



News Highlights

Energy Sector

Baytex Energy – reported production for the first quarter of 90,710 boed, largely unchanged from Q4. Realized light oil and condensate price was \$36.40/bbl, with Eagle Ford at \$52.7/bbl, some \$8 less than the Louisiana Light Sweet (LLS), which normally trades at a premium to WTI. Realized heavy oil price was \$28.57/bbl. Operating netback was \$13.89/boe (\$26.37/boe including hedges). Eagle Ford had an operating net-back of \$21.78/boe, whilst Canadian plays had a \$7.35/boe netback. Funds from operations of \$0.95/share were lower than Q4 of \$1.47/share and Q1 of 2014 of \$1.36/share, though broadly in-line with consensus expectations of \$0.94/share. Production for the remainder of 2015 is 23% hedged at around \$85 (US), whilst for 2016 some 11% of production is hedged at around \$63 (US). Proforma monetary debt, including the latest \$606 million equity raise, is \$1.85 billion, or roughly 1.5x Debt/EBITDA (revised covenants allow 4.75x/4.5x for 2015/2016). BTE maintains some \$1.1 billion of undrawn capacity in its credit facilities. 2015 production guidance maintained at 84k to 88k boed with exploration and development expenditures of \$500 to \$575 million. 80% of capex allocated to Eagle Ford and 20% to Canada, with the Canadian spend weighted towards the tail end of 2015; this is, we believe, most likely to be first cut in a sub \$60 WTI oil price environment.

Crescent Point Energy – reported first quarter results which were largely in-line. Crescent Point (CPG) said it would review spending, currently budgeted at \$1.45 billion, after the spring break-up. Average production up 18% (up 4% per share) to 153,854 boed, compared to Q1 2014; CPG maintained its 2015 average production target of 152,000 boed. CPG is ramping up drilling in its Viking play and it has successfully continued its step-out drilling in Torquay; it drilled 216.5 wells across all its plays in the quarter, with a 100% success rate. Average selling prices for crude and natural gas liquids nearly halved to C\$46.82 per barrel. Operating netback of C\$35.01/boe, including \$12/boe hedging gain. Funds flow was \$433.5 million (\$0.96/share) down from \$580.1 million. CPG has 58% of its remaining 2015 oil production hedged at C\$88/bbl, while 34% of its 2016 oil production is hedged at C\$83/bbl. The company maintains some \$1.7 billion of unutilized credit facilities. CPG maintained its dividend, yielding 9.2% currently and is targeting a 4% per share year-on-year production. The company also issued an update on the impact of the Alberta elections on its performance. Of note: 6% of its production is Alberta based (with a heavy gas weighting), 5% of the royalties it pays are to Alberta, 2% of the cashflow is generated in Alberta and 3% of the capital budget is to be spent in Alberta.

Pacific Rubiales received a takeover offer for from Alfa, S.A.B. de C.V. (largest shareholder at ~19%) and Harbour Energy Ltd at C\$6.50/share that would put the total U\$ EV at ~U\$7.4Bn (including ~U\$5.5Bn in net debt) – tactically, we see a potential deal as an attractive means for Alfa to recoup some of its losses in PRE while returning to its original goal to seek a partnership with a

strong operator to expand its energy presence in the Mexico – the proposed deal is a 35% premium to yesterday's close and >70% vs. the 30-day average price – we see it as an attractive offer given the potential C\$6.50/share is well above our 2P NAVPS of \$2.74 and risked NAVPS of \$4.70 (assuming a L-T Brent price of U\$85/bbl) – but there remains potential execution risk around the deal as it may meet resistance from PRE management, although the limited management/director ownership of <5% could be difficult to influence the outcome.

Whitecap – reported first quarter results, including cash flow per share of \$0.43, broadly in line with the expectations. Production for the quarter averaged 38,351 boe/d, significantly ahead of the expectations, due to an early contribution from its Elnora Nisku waterflood project. The company's netbacks of \$21.21/boe were stronger than expected driven by lower royalties and transportation costs. The company has reduced its capital spending to \$235 million from \$245 million, but has maintained its average production guidance of 39,700 boe/d for 2015.

