



PORTLAND GLOBAL INCOME FUND



PORTLAND
INVESTMENT COUNSEL®

OWNERS. OPERATORS. AND INVESTORS.

(as at October 31, 2017)

| | Series Start Date | MER (after absorptions at March 31, 2017) ⁴ | Net Asset Value Per Unit (as at October 31, 2017) | PERFORMANCE (as at October 31, 2017) | | | | | |
|--|-------------------|--|---|--------------------------------------|----------|-----------------------|--------|---------------------|------------------------------|
| | | | | 3 Months | 6 Months | Calendar Year-to-Date | 1 Year | 3 Year ⁴ | Since Inception ⁴ |
| Portland Global Income Fund - Series F | Dec. 17, 2013 | 1.53% | \$10.7547 | 3.5% | 3.5% | 9.8% | 15.2% | 6.5% | 7.1% |
| JP Morgan US Aggregate Bond Total Return Index | - | - | - | 3.8% | (4.0%) | (0.9%) | (2.9%) | 7.3% | 8.7% |
| Blended Benchmark ¹ | - | - | - | 5.4% | 1.5% | 8.9% | 11.1% | 9.1% | 10.3% |

FUND FACTS

| | |
|--------------------------------|------------------------|
| Fund Net Assets | \$7.3 million |
| CIFSC ⁵ Asset Class | Global Equity Balanced |
| Risk Tolerance | Low to Medium |

HOW THE FUND IS MANAGED

- Common shares of large global companies with attractive dividend-payout ratios and a history of rising dividends over the long term, selected primarily from the members of the S&P Europe 350 Dividend Aristocrats, the S&P 500® Dividend Aristocrats and the S&P/TSX Dividend Aristocrats
- Primarily investment grade* preferred shares of North American companies
- Balanced mix of fixed income ETFs with an emphasis on investment grade** corporate bonds
- Selective use of options to generate additional returns towards distributions and currency hedging of the Fund's non-Canadian dollar exposure

KEY REASONS TO INVEST

- Monthly distributions, targeting 5.0%*** per annum - intended to be fully funded, plus potential for capital appreciation
- The power of dividend investing combined with the benefits of global investing and asset class diversification for the potential to reduce volatility
- The benefits of active and passive management are aligned to help reduce volatility
- Tax-efficient structure, currently housing tax losses of approximately \$23 million
- Management fee from 0.85% per annum for Series F units³

PORTFOLIO MANAGERS

Chris Wain-Lowe, BA, MBA
Chief Investment Officer, Executive Vice-President
and Portfolio Manager

Asset Mix

| | |
|---|-------|
| Equity | 38.5% |
| Preferred Equity | 37.8% |
| Exchange Traded Funds | 15.2% |
| Other Net Assets (Liabilities) ¹ | 5.4% |
| Corporate Bonds | 3.5% |
| Currency Forwards | -0.4% |

Geographic Mix

| | |
|---|-------|
| Canada | 40.2% |
| United States | 24.3% |
| Bermuda | 9.3% |
| United Kingdom | 9.3% |
| Other Net Assets (Liabilities) ¹ | 5.4% |
| Switzerland | 3.4% |
| Australia | 3.0% |
| United States | 2.4% |
| France | 1.5% |
| Sweden | 1.1% |
| Jersey | 0.5% |
| Currency Forwards | -0.4% |

Sector Mix

| | |
|---|-------|
| Financials | 21.8% |
| Exchange Traded Funds | 15.2% |
| Energy | 12.4% |
| Utilities | 12.0% |
| Real Estate | 7.7% |
| Consumer Discretionary | 6.4% |
| Other Net Assets (Liabilities) ¹ | 5.4% |
| Telecommunication Services | 4.9% |
| Consumer Staples | 4.4% |
| Materials | 4.2% |
| Corporate Bonds | 3.5% |
| Industrials | 1.3% |
| Health Care | 1.2% |
| Currency Forwards | -0.4% |



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Top Holdings²

Long Positions

| | |
|--|------|
| Cash | 5.7% |
| BCE Inc., Preferred, Series AE, Floating Rate | 3.8% |
| Digicel Group Limited 6.75% March 1, 2023 | 3.5% |
| iShares International Select Dividend ETF | 3.5% |
| Brookfield Property Partners L.P. | 3.3% |
| Royal Dutch Shell PLC | 3.1% |
| Thomson Reuters Corporation, Preferred, Series B, Floating Rate | 3.1% |
| Brookfield Office Properties Inc., Preferred, Series V, Floating Rate | 2.4% |
| Energy Select Sector SPDR Fund | 2.4% |
| Oaktree Strategic Income Corporation | 2.4% |
| SPDR S&P 500 ETF Trust | 2.3% |
| BHP Billiton PLC | 2.2% |
| iShares MSCI Japan ETF | 2.1% |
| TransAlta Corporation, Preferred, Series E, Fixed-Reset | 2.1% |
| The Bank of Nova Scotia, Preferred, Series 19, Floating Rate | 2.0% |
| ECN Capital Corp., 6.25% June 30, 2022 | 1.9% |
| Bank of Montreal, Preferred, Series 42, Fixed-Reset | 1.8% |
| Wal-Mart Stores, Inc. | 1.7% |
| Ares Capital Corporation | 1.7% |
| First National Financial Corporation, Preferred, Series 1, Fixed-Reset | 1.7% |
| Northland Power Inc., Preferred, Series 1, Fixed-Reset | 1.6% |
| Total SA | 1.5% |
| Chevron Corporation | 1.5% |
| Brookfield Renewable Power Inc., Preferred, Series 2, Floating Rate | 1.4% |
| TransCanada Corporation, Preferred, Series 2, Floating Rate | 1.3% |

