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NEWS HIGHLIGHTS

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

JUNE 1, 2020

OWNER OPERATED COMPANIES

Danaher Corporation – Beckman Coulter Life Sciences announced RNAdvance Viral XP has been added to the list of acceptable extraction methods for use in the Centers for Disease Control's Emergency Use Authorization-authorized COVID-19 test referenced in the FDA's FAQ on testing for SARS-CoV-2. Laboratories are now permitted to independently validate RNAdvance Viral XP for use. The extraction of RNA from viral samples is a critical step for pathogen research and detection to enable accurate downstream assay results. Beckman Coulter Life Sciences has remained committed to developing high-performing, scalable reagents for laboratories testing COVID-19 patient swab samples. In March, Beckman Coulter Life Sciences published two demonstrated RNA extraction methods for viral samples. Then, earlier this month, the company formally launched RNAdvance Viral XP as a reagent kit for research use. Beckman Coulter Life Sciences is an operating company within Danaher Corporation's Life Sciences platform.

Pershing Square Capital Management – Bill Ackman's hedge fund is boasting double-digit gains at a time many portfolios have sunk along with the economy during the coronavirus pandemic, after the billionaire investor plowed cash into a number of companies he already owned and dumped Warren Buffett's Berkshire Hathaway Inc. among other stocks. The public and private funds at Pershing Square Capital Management have gained between 22% and 27% this year, handily beating both the Standard & Poor's 500 index and the average hedge fund which are each off 7% since January. Ackman, who began worrying about the health and market impact of the pandemic months ago, famously hedged his portfolio with a $27 million bet that turned into a $2.7 billion windfall that he reinvested in the stock market in late March, buying bigger stakes in companies he was already betting on. "We like what we own and we still think these stocks are cheap," Ackman told investors on a conference call, adding that his portfolio contains companies whose businesses can withstand unpredictable events with severe consequences. Positions in Berkshire Hathaway, The Blackstone Group Inc. and Park Hotels & Resorts were liquidated because the cash could be used more efficiently elsewhere, according to Ackman. Money was used to buy more stock in Agilent Technologies, Inc., Starbucks Corporation, Restaurant Brands International Inc., Lowe's Companies Inc. and Hilton Worldwide Holdings Inc. This year's gains come on the heels of last year's 58.1% return, the single best year since Pershing Square's founding in 2004, and signal that Ackman is still having success with his back-to-basics strategy where in 2018, he took back control of making investments instead of being the firm's chief marketer. Ackman was early in closing down his Manhattan office and sending staff to work from home. When millions of other Americans were told to stay away from the office, Ackman pounced on the beaten-down stock of Lowe's, arguing that the time for long-delayed home improvement projects is now. "We bought Lowe's at $84 a share and it was the bargain of a lifetime," he said with the stock now at $127.62.

Reliance Industries - The Reliance Industries Ltd. (RIL) rights issue announced on April 30, 2020 was subscribed 1.1 times according to data from stock exchanges. RIL has offered existing shareholders to buy one new share for every 15 shares held, at a discounted price of INR 1,257. RIL has targeted becoming a zero net debt company by March 2021. The rights issue, along with multiple stakes sales in Jio Platforms are part of the zero net-debt plan.

The promoter group of Ambani family have committed to subscribe to the full extent of their aggregate rights entitlement. In addition, they have also committed to subscribe to all the unsubscribed shares in the issue.

Softbank Group Corp. – China's Didi Chuxing Technology Co. said it had completed a fundraising round of over $500 million for its autonomous driving subsidiary that was led by SoftBank Group's Vision Fund 2. The ride-hailing giant said in a statement the round marked the first time Didi's autonomous driving business had brought in external funding since it became a standalone unit last year and was also the single largest fundraising round in China's self-driving sector. Didi said it would use the capital to invest further in the research and development of autonomous driving technology as well as testing, and accelerate the deployment of autonomous driving services. Didi has gained open-road testing licences in California, Beijing, Shanghai and Suzhou, it said. It first began to develop and test autonomous driving vehicles in 2016. The fundraising comes as SoftBank has been selling off other stakes to raise cash for stock buybacks aimed at supporting the price of its shares as its tech investments falter. Some of the Japanese firm's investments, including Uber and Indian-based hotel chain Oyo, have been hugely impacted by lockdowns in the coronavirus pandemic. Autonomous driving technology has remained popular with investors even amid the pandemic. Waymo, the self-driving unit of Alphabet Inc. this month raised an additional $750 million in its first external investment round, while China's Pony.ai raised $462 million from investors led by Toyota Motor in February.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND

