



**PORLAND**  
INVESTMENT COUNSEL®

PORLAND VALUE FUND  
**ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

SEPTEMBER 30, 2015

**PORTFOLIO  
MANAGEMENT TEAM**

**Michael Lee-Chin**  
Executive Chairman, Chief Executive Officer, Chief Investment Officer and Portfolio Manager

**Dragos Berbecel**  
Portfolio Manager

## Management Discussion of Fund Performance

### Portland Value Fund

This annual management report of fund performance contains financial highlights, but does not contain either interim or annual financial statements of the investment fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-888-710-4242, by writing to us at 1375 Kerns Road, Suite 100, Burlington, ON L7P 4V7 or visiting our website at [www.portlandic.com](http://www.portlandic.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

The views of the portfolio management team contained in this report are as of September 30, 2015 and this report is not intended to provide legal, accounting, tax or specific investment advice. Views, portfolio holdings and allocations may have changed subsequent to this date. For current information please contact us using the above methods. All references to performance relate to Series F units. The performance of other units may be different than that of the Series F units due to differing fees.

### INVESTMENT OBJECTIVE AND STRATEGIES

The investment objective of the Portland Value Fund (the "Fund") remains as discussed in the prospectus. The Fund's objective is to generate an above average return by employing a focused investment strategy, primarily in a limited number of long securities positions. The Fund, which was launched on May 19, 2015, invests in a small number of quality equities, ordinarily selected from liquid, large cap stocks, domiciled in long-term growth industries, which the Manager believes are undervalued and/or have the potential of increased returns due to activist investor campaigns.

The Manager then overlays a risk mitigation strategy based on portfolio construction and value discipline. The Manager has long held the view that the key to wealth creation is owning a few high quality businesses. By using a concentrated investment strategy, the Manager leverages its best investment ideas, which is expected to aid the Fund in meeting its investment objectives.

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. Common strategies include demanding a raise in dividends/share buybacks, the divestment of assets and/or the embracing or rejecting of mergers and acquisitions. Activist investors achieve their goals by cooperating with other institutional investors, acquiring board representation and/or changing the management of the target company.

### RISK

The overall risk level has not changed for the Fund and remains as discussed in the Prospectus. Investors should be able to accept a medium level of risk and plan to hold for the medium to long term.

### RESULTS OF OPERATIONS

For the period since the Fund's inception on May 19, 2015 to September 30, 2015, the Fund's benchmark, the MSCI World Total Return Index, had an annualized return of (3.3%). In accordance with mutual fund industry regulations, the Fund may not discuss its return until it has been in existence for one year. The net asset value per unit decreased from \$10.00 at May 19, 2015 to \$8.28 as at September 30, 2015. Unlike the Index, the Fund's return is after the deduction of its fees and expenses.

As at September 30, 2015, the top 5 sector exposure was constituted by energy 17.9%, financials 21.8%, telecommunication services 7.6%, consumer discretionary 5.8% and utilities 11.7% and the Fund's underlying portfolio held 13 investments.

The Fund's top performers for the period are Northland Power Inc., Pershing Square Holdings Limited, Brookfield Property Partners Limited Partnership and Restaurant Brands International Inc. The Fund's worst performer over the period was Baytex Energy Corporation.

The Fund has a material exposure to energy holdings, which we believe have currently depressed valuations and which, as at September 30, 2015, constituted 17.0% of the portfolio's net assets. The energy market sell-off, initiated in the third quarter of 2014, has continued and accelerated over the reporting period. Driven chiefly by concerns over near term oversupply, the volatility in the crude oil markets was punctuated at times by worries related to global economic growth, in particular a deceleration of economic expansion in China, a strengthening US dollar, on perennial expectations of a US Fed interest rate raise, yet to be fulfilled, significant financial speculation in the crude futures markets, as well as by fundamental market weakness, such as record high inventories of US crude oil.

- Outside of the energy space performance has been mixed on a background of broadly falling equity prices:
- Financial services companies, including Brookfield Asset Management Inc. and Berkshire Hathaway Inc. have suffered from the broader market sell-off combined with uncertainty around the interest rate environment hasn't helped either in this case. Berkshire Hathaway made a couple of major announcements in the third quarter, including the acquisition of Precision Castparts for \$32 billion and a \$5 billion investment in the US refiner Phillips 66.
- Brookfield Infrastructure Partners Limited Partnership has announced the AUD \$9 billion acquisition of the major Australian rail operator Asciano at, what we believe is, a discounted price given the current commodity downturn. The market reacted coldly to the news, as Australia's commodity exports are burdened by uncertainty surrounding growth in China. We continue to like the name for its robust business model, but also for its attractive USD denominated, tax advantaged which is well covered.
- Cable & Wireless Communications PLC, a key holding of the Fund, had an overall positive contribution over the time period, though

it has been affected as well by the weakness in the markets in the third quarter. We believe the current valuation is not reflective of the company's growth potential, subsequent to the integration of Columbus International Inc., which it acquired earlier in the year.

