JULY 19, 2021

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OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

PORTLAND 15 OF 15 ALTERNATIVE FUND COMPANY NEWS

Pershing Square Holdings Ltd. ("Pershing Square") – Billionaire investor Bill Ackman will buy up to 10% of Vivendi's Universal Music Group through his main hedge fund, rather than a special purpose acquisition company ("SPAC"), after investors and regulators questioned his use of a SPAC. The investment comes ahead of a plan to list and spin-off 60% of Universal Music Group ("Universal") to Vivendi SE ("Vivendi") shareholders, as the French group, controlled by tycoon Vincent Bollore, cashes in on the streaming boom and the lure of stars such as Taylor Swift. The transaction has attracted big investors including China's Tencent Holdings Limited but Ackman's decision to use a SPAC to buy a minority stake raised eyebrows from the get go, after deviating from the usual investment pattern for such vehicles. Ackman had described Universal as an "incredibly iconic, super durable business", and his investment had valued the music label group at 35 billion euros (US$41 billion) including debt. The overhaul is a blow to the biggest ever SPAC, after Perishing Square Tontine Holdings Ltd. raised $4 billion in an initial public offering (IPO) last summer. It said it now had 18 months to find another target, or it has to return funds to its investors. Vivendi said in a separate statement that Pershing Square's investment would likely amount to between 5% and 10% of Universal's capital, adding it would open it to other investors to make up the shortfall were it less than 10%.

Stryker Corporation ("Stryker") –announced today the U.S. Food and Drug Administration ("FDA") clearance of the first balloon implant for arthroscopic treatment of massive irreparable rotator cuff tears (MIRCTs). InSpace provides a new option for surgeons in their shoulder continuum of care that allows them to better meet the needs of their patients. This ground-breaking technology was acquired from OrthoSpace, Ltd. in 2019 and is the first of its kind in the U.S. market. The InSpace balloon implant has a long successful clinical history of over 10 years and 29,000 balloons implanted outside of the U.S., as well as the Level I study conducted across North America. "Current strategies treating massive irreparable rotator cuff tears often present a challenge to surgeons and may require long and frustrating rehabilitation processes for patients," the lead investigator said in the clinical study, Dr. Nikhil Verma, M.D. "The results of the study demonstrate the InSpace balloon is a 'game-changer' and presents a shorter, less invasive option that may enable sustained, clinically meaningful improvements in shoulder function and symptoms." The InSpace balloon implant is designed to restore the subacromial space without requiring sutures or fixation devices and has been demonstrated to improve shoulder motion and function. "We are extremely excited about the clearance of InSpace because it provides a new surgical option for surgeons to address their unmet MIRCT needs in the shoulder continuum of care," said Matt Moreau, Stryker's Sports Medicine Vice President and General Manager. "We are committed to the advancement of shoulder arthroscopy, and InSpace offers a unique opportunity for us to better partner with our customers on their clinical objectives to improve patient outcomes around a very challenging pathology in the shoulder."

SoftBank Group Corp. ("SoftBank") – Paytm, the Indian digital payments pioneer backed by SoftBank is seeking approval for a US$2.2 billion initial public offering that could be India's largest. The start-up is also backed by Berkshire Hathaway Inc. and Jack Ma's Ant Group Co. plans to raise as much as 166 billion rupees ($2.2 billion) from its share sale. The IPO will include an equal amount of new and secondary shares, according to a Draft Red Herring Prospectus filed with the regulator on Friday. Formally called One97 Communications Ltd., Paytm hopes to tap the same strong investor demand that's propping up fellow unicorn Zomato Ltd.'s hugely popular share sale. This is despite the company reporting on Friday a 10% drop in revenue during the year ending March 2021, after intensifying competition from Walmart Inc.'s Flipkart and Amazon.com Inc. cut its e-commerce and cloud sales by the same amount. Its core payment and financial services arm, however, grew 11%. Paytm hopes to capitalize on the rising popularity among investors of internet-based consumer companies, after the pandemic fueled the worldwide adoption of digital technologies. According to individuals with knowledge of the matter, Blackrock Inc. and Fidelity International Ltd. were among the dozens of anchor investors that piled into Zomato's float, resulting in the company receiving about 35 times more bids than it had expected to sell. Paytm, led by founder and Chief Executive Officer Vijay Shekhar Sharma, has been focusing on ramping up revenue and monetizing its services over the past year. It's expanded beyond digital payments into banking, credit cards, financial services, wealth management and digital wallets. It also supports India's financial payments backbone, the Unified Payments Interface ("UPI"). Its Paytm Mall, however, has in past years steadily ceded share to Flipkart and Amazon, which are aggressively courting merchants and buyers. In Fintech, Paytm has fended off stiff competition from a swath of global players including Walmart-owned PhonePe, Google Pay, Amazon Pay as well as Facebook Inc.'s WhatsApp Pay. It still has the biggest market share of India's merchant payments, with over 20 million merchant partners in its network. Its users make 1.4 billion monthly transactions, according to the numbers in a recent company blogpost.

