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NEWS HIGHLIGHTS

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

NOVEMBER 9, 2020

OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

PORTLAND 15 OF 15 ALTERNATIVE FUND COMPANY NEWS

Berkshire Hathaway Inc. – Warren Buffett's Berkshire Hathaway Inc. reported lower quarterly operating results and said the coronavirus pandemic may cause further damage, even as gains in stocks such as Apple Inc. fuelled a more than $30 billion overall profit. COVID-19, hurricanes and low interest rates hurt profit from insurance businesses, which include the GEICO auto insurer, and the Precision Castparts Corp. aircraft parts unit projected thousands of additional job losses. Berkshire also repurchased a record $9.3 billion of its underperforming stock in the third quarter, as Buffett remained unable to find the huge acquisitions the 90-year-old billionaire wants to spur growth. Buybacks totalled $16 billion from January to September. Third-quarter operating profit fell 32% to $5.48 billion, or about $3,488 per Class A share, from $8.07 billion a year earlier. Net income rose 82% to $30.1 billion, or $18,994 per Class A share, from $16.5 billion, or $10,119 per share. Revenue totalled $63 billion. Berkshire reported $24.8 billion of gains from investments such as Apple Inc., whose stock rose 27% in the quarter and at $111.7 billion is by far Berkshire's biggest stock holding, comprising 46% of its portfolio. Despite the buybacks, Berkshire ended the quarter with $145.7 billion of cash and equivalents. The Omaha, Nebraska-based company has also found new ways to spend cash, investing $6 billion in five Japanese trading houses and backing the initial public offering of data storage company Snowflake Inc. Results improved in Berkshire's energy businesses, and profit at its real-estate brokerage more than doubled as low interest rates drove more people to buy homes.

Nomad Foods Ltd. reported financial results for the third quarter, which included reported revenue of €576 million, up by 6.7%, organic revenue growth of 5.4%, reported profit for the period of €56 million, adjusted EBITDA of €109 million up by 13% and adjusted EPS of €0.30 up by 20%. Stéfan Descheemaeker, Nomad Foods' Chief Executive Officer, stated, "Consumer demand remained elevated during the third quarter, and our performance continues to be led by our branded retail business. Frozen food is one of the fastest growing categories in Europe which is a testament to the resilience of the category even as offices, schools and restaurants gradually reopen. As the duration of this pandemic extends into its eight month, consumers are recognizing the benefits of our portfolio, forming new habits and repurchasing with greater frequency. We remain agile and prepared for the possibility of another demand spike as the number of new COVID-19 cases rises across Europe and local governments introduce new restrictions. While navigating the COVID-19 pandemic is a top near-term priority, we are equally focused on ensuring sustained growth beyond 2020." Noam Gottesman, Nomad Foods' Co-Chairman and Founder, added "year-to-date we have returned nearly $600 million of capital to shareholders – nearly $500 million through a successful tender offer in the third quarter and the balance through programmatic purchases. In doing so, we are optimizing our balance sheet while preserving financial flexibility to pursue our M&A strategy. We enter the fourth quarter with strong momentum, and we remain excited by Nomad's near and long-term growth prospects." The company is reiterating its 2020 Adjusted EBITDA guidance, which is expected to be in excess of €460 million. Adjusted EPS is now expected to be in excess of €1.31 EPS, reflecting a lower share count assumption upon the completion of the tender offer in September 2020. Full year guidance continues to assume organic revenue growth at a high-single-digit percentage range.

