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

APRIL 24, 2023

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COMPANY NEWS

SoftBank Group Corp. (SoftBank) – SoftBank-owned Arm Ltd. (Arm) will work with manufacturing partners to develop its own semiconductor, the Financial Times reported Sunday, citing unidentified people briefed on the move. Arm's newest chip, on which it started working in the past six months, is said to be more advanced than previous test chips, according to the newspaper. The company has formed a new solution engineering team to lead the development of these prototype chips for mobile devices, laptops and other electronics. The product will be targeted at chip manufacturers more than software developers, Financial Times reported. The new unit is led by Kevork Kechichian, who joined Arm's top executive team in February, Financial Times said. There are no plans to sell or license the product and Arm is only working on a prototype, according to Financial Times. Arm declined to comment to the newspaper.

Indonesia's eFishery is in advanced talks for a funding round that would boost its valuation to US\$1.2 billion, defying a tumultuous period for tech startups globally. The agritech startup, backed by investors including SoftBank and Temasek Holdings (Private) Limited, is set to score about \$100 million in fresh funding, according to people familiar with the matter. The 42XFund, whose backers include Abu Dhabi royal Sheikh Tahnoon bin Zayed Al Nahyan's artificial intelligence firm G42, is in talks to lead the round, said the people, who asked not to be named as the matter is private. Negotiations are ongoing and the size of the round could still change, the people said. Other investors could also emerge, they said. The startup's \$90 million Series C round in January last year

valued it at over \$400 million. A representative for eFishery declined to comment. A 42XFund official confirmed the fund's plans to invest in the company, calling it an exciting investment opportunity, but declined to comment on the precise amount.

Launched in 2013 by Gibran Huzaifah, co-founder and Chief Executive Officer (CEO), eFishery has deployed thousands of feeders to serve more than 30,000 fish and shrimp farmers in Indonesia, according to the company's statement last year. eFishery also provides farmers with access to financing.

Samsung Electronics Co., Ltd. (Samsung)– The U.S. asked South Korea to urge Samsung and SK hynix Inc. (SK hynix) to resist boosting chip sales to China if Beijing bans Micron Technology, Inc. (Micron) from selling there, the Financial Times reported, citing people familiar with the situation. The U.S. made the request as Yoon Suk-yeol, South Korean President, prepares to travel to Washington for a state visit Monday, the Financial Times reported, citing four unidentified people familiar with the talks between the White House and presidential office in Seoul. China has launched a national security review into Micron, one of the three dominant players in the global dynamic random access memory (DRAM) memory chip market, with South Korea's Samsung and SK hynix. It is unclear if the Cyberspace Administration of China will take punitive action after its probe, the Financial Times said. The U.S. may be seeking South Korea's support to ensure that two of the world's biggest DRAM makers don't benefit at Micron's expense. Memory chips are largely interchangeable so Micron customers likely could use products from SK hynix or Samsung.

Reliance Industries Limited (Reliance) - Reliance posted better-than-expected quarterly profit on robust growth across nearly all its businesses. Net income rose 19% for the quarter ended March 31 compared to the year-ago period, according to an exchange filing on Friday. That beat the average 164.93 billion rupee profit estimated by a Bloomberg survey of analysts. Revenue at Mumbai-based Reliance rose 3.8% to 2.2 trillion rupees, while total costs surged by 1.6% to 1.95

trillion rupees. Reliance is entering a new capital expenditure cycle as it expands its existing businesses, such as 5G in telecom, and pivots to newer ones such as green energy and consumer goods. Capital spends increased almost 37% to 444.1 billion rupees during the quarter. Reliance, which plans to invest US\$75 billion in renewable energy, and its telecom unit, Reliance Jio Infocomm Ltd. upsized a batch of foreign currency loans to \$5 billion this month. Implementation of the new energy giga factories at Jamnagar is making significant progress, Ambani said in the statement. The company is expected to invest \$40 billion over the next five years. Investors are also waiting for more details and a time frame on Reliance's plans to spin-off and list Jio Financial Services which was announced in October. The new unit is being helmed by K.V. Kamath, a veteran banker.

