



News Highlights

On June 18th Mandeville will be hosting its next ACCESS2015 event at The Portland Holdings auditorium, 1375 Kerns Road, Burlington. Michael Lee-Chin, Executive Chairman of Portland Holdings Inc. and Chairman of Mandeville Holdings Inc. will speak on "Don't just invest. Co-invest...Enhance the creation of wealth."

If you wish to attend, kindly visit www.powerofaccess.com. to register.

Energy Sector

OPEC – Oil group OPEC agreed to stick by its policy of unconstrained output for another six months. Concluding a meeting with no apparent dissent, Saudi Arabian oil minister Ali al-Naimi said OPEC had rolled over its current output ceiling, renewing support for the shock market treatment it instituted late last year when the world's top supplier said it would no longer cut output to keep prices high. The Organization of the Petroleum Exporting Countries will meet again on Dec. 4. With oil prices having rebounded by more than a third after hitting a six-year low of \$45 a barrel in January, officials meeting in Vienna saw little reason to tinker with a strategy that seems to have resurrected moribund growth in world oil consumption and put a damper on the U.S. shale boom. The latest decision defers discussion of several tricky questions set to arise in the coming months as members such as Iran and Libya prepare to reopen the taps after years of diminished production. "When the production comes, this matter will settle itself," one OPEC delegate told Reuters. That may not occur until 2016, according to many analysts who question how quickly Tehran will win relief from sanctions and be allowed to sell more crude. OPEC Secretary-General Abdullah al-Badri, speaking to reporters after the meeting, said he saw the oil market as "very positive". "The economy is growing, demand is growing. We see non-OPEC supply is not growing as in the past," Badri said. OPEC output has exceeded the group's 30 million bpd ceiling for most of the past year, reaching 31.2 million bpd in May, its highest in three years, according to a Reuters survey.

However, the U.S. tight-oil boom is here to stay despite low crude prices as technological breakthroughs will allow steep reductions in costs. These are the views of the head of U.S. firm ConocoPhillips expressed at a seminar organised by oil-producing group OPEC. "Innovations have already led to a U.S. energy renaissance. Tight-oil reservoirs can remain viable today, breakeven costs are already down by 15% to 30%," said Ryan Lance, chairman and CEO of Conoco. Breakeven costs for tight oil would likely go down another 15%-20% by 2020, he said. "So the message - unconventional production is here to stay," Lance said. He said he expected world demand growth for oil to recover to 1.1 or 1.2 million barrels per day, double its rate over the past few years. "It is hard to envision it (the

oil price) going back down to the \$40s," he said. Lance's comments on unconventional oil chime with the views of other CEOs who have spoken at the seminar. "If prices remain at \$60, we will have to find a way to make projects profitable," the head of French oil company Total, Patrick Pouyanne, said. Claudio Descalzi, chief executive of Italy's Eni, said he expected U.S. shale oil production to seesaw with oil prices, and oil prices to seesaw with increases and drops in U.S. production.

Financial Sector

Alcentra Capital (ABDC) provided \$9.5 million in follow-on senior subordinated debt to My Alarm Center in order to refinance the company's existing debt and increase growth capital.

Barclays has announced settlement with the Lehman Trustees in respect of the outstanding litigation on assets. The bank will release provisions of \$750mn pre-tax which is relatively small at around 0.01% of Risk Weighted Assets but ticks an old issue off the list. There is a residual of other assets (U\$80m +U\$255m) which are still owed, but broadly the case is now settled.

BNP Paribas - Les Echos reports BNP wants to cut CIB costs by 20% by 2019. The bank aims to increase revenue at the CIB by 7% by 2019 to help achieve an ROE of 20% vs current 16%. The news could be a material positive in terms of cuts to Risk Weighted Assets. BNP's own business plan is 2013-2016, so this extends beyond their time horizon.

