PORTLAND VALUE PLUS FUND

PORTLAND INVESTMENT COUNSEL®
OWNERS. OPERATORS. AND INVESTORS.

(as at June 30, 2018)

	Net Asset Value Per Unit (as at June 30, 2018)	PERFORMANCE (as at June 30, 2018)					
		1 Month	3 Months	6 Months	1 Year	3 Years[1]	Since Inception[1]
Portland Value Plus Fund - Series A (CAD)	$24.2669	(9.1%)	13.0%	(0.7%)	17.2%	(16.1%)	(18.0%)
Portland Value Plus Fund - Series F (CAD)	$23.5580	(9.0%)	13.3%	(0.1%)	18.6%	(15.1%)	(17.1%)
MSCI World Total Return Index	-	1.4%	3.7%	5.4%	12.4%	10.4%	9.9%

FUND FACTS

Fund Net Assets	$1.0 million CAD
Inception Date	Jan. 30, 2015
Fund Type	Alternative Strategies
Offer Document	Offering Memorandum
Eligible for PAC Plans	Yes, monthly minimum of $500
Eligible for Registered Plans	Yes
Purchases and Redemptions	Monthly with no minimum investment term or redemption fee

HOW THE FUND IS MANAGED

- Focused investing in a number of quality equities, ordinarily selected from liquid, large cap stocks, domiciled in long-term growth industries, which we believe are undervalued and/or have the potential of increased returns due to activist investor campaigns.
- Leverage by purchasing securities on margin; leverage will initially be lower than 60% and ordinarily is not expected to exceed 70% of the portfolio (market value of securities).

KEY REASONS TO INVEST

- Experienced portfolio manager has practiced focused value investing for more than 25 years.
- Leveraged growth potential.
- Access to attractive borrowing terms by benefitting from Portland Holdings' financial strength and reputation.
- Embedded product leverage is non-recourse to individual investors versus recourse when using traditional margin accounts.
- Diversification benefits (alternative strategy, e.g. for asset-rich cash-poor investors).

PORTFOLIO COMPOSITION

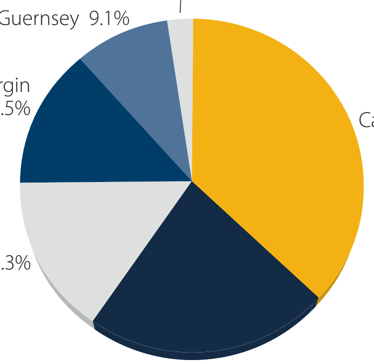
- Businesses led by eminent capital allocators.
- Businesses being transformed by eminent capital allocators (activist investors).
- Opportunities that prevail now.

PORTFOLIO MANAGER

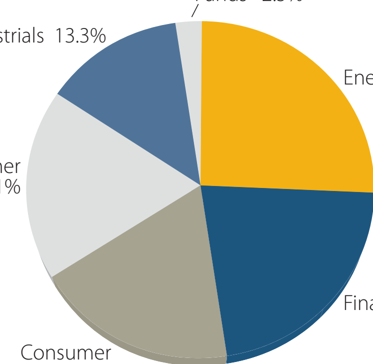
Michael Lee-Chin, B.Eng., LLD (Honorary)
Executive Chairman, Chief Executive Officer and Portfolio Manager

Dragos Berbecel, BComm., MBA, CFA
Portfolio Manager

Geographic Mix (as a % of total assets)



Sector Mix (as a % of total assets)



Asset Mix (as a % of net asset value)

Equities	227.0%
Other Net Assets (Liabilities)[2]	(2.0%)
Cash	(125.0%)

Leverage Ratio[3]	55.8%

PORTLAND VALUE PLUS FUND

PORTLAND INVESTMENT COUNSEL®

OWNERS. OPERATORS. AND INVESTORS.

(as at June 30, 2018)

Top Holdings	Percentage of Total Assets
Nomad Foods Limited	13.5%
Liberty Latin America Ltd.	12.1%
Brookfield Business Partners L.P.	10.5%
Pershing Square Holdings, Ltd.	9.1%
Whitecap Resources, Inc.	8.8%
Crescent Point Energy Corp.	8.1%
Berkshire Hathaway Inc.	7.4%
Baytex Energy Corp.	6.3%
Linamar Corporation	6.0%
Brookfield Asset Management Inc.	5.2%
Walgreens Boots Alliance, Inc.	5.1%
Hertz Global Holdings, Inc.	2.8%
Raging River Exploration Inc.	2.6%
EnTrustPermal Special Opportunities Fund IV Ltd.	2.5%

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 13.3%. 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 leverage amplified the outperformance.

The Fund's net asset value at June 30, 2018, was $1.0 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 25.8%, financials 21.7%, consumer staples 18.6%, consumer discretionary 18.1% and industrials 13.3%. The Fund makes use of low-cost leverage to augment its long term returns. Leverage within the Fund was at inception, lower than 60% and ordinarily is not expected to exceed 70% of the portfolio (market value of securities). As at June 30, 2018, leverage in the Fund was 55.8% of the portfolio.

.

RISK MANAGEMENT STRATEGY

The Manager relies on the following risk mitigation measures:

- Value discipline
- Portfolio construction
- Intending to preserve excess margin or 'buffer'

POTENTIAL RISKS

While the Manager exercises prudence and due diligence throughout the investment process, no guarantees can be given to offset a risk of loss and investors should consult with their Financial Advisor prior to investing in the Fund.

The Manager believes the following risks are key to the Fund's performance: leverage, highly volatile markets and equity risk. Please read the "Risk Factors" section in the Offering Memorandum for a more detailed description of all the relevant risks.

FUNDSERV CODES

Fund Name	Series A	Series F*	Series N
Portland Value Plus Fund	PTL970	PTL980	PTL966
Portland Value Plus Fund USD	PTL870	PTL880	PTL866

**Generally only available through dealers who have entered into a Portland Series F Dealer Agreement*

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

The Portland Value Plus Fund was formerly known as the Portland Advantage Plus - Value Fund.

1. Annualized.

2. Other Net Assets (Liabilities) refers to all other assets and liabilities in the Fund excluding portfolio investments and cash.

3. Leverage ratio is calculated as the total borrowing divided by the fair value of securities and does not take into account other Net Assets (Liabilities) as defined above.

Additional Sources: Bloomberg, Thomson Reuters

Portland Investment Counsel Inc., 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7 Tel: 1-888-710-4242 • Fax: 1-866-722-4242 • www.portlandic.com • info@portlandic.com