PORTLAND INVESTMENT COUNSEL® NEWS HIGHLIGHTS

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

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OWNER OPERATED COMPANIES

Brookfield Asset Management Inc. – The coronavirus pandemic will not be the end of office buildings, Brookfield Asset Management Chief Executive Bruce Flatt said in an interview with Reuters. Office workers globally have shifted to working from home during the pandemic, with Gallup reporting that 62% of employed Americans in April had worked from home during the crisis, double the number in March. While this trend has raised questions about the future of office space, Flatt said he believes that company culture and productivity are dependent on sharing a common space and "it is ludicrous to think that companies will not return to offices. Anyone who says they're not going to be in offices is naive about how company culture is built." Toronto-based Brookfield manages over $515 billion in assets and is the parent company of Brookfield Property Partners, a real estate company that holds one of the largest commercial portfolios in the world. Commercial real estate has been hit hard by the pandemic, as retailers and restaurants have missed payments or shuttered entirely. But social distancing practices may ultimately be a boon for office building owners like Brookfield as companies seek to space out employees more. "We've had more tenants ask us for more space since this occurred than for less," he said, "to accommodate more distancing." The pandemic, Flatt said, is likely to put an end to so-called hot desking - the use of desks as needed, or in rotation. Short-term office leases, the model used by We Company in its WeWork spaces, are also likely to take a hit. "To the extent that there are environments where everything was going to change to short-term space, that's not going to happen."

Facebook, Inc. – Facebook'sformer chief product officer, Chris Cox, is returning to his role, according to his post on the social media platform. Cox left Facebook in March last year after Chief Executive Officer Mark Zuckerberg revealed a plan to transform the world's biggest social network into an encryption-focused messaging company. Zuckerberg shared Cox's Facebook post on Thursday, adding "I'm really excited Chris is coming back to Facebook!". Cox dropped out of a graduate program at Stanford University to join Facebook in 2005 as a software engineer and helped developed its original news feed feature.

Nomad Foods Ltd. provided a business update ahead of investor meetings taking place at the dbAccess Virtual Global Consumer Conference. Q2 2020 performance is tracking ahead of management's prior expectations with organic revenue growth now expected to increase in the low-double digit percent range. Organic revenue growth increased 14% through the first two months of the second quarter and is expected to remain above historical levels during the month of June. Nomad has seen unprecedented online demand during the COVID-19 lockdowns as sales growth through the channel almost doubled in April. In retail, an "influx of new customers" was attracted to the frozen-food category, where Nomad Foods markets a range of brands, including its recently-introduced plant-based Green Cuisine line, which is due to launch into more European markets by the end of the month. Chief executive Stéfan Descheemaeker, addressing the Deutsche Bank Access Global Consumer conference, said the Birds Eye and Findus owner's market share for e-commerce was now 40% higher than its share through the retail channel .Nomad's online sales grew 80% in April, compared to 43% in March, and 9% in January before the novel coronavirus really took hold in Europe. E-commerce sales for the business now account for 7% of the total versus 5% last year. Descheemaeker said frozen food consumption is no longer restricted to evening meals, and its products are now being eaten throughout the day, with lunchtime meal occasions seeing the largest number of new entrants." Growth is being driven by new users through increases in household penetration," the CEO said. "Frozen food is a planned purchase and a category that is added earlier to consumers' shopping carts online versus in-store." Nomad's organic revenue growth for the business across all channels is also set to double in the second quarter from the 7.7% posted in the first three months of its fiscal year, compared to 1.7% in the final quarter of 2019. So far in the quarter, sales are up 14.1% and Nomad expects the final number to be around the low double-digit area. In the plant-based arena, Nomad launched its Green Cuisine brand in the UK and Ireland last year followed by Germany and France.

Reliance Industries Limited – On June 13, Reliance Industries Limited and Jio Platforms Limited, announced that global alternative asset firm TPG will invest US $590 million in Jio Platforms at an equity value of US $65 billion. The investment will translate into a 0.93% equity stake in Jio Platforms on a fully diluted basis for TPG. They also announced an investment of US $249 million by L Catterton, one of the world's largest consumer focused private equity firms. This investment values Jio Platforms at an equity value of US $65 billion. L Catterton's investment will translate into a 0.39% equity stake in Jio Platforms on a fully diluted basis.

