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NEWS HIGHLIGHTS

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

NOVEMBER 20, 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

Reliance Industries Limited (Reliance) – Reliance's upcoming bond issue, touted to be the second biggest for an Indian firm, will see strong demand from insurers, with aggressive bidding enabling the conglomerate to borrow at rates that just top the sovereign yield, several merchant bankers said. The company aims to raise up to 200 billion rupees (US$2.40 billion) via 10-year bonds on Thursday, its first such fundraise since May 2020. In February, HDFC Bank Limited (HDFC) raised 250 billion rupees via 10-year bonds at 7.97% coupon, making it the biggest bond issue by an Indian company. Reliance's longer-tenor bond issue is considered very attractive, and it is expected around 50%-70% of the issue size to be taken up by Life Insurance Corporation, and another 10%-20% by a state-run provident fund house, according to people with knowledge of the situation. The company is likely to receive bids in the range of 7.70%-7.80%, around 30-40 basis points (bps) above the 10-year benchmark government bond yield on an annualised basis, traders said, adding they expect over-subscription. The spread against the 10-year benchmark bond yield for the HDFC issue was around 50 bps. Reliance's bonds, rated AAA by CRISIL Limited, are partly paid where the 50% of the issue size will be paid on allotment day, which is Friday and the remaining 50% on December 15. A lack of adequate supply of longer-term bonds from private companies will also help Reliance, the bankers said. Reliance has said it will use proceeds from the issue to refinance existing borrowings, on capital expenditure or capital expense and in investments on domestic subsidiaries where it has a majority stake.

Samsung Electronics Co., Ltd. (Samsung) – Jay Y. Lee, Samsung Executive Chairman denied wrongdoing and pleaded for a chance to lead South Korea's biggest company after prosecutors requested he receive a five-year prison term for charges involving a controversial merger of two Samsung Group units in 2015. In the hearing at the Seoul Central District Court on Friday, prosecutors also asked for Lee to be fined 500 million won (US$385,600). The court is scheduled to deliver its ruling on January 26, ending a trial that has lasted more than three years. In his final argument late Friday, Lee stressed his duty to steer the company his grandfather founded to the next stage at a time of heightened geopolitical risks, rapid supply-chain reorganization and technological disruptions. He said his responsibilities include preparing for the future while competing and collaborating with global tech giants. In August 2022, he won a presidential pardon for conviction in a separate case, allowing him to formally take the helm at the company. In the current trial, prosecutors have alleged that the 55-year-old Lee and other executives took a series of illegal steps to engineer the 2015 merger of Samsung C&T Corporation. and Cheil Industries Inc., and improperly benefited from the deal. Lee denied any wrongdoing on Friday, saying he never had any personal interests in mind.

Altice USA, Inc. (Altice) - Internal corruption investigations Altice found violations would have no material impact on its subsidiaries' financial statements, the telecommunications firm said in a statement on Thursday. Altice International and Altice France commissioned the investigations by law firms Ropes & Gray LLP and DLA Piper France after Portuguese prosecutors announced an investigation into allegations of corruption, tax fraud and money laundering in July. The criminal probe focused on executives and suppliers of Altice Portugal, a subsidiary of Altice International, but its fallout spread to other parts of the group, leading to the termination of more than a dozen employees. The findings come as Drahi attempts to sell off some of Altice group's assets in an effort to reduce its debt pile. The law firms worked with forensic experts on a root cause analysis of the alleged conduct, Altice said. Altice has completed the transition away from suppliers potentially connected to the allegations and will take further steps to enhance and strengthen several internal control processes, policies and procedures to effectively prevent, detect and mitigate the risk of any future potential individual misconduct, the company added.

Amazon.com, Inc. (Amazon) - Amazon announced at the 2023 LA Auto Show that it will begin selling vehicles on its website in the second half of 2024. Hyundai Motor Company will be the first vehicles sold on Amazon as part of a new collaboration between the two companies, and other brands are to follow suit later in the year. Customers can shop for vehicles in their area based on a range of preferences, including model, trim, colour and features, choose their preferred car, and then check out online with their chosen payment and financing options. Customers can buy a vehicle online and then pick it up or have it delivered by their local dealership. Amazon already sells car accessories and operates "Amazon Vehicle Showrooms" which is a site that allows manufacturers to advertise. The new model works directly with dealerships and is designed to build awareness of their selection.

