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NEWS HIGHLIGHTS

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

OCTOBER 26, 2020

OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND

PORTLAND 15 OF 15 ALTERNATIVE FUND COMPANY NEWS

Brookfield Asset Management Inc. – Genworth MI Canada Inc. said Brookfield Business Partners LP will buy the remaining 43% stake it does not hold in the mortgage insurer for about CA$1.6 billion. Brookfield, which owns about 57% of the firm that now operates as Sagen MI Canada, will offer about CA$43.50 for each share in Genworth, representing a premium of about 22% to the stock's last closing price. About $460 million of the purchase price will be funded by Brookfield and the remaining by its institutional partners, Brookfield said. The deal comes at a time when mortgage insurers are beefing up their reserves to face rising defaults and looming potential foreclosures as borrowers take advantage of forbearance programs put in place by governments because of the COVID-19 crisis. The industry, which cover losses when homeowners default and foreclosures fail to recoup costs, had started tightening rules to offer mortgage insurance earlier in the year, after forecasting declines in home prices. Genworth MI Canada, which runs the largest Canadian private residential mortgage insurer, however, said in July it has no plans to change its underwriting policy for debt service ratio limits, minimum credit score and downpayment requirements.

The Blackstone Group Inc. said it had agreed to buy Simply Self Storage from Brookfield Asset Management Inc. for about $1.2 billion. Brookfield acquired Simply Self Storage for $830 million in 2016 and the company has a portfolio of 8 million square feet of self-storage facilities. Blackstone said Simply Self Storage is one of the top five private owners of self-storage in the United States, and the deal would make its real-estate investment trust, BREIT, the third biggest non-listed owner of such facilities. "Self-storage is a resilient sector through economic cycles because of low tenant turnover, minimal maintenance costs and stable cash flows," BREIT Chief Executive Officer Frank Cohen said. The deal is expected to close before the end of 2020.

Danaher Corporation announced results for the quarter ended October 2, 2020, which included net earnings of $883.5 million, or $1.16 per diluted common share which represents a 38.0% year-over-year increase from the comparable 2019 period. Non-GAAP adjusted diluted net earnings per common share were $1.72 which represents a 62.0% increase over the comparable 2019 period. Revenues increased 34.5% year-over-year to $5.9 billion, with 14.0% non-GAAP core revenue growth including Cytiva, the former GE healthcare business division Danaher acquired last year. Operating cash flow for the third quarter 2020 was $1.7 billion, representing a 93.0% increase year-over-year, and non-GAAP free cash flow was $1.5 billion, representing a 110.0% increase year-over-year. For the fourth quarter 2020 Danaher anticipates that non-GAAP core revenue growth including Cytiva will be in the low-double digit range. Rainer M. Blair, President and Chief Executive Officer, stated, "We delivered outstanding third quarter results, achieving double-digit revenue growth, over 60% adjusted EPS growth, and we more than doubled our free cash flow year-over-year. Since the onset of the COVID-19 pandemic, our team has turned unprecedented challenges into impactful opportunities to support our customers and the global community, and we're proud to play a pivotal role in tackling COVID-19 head-on."

Reliance Industries Ltd. - Amazon.com Inc. secured relief in its dispute with Future Group after a court put a temporary hold on the $3.4 billion deal to sell assets to billionaire Mukesh Ambani's Reliance Industries Ltd. An arbitration court in Singapore restrained Future Retail Ltd. and its founders from going ahead with the sale, according to people with knowledge of the matter. The ruling was on Amazon's request for an interim order before main tribunal hearings start. In a statement issued late Sunday in Mumbai, Amazon said it got all the relief it sought, without providing specifics. Representatives for Future Group, which has a partnership with Amazon in India, declined to immediately comment when reached outside of business hours in India. The ruling provides some respite for Amazon as it seeks to halt a deal that could give Ambani unparalleled dominance in the race for India's estimated $1 trillion consumer retail market. Reliance is already India's biggest brick-and-mortar retailer and has ambitious plans for the online segment that would see it take on Amazon in what is a rising market. Earlier this month, Amazon accused Future of violating a contract between the two sides by agreeing to a buyout by Reliance. The deal would have been a bailout for Future, which faces another potential cash crunch as competition in the Indian retail space intensifies and the economy slows amid the coronavirus pandemic. Amazon agreed to purchase 49% of one of Future's unlisted firms last year, with the right to buy into their flagship, Future Retail, after a period of between three and 10 years. But about two months ago, rival Reliance announced it would buy the retail, wholesale, logistics and warehousing units of the indebted Future Group, almost doubling its footprint. In May, Amazon was considering increasing its stake in Future's retail unit to as much as 49%, people familiar with the matter said at the time. But that transaction didn't materialize in time for Future, seeing it instead cut a deal with Ambani's refining-to-retail conglomerate.

