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NEWS HIGHLIGHTS

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

MARCH 22, 2021

OWNER OPERATED COMPANIES

Ares Management Corporation announced the final closing of its Ares Pathfinder Fund, L.P. With US$3.7 billion in total commitments closed, the fund was significantly oversubscribed at its hard cap and exceeded its original target of $2.0 billion. Ares Pathfinder is managed by Ares' Alternative Credit team, which pursues a differentiated strategy of providing tailored financial solutions for owners of large, diversified portfolios of assets that generate predictable and contractual cash flows throughout market cycles. Pathfinder is the team's flagship global fund that invests in alternative credit assets that are often sourced in the financing gaps found between the credit, private equity and real estate sectors. As of December 31, 2020, the Ares Alternative Credit strategy managed approximately$13 billion in assets under management across more than 25 funds and has a dedicated team of approximately 40 investment professionals. Pathfinder also has a unique social impact purpose. Ares Management Corporation and Ares Pathfinder's portfolio managers have committed to donating at least 10% of the Fund's carried interest profits to global health and education charities. Ares Pathfinder attracted strong interest from over 80 global investors with representation across North America, Europe, Asia, Australia and the Middle East diversified by type across public and corporate pension funds, sovereign wealth funds, insurance companies, endowments and foundations, family offices and asset managers. The Fund was well-received by new and existing clients of Ares Management Corporation, with approximately 34% of commitments representing new investors to Ares Management Corporation.

Facebook, Inc. shares rallied on Friday, with the stock extending a recent advance after, Chief Executive Officer Mark Zuckerberg, downplayed the risk that the social-media company could see as a result of an upcoming change to Apple Inc.'s privacy policies. "I'm confident that we're gonna be able to manage through that situation," he said in an interview on Josh Constine's PressClub Clubhouse room. "We'll be in a good position. I think it's possible that we may even be in a stronger position." The stock rose as much as 5.1% and was on track for its biggest one-day percentage gain since November 2020. The stock also touched its highest intraday level since November 2020. The concern is regarding a code linked to Apple devices known as "Identification for Advertisers", which companies like Facebook use to target users and track the performance of ads. An upcoming update to Apple's iOS 14 operating system, which will be rolled out in early spring, will require device users to opt into sharing information to developers. Investors have been concerned that this change may diminish Facebook's ability to serve ads to this sought-after category of consumers, as a result the stock has struggled to advance in the wake of this issue. The stock is about 5% below the record hit on August 26, the same day Facebook published a blog post where it warned about the impact Apple's changes would have on its targeted advertising business. At a conference earlier this month, Facebook Chief Financial Officer Dave Wehner said there was "significant uncertainty as to what the opt-in rates are going to be," and that the policy change is "going to be a challenge in a variety of places." Zuckerberg's comments seemed to diminish how much of a risk Apple's change could represent to revenue. "Facebook generally overstates the challenges it faces, not understates," said Ryan Jacob, manager of the Jacob Internet Fund, which owns the stock. "If Facebook is saying this is more of a speed-bump than a hurdle that would be encouraging." Separately, Morgan Stanley touted Facebook's potential within e-commerce, noting that more than 250 million monthly active users were using Facebook's Shops feature. "This traction speaks to the multi-year optionality FB's platform has to continue to drive outsized growth," the firm wrote to clients.

Pershing Square Holdings, Limited – Billionaire hedge fund investor William Ackman said he donated 26.5 million shares in newly public South Korean e-commerce giant Coupang, Inc. to three entities, including his foundation. The donation is valued at US$1.36 billion, calculated at Coupang's current share price of $51.4. Coupang, backed by SoftBank Group Corporation, was valued at around $109 billion in its market debut after it raised around $4.6 billion in the biggest U.S. initial public offering this year. Since Ackman established the Pershing Square Foundation in 2006, it has committed more than $400 million in grants and social investments.

Reliance Industries Limited - An Indian court has halted implementation of a ruling that froze assets of Future Retail Limited. and its founders on a petition by Amazon.com, Inc. The American giant wants to block the sale of the retailer to Mukesh Ambani's Reliance Industries Ltd. The Delhi High Court on Monday March 22, stayed the March 18 verdict that had ordered Future Retail to ask regulators to withdraw approvals for the deal. Amazon will petition the Supreme Court to seek implementation of the ruling, explained Gopal Subramanium, the company's lawyer, during the hearing. In an earlier hearing, the Supreme Court ruled that the companies will not receive final approval for the deal until the legal proceedings are complete. Future Retail lawyer's agreed to this stipulation as noted on Monday. These hearings prolong the battle for dominance of India's vast retail market. Future Retail's shares rose 6% as of 12:40 p.m. in Mumbai while the benchmark index dropped by 1%.

