PORTLAND VALUE FUND

PORTLAND INVESTMENT COUNSEL®
OWNERS. OPERATORS. AND INVESTORS.

(as at July 31, 2018)

	Series Start Date	MER (after absorptions as at March 31, 2018)[4]	Net Asset Value Per Unit (as at July 31, 2018)	PERFORMANCE (as at July 31, 2018)					
				3 Months	6 Months	Calendar Year-to-Date	1 Year	3 Year	Since Inception[4]
Portland Value Fund - Series A	May 19, 2015	2.83%	$8.1694	(3.0%)	(1.3%)	0.6%	6.2%	(4.0%)	(5.9%)
Portland Value Fund - Series F	May 19, 2015	1.69%	$8.2349	(2.7%)	(0.7%)	1.3%	7.4%	(2.9%)	(4.8%)
MSCI World Total Return Index	-	-	-	5.2%	3.9%	7.6%	16.5%	8.9%	9.8%

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

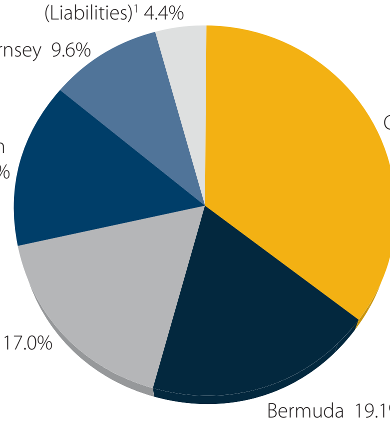
- Businesses led by eminent capital allocators.
- Businesses being transformed by eminent capital allocators (activist investors).
- Opportunities that prevail now.

PORTFOLIO MANAGERS

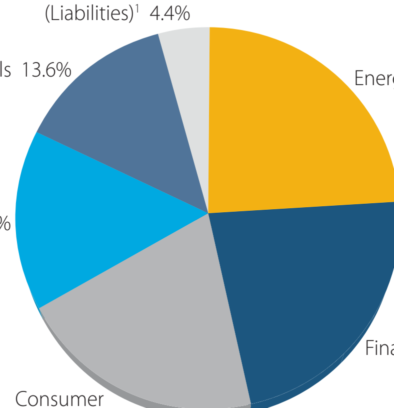
Michael Lee-Chin, B.Eng., LLD (Honorary)
Executive Chairman, Chief Executive Officer and Portfolio Manager

Dragos Berbecel, BComm., MBA, CFA
Portfolio Manager

Geographic Mix



Sector Mix



Top Holdings[2]

Nomad Foods Limited	14.6%
Brookfield Business Partners L.P.	10.5%
Pershing Square Holdings, Ltd.	9.6%
Liberty Latin America Ltd.	8.6%
Whitecap Resources, Inc.	8.3%
Berkshire Hathaway Inc.	8.1%
Crescent Point Energy Corp.	7.9%
Linamar Corporation	6.6%
Walgreens Boots Alliance, Inc.	5.8%
Baytex Energy Corp.	5.5%
Brookfield Asset Management Inc.	4.7%
Cash	4.5%
Hertz Global Holdings, Inc.	3.1%
Raging River Exploration Inc.	2.3%

FUND COMMENTARY (As at June 30, 2018)

For the period of March 31, 2018, to June 30, 2018, the Fund's benchmark, the MSCI World Total Return Index had a return of 3.7%. For the same period, the Fund's Series F units had a return of 6.4%. Unlike the Index, the Fund's return is after the deduction of its fees and expenses. The Fund's key relative performance contributors during the period were Nomad Foods Limited, Baytex Energy Corp., Pershing Square Holdings, Ltd. while the Fund's relative performance detractors were Linamar Corporation, Hertz Global Holdings, Inc. and Berkshire Hathaway Inc.

The Fund's net asset value at June 30, 2018 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, while using leverage to enhance long-term capital appreciation.

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.