Financial Sector

Ares Capital reported 1Q15 core net investment income of \$0.37/share, slightly lower than estimated \$0.39/sh. The miss relative was due to lower capital structuring fees and other income, driven by a seasonally weaker quarter for originations. ARCC had gross originations of \$500MM vs exits and repays of \$1.1B, and this was the lowest quarter of originations since 1Q 2013. Of the capital deployed in 4Q, ~16% were in first lien and 73% were in second lien securities. Thus far in 1Q, ARCC has originated \$153MM of investments and had repayments and exits of \$180MM, while the yield on new investments was ~9.9%, and the yield on investments exited was 7.5%. The portfolio was 34% first lien and 26% second lien, compared to 41% first lien and 21% second lien the prior quarter. We suspect a lot of the rotation into second lien investments is the result of ARCC actively selling lower-yielding first lien assets, given market volatility over the last two quarters likely resulted in second liens cheapening. Overall yield on debt and income-producing securities increased ~40bps q/q to 10.5% from 10.1% the prior quarter. Leverage of 0.65x debt to equity, down from prior quarter of 0.74x debt to equity, and in-line with broader BDC space average of ~0.70x. ARCC weighted average cost of debt improved to 5.16% from 5.31% as it continues to improve the the balance sheet. Book value declined \$0.09/sh q/q to \$16.73/sh, driven by a ~\$3.8MM debt redemption charge and ~\$40MM in unrealized losses from mark to market of investments. Ares and GE Capital, through their joint venture SSSLP, aided in Aurora Group Capital's acquisition of Restaurant Technologies (RTI) with a follow-on debt investment to its 2013 recapitalization of RTI.

Barclays - The U.S. Supreme Court last Monday allowed Barclays Plc to claim about \$4 billion of disputed assets as part of its hurried purchase of much of Lehman Brothers Holdings Inc's brokerage unit at the height of the 2008 financial crisis. The U.S. top court declined to hear an appeal filed by Lehman's creditors, leaving intact



an August 2014 ruling by the 2nd U.S. Circuit Court of Appeals in New York that went in favor of Barclays. Barclays already had control of \$3.5 billion of the disputed \$4 billion. Barclays won court approval to buy much of Lehman's brokerage business at a Sept. 19, 2008, hearing overseen by U.S. Bankruptcy Judge James Peck in Manhattan. A dispute remained, however, over how to dispose of various "cash" assets of the brokerage. These included the \$4 billion of margin assets held by third parties to support a Lehman exchange-traded derivatives business. Also in dispute was \$1.9 billion of "clearance box" assets used to process securities trades, although that was not part of the Supreme Court appeal. In February 2011, Peck said Barclays was entitled to the clearance box assets but not the margin assets. But in July 2012, U.S. District Judge Katherine Forrest in Manhattan partially reversed him, and said Barclays deserved both. The appeals court upheld that decision.

Brookfield Asset Management – reported net income for the first quarter of \$1.4 billion, or \$1.09 per share. The 36% year-over-year increase in net income per share reflects the contribution from acquired and developed assets as well as the result of operating initiatives across operations. Strong leasing results and development activities within property operations contributed to increased fair value gains. Funds from operations (FFO) for Brookfield shareholders during the quarter were \$557 million, or \$0.82 per share, up 14% from a year ago. Excluding disposition gains, the FFO was \$0.57 per share, missing the consensus expectations. FFO benefitted from the continued expansion of the asset management business, which contributed to a 27% increase in fee related earnings, resulting in a 25% increase in related FFO to \$110 million. A reduced contribution from renewable energy operations, down 21% year-on-year, to \$95 million, partly offset the positive results elsewhere; the weak result was mainly due to lower electricity prices. The property group generated \$112 million of FFO, down 6% year-on-year hit by currency effects. The infrastructure group generated \$49 million FFO, down 2% year-on-year, also impacted by FX, while the private equity group's FFO was up 17% to \$116 million. BAM generated a higher level of disposition gains, \$162 million from sale of property assets, as it continued to rotate capital into higher returning opportunities. Fee bearing capital increased to \$93 billion. Fee revenues increased 18% to \$791 million on a last twelve months basis and BAM's annualized fee base, including target carried interest, now stands at \$1.3 billion. BAM committed or deployed \$3 billion of capital in new investments during the quarter, including an oil and gas business in Australia, wind facilities in Portugal and U.S. multifamily apartments (Associated Estates). The amount of capital deployed over the past twelve months exceeded \$15 billion. The company recycled capital by selling mature property and infrastructure assets. As previously flagged, BAM sees opportunities in: energy infrastructure and private equity opportunities related to crude oil, Brazil, due to current lack of capital and commodity related infrastructure.

