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NEWS HIGHLIGHTS

EST. 2007

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

FEBRUARY 5, 2024

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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) –surged to a record Monday as a confluence of factors help the stock break out of a trading range that lasted well over two years. The shares climbed 7%, the most since September 2020, on optimism the disruption caused by the ongoing Red Sea crisis will increase margins on some oil products in Asia. Reliance benefits from higher refining profits in the region as it exports the bulk of its production. The stock also got a boost from a Bloomberg report Thursday that said that Walt Disney Company India's (Disney) unit may now be valued at less than half the valuation the US company earlier pursued in a proposed merger with Reliance's media business. The erosion in value of Disney's unit is due in part to the loss incurred from its sale of cricket television rights to Zee Entertainment Enterprises Ltd., which is now expected to be unable to pay up after the collapse of its planned US$10 billion merger with Sony Group Corporation. For Reliance, a lower valuation likely helps make the deal with Disney more favorable. With Russian oil supplies to India still largely unaffected by the Houthi attacks on cargo vessels in the Red Sea, Reliance, one of the biggest buyers of Russian crude, is gaining from the widening diesel margins. Refinery margins for producing gasoil over Dubai crude in Asia have risen to $25.53 per barrel from $20 per barrel a month ago, according to third party data.

Reliance - Reliance Jio's holding company Jio Platforms was tipped to move ahead with an initial public offering (IPO), with The Economic Times (ET) reporting some of its private-equity investors are looking to cash out after making large investments in 2020. ET stated parent Reliance Industry is considering a listing in 2025, prompted by interest among some key investors to exit. The operator is pushing for an industry-wide minimum rate increase of 20 per cent. KKR & Co. Inc. and Vista Equity Partners each own a 2.3 per cent stake in Jio Platforms, with Silver Lake 2 per cent, General Atlantic 1.3 per cent and TPG Capital a near 1 per cent holding. Other major investors include Meta Platforms, Inc. (Facebook) (10 per cent) and Google LLC (Google) (7.7 per cent). Reliance holds a 67 per cent stake. Jio deployed nationwide 5G coverage in 2023, after investing billions in its network. It claimed 90 million next-generation users at end-2023, out of a total of 471 million mobile subscribers.

Samsung Electronics Co., Ltd. (Samsung)- South Korea's semiconductor shipments rose in December by the most since 1997 while inventory growth slowed further, underscoring the pace at which a backlog of computer memory is being cleared in the country's most important industry. Factory shipments increased 113.7% from a year earlier while inventories grew 11.6%, the smallest rise since late 2022, according to data released Wednesday by the national statistics office. Separately, production grew 53.3% from a year earlier, the most since mid-2016. The numbers coincided with Samsung., the world's largest memory-chip producer, announcing 21.7 trillion won (US$16.3 billion) in semiconductor sales last quarter, larger than forecast. Still, the chip division posted 2.2 trillion won in operating losses, indicating the slump in South Korea's biggest sector has yet to fully abate. South Korea's semiconductor manufacturers have been conservative in expanding their output since demand collapsed in the wake of a pandemic-era boom in 2022. That's helped stem price declines in memory chips, but it will be a while before the industry sees a full-fledged boom again, according to analyst groups. South Korea accounts for two-thirds of memory chips produced in the world and its semiconductor industry serves as an indicator of global technology demand. The government is pinning hopes on a sustained recovery of semiconductor exports to drive an acceleration in its economic expansion this year.

