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NEWS HIGHLIGHTS

EST. 2007

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

MARCH 15, 2021

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 net worth reached US$100 billion last week, as investors drove the stock price for Berkshire Hathaway Inc. to a record level. Buffett's net worth, as measured by Forbes magazine, comes almost entirely from owning about one-sixth of Berkshire, a roughly $600 billion company. Berkshire's stock price has moved higher in March, passing $400,000 after the company said fourth-quarter operating results improved despite the COVID-19 pandemic, while gains in Apple Inc. and other stocks fuelled a $35.8 billion overall profit. The 90-year-old Buffett's net worth would be higher had he not in 2006 begun donating his Berkshire shares to the Bill & Melinda Gates Foundation and four family charities. Buffett had previously owned nearly one-third of Berkshire, and his donations have totalled more than $37 billion when they were made.

Danaher Corporation – Integrated DNA Technologies, Inc. (IDT), a leading comprehensive genomics solutions provider and a Danaher company, announced the acquisition of Swift Biosciences, a pioneer in the development of Next-Generation Sequencing (NGS) library preparation genomics kits for academic, translational, and clinical research. IDT is a leader in developing and manufacturing nucleic acid products for academic and commercial research, agriculture, medical diagnostics, pharmaceutical development and synthetic biology. Swift develops and commercializes NGS Library Prep Kits that maximize data output, provide comprehensive coverage, and reduce sequencing costs. "We have been impressed with the Swift products and organizational talent," said IDT President Trey Martin. "Swift's research tools are being used for cancer, inherited disease, and other health applications, as well as research in agrigenomics, metagenomics, and the biotech/pharmaceutical industry. Their broad portfolio of library preparation and enrichment products are highly complementary to IDT's existing NGS product line, giving us an increased ability to provide gold standard offerings to researchers and to be well positioned for future growth."

Facebook, Inc. plans to run more advertising on shorter videos, part of a broader push to attract popular social-media influencers and compete with TikTok. The Menlo Park, California-based company said ads will appear on clips as short as one minute. Previously, only videos at least three minutes long were eligible, according to a blog post on Thursday. Facebook is also expanding eligibility criteria to include popular creators who primarily record live or short videos. "We want to make sure that there is more content that can be monetized," said Yoav Arnstein, Facebook's director of product management. "We know that short-form video is becoming far more popular." Facebook takes 45% of the revenue from these ads, with the rest going to creators. The changes announced Thursday may help the company lure influencers who have thrived on other platforms that specialize in short-form video, such as Snap Inc.'s Snapchat and TikTok, which is owned by ByteDance Ltd. Facebook will also experiment with letting some creators make money from Facebook Stories, user-generated posts that disappear after 24 hours, with ad stickers laid on top, the company said. TikTok's surging popularity has kicked off a new battle for talented video creators, with social-media companies rushing to offer new ways to make money on their platforms. Last month, Twitter Inc. outlined a potential subscription product that will let people charge followers for access to special content or experience. Snap and TikTok have also been experimenting with direct payments to creators of popular content. Creators and businesses can also generate revenue through Facebook's subscription program, paid digital events, direct compensation from fans, and brand partnerships. The number of content creators earning US$10,000 a month from Facebooks programs grew 88% in 2020. Content creators pulling in $1,000 a month grew 94% during that period, according to the company.

Oracle Corporation – The world's second-largest software maker said revenue increased 3% in the fiscal third quarter while on a constant currency basis, sales were flat. The revenue forecast for the next quarter is of 1%-3% in constant currency. While cloud wins from SAP SE were impressive, total revenue is not accelerating at a material pace yet. Executive Chairman Larry Ellison and Chief Executive Officer Safra Catz have been trying to boost sales by turning to cloud-based software for services. Oracle said sales of its Fusion application for managing corporate finances climbed 30% in the period - a slower growth rate than the 33% reported in the fiscal second quarter. Revenue from NetSuite's financial software, targeted to small and mid-sized businesses, rose 24%, after a 21% gain in the previous period. Ellison devoted much of a conference call after the results were announced to an attack on rival SAP SE, listing companies that have totally or partly switched to Oracle from the German software company's products. He tallied more than 100 SAP customers who've made the move and said there are more. Oracle's emphasis on new software and cloud services hasn't yet spurred the kind of revenue increase anticipated by investors, who sent shares up 30% over the past month to a near record of US$72.12 at Wednesday's close. Small and medium-sized businesses and companies in industries most affected by the COVID-19 pandemic have restarted spending, according to a note from analysts at Cowen & Co., citing interviews with corporate sources. Still, Oracle was late to cloud computing and its services that compete with Amazon.com, Inc. and Microsoft Corp. lag behind in market share. In the period ending in May, Oracle said profit, excluding some items, would be $1.28 to $1.32 a share. Analysts, on average, estimated $1.28, according to data compiled by Bloomberg. Revenue will increase 5% to 7% in U.S. dollars, which would top analysts' projections for 4% growth. Minus help from currency fluctuations, the sales increase will be 1% to 3%, Oracle said. In the fiscal third quarter, which ended February 28, sales climbed to $10.1 billion. The reported revenue met the average of analyst estimates. Profit, excluding some items, was $1.16 a share. Analysts projected $1.11. The results marked the third straight quarter of year-over-year revenue growth after two consecutive fiscal years of declining sales. Revenue from cloud services and license support increased 5% to $7.25 billion. That metric includes sales from hosting customers' data in the cloud, but a large portion is generated by maintenance fees for traditional software kept on clients' corporate servers. Cloud license and on-premise license sales rose 4% to $1.28 billion. Analysts had expected $1.21 billion. Oracle also announced its board approved a $20 billion increase in share repurchases.

