News Highlights

Owners. Operators. And Insightful Investors.

Phone: 1-888-710-4242
Web: www.portlandic.com
Email: info@portlandic.com

Our views on economic and other events and their expected impact on investments. November 2, 2015

The views of the Portfolio Management Team contained in this report are as of November 2, 2015 and this report is not intended to provide legal, accounting, tax or specific investment advice. Views, portfolio holdings and allocations may have changed subsequent to this date. This research and information, including any opinion, has been compiled from various sources believed to be reliable but it cannot be guaranteed to be current accurate or complete. It is for information only, and is subject to change without notice. The contents of this Newsletter reflect the different assumptions, views and analytical methods of the analysts who prepared them.

Energy Sector

Chevron Corporation – is cutting 10% of its workforce and sharply paring back its budget, with CEO John Watson giving a downbeat view of an industry beleaguered by low oil prices. The company cut its budget by 25% next year by spending less in Australia, Angola and the U.S. Gulf of Mexico, where the No. 2 U.S. oil company has major growth projects. Chevron plans to spend $25 billion to $28 billion next year and expects to further slash spending in 2017 and 2018, laying off 6,000 to 7,000 workers. Watson committed to keeping Chevron's dividend, now at $1.07 a share. Chevron reported net income of $2.04 billion, or $1.09 per share, compared with $5.59 billion, or $2.95 per share, a year earlier. Analysts on average were expecting 76 cents per share. Production fell 1% to 2.5 million barrels of oil equivalent per day. Profit at the downstream unit, which is smaller than the oil-producing part of the company and which makes gasoline, lubricant and other refined products, jumped 49%.

Ensco plc - $0.88 adjusted EPS vs. $0.75 consensus. Total revenue of $901 million fell 15% Quarter- over-Quarter (QoQ), but was 1% above consensus. Contract Drilling expenses of $434 million came in below guidance again ($450-455 million) for the third straight quarter due to lower compensation and repair and maintenance expense resulting in Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margins of 48.7%. On September 8, the company announced additional cost savings measures and lowered 3Q contract drilling expense guidance to $450-455 million (from ~$463 million previously) and provided new 4Q guidance of $435-440 million. Last week, Ensco also released its comprehensive fleet status update (first since July 16th) with notable updates including ENSCO 8505 2yr contract at "low 150s to low 210s" day rate (lowest we've seen for a 6th gen floater), Saudi Aramco early termination on jackup ENSCO 84 (first outright termination from the NOC in recent memory) and receipt of a $146mm lump sum payment from BP for 1yr early termination of ENSCO DS-4 (announced earlier in March this year). **Ensco's Current Fleet Status**. Floaters: 14 drilling/contracted (4 come off contract in next 12mo), 5 idle, 8 cold stacked, 1 un-contracted newbuild (delayed to 1Q17); Jackups: 25 drilling/contracted (9 come off contract in next 12mo), 6 idle, 8 cold stacked, 3 un-contracted newbuilds (all 2016 delivery). Management outlook still challenging, per CEO and President Carl Trowel, "recently, some customers announced incremental cuts to their capital expenditure budgets that will further pressure utilization and day rates. In response to the cyclical downturn in our sector, we have taken decisive steps to reduce expenses." (Source: Bloomberg Business 10/28/2015)

Royal Dutch Shell plc – reported a net loss of $6.1 billion in the third quarter of 2015, excluding inventory charges, against a $5.3 billion gain in the same quarter a year ago, on the back of low oil prices and a net $7.9 billion charge on project write-offs. Excluding extraordinary charges, earnings for the Anglo-Dutch major were $1.8 billion in the quarter against $5.8 billion in the third quarter of 2014. The sharp drop in oil prices sent upstream earnings down to a loss of $425 million in the quarter, from a gain of $4.3 billion a year earlier. This was partially offset by a rise in profit from refining and trading to $2.6 billion, from $1.8 billion in the third quarter of 2014. Shell said cash from operations was $11.2 billion in the quarter, while capital investment amounted to $7.1 billion and dividends paid cost $3 billion, including $0.7 billion paid in scrip. Leverage was 12.7% at the end of the third quarter of 2015 against 11.7% percent at the end of the second quarter of 2014.

