



# PORTLAND GLOBAL ARISTOCRATS PLUS FUND



**PORTLAND**  
INVESTMENT COUNSEL™

OWNERS. OPERATORS. AND INVESTORS.

(as at January 31, 2019)

	Series Start Date	Net Asset Value Per Unit (as at January 31, 2019)	PERFORMANCE (as at January 31, 2019)				
			1 Month	3 Months	6 Months	1 Year	Since Inception
Portland Global Aristocrats Plus Fund – Series A	Jun. 30, 2016	\$49.6280	3.6%	(3.7%)	(7.5%)	(7.9%)	3.8%
Portland Global Aristocrats Plus Fund – Series F	Jun. 30, 2016	\$49.9064	3.7%	(3.5%)	(6.9%)	(6.8%)	5.0%
MSCI World Total Return Index*	-	-	4.0%	0.6%	(4.0%)	(0.3%)	10.8%

## INVESTMENT OBJECTIVE AND STRATEGIES

The investment objective of the Portland Global Aristocrats Plus Fund is to provide income and achieve, over the long term, preservation of capital and a satisfactory return.

To achieve this investment objective, the Fund will employ the following core techniques:

1. Time in the Market: investing in a diversified portfolio of securities focused on growing dividends; and
2. Timing the Market: prudent use of leverage by purchasing securities on margin.

## KEY REASONS TO INVEST

### Time in the Market

- The power of dividend investing combined with the benefits of global investing and asset class diversification for the potential to reduce volatility
- Monthly distributions, targeting 5.0% per annum for Series F and 4.0% per annum for Series A based on the opening price of \$50 - intended to be fully funded, plus potential for capital appreciation<sup>4</sup>

### Timing the Market

- Use of leverage to enhance the power of dividends
- Embedded product leverage is non-recourse to individual investors

## HOW THE FUND IS MANAGED

- Common shares of large global companies with attractive dividend-payout ratios and a history of rising dividends over the long term, selected primarily from the members of the S&P Europe 350 Dividend Aristocrats, the S&P 500® Dividend Aristocrats and the S&P/TSX Dividend Aristocrats
- Primarily investment grade preferred shares of North American companies
- Partially hedging the Fund's non-Canadian Dollar exposures
- Utilizing low cost borrowing to purchase securities on margin and facilitate opportunistic investments during market volatility and irrational market valuations

## FUND FACTS

<b>Introduction Date</b>	June 30, 2016
<b>Fund type</b>	Alternative Strategies
<b>Offer document</b>	Offering Memorandum
<b>Legal type</b>	Unit Trust
<b>Eligible for registered plans</b>	Yes
<b>Eligible for PAC plans</b>	Yes, monthly minimum of \$500
<b>Purchases and redemptions</b>	Monthly
<b>Valuation Frequency</b>	Available daily on Portland's website
<b>Minimum investment term</b>	None
<b>Notice period for redemptions</b>	None
<b>Redemption fee</b>	None
<b>Transaction processing</b>	Fundserv
<b>Administrator</b>	CIBC Mellon Global Securities Services Company
<b>Prime broker</b>	RBC Dominion Securities Inc.
<b>Auditor</b>	PricewaterhouseCoopers LLP
<b>Legal counsel</b>	Borden Ladner Gervais LLP

Series	A	F <sup>1</sup>
Min. initial investment, accredited investors <sup>2</sup>	\$2,500	\$2,500
Min. initial investment, non-individuals	\$150,000	\$150,000
Min. subsequent investment <sup>3</sup>	\$500	\$500
Management fee	2.00%	1.00%
Fundserv code	PTL720	PTL725

## PORTFOLIO MANAGER

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



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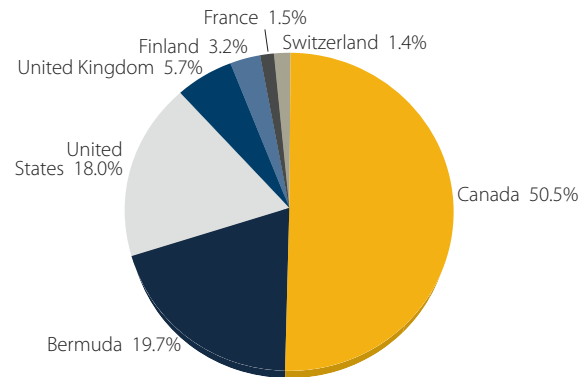
## Top Holdings (as a % of total assets)