Amazon has reportedly cut around 180 jobs from its gaming division, affecting the entire Game Growth team and all staff working on Crown, an Amazon-backed Twitch channel. "After our initial restructuring in April, it became clear that we needed to focus our resources even more on the areas that are growing with the highest potential to drive our business forward," Christoph Hartmann, Amazon Games Vice President wrote in an internal email, Engadget reports. "We've listened to our customers and we know delivering free games every month is what they want most, so we are refining our Prime benefit to increase our focus there." According to media reports, the Crown channel on Twitch is shutting down after the workforce reduction and its programming and content is therefore also ending. Engadget notes that the job cuts are part of a broader restructuring that also saw alleged cuts to the streaming and podcast divisions last week, plus layoffs from the gaming unit in April, impacting more than 100 workers.

In a bid to retain and attract top artificial intelligence (AI) talent, Amazon is launching a program to train millions of workers in artificial-intelligence skills in order to gain a competitive edge in the field. The new program is called "AI Ready" and plans to train at least two million people by 2025 on basic to advanced AI skills, including how to make use of the generative AI technology that has powered large language models. The training is centered on eight online courses that focus on generative AI and target people with both tech and tech-adjacent roles. Catered for both beginners and those with more experience, the company said it can form the foundation for professionals to prepare for the jobs and skills needed in the industry. The courses are free to access online through an Amazon learning website and are available for non-Amazon employees. This effort from Amazon is part of a growing awareness across the corporate sphere that AI could change how millions of people do their jobs across a range of industries.

Microsoft Corporation (Microsoft) - Microsoft plans to hire Sam Altman, former OpenAI Chief Executive Officer (CEO) and Greg Brockman, co-founder of OpenAI, after Mr. Altman was terminated from OpenAI on Friday following the board's conclusion that "it no longer has confidence in his ability to continue leading OpenAI." Satya Nadella, Microsoft CEO announced that both Mr. Altman and Mr. Brockman will be joining to lead the company's new advanced AI research team and that Mr. Altman will be CEO of this new group. We're extremely excited to share the news that Sam Altman and Greg Brockman, together with colleagues, will be joining Microsoft to lead a new advanced AI research team," says Mr. Nadella. "We look forward to moving quickly to provide them with the resources needed for their success." Microsoft says that over the years it has learned how to give founders and innovators space within the company, pointing to GitHub, Mojang Studios, and LinkedIn as examples, and a number of OpenAI employees are joining the executives.

Brookfield Corporation (Brookfield) – Origin Energy Ltd. (Origin) shareholder VanEck Australia (VanEck) will support the CA$10.5 billion bid from Canada's Brookfield and EIG Global Energy Partners (EIG), according to a senior executive, one of only a handful of funds to reveal their intentions ahead of the shareholder vote on November 23. The Brookfield consortium's AU$9.53 offer is a "good premium" given the uncertainty around Origin's ability to profit from the shift to renewable energy, according to Jamie Hannah, deputy head of investments and capital markets at VanEck, which owns a 0.3% stake in Origin. Critics of the bid argue it undervalues Origin's 20% stake in British renewable energy utility Octopus Energy, but Hannah said the assets are tricky to price. "Lots of other shareholders are putting a big premium there but it's hard to quantify where it will go," he said, echoing an argument made by proxy adviser CGI Glass Lewis Pty. Limited when it backed the deal last week. "The current premium is a good premium and if the deal doesn't go ahead it will struggle to maintain its price." Despite backing the deal, Hannah said it was unlikely to pass at the meeting against opposition from AustralianSuper, the country's largest pension fund. The AU$300 billion fund has waged a public campaign against a deal it says sells Origin cheap. Its 16.5% stake is short the quarter votes needed to block the bid outright but is likely to carry extra weight given retail shareholders often do not vote. The tight race means even a single small institutional shareholder backing AustralianSuper could sink the deal.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