Reliance Industries Ltd. - On November 5, Reliance Industries Limited and Reliance Retail Ventures Limited (RRVL) announced that The Public Investment Fund of Saudi Arabia (PIF) will invest approximately $1.3 billion for an equity stake of 2.04% into Reliance Retail Ventures

Limited, a subsidiary of Reliance Industries Ltd. This investment values RRVL at a pre-money equity value of approximately $62.4 billion. This investment will further strengthen PIF's presence in India's dynamic economy and promising retail market segment. The investment in RRVL follows PIF's earlier acquisition of a 2.32% stake in Jio Platforms Ltd, the digital services subsidiary of Reliance Industries. The transaction is in line with PIF's strategy as a leading global investor with a proven track record of investing in innovative and transformative companies globally and develop strong partnerships with leading groups in their respective markets. India's retail sector is one of the largest in the world and accounts for over 10% of its gross domestic product (GDP) which presents meaningful growth potential.

SoftBank Group Corp. - Monday, November 9, SoftBank Group Corp. announced its consolidated financial results for the six-month period ended September 30, 2020. NAV increased 26% to ¥27.3 trillion from the fiscal year end on March 31. Equity value of investments was ¥30.9 trillion and net debt was ¥3.6 trillion. The loan-to-value ratio (LTV) of 12% was well below the company's financial policy of "below 25% during normal times and up to 35% in emergency situations." Asset sale/monetization and share buybacks have made significant progress. Since the March announcement of ¥4.5 trillion asset sale/monetization, SoftBank has sold/monetized assets totaling ¥5.6 trillion including T-Mobile, Alibaba and SoftBank Corp. stakes. From the ¥2.5 trillion share buyback program, ¥1.2 trillion has been executed with ¥1.3 trillion remaining. The use for the rest of the proceeds is yet to be determined. The company will seek to balance new investments for sustainable growth and return profits to shareholders with strict adherence to its financial policies.

For the first six months of the current fiscal year, SoftBank Vision Fund had realized gains of ¥141.4 billion and unrealized gains of ¥1,267.1 billion on investments held on September 30.

SoftBank also made important corporate governance announcements. It increased the proportion of external directors to 44% and reduced the number of board members from 13 to 9.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND

GO TO PORTLAND GLOBAL BALANCED FUND

The Clorox Company reported fiscal Q1 2021 Core EPS of **$3.22** which compares to Consensus $2.32. A lower tax rate contributed about 7 cents versus expectations. Total company organic up +27%, mainly driven by strength in Household. Household organic up +38.5% and gross margins up +400 basis points reflecting volume growth, pricing, cost savings and favourable mix. What is most interesting is that the upside surprise was largely outside of the Cleaning division. In particular, two businesses that were quite challenged pre-pandemic were key, namely Charcoal ("more than doubled") and Glad ("up double digits"). With the dramatic sales and earnings surprise, the company did raise its fiscal 2021 outlook flowing through this quarter's beat and now assuming double-digit revenue growth continues in the fiscal second quarter. That said, the company continues to expect a deceleration in the second-half of the year. Also, analysts note that the guidance implies this quarter's exceptional gross margin (+400 basis points) will reverse through the course of the year with an expectation for flat margins for fiscal 2021 in total. Guidance: fiscal 2021 EPS: raised to +5-8% year/year or $7.70-7.90. Net sales growth: raised to up +5-9%.

Coloplast A/S - Total sales were DKK 4,590 million in Q4, corresponding to organic growth of 2%. Ostomy Care grew 3% and Continence Care 4%, both slightly on the low side. Wound & Skin Care sales fell 3%. China remained a challenging market, with patient traffic at hospitals still low. Interventional Urology sales growth was flat, thus beating forecast. For fiscal 2020/21, management does not expect any further COVID-19 restrictions on elective procedures and believes the healthcare system is in better shape now than in early spring. At 32.1%, the EBIT margin beat estimates. At DKK 1,472 million, EBIT was 3% above forecasts. Coloplast issued fiscal 2020/21 guidance for organic sales growth of 7-8% (4-5% in local currency), ~100 basis points below consensus of 8.8%. Moreover, management expects an EBIT margin of 31-32% (on par). In conjunction with the Q4 results, Coloplast also announced the acquisition of technology company Nine Continents Medical, Inc. within Interventional Urology. Pivotal trials are expected to start in 2021e (market launch in 2024-25e). Analysts continue to view Coloplast as a high-quality company with resilient growth, a solid strategy and good execution.

