Portland Investment Counsel®
Buy. Hold. And Prosper.®

NEWS HIGHLIGHTS

EST. 2007

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

NOVEMBER 6, 2023

OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND[1]

PORTLAND 15 OF 15 ALTERNATIVE FUND[1] COMPANY NEWS

Reliance Industries Limited. (Reliance) – On November 3rd, Sephora (owned by LVMH Moet Hennessy Louis Vuitton SE) announced a partnership with Reliance Beauty & Personal Care Limited, a wholly owned subsidiary of Reliance Retail Ventures Limited (RRVL) to advance their shared ambition to develop and define the future of prestige beauty retail in India. The partnership gives RRVL exclusive rights to build and enhance Sephora's presence in India across channels. Since its first foray into India in 2012, Sephora has leveraged its unique brand and product curation capabilities and strong point of view on beauty and experiential retail to cater to the beauty needs of India's vast consumer base. As part of the partnership with Sephora, Reliance Beauty & Personal Care Limited will take over the current India operations of Sephora's 26 stores across 13 cities from Arvind Fashions Limited, as it sets in motion a plan to expand Sephora's presence in the country. During this period of transition, the stores and website will be operating business as usual. Reliance Beauty & Personal Care Limited operates the beauty business for RRVL and this partnership will boost its portfolio of offerings. The Indian beauty and personal care market pegged at US$17 billion and set to grow at a 11% compound annual growth rate (CAGR), is still believed to be in its infancy; positioning India as one of the largest untapped consumer markets globally. RRVL is the largest retailer in India and one of the fastest growing globally and combines deep consumer insights with customer access, both offline and digitally.

Reliance is considering raising as much as 150 billion rupees (US$1.8 billion) via the sale of local-currency bonds, according to people familiar with the matter who asked not to be identified because the matter is private. The transaction, if it concludes, would be the biggest rupee sale ever for Reliance. It would also be the conglomerate's first domestic bond since 2020, according to the statistics. A representative for the firm didn't have any immediate comment when contacted late on Wednesday. Reliance Industries is expanding rapidly into 5G and venturing into new areas like green energy and financial services. This foray into consumer-facing businesses has led Reliance to embark on a fresh fundraising. Its retail arm sold a stake to Qatar Investment Authority this year and the unit also won an investment from Kohlberg Kravis Roberts & Co. L.P. Reliance Industries has a AAA credit score from India's Crisil Ratings. That's like the local assessor's grading for Tata Sons one of India's oldest conglomerates, according to Bloomberg-compiled data.

Altice USA Inc. – (Altice) said an internal probe into contract awards to external parties is substantially complete and not expected to have a material financial impact on the U.S. business. Altice discussed the probe during an investors call on November 1, after reporting third-quarter results. Altice is redesigning how it engages vendors and monitors them, said Sirota the Chief Financial Officer (CFO). The company reported third-quarter profit of 15 cents a share on revenue of US$2.32 billion. New York-based Altice USA was spun off from Altice NV. It was formed after Drahi acquired Suddenlink and Cablevision in 2015 and publicly listed in 2017. Drahi's holding company maintains a significant stake in the business.

Samsung Electronics Co., Ltd. (Samsung) - Samsung predicted the long-depressed memory chip market is heading for recovery, after reporting profit for the third quarter well ahead of analyst estimates. The company net income totaled 5.5 trillion won (US$4.1 billion) in the September quarter, more than double expectations of 2.52 trillion won. A significant chunk of the profit, 1.9 trillion won, came from a one-time income tax gain. Samsung's chip division posted a 3.75 trillion won operating loss, narrower than the 4.4 trillion won loss a quarter earlier. On a conference call after results, executives said artificial intelligence is driving demand in the tech industry, and memory chip inventories are rapidly declining after peaking in May. Samsung said it plans to trim capital expenditures for the semiconductor division to 47.5 trillion won this year, from 47.9 trillion won in 2022. Overall, its capital spending for 2023 is expected to reach a record 53.7 trillion won, compared with 53.1 trillion won last year. The company's display division, which makes mobile screens for the likes of Apple Inc.'s iPhone 15, more than doubled operating profit to 1.94 trillion won from the previous quarter. Samsung said the increase was due to the release of flagship models from major customers, without identifying them. Samsung's division that includes its mobile business posted an operating profit of 3.73 trillion won, aided by new Galaxy Z foldable smartphones launched in the second half of this year. Samsung executives said they will continue to invest in high-density memory chips, particularly in high-bandwidth memory, where they plan to increase capacity by 2.5 times next year. Tuesday's report of Samsung's full quarterly earnings comes weeks after the U.S. granted the company and SK Hynix Inc. an exemption to acquire the equipment they need to sustain and expand their chipmaking operations in China. That's lifted some uncertainty hanging over the two memory leaders, allowing them to operate in the world's biggest chip arena over the longer term.

