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NEWS HIGHLIGHTS

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

FEBRUARY 18, 2025

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OWNER OPERATED COMPANIES

GO TO PORTLAND 15 OF 15 ALTERNATIVE FUND[1]

PORTLAND 15 OF 15 ALTERNATIVE FUND[1] COMPANY NEWS

Reliance Industries Limited (Reliance) – An Indian court Friday ruled against Reliance and its partner British Petroleum public limited company (BP p.l.c.) in a gas drilling dispute that's been going on for more than a decade, according to a lawyer representing the litigant. A two-judge bench of the Delhi High Court sided with the petroleum ministry, which had argued that the nation's most valuable company unlawfully extracted natural gas from a neighboring offshore block controlled by state-run Oil & Natural Gas Corporation (ONGC). It is likely the battle won't end here. As with most other high-stakes disputes, Reliance has the option to escalate the matter to the country's top court. The dispute dates back to 2014, when state explorer ONGC sued the Reliance-led venture, alleging it drew a "substantial" volume of gas from the state-run explorer's offshore field. The blocks in Bay of Bengal on India's east coast are next to each other and ONGC claimed that it was possible the two were linked.

Reliance - will combine its streaming platforms JioCinema and Disney+ Hotstar under a unified brand as the conglomerate looks to dominate the Indian market estimated at 750 million viewers. The merged platform, JioHotstar, offering both sports and entertainment, will allow users access to a large library of content at a much affordable price, according to Kiran Mani, Chief Executive Officer (CEO)- digital, JioStar, the unit owned by Reliance and The Walt Disney Company. Plans will start at 149 rupees (US$1.7) for mobile-only access for three months. A premium subscription for the same period, without advertisements and for 4 screens, will cost 499 rupees (US$5.74). JioHotstar will vie for market share with deep-pocketed rivals such as Amazon.com, Inc. (Amazon) and Netflix, Inc. (Netflix) in the country's fast growing but fiercely competitive streaming market. Amazon has continued to invest heavily in its platform in India, even while cutting back in other markets. Last month, Netflix hiked its premium and standard plans in the US, Argentina, Canada, and Portugal, but kept India out of that list. Existing JioCinema and Disney+ Hotstar subscribers will be able to switch to JioHotstar, Mani said. The new platform will also host Sparks, which will offer original, short-form content with a single episode lasting between two and 12 minutes, he said. JioStar will also look to bring more live experiences, beyond sports, to the unified platform, said Sanjog Gupta, CEO, sports, JioStar.

Reliance - Reliance BP Mobility Limited (Jio-bp) is targeting a topline of over Rs 50,000 crore in the current financial year 2024-25 and hopes to register good bottom lines, as per the source. In addition to fixed charging, Jio-bp provides battery-swapping services through its extensive network of swapping stations. Jio-bp, a joint venture between Reliance and global energy major BP p.l.c., aims to expand its retail infrastructure while enhancing customer experience to strengthen its presence in the downstream market. The company aims at expanding its electric vehicle charging stations to 100,000 in the next 10-12 years in line with the government's push to support EV charging infrastructure across the country to help the country realize its net zero targets. In addition, Jio-bp also plans to set up 1,000 retail outlets to sell compressed biogas produced by CBG (Compressed Biogas) plants set up by Reliance. The company has been the first to deploy 480 kilowatt (Kw) chargers in Mumbai, the fastest in the country and presently 95% of its charging stations have at least one fast charger, the source said. Last year, the company also partnered with Piramal Realty (Piramal) to provide EV charging solutions across all Piramal's residential projects in the Mumbai

Metropolitan Region. Other than expanding infrastructure in the EV and compressed biogas segments, the company is also positive of setting up 180 retail outlets in the current fiscal for the sale of diesel and petrol. In the upcoming financial year, the company is hopeful to register healthy marketing margins given the weakness in global crude oil prices which are presently hovering at around US$74 per barrel. Jio-bp is targeting a topline of over Rs 50,000 crore in the current financial year 2024-25 and hopes to register good bottom lines, as per the source. In addition to fixed charging, Jio-bp provides battery-swapping services through its extensive network of swapping stations. The company collaborates with demand aggregators, original equipment manufacturers, and technology partners to accelerate EV adoption in the country.

