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NEWS HIGHLIGHTS

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

OCTOBER 23, 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

Brookfield Asset Management Ltd. (Brookfield)– Origin Energy Limited (Origin) will update shareholders ahead of a takeover vote on how much they would receive in a takeover by a Brookfield -led consortium, potentially easing opposition among investors who want a higher offer. Scott Perkins, Origin's Chairman, said that the composition of the consortium's offer of AU$8.91 (US$5.67) had changed since terms were agreed in March. At the time, the offer consisted of AU$5.78 and US$2.19 a share, he said. "The split of Australian dollars and U.S. dollars has changed since that time, and the exchange rate has also moved," Perkins said in written remarks to be delivered at Origin's annual general meeting. Origin expects to write to shareholders next week with what it said would be "all the information" needed to inform their view of the proposal. Australia's antitrust regulator last week approved the consortium's roughly US$10 billion takeover of the power generator and retailer. Origin's board unanimously recommended the proposal. Yet superannuation provider AustralianSuper, Origin's largest shareholder, is among those who say the proposal undervalues the company. Origin also said that its fiscal 2024 outlook had marginally improved since its fiscal 2023 results announcement in August.

Brookfield announced the appointment of Sir Ron Kalifa as Vice Chair and Head of Financial Infrastructure investments. Ron brings a wealth of experience to his role at Brookfield, including over two decades of building and transforming businesses in the global payments space, and as a Non-Executive Director of the Bank of England's Court of Directors. Brookfield's financial infrastructure strategy focuses on identifying opportunities in digital assets and services that form the backbone of the global financial economy. The strategy typically seeks mature, high-quality companies that are integral components of the financial ecosystem and leverages Brookfield's expertise in growing businesses through operational value creation. Brookfield has invested or committed approximately US$5 billion in financial infrastructure companies, including Network International and Magnati. Ron Kalifa said, "The global financial system is at an inflection point, with macroeconomic trends driving a sector transition that requires scale capital and deep operating expertise. I look forward to working with the team to leverage the benefits of the Brookfield ecosystem and build solutions to help companies navigate this changing landscape." Mark Carney, Brookfield Chair, commenting on the appointment said: "Ron and I have known each other for many years including during our time together at the Bank of England. I look forward to working with Ron as we grow Brookfield's financial infrastructure capabilities." Ron served as chief executive officer (CEO) of Worldpay, one the world's leading global payments platforms, for over 10 years, overseeing its divestment into private equity ownership and subsequently to the initial public offering (IPO). In addition, he led and authored an independent review for the UK Government to define a national fintech strategy and delivery model. He also currently serves as Chairman of Network International, a leading Middle Eastern payments business, as a Senior Independent Director on the Court of Directors of the Bank of England and is a member of the Council of Imperial College, London.

Brookfield Corporation (Brookfield)– Aecon Group Inc. (Aecon) announced that funds managed by the Power Opportunities strategy of Oaktree Capital Management, L.P. agreed to make a strategic investment in an Aecon subsidiary, Aecon Utilities Group Inc. (Aecon Utilities), creating an enhanced growth vehicle focused on providing utility infrastructure services across North America. On closing, Oaktree will acquire a 27.5% ownership interest in Aecon Utilities by way of a net CA$150 million convertible preferred equity investment. Aecon Utilities is positioned to address industry growth opportunities across utility end-markets in Canada and the U.S., many of which are tied to ongoing energy transition and decarbonization. As a standalone legal entity, Aecon Utilities will have enhanced optionality regarding future capital raising. Aecon Utilities will seek to leverage Oaktree's expertise and network of relevant investments and relationships to enable continued growth in its platform in North America. The conversion value of the Investment implies a $750 million enterprise value for Aecon Utilities, representing a trailing twelve month adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), multiple of 9.3x. On closing Aecon will own 72.5% of Aecon Utilities. Aecon Utilities is a leading provider of utility infrastructure solutions in Canada operating in four end markets: electrical transmission and distribution, renewables and in-home services, telecommunications, and pipeline distribution. A significant portion of Aecon Utilities' revenues are generated from recurring revenue programs for public and leading private utility-sector clients.