With these investments, Jio Platforms has raised US $13.7 billion from leading global investors including Facebook, Silver Lake, Vista Equity Partners, General Atlantic, KKR, Mubadala, ADIA, TPG and L Catterton since April 22, 2020. Founded in 1989, L Catterton is a leading investor in consumer-focused brands around the world. With a 30-year track record of leveraging its operational expertise, deep sector insights, global network of resources, and its unique partnership with LVMH and Groupe Arnault, L Catterton has successfully invested in and helped build some of the most innovative brands at the forefront of the evolving consumer landscape, including Peloton, Vroom, ClassPass, Owndays, FabIndia, and more.

Softbank Group Corp. – On June 15, Softbank Group provided an update on the status of its share repurchase program announced on March 13, 2020.

Between June 1 and June 15, 2020 Softbank Group repurchased 36.14 million shares for a total amount of JPY188.3 billion. Since the announcement of March 13, Softbank repurchased a total of 107.68 million shares for a total amount of approximately JPY 500 billion.

DIVIDEND PAYERS

Bunzl PLC - First half revenue expected to increase by +6%, with organic growth of +2%. With substantial declines in foodservice and retail sectors expected to be more than offset by strong performances in the grocery, cleaning & hygiene and healthcare sectors, due to COVID-19 related product sales. Due to positive mix effects (foodservice/retail being lower margin), group margins are expected to be "modestly" higher year/year. With guided firstt half revenues of approximately £4.8 billion and margins +10-20bps gives an EBITA range of £325-330 million, a year/year increase of approx. 7-9% and, at the mid-point, is vastly higher than analysts' forecast. As a result of the better than expected trading performance, the Company intends to repay employee-related government support packages and bring forward the settlement of tax deferrals where possible to do so. The company remains cautious on full year outlook. The volume of orders for COVID-related products seen during the first half is not expected to be repeated with many customers having already built significant stocks of products for the remainder of the year. Sectors such as retail and foodservice are expected to continue to be affected by reduced, albeit improving. This implies organic declines in the second half, with full year profit potentially declining by more than 10% year/year; still, in analysts' view, this is considerably better than current forecasts (Fiscal Year 2020 EBITA -34% year/year). Bunzl is proving itself a relatively resilient business in this downturn. Although the foodservice/retail sectors could take longer to recover, PPE demand could remain elevated as long as COVID-19 is present, and perhaps permanently.

GO TO PORTLAND GLOBAL ALTERNATIVE FUND
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Nestlé S.A. announced the agreement to acquire Vital Proteins, a leading collagen brand and Lifestyle & Wellness platform offering supplements, beverages, and food products. The company has 150 SKUs (stock keeping units) across 35,000 retail stores in North America and Europe. Collagen is one of the most important proteins in the body, playing a key role in supporting connective tissue, including in skin and muscles. The target is fully in line with the strategy to offer vitamin, mineral, supplement, and wellness brands. Vital Proteins complements recently acquired Atrium and Persona. The company will continue to operate as a standalone business. Founder and CEO will continue to lead the company. It is estimated Vital Proteins has sales at around US $150 million. Growth is likely to surge within Nestlé, as the company is likely to explore expansion in new products (protein bars, water, coffee creamer, etc.). It is estimated Nestlé's stake is around 75%. This acquisition is no surprise, as with Q1 2020 sales CEO Mark Schneider reiterated Nestlé's interest in building the business via acquisitions. Vital Proteins comes few days after the disposal of Buitoni, was announced.

Nestlé is reviewing all strategic options for its North American water business (i.e. excluding international sales): Poland Spring, Deer Park, Ozarka, Ice Mountain, Zephyrhills, Arrowhead, ReadyRefresh business as well as Pure Life. The business under review / likely to be divested had sales of CHF 3.4 billion in Fiscal Year 2019, representing nearly 45% of the CHF 7.8 billion water business. Nestlé will focus on its international brands, premium mineral water brands (Henniez, for instance), and invest in differentiated healthy hydration. The company intends to complement the portfolio through acquisitions. The North American business has been underperforming for years (negative growth, low returns due to mainstream, undifferentiated products, and massive price pressure). It's estimated that the return in invested capital (ROIC0 of the Water business declined from about 17% in Fiscal Year 2016 to 10-12% last year. Nestlé already set the base of its new direction on several occasions. However, such a bold move was probably not expected. Many positives: attractive brands, differentiated, value-added products in line with Nutrition, Health & Wellness strategy; strong growth and attractive returns; better fit in the sustainability strategy; litigation risk massively reduced. Within three years, Nestlé has divested sales of greater than CHF 9 billion in the U.S. The big chunk of the strategic realignment is now completed in our view.