Gas exploration and production will be a key driver for Reliance's earnings in fiscal year 2024 helped by higher output from the new fields and the spike in prices. Reliance is also making a big push into entertainment with its streaming service adding more than 100 films and television series as it takes on giants like The Walt Disney Company and Netflix, Inc. It aims to build on the massive viewership it's receiving for the cricket league tournament, whose streaming rights it bought for US\$3 billion last year. After announcing plans to enter the consumer goods sector in August last year, Reliance has been buying smaller local firms to bolster its portfolio.

Brookfield Asset Management Ltd. (Brookfield) – Australia's Origin Energy Ltd. (Origin) said it has committed to invest about AU\$600 million (US\$403 million) to develop the first stage of a large-scale battery at its Eraring Power Station in New South Wales. Origin flagged a year ago that it would close the country's largest coal-fired power plant by 2025, seven years earlier than expected, and build a big battery there, as competition from wind and solar power had made the plant uneconomic to run. The investment decision comes just weeks after Canada's Brookfield and its partner EIG Global Energy Partners (EIG) decided to go ahead with a US\$10.2 billion plan to buy Origin, nearing the conclusion of one of the country's biggest private equity-backed buyouts. Brookfield has said it plans to invest a further AU\$20 billion to replace Origin's generation and its power purchases with up to 14 gigawatts of new renewable generation and energy storage facilities over 10 years. "Approval of the Eraring battery is an important milestone for Origin and another significant step in our strategy to lead the energy transition and accelerate renewable energy and storage in our portfolio," Frank Calabria, Origin CEO, said. Origin, Australia's top energy retailer, said agreements have been entered for supply and construction of a 460 megawatt (MW) battery storage system at Eraring with a dispatch duration of two hours, expected to be commissioned in the final quarter of 2025. The company may increase the battery capacity to 700 MW and four hours dispatch duration in the future. The Eraring battery project received initial planning approval from the New South Wales state government in May 2022. Eraring is Australia's largest power station and supplies around a quarter of New South Wales' energy needs. It is Origin's only coal-fired plant.

D.R. Horton, Inc. (D.R. Horton) – D.R. Horton reported that net income per common share for its second fiscal quarter ended March 31, 2023 decreased 32% to US\$2.73 per diluted share compared to \$4.03 per diluted share in the same quarter of fiscal 2022. Net income attributable to D.R. Horton in the second quarter of fiscal 2023 decreased 34% to \$942.2 million compared to \$1.4 billion in the same quarter of fiscal 2022. Homebuilding revenue for the second quarter of fiscal 2023 was \$7.5 billion consistent with the same quarter of fiscal 2022. Homes closed in the quarter decreased 1% to 19,664 homes

