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NEWS HIGHLIGHTS

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

MARCH 18, 2024

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OWNER OPERATED COMPANIES



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ALTERNATIVE FUND



PORTLAND 15 OF 15
ALTERNATIVE FUND
COMPANY NEWS

Reliance Industries Limited (Reliance) - Paramount Global (Paramount) agreed to sell its 13% stake in its Indian TV business to its partner, Reliance, for US \$517 million. The deal comes after Reliance and The Walt Disney Company (Disney) agreed to merge their TV properties in the country last month, in a deal that valued the combined business at \$8.5 billion. Reliance and Paramount were partners in Viacom 18 Media Private Limited (Viacom 18) which owns a number of TV channels in the region. Paramount will continue to license its programming to Viacom 18, according to a filing Wednesday by the US company. Paramount, the parent of CBS Broadcasting Inc., Nickelodeon Networks Inc. and other networks, has been looking to reduce its debt by selling noncore assets like its Simon & Schuster LLC book publishing arm.

Samsung Electronics Co., Ltd. (Samsung) - The US plans to award more than US\$6 billion to Samsung helping the chipmaker expand beyond a project in Texas it has already announced, according to people familiar with the matter. The money from the 2022 CHIPS and Science Act would be one of several major awards that the Commerce Department is expected to announce in coming weeks. The people spoke on condition of anonymity in advance of the official announcements. The federal funding for Samsung, South Korea's leading chipmaker, would come alongside significant additional US investment by the firm, the people said. In 2021, the company announced a \$17 billion project in Taylor, Texas, near an existing Samsung plant in Austin. It isn't yet clear where the additional investment

would be located. The pending announcement only represents a preliminary agreement that could still change, and no final decision has been made. Samsung and the Commerce Department declined to comment, while the White House didn't respond to a request for comment. Intel Corporation (Intel) has been in talks for a CHIPS Act package of more than \$10 billion spanning both grants and loans. Intel's incentive deal is expected to be announced next week, one of the people said, with the other advanced chipmakers set to follow. Samsung has indicated that it isn't interested in loans, according to people familiar with the matter. There's also the separate issue of \$3.5 billion in CHIPS Act grants for production of military chips, money that's expected to go to Intel and has thrown a wrench in negotiations over the past few weeks after the Pentagon pulled out from its portion of the funding.

Altice USA, Inc. (Altice) - The Saadé family has agreed to buy Patrick Drahi's Altice Media, including French news channel BFM TV, for a total enterprise value of €1.55 billion (US\$1.7 billion). The group's Compagnie Maritime d'Affrètement (CMA) and Compagnie Générale Maritime (CGM) shipping firm and Merit France family office will acquire 80% and 20% respectively of the share capital, the companies said in a statement on Friday. The deal's completion is subject to approval by employee representatives and regulators. The agreement comes as Drahi looks to cut the debt of his group of companies. Drahi told investors in September that virtually every part of his empire is for sale. Shipping billionaire Rodolphe Saadé has entered France's media industry, acquiring the La Provence and La Tribune newspapers. The Saadé family is working to diversify into media assets that offer prestige and influence, with Altice Media its largest target in the sector. Bonds issued by Altice France's holding company, due in May 2027, were up almost 7 cents on the euro to 71 cents, the highest since May 2023.

Berkshire Hathaway Inc. (Berkshire) - announced it has raised the pay of Warren Buffett's designated successor Greg Abel to US\$20 million last year, as the conglomerate posted a record operating profit. Berkshire disclosed executive pay and the recommendations on shareholder

proposals in its annual proxy filing, ahead of the company's May 4 annual meeting. The 61-year-old vice chairman oversees Berkshire's non-insurance operations such as BNSF Railway Berkshire Hathaway Energy and dozens of chemical, industrial and retail operations. Vice Chairman Ajit Jain, who oversees insurance operations such as Geico, also received \$20 million, up from \$19 million. Buffett's own pay totalled \$413,595, comprising a \$100,000 salary unchanged for more than 35 years, plus personal and home security.

LVMH Moët Hennessy Louis Vuitton (LVMH) – French President Emmanuel Macron awarded billionaire Bernard Arnault, the chief executive officer (CEO) of LVMH, the country's highest honour at a Paris ceremony attended by superstar Beyonce and Tesla Inc. (Tesla) co-founder Elon Musk. The reception took place at the Elysee Palace in honour of the world's richest man, who was promoted to Grand Cross of the Legion of Honour. Arnault, who built the world's biggest luxury empire and controls some of the most glamorous names in fashion including Louis Vuitton and Christian Dior, has forged close links with the French president. The LVMH CEO has opened a flurry of luxury factories across France over the past few years, revitalising rural areas with well-paid jobs making leather goods, which the government has pointed to as testament to the success of its pro-business policy.

