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# NEWS HIGHLIGHTS

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

**OCTOBER 12, 2021**

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## OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

PORTLAND 15 OF 15 ALTERNATIVE FUND COMPANY NEWS

**SoftBank** Group Corporation ("SoftBank") - India's Paytm is in talks with sovereign wealth funds and financial firms to become anchor investors in its upcoming initial public offering ("IPO"), according to people familiar with the matter. State-backed wealth investors Abu Dhabi Investment Authority and Singapore's GIC Private Limited are among those weighing bidding to participate in the IPO, the people said, asking not to be identified as the information is private. Global financial firms such as BlackRock, Inc. and Nomura Holdings, Inc. are also in discussions to bid. One97 Communications Ltd., as Paytm is formally known, is considering seeking a valuation of around US$20 billion to $22 billion based on initial investor feedback. There are already more than enough bids to cover the shares allocated for anchor investment in the IPO, explained the people. While the draft preliminary prospectus was filed in July, it is still awaiting approval from the Securities and Exchange Board of India. Negotiations are ongoing and other bidders could emerge for the stakes. India's market for first-time share sales is surging on debuts of tech firms like Zomato Ltd.'s $1.3 billion offering. The amount of money raised in IPOs this year has reached $10.8 billion, according to data compiled by Bloomberg. At the current pace, 2021 would exceed the all-time record of $11.8 billion. Paytm, backed by SoftBank Group Corp., Berkshire Hathaway Inc. and Jack Ma's Ant Group, plans to raise as much as 166 billion rupees ($2.2 billion) from its share sale, according to its draft prospectus. Led by founder and Chief Executive Officer Vijay Shekhar Sharma, Paytm has expanded beyond digital payments into banking, credit cards, financial services and wealth management. It also supports India's financial payments backbone, the Unified Payments Interface or UPI. In fintech, Paytm has over 20 million partners in its network. Its users make 1.4 billion monthly transactions, according to numbers in a recent company blog post.

**Reliance Industries Limited ("Reliance")** - Mukesh Ambani's Reliance acquired a Norwegian solar panel maker and an Indian builder of renewable projects in a bid by the oil-to-retail conglomerate to extend its dominance into alternative energy. Reliance, the company controlled by Asia's richest person, acquired solar panel manufacturer REC Solar Holdings AS in a deal giving the company an enterprise value of US$771 million, they said in a filing on Sunday. Hours later Reliance said it had agreed to acquire 40% of billionaire Pallonji Mistry's Sterling and Wilson Solar Ltd., valued at $372 million as of Friday's close in Mumbai. The two acquisitions will help Reliance New Energy Solar expand in green energy markets globally, including the U.S., Europe, Australia and elsewhere in Asia. Ambani's push aligns with Prime Minister Narendra Modi's goal of helping India, the world's third-biggest emitter of greenhouse gases, more than quadruple renewable power capacity to 450 gigawatts by the end of this decade. Ambani pledged in June to spend $10 billion on alternative energy over three years. The new investments are meant to pivot the conglomerate to cleaner fuels. Reliance gets nearly 60% of its annual revenue from its oil-related business. Saudi Aramco Company is also in discussions for the purchase of a roughly 20% stake in Reliance's refining and chemicals business. REC Limited ("REC") makes solar grade polysilicon and solar panels and modules at facilities in Norway and Singapore, and has more than 1,300 employees globally, according to the statement. Reliance will use REC's technology to manufacture metallic silicon and solar panels at its gigafactory at Jamnagar in Gujarat. The factory's annual capacity will expand to 10 gigawatts from 4 gigawatts. Sterling and Wilson has presence in 24 countries and has installed 11 gigawatt of solar power projects, Reliance noted in a separate statement.