Total SA – French oil and gas company, Total, reported better than expected third-quarter profit after high margins in its European refining business and increased production softened the blow of prolonged low oil prices. Total's net adjusted profit dropped by 23% year on year to $2.756 billion. Analysts had expected $2.391 billion in net adjusted profit, according to Thomson Reuters. The French group, Europe's biggest refiner, benefited from record-high refining margins in Europe, which helped its downstream division to post an 82% profit jump. The company also made an upward revision to its production growth target to more than 9% this year, from 8% previously, after a 10% jump in output in a third quarter boosted by new projects. Total said that it was on track to beat its target of $1.2 billion in cost reductions this year, while organic investments after nine months were $16.6 billion, in line with the objective of $23 billion to $24 billion for 2015. Total said it would pay an interim dividend of €0.61 per share in the quarter.

Financial Sector

Barclays plc - Clean Profit Before Tax (PBT) at £1650 million vs consensus £1826 million so about 10% light due to a miss in the investment bank (£411 million vs £534 million) and non-core (loss of £315 million vs forecast of £240 million). Looking at Core business: PBT £2053 million vs consensus at £1965 million. In the Investment Bank, equities are the weak link, down 28% QoQ and 16% lower than estimate. Core Equity Tier 1 is 11.1% vs 11.3% estimated due to Risk Weighted Asset growth (2% ahead of expectations). Leverage at 4.2%, Tangible NAV 289, better than expected up 4% QoQ. Numbers include a £55m write off of intangibles in Barclaycard. Management's outlook: poor for the Investment Bank at the beginning of Q4. Also, mentioning that they will update the markets on a plan after they agree with the regulator. They are increasing cost guidance for 2016 to 14.9 billion from 14.5 billion before. Core Return On Equity excludes CTA of 11% vs 12% before.

BNP Paribas plc 3Q 2015 - Underlying Profit Before Tax (PBT) excluding the Corporate Centre was €2,874 million, in line with consensus of €2,870 million. The diversified model of BNP has in

Phone: 1-888-710-4242
Web: www.portlandic.com
Email: info@portlandic.com

our view operated well with a 2.7% beat in Retail (driven by Belgian Retail, Personal Finance, and BancWest) and a 4% beat in asset gathering, offsetting a 8.9% miss in its Investment Bank (IB) arm where expectations did not reflect developments at U.S. and European IBs. 10bp capital generation (vs 30bp in 2Q15) achieved 10.7% Core Equity Tier 1, in line with consensus with Risk Weighted Assets at €627 billion vs €633 billion 2Q15. Leverage ratio at 3.8% vs 3.7% in 2Q15 (USD1.5 billion T1 issuance in 3Q15). Overall the group showed +8.5% Year-over-Year (YoY) revenue growth and +7.3% operating expenses with +1.7% loan growth in Domestic markets vs +1.5% in 2Q15 (France +0.3% vs +0.8%). Divisionally, €392 million (France) retail PBT (-6% vs Consensus €418 million); €14 million BNL (Italy) PBT (vs Consensus €32mn)); Belgian retail €285 million (vs Consensus €260 million); €238mn BancWest (USA) PBT (vs C €222 million); and EuroMed PBT -3.4% vs Consensus €143 million. Cost /Income ratio reported at 67.2% vs Consensus 67.5%; €2.6 billion cost saves to date with "Simple & Efficient" (target of €3 billion by 2016). €882 million Loan Loss Cover versus market expectation of €973 million (50bp vs 51bp in 2Q15). And €58.6 Net Asset Value Per Share vs €55.5 end 2Q15.