compared to 19,828 homes closed in the same quarter of fiscal 2022. For the six months ended March 31, 2023, net income per common share attributable to D.R. Horton decreased 24% to \$5.50 per diluted share compared to \$7.20 per diluted share in the same period of fiscal 2022. Net income attributable to D.R. Horton for the six months ended March 31, 2023 decreased 26% to \$1.9 billion compared to \$2.6 billion in the same period of fiscal 2022. Homebuilding revenue for the first six months of fiscal 2023 was \$14.2 billion consistent with the same period of fiscal 2022. Homes closed in the first six months of fiscal 2023 decreased 3% to 37,004 homes compared to 38,224 homes closed in the same period of fiscal 2022. Pre-tax profit margin for the second quarter of fiscal 2023 was 15.6% compared to 23.5% in the same quarter of fiscal 2022. The decline in pre-tax profit margin was primarily due to a 730 basis point decrease in the company's home sales gross margin and a 50 basis point increase in homebuilding selling, general, and administrative expenses (SG&A) expense as a percentage of revenues. The current quarter includes \$14.2 million in inventory and land option charges in our homebuilding segment of which \$13.3 million was for earnest money and pre-acquisition cost write-offs related to land purchase contracts that we have terminated or expect to terminate and \$0.9 million was inventory impairments. Net sales orders for the second quarter ended March 31, 2023 decreased 5% to 23,142 homes and 11% in value to \$8.6 billion compared to 24,340 homes and \$9.7 billion in the same quarter of the prior year. The company's cancellation rate (cancelled sales orders divided by gross sales orders) for the second quarter of fiscal 2023 was 18% compared to 16% in the prior year quarter. Net sales orders for the first six months of fiscal 2023 decreased 20% to 36,524 homes and 25% in value to \$13.6 billion compared to 45,862 homes and \$18.0 billion in the same period of fiscal 2022. The company's sales order backlog of homes under contract at March 31, 2023 decreased 43% to 19,237 homes and 44% in value to \$7.4 billion compared to 33,859 homes and \$13.3 billion at March 31, 2022. At March 31, 2023, the company had 43,600 homes in inventory, of which 24,800 were unsold. 6,400 of the company's unsold homes at March 31, 2023 were completed. The company's homebuilding land and lot portfolio totaled 547,000 lots at the end of the quarter, of which 25% were owned and 75% were controlled through land and lot purchase contracts. Donald R. Horton, Chairman of the Board, said, "We are excited to announce that we recently closed our one millionth home, a first for any homebuilder! We are proud to have been a part of a million families achieving their dreams of homeownership over the past 45 years. Thank you to the countless D.R. Horton employees who have been involved in the journey to achieve this remarkable milestone. The spring selling season is off to an encouraging start with our net sales orders increasing 73% sequentially from the first quarter. Despite higher mortgage rates and inflationary pressures, demand improved during the quarter due to normal seasonal factors, coupled with our use of incentives and pricing adjustments to adapt to changing market conditions. Although higher interest rates and economic uncertainty may persist for some time, the supply of both new and existing homes at affordable price points remains limited, and demographics supporting housing demand remain favorable." "We are well-positioned to navigate changing market conditions with our experienced operators, diverse product offerings and flexible lot supply and are focused on turning our inventory to maximize returns and capital efficiency in each of our communities. The strength of our balance sheet, liquidity and low leverage provide us with significant financial flexibility, and we plan to maintain our disciplined approach to investing capital to enhance the long-term value of our company, including returning capital to our shareholders through both dividends and share repurchases on a consistent basis."

DIVIDEND PAYERS



The Coca-Cola Company (Coca-Cola) - Coca-Cola's earnings release this morning was better than expected, but without a raise to the 2023 outlook given how early it is in the year. The statement does downplay the strength seen across the profit and loss with organic sales growth +12% and volumes up even as they lagged unit case volume (suggesting in-market momentum stronger than what was reported) and it still includes a headwind from the Russia exit. Gross margins were ahead expectations and provided for a step up in SG&A spending as well as an approximate 3% beat to operating profit. Coca-Cola just reported the first quarter of 2023 comparable earnings per share (EPS) of US\$0.68 that compares to consensus estimates at \$0.65. Organic sales were +12% versus expected +9%, with two-thirds of the beat arising from better price mix and one-third attributable to better volumes. Consolidated unit case volumes were +3% versus the expected +1%. Operating margins were +40 basis points vs. flat expectations driven by a better than anticipated gross margin that more than offset stronger SG&A spending.

The Procter & Gamble Company (P&G) is setting a very high bar for earnings season with a significant organic sales and gross margin beat. On the latter, it was expected that gross margins were to reflect to positive year over year next quarter and instead the company posted a +150 basis points improvement with the difference driven by higher productivity savings and operating leverage to a lesser degree. EPS were likewise ahead of consensus expectation but notably this came with nearly 300 basis points of increased marketing spending (or roughly US\$500 million), which should further widen the company's competitive moat. Though there are a multitude of reasons P&G has stood out operationally and strategically over the past three years, one key difference has been the company's dogged commitment to reinvesting in its brands throughout such that this quarter's spend level isn't a matter of playing "catch up". The implied guidance for the fourth quarter of fiscal 2023 on sales does suggest a deceleration which is prudent given the uncertain economic environment, but the inclination is to assume there is some conservatism built into the outlook. The total company organic sales rounded down to +7% (versus expected +5%), with every division outperforming expectation.

