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

DECEMBER 11, 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) – Government-controlled refineries in India are joining Reliance in seeking to take Venezuelan crude, intensifying competition with Chinese users for discounted barrels. State-owned Bharat Petroleum Corporation Limited is in the market to buy from the producer, according to a person familiar with the development. Hindustan Mittal Energy, a smaller state-owned processor, is already buying Venezuelan oil, another person with the direct knowledge of the matter said. Venezuela's role in the global oil market is shifting after the U.S. relaxed sanctions on the nation, raising the prospects of greater crude sales. Still, that move now risks being reconsidered as Washington expressed concern about the slow pace of reciprocal moves from Caracas and, separately, geopolitical tensions in the region increased amid a border dispute with Guyana. India, the third-biggest oil importer, was a major buyer of Venezuelan crude before the sanctions were imposed by Washington, forcing its refiners to cede ground to Chinese competitors from 2021. The fast-growing Asian economy is a key market for oil producers, especially from Russia amid the war in Ukraine. Another state-linked Indian refiner, Hindustan Petroleum, meanwhile, is waiting for local processing upgrades before it enters the market for Venezuelan oil, according to an executive. Among the needed steps, its Visakhapatnam refinery will be expanded by 4 million tons to 15 million tons. In taking Venezuelan oil, the state refiners would be joining Reliance, which has already booked two to three supertankers to load between December and early January. Shipbrokers cautioned the final destinations may change.

Samsung Electronics Co., Ltd. (Samsung) – A measure designed to speed up the construction of semiconductor projects in the U.S. was stripped out from must-pass defense legislation after objections from U.S. House Speaker Mike Johnson and other Republicans, according to people familiar with the matter. The provision would have exempted projects that receive funding from the 2022 Chips Act from federal environmental permitting reviews. The Chips Act set aside subsidies worth US$100 billion to revitalize chipmaking in the U.S., and the permitting provision was a key priority for Commerce Secretary Gina Raimondo as she prepares to distribute the first awards by the end of this year. Without a permitting exemption, projects that win Chips Act money which are widely expected to include sites under construction by Taiwan Semiconductors Manufacturing (TSMC), Intel Corporation (Intel) and Samsung could face significant delays as they navigate the environmental review process. While the Commerce Department has set up a team to help chip companies navigate the permitting process, the agency is limited without legislation allowing firms to bypass permitting requirements altogether. Projects would still have had to abide by other federal environmental laws like the Clean Air Act and Clean Water Act. The Commerce Department's application for Chips Act money includes a lengthy environmental questionnaire. Arizona and Texas have won billions of dollars in private semiconductor investment spurred by the Chips Act. In addition to TSMC, Intel is also undergoing a massive expansion in Arizona, and Samsung is working on a new plant in Taylor, Texas.

Altice USA Inc. (Altice) - Sotheby's, the auction house owned by Patrick Drahi, has quietly stepped away from plans for an initial public offering (IPO), a prospect it once considered seriously enough to pick bankers for a U.S. listing. Chief Executive Officer (CEO) Charles Stewart said in a Bloomberg TV interview that operating as a fully private company keeps them focused on their mission. With almost 300 years in business, New York-based Sotheby's has been taken on and off the public market through successive owners. Drahi took the company private when he bought it for US$3.7 billion in 2019, ending Sotheby's three-decade run as a public company. Bloomberg reported last year that Sotheby's was once again exploring an IPO, selecting Goldman Sachs Group, Inc. and Morgan Stanley as bankers. Keeping Sotheby's private would make the business something of an outlier within Drahi's portfolio. The telecommunications and media company Altice, is preparing to receive initial bids for parts of its business as it is looking to reduce its debt load. Sotheby's projects sales of $8 billion for 2023, according to Stewart, up from $7.3 billion in 2021, before the IPO exploration. Sotheby's plans to open a gallery in Hong Kong next year despite somewhat softer demand in Asia. The 24,000-square-foot space will sit in the heart of the city-state's luxury district in Central, according to a statement. Competing auction houses have been expanding their footprints in the region in recent years. Christie's is opening a new Asia-Pacific headquarters in 2024.