Ares Management Corporation (Ares) – Cain International (Cain) and Ares have entered an exclusivity agreement to acquire a significant stake in The Hundred franchise, Trent Rockets (a franchise cricket team that competes in The Hundred, a professional 100-ball cricket tournament in England and Wales). This marks Cain's first direct investment in professional sports, aligning with its US$17 billion portfolio in lifestyle and entertainment. Ares, managing $484 billion in assets, expands its global sports investments, which include Inter Miami CF and McLaren Racing. Cain's CEO, Jonathan Goldstein, sees the investment as a way to enhance Trent Rockets' commercial and fan experience, while Ares' Mark Affolter highlights their commitment to sports growth. Nottinghamshire Chair Andy Hunt welcomes the deal, viewing it as a boost for The Hundred's long-term success and the broader 18-county system.

Ares – TIFIN AMP Inc. (TIFIN AMP), an AI-powered distribution intelligence platform, has formed a strategic partnership with Ares Wealth Management Solutions (AWMS), the private wealth arm of Ares. The collaboration aims to enhance AWMS' distribution teams' efficiency by leveraging AI-driven insights to align sales and marketing efforts with key opportunities in the U.S. advisor-sold channel. AWMS' Co-Head, Christina Adamson, emphasized that the AI platform will help their sales team focus more on client interactions while reducing inefficiencies. TIFIN AMP's Chief Operating Officer (COO), Jeannette Kuda, highlighted AI's role in improving advisor engagement and driving scalable growth. The platform will enable AWMS to target advisors more effectively and optimize content delivery based on real-time data insights.

Berkshire Hathaway Inc. (Berkshire) – disclosed a new US$1.24 billion investment in Constellation Brands, Inc. (Constellation) while reducing stakes in four banks, including Citigroup Inc. (Citigroup) and Bank of America Corporation (BofA). The regulatory filing, covering stock holdings as of December 31, 2024, also confirmed that Berkshire has stopped selling Apple Inc. (Apple), which remains its largest holding at $75.1 billion. Berkshire had previously sold $133.2 billion in stocks—mostly 490 million Apple shares—between January and September 2024, increasing its cash reserves to $325.2 billion. Constellation's portfolio includes Corona Extra, Modelo Especial, and Robert Mondavi Winery. Berkshire also increased its stake in Domino's Pizza, Inc. by 86%, while maintaining a small position in Diageo plc, owner of Guinness and Johnnie Walker. On the banking side, Berkshire cut its Citigroup stake by 74% to 14.6 million shares and reduced BofA holdings by 15% to 680.2 million shares, continuing a broader sell-off since July. It also trimmed investments in Capital One Financial Corporation and Nu Holdings Ltd. and fully exited Ulta Beauty, Inc. after holding it for less than a year.

Berkshire – disclosed that it sold 203,091 shares of DaVita Inc. (DaVita), reducing its stake to 45% (35.89 million shares) valued at nearly US$6.4 billion. The sale was part of an April 2024 share repurchase agreement, under which DaVita buys back shares quarterly to maintain Berkshire's stake at 45%. Additionally, Berkshire must vote any shares exceeding a 40% stake in line with DaVita's board recommendations. Berkshire has held DaVita shares since Q4 2011, with the investment led by portfolio manager Ted Weschler, who joined Berkshire in 2012 after previously investing in DaVita through his former hedge fund, Peninsula Capital Advisors, LLC. Along with Todd Combs, Weschler helps manage Berkshire's investment portfolio, though the firm has not recently disclosed how much capital they oversee.

Brookfield Asset Management (Brookfield) – reported strong financial results for 2024, driven by record fundraising and capital deployment. The firm raised US$137 billion in capital throughout the year, including $29 billion in the fourth quarter (Q4), contributing to an 18% increase in fee-bearing capital (FBC) to $539 billion. Fee-related earnings grew 17% in Q4 to $677 million and 10% annually to $2.5 billion. Brookfields's net income reached $186 million for the quarter, nearly doubling from the prior year. Key fundraising efforts included $4.2 billion in renewable power, $2.5 billion in infrastructure, $1.8 billion in private equity, and $20 billion in credit. Brookfield also monetized $9 billion in Q4, including the sale of U.K. shopping centres and renewable assets. A major corporate move saw Brookfield acquire Brookfield Corporation's 73% stake in its asset management business, simplifying governance and positioning the company for broader stock index inclusion. With $115 billion in uncalled fund commitments and $1.8 billion in liquidity, Brookfield remains well-capitalized. The firm also announced a 15% increase in its quarterly dividend to $0.4375 per share, payable March 31, 2025.

