

# PORLAND GLOBAL ARISTOCRATS PLUS FUND

GLOBAL DIVIDEND INVESTING WITH  
ASSET CLASS DIVERSIFICATION



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# PORLAND GLOBAL ARISTOCRATS PLUS FUND



*I'm a better investor because I'm a businessman,  
and a better businessman because I'm an investor.*

Warren Buffett

## KEY REASONS TO INVEST

1. Close adherence to framework: by following the Five Laws of Wealth Creation.
2. The power of investing through 'aristocratic' dividend paying companies.
3. Time in the Market: investing in a globally diversified portfolio comprising of equities and American depository receipts ("ADRs") of companies focused on growing dividends, income securities, preferred shares and exchange traded funds ("ETFs").
4. Timing the Market: accessing low cost borrowing to use leverage to purchase securities on margin.

## FRAMEWORK

First, there are the **Five Laws of Wealth Creation:**

1. Own a few high quality businesses.
2. Thoroughly understand these businesses.
3. Ensure these businesses are domiciled in strong, long-term growth industries.
4. Use other people's money prudently.
5. Hold these businesses for the long run.

*Five Laws of  
Wealth Creation*





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## THE POWER OF INVESTING THROUGH 'ARISTOCRATIC' DIVIDEND PAYING COMPANIES

- Securities that have consistently increased the amount of dividends paid year over year for a long period of time.
- Any year with no dividend growth or with a dividend cut would immediately exclude the equity from being an aristocrat.

## TIME IN THE MARKET: INVESTING IN A GLOBALLY DIVERSIFIED PORTFOLIO

- The power of dividend investing combined with the benefits of global investing and asset class diversification for the potential to reduce volatility.
- Monthly distributions, targeting 5.0% per annum for Series F based on the initial net asset value per unit of \$50 – intended to be fully funded.
  - Series F \$2.50 per annum paid as a distribution of \$0.2083 per month (5% annualized)
  - Series A \$2.00 per annum paid as a distribution of \$0.1667 per month (4% annualized)

Portland Investment Counsel Inc. ("the Manager") reserves the right to change the annual distribution at its discretion.

## TIMING THE MARKET: PRUDENT USE OF LEVERAGE

- Accessing low cost borrowing.
- Use of leverage opportunistically to enhance the power of dividends and provide for potential capital appreciation.
- Embedded product leverage is non-recourse to individual investors.



# PORLAND GLOBAL ARISTOCRATS PLUS FUND

## HOW THE FUND IS MANAGED

**The Fund invests in common shares of large global companies with a strong history of rising dividends over the long term, selected primarily from the members of the S&P Europe 350® Dividend Aristocrats®, the S&P 500® Dividend Aristocrats® and the S&P/TSX Canadian Dividend Aristocrats®.**



The S&P Europe 350® Dividend Aristocrats® consists of large cap, blue chip companies that have followed a policy of consistently increasing dividends every year for at least 10 consecutive years and have a market capitalization of at least US\$3 billion.



The S&P 500® Dividend Aristocrats® consists of companies that have increased dividends every year for at least 25 consecutive years and have a market capitalization of at least US\$2 billion.



The S&P/TSX Dividend Aristocrats® consists of companies that have followed a policy of consistently increasing dividends every year for at least 5 years.



Dividend investing offers significant compounding benefit, assuming re-investment of dividends



Dividend paying stocks may provide better risk-adjusted returns and potential for downside protection



Global dividend investing provides diversification

**The Fund intends to utilize low cost borrowing to purchase securities on margin and facilitate opportunistic investments during market volatility and what we feel are irrational market valuations.**



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## The Portland Global Aristocrats Plus Fund is designed to be in alignment with the Principles of Wealth Creation and the Future Value Formula

The Fund has the potential to enhance the creation of wealth and the generation of income by applying a sound investment strategy that:

- Makes use of Portland's access to low-cost borrowing
- Invests in what we believe to be **high** quality global securities with an emphasis towards:
  - Large capitalization
  - Attractive dividend yields
  - High liquidity
  - Low Volatility
  - Sector diversification
  - Businesses domiciled in strong long-term growth industries



## Advantage of Dividends

### Attractive Returns:

Companies that pay dividends are generally viewed as being historically stable businesses that can afford to share profits with shareholders. When a company increases its dividend, it is typically well-received news as the firm is seen as confident of its future growth prospects.

### Reduced Volatility:

Stock prices of companies that distribute reasonable dividends may be less volatile than companies that don't pay dividends. Dividends, being one of the components of a stock's total return, help mitigate the potential depreciation of a company's stock price, thereby reducing volatility.