Altice is heading on the offensive as the company looks to shore up a broadband business that's been saddled with subscriber losses and to invigorate a mobile business that's starting to get out of the slow lane. Those are just a couple of areas that Altice is trying to improve upon amid a broader turnaround strategy unleashed by Dennis Mathew, a former Comcast exec who took over for Dexter Goei as CEO about 14 months ago. "We're in the early innings of this turnaround," Mathew said Monday at the UBS Global Media and Communications Conference. "We've made it clear we want to be the connectivity provider of choice in every community that we serve. But those can't just be words. Those have to be actions." Part of that process includes an extensive house-cleaning and a shift in company culture. Mathew estimates that about 60 new vice presidents (and above) have been brought on under his watch. In addition to bulking up Altice's local presence, the company recently added new heads of commercial and consumer services as well as a new chief growth and innovation officer. Mathew estimates that Altice is about 70% to 75% of the way through its ongoing leadership transition. Part of the company's plan is to further stabilize its average revenues per user (ARPU). Mathew lamented that the company didn't have much of a base management strategy in place when he joined, noting that the company was instead focused on promotions and rate events. Altice he said, is implementing a more robust strategy that includes elements such as speed upgrades, more transparency on price and a proactive stance with mobile services. Altice is seeing activity pick up on mobile as it invests further in the retail channel and takes advantage of its relatively new Optimum Complete home broadband/mobile bundle. Altice ended third quarter (Q3) 2023 with just 288,200 mobile lines, but additions in the quarter of 24,100 lines accelerated from year-ago adds of 4,100. "We're converting the culture and converting the leadership and the focus to selling mobile," Mathew said. On the broadband side, Altice will continue to focus on fiber network upgrades in its footprint in parts of New York, Connecticut and New Jersey. Mathew said fiber is delivering double-digital benefits on net promoter scores, ten-point benefits on churn and 20% on ARPU. "We're really bullish on what fiber is able to deliver," Mathew said. Altice is using fiber upgrades selectively in its rural areas in the western U.S., where it's more focused on DOCSIS 3.1 upgrades of the hybrid fiber/coax (HFC) network. Via both fiber and HFC, Altice USA offers speeds of at least 1 Gbit/s across 95% of its footprint, a number that the company wants to get to 100% in 2024. Altice is also looking to compete better against fiber and fixed wireless access (FWA) at the local level as the company takes advantage of new regional leadership teams. No cable operator is saying pay-TV is going to return to subscriber growth. But Altice has joined others with the introduction of new app-focused streaming platforms. The company now offers an Android TV-powered, streaming-based product that runs its pay-TV app alongside third-party streaming services. Altice USA has also adapted its video streaming app for retail platforms such as Apple TV. Mathew said Altice will offer a self-install option for new video subs in 2024 that aims to boost net promoter scores and lower operating costs. But he also acknowledged that the pay-TV business model itself is in disrepair. Altice is also looking to improve its financial positioning. The company is starting to explore the use of securitized debt, a path that Frontier Communications is using today to help fund its fiber network upgrade/buildout, according to Mathew. "That is an option. We're looking at all options," he said.