LIFE SCIENCES



Amgen Inc. (Amgen) – Amgen convinced a U.S. appeals court to uphold patents that bar generic versions of its blockbuster psoriasis drug Otezla proposed by Zydus Pharmaceuticals (USA) Inc. (Zydus) and Novartis AG's Sandoz Inc. (Sandoz) until 2028. The U.S. Court of Appeals for the Federal Circuit affirmed a New Jersey federal court's ruling that Amgen patents covering the drug were valid and that the proposed generics would infringe them. The Federal Circuit also upheld a decision to invalidate one of Amgen's patents that Sandoz said would have barred its generics until 2034. Amgen said in a press release that the decision blocks Sandoz and Zydus' generics until February 2028. A spokesperson for Sandoz said Wednesday that the company was pleased that the decision allows it to market generic Otezla in 2028 instead of 2034. Thousand Oaks, California-based Amgen sold over US\$2.2 billion worth of Otezla worldwide last year, according to a company filing with the U.S. Securities and Exchange Commission. Amgen bought Otezla from Celgene Corporation (Celgene) in 2019 for \$13.4 billion. Celgene sued several drugmakers over their proposed Otezla generics starting in 2018, and 17 of the 19 lawsuits have been settled since. U.S. District Judge Michael Shipp said in 2021 that Switzerland-based Sandoz and India-based Zydus' generics would infringe three Amgen patents. Zydus and Sandoz appealed the decision that two of the infringed patents were valid. The Federal Circuit on Wednesday affirmed the ruling. The court also affirmed that Amgen's patent that would have expired in 2034 was invalid over Amgen's cross-appeal.

Guardant Health, Inc. (Guardant) – announced that Palmetto GBA, LLC (Palmetto), a Medicare administrative contractor for the Molecular Diagnostics Services program, has conveyed coverage for the Guardant360 Response test. Guardant360 Response is the first blood-only test that enables doctors to track molecular response through changes in circulating tumor DNA (ctDNA) levels, to get an early indication of metastatic or advanced cancer patient response to immune checkpoint inhibitor therapy. Following this decision, the Guardant360 Response test is now covered for fee-for-service Medicare patients in the U.S. with metastatic or inoperable solid tumors who are on an immune checkpoint inhibitor therapy. The coverage includes a Guardant360 companion diagnostic or laboratory developed test before initiating therapy to establish a ctDNA baseline and a Guardant360 Response test 4 to 10 weeks after the therapy has been initiated to measure the change in ctDNA level. This policy decision adds to the existing Medicare coverage of Guardant Health tests for cancer patients. In December 2019, Palmetto expanded local coverage determination of the Guardant360® assay, making it the first liquid biopsy to be broadly covered for use across the vast majority of advanced solid tumors. In March 2022, Palmetto conveyed coverage for Guardant360 TissueNext, the company's first tissue-based test to help oncologists identify patients

with advanced cancer who may benefit from biomarker-informed treatment. In July 2022, coverage was granted for Guardant Reveal, a molecular residual disease test to identify cancer patients with residual or recurring stage II or III colorectal cancer who may benefit most from adjuvant therapy.

Lantheus Holdings, Inc. (Lantheus) / POINT Biopharma Global Inc. (POINT)