Commerzbank AG - 3Q15 - reported pre-tax profit of €428 million (or €88 million excluding one-off items), which was 23% (or 11% exc. one-off items) above consensus. The better-than-expected performance stems from better Loan Loss Provisions of €146 million (vs. consensus of €231 million). This mainly reflects better overall asset quality but also improved Non Conforming Assets results as the Commercial Real Estate & shipping portfolio declined by another €5.1 billion. The core business performance was slightly worse than expected due to weaker results in international Mittelstand. The net profit is below consensus as Commerzbank reported a 41% tax rate due to the swing of certain deferred tax assets but this is a capital neutral item. Core Equity Tier 1 capital ratio was 10.8% (from 10.5%), the 2015 dividend was confirmed at €0.20 (in line with consensus but in sharp contrast to Deutsche Bank cutting its 2015/16 dividend last week) and the acceleration in the disposal of the non-core assets with shipping portfolio dropping below €10 billion for the first time.

HSBC Holdings PLC - 3Q15 - Underlying PBT of US $5512 million was -U$141 million/2% vs consensus. The difference to consensus breaks down as U$729 million lower income, US $336 lower costs, US $191 million lower impairment and US $61 million higher associates. There was then a net +US $585 million of additional 'one-offs' to leave reported PBT at US $6097 million. Underlying income was -5%/ US $0.7 billion vs consensus at US $14.0 billion, largely driven by (1) lower Retail Bank Wealth Management revenues, primarily in Asia due to lower wealth management revenues (-21%/U$0.2 QoQ) and (2) lower revenues in Global Banking & Markets, where Markets revenues were -21% YoY/-31% QoQ with Credit, in particular, weak. The cost performance was good and -4%/$0.3 billion lower than consensus. The impairment charge was low again at US $638 million (0.19% of advances ex. Brazil), benefiting from write-backs but with no significant impact from the slowdown in China at this stage. The Core Equity Tier 1 ratio was +0.2% QoQ at 11.8% and 0.1% ahead of consensus. Tangible Net Asset Value (NAV) was US $7.73, leaving the stock on 1.0x 3Q15. HSBC Bank Bermuda Ltd, a subsidiary of HSBC Holdings, has agreed to sell its Bermuda Trust Company Ltd and investment management operations in Bermuda to the Bank of N.T. Butterfield & Son Ltd. The Bermuda trust and investment business had about $1.5 billion of assets under management and $24 billion of assets under administration as of Dec. 31, 2014. HSBC is moving its derivative trading book from London to Hong Kong in a bid to cut costs arising from tight regulations in the U.K. and E.U. The derivatives books will no longer add to HSBC's bill under the U.K.'s bank levy. This tax once applied to banks' global operations but under new rules will now only apply to British activities. (Source:The Telegraph).

JPMorgan Chase & Co. said last Monday it will soon launch its own competitor to Apple Pay that will allow consumers to pay retailers using their smartphones in stores, and it has already won the endorsement of a major group of merchants. JPMorgan believes its smart phone application, known as Chase Pay, has one key advantage: the caliber of retailers it has brought on board, Gordon Smith, chief executive of the bank's consumer business, told Reuters. (Source: Reuters 10/26/2015). JPMorgan's new payment experience for merchants and customers for in-store, in-app and online purchases, partnered with MCX (Merchant Customer Exchange) – includes retailers such as Walmart, Target, Best Buy and Shell.