LIFE SCIENCES



BeiGene, Inc. (BeiGene) – announced that the U.S. Food and Drug Administration (FDA) has approved TEVIMBRA® as a monotherapy for the treatment of adult patients with a type of esophageal cancer, who meets certain conditions. This approval signifies a significant step in expanding treatment options for patients with esophageal squamous cell carcinoma (ESCC), as noted by the Mark Lanasa, Chief Medical Officer at BeiGene. TEVIMBRA is expected to be available in the United States in the latter half of 2024.

Clarity Pharmaceuticals Limited (Clarity) – announced that the company's theranostic prostate cancer trial has advanced to a multi-dose phase after completing cohort 3 of the SECuRE trial, which investigated 64Cu/67Cu-SAR (Screen Activity Report) -bisPSMA (Prostate Specific Membrane Antigen) in metastatic castrate-resistant prostate cancer (mCRPC). No dose-limiting toxicities were reported in cohort 3, and an overall safety review across all cohorts showed a favourable safety profile. The Safety Review Committee has recommended progression to cohort 4, where participants will receive multiple treatment cycles.

Perspective Therapeutics, Inc. (Perspective) – has partnered with Bristol Myers Squibb Company (Bristol Myers Squibb) to assess the safety and tolerability of their treatment, [212Pb]VMT01, combined with Bristol Myers Squibb's nivolumab, in patients with melanoma, a type of skin cancer. This collaboration is an extension of Perspective's ongoing Phase 1/2a study in metastatic melanoma.

NUCLEAR ENERGY

Assystem – achieved robust financial performance in 2023, with revenue increasing by 17.0% to €577.5 million, driven by growth in nuclear activities which accounted for 70% of consolidated revenue. Operating profit before non-recurring items increased by 13.3% to €37.4 million, aided by the sale of the company's stake in Framatome. The company emphasized its strategic focus on infrastructure projects supporting energy transition and climate change mitigation through investment in talent.

Constellation Energy Corporation – has received a 'BBB+' rating from Standard and Poor's (S&P) Global Ratings for its proposed US\$900 million senior unsecured notes due 2054. The company intends to use the proceeds from these notes for eligible green projects.

NuScale Power Corporation (NuScale) – reported its fourth quarter and full year 2023 results, showcasing continued progress towards the commercialization of small modular reactor (SMR) technology. The company is actively planning the Phase 2 Front-End Engineering and Design (FEED) work for the RoPower project. Additionally, Doosan Enerbility remains engaged in producing forgings and materials essential for manufacturing the first NuScale Power Modules™, while the company executed a resource optimization plan to reduce expenses and enhance its commercial, financial, and strategic positioning.

NuScale plans to deploy small modular reactors (SMRs) in Romania, Poland, and other European locations. In particular, Romania is poised to make a preliminary final investment decision next year on constructing an SMR plant. Partnering with NuScale, state-owned nuclear power producer Nuclearelectrica aims to advance low-emission power sources, with financial support worth US\$4 billion for the Romanian project from the United States Exim Bank and the United States International Development Finance Corporation, as confirmed by U.S. Ambassador Kathleen Ann Kavalec.

ECONOMIC CONDITIONS

U.S. Industrial production gained 0.1% in February from a downwardly revised decline of 0.5% in January. Mining production climbed 2.2% – the biggest advance since January 2023 – while manufacturing output increased 0.8%, partly due to a 1.8% rise in motor vehicle production and a 1.7% rise in machinery output. Utilities output fell 7.5%, mainly because of warmer-than-usual temperatures. Despite the modest monthly gain, industrial production is 0.2% lower than a year earlier, a slight improvement from -0.3% in January. Nevertheless, industrial production has fallen annually in six of the past seven months amid high interest rates and weak demand. On a more upbeat note, capacity utilization was unchanged at 78.3% in February, still indicating disinflationary pressures in the industrial sector. While the upturn in industrial production was welcome, some of it was due to rebounds from weather-related drops in manufacturing and mining output in January. The manufacturing sector is likely to remain weak until the Fed starts cutting interest rates this summer in our view.