Brookfield – Oaktree Capital Management, L.P. (Oaktree) announced the final close of Oaktree Opportunities Fund XII (Opps XII) with US$16 billion in commitments, including co-investment and affiliated vehicles. The fund leverages Oaktree's 36-year track record in global opportunistic credit investing, focusing on risk-adjusted returns across public and private markets. To date, over $7 billion has been deployed across diverse sectors and geographies, with a strategy emphasizing capital structure seniority, downside protection, and high cash yields. Co-CEO Bob O'Leary highlighted Oaktree's expertise and scale in navigating complex situations, with a strong investment pipeline expected in 2025. The fund targets seven key investment areas, including opportunistic liquid credits, rescue financings, and debtor-in-possession financings. With a global team positioned in key economic regions, Oaktree aims to capitalize on high-quality opportunities, reinforcing its leadership in the opportunistic credit space.

Brookfield Corporation (Brookfield Corp.)– reported record 2024 financial results, driven by strong performance across asset management, wealth solutions, and operating businesses. Fee-bearing capital grew 18% to US$539 billion, with $135 billion in inflows.

Distributable earnings (DE) before realizations rose 24% to $1.5 billion in Q4 and 15% to $4.9 billion for the year, while net income reached $1.9 billion. The company raised its quarterly dividend by 13% to $0.09 per share, payable March 31, 2025. Asset management saw fee-related earnings grow 17%, backed by $40 billion in flagship fundraises. Wealth solutions earnings nearly doubled to $1.4 billion, with insurance assets expanding to $120 billion and $19 billion in annuity sales. Operating businesses delivered stable cash flows, with 10% growth in renewable power and infrastructure and 4% same-store Net Operating Income (NOI) growth in real estate. Brookfield Corp. monetized $40 billion in assets, signed 27 million sq. ft. in new leases, and grew unrealized carried interest by 13% to $11.5 billion. It ended the year with $160 billion in deployable capital, a strong balance sheet with no debt maturities until 2026, and $1.5 billion returned to shareholders. Positioned for continued growth, the company expects strong transaction activity in 2025.

Brookfield Corp. – Brookfield Wealth Solutions Ltd. (Brookfield Wealth) reported strong financial results for 2024, doubling the size of its business following the acquisition of American Equity Investment Life Holding Company (AEL). The firm deployed US$17 billion in investments and generated $19 billion in annuity and pension risk transfer (PRT) sales, including $14 billion in retail annuities and $5 billion in PRT deals. It also completed its first U.K. reinsurance transaction, covering £1.0 billion (US$1.3 billion) in pension liabilities. Distributable operating earnings (DOE) rose significantly to $427 million in Q4 and $1.4 billion for the year, nearly doubling from 2023 due to higher net investment income and annuity sales. Net income reached $576 million in Q4 and $1.2 billion for the year, benefiting from favorable reserve movements amid interest rate and equity market shifts. Brookfield Wealth maintains a strong liquidity position, with $31 billion in cash and short-term liquid investments and an additional $21 billion in long-term liquid assets. The firm increased its quarterly return of capital by 13% to $0.09 per share, payable on March 31, 2025.

DIVIDEND PAYERS

GO TO PORTLAND CANADIAN BALANCED FUND[1]

CVS Health Corporation (CVS Health) – announced operating results for the three months and year ended December 31, 2024. Q4 GAAP diluted EPS of US$1.30 decreased from $1.58 in the prior year and Adjusted EPS of $1.19 decreased from $2.12 in the prior year, primarily due to a decline in the Health Care Benefits segment's operating results, which reflect continued utilization pressure and the unfavorable impact of the Company's Medicare Advantage star ratings for the 2024 payment year.