Nestlé SA - Two weeks after the completion of the acquisition of Aimmune Therapeutics, Inc., Nestlé announced another deal closure last week: Freshly Inc., one of the leading fresh-prepared meal delivery services in the U.S. The business was launched in 2015, and Nestlé took a 16% stake worth CHF 77 million in 2017 (like Aimmune, Nestlé was already a shareholder). Freshly ships more than one million meals per week in 48 states in the U.S. (nearly half a million active subscribers in Q3 2020; average meal price is US$9). Freshly grew at 83% CAGR from US$70 million in 2017 to expected US$430 million this year. The category is expected to grow at 20% per annum through 2025.

The transaction: US$950 million with potential earnouts up to US$550 million depending on growth. Nestlé expects to cover its cost of capital within 5-7 years which it is estimated could be done in about six years. In analysts' view, this acquisition is in line with strategy: the Nutrition, Health & Wellness journey; direct-to-consumer; it's a cultural fit and Nestlé had a representative on the board since 2017. The reshaping of the U.S. portfolio has been impressive since 2017 in analysts' view (CHF 27 billion sales at the time): Nestlé divested some CHF 8 billion of low growth, underperforming businesses and acquired CHF 4 billion of high growth, new opportunities businesses. The change is massive, catapulting Nestlé in a strong position to win in a challenging market. Recent growth and profitability developments are the first tangible results of the active reshuffling.

LIFE SCIENCES

Telix Pharmaceuticals Limited (TLX) – entered a licence deal and commercial partnership with China Grand Pharmaceutical and Healthcare Holdings Ltd. (CGP) in respect to the greater China market. Terms of the deal include up to US$225 million (AU$315 million) in regulatory and commercial milestone payments. TLX will receive a US$25 million (AU$35 million) non-refundable up-front prepayment to be credited against future milestones plus a US$25 million equity injection. CGP was appointed as Telix's sole partner for greater China and granted CGP exclusive development and commercialisation rights to its portfolio of prostate, renal and brain cancer imaging and therapy products in the territory. TLX will receive royalties on therapeutic product sales and revenue from sales of imaging products to CGP, including minimum annual purchase obligations to maintain exclusivity. CGP will have first right of negotiation in greater China for future pipeline products that enter clinical trials in the next 18 months. CGP will hold 7.6% of TLX shares. CGP will contribute up to US$65 million (AU$90 million) for the clinical development of TLX591 (prostate cancer) and TLX250 (renal cancer) therapies in China. CGP is not new to radiation therapy, having acquired, jointly with CDH Genetech, Limited, Sirtex Medical Limited, an Australian provider of clinically proven liver cancer radiation therapy for AU$1.90 billion, in order to unlock the potential of its core offering in China.

ENERGY SECTOR

Canadian Natural Resources Ltd. posted a surprise profit, helped by cost-saving measures and a slight recovery in fuel demand after COVID-19 lockdowns were eased across the world. The company, which like its peers curtailed output and slashed spending in the low-price environment, said it was on track to save about CA$745 million in operating costs in 2020. Last month, Canada's main oil-producing province of Alberta said it would lift mandatory output caps ahead of schedule in December as production cuts have raised prices for domestic crude and eased congestion in pipelines. Canadian Natural said average realized prices for crude fell 27.3% to CA$40.14 per barrel, while realized prices for its natural gas rose about 41% to CA$2.31 in the third quarter, excluding hedging. The company, which bought smaller rival Painted Pony Energy Ltd. in August, produced 1.1 million barrels of oil equivalent per day (boepd) in the quarter, 5.5% lower than a year earlier. On an adjusted basis, the Calgary, Alberta-based company posted a profit of CA$135 million, or CA$0.11 per share in the third quarter ended September 30, while analysts expected the company to break-even on a per share basis.