- Restaurant Brands International Inc. continues to lead its peers in same store sales (SSS) growth at Burger King, with mid-single-digit rates, compared to McDonald's slightly negative and Wendy's barely positive SSS growth.
- Our more interest rate sensitive holdings, such as the independent power producers, infrastructure and real estate companies were affected, but rebounded significantly subsequent to the Fed decision to postpone its first rate raise in nine years. Northland Power Inc.'s Gemini offshore wind project in North Sea is progressing on schedule and on budget.
- Hertz Global Holdings Inc. completed its financial statement restatement process, announced a \$1 billion share buy-back and has seen strong buying interest from insiders, including CEO John Tague and top shareholder Glenview Capital. Currently the top two investors in Hertz Global Holdings are Carl Icahn and Jana Partners.

## RECENT DEVELOPMENTS

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.

On November 27th, 2014, at its semi-annual ordinary meeting, OPEC has effectively renounced its role as the swing producer and defender of oil price stability in favour of market share, which triggered an exacerbation of the energy market sell-off. At that meeting the oil cartel has decided to stick by its 30 million barrels of oil equivalent per day (boed) production target. However, starting with March of 2015, the OPEC member countries, led by Saudi Arabia, started increasing their crude oil production, well in excess of the stated target, likely the result of a more resilient than expected US supply in the last quarter of 2014 and the first quarter of 2015. OPEC crude output increased to 32.3 million boed in August of 2015, using up, in our opinion, substantially all the spare crude oil capacity, leaving the market exposed to potential supply shocks in the near to medium term. The result of the unexpected increase in the global oil supply was a second round of drastic reduction in the price of crude oil. Over the months of July and August, the crude oil prices suffered eight consecutive weeks of price drops, the longest such losing streak in 29 years. From June 30, 2015, to August 24, 2015, the US crude oil benchmark, the West Texas Intermediate, dropped from \$59.47/bbl to \$38.24/bbl. Over the reporting period, since May 19, 2015, to September 30, 2015, the same WTI crude oil benchmark retreated from \$57.99/bbl to \$45.09/bbl.

We believe the current depressed oil prices are temporary, given that at \$45/bbl to \$50/bbl oil prices production is uneconomical for most market participants, including the otherwise low cost producers such as Saudi Arabia, once requirements for balancing national budgets are accounted for. However, during the reporting period, the effect on the performance of the Fund's energy holdings has been significant. In August of 2015, during the most recent oil prices sell-off, energy companies held in the Fund, including Baytex Energy Corporation and Crescent Point Energy Corporation announced curtailments or temporary suspension of their dividend payouts in an effort to preserve

their financial flexibility and operational momentum. Reductions in capital expenditure programs have also been announced by our energy holdings, though modest production growth continued to be targeted for 2015. Increased efficiency and a reduction in certain operating costs is expected to partly offset the negative effect of low crude prices.

We continue to believe that the fundamental operations of our energy holdings remain robust, even in this challenging environment. We continue to believe the three energy companies held in the Fund are essentially well-run businesses with superior field economics and which will benefit substantially from an eventual recovery in crude prices; we intend to maintain and opportunistically add to this exposure. We believe that the Fund is well-positioned to continue to meet its investment objectives as outlined above.

Effective October 19, 2015, the Fund changed custodians from Citibank Canada to CIBC Mellon Trust Company.

## RELATED PARTY TRANSACTIONS

The Fund's manager is Portland Investment Counsel Inc. (the "Manager"). The Manager is responsible for the day-to-day operation of and for providing investment management services to the Fund. The Manager receives a fee for providing these services. This is calculated daily based on the net asset value of the Fund and paid monthly. During the period ended September 30, 2015, the Manager received \$603 in management fees from the Fund (net of applicable taxes).

Any administrative services paid for or provided by the Manager are charged to the Fund and are grouped and presented by expense type in the statements of operations. Depending on their nature, some expenditures are allocated to the Fund based upon the net asset value or actual costs incurred. During the period ended September 30, 2015, the Manager was reimbursed \$259 for operating expenses incurred on behalf of the Fund, including amounts paid to affiliates, net of applicable taxes. In addition to the amounts reimbursed, the Manager absorbed \$38,130 of operating expenses during the period ended September 30, 2015 (net of applicable taxes).