SoftBank - SoftBank Group Corp.'s Vision Fund II is investing approximately US$1.7 billion in Yanolja Co., Ltd. ("Yanolja"), giving South Korea's largest travel app extra capital ahead of an IPO. The Seoul-based start-up said that it plans to use the money to expand geographically and push efforts to bring digital technologies to the travel and hospitality industry. The deal will boost Yanolja's valuation to more than 10 trillion won (US$9 billion), according to people familiar with the matter. The company declined to comment on the latest valuation and the amount of stake that SoftBank will acquire. SoftBank founder Masayoshi Son has been expanding his investments in South Korea, a strategy that paid off as Coupang Inc. pulled off the country's largest IPO in more than a decade. The e-commerce giant helped SoftBank post the highest profit ever for a Japanese company in May, and paved the way for a wave of Korean start-up debuts from PUBG-developer Krafton Inc. to Kakao Pay. Shares of Yanolja's investor SBI Investment Korea Co., Ltd. soared 13% in Seoul, while another investor, AJU IB Investment Co., Ltd., gained 5.3%. Yanolja, founded by former motel manager Lee Su-jin in 2005 originally as a short-stay hotel-booking service, is hoping to tap resurgent interest in Korea's tech scene. SoftBank's Vision Fund invested US$2.7 billion in Coupang and the value of that stake in the e-commerce company grew more than 10 times to $28 billion at the end of March after the IPO. Yanolja has considered a dual listing in Seoul and overseas, and it announced in November its selected Mirae Asset Daewoo Co., Ltd. as a lead arranger along with Samsung Securities Co., Ltd. as a co-underwriter with a goal to go public this year. The start-up, which is also the world's largest property management software provider after Oracle Corp., is still exploring options and the size and location of its IPO haven't been finalized. Backed by Singaporean sovereign wealth fund GIC PTE and Booking Holdings Inc., Yanolja has been expanding its business to include leisure activities and transport along with hotel bookings. With its acquisition of Indian lodgings management platform eZee Technosys in 2019, the startup says it is now the world's largest cloud-based hotel management solution provider. Despite Covid-19 lockdowns, it reported a 44% increase in sales and a 16.1 billion won profit for 2020.

Reliance Industries Ltd. ("Reliance") –will buy a controlling stake in local search engine and e-commerce marketplace, Just Dial Ltd. ("Just Dial"), for as much as 57.2 billion rupees (US$767 million) as Mukesh Ambani's conglomerate looks to bolster its digital offerings. Reliance plans to acquire 66.95% stake in Just Dial through its arm, Reliance Retail Ventures Ltd. ("Reliance Retail") It will use a combination of preferential allotment, a secondary purchase from founder V.S.S. Mani and an open offer for up to 26%. The first two will cost 35 billion rupees and the open offer will be as much as 22.2 billion rupees. Just Dial's board Friday approved the preferential issue of 21.2 million shares at 1,022.25 rupees each to Reliance Retail for aggregate 21.6 billion rupees in cash. The purchase price represents a 4.7% discount to the company's last closing price of 1,072.70 rupees per share, according to the data compiled by Bloomberg show. Further, Reliance Retail will acquire 13.1 million shares from Mani at a price of 1,020 rupees and will also make an open offer to investors at 1,022.25 rupees a share, according to exchange filings. The latest transaction gives Reliance a foothold in the gig economy and adds to its bouquet of digital offerings, which includes online retail, music, video streaming, gaming and financial services. Reliance, which raised more than US$30 billion by selling stakes in its digital and retail units last year, has been aggressively acquiring local firms to take on rivals such as Amazon.com Inc. and Walmart-owned Flipkart in a bid to dominate India's booming e-commerce sector. Reliance group acquired a majority holding in Urban Ladder, an online furniture seller, in November following stake purchases in Zivame, a lingerie maker, and Netmed Inc., a digital pharmacy. Established in 1996, Just Dial began by offering users a simple phone search service where users called to locate the nearest hairdresser, handyman to install a TV or florist to deliver a bouquet. It now offers local information and buying options for everything from catering to dance classes and electronics repair shops. Just Dial's shares have rallied 65% this year. It offers services in more than 250 Indian cities and claims to have a database of 30.4 million listings as of March 31, 2021, according to its website. It provides information across platforms that include a website, mobile apps, texts and phone. As Reliance's telecom firm gears up to sell its much-awaited budget smartphone, co-developed with Alphabet Inc.'s Google, apps like Just Dial will come in handy to lure buyers. Many of these apps are expected to be pre-loaded into this affordable 4G device that will debut in India on September 10, 2021. Mani will continue to be the managing director and chief executive of the company after the transaction.