Ares Management Corporation (Ares) – reported its financial results for its third quarter ended September 30, 2023. Generally Accepted Accounting Principles (GAAP) net income attributable to Ares Management Corporation was US$61.8 million for the quarter ended September 30, 2023. On a basic and diluted basis, net income attributable to Ares per share of Class A and non-voting common stock was $0.30 for the quarter ended September 30, 2023. After-tax realized income was $261.1 million for the quarter ended September 30, 2023. After-tax realized income per share of Class A and non-voting common stock was $0.83 for the quarter ended September 30, 2023. Fee related earnings were $274.2 million for the quarter ended September 30, 2023. "Despite a more challenging market, we continued to deliver for our investors and shareholders in the third quarter with strong fund performance and continued growth in our key financial metrics," said Michael Arougheti, Chief Executive Officer (CEO) and President of Ares. "We had our second highest ever quarter of fundraising with gross new commitments totaling nearly $22 billion supported by our consistent performance through market cycles and our market leadership across our diversified global private credit strategies." "Our quarterly deployment has continued to improve sequentially this year as we gain share from traditional providers in a slower market environment," said Jarrod Phillips, CFO of Ares. "Our available capital balance surpassed $100 billion for the first time in our firm's history which provides us with significant visibility on further margin expansion and future earnings growth."

Berkshire Hathaway Inc. (Berkshire) – posted its first quarterly loss in a year as the prices of Apple Inc. and other stocks it owns fell, but said improved results from insurance helped boost operating profit to a record. Rising interest rates boosted yields in the third quarter on Berkshire's vast U.S. Treasury bill holdings above 5%, while fewer car accidents and a quiet Atlantic hurricane season bolstered the Geico car insurer and reinsurance businesses. Operating profit rose 41% to US$10.76 billion, even as Berkshire's net loss more than quadrupled to $12.77 billion. Berkshire also signaled it remains cautious about stock valuations and the market environment. The Omaha, Nebraska-based conglomerate's cash stake swelled to a record $157.2 billion, enough for one or more large acquisitions, as Berkshire sold $5.3 billion more stocks than it bought and slowed repurchases of its own stock to $1.1 billion. Berkshire also reported signs of caution among consumers, where confidence has been declining amid inflation worries, higher borrowing costs and political instability. Its Burlington Northern and Santa Fe railroad shipped fewer consumer goods, while lower homebuying hurt its namesake real estate brokerage and building products units such as Clayton Homes. Sales of Forest River RVs and Fruit of the Loom apparel also came under pressure.

