PORTLAND INVESTMENT COUNSEL® NEWS HIGHLIGHTS

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

SEPTEMBER 8, 2020

OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

PORTLAND 15 OF 15 ALTERNATIVE FUND COMPANY NEWS

Altice USA Inc.'s CA$10.3 billion (US$7.9 billion) offer for the U.S. assets of Cogeco Inc. and plan to sell the rest to Rogers Communications Inc. has been rejected by the Canadian cable company's top investor. "Members of the Audet family unanimously reiterated that they are not interested in selling their shares," Louis Audet, president of Gestion Audem Inc, said in a statement. Gestion Audem is the holding company of the Audet family that holds a majority voting share in Cogeco. New York-based Altice's unsolicited offer is the latest consolidation play in the U.S. cable sector as fierce price competition and the need for significant investments exert pressure on the reliable cash flows of these stable businesses. Rogers, which owns about 34% of Cogeco, said buying the company's Canadian assets will help it expand services to 1.8 million homes and businesses in the country. If completed, it would be the biggest Canadian telecoms merger deal since BCE Inc completed the spinoff of its stake in Nortel Networks in a transaction valued at CA$ 88.7 billion. Altice said it has valued Cogeco's U.S. assets, Atlantic Broadband, the country's ninth largest cable operator, at about CA$4.8 billion. Altice said the proposed purchase of Atlantic Broadband would allow it to build on its previous cable acquisitions in the United States and expand operations across 11 states on the East Coast. Founded in 1957, Cogeco began as a Quebec-based TV station and grew into a phone, cable and internet provider, expanding into Ontario. Cogeco entered the U.S. market in 2012 when it bought Atlantic Broadband for $1.36 billion, aiming to find growth outside of Canada.

Berkshire Hathaway Inc. said it had cut its Wells Fargo & Company WFC.N stake to 3.3%, further reducing what had once been a $32 billion investment in the bank. Berkshire said in a regulatory filing, it owned about 137.6 million shares, worth $3.4 billion, of the fourth-largest U.S. bank by assets, down about 100 million from the end of June. Warren Buffett began investing in Wells Fargo in 1989, but has been reducing Berkshire's stake as the bank struggles to recover from a series of scandals over its treatment of customers, including the opening of accounts without their knowledge. Wells Fargo's ability to grow remains subject to a Federal Reserve limit. Moody's Investors Service on Wednesday lowered its rating outlook on the bank to "negative" from "stable", citing the bank's slower-than-expected ability to resolve governance and oversight issues from previous years. Berkshire still owns shares of several other banks, including Bank of America Corporation, which became its largest common stock holding other than iPhone-maker Apple Inc.

Brookfield Asset Management Inc. – GIC, Singapore's sovereign wealth fund, announced it and a group of investors, including Brookfield Infrastructure Partners LP, bought an Indian telecom tower company from a unit of Reliance Industries Ltd. for US$3.4 billion. The deal was signed in December last year and had been awaiting regulatory approval. The finalisation of the deal also marks a foray into the fast-growing telecom market in India, which, in recent years, has been upended by the launch of Jio, Reliance's telecom arm, whose cut-price packages have turned it into the country's biggest telecom carrier by subscribers. With the number of people using the internet in the world's second-most-populous country rising, the infrastructure that would widen its accessibility is a key building block. The investment by the group is for around 135,000 communication towers used by Reliance's telecoms venture Jio Infocomm.

Danaher Corporation announced that the company's Board of Directors has implemented its previously disclosed succession plan and appointed Rainer M. Blair as President and Chief Executive Officer and a member of the Board of Directors effective September 1, 2020. Mr. Blair's predecessor, Thomas P. Joyce, Jr., retired from these positions and will continue to support Danaher as a senior advisor through February 28, 2021.

Reliance Industries Ltd. - Reliance Industries Ltd. has started preliminary talks with Facebook Inc. and private equity fund KKR & Co. Inc. to make an investment in Indian billionaire Mukesh Ambani's retail business, Business Standard reported. Facebook and KKR are among the 13 entities that have invested over $20 billion in Reliance Industries' Jio Platforms for over a 30% stake. These investors have informally been given an option to also put in money in Reliance Retail Ltd. once the monetization process of the company starts after the acquisition of the retail business Future Group, the report said. U.S. private equity fund Silver Lake Partners is also in discussion and may invest $1 billion in Reliance Retail.