Ares Management Corporation (Ares) – X-Energy Reactor Company, LLC (X-Energy), a leading developer of advanced small modular nuclear reactors and fuel technology for clean energy generation, announced that it has completed its Series C financing round with an additional US$80 million from Ares Management Corporation and X-energy Founder, Kam Ghaffarian. This additional $80 million brings the total capital raised in the Series C financing round to $235 million, including anticipated conversions of certain of the company's outstanding convertible notes. Previous investors in the Series C financing round include Ontario Power Generation, Curtiss-Wright Corporation, DL E&C, and Doosan Enerbility. X-energy is developing the Xe-100, a high-temperature gas-cooled advanced small modular reactor, its proprietary TRISO-X fuel, and a mobile microreactor to safely and efficiently deliver affordable zero-carbon energy to people around the world. TRISO fuel has a more than 40-year demonstrated track record through prototype and full-scale reactors and has been called "the most robust nuclear fuel on earth" by the U.S. Department of Energy. X-energy's intrinsically safe Xe-100 reactor and fuel design greatly expand applications and markets for deployment of nuclear technology relative to other small modular and conventional nuclear reactors. The Xe-100 can also address a broader range of uses and applications compared with light water nuclear reactors. This specifically includes applications that currently rely on fossil fuels to produce steam and high temperature heat for processes like manufacturing, petroleum refining and hydrogen production. The U.S. Department of Energy, through its Advanced Reactor Demonstration Program, is supporting X-energy's initial deployment of the Xe-100 at Dow's Seadrift, Texas facility and the creation of the nation's first commercial facility to manufacture TRISO-X high-assay low-enriched uranium-based fuel for next-generation reactors. The project in Seadrift is focused on providing the Dow site with safe, reliable, zero carbon emissions power and steam, and will be the first grid-scale advanced nuclear reactor deployed to serve an industrial site in North America.

Ares announced that it has raised approximately $3.3 billion of real estate secondaries capital, which comprises the Landmark Real Estate Fund IX ("LREF IX" or the "Fund"), General Partner commitments and affiliated vehicles. Through LREF IX, the Ares Real Estate Secondaries team provides flexible and highly customizable secondary solutions for both Limited Partners and General Partners. These solutions include traditional Limited Partner interest acquisitions, General Partner-led fund and portfolio recapitalizations along with preferred equity and other structured investments. LREF IX seeks to acquire seasoned assets at attractive discounts to market value and build highly diversified portfolios for its investors. Led by industry veterans Michelle Creed and Jamie Sunday, the team comprises 26 dedicated real estate secondary investment professionals located across the U.S., Europe and Asia. With a cycle-tested track record of more than 25 years, the team maintains deep relationships with a large network of institutional investors, fund sponsors and secondary market advisors. To date, the Real Estate Secondaries strategy has invested or committed approximately $8.3 billion across more than 200 transactions. The Ares Real Estate Secondaries strategy is part of the Ares Secondaries Group. With $23.3 billion of assets under management as of September 30, 2023, the Ares Secondaries Group has been a pioneer and innovator within the secondary markets over the past three decades and has established strategies across the real estate, infrastructure, private equity and credit asset classes.

Hornbeck Offshore Services (Hornbeck) filed for an IPO with the Securities and Exchange Commission. The Covington, LA.-based company said it provides marine transportation services to companies in offshore oilfield markets and non-oilfield markets, such as military support services and renewable energy. Ares and affiliated entities are listed as owning 42% of the company prior to the offering. The company didn't say how many shares it would offer or give an anticipated price range. Proceeds from the sale will be used for general corporate purposes. In 2022, the company reported a profit of $80.8 million on revenue of $317.6 million. Hornbeck plans to list its shares on the New York Stock Exchange under the ticker HOS.

LVMH Moët Hennessy Louis Vuitton (LVMH) – signed a deal to sell a majority stake in the parent company of its cruise retail business to a group of investors led by Florida property developer Jim Gissy, but will remain an "important minority shareholder" in the new entity. "The new investors are strategic partners in the vacation retail space with a culture of innovation and a growth mindset," LVMH said in a statement. The deal to sell the majority stake in Cruise Line Holdings Co, the parent company of the Starboard & Onboard Cruise Services (Starboard) businesses, is expected to be concluded in the coming days. Financial details were not provided. Starboard CEO Lisa Bauer, recruited by LVMH for the job in 2019, will continue to lead the business, which will be expanded from cruise ships to vacation retail spots on land. Starboard, which is based in Miami, sells handbags, jewellery and beauty products on dozens of ships belonging to companies including Carnival Cruise Line, Royal Caribbean Group and Holland America Line. LVMH does not break down sales for the business, part of its selective retailing activity, which also manages beauty chain Sephora and travel retail business DFS. Gissy is executive vice president of Florida time share company Westgate resorts.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

