

# PORTLAND GLOBAL ARISTOCRATS PLUS FUND



(as at August 31, 2021)

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

Warren Buffett

	Series Start Date	Net Asset Value Per Unit (as at August 31, 2021)	PERFORMANCE (as at August 31, 2021)						
			1 Month	3 Months	6 Months	1 Year	3 Years**	5 Years**	Since Inception**
Portland Global Aristocrats Plus Fund – Series A	Jun. 30, 2016	\$56.2294	1.9%	7.8%	17.4%	16.2%	5.0%	6.0%	6.4%
Portland Global Aristocrats Plus Fund – Series F	Jun. 30, 2016	\$56.8339	2.0%	8.1%	18.1%	17.5%	6.2%	7.2%	7.7%

## INVESTMENT OBJECTIVE AND STRATEGIES

The investment objective of the Portland Global Aristocrats Plus Fund is to provide income and achieve, over the long term, preservation of capital and a satisfactory return.

To achieve this investment objective, the Fund will employ the following core techniques:

1. Time in the Market: investing in a diversified portfolio of securities focused on growing dividends; and
2. Timing the Market: prudent use of leverage by purchasing securities on margin.

## KEY REASONS TO INVEST

### Time in the Market

- 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 and 4.0% per annum for Series A based on the opening price of \$50 - intended to be fully funded, plus potential for capital appreciation<sup>4</sup>

### Timing the Market

- Use of leverage to enhance the power of dividends
- Embedded product leverage is non-recourse to individual investors

## HOW THE FUND IS MANAGED

- Common shares of large global companies with attractive dividend-payout ratios and a history of rising dividends over the long term, selected primarily from the members of the S&P Europe 350<sup>®</sup> Dividend Aristocrats<sup>®</sup>, the S&P 500<sup>®</sup> Dividend Aristocrats<sup>®</sup> and the S&P/TSX Dividend Aristocrats<sup>®</sup>
- Primarily investment grade preferred shares of North American companies
- Partially hedging the Fund's non-Canadian Dollar exposures
- Utilizing low cost borrowing to purchase securities on margin and facilitate opportunistic investments during market volatility and irrational market valuations

## PORTFOLIO MANAGER

**Chris Wain-Lowe**, BA, MBA  
Chief Investment Officer, Executive Vice-President and Portfolio Manager

**Kyle Ostrander**, CFA  
Portfolio Manager

## FUND FACTS

<b>Introduction Date</b>	June 30, 2016
<b>Fund type</b>	Alternative Strategies
<b>Offer document</b>	Offering Memorandum
<b>Legal type</b>	Unit Trust
<b>Eligible for registered plans</b>	Yes
<b>Eligible for PAC plans</b>	Yes, monthly minimum of \$500
<b>Purchases and redemptions</b>	Monthly
<b>Valuation Frequency</b>	Available daily on Portland's website
<b>Minimum investment term</b>	None
<b>Notice period for redemptions</b>	None
<b>Redemption fee</b>	None
<b>Transaction processing</b>	Fundserv
<b>Administrator</b>	CIBC Mellon Global Securities Services Company
<b>Prime broker</b>	RBC Dominion Securities Inc.
<b>Auditor</b>	PricewaterhouseCoopers LLP
<b>Legal counsel</b>	Borden Ladner Gervais LLP

Series	A	F <sup>1</sup>
Min. initial investment, accredited investors <sup>2</sup>	\$2,500	\$2,500
Min. initial investment, non-individuals	\$150,000	\$150,000
Min. subsequent investment <sup>3</sup>	\$500	\$500
Management fee	2.00%	1.00%
Fundserv code	PTL720	PTL725

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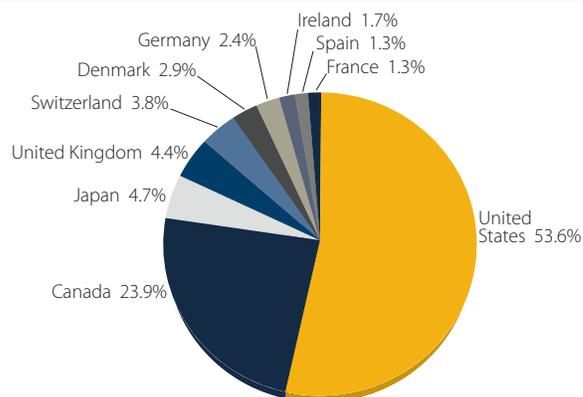
## Top Holdings (as a % of net asset value)

