



PORLAND
INVESTMENT COUNSEL®

PORLAND CANADIAN BALANCED FUND
ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

SEPTEMBER 30, 2019

**PORTFOLIO
MANAGEMENT TEAM**

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Management Discussion of Fund Performance **Portland Canadian Balanced 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 Canadian Balanced Fund (the Fund) is to provide positive long-term total returns, consisting of both income and capital gains by investing primarily in a portfolio of fixed income securities and Canadian equities. The Fund seeks to provide income and capital growth by investing in a diversified portfolio of common equities, preferred shares, income securities and exchange-traded funds (ETFs). 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 low to medium level of risk and plan to hold for the medium to long term.

RESULTS OF OPERATIONS

For the year ended September 30, 2019, the Fund had a return of 7.6%. For the same period, the Fund's Blended Benchmark (which is a composite consisting of 60% of the return of the S&P/TSX Composite Total Return Index (the Index) and 40% of the total return of the iShares Core Canadian Universe Bond Index ETF TR), had a return of 8.1%. For the full period since launch of the Fund on October 31, 2012 to September 30, 2019, the Fund had an annualized return of 9.9%. For the same period, the Blended Benchmark had an annualized return of 5.8%. Unlike the Index, the Fund's return is after the deduction of its fees and expenses.

The Fund's net asset value at September 30, 2019 was \$12.2 million. On a cumulative basis since its inception, the Fund has experienced both positive net sales and positive investment performance. Asset mix as at September 30, 2019 was common equities, 59.1%; preferred share ETFs, 10.5%; and cash and other net assets, 30.4%. By geography, assets were invested in securities of issuers based in Canada, 83.8%; and the United States, 16.2%.

The top five contributors to the Fund's performance were Power Financial Corporation, Magna International Inc., The Goldman Sachs Group, Inc., Walgreens Boots Alliance, Inc. and McKesson Corporation. Power Financial was bought during a period of general market weakness and the Fund sold its shares into the company's substantial issuer bid at a substantial profit only a few months later. Similarly, auto parts giant Magna was bought during a period of market concern about the auto cycle. As the company outperformed those low expectations, Magna's share price performed well and the Fund reduced its investment on favourable terms. Likewise, Goldman Sachs was bought during a period of negative publicity; as it has abated, the company's stock price has performed well. Finally, drugstore retailer Walgreens and drug distributor McKesson were bought during a period of heightened concern that Amazon Inc. would disrupt those two industries. As those fears proved to be overblown, the shares of both companies performed well. All of these cases demonstrate a key component of the Fund's investment strategy, which is to invest in large, high quality companies when they are out of favour for temporary (or at least exaggerated) reasons.

The top five detractors to the Fund's performance were the Fund's three holdings in preferred share ETFs, Canadian Imperial Bank of Commerce and Bank of Montreal. The three preferred share ETFs declined in tandem with lower interest rates, as market participants are concerned that the dividends on rate reset preferred shares may decline over time. Our view continues to be that within the fixed income universe, preferred shares offer superior long-term total return prospects compared to currently low-yielding bonds. Also, bank stocks have been somewhat out of favour due to market concerns that a flat yield curve could reduce net interest income and that it perhaps foretells a recession. As is often the case, we believe that these market fears are not wholly justified.

RECENT DEVELOPMENTS

North American equity markets have surged since their lows in late 2018, resulting in strong recent Fund performance. In response, the Fund has sold or reduced several positions on favourable terms and, as noted above, cash in the Fund has again risen to a high level. It has become more difficult to find attractively valued securities of high quality, financially strong issuers. As always, market conditions could change quickly and we stand ready to deploy capital should more favourable opportunities arise. The portfolio management team continues to believe that the Fund's focused portfolio of high quality companies, together with its defensive cash holding, positions the Fund well to meet its investment objective over the longer term.

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 \$148,821 in management fees from the Fund, net of applicable taxes (September 30, 2018: \$125,586).

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 may be 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 \$55,924 for operating expenses incurred on behalf of the Fund, including amounts paid to affiliates, net of applicable taxes (September 30, 2018: \$48,169). The Manager absorbed \$50,456 of operating expenses during the period ended September 30, 2019, net of applicable taxes (September 30, 2018: \$52,655).

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 306 shares of the Fund (September 30, 2018: 116).

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
Cash	30.9%
The Toronto-Dominion Bank	8.5%
Royal Bank of Canada	8.4%
Citigroup Inc.	8.3%
The Bank of Nova Scotia	8.2%
Canadian Imperial Bank of Commerce	8.0%
Magna International Inc.	7.4%
The Goldman Sachs Group, Inc.	6.5%
BMO Laddered Preferred Share Index ETF	3.5%
iShares S&P/TSX Canadian Preferred Share Index ETF	3.5%
Horizons Active Preferred Share ETF	3.5%
Bank of Montreal	2.4%
Berkshire Hathaway Inc.	1.4%
Total	100.5%
Total net asset value	\$12,174,347

Portfolio Composition

Sector

Financials	51.7%
Other Net Assets (Liabilities)	30.4%
Exchange Traded Funds	10.5%
Consumer Discretionary	7.4%

Geographic Region

Canadian Equity	42.9%
Other Net Assets (Liabilities)	30.4%
U.S. Equity	16.2%
Canadian Fixed Income	10.5%

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

Total net asset value \$12,174,347

- * 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. The prospectus and other information about the underlying exchange traded funds held in the portfolio are available on the internet at www.sedar.com and/or www.sec.gov/edgar.shtml, as applicable.

