NEWS HIGHLIGHTS

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

FEBRUARY 22, 2021

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OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

PORTLAND 15 OF 15 ALTERNATIVE FUND COMPANY NEWS

Berkshire Hathaway Inc. announced two major new investments, revealing an US$8.6 billion stake in the phone company Verizon Communications Inc. and a $4.1 billion stake in oil company Chevron Corporation. Berkshire also disclosed a new $499 million stake in the professional services company Marsh & McLennan Companies. Berkshire reduced its investments in several companies including Apple Inc., though at approximately $121 billion the iPhone maker remains by far its largest common stock holding. Berkshire, a major investor in Bank of America Corporation, cut back on other banks, reducing its stake in Wells Fargo & Company and shedding JPMorgan Chase & Co., M&T Bank Corporation and PNC Financial Services Group Inc.

Facebook, Inc. - Australian Prime Minister Scott Morrison said Facebook Inc. has re-engaged with the government after escalating tensions saw the social media company disable a raft of pages in the country, including some that offered public-health advice on COVID. "They're back at the table," Morrison told reporters on Saturday in Sydney. "That's what we want to see. We want to work through this issue." The prime minister also welcomed a report that a Facebook executive had apologized for the company mistakenly shutting down pages operated by charities and others that covered public-health and safety announcements. Morrison described the actions as "completely indefensible." Facebook on Thursday blocked news sharing on its platform in Australian in response to a legal standoff with the government, which is expected to pass laws next week aimed at compensating the local media industry for advertising revenue lost to digital platforms. Facebook's dispute on news sharing in Australia is part of a broader battle against global regulation, with lawmakers in other countries watching the case closely. In contrast, Alphabet Inc. owns Google, which also opposes the legislation, negotiated a string of deals in the past week with media Australian companies in a bid to avoid the arbitration process enforced by the law.

Pershing Square Holdings, Ltd. – Activist hedge fund manager William Ackman, updated investors on how his flagship fund earned a record 70.2% annual return in 2020. Pershing Square Capital Management put up a second straight year of record returns in 2020. In 2019 the fund returned 58.1%. And 2021 is off to a strong start with an 8.1% return year-to-date. Several months after announcing plans to hire a woman to his all-male investment team, Ackman said Manning Feng will join Pershing Square later this year. She previously worked as a private equity associate at Warburg Pincus LLC and as analyst at Centerview Partners LLC.

Reliance Industries Limited - India's Supreme Court stopped regulatory approval for the Future Group's US$3.4 billion asset sale to Reliance Industries Ltd., delaying the deal in a boost for Amazon.com Inc., which wants to scuttle the transaction in its bid to dominate the country's retail sector. Agreeing with the American e-commerce giant's petition, the top court on Monday overturned a lower court's ruling and said the National Company Law Tribunal can continue hearing the case but must not give a final nod till further orders. The court also sought written statements from Future Retail Ltd. and said it will hear the case after three weeks. Future Retail's stocks and bonds fell. The latest verdict restores the legal advantage for Jeff Bezos-founded Amazon that secured an interim stay on the deal from a Singapore arbitration tribunal in October. It accused the Future Group of violating a partnership contract when it agreed to sell assets to billionaire Mukesh Ambani's conglomerate last year. The Monday order, however, endangers Future Retail, which is struggling to pay debt and has warned of insolvency. Future Retail's stock fell as much as 10% and its dollar bond maturing in 2025 dropped 3.8 cents on the dollar after the court order Monday, Bloomberg-compiled prices show. Reliance Industries also slipped as much as 2.8%. Representatives for Amazon India, Future Retail and Reliance Industries didn't immediately respond to requests for comment. Future Retail can move the Singapore arbitration tribunal to lift the interim stay the emergency arbitrator had imposed, that has formed the basis of Indian Supreme Court's order. The cash strapped Indian retailer, which says it would collapse should the deal with Reliance Industries fail, is caught between two of the world's richest men as they compete for dominance in India's estimated $1 trillion consumer retail market. The legal dispute over Future Retail has turned into a fierce legal wrangle across courtrooms in two countries. Amazon is unwilling to cede any competitive advantage to Reliance in the only billion-people-plus market left in the world after the American firm lost out to local rivals in China. The case is also keenly watched by investors as it sets a precedent on the validity of emergency decisions by foreign arbitrators in India. The verdict comes at a time when Amazon is increasing its footprint in the country. The U.S. firm announced this month that it was setting up manufacturing operations in India.

