NEWS HIGHLIGHTS

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

JULY 17, 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

Amazon.com, Inc. (Amazon)'s two-day Prime Day event was its "biggest ever" and the first 24 hours of the sales marked the "single largest sales day in company history," the company announced. Consumers in the U.S. spent US$12.7 billion according to Adobe Analytics data, which according to Adobe represents 6.1% year over year growth, establishing a new record for the sales event. Amazon says that consumer purchased more than 375 million items over the two-day event, up from 300 million items sold last year, and U.S. customers spent $6.4 billion on the first day of the sale and $6.3 billion on the second day. The average order size also went up to $54.05, from $52.26 during last year's event, according to data firm Numerator, and Amazon says Prime members saved more than $2.5 billion across its deals with home goods, fashion, and beauty representing the top categories.

Alphabet Inc. (Google)'s Bard Artificial Intelligence (AI) chatbot is getting several new features, including the ability to speak its generated answers and to respond to prompts, including with images. Google suggested that Bard's spoken responses were a helpful way to "correct pronunciation of a word or listen to a poem or script." Users will be able to hear spoken responses by entering a prompt and selecting the sound icon; the spoken responses will be available in more than 40 languages. The company first showed off Bard's ability to add images to prompts at its I/O conference in May, and is introducing a few other new features as well, including the ability to pin and rename conversations, share responses with friends, and change the tone and style of the response's users receive from Bard. The chatbot is now available in much of the world, including the European Union (EU).

Samsung Electronics Co., Ltd (Samsung Electronics) holds the Creative Lab (C-Lab) event from July 17 to August 18 this year. This contest is taking place to discover and nurture innovative startups and revitalize the domestic startup ecosystem. This contest is taking place for the 6th time and is the first time this C-Lab Outside contest is taking place simultaneously in Seoul, Daegu, Gyeongbuk, and Gwangju, to discover new and promising startups. To take part in this Samsung Electronics C-Lab contest, any company registered in South Korea that is at the investment stage Series B or lower can apply by visiting the official Samsung C Lab website. In addition to the existing qualification conditions, the qualification criteria have been expanded to start-ups that are at the investment stage of Series B or lower starting this year, enabling support not only for start-ups in the early stages but also for start-ups in the full-fledged business expansion stage, as per the official post. The C-Labs contest is specifically looking for startups that are in the field of AI, Contents & Services, Digital Health, Internet of Things Devices, Mobility, Robotics, Materials & Parts, and Environment, Social, and Governance. Some new fields are selected that will lead to positive changes in society. Apparently, materials & parts, AI, and digital health fields are the new entrants in this year's contest. According to Samsung, through C-Lab initiatives, Samsung Electronics has nurtured a total of 866 in-house ventures and startups, which include 391 in-house and 475 outside, to date.

Reliance Industries Limited (RIL) – The National Company Law Appellate Tribunal (NCLAT) on Friday set aside the order of National Company Law Tribunal (NCLT), which had directed RIL to get stakeholders' consent for the transfer of the Digital Engineering Procurement and Construction (EPC) Company on a going concern basis from the subsidiary into the company. The NCLAT said the transfer of Digital EPC Undertaking from the wholly owned subsidiary into the parent/transferee company RIL by way of the demerger is akin to the merger of the wholly owned subsidiary with the parent company RIL. The NCLT on June 6, 2023, directed RIL to obtain consent affidavits of at least 90 percent of the value of total secured creditors and equity shareholders or to hold the meeting before the final hearing in view of huge credit exposure. NCLT also directed RIL to serve notice to all their respective creditors with instructions that they may submit their representations before it within 30 days. This was challenged by RIL before the appellate tribunal contending that the process does not involve issuance of shares by RIL. Equity Shareholders of the RIL will not be impacted as there will be no dilution of their shareholding in RIL post-implementation of the Scheme, it said. Moreover, the rights of the secured and unsecured creditors of RIL would not be affected after the implementation of the Scheme, hence, there no was no valid ground on which the NCLT passed such direction. Consenting to it, NCLAT citing some judgement said if a transferor company is a wholly-owned subsidiary of the transferee company and there is no reorganisation of the share capital of the transferee company and the creditors and shareholders of the transferee company are not affected by the implementation of the scheme as the assets of the transferee Company and the transferor company, the requirement for holding meetings of the shareholders, secured and unsecured may be dispensed with.