SoftBank Group Corp. - Over the past month, SoftBank, which owns a stake in TikTok's Chinese parent ByteDance, has held talks with the heads of Reliance Jio Infocomm and Bharti Airtel, according to media reports. SoftBank Group Corp. is exploring assembling a group of bidders for TikTok's India assets and has been actively looking for local partners, according to people familiar with the matter. While discussions have fizzled since, SoftBank is still exploring options, according to the people familiar with the matter. TikTok is considering selling its operations in several countries after local governments shut out the app, citing fears that sensitive user data was passing into the hands of the Chinese state. India, a long-time regional rival, has taken a particularly tough stance, banning 59 of China's largest internet services in July, including TikTok. TikTok India is estimated to be worth between $3 billion and $5 billion compared to between $20 billion and $30 billion for TikTok U.S., Canada, Australia, and New Zealand. Further, TikTok India is the app's biggest market, outside China, with attractive growth potential.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND

GO TO PORTLAND GLOBAL BALANCED FUND

Brookfield Property Partners L.P. (BPY) announced the completion of its two concurrent substantial issuer bids (SIB), which closed on August 28, 2020. According to the results, a total of 36.3 million units of BPY were tendered (of the total of 74.2 million under the offer, representing a take-up of 49%) and 7.3 million Class A shares of Brookfield Property REIT (BPYU) (of the total of 9.2 million under the offer, representing a take-up of 79%). At a price of $12.00 per unit/share, this is equivalent to $436 million and $87.9 million, respectively. The results are preliminary and are therefore subject to modest changes. In total, $524 million of units are being acquired as compared to the total bid of $1 billion. The SIB was funded through an equity commitment from Brookfield Asset Management Inc. and its partners, and as a result BAM's ownership stake will rise from 55% to approximately 57%.

JPMorgan Chase & Co. said last week it hired the head of Vanguard Group's robo-adviser to lead its phone and video-based financial advice unit and to oversee its nationwide hiring spree. Boaz Lahovitsky was named head of the U.S. National Branch for Wealth Management, part of the retail bank's wealth management group which includes financial advisers serving customers by phone or video, according to a statement. (Source: Reuters)

Nestlé S.A. and Aimmune Therapeutics Inc. (AIMT) announced last week they have entered into a definitive agreement to have Sociétés des Produits Nestlé S.A (part of Nestlé Health Science) acquire AIMT for $34.50/share in cash. Aimmune Therapeutics is a clinical-stage biopharmaceutical company, which engages in the R&D desensitization treatments for peanut and other food allergies. Its portfolio includes the characterized oral desensitization immunotherapy system. The firm product include Palforzia, which is an oral immunotherapy indicated for the mitigation of allergic reactions, including anaphylaxis that may occur with accidental exposure to peanut - up to 240 million people worldwide suffer with food allergies, peanut being the most common. This transaction represents a total equity value of approximately$2.6 billion and a 174% premium to AIMT's closing share price of $12.60 as of August 28, 2020. The $34.50 per share offer is 7% below the 52-week high of $37/share. Analysts believe Nestlé Health Science (NHSc) is the most logical bidder as it already owned approximately 25.6% equity ownership stake with a total investment in AIMT of $473 million. Under the terms of the merger agreement, Sociétés des Produits Nestlé will commence a cash tender offer to acquire outstanding shares of AIMT common stock that are not already owned by NHSc. The deal is expected to close in Q4 2020 and analysts do not anticipate there will be additional bidders. This is another milestone in Nestlé Health Science after the acquisition of Atrium, but this time in medical nutrition to become a leader in food allergy prevention and treatment. The acquisition is expected to be accretive to fiscal year 2021 growth and to fiscal year 2022/2023 cash earnings. Return On Invested Capital is expected to exceed Weighted Average Cost of Capital in "about five years". The deal takes Nestlé boss Ulf Mark Schneider back into familiar territory – he led German healthcare company Fresenius for 13 years before joining Nestlé in 2017.

LIFE SCIENCES

Roche Holding AG announced that it plans to launch the SARS-CoV-2 Rapid Test in late September in Europe and intends to file for emergency use authorization to the USA. This instrument-free testing kit enables convenient use for healthcare professionals at different point of care locations, or in resource-limited settings. With results available in 15 minutes, the test will allow to triage people suspected of SARS-CoV-2 infection. At launch, there will be 40 million SARS-CoV-2 Rapid Tests available, per month. This capacity will increase more than two-fold at the end of this year. The test is the tenth addition to the comprehensive Roche diagnostic portfolio to help healthcare systems combat COVID-19. Currently, this portfolio includes molecular, serology and digital solutions which help diagnose and manage COVID-19 during the stage of infection and recovery. In a world that wants the economies going but the pandemic in check, transmission tracing is key. This point of care test will not only help to quickly identify people who are infected, but also will allow better patient management as well as more effective use of healthcare resources. This new addition to the Roche portfolio will help to accelerate growth and margin expansion at Roche Diagnostics.

