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NEWS HIGHLIGHTS

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

MARCH 8, 2021

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OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

PORTLAND 15 OF 15 ALTERNATIVE FUND COMPANY NEWS

Brookfield Asset Management Inc. On the 1st of March, Brookfield Asset Management sold 30 million GrafTech International Ltd. shares for US$350 million at an average price of $11.67 per share. Brookfield Asset Management's holding in GrafTech International Ltd. decreased to about 98 million shares with the transaction. The sale takes Brookfield's holdings to about 97.7 million shares, trimming its Graftech stake by 11% to about 37%.

Brookfield Asset Management has reportedly sold its interest in one of its Bay Street office towers, the most significant brokered deal in the Toronto office market since the pandemic began. The 50% in Bay Adelaide North was bought by Victor Dahdaleh, whose privately held investment firm Dadco Group Limited spent $850 million for similar positions in the other two office buildings that make up Brookfield Asset Management's Bay Adelaide Centre. Brookfield Asset Management will continue to manage the three buildings. Mr. Dahdaleh, a Canadian-British businessman and philanthropist, is spending $850 to $950 per square foot on the Bay Adelaide North stake. At the upper end of the price range, the deal would be worth about $390-million. Mr. Dahdaleh was embroiled in an international bribery case nearly 10 years ago, but denied wrongdoing and was acquitted. When Brookfield Asset Management vetted Mr. Dahdaleh, the seven banks that provided Brookfield Asset Management with construction financing had to approve the due diligence. Four of the lenders are Canadian banks. The price is well above the market average of about $500 per square foot in the financial core.

Reliance Industries Limited led by Asia's richest man, along with its partners plans to seek a license to enter India's fast growing digital payments business, people with knowledge of the matter said. India's largest company by market value is teaming up with its investors Facebook, Inc. and Google LLC, as well as homegrown technology service provider, Infibeam Avenues Ltd., to apply for a license from the Reserve Bank of India, according to the people who asked not to be identified as the discussions are private. The consortium is developing a detailed plan currently, they said. The development was first reported by the Economic Times, which said that a consortium led by the Tata Group and another by Amazon.com, Inc. were among other applicants.

Reliance Industries' interest in setting up an electronic payment platform underscores billionaire Mukesh Ambani's vision of pivoting the conglomerate toward consumer businesses of telecom, retail and e-commerce -- a vision that received US$27 billion from global investors last year. The Reserve Bank has called for applications from those keen to enter India's digital payments space by March 31 and is expected to study the proposals over the next six months.

The Indian digital payments market is estimated to touch $1 trillion by 2023, according to Credit Suisse Group AG. Ambani's venture, if granted a license, will compete against the state-run National Payments Corp. of India for a slice of the market, which was boosted amid the pandemic and lockdowns last year that forced people to stay at home.

Samsung Electronics Co., Limited revealed additional details about its plans to build a cutting-edge semiconductor facility in the U.S. in a filing with the Texas government, making the disclosure as the Biden administration vows to make the security of the U.S. chip supply a national priority. The South Korean company plans to invest about US$17 billion in its Project Silicon Silver and create about 1,800 jobs over the first ten years, according to an economic impact study prepared by a local consultant. Some $5.1 billion would go into buildings and property improvements, while $9.9 billion would be spent on machinery and equipment. The filing with the Texas comptroller warned the chips project is "highly competitive." Samsung is evaluating alternatives sites in Arizona and New York, as well as in Korea. "Because of its strong ties to the local community and the successful past 25 years of manufacturing in Texas, Samsung Austin Semiconductor would like to continue to invest in the city and the state," the study said. It was first reported in January that Samsung was considering building an advanced chipmaking plant in the U.S., in hopes of winning more American clients and narrowing the gap with industry leader Taiwan Semiconductor Manufacturing Company, Limited. The company was in discussions to locate a facility in Austin, Texas, capable of fabricating chips as advanced as 3 nanometers, people familiar with the matter said at the time. Details of Samsung's discussions with local governments have since leaked out in filings and other revelations. Samsung's Project Silicon Silver would add approximately 7 million square feet of new space to the Austin campus, where the company has had operations for decades. It estimates that 542 new workers would move to the city, contributing to an addition of 1,626 new residents. Property tax abatements would total about $1.5 billion over 20 years at the city and county levels, while direct and indirect economic output would be about $8.6 billion and salaries would total $7.3 billion. A January filing detailed the likely timeline for the project. If Samsung chooses Austin, it would break ground in the second quarter of 2021 with the expectation that production would be up and running by the fourth quarter of 2023, according to the January filing. Separately, Samsung's current foundry plant in Austin hasn't resumed operations since February 16 after it was ordered to halt operations by Austin Energy due to blackouts in the region. Power and water are back but it will take more time to fully restart operations, officials said.