Berkshire Hathaway Inc. (Berkshire Hathaway Energy) is to buy Dominion Energy, Inc. (Dominion Energy)'s stake in liquefied natural gas (LNG) facility for US$3.3 billion. Dominion Energy has signed a definitive agreement to sell its 50% non-controlling limited partner stake in the Cove Point LNG facility to Berkshire Hathaway Energy in a cash deal worth $3.3 billion. The acquired interest will be owned by Berkshire Hathaway Energy Gas Transmission and Storage (BHE GT&S), a division of Berkshire Hathaway Energy, which currently operates the facility in Chesapeake Bay, Maryland, U.S. The facility comes with a storage capacity of 14.6 billion cubic feet and supplies LNG to supplant coal-fired power plants. Berkshire Hathaway Energy will own a 75% limited partnership investment in Cove Point LNG after the transaction concludes, which is subject to standard closing conditions. The remaining 25% of Cove Point LNG's limited partnership interest is held by a subsidiary of Brookfield Infrastructure Partners. Paul Ruppert, BHE GT&S president said: "We are proud of our operations at Cove Point and are excited for this opportunity to increase our ownership in these world-class facilities. "The Cove Point team will continue to focus on providing safe, affordable and reliable service to its valued customers." Dominion Energy stated that it plans to pay off debt with the proceeds of the sale, including the existing $2.3 billion term loan secured by its non-controlling interest in Cove Point. Robert Blue, Dominion Energy chair, president and Chief Executive Officer (CEO) said: "Since 2002, Cove Point has been an excellent service provider to its international and domestic customers – linking global gas supplies with American customers, and American gas supplies with customers around the world. "However, this investment is non-core to Dominion Energy as we focus on our state-regulated utility operations. The sale demonstrates our commitment to the company's credit profile and represents an attractive exit from what has been an excellent investment for our shareholders."

Brookfield Corporation (Brookfield) - Energy Systems Group, LLC, (ESG), a leading sustainable energy solutions provider focused on energy efficiency, sustainability, resiliency, and infrastructure improvement solutions, is pleased to announce that it has been acquired by funds managed by the Power Opportunities strategy of Oaktree Capital Management, Limited Partnership (Oaktree). In partnership with ESG's management team, Oaktree's investment will support the Company's strategic growth plans by leveraging ESG's national platform and expertise in developing and implementing sustainable energy services for its public and private sector customers. "ESG is excited to partner with the team at Oaktree who have a proven track record of successfully investing in and growing companies in our industry and who share our values and support our commitment to the customers and communities we serve," said Steve Craig, ESG's President. "The partnership will allow ESG to continue to deliver value to our customers and create expanded opportunities for our employees." "We have long admired ESG as a recognized leader in providing energy efficiency and sustainability solutions and as a trusted partner to its customers," stated Jimmy Lee, Managing Director and Assistant Portfolio Manager in Oaktree's Power Opportunities Group. "We are thrilled to partner with ESG's talented leadership team and employees and will bring to bear our resources and relationships to support the Company's next chapter of growth as an independent, national platform." "The energy industry is transitioning rapidly, increasing demand for ESG's services," added Craig. "We are focused on being an industry leader in driving innovative solutions resulting in a more sustainable future. Through our partnership with Oaktree, we are committed to expanding ESG's capabilities and geographic reach."

