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NEWS HIGHLIGHTS

EST. 2007

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

JANUARY 18, 2021

OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

PORTLAND 15 OF 15 ALTERNATIVE FUND COMPANY NEWS

Danaher Corporation – announced that Health Canada has issued Cepheid, a Danaher subsidiary, a medical device license for Xpert® Xpress SARS-CoV-2/Flu/RSV, a rapid molecular diagnostic test for qualitative detection of the viruses causing COVID-19, Flu A, Flu B, and RSV infections from a single patient sample. The test is now available in Canada and can be used in laboratories and at the point of care. The four-in-one test is designed for use on any of Cepheid's almost 30,000 GeneXpert® Systems placed worldwide, with results delivered in approximately 36 minutes. "The ability to run a single, highly-sensitive test that detects SARS-CoV-2, Flu A, Flu B, and respiratory syncytial virus provides actionable results and helps to alleviate pressure on the healthcare system," said Dr. David Persing, MD, Ph.D., Chief Medical and Technology Officer at Cepheid. "Xpert® Xpress SARS-CoV-2/Flu/RSV delivers reference lab quality testing in a cartridge that can be run near-patient, often providing results while patients are being seen or admitted. Rapid results help healthcare workers make real-time patient management decisions including qualification for antiviral therapy and triage for emergency procedures." Cepheid's previously announced capacity expansion program, supported by parent company Danaher Corporation, was designed in part to address anticipated demand for Xpert Xpress SARS-CoV-2/Flu/RSV. "The dramatic impact of SARS-CoV-2 has been felt by us all, and we understand that a reliable supply of SARS-CoV-2 tests is critical to the communities our healthcare institutions serve — for the coming Flu season and beyond," said Cepheid President Warren Kocmond. "Another goal of the capacity expansion program is to ensure supply continuity of not only our 4-Plex combination test for SARS-CoV-2, Flu A&B and RSV, but the entire portfolio of critical tests Cepheid supplies — including tests for tuberculosis, MRSA, C. difficile, CT/NG, Strep A, and many more."

Facebook, Inc. - Change in WhatsApp's privacy policy will be among other issues which will be discussed in the meeting between officials of Facebook and Twitter, Inc. and the Indian Parliamentary standing committee on Information Technology on January 21, sources said. According to Lok Sabha Secretariat notice, the agenda of the next sittings of the panel will be "Evidence of representatives of Ministry of Electronics and Information Technology and to hear the views of the representatives of Facebook and Twitter on the subject 'Safeguarding citizens' rights and prevention of misuse of social/online news media platforms including special emphasis on women security in the digital space." WhatsApp recently announced that it has postponed its planned privacy update, which will give users more time to review the policy and accept the terms of the Facebook-owned messaging app. The decision to postpone the privacy update has been taken due to misinformation causing concern among people, the company said.

Reliance Industries Ltd. - Reliance Industries plans to embed its ecommerce app JioMart into WhatsApp within six months, financial daily Mint reported on Monday, as the Indian conglomerate looks to ramp up its retail and grocery business in the country. Reliance, which has been trying to move away from its mainstay oil and energy business, had last year raised about $26 billion from investors like Google and Facebook for its digital and retail arms as it takes on Amazon.com Inc. and Walmart-backed Flipkart in India. The move to integrate JioMart with WhatsApp will allow hundreds of millions of users to order products from Reliance without having to leave the app, Mint said, citing two officials aware of the development. At last count, WhatsApp had about 400 million users in India. Facebook invested $5.7 billion for a 9.99% stake in Jio Platforms last year.

SoftBank Group Corp. has injected $350 million into satellite start-up OneWeb, helping to revive a business that stumbled into bankruptcy last year. The Japanese conglomerate and U.S. satellite company Hughes Network Systems invested a total of $400 million in the low-earth orbit venture, which was rescued by the U.K. government and Indian telecommunications company Bharti Global. SoftBank will get a board seat as part of the investment, which takes OneWeb's funding to $1.4 billion, OneWeb said in a statement Friday. SoftBank was one of OneWeb's original investors, putting more than $1 billion into the London-based venture, and retained a small stake following the Chapter 11 restructuring. OneWeb is racing Elon Musk's Starlink venture to offer global broadband services using constellations of small satellites. SoftBank previously attempted to merge OneWeb with established satellite company Intelsat SA. OneWeb currently has 110 spacecraft in orbit since it resumed launches under its new ownership last month.

