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# NEWS HIGHLIGHTS

EST. 2007

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

OCTOBER 21, 2024

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## OWNER OPERATED COMPANIES



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PORTLAND 15 OF 15  
ALTERNATIVE FUND  
COMPANY NEWS

**Reliance Industries Limited (Reliance)** – is set to keep Disney+ Hotstar as the sole streaming platform following the merger of Star India and Viacom18 Media Private Limited (Viacom18). JioCinema will be integrated into Disney+ Hotstar, making it the main streaming service for the new combined entity. Reliance looked at different streaming options, including merging Disney+ Hotstar, which is owned by Walter Elias Disney's (Walt Disney) Star India, with JioCinema. They decided to keep Disney+ Hotstar because it has better technology. In August, Reliance, which will manage the new Star India Private Limited (Star-Viacom18) company, wanted to combine JioCinema and Disney+ Hotstar into one platform. Disney+ Hotstar has over 500 million downloads, while JioCinema has 100 million downloads. In February, Reliance and Walt Disney agreed to merge Star India and Viacom18, creating a big media company worth US\$8.5 billion. This company will have over 100 channels and two streaming services. According to Reliance's annual report, JioCinema had about 225 million users each month, while Disney+ Hotstar had 333 million active users in the last quarter of 2023.

**Samsung Electronics Co., Ltd. (Samsung)** – Workers at Samsung's factory in the southern Indian state of Tamil Nadu have called off a labour strike that went on for more than a month. Around 1,500 workers in Chennai city had participated in the strike to demand better pay, working facilities and recognition of a newly-formed union. A

labour activist who supported the workers told the British Broadcasting Corporation (BBC) that while Samsung hadn't recognised the union yet, it had agreed to engage with the other demands. The strike was one of the largest the South Korean technology giant had seen in recent years. It also threatened to cast a shadow over Prime Minister Narendra Modi's bid to position India as a viable alternative to China for manufacturing activities. On Wednesday, the Centre of Indian Trade Unions (CITU), a politically backed national labour union which led the protests, announced the workers' decision to call off the strike after a meeting. On Tuesday, representatives of the protesting workers met with officials from the Tamil Nadu labour department (Department of Labour Welfare and Skill Development). After the meeting, the state minister for Industries said that the striking workers had decided to return to work immediately, and that Samsung had agreed to not to victimise the workers only for having participated in the strike. He also said that the workers had agreed to cooperate with the management fully and that Samsung would file a written reply to the charter of demands filed by them. Later, Samsung released a statement saying that it welcomed CITU's decision to call off the strike. The strike was backed by a national labour union called the Centre of Indian Trade Unions. The workers had begun their protest on September 9, 2024, near the factory in Chennai city, which employs nearly 2,000 workers and is one of its two plants in India. The factory produces home appliances, contributing about a third to the company's annual US\$12 billion (£9 billion) revenue in India. One of the workers' key demands was for Samsung to recognise their union, as they said that only that could help them negotiate better wages and working hours with the management. Akriti Bhatia, a labour rights activist, told the BBC that multinational companies which set up factories in India often don't follow Indian labour laws, which allow workers the right to association and collective bargaining. These firms, she said, often side-step this by setting up internal unions, which are led by workers only on paper as the management continues to exert control over their decisions. They stridently oppose external, politically backed unions.

**LVMH Moët Hennessy Louis Vuitton SE (LVMH)** – French luxury giant LVMH reported third-quarter results. The world’s biggest luxury group generated 19.08 billion euros (US\$20.8 billion) in revenue for the three months ending in September, a 3% fall on an organic basis, stripping out the effect of currencies, acquisitions and divestitures. The sales report, the first of the quarter from the large luxury companies, comes after a rollercoaster for luxury stocks in recent weeks, as stimulus measures in China briefly fueled hopes of a recovery. Chinese consumer confidence has slumped to the all-time lows of the COVID-19 era, LVMH Chief Financial Officer (CFO) Jean-Jacques Guiony said, though he added that the company still believed in the future of the market. The fashion and leather goods division, home to (Louis Vuitton Malletier) Louis Vuitton and Christian Dior SE (Dior) labels, reported a sales decline of 5%, well below consensus expectations for 4% growth, and the first fall for the business since 2020. Fashion and leather goods comprise almost half of LVMH revenue and nearly three-quarters of its recurring profit. In Asia - excluding Japan - of which the Chinese market is a dominant share, the sales decline worsened to a 16% slide from a 14% drop in the prior quarter. A post-pandemic spending spree lost momentum last year, and China’s property crisis has weighed on shoppers’ confidence. Hopes that government stimulus measures could quickly reignite enthusiasm for high-end merchandise have yet to be fulfilled. In Japan, LVMH said growth sharply slowed to 20% from the previous quarter’s 57% jump due to a stronger yen.