**Reliance Industries Limited ("Reliance")** – Reliance Industries will bring 7-Eleven Inc.'s ("7-Eleven") convenience stores to India, adding to its fast growing retail portfolio in the world's only billion-people-plus consumer market that's open to foreign firms. Ambani's Reliance Retail Ltd. secured the pact just days after troubled supermarket operator Future Retail Ltd. terminated its own agreement with one of the world's biggest convenience chains. The first 7-Eleven store has opened Saturday in a Mumbai suburb, and will be followed by a further "rapid rollout" starting across India's financial hub, Reliance Retail said in a statement Thursday, without providing financial details. Reliance scooped the transaction after indebted Future Retail this week said it ended the agreement it inked with 7-Eleven in 2019 by mutual consent after it was unable to open the brand's stores or pay franchisee fees. Ambani is locked in a bitter court battle with Amazon.com, Inc. for the assets of Future Retail Ltd., which is one of the biggest brick-and-mortar chains in India. The move is part of Ambani's ambition to seize India's growing formalized retail space. Reliance is expanding its foothold at a rapid rate, adding 1,500 new stores last year to a total of nearly 13,000, Ambani said at a shareholders' meeting in June. 7-Eleven, Inc.'s entry also comes at a fortuitous moment as India enjoys a relative lull of COVID-19 infections after a devastating wave battered the country just months ago. Daily cases are now hovering near a 7-month low and lockdown restrictions have largely been lifted across the country as India's vaccination drive gains momentum. Many foreign firms have long coveted access to India's market of about 1.4 billion people in a country where discretionary spending is on the rise. However, they have faced considerable hurdles to entry and political opposition given the ubiquity of the Kirana Store, small-scale mom-and-pop shops that account for about three-quarters of India's retail landscape. Ambani's tie-up with 7-Eleven is also another sign of the increasing stranglehold a handful of dominant Indian conglomerates are exerting on India's retail space, as they increasingly act as a gateway to major foreign investment.

**Facebook, Inc. ("Facebook")** – is changing the way it counts user profiles for advertising purposes in a move that will increase the number of total accounts an advertiser can reach, as part of an effort to improve privacy. The company currently uses data, like a user's email address or phone ID, to link that person's Facebook and Instagram accounts for advertising purposes. "We counted someone with multiple accounts as one person," Facebook explained in a blog post Monday. Now, Facebook will stop linking accounts in this way unless users explicitly ask the company to do so, or unless people use certain features that tie the accounts together, like cross-posting to Instagram and Facebook at the same time, said Graham Mudd, vice president of product marketing for ads. The change won't affect the daily or monthly active user totals Facebook reports to investors each quarter for earnings. Facebook hinted in its blog post that the move was aimed at keeping up with anticipated regulatory changes. Facebook first alerted advertisers to this change in June, Mudd says. It goes into effect Monday.

## DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

**Bunzl Distribution Company ("Bunzl") Bunzl's** recent conference focused on sustainability with new disclosure revealing the group is less exposed to packaging materials than realized (36% sales), and management expressed confidence the remaining products left to transition (~£1 billion in total) would do so on incrementally better financial terms. Key takeaways are: (i) Customer transition towards more sustainable materials has been ongoing for years, and half of Bunzl's packaging products (approximately 18% of the group) have already switched. (ii) Transitions to sustainable alternatives in the past have involved volume reductions in some cases, but have often been offset by price. Products still left to transition (approximately 12% of the group) should see limited volume pressure (more of a like-for-like swap) meaning incremental financials in the future should be stronger than they have in the past; most likely to be visible in higher margins given management's focus on own-brand here. (iii) Organic growth for the next one-to-two years could be influenced by a slower recovery in worker-footfall and travel related businesses, as well as a decline in COVID-19 related products. Beyond that, management sees a greater focus on hygiene, and transitions to higher priced sustainable products more than offsetting these pressures. Group organic growth has averaged at 2% 2004-2020. (iv) Management argues that Bunzl's scale, data and experience give it a long-term advantage versus its peers when engaging with and advising customers on sustainable product alternatives.