SoftBank Group Corporation – Chinese ride-hailing company Didi Chuxing Technology Co. is accelerating plans for an initial public offering (IPO) as early as next quarter to capitalize on a post-pandemic turnaround, explained people familiar with its plans. Didi, the largest investment in SoftBank Group Corp's portfolio, is targeting a valuation above the US$62 billion it secured during its last funding round, the people said, asking not to be identified discussing an internal matter. The company moved up plans from a previous target of late 2021 after its Uber-like car-hailing business bounced back with China's success in bringing COVID-19 under control. Based on a common 15% float for mega IPOs in Hong Kong, one potential venue, Didi could raise roughly $9 billion in what would be one of the largest tech debuts globally in 2021. The company hasn't made a final decision on the listing location, one person said. Didi's plans remain preliminary and the timing could still slip till later in the year depending on negotiations. An IPO would cap a remarkable turnaround for a company that ran afoul of first regulators and then COVID-19. It hopes to tap the same investor enthusiasm that propelled tech debuts this year from China's video service Kuaishou Technology Co., Ltd. to South Korean e-commerce pioneer Coupang,Inc. Didi president Jean Liu said last year the company's core business had already begun making small profits. Daily rides and revenue have surpassed pre-pandemic levels and are now at record high, the people said. "Didi doesn't comment on market speculation and doesn't have a definite IPO plan or timeline," the company said in a statement. The company is looking for capital to expand into online commerce and bankroll a major foray into Europe, where it must compete with Uber Technologies Inc., Didi, which remains the dominant player in China, despite competition from the likes of Dida Inc., is also looking to leverage that lead to expand into adjacent arenas from autonomous driving to electric vehicles. Dida filed for a Hong Kong listing last year. Founded by former Alibaba Group Holdings Ltd. staffer Cheng Wei in 2012, Didi clashed with Uber in China for years until its American rival retreated in 2016, selling its operation in the country to its local rival. Didi secured a near monopoly, but then suffered a series of blows to its business and reputation. In 2018, a pair of murders committed by contracted drivers spurred a regulatory investigation into its ability to police a vast network used by hundreds of millions. Its shares traded at a 40% discount to its last valuation - even before the pandemic erupted and knee-capped its business. Didi's stock is trading in the secondary market at about $43 to $49 per share currently, just below the $51 that SoftBank bought in t before the government probe, explained one of the people backed by Tencent Holdings Ltd., Didi now operates in 14 countries outside its home base, mostly in Latin America. In August, it began offering car-hailing services in Russia, marking its first direct foray into Europe, and it's already an investor in Estonia-based Bolt Technology OU, the continent's main rival to Uber. Its debut would hand another triumph to SoftBank and founder Masayoshi Son, who has profited from a number of high-profile debuts in recent months including Coupang and DoorDash Inc. The Japanese billionaire made ride-hailing the cornerstone of his start-up portfolio, investing more than $20 billion in Uber, Didi, Southeast Asia's Grab Holdings Inc. and India's Ola Cabs. Uber, which SoftBank remains as the largest shareholder, is an example of how investor sentiment has changed over the past year. The U.S. ride-hailing giant saw its shares plummet early last year, but they have since surged several fold on the prospects of an economic recovery. Son has profited from the market's recovery and is riding a wave of IPOs from his portfolio. Still to come may be Chinese social media giant ByteDance Ltd., valued at an estimated $180 billion, and Indonesia's Tokopedia. Son invested more than $10 billion in Didi, according to one of the people.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

National Grid plc announced it has agreed to buy Western Power Distribution (WPD), PPL Corporation's U.K. electricity distribution grids, for a circa 67% premium to March 2021 Regulated Asset Base (RAB) and is selling The Narragansett Electric Company (Rhode Island distribution and some transmission assets in the U.S.) to PPL to help fund it, as well as launching a sale process for U.K. gas transmission. Analysts assume the deal values WPD on a circa 67% premium to March 2021 RAB, or 11.5x EV/EBITDA (enterprise value to EBITDA), based on publicly available information disclosed by National Grid and OfGEM (The Office of Gas and Electricity Markets). The Rhode Island assets are on a circa 100% premium to rate base, or circa 32x P/E (price-to-earnings). In order to keep the enterprise value flat (i.e. to justify paying the multiple) National Grid would need to achieve a circa 60% RAB premium on the sale of 100% of Gas Transmission. The deal tilts National Grid's enterprise value back towards the UK. It also means that the fraction of EV in gas would fall from circa 39% of EV to around circa 25-30% of EV. The business would be more focused upon the electrification and net zero in the U.K., and its grids will not be facilitating as much carbon dioxide emission, which we believe to be a higher growth area. National Grid sold most of its U.K. gas distribution business in 2016 for a circa 48% premium to RAB, and is buying a similar size business for a higher premium, so there may be concern on how quickly National Grid is rotating assets.

