



PORTLAND VALUE FUND



PORTLAND
INVESTMENT COUNSEL®

OWNERS. OPERATORS. AND INVESTORS.

(as at December 31, 2017)

	Series Start Date	MER (after absorptions as at September 30, 2017) ⁴	Net Asset Value Per Unit (as at December 31, 2017)	PERFORMANCE (as at December 31, 2017)					
				1 Month	3 Months	6 Months	Calendar Year-to-Date	1 Year	Since Inception ⁴
Portland Value Fund - Series A	May 19, 2015	2.84%	\$8.1168	(0.2%)	1.7%	5.7%	(5.2%)	(5.2%)	(7.4%)
Portland Value Fund - Series F	May 19, 2015	1.68%	\$8.1278	(0.1%)	2.0%	6.3%	(4.1%)	(4.1%)	(6.4%)
MSCI World Total Return Index	-	-	-	1.6%	5.9%	6.7%	14.0%	14.0%	9.1%

FUND FACTS

Fund Net Assets	\$0.6 million
CIFSC* Asset Class	Global Equity
Risk Tolerance	Medium

HOW THE FUND IS MANAGED

- Focused investing in a limited number of globally domiciled quality equity securities with an emphasis towards large capitalization, high liquidity and, what we believe are, undervalued securities.
- Investing in companies which have the potential of increased returns due to activist investor campaigns.

KEY REASONS TO INVEST

- Experienced portfolio manager has practiced focused value investing for more than 25 years.
- Growth potential.
- Co-invest alongside eminent capital allocators.
- Diversification benefits (alternative strategy).

PORTFOLIO COMPOSITION

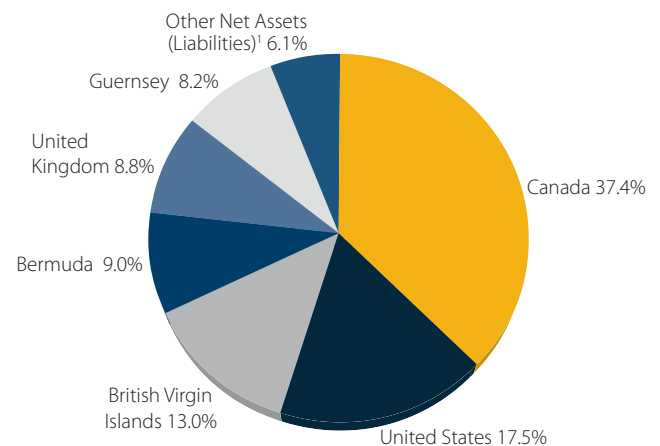
- Businesses led by eminent capital allocators.
- Businesses being transformed by eminent capital allocators (activist investors).
- Opportunities that prevail now.

PORTFOLIO MANAGERS

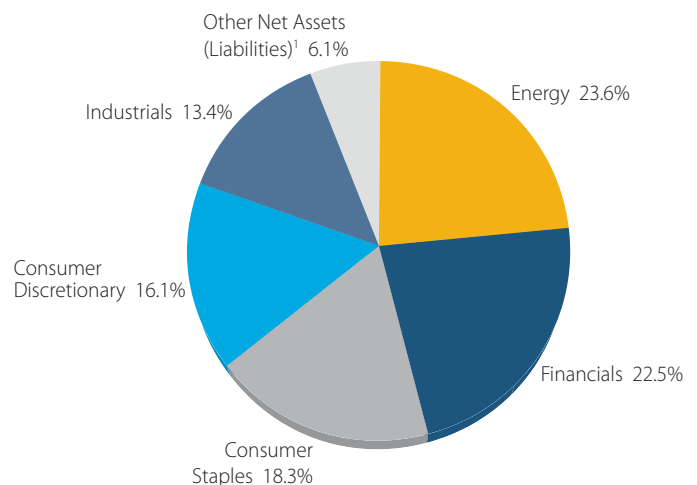
Michael Lee-Chin, B.Eng., LL.D (Honorary)
Executive Chairman, Chief Executive Officer
and Portfolio Manager