Royal Bank of Scotland plc (RBS) - Q3 attributable profit was £952 million, up slightly from £896 million in Q3 2014. Restructuring costs remained high at £847 million as the Go-forward Bank transforms, while litigation and conduct costs were £129 million compared with £780 million in Q3 2014. Attributable profit included the gain on loss of control of Citizens Financial Group Inc. (£1,147 million). The principal component of this gain was a reclassification of foreign exchange reserves of £962 million to profit or loss with no effect on RBS's net asset value. Q3 operating loss was £134 million, down from a profit of £1,107 million in Q3 2014. Adjusted operating profit was £842 million (Q3 2014 - £2,054 million), after £126 million of losses relating to IFRS volatility, and £77 million of CIB disposal losses. Income was £596 million lower than in Q3 2014, principally driven by a £394 million decline in Corporate & Institutional Banking (CIB), reflecting its planned reshaping. Income pressures were also seen in UK Personal & Business Banking (UK PBB) and Commercial Banking where good loan volume growth was offset by continued competitive pressure on asset margins. Operating expenses, excluding restructuring costs and litigation and conduct costs, were £152 million lower, with headcount down and restructuring benefits feeding through to a lower cost base. Credit quality remained good in our view, with net impairment releases of £79 million, £768 million lower than the high levels of releases recorded in Q3 2014. Tangible net asset value per ordinary and equivalent B share increased from 380p per share at 30 June 2015 to 384p per share at 30 September 2015. Management were keen to point out that the benefits of the cost program will be more back-end loaded than we had previously thought. Combined with slightly lower revenues, that leads us to reduced expectations into 2016/17. Our view of the longer-term earnings power of the group is less impacted although higher costs

mean lower surplus capital. We still believe there is a good bank waiting to get out, but the full benefits of the restructuring will not be apparent until 2018/19. The investment case continues to hinge on 'go-forward' earnings power and the distribution of surplus capital.

Banco Santander SA - Net income was below estimates this quarter, despite the stronger than expected trading income. Group level Net Interest Income / fees were largely in-line with trading driving the revenue beat. Costs were a little higher than expected and so operating profits were still ahead of expectations. This was offset though with higher than expected loan loss and other provisions. As a result, pre-tax profits were approx. -1.8% below consensus. Although Santander has generated organic capital of 45bp year to date, the fully loaded ratio has only increased by 2bp reaching 9.85%. Santander's capital objective is to be above 11% in 2018. The group Non Performing Loans ratio improved 14bp QoQ to 4.5%, with a slightly higher coverage ratio of 71.1%. In Spain, asset quality continues to improve and loan loss charges were lower than expected (a trend we believe that is likely to continue). Santander reported a Spanish Non Performing Loan ratio of 6.6% (an improvement of 30bp QoQ). This improvement contrasts with Brazil, where Santander reported Non Performing Loan ratio increasing to 5.30% and the loan loss charge increasing approx. 50bp QoQ to 5.0% (a trend we also expect to continue). Although the valuation has fallen to approx. 1.0x NAV, we believe performance will remain constrained by conditions and newsflow in Brazil.

Standard Chartered Plc is closing its equity derivatives and convertible bonds operations as Chief Executive Officer Bill Winters sheds businesses that have been a drag on the U.K. lender's performance, Bloomberg reports.

Activist Influenced Companies

Pershing Square Holdings Inc. – We dialed-in on Bill Ackman's conference call, in which the famed activist investor briefed its clients on Pershing Square's fund's Valeant Pharmaceuticals holding. Ackman reported an average cost of $186 for the fund's roughly 22 million shares positions; Ackman added 2 million shares during last week's stock rout. The Pershing Square fund manager said the purchase was limited by the availability of liquidity in the fund, but also emphasized that, at 19% to 20% weight on cost basis (significantly lower currently due to the price drop), it does not intend to add to the position, absent new money being raised by the fund, which is unlikely in the near term. Ackman thinks that the specialty pharmacy mishap is a one-off, only impacting roughly 6% of the company's top line, and that Valeant has valuable assets which are unlikely to be impacted by the current crisis. The four hour call show-cased the depth of Pershing Square's due diligence process, however, as news around Valeant are unfolding there is considerable uncertainty and negative sentiment surrounding the company. The current crisis at Valeant affects a couple of key dermatology brands. Outside the dermatology franchise, Valeant derives some 20% of its sales from Baush&Lomb, a leading global eye-care company, some 20% of its sales from gastro-intestinal drugs, through the recent acquisition of Salix, 18% from branded generic drugs marketed across emerging markets and 15% from neurology assets. Pershing believes the Valeant sell-off is overdone and that the company currently trades at significant discount to the value of its assets, recent change in the company's business model, including less reliance on price increases and higher research and development spending notwithstanding. Ackman believes the Valeant management's main fault is the mishandling of the communication around the current crisis, something he attributes to significant under-spending in the area of investor and public relations, a consequence of Michael Pearson's (Valeant's CEO) focus on costs. The markets have so far been slow to adjust to Mr. Ackman's point of view.