DIVIDEND PAYERS

GO TO PORTLAND GLOBAL ALTERNATIVE FUND

GO TO PORTLAND GLOBAL ARISTOCRATS PLUS FUND

GO TO PORTLAND GLOBAL BALANCED FUND

The Coca-Cola Company reported Q3 2020 Comparable EPS of **$0.55**, which compares to Consensus $0.47. Of the upside, $0.02/share came from equity income as bottler performance was better than expected. Total company organic sales down -6% driven fully by a greater recovery in volumes (-4%). Gross margins down just -145 basis points (bps) and Operating margins up +235 bps (vs. expected -100 bps). North America organic down -3% on stronger price/mix with operating margins up approximately 450 bps. Europe Middle East Asia organic down -6% on stronger volumes with operating margins up +690 bps. Bottling Investments down -6% on stronger volumes and pricing with operating margins up +120 bps. Though from a short term perspective it will be important to learn how much of the reduction in selling, general and administrative expenses this quarter was the result of structural actions rather than more temporary measures to insulate profits during the pandemic, it seems the longer term implication is that Coca Cola has far better control of its cost base than is widely perceived and is already making progress on marketing efficiency/effectiveness. This goes hand in hand with the company's work to "emerge stronger" as it moves quickly to enact strategic change across its portfolio via brand rationalization and operating model with its new "networked" approach.

Coca-Cola European Partners (CCEP) announced a proposal to acquire Coca-Cola Amatil (CCL), the Coca-Cola's system's anchor Asia-Pacific bottler. Aside from being financially accretive, a potential combination of CCEP and CCL has the opportunity for CCEP and its management team to leverage a proven set of capabilities over a more extensive asset base. As an added bonus, this proposed combination also fits with brand owner Coca-Cola's discussion of becoming "asset right" as the proposed transaction would include a sale of its approximately 31% bottling stake in CCL to CCEP. With approximately 80% of company profits tied to Australia and New Zealand, the operating environment within CCL's main markets is strikingly similar to that of Western Europe. At €6.5 billion, the proposed purchase price for CCL represents a 10.9x Enterprise-value–to-EBITDA multiple to CCL's Fiscal Year 2019 underlying EBITDA with €5.2 billion equity value representing an approximate 19% premium to CCL's closing price on October 23. For illustrative purposes, using Bloomberg Consensus projections for sales and profitability for CCL, the deal could be approximately 45-50 accretive (19-21%) to 2021 earnings for CCEP (assuming a Jan. 1 close) assuming that the deal is fully financed through debt as per management commentary and that the acquisition includes a full transfer of Coca Cola's 31% stake to CCEP in addition to the outright purchase of the approximate 69% public float.

The Goldman Sachs Group Inc.'s Malaysian subsidiary pleaded guilty to a bribery charge as the bank agreed to a record $2.9 billion global settlement with regulators over the 1Malaysia Development Berhad money-laundering scandal. The settlement came as Goldman said it would claw back up to $175 million in pay and bonuses from current and former executives including David Solomon, the bank's boss, and his predecessor Lloyd Blankfein. (Source: Financial Times)

Kimberly-Clark Corporation reported Q3 2020 Core EPS of **$1.72**, which compares to Consensus $1.74. A lower tax rate contributed $0.03 versus estimates. Total company organic up +3% (versus Consensus of +1.5%) with Personal Care organic up +5% driven by volumes. Gross margins up +50 bps (versus Consensus of +130 bps) with the largest drag versus coming from other manufacturing costs, including those related to COVID-19. Revenue wise, Consumer Tissue was strong as expected, as the company continues to work to refill retail inventories. More notably, the Personal Care business came in well ahead of estimates across all geographic segments, including remarkable +6% organic growth in North America. Note this is KimberlyClark's most profitable business and with the most attractive long-term prospects and is the greatest area of focus under the company's strategic plan. Guidance was raised: EPS $7.50-7.65 (vs. $7.40-7.60 previously); Organic sales +5% (vs. 4-5% previously). Adjusted operating profit growth of 8-10% (vs. 6-9% previously).