Lantheus, a company committed to improving patient outcomes through diagnostics, radiotherapeutics and artificial intelligence solutions that enable clinicians to Find, Fight and Follow disease and POINT, a company accelerating the discovery, development and global access to life-changing radiopharmaceuticals, announced the U.S. Food and Drug Administration (FDA) has granted Fast Track designation for 177Lu-PNT2002 for the treatment of metastatic castration resistant prostate cancer (mCRPC). Fast track is a process designed to facilitate the development and expedite the review of drugs to treat serious conditions and address unmet medical needs. PNT2002 is an innovative prostate-specific membrane antigen (PSMA)-targeted 177Lu-based radiopharmaceutical therapy that combines a PSMA-targeted ligand, PSMA-I&T, with the beta-emitting radioisotope no-carrier-added 177Lu. “Fast track designation by the FDA is an important milestone and recognizes the potential for 177Lu-PNT2002 to address the significant unmet need for mCRPC patients,” said Jean-Claude Provost, M.D., Chief Medical Officer at Lantheus. “We are encouraged by the FDA’s decision as it reflects the need for FDA approved and widely available treatments for these patients. This designation will allow us to work closely with the FDA, along with our partner POINT, to quickly advance 177Lu-PNT2002, with the potential to make a meaningful difference for patients who require new treatment options.” “The FDA Fast Track designation for 177Lu-PNT2002 underscores its potential to address a serious unmet need and serve as a meaningful therapeutic option for patients with mCRPC,” said Dr. Neil Fleshner, M.D., Chief Medical Officer of POINT. “We are seeing that radioligand therapy is quickly becoming another pillar of cancer treatment, and, with our continued focus on supply chain excellence, we believe that we are very well positioned to meet market demands post approval. We will continue to work closely with our partner Lantheus and with the FDA to bring 177Lu-PNT2002 to patients as quickly as possible.” The Phase 3 SPLASH trial is a multi-center, randomized, open label assessment of 177Lu-PNT2002 in participants with PSMA-expressing mCRPC who have progressed on androgen receptor pathway inhibitor therapy and refuse, or are not eligible for, chemotherapy. Participants were randomized 2:1 with those in arm A receiving 177Lu-PNT2002 and those in arm B receiving either abiraterone or enzalutamide. Participants in arm B who experience centrally assessed radiographic progression and meet protocol eligibility have the option to crossover and receive 177Lu-PNT2002. Patients are subject to follow-up for up to 5 years from their first 177Lu-PNT2002 dose. The primary endpoint of the study is radiographic progression-free survival. Key secondary endpoints include overall survival, overall response rate, and duration of response. Safety and tolerability will also be assessed. Enrollment in the trial is complete and SPLASH top line data is expected in the second half of 2023. Lantheus in-licensed exclusive worldwide commercialization rights (excluding certain Asian territories) to 177Lu-PNT2002 from POINT in December of 2022.

Relay Therapeutics, Inc. (Relay)– Relay announced initial clinical data for RLY-2608, the first known investigational allosteric, pan-mutant and isoform-selective inhibitor of PI3K. The data support initial clinical proof of mechanism, demonstrating that RLY-2608 achieved selective

target engagement at multiple predicted efficacious doses with a favorable initial safety and tolerability profile. RLY-2608 is currently being evaluated in an ongoing dose-escalation portion of ReDiscover, a first-in-human trial, which was designed to evaluate the safety, tolerability, pharmacokinetics, pharmacodynamics and preliminary antitumor activity across two separate arms. The monotherapy arm started in December 2021 and enrolled 19 patients with unresectable or metastatic solid tumors with a PI3K mutation. RLY-2608 demonstrated mutant selective PI3K target engagement at multiple doses. There was limited observed impact on glucose homeostasis overall and no Grade 3 hyperglycemia was observed. Glucose homeostasis is believed to be an important indicator of both RLY-2608’s clinical selectivity profile and its potential ability to avoid this key off-target toxicity associated with wild-type inhibition. RLY-2608 has been generally well tolerated in the 42 patients treated as of the cut-off date. The overall safety profile consisted of mostly low-grade adverse events (AEs) that were manageable and reversible. Across all doses, there were no dose-limiting toxicities, no AEs leading to treatment discontinuation and no Grade 4-5 AEs.



ECONOMIC CONDITIONS

Japan Consumer Price Index (CPI) for March came in at +3.2% year over year versus last month’s 3.3% but core prices jumped to its highest level since 1981 to 3.8% year over year. Governor Ueda’s first Bank of Japan comes next week and the markets continue to keep watch on whether he will follow his predecessor’s ultra-loose policy. His past comments prior to becoming Governor would suggest he wants some change but markets would punish quickly if he reveals any indication. USD/JPY has fallen back into its traditional risk on/risk off role.

UK retail sales surprised to the downside in March and fell 0.9% month over month. The decline was broad based, with most components seeing declines—reversing some of the sharp gains seen in the prior two months. That said, a 1.2% month over month decline in non-food stores drove half the decline appears to have been due to poor weather conditions—the Met Office reported that the month was the sixth wettest march on record since 1836.

The French services Purchasing Managers’ Index (PMI) surprised sharply to the upside in April, improving for the third consecutive month to 56.3 (market: 53.5) as demand conditions continue to improve. Services survey respondents reported a pick-up in market activity supported growth, in turn driving higher new business intakes. The increase in demand for services was boosted by overseas demand, with the data showing the first increase in new business from foreign customers since May 2022. Moreover, inflationary pressures continued to cool in the month, with input and output price growth slowing for the fourth and third consecutive months respectively.