SoftBank Group Corporation – South Korean e-commerce giant Coupang Inc. rose 41% in its trading debut after delivering the biggest U.S. initial public offering since Uber Technologies Inc. Coupang, whose biggest backer is Japanese conglomerate SoftBank Group Corp., opened trading in New York Thursday at US$63.50 a share, an 81% jump from the price in its upsized US$4.6 billion Initial Public Offering (IPO) on Wednesday. That briefly gave the company a market value of more than $100 billion. The shares closed at $49.25, valuing Coupang at about $84 billion. The offering by Coupang further accelerated the pace of IPOs on U.S. exchanges this year, elevating the total raised to more than $114 billion, compared with $180 billion in all of last year, itself a record, according to data compiled by Bloomberg. Uber Technologies Inc., which raised $8.1 billion in its 2019 IPO, has a market value of US$110 billion. Coupang's IPO was also the biggest by any Asia-based company in New York since Alibaba Group Holding Ltd.'s US$25 billion listing in 2014, the biggest ever in the U.S. Coupang and its investors sold 130 million shares for $35 each in the IPO, after marketing them for $32 to $34 apiece. Late in the process, the selling stockholders increased the shares they were selling to 30 million from 20 million. The previous price range had been boosted from $27 to $30 earlier. In an unusual move, Coupang restricted access to its IPO to fewer than 100 investors, according to people familiar with the matter. The top 25 investors were allocated about 80% of the deal, the people said. Coupang's IPO also includes exceptions to the typical lockup period barring employees and previous investors from selling shares for six months or more. While Coupang's investors have agreed to a 180-day lock-up, that period is essentially shortened by the exceptions the company provided. Some employees can begin selling shares as soon as six days after the IPO as long as the company trades above its IPO price. Existing investors that are registered can sell a portion of their holdings in 12 days, providing the stock trades up at least 33% from the offer price of $35. SoftBank's stake in Coupang is now worth about $28 billion. In November 2018, SoftBank's Vision Fund invested $2 billion in the company in a deal that valued Coupang at $9 billion, people familiar with the matter said at the time. That funding followed $1 billion from SoftBank itself in 2015, valuing the startup at about $5 billion. Founded in 2010 by Kim, a Harvard University dropout, Coupang has grown into Korea's version of Amazon. Kim will continue to control the company because of the dual share structure that gives him about 77% of the voting rights, according to the company's filings. The company has aggressively expanded its delivery and logistics operations, putting 70% of the country's population within a seven-mile radius of its distribution centers, according to its prospectus filing. Coupang has also invested in new business lines like food delivery and streaming services.

DIVIDEND PAYERS

Nothing significant to report.

LIFE SCIENCES

Roche Holding AG to acquire GenMark Diagnostics, Inc. for US$1.8 billion at US$24.05 per share (43% premium). This agreed deal adds to Roche' Molecular Diagnostics portfolio with infectious disease syndromic panels and leverages Roche global reach. In our view, it is a sensible reinvestment of COVID-19 test profits.

Telix Pharmaceuticals Limited – S&P Dow Jones Indices announced the March 2021 quarterly rebalance of the S&P/ASX Indices, which included the addition of Telix Pharmaceutical as one of the members of the S&P/ASX 300 Index, effective prior to the open on March 22, 2021. The S&P/ASX 300 is designed to provide investors with broader exposure to the Australian equity market. The index is liquid and float-adjusted, and it measures up to 300 of Australia's largest securities by float-adjusted market capitalization. The S&P/ASX 300 index covers the large-cap, mid-cap, and small-cap components of the S&P/ASX Index Series. The index is designed to address investment managers' needs to benchmark against a broad opportunity set characterized by sufficient size and liquidity.