BeiGene, Ltd. (BeiGene) – BeiGene reported the third quarter results which included total revenue for the three months ended September 30, 2023, of US$781.3 million, compared to $387.6 million in the same period of 2022, representing 101.6% growth, driven by growth in product revenue and the recognition of remaining deferred revenues from the Novartis AG collaborations. Product revenue for the three months ended September 30, 2023, was $595.3 million, compared to $349.5 million in the same period of 2022, representing 70.3% growth. Gross margin as a percentage of global product revenue for the third quarter of 2023 was 83.8%, compared to 78.1% in the prior-year period. The gross margin percentage increased primarily due to proportionally higher sales mix of global BRUKINSA compared to other products in the portfolio and compared to lower-margin sales of in-licensed products, as well as lower costs per unit for tislelizumab due to increased volume. Operating expenses for the three months ended September 30, 2023, were $819.0 million, compared to $749.4 million in the same period of 2022, representing 9.3% growth, primarily due to increased internal costs for research and development and sales and marketing costs in the U.S. and Europe, compared to the prior-year period. The company expects product revenue growth to continue to meaningfully outpace operating expense growth, generating continued operating leverage. Net income for the quarter was $215.4 million compared to net loss of $557.6 million in the same period of 2022. The improvement in net income compared to the prior year period was primarily attributable to reduced operating losses and the non-operating gain of $362.9 million related to the Bureau of Mediation Services arbitration settlement. Operating loss improved $304.4 million compared to the prior-year period, as our product revenue growth and management of expenses is driving increased operating leverage. In addition, the reacquisition of the full global commercial rights to ociperlimab and TEVIMBRA resulted in the recognition of the remaining deferred collaboration revenue, which increased our total revenue. For the quarter, basic and diluted earnings per share were $0.16 and $0.15, respectively.

Zymeworks Inc. (Zymeworks) has reacquired rights for the antibody-drug conjugate zanidatamab zovodotin, from partner BeiGene. The companies have been working together since November 2018, under the terms of a license and collaboration agreement for selected indications across multiple HER2-expressing cancers. While Zymeworks did not provide details on the reason for the termination, it stated it would now have full responsibility in steering clinical development and exploring potential combination therapies in clinical trials. BeiGene will retain exclusive rights to develop and commercialize another candidate under the terms of the agreement, a bispecific antibody dubbed ZW25.

Fate Therapeutics, Inc. (Fate) - Fate reported the third quarter results, which included cash, cash equivalents and investments as of September 30, 2023 of US$349.7 million. Revenue was $1.9 million for the third quarter of 2023, which was derived from the company's conduct of preclinical development activities for a second collaboration candidate targeting an undisclosed solid tumour antigen under its collaboration with Ono Pharmaceutical Co., Ltd. For the third quarter of 2023, generally Accepted Accounting Principles operating expenses were $53.2 million, including research and development expenses of $34.3 million and general and administrative expenses of $18.9 million.

POINT Biopharma Global Inc. (POINT Biopharma) — POINT Biopharma reported the third quarter results, which included approximately US$399.0 million in cash, cash equivalents, and investments, which is anticipated to fund operations into 2026. Net loss was $24.8 million and $66.7 million, or $0.23 and $0.63 net loss per share, for the three and nine months ended September 30, 2023, respectively, as compared to a net loss of $24.0 million and $65.0 million, or $0.26 and $0.71 net loss per share, respectively, for the same periods in 2022. Research and development expenses were $26.9 million and $85.1 million for the three and nine months ended September 30, 2023, respectively, as compared to $20.8 million and $54.1 million, respectively, for the same periods in 2022. General and administrative expenses were $5.5 million and $15.6 million for the three and nine months ended September 30, 2023, respectively, as compared to $3.8 million and $11.7 million for the same periods in 2022.

