



PORTLAND
INVESTMENT COUNSEL®

PORTLAND ADVANTAGE FUND
ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

SEPTEMBER 30, 2018

PORTFOLIO
MANAGEMENT TEAM

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

Robert Almeida
Senior Vice President and Portfolio Manager

Management Discussion of Fund Performance Portland Advantage 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 or SEDAR at 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, 2018 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 Advantage Fund (the Fund) remains as discussed in the prospectus. The Fund's objective is to provide positive long-term total returns by investing primarily in a portfolio of Canadian equities. The Fund seeks to provide capital growth and income while moderating the volatility of equities by investing in a portfolio of equities/ADRs, and which may include exchange traded funds. The Fund may invest up to 49% in foreign securities in a manner consistent with its investment objective.

RISK

For the twelve months ended September 30, 2018:

- emerging markets were adversely impacted, at least in part, by concerns about tariffs and global trade wars;
- while global oil prices performed relatively well, Western Canada's oil assets were adversely impacted by deferral/cancellation of pipelines necessary to bring their product to market; and
- Puerto Rico was hit with two major hurricanes that resulted in unprecedented damage.

Through its holdings, the Fund was exposed to these geo-political and environmental events. On the other hand, U.S. tax reform positively impacted U.S. markets while valuations of cannabis companies skyrocketed in Canada as legalization approached. Given the nascent stage of development of the cannabis industry, we believe that the future success of cannabis companies is inherently speculative and, accordingly, the Fund does not have any holdings of cannabis companies.

The Fund began and ended the period with approximately 45% of the Fund's assets invested in securities denominated in foreign currencies, which exposes the Fund's net asset value to the foreign currency risk. We are of the opinion that any Canadian dollar appreciation would be underpinned by a strong U.S. economy, which would be reflected

in better returns from the holdings of U.S. securities. Accordingly, the foreign currency exposure in the Fund continues to be unhedged. While the Fund's holdings of U.S. companies did benefit from the moderate appreciation of the U.S. dollar vis a vis the Canadian dollar, we believe that the Fund's holdings of Latin American companies were adversely impacted by foreign currency risk.

The intensity of focus within the Fund increased slightly with the total number of equity securities ending the period at 16 (from 19), when adjusted to combine substantially similar securities, and the focus on the top five holdings increased from 39.6% to 47.9%. This intensity of focus creates the potential for more volatility but, in our opinion, improves the quality profile of the Fund and enhances the return potential.

RESULTS OF OPERATIONS

For the twelve month period ended September 30, 2018, the Fund's benchmark, the S&P/TSX Composite Total Return Index, had a return of 5.9%. Over the same period, the Fund had a return of (4.9%). Unlike the Index, the Fund's return is after the deduction of its fees and expenses. The net asset value per unit decreased from \$12.26 at September 30, 2017 to \$11.54 at September 30, 2018. It should be noted that the Fund paid a distribution of \$0.14 per unit in Series F during the period.

The Fund's net asset value as at September 30, 2018 was \$3.5 million. On a cumulative basis since its inception, the Fund has experienced both positive net sales and positive investment performance; however, the Fund did experience net redemptions during the period.

The holdings that contributed most to Fund performance were Brookfield Asset Management Inc. (BAM), Berkshire Hathaway Inc. (BRK) and The Toronto-Dominion Bank (TD).

We believe that BAM has positioned itself as one of, if not the leading investor in real assets in the world, an asset class that is rapidly growing. Notwithstanding its positive performance over the past year, we look for further outperformance from BAM in the years to come. BRK is a beneficiary of U.S. growth and tax reform. We expect TD to continue to leverage its position as the leading North American financial institution to deliver strong returns.

The main detractors from Fund performance were Invesco Ltd. (IVZ), Copa Holdings SA (Copa), and Liberty Latin America Ltd. (formerly Liberty Global PLC LiLAC) (LILA).

LILA was adversely impacted by the hurricanes that hit Puerto Rico, as Puerto Rico accounted for about 10% of its operating cash flow. It will likely take LILA's Puerto Rico operations most of 2018 to recover from the effects of the hurricanes. The other parts of LILA's operations have performed in line with expectations. During the period, LILA was split off from Liberty Global PLC with a new Board of Directors (including John Malone and Mike Fries of Liberty Global PLC) and CEO being appointed. We believe that LILA is positioned well to realize above average growth driven by merger synergies, combined with organic growth in underpenetrated markets and further sector consolidation activity. However, emerging market uncertainty, the hurricane impact on Puerto Rico and general risks associated with convergence in the telecommunications/media sector have combined with a lack of

market familiarity with the stock to adversely impact perception of LILA. We believe this is creating a perception/reality gap, which makes LILA a great value investment at current prices.