Restaurant Brands International Inc. (QSR) – reported third quarter results which exceeded the street's expectations, helped by new menu items and, not that surprising, lower costs. Key developments: China, where QSR has a relatively smaller presence, is one of its fastest growing markets. Burger King opened in India last year and the company may launch Tim Hortons in the country, according to its CFO. Burger King struck a franchise deal in France, while Tim Hortons next franchise expansion is around Cincinnati. Tim Hortons' comparable sales increased 5.3% in the quarter, helped by the launch of new breakfast items, lunch wraps and continued demand for beverages. Burger King's comparable sales increased 6.2%, helped by new menu items such as Fiery Chicken Fries and the Extra Long Jalapeño Cheeseburger. Breakfast is the only US restaurant meal time seeing an uptick in customer visits and Burger King was the No. 4 choice for people eating breakfast in the US. Burger King opened 141 new restaurants during the three months ended Sept. 30, whilst Tim Hortons added 69. Burger King sales were 5.2% higher in US & Canada, a sign the company is (still) taking market share from the likes of McDonalds, which was only up 0.9% in the period. Total operating costs and expenses declined about 9% to $675.7 million. Organic EBITDA was up 33.5% at Tim Hortons and 10.7% at Burger King. Net profit jumped to $49.6 million, or 24 cents per share, from $9.6 million, or 5 cents per share, in the second quarter. On an adjusted basis, QSR earned 34 cents per share, beating analysts' average estimate of 28 cents per share. The company's quarterly revenue fell 2% to $1.02 billion, slightly missing analysts' estimate of $1.04 billion. Quarterly dividend increased to $0.13/share from $0.12/share.

Canadian Dividend Payers

Barrick Gold Corporation reported a strong operating quarter with overall production up 15% sequentially. This third quarter has we believe put Barrick back on track to achieve its $3 billion debt reduction goal with total asset sales of $2.46 billion announced and Barrick's debt now at $11.2 billion. The material reduction in operating assets also reduces the company's ability to fund its longer-dated debt obligations at lower gold prices and its optionality at higher prices. Gold production is currently forecast to decline by one third by 2021 even assuming the Goldrush, Lagunas Norte extension, the Turquoise Ridge and the Cortez UG expansions. Net debt in 2020 is still expected to be $4.2 billion at spot gold. Despite the lower gold price environment, Barrick reported

positive Free Cash Flow (FCF) of $162 million in 3Q, and its estimated Barrick could generate $750 million in FCF in 2016. Barrick expects to announce further asset sales (non-core US) in Q4/15.

Brookfield Property Partners Limited Partnership (BPY) announced that it is selling a 44% interest in the Manhattan West development project to Qatar Investment Authority (QIA). It's estimated that the initial investment is within a range of $650-750 million. BPY and QIA are partners in several other projects, including Canary Wharf and 100 Bishopsgate in U.K. The Manhattan West project is expected to be valued at $8.6 billion once all development is completed and stabilized. This development is Brookfield's largest project in North America, consisting of seven million square feet of office, residential, hotel, and retail space located in the Hudson Yards District of Manhattan. BPY has a number of development projects underway and continues to complete additional acquisitions. At the same time, reducing leverage and buying back undervalued units are key goals.