For the three months and year ended December 31, 2024, compared to the prior year:

- Total revenues increased 4.2% in both the three months and year ended December 31, 2024, compared to the prior year driven by growth in the Health Care Benefits and Pharmacy & Consumer Wellness segments, partially offset by a decline in the Health Services segment.
- Operating income decreased 29.8% in the three months ended December 31, 2024, compared to the prior year primarily due to a decrease in adjusted operating income, partially offset by an increase in net realized capital gains and lower acquisition-related integration costs compared to the prior year.
- Operating income decreased 38.0% for the year ended December 31, 2024, compared to the prior year primarily due to a decrease in adjusted operating income and an increase in restructuring charges compared to the prior year. These decreases in operating income were partially offset by an increase in net realized capital gains, the absence of a $349 million loss on assets held for sale related to the write-down of the CVS Health's Omnicare long-term care business recorded in the prior year, as well as lower acquisition-related transaction and integration costs.
- Adjusted operating income decreased 35.5% and 31.7% in the three months and year ended December 31, 2024.
- Interest expense increased $68 million, or 9.9%, and $300 million, or 11.3%, respectively, due to higher debt in the three months and year ended December 31, 2024, primarily as a result of long-term debt issuances in 2024.
- The effective income tax rate in the fourth quarter decreased to 23.7% compared to 24.3% in the prior year, primarily due to the basis differences on the disposition of certain investments and utilization of tax credits partially offset by the mix of pre-tax income in the three months ended December 31, 2024 compared to the prior year.
- The effective income tax rate for the full year increased to 25.4% compared to 25.1% in the prior year, primarily due to the mix of pre-tax income and certain non-deductible expenses, partially offset by basis differences on the disposition of certain investments and utilization of tax credits in the year ended December 31, 2024 compared to the prior year.

Magna International Inc. (Magna) – For the three months ended December 31, 2024, Magna posted sales of US$10.6 billion for Q4 2024, an increase of 2% over Q4 2023, which compares to global light vehicle production that also increased 2%, including 2% and 10% higher production in North America and China, respectively, partially offset by 6% lower production in Europe. The increase in sales was primarily due to the launch of new programs during or subsequent to Q4 2023, higher engineering revenue, the negative impact of the United Auto Workers (UAW) labour strikes, which decreased Q4 2023 sales by approximately $275 million and commercial items in the fourth quarters of 2024 and 2023, which had a net favourable impact on a year-over-year (y/y) basis.

These factors were partially offset by lower production on certain programs, the end of production of certain programs, lower complete vehicle assembly volumes, including on the Jaguar E-Pace and the end of production of the Fisker Ocean, divestitures during 2024, which reduced sales by $62 million, the net weakening of foreign currencies against the U.S. dollar, which decreased reported U.S. dollar sales by $43 million and net customer price concessions.

Adjusted EBIT (Earnings Before Interest and Taxes) increased to $689 million for Q4 2024 compared to $558 million for Q4 2023, primarily due to commercial items in the fourth quarters of 2024 and 2023, which had a net favourable impact on a y/y basis, including the negative impact of a settlement with a supplier during Q4 2024, productivity and efficiency improvements, including lower costs at certain underperforming facilities, the negative impact of the UAW labour strikes during Q4 2023, higher equity income, higher engineering margin on higher engineering sales and higher net transactional foreign exchange gains in the fourth quarter of 2024 compared to Q4 2023.

These were partially offset by reduced earnings on lower sales, higher production input costs, net of customer recoveries, lower tooling contribution, higher net warranty costs of $29 million, reduced earnings on lower assembly volumes, provisions related to the insolvency of two Chinese OEMs (Original Equipment Manufacturers) during Q4 2024 and higher restructuring costs.

During Q4 2024 Other Expense, net and Amortization of acquired intangibles totaled $256 million (2023 - $195 million) and on an after-tax basis $279 million (2023 - $112 million), including Adjustments to Deferred Tax Valuation Allowances. Income from operations before income taxes increased to $381 million for Q4 2024 compared to $310 million in Q4 2023. Excluding Other expense, net and Amortization of acquired intangibles from both periods, income from operations before income taxes increased $132 million in Q4 of 2024 compared to Q4 2023, largely reflecting the increase in Adjusted EBIT. Net income attributable to Magna was $203 million for Q4 2024 compared to $271 million in Q4 2023. Excluding Other expense, net, after tax, Amortization of acquired intangibles and Adjustments to Deferred Tax Valuation Allowances from both periods, net income attributable to Magna increased $99 million in Q4 of 2024 compared to Q4 of 2023. Diluted earnings per share were $0.71 in Q4 of 2024, compared to $0.94 in the comparable period. Adjusted diluted earnings per share were $1.69, up $0.36 from $1.33 for Q4 2023. In Q4 of 2024, cash from operations before changes in operating assets and liabilities of $896 million, with $1.01 billion generated in operating assets and liabilities. Investment activities included $709 million in fixed asset additions and $207 million in investments, other assets and intangible assets.

