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NEWS HIGHLIGHTS

EST. 2007

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

APRIL 8, 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) - In the first collaboration between rival billionaires, Reliance (RIL) Industries has picked up a 26 per cent stake in a Madhya Pradesh power project of Gautam Adani and signed a pact to use the plants' 500 megawatts (MW) of electricity for captive use. Reliance will pick up five crore equity shares in Mahan Energen Limited (MEL), a wholly owned subsidiary of Adani Power Limited, of face value 10 at par (50 crore). As per the deal, one unit of 600 MW capacity from MEL's Mahan thermal power plant, which has an aggregate operating and upcoming capacity of 2800 MW, will be designated as the Captive Unit for this purpose. To avail the benefits of the Captive User policy, RIL will hold a 26% ownership stake in the Captive Unit, proportionate to the total capacity of the power plant. The company will invest in 5,00,00,000 (500 million) equity shares of MEL, amounting to 500 million rupees for the proportionate ownership stake. This deal essentially brings an exclusive arrangement for 500 MW of power purchase by Reliance on a long-term basis from Adani Power.

Samsung Electronics Co., Ltd. (Samsung) - Samsung aims to raise its investment in Texas to about US$44 billion, the Wall Street Journal reported, citing people familiar with the matter. The company will focus much of that new spending around the city of Taylor, where it's already building a semiconductor facility close to existing operations, the Journal reported. Samsung now plans to build another chipmaking plant and an advanced packaging hub. If it goes ahead, the mega-investment will be a victory to the Biden administration, which is using incentives and policy support to try and get global chipmakers to build on U.S. soil. Washington plans to award more than $6 billion to Samsung to help it expand in Texas beyond the original project it announced, Bloomberg News reported in March. In 2021, the company announced a $17 billion project in Taylor, near an existing plant in Austin.

Samsung - profit rebounded sharply in the first quarter of 2024, reflecting a turnaround in the company's semiconductor division and robust sales of Galaxy S24 smartphones. The company on Friday reported preliminary operating profit of about 6.6 trillion won (US$4.9 billion), compared with analyst estimates of 5.37 trillion won. The increase snapped a run of consecutive quarterly declines that began in the third quarter of 2022. Revenue rose to about 71 trillion won during the quarter, compared with projections for 71.8 trillion won. Samsung will announce full earnings with divisional breakdowns on April 30. The results underscore how demand for memory chips that power modern electronics is starting to rebound after a severe downturn in the industry. South Korea's exports of chips increased 35.7% from a year earlier in March to $11.7 billion, the largest monthly sales total since March 2022. Stronger pricing for memory chips is helping too. Major Dynamic Random Access Memory (DRAM) producers increased prices by 7% to 10% on average in the first quarter as inventory levels normalized for products like smartphones and PCs. High-bandwith memory (HBM) is a key part of Samsung's effort to be the world's leading chipmaker, as the one part of the memory market where Samsung doesn't enjoy a clear lead over its competition. The company said its HBM sales rose by more than 40% in the December quarter, and that memory demand showed signs of recovery.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

Clarity Pharmaceuticals Limited (Clarity) – has entered into a Clinical Supply Agreement with NorthStar for the production of 67Cu-SAR-bisPSMA drug product. This agreement supports Clarity's upcoming pivotal therapy trials and ensures seamless product supply. The collaboration uniquely offers large-scale manufacturing of both the therapeutic isotope (copper-67) and cGMP radiopharmaceutical product in the United States, simplifying logistics, optimizing radioisotope utilization, and reducing environmental impact. This agreement builds upon an existing copper-67 supply agreement signed in 2021, further strengthening Clarity's position in advancing innovative cancer treatments.

RadNet Inc. (RadNet) – has partnered with Providence Health System to form a joint venture called Tri Valley Imaging Group. This partnership includes seven imaging centers located in Burbank, Santa Clarita, Panorama City, Mission Hills, and Porter Ranch in the Northern San Fernando Valley of Los Angeles. RadNet contributed four imaging centers, while Providence contributed three, with plans for further expansion and technology upgrades.

RadNet has proposed a refinancing transaction for its existing term loan and revolving credit facility. The company aims to replace its current US$679 million term loan and $195 million revolving credit facility with a proposed $840 million term loan with a maturity of seven years and a $250 million revolving credit facility with a five-year term. The refinancing is intended to lower costs, extend maturities, and provide funds for growth opportunities and general corporate purposes, leveraging recent strong operating results and improved access to capital. If successful, the transaction is expected to be completed this month, pending customary market and other conditions. Moody's Ratings has affirmed RadNet's B1 Corporate Family Rating (CFR) and assigned a Ba3 rating to its new bank credit facility. The outlook for RadNet is stable. This affirmation and assignment reflect Moody's confidence in RadNet's creditworthiness and financial stability.

NUCLEAR ENERGY

BWX Technologies, Inc. – and Rolls-Royce Holdings plc have been awarded funding for Phase 2 of the UK Space Agency's International Bilateral Fund, supporting collaborative research in fission nuclear systems for space power missions. This US$1.5 million award strengthens UK and U.S. collaboration on space technology innovation, in line with commitments outlined in the Atlantic Declaration. The partnership aims to advance technologies beneficial to both countries' space nuclear development programs, reflecting a broader effort to explore cooperation on space nuclear power and propulsion, as pledged by UK Prime Minister Rishi Sunak and U.S. President Joe Biden in June 2023.

