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NEWS HIGHLIGHTS

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

JULY 15, 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 Ltd. (Reliance Industries)– A unit of India's largest company Reliance Industries is planning to borrow at least US$500 million to refinance debt, in what could be the conglomerate's first offshore loan this year. It is in talks with a group of foreign banks for a loan of 12-15 years, people familiar with the matter said, asking not to be identified as the discussions are private. The funds would be raised for Ethane Crystal LLC, a subsidiary of Reliance Ethane Holding Pte. (Reliance Ethane), the group's business of buying ships to transport ethane, they said. In 2016, Reliance Ethane had raised a loan of $572 million with a 12-year tenor to purchase six new ethane carriers. A longer repayment period will potentially help billionaire Mukesh Ambani's conglomerate to improve its cost competitiveness. Ethane business is one of the factors that contributed to its profitability in the March quarter. The proposed fundraising comes as India's ethane demand hit a record high earlier this year. The country is seeking to boost its petrochemical capacity to keep pace with growing consumption of plastics. Reliance Industries operates one of the largest ethane transportation and cracker facility, which enables procurement of the gas from North America to its plant in Dahej, Gujarat. A company spokesperson didn't respond to requests seeking comments on Thursday. In March, Reliance Ethane invested $102.9 million into three new subsidiaries which would use the funds to make part payments for contracting three new ships. The latest loan plan follows Reliance Industries' record borrowing in foreign currency last year.

Samsung Electronics Co. Ltd. (Samsung Electronics) - Samsung Electronics largest union is now calling on employees at one of the company's most advanced artificial intelligence (AI) memory chip plants to walk off the job, switching tactics after their campaign for higher pay showed signs of losing steam. Several hundred employees joined protests Thursday and Friday in front of Samsung's high-bandwidth memory site in Pyeongtaek, south of Seoul, after the union called a general strike this week. That's a far cry from the thousands that turned up at a public rally outside of Samsung's main facility in Hwaseong Monday, but union leaders told Bloomberg News they're now targeting a small but strategically important complex in hopes of amping up the pressure. The Pyeongtaek site is the nerve center for Samsung's efforts to carve out a slice of an important market. The chipmaker's in the process of trying to convince Nvidia Corp. to use its high-bandwidth memory, a prerequisite for it to catch smaller rival SK Hynix Inc. in the booming AI arena. Targeting the high-end chip production line is the most effective measure against management, said Lee Hyun-kuk, deputy secretary-general of the union. Despite the dwindling numbers, this week's string of walkouts and protests marked the biggest and most widespread labor protests in Samsung's half-century history. Its biggest labor union of more than 30,000 workers declared a general strike Thursday, a surprise move that raised the risk of production disruption. Samsung has repeatedly said since Monday that impact so far on production has been minimal. It's unclear how many in total will eventually respond to the union's call, but the concern is that the escalating action may snowball and hurt the country's best-known corporation, or trigger similar responses across a recovering tech and chip industry. On Thursday, Son Woo-mok, head of the National Samsung Electronics Union, told Bloomberg Television he was getting reports of significant disruptions at factories where equipment lay idle after staff downed tools. But he wouldn't estimate how many workers may eventually join a general strike. The labor union previously said it would first target production lines that use 8-inch silicon wafers and rely more on human labor. Such early-generation manufacturing lines account for a small part of Samsung's total semiconductor output. Much of the company's overall production is automated, though the company can ill-afford manufacturing snarls in coming weeks.

