Portland Investment Counsel®
Buy. Hold. And Prosper.®

NEWS HIGHLIGHTS

EST. 2007

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

JANUARY 11, 2021

The views of the Portfolio Management Team contained in this report are as of January 11, 2021 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

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

PORTLAND 15 OF 15 ALTERNATIVE FUND COMPANY NEWS

Altice USA Inc. - Altice USA announced on December 28, the final results of its modified "Dutch auction" tender offer to repurchase up to $2.5 billion of its Class A common stock which expired at one minute after 11:59 p.m., New York City time, on December 21, 2020. Based on the final count by American Stock Transfer & Trust Company, the Depositary for the tender offer, 64,613,479 shares of Class A common stock were properly tendered and not properly withdrawn at or below the final purchase price of $36.00 per share, including shares that were tendered through notices of guaranteed delivery. In accordance with the terms and conditions of the tender offer, Altice USA has accepted for payment 64,613,479 shares of Class A common stock, including all "odd lots" properly tendered, at the final purchase price of $36.00 per share, for an aggregate purchase price of approximately $2.33 billion excluding fees and expenses relating to the tender offer. These shares represent approximately 18.2% of the Company's issued and outstanding shares of Class A common stock or 12.0% of the Company's total outstanding shares including both Class A and Class B common stock as of December 21, 2020. American Stock Transfer & Trust Company will promptly pay for the shares accepted for purchase and will promptly return any other shares tendered and not purchased.

Berkshire Hathaway Inc. – The joint venture of Amazon.com, Berkshire Hathaway Inc. and JPMorgan Chase & Co. will cease to exist at the end of February, three years after the companies came together hoping to clamp down escalating healthcare cost. The inception of Haven had jolted the shares of several healthcare companies that feared that Amazon might disrupt traditional insurance and drug benefit businesses. The not-for-profit venture was meant to address high costs in the world's most expensive healthcare system and to initially focus on "transparent" healthcare for the U.S. employees of the three companies. But the joint venture faced hurdles last year when its Chief Executive Officer Atul Gawande, a Harvard surgeon and author, stepped down to take the role of chairman. The announcement about the role change was the first public statement by the company since it unveiled its name in 2019. Haven said on January 4th the three companies would in the future collaborate informally to design programs tailored to address the specific needs of their own employees. Reportedly, many of the projects designed by Haven were executed separately by the three companies, eliminating the need for a joint venture.

Brookfield Asset Management Inc. said it had offered to buy the remaining stake in its commercial real estate business, Brookfield Property Partners LP (BPY), in a $5.9 billion deal. The move comes as the coronavirus pandemic drives a shift to working from home, while keeping people away from malls and shopping centers, hurting companies such as Brookfield property, which has about $88 billion in assets including Canary Wharf in London and Brookfield Place in New York. The alternative-asset manager owns nearly 34% of the real estate firm and has offered $16.50 for each Brookfield Property shares it does not already own, a premium of 14% to the December 31st close. "The privatization will allow us to have greater flexibility in operating the portfolio and realizing the intrinsic value of BPY's high-quality assets," Brookfield Asset Management Chief Financial Officer Nick Goodman said. Mall landlords have also spent millions to rescue retailers that were on the brink of bankruptcy, with Brookfield Asset Management acquiring names such as J.C. Penney and Forever 21 last year.

Industria de Diseno Textil S.A. ("Inditex") - Spain's Inditex, the owner of fast fashion label Zara, is closing all the bricks-and-mortar outlets of three of its brands in China due to poor performance and will instead focus on e-commerce sales, Chinese business media outlet Jiemian reported on January 8. All stores of its Bershka, Pull&Bear and Stradivarius brands should be shut by the middle of this year, the report said, citing an industry insider. Galicia-based Inditex remains optimistic about the potential for continuous growth in China, it said. It will rely on live streaming sales, social messaging app WeChat's mini programs as well as online platforms to promote its e-commerce business. It will concentrate on updating its technology to provide consumers with the best shopping experience.