Nestlé S.A. delivered a stronger-than-expected Q3 – Like For Like (LFL) sales growth of 4.9% (3.5% YTD) - allowing CEO Schneider to raise Fiscal Year guidance to "around 3%" (previously 2-3%). The sequential acceleration (from 2.8% in 1st Half) was primarily driven by: Coffee (9% LFL growth in Q3), Milk products, Nestle Health Science and Waters. In Q3, Nestle saw an acceleration in growth of at-home consumption categories and a moderation in the decline of Out-of-Home categories. Regionally, there was an acceleration in Latin America, China and Russia. In analysts' view, Nestlé's valuation fully reflects: the resilient nature of its portfolio, its strong balance sheet and a business that under CEO Schneider has become more competitive, dynamic and sure-footed.

The Procter & Gamble Company (P&G) reported Fiscal Q1 2021 Core EPS of **$1.63**, which compares to Consensus $1.42. Upside was entirely driven by stronger sales growth & resultant operating leverage. P&G doubled Consensus organic sales expectations this quarter, posting remarkable +9% growth (against a +7%, pre-COVID comparison). Figures cited throughout the release speak to broad-based strength, across both categories & geographies, and suggest significant market share gains. Outside of the sheer numbers, what is notable is the apparent return on reinvestment – recall, P&G accelerated spending in 2nd Half Fiscal 2020, upping its marketing investments and through the early days of the pandemic in support of new & existing innovation; like the Safeguard launch in Personal Cleansing, increased marketing communication in Fabric Care and the impact of premium innovation in Home Care. In the quarter itself, marketing reinvestment was +110 bps following a +270 bps increase in Fiscal Q4 2020. All of this spending is being fueled by the tremendous operating leverage apparent in the profit and loss. Operating leverage benefit to margins +230 bps and total cost savings +230 bps. Now, with this quarter's sales beat, the ability for P&G to reinvest at dramatically elevated rates and still increase not just EPS but cash returns to shareholders (raised share repurchase to $7-9 billion from $6-8 billion) is even stronger. Guidance: Raised Fiscal Year 2021 EPS: +5-8% (from +3-7%). Consensus currently at +6%. Raised Fiscal Year 2021 organic growth: +4-5% (from +2-4%). Consensus currently at +3.7%.

LIFE SCIENCES

Telix Pharmaceuticals Limited and Eczacibasi-Monrol Nuclear Products Co. announced that the first patients have been dosed in Telix's Phase III ZIRCON clinical trial of Telix's renal cancer diagnostic imaging product TLX250-CDx (89Zr-girentuximab) in Turkey. The objective of the ZIRCON trial is to evaluate the sensitivity and specificity of Positron Emission Tomography (PET)/Computed Tomography imaging with TLX250-CDx to non-invasively detect clear cell renal cell carcinoma (ccRCC) in patients with indeterminate renal masses in comparison with surgical resection (histology), as the standard of truth. Under a contract manufacturing agreement, Eczacibasi Monrol will supply 89Zr-labelled TLX250-CDx for the Turkish clinical sites. The ZIRCON trial includes four participating clinical study sites in Turkey, comprising Istanbul Training and Research Hospital, Istanbul University-Cerrahpasa, Ankara Hacettepe University and Ankara University. ZIRCON (Zirconium Imaging in Renal Cancer Oncology) is an international multi-centre Phase III study at 33 sites in Europe, Australia, Turkey, Canada and the United States (subject to regulatory approval in the various jurisdictions). ZIRCON is a prospective imaging trial in approximately 250 renal cancer patients undergoing kidney surgery, to determine the sensitivity and specificity of TLX250-CDx PET imaging to detect clear cell renal cell cancer (ccRCC) in comparison with histologic 'ground truth' determined from surgical resection specimens. TLX250 (Girentuximab) is being developed by Telix Pharmaceuticals Limited both as a diagnostic PET imaging agent, 89Zr-Girentuximab (Phase III) and a therapeutic radiopharmaceutical, 177Lu-Girentuximab (Phase II). TLX250 is an antibody-based platform that targets carbonic anhydrase IX (CAIX), a cell surface target that is highly expressed in several human cancers including renal, lung and oesophageal cancer. High CAIX tumour expression is generally correlated with poor prognosis. Telix has prioritised the development of TLX250 for metastatic renal cell carcinoma (RCC), particularly the clear cell variant (ccRCC), which typically over-expresses CAIX.