Diamondback Energy, Inc. reported third quarter results, which included a reported net loss of $1.11 billion, or $7.05 per share, while on an adjusted basis, it earned 62 cents per share, beating analysts' estimates of 37 cents. Its Chief Executive Officer Travis Stice said the company sees no need to purchase a competitor following a wave of mergers in the Permian Basin, the top U.S. oil field. The coronavirus pandemic has slashed oil demand and forced shale producers to cut costs to survive, prompting consolidation as companies size up in hopes of cutting operating costs. "We do not need to increase our scale to further lower costs," Stice said during a call with analysts, noting Diamondback's well costs are about 30% lower than in 2019. "We prefer not to make rash decisions at the bottom of the cycle," he added. The company will defend its dividend, including further reducing capital costs if needed, in case of an extended oil price drop, Stice said. Production of around 170,000 to 175,000 barrels per day is expected at year end, with 2021 output likely to be flat, the company said. Until oil price rise significantly, "growth is off the table for us," according to Stice. Recent deals in the Permian Basin include Pioneer Natural Resource Co.'s $4.5 billion buyout of Parsley Energy, Inc., ConocoPhillips' $9.7 billion deal for Concho Resources Inc., Chevron Corp.'s $4.2 billion purchase of Noble Energy, Inc., and Devon Energy Corp.'s $2.6 billion buy of rival WPX Energy, Inc.

Enbridge Inc. – Canada's largest pipeline operator Enbridge Inc. set emissions reduction targets, hoping to be a net zero emitter of greenhouse gases by 2050, as the industry faces intense pressure from investors to limit carbon discharge. Reported greenhouse gas emissions from Canada's oil patch have more than doubled in the first half of the year as changes to how they are measured revealed a more extensive picture of environmental damage. Prime Minister Justin Trudeau's government, which has set a goal of making Canada carbon neutral by 2050, launched a national program on January 1 to better measure and reduce methane emissions. Enbridge, which reported a smaller-than-expected quarterly profit, said it hopes to reduce the intensity of greenhouse gas emissions by 35% by 2030. To meet the targets, the company said it would invest in lower carbon infrastructure as well as in wind and solar power generation, hydrogen and renewable natural gas. The pipeline operator earned CA$0.48 per share in the quarter, lower than the CA$0.53 analysts expected, as a coronavirus-induced slump in demand hurt the volumes transported on its mainline system. A sharp decline in global crude prices and demand destruction caused by the pandemic has battered Canada, the world's fourth-largest crude producer, which was already facing steep discounts for its oil. Fuel demand however has picked up with the easing of restrictions, but a resurgence in COVID-19 infections could derail that recovery. Chief Executive Officer Al Monaco said he expects a gradual pace of demand recovery over the balance of 2020 and into 2021. The company transported 2.6 million barrels per day (bpd) of crude oil on its Mainline system across Canada and the United States during the quarter, down from 2.7 million bpd in the year-ago quarter.

EOG Resources, Inc. – Shale oil and gas producer EOG Resources, Inc. reported a quarterly loss compared to a profit a year earlier, as the COVID-19 pandemic hammered demand for fuel and dented crude prices. EOG's total output fell 14% to 716,000 barrels of oil equivalent per day (boepd), while average crude oil and condensate prices dropped 29% in the reported quarter. The company anticipates the imbalance in the global oil market to extend into 2021, and expects to maintain its crude oil production at about the same level as the current quarter. The Houston-based company reported a net loss of $42 million, or 7 cents per share, for the third-quarter ended September 30, compared to a profit of $615 million, or $1.06 per share, a year earlier. On an adjusted basis, the company earned 43 cents per share.