Commerzbank (CBK) reported its full 1Q15 results, following the pre-release last Monday. The pre-tax profit of EUR619m beat expectations by 77%. The headline figure includes more than

EUR150m European levy contribution and c. EURO.2bn HETA exposure writedown, partially offset by DVA gains. Also, CBK officially announced its intention to pay a dividend for the first time since 2007 and has already accrued EUR57m (c. EURO.05 per share). The beat was driven by German retail (wealth management and premium deposits) and investment banking (both FICC and equities), i.e. it was mixed quality. Mittelstand increased only slightly due to its inaugural contribution to the European bank levy (EUR44m). Non-core assets (NCA) deleverage continued as Commercial Real Estate reduced by EUR2.5bn QoQ, even though shipping portfolio increased EUR500m due to FX headwinds. CBK's decision last week to boost its capital ratios through a 10% accelerated book-build, effectively helped increase the the pro-forma Core Equity Tier 1 capital and Tier 1 leverage ratio to 10.2% and 3.9%, which look in line with several peers. Assets and RWA were inflated due to the US\$ strengthening to EUR605bn (+EUR7bn QoQ) and EUR222bn (+EUR7bn QoQ).

HSBC - Underlying PBT was U\$6.9bn, +13%/U\$0.8bn vs consensus. The U\$0.8bn difference to consensus breaks down as U\$0.4bn lower income, U\$0.7bn lower costs and U\$0.4bn lower impairment. There was then an additional +U\$0.2bn 'one-offs' to leave reported PBT at U\$7.1bn. Core Equity Tier 1 was +0.1% QoQ at 11.2% and disappointing relative to expectations of 11.4%. 1Q15 featured Balance Sheet Management income and disposals of securities in Global Banking & Markets, seasonally low operating expenses (with very small litigation charges this quarter) and low loan loss provisions due to writebacks in Global Banking & Markets. (i) potential increase in UK bank levy increases risks for the bank's progressive dividend target (ii) review of location of headquarters to be completed by year end and (iii) no update on further business disposals. The shares trade at 1.2x tangible book value.

IGM Financial – reported a solid set of results for its first quarter of 2015. The bottom line was in-line with the expectations at \$0.80 EPS, helped by higher income from Investor Group's (IG) mortgage banking operation. Revenues for the quarter reached \$761 million, compared to last year's \$715 million. Assets under management reached \$148.4 billion at the end of the quarter, compared to last year's \$137 billion. IGM saw \$537 million of inflows in its mutual funds, driven by IG, while Mckenzie suffered \$106 in outflows. IGM attracted some \$433 million from institutional business. Fee rates declined from 139bps to 133bps as IG lowered its fees for high net worth clients. IG's consultant network grew by 11 to 5,156. Return on common equity improved to 17.1%, compared to last year's 16.9%.

ING Bank reported €1,187mn underlying net results vs €1,030mn consensus expectation. The 15% beat took place across all operational divisions, with the exception of Retail RoW and General lending (higher provisions). Key drivers were Investment and other income. 1Q15 confirms our thesis of excess capital to be distributed in 2015/16; however, the distribution may be phased over time. Proposed interim dividend of €0.12.

UK Banks/Visa Europe - Bloomberg report UK banks could be in line for £4bn Visa sale windfall, reporting that Sky News has learnt that



Visa Europe's board appointed investment bankers at Morgan Stanley in recent days to advise it on discussions about a bid approach from New York-listed Visa Inc. Visa Europe is owned by more than 3000 banks across the Continent, with the UK banks' shareholding in Visa Europe at between 25% and 30%, with Barclays alone at around 10%. Barclays alone could make more than £1bn from a takeover they report. Other UK banks said to be in region of Lloyds £600mn, RBS/HSBC £300-400mn. > This would be worth c0.25% of Risk Weighted Assets at Barclays/Lloyds, 0.15% at Royal Bank of Scotland and 0.05% at HSBC.