U.S. Consumer Price Index (CPI) rose 0.4% in February following a 0.3% gain the prior month. Prices in the energy segment rose 2.3%, on gains for gasoline (+3.8%), fuel oil (+1.1%), utility gas services (+2.3%) and electricity (+0.3%). The cost of food was unchanged month on

month. The core CPI, which excludes food and energy, came in one tick stronger than expected, as it rose 0.4% for the second month in a row. The cost of core goods rose for the first time in 9 months (+0.1%), as gains for tobacco/smoking products (+0.8%), apparel (+0.6%) and used vehicles (+0.5%) were only partially offset by a 0.1% decline in the new vehicles segment. The price of alcoholic beverages stayed virtually unchanged. Prices in the ex-energy services, for their part, moved up 0.5% after a 0.7% gain the prior month which was the largest observed in 16 months. The progression in this segment reflected higher prices for shelter (+0.4%), airline fares (+3.6%) as well as motor vehicles insurance (+0.9%) and maintenance (+0.4%). The cost of medical care services unexpectedly declined 0.1%. Year on year, headline inflation came in at 3.2%, up from 3.1% the prior month and one-tick above consensus expectations (+3.1%). The 12-month core measure, meanwhile, cooled from 3.9% to a 33-month low of 3.8%, but this was still one tenth above the median economist forecast (+3.7%). In our view this report will be of concern to the Federal Reserve as the three-month and six-month moving averages of core inflation have accelerated, suggesting further patience before lowering rates.

U.S. Retail sales rebounded a solid 0.6% in the month, offsetting about half of the 1.1% decline in January. The strongest gain since September was led by building materials (+2.2%), motor vehicles and parts (+1.6%) and electronics (+1.5%). Receipts at gasoline stations rose 0.9%, supported by a seasonally adjusted 0.8% rise in gas prices. Sales at furniture stores and clothing stores dropped 1.1% and 0.5%, respectively, and limited the overall increase. The bounce in February drove the year-on-year growth rate up to 1.5% from a flat reading in January. However, control retail sales – which exclude food services, auto dealers, gas stations and building materials stores and is used to calculate consumer spending in the gross domestic product (GDP) report – were unchanged in February following a 0.3% decline in January. The flat reading on the heels of a drop in January points to weaker consumer spending growth in the first quarter.

U.S. producer prices rose a stronger-than-expected 0.6% in February, lifting the yearly rate to 1.6% from 1.0%. Core producer prices cooled a little to 0.3% month over month (m/m), holding the yearly rate at 2.0%.

U.K. labour market data for the 3 months to January was just a touch softer than expected on both wages and the unemployment rate. The unemployment rate ticked up to 3.9% (market (mkt): 3.8%), while headline wage growth slid to 5.6% (mkt: 5.7%) and ex-bonus wages slid to 6.1% 3 market year (m/y) (mkt: 6.2%). Private sector regular pay growth slid from 6.2% to 5.8% 3m/y in January, while the 3m/3m growth rate rose a little to 3.5%. The Monetary Policy Committee will still be looking through the unemployment rate data to some degree owing to data quality issues, but other metrics support a view of growing slack in the labour market... and so moving generally in the right direction in our view.

Swedish inflation surprised to the downside in February, with headline Cost Plus Incentive-Fee (CPII) coming in at 2.5% year over year (y/y) (mkt: 2.8%) and CPII ex-Energy registering 3.5% y/y (mkt: 3.8%). Base effects were largely responsible for the sharp drop in y/y inflation, but electricity prices in the month also played a role. Service prices remained relatively strong in the report, offset by weak goods (incl food) prices. The Sveriges Riksbank should be relieved with this data, as they were looking for even stronger inflation than the consensus, but the strength in services prices might give them some cause for concern. We look for a June cut.



FINANCIAL CONDITIONS

Economists globally have been changing their expectations on the Bank of Japan.

Friday's Rengo (Japanese Trade Union Confederation) wage increase where the unions reported +5.28% of wage increases, has many now expecting the Bank of Japan (BOJ) to hike this week instead of waiting to April. Japanese media have also reported that Ueda and other members of the board want to end Negative Interest Rate Policy. The BOJ has had negative rates since Feb 2016 and this would be the first interest rate hike since 2007.

Bloomberg reports that U.S. delinquency rates on credit cards and auto loans are the highest in more than a decade.

For the first time on record, interest payments on those and other non-mortgage debts are as big a financial burden for US households as mortgage interest payments. A recent paper from the International Monetary Fund (IMF) and Harvard University posits that the high borrowing costs, which are not captured in inflation figures, is the key to understanding why consumer sentiment remains lacklustre. "I'm making the most money I've ever made, and I'm still living paycheque to paycheque". "There's this wild disconnect between what people are experiencing and what economists are experiencing", an individual commented. Whilst the government's spending has lifted prices and wages, it's also lifted interest rates. "Many consumers are levered to the hilt - maxed out on debt and barely keeping their heads above water", Beach Point Capital Management noted.

The U.S. 2 year/10 year treasury spread is now -0.41% and the U.K.'s 2 year/10 year treasury spread is -0.21%. 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 VIX (volatility index) is 14.39 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: **"Creditors have better memories than debtors"** ~ Benjamin Franklin


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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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