Dragos Berbecel, BComm., MBA, CFA
Portfolio Manager

Geographic Mix



Sector Mix



Top Holdings²

Nomad Foods Limited	13.0%
Brookfield Business Partners L.P.	9.0%
Liberty Global PLC LiLAC	8.8%
Whitecap Resources, Inc.	8.7%
Pershing Square Holdings, Ltd.	8.2%
Crescent Point Energy Corp.	7.8%
Berkshire Hathaway Inc.	7.8%
Linamar Corporation	7.3%
Baytex Energy Corp.	7.1%
Cash	7.0%
Brookfield Asset Management Inc.	6.5%
Walgreens Boots Alliance, Inc.	5.3%
Hertz Global Holdings, Inc.	4.4%

FUND COMMENTARY (As at December 31, 2017)

For the period of September 30, 2017, to December 31, 2017, the Fund's benchmark, the MSCI World Total Return Index had a return of 5.9%. For the same period, the Fund's Series F units had a return of 2.0%. Unlike the Index, the Fund's return is after the deduction of its fees and expenses. The Fund's key relative performance detractors during the period were Liberty Global PLC (LiLAC), Whitecap Resources, Inc. and Crescent Point Energy Corp., while the Fund's relative performance contributors were Nomad Foods Limited, Brookfield Business Partners L.P. and Berkshire Hathaway Inc.

The Fund's net asset value at December 31, 2017, was \$0.6 million.

The Fund aims to provide positive long-term total return by investing in a focused portfolio (generally no more than 15 names) of equities, selected from global companies domiciled in long-term growth industries and which are trading at a discount to their intrinsic value and/or have the potential of increased returns due to activist investor actions.

Activist investors are value investors with a push. They are looking for opportunities to demand a change in a company's strategy in order to unlock shareholder value. Activist investors achieve their goals by cooperating with other institutional investors, acquiring board representation and/or changing the management of the target company.

Largely driven by what it is perceived as reflationary economic policies from the Donald Trump-led U.S. administration, the U.S. Fed has accelerated the pace of its previously tentative

monetary tightening. With four Fed Funds rate raises since last December 2016 and expectations for about three more during 2018, coupled with accelerated sales of U.S. Fed's balance sheet assets, the excessive liquidity available to the capital markets is being removed. Such a development, we believe, is likely to favour value-based investment strategies, which have otherwise underperformed growth strategies since the beginning of the current market cycle, some nine years earlier. With valuations getting ahead of the fundamentals in certain areas of the market, the Manager believes that companies influenced by eminent capital allocators and activist investors have the ability to stand out by adapting quicker to market forces and improving their profitability through both operational changes and balance sheet optimization.

As expected, given the Fund's value focused mandate, the performance was mainly driven by company specific developments, the most important of which are detailed below.

LiLAC was affected during the quarter by the impact of Hurricane Irma and Hurricane Maria on its operations in the Caribbean. The company expects to receive insurance proceeds to cover the losses to its operations as a result, yet its operating cash flow had to be guided lower for 2017, at \$1.35 billion from \$1.5 billion. Following the end of 2017, Liberty Global PLC executed a full split-off of the Latam assets and LiLAC was renamed Liberty Latin America Ltd.

During the quarter, Whitecap announced and closed the acquisition of key low decline light oil producing assets from Cenovus Energy Inc., as the latter company was pressured to reduce the size of its balance sheet. Whitecap also made good to its earlier promise and raised its dividend twice during the period, by a combined 10%.

Crescent Point Energy reported third quarter results which were slightly ahead of the expectations and used excess funds flow from operations to pay down debt and increase its capital program. The company initiated and intends to continue the streamlining of its operations by divesting non-core assets.

Nomad Foods reported a strong set of results for its third quarter and raised its guidance for 2017. Organic revenue growth continued to improve in the quarter, up by 5.9%. The results reflect favourable category performance coupled with market share gains. The company took advantage of market conditions to re-price its lending facilities at more favourable rates.