Altice USA Inc. (Altice) - Altice France moved some of the proceeds from a recent divestiture out of creditors' reach as it prepares to start discussions over cutting its €24 billion ($26.2 billion) debt pile, according to people with knowledge of the matter. The company shifted at least part of the proceeds it got from the €1.55 billion sale of Altice Media to an entity that sits above Altice France's operations, said the people, who asked not to be identified discussing private information. Earlier, the money was in an unrestricted unit of Altice France that creditors could claim in the event of an insolvency or an in-court restructuring, the people said. The move is another sign of the tough stance Altice plans to take with its creditors as it starts debt talks. In March, the company's management told them in an earnings call that they would have to take a haircut to help the company reach a new leverage target. Shortly after, creditors organized and tapped advisors. Earlier this week, the advisors entered into non-disclosure agreements to start debt discussions with Altice. The company needs to cut around €10 billion of debt to reach its leverage target. Negotiations with a group of secured creditors holding around €17 billion of debt may prove particularly tough as creditors including Pacific Investment Management Co. and Anchorage Capital Group refuse to accept haircuts that would give Altice's billionaire owner Patrick Drahi equity value at their expense, the people said. Other members of the group, which is advised by Rothschild & Co. (Rothschild) and Gibson Dunn & Crutcher LLP (Gibson Dunn), appear willing to accept a loss and move on, the people said. The vast majority of members have signed a cooperation agreement that binds them to not accept any offer unless 50.1% of the group accepts it. Representatives for Altice France, Pacific Investment Management Company, LLC , Anchorage Digital, Gibson Dunn and Rothschild declined to comment. Representatives for Houlihan Lokey Inc., Willkie Farr & Gallagher LLP and Milbank LLP, which are advising another creditor group, either declined to comment or didn't respond. The company is counting on €2.5 billion from asset sales, including its stake in La Poste Telecom that Bouygues Telecom is looking to buy, and about €1 billion from a dividend recap from XpFibre to potentially use in the discussions with creditors. That €3.5 billion sum would meet a target Altice announced last August to cut leverage inorganically by one time its earnings before interest, taxes, depreciation, and amortization, but is below what it would have raised had the company managed to sell XpFibre, as Drahi was seeking.

Brookfield Asset Management – Duration Capital Partners has completed its spin-out from Oaktree Capital Management's (Oaktree) transportation infrastructure business. Duration is led by Emmett McCann and Josh Connor, who have overseen Oaktree's transportation infrastructure team since its inception. Oaktree remains a minority investor, and its Vice Chair, John Frank, will serve as Chairman of Duration. Based in New York and California, Duration will continue to invest in North American transportation infrastructure, focusing on operational excellence and safety. The firm is supported by nearly 20 industry specialist advisors with extensive experience in sectors like aviation, ports, railroads, and logistics. Duration aims to build strong alignment with management teams and drive growth across its portfolio. The firm will continue to support its existing portfolio companies, including Watco Companies LLC, OTG Management, Ports America and Rand Logistics. The spin-out positions Duration to capitalize on investment opportunities in the underinvested transportation infrastructure sector while maintaining a commitment to delivering strong returns for its partners.

Brookfield Corp (Brookfield) – The Grifols family and Canadian fund Brookfield are considering a joint takeover bid to delist Spanish drugmaker Grifols SA (Grifols), according to regulatory filings. Grifols' board recently reviewed a preliminary offer from Brookfield and the founding family, which holds around a 30% stake. The potential deal, worth over 5 billion euros, would include refinancing Grifols' debt. While the family plans to retain its stake, Brookfield is seeking due diligence before proceeding. Grifols' net debt was 10.9 billion euros in the first quarter of this year. Conversations about the takeover began over a year ago, predating reports from short-seller Gotham City Research, which significantly impacted Grifols' market value. Grifols' shares rose by 9.7% following the news, though both companies noted no final decision has been made regarding the transaction. Grifols' market capitalization reached 6.2 billion euros recently, and its major shareholders include Capital Research and Management Company, BlackRock Inc., and Europacific Growth Fund.