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

Coloplast A/S (Coloplast) announced the acquisition of Iceland-based wound care company Kerecis (500 employees). Coloplast has agreed to pay $US1.2 billion upfront and an additional $100 million assuming certain operational targets for fiscal year 2023/24 are met. The transaction will be funded through an equity raise due the fourth quarter 2022/23, implying ~5% dilution. In fiscal year 2021/22, Kerecis generated revenues of Danish Krone (DKK) 510 million and is expected to grow revenues by 50% during 2022/23. For the following period, Coloplast guided for a revenue compound annual growth rate (CAGR) of 30% until fiscal year 2025/26. Kerecis reached break-even in fiscal year 2021/22 and the Earnings before interests and taxes (EBIT) margin is currently expected to expand from 10% in fiscal year 2022/23 to 20% by fiscal year 2025/26. From analyst research it appears that Kerecis has grown its revenues base from $3.9 million in 2018 to $74 million in 2022 with an impressive CAGR of 109%. Using our most recently published forecasts for Coloplast and simply plugging in management's guidance, Kerecis will boost 2025/26 group sales by 5% and EBIT by 3%. Long-term, Coloplast guided profitability will reach the group level of greater than30% and when asked about the margin trajectory beyond 2025/26 management commentary suggested a linear improvement. Gross margins appear healthy and described as greater than 90%, supporting a scenario with significant EBIT margin potential once scale benefits materialize. Kerecis will be treated as acquired growth during fiscal year 2023/24 assuming the deal close end of the fourth quarter 2022/23 but be reported as part of the Wound Care division (and not create a new division like the acquisition of Atos Medical in 2021 did). 98% of Kerecis revenues are generated in the U.S. of which 80% through the hospital setting where pricing remains healthy with the remaining portion sold through private office and outpatient basis.

Citigroup Inc. (Citi)'s core earnings per share (EPS) of US$1.41 beat consensus of $1.33 by 6% due to lower-than-expected credit costs; Net Interest Income (NII) beat (NII was 16 basis points above consensus) but fees disappointed (13% below). Citi reiterated its outlook for full-year revenues of $78-79 billion (excluding exits) and operating expenses of $54 billion; however, it raised NII guidance to $46 billion (from $45 billion), implying a less favorable outlook for fees. Citi remains committed to "bending the cost curve," with expenses set to inflect sequentially by the end of next year. However, costs are trending higher in the meanwhile from ongoing investments in transformation and risk systems. Citi's second quarter in 202313.3% Core Equity Tier 1 capital ratio equals its impending regulatory capital threshold plus 100 basis points management buffer.

JPMorgan Chase & Co (JPM) reported second quarter earnings of US$14.47 billion, $4.75 per share ($4.37 excluding several "items"), well above both our consensus of $3.97. Fundamental strength was evident from top to bottom: broad based revenue-driven upside, including better-than-expected NII, with incremental operating leverage realization and manageable credit costs (still relatively low loan losses); quarter-end Core Equity Tier 1 capital came in at 13.8% and loan loss reserves embed a weighted average peak unemployment rate of 5.8% (unchanged from last quarter); reported return on tangible common equity (ROTCE) was an impressive 25%/23% ex-items. JPM bought a majority of failed First Republic Bank's assets in a government-backed deal in May after weeks of industry turbulence. That bolstered its net interest income, which measures the difference between what banks earn on loans and pay out on deposits.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

BridgeBio Pharma Inc. (BridgeBio) — Burjeel Holdings, one of the largest healthcare providers in the middle east and north African region, and BridgeBio have announced a new project to revolutionise the field of early diagnosis and treatment of rare diseases or disorders in the United Arab Emirates and the region. The two entities signed a preliminary, non-binding Collaboration Agreement establishing a mutual intention to work together on project 'NADER' (Needs Assessment and Therapeutics Development for Rare Diseases – 'nader' meaning 'rare' in Arabic). Genetic in origin, these often life-threatening or chronically debilitating diseases affect a small percentage of the population and are present throughout a person's entire life, even if symptoms do not immediately appear. The partnership will launch operations in Abu Dhabi to conduct clinical trials and research, leveraging the Emirate's advanced infrastructure for innovation and life science. Project 'NADER' aims to revolutionise the field of early diagnosis and treatment in order to improve patient outcomes. Both entities intend to collaborate on identifying patients with several rare diseases, including achondroplasia, hypochondroplasia, Fibroblast Growth Factor Receptor-driven craniosynostoses, autosomal dominant hypocalcaemia type 1, limb girdle muscular dystrophy type 2i, congenital adrenal hyperplasia, Canavan disease, propionic acidemia, methylmalonic acidemia, pantothenate kinase associated neurodegeneration, and others as mutually agreed. Even though these rare diseases affect a small percentage of the population and can present with nonspecific signs and symptoms, they are often misdiagnosed or only diagnosed later in the disease course after severe complications manifest. Accurate and early diagnosis are crucial to starting intervention promptly and avoiding disease progression. The project will also allow identification of patients who have already been diagnosed but do not currently have access to cutting edge therapies or clinical trial options.

