NEWS HIGHLIGHTS

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

MAY 29, 2023

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OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND[1]

PORTLAND 15 OF 15 ALTERNATIVE FUND[1] COMPANY NEWS

Carnival Corporation – Princess Cruises, the most iconic cruise line in the world, recently revealed the name of its second, sensational Sphere Class cruise ship – Star Princess, which will sail an inaugural season of Mediterranean voyages when she debuts in August 2025. Currently under construction at the Fincantieri shipyard in Italy, Star Princess joins Sun Princess as the largest ships ever built for Princess at 175,500 tons and carrying 4,300 guests. The new ship is built on a platform that is distinctly different and unique to Princess, designed to simultaneously embrace the Princess heritage while celebrating the romance of the sea by offering more dynamic, outward views. While 20% larger than any of the line's existing ships, Star Princess design retains the more intimate settings Princess is known for, with a number of new and incredibly ground-breaking spaces such as: The Dome, a transformational entertainment venue inspired by the terraces of Santorini; the next-level Piazza featuring a glass sphere; the "see it to believe it" Princess Arena, a configurable, technologically-advanced main theater that allows Princess to produce a variety of innovative entertainment concepts; and a majestic dining room positioned aft of the ship to deliver unforgettable wake views. This second Sphere Class ship will also offer a number of spectacular features with an array of exciting new food and beverage concepts; a magnificent, expanded casino; a two-story Lotus Spa; and mesmerizing entertainment headlined by Cirque Éloize. Guests also will love the expanded accommodations options with luxurious staterooms and suites, including the new Reserve and Signature Collections. Star Princess also will showcase the exclusive Princess Medallion service that extends Princess' leadership position in delivering exceptional personalized experiences. The new ship will be the second in the Princess fleet to be powered by Liquefied Natural Gas (LNG) fuel technology and also is being built with the most advanced sustainable innovations available. Star Princess debuts August 4, 2025, sailing a nine-day Inaugural Italy & Greece roundtrip voyage from Rome (Civitavecchia), featuring the destinations of Corfu, Kotor, Mykonos, Santorini and Naples (for Capri and Pompeii), followed by a variety of 9- and 10-day cruises sailing from Rome, Athens or Trieste (Venice) that visit idyllic coastal ports. Star Princess cruises go on sale with the larger Europe 2025 program release on June 1, 2023. "There's much to be admired about Star Princess - her sleek, eye-catching design, spacious interiors, and of course, the remarkable views of the sea and sky, just like the features found on Sun Princess that have prompted cruise lovers to snap up inaugural year bookings," said John Padgett, president of Princess Cruises. "We've carefully designed these ships to feel familiar to our guests yet significantly advanced with lots of exceptional new and expanded experiences to embrace and explore."

Softbank Group Corp. (SoftBank)– SoftBank is planning to move into private credit according to Bloomberg. Rising interest rates are making the returns even more attractive for credit providers and a pullback by banks means there's less traditional competition. Last week, asset managers such as BlackRock, Inc. and Allianz SE point to the strengths of the US$1.5 trillion asset class, while private equity firms are looking to expand their offerings. The fact that SoftBank, one of the world's most aggressive tech investors, is looking at private credit is more evidence of the market's rapid growth and its increasing ability to fund large acquisitions. Multi-billion-dollar debt deals for firms such as Zendesk Inc. and Coupa Software Inc. have been funded by direct lending in the past year. While new loans are proving profitable for non-bank lenders, some existing deals look set to come under pressure. There are limited ways of trading out of private loans, so credit difficulties can prove costly for the providers. As a result, firms including HPS Investment Partners, LLC and Bain Capital Specialty Finance Inc. are beefing up their restructuring teams in anticipation of stress emerging in their portfolios. The higher cost of borrowing means buyers will not be able to pay as much as they were for companies while some small- and medium-sized businesses may face a credit crunch following the regional banking crisis in the U.S. The Japanese bank sees an opportunity to use its existing expertise in the tech space, this time through providing credit. Senior investors at the firm have spoken to industry players about the possibility of deploying as much as $1 billion of debt via its venture capital unit according to Bloomberg.