SoftBank Group Corporation is increasingly dominating Japan's markets, rising to become the largest-weighted stock on the country's Topix index. SoftBank pulled ahead of Toyota Motor Corp. in pole position on the benchmark gauge last week, and sat as the highest weighting, albeit by a fraction, as of market close on Wednesday. That's ended an almost 13-year streak for the automaker as the largest stock on the index, according to data compiled by Bloomberg. The change is further evidence of SoftBank's own winning run. While Toyota trades little changed in 2021, SoftBank stock is up over 30%, rallying past a two-decade record to a new high, backed by a surging stock market which has lifted the value of its portfolio companies. Masayoshi Son just pushed SoftBank shares past Dot-Com peak. Toyota, meanwhile, has been impacted by production outages due to earthquakes in Japan and freezing temperatures in the U.S., concerns over the global semiconductor shortage, and fears it's losing out in the red-hot electric vehicle market. Another reason for SoftBank's dominance is the makeup of the Topix. The index is weighted by market value, where Toyota still dominates. But that value is adjusted by a "free-float weight ratio," based on the number of shares actually available to be traded in the market. The opaque measurement ignores stock that's locked up by major shareholders, treasury stock or cross-shareholdings held by units or firms with business dealings. A recent review in January trimmed Toyota's ratio to 50% from more than 55%, as Toyota is impacted by its vast series of cross-shareholdings. SoftBank has a ratio of 60%. SoftBank's dominance in Japan's markets is becoming more pronounced. It's the second-largest weighting on the Nikkei 225 Stock Average after Fast Retailing Co., Limited as well as the second most valuable company in the country by market value. With Toyota having lost its crown as the world's most valuable automaker to Tesla, Inc. last summer, it may soon discover that SoftBank also outranks it in Japan too. While SoftBank's market value trails Toyota's 25.9 trillion yen valuation by around 4 trillion yen, that gap has narrowed by more than two-thirds in the past year.

SoftBank Group Corporation – Compass Inc., a SoftBank-backed company that's among the largest real estate brokerages in the U.S., filed for an initial public offering, disclosing growing revenue and shrinking losses. The New York-based start-up in its March 1 filling, listed the size of the offering as US$500 million, a placeholder that will change. Compass will disclose further details of the offering, including the size and target price range, in a later filing. The company lost $270 million on revenue of $3.7 billion last year, compared with a loss of $388 million on revenue of $2.4 billion in 2019, according to its filing. Last year, Compass was involved in residential real estate transactions totaling $152 billion -- or 4% of the U.S. market, according to the filing. While the coronavirus pandemic initially pushed Compass to lay off 15% of its workforce, it soon led to a sharp increase in housing market demand, as Americans sought larger living spaces for the work-from-home era. The housing boom boosted the stocks of companies like Zillow Group, Inc. and Redfin Corp., which both saw shares roughly triple in the past year. It also paved the way for Opendoor Technologies Inc. and Matterport, Inc. to go public through deals with blank-check companies. Compass was founded in 2012 by Robert Reffkin, a Goldman Sachs Group, Inc. alumnus who was once Gary Cohn's chief of staff at the bank, and by Ori Allon, an engineer who had sold previous startups to Google LLC and Twitter, Inc. After initially exploring different models, they wound up building a traditional brokerage that invested in tech designed to make agents better. They also spent liberally to poach agents from competitors and roll up smaller brokerages. By 2019, Compass had raised more than $1.5 billion in capital, including hundreds of millions of dollars from SoftBank's Vision Fund. The company, valued at the time at $6.4 billion, had also grown into the third-largest U.S. brokerage. Despite its fast growth, Compass's critics argued it was a traditional real estate brokerage that's valued like a tech company. Those voices were loud enough that the company's chief financial officer sent an eight-point memo to employees and agents in October 2019 detailing the ways the company differed from WeWork, the office real estate company whose initial public offering (IPO) plans had collapsed the previous month. Compass contends its technology offers agents better and more time-efficient ways to schedule meetings, design marketing materials and communicate with clients. The company has invested heavily in engineers to build artificial intelligence that pulls those tools together, arguing that its innovation is integration. Compass said in the filing that the value of its technology is demonstrated by a 19% increase in the number of transactions the company's agents close in their second year compared with their first. Compass agents also close homes faster than agents at competing firms, according to the filing. SoftBank-related funds own about 35% of the Class A shares of Compass, according to the filing. Reffkin, who has 2.4% of the Class A shares, currently owns all of the Class C shares. As much as 5% of the Class A shares in the IPO will be reserved for licensed real estate agents affiliated with Compass and certain individuals, according to the filing. The offering is being led by Goldman Sachs, Morgan Stanley and Barclays plc. Compass plans for its shares to trade on the New York Stock Exchange under the symbol COMP.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]
GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]
GO TO PORTLAND GLOBAL BALANCED FUND[1]