GO TO PORTLAND GLOBAL BALANCED FUND

Bank of Montreal reported adjusted EPS of $1.04 in fiscal Q2 2020, coming in below consensus of $1.14. The bank's Return On Equity fell to 5.5% in the quarter, while the core equity tier 1 (CET) ratio declined by less than expected to 11.0%. Loan loss provisions in the quarter increased to $1.1 billion. While that marked a sizable jump from last quarter's $349 million, it was lower than consensus of $1.3 billion. $705 million of the $1.1 billion was related to performing loans, with the Capital Markets segment hit particularly hard, resulting in an adjusted loss of $68 million (that compares with last quarter's very strong earnings of $362 million). Property & Casualty Banking in Canada and the U.S. were better than expected, largely on lower loan loss provisions (margins were surprisingly stable in the U.S., while declining by a meaningfully 10 bps quarter/quarter in Canada). However, offsetting was the Capital Markets loss in the quarter, which in addition to elevated loan losses surprisingly reported a decline in trading revenue ($321 million in Q2 vs. $568 million last quarter) due largely to weakness in the Equities trading business, which suffered a $137 million loss. Also dragging down Q2 results was BMO's Insurance business (included in the bank's Wealth Management segment), which had a very challenging quarter, reporting a small $16 million loss (vs. a profit of $82 million last quarter), driven by unfavourable market movements. Overall, a generally weaker Q2 relative to peers, in analysts' view.

Bank of Nova Scotia reported adjusted cash EPS of $1.04 (-39% year/year), above consensus of $0.91. Adjusted Return On Equity dipped to 8.2%, while the bank's CET 1 ratio declined less than expected to a still-strong 10.9%. BNS's beat primarily reflected better-than-expected credit provisions (+17c) and slightly larger revenue. Adjusted results were significantly impacted by the negative macroeconomic outlook relating to COVID-19, and lower energy-related performing loan provisions. Total adjusted bank Provisions for Credit Losses were $1.8 billion and below consensus of $2.1 billion. What was learned on the Q2 conference supported the view that provisions were light, as management suggested that Provisions for Credit Losses (PCLs) next quarter would be similar to the $1.8 billion that was incurred in Q2. That was certainly surprising in the context of International Financial Reporting Standards 9 accounting, which analysts had expected would result in a larger PCL spike in Q2 followed by a meaningful potential decline in Q3 and beyond. Canadian Banking adj. Net Income down 42% year/year driven by higher performing loan provisions for credit losses (PCLs) (+165% year/year) and lower other income. Net Interest Margin (NIM) declined 7 bps year/year, while loan growth increased 7% year/year (e.g. residential mortgages +6%; commercial +14%, personal loans flat). International banking adj. earnings were down 74% year/year or 63% (excl. divestitures) mainly due to higher-performing loan PCLs. Loans and deposits experienced double-digit growth year/year, while NIM was down 34 bps due to business mix and interest rate cuts. Global Wealth Management adj. earnings increased 3% year/year or 7% (excl. divestitures) on strong mutual fund net sales and iTRADE, slightly offset by lower Assets Under Management (-6% year/year). Capital markets adj. earnings rose 25% year/year based on revenue growth of 27% year/year, slightly offset by higher expenses +4%. Revenue benefited from solid Fixed Income Commodities and Currency trading and portfolio size growth (+20% year/year). Scotia reported a Core Equity Tier 1 ratio of 10.9% (-50 bps quarter/quarter). Net earnings (+30 bps) supported dividend payments in the quarter (-27 bps), while Risk Weighted Asset increase was the primary driver on sequential decline (-47 bps).

Canadian Imperial Bank of Commerce reported fiscal Q2 2020 adjusted EPS of $0.94; that was below consensus of $1.48. Adjusted return on equity (ROE) fell to 4.5%, while the bank's CET 1 ratio was flat quarter/quarter at 11.3%, which was better than expected. Most of the EPS variance in the quarter was related to higher loan loss provisions, which totaled $1.4 billion, and was higher than consensus of $1.1 billion. While losses on impaired loans were higher sequentially, most of the increase was related to performing loans as management was prudent in building its reserves in analysts' view, in a time of elevated uncertainty with respect to the macroeconomic outlook. Canadian Personal & Business Banking, CIBC's largest operating segment, saw some challenges outside of higher provisions for credit losses (PCLs) as margin compression was material (down 7 bps quarter/quarter), while real estate-secured loan balances were little-changed from the prior-year (sequential growth was very modest). Canadian Commercial Banking & Wealth fared better in Q2 with a stable margin and solid loan growth, while U.S. Commercial Banking

& Wealth saw similar trends. Capital Markets reported weaker trading revenue, which fell to $304 million (fiscal Q1 2020 was $445 million). The weakness was largely in Equities, which suffered a loss in the quarter.