Parkland Corporation – Parkland Corp. earned $91-million on revenue of $3,505-million in the third quarter of 2020. It earned $26-million on revenue of $4,605-million in the same period of 2019. Adjusted EBITDA attributable to Parkland was $338 million during the quarter, while the adjusted distributable cash flow was $342 million for the nine months ended September 30, 2020. Fuel and petroleum product volume continued to recover from the impact of COVID-19, with the total company volumes being within 5% of Q3 2019 volumes. Pro-active cost reductions and strong per unit fuel margins continued to offset the impact of volume declines. Marketing segments (Canada, International and USA) generated a 24% increase in adjusted EBITDA over Q3 2019, while strong refinery utilization of 90% highlights the quality of Parkland's Burnaby refinery.

Pembina Pipeline Corporation announced financial and operating results for the third quarter, which included earnings of $318 million, down by 14%, positively impacted by higher gross profit in Pipelines and Facilities, as the contribution from additional assets following the acquisition of Kinder Morgan Canada Limited offset weaker global energy demand, and negatively impacted by Marketing and New

Ventures' lower margins on crude oil and natural gas liquids (NGL) sales. Third quarter adjusted EBITDA of $796 million was up 8%. Cash flow from operating activities of $434 million for the third quarter was a decrease of 19%, primarily driven by an increase in taxes paid, as corporate tax installments were deferred until the third quarter of 2020 due to the COVID-19 pandemic. On a per share (basic) basis, cash flow from operating activities for the third quarter decreased by 25%, partly as a result of the additional common shares issued pursuant to the Kinder Acquisition. Adjusted cash flow from operating activities of $524 million in the third quarter represents a 1% decrease.

Pioneer Natural Resources Company – Oil and gas producer Pioneer Natural Resources Co. reported a lower-than-expected quarterly profit, as the COVID-19 pandemic muted fuel demand and hit crude prices. The easing of coronavirus-related travel restrictions helped oil prices tick upwards in the third quarter from their April record lows, but a recent surge in infections around the world has stymied the recovery. Pioneer said its average realized price fell 27% to $39.22 per barrel in the third quarter, while average sales volume totalled 354,968 barrels of oil equivalent per day (boepd), compared with 350,725 boepd a year earlier. The company had curtailed about 5,500 barrels of oil per day of net production during the reported quarter and said it expects to curb the same amount if prices continue to stay low. However, the producer raised its annual production outlook to between 365,000 boepd and 369,000 boepd, from its previous estimate of 356,000 boepd-371,000 boepd. Net loss attributable to common shareholders was $20 million, or $0.12 per share, in the third quarter ended September 30, compared with a profit of $231 million, or $1.38 per share, a year earlier. On an adjusted basis, the company earned 17 cents per share, compared with analysts' estimates of 24 cents per share. Pioneer had last month agreed to buy rival Parsley Energy Inc., another holding of the Portland Energy Opportunities Alternative Fund, for over $4 billion, as part of a consolidation wave in the shale industry, with operators looking at ways to grow in a low oil price environment.

TransAlta Renewables Inc. earned $6-million on revenue of $95-million for the third quarter ended September 30, 2020, which compares to the $24-million earned on revenue of $89-million for the third quarter ended September 30, 2019. Comparable EBITDA (earnings before interest, taxes, depreciation and amortization) was $96-million, a $10-million or 12% improvement, while adjusted funds from operations (AFFO) were $76-million, a $7-million or 10% improvement and cash available for distribution (CAFD) was $73-million or 27 cents per share in the third quarter, an increase of 8%. Subsequent to the quarter end, the company achieved commercial operation of WindCharger, Alberta's first utility-scale battery storage project. The project was acquired by TransAlta Renewables in August, 2020. On October 22, 2020, Southern Cross Energy (SCE) amended and extended its current power purchasing agreement (PPA) with BHP Billiton Nickel West Pty. Ltd. The company owns an indirect economic interest in SCE which forms part of its Australian cash flows. The amendment extends the term of the PPA from December 31, 2023, to December 31, 2038. The company will suspend its dividend reinvestment program (DRIP) following the payment of the dividend on October 30, 2020. Although these are unprecedented times, the company remains highly diversified with facilities that are highly contracted and located in various geographies. The company's cash flows have been relatively unaffected in the quarter due to the high contractedness of its asset portfolio and financial strength of its customers. The company continues to maintain a strong financial position in part due to its long-term contracts. The company currently has access to $507-million in liquidity, including $24-million in cash.