Telix Pharmaceuticals Limited (Telix)– issued its Appendix 4C quarterly cash flow report and accompanying Activities Report for the quarter ended September 30, 2023 (the third quarter of 2023). Dr Christian Behrenbruch, Managing Director and Group CEO, commented, "The achievement of a fourth consecutive quarter of positive operating cash flow is a major milestone that reflects the Company's maturation as it delivers on its commercial goals and progresses the development of its industry-leading pipeline. 'We have posted another quarter of double-digit revenue growth for Illuccix in the U.S. with average daily demand for doses continuing to grow month-on-month. Just as importantly we have a number of near-term value drivers on the horizon, being the commencement of the ProstACT GLOBAL study and advancing the U.S. regulatory filing and commercial launch preparations for our renal (kidney) and brain cancer imaging agents. This is reflected in our investment during the quarter in research and development and commercial launch preparation, in line with our stated plans." Revenue from U.S. sales of Illuccix (kit for the preparation of gallium Ga 68 gozetotide injection) improved 13% to AU$130.6 million (US$85.2 million), up from $116.0 million in the second quarter of2023. Total revenue of $133.6 million was generated during the quarter (including commercial sales of Illuccix in the U.S.). Ex-U.S. revenue (including compassionate use availability of Illuccix / TLX591-CDx) was $3.0 million. The net operating cash inflow for the quarter was $21.4 million, a $10.6 million improvement on the prior quarter (the second quarter of2023, net operating cash inflow $10.8 million). In line with increased revenue and improved collections, cash receipts from customers improved 16% to $130.7 million, up from $112.2 million in the prior quarter. The closing cash balance at 30 September 2023 was $137.4 million ($131.7 million 30 June 2023). The net operating cash inflow was partially offset by cash outflows from investing activities which included an annual payment of $17.8 million for the first instalment of the contingent consideration payable to former Telix Innovations (ANMI) shareholders, based on Illuccix sales. Increased product manufacturing and related costs reflect higher volume of sales activity and preparation for future product launches. Gross margin is broadly in line with the previous quarter at 63% and reflects stable selling prices and manufacturing costs. R&D expenditure is in line with plan and reflects the momentum in the key near-term value drivers for the company being the commencement of the ProstACT GLOBAL study and advancing the U.S. regulatory filings for the TLX250-CDx Biologics License Application and TLX101-CDx New Drug Application.

Telix Pharmaceuticals announced positive preliminary results from the Phase I ProstACT SELECT study of its rADC therapy candidate TLX591 (Lutetium (177Lu) rosopatamab tetraxetan) for prostate-specific membrane antigen (PSMA) positive metastatic castration-resistant prostate cancer (mCRPC). The purpose of the SELECT study (ClinicalTrials.gov ID: NCT04786847) was to evaluate the utility of PSMA imaging to select patients for rADC-based PSMA therapy and to confirm the biodistribution of the rADC investigational therapy. The primary clinical objective was to determine whole body distribution and organ radiation and assess the safety and tolerability of TLX591, when administered in combination with SoC in second-line mCRPC. The evaluable population was 28 patients (of a total 30 enrolled in the study). Patients received two (2) single intravenous (IV) infusions of TLX591, fourteen (14) days apart. Cohort 1 (5 patients) received a 27mCi dose followed by a 76 mCi dose for accuracy of biodistribution determination. Cohort 2 (23 patients) received two 76mCi doses. The study achieved its primary objectives, confirming the safety and tolerability profile of TLX591 administered in two cycles,14 days apart (total cumulative dose 152mCi). The results reinforce the clinical utility of the short, fractionated dosing regimen. Colin Hayward, Telix Chief Medical Officer, added, "TLX591 is being designed to integrate with current standard of care, demonstrative of Telix's continued innovation in prostate cancer treatment. The SELECT study provides further validation of the potential of TLX591, a first-in-class rADC therapy and the use of PSMA imaging with small molecules to select patients for antibody-based PSMA therapy." Investigation of TLX591 is continuing in the Phase III ProstACT GLOBAL study (ClinicalTrials.gov ID NCT04876651), open for enrolment in Australia and expected to commence in the U.S. in 2024.