Beigene Ltd. (Beigene) announced an option agreement with Duality Biologics for an antibody drug conjugate (ADC) in return for a financial package worth up to US$1.3 billion. BeiGene is paying an upfront fee of undisclosed size for an exclusive option for a global license to an investigational, preclinical ADC therapy for patients with select solid tumors. DualityBio will receive an option fee, again of publicly undisclosed size, if BeiGene decides to pick up the asset and is in line to receive development, regulatory and commercial milestones that could swell the size of the deal to $1.3 billion. BeiGene will hold global clinical, manufacturing and commercial rights if it exercises its option, and DualityBio will handle all research through investigational new drug-enabling studies. BeiGene previously bought into an ADC in 2019 when it secured rights to Seagen's SEA-CD70 in Asia, Australia and New Zealand. CD70 is expressed on malignant myeloid blasts but absent from healthy hematopoietic progenitor cells, leading Seagen to identify ADCs directed at the target as a way to treat myelodysplastic syndrome and acute myeloid leukemia. DualityBio and BeiGene are yet to disclose the target of their partnered program. Interest in DualityBio is underpinned by its work to expand the therapeutic windows of ADCs, which has seen it use technology to try to improve stability and slow deconjugation.

Iovance Biotherapeutics Inc. (Iovance) announced the closing of an underwritten public offering of 23,000,000 shares of its common stock at a public offering price of US$7.50 per share. The shares of common stock issued and sold in the offering include 3,000,000 shares issued upon the exercise in full by the underwriters of their option to purchase additional shares at the public offering price, less the underwriting discounts and commissions. The gross proceeds from the offering, before deducting the underwriting discounts and commissions and other estimated offering expenses payable by Iovance, are $172.5 million. Iovance intends to use the proceeds from this offering to fund preparations for the commercial launch of lifileucel (if approved), including continuing to prepare the Iovance Cell Therapy Center, the Company's manufacturing facility in Philadelphia, to support ongoing clinical programs including its Non-small cell lung cancer registration-directed study and its frontline advanced melanoma Phase 3 confirmatory trial, to expand the combination of Tumor-infiltrating lymphocyte and immune checkpoint inhibitors (ICIs) in ICI naïve patient cohorts, to support the continued development of our pipeline candidates, to support Proleukin integration activities and for other general corporate purposes.

OncoBeta® GmbH confirmed the phase IV international multi-centre study designed to further evaluate the Complete Response Rate of patients with non-melanoma skin cancer after treatment with Rhenium-Skin Cancer Therapy (SCT) is now fully recruited. The EPIC-Skin study (Efficacy of Personalised Irradiation with Rhenium-SCT for the treatment of non-melanoma skin cancer) is based on the proven effect of the ß-emitter rhenium-188 in the treatment of basal cell (BCC) and squamous cell carcinomas (SCC). The study aims to further evaluate the efficacy of Rhenium-SCT as well as important Patient Reported

Outcome Measures such as quality of life, treatment comfort and cosmetic outcomes. Patients treated had a confirmed histopathology of stage I or II non-melanoma skin cancer. With the latest treatment round complete, all patients are now in the follow-up phase, which monitors quality of life, treatment comfort and cosmetic outcomes over the next 24 months. An interim analysis is expected to be published in mid 2023. Shannon D. Brown III, CEO and Managing Director at OncoBeta® GmbH, said, "The patient journey is often a difficult one, so it is critical that the medical community continues to improve and develop new treatment options for patients with Non Melanoma Skin Caner (NMSC) s. The EPIC-Skin clinical study has the potential to influence and change the way we evaluate and fit NMSC treatments to the individual needs and requirements of patients."