Brookfield Asset Management Ltd. (Brookfield) – announced the closing of its global infrastructure debt program, Brookfield Infrastructure Debt Fund III ("BID III" or the "Fund"). With capital commitments exceeding US$6 billion, including over $400 million in discretionary co-investment capital, BID III is the world's largest private infrastructure debt fund. More than double the size of its predecessor fund, BID III has received significant support from a diverse group of institutional partners, including public and private pension plans, sovereign wealth funds, financial institutions, endowments, foundations, and family offices. Brookfield has committed $600 million to the Fund, underscoring the firm's alignment of interests with other investors. BID III has already deployed over 50% of its commitments, having made investments across its core infrastructure sectors, including the renewable power and data infrastructure sectors. The Fund is focused on investments that are highly defensive in nature, due to the regulated, contracted and concession-based cash flows they produce, and is an alternative source of capital to businesses that require access to trusted, solutions-focused financing. Ian Simes, Managing Partner and Co-Head of Brookfield's infrastructure debt and structured solutions businesses, said, "We would like to thank our investors for their continued support and helping us meet this significant milestone. With access to the Brookfield ecosystem of real-time data and global expertise, we are able to identify high-quality businesses, operating in defensive areas of the market to generate attractive risk-adjusted returns." Hadley Peer Marshall, Managing Partner and Co-Head of Brookfield's infrastructure debt and structured solutions businesses, said, "This is a great time to be investing in infrastructure debt. With capital constraints across the market, we are increasingly becoming borrowers' preferred partner and continue to see a number of interesting opportunities to offer flexible solutions for businesses across the globe."

Brookfield announced financial results for the quarter ended September 30, 2023. Net income for the publicly traded entity Brookfield Asset Management Ltd. (BAM) totaled US$122 million for the quarter. Brookfield's distributable earnings were $568 million for the quarter and $2.2 billion over the last twelve months. Fee-related earnings comprise approximately 100% of distributable earnings for both the quarter and the last twelve months. Despite price valuations of the publicly listed permanent capital vehicles, strong fundraising and capital deployment efforts drove fee-related earnings to $565 million for the quarter. This resulted in an increase of 8% compared to the prior year period. Connor Teskey, President of Brookfield Asset Management stated, "We had an excellent quarter from a fundraising perspective. We raised $61 billion of capital year-to-date with $26 billion of that capital in the third quarter. We are very fortunate that the businesses where we have established a leadership position remain in strong demand by investors. We closed our sixth private equity strategy at $12 billion, our largest ever to-date. We also held strong closes for our fifth infrastructure flagship fund and third infrastructure debt fund and began raising capital for our second transition flagship fund. When completed, those funds should represent the largest funds ever raised by a sponsor for each of these respective strategies." He continued, "2023 is shaping up to be an excellent year for capital raising, which sets the stage next year for excellent earnings and dividend growth. With fundraising momentum continuing to ramp up in the fourth quarter, first closes coming for our second transition flagship fund and our fifth real estate flagship fund, as well as the anticipated completion of a contract to manage American Equity Investment Life Holding Company's insurance assets, we remain on track for close to our $150 billion capital raising target."

Brookfield Corporation – A Brookfield-led consortium has accused Origin Energy Ltd. (Origin)'s largest shareholder, AustralianSuper, of "holding the company hostage" after it rejected a sweetened "best and final" A$16.4 billion (US$10.55 billion) takeover offer for Australia's biggest energy retailer. If a shareholder vote fails as a result, Brookfield Corporation has also offered a back-up plan of an off-market takeover bid that would require the minimum acceptance of 50.1% of the register, giving it control of the Origin's board and business plan even if the nation's largest pension plan refuses to accept the offer. AustralianSuper said the consortium's A$9.53 per share offer, an 8% increase over the previous A$8.81 apiece bid, remained "substantially below" its estimate of Origin's long-term value. AustralianSuper said it believed Origin had a highly strategic portfolio of assets that would benefit from an energy transition to renewable power. AustralianSuper's stand illustrates the power of a homegrown pension sector in a market where A$2.4 trillion in professionally managed retirement assets are on par with the value of the local bourse.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND[1]

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND[1]

GO TO PORTLAND GLOBAL BALANCED FUND[1]

Royal Bank of Canada (RBC): a cautious tone around HSBC Holdings plc's proposed sale of its Canadian business to RBC (for C$13.5 billion, first announced in November 2022, for a good price from an HSBC perspective). The House of Commons Standing Committee on Finance recommended Members of Parliament to vote down the planned transaction, indicating that a removal of further competition in the banking market could lead to higher fees to Canadians. Two weeks' ago, the leader of the Canadian Conservative party spoke against that deal, with Pierre Poilievre urging the government to reject that transaction, in an overnight media interview. Deal closure is expected in the first quarter in 2024, but it still needs approval from the Office of the Superintendent of Financial Institutions (OSFI) and Canada's finance ministry. The Competition Bureau has already approved the transaction.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