Reliance Industries Limited (Reliance)– Reliance, is nearing a cash and stock deal to buy The Walt Disney Company (Disney)'s India operations, according to people familiar with the matter. The U.S. company may sell a controlling stake in the Disney Star business, which it values at around US$10 billion, as opposed to piecemeal transactions weighed earlier, explained the people who asked not to be named because the discussions are private. Reliance views the assets at between $7 billion to $8 billion, some of the people said. The acquisition could be announced as early as next month with some of Reliance's media units merged into Disney Star, the people said, without providing further details. Under the proposal, Disney will likely continue to hold on to a minority stake in the Indian company after any cash and stock swap transaction is completed, the people said. No final decision has been made on the deal or the valuation, and Disney could still decide to hold onto the assets for a bit longer, they added. A representative for Disney in India didn't respond to a request for comment. Reliance continues the disruption of India's entertainment industry after it scooped up the streaming rights to the Indian Premier League for $2.7 billion in 2022. JioCinema platform then chose to broadcast the hugely popular domestic cricket tournament for free earlier this year. Reliance then scored another win by bagging a multi-year pact to broadcast Warner Bros. Discovery, Inc.'s HBO shows in India, content that was previously with Disney. Even as Disney Star struggled with sliding subscriber numbers, the media group hasn't ceded the market and had been making investments. It has been weighing other options for the business, including an outright sale, or setting up a joint venture. Still, Disney's India streaming platform managed to draw in a record 43 million viewers on Sunday for the men's Cricket World Cup 2023 match between India and New Zealand. That was higher than the 35 million viewership the highly anticipated India-Pakistan grudge match drew earlier this month.

HSBC Holdings Plc (HSBC) has nearly doubled the size of a loan arrangement to part of Mukesh Ambani's business. HSBC originally provided a £60 million (US$73 million) loan facility to a subsidiary of Reliance shortly after it acquired the Stoke Park estate in southeast England for £57 million in 2021, according to UK registry filings. It has since extended the arrangement three times, with the latest disclosed increase in December taking it to £115 million, the filings show. HSBC has been involved for more than a decade in financing arrangements for Stoke Park, a roughly 300-acre (121-hectare) Buckinghamshire leisure property that includes a championship golf course and has provided a setting for two James Bond films. Reliance is now carrying out a major refurbishment of Stoke Park, a marquee asset in its shift away from the energy sector. Reliance's renovation plans include replacing the roof of the property's Georgian-era mansion that is now a luxury hotel, erecting seven-star villas and removing surface-level parking. HSBC and Ambani's companies have a history of working together, spanning blockchain-enabled transactions and other ways of speeding up business in India. In June, they executed a form of derivatives contract the day after India allowed banks to offer enhanced currency-hedging opportunities to customers.

Altice USA, Inc. (Altice) - Patrick Drahi has made approaches through a banker to sound out French telecom competitors Bouygues Telecom (Bouygues) and Free S.A.S. (Free) about a possible deal with his Société française du radiotéléphone operator that would consolidate the nation's mobile phone sector, La Tribune reported. Neither competitor has shown any interest in the move made by Lazard's Vincent Le Stradic, the newspaper said, citing people it didn't name. It said Bouygues, Xavier Niel's Free and the banker declined to comment. Spokespeople for Altice, Iliad and Bouygues declined to comment when contacted by Bloomberg News. Le Stradic didn't respond to a request for comment. The probe comes as Drahi has put large swaths of the Altice empire up for sale as it struggles to finance US$60 billion of debt accumulated through years of acquisitions. He's said he would prefer to sell stakes of Altice's European carriers to private equity investors rather than industrial or strategic partners. Niel is the founder and owner of Iliad SA, a French telecom provider that operates the Free mobile brand.

Samsung Electronics Co., Ltd. (Samsung) - The artificial intelligence (AI) battle unfolding against the backdrop of weak global demand for the companies' traditional memory products. That's due in large part to smartphones, which are mired in what could be the worst industrywide slump in over a decade, hurting a key source of revenue for Samsung. Chips remain hot overall thanks to the surge in demand for products needed to power generative AI services like ChatGPT. The Philadelphia Semiconductor Index up 31% this year, outpacing gains in nearly any benchmark. Samsung has another way to tap this growth, as it also provides contract chip-manufacturing services. But the foundry business is dominated by Taiwan Semiconductor Manufacturing Company Limited which produces the lion's share of AI processors designed by Nvidia and others. After years of leading the memory industry, Samsung is now seen needing to play catchup in high bandwidth memory, an advanced technology optimized to work with AI accelerators. High Bandwidth Memory features a stack of dynamic random access memory that sits on top of a processor instead of being housed in a separate memory module, enabling faster data transfer. Samsung reportedly has developed a new chip and said it plans to introduce to the market in the near future.

