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# NEWS HIGHLIGHTS

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

## JULY 13, 2020

*The views of the Portfolio Management Team contained in this report are as of July 13, 2020 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, is 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.*

## OWNER OPERATED COMPANIES



**Berkshire Hathaway Inc.** – Warren Buffett has donated roughly $2.9 billion of Berkshire Hathaway Inc. stock to four family charities and the Bill & Melinda Gates Foundation, the latest but not largest contribution in his plan to give away his fortune. In a statement, Berkshire said Buffett's 15th annual donation comprised 15.97 million Class B shares of Berkshire. It boosted his donations to the charities to more than $37.4 billion since Buffett, who turns 90 on Aug. 30, began giving his Berkshire shares away in 2006. Four-fifths of the donations go to the Gates Foundation. The rest goes to the Susan Thompson Buffett Foundation, named for Buffett's late first wife, and charities run by his children Howard, Susan and Peter: the Howard G. Buffett Foundation, the Sherwood Foundation and the NoVo Foundation. Buffett's largest donation was $3.61 billion in 2019, when Berkshire's stock price was higher. Though Buffett has donated 48% of his Berkshire shares, he still owns 15.5% of the Omaha, Nebraska-based conglomerate and controls 31% of its voting power. Forbes magazine said that Buffett was still worth $71.4 billion, ranking seventh worldwide. Gates, a longtime Buffett friend, ended his 16-year run on Berkshire's board this year to focus on his foundation.

**Oracle Corporation** – Oracle Corporation said it is now offering to put all of its cloud computing technology inside its customers' data centers for an $18 million spending commitment over three years and has signed customers in Japan and Oman. Cloud computing emerged more than a decade ago. Technology companies, such as Amazon.com's Amazon Web Services, used their expertise at owning and operating data centers efficiently to rent out computing capacity and software tools to other businesses over the internet. But many businesses that turned to cloud providers still handled at least part of their computing inside their own data centers. This was either for speed reasons - connecting to a cloud data center takes time for data to travel over the internet - or to meet legal or regulatory requirements about where data must be stored. To address those customers, all major cloud providers - including Oracle, Amazon, Microsoft Corp., Alphabet Inc.'s Google and International Business Machines Corporation - offer "hybrid" options to make it easier for customers to use cloud technology inside their own data centers. Many of those approaches rely on a business using the cloud provider's software on their own hardware, which limits the number of cloud features offered. Oracle, by contrast, asks for space inside a customer's data center and drops in its own cloud hardware and software, offering all the same services as if Oracle owned the data center, and handling all maintenance. The minimum contract commitment is three years at $500,000 per month. Oracle said that Nomura Research Institute Ltd., a Japanese management consulting and economic research firm, and Oman Information Technology and Communications Group, a state-owned entity in Oman, have signed up for the service.

**Reliance Industries Limited/ BP PLC** – On July 9, 2020, BP PLC and Reliance Industries Limited announced the start of their new Indian fuels and mobility joint venture, Reliance BP Mobility Limited (RBML). Following initial agreements in 2019, BP and Reliance teams have worked closely to complete the transaction as planned. BP has paid Reliance $1 billion for a 49% stake in the joint venture, with Reliance holding 51%. RBML aims to expand Reliance's fuel stations network to as many as 5,500 over five years from more than 1,400 currently, the companies said in a joint statement last week. An expanding middle-class has boosted India's fuel market and air traffic as people spend on buying cars, motorbikes and flying for the first time. The BP-Reliance deal also marks another success for Reliance Chairman Mukesh

Ambani, who attracted more than $20 billion of fresh investments into his conglomerate in the last 3 months.

**Reliance Industries Limited/Qualcomm Ventures** - On July 12, 2020, Reliance Industries Limited and Jio Platforms Limited announced that Qualcomm Ventures, the investment arm of Qualcomm Incorporated, an industry leader in wireless technologies, has committed to invest up to $97 millon in Jio Platforms. Qualcomm Ventures' investment will translate into 0.15% equity stake in Jio Platforms on a fully diluted basis. This investment represents a 12.5% premium to the equity valuation of the Facebook investment announced on April 22, 2020. The investment will deepen the ties between Qualcomm and Jio Platforms, to support Jio Platforms on its journey to rollout advanced 5G infrastructure and services for Indian customers.