Arvinas Inc. – and Pfizer Inc. have released interim data from the phase Ib cohort of the ARV-471- Metastatic breast cancer (mBC)-101 study, evaluating the combination of vepdegestrant (formerly ARV-471) and the CDK4/6 inhibitor Ibrance (palbociclib) in heavily pre-treated breast cancer patients. The study included 46 patients with locally advanced or metastatic ER+/HER2- breast cancer who had undergone a median of four lines of therapy across disease settings. The interim results showed promising clinical activity, with a clinical benefit rate (CBR) of 63% and a median progression-free survival (PFS) of 11.1 months. Additionally, the overall response rate (ORR) was 42% in evaluable patients with measurable disease at baseline. The safety profile of the combination therapy was consistent with the individual drug safety profiles observed in previous clinical studies.

BridgeBio Pharma Inc. (BridgeBio) – has submitted a New Drug Application (NDA) to the U.S. Food and Drug Administration (FDA) for acoramidis, a treatment for ATTR-CM (transthyretin amyloid cardiomyopathy). The non-disclosure agreement (NDA) is based on positive results from the Phase 3 study, ATTRibute-CM, which assessed the efficacy and safety of acoramidis. Acoramidis is an investigational, next generation, orally administered, highly potent, small molecule stabilizer of transthyretin (TTR). The company sees this submission as a significant milestone, with the potential to offer clinical benefits beyond current therapeutic options for ATTR-CM patients. BridgeBio aims to make acoramidis widely available as a treatment option for ATTR-CM in the U.S. and globally, pending FDA approval. The submission reflects the culmination of efforts involving patients, their families, caregivers, investigators, collaborators, and the BridgeBio team.

IGM Biosciences (IGM) – has announced a strategic refocus on two key areas: treating colorectal cancer with IgM death receptor 5 (DR5) agonist antibodies and addressing autoimmune diseases using IgM T cell engager antibodies. The company also revealed plans to file an Investigational New Drug (IND) application for the clinical development of IGM-2644, a CD38 x CD3 T cell engager antibody, targeting autoimmune diseases. As part of this refocusing effort, IGM will cease hematologic oncology clinical development and discontinue the clinical development of its targeted cytokine product candidate. The company will continue to concentrate on developing oncology and immunology and inflammation product candidates under its collaboration with Sanofi SA. To align with these changes, IGM will reduce its workforce by approximately 22%, with the aim of extending its cash runway into the second quarter of 2026.

Perspective Therapeutics Inc. – has announced the start of an investigator-initiated Phase 1 trial, with the first patient dosed at the University of Iowa. The trial aims to evaluate the safety of [212Pb] VMT-αNET, a targeted alpha-particle therapy (TAT), in patients with unresectable or metastatic neuroendocrine tumors (NETs) expressing somatostatin receptor type 2 (SSTR2). The enrolled patients have experienced progression or relapse after previous treatments, including currently approved peptide receptor radionuclide therapies (PRRT).

RadNet Inc. (RadNet) – announced that MammogramNow, an innovative screening mammography service is launched at the Walmart Inc.(Walmart) Supercenter in Milford, Delaware. This pioneering initiative aims to enhance breast health awareness and accessibility, including the integration of cutting-edge DeepHealth technology, into the Walmart Supercenter environment, providing women with convenient access to crucial breast cancer screening services. MammogramNow at the Walmart Supercenter introduces a new model of breast health screening convenience. Harnessing state-of-the-art hardware and software technology, powered by DeepHealth Artificial Intelligence (AI), this program pursues an improved level of screening performance and promotes earlier detection. MammogramNow offers women access to RadNet's Enhanced Breast Cancer Detection service incorporating AI to optimize disease detection seamlessly during their visits, without extending their appointment time. By placing the MammogramNow program within the Walmart Supercenter, RadNet and Walmart seek to make breast health screenings more accessible, encouraging proactive, community-based healthcare. As part of the pilot, RadNet will actively promote breast health education and awareness initiatives, providing the Milford community with essential information about breast health and the critical nature of regular screenings. "With MammogramNow, we are endeavoring to improve population health and encourage preventative care. We believe RadNet currently performs close to five percent of all mammograms in the United States annually, and the pilot with Walmart is designed to provide even greater, convenient access for women, driving better compliance with annual breast cancer screening guidelines," explained RadNet President and CEO, Howard Berger, M.D.

