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NEWS HIGHLIGHTS

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

DECEMBER 23, 2024

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 Industries) – E-commerce in India is a political and regulatory minefield. Walmart Inc. (Walmart) which has been waiting to launch the much-anticipated initial public offering of the online marketplace it acquired for US$16 billion six years ago has had its patience tested. A 2026 Initial Public Offering (IPO) may be a more reasonable expectation, with a little diplomatic help from the incoming government in Washington. Flipkart Private Limited (Flipkart) is the country's largest e-commerce player, ahead of Amazon.com, Inc. (Amazon). The homegrown app lacks the consumer-service finesse of its rival, but its sheer reach across India gives it the heft that took the likes of Unilever PLC a century to build. Flipkart is a stake Walmart has put down in a market where brick-and-mortar foreign retailers face stifling restrictions. That's not an immediate problem; it might take a decade before Indians have the purchasing power to sustain a franchise like Sam's West, Inc. (Sam's Club). Walmart has already spent nearly two decades waiting for local regulations to become a little more welcoming of its investment dollars. The firm's partnership with Sunil Mittal, the Indian telecom czar who was going to prize open the market for the U.S. retailer in 2007, ended six years later. Even Walmart's second shot, the Flipkart acquisition, has had to constantly tiptoe around regulations that forbid foreign-backed e-commerce platforms from owning inventory. On paper, that rule is all about safeguarding livelihoods of the corner kirana stores, tens of millions of tiny enterprises catering to 1.4 billion consumers. In reality, though, mom-and-pop shops are being shielded only from the Americans. Indian retailers, offline and online, can be as creative as they want in flexing their financial muscles, but foreign-owned e-commerce platforms aren't allowed to use their deep pockets to exert influence on behavior. India's Enforcement Directorate, the federal financial-crime agency, recently raided some Flipkart and Amazon sellers to investigate if they've been breaking the foreign-investment law, Reuters reported last month. The commerce minister in New Delhi has accused the platforms of "predatory pricing." Separately, India's Competition Commission has asked the U.S. firms to share their financial statements so that it can determine how much to fine them after a four-year-old investigation. Flipkart can't possibly sell shares before it knows how much it has to pony up. The anti-monopoly watchdog could impose a charge of as much as 10% of the global turnover of Indian entities. E-commerce is just about 5% to 6% of India's retail market, compared with more than 35% in China. Mukesh Ambani, the chairman and managing director of Reliance Industries, too, would be looking to spin off the retail unit from his flagship company, which is underperforming analysts' expectations. As long as Flipkart and Amazon are stuck in the labyrinths of regulatory scrutiny, Ambani has time to fix his moat.

Reliance Industries - announced on Saturday, December 21, that its wholly owned subsidiary Reliance Digital Health Limited (Reliance Digital) has entered into definitive agreements to acquire a 45 per cent equity stake in Health Alliance Group Inc. (Health Alliance) for a total consideration of US$10 million. According to a regulatory filing by Reliance Industries to the stock exchanges, the investment will empower Reliance Digital to develop a virtual diagnostic and care platform, expanding access to healthcare for underserved communities. The investment is not a related party transaction, and none of the company's promoters/promoter groups/group companies are interested in the above transaction. The transaction is subject to customary closing conditions and is expected to be completed in around two weeks. No governmental or regulatory approvals are required for the above transaction, said Reliance Industries.

Brookfield Asset Management Ltd. (Brookfield)– PosiGen Inc. (PosiGen), a Certified B Corporation and a leader in renewable energy solutions for underserved communities, announced a US$200 million investment from Brookfield through its high-yield infrastructure debt platform. This brings Brookfield's total funding commitment to $600 million since 2023, significantly supporting PosiGen's expansion into new markets. The additional funding will drive new rooftop solar projects through PosiGen's direct sales and growing channel partner platform. PosiGen Chief Executive Officer (CEO) Peter Shaper highlighted the strengthened partnership with Brookfield as a key driver of their mission to deliver cost savings and clean energy solutions to homeowners in underserved communities. The company's business model eliminates barriers like credit score requirements and income thresholds, ensuring equitable access to the financial and environmental benefits of solar energy. Ben Healey, President of Capital Markets and Strategy at PosiGen, emphasized the positive social impact of their initiatives, enabled by Brookfield's support. Brookfield's Hadley Peer Marshall expressed confidence in PosiGen's proven business model and ability to scale, underscoring the mutual commitment to delivering impactful clean energy solutions. This investment reinforces the alignment of profitability with social and environmental responsibility.