Activist Influenced Companies

Zoetis – reported a good set of results for its first quarter and announced structural changes to its business model. Zoetis said it plans to cut up to a quarter of its workforce and exit 40% of its manufacturing plants in its first major restructuring since being spun off from Pfizer two years ago. Restructuring comes a month after Pershing Square, ZTS' biggest shareholder, and Sachem Head Group seated their second nominee on the company's 11-member board. Zoetis' quarterly profit beat the street due to strong sales in the Americas (helped by strong growth in its livestock business). EPS were \$0.41 vs \$0.3 consensus. Revenues of \$1.11 billion were roughly in-line with the expectations. The restructuring measures are essentially targeted at simplifying the business and consequently improving profitability. Some of the measures envisioned include: cutting between 20% and 25% of its workforce, trim management layers, shut down about a third of its storage units that held low-margin drugs, reduce SKUs by about 5,000, move to indirect distribution from direct in about 30 markets and reduce research and development spending. Zoetis did not give any details on the ten manufacturing plants it planned to sell or exit. The company operates 27 such sites, 13 of which are in the United States and four in China. Zoetis said it also planned to reduce operations in Venezuela due to the country's volatile currency, at a cost of about \$50 million of operating profit. The company got about 2% of 2014 revenue from Venezuela, but does not own a manufacturing facility there. ZTS expects to take a charge of \$400 million to \$500 million related to the restructuring, which is expected to yield about \$300 million in cost savings. EBIT is expected to increase by \$200 million by 2017, which represents an improvement in the company's operating margin from 25% to 34%. A reduction in revenue growth prospects subsequent to the restructuring is likely... absent any compensatory M&A, which shouldn't be ruled out.

Canadian Dividend Payers

Brookfield Infrastructure Partners – reported funds from operations (FFO) of \$186 million (\$0.89 per unit) for Q1, slightly below the consensus expectations. Results year over year were unchanged as contribution from new investments and organic growth were offset by \$15 million of currency impact. Organic FFO growth for the period on a constant currency basis was 11% compared to the prior year, a strong result. Utilities were responsible for \$95 million

of the FFO, compared to \$89 million last year, while transport businesses contributed \$96 million, up from \$95 million in 2014. South American rail (newly acquired) was a key contributor, whilst Australian rail and toll roads suffered due to grain volumes and FX effects, respectively; and ports improved overall. Energy brought in \$28 million of the FFO, slightly ahead of last year. Corporate costs were \$33 million, compared to last year's \$24 million. The payout ratio for the quarter was 68%, which remains within BIP's target range of 60-70%. Distribution was increased last quarter by 10%. BIP closed the French telecom infrastructure transaction on March 31st and expects this business to make a meaningful contribution going forward. Net income for the quarter of \$132 million (\$0.56 per unit) compared to \$32 million (\$0.10 per unit) in the prior year. The increase in net income is attributable to higher earnings from operations and unrealized gains on hedges, partially offset by higher depreciation and deferred tax expense. BIP disclosed it has seven transactions in advanced stages, counting towards the deployment of the \$1.4 billion raise, of which four are exclusive. The targets are in the Americas and Australia and involve transport, energy and communication assets. A couple of the opportunities have been previously flagged as Brazilian toll-roads.

Global Dividend Payers

BHP Billiton shareholders have approved the demerger of South32, with the demerger resolution achieving 98.05% in favour. The simultaneous shareholder general meetings took place in Perth and London to approve the demerger of South32 from BHP Billiton. BHP Billiton Chairman, Jac Nasser, welcomed the overwhelming support by shareholders of the demerger. "The demerger of South32 simplifies BHP Billiton's portfolio while retaining the benefits of scale and diversification. We believe that the demerger will create two successful companies in BHP Billiton and South32," Mr Nasser said. "The demerger of South32 is a major step forward in the evolution of BHP Billiton and our Board believes it will create long-term value for our shareholders." "We wish the employees, management and Board of South32 well as the new company prepares for business in its own right." South32 will be a globally diverse metals and mining company with a portfolio of cash generative assets producing alumina, aluminium, coal, manganese, nickel, silver, lead and zinc. South32's head office will be in Perth, with a regional head office and global shared services centre located in Johannesburg. BHP Billiton will cease trading with an entitlement to South32 shares from the end of 15 May 2015 on the ASX, LSE and JSE. Until this date BHP Billiton shares will trade with an entitlement to South32 shares.

Syngenta – rejected a \$45 billion takeover offer from Monsanto, saying the offer undervalued the Swiss firm and did not fully take into account regulatory risks. Syngenta's board had unanimously rejected a 45% cash offer by Monsanto that would value Syngenta at 449 Swiss francs (\$486.35) per share. Monsanto confirmed it had made an offer for Syngenta and, in a statement, said it was confident of obtaining all necessary regulatory approvals to close the deal. Swiss company Syngenta had been working with Goldman Sachs to assess