Telix Pharmaceuticals Limited (Telix) – has reported positive topline results from the Phase II OPALESCENCE investigator-initiated trial (IIT) of its positron emission tomography (PET) imaging candidate, TLX250-CDx (89Zr-DFO-girentuximab), targeting carbonic anhydrase IX (CAIX) in patients with triple negative breast cancer (TNBC). The pilot study involved twelve metastatic patients and demonstrated 100% expression and effective targeting of CAIX in lesions within the breast, skin, adrenal gland and brain. Additionally, CAIX expression in nodes and bone was 88.0% and 91.9%, respectively. TLX250-CDx was found to be safe and well-tolerated by patients. These findings were presented at the 2023 San Antonio Breast Cancer Symposium (SABCS).

Telix announced that the first patient has been dosed in a United States Expanded Access Program (EAP) for TLX250-CDx (89Zr-DFO-girentuximab), its first-in-class non-invasive investigational positron emission tomography (PET) imaging agent designed for clear cell renal cell carcinoma (ccRCC). The first patient in the program was dosed at ARA Diagnostic Imaging at Austin Radiological Association in Austin, Texas, following approval to proceed from the U.S. FDA The EAP aims to provide access to TLX250-CDx for patients with ccRCC before regulatory approval.

NUCLEAR ENERGY

Centrus Energy Corp. (Centrus) – Lightbridge Corporation (Lightbridge) and Centrus. announced a contract to conduct a front-end engineering and design (FEED) study to add a dedicated Lightbridge Pilot Fuel Fabrication Facility (LPFFF) at the American Centrifuge Plant in Piketon, Ohio. The FEED study will identify infrastructure and licensing requirements as well as the estimated cost and construction schedule for the LPFFF. Centrus' wholly owned subsidiary, American Centrifuge Operating, LLC, will lead the study, which is expected to be completed in 2024. "Centrus is proud to join forces with Lightbridge to work towards creating high-assay low-enriched uranium (HALEU) based fuels that have the potential to power both existing as well as new reactors," noted Centrus President and CEO Daniel B. Poneman. "Our plant in Ohio is the only HALEU production plant in the world outside of Russia and would be an ideal site for Lightbridge's proposed facility. Since Lightbridge Fuel has the potential to bring HALEU and its benefits to the existing fleet of reactors, this partnership holds the potential to significantly expand the market for HALEU." Seth Grae, President & CEO of Lightbridge, commented, "This agreement with Centrus marks a landmark moment for Lightbridge as we take concrete steps towards establishing a pilot-scale facility to manufacture Lightbridge Fuel. This facility will be instrumental in paving the way for cleaner, safer, and more efficient nuclear energy by bringing HALEU to existing reactors as well as to new reactors, large and small. At COP28, the United States joined other countries in pledging to triple nuclear power globally by 2050. We expect the added power produced by reactors upgraded with Lightbridge Fuel—and new small reactors powered by our fuel—to be key to meeting that goal. We are thrilled to partner with Centrus, leveraging their deep expertise and infrastructure to bring this vision to life."