SoftBank Group Corporation - Kavin Bharti Mittal, a scion of the family behind India's second-biggest wireless operator, is planning to revive his struggling technology start-up more than four years after it was valued at US$1.4 billion by backers including SoftBank Group. Since attaining unicorn status in 2016, New Delhi-based Hike Private Limited has suffered a string of setbacks. The latest blow came last month when it shut down its signature messaging app, a platform that grabbed the attention of other investors such as Tencent Holdings Ltd. and Foxconn Technology Group for taking on WhatsApp in the local market. That setback doesn't mean the end of the road for Hike, the 33-year-old son of Bharti Airtel Ltd.'s billionaire-chairman Sunil Mittal, said in an interview last week. In a bid to rekindle growth, he's now betting on a Facebook-like new social networking platform as well as a gaming app that aims to tap rising demand in the world's second-most populous country. Mittal's attempt to salvage the start-up highlights the struggle faced by many Indian technology entrepreneurs who are chasing a market of more than a billion consumers with a smartphone user base that's projected to surpass 750 million this year, with online entertainment to financial products and shopping. While some of them have aspired to become local versions of Facebook, Inc. or an Amazon.com, Inc., few have so far succeeded in even coming close to beating the U.S. giants. In recent years Mittal has seen more lows with Hike, as the glory of its early years faded. Despite becoming a hit early on thanks to its quirky stickers and a privacy feature that let teenagers hide chats from parents, Hike's messenger app overtime failed to challenge the popularity of WhatsApp in India. Another idea of Mittal, a super-app similar to China's WeChat, also didn't take off. Hike saw its revenue from operations crash to $5,000 for the year ended March 2019, from $81,000 the year before, according to researcher Tracxn Technologies Private Ltd. Losses from continuing plus discontinued operations for FY19 were at $235 million, Tracxn data shows. After scaling up too fast and making some top-level hiring decisions that didn't work out well, Hike is now more streamlined with just 155 employees. And Mittal is focused on bolstering revenue through Hike's two new platforms. Vibe is a by-approval-only social networking website that, according to its website, promises to connect users with "the funniest people online, safely." More than 300,000 applications have been received since the sign-ups opened last month. Rush is Hike's new bite-sized gaming platform that was launched in December and is an online version of gaming arcades with coin-operated game machines typically found in malls and amusement parks.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

Nestlé S.A. - FY 2020 like for like (LFL) sales grew by 3.6% (consensus 3.5%), implying growth of 3.9% in Q4 (with stand-out performances from; pet care, culinary and Nestlé Health Science). FY 2020 was impacted by reduced out-of-home (OOH) consumption (particularly water & confectionery) and share loss in China infant nutrition, offset by elevated at-home food consumption particularly in North America (creamers, frozen food and pet care) and Europe (coffee). Adjusted margin increased by 10 basis points to 17.7% (consensus 17.8%) benefitting from cost savings and positive mix (higher proportion of coffee/pet care sales versus water/confectionery) offset by incremental COVID-pandemic related costs and under-recovered Emerging Markets input cost inflation. Helped by a further reduction in the tax charge to 21.1%, this translated to 4% (constant currency) increase in adjusted EPS to CHF 4.21 (consensus CHF 4.22). **FY21 Outlook**. Management is guiding to an increase in LFL sales growth "towards a mid single-digit rate" and a "continued moderate" margin improvement (analyst expectations are a margin of about 18%). The resilience of Nestle's portfolio last year has bolstered the stock's credentials as a 'winner' in a staples sector subject to disruptive forces.

Nestlé announced, last June, that it would conduct a strategic review of parts of its North American waters division, and has agreed to sell its regional spring water brands (including Poland Spring and Deer Park), purified water business and beverage delivery service for US$4.3 billion. It is expected the transaction is to close in a couple of months. The businesses being sold generated sales of $3.4 billion in FY 2019 and analysts assume a circa 5-7% decline in FY 2020 due to the adverse impact of lockdowns on OOH beverage consumption. It is estimated FY 2020 EBITDA of $450 million and that the deal dilutes EPS by circa 2%. At the same time, it is estimated this transaction lowers Nestlé's net debt/EBITDA by 0.2x, adds 10-20 basis points to Nestlé's top-line growth rate and increases its margin by 20-30 basis points. Historically, Nestlé saw advantage in covering a multiplicity of food and beverage categories. Superior scale and scope would give Nestlé unrivalled consumer insight and fund greater research and development spend, the outcome of which could be leveraged more effectively across its broader portfolio. Under CEO Schneider's stewardship, analysts sense a greater willingness to sharpen the focus on a set of businesses that operate in structural growth categories and in which Nestlé possesses sustainable competitive advantages. Pro forma this transaction, it's estimated coffee, pet care and nutrition represented close to 60% of group sales in FY 2020.