Samsung Electronics Co., Ltd. ("Samsung") – is considering a second location in Texas for its envisioned $17 billion U.S. semiconductor plant, a signature project that could address U.S. concerns about chip security while expanding its own capabilities. The Korean company is exploring another 6 million square-foot site apart from a previously disclosed expansion of its Austin base, according to the documents filed with local government. If it goes ahead, Samsung will begin construction at the Williamson Country site around the first quarter of 2022, with targeted production by the final three months of 2024. Samsung is weighing options for 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 ("TSMC"). The company had been in discussions to locate a facility in Austin, Texas, capable of fabricating chips as advanced as three nanometers, according to people familiar with the matter. Dubbed Project Silicon Silver, that plan included adding about 7 million square feet of new space to the Austin campus, where the company has operated for decades. It called for an investment of approximately US$17 billion and the creation of about 1,800 jobs over the first ten years, according to an economic impact study prepared by a local consultant. Those objectives were echoed in the filing made public recently for Williamson County, which is just north of Austin. In a January filing, the company detailed a timeline for the Austin project that spanned breaking ground in the second quarter of 2021 with production up and running by the fourth quarter of 2023. It's also evaluating alternative sites in Arizona and New York, as well as in South Korea. Samsung is taking advantage of a concerted U.S. government effort to counter China's rising economic prowess and lure back home some of the advanced manufacturing that over the past decades has gravitated toward Asia. The hope is that such production bases in the U.S. will galvanize local businesses and support American industry and chip design. Intel Corporation's troubles ramping up on technology and its potential reliance in the future on TSMC and Samsung for at least some of its chipmaking only underscored the extent to which Asian giants have forged ahead in recent years. If Samsung goes ahead, it would effectively go head-to-head on American soil with TSMC, which is on track to build its own $12 billion chip plant in Arizona by 2024. Samsung is trying to catch TSMC in the so-called foundry business of making chips for the world's corporations, a particularly pivotal capability given a deepening shortage of semiconductors in recent weeks. Samsung wants to be the biggest player in the $400 billion chip industry. It plans to invest $151 billion through 2030 into its foundry and chip design businesses, aiming to catch TSMC by offering chips made using 3-nanometer technology in 2022.

DIVIDEND PAYERS

Citigroup Inc. reported an EPS of US$2.85 for the second quarter of 2021. Consensus was $1.99. It had a $2.4 billion loan loss reserve release down from $3.9 billion in the first quarter of 2021. The reserve release was driven by improvements in portfolio quality, as well as the continued improvement in the macroeconomic outlook. Its reserve/loan ratio declined 41 basis points to 2.88%. It booked a $37 million loss on loan hedges, $13 million in impairment losses and a $137 million realized gains on investments. In addition, its tax rate includes certain tax benefit items related to non-U.S. operations (EPS would have been ~$0.25 lower if its tax rate was unchanged with 2021 first quarter). Revenues declined 12% year-over-year and decreased 10% linked quarter to $17.5 billion (consensus $17.3 billion). On a year-over-year basis, foreign exchange (FX) translation added $0.3 billion to revenues, $0.3 billion to expenses and $0.2 billion to credit costs (net $0.1 billion drag). Tangible book increased 3.1% to $77.87 (0.9x). It posted a 13.0% Return On Equity and 15.2% Return On Tangible Common Equity. Its Core Equity Tier 1 ratio was 11.9% (+10 basis points). It repurchased 40 million shares, the maximum allowed. Average diluted shares declined by 1.1% net interest income rose 0.3%. Still, excluding Markets it declined 1.0%. Average earning assets rose 1% with loans (+1%), securities (+6%) and securities borrowed (+4%) higher and deposits with banks (-4%) and trading (-2%) lower. Period-end loans increased 2% (+1% excluding Foreign exchange "FX"). Consumer increased 2%. Its net interest margin declined 3 basis points to 1.92%. Fee income fell 21% driven by reductions in principal transactions (-$1.6 billion) and commissions & fees (-$0.3 billion). Other (+$166 million) and administrative & other fiduciary fees (+$61 million) increased. Expenses rose 7% year-over-year and grew 1% from first quarter of 2021 to $11.2 billion (in mid-June Citigroup guided to $11.4 billion when consensus was $11.2 billion). Excluding the impact of FX translation, expenses increased 4% year-over-year, reflecting a normalization relative to a low comparison in the prior-year period, along with continued investments in its transformation, as well as other strategic investments, partially offset by productivity savings. Its cost / income efficiency ratio was 64.0%. It effective tax rate was 16% and reflected certain tax benefit items related to non-U.S. operations. It was 23% in the first quarter of 2021.