Amazon.com, Inc. (Amazon) reported strong fourth quarter (Q4) results: total revenue grew 13.9% year over year (y/y) to US$170B (billion) in Q4 ~2% ahead of consensus. Online stores revenue grew 8% amidst a strong holiday shopping season and delivery speed improvements. Third-party Seller Services grew 19% to $43.6B, and Subscription revenue 13% y/y to $10.5B, ~2% above consensus. Advertising revenue grew ~26% to $14.7B in Q4 (versus (vs). +25% in the third quarter (Q3), ~4% above consensus, as the company continues to benefit from sponsored products, and Amazon launched ad formats in Prime Video in early first quarter 2024(1Q24). Consolidated Operating Income of $13.2B, or a 7.8% margin, was well ahead of consensus and the upper end of guidance as the company benefits from the recent move to a regionalized fulfillment network, which continues to exceed internal expectations. Amazon executed the fastest Prime delivery speeds ever, with over 4B units in the US and 2B in Europe arriving the same or next day, and same-day delivery has expanded to more than 110 metro areas across the US. The company provided Q4 guidance of $138-$143.5B, up 8-13% y/y and slightly below consensus of $142B at the midpoint, and inclusive of a ~40 basis points unfavorable impact from foreign exchange (FX). Generally accepted accounting principles (GAAP) Operating Income guidance of $8-$12B was well ahead of consensus of $9.0B at the midpoint, partially due to $0.9B in lower depreciation expenses reflecting an increase in the estimated useful life of Amazon servers.

Amazon - has decided to abandon the deal to buy Roomba maker iRobot Corporation (iRobot) after both companies said the deal has "no path to regulatory approval in the European Union (EU)." The collapse of the deal means Amazon will pay a US$94 million termination fee to iRobot which will be used to help pay off a $200 million loan it took out last year. The announcement comes after the deal ran into regulatory hurdles with EU regulators. The European Commission said it believed the deal had the potential to restrict competition in the robot vacuum cleaner market. While Amazon had until January 10th to try to convince the European Commission to let the deal go through, the deadline passed without Amazon offering any concessions. The offer for iRobot was first announced in August 2022 and received the go-ahead from the UK's competition regulator in June 2023.

Brookfield Asset Management Ltd. (Brookfield) – has appointed Anuj Ranjan as the new chief executive officer (CEO) of its private equity business as the Canadian investment giant seeks to scale up the unit amid a challenging period for the broader buyout industry. Ranjan will replace Cyrus Madon, who is taking on a new role as executive chairman of private equity and will continue to be actively involved in the group, which manages about US$140 billion in assets globally. The Canadian firm wants to expand private equity to the same scale as its other flagship businesses, Ranjan said in an interview. "While we are already a significant private equity investor, there is a real opportunity in front of us to meaningfully scale and be one of the largest in the world," said Ranjan, who was most recently the president of the buyout business. "In most of the businesses that we are in — whether it is infrastructure, real estate or energy transition — we are already among the top investors globally." Brookfield's broader private equity business includes its flagship buyout strategy Brookfield Capital Partners, its special investments business that can do debt or equity deals and a secondaries business that the Toronto-based firm acquired last year from Deutsche Bank AG's asset management unit. The business also includes the listed unit Brookfield Business Partners as well as some of the firm's partnerships like the one with Sequoia Heritage for a business focused on secondary and structured capital solutions in the technology and venture capital space. In a quiet spell for buyout firms over the past year, Brookfield has been among the most active, agreeing to multibillion-dollar deals for companies including U.S. annuity provider American Equity Investment Life Holding Company and Middle Eastern payments processor Network International Holdings PLC (Network International). The firm raised US$12 billion for its largest ever private equity fund last year amid a challenging fundraising environment. "During periods of market dislocation, as we are seeing today, our clients and partners are looking for firms that can offer a broad suite of products and have global reach," Ranjan said. "Brookfield has always grown during periods like this when liquidity is scarce and companies are focused on cash flows and profitability." The firm is seeing opportunities to further expand in financial infrastructure after the £2.2 billion (US$2.8 billion) Network International deal and is also seeking to take advantage of the market downturn by investing through hybrid instruments, which have a mix of debt and equity involved, Ranjan said. The firm wants to expand its private equity business further in regions like Middle East and India, where it has been an active investor in recent years, the executive said.

