PORTLAND VALUE FUND

PORTLAND INVESTMENT COUNSEL®

OWNERS. OPERATORS. AND INVESTORS.

(as at January 31, 2019)

	Series Start Date	MER (after absorptions as at September 30, 2018)[4]	Net Asset Value Per Unit (as at January 31, 2019)	PERFORMANCE (as at January 31, 2019)					
				3 Months	6 Months	Calendar Year-to-Date	1 Year	3 Year	Since Inception[4]
Portland Value Fund - Series A	May 19, 2015	3.03%	$6.2861	(8.4%)	(14.9%)	4.0%	(16.0%)	(3.8%)	(9.2%)
Portland Value Fund - Series F	May 19, 2015	1.87%	$6.2430	(8.1%)	(14.4%)	4.1%	(15.1%)	(2.7%)	(8.1%)
MSCI World Total Return Index	-	-	-	0.6%	(4.0%)	4.0%	(0.3%)	8.9%	7.3%

FUND FACTS

Fund Net Assets	$0.5 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

Canada	33.3%
Bermuda	20.1%
British Virgin Islands	16.6%
United States	14.9%
Guernsey	11.2%
Other Net Assets (Liabilities)[1]	3.9%

Sector Mix

Financials	26.2%
Consumer Staples	22.3%
Energy	19.4%
Consumer Discretionary	17.7%
Industrials	10.5%
Other Net Assets (Liabilities)[1]	3.9%

Top Holdings[2]

Nomad Foods Limited	16.6%
Pershing Square Holdings, Ltd.	11.2%
Brookfield Business Partners L.P.	10.5%
Liberty Latin America Ltd.	9.6%
Berkshire Hathaway Inc.	9.2%
Linamar Corporation	8.1%
Whitecap Resources, Inc.	7.9%
Baytex Energy Corp.	6.5%
Brookfield Asset Management Inc.	5.8%
Walgreens Boots Alliance, Inc.	5.7%
Crescent Point Energy Corp.	5.0%
Cash	3.4%

FUND COMMENTARY (As at December 31, 2018)

For the period of September 30, 2018, to December 31, 2018, the Fund's benchmark, the MSCI World Total Return Index had a return of -8.8%. For the same period, the Fund's Series F units had a return of -20.1%. 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 Crescent Point Energy Corp., Brookfield Business Partners L.P., Whitecap Resources, Inc., Liberty Latin America Ltd. and Baytex Energy Corp., while the Fund's key relative performance contributor was Hertz Global Holdings Inc.

The Fund's net asset value at December 31, 2018, was $0.4 million, which includes the deduction of a special year-end distribution of $0.1 million, net of which the net asset value would be higher.

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.

The excessive liquidity available to the capital markets, characteristic of the past decade, is being removed, albeit gradually. Concerns around the timing and the pace of the monetary tightening, in particular by the U.S. Fed, coupled with continued global trade regime uncertainty, impacted the performance of the global developed markets during the quarter. 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 ten years earlier. 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.

Given its geographic exposure, Liberty Latin America was particularly affected by the even more pronounced slump in the emerging markets assets during the period. Operationally, Liberty Latin America reported a robust third quarter, with revenues increasing by 3%, while the rebased operating cash flow improved by 4%. Recovery continued steadily at the company's Puerto Rico operations, following the slowdown caused by the 2017 hurricanes. During the period, the company acquired the remaining 40% stake in Liberty Cablevision of Puerto Rico LLC and closed the acquisition of the 80% stake in Cabletica of Costa Rica.

Brookfield Business Partners (BBU) had a difficult trading quarter, as risk averse investors sought to avoid companies which were perceived to be particularly leveraged. BBU has a relatively high level of leverage, though most of the debt incurred is located at the asset level. The company reported a strong set of third quarter results, including net profit of $1.39 per share which exceeded expectations. During the quarter, BBU announced the acquisition of Johnson Controls' automotive batteries business for $13.2 billion, as part of a consortium of investors, which also included Caisse de Depot et Placements du Quebec.

During the quarter we exited our investment in Hertz Global Holdings, taking advantage of a strong run-up in price subsequent to the company's release of its third quarter results. The company and the sector continue to be structurally challenged and the successive managerial team have been unsuccessful in making meaningful progress in turning around the business.

The Fund has preserved its significant exposure to energy holdings, which, as at December 31, 2018, constituted 22.7% of the portfolio's assets.

Energy markets have seen a drastic turn for the worse during the last quarter of 2018. At a macro global level, crude oil prices were impacted by concerns surrounding demand destruction as a result of nearly $80 Brent crude oil prices, but mostly concerns around fallout from potential trade wars stirred up by the U.S. administration and the flight of capital out of developing nations as the U.S. Fed has been raising interest rates. In addition, the U.S. administration also revealed a number of unexpected export waivers for a number of Iran crude oil importers, temporarily circumventing the previously announced sanctions. At one point in November, crude oil prices had dropped for 12 consecutive sessions, the longest losing streak in history. However, fundamentals have been robust, with global demand increasing steadily. The International Energy Agency estimated demand to exceed 100 million barrels per day (bpd) by the end of 2018. During the reporting period, the West Texas Intermediate (WTI), the North American crude oil price benchmark, which started the quarter at $73.25, dropped steadily, closing the year at $45.41, near its period low at $42.53.

In addition to the above, crude oil producers all over Western Canada have been affected by the extraordinary widening of the price differentials. Differentials widening were primarily a consequence of the worsening in uptake capacity for Western Canadian crude (lack of transportation infrastructure, in particular pipelines).

During the period, two events stood out as supportive of crude oil prices. Firstly, in an unprecedented move (given the unprecedented situation), the province of Alberta mandated temporary oil production cuts of 325,000 bpd. The province had also announced the launch of a crude-by-rail expansion program, which would boost the capacity by 120,000 bpd by mid-2020. Secondly, OPEC (The Organization of Petroleum Exporting Countries), supported by Russia, reached another agreement to curtail production by 1.2 million bpd starting in January 2019.

The Manager continues to believe that the fundamental operations of our energy holdings remain robust while their economics are gradually improving in a recovering energy market. As such, we have continued to maintain elevated levels of exposure to the energy sector, through our oil and gas exploration and production holdings, and plan on doing so until we see a substantial recovery in the energy space. Of note, Crescent Point's productive assets are largely downstream of the current bottlenecks and therefore suffering less from the large differentials. Shortly after the company's third quarter results announcement markets reacted positively, though, more recently, the name joined the generalized sell-off. Baytex still derives a material portion of its production (around 40%) from the Eagle Ford, in Texas, which is generally sold at a premium to WTI. The recently announced capital expenditure programs by Baytex and Whitecap prioritize protecting the balance sheet in the current environment, though Whitecap still targets a 6% increase in production by the end of 2019.

As at December 31, 2018, based on total assets, the top 5 sector exposure was constituted by financials 29.9%, consumer staples 26.0%, energy 22.7%, consumer discretionary 17.5% and industrials 11.7%.

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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FUNDSERV CODES

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

Portland Investment Counsel Inc. **portlandinvestmentcounsel** **Portland Investment Counsel Inc.** **@PortlandCounsel**

* 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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