Reliance Industries Ltd. (Reliance)- Reliance Consumer Products Limited (RCPL), the Fast-Moving Consumer Goods arm and a wholly-owned subsidiary of Reliance Retail Ventures Limited (RRVL) has completed the acquisition of 51% controlling stake in Lotus Chocolate Company Limited. (LOTUS) for an aggregate consideration of Rs. 74 crore (740 million Indian Rupee). It has also subscribed to non-cumulative redeemable preference shares of LOTUS for an aggregate consideration of Rs. 25 crore (250 Million Indian Rupee). RCPL has also completed the acquisition of equity shares pursuant to the open offer made under the Securities and Exchange Board of India (SEBI) takeover regulations. RCPL has taken sole control of LOTUS with effect from May 24, 2023.

Meta Platforms, Inc. (Meta) conducted another round of layoffs, estimated to impact around 6,000 people. These cuts are part of the company's "Year of Efficiency" in which Meta is being restructured to generate cost savings. Mark Zuckerberg, Chief Executive Officer (CEO), announced in a March blog post that he would cut 10,000 jobs across two rounds of layoffs in late April and late May, after an initial workforce reduction of 11,000 roles in November. This week's layoffs primarily targeted business roles, while the April layoffs impacted tech teams. Meta has also stopped recruiting for about 5,000 open roles, and in total, about 21,000 people have lost their jobs at Meta, reducing the company's headcount by about a quarter since November. "Since we reduced our workforce last year, one surprising result is that many things have gone faster," Zuckerberg wrote in his March blog post. "In retrospect, I underestimated the indirect costs of lower-priority projects."

Samsung Electronics Co., Ltd. (Samsung) - South Korea will avoid capitalizing on China's ban on a U.S. chipmaker, seeing the move by Beijing as an attempt to drive a wedge between Seoul and Washington, according to a person familiar with the situation. The South Korean government won't encourage its memory-chip firms to grab market share in China lost by Micron Technology Inc., which has been barred for use in critical industries by Beijing on national security grounds, said the person, who asked not to be identified as the topic is politically sensitive. China is the biggest market for South Korea semiconductor firms Samsung and SK Hynix Inc. and home to some of their factories. Their continued operations in China are dependent on licenses granted by Washington, giving the U.S. some leverage over Seoul's decisions on how it balances its economic engagement with both countries. China's Micron decision has drawn South Korea into the U.S.-China battle over technology access and national security. While Washington is Seoul's top security partner, China is South Korea's biggest trade partner. Washington, along with allies in Japan and the Netherlands, has imposed a series of export controls on chipmaking equipment and knowhow to Beijing as the world's top two economic powers increasingly square off in trade and technology. The Chinese commerce ministry said in a statement after talks with South Korea amid the Asia-Pacific Economic Cooperation forum in Detroit this week that the sides had agreed to strengthen cooperation on semiconductor supply chains. A separate statement from the South Korean trade ministry made no reference to chips and instead said they discussed cooperation on stabilizing critical commodities and components.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]
GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]
GO TO PORTLAND GLOBAL BALANCED FUND[1]