Roche Holding AG - The Food and Drug Administration (FDA) granted accelerate approval for Gavreto for the treatment of patients with metastatic RET (REaranged during Transfection) fusion-positive non-small cell lung cancer (NSCLC) (1-2% of NSCLC patients). Continued approval for this indication may be contingent upon verification and description of clinical benefit in a confirmatory trial. Gavreto is a once-daily, oral precision therapy designed to selectively target RET alterations, including fusions and mutations. In July 2020, Roche and Blueprint Medicines entered into a global collaboration to develop and commercialize pralsetinib for patients with RET-altered tumors (U.S.: 50:50 profit split; ex-U.S./China: Roche has exclusive license and pays royalties). Eli Lilly and Company had its Retevmo FDA approved in May 2020 for the treatment of NSCLC and some other RET mutated cancers. As Retevmo showed comparable response rates in the clinical trials, Roche/Blueprint will have to compete against Lilly's head start. Nevertheless, analysts believe the approval of Gavreto is good news for patients with this difficult-to-treat disease.

Telix Pharmaceuticals Ltd. announced it has entered into a strategic collaboration agreement with Palo Alto-based Varian Medical Systems, to evaluate the use of advanced prostate cancer imaging within Varian's radiation treatment planning platform. Under the terms of the agreement, the parties will leverage Telix's extensive clinical data for imaging prostate-specific membrane antigen (PSMA) with positron emission tomography (PET) to potentially develop new image-guided treatment planning functions, automated analysis and artificial intelligence capabilities within Varian's radiation treatment planning technology platforms. The goal of the collaboration is to ensure that the latest standard of care in prostate imaging is able to be an integral part of radiation treatment planning. Telix CEO Dr. Christian Behrenbruch said "Advanced prostate imaging techniques using PET/Computed Tomography (CT) have evolved as a new standard of care for imaging patients across the prostate cancer continuum, from early through to the advanced stages of disease. Given that radiation therapy is a mainstay of treatment for patients with prostate cancer, we believe it is vitally important that we work with Varian, the radiation oncology market leader, to ensure all men with prostate cancer are offered radiation therapy for maximum clinical benefit." Dr. Corey Zankowski, Senior Vice President of Varian's Oncology Software Solutions said "The additional diagnostic and cancer staging information provided by PSMA PET/CT imaging may offer important insights that impact clinical care decisions for prostate cancer patients. This collaboration with Telix will investigate the potential to incorporate this rich diagnostic information into Varian's bioinformatics and radiation treatment planning platforms to generate highly personalized and targeted radiation therapy for men with prostate cancer."

ENERGY SECTOR

Nothing significant to report.

ECONOMIC CONDITIONS

Canadian Employment rose 246,000 in August according to the Labour Force Survey, essentially in line with consensus expectations calling for +250,000 . This gain, combined with a 0.3% increase in the participation rate (to 64.6%), translated into a reduction of the unemployment rate from 10.9% to a still-elevated 10.2%. Job creation in August was driven by the private sector (+276,000) and public employment (+28,000) while self-employment (-586,000) saw losses. Employment in the goods sector advanced 28,000 with gains in manufacturing (+29,000), construction (+4,000) and utilities (+4%) more than offsetting declines in Natural resources (-9,000). Services-producing industries, for their part, added a massive 218,000 jobs on sharp improvements in educational services (+51,000), accommodation/food services (+49,000), other services (+38,000) and retail/wholesale (+28,000). Full time employment was up 206,000 while the ranks of part-timers widened 40,000. Hourly earnings rose 6.0% year/year, up from 5.3% the prior month. The recovery of jobs lost during the lockdown continued in August with a fourth consecutive gain. The details of August report are encouraging with no less than 84% of jobs added during the month being full-time. On the flip side, we are still 1.1 million jobs short vs. the pre-COVID February peak. As a percentage this represents a shortfall similar to the trough seen during the 1981 recession.