LIFE SCIENCES

Roche Holding AG announced positive data from the IMpower010 phase 3 study for Tecentriq® in adjuvant (early stage, surgically removed) non-small cell lung cancer (NSCLC), following surgery and chemotherapy. The data hit the primary endpoint of Disease Free Survival (DFS) at an interim analysis. The press release notes that the trial was positive in the total randomized Stage 2 to 3A patient population but that the magnitude of the DFS benefit was particularly pronounced in the PD-L1 positive biomarker group. The data is seen as clearly positive in the Stage 2 to 3A patient population.

ECONOMIC CONDITIONS

Canada's consumer price index rose 0.5% month-over-month in February (not seasonally adjusted), two ticks below consensus expectations calling for a stronger print (+0.7%). In seasonally adjusted terms, headline prices advanced 0.1% on gains for transportation (+0.9%), shelter (+0.3%), food (+0.3%), alcoholic beverages/tobacco/cannabis (+0.3%) and health/personal care (+0.1%). Alternatively, the three categories which declined in the month were recreation/education/reading (-2.3%), household operations/furnishing (-0.6%) and clothing/footwear (-0.4%). Year on year, headline inflation rose 1 ticks to 1.1%. On a regional basis, the headline annual inflation rate was above the national average in Quebec (+1.6%). It was in-line in Ontario (+1.1%) while it was below in British Columbia (+0.9%) and Alberta (+0.6%). The Bank of Canada's three core inflation measures on a year-on-year basis were as follows: CPI-common at 1.3% (unchanged), CPI-trim at 2.0% (unchanged) and CPI-median at 1.9% (unchanged). According to analysts', inflation should accelerate in the coming months as sanitary measures are relaxed and due to a positive base effect. Moreover, government aid programs should remain until vaccination's can usher in a return to normal to continue to create artificial labour shortages. Commodity prices, including food (a heavyweight in the basket), have also risen which could affect the purchasing power of Canadian consumers in the months ahead. Supply chain disruptions which are currently are pushing inflation upwards could continue for some time, offsetting other downward pressures.

Canadian retail sales fell for a second consecutive month in January as many non-essential retailers were forced to restrict in-person shopping owing to the pandemic, but early indications could point to a rebound in February as the restrictions eased. Statistics Canada stated that retail sales fell 1.1% to CA$52.5-billion for the first month of the year, but its preliminary February estimate pointed to a gain of 4.0% for the month. Recent economic data has suggested a stronger-than-expected start to the year. Statistics Canada reported last week that the economy added 259,000 jobs in February, outpacing the net gain of 75,000 jobs that had been expected. The Bank of Canada said earlier this month that it now expects the economy to grow in the first quarter compared to its earlier expectation that there would be a contraction to start the year. The drop in January retail sales came as core retail sales – which excludes gas stations and motor vehicle and parts dealers – fell 1.4%. (source : Globe & Mail)

U.S. Retail sales fell 3.0% in February, but **the prior month's increase was revised even higher to 7.6%** (from 5.3% previously), leaving the yearly level up 6.3%. The control measure (ex-autos, gas stations and building materials) that feeds into personal spending fell 3.5% after an upwardly-revised 8.7% spurt in January (from 6.0% previously) - which is a 2.7% upward adjustment in growth. In addition, given the increase in sales expected in March due to the latest (and greatest) round of rebate cheques, **real consumer spending could easily top 6% annualized in Q1**, and we could even see a double-digit gain in Q2 according to the analysts. The drop in February sales reflected a partial payback in most areas from January's big increase, including autos, furnishings, clothing, building materials, and food services (which are still down 17% year-over-year despite easing restrictions). Even non-store sales and sporting goods/books/hobbies retreated, though they are still up 26% and 15% year-over-year. The main offset came from higher gasoline prices.

U.S. housing starts decreased 10.3% in February, 2x expectations, to 1.421 million units annualized, the lowest level since August. Also, revisions over the past two months were, on net, downward. **Singles** tumbled for the second month in a row, while **condos/townhomes** erased most of the prior month's gains. On a regional basis, three of the four corners of the country saw fewer starts, with the exception of the **West**. **Building permits** fell 10.8% in February, also worse than expected, to 1.682 million units annualized, the lowest since November. The regional picture was similar to start, with fewer permits granted to three of the four areas. Only the **Midwest** saw a modest pickup. According to the analysts', this big decline in housing starts and permits is temporary. It was all weather-related. The housing sector is still thriving from the Work From Home movement. Homebuilder confidence remains elevated, particularly as super-low inventories of existing homes for sale are pushing prospective homebuyers into the newly constructed market.