Bank of Nova Scotia reported second quarter 2023 core cash EPS of CA$1.70 and consensus (c) of $1.76. The miss was tied mainly to higher expenses (-$0.12 impact), along with slightly lower revenues (-$0.04) and higher Provisions for Credit Losses (PCLs) (-$0.02), offset by a low tax rate (+$0.06). Consolidated Pre-Tax, Pre-Provision Earnings (PTPP) was down 11% year over year. Excluding trading revenues, consolidated revenue growth was flat. Canadian Property and Casualty (P&C) adjusted PTPP growth of 6% year over year. Net Interest Margins (NIMs) were up 4 basis points quarter over quarter. PCL ratio of 20 basis points was up 1 basis point quarter over quarter. Segment loan growth was 6% year over year (flat quarter over quarter), with commercial up 18% year over year (+2% quarter over quarter) and mortgage loans up 3% year over year (down 1% quarter over quarter). Cards balances were up 16% year over year (up 3% quarter over quarter). International Banking adjusted PTPP up 6% year over year (constant Foreign Exchange). PCL ratio of 103 basis points was up 7 basis points quarter over quarter. NIMs increased 12 basis points quarter over quarter to 4.12%. Loan growth of 9% year over year (flat quarter over quarter) was driven by mortgages up 12% year over year (+2% quarter over quarter) and commercial up 8% year over year (down 1% quarter over quarter). Card balances were up 14% year over year and up 1% quarter over quarter. Capital Markets adjusted PTPP down 1% year over year. Trading revenues of $555 million Advisory revenues of $154 million. Expense growth in the segment was 15% year over year, which yielded the decline in segment PTPP. Global Wealth earnings down 13% year over year (PTPP down 13% year over year). Asset Under Management (AUM) was up 1% year over year and Asset Under Administration (AUA) was up 5% year over year, primarily driven by market appreciation. Core Equity Tier 1 (CET) capital ratio of 12.3%. CET ratio was up 80 basis points vs. first quarter 2023, and was driven by organic capital generation of 18 basis points, 56 basis points from revised Basel III adoption, 9 basis points from share issuances through Dividend Reinvestment Plans (DRIP) and 4 basis points from revaluation of fair value through other comprehensive income (FVOCI) securities, offset by 4 basis points from Risk Weighted Asset inflation. Total PCLs of $709 million vs. $678 million consensus of $695 million.

Canadian Imperial Bank of Commerce (CIBC) reported second quarter 2023 core cash EPS of CA$1.70 vs. consensus $1.61. The beat was attributable to revenues (+10 c) Non-Interest Expense (NIX) (+2c) and taxes (+5c), offset by higher PCLs (-7c). Consolidated PTPP was up 6% year over year. Canadian P&C PTPP up 23% year over year. PCLs of $173 million compared to adjusted PCLs of $206 million recorded in the first quarter of 2023. NIM was up by 9 basis points quarter over quarter. Loans were up 6% year over year (flat quarter over quarter) led by commercial growth of 10% year over year (+2% quarter over quarter). Credit card balances were up 23% year over year (flat quarter over quarter). U.S. Commercial Banking and Wealth Management's adjusted PTPP was flat year over year (USD basis). PCLs of $183 million were higher than PCL of $73 million recorded last quarter. NIM down 13 basis points quarter over quarter. Loans were up 11% year over year (+3% quarter over quarter) and deposit growth was flat year over year (down 6% quarter over quarter). Capital Markets earnings were down 8% year over year (PTPP down 4% year over year). Trading revenues taxable equivalent basis of $560 million vs. our $525 million estimate. Advisory revenues of $136 million vs. our $110 million forecast. Core Equity Tier 1 (CET1) capital ratio of 11.9% was up 30 basis points from 11.6% last quarter. The components of CET1 movement from first quarter 2023 were earnings net of dividend growth of 24 basis points, Basel III reform implementation of 28 basis points, and other (13 basis points), which were offset by Risk-Weighted Assets inflation of 15 basis points, and operational risk (24 basis points). PCLs of $438 million vs. consensus PCL of $379 million.

Citigroup Inc. (Citi) announced its decision to focus on an Initial Public Offering (IPO) of its consumer, small business and middle-market banking operations in Mexico (i.e., the "new" Banamex). This has been/will be a long and complicated process; it was back in January of 2022 that Citi announced its decision to exit these businesses—via sale or IPO--with what we believed to be a clear preference for a sale (as recently as May 16th Reuters reported that the negotiations for a sale to Grupo Mexico for US$7 billion, with a retained 10% stake, were "going really well"). Citi will now pivot to focus on an IPO. Citi expects the separation of the "new" Banamex from the retained institutional franchise to be complete in the second half of 2024 with the IPO expected in 2025 (deconsolidation will occur at <50% voting ownership); all in this suggests a longer timeline for realization of the full benefits of exit, i.e., simplification and incremental capital relief (including the Global Systemically Important Bank impact).