Brookfield – Summit Broadband Inc. (Summit Broadband), a prominent fiber-optics telecommunications provider in Florida, has secured an additional US$100 million debt facility and term expansion from Brookfield. This funding, supported by Grain Management, LLC aims to enhance services for existing customers and expand the company's residential and commercial fiber network, solidifying its position as a leader in high-performance connectivity solutions. Since Kurt Van Wagenen became CEO in 2023, Summit Broadband has focused on upgrading its 5,000-mile fiber network, improving customer experiences, and introducing new products, all while increasing profitability and revenue. The additional funding will enable the company to accelerate growth across its residential and commercial segments, providing advanced and reliable connectivity services. Brookfield's Deputy Chief Investment Officer (CIO), Eric Wittleder, expressed confidence in Summit Broadband's expansion efforts, while Van Wagenen highlighted the company's commitment to empowering customers with essential connectivity to foster digital innovation. This funding marks another milestone in Summit Broadband's mission to deliver superior fiber-optic solutions across Florida.

Carnival Corporation & plc (Carnival) – reported record-breaking financial results for 2024, driven by strong demand and strategic pricing. Full-year revenues reached an all-time high of US$25 billion, up 15% from 2023, while net income totaled $1.9 billion, exceeding guidance by $130 million. Adjusted EBITDA hit $6.1 billion, marking a 40% year-over-year (y/y) increase, and operating income surged 80% to $3.6 billion. Advanced bookings for 2025 also reached unprecedented levels, highlighting continued momentum. In the fourth quarter (Q4), the company achieved record revenues of $5.9 billion, 10% higher than the previous year, and net income of $303 million, reversing a loss in Q4 2023. Adjusted EBITDA for the quarter climbed 29% to $1.2 billion, with customer deposits hitting a record $6.8 billion, reflecting increased ticket prices and onboard spending. Booking volumes for both 2025 and 2026 broke records, signaling sustained demand for cruise travel. For 2025, Carnival forecasts continued growth, with net yields expected to rise 4.2% over 2024 levels and adjusted net income projected at $2.3 billion, a 20% increase. Adjusted EBITDA is anticipated to reach $6.6 billion, meeting the company's 2026 target a year early. Sustainability efforts remain a priority, with significant reductions in greenhouse gas emissions and food waste, alongside increased use of LNG-powered ships and shore power capabilities.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

ICON plc (ICON) – has appointed Barry Balfe as Chief Operating Officer (COO), effective December 18, 2024. Barry, a seasoned ICON employee with over 20 years of experience, has held various leadership roles across the company, contributing to both full-service and functional solutions. His focus on operational excellence, quality, and delivery has been instrumental in supporting customer growth and partnerships.

Lantheus Holdings Inc. – announced in a regulatory filing that Jeff Humphrey, MD, will step down as Chief Medical Officer, with his last day of employment being January 3, 2025. His departure is not due to any disagreements with the company, its Board, or management regarding operations, clinical programs, policies, or practices. A search for his successor is underway. In the meantime, CEO Brian Markison and President Paul Blanchfield will provide interim leadership for the research and development functions.

NUCLEAR ENERGY

ITM Power plc (ITM) – has been selected as the technology provider and awarded a Front-End Engineering Design (FEED) contract for a 50 megawatts (MW) green hydrogen production site in the European Union. The project will use ten NEPTUNE V units, ITM's 5MW containerized electrolyser, designed for mid-sized projects. The FEED will support the project's development ahead of a Final Investment Decision (FID), expected in 2025. The plant aims to produce 5,000 tonnes of green hydrogen annually starting in the second half of 2027.