ENERGY SECTOR

Parsley Energy Inc./ Pioneer Natural Resources Company – Pioneer Natural Resources said it would buy smaller rival Parsley Energy in a deal valued at about $4.5 billion, the latest consolidation among U.S. shale producers. The all-stock deal would create the largest Permian Basin-only focused shale producer and is expected to add annual cost savings of $325 million. Pioneer shareholders will own about 76% of the combined company. Pioneer aims to increase cost savings and cash flow, positioning it as one of "a few investable independents," Chief Executive Scott Sheffield said on an analyst call. "There's only going to be three or four survivors," Sheffield said, naming his own company, ConocoPhillips, EOG Resources Inc. and "maybe" Hess Corporation as likely winners that could lure investor interest. A combined company would pump about 328,000 barrels of oil per day. Neither company holds federal acreage, which is seen as riskier than state or private lands in case drilling rules change after the Nov. 3 U.S. presidential election. One of Parsley's founders in 2008 was now-Chairman Bryan Sheffield, the son of Scott Sheffield. Both Pioneer and Parsley have criticized widespread natural gas flaring in the Permian oil field, saying wasting the natural gas and emitting greenhouse gas methane give the industry a black eye. Just recently, ConocoPhillips agreed to buy U.S. shale oil producer Concho Resources Inc. for $9.7 billion. That followed Chevron Corporation's $4.2 billion purchase of Noble Energy, and Devon Energy Corp's $2.6 billion all-stock buy of rival WPX Energy Inc. In Canada, Cenovus Energy Inc. agreed to buy Husky Energy Inc. for CA$3.8 billion. Parsley CEO Matt Gallagher will join Pioneer's board. The deal is expected to close in the first quarter of 2021.

Valero Energy Corporation - U.S. refiner Valero Energy posted better-than-expected third-quarter results as fuel demand recovered after a sharp cut earlier in the year due to the COVID-19 pandemic that hurt travel. The company said refining throughput, or the amount of crude it processed, averaged 2.5 million barrels per day (bpd), an improvement of 200,000 bpd from the prior quarter as demand for gasoline, diesel and jet fuel recovered in step with global economies opening up. Valero slightly lowered its investment budget for the year, but raised its bet on the future of renewable diesel by allocating a larger portion of planned expenses to such projects. Investor clamor for clean energy, coupled with the slump in demand for gasoline, has pushed refiners to accelerate plans for retrofitting facilities to produce so-called renewable diesel, which is made from used cooking oil, among other things, and burns cleaner than conventional diesel. The company said it now expects to invest around 40% of its growth capital this year and next towards expansion of the renewables business. It had allocated 30% at the end of the second quarter. Valero's capital investments for 2020 and 2021 are expected to total $2 billion, down from $2.1 billion for 2020 that it forecast in July. Adjusted net loss of $1.16 per share for the three months ended Sept. 30 was below analysts' average estimate of $1.49. Valero, which kicked off refining earnings for the quarter, said revenue fell to $15.81 billion from $27.25 billion a year earlier, but was still above Wall Street's estimate of $15.60 billion.

Valero announced it expects its 15 refineries to have a combined throughput in the fourth quarter of 2020 of 80.5% of their combined capacity. That percentage equals about 2.5 million barrels per day (bpd), the company said. The bulk of the production will come from the company's seven U.S. Gulf Coast refineries, which are planned to operate at 1.46 million bpd in the fourth quarter. In the third quarter, combined utilization at the company's refineries reached 80%, said Chief Executive Joe Gorder, because of easing restrictions imposed to prevent the spread of COVID-19. In the second quarter, utilization at the company's 15 refineries was 74% of the combined capacity, Gorder said.

ECONOMIC CONDITIONS

COVID-19 news continues to suggest more spread of the virus. Ireland announced some of the toughest COVID-19 constraints, closing most stores, bars and restaurants. Italy imposed further restrictions in the Lombardy region to curb a new surge in infections in the area and Spain tightened COVID measure to fight against a second wave. Last week, the number of confirmed cases globally hit 40 million with 1.1 million confirmed virus deaths. Experts though believe that the number of cases are likely higher given testing in many areas have been variable, many do not have any symptoms and some governments have concealed their true number of cases. The U.S., India and Brazil have reported the highest number of cases at 8.1 million, 7.5 million, and 5.2 million, respectively. In **Canada**, virus cases are above 201,000 with just under 10,000 deaths.

Canada's consumer price index fell 0.1% in September (not seasonally adjusted), matching consensus expectations. In seasonally adjusted terms, headline prices advanced 0.1% on gains for transportation (+0.5%), shelter (+0.3%) and health/personal care items (+0.2%), among others. Alternatively, prices in the clothing/footwear segment sank 2.8%, marking the second largest drop on records going back to 1992. Year on year, headline inflation rose 4 ticks to 0.5%.