Danaher Corp – launched a research collaboration with Stanford University's Department of Bioengineering to develop "smart microscopy" for cancer drug screening. This initiative aims to combine spatial biology with artificial intelligence (AI) to address the variability within tumors that leads to unpredictable clinical outcomes and high failure rates in clinical trials. By leveraging advanced spatial biology and AI, the collaboration seeks to screen more complex cellular systems and help de-risk cancer drug development.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL BALANCED FUND[1]

Citigroup Inc. (Citigroup)'s quarter 2 2024 core earnings per share (EPS) of US$1.56 beat consensus of $1.42 by +10% due to higher-than-expected revenues (investment banking-related), lower operating costs (down annually and sequentially), and lower credit provisions (despite higher card non-conforming loan s). Full-year guidance essentially unchanged. Citi expects 2024 revenues excluding divestitures $80-81 billion (unchanged from prior guidance and in-line with $80.6 billion consensus), Net interest income excluding markets "down modestly year-over-year (YoY)" (unchanged and in-line with consensus -1%), core expenses $53.5-53.8 billion now "likely at the higher-end" (versus consensus $53.75 billion). Provisions increased in quarter 2 2024 (+36% YoY) from higher losses (+52%) and a small reserve build (card growth); card vintages are maturing concurrently (older maturations were delayed by pandemic stimulus), second-quarter consumer credit is seasonally weak (following first-quarter tax refunds), and customers are impacted by higher inflation and rates. Citi reports "seeing some signs of cresting delinquencies" and expects "loss rates to start to come down towards the medium term"; however, in our view rising unemployment might re-accelerate delinquency trends.

JPMorgan Chase & Co (JP Morgan)'s quarter 2 2024 core earnings per share of US$4.46 beat consensus of $4.21 by +6%; higher-than-expected corporate & investment banking revenues more than offset higher credit provisions. A late-quarter surge in capital markets activity helped Investment Bank fees +50% year-over-year (YoY) (strong momentum across all business lines) and trading revenues +11% (equities +21% and fixed income, currency and commodities +5%). Profit rose in the second quarter, buoyed by an $8 billion accounting gain from a share exchange deal with Visa. The largest U.S. bank's profit was $18.15 billion, or $6.12 per share, for the three months ended June 30, compared with $14.47 billion, or $4.75 per share, a year earlier, it said. “While market valuations and credit spreads seem to reflect a rather benign economic outlook, we continue to be vigilant about potential tail risks,” Chief Executive Officer Jamie Dimon said adding that the risks included a changing geopolitical situation, which remains the most dangerous since World War II. Investment banks have benefited from a resurgence in capital-raising activity both in debt and equities markets. JPMorgan’s investment banking fees grew 50%, higher than an earlier company prediction of 25% to 30%. Full-year guidance essentially unchanged. JPM expects 2024 Net interest income $91 billion (unchanged from prior and in-line with $91.1 billion consensus), expenses $92 billion (unchanged from prior and in-line with $92.0 billion consensus).

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

Amgen Inc. (Amgen) – has stopped development of a Phase 1 bispecific T cell engager, a type of medicine that is core to its oncology portfolio and for which it has trademarked the BiTE acronym. The California drugmaker terminated a clinical investigation of its experimental treatment AMG 794 in patients with certain forms of Claudin 6-positive cancers, including non-small cell lung, epithelial ovarian and malignant solid tumors. The study, with sites in the US, Australia and Switzerland, ended up enrolling three patients out of a planned 98. In the update to clinicaltrials.gov, Amgen wrote that it “made the business decision to discontinue development of AMG 794.” Amgen’s candidate is still listed on its oncology pipeline, which includes a handful of assets in the class of bispecific T cell engagers. The class of medicines comes with two arms that bind a T cell and a tumor cell to bring them closer, with the ultimate goal of destroying a tumor. Amgen “first pioneered the concept of BiTE with Blincyto,” Chief Scientific Officer Jay Bradner said on an investor call in May. Blincyto came by way of Amgen’s $1.16 billion acquisition of Micromet in 2012. It also received approval for Imdelltra in a particularly aggressive lung cancer in May.

Lantheus Holdings Inc (Lantheus) – announced that the company welcomes the Centers for Medicare & Medicaid Services’ (CMS) proposed rule for the Medicare Hospital Outpatient Prospective Payment System (OPPS) for 2025, which aims to improve payments for specialized diagnostic radiopharmaceuticals to support patient access for Medicare beneficiaries. The proposed rule includes refinements to the packaging policy, allowing separate payments for diagnostic radiopharmaceuticals with a per day cost over $630, including PYLARIFY, after the pass-through payment status expires. The proposal will undergo a 60-day comment period ending September 9, 2024, with the final rule effective January 1, 2025.