T**elix Pharmaceuticals Limited (Telix) – Telix** reported treating the first metastatic castration-resistant prostate cancer patient in a Phase III trial of its radiopharmaceutical TLX591. In the ProstACT GLOBAL trial, Melbourne, Australia-based Telix is evaluating TLX591 as a second-line treatment for mCRPC patients whose tumors express prostate-specific membrane antigen (PSMA), as determined by the gallium-labeled PSMA Positron Emission Tomography and Computed Tomography imaging agent Illuccix (68Ga-PSMA-11). The firm aims to enroll 387 patients in the trial and randomly assign them to receive either TLX591 plus the standard-of-care treatment — consisting of physician's choice of chemotherapy or androgen receptor pathway inhibitors — or to just the standard of care. Researchers are tracking patients' radiographic progression-free survival as the primary endpoint; secondary endpoints are overall survival and objective response rates, among other outcomes. TLX591 is a radio-antibody drug conjugate comprising the therapeutic isotope lutetium-177 and a PSMA-targeting antibody joined by a chelator linker. The firm claims TLX591 offers a different targeting approach and a dosing advantage compared to other PSMA-directed radiopharmaceuticals. Patients on TLX591 get two infusions two weeks apart, whereas patients receive six doses of Novartis AG' PSMA-directed prostate cancer treatment Pluvicto (lutetium vipivotide tetraxetan), one every six weeks. Telix has begun the ProstACT GLOBAL study in Australia but expects to open the trial globally, including in Europe and the U.S. According to the firm, it is on track to file an investigational new drug application for TLX591 with the U.S. Food and Drug Administration (FDA) in the fourth quarter of this year. Telix hopes to test a new commercial-scale manufacturing process for TLX591 at U.S. trial sites.

Telix announced it has signed a conditional Term Sheet to acquire QSAM Biosciences, Inc. (QSAM) and its lead asset, CycloSam (Samarium-153-DOTMP). QSAM is a U.S. based clinical stage company developing therapeutic radiopharmaceuticals for primary and metastatic bone cancer. CycloSam is highly synergistic with Telix's existing therapeutic development activity in both prostate cancer and sarcoma. The proposed acquisition, subject to customary completion terms, will further enhance and differentiate Telix's innovation position to provide a continuum of care to patients from diagnosis and staging, systemic treatment of metastatic disease, to palliative care. In addition to near-term opportunities in metastatic disease management, the proposed acquisition may also broaden the company's pipeline depth in osteosarcoma, a disease that mostly affects children and young adults, where QSAM has received Orphan Drug and Rare Pediatric Disease Designations (RPDD) from the FDA. The RPDD designation may enable CycloSam to be brought to market more rapidly through additional incentives, including eligibility for a Priority Review Voucher under which the FDA may reduce the review period for a drug candidate to six months. Dr Christian Behrenbruch, Managing Director and Group CEO of Telix continued, "We are pleased to announce our intention to acquire QSAM. This acquisition will bring a validated therapeutic candidate with the potential to accelerate development under the Orphan Drug and Rare Pediatric Disease Designations, and a highly experienced team that has completed numerous FDA approvals".

NUCLEAR ENERGY

BWX Technologies, Inc. (BWXT) – BWXT Medical Ltd., a subsidiary of BWXT, and Fusion Pharmaceuticals Inc. (Fusion) have entered into an agreement for the supply of generators to produce actinium-225, a medical isotope employed in cancer treatment clinical trials. In this collaboration, BWXT Medical will provide Fusion with a preferential supply of radium-225 and access to high-specific activity generator technology, allowing Fusion to manufacture actinium-225 at its Good Manufacturing Practice facility for clinical trials. The agreement also expands their existing actinium-225 supply arrangement to support Fusion's advancing pipeline of targeted alpha therapies. Actinium-225, an alpha-emitting isotope, is utilized in Fusion's targeted alpha therapies, combining the isotope with tumor-targeting vectors to selectively eliminate cancer cells with minimal impact on healthy tissues. BWXT's proprietary generator technology enables the on-demand isolation of high-purity actinium-225 from supplied radium-225.

Centrus Energy Corp. (Centrus) – Centrus announced that Amir Vexler will succeed Daniel B. Poneman as CEO on January 1, 2024. Mr. Poneman joined Centrus on March 5, 2015, and over the past eight years has overseen the rebuilding of the company's order book, strengthening the balance sheet, and returning the company to profitability in 2021. In October, Centrus inaugurated the first new U.S.-owned uranium enrichment plant to begin production in nearly 70 years and made its first delivery to the U.S. Department of Energy earlier this month. These achievements are reflected in the growth of the company's total market capitalization 20-fold since 2015 to more than US$800 million today and returns to shareholders almost five times higher than the S&P 500. Mikel Williams, Chairman of the Board of Directors, expressed gratitude to Daniel B. Poneman for his exemplary leadership over the past eight years, noting that the transition to Amir Vexler as the new CEO occurs at a time of strength for Centrus. Williams emphasized the succession planning process and highlighted Vexler's proven success as a CEO and leader in nuclear fuel operations, indicating confidence in his ability to guide the company's ongoing growth and development in the future.