ECONOMIC CONDITIONS

Global fight to overcome COVID-19: Pfizer Inc. vaccine prevents 90% of COVID infections in large study & Phase 3 Trial of Pfizer, BioNTech SE COVID-19 vaccine could furnish safety data during third week of November, Pfizer says. In our view this is a best case scenario (at least from the headline)…market hoping for 60%+ efficacy, we got 90%+ (efficacy hit on first interim which was pushed back from 32 cases assuaging the market fears that we had failed an interim), with no safety issues. This will likely increase confidence around Moderna, Inc. as well (similar mode of action), and while supply will be limited in 2020, big supply momentum into 2021.

- >90% efficacy after 94 confirmed cases of COVID-19 (first interim) [Food and Drug Administration requires at least 50% efficacy for approval]
- The Data Monitoring Committee (DMC) has not reported any serious safety concerns
- Emergency Use Authorization (EUA) submission expected in third week of November (allows for inoculations entering December)
- Final analysis at 164 confirmed

Elsewhere to watch: Moderna data due in the last week of November, AstraZeneca PLC ex-U.S. data likely in Q4. Johnson & Johnson data due late Q4/early Q1.

Real estate investors are increasingly trying to get out of closing on their newly built condos in the Toronto region, as reported in an article in the Globe & Mail, as rents plummet and banks toughen borrowing qualifications for rental properties. Selling the right to buy the new condo, also known as assignment sales, has soared during the past few months of the coronavirus pandemic, according to realtors. It is a sign of weakness in a condo market beset by a glut of new units, declining rents and a dwindling number of renters. "We are seeing a massive wave of assignments of people who don't want to close in this market," said Simeon Papailias, senior partner with REC Canada, which brokers hundreds of preconstruction sales every year. Since the pandemic started early this year, the rental vacancy rate in the Greater Toronto Area has reached its highest level in more than a decade and the average rental price is 9% lower than the previous year, according to industry research group Urbanation Inc. Demand for rentals has declined, with border restrictions slowing immigration, tourism and the influx of foreign students. At the same time, the number of available rental units has spiked. A record 23,000 new condos units will be completed in the Toronto region this year, and another 22,434 are due next year, according to Urbanation. It estimates that 50% were bought as rental units. Now, real estate investors who are due to close on their new condos worry that they won't be able to cover their mortgage payments with rent. Mr. Papailias estimates that assignments now account for between 20% and 25% of his preconstruction sales. This compared with a range of 10% to 15% before the pandemic.

U.S. Presidential Elections: according to the Wall Street Journal and the Associated Press:

- **Electoral votes** (270 of 538 needed to win): Biden 290 vs Trump 214 with Biden leading in Georgia (16) and Trump leading in North Carolina (15) and Alaska (3). It's Biden 306 vs Trump 232 aggregating the latter. As for the popular vote, Biden received 75.2

million (the most in history) and Trump received 70.8 (the second most in history).

- **Senate elections** (51 of 100 needed for majority): Republicans 48 vs Democrats (and Independents) 48 with the Republican candidate leading in North Carolina and Alaska. It's Republicans 50 (-1 seat) vs Democrats 48 (+1) aggregating the latter. The regular and special Georgia elections are both headed to runoff votes on January 5. The Democrats need to win both seats to control the Senate (Vice President-elect Harris would have the tie-breaking vote). Given the initial outcomes (Republicans winning by a thin margin in one and splitting the vote in the other), **Republicans should retain control, but we'll just have to wait and see.**
- **House elections** (218 of 435 needed for majority): Democrats 215 (-4 districts) versus Republicans 196 (+5 districts) with 24 districts' results pending. Given the leads in these other districts, the Democrats are expected to retain control of the House by a narrower margin.