Affiliates of the Manager provide administrative services associated with the day-to-day operations of the Fund. These affiliates of the Manager were reimbursed \$831 during the period ended September 30, 2015 by the Fund for such services.

The Board of Directors of the manager is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities.

### Notes

*Certain statements included in this Management Discussion of Fund Performance constitute forward-looking statements, including those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend" and similar expressions to the extent they relate to the Fund. These forward-looking statements are not historical facts, but reflect the current expectations of the portfolio management team regarding future results or events of the Fund. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. The portfolio management team has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, except as required by securities legislation.*

*Certain research and information about specific holdings in the Fund, including any opinion, is based upon various sources believed to be reliable, but it cannot be guaranteed to be current, accurate or complete. It is for information only, and is subject to change without notice.*

## Summary of Investment Portfolio as at September 30, 2015

## Top 25 Investments\*

	% of Net Asset Value
Cash	10.9%
Cable & Wireless Communications PLC	7.6%
Whitecap Resources Inc.	7.3%
Brookfield Property Partners LP	6.6%
Crescent Point Energy Corporation	6.5%
Northland Power Inc.	6.4%
Restaurant Brands International Inc.	5.8%
Brookfield Asset Management Inc. 'A'	5.7%
Berkshire Hathaway Inc. 'B'	5.5%
Brookfield Infrastructure Partners Limited Partnership	5.3%
Zoetis Inc.	4.6%
Baytex Energy Corporation	4.1%
Pershing Square Holdings Limited	4.0%
Hertz Global Holdings Inc.	4.0%
<b>Grand Total</b>	<b>84.3%</b>
 Total net asset value	 <b>\$157,293</b>

\* 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%.

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end by visiting [www.portlandic.com](http://www.portlandic.com) or contacting us at 1-888-710-4242.

## Portfolio Composition

## Sector

Cash and Other Assets	26.6%
Financials	21.8%
Energy	17.9%
Utilities	11.7%
Telecommunication Services	7.6%
Consumer Discretionary	5.8%
Health Care	4.6%
Industrials	4.0%

## Geographic Region

Canada	35.8%
Cash and Other Assets	26.6%
United States	14.1%
Bermuda	11.9%
Great Britain	7.6%
Guernsey	4.0%

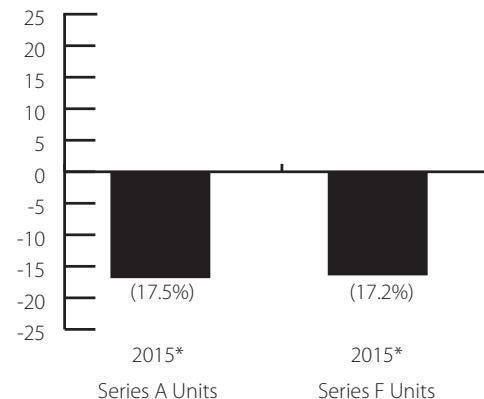
Cash and Other Assets refers to cash on hand plus all other assets and liabilities in the Fund excluding portfolio investments.

## Past Performance

The past performance information shown in this section is calculated using the net asset value per unit and assumes that all distributions made by the investment fund in the periods shown were reinvested in additional securities of the investment fund. The past performance information does not take into account sales, redemptions, distribution or other optional charges or income taxes payable by the unitholder that would have reduced returns or performance. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.

## Year-By-Year Returns

The graphs show the annual historical returns of the applicable series of units, which change each year. Annual return is the percentage change in the value of an investment from October 1 to September 30 (unless otherwise stated).



\*From May 19, 2015 to September 30, 2015.

## Annual Compound Returns

The table below shows the historical compound returns of the applicable series of units and the MSCI World Total Return Index (the "Index"). The Index is designed to measure the equity market performance of the following 23 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Performance will vary by series largely due to the extent that fees and expenses may differ between series.

Series of Units	Inception Date	Since Inception	One Year	Three Year	Five Year	Ten Year
Series A	May 19, 2015	(17.5%)	-	-	-	-
Index		(3.3%)	-	-	-	-
Series F	May 19, 2015	(17.2%)	-	-	-	-
Index		(3.3%)	-	-	-	-

Comparison to the Index: Since the Fund does not necessarily invest in the same securities as the Index or in the same proportion, the performance of the Fund is not expected to equal that of its benchmark. Please refer to management Discussion of Fund Performance - Results of Operations for additional discussion of the Fund's performance compared to the Index.