NuScale Power Corporation (NuScale) – NuScale announced a partnership with Oak Ridge National Laboratory (ORNL) to conduct a techno-economic assessment (TEA) that will explore the feasibility of implementing a cost-effective steam heat augmentation design using NuScale's small modular reactor (SMR). The study, based on process data from a U.S. chemical facility, aims to help the plant fulfill its electric power and process steam needs through NuScale's carbon-free nuclear technology. Engineers from both ORNL and NuScale will collaborate on this project, with the anticipated deliverables of the TEA expected to be completed within a year. This strategic partnership signifies a crucial step in the efforts to decarbonize commercial chemical plants, offering a reliable clean energy option for those striving to achieve clean energy objectives by leveraging the heat output of NuScale SMRs for steam production.

ECONOMIC CONDITIONS

U.S. retail sales declined 0.1% month-on-month in October, a significant deterioration from the upwardly revised surge of 0.9% in September. Weaker job and wage growth, falling excess savings and the bite of higher interest rates are the primary reasons for the decline and are now headwinds to consumer spending in the all-important holiday season. Receipts in seven of 13 major categories declined with the biggest drops in furniture stores (-2.0%), motor vehicles and parts (-1.0%) and sporting goods stores (-0.8%). These are all considered discretionary categories and the declines suggest consumers might be shifting their spending to essentials amid still-high inflation. The largest gains were in grocery stores (+0.6%), electronics (+0.6%) and restaurants and bars (+0.3% but down from a robust 1.6% in September). The monthly declines pushed the year-on-year growth rate down to 2.5% from 4.1% in September. So-called control retail sales – which exclude restaurants, motor vehicles, gas stations and building materials stores and is used to calculate consumer spending in the gross domestic product report – rose 0.2% in October, a significant moderation from the 0.7% gain in September. The decline in retail sales in October following strong growth in September suggests the U.S consumer might finally be buckling amid higher borrowing costs, elevated prices and slowing job and wage growth.

U.S. Consumer Price Index (CPI) inflation was flat in October, below expectations and marking a sharp slowdown from the 0.4% gain in September. The "stagnant" October inflation report breaks a string of outsized gains over the previous two months and re-establishes the decelerating inflation trend in the U.S. The big driver of the slowdown, as expected, was the 5.0% drop in gasoline prices, and the 2.5% drop in overall energy prices last month. Still, several other important categories also saw price declines, including airline fares (-0.9%), used car prices (-0.8%), new vehicle prices (-0.1%), commodities (-0.4%), and education (-0.2%). The year-on-year inflation rate decelerated to 3.2% from 3.7% in September and the slowest pace since July. Core CPI inflation also came in below consensus expectations, increasing just 0.2% in October. (Consensus was looking for a somewhat firmer 0.3% increase.) That's the best reading on this inflation measure since July and helped bring the year-on-year core inflation rate down to 4.0% from 4.1% in September. The supercore measure of CPI inflation (excluding energy and rents) also came in on the low side at 0.22%, down from 0.61% in September. Shelter inflation eased to a more comfortable 0.3% from 0.6% in September, while overall services inflation moderated to 0.3% from 0.6% in September. The sharp moderation in both headline and core CPI inflation in October is an important step in the Fed Reserve's goal of returning inflation to its 2.0% target on a sustainable basis. But, the heavy reliance on volatile gasoline and energy price declines for much of last month's improvement will temper the Fed's enthusiasm and will need to see further improvement in the months ahead.

U.S. Housing starts unexpectedly climbed 1.9% to an annual rate of 1.372 million in October. That marks a second straight monthly increase even as September was revised lower. Construction of single-family units edged up 0.2% while volatile multis climbed 6.3%. Starts in the West and the Midwest gained though the Northeast and South posted declines. Despite multiple headwinds for U.S. homebuilders, the one saving grace is limited inventory in the resale market. That has pushed potential buyers to look at new construction as a viable option, with builders adding on extra incentives. Building permits, a good proxy for future home construction, also confounded expectations, rising 1.1% to 1.487 million annualized. Permits have been trending higher this year after tumbling to the lowest since the summer of 2020 in January. And, that's despite homebuilder sentiment that continues to sour under the weight of elevated borrowing costs…. builders may be benefitting from lack of supply in the resale market. Looking ahead, however, in our view homebuilding activity is unlikely to gain significant traction amid an expected stall in the economy early next year.