### Capital Preservation:

Paid dividends are a tangible benefit. Therefore, paid dividends may lessen the economic impact of a drop in stock price or add to it if the stock price increases. Companies with track records that pay strong and/or rising dividends tend to be well run large capitalized companies in mature industries with stable earnings visibility.

### Income:

The Manager anticipates that the paid dividends will be used towards providing all or most of the Fund's monthly distributions. In this way, the Manager's intent is for the distributions to be fully funded without the need to sell securities.



# PORTLAND GLOBAL ARISTOCRATS PLUS FUND

## Access to low cost borrowing

Benefiting from the Portland Holdings family office's financial strength and reputation, the Fund has access to attractive low cost of borrowing.

The Fund will utilize this low cost of borrowing to potentially enhance capital gains and income.

$$\text{Leverage} = \frac{\text{Debt}}{\text{Debt+Equity}} = \frac{\text{Debt}}{\text{Total Assets}}$$

**The Fund aims to increase the investment dollars you have working for you (Present Value)<sup>1</sup>**



The leverage within the Fund is expected to range between 0% and 50%, more likely ranging between 20%-33.3% of the portfolio depending on market conditions.

**20% LEVERAGE**

FUND LEVERAGE:  $\frac{25}{100+25} = 20\%$

TARGETED ANNUAL DISTRIBUTION: 5%\*

\*FOR SERIES F

**33.3% LEVERAGE**

FUND LEVERAGE:  $\frac{50}{100+50} = 33.3\%$

TARGETED ANNUAL DISTRIBUTION: 5%\*

\*FOR SERIES F

**50% LEVERAGE**

FUND LEVERAGE:  $\frac{100}{100+100} = 50\%$

TARGETED ANNUAL DISTRIBUTION: 5%\*

\*FOR SERIES F

INCREASE  
PRESENT  
VALUE BY  
**1.25X**

INCREASE  
PRESENT  
VALUE BY  
**1.5X**

INCREASE  
PRESENT  
VALUE BY  
**2X**

<b>Minimum Investment:</b>	\$2,500 for Accredited Investors; \$150,000 for non-individuals. Minimum additional investments are \$500. <sup>2</sup>
<b>Targeted Distribution</b>	Monthly distributions, targeting 5.0% per annum for Series F based on the initial net asset value per unit of \$50 – intended to be fully funded, plus allow for the potential of capital appreciation. The Manager reserves the right to change the annual distribution at its discretion. Series F \$2.50 per annum paid as a distribution of \$0.2083 per month (5% annualized) Series A \$2.00 per annum paid as a distribution of \$0.1667 per month (4% annualized)



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## THE PORTLAND GLOBAL ARISTOCRATS PLUS FUND IS

$$FV = PV(1 + R)^N$$

### The Future Value Formula is central to investing

At Portland, we are guided by the Future Value Formula which defines compounding and hence wealth creation.

As an investor, your goal is to maximize the future value of your current investments (“PV”). To do this, you need to ensure that each component in the formula is optimized. Successful investing is the ability to apply the Future Value Formula and to recognize the power that lies within it - the power of compounding.

#### The after tax rate of return “r” makes a big difference<sup>3</sup>:

- \$100,000 invested at 4% for 10 years leads to \$148,024
- \$100,000 invested at 8% for 10 years leads to \$215,892
- \$100,000 invested at 12% for 10 years leads to \$310,585

#### But the number of years you allow your money to grow “N” makes a bigger difference AND is within your control<sup>3</sup>:

- \$100,000 invested at 4% for 40 years leads to \$480,102
- \$100,000 invested at 8% for 40 years leads to \$2,172,452
- \$100,000 invested at 12% for 40 years leads to \$9,305,097

#### Understanding $FV = PV(1+r)^N$

“FV” is the future value of your “nest egg” or your investments.

“PV” is the amount you choose to invest today and over time.

“r” is the after-tax rate of return.

“N” represents time or the total number of years that you allow your money to grow and to compound.



**Chris Wain-Lowe, BA, MBA**

**Chief Investment Officer, Executive Vice President and Portfolio Manager**

Chris Wain-Lowe has 40 years of business management and global financial services experience – living and working in four continents: Europe, Asia, Africa, North America as well as the Caribbean, which also embraced corporate experience in the energy, natural resources, shipping and utility industries. As Chief Executive Officer of 4 financial services companies, Chris’ first-hand knowledge and understanding of those businesses embraces being both businessman and investor.