Cameco Corporation – Westinghouse announced key changes to its leadership team. Ron Timperio is appointed Chief Operating Officer and Executive Vice President, Global Operations Services. Adam Silverstein is appointed Executive Vice President, Quality, Environment, Health & Safety. "Strong execution across our global operations coupled with the highest standards of safety and quality is critical for both our day-to-day and long-term success," said Patrick Fragman, Westinghouse President and Chief Executive Officer. "Ron is a seasoned executive who brings to Westinghouse an unrelenting focus on performance and delivery through diverse, cross-functional experience across global industries. Adam is a strategic leader whose advanced expertise in quality has been transformative throughout his extensive career, which will serve us well at Westinghouse." These announcements follow the departures of Pavan Pattada, Executive Vice President of Global Operations Services, who is pursuing opportunities outside of the company, and the retirement of Jill Redmon, Executive Vice President, Quality, Environment, Health & Safety.

Oklo Inc. /AltC Acquisition Corp. (Oklo) – has announced a collaboration with Diamondback Energy, Inc., the largest independent producer in the shale-oil region, to enter into a long-term Power Purchase Agreement (PPA). The Letter of Intent (LOI) signed by Diamondback outlines their intent to purchase 50 megawatts of clean, reliable energy from Oklo to power their operations in the Permian Basin for 20 years. Oklo's Aurora powerhouses will provide emission-free electricity, with options to renew and extend the PPA for an additional 20 years.

ECONOMIC CONDITIONS

Canadian employment decreased 2 thousand (K) in March, a worse performance than consensus expectations for a 25K increase. The participation rate remained unchanged at 65.3% while population grew 91K. As a result, the unemployment rate increased 0.3 percentage points to 6.1%, two ticks higher than consensus expectations. The decline in employment is the result of a decrease in both part-time (-2K) and full-time positions (-1K). The decrease in employment stemmed exclusively from the number of part-time positions (-29K), while employment rose in the public (+12K) and the private sectors (+15K). March's variation in employment was negative in the services sector (-32K), while employment in goods (+30K) was up. On the goods side, increases in construction (+15K), manufacturing (+9K), utilities (+4K) and forestry (+4K) more than offset a decline in agriculture (-3K). On the services side, the largest declines were registered in accommodation/food services (-27K), trade (-23K), professional/scientific services (-20K) and information/culture (-20K). These were partially offset by increases in health care/social assistance (+40K), finance/insurance (+11K) and education (+8K). Regionally, there were job losses in Québec (-18K) and Alberta (-3K) while employment was up in Ontario (+26K) and British Columbia (+7K). Hours worked were down 0.3% in March following a 0.3% increase in February. Wage inflation was 5.1% on a year-over-year basis in March (up from 4.9% in February).

The U.S. labour market Nonfarm payrolls increased 303,000 in March, the most since last May and nearly 100k above the consensus call. This boosted the first quarter average to 276,000, which is up from 212,000 in the prior quarter and from 251,000 in 2023. Widespread gains across the private sector (232,000) were complemented by continued strong hiring in the public sector (71,000). And, unlike in recent months, the household survey showed a much stronger pulse, with employment rising for the first time in four months, by almost half a million. This was largely in line with a surge in the labour force amid rising population growth and a two-tenths climb in the participation rate. A tight labour market is drawing in more job seekers and most are finding work, with the unemployment rate edging back to 3.8%. Average hourly earnings growth picked up to a 0.3% monthly pace, but favourable base effects clipped two tenths from the yearly rate to 4.1%, the slowest since 2021. In our view the Federal Open Markets Committee will take some modest comfort from slower wage growth and greater labour force participation, but employment is growing too fast to loosen the labour market and ease price pressures in the services sector. We therefore expect Federal Reserve officials to continue walking back expectations of a near-term rate cut.

US Institute for Supply Management services index came in below expectations, dropping 1.2 percentage points (pp) to 51.4 in March (consensus: 52.8). The decline was driven by a notable 3.5 point (pt) retreat in supplier deliveries, suggesting no issues in the deliveries pipeline as supply chains continue to improve. New orders also retreated by a meaningful 1.7pt to 54.4, which signals less perky demand ahead, all else equal. Also very notable, the employment component failed to jump back into expansion territory, staying under the 50 mark for a second consecutive month. Moreover, prices paid continued to drop meaningfully in March, with the figure now reaching its lowest level since the early months of the pandemic. If there are any lingering price pressures in the key services sector it is hard to find them in this report.

Eurozone headline inflation fell to 2.4% year over year (y/y) in March (market: 2.5%), roughly in line with the national data out prior. Core also surprised a touch to the downside, falling to 2.9% y/y (market: 3.0%). Food inflation was a key driver of the downside surprise (0.1% month over month) as well as soft core goods inflation (1.9% month over month). As in Italy and Germany, services inflation came in very strong in the euro area, rising 0.7% month over month—the largest March increase on record. It's likely the strength in services was driven by the unusually early Easter this year—if that's the case, then base effects should offset most of the strength in the April data. Overall, this leaves headline inflation in line with the European Central Bank's forecast for the first quarter, and thus continues to suggest that the first cut will come in June in our view.

FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now -0.37% and the U.K.'s 2 year/10 year treasury spread is -0.15%. 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 2.9 months supply of existing houses as of December 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 15.89 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: *"Those that fail to learn from history are doomed to repeat it" ~ Winston Churchill ... George Santayana*

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1.Not all of the funds shown are necessarily invested in the companies listed

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