Bank of Montreal (BMO) reported second quarter 2023 adjusted EPS of CA$2.93 vs. consensus $3.16. The miss was driven by lower than expected revenues (-$0.21) and higher expenses (-$0.03) offset by a lower tax rate (+$0.04. Consolidated adjusted PTPP was up 7% year over year. Canadian P&C adjusted PTPP growth was 7% year over year. PCLs of $228 million compared to a PCL of $164 million last quarter. Net Interest Margin was flat quarter over quarter at 2.70%. Segment loan growth was 10% year over year (1% quarter over quarter), led by commercial up 12% year over year (2% quarter over quarter). Mortgage growth was 9% year over year (1% quarter over quarter), and cards were up 22% year over year (2% quarter over quarter). U.S. P&C reports 48% year over year adjusted PTPP growth (USD basis) with Bank of the West (BoW) acquisition. $51 million of PCLs vs. a PCL of $46 million in first quarter 2023. NIM was up 4 basis points quarter over quarter. Organic segment loan growth was +3% year over year and flat quarter over quarter. BoW contributed US$58 billion of loans and US$67 billion of deposits, both of which are below BMO's "updated expectations" from the first quarter 2023 post-close acquisition update. The decline in loan balance was due mainly to Fair Value marks on closing (i.e., relative to BoW carrying value), while deposits have fallen due to "surge deposits" exiting the system. Capital Markets adjusted net income down 16% year over year (PTPP down 14% year over year). Total adjusted trading revenues taxable equivalent basis were approximately $666 million, Advisory revenues were $269 million vs. forecast of $205 million. Wealth adjusted net income down 10% year over year. This figure included an 11% decline year over year in Traditional Wealth earnings and a decline in Insurance earnings by 5% year over year. Core Equity Tier 1 capital ratio of 12.2%, down from 18.2% last quarter and in line with our forecast of 12.2%. Decline was driven primarily by the closing of the acquisition of BoW (-680 basis points), which was partially offset by internal capital generation of 12 basis points, Dividend Reinvestment Plans shares issued from treasury of 12 basis points, 32 basis points from lower source currency Risk-Weighted Assets primarily from elimination of capital floor adjustment and 29 basis points from implementation of Basel III reforms. Total PCL of $318 million vs. consensus forecast of a PCL of $367 million.

Royal Bank of Canada reported second quarter 2023 adjusted EPS of $2.65 vs. consensus estimate of $2.78. The miss was driven by revenues (-21c), expenses (-15c), and PCLs (-3c), offset by a lower tax rate (+16c). Consolidated PTPP was up 1% year over year. Canadian P&C reports 11% PTPP growth. Segment loan growth was 8% year over year (1% quarter over quarter) led by commercial up 17% year over year (+4% quarter over quarter), while mortgage loan growth was 7% year over year (flat quarter over quarter). Card balances were also up 16% year over year (up 1% quarter over quarter). NIM decreased 8 basis points quarter over quarter to 2.65%. PCLs of $431 million compared to PCLs of $391 million last quarter. Operating leverage of negative 1%. Capital Markets earnings were up 5% year over year (PTPP up 4% year over year). Total trading revenues of $899 million and Advisory revenues of $458 million. Wealth Management earnings were down 8% year over year (PTPP down 5%). Core Equity Tier 1 capital ratio of 13.7% was up approximately 100 basis points from last quarter. The increase in CET1 ratio was the result of internal capital generation of +59 basis points and Basel III reforms of +79 basis points and Dividend Reinvestment Plans impact of +10 basis points, which were offset by dividends (-31 basis points), and Risk-Weighted Assets inflation (-23 basis points). Total PCL of $600 million vs. consensus' forecast of $573 million.