We believe that IVZ is trading at a substantial discount to intrinsic value. IVZ has a dividend yield in excess of 5% and it has seen its Price to Earnings (PE) multiple drop below 9 and approach 8 based on analyst estimates for 2019 earnings. For comparison, the PE multiple for the S&P 500 is in the mid 20's.

On a per unit basis during the period, the Fund's Series F units generated \$0.28 of revenue, \$0.06 of realized gains (losses) and (\$0.66) of unrealized gains (losses).

Bonds issued by Digicel Group Limited had been acquired by the Fund at a time when the risk of the bonds was perceived to be relatively high and the bonds were trading at a substantial discount, implying an attractive yield. As the discount reduced, we took the opportunity to exit the position having earned an attractive yield and realized a capital gain. Northland Power Inc. was sold for a gain during the period. In addition, the nominal holding of Trisura Group Ltd., which had been received as part of a corporate action, was sold at a gain.

At September 30, 2018, by asset class the Fund's net asset value was invested 100% in 16 equity securities. By geography, the Fund's net assets were invested approximately 55% in cash and securities of issuers based in Canada. We believe that the Fund is well positioned to continue to meet its investment objectives as outlined above.

RECENT DEVELOPMENTS

Global capital markets, the U.S. markets in particular, have experienced strong positive returns post the U.S. election, raising market valuations to the high end of historical norms and increasing price risk in the market. To some extent, this price risk has been offset by the general positive impact of U.S. tax reform on corporate net earnings. More recently, concerns over the potential for global trade tariff wars have adversely impacted markets. However, concerns in relation to the North American Free Trade Agreement were put to rest with a new agreement between the U.S., Canada and Mexico being reached on September 30. The U.S. Federal Reserve has continued to raise its target interest rate as part of the return to more normal monetary policy, a process that has the potential to adversely impact markets. Negotiations for the exit of the United Kingdom from the European Union still present risk. While these and other items will undoubtedly impact global markets, we remain more focused on the fundamental valuations and performance of the businesses in the Fund and we are optimistic for the future.

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, 2018, the Manager received \$60,720 in management fees from the Fund compared to \$77,998 for the period ended September 30, 2017 (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 comprehensive income. 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, 2018, the Manager was reimbursed \$20,380 for operating expenses incurred on behalf of the Fund, including amounts paid to affiliates, net of applicable taxes. This compares to \$26,921 for the period ended

September 30, 2017. In addition to the amounts reimbursed, the Manager absorbed \$90,895 of operating expenses during the period ended September 30, 2018 compared to \$93,615 during the period ended September 30, 2017 (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 \$862 during the period ended September 30, 2018 by the Fund for such services, compared to \$2,237 during the period ended September 30, 2017.

The Manager, its affiliates, officers and directors of the Manager (Related Parties) may own units of the Fund. Transactions to purchase or redeem units are made at net asset value per unit. Standing instructions from the Independent Review Committee were not required or obtained for such transactions. As at September 30, 2018, Related Parties owned 14.8% (September 30, 2017: 13.4%) of the Fund.

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, 2018

Top 25 Investments*

| | % of Net Asset Value |
|---|----------------------|
| Brookfield Asset Management Inc. | 14.4% |
| Liberty Latin America Ltd. | 14.4% |
| ECN Capital Corp. | 6.9% |
| Berkshire Hathaway Inc. | 6.3% |
| The Bank of Nova Scotia | 5.9% |
| Millicom International Cellular SA | 5.9% |
| Brookfield Property Partners L.P. | 5.7% |
| The Toronto-Dominion Bank | 5.5% |
| BCE Inc. | 5.5% |
| Brookfield Infrastructure Partners L.P. | 5.4% |
| IGM Financial Inc. | 5.3% |
| Crescent Point Energy Corp. | 5.0% |
| Invesco Ltd. | 4.8% |
| Baytex Energy Corp. | 3.6% |
| Copa Holdings SA | 2.7% |
| CI Financial Corp. | 2.7% |
| Cash | 0.0% |
| Grand Total | 100.0% |
| Total net asset value | \$3,482,684 |

* 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 may 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 or contacting us at 1-888-710-4242.