Brookfield Property Partners – British-based holiday resort group Center Parcs has been bought by Brookfield Property Partners, after previous owner Blackstone opted to sell the company rather than float it. Blackstone, the private equity firm which had owned Center Parcs since 2006, was in February reported to have hired two investment banks to prepare Centre Parcs for a potential London listing. The deal is expected to complete in July. Media reports previously said Blackstone had rejected a £2 billion bid for Center Parcs from another bidder. Center Parcs runs five holiday resorts in British forests, offering activities ranging from badminton to horse riding alongside spa packages. Brookfield Property Group's chief executive Ric Clark said the acquisition was a departure from his firm's past focus in Britain on office and logistics-related investments. "Although these resorts are already producing steady streams of cash flow supported by nearly full occupancy year-round, we see compelling opportunities to grow the business and enhance our investment returns," he said in a statement. Rothschild, Bank of America Merrill Lynch and Morgan Stanley acted as advisers to Blackstone.

Deutsche Bank announces resignations of Co-CEOs Anshu Jain & Juergen Fitschen. John Cryan is appointed Co-CEO from 1st July 2015 but will be sole CEO in July 2016 when Fitschen steps down.



Given the scandals and tarnished reputation we see the stock reacting positively, though wonder if a larger strategic revamp heralds another capital increase, which we feel would be between €6-€8bn.

Fifth Street Finance (FSC) and Fifth Street Senior Floating Rate Corp (FSFR) participated in a one stop financing loan facility with Fifth Street Asset Management to LegalZoom for \$171 million in order to support the company's stock purchase, dividend payments, and growth plans.

HSBC: De Tijd reports HSBC Private Bank is in settlement talks in Belgian tax probe. Also, speculation (Sky News) that management will announce the loss of 10,000-20,000 jobs at investor day next week (Tues 9 June). Equates to 4-8% of the workforce. Suggests that focus will be all about cost savings.

HSBC Turkey - According to Reuters (29 May), ING, BNP Paribas and ABC have submitted bids to buy HSBC's Turkish business. We believe BNPP is better positioned than ING: it has a more diversified model and its larger branch network offers more opportunities for cost synergies. BNPP has also recently integrated Fortis Turkey and has therefore teams and know-how in place. That being said, ING may come up with higher cost synergies than expected thanks to its innovative business model (less branches, more digital). Based on an offer at 2014 NAV, we estimate an HSBC Turkey acquisition would start to generate economic profit in 2019E/20E for BNPP and ING respectively. The deal would have no material impact on dividend capacity for ING or BNPP

Activist Influenced Companies

ABB – Activist investor Cevian has a stake of more than 3% in ABB. Cevian has grown rapidly to become one of Europe's biggest activist investors, often by agitating for change at the companies it puts money into, including new management and asset sales. Its portfolio includes Swedish truck maker Volvo, German Industrial group Thyssenkrupp, German engineering and services firm Bilfinger, Denmark's Danske Bank and British security firm G4S. "We welcome Cevian Capital II GP Limited investment in ABB and, as with all shareholders, appreciate the engagement and input," Zurich-based ABB said in a statement on its website. Cevian Capital managing partner Christer Gardell told Reuters: "We think ABB is a good company where we see a large value potential."

Diageo traded up last Friday on rumors Lemann of 3G is thinking of buying it. Earlier there were rumours that 3G was looking at SAB Miller – by comparison Diageo's market cap is quite a bit lower and there are clearly bits of Diageo that could be relatively easily sold off but Diageo's cash flows are in our view less stable than previous deals 3G has entertained and there would be big execution challenges.

Global Dividend Payers

Johnson Matthey the world's biggest maker of autocatalysts, expects that higher European sales of the exhaust emission control devices will help boost its performance in the next financial year. Johnson Matthey experienced an unexpectedly sharp increase in debt caused by a rise in working capital, which the company said was mostly due to business growth and higher inventories.

"We have seen a £100 million improvement in working capital in April and I expect that to improve. We are working on continuing to improve this," Chief Executive Robert MacLeod told analysts in a results meeting. The company reported a 3% rise in its underlying pre-tax profit to £440.1 million for the year ended March 31, slightly ahead of the consensus expectations calling for £437 million.

Johnson Matthey will pay a final dividend of 49.5 pence a share, a rise of 4.4% and increasing the total payout for the year by 9% to 68 pence. In the current year it said it expected "to deliver good underlying growth" with a result which would be "slightly ahead". Johnson Matthey has been benefitting in the last few years from stricter EU regulations on vehicle emissions which has boosted sales of its platinum and palladium-based autocatalysts but this has been partially offset by weaker precious metals prices which have hit its metals division in the last year. Net debt rose to £994 million from £729 million as working capital increased by £433 million. The company put the increase in working capital down to factors such as business growth in Asia where payment terms are longer than elsewhere, an increase in product inventories to meet expected demand and higher stocks of precious metals. The company also said it is in advanced negotiations to sell its wholesale Research Chemicals business, whose margins are slightly below those of the wider Fine Chemicals division, as its focus switches to higher value-added chemicals businesses.