Toronto-Dominion Bank (TD) reported second quarter 2023 cash EPS of $1.94, vs consensus of $2.06. The miss was the result of revenue (-24c), offset by NIX (+4c), PCLs (+4c) and other items (+2c). Consolidated PTPP (adjusted) was up 6% year over year. Canadian P&C posts 14% PTPP growth year over year. PCLs of $247 million were down from $327 million in first quarter 2023. Segment loan growth was 6% year over year (1% quarter over quarter), led by commercial growth of 11% year over year (+2% quarter over quarter). Cards were up 14% year over year (flat quarter over quarter) NIM was down 6 basis points quarter over quarter. U.S. P&C PTPP down 5% year over year (USD basis, excluding The Charles Schwab Corporation Common Stock (SCHW)). NIM was down 4 basis points quarter over quarter. Segment loans were up 10% year over year (2% quarter over quarter). PCLs of $140 million compared to PCL of $149 million recorded in first quarter 2023. Capital Markets net income was down 41% year over year. Total trading revenues taxable equivalent basis were $482 million. Advisory revenues were $288 million - this quarter reflects the inclusion of Cowen. Canadian Wealth earnings were down 16% year over year. Canadian insurance segment earnings were down 5% year over year. Core Equity Tier 1 ratio of 15.3% was down about 20 basis points from 15.5% in the first quarter of 2023. Impact of Cowen acquisition (-55 basis points), mitigation of interest rate volatility (-2 basis points) and Risk-Weighted Assets inflation (-2 basis points) offset all gains made from internal capital generation (+28 basis points), increase in common shares from Dividend Reinvestment Plans (+14 basis points) and impact from Foreign Exchange hedge on First Horizon Corporation exit (+4 basis points). Total PCL of $599 million vs. consensus of $735 million.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

GO TO ITM AG INVESTMENT TRUST[1]

GO TO ITM AG INVESTMENT LP[1]

Amgen Inc. (Amgen) – Johnson & Johnson (J&J) has settled its lawsuit over Amgen proposed biosimilar version of J&J's top-selling treatment Stelara for psoriasis and other autoimmune conditions, according to a filing in Delaware federal court. Amgen said in a statement that the settlement terms are confidential, but it will allow the company to sell its biosimilar of Stelara "no later than January 1, 2025." Stelara, which is also approved to treat ulcerative colitis and Crohn's disease and other conditions, had sales of more than US$9.7 billion last year. Stelara is a biologic drug, meaning it is derived from living cells and cannot be exactly duplicated. A 2009 law allows companies to make biosimilar versions of complex biologic drugs that can be substituted for them, much like cheaper generic versions of conventional drugs, which are exact copies of the branded medicines.

Clarity Pharmaceuticals Ltd. (Clarity)– announced the completion of cohort 1 and advancement to cohort 2 in the therapeutic phase of its Phase I/II theranostic trial, SECuRE, evaluating 64Cu/67Cu-SAR-bisPSMA in patients with Metastatic Castration-Resistant Prostate Cancer (mCRPC). The SECuRE trial is a Phase I/IIa theranostic trial for identification and treatment of Prostate-Specific Membrane Antigen (PSMA) expressing mCRPC using Targeted Copper Theranostics (TCTs). 64Cu-SAR-bisPSMA is used to visualise PSMA expressing lesions and select candidates for subsequent 67Cu-SAR-bisPSMA therapy. The trial is a multi-centre, single arm, dose escalation trial with a cohort expansion involving up to 44 patients in the U.S. The aim of this trial is to determine the safety and efficacy of 67Cu-SAR-bisPSMA for the treatment of prostate cancer. The first cohort of the dose escalation, where 6 participants received a single administration of 4 gigabecquerel (GBq) of 67Cu-SAR-bisPSMA, has been completed. The Safety Review Committee (SRC), responsible for assessing safety of participants and overseeing the general progress of the trial, has assessed the data and recommended progressing the trial to cohort 2, increasing the dose to 8 gigabecquerel (GBq).

POINT Biopharma Global Inc. (POINT)– announced an upcoming poster presentation for the company's ongoing phase 1, pan-cancer, fibroblast activation protein-α (FAP-α)-targeted trial, FRONTIER. The FAPi Radioligand OpeN-label, phase 1 study to evaluate safety, Tolerability, and dosImetry of [Lu-177]-PNT6555; a dose Escalation study for treatment of patients with select solid tumors (FRONTIER) trial is an open-label, phase 1 trial to evaluate safety, tolerability, and dosimetry of [Lu-177]-PNT6555 and [Ga-68]-PNT6555, the lead assets of the PNT2004 program. The trial commenced in summer 2022 in Canada and uses a [Ga-68]-based PNT6555 molecular imaging agent to select participants to receive a no-carrier-added (n.c.a.) [Lu-177]-based PNT6555 therapeutic agent. FRONTIER is designed to enroll up to 30 participants across seven Fibroblast activation protein (FAP)-avid cancer indications: colorectal cancer, adenocarcinoma of the pancreas, esophageal cancer, melanoma skin cancer, soft tissue sarcoma, cholangiocarcinoma, and head and neck cancer. Dose level cohorts 1 and 2 have been completed without dose-limiting toxicity. Enrollment to dose level cohort 3 (12 GBq) began in May 2023. We anticipate data from the full FRONTIER study to be available in the first half of 2024.