Portfolio Composition

Sector

| | |
|---------------------------------------|-------|
| Asset Management & Custody Banks | 27.2% |
| Cable & Satellite | 14.4% |
| Diversified Banks | 11.4% |
| Oil & Gas Exploration & Production | 8.6% |
| Specialized Finance | 6.9% |
| Multi-Sector Holdings | 6.3% |
| Wireless Telecommunication Services | 5.9% |
| Real Estate Operating Companies | 5.7% |
| Integrated Telecommunication Services | 5.5% |
| Electric Utilities | 5.4% |
| Airlines | 2.7% |
| Other Net Assets (Liabilities) | 0.0% |

Geographic Region

| | |
|--------------------------------|-------|
| Canada | 54.8% |
| Bermuda | 30.3% |
| United States | 6.3% |
| Luxembourg | 5.9% |
| Panama | 2.7% |
| Other Net Assets (Liabilities) | 0.0% |

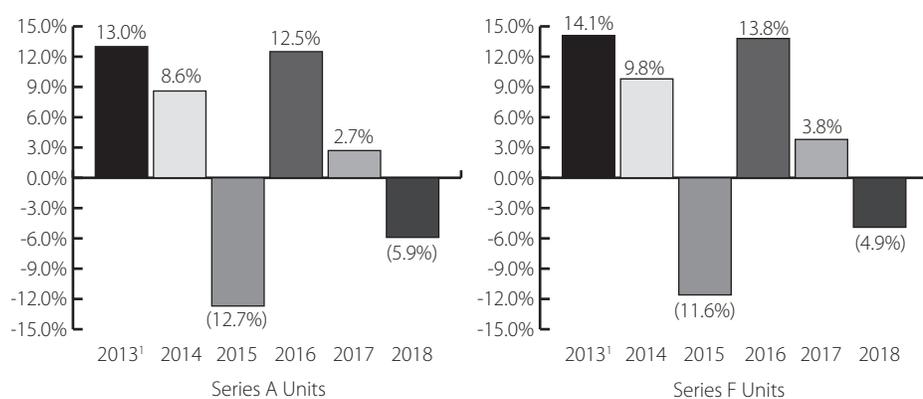
Other Net Assets (Liabilities) refers to cash on hand plus all other assets and liabilities in the Fund excluding portfolio investments.

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 following bar charts show the performance of each series of the Fund for each of the financial years shown and for the year ended September 30, 2018. The charts show in percentage terms how an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.



1. Return for 2013 represents a partial year starting October 31, 2012 to September 30, 2013.

Annual Compound Returns

The table below shows the historical compound returns of the applicable series of units and the S&P/TSX Composite Total Return Index (the Index). The Index comprises approximately 95% of the Canadian equities market and is the primary gauge for Canadian-based, Toronto Stock Exchange listed companies. 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 | October 31, 2012 | 2.6% | (5.9%) | 2.8% | 0.6% | - |
| Index | | 7.6% | 5.9% | 9.7% | 7.8% | - |
| Series F | October 31, 2012 | 3.8% | (4.9%) | 4.0% | 1.8% | - |
| Index | | 7.6% | 5.9% | 9.7% | 7.8% | - |

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% | 39% | - | 61% |
| Series F | 1.00% | - | - | 100% |

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years as applicable. The information in this table below is for the period from October 1 to September 30.

Series A Units - Net Assets per unit¹

| For the periods ended | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------|---------|---------|---------|---------|
| Net assets, beginning of the period | \$11.91 | \$11.77 | \$10.71 | \$12.27 | \$11.30 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.27 | 0.34 | 0.45 | 0.64 | 0.36 |
| Total expenses | (0.33) | (0.34) | (0.33) | (0.36) | (0.35) |
| Realized gains (losses) | 0.09 | (0.06) | 0.11 | 0.01 | 0.03 |
| Unrealized gains (losses) | (0.73) | 0.35 | 1.13 | (1.93) | 0.54 |
| Total increase (decrease) from operations ² | (0.70) | 0.29 | 1.36 | (1.64) | 0.58 |
| Distributions to unitholders: | | | | | |
| From income | - | (0.06) | (0.03) | - | - |
| From dividends | - | - | (0.24) | - | - |
| From capital gains | - | (0.11) | - | - | - |
| Return of capital | - | - | - | - | - |
| Total annual distributions ³ | - | (0.17) | (0.27) | - | - |
| Net assets, end of period ⁴ | \$11.20 | \$11.91 | \$11.77 | \$10.71 | \$12.27 |