**Costco Wholesale Corporation ("Costco")** - September Results – U.S. same store sales ("SSS") ex-fuel were up +28.4% on a two-year basis, which was a +250 basis points sequential acceleration from August. US traffic growth increased +7.4% which implies a two-year increase of +13.4% versus +11.4% in August.E-commerce growth tracked up +9.6% translating to a +45.1% Trailing Twelve Months average growth versus +51.8% in August. Total comparable (including FX/Fuel tailwinds) increased +14.3% or up +32.0% on a two-year basis versus +29.3% in August. Food & Sundries was up Mid-Single digits ("MSD") to High Single digits ("HSD") in September (in-line with August), Fresh Foods were up MSD-HSD (versus. up MSD-HSD in August), non-foods increased low double-digits (versus up MSD-HSD in August) and Ancillary business increased low to mid-40s (versus up mid-40s in August). Costco noted that gasoline averaged US$3.88 during September, which was up from $3.39 in August and $2.40 last year. Historically when gas prices exceed $4 a gallon, companies will see great price elasticity of demand from lower income consumers. Note that rising gas prices typically means lower penny profit for retailers while falling prices mean higher profits.

**PepsiCo, Inc. ("Pepsi")** just reported third quarter 2021 Core earnings per share ("EPS") of US$1.79, which once again beat consensus estimates of $1.74. Outperformance stemmed from better than anticipated operating profit, with the superior topline supporting greater reinvestment and partially flowing through to the bottom line. Consolidated organic sales growth +9%; Price/mix higher with Latin America in particular outpacing forecasts by as much as 800 basis points and operating margin +396 basis points; Robust volume growth across several international regions. Guidance for 2021: Updated: Organic sales up +8% (from +6% prior); Constant currency EPS of at least +11%, Implies core EPS of at least $6.20 (at least +12% year-over-year). Maintained: Tax rate approximately 21%, Dividends approximately $5.8 billion and Share repurchases approximately $106 million that have already been completed.

## LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND

**Amgen** Inc. ("Amgen") – announced new combination study results from the Phase 1b CodeBreaK 101 study, a comprehensive global master protocol trial evaluating the safety and efficacy of LUMAKRAS™ (sotorasib), the first and only approved KRASG12C inhibitor, in more than 10 different investigational combination regimens for the treatment of patients with KRAS G12C-mutated cancers. "A critical component of cancer drug development is to interrogate multiple pathways to understand whether different combinations can meaningfully advance cancer care. For this reason, Amgen has undertaken the broadest and most comprehensive global clinical development program for patients with the KRAS G12C mutation, exploring multiple combinations that will allow us to understand where we can best serve patients," said David M. Reese, M.D., executive vice president of Research and Development at Amgen. "Consistent with our master protocol clinical trial design, which allows us to rapidly add, expand or remove cohorts to quickly understand what combinations work best for patients, Amgen will take these afatinib and trametinib results into account as we prioritize which combinations to move forward within our comprehensive LUMAKRAS development program. We look forward to presenting additional data, including PD-1 and SHP2 combination datasets, in the coming months."

**BridgeBio Pharma, Inc.** – ("BridgeBio") a commercial-stage biopharmaceutical company that focuses on genetic diseases and cancers, announced preclinical findings for its SHP2 inhibitor, BBP-398, in non-small cell lung cancer (NSCLC). "We are excited to share our promising preclinical data in non-small cell lung cancer models, which provides a critical step in understanding the potential that BBP-398 has for patients with tumors driven by RAS or other MAPK-pathway activating mutations," said Eli Wallace, Ph.D., chief scientific officer at BridgeBio Oncology. "For patients with this type of progressive cancer, there is a serious need for more innovative medicines to be accessible as quickly as possible. Our potentially best-in-class SHP2 inhibitor could be an ideal combination agent for certain cancer patients given its promising profile of preclinical results and potential for once daily dosing."BBP-398, developed in collaboration with the University of Texas MD Anderson Cancer Center's Therapeutics Discovery division, exhibits preclinical monotherapy efficacy in RTK/KRAS-driven xenograft models as well as synergy in combination with both sotorasib and osimertinib. The predicted human steady-state plasma concentration-time profiles suggest continuous once daily oral dosing of BBP-398 may achieve the desired therapeutic index for patients. BridgeBio is currently advancing its Phase 1 dose escalation clinical trial with its SHP2 inhibitor, BBP-398, in patients with solid tumors driven by mutations in the MAPK signaling pathway, including RAS and receptor tyrosine kinase genes. More than 30% of all human cancers - including 95% of pancreatic cancers and 45% of colorectal cancers - are driven by mutations of the RAS family of genes. BridgeBio's SHP2 inhibitor, BBP-398, is one of the company's 14 programs that are in the clinic or commercial setting for patients living with genetic diseases and genetically-driven cancers.