JPMorgan Chase & Co. ("JPMorgan") reported an EPS of $3.78 for the second quarter of 2021. Consensus was $3.13. Results included a net reserve releases of $3.0 billion ($0.75). Results also included legal expenses of $185 million, securities losses of $155 million and net Mortgage Servicing Rights hedge losses of $103 million, which combined cost it $0.11. Revenues declined 7% year-over-year and decreased 5% linked quarter to $31.4 billion. It posted an 18% Return On Equity and 23% Return On Tangible Common Equity (18% ROTCE excluding reserve release). Tangible book increased 3.5% to $68.91 (2.3x). Its Core Equity Tier 1 ratio was 13.0% (-10 basis points). It repurchased $5.9 billion of stock in the 2021 second quarter, up from $5.0 billion in first quarter (though $7.4 billion was allowed). Average diluted shares declined by 1.2%. Net interest income declined 1%. Average earning assets increased 2% with loans (+1%) and deposits with banks (+14%) higher, securities little changed, and trading assets (-14%) lower. Period-end loans increased 3% with credit card (+7%), wholesale (+3%), and consumer (+1%) all higher. Period-end deposits rose 1%. Its net interest margin declined 7 basis points to 1.62%. Fee income declined 8%. Card (+$297 million), investment banking (+$500 million), asset management (+$165 million), lending & deposit fees (+$73 million), and other (+$72 million) increased, while principal transactions (-$2.4 billion) and mortgage (-$153 million) declined. Expenses rose 4% year-over-year (continued investments in the business including technology and front office hiring) and decreased 6% from the 2021 first quarter to $17.7 billion. Relative to the prior quarter, compensation expense declined 7%, while non-comp increased 2%. Its managed overhead ratio was 56%. Its effective rate was 20.9%, up from 19.2% in first quarter of 2021. It posted a loan loss provision credit of $2.3 billion, down from a $4.2 billion credit in the first quarter of 2021. Results included a net reserve release of $3.0 billion ($0.75) and $734 million of net charge-offs. The reserve release was driven by improvements in its economic outlook. It was comprised of $2.6 billion in consumer ($1.8 billion in Card and $600 million in Home Lending) and $442 million in wholesale. Its reserve/loan ratio declined 40 basis points to 2.02%.

PepsiCo, Inc. ("Pepsi") reported a 2021 second quarter Core EPS of $1.72, which beat Consensus $1.53. The outperformance was supported by a better top line than anticipated and lower selling, general and administrative expenses (SG&A) as a percent of sales. Organic sales up +13% of which North American organic sales up +21% supported by strong volume growth particularly in Pepsi, Mountain Dew, Gatorade, bubly, and Starbucks and North American operating margins +430 basis points to 13.2%. Total company operating margin expanded 70 basis points. 2021 Guidance Raised: Organic sales up +6% (from mid-single digits prior); Constant currency EPS up +11% (versus high-single digits prior), Implies core EPS of $6.20 (+12% year-over-year). Long-term: Expanded & extended restructuring program through 2026: At least $1 billion in annual productivity savings through 2026, Pre-tax charges ~$3.15 billion (versus $2.5 billion prior), Includes capex ~$2.4 billion (versus $1.6 billion prior).