LIFE SCIENCES

Telix Pharmaceuticals Limited announced its subsidiary, Telix Pharmaceuticals Japan K.K., in collaboration with Kanazawa University, has received Clinical Trial Notification clearance by the Japanese Pharmaceuticals and Medical

Devices Agency (PMDA) to commence a Phase I trial of its prostate cancer imaging product TLX591-CDx (Kit for the preparation of 68Ga-PSMA-11 injection) in Japan. In December 2020, Telix Japan commenced a clinical collaboration with Kanazawa University to conduct a Phase I trial of TLX591-CDx enrolling 10 patients with advanced prostate cancer. The purpose of the trial is to obtain preliminary clinical data in a suitable patient population, confirming that the targeting and pharmacology of TLX591-CDx is equivalent to non-Japanese patients. Such clinical data will support future planning discussions with the objective of PMDA product approval in Japan, aligning with the marketing authorisations that Telix has already submitted in the U.S., EU, Canada and Australia. Professor Seigo Kinuya, Professor of Nuclear Medicine at the Kanazawa University Hospital, Department of Nuclear Medicine, Chair of the Japanese Society of Nuclear Medicine, and Chair of the National Conference for Nuclear Medicine Theranostics stated, "68Ga-PSMA-11 has been studied widely and intensively across the globe outside of Japan. Clinical data have been accumulated and its diagnostic efficacy and clinical application have been well characterised in guidelines in nuclear medicine and urology, worldwide. This first clinical trial of 68Ga-PSMA-11 prostate imaging in Japan is a crucial milestone to pave the way to provide new diagnostics to Japanese prostate cancer patients." Telix Pharmaceuticals Japan K.K. President Dr. Shintaro Nishimura added, "This study is the first formal clinical trial in Japan of a gallium labeled PET [Positron Emission Tomography] imaging agent, which many Japanese nuclear medicine and urology physicians have been waiting for. We would like to express our appreciation to our pioneering colleagues at Kanazawa University's Departments of Nuclear Medicine and Urology, the Innovative Clinical Research Center of Kanazawa University Hospital, the Kanazawa Advanced Medical Center, ATOX Co. Ltd. and IRE ELiT (Belgium) for their exceptional support and collaboration in this project."

ECONOMIC CONDITIONS

U.S. Retail Sales increased 5.3% as $600 rebate cheques and larger unemployment insurance payments in hand, helped American shoppers in January. The gain more than erased the previous three monthly declines and was the largest since June. Total sales are now 7.4% above year-ago levels. This flags a major upward revision to GDP growth in both Q1 and 2021…even before the possibility of more aggressive fiscal stimulus in the weeks ahead. **Virtually every category posted large gains in January**. Some notables include electronics and appliances (14.7%), home furnishings (12.0%), and sporting goods/hobbies (8.0% and 23% year-over-year). Auto sales increased 3%, and even clothing sales rose 5% higher. Meantime, easing restrictions on outdoor dining (and relatively milder weather) led to a near 7% jump at restaurants (though the group is still down 17% year-over-year). Nonstore retailers posted an 11% leap (29% year-over-year) as COVID-related anxiety still favours online shopping.

U.S. industrial production rose 0.9% in January, nearly doubling consensus and the fourth increase in a row. There were, on net, upward revisions to the prior five months. December's 1.6% jump was revised lower to 1.3%, but that's ok as it is still the biggest gain since July. The three main components: (i) **Manufacturing** (accounting for 76% of total production) rose 1.0%, and is just 0.8% below a year ago. In the latest ISM (Institute for Supply Management) survey, where the respondents gave comments such as "demand going way past pre-COVID levels", "very strong demand" but there were lots of "labor constraints". **Motor** vehicles and parts declined for the second month in a row (-0.7% in January), which is not surprising given that automakers were forced to slow production lines down due to the lack of semiconductors. Then there was furniture, and electrical equipment & appliances … both up over 2%. (ii) **Mining** (13% of total) rose 2.3%, the third such gain in a row, but is still down 11.5% year-over-year. (iii) **Utilities** (11% of total) fell 1.2% but in our view utilities will increase next month as the deep freeze lingers throughout large swathes of the country.

U.S. housing starts unexpectedly fell, in January, despite all the talk about strong housing demand and record low inventories of homes available for sale. Starts dropped 6.0% in January, the first decline since August, to a 2-month low of 1.58 million units annualized. And, there were, on net, **downward revisions** to the prior two months. The decline was all in **single-family** homes (-12.2%), while the volatile **multi-unit** category jumped 17.1%. And, the decline was across most of the country, except in the **Northeast**. It is **expected that there may well be another big drop in February** as much of the country struggles with severe weather conditions. Look beyond the decline and it's encouraging to see **building permits** surged 10.4% last month to 1.88 million units, the **highest since May 2006**, and permits are a leading indicator for starts.

U.S. existing home sales unexpectedly rose for the second month in a row, up 0.6% in January to a 3-month high of 6.69 million units annualized, despite the unsteady job market and as **pending home sales** have been down for four consecutive months. The **inventory of homes available to be sold** fell further, to record low, while the **months' supply** shrank to 1.9.

FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now 1.24% and the U.K.'s 2 year/10 year treasury spread is 0.66%. 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 2.81%. Existing U.S. housing inventory is at 1.9 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 24.14 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: 'CET' core equity tier, 'EBITDA' earnings before interest, taxes, depreciation and amortization, 'EPS' earnings per share, 'FCF' free cash flow, 'GDP' gross domestic product, 'ROE' return on equity, 'ROTE' return on common equity, 'ROTCE' return on tangible common equity. 'conjugate' a substance formed by the reversible combination of two or more others.

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

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