U.S. industrial production fell 2.2% in February, which was worse than expected. There were revisions that were, on net, lower. January was revised higher, from +0.9% to +1.1% (which is small compared to the large upward revisions seen in the retail sales report), while December's 1.3% gain was trimmed to +1.0%. Expectations for headline production were varied given the extreme weather conditions around the country. In addition, the extreme weather pumped up the demand for utilities by 7.4%, the biggest gain since the Nor'easter of March 2017. Excluding utilities, the headline would have been worse at -2.9% as the other two components also took a step back in February. **Manufacturing** (which accounts for a big 75% of the total) fell 3.1%, the first drop since the pandemic hit last spring. And, much of the decline can be blamed on, not demand issues, but supply issues. Production of motor vehicles and parts were down a steep 8.3% as many automakers continued to slow output due to shortages of chips and labour. Mining was also impacted by the extreme weather; the sector, which comprises 12% of the total, dropped 5.4%. Despite slower production, factories had a little less room to maneuver, capacity utilization slipped 1.7 percentage points a 4-month low of 73.8%, while manufacturing capacity usage fell 2.3 percentage points to 72.9%.

FINANCIAL CONDITIONS

In the Federal Reserve's Open Markets Committee (FOMC) policy statement there were no changes to the Federal Funds Target Range or the pace of asset purchases, nor the forward guidance on either front, as expected. The 0%-to-0.25% range will be maintained "until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time". Monthly purchases of at least US$80 billion Treasuries and $40 billion

Mortgage Backed Securities will be maintained "until substantial further progress has been made toward the Committee's maximum employment and price stability goals". The statement mentioned that "economic activity and employment have turned up recently" but there were no other meaningful changes. In the Summary of Economic Projections (SEP) the median forecasts for 2021 were upgraded significantly from where they stood three months ago (thanks to the Consolidated Appropriations Act and American Rescue Plan Act passed during the interim). Real GDP growth is now 6.5% versus 4.2%, the jobless rate is 4.5% versus. 5.0%, along with total PCE (personal consumption expenditures) inflation at 2.4% and core inflation at 2.2% versus 1.8% for both before. The jobless rate ends 2023 at 3.5% versus 3.7% before with total and core inflation at 2.1% versus 2.0% before. The 2023 endpoint appears to be converging on the Federal Open Market Committee's (FOMC's) rate hike criteria, but not in a convincing enough fashion to sway policymakers' projections for the Federal Funds Target. In the dot plot, only 7 of 18 participants penciled in at least one rate hike by the end of 2023 (versus 5 of 17 before), with four in 2022 (versus only one). We believe, it will take two more participants changing their no-move calls to turn the dial on the median rate forecast for 2023. In summary the FOMC likely has to see further progress towards its goals in the data on the ground before the vast majority of policymakers might be prepared to signal rate hikes in their projections.

The Bank of England (BOE) members voted unanimously to maintain the current benchmark rate at 0.1% and hold asset purchases at 875 billion pounds. The central bank has 150 billion of assets purchased lined up for this year and says it will taper weekly purchases later in the year to ensure the bond buying stretches until the end of December. Governor Bailey has previously mentioned that he favours reducing the BOE's balance sheet first, before hiking rates. However markets will be looking for any guidance that purchase unwinds will not happen until the bank rate has reached 1.5%. So far, it looks like the BOE is keeping to a steady as it goes policy. The next May 6 meeting should be more interesting as lockdowns have ended, spending should be on the rise and higher inflation expectations will test the BOE's resolve.

The Bank of Japan (BoJ) left its policy balance rate at -0.1%, 10 year yield target at 0% and forward guidance unchanged as expected but announced tweaks in its long awaited policy review. The BoJ revealed a range of 25 basis points either side of the 0% target rate for 10 year Japan Government Bond (JGB) yields compared to an assumed 20 basis points currently. This will allow a little more volatility and likely improve JGB market functioning marginally. Additionally, BoJ removed its annual exchange traded fund (ETF) purchase target of Japanese Yen (JPY) 6 trillion, while keeping its ceiling at JPY 12 trillion, allowing more flexibility for the Bank given the limited need to prop up Japanese equities at present. The BoJ also said it will only buy ETFs tracking the Tokyo Stock Price Index (TOPIX).

The Central Bank of Brazil (BCB) raised rates by +75 basis points to 2.75%, which was ahead of consensus expectations of +50 basis points increase. The BCB also signaled for the next meeting, another hike of the same magnitude (+75 basis points); therefore the +150 basis points signaled cumulatively by May, is also more than had been expected.

The U.S. 2 year/10 year treasury spread is now 1.53% and the U.K.'s 2 year/10 year treasury spread is 0.74%. 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 could be an early warning of an economic slowdown.

The U.S. 30 year mortgage market rate has increased to 3.09%. 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. We consider a more normal range of 4-7 months.

The VIX (volatility index) is 20.67 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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1.Not all of the funds shown are necessarily invested in the companies listed

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