**Softbank Group Corp.** - On July 10, 2020, Softbank Group provided an update of its share buyback program in June. The company repurchased a total of ¥290.0 billion worth of its shares in June, buying back ¥188.3 billion over the course of June 1-15 and ¥101.7 billion over the course of June 17-30. The share repurchase amount was relatively high in June, following share buybacks totaling ¥234.6 billion in April and ¥61.0 billion in May.
As of the end of June, the company had ¥398.3 billion left from the buyback budget of up to ¥500.0 billion shares announced in May, and it has still has not made any share buybacks under the separate share buyback budget of up to ¥500 billion announced in June.

## DIVIDEND PAYERS

**Four of Canada's banks** as reported by the Globe & Mail are collecting hundreds of millions of dollars in fees to help dole out the U.S. government's COVID-19 aid to small businesses, sums that dwarf more modest compensation paid to banks by the Canadian government for a similar pandemic relief program. Major Canadian banks' U.S. subsidiaries are among thousands of lenders extending loans through the Paycheck Protection Program (PPP), launched by the U.S. Small Business Administration to funnel as much as US$660 billion to businesses suffering from lost revenue amid a global outbreak of the novel coronavirus. To get credit flowing quickly, the U.S. government offers generous processing fees of up to 5% to banks that administer the loans. U.S. banks have collectively loaned out at least US$520 billion through the PPP so far, and **Toronto-Dominion Bank** has been the most active Canadian lender among them. Its U.S. arm, TD Bank, has already racked up processing fees that could range from US$238 million to US$398 million this year, according to an analysis of loan data by Stanford Law School's Colleen Honigsberg and New York University School of Law research fellow Edwin Hu. TD has extended PPP loans worth at least US$8.2 billion and as much as US$12.1 billion so far through its extensive retail banking network across the eastern United States, according to the analysis and a company filing. That is the sixth-highest total of any bank, and not far shy of the totals accumulated by U.S. retail banking giant Wells Fargo & Co. The analysis also shows BMO Harris Bank, a subsidiary of **Bank of Montreal**, has collected between US$91 million and US$175 million in fees so far. City National Bank, which is wholly owned by **Royal Bank of Canada**, has earned US$89 million to US$177 million. CIBC Bank U.S., the American arm of **Canadian Imperial Bank of Commerce**, is due anywhere from US$29 million to US$64 million in fees.

GO TO PORTLAND GLOBAL ALTERNATIVE FUND

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND

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## LIFE SCIENCES

**ITM Isotopen Technologien München AG** – ITM Isotopen Technologien München AG (ITM) and RadioMedix Inc., a clinical stage biotechnology company, announced that ITM has filed a Drug Master File (DMF) with the U.S. Food and Drug Administration (FDA) for ITM's next generation Germanium-68/Gallium-68 (68Ge/68Ga) Generator, which is manufactured at the RadioMedix Spica Center in Houston, Texas, and distributed under the brand name GeGant®. The RadioMedix Spica Center is a 21 Code of Federal Regulations 211 compliant, and Good Manufacturing Practices radiopharmaceutical manufacturing facility dedicated to late-stage investigational and commercial stage radiopharmaceutical manufacturing and distribution. Thousands of 68Ge/68Ga Generators can be produced, annually at this center. This high production capacity enables the two companies to meet the rapidly increasing demand for Gallium-68 in the United States. The medical, short-lived radioisotope Gallium-68 is used for Positron Emission Tomography (PET) imaging when labeled to a tumor-specific targeting molecule for diagnosis and staging of various cancers, like neuroendocrine tumors or prostate cancer, and for evaluation of response to therapy. PET-imaging is an excellent approach for healthcare professionals looking for precise localization in diagnostic imaging. GeGant® allows fast and convenient onsite production of high-quality Gallium-68 for radiolabeling. As well as showing a low breakthrough of Germanium-68, GeGant® is available in the sizes of 1 GBq (30 mCi), 2 GBq (50 mCi), and 4 GBq (100 mCi), being among the largest 68Ge/68Ga Generators on the market. "We are living in an exciting time in the field of nuclear medicine and the menu of targeted PET imaging agents will only grow. 68Ga is among the most important players in this field" said Dr. Ebrahim Delpassand, CEO of RadioMedix. "We are excited to be able to accomplish this milestone in collaboration with our long-term partner ITM, Germany. RadioMedix will be the manufacturer of ITM 68Ge/68Ga Generators, for the first time in the United States. Our high manufacturing capacity will address the significant shortage of this essential device in the market and increases patients' access to a variety of 68Ga labeled radiopharmaceuticals in the field of oncology." continued Dr. Delpassand. Steffen Schuster, CEO of ITM said: "We are very pleased to see this DMF submission in the U.S. has taken our close and long-term partnership with RadioMedix to a new level and will enable us to take full advantage of RadioMedix's great production opportunities." Steffen Schuster added: "With RadioMedix as our strategic partner, we are looking forward to GeGant® significantly increasing the availability of