Telix Pharmaceuticals Ltd. (Telix) – announced that on June 21, 2023, at The Yale Club, New York City, the company will showcase its urologic pipeline, development of novel therapeutics, imaging agents and technologies that aim to harness the power of targeted radiation at every step of the patient journey. Institutional investors, analysts and company guests are cordially invited to attend the session, which will feature an overview of the company's growth strategy and product pipeline for the detection and treatment of urological cancers. Speakers will include members of the Telix leadership team, including Dr. Christian Behrenbruch, Managing Director and Group CEO, and U.S.-based executives, Dr. Colin Hayward, Chief Medical Officer and Kevin Richardson, Telix Americas CEO. The program will focus on Telix's vision for the field of urology building from its first commercial product Illuccix for prostate cancer imaging, its follow-on imaging agent for the urology market, TLX250-CDx and the company's investigational prostate (PSMA-targeting) and renal (carbonic anhydrase IX, or CAIX-targeting) therapy programs. The event will also feature key opinion leaders in urology and nuclear medicine to discuss the clinical utility and opportunity for Telix's investigational products.

NUCLEAR ENERGY

NuScale Power Corporation (NuScale)– announced that it joined the Romanian Atomic Forum (ROMATOM) as a supporting member to champion the association's nuclear energy goals and further the next generation of advanced nuclear technology experts, technologists, and operators in Romania. This move embodies NuScale's commitment toward the development of clean nuclear energy with small modular reactor (SMR) technology in Romania and the broader European region. Established in 2001, Romanian Atomic Forum (ROMATOM) supports the safe and peaceful use of nuclear power and promotes the development of a Romanian national nuclear program, launched in the early 1970s. Romania, the first country in Europe to deploy a NuScale VOYGR™ SMR power plant, has more than 26 years of safe nuclear power plant operations experience. Romania also has over 50 years of nuclear industry supply chain experience, with most companies being ROMATOM members, as well as a highly respected and rigorous Nuclear Industry Regulator (National Commiccion for Nuclear Activities Control), and a robust engineering education system. This announcement builds upon the existing nuclear power collaboration between NuScale and Romania's state nuclear power corporation, S.N. Nuclearelectrica S.A. (SNN) and RoPower Nuclear S.A. (RoPower), a project development company established and jointly owned by SNN and Nova Power & Gas, S.R.L., a Romanian energy company. In 2021, NuScale and SNN signed a teaming agreement to deploy the first NuScale six-module VOYGR-6, 462 Megawatts of Electricity (MWe) power plant in Romania by the end of this decade and earlier this year, NuScale and RoPower commenced Front-End Engineering and Design Work in Doicesti. Late last week at the G7 Summit in Hiroshima, Japan, the Biden Administration announced a global public-private commitment of up to US$275 million to advance the deployment of a NuScale's VOYGR™ SMR power plant in Romania. Following NuScale's first planned VOYGR™ plant deployment in the U.S., Romania has the potential to accommodate the first deployment of SMRs in Europe and to become a catalyst for SMRs in the region, as well as a base for supporting operations of this new technology in other countries.

ECONOMIC CONDITIONS

German GDP for the first quarter showed a contraction of 0.3% from its earlier flat read. Fourth quarter saw a contraction of -0.5% so technically the German economy hit a technical recession during the winter.