Constellation Energy Corporation (Constellation) – The U.S. nuclear power industry is pressuring the administration of President Joe Biden to include existing reactors in a subsidy program for hydrogen, arguing that U.S. goals to jumpstart a "clean hydrogen" economy could fail without them. The lobbying push reflects the big stakes for the nuclear industry, which has been struggling for years amid an upswing in low-cost electricity from natural gas-fired power plants and rapidly expanding wind and solar. The U.S. Treasury is expected to issue guidance later this month on a hydrogen tax credit known as 45V that was outlined in the Inflation Reduction Act. So-called "green hydrogen" is a fuel made from water using electrolyzers; industry and government officials say it can be considered "clean" if its production is powered by virtually carbon-free energy sources like solar, wind, and nuclear. Virtually no green hydrogen is produced now due to high costs. The Biden administration sees clean hydrogen as vital to tackling hard-to-decarbonize industries like aluminum and cement and is offering production subsidies of US$3 per kilogram through the Inflation Reduction Act. The Treasury is weighing the details of the 45V credit, including a so-called "additionality" proposal backed by groups that support renewable energy that would make the perks available only to hydrogen producers that power their facilities with new, instead of existing, low-carbon energy sources. The Treasury meets with a range of stakeholders and federal agencies on the tax credit. Deputy Secretary of Energy David Turk said at the Conference of the Parties (COP)28 summit in Dubai that agencies are split over the design of 45V. "It's a big tax credit. We have to get it right," Turk said. Proponents of additionality say diverting existing nuclear electricity from the power grid to produce hydrogen would leave a gap in power generation that would have to be made up by burning fossil fuels that cause climate change. But nuclear industry backers say a more flexible approach is needed to make a hydrogen economy work. "Allowing existing nuclear reactors to qualify will help ensure that clean hydrogen is available and affordable enough to be used by customers across a wide range of industries," Senator Tom Carper, a Democrat, said in a recent letter to Treasury Secretary Janet Yellen. "It would be a huge unforced error to exclude existing nuclear from eligibility," said Doug Vine, director of energy analysis at the environmental policy think tank the Center for Climate and Energy Solutions. Nuclear power is efficient at producing hydrogen as opposed to solar and wind power, which is intermittent, Vine said. Raising the stakes, the Department of Energy in October awarded $7 billion in grants to seven proposed clean hydrogen hubs as part of its strategy to jumpstart production. Three of the hubs plan to use existing nuclear. Constellation says it plans to build a $900 million clean hydrogen facility at its LaSalle plant in Illinois with a portion of the $1 billion hydrogen hub award it received for the Midwest. "The economics of the project are such that you really need... access to the tax credit in order to make it work," said Mason Emnett, Constellation's senior vice president of public policy. Xcel Energy Inc., a nuclear plant operator also set to receive money from the hub program, said in a recent letter to the Treasury that excluding existing facilities would limit the industry's ability to develop hydrogen.

ECONOMIC CONDITIONS

Canada Services Purchasing Managers' Index (PMI) printed at an abysmal 44.5 in November for a further deterioration from an already weak 46.6 in October, while the composite measure fared slightly better at 44.8. Per Standard and Poor (S&P), "new business was down for a fourth successive month, and to the greatest degree for nearly three years". That lines up with a 3 year low for the index (going back to June 2020) and represents the sixth consecutive month of contraction for the service sector. The employment component also came under pressure in November, falling below 50 for the first time since August, although S&P also cited "evidence from the survey panel of the need to pay higher wages both for retention purposes and to help workers with the high cost of living" which speaks to ongoing wage pressures. Overall, this paints a pretty dour picture for the fourth quarter (Q4) activity, although last month's print of 46.6 did not seem to have much impact on flash estimates for industry-level gross domestic product (GDP), with Statistics Canada projecting a rebound to +0.2% month over month in October.

U.S. nonfarm payrolls rose 199 thousand in November, more than the median economist forecast calling for a +185 thousand print. This positive surprise was offset by a -35 thousand cumulative revision to the previous months' data. Employment in the goods sector advanced 29 thousand thanks in large part to a 28 thousand gain in the manufacturing sector. Construction payrolls also expanded (+2 thousand), but only marginally. Jobs in services-producing industries, for their part, expanded 121 thousand, with notable increases for health/social assistance (+93 thousand) and leisure/hospitality (+40 thousand). Alternatively, cuts were observed in the retail (-38 thousand), professional/business services (-9 thousand) and transportation/warehousing (-5 thousand) categories. The temporary help services category, meanwhile, saw payrolls drop 14 thousand. In total, 150 thousand jobs were created in the private sector, compared with 49 thousand in the public sector, the latter tilted towards state/local administrations. Average hourly earnings rose 4.0% year over year in November, unchanged from the previous month and in line with consensus expectations. Month on month, earnings progressed a consensus-topping 0.4%. Released at the same time, the household survey painted an even more upbeat picture of the situation prevailing in the labour market, with a reported 747 thousand increase in employment. This sizeable gain, combined with a one-tick increase in the participation rate and a 532 thousand expansion of the labour force, translated into a 2-tenth decrease in the unemployment rate, to 3.7%. Full-time employment jumped 347 thousand in the month, while the ranks of part-timers swelled 339 thousand.