NUCLEAR ENERGY

Centrus Energy Corp. (Centrus) and TerraPower LLC (TerraPower) announced a new memorandum of understanding (MOU) to significantly expand their collaboration aimed at establishing commercial-scale, domestic production capabilities for high-assay, low-enriched uranium (HALEU) to supply TerraPower's first-of-a-kind NatriumTM reactor and energy storage system. Under this MOU, Centrus and TerraPower will collaborate to ensure the Natrium demonstration reactor has access to HALEU at the milestones necessary to meet the project's 2030 operation date. The two companies will establish a cost-competitive and timely source of enrichment capacity in the United States at Centrus' Nuclear Regulatory Commission (NRC)-licensed HALEU production facility. Centrus and TerraPower have been working together since 2021, when they entered into a contract for services to help expedite the commercialization of domestic enrichment technology at Centrus' Piketon, Ohio, facility. The Natrium technology is a 345-megawatt sodium-cooled fast reactor coupled with a molten salt-based integrated energy storage system that can boost power output to 500-megawatts for more than five and a half hours to serve peak demand; making it the ideal technology to pair with energy grids that have high penetrations of renewable resources and the only advanced reactor that can provide stability to the grid with baseload output while seamlessly boosting energy production to meet variable power needs. In February 2023, Centrus completed the operational readiness review for its HALEU production facility and in June 2023 received permission from the NRC to begin operation. As part of this MOU, Centrus will work toward scaling up production capacity with additional centrifuge cascades to meet TerraPower's fuel requirements. Upon the announcement, Daniel B. Poneman, Centrus President and CEO, said "Centrus is ready to pioneer U.S. HALEU production and to meet the needs of TerraPower in bringing their advanced reactor to market," and "American HALEU production is vital for deploying U.S.-designed advanced nuclear reactors. Establishing the domestic HALEU supply chain is critical for our energy independence."

Johnson Matthey PLC (JM), a global leader in sustainable technologies, signed an investment agreement with the Jiading District in Shanghai to help accelerate the hydrogen economy in China. The companies announced plans to build a new catalyst coated membrane (CCM) production facility, providing CCM production capability for multiple proton exchange membrane (PEM) fuel cell applications and PEM electrolysers. The facility which will have an initial capacity of up to 5 Gigawatt, will occupy 22,000m2 in the Jiading district of Shanghai, in a designated Hydrogen industrial zone and is due to be operational in 2025. It will have potential to expand further in line with customer demand. The investment, which is backed by customer demand, is part of JM's £1.1 billion global stated capital expenditure for the three years to 2024/25 and will include government support and incentives. The new production facility will enable JM to supply existing Chinese and international customers with locally produced CCMs, and in addition there is a strong pipeline of further customer interest across both fuel cell and renewable (green) hydrogen technologies. CCMs are key performance defining components in fuel cell electric vehicles. China has said it aims to have 1 million hydrogen-powered vehicles on its road by 2030. JM has a long heritage in China with six state-of-the art manufacturing facilities. JM is one of China's leading auto catalyst producers and platinum group metals traders and refiners, and a leading player across syngas and hydrogen fuel cells. JM was the first commercial scale membrane electrode assembly (MEA) producer in China, producing the MEAs for hydrogen fuel cell shuttle buses showcased in the Beijing Winter Olympics 2022.

Plug Power Inc. (Plug), a global leader in comprehensive hydrogen solutions for the green hydrogen economy, secured an order for 100 megawatts (MW) of proton exchange membrane (PEM) electrolyzers. This is the largest announced project in the oil and gas sector in Europe. The Plug electrolyzers will be powered by 100% renewable energy and will generate approximately 43 tons of green hydrogen per day to replace gray hydrogen in the oil refining process. This will eliminate approximately 516 tons per day of CO2 (carbon dioxide). Plug is playing a leading role in advancing green hydrogen projects in Europe through the deployment of our industry-leading PEM technology, said Plug CEO Andy Marsh. We are demonstrating how green hydrogen can be generated at scale to decarbonize hard-to-abate industries while also helping companies to achieve aggressive carbon reduction goals. Plug provided engineering support for a Front-End Engineering and Design (FEED) study leading to the successful decision to move the project to execution phase. The electrolyzers will be delivered and installed in 2024. Plugs electrolyzers use PEM stack technology in a modular design that offers a small footprint with potential for capacity expansion. The electrolyzers hydrogen output instantaneously adjusts based on electrical input, which is especially important when paired with intermittent renewable resources. The PEM stacks for the system will be manufactured at Plugs 155,000 square foot gigafactory in Rochester, New York. The gigafactory currently has a capacity of 100 MWs per month of electrolyzer stacks.