Brookfield Property Partners L.P.	5.2%
TransAlta Renewables Inc.	4.9%
SPDR S&P Global Dividend ETF	4.6%
ECN Capital Corp., Preferred, Series C, Fixed-Reset	4.5%
AT&T Inc.	3.8%
Oaktree Strategic Income Corporation	3.6%
National Bank of Canada, Preferred, Series 38, Fixed-Reset	3.6%
Bank of Montreal, Preferred, Series 42, Fixed-Reset	3.6%
Brookfield Renewable Partners L.P.	3.3%
Nordea Bank Abp	3.2%
BHP Group PLC	3.1%
iShares MSCI World ETF	3.0%
Westcoast Energy Inc., Preferred, Series 12, Fixed-Reset	2.7%
Brookfield Office Properties Inc., Preferred, Series EE, Fixed-Reset	2.6%
Enbridge Inc., Preferred, Series 17, Fixed-Reset	2.6%
Capital Power Corp, Preferred, Series 9, Fixed-Reset	2.6%
Brookfield Infrastructure Partners L.P., Preferred, Series 5, Fixed-Reset	2.6%
Royal Dutch Shell PLC	2.6%
Emera Incorporated, Preferred, Series H, Fixed-Reset	2.5%
TransCanada Corporation, Preferred, Series 15, Fixed-Reset	2.5%
Kinder Morgan Canada Ltd, Preferred, Series 1, Fixed-Reset	2.4%
Brookfield Infrastructure Partners L.P., Preferred, Series 11, Fixed-Reset	2.4%
Canadian Imperial Bank of Commerce, Preferred, Series 45, Fixed-Reset	2.4%
BCE Inc.	2.4%
The Toronto-Dominion Bank, Preferred, Series 16, Fixed-Reset	2.4%

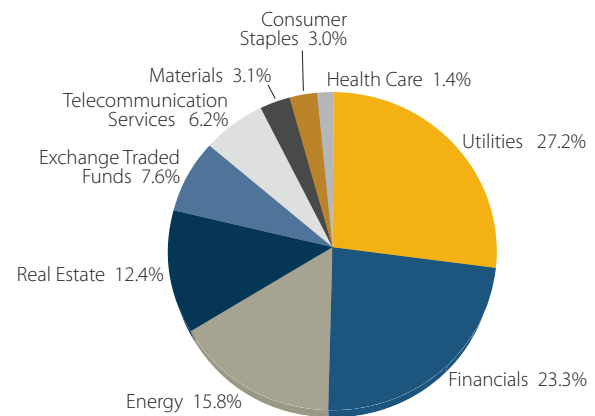
## Asset Mix (as a % of net asset value)

Preferred Equities	73.5%
Equities	53.8%
Other Net Assets (Liabilities) <sup>1</sup>	(0.5%)
Cash	(26.8%)
<hr/>	
Leverage Ratio <sup>6</sup>	21.1%

## Geographic Mix (as a % of total assets)



## Sector Mix (as a % of total assets)



## FUND COMMENTARY (As at December 31, 2018)

For the period September 30, 2018 to December 31, 2018, while the Series F units of the Fund fell 10.8%, the Fund's broad-based benchmark, the MSCI World Total Return Index fell 8.8%. For the full period since the launch of the Fund on June 30, 2016 to December 31, 2018, the MSCI World Total Return Index rose 9.4%. For the same period, the Fund's Series F units had a return of 3.6%. Since the Fund does not necessarily invest in the same securities as the benchmark, the performance of the Fund may not be directly comparable to the benchmark. In addition, the Fund's performance reflects the use of currency hedging and leverage and unlike the benchmark, the Fund's return is after the deduction of its fees and expenses.

During the period, equity investors faced the volatile realities of a shift from quantitative easing (i.e. bond purchasing) and very low interest rates coupled with the backdrop of global trade tensions, political unrest and further uncertainties as a result of the Brexit saga. In fact, as the majority of developed economies are yet to adopt meaningful pro-growth measures, rising U.S. interest rates, the Federal Reserve shrinking its balance sheet



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and the European Central Bank ending its bond buying program have stirred worries over a new era of “quantitative tightening” that is also rattling markets.

During this period, both the Fund’s preferred shares and equity components lost ground; most sectors performed poorly with the Fund’s exposure to Real Estate (i.e. Brookfield Property Partners L.P.), Utilities and Energy detracting the most while Healthcare and Materials fared the best. During the period, the Fund profitably sold its equity positions in Fortis Inc. and Walgreens Boots Alliance Inc. and a The Bank of Nova Scotia preferred share to lower leverage.

The Fund hedges its U.S. dollar exposure by funding its U.S. dollar purchases through borrowing U.S. dollars. As at December 31, 2018, the Fund was borrowing U.S. dollars and Canadian dollars, and its leverage ratio (i.e. debt/portfolio of investments) was 26% based on settlement date activity. The current cost of borrowing in U.S. dollars is 3.31% per annum and in Canadian dollar is 2.81% per annum.

The preferred share component of the Fund (84% of the total assets of the Fund) is all actively selected Canadian listed shares which are all investment grade rated by DBRS Limited (the rating agency formerly called Dun & Bradstreet Rating Services) and/or by Standard & Poor’s rating agency and were mostly purchased via initial public offerings.