Amgen, Inc. (Amgen) – announced financial results for the third quarter of 2023. On a GAAP basis, total operating expenses increased 22%. The cost of sales margin increased 2.1%, primarily driven by higher profit share, higher amortization expense from acquisition-related assets and changes in product mix. Research & development (R&D) expenses decreased 3%, as lower spend in research and early pipeline was partially offset by higher spend in later-stage clinical programs and marketed products. Selling, general & administrative (SG&A) expenses increased 5%, primarily driven by higher general and administrative expenses, including higher acquisition-related expenses. Other operating expenses consisted of a net impairment charge for AMG 340. Operating margin as a percentage of product sales decreased to 30.9% and the tax rate increased 0.7%, primarily driven by the 2022 Puerto Rico tax law change. The company generated US$2.5 billion of free cash flow in the third quarter of 2023 versus $2.8 billion in the third quarter of 2022. Cash and investments totaled $34.7 billion and debt outstanding totaled $60.5 billion as of September 30, 2023.

Amgen took a loss after stopping a phase 1 trial of the prostate-specific membrane antigen (PSMA) bispecific it picked up in the $900 million acquisition of Teneobio two years ago. Buying Teneobio gave Amgen control of AMG 340, a PSMAxCD3 bispecific designed to turn T cells against metastatic castrate-resistant prostate cancer (mCRPC). Amgen already had a PSMA bispecific, acapatamab, when it bought Teneobio. The decision to double up reflected a belief that the drug candidates used "a different approach." Amgen stopped developing acapatamab in the summer of 2022. The company disclosed the discontinuation of a phase 1 dose-escalation study of the asset as part of its financial update for the third quarter.

Amgen – interchangeable biosimilar version of Johnson & Johnson's (J&J) Stelara, dubbed Wezlana (ustekinumab-auub), has received an U.S. Food and Drug Administration (FDA) approval. The interchangeable biosimilar was approved for use in multiple inflammatory diseases, including for adults with moderate-to-severe plaque psoriasis who are candidates for phototherapy or systemic therapy, active psoriatic arthritis, moderate to severe active Crohn's disease and moderate to severe active ulcerative colitis. The agency approved Wezlana after a comprehensive review of scientific evidence, which showed that Wezlana was highly similar to ustekinumab and there were no clinically meaningful differences between the products in regard to safety, purity, and potency. Stelara was first approved by the FDA for the treatment of adult patients with moderate to severe plaque psoriasis in September 2009. The FDA later approved the IL-12/IL-23 inhibitor's use in moderate to severe Crohn's disease in November 2016, and later for active psoriatic arthritis and ulcerative colitis. The monoclonal antibody has proven to be a major revenue driver. J&J made US$9.72 billion in global Stelara sales last year, according to its 2022 annual report. Biosimilars are also expected to make a dent in overall sales, with a GlobalData consensus forecasting Wezlana to have annual global sales of $455 million in 2029. However, the biosimilar may not enter the market immediately. In May, J&J settled its patent lawsuit with Amgen, setting the biosimilar's launch to no later than 1 January 2025. In August, the company also signed another Stelara biosimilar settlement deal with Formycon and Fresenius' FYB202, setting its U.S. launch date to 15 April 2025.

BridgeBio Pharma Inc. (BridgeBio) - reported 3rd quarter 3 results. Cash, cash equivalents and short-term restricted cash, totaled US$521.9 million as of September 30, 2023, compared to $466.2 million as of December 31, 2022. The net increase of $55.7 million was primarily attributable to net proceeds received of $450.3 million from various equity financing offerings, and $5.2 million from stock option exercises, primarily offset by net cash used in operating activities of $402.9 million during the nine months ended September 30, 2023 Revenue for the three and nine months ended September 30, 2023 was $4.1 million and $7.6 million, respectively, as compared to $0.3 million and $75.8 million for the same periods in the prior year, respectively. The net decrease of $68.2 million for the nine months ended September 30, 2023, compared to the same period in the prior year, was primarily attributable to the timing of revenue recognized from the Navire-BMS License Agreement which was entered into in May 2022.

