



PORTLAND
INVESTMENT COUNSEL®

PORTLAND ADVANTAGE FUND
ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

SEPTEMBER 30, 2019

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 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 info@portlandic.com or 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 Portland Investment Counsel Inc. (the Manager) contained in this report are as of September 30, 2019 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) 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

The overall risk level has not changed for the Fund. 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 twelve months ended September 30, 2019, there were once again many cross currents, including:

- Tariff and trade war concerns continued;
- Brexit concerns escalated;
- Oil prices moved up and down in response to Middle East production and transportation security; and
- The interest rate outlook moved from one of further increases to one of decreases.

The S&P/TSX Composite Total Return Index (the Index) responded with volatility but finished the period in positive territory.

The Fund seeks to fulfill its objective of above-average long-term total returns by investing primarily in a portfolio of Canadian equities. To that end, we are currently investing in assets that fall into the following 4 categories:

- **Asset Management businesses.** At reasonable prices, we believe these businesses are inherently capable of generating above-average long-term returns. The business model of asset management businesses is to:
 - invest in a portfolio of assets using proprietary capital as well as third party capital that is originated by providing investment management or insurance services;
 - earn investment returns on this leveraged capital base; and
 - earn net fee/premium income on third party capital.
- **Undervalued businesses.** These are businesses in which we believe the discount, between the market value and the intrinsic value of the business, provides an opportunity to earn an above-average return.
- **Younger, Higher Growth businesses.** These are relatively younger businesses in high-growth sectors, which we believe have the potential to generate out-sized returns.
- **Liquidity holdings.** These businesses are typically larger, pay dividends, and have relatively high trading volumes and low volatility. In addition, we may hold cash or fixed income securities.

During the period, we changed the composition of the Fund's exposure to Asset Management businesses by exiting IGM Financial, Inc. (IGM) and CI Financial Corporation (CIX) and initiated a position in Onex Corporation (ONEX). IGM and CIX are focused primarily on managing portfolios comprised of publicly traded securities of businesses in which they have little or no management influence. As a result of the growth of passive investing strategies, regulatory changes and technology disruption, these businesses are facing headwinds in the form of fee pressures and margin compression. On the other hand, Asset Managers that focus on direct investments into privately owned businesses, real estate and infrastructure are experiencing growing assets under management and less free pressures. The Fund finished the period with an aggregate exposure of approximately 35% to the following companies:

- Brookfield Asset Management Inc. (BAM),
- Berkshire Hathaway Inc. (BRK),
- ECN Capital Corp. (ECN), and
- ONEX.

The Fund's focus on this sector may amplify the Fund's volatility and concentration risk.

Invesco Ltd. (IVZ) is also an asset management business that is focused on managing publicly traded securities. Its share price was adversely impacted during the period by the sector concerns noted above. However, we believe the price reaction is overdone and we continue to hold IVZ as an Undervalued business. Similarly, we believe that the share prices of Baytex Energy Corporation (BTE) and Crescent Point Energy Corp. (CPG) have been excessively impacted by concerns about the Canadian oil sector. We believe that the business of Liberty Latin America Ltd. (LLA) is fundamentally sound and that the share price suffers from lack of securities analyst interest and understanding of

the Caribbean and Latin American telecommunication markets in which it operates. In aggregate, these holdings, which we believe to be undervalued, finished the period representing approximately 27% of the Fund. As these holdings are typically "out of favour", they are likely to experience higher price volatility. During the period, these holdings were substantial detractors from Fund performance.

During the period, the Fund initiated positions in 4 relatively younger, higher growth businesses and finished the period with an aggregate exposure of approximately 16% of the Fund:

- Canopy Growth Corporation (CANOPY)
- HEXO Corporation (HEXO)
- Curaleaf Holdings, Inc. (CURA)
- Telix Pharmaceuticals Limited (TELIX)

These businesses are inherently likely to experience substantially higher volatility of business performance and share price. Cognizant of this volatility, we were disciplined on our entry price valuations and this group of holdings contributed positively to Fund performance over the period.