LIFE SCIENCES

GO TO PORTLAND LIFE SCIENCES ALTERNATIVE FUND[1]

Arvinas, Inc. (Arvinas) – reported progress in its clinical pipeline for Q4 and full year 2024. Key updates include the anticipated topline results from the Phase 3 VERITAC-2 trial for vepdegestrant in ER+/HER2- metastatic breast cancer, expected in the first quarter (Q1) of 2025. The company also presented promising Phase 1b data on vepdegestrant in combination with abemaciclib. Arvinas believes its cash and cash equivalents as of December 31, 2024, is sufficient to fund planned operating expenses and capital expenditure requirements into 2027.

BeiGene, Ltd. (BeiGene)– has partnered with BostonGene Corporation (BostonGene) to advance biomarker discovery for Mantle Cell Lymphoma (MCL), a rare and aggressive cancer with high relapse rates and resistance to treatment. The collaboration aims to identify tumor-based biomarkers linked to therapeutic response and resistance by analyzing genomic alterations, immune microenvironment dynamics, and clinical outcomes. BostonGene will leverage its AI-driven molecular profiling platform, combining advanced techniques like whole-exome sequencing (WES) and RNA sequencing (RNA-seq), to generate comprehensive profiles.

Olema Oncology, Inc. (Olema) – has appointed Shawnte M. Mitchell, J.D., as Chief Legal Officer and Corporate Secretary. Mitchell brings over 20 years of experience in regulatory, commercial, intellectual property, and business development matters in the biotechnology sector. Prior to joining Olema, she held leadership roles at Genomatica, Inc., Zogenix, Inc., and Aptevo Therapeutics Inc. She will support Olema's strategic priorities, particularly as the company advances its late-stage palazestrant and OP-3136 KAT6 programs. She holds a B.S. in Biological Sciences from Stanford University and a J.D. from The George Washington University Law School.

Telix Pharmaceuticals Limited (Telix) – The Medicines and Healthcare products Regulatory Agency (MHRA) approved gozetotide, branded as Illuccix, for use in Position Emission Tomography (PET) scans. This imaging procedure will help detect specific types of cancer cells in adults with prostate cancer.

NUCLEAR ENERGY

Assystem S.A. (Assystem) – reported Q4 2024 revenue of €165.9 million, a 6.4% increase, bringing full-year revenue to €611.3 million (+5.8%), meeting its target. Nuclear activities remained the primary growth driver, particularly in France and the U.K. France (62% of revenue) saw 1.6% growth to €380.9 million, with nuclear up 7.6% due to fuel cycle projects and stable installed base activity, though nuclear new-builds slowed in Q4. International revenue (38%) grew 13.7% to €230.4 million, boosted by L&T IEL's (L&T Infrastructure Engineering Limited, a wholly owned subsidiary of Larsen & Toubro Limited) acquisition and strong U.K. performance, while Saudi Arabia saw slower growth. On January 23, 2025, Assystem acquired Mactech Energy Group, a U.K.-based nuclear construction specialist, strengthening its position in the U.K. nuclear market ahead of future projects. Assystem continues to expand in nuclear, with a focus on the U.K. and India.

Bloom Energy Corporation (Bloom) – and Chart Industries, Inc. (Chart) have formed a partnership to develop a cost-effective carbon capture solution using natural gas and fuel cells, aimed at providing near-zero-carbon, reliable power. Bloom's high-temperature fuel cell technology produces a CO_2-rich exhaust stream, which Chart will process for utilization or sequestration, offering an efficient and affordable path to decarbonization. This collaboration targets energy-intensive sectors like data centers and manufacturing, enabling scalable, always-on power with significantly reduced emissions. The captured CO_2 can be used in various industries or stored as sequestration infrastructure grows, advancing long-term decarbonization goals.