ECONOMIC CONDITIONS

Canada Employment increased 259 thousand in February according to the Labour Force Survey, much better than consensus expectations calling for a 75 thousand increase. This gain, combined with a stable participation rate (64.7%), translated into a sharp drop in the unemployment rate from 9.4% to 8.2%. Job gains in February were driven by workers in the private sector (+226 thousand) and public sector (+46 thousand) while self-employed (-12 thousand) posted a loss. Employment in the goods sector was essentially flat (+3 thousand) as gains in manufacturing (+8 thousand), construction (+7 thousand) and utilities (+2 thousand) were partially offset by declines in resources (-6 thousand) and agriculture (-9 thousand). Services-producing industries, for their part, surged 256 thousand jobs on sharp increases in trade (+122 thousand), accommodation/food services (+65 thousand), education (+29 thousand) and other services (+28 thousand) while finance (-6 thousand), information/recreation (-3 thousand) and public administration (-3 thousand) were down. Full time employment was up 88 thousand while the ranks of part-timers jumped by 171 thousand. On a regional basis, Quebec (+113 thousand) and Ontario (+100 thousand) saw the largest employment gains but Alberta (+17 thousand) and B.C. (+27 thousand) also posted pretty decent gains. On a 12-month basis, hourly earnings dropped from 5.9% to 4.0%. The poor streak of employment due to the second wave of COVID-19 ended in February as both Quebec and Ontario eased the measures put in place to bring the pandemic under control. Indeed, after a cumulative loss of 266 thousand over two months, the job gain in February means that 97% of these losses have been recovered. Another positive development in February was the strength of full-time jobs which have registered another gain in the month, extending to 10 months the current streak of consecutive gains. In our view, this bodes well for consumption and the housing sector.

Bank of Canada on the economy, notes the stronger-than-expected growth at end of 2020 but highlighted that it was led by “strong inventory accumulation”. Moreover, GDP growth in Q1 is now expected to be positive and improving foreign demand/higher commodity prices have brightened the business investment and export outlook. Meanwhile, the Bank acknowledged housing market activity has been much stronger than expected. Still, “despite the stronger near-term outlook, there is still considerable economic slack and a great deal of uncertainty about the evolution of the virus and the path of economic growth”. The Bank acknowledges the labour market is a long way from recovery while noting distributional impacts of the COVID-19 pandemic. Finally, the Bank believes inflation could rise to the top of the 1-3 percent target band but the Bank expects this to be temporary, reflecting base-year effects.

U.S. Inflation Data - Consumer prices rose 0.4% in February, the largest monthly gain since August thanks to energy’s 3.9% jump, the biggest since last May. Meantime, food costs were up a much more modest 0.2%. Core prices were extremely sedate, up just 0.1%, not straying far from the average over the past half year or so. Clothing prices fell for the first time in four months, down 0.7%, while housing and recreation services saw upward price pressures. Hospital and related services surged 1%, the most since the early 1980s.

FINANCIAL CONDITIONS

Bank of Canada opted to keep its main policy rate at the effective lower bound of 0.25% - a decision fully expected by the forecasting community. The Bank also left its forward guidance on the policy rate largely unchanged: “We remain committed to holding the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2 percent inflation target is sustainably achieved. In the Bank’s January projection, this does not happen until into 2023.” The Bank’s quantitative easing (QE) program (the Government of Canada Bond Purchase Program) will be left unchanged at “at least $4 billion per week” and will continue until “the recovery is well underway”. The pace of purchases will be adjusted as required “as the Governing Council continues to gain confidence in the strength of the recovery”. This language around the QE program is almost identical to what was in the January statement.

The European Central Bank (ECB) is clearly not pleased with the backup in yields over the past few weeks. Although the press release was essentially unchanged, one key line was added to paragraph one: “Based on a joint assessment of financing conditions and the inflation outlook, the Governing Council expects purchases under the PEPP (Pandemic Emergency Purchase Programme) over the next quarter to be conducted at a significantly higher pace than during the first months of this year.” No number or euro amount was assigned to define “significantly”, and there is no point in time that the ECB wants to return to (December was an example that was brought up). “We are not doing yield curve control, if that’s what you’re angling at; we’re not looking at any segment of the curve.” But the ECB will be deciding on this pickup in purchases each quarter, which just so happens to coincide with the new forecasts. They are not committing to a longer time horizon. The goal is to preserve favourable financing conditions. Full stop. In any event, that one new line inserted in the press statement sent yields sharply lower. Mission accomplished. The rest was as expected: (i) Key rates: No change at all. The refi rate (0.00%), marginal lending facility (0.25%) and the deposit facility -0.50%) will remain there (or lower) until inflation “robustly converges” to something close to, but below, 2%; (ii) PEPP: No change at all. The €1.85 trillion Pandemic Emergency Purchase Programme will be used until at least the end of March 2022, or until it is judged that the health crisis is over. It’ll be used with flexibility (over time, across asset classes, jurisdictions). It may not all be used. Or, it can be “recalibrated” if more is needed; (iii) The Asset Purchase Programme: No change at all. The Asset Purchase Programme will continue at the €20 billion per month pace for as long as necessary; and (iv) Refinancing operations: Lots of liquidity will still be made availability through these operations.

The U.S. 2 year/10 year treasury spread is now 1.46% and the U.K.’s 2 year/10 year treasury spread is 0.73%. 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 3.05%. 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 21.51 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally

"People are trying to be smart - all I'm trying to do is not be idiotic, but it's harder than most people think." ~Charlie Munger

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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

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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