## DIVIDEND PAYERS



**CVS Health Corporation (CVS Health)** - announced that David Joyner was appointed President and Chief Executive Officer (CEO), effective October 17, 2024, replacing Karen Lynch, who stepped down from her position in agreement with the company’s Board of Directors. Joyner also joined the Board of Directors. In addition, current Chairman of the Board, Roger Farah, will now be Executive Chairman. Joyner was most recently executive vice president, CVS Health, and president, CVS Caremark Corporation (CVS Caremark). He led the pharmacy services business, which provides solutions to employers, health plans and government entities and serves approximately 90 million members through CVS Caremark, CVS Specialty Pharmacy, and other areas. Joyner has 37 years of health care and pharmacy benefit management experience and has also served on the boards of several private equity-backed health care companies. He began his career at Aetna Inc. (Aetna) as an employee benefit representative before joining Caremark Rx, Inc. as a regional sales manager. He then served as executive vice president of sales and account services at CVS Caremark and executive vice president of sales and marketing at CVS Health.

“The Board believes this is the right time to make a change, and we are confident that David is the right person to lead our company for the benefit of all stakeholders, including customers, employees, patients, and shareholders,” said Farah. “CVS Health is responsible for improving health for millions of people across the United States (U.S.), and our

integrated businesses work together to deliver on our purpose and mission every day. To build on our position of strength, we believe David and his deep understanding of our integrated business can help us more directly address the challenges our industry faces, more rapidly advance the operational improvements our company requires, and fully realize the value we can uniquely create.” “There is no greater honor than to lead a company whose mission and purpose are completely focused on improving health,” said Joyner. “I came back to CVS Health in 2023 because I believed I could give more to the company, and I take this opportunity today for the same reason. I am proud to continue working side by side with our 300,000 colleagues who are building a world of health around every consumer. Every day, CVS Health expands access, drives greater affordability, and achieves better health outcomes for more than 186 million people. Aligned with our management team and our Board, I believe in the future of our company, and I am committed to delivering our best every day to everyone we serve.” Farah added: “The Board also recognizes the many contributions Karen made to our company, both during her tenure at Aetna and then as President and CEO of CVS Health. We are grateful for her consistent, customer-focused leadership, especially during the COVID-19 pandemic when our pharmacies provided needed tests and vaccines. We also appreciate her work to advance CVS Health’s modernization and transformation to become a diversified, connected, technology-driven health care company, allowing us to do even more for the people we are privileged to serve.” In connection with today’s announcement, CVS Health is also providing preliminary guidance for third quarter 2024 Generally Accepted Accounting Principles (GAAP) diluted EPS of US\$0.03 to \$0.08 and Adjusted EPS of \$1.05 to \$1.10. Results for the third quarter include charges to record premium deficiency reserves (PDRs), primarily related to the company’s Medicare and Individual Exchange businesses inside its Health Care Benefits segment, of approximately \$1.1 billion, which lowered third quarter 2024 Adjusted EPS by \$0.63. The PDRs are expected to be substantially released during the fourth quarter of 2024, benefiting results in that period. CVS Health’s GAAP results also include a restructuring charge of approximately \$1.2 billion, related to incremental store closures in 2025, as well as cost reduction actions discussed on the second quarter 2024 earnings call. In the third quarter of 2024, CVS Health has continued to experience medical cost trends in excess of those projected in its prior outlook. The Medical Benefit Ratio (“MBR”) for the third quarter is currently expected to be approximately 95.2%, which includes a 220-basis point(bps) impact from the PDRs. CVS Health’s other segments performed consistent with prior projections in the quarter. In light of continued elevated medical cost pressures in the Health Care Benefits segment, investors should no longer rely on CVS Health’s previous guidance provided on its second quarter 2024 earnings call on August 7, 2024. CVS Health plans to further update investors on its third quarter 2024 earnings call, currently scheduled for November 6, 2024, after the company has completed its standard quarterly close processes. CVS Health’s preliminary financial results are based on the company’s current estimate of its results for the quarter ended September 30, 2024, and remain subject to change based on the completion of closing and review procedures and the execution of the company’s internal control over financial reporting.

**Toronto-Dominion Bank (TD Bank)** - announced today that it expects The Charles Schwab Corporation’s (Schwab) third quarter earnings to

translate into approximately CAD\$178 million of reported equity in net income of an investment in Schwab for TD Bank's fiscal 2024 fourth quarter. Excluding acquisition-related charges of approximately \$2 million after-tax and amortization of acquired intangibles of approximately \$27 million after-tax, adjusted equity in net income of an investment in Schwab will be approximately \$207 million. On August 21, 2024, TD Bank announced that it had sold 40.5 million shares of common stock of Schwab, which reduced TD Bank's ownership interest in Schwab from 12.3% to 10.1%. TD Bank will release its fourth quarter financial results and host an earnings conference call on December 5, 2024.