Gallium-68 in the U.S. We are confident that we can make a substantial contribution to meeting the growing demand of Targeted Radionuclide Therapies and Diagnostics within the U.S. market."

**Roche Holding AG** - The phase 3 IMagyn050 study showed that the addition of Tecentriq to Avastin + chemo did not meet its primary endpoint of progression-free survival (PFS) for the first-line treatment of women with newly diagnosed advanced stage ovarian cancer. Data for the overall survival (OS) co-primary endpoint are currently immature and follow-up will continue until the next planned analysis. While the opportunity in ovarian cancer is significant - the probability of success (PoS) of this trial has always been low, in the view of analysts.

## ENERGY SECTOR

Nothing significant to report.

## ECONOMIC CONDITIONS

**Canada Employment** rose 953,000 in June according to the Labour Force Survey, significantly more than the +700,000 print expected by consensus. This gain, combined with a 2.4% increase in the participation rate (to 63.8%), translated into a reduction of the unemployment rate from 13.7% to a still-elevated 12.3%. Job creation in June was driven by the private sector (+867,000), although public employment (+75,000) and self-employment (+11,100) also saw gains. Employment in the goods sector advanced 159,000 with gains in manufacturing (+81,000), construction (+83,000). Services-producing industries, for their part, added a massive 794,000 jobs on sharp improvements in retail/wholesale (+222,000), health care (+121,000) and accommodation/food services (+164,000). Full time employment was up 488,000 while the ranks of part-timers widened 465,000. Hourly earnings rose 6.8% year/year, down from 10.0% the prior month. On a regional basis, Ontario (+378,000) and Quebec (+248,000) saw the largest employment gains, followed by British Columbia (+118,000) and Alberta (+92,000). All in all, the employment report is consistent with a gradual re-opening of the economy. Still, the gains recorded in the past two months are only a fraction of the 3.0 million jobs lost in March and April. As a result, total employment remains down 9.2% from its peak. Once again, the unemployment rate failed to convey the full extent of the damage in the labour market. According to Statistics Canada, "[i]f those who wanted to work but did not look for a job were included as unemployed in June, it would result in an adjusted unemployment rate of 16.3%, a decline of 3.3 percentage points compared with the adjusted rate in May." Also noteworthy, more than one-quarter (26.9%) of the "potential" labour force was fully or partially underutilized in June. This was significantly lower than in May (34.3%) but nonetheless substantially higher than levels before the pandemic. Looking forward, the pace of job creation is likely to slow in coming months as some industries will likely continue to operate below capacity for some time. After an initial sharp rebound in employment, Canada might now be entering a more drawn-out phase of the recovery.