ITM Power Plc (ITM) – has signed a contract to supply four NEPTUNE V units, totaling 20 megawatts (MW), to La Française de l'Energie SA (FDE). The NEPTUNE V units, which feature ITM's TRIDENT stack technology, will be deployed in the first phase of Norway's Hydrogen Hub Agder project, owned by FDE's subsidiary Greenstat AS. This green hydrogen facility will serve the maritime industry, with production expected to begin in late 2026. A second phase of the project, adding another 40MW, is planned for 2027.

ECONOMIC CONDITIONS

U.S. Inflation - U.S. annual Consumer Price Index (CPI) inflation for January increased for the third month in a row due to a sizzling 0.5% monthly rise. The market was bracing for a worse than expected number, and, unfortunately, we got it and then some. These renewed inflation pressures are not easily explained away by problematic seasonal adjustment factors. It builds on the pick-up in inflation we saw in Q4 and follows the 100 basis points (bps) in U.S. Federal Reserve interest rate cuts since September. Finger pointing on the rate cuts will intensify, and market pressures will build on the U.S. Federal Reserve to stay on hold for a considerable period of time before contemplating another cut. The White House pressure may be heading in the other direction, however, based on the President's latest post. The January CPI price increase was the fastest monthly pace since August 2023. Consumer inflation y/y increased by another tenth of a percentage point to 3.0% from 2.9% in December and a low of 2.4% in September. The inflation rate from a year ago was the fastest since June. We saw an unfavorable pick-up in gasoline prices (+1.8%), energy (+1.1%), commodities (+0.6%), air fare (+1.2%), used motor vehicles (+2.2%), and food (+0.4%) prices last month. Shelter inflation increased 0.4% on a hot 0.7% rise in fuels and utilities. On a softer note, we saw a 1.4% decline in apparel prices, no increase in new car prices, and a modest 0.1% increase in medical care and recreation prices. Core CPI inflation, excluding food and energy, also jumped to an elevated 0.4% last month from 0.2% in December, the fastest monthly place since March 2024. The 3-month average core CPI inflation is still running at a "hot" 3.8% annualized, well above the Fed's 2.0% target. The Super-core, services excluding housing and energy, is increasing at an even more over-heated 5.3% annualized rate over the past three months. From a year ago, core CPI inflation increased at a stubbornly elevated 3.3%, up from 3.2% in December.

U.K. GDP - growth came in at +0.4% month-over-month (m/m) in December (market: 0.1%), leaving Q4 growth just barely in positive territory at 0.1% quarter-over-quarter (q/q) (market: -0.1%). Details of the December report were fairly strong across the board, with services growth up 0.4% m/m, while the manufacturing sector gained 0.7% m/m. Within services, the key gains were driven by advertising and market research, as well as from administrative support services. December marks the strongest one-month change in GDP since March 2024. The Q4 print of 0.1% q/q comes after third quarter (Q3) growth of 0.0%, so the U.K. economy, after a stellar first half of 2024, effectively stalled into year-end. This positive boost to growth will be welcomed by the Monetary Policy Committee to some degree, in that it chips away a little at the stagflation narrative that was at risk of developing had GDP growth slipped into negative territory while inflation remains sticky. Next week gives us three top-tier U.K. releases, plus the purchasing managers indices, so the Monetary Policy Committee will likely start to settle on their next interest rate move in about 10 days time.

U.S. Tariffs - President Trump signed new measures on reciprocal trade policy on Thursday afternoon, pledging to target countries that charge higher tariffs on US imports, while also addressing non-tariff barriers including VATs (Value-Added Taxes). Details remain sparse as the White House has yet to publish an official statement on these measures, and its unclear how the US will attempt to measure reciprocity across tariffs and non-tariff trade barriers. New tariffs are not imminent, as reciprocal measures will be addressed in a broader review of US trade policy on April 1st (part of Trump's America First Trade Policy), which opens the door to new measures shortly afterward. President Trump also touched on the likelihood of more targeted, industry-specific tariffs, noting any further measures on motor vehicles, semi-conductors, and pharmaceutical products would be applied on top of reciprocal tariffs, and that there are no exemptions planned for auto tariffs.