Amazon.com, Inc. (Amazon) – is launching a social shopping feature that will enable consumers to ask friends for advice as they shop on the Amazon app. The feature is called "Consult-a-Friend" and allows shoppers to send a message to people whose advice they want to receive. The message includes a link to the new experience where friends can react to the product shown using emojis and add comments. Amazon's internal data indicates that sharing products with friends for feedback was already a common activity, and this year shoppers shared products "billions of times" through messaging services, social media apps, and email. The feature will be available starting today in the U.S., Australia, Canada, Germany, India, the UK, Turkey, among other countries. In addition, Amazon is also launching a new "Create" feature to its shopping feed which like TikTok's "Inspire" showcases content created by influencers and brands.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

The Procter & Gamble Company (P&G) – posted a remarkably strong quarter, coming in ahead of expectations for both organic top line & earnings per share (EPS) and despite material foreign exchange headwinds coming, not only reiterated its prior fiscal year 2024earnings guidance but emphasized the higher end of the range in the press release. Organic sales growth was broad-based and in composition, very similar to last quarter, with price/mix still up +8% and volumes -1%, whereas expectations were that the benefit of pricing would ease sequentially. Both gross margins & operating expenses also trended similarly to reports fourth quarter. Total company organic sales growth rounded down to +7% with each segment outperforming vs. expectations (Health Care in particular grew +10%). Fiscal year 2024Guidance: Now toward the higher end EPS: +6-9% year over year growth (Implied US$6.25-$6.43), earlier consensus had assumed +8% year over year growth and $6.38 EPS; Dividends expected to be more than $9 billon and Share repurchases ~$5-6 billon.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

Amgen Inc. (Amgen) – Presented new phase 3 data at the European Society of Medical Oncology Congress detailing the drug in combination with the company's Epidermal growth factor receptor antagonist Vectibix in patients with chemo-refractory KRAS G12C mutated metastatic colorectal cancer. Amgen says that both the 960-mg and 240-mg dose levels had a statistically significant advantage in progression-free survival compared to the investigator's treatment of choice. With a median follow-up of 7.8 months, progression-free survival was 5.6 months and 3.9 months for the 960-mg and 240-mg dose groups, respectively. The median progression-free survival for patients on the investigator's choice was 2.2 months. Patients given the 960-mg Lumakras dose had a 26% objective response rate compared to 6% of patients given 240-mg. The tumor objective response rate (ORR) for patients on the investigator's choice of therapy was 0%.

Arvinas, Inc. (Arvinas) – announced the presentation of interim data from the company's Phase 1/2 clinical trial for bavdegalutamide (ARV-110), a novel PROTAC protein degrader targeting the androgen receptor (AR). Extended follow-up of data from the Phase 1/2 clinical trial with bavdegalutamide showed radiographic progression free survival (rPFS) of 11.1 months in a subgroup of patients with metastatic castration-resistant prostate cancer (mCRPC) and tumors harboring AR T878X/H878Y mutations (AR 878/875; T878X=T878A or T878S) in the absence of co-occurring AR L702H mutations. AR L702H is a common AR ligand-binding domain (LBD) mutation that is not potently degraded by bavdegalutamide. In patients with tumors harboring any AR LBD mutation except L702H alone, bavdegalutamide showed an rPFS of 8.2 months. New data from the ongoing Phase 1/2 clinical trial of ARV-766 continues to show robust efficacy in tumors with all LBD mutations (41% PSA50) and in patients with tumors harboring AR L702H mutations (50% PSA50). In addition to a tolerability profile that is superior to bavdegalutamide, early durability data for ARV-766 are encouraging and provide additional support for prioritizing ARV-766 over bavdegalutamide, with PFS data anticipated in 2024.

BeiGene, Ltd. (BeiGene)– announced that the Phase 3 RATIONALE 315 study met its dual primary endpoints of major pathological response (MPR) by Blinded Independent Pathology Review and event-free survival by Blinded Independent Central Review, demonstrating statistically significant and clinically meaningful improvements in patients with resectable Stage II or IIIA non-small cell lung cancer (NSCLC) treated with tislelizumab in combination with chemotherapy before surgery and as a single agent after surgery versus neoadjuvant chemotherapy plus placebo followed by placebo after surgery. The tislelizumab plus chemotherapy regimen also showed a statistically significant improvement in pathological complete response (pCR), the key secondary endpoint, after neoadjuvant therapy versus chemotherapy. In the study, 56.2% of NSCLC patients treated with tislelizumab in combination with chemotherapy before surgery achieved MPR, compared to 15.0% of patients treated with chemotherapy alone. MPR is defined as less than 10% residual viable tumor after neoadjuvant therapy. Additionally, 40.7% of patients on the tislelizumab-based regimen achieved pCR, defined as no viable residual tumor after neoadjuvant therapy, compared to 5.7% of patients treated with chemotherapy alone. Tislelizumab plus chemotherapy was generally well tolerated, with no new safety signals identified.