Costco Wholesale Corporation reported Q2 results: U.S. Same Store Sales (excludes foreign exchange) came in at +12.6% versus consensus of +11.1% and was an 440 basis points sequential deceleration from Q1. Core-on-core margins increased by +71 basis points in Q2, which was up from Q1 of +65 basis points as the company continues to see benefits from shrink in its fresh food business. Fuel was called out as a headwind as rising gas prices negatively impacted profitability. Membership fee income increased +8.0% (versus +7.1% in Q1) and renewal rates were roughly steady at 91% in the U.S./Canada and 88.5% globally. Adjusted EPS came in at US$2.55 (excludes 41 cents of COVID-19 premium wages), which was ahead of consensus at $2.45. Comparisons in February were running up low-17% for the first 3 weeks of the month before decelerating in the last week as Costco lapped tough compares from 2020. Comparisons were up ~20% in the last week of February 2020, which would imply a two-year stack of roughly +23%. Management noted that they incurred roughly $1.06 billion in COVID-19 costs over the last 12 months and 78% or $825 million of those costs were related to wages. The team mentioned that they expect to see COVID-19 costs reduced by "a little over one half" starting March 1st. Costco is expecting to open 13 new units in the second half of FY2021 with five located in the U.S., 3 in Canada and 5 overseas, which would imply roughly 21 new units for the full year. From a capital expenditure standpoint, the company is expecting to re-invest $3.0-3.2 billion.

National Grid PLC accepted all parts of the Office of Gas and Electricity Markets (OFGEM) (U.K. gas and electricity regulator) price controls, except the allowed cost of equity for the two transmission owners. The cost of equity will go to the Competition and Markets Authority (CMA) for a 6-month review, and this is unsurprising. The company has been allowed circa 4.24% (at 55% notional gearing) by OFGEM. It is higher, at 4.55% for the gas transmission, business, which has circa 60% notional gearing. This includes the first 25 basis points of outperformance is to be handed back through the 'outperformance wedge', so National Grid is really earning circa 25 basis points below this level. National Grid will therefore go to the CMA for a six-month review, with analysts' opining circa 4.82% without an 'outperformance wedge'. Meantime National Grid's decision to set a new dividend policy (essentially sustaining the base and growing by the Consumer Prices Index including owner-occupiers' housing costs) before the CMA outcome, seemingly avoids a disposal plan to keep the BBB+/Baa1 group credit rating and sustain the dividend. Instead National Grid will instead appear to run with a potential downgrade to BBB/Baa2 (group level). Analysts note that a stronger GBP/USD rate, potentially higher cost of equity form the CMA and potential for hybrid debt issuance (e.g. Ørsted A/S issued a green GBP hybrid at circa 2.5%) could still help maintain the rating. And with no obvious disposal plan announced, analysts view these developments positively for the firm to achieve higher returns on equity.

LIFE SCIENCES

Nothing significant to report.