**Guardant Health, Inc.** – ("Guardant Health"), a leading precision oncology company, has initiated the Observation of ResiduAl Cancer with Liquid biopsy Evaluation (ORACLE) study, a 1,000-patient prospective, observational, multi-center study designed to evaluate the performance of its Guardant Reveal™ liquid biopsy test to predict cancer recurrence after curative intent treatment, across 11 solid tumor types. "For oncologists managing patients with early-stage cancer, there is a need for additional tools to help make informed decisions regarding risk for recurrence and benefit of adjuvant therapies, and avoid under- or over-treatment," said Craig Eagle, MD, Guardant Health Chief Medical Officer. "This study is exciting because it will evaluate the first blood-only minimal residual disease (MRD) assay in additional tumor types, and set the stage to identify opportunities for this technology to improve patient care." The study will analyze circulating tumor (ctDNA) status from blood samples of patients with early-stage cancer, using the Guardant Reveal test after the end of treatment, and during routine follow-up. Participants will be followed until distant recurrence, or up to five years. The ORACLE study adds to currently underway clinical studies (COBRA, ACT-3, PEGASUS) evaluating the performance of the Guardant Reveal blood test in patients with early-stage cancer. The Guardant Reveal test is the first blood-only liquid biopsy test that detects residual and recurrent disease from a simple blood draw. The test detects ctDNA in blood after surgery, to identify patients with residual disease who may benefit most from adjuvant therapy, and to detect recurrence months earlier than current standard-of-care methods. The commercially available test achieves high sensitivity (91%) for detecting ctDNA by simultaneously interrogating both genomic alterations and methylation. The first indication of the test is colorectal cancer, with additional cancer types to follow.

**Relay Therapeutics, Inc.** ("Relay Therapeutics") - a clinical-stage precision medicine company transforming the drug discovery process by combining leading-edge computational and experimental technologies, announced interim clinical data for RLY-4008, a highly selective irreversible and oral small molecule inhibitor of FGFR2, in a first-in-human trial in patients with FGFR2-altered cholangiocarcinoma and multiple other solid tumors. The data suggest that RLY-4008 is the first investigational therapy designed to selectively bind to FGFR2 to avoid off-isoform toxicities for the treatment of patients with FGFR2-altered tumors. Study investigators reported robust inhibition of FGFR2 in the first 49 subjects that was not shown to be limited by off-target toxicities, including hyperphosphatemia and diarrhea, in the interim clinical data. The initial toxicity data suggest that certain dose levels administered can achieve >85% continuous inhibition of FGFR2. At those levels, acute toxicities that would limit dose intensity have generally not been observed to date. The interim clinical data included results from FGFR2-altered solid tumors, with approximately 80% of all patients treated achieving reductions in tumor size at the cut-off date of September 9, 2021. "RLY-4008 clinical data exemplifies the power of the Relay Therapeutics Dynamo™ platform and approach to discovering innovative medicines," said Don Bergstrom, M.D., Ph.D., executive vice president of R&D at Relay Therapeutics. "Not only has the platform succeeded in creating a selective and purpose-built investigational therapy, but the initial clinical evidence of RLY-4008 has also shown the potential to positively impact the course of disease for patients with FGFR2 altered cancers. We continue to evaluate the once daily dose schedule to determine which dose to take forward into expansion cohorts before year-end. Using the same approach, we are building a deep portfolio of precision medicine programs that have the potential to impact patients with the hard-to-treat diseases. Thank you to the patients, investigators and clinical trial teams who have put their faith in our investigational therapy."