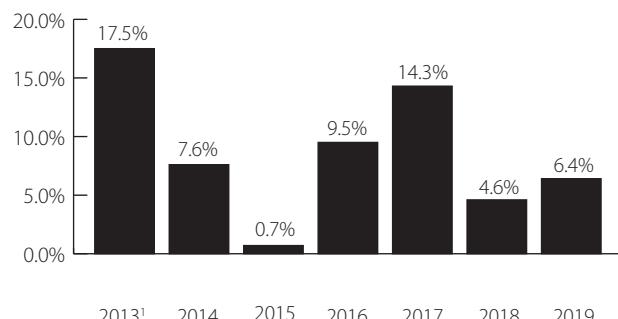
Past Performance

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.

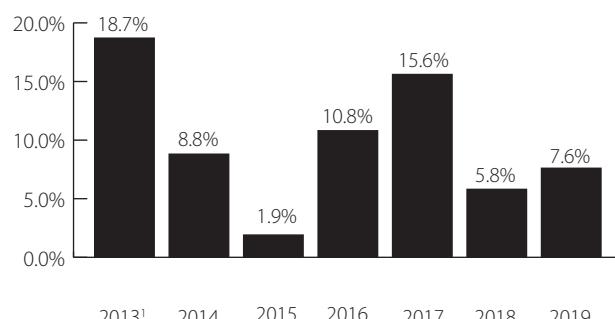
Year-By-Year Returns

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 blended benchmark of 60% S&P/TSX Composite Total Return Index and 40% iShares Core Canadian Universe Bond Index ETF TR (the Blended Benchmark). 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	8.6%	6.4%	8.3%	7.0%	-
Blended Benchmark		5.8%	8.1%	5.5%	4.7%	-
Series F	October 31, 2012	9.9%	7.6%	9.6%	8.2%	-
Blended Benchmark		5.8%	8.1%	5.5%	4.7%	-

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 Blended Benchmark.

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.

Expenses Paid Out of the Management Fee (%)			
Series of Units	Management Fee (%)	Dealer compensation	General administration, investment advice and profit
Series A	2.00%	68%	-
Series F	1.00%	-	66%

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	\$15.22	\$15.00	\$13.40	\$12.68	\$12.63
Increase (decrease) from operations:					
Total revenue	0.53	0.52	0.48	0.43	0.44
Total expenses	(0.42)	(0.42)	(0.41)	(0.37)	(0.37)
Realized gains (losses)	0.93	0.48	0.68	0.09	0.59
Unrealized gains (losses)	(0.07)	0.05	0.92	1.04	(0.56)
Total increase (decrease) from operations ²	0.97	0.63	1.67	1.19	0.10
Distributions to unitholders:					
From income	-	-	-	-	-
From dividends	(0.05)	(0.01)	-	-	-
From capital gains	(0.60)	(0.46)	(0.30)	(0.45)	(0.04)
Return of capital	-	-	-	-	-
Total annual distributions ³	(0.65)	(0.47)	(0.30)	(0.45)	(0.04)
Net assets, end of period ⁴	\$15.43	\$15.22	\$15.00	\$13.40	\$12.68

Series A Units - Ratios/Supplemental Data

For the periods ended	2019	2018	2017	2016	2015
Total net asset value	\$5,776,159	\$4,634,077	\$3,810,804	\$2,525,072	\$2,738,271
Number of units outstanding	374,354	304,451	254,066	188,496	215,918
Management expense ratio ⁵	2.83%	2.82%	2.82%	2.82%	2.83%
Management expense ratio before waivers or absorptions ⁵	3.34%	3.44%	3.90%	4.79%	5.49%
Trading expense ratio ⁶	0.02%	0.01%	0.02%	0.06%	0.05%
Portfolio turnover rate ⁷	54.90%	27.14%	22.59%	73.79%	84.47%
Net asset value per unit	\$15.43	\$15.22	\$15.00	\$13.40	\$12.68

Series F Units - Net Assets per unit¹

For the periods ended	2019	2018	2017	2016	2015
Net assets, beginning of the period	\$15.72	\$15.49	\$13.78	\$13.06	\$12.86
Increase (decrease) from operations:					
Total revenue	0.55	0.54	0.48	0.43	0.44
Total expenses	(0.24)	(0.24)	(0.22)	(0.22)	(0.23)
Realized gains (losses)	0.98	0.47	0.69	0.19	0.39
Unrealized gains (losses)	(0.14)	-	1.08	1.21	(0.22)
Total increase (decrease) from operations ²	1.15	0.77	2.03	1.61	0.38
Distributions to unitholders:					
From income	-	-	-	(0.10)	-
From dividends	(0.17)	(0.15)	(0.12)	-	-
From capital gains	(0.64)	(0.51)	(0.29)	(0.53)	(0.04)
Return of capital	-	-	-	-	-
Total annual distributions ³	(0.81)	(0.66)	(0.41)	(0.63)	(0.04)
Net assets, end of period ⁴	\$15.95	\$15.72	\$15.49	\$13.78	\$13.06

Series F Units - Ratios/Supplemental Data

For the periods ended	2019	2018	2017	2016	2015
Total net asset value	\$6,398,188	\$5,797,339	\$4,360,591	\$3,139,072	\$822,922
Number of units outstanding	401,159	368,836	281,449	227,788	62,993
Management expense ratio ⁵	1.69%	1.69%	1.69%	1.69%	1.70%
Management expense ratio before waivers or absorptions ⁵	2.20%	2.31%	2.77%	3.66%	4.31%
Trading expense ratio ⁶	0.02%	0.01%	0.02%	0.06%	0.05%
Portfolio turnover rate ⁷	54.90%	27.14%	22.59%	73.79%	84.47%
Net asset value per unit	\$15.95	\$15.72	\$15.49	\$13.78	\$13.06

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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