DIVIDEND PAYERS

Citigroup Inc. reported Q4 2020 EPS of $2.08 and consensus was $1.33. Relative to a consensus, a lower than expected loan loss provision drove the upside. Still, fee income was below consensus, while net interest income (loans better than expected, Net Interest Margin worse) and expenses approximated forecasts. Revenues declined 10% year/year and fell 5% linked quarter to $16.5 billion. Tangible book increased 2.6% to $73.83 (trading at 0.9x). It posted a 9.8% Return On Equity. Its Core Equity Tier 1 ratio increased 10 basis points (bps) to 11.8%. Its average diluted share count rose 0.1%. It expects to repurchase shares through the balance of 2021, starting in Q1 2021. Net interest income was little changed. Average earning assets rose 2% with deposits with banks (+9%), trading assets (+4%) and securities (+1%) up, while loans (-2%) declined. Still, period-end loans increased 1%. Consumer rose 4%. Its net interest margin declined 3bps to 2.00%. Its yield on average earnings fell 9bps to 2.48%. Deposits rose 1%. Fee income declined 12% from Q3 2020 driven by a seasonal decline in principal transactions. Expenses rose 2% year/year and declined 2% linked quarter. Relative to Q4 2019, continued investments in its transformation, including investments supporting infrastructure, risk management and controls, along with higher repositioning costs more than offset efficiency savings and reductions in discretionary spending. Its cost/income efficiency ratio was 64.9%. It effective tax rate was 20%, stable with Q3 2020. Its reserve/loan ratio was 3.73%, down 27bps.

JPMorgan Chase & Co. reported Q4 2020 EPS of $3.79 and consensus was $2.62. EPS was $3.07, excluding a $2.9 billion ($0.72) loan loss reserve release (it noted positive vaccine and stimulus developments contributed to its reserve release). The quarter also included $540 million of net gains on certain legacy equity investments, $243 million of revenues from credit adjustments & other largely driven by funding and credit spread tightening on derivatives, and $70 million of investment securities gains. These were partially offset by a $276 million of legal expense and $152 million of Mortgage Servicing Rights risk management losses ($425 million net benefit; $0.11). Managed revenues increased 3% year/year and rose 1% linked quarter to $30.2 billion. Tangible book increased 3.4% to $66.11 (2.1x). It posted a 19% Return On Equity and 24% Return On Tangible Common Equity. Its Core Equity Tier 1 ratio was unchanged at 13.1%. Its average share count was unchanged. Net interest income rose 2%. Average earning assets rose 3% with loans (+1%) and securities (+4%) higher and trading assets lower (-1%). Period-end loans increased 2% with wholesale (+4%) and credit card (+3%) up and consumer (-1%) lower. Its net interest margin declined 2bps to 1.80%. Its yield on average earning assets fell 8bps to 1.97%, while its cost of interest bearing liabilities declined 7bps to 0.23%. Deposits rose 7% linked quarter. Fee income declined 1% with increases in credit card, asset management, investment banking and lending & deposit fees more than offset by a seasonal decline in principal transaction and lower mortgage fees. Expenses declined 2% year/year and decreased 5% from Q3 2020 to $16.0 billion. The year/year decline was driven by lower volume- and revenue-related expense partially offset by higher investments in the business. Its managed cost / income overhead ratio was 53%. Its effective tax rate was 19.4%. Its reserve/loan ratio declined 31bps to 2.95%.