U.S. industrial production fell 0.6% in October, marking the first decline in four months. **Manufacturing output** (the biggest share of industrial production) dropped 0.7% amid a 10% plunge in **motor vehicles and parts**. The autoworkers strike disrupted production in October, but with workers back on the line to start November, we may see a rebound. **Business equipment** (-0.5%) and **consumer goods** (-1.2%) both fell for a second straight month. Looking ahead, factories are likely to struggle with recent Fed surveys underscoring weak momentum. Elevated borrowing costs are likely to undercut consumer demand and business investment, weighing on factory output.

China's activity data continue to improve in October, with both industrial production and retail sales growth surprising higher. Retail sales in October was stronger at 7.6% year over year (consensus: 7.0%, September: 5.5%), boosted by spending over the long holidays. Dining out, tobacco & liquor and discretionary spending (e.g., gold & sliver jewelry and garments) remain robust which contributed to the recovery in sales over the month. Industrial production also fared better, up 4.6% year over year (consensus: 4.5%, September: 4.5%), driven by higher automobile production, steady chemical materials and electrical machinery production. However, the slump in October exports and National Bureau of Statistics/Caixin manufacturing Purchasing Managers' Index does cast a doubt on the sustainability of these manufacturing numbers. China's economy started the fourth quarter on a stronger footing, with more fiscal spending & rumors of housing support adding upside to the economic momentum.

UK wage growth came in stronger than expected on the whole for the third quarter, with headline edging down to 7.9% 3 month over year (market: 7.3%). However, the upside surprise was entirely driven by bonuses—ex-bonus wage growth came in as expected and fell to 7.7% 3 month over year (market: 7.7%). In part, the Office for National Statistics attributes the strength of headline wage growth to the civil services one-off payments made in July and August.

UK inflation surprised to the downside in October, with the headline rate falling 2.1percentage points to 4.6% year over year (market: 4.7%, Bank of England: 4.8%) and core edging down to 5.7% year over year (market: 5.8%). The bulk of the decline was driven by the energy component, both due to heavy base effects and a roughly 7% decline in Ofgem's energy price cap, but a soft 0.1% month over month increase in food prices also helped push headline inflation down. Services inflation is the most key for the Monetary Policy Committee (MPC) though, and luckily for policymakers, this also came in weaker than expected, falling to 6.6% year over year—0.1percentage points below the consensus and a notable 0.3percentage points below the MPC. This soft services print was in part due to a sharp 9.2% month over month decline in overnight hotel accommodation—roughly 10percentage points lower than the increase last October. Overall, this data will be welcome news for the MPC and will provide further support for the view that the MPC is done hiking in this tightening cycle.

Australian October jobs report posted a big increase at +55,000 (consensus:24 thousand, September:7.8 thousand). It appears September disappointing outturn was a blip as jobs growth and participation rate both mean reverted. Part-time jobs drove the headline gains at +37.9 thousand and full-time jobs clocked at +17 thousand while participation rate bounced back to a record at 67% after crashing by 0.3% points last month. The unemployment creeped higher to 3.7% (prior:3.6%) as a result of higher labour force participation despite stronger jobs gains. Smoothing out the month over month swings in the emp prints, job growth appears to be accelerating again and may stall any easing in the tight labour market conditions. We suspect the Reserve Bank of Australia will take this report in its stride consistent with its hopes for a soft landing scenario, a steady retreat in inflation and likely peak in wages growth.

Swedish inflation came in weaker than expected in October, with headline CPI edging up to 4.2% year over year (market: 4.4%, Riksbank: 4.1%) and CPI ex-energy dropping 0.8percentage points to 6.1% year over year (market: 6.3%, Riksbank: 6.0%). As expected, a slight increase, coupled with large base effects, in the electricity component more than offset a sharp decline in petrol prices and added to the slight increase in the headline rate. Moreover, the downside surprise was largely driven by weakness in the services component—in particular a notable decline in hotel prices.

FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now -0.49% and the UK's 2 year/10 year treasury spread is -0.41%. 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 7.25%. Existing U.S. housing inventory is at 3.4 months supply of existing houses as of September 30th, 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 13.73 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: **"When prosperity comes, do not use all of it." ~Confucius**

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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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