Inditex's three brands entered China years ago but were unable to penetrate the market. Many consumers think they offer cheap, discounted goods of average quality, the report said, citing online services giant Meituan. Most foreign fashion brands, with the exception of Zara, Sweden's H&M and Japan's Uniqlo, have failed to take off in China due to consumers' different tastes and the diverse offerings of domestic brands. Also, shopping habits have changed with the arrival of the COVID-19 pandemic and shifted online. E-retailers can track consumer trends faster through the use of data and face no inventory pressure. Bershka, which targets urban youth, has 11 stores in China. It will close its Beijing and northeastern Shenyang province shops later this month and the ones in Shanghai by mid-April. Pull&Bear, has over 10 stores in China. Women's clothing fashion brand Stradivarius withdrew from some areas in the country a long time ago.

Nomad Foods Ltd. announced that it has entered into exclusive negotiations to acquire Fortenova Group's Frozen Food Business Group (FFBG), which includes Ledo, Frikom and other leading frozen brands. This prospective transaction is aligned with management's strategy of complementing strong organic growth in the base business with the acquisition of market leading frozen food brands across Europe. FFBG has a leading European frozen food portfolio of iconic local brands with strong consumer awareness in Croatia, Serbia, Bosnia & Herzegovina and several other countries in Southeastern Europe. It is the market leader in these regions where it operates across numerous categories including fish, fruits, vegetables, ready meal, pastry and ice cream. The acquisition of FFBG would extend Nomad's portfolio into new and developing European markets while also creating a beachhead for potential future consolidation within Central and Eastern Europe.

Samsung Electronics Co., Ltd. – Samsung rose the most in almost 10 months after Intel Corporation was said to be considering asking the South Korean giant and Taiwan Semiconductor Manufacturing Company (TSMC) to make some of its most sophisticated chips, a major departure for the Silicon Valley pioneer. After successive delays in its chip fabrication processes, Santa Clara, California-based Intel has yet to make a final decision less than two weeks ahead of a scheduled announcement of its plans, according to people familiar with the deliberations. Any components that Intel might source from Taiwan wouldn't come to market until 2023 at the earliest and would be based on established manufacturing processes already in use by other TSMC customers, said the people, asking not to be identified because the plans are private. Intel is still holding out hope for last-minute improvements in its own production capabilities. Talks with Samsung, whose foundry capabilities trail TSMC's, are at a more preliminary stage, the people said. TSMC and Samsung representatives declined to comment.

SoftBank Group Corp. - SoftBank Group acquired 15 million of its own shares between Dec. 14 and Dec. 31, 2020, for 123.84 billion yen (US$1.19 billion), the company said in a Friday filing. The buyback was in accordance with a resolution taken by the board of directors on July 30, 2020, under which the company may repurchase 240 million of its shares for a maximum price of 1 trillion yen from July 31, 2020, to July 30, 2021, according to the filling.

SoftBank Group Corp. has agreed to invest $200 million more to bail out Katerra, a construction start-up that ran into financial problems as it tried to shake up the building industry. On December 30, Katerra's shareholders voted to approve the new investment on top of the roughly $2 billion SoftBank has already invested. Under the plan, the Japanese investment firm's stake in Katerra will grow to give it a majority stake, while other investors will see their stakes severely diluted, according to people familiar with the matter. The new investment from SoftBank's Vision Fund 1 will enable Katerra to avoid having to seek bankruptcy protection, according to Katerra's chief executive, Paal Kibsgaard. The company needed SoftBank's latest investment to continue as a going concern, he said in a notice to shareholders about Wednesday's meeting. As part of the funding package, SoftBank-backed financial-services firm Greensill Capital agreed to cancel around $435 million in debt owed by Katerra in exchange for a roughly 5% stake in the company, Mr. Kibsgaard said in an interview Wednesday. Founded in 2015, Katerra has been trying to compete with established builders by assembling building parts in factories and offering services such as plumbing and architecture under one roof.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