Syngenta - In a letter to CEO Mike Mack and Chairman Michel Demaré, Monsanto's Executive Chairman Hugh Grant reaffirms the CHF 449 per share proposal, but offers to re-consider should due diligence reveal more value. In addition, Monsanto is willing to provide a USD 2.0 bn break fee. Monsanto sees no legitimate basis for regulatory concerns and remains "strongly committed" to pursuing this transaction and is "prepared to move quickly". Syngenta again rejects the offer on the grounds of fundamental transaction risks, in particular regulatory concerns, as well as inadequate price and break fee. Based on recently leaked information to the media, but not confirmed in today's statement, Syngenta management would consider entering formal negotiation at a substantially raised offer, a termination fee of USD 4.5 bn and a higher cash component (currently 45%). Monsanto claims to have broad-based support from both shareholder groups which would support our view that downside risk has become small with a transaction much more likely to happen than not.



Economic Conditions

US payrolls grew a stronger than expected 280,000 positions in May, led by private payrolls, which were 262,000 higher in the month. Government added 18,000 positions in the month as well and manufacturing payrolls were up 7,000, ahead of the expected 5,000. The headline unemployment rate inched one tenth higher, to 5.5%, as previously discouraged workers returned to the labour force, a sign of the strength of the US employment recovery. Average hourly earnings were up 0.3%, ahead of the expectations and acceleration from April's 0.10% advance. Most industries added to the increase in the number of positions with the exception of resource extractive industries. Partly a result of the strength in the labour market, the US productivity took another dive in the first quarter of the year, down 3.1%, lower than the expected 2.9% pull-back and adding to the weakness recorded in the last quarter of 2014 (-2.1%).

US auto sales – Consumers emboldened by easy-to-get loans and cheap gas pushed U.S. auto sales in May to their strongest pace in a decade, countering weakness in other economic indicators. U.S. May auto sales hit 17.79 million on a seasonally adjusted annualized basis, according to Autodata Corp, the highest since summer 2005. Sales of pickup trucks and SUVs in May led the way again, which bodes well for profit margins of the major automakers. Consumers are snapping up trucks and sport utility vehicles as the national price of gasoline averaged \$2.75 a gallon, nearly a dollar less than this time last year. Industry sales are expected to top 17 million vehicles this year, besting the 16.94 million reported in 2005.

U.S. nonmanufacturing ISM fell 2.1 pts to a one-year low of 55.7 in May. Remember that April's gain was the largest in nearly half a year, and the level of 57.8 was the highest over that time frame as well. So a giveback doesn't come as a shock although the level is a bit disappointing.

Canada – Canadian economy added 58,900 positions in the month of May, mirroring the strength in the labour market south of the border. Job growth was particularly robust in health-care, retail and wholesale trade, but also in financial services. Not surprisingly the resources sector lagged in the month. More than 30,000 of the jobs gained were in full-time employment, an encouraging sign. The headline unemployment figure held steady, at 6.8%, in line with the expectations.

ECB kept rates unchanged last week, as expected. And, President Draghi reiterated their asset purchase program will run until September 2016. He was fairly positive, but not more so than in the previous couple of meetings, and gave the view that their measures have helped create a broad-based easing in financial conditions, and more favourable credit conditions.

Greece deferred the €300mn payment due to the IMF on Friday requesting they bundle all June payments of €1.7bn until the end

of the month. This follows comments from PM Tsipras who said “don't worry” when asked about Friday's payment. A Greek official said the EU/IMF are pressing for an agreement by June 14th. Eurogroup Chairman said that the gap between Greece and its creditors narrowed after discussions this week, and that Athens is expected to present alternatives to lenders' proposals within days. Most detail on differences between Greece and the creditors have been released.