Short Positions

| | |
|--|------|
| Barrick Gold Corporation, Put 14, 15/12/2017 | 0.0% |
| Walgreens Boots Alliance, Inc., Put 62.5, 17/11/2017 | 0.0% |
| The Walt Disney Company, Put 92.5, 17/11/2017 | 0.0% |
| Walgreens Boots Alliance, Inc., Put 66.5, 17/11/2017 | 0.0% |
| ABB Ltd, Call 26, 15/12/2017 | 0.0% |
| Walgreens Boots Alliance, Inc., Put 57.5, 15/12/2017 | 0.0% |
| Vanguard FTSE Europe ETF, Put 55, 17/11/2017 | 0.0% |
| Wal-Mart Stores, Inc., Call 87.5, 15/12/2017 | 0.0% |
| Crescent Point Energy Corp., Put 13, 19/01/2018 | 0.0% |
| Wal-Mart Stores, Inc., Put 70, 15/12/2017 | 0.0% |

FUND COMMENTARY (As at September 30, 2017)

For the period September 30, 2016 to September 30, 2017, while the Series F units of the Fund rose 13.5% the Fund's broad-based benchmark, the JPMorgan US Aggregate Bond Total Return Index fell 4.9% and the Fund's blended benchmark rose 7.9% (consisting of 45% MSCI World Total Return Index, 15% S&P/TSX Preferred Share Total Return C\$ Index, 10% iShares 1-5 Year Laddered Corporate Bond Index ETF, 10% Markit iBoxx US\$ Liquid Investment Grade Total Return Index, 10% Morningstar Emerging Markets Corporate Bond Total Return Index, 5% Markit iBoxx US\$ Liquid High Yield Total Return Index; and 5% JPMorgan Emerging Markets Bond Total Return Index). The blended benchmark which more closely reflects the asset classes in which the Fund invests, provides a more useful comparative to the performance of the Fund. The broad-based benchmark is included to help you understand the Fund's performance relative to the general performance of the fixed-income market.

During the period the preferred shares component outperformed whereas the smaller weight in fixed income securities detracted. The Fund's exposure to financials, utilities and energy were the top contributing sectors whereas exposure to consumer discretionary detracted. Overall, the higher exposure to global equities and preferred shares resulted in the Fund's outperformance for the period.

For the full period since the launch of the Fund on December 17, 2013 to September 30, 2017, the broad-based and the blended benchmarks had annualized returns of 7.9% and 9.5%, respectively. For the same period, the Fund's Series F units had an annualized return of 6.7%. Unlike the benchmarks, the Fund's return is after the deduction of its fees and expenses. Currently, the Fund hedges approximately 22% of its non-Canadian dollar exposure, predominantly reflecting its exposure to the Australian dollar, U.S. dollar, British pound and Swiss franc.

The Fund reduced its fixed income component (from about 12% to about 3% of Fund) which is partially passively invested in investment grade corporate ETFs. We maintained a holding in a corporate fixed income instrument as we believe government securities currently offer limited value but generally have constrained the Fund's fixed income component reflecting our view that as economies recover interest rates will need to rise. About 7% (from about 4%) of the Fund is currently invested in cash.

The Fund increased its preferred share component (from about 25% to about 38% of the Fund of which just 0.4% is invested passively) which is all Canadian listed. The Fund's actively selected preferred shares are all investment grade and as we do believe rates will now rise and then in time stabilize, we elevated the Fund's holding in floating rate preferred shares which comprise about 17% of the Fund.

The Fund's equity component (nearly 52% of Fund of which



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about 14% is invested passively) comprises mostly large companies and members of the dividend aristocrats indices, exhibiting we believe, attractive dividend policies. These large companies should benefit more than others when global growth accelerates.

The Fund has a target of approximately 5% distribution per annum per unit which it has met since inception. The Fund's earnings from dividends, derivatives and net realized gains exceed the paid distributions. Indicators that the Fund may continue to reach its 5% distribution target include the dividend yield (a financial ratio that shows how much a company pays out in dividends relative to its share price) of the equities of the Fund and current yields (a financial ratio that shows annual income [interest or dividends] divided by the current share price) of the preferred shares and fixed income securities. Sourced from Thomson Reuters and Bloomberg these component yields are as follows:

- equity's trailing weighted average dividend yield was 4.3%.
- preferred share's trailing weighted average current yield was 3.9%.
- fixed income's trailing weighted average current yield was 6.9%.