Series A Units - Ratios/Supplemental Data

| For the periods ended | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------------|-------------|-------------|-------------|-------------|
| Total net asset value | \$1,948,962 | \$2,424,788 | \$2,770,840 | \$2,617,354 | \$2,658,899 |
| Number of units outstanding | 173,996 | 203,582 | 235,362 | 244,347 | 216,622 |
| Management expense ratio ⁵ | 2.83% | 2.83% | 2.82% | 2.84% | 2.83% |
| Management expense ratio before waivers or absorptions ⁵ | 5.35% | 4.79% | 4.52% | 4.89% | 7.41% |
| Trading expense ratio ⁶ | 0.03% | 0.05% | 0.04% | 0.09% | 0.04% |
| Portfolio turnover rate ⁷ | 1.70% | 10.44% | 31.17% | 22.23% | 1.48% |
| Net asset value per unit | \$11.20 | \$11.91 | \$11.77 | \$10.71 | \$12.27 |

Series F Units - Net Assets per unit¹

| For the periods ended | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------|---------|---------|---------|---------|
| Net assets, beginning of the period | \$12.26 | \$12.13 | \$11.01 | \$12.54 | \$11.41 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.28 | 0.33 | 0.47 | 0.66 | 0.41 |
| Total expenses | (0.19) | (0.20) | (0.19) | (0.22) | (0.21) |
| Realized gains (losses) | 0.06 | (0.09) | 0.14 | 0.02 | 0.02 |
| Unrealized gains (losses) | (0.66) | 0.44 | 1.04 | (1.74) | (0.23) |
| Total increase (decrease) from operations ² | (0.51) | 0.48 | 1.46 | (1.28) | (0.01) |
| Distributions to unitholders: | | | | | |
| From income | - | (0.21) | (0.05) | - | - |
| From dividends | (0.14) | - | (0.34) | (0.07) | - |
| From capital gains | - | (0.11) | - | - | - |
| Return of capital | - | - | - | - | - |
| Total annual distributions ³ | (0.14) | (0.32) | (0.39) | (0.07) | - |
| Net assets, end of period ⁴ | \$11.54 | \$12.26 | \$12.13 | \$11.01 | \$12.54 |

Series F Units - Ratios/Supplemental Data

| For the periods ended | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------------|-------------|-------------|-------------|-------------|
| Total net asset value | \$1,533,722 | \$2,278,285 | \$3,102,977 | \$2,504,363 | \$2,022,327 |
| Number of units outstanding | 132,933 | 185,761 | 255,828 | 227,399 | 161,307 |
| Management expense ratio ⁵ | 1.70% | 1.70% | 1.69% | 1.71% | 1.69% |
| Management expense ratio before waivers or absorptions ⁵ | 4.22% | 3.66% | 3.39% | 3.75% | 5.39% |
| Trading expense ratio ⁶ | 0.03% | 0.05% | 0.04% | 0.09% | 0.04% |
| Portfolio turnover rate ⁷ | 1.70% | 10.44% | 31.17% | 22.23% | 1.48% |
| Net asset value per unit | \$11.54 | \$12.26 | \$12.13 | \$11.01 | \$12.54 |

Explanatory Notes

1. The information is derived from the Fund's audited annual financial statements prepared in accordance with International Financial Reporting Standards.
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 but including management fee distributions paid to certain unitholders in the form of additional units) 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.

The Fund may hold investments in exchange traded funds (ETFs). The MER is calculated taking into consideration the expenses of the Fund allocated to the series including expenses indirectly attributable to its investment in the ETFs divided by the average daily NAV of the series of the Fund during the period.

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.

The TER is calculated taking into consideration the costs attributable to its investment in ETFs.

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 a 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.



PORTLAND
INVESTMENT COUNSEL®

Historical annual compounded total returns as at September 30, 2018 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.

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