Relay Therapeutics announced that it has commenced an underwritten public offering of US$350 million of shares of its common stock. Relay Therapeutics also intends to grant the underwriters a 30-day option to purchase up to an additional fifteen percent (15%) of the shares of common stock offered in the public offering. Goldman Sachs & Co. LLC, J.P. Morgan, Cowen and Guggenheim Securities are acting as joint book-running managers for the proposed offering.

**Schrödinger, Inc. ("Shrödinger")** – The University of Texas MD Anderson Cancer Center and Schrödinger, whose physics-based software platform is transforming the way therapeutics and materials are discovered, announced a two-year strategic research collaboration focused on accelerating and optimizing the development of Schrödinger's WEE1 inhibitor program, an investigational therapeutic approach designed to target the WEE1 kinase. The collaboration brings together the translational research and drug development expertise of MD Anderson's Therapeutics Discovery division with Schrödinger's expertise and drug development program for WEE1 inhibitors. The goal of the collaboration is to accelerate and optimize the clinical development path for Schrödinger's WEE1 program through molecular biomarker-driven tumor type prioritization and patient stratification and to validate biomarkers to predict response or resistance to a WEE1 inhibitor. The joint team will seek to prioritize clinical studies of a WEE1 inhibitor as a single agent in selected cancer indications and in rational combinations for defined clinical subpopulations. MD Anderson and Schrödinger will jointly pursue translational studies, and Schrödinger will provide research support funding. As part of the agreement, MD Anderson is eligible to receive certain payments based on the future development and commercialization of Schrödinger's WEE1 inhibitor compounds. Schrödinger will have sole responsibility for the development, manufacture and commercialization of all compounds and products, and sole rights to all novel intellectual property that arises from this collaboration.

## ECONOMIC CONDITIONS

**Canadian jobs** have recovered all of the roughly 3 million jobs lost to Covid-19. The country's economy added 157,100 jobs in September, returning the labor market to pre-pandemic levels, Statistics Canada reported. That compares with economists' expectation of 60,000 new jobs, according to the median estimate in a Bloomberg survey. The unemployment rate fell to 6.9% from 7.1% in August. Hours worked were up 1.1% in the month but remain 1.5% below their pre-pandemic level. The robust numbers are a welcome sign for the nation's economy. They suggest that companies are willing and able to hire workers as virus restrictions ease and as high vaccination rates boost optimism among consumers and businesses. They will also bolster predictions by Bank of Canada officials that the economy will post a strong rebound after contracting earlier this year during a third wave of COVID-19 and business restrictions.

**U.S. nonfarm payrolls** rose just 194,000 in September, a lot less than the +500,000 expected by consensus. Partially compensating for this disappointing result, the prior month's results were upgraded by a sizeable 169,000. The private sector added 317,000 jobs. Employment in the goods sector sprang 52,000 thanks to gains in manufacturing (+26,000), construction (+22,000) and mining/logging (+4,000). Services-producing industries, meanwhile, expanded payrolls by 265,000, with notable increase for leisure/hospitality (+74,000), professional/business services (+60,000), retail trade (+56,000) and transportation/warehousing (+47,000). Employment in the public sector retraced no less than 123,000 after a massive 309,000 progression in the previous two months. Average hourly earnings rose 4.6% year-over-year in September, in line with the median economist forecast and up from 4.0% the prior month. Released at the same time, the household survey reported a 526,000 job gain in September. This increase, combined with a one-tick decrease in the participation rate (to 61.6%) meant the unemployment rate fell from 5.2% to post-pandemic low of 4.8%. Full-time employment advanced 591,000, while part-time positions fell 36,000. The September employment report economists were expected to show the first signs of the impact of the end of unemployment insurance on job creation.