Guardant Health, Inc. (Guardant)– announced that initial results from the PEGASUS trial suggest liquid biopsy may be used in post-surgical clinical management to reduce unnecessary toxicity from chemotherapy and improve the response to standard chemotherapy regimens in patients with stage III or high-risk stage II colon cancer. Results from the trial, which is an Investigator-Sponsored Study sponsored by IFOM ETS – the Italian Association for Cancer Research Institute of Molecular Oncology in Milan, Italy, and supported by Guardant, were presented by study investigators at the European Society for Medical Oncology Congress in Madrid, Spain. One of the first prospective studies using liquid biopsy, the PEGASUS trial includes 135 patients recruited from 11 cancer centers in Italy and Spain. The study is assessing the feasibility of escalating or de-escalating adjuvant (post-surgery) chemotherapy based on the presence or absence of minimal residual disease as indicated by circulating tumor DNA (ctDNA) detected by the Guardant Reveal blood test at multiple timepoints. Patients with positive results receive standard chemotherapy, while patients with negative results receive a milder therapy that is associated with significantly less acute and chronic neurological toxicity compared to standard treatment. Liquid biopsy is repeated several times along the course of treatment to reveal opportunities to treat patients safely with lower toxicity regimens, identify therapeutic resistance, and tailor chemotherapy to be stronger when needed. Initial results show that 34% of patients with a positive liquid biopsy result after surgery had the cancer return, while only 10% of patients with a negative result experienced a relapse. Approximately 40% of patients converted from ctDNA-positive to ctDNA-negative after treatment, suggesting treatment efficacy of chemotherapy for some patients.

Iovance Biotherapeutics, Inc. (Iovance) – announced the publication of an abstract reporting clinical data for lifileucel which will be presented at the European Society for Medical Oncology. The abstract reports outcomes of a subset of 12 patients with advanced mucosal melanoma treated with lifileucel in the pooled consecutive cohorts from the C-144-01 trial. All patients had progressed on or after immune checkpoint inhibitor therapy. Patients with mucosal melanoma, which is rare and difficult to treat, have worse outcomes after anti–PD-1 therapy compared to patients with other melanoma subtypes. The ORR assessed by an independent review committee using RECIST v1.1 was 50% (95% Confidence Interval (CI): 21%–79%). At median study follow-up of 35.7 months, median duration of response was not reached (NR; 95% CI: 12.5 months–NR), median progression free survival (PFS) was NR (95% CI: 1.4 months–NR), and median overall survival (OS) was 19.4 months (95% CI: 7.9 months–NR). Treatment emergent adverse events were consistent with known safety profiles of lymphodepleting chemotherapy and interleukin-2 (IL-2). The clinically meaningful and durable activity for lifileucel in the subgroup of patients with the rare and difficult-to-treat mucosal melanoma subtype, as well as in the total population of 153 patients treated in the C-144-01 trial, support the potential benefit of lifileucel as a one-time treatment that is differentiated from other immunotherapies for advanced melanoma.

NUCLEAR ENERGY

Cameco Corporation (Cameco)– is mourning the accidental passing of Ian Bruce, its long-standing board member and board chair on October 15 at his cottage in Ontario. "We are heartbroken with this tragic loss of a dear friend and valued colleague. I have worked with Ian since he joined our board more than a decade ago. He was a dedicated husband and father who was very proud of his family. We extend our deepest condolences to Ian's wife Darlene, their family and their many friends and loved ones," said Tim Gitzel, president and CEO of Cameco. "Ian was also proud to be part of the Cameco family and his business acumen and leadership were invaluable to our board." Ian first joined Cameco's Board of Directors in 2012 and became board chair in May 2018, bringing over 30 years of experience in investment banking after serving as president and CEO of Peters & Co. Ltd. He also chaired the boards of MEG Energy Corp. and Qube Technologies Inc. "Ian had a restless intellectual curiosity and was excited about the future of Cameco and nuclear energy. Ian's presence and contributions around the board table will be deeply missed," said Gitzel.