Greece - Following on from a teleconference over the weekend, Greek PM Tsipras is set to meet German Chancellor Merkel and French President Hollande on the sidelines of the EU summit on Wednesday. According to an EU official, EC President Juncker declined to take a phone call from Tsipras over the weekend because his government has not yet sent its reform proposals promised last week. Greek MoF Varoufakis to meet German MoF today in Berlin. According to Kathimerini the basic scenario of the institutions, assuming a staff level agreement, is the extension of the Greek program until autumn with the Greece using the funds that remained from the recapitalization of the banks to pay maturing debt in the coming months. Greek bank deposit outflows are credit negative Moody's says. May 29th the Bank of Greece published deposit balances for April 15 showing outflows of €4.9bn reducing deposits to €133.7bn, lowest since 2004.

Turkey - Turkey's governing party loses parliament majority in blow for President Erdogan, the lira falls to record. The AKP failed to win a majority in parliament on Sunday general election with 41% of the votes. The HDP (Kurdish party with left-wing political orientation) won 12% and will join parliament for the first time (10% threshold). MHP and CHP are the two other parties in the Turkish assembly. AKP likely to form a minority government (mentioned by AKP officials) as HDP leader ruled out a coalition with AKP. The nationalist left open the possibility to form a coalition with the AKP. An unstable government may call for early elections. >> a government coalition will certainly remind investors of the times pre-AKP of political instability and will be a test for Turkey democracy but also shows counter-powers and mature institutions. The elections results likely put on hold the planned change in Constitution and introduction of a Presidential system. Perhaps it will refocus the AKP on the economy away from polarised politics as the economy is what matters. Expect some volatility in asset prices short term.

Financial Conditions

Reserve Bank of Australia left rates unchanged at 2% but surprised the markets by not re-introducing an easing bias. The board seem comfortable with the current financial conditions and continues to believe that a tightening Fed later this year will provide downward pressure on an historically high AUD. Despite market pricing, the RBA is providing no evidence of intentions to cut towards August.

Market Commentary



PORTLAND
INVESTMENT COUNSEL®

June 8, 2015

US Federal Reserve policymakers remain determined to signal that although Quantitative Easing has stopped, the stimulus remains via keeping rates at present low until earliest September 2015. The US 2 year/10 year treasury spread is now 1.68% and the UK's 2 year/10 year treasury spread is 1.50% - meaning investment banks remain constrained from profiting from a steep yield curve and instead are seeking operational efficiencies, including job cuts and lower compensation, to maintain acceptable levels of profit, i.e. above their costs of capital. It seems the top tier 6-9 investment banks will continue to command their market and possibly increase their share – as barriers to entry for newcomers have in our view been raised.

Influenced by the withdrawal of quantitative easing, the US 30 year mortgage market rate has increased to 3.87% (was 3.31% end of November 2012, the lowest rate since the Federal Reserve began tracking rates in 1971), as the Federal Reserve effectively continues to give priority to incentivising home ownership. Existing US housing inventory is at 4.6 months supply of existing houses. So the combined effects of low mortgage rates, near record high affordability, a more promising economic recovery, job creation, and low prices are finally supporting the housing market with housing inventory well off its peak of 9.4 months and we believe now in a more normal range of 4-7 months.

The VIX (volatility index) is 14.97 (compares to a post-recession low of 10.7 achieved in early June) and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 augurs well for quality equities.

Mutual Funds

Portland currently offers 7 Mutual Funds:

- Portland Advantage Fund
- Portland Canadian Balanced Fund
- Portland Canadian Focused Fund
- Portland Global Income Fund
- Portland Global Banks Fund
- Portland Global Dividend Fund
- Portland Value Fund

Private/Alternative Products

Portland also currently offers 5 private/alternative products:

- Portland Focused Plus Fund LP
- Portland Private Income Fund
- Portland GEEREF LP
- Portland Advantage Plus Funds
- Portland Private Growth

Net Asset Value:

The Net Asset Values (NAV) of our investment funds are published on our Portland website at <http://www.portlandic.com/prices/default.aspx>

Sources: Thomson Reuters, Bloomberg, KBW, BMO, Raymond James, Macquarie, TD, Vontobel

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Certain statements included in this document constitute forward-looking statements, including those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend" and similar expressions to the extent they relate to the Fund. The forward-looking statements are not historical facts, but reflect the Portfolio Management team's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. The Portfolio Management team has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise. PORTLAND INVESTMENT COUNSEL and the Clock Tower Design are registered trademarks of Portland Holdings Inc.

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