Plug has been selected to supply two 5-megawatt (MW) proton exchange membrane (PEM) electrolyzer systems for green hydrogen projects in Tasmania, Australia, under development by Countrywide Hydrogen Pty Ltd, a wholly-owned subsidiary of ReNu Energy Limited. Plug's electrolyzer systems, which were selected by Countrywide Hydrogen, will be installed at planned production facilities in Brighton near Hobart and Western Junction near Launceston. The 4,200 kilograms/day of hydrogen produced at these two sites will be used to decarbonize road transport and natural gas sectors in Tasmania. The hydrogen will be produced via electrolysis with renewable power planned to be initially sourced from the state grid, with subsequent supply from behind-the-meter solar and power purchase agreements from wind, solar and hydropower operators. The water will be supplied from TasWater's network. The design includes a second electrolyzer at each site to meet increased hydrogen demand. It ensures a secure supply by implementing electrolyzer redundancy and use of tube trailers for hydrogen storage. The storage system ensures that the sites can support one another in the event of unexpected outages. The sites will include connections to the TasGas network, allowing injection of hydrogen into the network as well as supply to local industry. Upon the announcement, Andy Marsh, Plug CEO said "Plug is pleased to support Countrywide Hydrogen with its ambitious green hydrogen projects in the state of Tasmania," and "the plants are strategically located to leverage existing infrastructure, and Plug's PEM electrolyzer systems are a perfect complement to the plant designs."

ECONOMIC CONDITIONS

U.S. Consumer Price Index (CPI) increased 0.2% in June, a tenth below the consensus call, pulling down the annual change by 1.0 percentage points to 3.0% year over year. It was exactly a year ago that headline inflation hit a 40-year high of 9.1%, with the latest reading the lowest since March 2021. The monthly move mirrored higher gasoline prices (+1.0%) and subdued food cost increases (+0.1%). And, the core CPI increased 0.2%, which was also a tenth below expectations. Used car prices dropped as anticipated (down 0.5%) with airline fares falling a heftier 8.1%. At 32.1% of the core index, owners' equivalent rent increased 'only' 0.4%, the first sub-0.5% print in 18 months. Meanwhile, tenant rents (9.5% of the core index) repeated May's 0.5% gain but, unrounded, it hit a 15-month low. The much-anticipated cooling of shelter costs is finally at hand with much more in store given the path of market prices. The overall monthly move lowered core inflation by 0.5 percentage points to 4.8% year over year, which is the slowest since October 2021. The three-month trend at 4.1% annualized points to the improvement continuing. Elsewhere, core goods prices (-0.1% month over month) resumed their flat-to-falling trend after a two-month departure, driven primarily by the above-mentioned lower used vehicle prices but calmer cost increases for booze and medical care stuff also helped. The biggest surprise was left for the CPI's supercore proxy (core services ex-rents). It was flat after 0.1%-to-0.2% readings in the prior two months. This lowered supercore inflation by 0.6 ppts to 4.0%, also an 18-month low. The three-month trend was roughly chopped in half from 3.1% annualized to just 1.4%. This was a much better than expected CPI report. It showed that the Fed's tightening efforts continue to exert disinflation pressure.

UK Labour Data for May was mixed, with higher-than-expected wage growth and a sharp rise in the unemployment rate. The jump in the unemployment rate, from 3.8% to 4.0% was, outside the early days of the pandemic, the largest single-month jump since 2013, indicating rising labour market slack. Wages, which tend to lag the cycle, showed continued strong momentum, with headline wage growth rising from an upward-revised 6.7% 3 months over year to 6.9%, while the ex-bonus measure remained unchanged in May from an upward-revised 7.3% 3 months over year in April. The Monetary Policy Committee's preferred wage growth measure, private sector regular pay, cooled to 7.4% 3 months over year, but its 3-month rate is now a shocking 9.2%. The market had expected a modest correction in the number leading the market to react off of the print. Post number, the market is now seeing an 80% chance of a 50 basis points hike for the next meeting in early August.