Constellation Energy Corporation (Constellation) –U.S. largest producer of carbon-free energy, is a major participant in the Midwest Alliance for Clean Hydrogen (MachH2) hydrogen hub recently selected for up to US$1 billion by the Department of Energy (DOE) as part of the bipartisan Infrastructure Investment and Jobs Act. Constellation will use a portion of the hub funding to build the world's largest nuclear-powered clean hydrogen production facility at its LaSalle Clean Energy Center in Illinois. The project will produce an estimated 33,450 tons of clean hydrogen each year and create thousands of good-paying jobs. Constellation estimates its LaSalle clean hydrogen facility will cost about $900 million, with a portion of the MachH2 award offsetting the project's cost. MachH2 is made up of more than 70 public and private entities representing every phase in the hydrogen value chain. The projects are concentrated in Illinois, Indiana, and Michigan, with further representation from Kentucky, Missouri, Ohio and Wisconsin. With this award, the hub is poised to unleash billions of dollars in investment, decarbonize heavy industries, create an estimated 13,600 direct jobs and help secure U.S. leadership on clean energy. "We are delighted to be part of this incredibly important hub in the nation's heartland," said Joe Dominguez, president and CEO of Constellation. "In the months leading up to this selection, Constellation, organized labor partners and business leaders have urged the administration to provide important guidance implementing Congress' intention to allow hydrogen production using carbon-free power from existing nuclear stations to earn tax credits contained in the Inflation Reduction Act. Without those credits, projects like this one will not go forward. Today's award is proof positive that DOE and the administration want existing nuclear energy to play a vital role in jumpstarting domestic hydrogen production and we look forward to final Treasury Department guidance. Today is a great day for America, for clean energy, for jobs and for the environment." The announcement means the MachH2 alliance will enter negotiations with DOE to finalize details and conditions of the award. Constellation's LaSalle clean hydrogen facility would employ lessons learned from Constellation's 1 megawatt demonstration-scale, nuclear-powered clean hydrogen production facility at the Nine Mile Point Clean Energy Center in Oswego, N.Y. Funded in part through a separate DOE grant, the project began full production in March 2023, making it the first nuclear-powered hydrogen facility of its size in the U.S.

ITM Power PLC (ITM Power) – has completed the sale of Motive Fuels -- a joint venture created in 2022 with Vitol to build hydrogen refueling stations in the UK -- to Hycap Group, a company focused on clean hydrogen energy transition. The transaction will provide ITM Power with additional cash resources, allowing the company to redirect £28 million in committed capital to the company's core business.

ECONOMIC CONDITIONS

Canada Retail sales fell by 0.1% m/m in August to match the market consensus, with a 0.1% increase in the ex-autos measure (market: -0.1%). However, details were considerably more downbeat as a large contribution from gasoline stations/fuel prices left the ex. autos/gas measure down 0.3% and total sales down 0.7% on a volume's basis. Health/personal care (+1.2%) was the largest driver outside of gasoline, and sales fell in 6 of 9 categories with motor vehicles and food/beverage sales each shaving 0.2 percentage point from the headline print. This was the third consecutive decline in retail volumes and the pullback will exert a sizable drag to industry-level gross domestic product (GDP) (alongside a similar contraction in manufacturing volumes). This print leaves real retail sales up just 1.1% year over year, or down 1.4% year over year on a per-capita basis, which speaks to a more challenging environment for Canadian households after 475 basis points of rate hikes.

Canada's Consumer Price Index (CPI) decreased 0.1% in September, below consensus expectations for a 0.1% increase (not seasonally adjusted). In seasonally adjusted terms, headline prices were up 0.2% after a 0.6% increase the prior month. This translates to an annual inflation rate of 3.8%, down from 4.0% in August. Prices increased in 5 of the 8 categories surveyed, led by transportation (+0.5%), shelter (+0.5%), food (+0.3%), alcohol/tobacco (+0.3%) and health/personal care (+0.2%). Meanwhile, declines were seen in household operations (-0.4%), clothing/footwear (-0.2%) and recreation/reading (-0.2%). Annual inflation was above the national average in Québec (+4.8%), while it was below that mark in Alberta (+3.7%), Ontario (+3.6%) and British Columbia (+3.3%). Core inflation measures were as follow: 3.7% for CPI trim and 3.8% for CPI median. As a result, the average of the two measures fell two ticks to 3.8%.