The Fund continues to be invested in securities denominated in foreign currencies, which exposes the Fund's net asset value to the foreign currency risk. During the period, the Canadian dollar depreciated moderately relative to the U.S. dollar and we reduced exposure to assets denominated in foreign currencies from approximately 45% to approximately 39% (approximately 29% in U.S. dollars and 10% in Australian dollars). The intensity of focus within the Fund increased slightly with the total number of equity securities ending the period at 15 (from 16 as at September 30, 2018), when adjusted to combine substantially similar securities, and the focus on the top five holdings increased to approximately 53%. This intensity of focus creates the potential for more volatility but, in our opinion, improves the quality profile and enhances the return potential of the Fund.

For the twelve month period ended September 30, 2019, the Fund's benchmark, the Index, had a return of 7.1%. Over the same period, the Fund had a return of 2.1%. Unlike the Index, the Fund's return is after the deduction of its fees and expenses. The net asset value per unit decreased from \$11.54 at September 30, 2018 to \$8.92 at September 30, 2019. It should be noted that the Fund paid a distribution of \$2.35 per unit in Series F during the period.

The Fund's net asset value as at September 30, 2019 was \$2.2 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 Asset Management businesses, BAM and ECN. We like the leveraged return potential inherent in the asset management business model but recognize that traditional public equity asset managers are experiencing a secular trend of declining fees and compressing margins. As a result, the Fund exited its holdings of IGM and CIX and initiated a position in ONEX. We believe that BAM, ECN, BRK and ONEX, which collectively represent approximately 35% of the Fund, have operating models which are not subject to the same pressures. The Fund continues to hold IVZ but we are holding on to that position because we believe the valuation represents a compelling discount to intrinsic value.

TELIX, Millicom International Cellular S.A. (MIC) and BCE Inc. (BCE) were also amongst top contributors to Fund performance. As discussed earlier, TELIX was added to the Fund during the period and is a part of the Fund's strategy to have an exposure to higher growth, relatively

younger businesses. The Fund took advantage of the positive performance of MIC to exit the position and reallocate the capital. BCE, one of the leading telecommunications companies in Canada, and which is held in the fund as a source of stability, liquidity and income, performed better than we expected during the period.

The main detractors from Fund performance were oil companies, CPG and BTE, LLA, and IVZ. Notwithstanding the negative returns experienced by LLA, its fundamental business performance improved during the period. We believe that LLA 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 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 LLA. We believe this is creating a perception/reality gap, which makes LLA a great value investment at current prices. Whilst we are not as optimistic on the longer term growth potential for CPG, BTE and IVZ, we do believe that their valuations represent compelling discounts to the intrinsic value of the underlying businesses. These holdings, which add up to approximately 27% of the Fund, represent the Fund's strategy of seeking to generate returns from businesses we believe to be substantially undervalued.

On a per unit basis during the period, the Fund's Series F units generated \$0.21 of revenue, (\$0.94) of realized gains (losses) and (\$0.31) of unrealized gains (losses).

At September 30, 2019, by asset class the Fund's net asset value was invested 92% in equity securities of 15 issuers. By geography, the Fund's net assets were invested approximately 61% in cash and securities of issuers based in Canada. The key holdings of the Fund at the end of the period were:

- Approximately 35% in asset managers, BAM, BRK, ECN and ONEX, which we believe are well positioned to benefit from leveraged investment returns as well as growth of assets under management;
- Approximately 27% in business we believe to have compelling discounted valuations, including LLA, IVZ, BTE and CPG;
- Approximately 16% in higher growth, relatively younger businesses, TELIX, CANOPY, HEXO and CURA, which we believe are well positioned to capitalize on their positions in potentially explosive growth sectors; and
- Approximately 22% in other holdings and cash that provide stability, yield and liquidity to the Fund.

We believe that the diversification of geography, currency, sector and strategy of the Fund will contribute to reducing volatility whilst not diluting return potential. We believe that the Fund is well positioned to continue to meet its investment objectives.

RECENT DEVELOPMENTS

The United Kingdom continues to struggle to approve a plan for a future relationship with the European Union post Brexit. The Democratic Party took control of the U.S. House of Representatives and has initiated an Impeachment Enquiry of the President. The China/Canada relationship has been strained by the Canadian arrest of a prominent Chinese individual. In October, Canada just finished a close election. While these and other items will undoubtedly impact global markets, we believe that quality businesses adjust to manage and capitalize on economic and market dynamics and, over the longer term, shareholder returns reflect underlying business performance. In addition, at the Fund

management level, we believe we have sufficient liquidity to re-allocate capital to capitalize on any market opportunities.