President Trump and his allies have pledged to intensify legal efforts this week to contest the presidential election. Many of the lawsuits they have filed so far are limited in scope, making them unlikely to produce large vote swings even if successful. Facing vote deficits in key states, Mr. Trump would need sweeping legal victories in all of them for any chance at closing the electoral gap with President-elect Joe Biden, who was declared the election's winner by the Associated Press. The campaign filed an additional lawsuit in Arizona and promised more elsewhere in the coming days. **Judges in Georgia, Michigan and Nevada have already rejected its cases.**

U.S. labour market surprised with an acceleration in private sector jobs in October. Due to another big slide in government jobs of 268,000 (about split between a cut in temporary 2020 census workers and another big decline in state and local education jobs), **total nonfarm payrolls rose a less than expected 638,000 in October**, down from 672,000 in September. Payrolls are still down 6.6% from February or by 10.1 million, though they have recovered 54.5% of earlier losses. But the big positive surprise is that private-sector payrolls jumped 906,000 after an upwardly-revised 892,000 advance the prior month. Broad industry gains were led by leisure and hospitality (271,000, mostly in the food services area, though the broad sector is still down 3.5 million from February), professional and business services, retail, and construction. Manufacturing added another 38,000 jobs, though gearing down from the prior month. The trend in private payrolls, however, is still ebbing from earlier big advances. The household survey contained even better news, with an astounding 2.2 million jump in jobs that raised the employment rate 0.8 percentage points to 57.4% and reduced the unemployment rate to 6.9%. The number of unemployed fell by 1.5 million to 11.1 million, though it's still about double pre-virus levels. Permanent unemployment eased somewhat, now up a lesser 2.4 million since February to 3.7 million.

The International Monetary Fund (IMF) has said continuing government support is "essential" for the struggling U.K. economy to recover. The U.K. can afford it, and support is needed to see it through the coronavirus pandemic and the Brexit transition, the IMF said. Coronavirus infections are climbing rapidly again in the U.K. and elsewhere. The IMF said the coronavirus recession is likely to be more severe than it had predicted just a few weeks ago. (Source: BBC)

FINANCIAL CONDITIONS

The Bank of Spain said European authorities would need to take bolder economic and political measures to help firms and households weather any deterioration in the COVID-19 crisis, warning of risks to the stability of the banking sector. In a financial stability report, the central bank also said that against the backdrop of "new coronavirus outbreaks and in a situation of partial, uneven and uncertain economic recovery" it would be crucial to maintain stimulus measures for the duration of the crisis. (Source: Reuters)

The Reserve Bank of Australia (RBA) last week, as expected, cut both the cash rate and the 3 year yield target to 0.1% (from 0.25%). They also ramped up Quantitative Easing (QE) by expanding their bond purchases by AU$100 billion over the next 6 months with purchases in the 5-10- year maturities which may have been a bit more than the market was expecting. Like all central banks the RBA said they were ready to do more if required although negative rates now seem out of the question with Governor Lowe saying the bank had done all it could on the rate side, it was now all about more QE.

The U.S. 2 year/10 year treasury spread is now 0.75% and the U.K.'s 2 year/10 year treasury spread is 0.35%. 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 2.78%. Existing U.S. housing inventory is at 2.7 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 23.88 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally

"Most of the trouble in the world is caused by people wanting to be important" T. S. Eliot

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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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Risk tolerance measures the degree of uncertainty that an investor can handle regarding fluctuations in the value of their portfolio. The amount of risk associated with any particular investment depends largely on your own personal circumstances including your time horizon, liquidity needs, portfolio size, income, investment knowledge and attitude toward price fluctuations. Investors should consult their financial advisor before making a decision as to whether this Fund is a suitable investment for them.

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