From a macro-economic perspective, even though the exceptionally accommodative conditions are subsiding, bound by an accelerating economy and record tight labour markets, we are still in uncharted territory. The U.S. unemployment rate has dropped to levels not seen since the 1960s and wage growth has finally picked up, more recently to a 2.7% pace. Coupled with a 50% price increase in crude oil and its related derivatives, but also an increase in prices of some of the core goods and services, and, possibly, the imposition of tariffs, the ingredients for a more buoyant inflation environment are in place. As the U.S. Fed feels compelled to continue on its tightening path and as the policy rates are approaching their current or longer-run equilibrium levels (which could be as low as 2.5%, i.e. three more 0.25% raises), the chance for a miscalculation increases. The fallout from a monetary policy misstep is unlikely to be significant in such a robust economic environment, however, when coupled with other potential policy errors, perhaps around trade tariffs, it could trigger more serious economic consequences. Improving economic prospects and a pick-up in the inflation pace has boosted our outlook for U.S. equity returns in nominal terms, though the risk factors mentioned earlier, in particular trade related developments and the pace of monetary tightening, could materially affect the ultimate outcome.

Canada affords a somewhat different perspective. At 172% of disposable income, Canadian household credit continues to be stubbornly high, with the recently announced normative measures just about managing to put a dent into Canadian's propensity for accessing credit. The household credit growth slowed down at the end of 2017 and into 2018. On this background, recent retail sales growth has slowed down in Canada, and it is unlikely to recover, unless the diminished "wealth effect" from housing cooling down is replaced by either recovery in the resources space and/or acceleration of activity in manufacturing and services outside of the white-hot residential investment (housing) sector. Canada has seen significant losses in relative competitiveness as the U.S. administration implemented drastic pro-business measures, not the least of which being massive tax cuts and deregulation. Hopes for a quick NAFTA resolution, in advance of the Mexican elections and U.S. mid-terms, have dissipated. Canada is significantly more dependent on a positive NAFTA outcome due to foreign trade's larger contribution in the creation of GDP, but also because of its reduced relative competitiveness, slower economic growth and self-inflicted infrastructure shortcomings (chiefly lack of pipeline capacity). The country's abundant natural resources are presently severely restricted from reaching the fast growing Asian markets. In the U.S./Canada trade war, the warnings shots have been fired, with U.S. imposing tariffs on Canadian steel and aluminum imports and Canada retaliating with equal sized tariffs on a number of U.S. goods. It is expected that much of the steel and aluminum tariff hike would be absorbed through the value chain, however a modest negative effect is likely to be felt in Canada. The still major (for Ontario and Canada) auto sector is next in line and is likely to be, albeit modestly, affected by the steel and aluminum tariffs. Failure to preserve NAFTA could mean falling back on the pre-NAFTA bilateral trade agreements, which are not particularly punitive to neither party and likely preferred by most businesses to the current state of uncertainty. The pick-up in inflation has marginally increased our outlook for nominal returns in Canadian equities, assuming the key risk factors, including outcome of trade negotiations, buildout of key infrastructure projects, the state of the housing market and the pace of monetary tightening, remain balanced.

Nonetheless, the excessive liquidity available to the capital markets is being removed, albeit gradually. 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.

Nomad Foods, currently the Fund's largest holding, continued to report solid results, which, for its first quarter included a 1.5% revenue increase, of which 2.9% was organic, and a 16% increase in its adjusted earnings before interest, taxes, depreciation and amortization (EBITDA). Adjusted earnings per share increased 40% to €0.35 and Nomad raised its 2018 guidance. In the words of the company's founder and famed hedge fund investor, Noam Gottesman, "it is a good time to be in the frozen food business. The category is growing across Western Europe and, in many cases, is out-pacing other packaged food categories." Nomad has also continued on its path of further accretive acquisitions by purchasing Aunt Bessie's Limited potato based business during the period. While it has seen strong stock appreciation, we believe Nomad Foods trades at a discount to the rest of the sector, a very attractive valuation for a company with good growth prospects and a track record of successful acquisitions.