Brookfield Corporation (Brookfield) – Oaktree Specialty Lending Corporation's investment activity surged while an increase in non-accruals led to a drop in net investment income for its fiscal first quarter of 2024, which ended December 31. The business development company managed by Oaktree Capital Management made US$370.3m (million) in new investment commitments, more than quadrupling the $87.5m from the prior three months. The Business Development Company (BDC)'s investment activity has been "pretty robust" to start 2024, Chief Executive and Chief Investment Officer Armen Panossian said on the company's earnings conference call, with $180m in its funding pipeline for the current quarter. Though Panossian was hesitant to declare a complete comeback for deal activity after a sluggish merger and acquisitions landscape, he said he believes private equity sponsors are more motivated to complete transactions given their ample dry powder and pressure to return capital to their investors. Oaktree Specialty Lending Corporation has progressively focused more on first-lien investments, President Matt Pendo said on the earnings call. The percentage of first-lien investments in its portfolio has increased to 78% as of December 31 from 71% as of September 30, 2022. Over the same period, the percentage of second-lien investments has dropped to 8% from 16%. The company has also sold off some of its liquid junior debt positions, Pendo added.

Brookfield Infrastructure Partners L.P. (BIP) - announced its results for the year ended December 31, 2023. "We successfully executed our business strategy and achieved all our capital allocation and performance targets during 2023," said Sam Pollock, CEOof Brookfield Infrastructure. "We believe 2024 will be an even better year, and we are already off to a strong start on our capital recycling and deployment initiatives." For the year ended December 31, 2023, the company reported net income attributable to the partnership of US$432 million. Current year results benefited from strong operational performance and gains from the capital recycling program. These positive impacts were partially offset by higher financing costs and one-time transaction fees associated with BIP's growth initiatives, as well as lower mark to market gains on the hedging activities. Funds from operations (FFO) for 2023 was $2.3b, an increase of 10% compared to 2022. Organic growth for the year was 8%, reflecting strong levels of inflation in the countries where BIP operate, volume growth across the majority of BIP's critical infrastructure networks, and the commissioning of approximately $1 billion of new capital projects that are now contributing to earnings. Additionally, BIP deployed over $2b into new investments in the Q3 and Q4 of 2023 that favorably impacted results, offset by the impact of $1.9b of asset sales that primarily closed in the second quarter (Q2) of 2023.

Brookfield Renewable Partners L.P. (BEP) - reported financial results for the three and twelve months ended December 31, 2023. "2023 was a record year for our business on almost all metrics. We generated record FFO per unit, added almost 5,000 megawatts of capacity through development, and deployed or committed US$9 billion into growth along with our partners. We delivered these results in a rising rate environment and one where supply chains were facing challenges, demonstrating how our access to scale capital and disciplined approach to development and underwriting differentiate our business and allows us to perform across market cycles," said Connor Teskey, CEO of Brookfield Renewable. "Going forward we are well positioned to continue benefiting from accelerating demand for clean power from corporate customers, and specifically the large global technology companies, whose increasing appetite for clean power is being driven by data center demand, with securing clean energy now squarely on their critical path to growth." Brookfield Renewable generated record FFO of $1,095 million or $1.67 per Unit for the twelve months ended December 31, 2023, a 7% increase on a per unit basis over the same period in the prior year, including solid fourth quarter results that increased 9% per Unit year-on-year. The results reflect the benefit of BEP's diverse asset base, high-quality inflation-linked and contracted cash flows, organic growth, and contributions from acquisitions. After deducting non-cash depreciation and other expenses, the company's Net loss attributable to Unitholders for the twelve months ended December 31, 2023, was $100 million or $0.32 per unit.

Brookfield Business Partners - announced financial results for the year ended December 31, 2023. "We had a successful 2023, achieving strong business performance and generating over US$2 billion of proceeds from capital recycling initiatives which further enhances our liquidity position," said Anuj Ranjan, CEO of Brookfield Business Partners. "As we look to the future, the quality of our operations is the best in our history and supports a strong setup for continued value creation." Net income attributable to Unitholders for the year ended December 31, 2023, was $1,405 million ($6.49 per limited partnership unit) compared to net income of $98 million ($0.48 per limited partnership unit) in the prior year. Current year results include net gains primarily related to the sale of nuclear technology services operation. Adjusted EBITDA for the year ended December 31, 2023, was $2,491 million compared to $2,254 million for the year ended December 31, 2022, reflecting increased contribution from Business Services segment, improved performance of operations and contribution from recent acquisitions.