## LIFE SCIENCES



**Amgen Inc. (Amgen)** – stated that the Food and Drug Administration (FDA) has postponed its decision on the supplemental new drug application (sNDA) for sotorasib (Lumakras) in combination with panitumumab (Vectibix) for treating chemorefractory metastatic colorectal cancer (CRC) with a specific type of mutation. Originally expected on October 17, 2024, the new deadline for the FDA's decision is now January 17, 2025. Amgen, the sponsor of the application, stated that the delay allows the FDA time to review additional information recently submitted. The sNDA is supported by data from the Phase 3 CodeBreak 300 study, which reported a median progression-free survival (PFS) of 5.6 months for the combination therapy compared to 2.2 months for the standard treatment options.

**BeiGene, Ltd. (BeiGene)** – announced that the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency has issued positive opinions for TEVIMBRA (tislelizumab) as a first-line treatment for advanced or metastatic gastric or gastroesophageal junction (G/GEJ) adenocarcinoma and esophageal squamous cell carcinoma (ESCC). The RATIONALE-305 and 306 trials demonstrated that tislelizumab plus chemotherapy significantly improved survival compared to placebo plus chemotherapy, highlighting its potential to enhance treatment outcomes in these challenging cancer types.

**Clarity Pharmaceuticals Ltd. (Clarity)** – reported updates on the Secondary Prevention of Cardiovascular Disease in the Elderly (SECURE) trial for Copper-67 SAR-bisPSMA, with participants showing significant reductions in prostate-specific antigen (PSA) levels and no serious adverse events. The U.S. FDA has granted Fast-Track Designation for SAR-bisPSMA in the pre-prostatectomy setting, and recruitment for a new Phase III trial, AMPLIFY, is set to begin early next year. Executive Chairperson Dr. Alan Taylor highlighted the molecule's potential to benefit prostate cancer patients across their treatment journey.

**Telix Pharmaceuticals Limited (Telix)** – reported unaudited total revenue of approximately US\$135 million (AU\$201 million) for Q3 2024, primarily driven by sales of its prostate cancer imaging product, Illuccix. This marks a 55% increase compared to the same quarter last year and

a 9% increase from the previous quarter. Year-to-date revenue stands at \$374 million (AU\$565 million), and the company reaffirms its full-year guidance of \$490 million to \$510 million (AU\$745 million to AU\$776 million), reflecting a projected 48-54% increase over 2023. Telix continues to strengthen its market position in the urology sector while increasing cash reserves through an AU\$650 million convertible bond issuance.

Telix has filed a Form 20-F registration statement with the U.S. Securities and Exchange Commission (SEC) for a proposed listing of American Depository Shares (ADS) on the Nasdaq Stock Market. This Level II American Depository Receipt (ADR) program aims to simplify access to Telix shares for U.S. investors. Telix is not seeking to raise capital or issue new shares through this registration. The company is expanding its presence in North America, with a significant portion of its workforce based in the U.S. Each ADS will represent one fully paid ordinary share and will trade under the ticker symbol "TLX." Telix plans to maintain its primary listing on the Australian Securities Exchange (ASX) alongside the Nasdaq listing.

## NUCLEAR ENERGY

**Centrus Energy Corp.'s (Centrus)** – subsidiary, American Centrifuge Operating, LLC (ACO), has received an award from the U.S. Department of Energy to enhance domestic production of High-Assay, Low-Enriched Uranium (HALEU), crucial for next-generation nuclear reactors. Centrus President and CEO Amir Vexler highlighted that this award supports the development of American uranium enrichment capabilities essential for the future of nuclear energy. ACO is one of four recipients of the award, with a minimum contract value of US\$2 million and a total potential value of \$2.7 billion over ten years, contingent on future task orders from the Department of Energy. The centrifuges and related equipment will be manufactured exclusively in the U.S., utilizing a domestic supply chain. Additionally, ACO was selected for another award to deconvert HALEU from uranium hexafluoride to uranium oxide or metal, a critical step in nuclear fuel production.

**Constellation Energy Corporation (Constellation)** – has ordered a US\$100 million main power transformer for the Three Mile Island nuclear reactor in Pennsylvania, a critical step in its efforts to restart the plant. This transformer will be the largest piece of equipment replaced as part of a broader \$1.6 billion investment to revive the facility over the next four years. Constellation Vice President Bryan Hanson noted that after a thorough assessment, the plant's infrastructure is in good condition. Recently, Constellation signed a 20-year power contract with Microsoft Corporation (Microsoft), which will use the reactor to supply 835 megawatts (MW) to meet its data center energy demands. The surge in energy needs from tech companies, driven by advancements in artificial intelligence and cloud computing, has led to increased electricity demand and unique partnerships between power providers and the tech industry.