A weak set of **China's** trade numbers in June, with both exports and imports surprising to the downside. Exports extended its decline to -12.4% year over year (consensus: -10%, May: -7.5%) and marks the largest contraction since Feb 2020. A decline in high-tech equipment exports and integrated circuits drove the weaker exports print, with the high base last year another contributor. Imports growth fell to -6.8% year over year (consensus: -4.1%, May: -4.5%), reflecting subdued economic demand given the year over year decline in mechanical and electrical imports. Imports of commodities in volume terms display a similar picture on the back of lower imports of copper and steel mill products. Policymakers are likely to take notice of the worryingly high youth unemployment rate which rose to 21.3% (May: 20.8%) and the ailing property sector, with property investment growth down 7.9% year over year to date and new home prices falling month over month for the first time this year.

FINANCIAL CONDITIONS

Bank of Canada (BoC) increased their overnight target by 25 basis points to 5.0%. The decision was in line with the consensus. No real rate guidance, the Bank notes that they will "continue to assess the dynamics of core inflation and the outlook for CPI inflation". In particular, policymakers will be focused on "whether the evolution of excess demand, inflation expectations, wage growth and corporate pricing behaviour are consistent" with 2% inflation. To be clear, this isn't the first time the Bank has talked about these specific variables. Complementing this restrictive policy stance, the Bank said it would continue its Quantitative Tightening program, which involves passively running off its Government of Canada bond holdings. Toni Gravelle, BoC Deputy Governor, said in a speech earlier this year that they expect this to continue until late 2024/early 2025, targeting a level of settlement balances between CA$20 and $60 billion (currently $160 billion). As for the Bank's economic assessment, Canada's economy has been "stronger than expected" and recent data suggest "more persistent excess demand". The Bank highlighted the recent pick-up in housing activity, with supply here not able to keep up with demand. Signs of easing are evident in the labour market but "conditions remain tight". Immigration is adding both supply and demand to the economy, though the BoC doesn't indicate which force it sees as being larger. On the all-important inflation outlook, the statement noted that recent disinflation has come more from lower energy prices and "less from easing underlying inflation". The Bank is concerned with 3-month rates of core inflation which are stuck around 3.5-4.0% and they highlighted Business Outlook Survey data which showed business are still planning larger and more frequent price increases than normal. Overall, "price pressures appear to be more persistent than anticipated". The central bank also released the latest edition of its Monetary Policy Report (MPR) which included an upward revision to the 2023 Canadian growth forecast (from 1.4% to 1.8%). The change was made to reflect a "surprisingly strong" start to the year, with the BoC expecting growth to "moderate" through the remainder of 2023. Further on the forecast horizon, the central bank sees the economy expanding just 1.2% next year (down from the 1.3% penciled in April's MPR), before recovering nicely in 2025 (+2.4%, compared to +2.5% in April's MPR). On the inflation front, the Bank of Canada expects CPI to come down at a slightly slower pace than it did in April, with headline inflation settling at 3.6% in the second quarter (instead of 3.3%) and at 3.3% in the third quarter. Over the whole of 2023, the Bank now sees inflation rising 2.9%, four ticks more than in its previous forecast. Additionally, the Bank pushed off its expected return to target as they now see 2% inflation arriving "in the middle of 2025".

The U.S. 2 year/10 year treasury spread is now -0.92% and the UK's 2 year/10 year treasury spread is -0.74%. A narrowing gap between yields on the 2 year and 10 year Treasuries is of concern given its historical track record that when shorter term rates exceed longer dated ones, such inversion is usually an early warning of an economic slowdown.

The U.S. 30 year mortgage market rate has increased to 7.02%. Existing U.S. housing inventory is at 3.0 months supply of existing houses as of May 31st, 2023 - well off its peak during the Great Recession of 11.1 months and we consider a more normal range of 4-7 months.

The volatility index (VIX) is 13.66 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: *"All you need in this life is ignorance and confidence, and then success is sure." ~ Mark Twain*

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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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