Carnival Corporation & plc (Carnival) – is committed to the safety and well-being of its guests and crew and has been actively monitoring the situation in the Red Sea and surrounding region. Given recent developments and in close consultation with global security experts and government authorities, the company has made the decision to reroute itineraries for 12 ships across seven brands, which were scheduled to transit the Red Sea through May 2024. The Red Sea rerouting is expected to have an adjusted earnings per share impact of US$0.07 to $0.08 for full year 2024, with the vast majority of the impact in the second quarter. The company has not seen an impact on booking trends due to the Red Sea situation and has no other Red Sea transits until November 2024. The company has experienced an early and robust start to wave season (peak booking period), exceeding expectations, with bookings volumes since November hitting an all-time high. For 2024, the company continues to have the best booked position on record, with both pricing (in constant currency) and occupancy considerably higher than 2023 levels. In fact, the first half of 2024 is almost fully booked. The company believes its continued strong bookings momentum is expected to deliver outperformance during the year, offsetting the Red Sea rerouting impact. In addition, the company announced the redemption of the outstanding $571 million, 9.875% second-priority senior secured notes due 2027, eliminating all of the remaining second lien debt outstanding. This redemption is consistent with December guidance, using its cash flow strength to reduce interest expense and leverage along its path to investment grade credit metrics.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

Amgen Inc. (Amgen) – Animal and early-stage human trial data for Amgen's experimental obesity drug published in a medical journal showed that it promoted significant weight loss with an acceptable safety profile. The dataset published in Nature Metabolism, details outcomes and adverse events for the 49 patients in the Phase 1 trial of the drug, maridebart cafraglutide. Trial participants received different doses of the drug ranging from 21 milligrams (mg) to 840 mg. Patients in the study were obese but did not have other underlying health conditions such as diabetes. The most common treatment related side effects were nausea and vomiting. One patient given a single 140 mg dose of the drug experienced elevated levels of pancreatic enzymes, as did another patient treated with 140 mg in the multiple dose group. Amgen said the injected drug, also known as MariTide, links a compound designed to activate the glucagon-like peptide-1 (GLP-1) hormone associated with a feeling of fullness to an antibody that blocks activity of a different gut hormone, gastric **inhibitory polypeptide** (GIP), that has been linked to fat storage and metabolic regulation. The company first announced in late 2022 that the Phase 1 clinical trial showed that at the highest monthly dose tested, given for 12 weeks, the drug led to mean loss of 14.5% of body weight and that patients maintained that for 70 days.

BeiGene – has announced that BRUKINSA® (zanubrutinib), a second-generation inhibitor of Bruton's tyrosine kinase (BTK), has been publicly listed by the Governments of Ontario and Quebec for the treatment of adults with chronic lymphocytic leukemia (CLL), the most common form of leukemia in adults. The listing by the Régie de l'assurance maladie du Québec became effective on December 13, 2023, and the Ontario Drug Benefit Program (ODB) added BRUKINSA on January 12, 2024. This recognition and listing underscore the drug's acceptance and availability for CLL patients in these regions.

BridgeBio Pharma Inc. (BridgeBio)– and Invitae Pharma (Invitae) said that they are joining forces to discover new genetic rare disease targets and therapies. Under the agreement, financial terms of which were not disclosed, Invitae will analyze longitudinal medical phenotypes in linked genetic and clinical datasets, with the goal of understanding the burden of disease in a real-world setting. "Through this partnership, we aim to support the development of novel therapeutic targets and advance transformative medicines for patients with rare disease," Michael Korn, Invitae's chief medical officer, said in a statement. Leveraging BridgeBio's disease expertise, San Francisco-based Invitae aims to identify subgroups of patients, based on their genetic and phenotypic profiles, through artificial intelligence-based phenotypic clustering. The company will also conduct association testing to identify potential genetic modifiers of disease phenotype, severity, onset, and progression. The collaboration combines the strengths of BridgeBio's expertise in rare disease research and development of therapeutics and Invitae's rare disease-enriched dataset and analytical capabilities. "We chose to partner with Invitae because of the unique scale and depth of their dataset on affected populations. Patients with severe and highly penetrant dominant disorders are not represented in general population studies, making it nearly impossible to find data anywhere except a disease-focused cohort like Invitae's," said Sun-Gou Ji, vice president (VP) of computational genetics at BridgeBio. Earlier this month, Invitae completed the sale of its reproductive health assets to Natera as part of an effort to focus on oncology and rare diseases.