Guardant Health Inc. (Guadrant)– and Flatiron Health said they inked a deal that will integrate Guardant's genomic profiling tests into Flatiron's cloud-based electronic medical record management platform. Under the deal, more than 2,000 clinicians at more than 800 cancer care locations in Flatiron's network will be able to order Palo Alto, California-based Guardant's blood- and tissue-based tests for early- and advanced-stage cancer through Flatiron's OncoEMR electronic medical record management platform. As the firms roll out integration over the next several months, those clinicians will gain access to the system's abilities to track the status of those tests and review the results in the patient record. Financial and other terms of the deal were not disclosed. The firms said the test results are used to help physicians make treatment decisions for patients with advanced cancer or monitor for recurrence in patients with early-stage cancer.

Lantheus Holdings Inc. (Lantheus) - the third quarter of 2023 earnings report shows a significant increase in both revenue and net income. The company's worldwide revenue for the third quarter of 2023 totaled US$319.9 million, representing a 33.7% increase from the same period in 2022. The GAAP net income for the third quarter 2023 was $132.0 million, a substantial rise from $61.2 million in the third quarter 2022. The company's GAAP fully diluted net income per share for the third quarter 2023 was $1.88, compared to $0.86 in the prior year period. Adjusted fully diluted net income per share for the third quarter 2023 was $1.47, compared to $0.99 in the third quarter 2022, representing an increase of approximately $0.48 from the prior year period. Net cash provided by operating activities was $116.7 million for the third quarter 2023, with free cash flow standing at $102.1 million, an increase of approximately $14.6 million from the prior year period. The company updated its guidance for full year 2023, projecting fiscal year 2023 Revenue to be between $1.255 billion - $1.27 billion, up from the previous guidance of $1.245 billion - $1.27 billion. The fiscal year 2023 Adjusted Fully Diluted earnings per share (EPS) is expected to be between $5.80 - $5.85, up from the previous guidance of $5.60 - $5.70. The company's radiopharmaceutical oncology segment, which includes PYLARIFY, saw a 49.5% increase in revenue from the same period last year.

Relay Therapeutics Inc. (Relay)– released its third quarter of 2023 financial results on November 2, 2023. As of September 30, 2023, the company had approximately US$810.6 million in cash, cash equivalents, and investments, compared to approximately $1 billion as of December 31, 2022. The company expects that its current cash reserves will be sufficient to fund its operations into the second half of 2026. Research and development expenses for the third quarter 2023 were $81.5 million, compared to $66.9 million for the third quarter 2022. The increase was primarily due to $8.2 million of additional clinical trial expenses and $7.4 million of additional employee-related costs, which include $4.5 million of additional stock compensation expense. General and administrative expenses were $18.5 million for the third quarter 2023, compared to $16.1 million for the third quarter 2022. The increase was primarily due to additional stock compensation expense. The company reported a net loss of $65.7 million for the third quarter 2023, or a net loss per share of $0.54, compared to a net loss of $84.2 million for the third quarter 2022, or a net loss per share of $0.76.

Telix Pharmaceuticals Limited (Telix) – announced the completion of the acquisition of Lightpoint Medical and its SENSEI radio-guided surgery business. Lightpoint Medical – a technology leader in precision-guided robotic cancer surgery – develops and markets miniaturised imaging and sensing tools for advanced intra-operative cancer detection. The acquisition will support and expand Telix's late-stage urologic pipeline and, together with its complementary artificial intelligence technologies, will strengthen Telix's capabilities in deploying molecular imaging in the surgical setting. The initial commercial objective is to align SENSEI with Telix's Illuccix/TLX599-CDx programs for prostate cancer. Additionally, there is considerable scope to expand the use of SENSEI and explore advanced surgical radiation detection probes in other urologic and non-urologic malignancies, including TLX250-CDx, Telix's investigational kidney cancer imaging agent. The upfront consideration value is US$20.0 million (approximately AU$30.6 million), of which US$19.6 million has been paid to Lightpoint Medical Limited in equity through the issue of 3,298,073 fully paid ordinary Telix shares at AU$9.3659 per share, with the balance paid in cash. A further US$15.0 million (approximately AU$23.6 million) is payable via an earn-out in the form of rights (Performance Rights). Dr Christian Behrenbruch, Managing Director and Group CEO of Telix said, "The acquisition of Lightpoint Medical and its highly talented medtech team brings a compelling commercial-stage approved product to support and enhance Telix's capabilities in deploying molecular imaging in the surgical setting. This strategic acquisition is in close alignment with our vision to innovate and partner with physicians at every step of the patient journey, with an initial focus on urology."