Vodafone Group PLC announced on Jan. 11th it had agreed a commercialisation of Cornerstone Telecommunications Infrastructure Ltd (CTIL), its UK towerco owned in a 50/50 joint venture with Telefonica SA (TEF). This changes CTIL from a cost-sharing agreement into a more traditional tower share and allows Vodafone to include the 50% stake in its tower co Vantage, which it has said it plans to IPO in "early 2021". Vantage has 14,200 towers with a tenancy ratio of 2.0x (Vodafone and Telefonica). The business has 41% share of UK towers and the new agreement will have an initial term of eight years with three eight-year renewal periods (CPI linked with floor/cap 0-3%). Vantage pro forma EBITDA would be €742 million including CTIL The inclusion of the CTIL in Vantage resolves an important issue and presumably takes Vodafone one step closer to the launch of the monetisation of its towerco.

Walgreens Boots Alliance Inc. (WBA) reported Q1 adjusted EPS of $1.22, above Consensus of $1.01/1.03 driven by strong margins in U.S. Retail, International recovery as well as other below the line items (approximately $0.07) – higher tax rate was a partial offset (approximately $0.04). WBA saw a COVID-19 impact of approximately $0.26-$0.30 or approximately $300 million for the quarter which is at the high-end of the $250-$300 million range embedded in initial guide. Analysts believe COVID weakness was offset by strong flu vaccinations in the U.S. as lower revenues in the U.S. were offset by strong margins – recall flu vaccines have generic like margins. Meanwhile, WBA maintained its EPS guidance for the year with strong Q1 offsetting anticipated COVID weakness in Q2. Importantly the company now appears to contemplate the COVID opportunity within the guide indicating it will generally be offset by COVID impact and growth investments – "On a full-year basis, the opportunity from the distribution of vaccinations is likely to be offset by COVID-19 related lock-downs and restrictions, and by increased growth investments." **U.S. Retail** – Revenue of $27.2 billion was up 3.9% year/year and -1.6%/+1.1% vs. Consensus of $27.6 billion/$26.9 billion. Operating profit of $989 million was 12.8%/11.9% above Consensus primarily due to higher gross margin of 20.8% – likely driven by higher flu vaccination. **International Retail** – Revenue of $2.6 billion vs. Consensus of $2.4 billion with stronger than expected recovery driving EBIT of $84 million vs. Consensus of $12 million/-$6 million. Meanwhile, the company noted "the ongoing recovery in footfall trends in Sep / Oct was set back by the re-introduction of stricter restrictions for the month of November". **Pharma Wholesale** – Revenues were $7.1 billion vs. Consenss of $6.3 billion/$6.4 billion – partially due to the new joint venture in Germany with McKesson Corporation. EBIT of $244 million vs. Consensus of $255 million / $250 million. **Last week** AmerisourceBergen Corporation (ABC) announced the acquisition of WBA's European wholesale business at approximately $6.5 billion, comprised of $6.275 billion in cash and 2 million shares, which represents approximately 11x 2021 estimated EBITDA of approximately $575-580 million. The deal is expected to close by ABC's 2021 fiscal year-end and deliver high-teens % accretion in year 1… with funds from sale used to lower WBA's debt.

LIFE SCIENCES

Nothing significant to report.

ECONOMIC CONDITIONS

Global Manufacturing - while renewed restrictions and extended school closures will hurt the services side of economies, world of lockdowns and social distancing has boosted demand for goods. The U.S. **Institute for Supply Management manufacturing Purchasing Managers Index** (PMI) unexpectedly rose in December, up 3.2 points to 60.7, a level not seen since August 2018. (It was a similar story elsewhere in the world … the **Euro Area manufacturing PMI** was at a 2½-year high, Germany was the highest in nearly three years, while France was at a one-year-high. The **U.K. PMI** hit a 3½-year high, although Brexit stockpiling was behind it. **Japan** actually expanded for the first time since April 2019. And while China did slow, it is still growing.) In the U.S., all five components (weighing in at 20% each) contributed to the headline gain. **New orders** rose 2.8 points to 67.9 (2nd highest since January 2004); **production** rose 4 points to 64.8 (highest since February 2011), **inventories** rose 0.4 points to a 2-month high of 51.6; **supplier delivery delays** jumped 5.9 points to 67.6 (highest since May 2020). And, **employment** bounced back 3.1 points to a 2-month high of 51.5.