Baytex Energy and Raging River Exploration Inc. have agreed to a strategic combination of the two companies. The combined organization will be a well-capitalized, oil-weighted company with an attractive growth and free cash flow profile provided by its world class assets across North America. The combined organization will have an enterprise value of approximately $5 billion and operate under the Baytex name. We see the transaction as a de facto acquisition of Raging River by Baytex in an all-stock deal. If completed, the transaction has the ability to be a transformative deal for Baytex, further diversifying the company's exposure to crude oil markets through the addition of meaningful exposure to the emerging East Shale Duvernay oil field and, perhaps more significantly, meaningfully reducing the company's financial leverage, in the neighbourhood of 1.8x net debt to cash flows. We believe there are thresholds to be met in order to complete the transaction, in particular meeting the 66% support from the current shareholders of Raging River, which may not perceive the initial 10% premium offered for Raging River's share as attractive enough and/or be convinced of the benefits of the combined entity for the same. Should the deal be completed, the combined entity would be in position to produce between 100,000 to 105,000 barrels of oil equivalent per day (85% oil and natural gas liquids) by spending between $750 million to $850 million of development capital. This would lead to roughly $1 billion of adjusted cash flow in the current pricing environment, upwards of $400 million of free cash flow as well as a significant reduction in the financial leverage, as mentioned. During the period, we initiated a position in Raging River Exploration by converting some of our Baytex Energy exposure, to take advantage of a temporary mispricing.

After three years of disappointing returns, Bill Ackman's Pershing Square Holdings is taking steps to be re-focus the founder's efforts on the investment process, to the detriment of marketing activities. Under this new lower profile paradigm, Bill Ackman exited his Herbalife International of America, Inc. short position and quietly sold out of Nike, Inc., a passive stake which earned the firm $100 million in profit in just a few months. A $300 million tender offer for shares of Pershing Square has been approved and the 5% holding limit for individual share-owners has been lifted, which should help reduce the major discount to Pershing Square's net asset value. As of the latest public disclosure, Bill Ackman personally owns 8.1% of the company. Pershing Square has been a top 20 performing hedge fund for 2018 to date.

Linamar's performance has been heavily affected by the uncertainty surrounding NAFTA negotiations and the imposition of the U.S. tariffs. We believe fears have exaggerated the impact on Linamar's stock price and expect it to rebound once clarity is achieved. The company's first quarter sales were up 14% to $1.9 billion, driven partly by the acquisition of The MacDon Group of Companies. Automotive related sales were up 9.3% in the quarter, while operating earnings were up roughly 10%, to $215 million. We believe the investment thesis remains intact, predicated on strong growth trends in Linamar's addressable markets, which are driven by outsourcing, good revenue visibility, which includes recent electric vehicle related wins, best in class management and 'skin in the game'.

Berkshire Hathaway reported a 49% increase in its operating profit for the first quarter of 2018 to $5.29 billion, beating expectations, driven by better underwriting results in its insurance business and solid earnings at BNSF Railway (up 12%). The reported loss of $1.1 billion was driven by an accounting change related to the recognition of unrealized gains or losses on marketable securities, which currently amount to $171 billion for Berkshire. Progress has been made towards the launch of the healthcare venture with Amazon.com, Inc. and JPMorgan Chase & Co., with the nomination of Atul Gawande as the CEO of the combined entity. More pressingly, Berkshire is still looking for a placement of its $109 billion cash pile.

As at June 30, 2018, based on total assets, the top 5 sector exposure was constituted by energy 25.3%, financials 21.5%, consumer staples 20.3%, consumer discretionary 14.7% and industrials 13.5%.

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.

FUNDSERV CODES

Fund Name	SERIES A - Code - Initial Sales Charge	SERIES A - Code - DSC	SERIES A - Code - LL	SERIES F[3]
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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