Global Dividend Payers

Dufry AG - At the end of the public offering period (14th October), Dufry owned 93.5% of World Duty Free (WDF) and in the last few days, several transactions have been executed and now Dufry owns 95.2% of WDF.

GEA Group AG – German food-processing technology maker GEA cut its 2015 organic revenue target on weak dairy markets, as prices have plummeted on slowing demand in China and emerging markets. GEA said it now expected a moderate decline in organic revenue, compared with a previous forecast of growth of around 5%. It stuck to its full-year forecast for core profit, which should be supported by an ongoing efficiency program. "In particular, the weakness of the milk markets and the postponement of several larger orders had a significant impact on our figures; this explains why we reduced our revenue forecast," Chief Executive Juerg Oleas said in a statement. (Source: GEA Group AG, 10/28/2015) Dairy prices slumped to their lowest in over 12 years in early Aug. In the medium term, they are expected to recover as the El Nino weather pattern bites into production. GEA's orders fell 13% in the third quarter, adjusted for exchange-rate changes, to €1.07 billion, well below the average estimate of €1.13 billion in a Reuters poll. EBITDA - excluding one-offs - fell 4% to €144 million from €149 million in the year-earlier period, marginally lower than consensus.

Mondelez International, Inc. 3Q Results. Sales declined 18% with 13.6% due to currency and 9.3% from the coffee divestiture. Adjusted gross margin expanded to 39.1% and operating margin expanded 1.7%. Adjusted operating profit grew 4% including Foreign Exchange (F/X) and 18% excluding it. Earnings per Share (EPS) declined 16% to $0.42 due entirely to impact of F/X. Mondalez delivered an in-line result for 3Q with EPS of $0.42 and organic revenue growth of 3.7%. We believe management laid out good logic for pushing its pricing higher to protect its margins from currency-related inflation, and (unlike in 2014) we think that it has done a good job of managing price gaps versus competition to make sure it doesn't lose market share. For example, management cited strong performance in Brazil, China, and Russia (where it raised prices three times). It gained or held share in 40% of its chocolate business in 3Q, up from 25% in the first half of the year. Also, the share gains in Brazil were encouraging given that it raised prices faster than its biggest competitor, Nestle. Management expects continued revenue growth and share improvement in 4Q as it continues to return to higher levels of advertising and consumer spending (up 50 bps to 8.5% of sales in 3Q).

Novartis International AG – agreed in principle to pay $390 million to settle US allegations that it used kickbacks to specialty pharmacies to push sales of some drugs, hitting third-quarter earnings. The $390 million provision for a settlement pushed third-quarter net income down 42% to $1.8 billion. Novartis's underlying results were underwhelming in our view, as weakness at its eyecare business Alcon and a strong dollar offset the benefits of an enlarged cancer drug portfolio acquired from GlaxoSmithKline. Sales fell 6% to $12.27 billion. Novartis's Sandoz generics unit posted strong sales of $2.3 billion, led by a 28% increase in sales of biopharmaceuticals including its Glatopa version of Copaxone to treat multiple sclerosis. But Alcon continued its slump, driven by declining surgical equipment sales and generics competition. Novartis kept full-year guidance for annual sales to grow by around 5% with core operating income growing at high single digits, stripping out currency effects.

Economic Conditions

U.S. real GDP rose 1.5% annualized in Q3, meeting the consensus call and the slowest increase since the first quarter, when the economy struggled with Polar Vortex II and the ports disruptions. A big reason behind the weak headline was inventories, which subtracted 1.44% from growth. Final sales, or GDP excluding inventories, jumped 3.0%, a very respectable reading after Q2's 4% jump. All of the other components were pretty decent….but the GDP price index remained very mild at +1.2%. Consumer spending, the most important aspect of the U.S. economy, rose a respectable 3.2%, or about a 3½% pace over the past two quarters. Exports were stronger than expected; a surprise given the strong USD and softer global demand. Imports were weaker than expected; a surprise given the strong USD.