Although the end of the programs are still very recent, below-consensus payrolls numbers in September suggests the phasing out of emergency benefits did not have much of an impact on employment. Another positive was the steep progression in full-time jobs, which tend to be better paying and have a bigger impact on the economy. Despite September's gain, non-farm payrolls remained 3.3% (or 4.9 million) below their pre-crisis level. From the jobs still to be regained, around 4.4 million are in services, which may take some time to recover from the pandemic shock. Reasons behind the slowdown in employment are likely COVID-19's Delta variant, but other factors are also at play as employers are having a hard time attracting candidates, even with so many workers yet to find jobs after losing their livelihoods at the start of the pandemic. A recent National Federation of Independent Business ("NFIB") survey showed that fully 26% of firms identifying availability of qualified labour as their most important problem, a share much greater than the historical average for that indicator (12.3%) which suggests that the U.S. labour market is a lot tighter than might appear, giving those with a job or searching for a job much more flexibility and bargaining power. Pay increases are indeed starting to show in the data. Indeed, average hourly earnings are up 6.0% in annualized terms over the past six months, the most outside of the lockdown period. Wage expectations at the bottom of the skill scale are also creeping up. The average lowest wage someone without a college degree would be willing to accept for a new job seems to have increased from US$49,000 a year to $61,000 a year since the beginning of the pandemic.

We will wait and see the impact of this jobs report on monetary policy and whether it's sufficient for the Federal Reserve to announce the tapering of its quantitative easing program in November. At the press conference which followed the Federal Reserve's September meeting, Chairman Powell said that the "substantial progress" condition was "all but met" and that he would only need to see a "decent" or "reasonably good" jobs report in September to be convinced that the time to taper had arrived. It's less clear whether this nonfarm payrolls rise, met this description, in our view.

**UK jobs data** came in broadly as expected, with the unemployment rate improving a tick to 4.5% in the three months ending in August as expected, while wage growth remained high at 6-7% year-over-year on base effects. Employment in the three months to August rose 235,000 (market: 250,000), and the September flash PAYE data suggested a robust 207,000 gain in jobs as the furlough program started to wind down, bringing employment back to its pre-COVID-19 level. Job vacancies also hit a record in September, suggesting severe mismatch in the labour market.

**European tensions** re-emergence of the crisis which shook the foundation of the European Union ("EU") last year (and was almost completely overshadowed by Brexit coverage) on EU's Eastern flank, with Poland and Hungary leading the charge to undermine EU's rule of law. With Poland's stacked court ruling that the country's constitution overrules EU law where there is conflict, a tense game of brinksmanship now begins between Poland/Hungary and EU. Poland/Hungary are strong beneficiaries of EU cohesion/Recovery Fund so the logical conclusion is money talks but quite possibly power trumps money if the stakes are high enough. The moves by Poland/Hungary to challenge the EU threaten to dramatically alter the EU landscape. In order to provide assurance to smaller states that they would be treated equally under the EU framework, most important decisions must be agreed to on an unanimous basis (i.e. what was a core strength of EU bloc has become an Achilles heel as once like-minded state leaders have drifted). With Polish and Hungarian leaders now seemingly determined to drift away from core EU principles (including the rule of law) and so difficulties are mounting as Poland/Hungary can block progress on issues such as climate change except this time Europe does not have Germany Angela Merkel's leadership to calm and coalesce.

## FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now 1.23% and the U.K.'s 2 year/10 year treasury spread is .58%. A narrowing gap between yields on the 2 year and 10 year Treasuries is of concern given its historical track record that when shorter term rates exceed longer dated ones, such inversion is usually an early warning of an economic slowdown.

The U.S. 30 year mortgage market rate has increased to 2.99%. Existing U.S. housing inventory is at 2.6 months' supply of existing houses - well off its peak during the Great Recession of 9.4 months and what we believe a more normal range of 4-7 months.

The VIX (volatility index) is 19.69 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:** "Only the wisest and stupidest of men never change."
*Confucius*

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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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