Oklo Inc. (Oklo) – an advanced nuclear technology company, and Switch, Inc. (Switch), a leading provider of AI, cloud, and enterprise data centers, have signed a non-binding Master Power Agreement to deploy 12 gigawatts (GW) of Oklo Aurora powerhouses by 2044. This partnership is among the largest corporate clean power agreements ever signed. Under the agreement, Oklo will develop, construct, and operate advanced nuclear powerhouses to supply clean energy to Switch's U.S. data centers through a series of power purchase agreements. The collaboration aims to meet growing AI electricity demands with sustainable power and positions Oklo to scale its technology in response to increasing market demand. Switch, known for powering its data centers with 100% renewable energy since 2016, will enhance its sustainability leadership by integrating Oklo's advanced nuclear powerhouses into its infrastructure. The agreement supports both companies' shared vision of energy abundance and sustainability. This deal highlights Oklo's innovative approach of offering customers direct access to advanced nuclear energy solutions.

ECONOMIC CONDITIONS

U.S. Retail Sales - The U.S. consumer was alive and well in November. Retail sales increased a better-than-expected 0.7%, up from an upwardly revised 0.5% gain in October. It was the best monthly performance for retail sales since September. The consensus had been looking for a 0.6% increase. We saw strong monthly sales gains in motor vehicles and parts (+2.6%), non-store retailers (+1.8%), and sporting goods (+0.9%) as consumers took advantage of early Black Friday deals. Healthy sales gains were also seen in building materials (+0.4%), furniture (+0.3%), and electronics (+0.3%) as consumers searched for bargains. Gasoline stations eked out a 0.1% sales increase. There were also visible signs of spending weakness in some categories as rising prices force more consumers to pick and choose where they direct their monthly budgets. Miscellaneous retailers, like florists, gift shops, and office supply stores, saw a 3.5% decline in sales last month. Department store sales fell 0.6% and eating and drink establishment sales fell 0.4%. Consumers have been shying away from eating out lately given the rapid increase in prices. Sales also dropped for grocery stores (-0.2%), clothing stores (-0.2%), and general merchandise (-0.1%) stores last month. The retail sales control group, sales excluding food and beverages, gasoline, building materials, and autos, and used as an input in estimating real consumer spending, increased a robust 0.4% in November up from a -0.1% print in October. That puts the 3-month average annualized growth rate of retail control group sales up a sizzling 6.5%.

Canadian CPI - The Canadian Consumer Price Index stayed flat in November following a 0.4% advance in the month prior, one tick below consensus expectations (in non-seasonally adjusted terms). In seasonally adjusted terms, headline prices progressed 0.1% following a 0.3% advance in October. This translated to an annual inflation rate of 1.9%, down from the last print of 2.0%. Prices in November increased in 5 of the 8 categories surveyed, including transportation (+0.64%), recreation/education/reading (+0.63%), shelter (+0.27%), food (+0.16%), and alcohol/tobacco (+0.1%). Meanwhile, prices declined in household operations (-0.46%), clothing/footwear (-0.43%), and health/personal care (-0.07%). Annual inflation was above the national average in Alberta (+2.8%), British Columbia (+2.3%), and New Brunswick (+2.0%), and below the mark in Ontario (+1.8%), Quebec (+1.5%), and the remainder of the provinces. Core inflation measures were as follows: 2.7% for CPI trim and 2.6% for CPI median, both unchanged from their respective October levels.

UK Inflation - November UK inflation rose to 2.6% year over year (market: 2.6%), core inflation comes in at 3.5% weaker than market expectations of 3.6%. Small positive news seen also on services inflation which comes at 5% (market: 5.1%). Much of the rise in inflation in November is driven by base effects. But weaker than consensus reading on core and services certainly provides some support to the sterling yield curve after the strong wage data. Front end pricing only 2 cuts for 2025 does seem a bit more aggressive than the gradual easing stance echoed by the Bank of England members.

U.S. Personal Income - U.S. nominal personal income rose 0.3% in November, a tad less than the +0.4% print expected by consensus. The wage/salary component of income jumped 0.6%, while income derived from government transfers retraced 0.1%. Personal current taxes, meanwhile, rose 0.3%. All this translated into a 0.3% gain in disposable income. Nominal personal spending, for its part, advanced 0.4%, on gains for both goods (+0.8%) and services (+0.2%). As spending expanded at a slightly faster pace than disposable income, the savings rate edged down one tick to 4.4%. This remains significantly below the levels observed before the pandemic (between 6.5% and 8.5%). Adjusted for inflation, disposable income expanded 0.2%, while personal spending rose 0.3%. In the latter case, the increase reflected a 0.7% gain in the goods segment driven in part by motor vehicles and parts. Services outlays rose as well (+0.1%), but to a lesser extent.