U.S. home sales took an 11.5% dive in September to 468,000 units annualized, the largest decline since July 2013 and the lowest level since November 2014. Inventories rose for the first time in a few months, but at 225,000 units, are still low. But coupled with the weak sales figure, the months' supply rose to 5.8, the highest in over a year. It is getting pricier as well to buy a new home…..the average price jumped 13.5% from a year ago.

U.S. goods trade deficit narrowed considerably more than expected to $58.6 billion in September, the smallest shortfall since May. Exports jumped 3.2%. Imports, on the other hand, slipped 2.5%.

U.S. manufacturing Purchasing Managers Index (PMI) released by the Institute for Supply Management inched lower in October,

Phone: 1-888-710-4242
Web: www.portlandic.com
Email: info@portlandic.com

to 50.10 index points from September's 50.20 points level, barely in expansionary territory (i.e. above 50), as the employment and inventories components of this composite index more than offset improvements in new orders and production.

U.S. personal income inched by 0.1% in September, falling short of the expected 0.2% advance and significantly decelerating compared to Augusts' 0.4% jump. Part of the same report, the core personal consumption expenditures (PCE) price index, the U.S. Fed's favourite inflation gage, provided a flat 1.3% year on year reading, which does not put any pressure on the central bankers to tinker with the interest rates, just yet.

Canada – Canadian economy expanded by 0.1% in August, slowing down from July's 0.3% advance. Manufacturing led the pack in the month, supported by mining and oil and gas, but also services such as retail and transportation.

Financial Conditions

U.S. Federal Reserve policymakers remain determined to signal that although Quantitative Easing has stopped, the stimulus remains via keeping rates at present low until earliest December 2015. The U.S. 2 year/10 year treasury spread is now 1.43% and the U.K.'s 2 year/10 year treasury spread is 1.29% - 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 U.S. 30 year mortgage market rate has increased to 3.76% (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 U.S. housing inventory is at 5.0 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 15.14 (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 Investment Counsel Inc. 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 private/alternative products:

- Portland Focused Plus Fund LP
- Portland Private Income Fund
- Portland Global Energy Efficiency and Renewable Energy Fund LP
- Portland Advantage Plus Funds
- Portland Private Growth Fund

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

@PortlandCounsel **Portland Investment Counsel Inc.** **Portland Investment Counsel Inc.**

Sources: Thomson Reuters, Bloomberg, Credit-Suisse, BMO, KBW, Barclays, Macquarie, Canaccord.

We want to share our insights with you and welcome your feedback. Our website has the latest, as well as archived videos, company profiles, and press articles. Please visit us at www.portlandic.com.

This Newsletter is not an offer to sell or a solicitation of an offer to buy the security. The securities discussed in the Newsletter may not be eligible for sale in some jurisdictions. 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 an investment 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. The views expressed by any external links and subsequent media, including but not limited to videos, are not necessarily those of Portland Investment Counsel Inc. and are provided for general information purposes only. Portland Investment Counsel Inc. assumes no responsibility for the information provided by external sources.

Information presented in this material should be considered for background information only and should not be construed as investment or financial advice. The information presented in the Newsletter should not be considered personal investment advice. As each individual's situation is different, you should consult with your own professional investment, accounting, legal and/or tax advisers prior to acting on the basis of the material in the Newsletter. Commissions, management fees and expenses may be associated with investment funds. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the prospectus or offering document before investing.

Consent is required for any reproduction, in whole or in part, of this piece and/or of its images and concepts. PORTLAND, PORTLAND INVESTMENT COUNSEL and the Clock Tower design are trademarks of Portland Holdings Inc. Used under licence by Portland Investment Counsel Inc.

Portland Investment Counsel Inc., 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7 Tel.:1-888-710-4242 • www.portlandic.com • info@portlandic.com

PIC15-055-E(11/15)