ECONOMIC CONDITIONS

Canada - Statistics Canada put out its first estimate of Q4 GDP. The economy reportedly bounced back 9.6% annualized, significantly above consensus estimate of 7.3%. Domestic demand was relatively tepid compared to the headline in Q4 as household consumption (-0.4% quarter-over-quarter annualized) declined slightly, although residential investment (+18.4%) and non-residential investment (+4.2%) continued to grow after strong showings in Q3. Government spending also rose in the quarter (+6.2% quarter-over-quarter annualized). Trade, on the other hand, negatively impacted GDP as imports (+10.8%) increased at a faster pace than exports did (5.0%). Nominal GDP bounced back 14.3% annualized in the quarter following a 54.6% drop in Q3. Disposable income dropped 3.8% annualized in the quarter following a 15.7% decline in Q3 and the savings rates stayed in the double digits edging down from 13.7% to 12.7%. For full year 2020, GDP fell 5.4%, surpassing by a wide margin the previous record of 3.2% registered in 1982. Thanks to the above consensus surge in Q4, the second strongest among G-7 countries (after Japan), the Canadian economy now stands 3.2% short of pre-recession activity (Q4 2019). The performance in Q4 was not only way above consensus, it was double the forecast published by the Bank of Canada in early January (a 4.8% annualized rise was expected). In other words, this has been a good recovery thus far. It is worth noting that most of the increase in economic activity in Q4 stemmed from inventories which recorded a small accumulation in Q4 following large inventory drawdowns which were a drag on growth over the last three quarters. While consumption of services continues to be negatively impacted by social distancing measures, goods spending remained heathy in Q4 (up 4.6% compared to the pre-recession peak). Given the booming housing sector, residential construction continued to rise reaching record-high activity in Q4. On the other hand, business investment remained depressed with non-residential buildings falling 10.9% annualized reflecting weak demand for office buildings and shopping malls while machinery and equipment jumped 7.0%. Otherwise, trade was a drag on growth with exports rising 5.0% while imports jumped 10.8%. On a monthly basis, the economic rebound is likely to have extended into January – Statistics Canada advance estimate suggests production expanded another 0.5% in the month. This is good given that non-essential stores were closed for a large part of the month in Ontario and Quebec. While the next few months could be choppy as the pandemic is not expected to be under control in the short term and some social distancing measures could continue to put a brake on the recovery, the federal government reiterated its strong willingness to support households by extending generous benefits to workers negatively impacted by sanitary measures.

U.S. Nonfarm payrolls surged 379,000 in February, nearly twice the market's expectation, while the prior two months were revised up by a combined 38,000. The headline increase was held back by 86,000 net layoffs in the public sector, largely in state and local education. Private payrolls increased 465,000, the most since October. It was led by a 355,000 rebound in leisure and hospitality as dining and other restrictions were eased in several states. Apart from the big gain at restaurants, hotels and recreation also called back workers. Adding support were retailers, factories and health care. A 61,000 drop in construction was likely due to bad weather across parts of the nation and power outages in Texas, so a rebound is likely in March. The household survey also posted good news, printing another 208,000 jobs and trimming the unemployment rate a notch to 6.2%. The participation rate held steady, as did the U6 "all in" jobless rate at 11.1%.

U.S. stimulus package: the Senate passed President Biden's US$1.9 trillion stimulus bill. The bill now heads back to the House to approve the Senate's changes and then it heads to the President to be signed into law which will likely happen this week.

China is aiming for an economic growth rate above 6% in 2021, after scrapping its target last year. China's Premier Li Keqiang announced the target last week at the opening of this year's National People's Congress. The target marks a return to strong growth after the COVID-19 pandemic impacted the world's second largest economy. Although China's economy grew last year, it only managed 2.3% growth, its weakest result in decades. The new target highlights the Chinese economy's strong rebound after the pandemic shutdowns led to a sharp 6.8% contraction in the first quarter of 2020.

FINANCIAL CONDITIONS

China plans to strengthen the risk assessment procedures for financial innovation products, including by suspending the operation of some products, the government said last week in its development plan for 2021-2025. China will also step up the regulation of internet platforms and better identify monopolies to battle unfair competition, the plan said. China will also crack down on illegal financial activities over the next five years, improve the long-term mechanism for internet finance, and regulate the development of consumer finance, according to the plan. (source Reuters)

The U.S. 2 year/10 year treasury spread is now 1.45% 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 3.02%. 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 26.42 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And finally

"Whoever is winning at the moment will always seem to be invincible"
George Orwell

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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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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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