Canada employment declined 63,000 in December according to the Labour Force Survey, below consensus expectations calling for -37,500. This loss, combined with a two ticks decline in the participation rate (to 64.9%), translated into a minor increase of the unemployment rate from 8.5% to 8.6%. The merchandise trade deficit narrowed more than expected in November, coming in at CA$3.34 billion from a revised CA$3.73 billion (initially estimated at CA$3.76 billion). The Markit Manufacturing PMI strengthened further in December, gaining 2.1 points to 57.9, the highest print for the index since the survey's inception (2010).

U.S. nonfarm payrolls fell 140,000 in December, a result much worse than the +50,000 print expected by consensus. The negative surprise was partially offset by a 135,000 upward revision to the prior month's results. The unemployment rate was unchanged at 6.7%, as was the participation rate (61.5%). Initial jobless claims fell 3,000 to 787,000 in the week ending January 2.

U.S. - In December, the **ISM Manufacturing PMI** rose 3.2 percentage points to 60.7, one tick short of its August 2018 cyclical high. The **Service index** rose 1.3 percentage points to 57.2.

U.S. - In November, construction spending rose 0.9% to US$1,459.4 billion after increasing 1.3% (revised down from 1.6%) in October. It was up 3.8% compared with November 2019. In November, the goods and services trade deficit widened US$5.0 billion to US$68.1 billion. Exports rose US$2.2 billion (1.2%) to US$184.2 billion and imports increased US$7.2 billion (2.9%) to US$252.3 billion. With the real goods deficit increasing 7.5% month/month in November, net trade was gearing to be a significant drag on GDP growth in Q4. Initial jobless claims fell 3,000 to 787,000 in the week ending January 2. U.S. Personal spending fell 0.4% in November, a little weaker than expected, and the prior month's gain was chopped down to 0.3% (from 0.5% previously). Shoppers cut back on clothing, autos, food services and accommodation in November, while buying more groceries.

U.S. Business spending has also cooled, but appears to still be rising. **Durable goods orders jumped 0.9% in November** after a 1.8% sprint in October. Core capital goods orders rose 0.4%, shy of expectations, but the prior month's gain was doubled to a hefty 1.6% and marked the seventh straight monthly advance. While "core" shipments fell 2.2% due to a drop in aircraft, the decline did not retrace the 3.9% spike in October, suggesting business equipment spending continued to climb in the quarter.

U.K./E.U. - More than 4.5 years after the referendum, Brexit officially took place at 11pm GMT December 31, 2020.

FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now 0.97% and the U.K.'s 2 year/10 year treasury spread is 0.42%. 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 2.65%. Existing U.S. housing inventory is at 2.5 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 24.22 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And finally

"The best argument against democracy is a five-minute conversation with the average voter." ~Winston Churchill

Portland Investment Counsel Inc. currently offers Mutual Funds & Private/Alternative Products - visit www.portlandic.com

Individual Discretionary Managed Account Models - SMA

Net Asset Value:

The Net Asset Values (NAV) of our investment funds are published on our Portland website at www.portlandic.com/prices

We want to share our insights with you and welcome your feedback. Our website has the latest, as well as archived videos, company profiles, and press articles. Please visit us at www.portlandic.com

Portland Investment Counsel Inc. | portlandinvestmentcounsel | Portland Investment Counsel Inc. | @PortlandCounsel

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.

1.Not all of the funds shown are necessarily invested in the companies listed

Portland Investment Counsel Inc., 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7 Tel.:1-888-710-4242 • www.portlandic.com • info@portlandic.com

PIC21-004-E(01/21)