**Canada** - Reuters reported that amid record emergency aid spending in response to the COVID-19 pandemic, Canada's budget deficit is now forecast to hit $343.2 billion ($253.4 billion), the largest shortfall since the Second World War. According to the article, the forecast is far higher than the $28.1 billion that the Liberals had projected back in December 2019, before much of the Canadian economy was temporarily shut down to curb the spread of the novel coronavirus. Canada's Finance Minister Bill Morneau highlighted that the government has provided more than $212 billion in direct COVID-19 support, and nearly 14% of gross domestic product in total support. Budgetary revenues, meanwhile, are set to plunge by levels not seen since the Great Depression and fall twice as much as in the aftermath of the 2008 global financial crisis. As a result, the federal debt-to-GDP ratio is now forecast to hit 49.1% in 2020-21, from 30.9% forecast in December 2019.

**U.S. non-manufacturing ISM** exceeded expectations in June, rising for the second month in a row, with the latest 11.1 point jump to 57.1 putting April's 11-year low of 41.8 further back in the rearview mirror. The level is the highest since February (i.e. pre-COVID days) and above even year-ago readings. The four components, each weighing in at 25%, had decent showings, some more decent than the rest: **New orders**, an indicator of future activity, jumped 19.7 points in June, or 28.7 points in May and June, to 61.6, highest since February; **Business activity**, an indicator of the here and now, jumped 25.0 points to 66.0, the highest since January 2004; the **employment** component grew 11.3 points to a 3-month high of 43.1 but is, interestingly, still contracting (albeit at a slower pace). Suppliers are still busy, with **deliveries** continuing to be delayed but less so at 57.5, down from April's record of 78.3 (when nothing was moving). Of the 18 industries covered in this survey, 14 reported growth. That's a lot better than the four in May and the two in April. So… the tone was **cautiously optimistic albeit** it doesn't reflect what's been happening over the past couple of weeks; that is, the alarming increase in the number of new cases and the potential for this recovery to take a step back.

**The European Union** has downgraded its economic forecast for 2020 to an historic slump of 8.3%, and raised fears that a second wave of infections could douse the Continent's nascent recovery. The forecast was lowered from an earlier prediction of a 7.4% contraction, and the European Commission said the risks were "exceptionally high and mainly to the downside". European Commission officials used the grim quarterly forecasts to campaign for the €750 billion ($1.2 trillion) 'NextGenerationEU' stimulus and recovery plan that EU leaders will debate during a potentially fraught summit at the end of next week.

**U.K. Public spending** on the battle against coronavirus has risen to nearly £190 billion, according to figures released by the Treasury. The total was reached after the chancellor announced a £30 billion package to combat the crisis in his summer statement last Wednesday. Reaction was mixed from business groups, with several backing Rishi Sunak's priority of saving jobs. But some industries in crisis such as aviation said they had been "ignored". And politicians in Leicester, where many businesses remain shut on government orders to control a local outbreak, responded angrily to the "brutal" lack of extra help for their city. (Source: BBC)

**Australia** - The closure of Victoria's borders risks slowing the national recovery from the coronavirus crisis, with an expected return to lockdowns across Melbourne also sapping business confidence. The sharp spike in infections has prompted a clampdown by businesses that were preparing for a return to work and normalized working conditions in line with other states. But Melbourne's central business district remains a relative ghost town, with some landlords ready for tighter restrictions. (Source: The Australian)

## FINANCIAL CONDITIONS

**A senior Federal Reserve official** has warned the rebound in the world's largest economy is in danger of stalling as a result of the recent spike in coronavirus infections across several large U.S. southern and western states. In an interview with the Financial Times, Raphael Bostic, the president of the Federal Reserve Bank of Atlanta – whose district covers some of the regions hardest hit by the current outbreaks, including Florida – said high-frequency data had shown a "levelling off" of economic activity both in terms of business openings and mobility.

The U.S. 2 year/10 year treasury spread is now 0.50% and the U.K.'s 2 year/10 year treasury spread is 0.29%. 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 3.03%. 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 27.53 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

**And finally ….**

"If you tell the truth, you don't have to remember anything." ~Mark Twain

"Anybody can become angry - that is easy, but to be angry with the right person and to the right degree and at the right time and for the right purpose, and in the right way - that is not within everybody's power and is not easy." ~Aristotle

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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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