BridgeBio has submitted a New Drug Application (NDA) to the U.S. Food and Drug Administration (FDA) for acoramidis in the treatment of transthyretin-mediated amyloid cardiomyopathy (ATTR-CM). The NDA is based on positive results from the Phase 3 study, ATTRibute-CM, evaluating the efficacy and safety of acoramidis. Acoramidis is an investigational, next generation, orally administered, highly potent, small molecule stabilizer of transthyretin (TTR). The submission represents a significant milestone, and if approved, acoramidis could provide an important treatment option for patients with ATTR-CM in the United States, with global availability anticipated to follow. The company expressed gratitude to patients, families, caregivers, investigators, and collaborators who contributed to the clinical trials.

BridgeBio shared positive results from the Japan Phase III trial of acoramidis in adults with transthyretin-mediated ATTR-CM, conducted by Alexion, AstraZeneca Rare Disease group. The results demonstrated consistency with the global BridgeBio ATTRibute-CM Phase III trial, including positive outcomes in survival, cardiovascular-related hospitalizations, improved functions (measured by a six-minute walk test), and enhanced quality of life (measured by the Kansas City Cardiomyopathy Questionnaire Overall Summary Score) over a 30-month period. The trial aimed to support local registration in Japan. Acoramidis, an investigational oral small molecule stabilizer of transthyretin (TTR), showed positive tolerability in the study, with no identified safety concerns or reported mortality. Alexion, AstraZeneca Rare Disease, maintains an exclusive license with BridgeBio's affiliate, Eidos Therapeutics, Inc., for the development and commercialization of acoramidis in Japan. The data will be presented at a forthcoming medical meeting and submitted for regulatory review in Japan.

Danaher Corporation (Danaher) – announced results for the fourth quarter and full year 2023. All results reflect only continuing operations unless otherwise noted. Forth quarter results showed net earnings of US$1.1b, or $1.50 per diluted common share and non-GAAP adjusted diluted net earnings per common share were $2.09. Revenues decreased to 10.0% year-over-year to $6.4b and non-GAAP core revenue decreased 11.5%, including a 4.5% non-GAAP base business core revenue decline. Overall, Q4 operating cash flow was $1.6b and non-GAAP free cash flow was $1.2b. Key full-year results included net earnings of $4.2b, or $5.65 per diluted common share and non-GAAP adjusted diluted net earnings per common share were $7.58. Revenues decreased 10.5% year-over-year to $23.9b. Rainer M. Blair, President and CEO, stated, "We delivered better-than-expected revenue in each of our segments in the fourth quarter—led by respiratory revenue at Cepheid. The combination of higher-than-expected revenues and our team's strong execution enabled us to exceed our margin and cash flow expectations in what remains a dynamic market environment. Additionally, the recently closed acquisition of Abcam enhances our portfolio and expands our capabilities in the highly attractive proteomics market." Blair continued, "2023 was a transformational year for Danaher. Following the spin-off of Veralto, we are a more focused life sciences and diagnostics innovator with an enhanced long-term growth and earnings trajectory. The unique combination of our differentiated portfolio and our team's DBS-driven execution provides a strong foundation for delivering long-term shareholder value."

Guardant Health, Inc. (Guardant) – Mr. Samir Kaul has informed the board of directors of Guardant of his intention to resign as a board member and from the compensation committee effective February 1, 2024. His decision to step down is not due to any disagreements with the company's operations, policies, or practices. Following his departure, the board will decrease in size from nine to eight directors.