The Fund’s equity component (53% of the total assets of the Fund) is to comprise mostly large companies and members of the dividend aristocrats indices exhibiting, we believe, attractive dividend policies. These large companies should benefit more than others when global growth accelerates.

The Fund has a target of a 5% distribution per annum based on the opening net asset value of \$50.00 per unit which it has met since inception. The earnings from dividends, derivatives and net realized gains exceed the paid distributions. Indicators that the Fund may continue to reach its 5% distribution target include 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 and current yields (a financial ratio that shows annual income [interest or dividends] divided by the current share price) of the preferred shares and fixed income securities. Sourced from Thomson Reuters and Bloomberg these component yields are as follows:

- equity’s trailing weighted average dividend yield was 6.3%.
- preferred share’s trailing weighted average current yield was 5.2%.
- The unlevered portfolio yield is 5.6%. The levered portfolio dividend yield is 6.6%.

During the period, the Fund’s net assets decreased from \$814,000 to \$711,000 due in part to the payment in December of a special distribution to both Series A and Series F units of \$0.40, in addition to its regular monthly distributions. This special distribution is paid to assist the Fund (on behalf of its unit holders) to avoid tax. The Manager does not believe the payouts had a material impact upon the management of the

Fund and every effort is made to fund payouts in a manner that optimizes the Fund’s composition and positions it for the future.

## RECENT DEVELOPMENTS

Signs of a late-cycle economy and unresolved Chinese-U.S. trade tension does not mean a recession lurks around the corner. However, the U.S. Treasury Yield curve, reflecting the difference between 2-year and 10-year Treasury yields has flattened to levels not seen in a decade. A negative yield is ordinarily an indicator of a recession. Global activity appears to be still expanding alongside company earnings whereas the recent lower/repricing in equities reflects an anticipated slower pace of growth and margin compression for companies from higher interest rates and wages.

Bond markets face rising rates for the first time in some four decades, which is already creating significant asset reallocations and liquidity issues leading to increased periods of volatility. While increased volatility may be unsettling, it is to be expected as rates rise and Central Banks wean their countries off support mechanisms and towards more normal rates and markets. Also as the U.S. proceeds 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. And markets remind us from time to time that they can veer from complacency to panic over a week-end.

Positions in the Fund will primarily be Canadian preferred shares and larger capitalization global equities and Exchange Traded Funds with representation across all industry sectors, which we believe have strong financial positions, robust dividend policies and are undervalued. At such times, we believe a pivot towards ‘value’ rather than ‘growth’ criteria is likely to predominate as investors seek businesses that are priced reasonably, particularly in a reflationary environment. Overall, we believe that the Fund is currently well 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: leverage, highly volatile markets, interest rate changes, equity risk, and currency and exchange rate risk. Please read the “Risk Factors” section in the Offering Memorandum for a more detailed description of all the relevant risks.



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\* Since the Fund does not necessarily invest in the same securities as the benchmark or in the same proportion, the performance of the Fund may not be directly comparable to the benchmark. In addition, the Fund's performance returns reflect the use of leverage. The use of a benchmark is for illustrative purposes only, and is not an indication of performance of the Fund.

<sup>1</sup> Generally available through dealers who have entered into a Portland Series F Dealer Agreement.

<sup>2</sup> Accredited Investors as defined under National Instrument 45-106.

<sup>3</sup> For investors who are not Accredited Investors, the additional investment must be in an amount that is not less than \$500 if the investor initially acquired Units for an acquisition cost of not less than \$150,000 and, at the time of the additional investment, the Units then held by the investor have an acquisition cost or a net asset value equal to at least \$150,000, or another exemption is available.

<sup>4</sup> The Manager reserves the right to change the targeted annual distributions at its discretion.

<sup>5</sup> Other Net Assets (Liabilities) refers to all other assets and liabilities in the Fund excluding portfolio investments and cash.

<sup>6</sup> 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.

Commissions, trailing commissions, management fees and expenses all may be associated with investments. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions 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. Funds are not guaranteed, their values change frequently and past performance may not be repeated.

The PORTLAND GLOBAL ARISTOCRATS PLUS FUND (the "Fund") is not publicly offered. It is only available under Offering Memorandum and other exemptions to investors who meet certain eligibility or minimum purchase requirements such as "accredited investors". Information herein pertaining to the Fund is solely for the purpose of providing information and is not to be construed as a public offering in any jurisdiction of Canada. The offering of Units of the Fund is made pursuant to an Offering Memorandum and the information contained herein is a summary only and is qualified by the more detailed information in the Offering Memorandum.

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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](http://www.portlandic.com) • [info@portlandic.com](mailto:info@portlandic.com)

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