Royal Bank of Canada reported adjusted fiscal Q2 2020 EPS of $1.03, which was materially below consensus of $1.54. The bank's Return On Equity fell to 7.6%, while the CET 1 ratio declined to 11.7%. Loan loss provisions amounted to $2.8 billion in the quarter and were materially higher than consensus of $1.8 billion as the bank aggressively added to its reserves. That compared with Provisions for Credit Losses (PCLs) of only $419 million last quarter, with the sequential increase driven almost entirely by provisions on performing loans. Across the bank's businesses: the largest variance was in Capital Markets, which saw trading revenue decline slightly from last quarter to $1.1 billion, although it remained elevated relative to its recent run-rate. Wealth Management was also much weaker than forecast and included a sizable earnings decline for City National, while International Banking recorded a $117 million loss. Canadian Banking, the largest segment, also missed the mark on higher PCLs in Q2, although loan growth was particularly strong with mortgage loans up more than 9% from last year. Analysts believe the bank is positioning itself for a sizable and potentially prolonged economic downturn.

Toronto-Dominion Bank's adjusted cash EPS of $0.85 covered the quarterly Dividend Per Share of $0.79 and compared with consensus expectations of $0.87. It is estimated lower effective tax rate of approximately 17.9% helped Q2 EPS by approx. $0.03. Total bank provisions for credit losses (PCLs) were 1.76%, higher than expectations. Balance sheet remains strong with CET 1 ratio of 11.0% albeit down approx. 69bps quarter/quarter as internal capital generation was offset by Risk Weighted Asset (RWA) growth (total RWAs up approx. 10% quarter/quarter; average loans & bankers' acceptance up approx. 6% quarter/quarter), buybacks and fair value adjustments. TD also introduced a 2% Dividend Reinvestment Plan discount, effectively a way to raise capital which could add approx. 5bps of CET 1/quarter, in analysts' view. TD has provided COVID-19 related payment deferrals on approx. $62 billion of retail and commercial loans across its Canadian and U.S. Retail segments. Canadian Personal & Commercial Banking earnings (approx. 40% of total bank) of $642 million were down 54% year/year; U.S. Retail (ex-AMTD) down 90% year/year to $102 million; Wholesale Banking was down 5% year/year (elevated PCLs despite 52% higher trading year/year).

LIFE SCIENCES

ITM Isotopen Technologien München AG – Nordic Nanovector ASA announced that Betalutin® (177Lu lilotomab satetraxetan) has received a positive opinion from the European Medicines Agency (EMA) on the application for orphan drug designation for the treatment of marginal zone lymphoma (MZL). The positive opinion is expected to be adopted by the European Commission shortly. In the LYMRIT 37-01 Phase 1/2a trial, Betalutin® showed a highly encouraging 78% overall response rate (ORR) and 44% complete response (CR) in the MZL patient group (n=9) - the highest response rates of any patient sub-population in this study. This followed a once-only administration of Betalutin® in this heavily pre-treated group of patients with advanced disease. MZL is a form of indolent (slow-growing) B-cell non-Hodgkin's lymphoma (NHL) that accounts for approximately eight percent of all NHL cases. EMA orphan designation is designed to encourage the development of new treatments for life-threatening or chronically debilitating conditions that are rare (affecting not more than five in 10,000 people in the European Union). Medicines that meet the EMA's orphan designation criteria qualify for several incentives to help support advancement. Betalutin® received Orphan Drug Designation for the treatment of follicular lymphoma in the US and Europe in 2014. This development underlines the key role 177Lu (non carrier added), supplied by ITM, plays in providing therapeutic options in the area of precision oncology.

Roche Holding AG announced that its Port Delivery System (PDS) with ranibizumab (Lucentis) shows positive phase III results in neovascular age-related macular degeneration. PDS with ranibizumab is a permanent refillable eye implant that continuously delivers ranibizumab over a period of months, potentially reducing the treatment burden associated with frequent eye injections. Refilled every six months, PDS demonstrated non-inferior and equivalent efficacy compared to the standard of care – monthly ranibizumab eye injections – for people with neovascular age-related macular degeneration. Analysts believe PDS is unlikely to be a preferred option for prescribing ophthalmologists; PDS for anti-VEGF treatment is a surgical treatment vs. a medical one, introducing new logistical challenges while creating limited economic incentive. Physicians have deep experience administering regular intravitreal injections, which also serve as a stable revenue source for these practices due to the frequent in-office visits required. The Archway trial met its primary endpoint, demonstrating that patients with PDS who received refills every six months achieved visual acuity outcomes equivalent to those receiving monthly ranibizumab 0.5 mg injections. Overall, it's believed that the PDS system, if approved, is unlikely to pose a significant threat to Regeneron's Eylea franchise as Eylea is generally preferred as the standard of care. While some patients may prefer the 6-month dosing interval, it's believed uptake, if approved, will take time.