U.S. Retail Sales - Following strong spending in the final three months of 2024, U.S. consumers had a case of buyers' remorse at the start of this year. Retail sales unexpectedly dropped 0.9% in January, though the prior month was revised higher. Any data point that questions the strength of American households will raise eyebrows, especially at a time when the economy is facing a multitude of headwinds (trade uncertainty, sticky inflation). While the report is disappointing, we won't read too much into a single month. Remember, consumers also took a step back at the start of 2024 before strong spending through the rest of the year. And there were some special factors that may have, at least partially, hindered shoppers last month, including colder-than-usual temps across much of the country and the devastating Los Angeles wildfires. The City of Angels is the second-largest metropolitan area, so any drop in activity there would have a sizeable overall impact. Digging into the details, cars (-2.8%), furniture (-1.7%) and building materials (-1.3%) saw hefty declines. Curiously, despite the weather, restaurants were one of the few categories that saw a pop, up 0.9%.

Canadian Manufacturing Sales - In Canada, manufacturing sales rose 0.3% in December, a result 4 ticks below consensus expectations calling for a +0.7% monthly increase. The prior month's result, meanwhile, was revised one tick lower at +0.7%. Higher sales stemmed from non-durable goods (+1.3%) as durable goods producing industries declined in the month (-0.6%).

Canadian Residential Building Permits - In Canada, the number of residential building permits issued surged by 28.6% from November to

December, reaching 348.9 thousand (K) units (seasonally adjusted and annualized), the highest level ever recorded since data began in 2017. This increase was caused mainly by a 35.0% jump in the multi-family segment while the single-family segment still progressed by 4.1%.

Canadian Inflation - CPI increased by 0.06% in January following a significant decline (-0.37%) in the month prior. The result was in line with the consensus estimate (in non-seasonally adjusted terms). The monthly inflation was assisted by the temporary GST holiday (capturing the entire month), which will continue into February's data as well (capturing half the month). In seasonally adjusted terms, headline prices progressed 0.06% following a 0.19% uptick in December. This translated to an annual inflation rate of 1.9%, up one tick from the prior 1.8% print, and matched the median estimate. Prices in January increased in 4 of the 8 categories surveyed, including clothing/footwear (+0.86%), household ops/furnishings (+0.77%), transportation (+0.4%) and shelter (+0.32%). The price declines were seen in alcohol/tobacco (-1.39%), food (-0.95%), and recreation/education (-0.31%). Seven of the ten provinces had prices increasing in January - the annual inflation data was above the national average in Alberta (+2.5%) and B.C. (+2.2%), while printing below the mark in Quebec (+1.8%) and Ontario (+1.7%). Core inflation measures were as follows: 2.7% for CPI trim and 2.7% for CPI median, heating up two and one ticks, respectively, and above expectations. February inflation data will be released on March 18th.

FINANCIAL CONDITIONS

Reserve Bank of Australia - delivers a hawkish 25 basis point (bps) cut as anticipated, taking the target cash rate to 4.10%. The statement stopped short of green lighting a series of Reserve Bank of Australia cuts indicating "the Board remains cautious on prospects for further easing" and noting that "if monetary policy is eased too much too soon, disinflation could stall, and inflation would settle above the midpoint of the target range". The Reserve Bank of Australia still views policy as restrictive and "will remain so" flagging to the market to not expect too much easing. In our view the statement strikes the right balance without boxing the new Reserve Bank of Australia's rate setting Board to deliver a follow-up cut at its first meeting, hence lowering the odds of a cut at its April meeting. That said the forecast for follow-up cuts in May and Aug still holds. The forecasts reveal the Reserve Bank of Australia is dovish on growth, for the labour market to tighten while trimmed mean is expected to be at 2.70% across its forecast horizon.

The U.S. 2 year/10 year treasury spread is now 0.24% and the U.K.'s 2 year/10 year treasury spread is 0.34%. 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 6.87%. Existing U.S. housing inventory is at 3.3 months supply of existing houses as of January 24, 2025 - 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 15.90 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, '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, 'SG&A' Selling, General, and Administrative expense ratio.

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

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