RELATED PARTY TRANSACTIONS

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, 2019, the Manager received \$42,644 in management fees from the Fund, net of applicable taxes (September 30, 2018: \$60,720).

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 on a variety of methods including net asset value or actual costs incurred. During the period ended September 30, 2019, the Manager was reimbursed \$12,936 for operating expenses incurred on behalf of the Fund, including amounts paid to affiliates, net of applicable taxes (September 30, 2018: \$20,380). The Manager absorbed \$94,060 of operating expenses during the period ended September 30, 2019, net of applicable taxes (September 30, 2018: \$90,895).

Affiliates of the Manager provide administrative services associated with the day-to-day operations of the Fund. These affiliates of the Manager were reimbursed \$355 during the period ended September 30, 2019 by the Fund for such services (September 30, 2018: \$862).

The Manager and/or its affiliates and key management personnel of the Manager and their family (collectively referred to as Related Parties) may invest in units of the Fund from time to time in the normal course of business. 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, 2019, Related Parties owned 68,561 shares of the Fund (September 30, 2018: 45,283).

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, 2019

Top 25 Investments*

	% of Net Asset Value
Liberty Latin America Ltd.	14.9%
Brookfield Asset Management Inc.	12.5%
Telix Pharmaceuticals Limited	9.6%
Berkshire Hathaway Inc.	9.0%
Cash	7.4%
ECN Capital Corp.	7.4%
Onex Corporation	6.6%
Invesco Ltd.	5.9%
The Bank of Nova Scotia	5.6%
The Toronto-Dominion Bank	5.6%
Crescent Point Energy Corp.	3.5%
Baytex Energy Corporation	3.0%
Canopy Growth Corporation	2.5%
BCE Inc.	2.3%
Curaleaf Holdings, Inc.	1.8%
HEXO Corp.	1.8%
Grand Total	99.4%
Total net asset value	\$2,182,605

* 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	18.4%
Multi-Sector Holdings	15.6%
Cable & Satellite	14.9%
Diversified Banks	11.2%
Biotechnology	9.6%
Other Net Assets (Liabilities)	8.0%
Specialized Finance	7.4%
Oil & Gas Exploration & Production	6.5%
Pharmaceuticals	6.1%
Integrated Telecommunication Services	2.3%

Geographic Region

Canada	52.6%
Bermuda	20.8%
Australia	9.6%
United States	9.0%
Other Net Assets (Liabilities)	8.0%

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

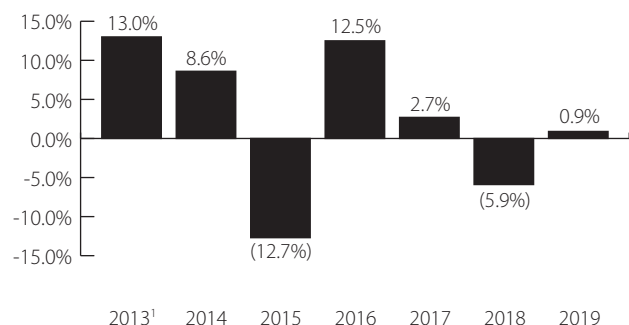
Past Performance

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 Fund in the periods shown were reinvested in additional securities of the 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.

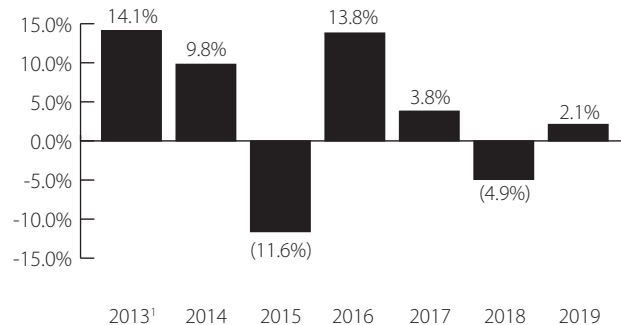
Year-By-Year Returns

The following bar charts show the performance of each series of the Fund for each of the financial years shown and illustrates how the investment fund's performance has changed from year to year. 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.