the merits of a sale to the world's largest seeds company Monsanto, which is being advised by Morgan Stanley. Monsanto, which initially approached Syngenta last year, has long been interested in its Swiss rival and the potential to base itself in Switzerland and benefit from lower taxes. Following attempts by the U.S. Treasury to clamp down on such moves, known as tax inversion, Monsanto may have to buy Syngenta in a cash rather than stock transaction and would be unable to redomicile in Switzerland. Monsanto foresees strong benefits from a takeover of Syngenta, which makes heavy research and development (R&D) investments in crop technology to increase the average productivity of crops such as corn, soybeans, sugar cane and cereals. Monsanto, meanwhile, is focused on conventional and biotech seeds and last year raised its R&D spending to \$1.7 billion from \$1.5 billion in 2013. German chemicals company BASF and U.S. petrochemicals group Dow Chemical could be among possible bidders for all or parts of Syngenta, one of the sources said. Syngenta, which was formed in 2000 by the merger of Novartis Agribusiness and Zeneca Agrochemicals, also competes with Bayer CropScience and DuPont Pioneer.

Toyota Motor Corporation reported Operating Profit of JPY2.7506trn and an operating margin of 10.1% - in line with expectations. Consolidated sales volume (including Daihatsu Motor and Hino Motors) fell 144,000 units YoY to 8.972mn units. Sales increased in North America (+186,000 units to 2.715mn units) and Europe (+15,000 units to 859,000 units), but this was not enough to offset declines in Japan (-211,000 units to 2.154mn units), Asia (-120,000 units to 1.489mn units), and other regions (-14,000 units to 1.755mn units). Toyota forecasts FY3/16 OP of JPY2.8trn, assuming forex rates of JPY115/USD and JPY125/EUR and sales volume of 8.9mn units. Toyota forecasts sales volume to decline 72,000 units YoY to 8.9mn units. It expects sales to increase in North America (+115,000 units to 2.83mn units), but decrease in Japan (-34,000 units to 2.12mn units), Europe (-39,000 units to 820,000 units), Asia (-49,000 units to 1.44mn units), and other regions (-65,000 units to 1.69mn units). We believe Toyota has built a high-profit structure while continuing to pursue development and investment from a long-term perspective. We maintain our medium-term view that Toyota can leverage growth opportunities in both developed and emerging markets as a result of working steadily each year to reduce costs and raise productivity while pursuing broad regional operations and an ample product lineup. In the US, amid a firm recovery in overall demand, the company has increased volume while curbing sales cost growth by actively releasing new models. In emerging markets, it has continued to bolster capacity and introduce strategic products from a medium-term perspective, although macro factors have caused temporary slowdowns in some countries. In China, sales have transitioned from a recovery to growth stage due to the active release of new models. Toyota is stepping up shareholder returns by flexibly adding share buybacks to its previous policy of ongoing and stable dividends. When reporting latest results, the company also announced a share buyback target for FY3/16 of up to 40mn shares or JPY300bn. Share buybacks worth JPY300bn are equivalent to 13.3% of guidance of JPY2.25trn. Adding its dividend payout ratio

target of 30%, the company plans for shareholder returns in excess of 40%, generally in line with market expectations.

Economic Conditions

US – US economy added 223,000 jobs in April, spot on with the consensus expectations, though its March report saw a downward revision. 213,000 private payrolls were added in the month, whilst the government contributed the other 10,000 positions. The headline unemployment rate inched lower to 5.4%, the lowest level since 2008. The average earnings were only higher by 0.1%, lower than the expected 0.2%, which is surprising given the low headline unemployment rate, but also indicates that the US Fed has little to worry, for the time being, in regards to a payroll driven inflation drive.

US consumer credit meanwhile jumped \$20.5 billion, well ahead of the expectations, perhaps to compensate for the slow salary growth. In addition, despite the low labour cost growth, productivity took a dive in the first quarter of 2015, to negative 1.9%, undoubtedly hit by bad weather and labour action at some of the major US ports.

US international trade deficit opened up to a \$51.4 billion level in March under pressure from a strong dollar. Imports jumped 7.7% in the month, while exports were only up 0.9% over the same time period.

U.S. nonmanufacturing ISM beat expectations with a 1.3 pt increase in April to 57.8. That is the first rise since February, and is the highest reading since November. Of the four components, each weighing in at 25% : business activity +4.1 pts to 61.6 (first increase since January, largest increase since April 2014, highest since November) points to rebounding activity in Q2; new orders +1.4 pts to 59.2 (second consecutive increase, highest since January) suggests stronger production ahead; employment +0.1 pts to 56.7 (third increase in a row but modest, highest since October) hints of more job growth in April (we'll find out for sure on Friday); supplier delivery delays -0.5 pts to 53.5 (second consecutive decline, points to fewer delays, which should be a good thing but weighs on the headline)

UK Election - Banks: deliver an absolute majority for Conservatives. The opposition Labour Party had clearly set out a programme attacking the banks, and utilities and so their defeat removes that overhang.