LIFE SCIENCES

ITM AG – ITM Isotopen Technologien München AG (ITM), a biotechnology and radiopharmaceutical group of companies, announced the change of name of its subsidiary ITG Isotope Technologies Garching GmbH. Effective May 28, 2020, the company responsible specifically for the production of medical isotopes within the ITM Group will operate under the name ITM Medical Isotopes GmbH. The background to the decision is to present a uniform external image of the ITM group of companies, which, alongside ITM Medical Isotopes GmbH, includes among others the highly specialized companies ITM Oncologics GmbH and ITM Solucin GmbH. The change of name will have no other impact on business partners, customers and staff. The legal form of the company and the ownership structure will remain unchanged. The fields of activity of radioisotope production, the product portfolio and all contracts concluded up to the rebranding will remain unchanged under the new company name. The head office address, the commercial register number and all known contact partners will remain unchanged. ITG Isotope Technologies Garching GmbH, or ITM Medical Isotopes GmbH, is a 100% subsidiary of ITM. Over the course of the company's 16-year history, from a start-up housed on the Technical University of Munich (TUM) site, ITM has established itself as a worldwide biotechnology and radiopharmaceutical group of companies in Targeted Radionuclide Therapy with a global distribution network. ITM develops, produces and distributes radiopharmaceuticals and medical radioisotopes for the diagnosis and therapy of cancer. The current product portfolio and focus of research includes targeted candidates for the treatment of neuroendocrine tumors, glioblastoma, osteosarcoma and bone metastases, as well as folate receptor alpha (α) positive tumors such as lung, ovarian or breast cancer. "We are proud of everything that we have managed to achieve jointly as the ITM group of companies over the past 16 years. We now supply hospitals, and hence patients, worldwide with our radiopharmaceuticals and medical radioisotopes for targeted cancer therapy," says Steffen Schuster, CEO of ITM. "The pooling of our subsidiaries' expertise will now also be reflected nominally by the unification under the ITM family brand. This will strengthen our market position and will allow all business areas to benefit equally from our first-class reputation as an international biotechnology and radiopharmaceutical group of companies," adds Steffen Schuster, CEO of ITM.

ENERGY SECTOR

Nothing significant to report.

ECONOMIC CONDITIONS

Canada housing starts rose from 166,500 in April to 193,500 in May (seasonally adjusted and annualized). Urban starts shot up in Quebec from less than 1000 in April to 56,300 as social distancing measures were eased but plunged 37,100 to 56,500 in Ontario.

The economic downturn in the U.S. triggered by the pandemic has been officially declared a recession. The National Bureau of Economic Research made the designation last week, citing the scale and severity of the current contraction. It said activity and employment hit a "clear" and "well-defined" peak in February, before falling. The ruling puts a formal end to what had been more than a decade of economic expansion - the longest in U.S. history. A recession was expected after the U.S. economy contracted 5% in the first three months of the year.

U.S. initial jobless claims fell largely as expected in the week of June 6 to 1.54 million compared with a slightly upwardly revised 1.90 million the prior week. That continues the gradual downward trend from 4.4 million in the May payrolls survey week and the record 6.9 million in late March. **Continuing claims, however, fell less than expected** to 20.9 million in the last week of May from a slightly downwardly revised 21.3 million the prior week. This is still up from 18.0 million in the May payrolls survey week, though down from the peak of 24.9 million in the May 9 week. The insured unemployment rate edged down to 14.4% from a downwardly revised 14.6%, and compares with 14.3% in the May payrolls survey week and the record high of 17.1% in the May 9 week. So far, not much progress in dropping the official unemployment rate from 13.3%. The claims data reaffirm our view that the road to recovery for jobless workers will be a lengthy one

U.S. consumer prices continued to decline in May, and the downward pressure on inflation will only mount given elevated joblessness. The Consumer Price Index (CPI) fell 0.1%, less than the expected flat print, shaving the yearly rate to 0.1%. Another 3.5% fall in gasoline prices (which looks to reverse in June) helped counter a 1.0% jump in food-at-home costs (after a 2.6% spike in April that was the largest since 1974). Beef prices jumped a record 10.8% due to the temporary closure of some processing plants. Broader downward pressure on prices was reflected in a 0.1% decline in the core CPI after a record 0.4% drop in April, which lowered the yearly rate a couple of notches to 1.2%. **This was the first time on record dating back to 1957 that core prices have fallen in three consecutive months.** Clothing prices shed another 2.3% after a record 4.7% plunge in April. Airfares fell another 4.9% lower to take the three-month loss to 30%. Hotel rates are now down 17% since February. Used motor vehicle prices fell 0.4% for a second straight month. With the unemployment rate expected to average 7% in 2021, core inflation is likely headed well below 1% in the coming year, which will keep the Fed in a creative mood to find new ways to stimulate demand (yield curve control, forward guidance, etc.) and return inflation to the 2% target.