The German manufacturing PMI surprised sharply to the downside in April, falling 0.7 points to 44.0 (market: 45.7). As in February and March, another sharp improvement in suppliers’ delivery times were a notable driver of the decline, while new orders registered a slight increase on the month. On a positive note, as in France, inflationary pressures continued to ease, with both input and output price growth declining yet again. In particular, input price growth fell to the lowest level since December 2020.

The UK April flash PMIs were mixed, with the manufacturing index surprising sharply to the downside, declining to 46.6 (market: 48.4),

while the services index came in much better than expected, surging to 54.9 (market: 52.8). The drop in the manufacturing index was mostly driven by a sharp 4-point fall in new orders, as goods producers noted that customer destocking and efforts to cut costs had added to downward pressure on demand. On the other hand, services survey respondents pointed to resilient consumer spending and an improvement in consumer confidence. While another decline in the growth of input prices is promising, output price growth increased slightly, as private sector firms once again tried to defend their margins. Moreover, business expectations fell slightly for the first time in seven months.

The Canadian CPI increased 0.5% in March, exactly in line with consensus expectations (not seasonally adjusted). In seasonally adjusted terms, headline prices were up 0.1% after a 0.1% increase the prior month. This translated into a 4.3% annual inflation, a 9-tick deceleration from the month before. Prices increased in 6 of the 8 categories surveyed, namely alcohol/tobacco (+0.7%), health/personal care (+0.5%), food (+0.4%) and shelter (+0.4%). Meanwhile, prices decreased in the transportation (-0.6%) and household operations (-0.1%) categories. Annual inflation was below the national average in Alberta (+3.3%), while it was in line with this number in Ontario (+4.3%) and above that mark in Québec (+4.7%) and British Columbia (+4.7%). Core inflation measures were as follows: 4.4% for CPI trim (down four ticks from last month) and 4.6% for CPI median (down two ticks). As a result, the average of the two measures decreased from 4.8% to 4.5%.

U.S. housing starts fell 0.8% in March to 1.42 million annualized. While that was better than expected, the surge in February was tempered to 1.432 million units. Multi-family starts slid nearly 6% after taking off in February, however, they are still 6.5% above a year ago. Meantime, single-family homes edged up 2.7%. After a weak February, starts soared in the Northeast (+72.4%) alongside a healthy 6.8% gain in the South. Both the Midwest and West reversed course in March, with starts returning to or falling below January lows.

U.S. building permits, a good gauge for future home construction, sank 8.8% to 1.413 million annualized. That brings them back in striking distance of their two and a half year low hit back in December. While that is certainly reflective of the difficult conditions facing the residential construction sector, there are a few indications that conditions are improving for builders. According to the latest National Association of Home Builders Housing Market Index, homebuilder sentiment ticked up in April, climbing for a fourth straight month. Migration patterns last year also tended to favour geographies with higher housing supply elasticities (think Florida, Texas, Arizona), which will make it easier for builders to expand housing supply compared to having to build in more restrictive markets.

U.S. existing home sales fell 2.4% to 4.44 million annualized in March, reversing some of the prior month's 13.8% surge (revised down from 14.5%). Sales of single-family homes fell 2.7% after catapulting 14.2% in February. Meanwhile, not one region saw growth in the month, with the Northeast unchanged, while the Midwest (-5.5%), West (-3.5%) and South (-1.0%) posted declines. The median selling price contracted for the second straight month, edging down 0.9% year over year to US\$375,700. The median sales prices for a single-family home fell 1.4% to \$380,000. After two decades in growth mode, annual home prices are now digging into contractionary terrain, though they rose on a month-over-month basis and appear to be steadying in seasonally adjusted terms. The number of homes available for sale held relatively stable at 980,000.



FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now -0.63% and the UK's 2 year/10 year treasury spread is -0.03%. 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 6.39%. 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 we consider a more normal range of 4-7 months.

The volatility index (VIX) is 17.37 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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