NUCLEAR ENERGY

BWX Technologies Inc. (BWXT) – has reported its third quarter 2023 financial results. The company achieved a GAAP net income attributable to BWXT of US$60.3 million, with diluted earnings per share (EPS) of $0.66, on third quarter revenues of $590.0 million. The non-GAAP net income attributable to BWXT for the same period was $61.5 million, with non-GAAP diluted EPS of $0.67. Additionally, the company's adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) for the third quarter of 2023 stood at $106.5 million. BWXT is narrowing its 2023 guidance range, with the mid-point slightly exceeding their initial guidance. Looking ahead to 2024, they expect to offset lower naval propulsion volumes resulting from the aircraft carrier ordering cadence gap in 2024 and 2025 with new program growth in Government Operations, expanded opportunities in commercial nuclear power, and accelerated growth in nuclear medicine. The company anticipate mid-single-digit adjusted EBITDA and Non-GAAP EPS growth in 2024, in line with the robust operational organic growth rates they have experienced in recent years.

Cameco Corp. (Cameco) – announced that their joint acquisition of Westinghouse Electric Company, in collaboration with Brookfield Asset Management, Brookfield Renewable Partners, and institutional partners, has received all required regulatory approvals. The transaction is expected to close around November 7, with Cameco financing their part through a $600 million (US) term loan and available cash, while a previously secured $280 million (US) bridge commitment will not be utilized and will be terminated. This joint acquisition was initially disclosed on October 11, 2022.

Cameco released its consolidated financial results for the third quarter ending on September 30, 2023. The company reported third quarters net earnings of $148 million and adjusted net earnings of $137 million. These results were affected by regular quarterly fluctuations in contract deliveries. The company saw improved gross profit due to reduced unit costs in the uranium segment and a higher average realized price, benefiting from increases in the uranium spot price compared to a year ago. Cameco's uranium and fuel services segments showed strong performance, with higher sales volumes and average realized prices, resulting in an improved consolidated revenue outlook for 2023, which now stands between $2.43 billion and $2.58 billion. The company has also updated their average unit cost of sales. Cameco continues to succeed in long-term contracting while maintaining exposure to rising prices. As of September 30, 2023, they have commitments for an average delivery of about 29 million pounds per year from 2023 through 2027, indicating growth from the end of June. Many of their contracts have market-related pricing mechanisms. The company also has a significant pipeline of potential business discussions, suggesting further expansion of their long-term contract portfolio. Total industry long-term contracting volumes in 2023 have already surpassed the volumes of the last ten years, indicating a new long-term contracting cycle is underway.

Constellation Energy Corp. (Constellation) – reported the third quarter 2023 GAAP Net Income of US$731 million and an Adjusted EBITDA (non-GAAP) of nearly $1.2 billion. The company raised their full-year 2023 Adjusted EBITDA guidance to $3.8 billion to $4 billion. Additionally, Constellation expanded its carbon-free nuclear fleet by acquiring a 44% stake in the South Texas Project Electric Generating Station and secured a $1 billion U.S. Department of Energy grant for a nuclear-powered hydrogen production facility. Furthermore, Constellation has reached an agreement with Con Edison, a major utility provider, to power their 54 facilities with locally produced, carbon-free nuclear energy round the clock.