ENERGY SECTOR

Occidental Petroleum Corporation – Shareholders of Occidental Petroleum elected all 11 directors, approved the issue of new shares and warrants and a poison-pill measure. Directors elected include three associates of activist investor Carl Icahn, who opposed the Anadarko deal. Shareholders also authorized share warrants awarded to Berkshire Hathaway Inc. under a financing deal. Occidental posted a $2.2-billion first-quarter loss from write downs and the about 45% collapse in oil prices this year amid the COVID-19 pandemic. The company has slashed its dividend by 86% and spending nearly in half. Occidental has been paying dividends to Warren Buffett's Berkshire Hathaway in shares in lieu of cash, a move to help relieve strain on its balance sheet. Shareholders authorized the company to issue 400 million shares in part to give it a means of continuing to pay preferred dividends in stock, and potentially to swap shares for its debt. Last year, Berkshire helped finance the Anadarko deal by buying $10 billion in preferred shares. The vote also authorized the issue to Berkshire of warrants for up 80 million common shares. This month, planned sales of Occidental's Algerian and Ghanaian oil holdings to France's Total SA fell through. CEO Vicki Hollub said those assets would be marketed to other companies.

ECONOMIC CONDITIONS

Canada's GDP contracted at an annualized pace of 8.2% in the first quarter of 2020, versus the 10% or so decline expected by consensus. That was the second worst quarterly decline on records after the output collapse of Q1 2009.Trade was a contributor to growth but only because the export decline was outpaced by the import slump. The main reason for Q1's output collapse was domestic demand as business investment, consumption (worst decline on records), and government spending all fell sharply. Nominal GDP fell 6.5% annualized. A piece of good news is the jump in the savings rate to 6.1% (a 19-year high) as consumption was restrained by the lockdown. Industry data showed output sinking 7.2% un-annualized in March as 19 of the 20 broad industries saw declining output (output gains for utilities were the exception). For Q1 as a whole, both the goods sector (-4.2% annualized) and services-producing industries (-9.4% annualized) suffered massive losses. The horrible handoff from March (-7.2% unannualized), and an even uglier April (recall the lockdown lasted the entire month), suggests an even deeper decline for GDP in the second quarter. While a rebound is more likely than not in the second half of 2020 as more of the economy reopens and firm rebuild inventories, that won't make up for the first half collapse in economic activity in our view, leaving Canada with the worst annual GDP contraction (for 2020) on record.

U.S. Jobs - The number of Americans who remain on Unemployment Insurance fell for the first time since February, down 3.86 million from record highs to 21.05 million in the survey week of May 16, the fewest in a month. Meantime, the number of people applying for UI for the first time dropped for the eighth consecutive week. Initial claims were down 323 thousand to 2.123 million in the week of May 23. Despite the opening up of the economy, the slow and staggered move will be unable to prevent another month of job losses, though not as terrible as April's 20.5 million loss.

British Jobs: The number of people in Britain claiming unemployment benefit rose by 69% in April to 2.1 million, the highest monthly increase ever.

French Jobs - the number of people in France who filed for unemployment rose 23% in April as full time unemployed rose 843,000 to 4.57 million.

Spanish Government implementing anti-poverty program, effectively a minimum income guarantee of between Euro 461 to Euro 1015 depending on household circumstances – compared to the current estimates of about Euro 300 per month.

China's Caixin manufacturing Purchasing Managers' Index came in at 50.7 in May ahead of expectations. The move back into expansion comes as good news in analysts' view, highlighting growing support for small and medium sized companies. However, these companies are also highly export reliant and analysts don't expect the PMI to make much further headway in the near term.

FINANCIAL CONDITIONS

The U.S. central bank now has a stake in the fortunes of a broad swath of corporate America after buying about $1.3 billion of bond funds with debt issued by firms in all walks of the world's biggest economy, from Apple Inc. to a clutch of companies in bankruptcy. The details on holdings in the Fed's Secondary Market Corporate Credit Facility, one of nearly a dozen emergency programs the Fed has rolled out since March to respond to the coronavirus crisis, were published last week.

The U.S. 2 year/10 year treasury spread is now 0.51% and the U.K.'s 2 year/10 year treasury spread is 0.24%. 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 3.15%. Existing U.S. housing inventory is at 3.1 months' supply of existing houses - well off its peak during the Great Recession of 9.4 months and we consider a more normal range of 4-7 months.

The VIX (volatility index) is 29.55 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

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Glossary of Terms: 'boe' barrel of oil equivalent, a measurement of a unit of energy, 'boed' refers to barrel of oil equivalent per day, 'CET' core equity tier, 'EBITDA' earnings before interest, taxes, depreciation and amortization, 'EPS' earnings per share, 'FCF' free cash flow, 'GDP' gross domestic product, 'netback' is a measure of oil and gas sales revenues net of royalties, production and transportation expenses and is used to compare performance in the oil and gas industry, 'ROE' return on equity, 'ROTE' return on tangible equity, 'ROTCE' return on tangible common equity.

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