**Johnson Matthey plc (JM)** – has officially opened its new Engineering Centre in Mumbai, reinforcing its commitment to India as a key partner

in manufacturing and engineering. The center will leverage India's engineering talent to enhance JM's capacity in delivering projects in its core licensing business and emerging areas like hydrogen, sustainable fuels, and chemicals. Maurits van Tol, Chief Executive for Catalyst Technologies at JM, emphasized the importance of recruiting local talent to support global projects. The center aims to contribute to India's net-zero ambitions by developing low-carbon technologies and reducing emissions in various sectors.

## ECONOMIC CONDITIONS

**UK Inflation** - UK inflation surprised significantly to the downside in September, with headline registering 1.7% year over year (y/y) (market(mkt): 1.9%), core inflation at 3.2% y/y (mkt: 3.4%), and services inflation down sharply to 4.9% y/y (mkt: 5.2%). This now leaves inflation tracking well below the Monetary Policy Committee's August projections. Clothing, restaurants & hotels, and recreation and culture all contributed to the downside news in services inflation in the month. With this data (and not that there was much doubt about it before), the Monetary Policy Committee is almost certain to cut at its November meeting. The question is what policy path it takes beyond that. We continue to believe that with both services inflation and core wage growth only just below 5% 3month over year, the Monetary Policy Committee will proceed down a cautious path, pausing in December before resuming cuts in February.

**US Retail Sales** - U.S. retail sales rose 0.4% in September, slightly more than the +0.3% print expected by consensus. The prior month's result, for its part, remained unchanged at +0.1%. Sales of motor vehicles and parts were flat on a monthly basis and thus did not contribute to the headline print. Without autos, outlays rose a consensus-topping 0.5%, as gains for miscellaneous items (+4.0%), clothing (+1.5%), health/personal care items (+1.1%) and food/beverages (+1.0%) were only partially offset by declines for electronics (-3.3%), gasoline stations (-1.6%) and furniture (-1.4%). In all, sales were up in 10 of the 13 categories surveyed. Core sales (i.e. sales excluding food services, auto dealers, building materials, and gasoline stations), which are used to calculate GDP, jumped 0.7%, more than twice the pace expected by consensus.

**US Housing Starts** - U.S. home builders are in a holding period, awaiting further interest rate cuts to kick-start demand. Housing starts fell 0.5% in September, somewhat less than expected, after spiking nearly 8% in the prior month. At 1.354 million annualized, the level is down modestly from a year ago, though still holding above pre-pandemic levels due to a lean resale supply. The decline in September was led by multiples and was spread across three of the four major geographical regions, including the South (where Hurricane Helene was a factor). Meantime, building permits fell 2.9% to 1.428 million and are down nearly 6% in the past year, suggesting little momentum in construction plans. With affordability still a pressing issue in many regions, home building will likely remain stagnant until the US Federal Reserve is well into its easing cycle and mortgage rates have fallen another one percentage point.

## FINANCIAL CONDITIONS

**European Central Bank (ECB)** - As was widely anticipated (though not the case back in mid-September), the European Central Bank cut its key lending rates 25 bps. It was a unanimous decision to cut the deposit rate to 3.25%, the refinance (refi) rate to 3.40%, and the marginal lending facility to 3.65%. It was also the third reduction this year: June and September prior to today, while taking a break in July. Justifying the easing (which was not in the cards at the last meeting in September) were the "recent downside surprises" in the economy. Additionally, the downward revision to the September Consumer Price Index (CPI) figure (to 1.7%) gave this decision the extra oomph although, as President Lagarde pointed out, they are data dependent, not data-point dependent. They need an "array" of information and data, not just the Euro Area CPI. She did say, however, that the ECB, nor anyone else for that matter, was not anticipating the downwardly revised 1.7% inflation rate for September. The ECB press release was pretty similar to the last one but with some tweaks. Inflation is expected to rise in the near term but should hit target "in the course of next year", which is earlier than what it stated in September, which was "second half of next year". The ECB is still cautious given "high" domestic inflation and wages that are "rising at an elevated pace". In any event, the usual "data-dependent" and "meeting-by-meeting" phrases were used, as they should be. Additionally, the ECB is "not pre-committing to a particular rate path".

The U.S. 2 year/10 year treasury spread is now 0.14% and the U.K.'s 2 year/10 year treasury spread is 0.1%. 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 6.44%. Existing U.S. housing inventory is at 4.2 months supply of existing houses as of Sept 19, 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 VIX (volatility index) is 19.31 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

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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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