Series A Units



Series F Units



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	2.4%	0.9%	(0.9%)	(0.9%)	-
Index		7.5%	7.1%	7.4%	5.3%	-
Series F	October 31, 2012	3.5%	2.1%	0.3%	0.3%	-
Index		7.5%	7.1%	7.4%	5.3%	-

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 portfolio 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%	28%	-	72%
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. The information is provided as at September 30 of the year shown.

Series A Units - Net Assets per unit¹

For the periods ended	2019	2018	2017	2016	2015
Net assets, beginning of the period	\$11.20	\$11.91	\$11.77	\$10.71	\$12.27
Increase (decrease) from operations:					
Total revenue	0.19	0.27	0.34	0.45	0.64
Total expenses	(0.26)	(0.33)	(0.34)	(0.33)	(0.36)
Realized gains (losses)	(0.66)	0.09	(0.06)	0.11	0.01
Unrealized gains (losses)	0.72	(0.73)	0.35	1.13	(1.93)
Total increase (decrease) from operations ²	(0.01)	(0.70)	0.29	1.36	(1.64)
Distributions to unitholders:					
From income	(1.98)	-	(0.06)	(0.03)	-
From dividends	(0.29)	-	-	(0.24)	-
From capital gains	-	-	(0.11)	-	-
Return of capital	-	-	-	-	-
Total annual distributions ³	(2.27)	-	(0.17)	(0.27)	-
Net assets, end of period ⁴	\$8.56	\$11.20	\$11.91	\$11.77	\$10.71

Series A Units - Ratios/Supplemental Data

For the periods ended	2019	2018	2017	2016	2015
Total net asset value	\$1,467,662	\$1,948,962	\$2,424,788	\$2,770,840	\$2,617,354
Number of units outstanding	171,410	173,996	203,582	235,362	244,347
Management expense ratio ⁵	2.84%	2.83%	2.83%	2.82%	2.84%
Management expense ratio before waivers or absorptions ⁵	6.94%	5.35%	4.79%	4.52%	4.89%
Trading expense ratio ⁶	0.11%	0.03%	0.05%	0.04%	0.09%
Portfolio turnover rate ⁷	29.76%	1.70%	10.44%	31.17%	22.23%
Net asset value per unit	\$8.56	\$11.20	\$11.91	\$11.77	\$10.71

Series F Units - Net Assets per unit¹

For the periods ended	2019	2018	2017	2016	2015
Net assets, beginning of the period	\$11.54	\$12.26	\$12.13	\$11.01	\$12.54
Increase (decrease) from operations:					
Total revenue	0.21	0.28	0.33	0.47	0.66
Total expenses	(0.17)	(0.19)	(0.20)	(0.19)	(0.22)
Realized gains (losses)	(0.94)	0.06	(0.09)	0.14	0.02
Unrealized gains (losses)	0.31	(0.66)	0.44	1.04	(1.74)
Total increase (decrease) from operations ²	(0.59)	(0.51)	0.48	1.46	(1.28)
Distributions to unitholders:					
From income	(2.05)	-	(0.21)	(0.05)	-
From dividends	(0.30)	(0.14)	-	(0.34)	(0.07)
From capital gains	-	-	(0.11)	-	-
Return of capital	-	-	-	-	-
Total annual distributions ³	(2.35)	(0.14)	(0.32)	(0.39)	(0.07)
Net assets, end of period ⁴	\$8.92	\$11.54	\$12.26	\$12.13	\$11.01

Series F Units - Ratios/Supplemental Data

For the periods ended	2019	2018	2017	2016	2015
Total net asset value	\$714,943	\$1,533,722	\$2,278,285	\$ 3,102,977	\$2,504,363
Number of units outstanding	80,171	132,933	185,761	255,828	227,399
Management expense ratio ⁵	1.71%	1.70%	1.70%	1.69%	1.71%
Management expense ratio before waivers or absorptions ⁵	5.81%	4.22%	3.66%	3.39%	3.75%
Trading expense ratio ⁶	0.11%	0.03%	0.05%	0.04%	0.09%
Portfolio turnover rate ⁷	29.76%	1.70%	10.44%	31.17%	22.23%
Net asset value per unit	\$8.92	\$11.54	\$12.26	\$12.13	\$11.01

Explanatory Notes

1. The information is derived from the Fund's audited annual financial statements prepared in accordance with International Financial Reporting Standards. The net assets per security presented in the financial statements may differ from the net asset value calculated for fund pricing purposes.
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 during the period.

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.

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