ITM Isotope Technologies MunichSE (ITM)– and Alpha-9 Oncology (Alpha-9), a clinical stage biotechnology company developing differentiated and highly targeted radiopharmaceuticals, have announced the signature of a global master clinical supply agreement to support the development of Alpha-9's Radiopharmaceutical Therapy (RPT) pipeline candidates for the treatment of cancer. Under the terms of the agreement, ITM will supply its medical radioisotope, non-carrier-added Lutetium-177 (n.c.a.177Lu) for Alpha-9's Lutetium-based candidates. ITM will supply Alpha-9 with its n.c.a.177Lu for the clinical development of Alpha-9 radiopharmaceutical candidates comprising n.c.a.177Lu combined with undisclosed targeting molecules. ITM holds a U.S. Drug Master File (DMF) with the FDA for n.c.a.177Lu and has marketing authorization in the EU (brand name EndolucinBeta). "Entering this strategic collaboration with Alpha-9 underscores our belief in the value of developing established beta-emitters such as Lutetium-177, to advance the radiopharmaceutical industry and maximize patient benefit," commented Steffen Schuster, CEO.

ITM announced that the company has obtained a wholesale license issued by the New Jersey Department of Health (NJDOH) in order to operate as a virtual manufacturer. Obtaining the wholesale license is a pivotal requirement for ITM's business activities in the United States. This milestone enables the company to distribute its radiopharmaceutical products, thereby facilitating patient access to ITM's radiopharmaceuticals upon their approval by the FDA. ITM opened its U.S. headquarters in Princeton, New Jersey in April 2023. Upon opening its new offices, the company prepared for potential market registration of its targeted radiopharmaceutical pipeline product candidates and filed for obtaining the wholesale license. After an inspection from regulatory bodies that found no deficiencies, the wholesale license was issued to ITM on January 16, 2024.

Perspective Therapeutics – has secured an exclusive license agreement with Stony Brook University for the Cuburbit[7]uril-admantane (CB7-Adma) pre-targeting platform. The company was also granted the Phase I tranche of a 2.5-year, Fastrack Small Business Innovation Research grant (Phase I US$400 thousand; total $2.4 million) from the National Institutes of Health (NIH) National Cancer Institute. This funding supports Perspective's CB7-Adma host-guest pre-targeting program for cancer diagnosis and treatment. The pre-targeting approach involves administering a cancer-specific antibody modified with the CB7 chemical entity, followed by the administration of a radionuclide with remarkable specificity to cancerous cells, delivering targeted radiation to tumor sites.

NUCLEAR ENERGY

ITM Power plc (ITM Power)– has reported positive interim results for the six months ending October 31, 2023. With revenues reaching £8.9 million ($11.3 million), a significant increase from the H1 2023 figure of £2 million ($2.5 million), the company showcased a narrowed adjusted EBITDA loss, decreasing from £54.1 million ($68.6 million) to £21 million ($26.6 million). The cash position for the first half of 2024 stood at £253.7 million ($322 million). CEO Dennis Schulz emphasized the company's transformation, describing it as "a stronger, more focused, and more capable company." ITM Power successfully implemented a 12-month plan, streamlining its product portfolio, enhancing capital discipline, reducing costs, and improving processes. Manufacturing and testing capabilities were also upgraded, with increased automation. The results reflect a positive shift and indicate the early stages of a revitalized ITM Power.

Plug Power Inc. (Plug) – has successfully completed the first fill of a Plug tanker with liquid green hydrogen produced at its Woodbine, Georgia production plant. The milestone occurred just one week after the official commencement of operations at the plant. The filled cryogenic trailer is now headed to customer sites, including Walmart Inc., Amazon, and Home Depot, Inc. with enough liquid hydrogen to fuel 3,216 forklifts per day. The Georgia plant, equipped with eight 5-megawatt electrolyzers, represents the largest proton exchange membrane (PEM) electrolyzer deployment in the U.S. It can produce up to 15 tons per day of liquid green hydrogen, serving customers in the eastern U.S. The entire process, from production to fill, took approximately four days, and Plug's logistics network will facilitate the delivery of green hydrogen to customers going forward.