## Management Fees

The Manager is responsible for the day-to-day management and administration of the Fund. The Manager monitors and evaluates the performance of the Fund, pays for the investment management services of the investment adviser and arranges for the administrative services required to be provided to the Fund. As compensation for its service, the Manager is entitled to receive a fee, payable monthly, calculated based on the daily net asset value of the Fund.

Series of Units	Management Fee (%)	Expenses Paid Out of the Management Fee (%)		
		Dealer compensation	General administration, investment advice and profit	Absorbed expenses
Series A	2.00%	36%	-	64%
Series F	1.00%	-	-	100%
Series G	2.00%	-	-	100%

## Financial Highlights

The following tables show selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past 5 years or, if shorter, the periods since inception of the Fund. The information in the table below is for the period from October 1 to September 30, or inception date to September 30 in the inception period.

### Series A Units - Net Assets per unit<sup>1(a)</sup>

For the periods ended	2015
Net assets, beginning of the period	\$10.00 <sup>t<sup>1b</sup></sup>
Increase (decrease) from operations:	
Total revenue	0.14
Total expenses	(0.11)
Realized gains (losses)	(0.09)
Unrealized gains (losses)	(1.55)
Total increase (decrease) from operations <sup>2</sup>	(1.61)
Distributions to unitholders:	
From income	-
From dividends	-
From capital gains	-
Return of capital	-
Total annual distributions <sup>3</sup>	-
Net assets, end of period <sup>4</sup>	\$8.25

### Series A Units - Ratios/Supplemental Data

For the periods ended	2015
Total net asset value	\$46,143
Number of units outstanding	5,594
Management expense ratio <sup>5</sup>	2.85% *
Management expense ratio before waivers or absorptions	85.28% *
Trading expense ratio <sup>6</sup>	0.36% *
Portfolio turnover rate <sup>7</sup>	0.00%
Net asset value per unit	\$8.25

<sup>t</sup> Initial offering price

\* Annualized

### Series F Units - Net Assets per unit<sup>1(a)</sup>

For the periods ended	2015
Net assets, beginning of the period	\$10.00 <sup>t<sup>1b</sup></sup>
Increase (decrease) from operations:	
Total revenue	0.14
Total expenses	(0.08)
Realized gains (losses)	(0.08)
Unrealized gains (losses)	(1.71)
Total increase (decrease) from operations <sup>2</sup>	(1.73)
Distributions to unitholders:	
From income	-
From dividends	-
From capital gains	-
Return of capital	-
Total annual distributions <sup>3</sup>	-
Net assets, end of period <sup>4</sup>	\$8.28

### Series F Units - Ratios/Supplemental Data

For the periods ended	2015
Total net asset value	\$111,150
Number of units outstanding	13,417
Management expense ratio <sup>5</sup>	1.74% *
Management expense ratio before waivers or absorptions	84.29% *
Trading expense ratio <sup>6</sup>	0.36% *
Portfolio turnover rate <sup>7</sup>	0.00%
Net asset value per unit	\$8.28

<sup>t</sup> Initial offering price

\* Annualized

## Explanatory Notes

1. a) This information is derived from the Fund's audited annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

b) The following series of the Fund commenced operations on the following dates, which represents the date upon which securities of a series were first purchased by investors.

Series A Units      May 19, 2015

Series F Units      May 19, 2015

2. Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted daily average number of units outstanding over the financial period.

3. Distributions are paid out in cash/reinvested in additional units of the Fund, or both.

4. This is not a reconciliation of the beginning and ending net assets per unit.

5. The management expense ratio ("MER") is based on total expenses (excluding foreign withholding taxes, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The Manager may absorb certain expenses otherwise payable by the Fund. The amount of expenses absorbed is determined annually at the discretion of the Manager.

6. The trading expense ratio ("TER") represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the daily average net asset value of the Fund.

7. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Portfolio turnover rate is calculated based on the lesser of the cumulative cost of purchases or cumulative proceeds of sales divided by the average market value of the portfolio, excluding short-term investments.



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Historical annual compounded total returns as at September 30, 2015 include changes in unit value and distributions reinvested and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Commissions, service fees, management fees and expenses may be associated with investment funds. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the prospectus before investing. PORTLAND, PORTLAND INVESTMENT COUNSEL and the Clock Tower Design are registered trademarks of Portland Holdings Inc. Used under licence by Portland Investment Counsel Inc.

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