The UK trade deficit narrowed to £2.8bn in March from £3.3bn in February, figures from the Office for National Statistics (ONS) show. The country's £10.1bn deficit in goods was bigger than expected, but was partially offset by a £7.3bn surplus in services, the ONS said. (Source:BBC News)

Bank of England left rates and asset targets unchanged. The pound though continues to be supportive after the Conservatives defied the polls and won a majority victory in last week's elections. With political stability, the markets may start to re-think whether the Bank of England will keep rates on hold until mid-2016 as currently priced in. The economy has grown for nine straight quarters but inflation remains below the BOE's target and oil prices appear to be

Market Commentary



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rebounding. It will be interesting to see how BoE Governor Carney responds in the Bank's Inflation Report to be released on Wednesday.

Greece- German Finance Minister Schauble calling for a Greek referendum over the bailout programs, "If the Greek government thinks it must hold a referendum, then let it hold a referendum" "It may even be a right measure to ask the Greek people to decide whether it's ready to accept what is necessary or whether it wants the alternative." Schauble also reiterating any deal must include an IMF agreement.

Financial Conditions

The Reserve Bank of Australia (RBA) on 5 May chose to cut interest rates by another 25 bps, bringing borrowing costs to a new record low of 2.00% for its May meeting. It was in line with market expectations as the market is pricing more than 70% probability that RBA will reduce borrowing costs to a fresh record low of 2% while 24 out of 28 economists also predicted a 25bps rate cut (Bloomberg). Since cutting rates unexpectedly in February, the RBA has regularly hinted that another reduction is in the pipeline. The markets and UOB had thus penciled in further easing following February's quarter-point cut.

China cut interest rates 25 basis points after Chinese inflation numbers softened. CPI failed expectations at 1.5% but PPI was the real eye catcher as it came in at -4.5%. China has cut three times in six months as it provides support to an economy that is grappling with a debt overhang and a property slump. Most market participants had anticipated today's move and shrugged off the announcement. AUD and NZD though remain under-pressure. NZD is leading the way after a local New Zealand bank publically called on the RBNZ to cut in Jun and July in response to a high Kiwi, falling dairy incomes, a lower core inflation and anticipated macro housing measures.

US Federal Reserve policymakers remain determined to signal that although Quantitative Easing has stopped, the stimulus remains via keeping rates at present low until earliest mid-late 2015. The US 2 year/10 year treasury spread is now 1.60% and the UK's 2 year/10 year treasury spread is 1.37% - meaning investment banks remain constrained from profiting from a steep yield curve and instead are seeking operational efficiencies, including job cuts and lower compensation, to maintain acceptable levels of profit, i.e. above their costs of capital. It seems the top tier 6-9 investment banks will continue to command their market and possibly increase their share – as barriers to entry for newcomers have in our view been raised.

Influenced by the withdrawal of quantitative easing, the US 30 year mortgage market rate has increased to 3.80% (was 3.31% end of November 2012, the lowest rate since the Federal Reserve began tracking rates in 1971), as the Federal Reserve effectively continues to give priority to incentivising home ownership. Existing US housing inventory is at 4.6 months supply of existing houses. So the combined effects of low mortgage rates, near record high affordability, a more promising economic recovery, job creation, and low prices are finally supporting the housing market with housing inventory well off its peak of 9.4 months and we believe now in a more normal range of 4-7 months.

The VIX (volatility index) is 13.20 (compares to a post-recession low of 10.7 achieved in early June) and while, by its characteristics, the VIX will remain volatile, we believe a VIX level below 25 augurs well for quality equities.

Mutual Funds

Portland currently offers 6 Mutual Funds:

- Portland Advantage Fund
- Portland Canadian Balanced Fund
- Portland Canadian Focused Fund
- Portland Global Income Fund
- Portland Global Banks Fund
- Portland Global Dividend Fund

Private/Alternative Products

Portland also currently offers 5 private/alternative products:

- Portland Focused Plus Fund LP
- Portland Private Income Fund
- Portland GEEREF LP
- Portland Advantage Plus Funds
- Portland Private Growth

Net Asset Value:

The Net Asset Values (NAV) of our investment funds are published on our Portland website at <http://www.portlandic.com/prices/default.aspx>

Sources: Thomson Reuters, Bloomberg, KBW,BMO, BHP Billiton, TD

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