Brookfield Business Partners (BBU) benefited in the quarter from strong results in the company's business services and industrials segments, offset by a loss on the sale of an oil and gas producer in Western Canada in its energy segment. Results benefited from positive contributions from the acquisitions of Greenergy International Ltd., a road fuels distributor that BBU acquired in May 2017, and the Loblaw gas station operations, a fuel marketing business, acquired in July 2017. Together with institutional partners, BBU has entered into an agreement to undertake the landmark acquisition of Westinghouse Electric Company LLC, a leading global provider of infrastructure services to the power generation industry, from Toshiba Corporation for a



purchase price of approximately \$4.6 billion.

Bad weather also hurt Warren Buffett's Berkshire Hathaway Inc in the third quarter. Nonetheless, profit rose at the Berkshire Hathaway Energy unit, while "improving economic conditions" helped boost shipping and profit at BNSF Railway Company. Book value per Class A share, measuring assets minus liabilities, rose 2.5% and was up 8.9% from January to September. During the quarter Berkshire announced the eventual acquisition of 80% of Pilot Travel Centres (Pilot Flying J), the largest U.S. truck stop operator. The late year successful tax reform package is expected to deliver significant tax savings to the group, whereas the gradually higher interest rate environment is supportive of the group's financial services activities.

During the quarter, the Fund took advantage of market dislocation in Walgreens Boots Alliance, Inc., driven by rumors of Amazon.com, Inc.'s entry in retail pharmacy, sub-par performance at Rite-Aid Corporation which led to negative cross-read towards Walgreens' newly acquired stores and concerns surrounding the U.S. healthcare reform, and initiated a position. We're pleased to see that Walgreens has already been a meaningful contributor to fund performance during the period.

The Fund has a material exposure to energy holdings, which we believe have currently depressed valuations and which, as at December 31, 2017, constituted 23.6% of the portfolio's assets. The performance of our energy holdings was mostly negative during the period and detracted from the performance of the Fund.

Over the course of the past quarter the energy markets have continued their journey towards recovery, meaningfully supported by the Organization of Petroleum Exporting Countries (OPEC) and certain non-OPEC countries' (most notably Russia) decision to extend the currently agreed production cuts until the end of 2018, but also by unforeseen production disruption, such as the repairs to the Forties pipeline in the North Sea or civil unrest in the key producing countries of Iran, Venezuela and Libya. During the reporting period, the West Texas Intermediate (WTI), the North American crude oil price benchmark, advanced from \$51.67/barrel (bbl) to \$60.42/bbl, a roughly 17% improvement over the period. Crude oil inventory drawdowns, which had accelerated over the summer months across the OECD countries and in the U.S., but also in important Asian markets such as China, continued well into the fourth quarter and, as we write this note, are still ongoing. U.S. crude oil inventories, for instance, reached 424 million barrels at the end of December, down more than 100 million since their peak of 536 million at the end of March, and are now lower than both end of 2016 and end of 2015 levels. Winter months tend however to be volatile ones for the crude oil as travel and demand for gasoline slows down and refinery runs are interrupted by maintenance. In addition, as mentioned in our previous notes, the debate continues around the potential production growth in the U.S., notably the Eagle Ford and Permian basins, with signs that earlier growth estimates may be exaggerated.

As at December 31, 2017, based on total assets, the top 5 sector exposure was constituted by energy 23.6%, financials 22.5%, consumer staples 18.3%, consumer discretionary 16.1% and industrials 13.4%.

POTENTIAL RISKS

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



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(as at December 31, 2017)



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FUNDSERV CODES

Fund Name	SERIES A			SERIES F ³
	Code - Initial Sales Charge	Code - DSC	Code - LL	
Portland Value Fund	PTL270	PTL275	PTL280	PTL011

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* Canadian Investment Funds Standards Committee

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 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.

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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