Canada's retail sales rose 0.4% month/month in August, slightly less than the rate expected by consensus (+1.1%). Sales were up in only 4 of the 11 subsectors, with the most significant contribution from building materials/garden equipment (+4.5%). Retail spending also increased for food/beverages (+0.8%), gasoline stations (+1.2%) and miscellaneous (+0.7%). These increases were more than enough to offset the sales declines in sporting goods (-3.7%), general merchandise (-0.7%), health/personal care (-0.4%), furniture (-0.4%), electronics/appliances (-0.2%), motor vehicles/parts (-0.1%). Without autos, spending would have increased +0.5%, still worse than consensus expectations. Spending on clothing was flat in the month. In real terms, Canada's retail sales edged up 0.5%.

U.S. housing starts rose 1.9% in September to a 2-month high of 1.415 million units annualized. That not only missed expectations, but it came off of a **downwardly revised** July and August. But the underlying details were far better than what the headline showed. The all-important **single-family** component jumped 8.5% to a 13-year high of 1.108 million units (or June 2007), or 78% of total starts, while **multis** fell at a double-digit pace for the second straight month. **Building permits** jumped a higher-than-expected 5.2% to 1.553 million units annualized, the highest since March 2007. And permits requested for more **single-family** homes to be built rose 7.8% in September, the fifth consecutive increase, while there were fewer applications for **multis** (-0.9%). So this was a strong report and a positive source of energy for the economy in our view. There is positive momentum heading into the fourth quarter from the housing sector and from consumer spending, and the spin-offs associated with it. Of course, how the virus progresses will have a say in how this all ends up.

U.S. existing home sales surged 9.4% in September, doubling the expected move, spread out across all four regions, to 6.54 million units annualized, the highest since May 2006. This was also the fourth increase in a row, which we haven't experienced in six years. And it was, surprisingly, not just larger homes (relatively speaking) in demand. Single-family home sales jumped 9.7% to a 14-year high, but sales of condos/townhomes and the like, also increased (for the fourth straight month). Strong demand drained the number of options available to buyers; in fact, the **months' supply** tumbled to a record-low 2.7 It appears that this pandemic has opened up a whole new world of living options for those fortunate enough to have the ability to work-from-home. The spin-offs associated with this hot housing market will help the U.S. economy grind ahead in our view.

U.S. jobless claims data were better than expected. **Initial claims** fell 55,000 in the survey week of October 17 to 787,000, the lowest since mid-March. The prior couple of weeks were revised down, which explains the lower end result. 1,024,000 stopped receiving benefits, which is more telling. Continuing claims dropped to 8,373,000; again, the lowest since March.

Bank of England Governor Andrew Bailey said there is a significant risk of further disappointments to U.K. economic growth, and that the country faced unprecedented uncertainty as coronavirus cases began to climb again. Britain's economy shrank by 20% in the three months to June, the biggest drop of any large advanced economy, and Bailey reiterated that he expected output at the end of the third quarter was 10% below its level at the end of 2019. "Ten percent is still a huge gap, let's be clear on that," Bailey told an online seminar for central bank governors hosted by the Group of Thirty, a panel of economic policymakers and senior bankers on Sunday. "We're operating at an unprecedented level of economic uncertainty. Of course, that is heightened now by the return of COVID.... The risks remain very heavily skewed towards the downside," he added. (Source: Reuters)

FINANCIAL CONDITIONS

Japan's banking system remains stable as a whole and has sufficient buffers against risks, the central bank said in a semi-annual report, voicing confidence that domestic financial institutions can withstand the hit from the coronavirus crisis. The Bank of Japan warned that commercial banks were vulnerable to various risks including rising credit costs, as loans to pandemic-hit sectors like property developers may sour. (Source: Reuters)

The U.S. 2 year/10 year treasury spread is now 0.66% and the U.K.'s 2 year/10 year treasury spread is 0.31%. 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 2.80%. Existing U.S. housing inventory is at 2.7 months' supply of existing houses - well off its peak during the Great Recession of 9.4 months and we consider a more normal range of 4-7 months.

The VIX (volatility index) is 29.88 and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 bodes well for quality equities.

And finally

"Never before have so many companies with no revenue pursued a public listing at such high valuations" recent Wall Street Journal article….together with "It is better to have a permanent income than to be fascinating" Oscar Wilde (Mr. Wilde would probably not have been investing in this year's IPOs).

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Glossary of Terms: 'boe' barrel of oil equivalent, a measurement of a unit of energy, 'boed' refers to barrel of oil equivalent per day, 'CET' core equity tier, 'EBITDA' earnings before interest, taxes, depreciation and amortization, 'EPS' earnings per share, 'FCF' free cash flow, 'GDP' gross domestic product, 'netback' is a measure of oil and gas sales revenues net of royalties, production and transportation expenses and is used to compare performance in the oil and gas industry, 'ROE' return on equity, 'ROTE' return on tangible equity, 'ROTCE' return on tangible common equity.

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