Lantheus announced its acquisition of Meilleur Technologies, Inc., gaining worldwide exclusive rights to the ß amyloid PET imaging agent NAV-4694, also known as F18-flutafuranol. This acquisition enhances Lantheus’ Alzheimer’s disease pipeline, adding to its diagnostic portfolio which includes the next-generation PET imaging agent MK-6240 (florquinitau), targeting tau tangles in Alzheimer’s disease. This strategic move aligns with updated guidelines from the National Institute on Aging and the Alzheimer’s Association, recommending the use of protein-based biomarkers, including amyloid- and tau-PET imaging, for diagnosing and assessing Alzheimer’s disease.

Telix Pharmaceuticals Ltd (Telix) – announced that the company welcomes proposed changes by the Centers for Medicare & Medicaid Services (CMS) to the Hospital Outpatient Prospective Payment System (OPPS) rule, aimed at improving payments for diagnostic radiopharmaceuticals for Medicare patients in the U.S. The changes ensure that diagnostic radiopharmaceuticals, including Illuccix®, will continue to receive separate payments from CMS for traditional Medicare Fee for Service patients in hospital outpatient settings after their transitional pass-through payment status expires.

NUCLEAR ENERGY

Cameco Corp - Industry Minister Francois-Philippe Champagne approved Glencore’s takeover of Teck Resources’ coal unit under strict conditions, emphasizing the “net benefit” to Canadians. He stated future large mergers in the critical minerals sector would only be allowed under exceptional circumstances to protect strategic interests. This policy shift caused shares of critical mineral companies like Capstone Copper, Hudbay Minerals, Teck Resources, First Quantum Minerals, Ivanhoe Mines and Cameco Corp to drop on the Toronto Stock Exchange. The policy limits merger and acquisition opportunities and financing, potentially lowering Canadian miners’ valuations compared to global peers. Canada identified 31 critical minerals vital for modern technology and the transition from fossil fuels. The government can reject foreign investments that threaten national security or fail to benefit Canadians. Recently, Chinese investors have been asked to divest from Canadian critical mining companies due to security concerns, affecting major shareholders in firms like Teck Resources and First Quantum Minerals.

Doosan Corp. (Doosan Enerbility) – Doosan Enerbility, a leading South Korean power plant engineering firm, is transferring its 46% stake in Doosan Bobcat Inc. to Doosan Robotics Inc.. This move is part of Doosan Group’s restructuring to become a leader in smart machinery. The reorganization plan was approved by the boards of all three involved affiliates. To facilitate the restructuring, Doosan Enerbility will split into two entities: one for ongoing operations and a new investment firm, which will then transfer the Bobcat stake to Doosan Robotics.

ITM Power plc – announced that the company has signed a 500MW capacity reservation agreement with a global industrial customer, securing future production capacity for its advanced electrolyser stacks. The agreement extends until the end of 2028 and includes provisions for future projects in Europe and the US. Further contract details have not been disclosed.

Plug Power Inc. (Plug)– has completed the deployment of 13 hydrogen refueling stations (HRS) across Europe over the past two years, supporting various material handling and mobility applications in the UK, France, Germany, Spain, and the Netherlands. These stations serve major clients such as Amazon Inc., Stef, ASDA, and Lidl, as well as Plug’s own facilities and the HYVIA joint venture with Renault. The largest site will consume nearly half a ton of hydrogen daily. Plug’s turnkey HRS solutions, which include station construction and hydrogen delivery from Plug-owned generators, support the conversion of lead-acid battery-powered equipment to hydrogen fuel cells.