ECONOMIC CONDITIONS

Canadian October employment data surprised to the downside with only 17.5 thousand jobs created, falling short of expectations for a 25 thousand print. Details were downbeat, with part-time employment fueling job growth as the unemployment rate rose 0.2 percentage points to 5.7% and wage growth slowed 0.3 percentage points to 5.0% year over year. In our view this report gives the Bank of Canada some additional evidence that higher rates are working, even if it does not change their broader assessment of labour market conditions. Wage growth remains too high for the Bank of Canada's comfort, but another round of tightening looks less likely after this report

U.S., nonfarm payrolls rose 150 thousand in October, below the median economist forecast calling for a +180 thousand print and which likely included the strike that hit the automotive sector this autumn This lower than expected rise was compounded by a -101 thousand cumulative revision to the previous months' data. Employment in the goods sector fell 11 thousand as a 23 thousand gain in the construction segment was more than offset by a 35 thousand drop for manufacturing, the largest observed in two-and-a-half years. Payrolls in the mining/logging segment rose only marginally (+1 thousand). Jobs in services-producing industries, for their part, expanded 110 thousand, with notable increases for health/social assistance (+77 thousand), leisure/hospitality (+19 thousand) and professional/business services (+15 thousand). Alternatively, cuts were observed in the transportation/warehousing (-12 thousand), information (-9 thousand) and financial activities (-2 thousand) categories. The temporary help services category, meanwhile, saw payrolls increase for the first time in 10 months. In all, just 99 thousand jobs were created in the private sector (the least in four months), compared with 51 thousand in the public sector, the latter split unevenly between local/state (+48 thousand) and federal (+3 thousand) administrations. Average hourly earnings rose 4.1% in October, down from 4.3% in September but still one tick above consensus expectations. Month on month, earnings progressed 0.2%. Released at the same time, the household survey painted a less upbeat picture of the situation prevailing in the labour market, with a reported 348 thousand drop in employment, the biggest recorded since the early days of the pandemic. This sizeable decline, combined with a slight decrease in the participation rate (from 62.8% to 62.7%), translated into a one-tick increase in the unemployment rate to a 21-month high of 3.9%. Full-time employment rose 326 thousand, while the ranks of part-timers cratered 670 thousand.

Eurozone unemployment ticked up to 6.5% in September and above the 6.4% consensus forecasts and the same print in August.

China's October Purchasing Managers' Index (PMIs) fell even after officials stepped up policy support. Manufacturing PMI printed at 49.5 (consensus: 50.2, September: 50.2), lowest since July of 2023 and back into contractionary territory once again. The fall in new orders component to 49.5 (September: 50.5) and decrease in production to 50.9 (September 52.7) weighed on the overall manufacturing print and suggest firms' initial optimism have faded even after accommodative loan policies and more local govt spending. Similarly, non-manufacturing PMI also disappointed, falling to 50.6 (consensus: 51.8, September: 51.7) and marked its lowest level since December of 2022. The sharp fall in construction PMI to 53.5 (September: 56.2) largely explains the big drop while services PMI also retreated to 50.1 (barely expansionary territory) from 50.9. Perhaps, the accommodative property sector policies aren't enough to lift builders' sentiment given problems over Evergrande and Country Garden while the dip in services is also confusing as it contradicts high frequency data (shopping mall traffic) which suggest that a consumer spending recovery is underway. In summary, policymakers are likely conscious that they need to extend their proactive fiscal stance and we could get more support measures unveiled at the upcoming Third Plenum and the Central Economic Work Conference in December.

FINANCIAL CONDITIONS

U.S. Federal Open Markets Committee (FOMC) left policy rates unchanged, as was broadly expected. The target range for the fed funds rate remains at 5.25%-to-5.50%. In the statement, "strong" replaced "solid" in describing current economic activity, a meaningful upgrade, but this was countered by the mention of both "tighter financial and credit conditions" as weighing on future economic activity. Before, only tighter credit conditions were mentioned, in a new nod to higher bond yields. Elsewhere, September's forward guidance was repeated. It says: "In determining the extent of additional policy firming that may be appropriate to return inflation to 2% over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments." The "may be appropriate" phrase affords the Fed a lot of flexibility. It fit July's hike, along with September's and November's skips and, thus, it can accommodate the possibility of either action at the next meeting.

