expected, this does not mean in our view that the Canadian economy is experiencing good times. The quarter was saved by the contribution of international trade, which benefitted from a surge in exports. Domestic demand declined for the first time in four quarters. Private domestic demand, which contracted for the second quarter in a row and has fallen four times in six quarters, the period coinciding with the tightening of monetary policy. Business investment fell sharply for the second consecutive quarter, as spending for both structure and machinery & equipment were again postponed. This illustrates that corporations are very cautious in the current context, which has allowed profits to recover, although they remain well below their peak in 2022. Efforts to restore profitability were also reflected in employee compensation, which rose at the slowest pace in more than three years in the fourth quarter. Consumers, continue to feel the financial squeeze in a high-interest-rate environment, with consumption rising just 1.0% in the quarter. Underwhelming economic performance is particularly telling when viewed against the current exceptional demographic backdrop.

**U.S. Personal income surprised** to the upside, rising 1% in January as personal spending comes in on consensus at 0.2%. The strength in income stemmed from a combination of cost of living adjustments and dividend income. Both **headline and core personal consumption expenditures** (PCE) come in as expected, rising 0.3% on the headline and 0.4% on core. Last month’s headline and core were revised



0.1 percentage point lower. Unrounded numbers showed a 0.345% headline PCE print and 0.416% core PCE print — both stronger vs expectations. Services printed 0.591%, which is largely in line with expectations. Housing came in at 0.515% — stronger than last month but in line with expectations. Health care was less strong than expected at 0.289%, but core goods also created less of a downward pressure on prices than expected. Strong drivers of upside included food services which rose 0.657% and the financial & insurance category, which rose 1.335%. The pace of supercore inflation jumped to 0.59% from 0.26% the prior month — marginally higher than the 0.55% expected.

**Organization of the Petroleum Exporting Countries (OPEC+)** agreed yesterday to extend output cuts of approximately 2.2 million barrels per day until the end of the second quarter. No surprise here given the lacklustre moves in crude prices over the past three months. The decision to lower production came in Nov 2023 and was the latest series of cuts seen since late 2022. Analysts suggest that a notable recovery in demand is needed before OPEC+ looks at increasing the output for the second half of the year.



## FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now -0.37% and the U.K.'s 2 year/10 year treasury spread is -0.20%. 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 3.0 months supply of existing houses as of December 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 13.46 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: ***“There will be no further explanation, there will just be reputation” ~ Taylor Swift***

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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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