RWE AG ("RWE") announced that several of its sites (mainly in Germany) had been affected by the severe floods experienced in Central Europe. Whereas RWE's Garzweiler and Hambach open-cast lignite mining operations in Germany were stable with operations not impacted; however this was not the case for its Inden mine and the connected Weisweiler lignite plant. Based on water entering the Inden mine, the Weisweiler power station was running at reduced capacity (600 megawatt units impacted). The target was to restart mining operations by the end of this week as the situation had stabilized and water levels were falling. In addition, many of RWE's German hydro plants have also been impacted by the floods including its Linne station in the Netherlands. According to RWE the total damages relating to the floods amounts to a mid-double-digit-million Euro sum. Following initial news of its Inden mine having been impacted by the floods, RWE's initial assessment highlights that the actual financial impact is expected to be up to €50 million, which is significantly lower than the recent reactionary €220 million market decline in RWE's market capitalization.

Walmart Inc. ("Walmart") announced that Flipkart raised US$3.6 billion in its latest round of equity funding, valuing the company at $37.6 billion. The new valuation for Flipkart is up over 50% from the valuation in the prior official equity round in July 2020, which valued Flipkart at $24.9 billion. Notably, Walmart was not the leading investor in this round, so the company's equity stake is now around75% versus more than 80% after the July 2020 round. It is also noteworthy that this round included significant interest from international investors. Flipkart is up against Amazon.com Inc. and Reliance Industries Ltd., for the country's middle-class consumers, who are rapidly coming online during the pandemic in the age of cheap data. We believe Flipkart's growing value is indicative of the innovation culture that has taken hold at Walmart in recent years, with Walmart building Flipkart in a truly customer-centric manner while leveraging industry-leading technology. We believe such an approach has clearly been a recipe for ongoing value creation at Flipkart that has been applicable across Walmart's broader business.

LIFE SCIENCES

OncoBeta GmbH – OncoBeta® GmbH, a commercial stage medical device company specialized in innovative epidermal radioisotope therapies is pleased to announce that it has formalized it's manufacturing partnership with the Australian Nuclear Science and Technology Organization ("ANSTO"). Following the completion of all regulatory approvals ANSTO will produce OncoBeta's novel Rhenium-SCT® therapeutic for the treatment of non-melanoma skin cancer. OncoBeta® GmbH expects to launch Rhenium-SCT® by late 2021. The global incidence of non-melanoma skin cancers has been drastically increasing over the past decades. It is estimated that there are over 5 million non-melanoma skin cancer cases reported globally each year. Australia has the highest incidence of non-melanoma skin cancer in the world, with 32% of Australians treated for non-melanoma skin cancer each year. OncoBeta's Rhenium-SCT® will offer a new and highly effective treatment option to address this large Australian medical burden. Nicholas H. Vetter, Chief Operating Officer at OncoBeta® GmbH and CEO of OncoBeta International GmbH stated: "This is a huge step forwards for our organization. We are very excited to bring our technology to Australia and ANSTO is a key partner of ours in the goal of helping thousands of Australians afflicted with non-melanoma skin cancer." Mar Olmeda Palomar, Medical Engineering Manager at OncoBeta® GmbH stated: "After the successful commissioning of the production line at ANSTO, we are more confident than ever in our partnership with them. It's been a pleasure to work closely with ANSTO's experienced and motivated team. We believe they are the best partner to help us bring the Rhenium-SCT® to Australia." ANSTO General Manager Business Development and Commercialization, Rosanne Robinson stated, "ANSTO has a long-standing relationship with OncoBeta® GmbH and is excited to be their Australian manufacturing partner. Commissioning of the production line has been completed and we look forward to Australian patients having access to OncoBeta's innovative therapy for non-melanoma skin cancers. ANSTO has extensive experience in the manufacturing and delivering radiopharmaceutical diagnostics, therapies and medical devices and this project enables us to continue delivering on our core mission of improving the health of Australians and supporting industry. OncoBeta® GmbH joins our growing nandin innovation community, focused on attracting entrepreneurs, early stage start-ups and innovative companies who want to leverage the opportunity to be co-located with ANSTO and to access our unique expertise in the nuclear industry."

ECONOMIC CONDITIONS

Hybrid Work 'Here To Stay' – The Royal Bank of Canada (RBC) is formulating hybrid, flexible work arrangements for its employees and doesn't plan any "one-size-fits-all mandates" on how much time its staff will need to be in the offices when they reopen. In a post on LinkedIn, RBC Chief Executive Officer, Dave McKay, outlined that RBC believes that "flexible and hybrid work models are here to stay, and that the role of the office has forever changed. This means we're going to hold onto the best of what we've learned over the past 18 months and recapture the best of everything we've missed from the pre-pandemic world." Mr. McKay notes that decisions on working arrangements will be made to match employees' "diverse everyday experiences" and their clients' needs, with the hope of strengthening the bank's culture, encouraging collaboration and ensuring employees feel supported. The article points out that in contrast to Wall Street, top Bay Street executives seem to be in no hurry to end remote work Another instance have some say the arrangement has been surprisingly efficient and profitable. Some also acknowledge that their employees have little desire to return to the office five days a week (source Bloomberg).