RECENT DEVELOPMENTS

Regarding the market outlook, and following the U.K.'s notification on March 29, 2017 to withdraw from the E.U., we continue to believe the impact of 'Brexit' will create uncertainties and quite possibly a period of recession as the U.K. adjusts to amended trading relationships and banks domiciled in the U.K. determine how best to do business in the rest of the E.U. The route being navigated by Britain's Prime Minister appears to be to repeal the 1972 European Communities Act which gives direct effect to E.U. law in Britain and seek for all E.U. laws to be transposed into domestic legislation with some inevitable transitional compromises. In stating that the U.K. would become by March 2019 a "fully independent, sovereign" country, the Prime Minister was favoring a willingness to pay a price in terms of economic disruption, although this willingness appears to be receding.

We believe the U.S. has engaged in a long-term recovery plan and its economic prospects for the next decade remain bright. For the U.K. and Eurozone, we are hopeful that the U.K. decision to exit the E.U. will be the catalyst that starts the E.U. on a path of implementing the structural reforms that are so vital if it is to break out of the cycle of consistently poor economic performance that stretches back many years. We therefore hope mature countries adopt bolder agendas to assimilate and integrate workforces around large-scale investment and infrastructure and initiate dramatic reforms of education and training. Energy prices and geopolitical events may engender elevated levels of volatility.

This period since the Great Recession is the third longest stretch of rising markets. Cyclically and inflationary adjusted earnings

over the last ten years compared to prices suggests in our view that the current market is fully valued. Therefore, while we do not see a near-term catalyst to initiate a market correction, such as recession or weakening confidence, such a correction is, at least statistically, due in our view and vulnerable to geopolitical events. At such times, we believe a pivot towards 'value' rather than 'growth' criteria is likely to predominate as investors seek businesses that are attractively or reasonably priced particularly in a reflationary environment.

The Fund's equity focus is on value and stable growing companies – those firms able to deliver more consistent and visible (albeit slower) earnings and cash flows. While we believe this theme has recently lagged the overall market, we believe it should reassert leadership and that overall, the Fund is currently well positioned to meet its investment objective for the medium to long term. We will continue to evaluate opportunities that we believe may generate income, enhance returns and/or reduce risk wherever possible.



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POTENTIAL RISKS

The Manager believes the following risks may impact the performance of the Fund: active management risk, credit risk, currency risk, debt securities and equity risks, ETF risk, interest rate risk and derivatives risk. Please read the “Risk Factors” section in the Simplified Prospectus for a more detailed description of all the relevant risks.

| Fund Name | CANADIAN DOLLAR | | | |
|-----------------------------|-----------------|--------|----------------------|-----------------------|
| | SERIES A | | SERIES A2 | SERIES F ³ |
| | DSC | LL | Initial Sales Charge | |
| Portland Global Income Fund | PTL532 | PTL533 | PTL531 | PTL010 |



* Investment grade means Pfd 3/P-3 or higher

** Investment grade means BBB- or higher

***The portfolio is expected to generate income from dividends, interest and option writing income, which after deduction of expenses, will be distributed by the Fund to unitholders. The targeted monthly distribution amount is reset at the beginning of each calendar year to provide an approximate yield of 5% per annum based on the NAV per Series A Unit as at December 31 of the prior year. Assuming the expected level of income is received, the portfolio would not be required to appreciate. If the level of income is less than the amount necessary to meet the distribution, the Manager may either pay out a lower distribution or supplement the amount needed through net realized capital gains from the portfolio or may return a portion of the capital of the Fund to unitholders in which case the distribution would not have been fully funded as the net asset value would be reduced. Distributions are reinvested automatically in additional units of the Fund. No commissions are payable upon automatic reinvestment of distributions.

† The Blended Benchmark consists of 45% MSCI World Index, 15% S&P/TSX Preferred Share Index, 10% iShares 1-5 Year Laddered Corporate Bond Index ETF, 10% Markit iBoxx US\$ Liquid Investment Grade Index, 10% Morningstar Emerging Markets Corporate Bond Index, 5% Markit iBoxx US\$ Liquid High Yield Index, and 5% JPMorgan Emerging Markets Bond Index.

1. Other Net Assets (Liabilities) refers to all other assets and liabilities in the Fund excluding portfolio investments.
2. Where the Fund holds less than 25 long and short holdings, all investments have been disclosed. There may be other assets and liabilities which are not included, and therefore the summary does not add up to 100%.
3. Generally available through dealers who have entered into a Portland Series F Dealer Agreement.
4. Annualized.
5. Canadian Investment Funds Standards Committee.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions [dividends] and does not take into account sales, redemptions, distributions or optional charges or income taxes payable by any securityholder in respect of a participating fund that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Risk tolerance measures the degree of uncertainty that an investor can handle regarding fluctuations in the value of their portfolio. The amount of risk associated with any particular investment depends largely on your own personal circumstances including your time horizon, liquidity needs, portfolio size, income, investment knowledge and attitude toward price fluctuations. Investors should consult their Financial Advisor before making a decision as to whether this Fund is a suitable investment for them.

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