Australia's Q3 GDP at 2.1% beat on annual GDP vs consensus at 1.9%. That came from upward revisions in prior quarters. Instead focus on the quarter over quarter print coming in at 0.2%, far below consensus at 0.5%. Government spending and capital investment were the main positive drivers of Q3 GDP, net exports detracted while household spending was flat – Contributions Breakdown: Household Consumption 0.0, Business Investment 0.2, Residential 0.0, Government 0.2, Net Export -0.6, Inventories 0.4. The soft headline outcome was despite population growth tracking around 2.5% year over year. In per capita terms, Real GDP was -0.5% quarter over quarter in Q3, versus -0.1% in Q2 and flat in Q1. This confirms a real GDP per capita recession. Net national income per capita has contracted for two consecutive quarters, -1.3% in Q3 and -1.7% in Q2, confirming an income recession as well. The household saving to income ratio fell for the eighth straight quarter to 1.1%, its lowest level since December quarter 2007 and there is a good chance this could move negative next year (i.e. households dig into savings to fund consumption). If there was a positive, it was the pickup in productivity, rising 0.6% quarter over quarter after a 2.1% decline in Q2. Overall, the data is consistent with expecting no further Reserve Bank of Australia (RBA) hikes, although the data did print weaker than RBA has forecast.

China Deflation probably persisted in China with consumer price index (CPI) at -0.2 year over year % in November (consensus: -0.2%). Lower food prices will continue to be a drag on CPI with wholesale pork prices still at -35.6% year over year in November (October: -40.7%). Last month, core and services CPI remained weak which could hint of subdued demand and we don't expect it to pick up substantially given the weaker November PMI readings.

FINANCIAL CONDITIONS

The Bank of Canada Rate left the overnight rate unchanged at 5.00% in December as the communique stuck to the recent script. The Bank remains concerned around risks to its inflation outlook despite more evidence that rate hikes are working, and it repeated that it remains prepared to hike again if needed. There were some dovish tweaks to acknowledge recent progress on headline/core inflation and the larger decline in Q3 activity, but the Bank is not ready to declare mission accomplished on a job that remains incomplete. The Bank still wants to see more evidence that inflation remains on a path towards 2.0% before it can take rate hikes off the table, and that will be a story for 2024 and with some pricing in more than 100 basis points of cuts for 2024 that now feels like a mid to late 2024 rather than anything earlier, in our view.

Reserve Bank of Australia held rates unchanged with the November Statement focused on the risks that inflation will take too long to return to target. The statement signaled that inflation was consistent with the target on a number of occasions, in particular: 1) "Overall, measures of inflation expectations remain consistent with the inflation target"; 2) "Wages growth is not expected to increase much further and remains consistent with the inflation target, provided productivity growth picks up"; 3) "To date, medium-term inflation expectations have been consistent with the inflation target and it is important that this remains the case". And the Governor noted the monthly consumer price index (CPI) indicator for October shows pressures are continuing to moderate and stated that its focus will fall on reads of services inflation before their next meeting in February 2024.

The U.S. 2 year/10 year treasury spread is now -0.49% and the U.K.'s 2 year/10 year treasury spread is -0.54%. A narrowing gap between yields on the 2 year and 10 year Treasuries is of concern given its historical track record that when shorter term rates exceed longer dated ones, such inversion is usually an early warning of an economic slowdown.

The U.S. 30 year mortgage market rate has increased to 6.80%. Existing U.S. housing inventory is at 3.6 months supply of existing houses as of October 31, 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 12.73 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And finally: *"Courage is what it takes to stand up and speak; courage is also what it takes to sit down and listen." ~ Winston Churchill*

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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

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

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