ECONOMIC CONDITIONS

U.S. consumer price index (CPI) inflation came in far below consensus expectations for the second month in a row. June headline prices outright fell 0.1% month over month (m/m) (-0.06% m/m at the two decimal level), after an unchanged reading in May. This was the best monthly CPI performance for the U.S. economy since May 2020. This better-than-expected inflation reading should increase the likelihood of a September rate cut from the Federal Reserve. The report makes a very convincing case that consumer inflation has swiftly resumed its downward path after an unanticipated surge in the first quarter and is likely on its way to a sustainable 2.0%. The details of the report were even more encouraging. Energy prices declined 2.0% with gasoline prices plunging 3.8% following a 3.6% decline in May. A big decline in energy prices was widely anticipated prior to the release, but a moderation in shelter inflation (36% of the index) to just a 0.2% increase from 0.4% in May was a pleasant surprise. Shelter inflation has been stubbornly persistent in recent months, rising 0.4% a month over the previous four months. Goods prices excluding food and energy declined with new vehicle prices dropping 0.2% and used car prices down 1.5%. Services prices less energy services moderated to 0.1% from 0.2% in May with medical care services inflation moderating to 0.2% from 0.3%. Airline fares fell another 5.0% after a 3.6% decline in May. From a year ago, headline CPI inflation was also below forecasts slowing to 3.0% from 3.3% in May. Core CPI inflation, excluding food and energy, increased a modest 0.1% last month (+0.06% at the two decimal level), below the consensus forecast of 0.2%, and the best monthly performance since January 2021. From a year ago, core inflation slipped by a tenth of a percentage point to 3.3% from 3.4%. The three-month moving average of the core CPI inflation rate is looking better, slipping to 2.1% annualized.

China's trade data for June was mixed with a beat on exports and record trade surplus but imports sharply missing to the downside. Exports growth rose to 8.6% year-over-year (y/y) (cons: 8.0%, prior: 7.6%), aided in part by favorable base effects while higher exports of high-tech equipment and clothing & accessories boosted the headline. By regions, China has found success in emerging markets as exports to Brazil and to the Association of Southeast Asian Nations (ASEAN) rose 23.4% and 6% respectively but exports to developed countries such as US (-0.8%), EU (-3.4%) and Japan (-6.9%) fell on a year-to-date (YTD) basis vs 2023. Imports growth was -2.3% y/y, contrary to most expectations for a gain (cons: 2.5%, May: 1.8%) and marks the 2nd straight downside miss. In the details, a big drop in agricultural imports and a mild contraction in mechanical and electrical imports drove the downside miss. By commodity type (volume terms), China also imported a lot less in steel, iron ore and copper on a m/m basis. In summary, the unbalanced nature of China's trade appears unsustainable in our view as exports are thriving on policy efforts but imports (a proxy for domestic demand) is languishing and may be a concern for officials at the Third Plenum next week.

Chinese gross dometic product disappointed at 4.7% (5.1% expected) and showed the Chinese economy grew at its slowest pace in five quarters. Retail Sales were soft at +2.0% (3.4% exp) and property data were firmly negative.

UK gross dometic product surprised to the upside in May, rising 0.4% month-over-month (m/m) (market (mkt): 0.2%). Services rose 0.3% m/m (mkt: 0.2%), largely due to the almost 3% m/m rebound in retail sales, but also on the back of strength in professional, scientific, & technical activities as well as accommodation & food services. The improved weather appears to have been a key driver of the strength, as an unusually wet weather weighed on everything from retail sales, to hotels, and restaurants in April. Manufacturing matched the consensus, rising 0.4% m/m. The big surprise in this report was construction, which surged 1.9% m/m (mkt: 0.7%), following an almost equally soft 1.6% m/m drop in April. As with the strength in the services sector, the improved weather appears to have been the key driver of this rebound, as some firms pointed to warmer weather driving more business.

FINANCIAL CONDITIONS

The U.S. 2 year/10 year treasury spread is now -0.23% and the U.K.'s 2 year/10 year treasury spread is 0.04%. 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 6.89%. Existing U.S. housing inventory is at 3.7 months supply of existing houses as of May 31, 2024 - 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 12.93 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And Finally: *"Success is stumbling from failure to failure with no loss of enthusiasm." - 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

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