PORTLAND GLOBAL BANKS FUND

PORTLAND INVESTMENT COUNSEL®
OWNERS. OPERATORS. AND INVESTORS.

(as at February 29, 2020)

	Series Start Date	MER (after absorbtions as at September 30, 2019)[4]	Net Asset Value Per Unit (as at February 29, 2020)	PERFORMANCE (as at February 29, 2020)						
				3 Months	6 Months	1 Year	3 Years[4]	5 Years[4]	10 Years[4]	Since Inception[4]
Portland Global Banks Fund - Series A	Dec. 17, 2013	2.83%	$9.3394	(7.8%)	8.2%	(0.5%)	(1.5%)	1.5%	-	4.2%
Portland Global Banks Fund - Series A2	July 17, 2007	2.45%	$9.5657	(7.7%)	8.4%	(0.1%)	(1.2%)	1.9%	2.7%	-
Portland Global Banks Fund - Series F	Dec. 17, 2013	1.70%	$10.1131	(7.5%)	8.8%	0.7%	(0.4%)	2.7%	-	5.4%
MSCI World Total Return Index[5]	-	-	-	(5.2%)	1.9%	6.8%	7.7%	7.4%	11.4%	11.1%
MSCI World Banks Total Return Index[5]	-	-	-	(10.7%)	1.5%	(3.2%)	0.3%	3.5%	7.0%	6.6%

FUND FACTS

Fund Net Assets	$3.4 million
CIFSC* Asset Class	Financial Services Equity
Risk Tolerance	Medium to High

HOW THE FUND IS MANAGED

- Focused primarily on a portfolio of global bank equities.
- Selective use of options to generate additional returns towards distributions.
- Currency hedging of the Fund's non-Canadian dollar exposure.

KEY REASONS TO INVEST

- Capital growth and income generation.
- Global banks (excluding Canada) trade on value multiples that are a fraction of their 15-year averages.
- As a sector, global financials underperformed the market for 5 years (2007-2012). However, we anticipate, with sovereign, capital, regulatory and economic challenges now in the spotlight, the sector's strongest banks will be poised for longer-term outperformance.
- Monthly distributions, targeting 5.0% per annum which are intended to be funded and characterized as mostly return of capital. **
- Tax-efficient structure, currently housing tax losses of approximately $160 million.
- Management fee from 1.0% per annum for Series F Units.[3]

PORTFOLIO MANAGER

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

Geographic Mix

Other Net Assets (Liabilities)[1]	42.8%
United States	25.2%
United Kingdom	18.2%
France	4.9%
Netherlands	4.7%
Norway	4.6%
Forward Currency Contracts	(0.4%)

Sector Mix

Diversified Banks	46.1%
Other Net Assets (Liabilities)[1]	42.8%
Investment Banking & Brokerage	6.8%
Asset Management & Custody Banks	3.2%
Regional Banks	1.9%
Short Positions - Derivatives	(0.4%)
Forward Currency Contracts	(0.4%)

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Top Holdings[2]

Cash & Cash Equivalents	43.4%
Barclays PLC	7.8%
Standard Chartered PLC	6.3%
Citigroup Inc.	6.1%
BNP Paribas SA	4.9%
ING Groep N.V.	4.7%
DNB ASA	4.6%
JPMorgan Chase & Co.	4.6%
HSBC Holdings PLC	4.1%
Morgan Stanley	3.6%
State Street Corporation	3.2%
The Goldman Sachs Group, Inc.	3.2%
Bank of America Corporation	2.8%
Fifth Third Bancorp	1.9%
Wells Fargo & Company	0.2%

Option Positions

JPMorgan Chase & Co., Put 105, 04/17/20	(0.2%)
Bank of America Corporation, Put 27, 04/17/20	(0.1%)
Citigroup Inc., Put 60, 04/17/20	(0.1%)
Fifth Third Bancorp, Put 22, 04/17/20	0.0%
Citigroup Inc., Call 87.5, 03/20/20	0.0%
Barclays PLC, Call 10, 03/20/20	0.0%
Morgan Stanley, Put 37, 04/17/20	0.0%
JPMorgan Chase & Co.,Call 150, 03/20/20	0.0%
Wells Fargo & Company, Put 35, 04/17/20	0.0%

FUND COMMENTARY (as at December 31, 2019)

For the period of September 30, 2019 to December 31, 2019, while the Series F units of the Fund had a return of 12.2%, the Fund's benchmark indices, the MSCI World Banks Total Return Index and the MSCI World Total Return Index (the Indices) had a return of 7.8% and 6.4%, respectively. For the full period since the launch of Series F units of the Fund on December 17, 2013 to December 31, 2019, the MSCI World Banks Total Return Index and the MSCI World Total Return Index had annualized returns of 9.0% and 12.5%, respectively. For the same period, the Fund's Series F units had an annualized return of 7.4%. Since the Fund does not necessarily invest in the same securities as the Indices, the performance of the Fund may not be directly comparable to the Indices. In addition, the Fund's performance reflects the use of currency hedging and unlike the Indices, the Fund's return is after the deduction of its fees and expenses.