UK retail sales came in slightly stronger than expected in April, rising 0.5% month over month (market: 0.3%) following the 1.2% month/month drop in March (revised down from 0.9%). The drivers were broad based, with both food and non-food sales rebounding quite sharply following weak sales in March. In part the rebound was, as expected, due to the drier weather; this spring saw the sixth-wettest March since 1836 according to the Met Office. The jump in social benefits and consumer confidence likely also contributed to the rebound. While 0.5% is a healthy increase, the 0.3 percentage points downward revision to the March number tempers some of the April upside. That said, the general trend of retail sales has improved quite notably over the last couple of months. After declining almost 10% between April 2021 and September 2022, since then, retail sales have actually improved 0.6%—showing that consumer spending managed to stabilize through the winter, despite the cost-of-living crisis.

UK April inflation data surprises massively to the upside, with the headline rate falling to "just" 8.7% year over year (Bank of England (BoE): 8.4%) and core surging to 6.8% year over year (market: 6.2%)—the highest since March 1992. The strong print was underpinned by substantial 1.6% month over month increase in services prices (BoE: 1.4%) largely due to several annual inflation-linked price increases, such as for water supply, vehicle tax, and phone bills. However, the surprise came from a surprisingly strong core goods inflation, which at 0.75% month/month is the second largest month/month print on record. Overall, today's data will in our view add pressure on the Monetary Policy Committee to deliver another 25 basis points hike at the June meeting, despite the soft Purchasing Managers' Index (PMIs) and labour market report.

FINANCIAL CONDITIONS

U.S. Debt Limit: U.S. President Biden and Speaker McCarthy struck a deal (in principle) to lift the U.S. debt limit above US$31.4 trillion. Among several measures, it includes suspending the debt ceiling until January 2025 (which is past the next election) and keeping non-defense discretionary spending flat next year compared to this year and capping its growth at 1% in 2025, $29 billion unspent COVID-19 wallet has been rescinded and $20 billion Internal Revenue Service (IRS) cut. The deal must be formalized in legislative language and then passed by both the House of Representatives and the Senate. There is no guarantee that it will easily pass either congressional body. But they have a bit of extra time to get the job done. On Friday, U.S. Treasury Secretary Yellen said 'X Date' was probably going to be June 5 compared to an 'as early as June 1' estimate before.

Reserve Bank of New Zealand hiked 25 basis points as expected by consensus, taking the Official Cash Rate (OCR) to 5.50%. Of most interest was the Bank's forward guidance. The Bank unequivocally sent a clear message that it does not expect to hike the OCR further. Aside from the Bank looking past the surge in net migration and increased near term fiscal stimulus, the Statement and the Minutes of the meeting were littered with downside risks 1) signs of slowing demand, 2) inflation already easing and 3) the lags in monetary policy helping do the work for the Bank in driving inflation lower.

The U.S. 2 year/10 year treasury spread is now -0.76% and the UK's 2 year/10 year treasury spread is -0.16%. 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 6.76%. 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 VIX (volatility index) is 17.46 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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Glossary of Terms: 'CET' core equity tier, 'EBITDA' earnings before interest, taxes, depreciation and amortization, 'EPS' earnings per share, 'FCF' free cash flow, 'GDP' gross domestic product, 'ROE' return on equity, 'ROTE' return on common equity, 'ROTCE' return on tangible common equity, 'conjugate" a substance formed by the reversible combination of two or more others.

1.Not all of the funds shown are necessarily invested in the companies listed

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RISK TOLERANCE

Risk tolerance measures the degree of uncertainty that an investor can handle regarding fluctuations in the value of their portfolio. The amount of risk associated with any particular investment depends largely on your own personal circumstances including your time horizon, liquidity needs, portfolio size, income, investment knowledge and attitude toward price fluctuations. Investors should consult their financial advisor before making a decision as to whether this Fund is a suitable investment for them.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. The indicated rates of return are the historical annual compounded total returns including changes in units [share] value and reinvestment of all distributions [dividends] and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. The rates of return are used only to illustrate the effects of the compound growth rate and are not intended to reflect future values of the mutual fund or returns on investment in the mutual fund. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Information presented in this Newsletter should be considered for background information only and should not be construed as investment, tax, or financial advice. As each individual's situation is different, you should consult with your own professional investment, accounting, legal and/or tax advisers prior to acting on the basis of the material in the Newsletter. Commissions, management fees and expenses may be associated with investment funds. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the prospectus or offering document before investing.

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