Walmart Inc. announced that Marc Lore would be stepping down from his role as EVP, President & CEO of Walmart's U.S. eCommerce business effective January 31st (will remain on as special advisor through September). Lore has been in the eCommerce world since the mid-2000s where he built companies such as Diapers.com and Soap.com that were subsequently sold to Amazon. He then started Jet.com and sold that company for $3.3 billion to Walmart in 2016. His 5-year commitment with WalMart was set to end in September 2021 and required him to stay on until then to receive a full payout from the Jet deal. In Fiscal Q3 2021, Walmart's U.S. eCommerce business was running at $10.3 billion or 11.7% of sales. On an annualized basis this would imply a greater than $40 billion online business. While Walmart is still losing money in eCommerce, the level of losses has moderated (helped largely by increased volume throughput) as the company remains in market-share grab mode vs. delivering profitability. Walmart+ has also seen a strong initial response from customers and should give Walmart additional data to offer personalized promotions. While Lore's departure could lead to some near-term uncertainty, analysts think he's put Walmart on a path to continued share gains in the digital realm. Walmart's 4,700+ stores in the U.S. remain a competitive advantage - especially given "last mile" considerations - and analysts think the company's recent push to increase the mix of both third-party sales and general merchandise should prove tailwinds for margins.

LIFE SCIENCES

Telix Pharmaceuticals Limited – ARTMS Inc. and Telix Pharmaceuticals Limited announced they have successfully produced Telix's prostate cancer imaging product, TLX591-CDx (Kit for the preparation of 68Ga-PSMA-11)1, using multi-Curie quantities of cyclotron-produced Gallium-68 (68Ga) via ARTMS' proprietary Quantum Irradiation System (QIS®) solid target system. The testing demonstrated an impressive six-hour stability of TLX591-CDx a radiopharmaceutical targeting Prostate-Specific Membrane Antigen (PSMA) for the imaging of prostate cancer using Positron Emission Tomography (PET). Testing exceeded all relevant quality control standards for both low- (50 millicurie (mCi) and 100 mCi) and mid-level output (over 2,500 mCi) 68Ga production runs. The "cold kit" format of TLX591-CDx enables rapid radiolabelling at room temperature with high radiochemical purity and production consistency, ideally suited for the radiopharmacy setting. ARTMS Chief Executive Officer, Charles S. Conroy, stated, “This collaboration and successful testing represents a significant step forward for the diagnosis of prostate cancer globally. The combination of Telix’s user friendly, high quality PSMA-11 kit along with robust production of 68Ga using our solid targetry approach moves us closer to having a PET diagnostic agent on demand for clinicians. Our goal at ARTMS is to ensure that the 68Ga supply is able to meet the substantial projected clinical demand for this isotope.” Telix USA President, Dr. Bernard Lambert, added, “When the Telix-ARTMS collaboration was announced in April 2020, we were confident that ARTMS’ proprietary technology to produce 68Ga from specialized solid 68Zn targets using low-energy cyclotrons would be valuable to the Molecular Imaging and Oncology community. ARTMS’ work represents a significant development in how 68Ga is able to be supplied to the market for large-scale production and, as a result, will contribute to the reliability of access to all men living with prostate cancer who require advanced prostate imaging. This outcome is a testament to both the ARTMS technology and Telix’s proprietary formulation of PSMA-11”. ARTMS will continue the development of cyclotron-produced 68Ga with a focus on optimizing production potential and satisfying regulatory requirements for use in radiopharmaceutical kits such as TLX591-CDx.

ECONOMIC CONDITIONS

Global COVID-19 - Covid global case count has hit the 95 million mark and deaths are over 2 million. The U.S. continues to be the worst hit with 400,000 new cases reported on Saturday with 1800 deaths. The new head of the CDC predicts another 100,000 deaths to still come in the next month.

Canada’s housing market jumped in December, closing out the year with record sales and prices as buyers competed fiercely for larger properties during the pandemic. There were 551,392 home resales last year, a 13% increase over 2019, with suburbs and smaller markets recording some of the biggest gains, according to the report from the Canadian Real Estate Association. That topped 2016, the previous record-setting year for resales, when demand surged in Toronto and Vancouver. Although those two cities, the two most expensive markets in the country, had higher sales and prices last year, remote work pushed city residents to the suburbs and further afield. As a result, price increases were steeper in places like the Quinte region of Ontario compared with the rest of the country. Overall, the home price index, which corrects for expensive transactions, was up 13% year-over-year to a record high of $661,700 in December. In Quinte (located about two hours east of Toronto), Simcoe County, Woodstock-Ingersoll and the Lakelands region in Ontario’s cottage country, the index was up more than 30%. The residential real estate market was one of a few sectors that benefited from the pandemic, with interest-rate cuts pushing mortgage rates to record lows. The common five-year fixed mortgage rate has been below 2% for months, making it easier for homeowners to borrow and pay down their mortgages. Every province recorded higher sales, with Saskatchewan up 25% year-over-year, followed by British Columbia at 21.6% and Quebec at 17%. Newfoundland and Labrador, New Brunswick and Nova Scotia all increased between 13% and 15%. Sales in Ontario, the most populated province, were up 9%. (Source: Globe & Mail)