U.K. Brexit - The U.K. had committed to introduce full import controls on European Union (EU) goods in January. But coronavirus has forced a rethink, with firms able to defer customs forms and tariff payments for six months and some physical checks delayed to July. Business welcomed what ministers said was a "pragmatic and flexible" step. But, in response, the EU said it would implement full checks on U.K. exports at the start of 2021. The BBC's Europe editor Katya Adler said the EU would not see the U.K.'s move as a "concession but rather a pragmatic move by a country that's not ready to implement full checks by then". (Source: BBC)

The U.K. is likely to be the hardest hit by COVID-19 among major economies, the Organisation for Economic Co-operation and Development (OECD) has warned. Britain's economy is likely to slump by 11.5% in 2020, slightly larger than likely falls in countries such as Germany, France, Spain and Italy, it said. If there were a second peak in the pandemic, the U.K. economy could contract by as much as 14%. "The crisis will cast a long shadow over the world," the OECD added. It said that in what it called a "single-hit scenario", with no second peak, there could be contractions of 11.4% in France, 11.1% in Spain, 11.3% in Italy and 6.6% in Germany.

Spain's economy may shrink less than feared this year, but the recession will nevertheless be about three times as bad as the record contraction of 2009 at the height of the global financial crisis, the Spanish central bank said last week. The economy could contract by 9% to 11.6% in 2020 as the fallout from the coronavirus pandemic hits the tourism-dependent country more than others in Europe, the central bank said regarding what it sees as the most likely case. The Bank of Spain's previous central scenario was for a 9.5% to 12.4% contraction. Spain's economy shrank by 3.7% in 2009. The impact of a lockdown that started in mid-March will be fully felt in the second quarter, with a contraction likely around 16% to 21.8%, the central bank said. (Source: Reuters)

FINANCIAL CONDITIONS

The U.S. Federal Reserve unanimously voted to leave the Fed funds target unchanged at a range of 0.00-0.25% for the second consecutive policy meeting, having already provided 150 bps of swift policy easing via two unscheduled rate decisions in March. After sweeping changes to the statement language over the past few decisions, the Fed didn't deviate too far from its April text. The guidance provided on the future path for Fed funds remained unchanged: "The Committee expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals." The Committee projects GDP growth of -6.5% and +5.0% in 2020 and 2021, respectively. Reflecting the tremendous uncertainty surrounding the current outlook, the range of estimates is unsurprisingly significantly wider than in December with a 5.8%-point projection band for 2020 growth compared to December's 0.5%-point range. The Committee sees Personal Consumption Expenditures inflation coming in at 0.8% and 1.6% in 2020 and 2021, respectively. The median unemployment rate projection, meanwhile, currently stands at 9.3% and 6.5% for 2020 and 2021. The Fed's qualitative assessment of the economy was left unchanged from April: "The ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term."

The European Central Bank still needs to underpin "fragile" financial markets despite a substantial rebound since March, the ECB's chief economist Philip Lane said last week, after the bank beefed up its Pandemic Emergency Purchase Programme. "While conditions in financial markets have stabilised substantially since the PEPP announcement, the situation remains fragile," Lane said in a blog post. "This fragility underlines the continued need for the central bank to be flexible and exercise a market stabilisation function to the extent necessary." (Source: Reuters)

U.S. banks expect a significant number of borrowers to recommit to normal payment schedules once their forbearance deals expire later this month, senior executives said, adding that many clients had not been as hard hit by the pandemic as they feared. Between 4% and 22% of borrowers across various types of loans signed up for 90-day payment holidays designed to give households and businesses breathing room as the coronavirus pandemic threatened their livelihoods, according to analysis by Autonomous based on public disclosures. (Source: Financial Times)

The U.S. 2 year/10 year treasury spread is now 0.49% 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 3.21%. 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 40.47 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And finally

"History is replete with waves of self-reinforcing enthusiasm and despair, innate human characteristics not subject to a learning curve." Alan Greenspan

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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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