Bank of England (BoE) decided to keep monetary policy unchanged. Its Bank Rate will remain at a 15-year high of 5.25%, which is still regarded as being "restrictive", but not everyone was on board with the decision. The vote was not as tight as it was in September (5-4); this time, it was 6-3. The three hawks (Jonathan Haskel, Catherine Mann and Megan Greene) stood their ground and continued to push for a 25-basis points hike. But they couldn't convince Jon Cunliffe, who ambled across the aisle to join Andrew Bailey, Ben Broadbent, Huw Pill, Dave Ramsden, and the perma-dove Swati Dhingra, to vote for no change. They had a guest observer... Ben Bernanke was in attendance. It was announced in July that the former Fed Chair would lead a review into the BoE's forecasting record.

Bank of Japan (BOJ) has removed the reference to the daily fixed rate buying operations, now viewing the 1% upper band not as a strict ceiling but as a reference point. The BoJ now says its fixed-rate bond buying purchases will be determined at each instance. Despite the tweak, the BoJ maintained the monthly purchase amount and frequency for Nov of its usual bond program. On Consumer Price Index ex fresh food, the BoJ upgraded its forecasts with the biggest upgrade to fiscal year 2024; 2023 inflation at 2.8% (prior: 2.5%), 2024 at 2.8% (prior 1.9%) and 2025 at 1.7% (prior: 1.6%). There was no change to other policy settings and it maintained its forward guidance that it will "add to easing without hesitation if needed". At the press conference, Ueda struck a dovish tone again, adding that he can't see inflation reaching target with certainty and that there's still some distance until positive cycle in prices is seen.

The U.S. 2 year/10-year treasury spread is now -0.26% and the UK's 2 year/10-year treasury spread is -0.34%. 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 could be an early warning of an economic slowdown.

The U.S. 30 year mortgage market rate has increased to 7.72%. Existing U.S. housing inventory is at 3.4 months supply of existing houses as of September 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 15.07 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: **"A person who pays their bills on time is soon forgotten." ~ Oscar Wilde**

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

Individual Discretionary Managed Account Models - SMA

Net Asset Value:

The Net Asset Values (NAV) of our investment funds are published on our Portland website at www.portlandic.com/prices

We want to share our insights with you and welcome your feedback. Our website has the latest, as well as archived videos, company profiles, and press articles. Please visit us at www.portlandic.com

Portland Investment Counsel Inc. portlandinvestmentcounsel Portland Investment Counsel Inc. @PortlandCounsel

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

This research and information, including any opinion, is based on various sources including corporate press releases, annual reports, public news articles and broker research reports and is believed to be reliable but it cannot be guaranteed to be current accurate or complete. It is for information only, and is subject to change without notice. This Newsletter is not an offer to sell or a solicitation of an offer to buy any security nor is it necessarily an indication of how the portfolio of any Portland Fund is invested. The securities discussed in the Newsletter may not be eligible for sale in some jurisdictions. The views expressed by any external links and subsequent media, including but not limited to videos, are not necessarily those of Portland Investment Counsel Inc. and are provided for general information purposes only. Portland Investment Counsel Inc. assumes no responsibility for the information provided by external sources.

Use of any third party quotations does not in any way suggest that person endorses Portland Investment Counsel Inc. and/or its products.

Certain statements may contain forward-looking statements which can be identified by the use of words such as "may", "should", "will", "anticipate", "believe", "plan", "estimate", "expect", "intend", "scheduled" or "continue" or similar expressions to the extent they relate to a security. The forward-looking statements are not historical facts. These forward-looking statements are subject to a number of significant risks, uncertainties assumptions, contingencies and other factors (many of which are outside the control of, and unknown to Portland Investment Counsel Inc. and its directors, officers, employees, agents or associates), that could cause actual results or performance to be materially different from any future result so performed, expressed or implied by such forward-looking statements. Portland Investment Counsel Inc. has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise.

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.

Portland Investment Counsel Inc., 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7 Tel.:1-888-710-4242 • www.portlandic.com • info@portlandic.com

PIC23-059-E(11/23)