U.S. President-elect Joe Biden has unveiled a $1.9 trillion stimulus plan for the coronavirus-sapped U.S. economy before he takes office. If passed by Congress, it would include $1 trillion for households, with direct payments of $1,400 to all Americans. The relief proposal includes $415 billion to fight the virus and $440 billion for small businesses. Mr. Biden, a Democrat, has promised to beat the pandemic that has killed more than 385,000 people in the U.S.

U.S. Consumer prices rose an expected 0.4% in December, raising the yearly rate two tenths to 1.4%. Gasoline cost 8.4% more in the month but still 15.2% less than a year ago. Food was 0.4% more expensive in the month and 3.9% more in the year. Curiously, prices for food consumed at home and away rose similarly in 2020, despite much weaker demand for the latter, reflecting increased supply-chain and pandemic-related costs for restaurants.

U.S. Core prices rose a light 0.1%, holding the yearly rate at 1.6%, the latter within a tight range for the sixth straight month and still well below pre-pandemic levels of 2.4%. Higher monthly costs for clothing (though still down 3.9% year/year), auto insurance, household furnishings and new autos were mostly offset by lower costs of recreation, used vehicles, medical care, and airfares (and down 18.4% year/year). Rents were up just 0.1% in the month and just over 2% in the past year, far less than the rise in home prices amid shifts spurred by remote working.

The spiraling second wave of COVID-caseloads will likely keep a damper on consumer prices in the leisure and hospitality sector for a few more months in our view, though some upward pressure will mount as restrictions are eased and the economy strengthens later this year. Although rising energy and food costs have pressured headline inflation moderately higher, the underlying trend remains stable and so insufficient to spur an increase in Fed policy rates in our view.

U.S. industrial production grew 1.6%, tripling expectations, the largest since last June, and following an upwardly revised November gain of 0.5%. All three components were higher. **Mining**, which makes up about a tenth of production, rose for the second month in a row, up 1.6%. **Utilities**, accounting for just over 15% of the total, rose 6.2% after the prior month’s decline. And **manufacturing**, weighing in at about 75% of the headline, jumped 0.9%, the third consecutive increase.

The German economy shrank by 5% last year as the COVID-19 pandemic took its toll, according to official figures. The country’s national statistics office said that most sectors of the economy were “markedly affected” by the health emergency. It was a sharp decline, although many economists had expected the contraction to be even worse. The contraction was also less pronounced than the downturn in 2009 caused by the global financial crisis. (Souce: BBC)

China’s economy: Q4 GDP though slightly lower on the quarter at 2.6% quarter/quarter (vs market consensus of 2.7%), benefitted from an upward revision to Q3 (to 3.0% quarter/quarter from 2.7% previously) yielding a better than expected 6.5% year/year outcome for Q4 (vs mkt 6.2%). Industrial Production was also better than expected, up 7.3% year/year (vs mkt 6.9%) in the wake of strong exports boosting manufacturing activity, while retail sales came in weaker than expected, up 4.6% year/year (vs mkt 5.5%) as restaurants and catering in particular, continue to suffer from consumer caution. Tighter social distancing restrictions in some areas may have also impacted sales. Property investment and fixed assets strengthened from last month but were weaker than expected at 7.0% YTD year/year (vs mkt 7.2%) and 2.9% YTD year/year (vs mkt 3.2%) providing further signs that the government's efforts to restrain credit growth istaking effect. Overall, China grew by 2.3% in 2020, and was the only major economy to grow over the year. Momentum is showing some signs of slowing, but not significantly in our view.

FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now 0.95% and the U.K.'s 2 year/10 year treasury spread is 0.43%. 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 2.79%. 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 24.34 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And finally

"Consensus seems to be the process of abandoning all beliefs, principles, values and polices" Margaret Thatcher

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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.

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

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