As Executive Vice President he promoted the launch and listing on the Toronto Stock Exchange of ten closed-end funds during 2004 to 2007. He is currently the Chief Investment Officer and lead portfolio manager of two mutual funds and six private / alternative funds, including the Portland Private Income Fund, which was ranked 1st place in the 2018 Canadian Hedge Fund Awards for Best 5 year return and Best 5 Year Sharpe Ratio<sup>4</sup>.

Chris has a BA degree from University of North Wales and an MBA from University of Exeter. He is an Associate of the Chartered Institute of Bankers and holds their Financial Services Diploma, placed first in his year (1989) of completion.

# PORTLAND GLOBAL ARISTOCRATS PLUS FUND



**Kyle Ostrander, CFA  
Portfolio Manager**

Kyle Ostrander is a Portfolio Manager at Portland Investment Counsel Inc. In June 2014, Kyle joined as an Investment Associate Trainee after completing his Honours Bachelor of Commerce with a Minor in Mathematics from the DeGroote School of Business at McMaster University. During the rotational program, Kyle gained valuable experience in trading, financial reporting and regulatory compliance, portfolio management, investment management operations, and sales and marketing. After the rotational program, Kyle worked in portfolio management as an Investment Analyst until taking on his current position. Kyle received his Master of Finance degree from the Rotman School of Management at the University of Toronto and was awarded Dean's List, First Class for being in the top 10 percent of students in the program. Kyle earned the Chartered Financial Analyst designation in 2018.

## Potential Risks

While the Manager exercises prudence and due diligence throughout the investment process, no guarantees can be given to offset a risk of loss and investors should consult with their financial advisor prior to investing in the Portland Global Aristocrats Plus Fund. The Manager believes the following risks may impact the Portland Global Aristocrats Plus Fund performance: leverage, highly volatile markets, interest rate changes, equity risk, and currency and exchange rate risk. Please read the "Risk Factors" section in the Offering Memorandum for a more detailed description of all the relevant risks.

Fundserv Code	Series A	Series F
Portland Global Aristocrats Plus Fund	PTL720	PTL725

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1. Assuming an investment of \$100,000 and leverage is at the expected level. The investment does not include the impact of fees, expenses, dividend or borrowing costs.
2. Accredited Investor as per National Instrument 45-106 - Prospectus Exemptions. For investors who are not Accredited Investors, the additional investment must be in an amount that is not less than \$500 if the investor initially acquired Units for an acquisition cost of not less than \$150,000 and, at the time of the additional investment, the Units then held by the investor have an acquisition cost or a net asset value equal to at least \$150,000, or another exemption is available.
3. Future value (FV) - is the amount of present value (PV) invested over a certain period of time (n), which is assumed to compound annually at an after-tax interest rate (r).  $FV=100,000*(1+0.04)^{40}=480,102$ , where PV is the present value equal to 100,000, r equal to 4% (or 0.04) represents the after-tax interest rate that is invested within a 40-year time frame;  $FV=100,000*(1+0.08)^{40}=2,172,452$ ;  $FV=100,000*(1+0.12)^{40}=9,305,097$ .  $V=100,000*(1+0.04)^{10}=480,102$ , where PV is the present value equal to 100,000, r equal to 4% (or 0.04) represents the after-tax interest rate that is invested within a 10-year time frame;  $FV=100,000*(1+0.04)^{10}=148,024$ ;  $FV=100,000*(1+0.08)^{10}=215,892$ ;  $FV=100,000*(1+0.12)^{10}=310,585$
4. The awards are based solely on quantitative performance data of 207 Canadian hedge funds to June 30th, 2018 with Fundata Canada managing the collection and tabulation of the data to determine the winners. There is no nomination process or subjective assessment in identifying the winning hedge funds. The Sharpe Ratio is a measure for calculating risk-adjusted returns; it is the portfolio return in excess of the risk-free rate divided by the volatility of the portfolio.

Commission, trailing commissions, management fee and expenses may be associated with investments. Products are not guaranteed, their values change frequently and past performance may not be repeated. The Fund being discussed is not publicly offered. The Fund is only available under offering memorandum and other exemptions to investors who meet eligibility or minimum purchase requirements such as "accredited investors". Information herein pertaining to the Fund is solely for the purpose of providing information and is not to be construed as a public offering in any jurisdiction of Canada. The offering of Units of the Fund is made pursuant to an Offering Memorandum and the information contained herein is a summary only and is qualified by the more detailed information in the Offering Memorandum. Please read the offering documents before investing.

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