Canadian Retail Sales – Canadian retail sales increased 0.6% in October to C$67.6 billion, one tick less than consensus expectations for a 0.7% increase. Consumer outlays improved in 5 of the 9 subsectors, led by motor vehicles/parts dealers (+2.0%), furniture/electronics/appliances (+2.5%), health/personal care (+0.8%) and clothing/accessories/shoes (+1.2%). On the flip side, a minority of sectors registered monthly declines, notably food/beverages retailers (-0.7%), gasoline stations (-0.5%) and building materials/supplies (-0.6%). Excluding autos, retail sales were up 0.1% in the month, a result three ticks lower than the one expected by the median economist forecast (+0.4%). On a regional basis, sales were up in 7 of the ten provinces, with the biggest increases occurring in Ontario (+0.9%), British Columbia (+0.9%) and Manitoba (+1.9%). The largest declines for retail sales were in New Brunswick (-0.4%) and Newfoundland/Labrador (-1.0%). Sales slightly edged up in Quebec and Alberta. In real terms, retail sales were unchanged Canada-wide. Finally, Statistics Canada's early estimate for November suggests nominal sales could have unchanged in the month.

FINANCIAL CONDITIONS

U.S. Federal Reserve - The Federal Open Market Committee voted to lower the target range for the federal funds rate by 25 basis points (bps) to 4.25% to 4.50%. This is the third consecutive cut, interest rate relief totaling 100 bps since the campaign began in September. The decision was not unanimous however, as one voter dissented (the Cleveland Fed's Hammack) preferring to leave rates unchanged. This is the second dissent in the last three decisions. When it comes to balance sheet policy, the U.S. Federal Reserve will continue reducing its Treasury holdings by up to $25 billion per month and its agency MBS holdings by up to $35 billion per month. Minutes for the November decision said the Federal Open Market Committee would consider a 5 bps downward adjustment to the interest rate offered at overnight reverse repo facility and that's exactly what they did. That interest rate was decreased 30 bps to 4.25%.

Bank of Japan - The Bank of Japan kept its policy target rate unchanged at 0.25%. The market was mostly priced for a no change but 40% of the analyst community was expecting a hike. A read of the statement revealed the word 'moderately' littered throughout the release – "Japan's economy has recovered moderately…", "Overseas economies have grown moderately…", "The employment and income situation has improved moderately", "Private consumption has been on a moderate increasing trend….", "…services prices have continued to rise moderately….", "Inflation expectations have risen moderately". While they did not imply a January 2025 hike, Governor Ueda's comments in his press conference really downplayed those odds. In particular there was greater focus on requiring 'more' information, in particular "Wanting to see more wage hike sustainability" and "Wanting a bit more certainty for additional hike" and this is despite the latest wage data showing full time base pay rising at the sharpest pace in 30yrs. The focus on wages implies the Bank of Japan's preference could be to hike in March or April but Governor Ueda stated the Bank of Japan could get a sense of wage talks before March. An additional factor the Bank of Japan will need to factor in are President Trump's policies.

Bank of England - The Bank of England left the bank rate on hold at 4.75% today. The vote was a surprise, though, with a 6-3 majority to hold. The three dissents (Dhingra, Ramsden, Taylor) voted for an interest rate cut, pointing to sluggish demand and a weakening labour market, both now and looking forward. This marks a significant shift in the broad Monetary Policy Committee stance and reinforces our view that the committee will shift to sequential interest rate cuts from February as the economic backdrop no longer justifies tight policy. Elsewhere in the decision, the monetary policy committee's prior guidance that a "gradual approach to removing policy restraint remains appropriate" was maintained.

The U.S. 2 year/10 year treasury spread is now 0.22% and the U.K.'s 2 year/10 year treasury spread is 0.17%. 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 6.72%. Existing U.S. housing inventory is at 3.8 months supply of existing houses as of December 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 18.72 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

The next newsletter will be released on January 13, 2025.

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

PIC24-072-E(12/24)