U.S. consumer prices surged 0.9% in June, nearly doubling expectations and the biggest one-month move since 2008. That's a 7.3% annualized jump from six months ago, the largest since 1981, or 5.4% above a year ago, which works out to 5.4%,the highest since 2008. Energy was one component (+1.5%), but food costs grew 0.8% (droughts in certain parts of the country and the world are piling on), clothing, cars… all posted out-sized gains. In fact, used car prices surged a record 10.5% alone in June, that's 66% over the last six months. Excluding food & energy, prices also doubled expectations. Core Consumer Price Index ("CPI") jumped 0.88% in June alone, which was the second biggest increase since 1981 (surpassed by April 2021's 0.92% surge), or 6.2% over the past six months (largest since 1982), or 4.5% above a year ago (largest since 1991).

U.S. CPI Food-at-Home (a proxy for supermarket inflation/deflation) was up +0.9% year-over-year in June, which has accelerated versus the May rate of +0.7%. From a category perspective, the most pronounced acceleration versus May came from 70 basis points of acceleration in dairy and related products. Meats, poultry, fish and eggs saw 60 basis points of acceleration. The most pronounced slowdown came from 40 basis points of deceleration in cereals and bakery products.

U.S. industrial production rose for the fourth consecutive month, up 0.4% in June, or nearly 10% above a year ago. That latter point is impressive, given that a year ago we also saw a big jump (6.2%) in the same month. Nonetheless it was a little short of expectations, and May's 0.8% increase was trimmed a smidge to 0.7%. It was all the utilities which are the volatile sector and increased 2.7% as temperatures soared. Excluding utilities, production was up just 0.1%. Manufacturing was flat (more specifically, down 0.047%), but understandable given all the supply problems. The overall capacity utilization rate rose 0.3 points to 75.4%, the highest since before the pandemic began (February 2020). That's not quite inflationary territory; but, it could be going in that direction in our view.

U.K. – The Bank of England ("BoE") has removed restrictions on bank dividends and share buybacks imposed during the pandemic, judging the sector to be resilient enough to absorb any further Covid-19 shocks. "Extraordinary guardrails on shareholder distributions are no longer necessary", the BoE said in its latest financial stability report. The central bank cited the results of recent stress tests and lower-than-expected loan losses. "The banking sector remains resilient . . . [and] has the capacity to continue to provide support" as the U.K. economy recovers from coronavirus. The BoE's decision follows those of the U.S. Federal Reserve and the European Central Bank, which both relaxed their shareholder payout limits in recent months. The decision to remove all restrictions will allow banks to announce increases to dividends when they report second-quarter earnings later this month. However, many analysts expect boards to behave cautiously as cases of the Delta variant continue to rise, with substantial increases postponed until 2022. The Financial Policy Committee (FPC) added that while the rapid rollout of the U.K.'s vaccination program has led to an improvement in the economic outlook, households and businesses will still need access to bank loans as government coronavirus support measures are unwound. "The FPC expects banks to use all elements of their capital buffers as necessary to support the economy through the recovery," the BoE said in its twice-yearly review of the health of the financial system. While the Canadian regulator has shown a willingness to go its own way, we believe that the lifting of the U.K. restrictions, following that of the U.S. and European regulator implies that the Office of the Superintendent of Financial Institutions' (OSFI) removal of its own restrictions is close, particularly as Canada catches up to the U.K. and the U.S. in terms of vaccination rates.

FINANCIAL CONDITIONS

Reserve Bank of New Zealand surprised last weekend and announced that it was ending its Large-scale Asset Purchases (LSAP) program on July 23, 2021. The official cash rate ("OCR") stayed unchanged at 0.25% but many view ending the LSAP as setting the stage for a possible upcoming rate hike at the end of summer.

The U.S. 2 year/10 year treasury spread is now 1.00% and the U.K.'s 2 year/10 year treasury spread is 0.48%. 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 2.88%. 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 to 7 months.

The VIX (volatility index) is 22.13 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 which is encouraging for quality equities.

And finally: "Without music, life would be a mistake." ~Friedrich Nietzsche

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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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