Consumer prices in the U.S. rose 0.4% in September, a touch hotter than expected, while the core rate, which excludes food and energy, matched consensus at 0.3%. Headline inflation held steady at 3.7% on an annual basis, but that was meaningfully above the 3.0% reported in the summer. Although core inflation fell to 4.1% year over year, the slowest pace in two years, underlying price pressures are proving to be stubborn. The Federal Reserve's supercore metric, (core services excluding housing), accelerated to 0.6% m/m, marking the fastest pace in a year. While the annual rate fell to 3.8%, compared to 4.0% in August, progress has been slow. That may keep rates higher for longer. Although labour market conditions remain strong in both the U.S. and Canada, wage growth headed in opposite directions in September. Average hourly earnings in the U.S. came in below expected, up 0.2% m/m. That was enough to cut the yearly rate to 4.2% from 4.3% in August. In Canada, average hourly wages ticked up to 5.0% year over year. That was the fastest pace in four months, potentially fueling inflationary pressures.

U.S., retail sales advanced 0.7% in September, more than the +0.3% print expected by consensus. Also, the prior month's result was revised upwards, from +0.6% to +0.8%. Sales of motor vehicles/parts contributed positively to the headline print as they advanced 1.0% in the final month of the third quarter. Without autos, retail outlays rose a consensus-topping 0.6%, as gains for miscellaneous items (+3.0%), non-store retailers (+1.1%), gasoline stations (+0.9%) and health/personal care (+0.8%) were only partially offset by declines for clothing (-0.8%), electronics (-0.8%) and building materials (-0.2%). Outlays in restaurants and bars progressed 0.9% on a monthly basis. In all, sales were up in 8 of the 13 categories surveyed. Core sales (i.e., sales excluding food services, auto dealers, building materials, and gasoline stations), which are used to calculate GDP, progressed 0.6%. The solid growth in retail sales last month points to sustained strength in consumer demand despite still-elevated inflation and high interest rates. While the strong labor market will enable consumers to keep spending, growth could be challenged by the resumption of student loan payments, dwindling excess savings and slowing wage growth. For now, though, it would be premature to underestimate the U.S. consumers' willingness to spend in our view.

The U.S. housing market slump continued in September with existing home sales falling 2.0% to 3.96 million units, the lowest level since 2010. This marks the fourth straight monthly decline amid high mortgage rates (the 30-year fixed rate averaged 7.20% in September, the highest in over two decades) limited inventory and low affordability. Declines were broad-based: condos/co-ops fell 2.3% while single-family sales were down a more modest 1.9% (but they have fallen for seven months in a row). The overall decline pushed the year-on-year growth rate down to -15.4%, led by a 15.8% drop in single family home sales. Condos/co-op sales are down a relatively more moderate 12.2%. Total housing inventory for sale at the end of September was 1.13 million units—a 3.4-month supply at the current sales rate. Inventory is up 2.7% from August but down 8.1% from a year earlier. The drop in inventories drove the median home price up 2.8% from a year ago, marking the third successive month of home price gains.

UK retail sales surprised sharply to the downside in September, falling 0.9% month over month (market: -0.4%). While the warmer weather appears to have boosted food sales, retailers reported that it also reduced the demand for autumn-wear clothing, which in part drove the sharp 1.9% m/m decline in non-food sales. That said, the declines in non-food and non-store sales were broad-based, suggesting that the continued impact of the cost-of-living crisis is weighing on consumer demand. Overall, while the data should not play any major part in the upcoming Bank of England decision, on the margin, it will continue to suggest that the Monetary Policy Committee (MPC) is likely to deliver another hold.

Japan national CPI for September was released as expected at +3.0% year over year and down from the month earlier at +3.2%. The slowing gives support to the Bank of Japan's view that upward pressure on prices is peaking.

FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now -0.24% and the UK's 2 year/10 year treasury spread is -0.25%. 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 7.71%. Existing U.S. housing inventory is at 3.4 months supply of existing houses as of June 30, 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 19.33 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: **"Those are my principles, and if you don't like them... well, I have others." ~ Groucho Marx**

Portland Investment Counsel Inc. currently offers Mutual Funds & Private/Alternative Products - visit www.portlandic.com

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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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