Plug has entered into a contract to provide a Basic Engineering and Design Package (BEDP) for a 500-megawatt (MW) electrolyzer project in Europe. The contract, signed on January 29, 2024, expands Plug's total BEDP contracts to 4.1 gigawatts (GW). Plug Power introduced the BEDP to the market in 2022, offering engineering and plant integration details for a comprehensive front-end engineering design (FEED) study. This allows for a detailed understanding of the capital and operating expenditures associated with running a potential plant. The BEDP approach facilitates seamless integration into broader engineering and construction plans, leveraging Plug's experiences as the only electrolyzer original equipment manufacturer (OEM) supplier constructing green hydrogen plants. Plug Power recently commissioned the largest 15-ton-per-day electrolytic liquid hydrogen production plant and the largest proton exchange membrane (PEM) electrolyzer deployment operating in the U.S. in January 2024.

ECONOMIC CONDITIONS

U.S., nonfarm payrolls rose 353 thousand(K) in January, a lot more than the median economist forecast calling for a +185K print. This positive surprise was compounded by a +126K cumulative revision to the previous months' data. Employment in the goods sector advanced 28K as gains in both manufacturing (+23K) and construction (+11K) were only partially offset by a 6K decline in mining/logging. Jobs in services-producing industries, for their part, expanded no less than 289K, with notable increases for health/social assistance (+100K), professional/business services (+74K), retail trade (+45K), information (+15K) and leisure/hospitality (+11K). The temporary help services category, meanwhile, saw payrolls increase 4K, marking the first gain in 11 months for this indicator. In total, 317K jobs were created in the private sector, compared with 36K in the public sector, the latter split between federal (+11K) and state/local administration (+25K). Average hourly earnings rose 4.5% y/y in January, up from 4.3% the prior month and four ticks above consensus expectations. Month on month, earnings progressed 0.6%, the most in nearly two years. Although encouraging, the data still poses a problem for the Federal Reserve (Fed), which could be forced to postpone the rate cuts awaited by the market. In our view average hourly earnings rose the most in nearly two years in January and are tracking a 5.4% annualized increase over the past three months, a pace that is incompatible with the attainment of the central bank's inflation target over the long term.

The Eurozone was able to avoid a technical recession as growth came in flat in Q4 versus expectations of a -0.1% print. Q3 came in at -0.1% and a recession is classified as two negative growth quarters. France GDP came in flat and Germany came in at -0.3%. Spain surprised at +0.6% versus the +0.2% expected.

FINANCIAL CONDITIONS

US Federal Open Markets Committee voted to leave the target range for the federal funds rate **unchanged at 5.25% to 5.50%**. This was the fourth consecutive stand pat decision, all of which have been unanimous. The Fed will continue to reduce its holdings of Treasuries and Mortgage-Backed Securities pursuant to its pre-existing program and subject to monthly caps for both Treasuries (US$60 billion/month) and agency mortgage-backed securities (MBS) ($35 billion/month). The statement's economic assessment noted "economic activity has been expanding at a solid pace". Previously, this had pointed to a slowdown in growth indicators from the third quarter. Meanwhile, they reiterate that job gains, while moderating, "remain strong" and inflation, while easing over the past year, "remains elevated". The forward-looking segment of the statement has eliminated the reference to "any additional policy firming". Instead, they now say, "In considering any adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks" and "The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent." In summary The Federal Open Market Committee (FOMC)'s tightening bias may be gone, but that doesn't mean they've adopted an outright easing bias. Instead, this looks to be a pretty balanced statement giving themselves plenty of optionality going forward.

Interviewed on "60 Minutes", Fed Chair **Powell** continued to push back against near-term rate cut expectations, saying that inflation is not dead, the Fed's job is not done, and the economy and labour markets remain strong (and this interview was taped before Friday's blowout payrolls gain). He said the Fed will need to be "careful" in easing policy, wants "more confidence" that inflation won't settle above the target, and is looking for more "good data" on inflation's progress. He affirmed that a March meeting reduction was "not likely", while noting that the FOMC members' earlier forecasts of three rate cuts this year have probably not changed "dramatically".

The U.S. 2 year/10-year treasury spread is now -0.30% and the U.K.'s 2 year/10-year treasury spread is -0.50%. 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 6.42%. Existing U.S. housing inventory is at 3.2 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 VIX (volatility index) is 14.23 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: ***"The difficulty lies not so much in developing new ideas as in escaping from old ones." ~John Maynard Keynes***

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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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