Canadian office space - The Globe & Mail reported that PricewaterhouseCoopers, Cisco Systems Inc. and several other major companies are trying to offload some of their office space in Toronto, as the coronavirus pandemic continues to keep large numbers of office workers at home. Space available for sublease in downtown Toronto nearly tripled to 1.7 million square feet in August from the end of last year, according to data from commercial real estate company Avison Young. That's higher than the level that followed the global financial crisis of 2008, and it has helped push the office vacancy rate to 3.2% in the downtown core, compared with 2.1% at the beginning of the year. The same is true in downtown Vancouver, where the space available for sublease more than tripled over the same period. "Those are stable, blue-chip companies that are obviously looking to right size their premises," said Bill Argeropoulos, Avison's head of research. "The question is, are we going to see others in these sort of professional services arenas or perhaps financial institutions, such as the banks, follow suit?" Now, big companies are looking to shrink their footprint as they keep people at home. Cisco, which is trying to sublet 27,518 square feet at its office by the waterfront, said it was "taking steps to ensure efficient use of our facilities and align for future work force demands," including consolidating larger spaces that are no longer being fully used as its employees "increasingly adopt more flexible working patterns." In downtown Vancouver, the increase in subleases helped send the office vacancy rate to 3.5% from 2.6%, according to Avison. (Sublease space is counted as vacant and is included in the vacancy rate.)

U.S. Nonfarm payrolls rose 1.371 million in August, about as expected, but increased by a 344,000 increase in government payrolls that reflected temporary Census hiring. The 1.027 million increase for the private sector, though massive, marked a slowing from 1.481 million in July and was below expectations. Nonfarm payrolls have now recovered 48% (or 10.6 million) of the shutdown layoffs. The job gains were widespread, with manufacturing adding 29,000, retail 249,000 (though still down 655,000 from February), leisure and hospitality 174,000 (though food services still 2.5 million short of pre-virus levels). Education, health services and business professional services also posted solid gains. The household survey printed even better news. Employment jumped 3.8 million and the employment rate rose 1.4 percentage points (ppts) to 56.5%, though it is still 4.6 ppts below February's level. This sliced the **unemployment rate by 1.8 ppts to 8.4%**. The number of unemployed plunged by 2.8 million, but remains high at 13.6 million, more than double pre-pandemic levels. The "all in" U6 jobless rate fell even faster to 14.2%, helped by a drop in the number of involuntary part-time workers. The participation rate moved up 0.3 ppts to 61.7%, still 1.7 ppts shy of February's level. One big concern in the report is that the number of reported **permanent layoffs jumped by 534,000 to 3.4 million**, which is up 2.1 million since February. Clearly some industries, notably restaurants and bars facing renewed restrictions in the face of higher infections, are struggling. Average hourly earnings rose 0.4%, keeping the yearly rate at 4.7%. **It seems** the U.S. labour market is healing, though it still has some ways to go as future progress will be slower than during the reopening phase.

U.S. manufacturers and home builders continue to make good headway despite the earlier resurgence in infections, but non-residential construction continues to struggle. The manufacturing ISM index rose nearly two points to 56.0 in August, the highest since November 2018 and well above the 11-year low of 41.5 plumbed during April's shutdown. The new orders index spiked to a 16-year high of 67.6, as companies replenished inventories and tried to keep pace with heated demand for many consumer goods (especially for the home). Export orders also improved amid a rebound in global demand. One weak spot is employment. While the jobs index rose nearly two points to 46.4, it's still below the neutral mark. Overall, U.S. factories are in recovery mode, much like in other countries, with China's manufacturing Purchasing Manager's Index notably at its highest level in almost a decade.

U.S. construction spending rose a light 0.1% in July, due to a 1.3% slide in public spending and further weakness in commercial spending. Private construction spending rose 0.6%, led by a 2.1% gain in residential and tempered by a 1.0% decline in non-residential. Private residential spending is now up 0.5% in the past year, while non-residential is down 4.3% amid broad weakness, including lodging and offices.

France has unveiled a €100 billion (£89 billion) economic stimulus package to help repair the economic damage caused by coronavirus. President Emmanuel Macron's government said the investment would include big spending on green energy and transport. Dubbed "France re-launch", it is aimed at reversing rising unemployment, and includes tax cuts for business. The economy shrank by 13.8% between April and June, the biggest quarterly fall since the Second World War. Unveiling the plan, whose €100 billion price tag is the equivalent of 4% of France's annual economic output, Prime Minister Jean Castex said it was almost four times bigger than the rescue strategy implemented after the financial crisis of 2008. (Source: BBC)

India's economy contracted sharply in the three months to the end of June, official data shows. It shrank by 23.9%, its worst slump since the country started releasing quarterly data in 1996. The coronavirus pandemic and a grinding lockdown caused massive disruptions to economic activity during the quarter. Experts fear that India is staring at a recession - that will happen only if it reports contraction in the next quarter as well, which experts say is likely. (Source: BBC)

FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now 0.54% and the U.K.'s 2 year/10 year treasury spread is 0.33%. 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 2.93. 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 35.26 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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