During the period, equity investors faced a rollercoaster of news. Interest rates around the developed world economies are now more likely to be lower for longer. More surprisingly global trade tensions and the U.K.'s direction regarding 'Brexit' both eased – the former based on the mood of the U.S. President, the latter on the firmer footing of the U.K.'s Conservative party being re-elected with the largest majority since Margaret Thatcher's leadership in 1987.

As a decade passes since the Great Recession crisis it seems the market has started to develop selective memory over various themes around bank regulatory forbearance and potential excess capital and buybacks. In terms of regulatory forbearance, the debate is around the potential for Eurozone-based banks to fund a portion of their capital requirements with debt rather than equity. This follows an earlier proposal from the European Commission to allow software intangibles (which have zero value) to be included as part of core equity. Rather than regulatory forbearance this feels more like regulatory shenanigans and recent share buy-backs - traditionally a sign of excess capital – is surely at odds with the need for regulatory forbearance. We believe European banks need higher capital but recognize Europe needs the same banks to support economic growth and that the near-term impact likely means those banks barely achieving returns to match their cost of capital. Across the Atlantic, U.S.-based better capitalized, large global banks have opportunities for growth despite low interest rates – in particular across their credit card franchises, payments and processing businesses and their large investment banking and trading platforms which have successfully beaten their European rivals, save arguably Barclays. However, perhaps all large banks are underestimating how fintech companies are gaining huge numbers of customers, particularly across Asia, and so the existential threat to their more traditional banking platforms.

During the period, bank shares generally performed well with State Street Corporation and Barclays PLC faring the best and DNB ASA and HSBC Holdings PLC bringing up the rear. Currently, the Fund hedges approximately 58% of its non-Canadian dollar exposure, predominantly reflecting its exposure to the Euro, British pound and U.S. dollar.

During the period, while the Fund retained its bias with a heavier weighting in U.S. banks, the more decisive change was to take profits across most positions and reduce others in order to move to the sidelines pending regulatory clarity across the European sector in particular and global economic clarity around trade wars and political tensions. The Fund therefore closed the quarter with 37% cash, 29% in U.S. banks and 20% of its weight in British-based banks.

The Fund has a target of approximately 5% distribution per annum per unit which it has met since inception. Its current targeted monthly distribution is $0.045. An indicator that the Fund may meet its 5% distribution target includes 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. Sourced from Thomson Reuters the equity component's trailing weighted average dividend yield as at December 31, 2019 was 3.7%.

During the period, the Fund's net assets increased from about $3.8 million to about $4.0 million.

RECENT DEVELOPMENTS

Aggressive U.S., U.K. and Japanese central bank policies over the past decade since the Great Recession delivered a modest recovery with a backdrop of low bond yields elevating asset prices and global property markets. Notably, the Federal Reserve's efforts was met with a strengthening U.S. dollar and a weakening growth across the global economy, a trend exacerbated by the use of tariffs as a weapon by the U.S. against China, Mexico, Canada and Europe.

This underscores the vulnerability of a global financial system currently supporting high levels of debt to even modest tightening in funding costs and/or a stronger U.S. dollar. Stronger growth and accelerating inflation would help alleviate debt burdens, which the stock markets are typically optimistically expecting, whereas government bond markets are far less sanguine. Nonetheless, the profound decline in government bond yields has, for now at least, provided a security blanket for broad equity performance. Equities and credit assets can overcome economic soft patches on the basis that rates will be lowered to help boost growth but from recent experience, we might expect significant asset reallocations and liquidity issues leading to increased periods of volatility.

Signs of a late-cycle economy and completely unresolved Chinese trade tension does not mean a recession lurks around the corner. As U.S. policy now pivots towards trade 'wars' rather than an infrastructure agenda and the U.K.'s 'Brexit' negotiations with the E.U. remain protracted, there is plenty of scope for turmoil. Markets have reminded us that, from time to time, they can veer from complacency to panic over a week-end.

At such times, we increasingly believe a pivot towards 'value' rather than 'growth' criteria is likely to predominate as investors seek businesses that are priced reasonably. Overall, while recent performance has been disappointing, we believe that the Fund is 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.

POTENTIAL RISKS

The Manager believes the following risks may impact the performance of the Fund: active management risk, currency risk, equity risk, regulatory risk and derivatives 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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	CANADIAN DOLLAR			
	SERIES A		SERIES A2	SERIES F[3]
Fund Name	DSC	LL	Initial Sales Charge	
Portland Global Banks Fund	PTL512	PTL513	PTL511	PTL008

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

* Canadian Investment Funds Standards Committee

** 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. 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.

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. Since Inception performance based on Series F.

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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PIC2325-E(03/20)