Portland Private Income Fund – Preferred Series F	15.3%
Target Corporation	4.0%
Cincinnati Financial Corporation	3.7%
Consolidated Edison, Inc.	3.6%
The Procter & Gamble Company	3.4%
SJW Group	3.3%
Walmart Inc.	3.3%
Coloplast A/S	3.3%
Fortis, Inc.	2.9%
The Clorox Company	2.9%
McDonald's Corporation	2.7%
Croda International PLC	2.7%
Johnson & Johnson	2.6%
BCE Inc.	2.5%
California Water Service Group	2.3%
Canadian National Railway Company	2.3%
Royal Bank of Canada	2.3%
Mitsubishi Corporation	2.3%
Genuine Parts Company	2.3%
American States Water Company	2.2%
The Coca-Cola Company	2.2%
Hormel Foods Corporation	2.2%
Metro Inc.	2.2%
Archer-Daniels-Midland Company	2.2%
Cash & Cash Equivalents	(15.0%)

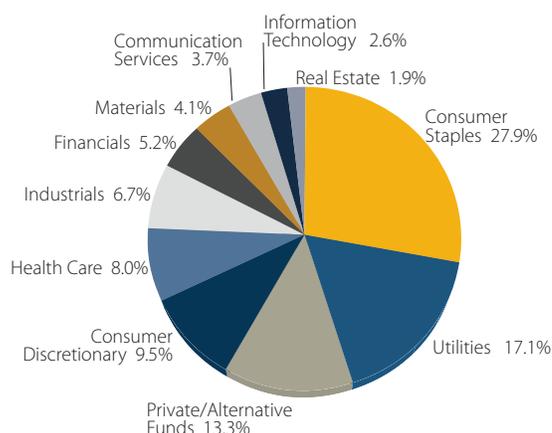
## Asset Mix (as a % of net asset value)

Equities	100.1%
Preferred Equities	15.3%
Other Net Assets (Liabilities) <sup>5</sup>	(15.4%)
Leverage Ratio <sup>6</sup>	13.4%

## Geographic Mix (as a % of total assets)



## Sector Mix (as a % of total assets)



## FUND COMMENTARY (As at June 30, 2021)

For the period September 30, 2020 to June 30, 2021, the Series F units of the Fund had a return of 9.0%. For the full period since the launch of the Fund on June 30, 2016 to June 30, 2021, the Fund's Series F units had a return of 6.6%. The Fund's performance since inception has exceeded its targeted monthly distributions of 5% per annum for Series F units.

The core portfolio of securities held within the Fund can be labelled as dividend global aristocrats. We define a dividend global aristocrat as a security that has consistently increased the amount of dividends it has paid year over year for a long period of time. Any year with no dividend growth or a dividend cut would exclude the equity from being a dividend global aristocrat. On a global basis, we would consider equities that have increased dividends every year for the past 10 years and the equities that have been added to the portfolio in this period have been tested for a much longer length of time than 10 years. We also look for equities that have low betas<sup>7</sup> compared to their respective index as we note that many portfolio managers tend to try to acquire equities with betas above 1 in an attempt to outperform

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the index. We would much rather own stable, less volatile companies with low betas and then apply leverage as needed to try to outperform the Index. It is imperative to look for companies that don't recognize significant amounts of revenue prior to cash being received and we seek to ensure equities within the portfolio have reported profits that are less than reported operating cash flows. We also look for equities that we believe are being priced as those having a low implied dividend growth rate. We believe that if a security continues to be classified as a dividend global aristocrat, it will likely experience an above-average dividend growth rate rather than a low dividend growth rate and therefore, we should expect to receive capital appreciation. In the long run, if we don't receive capital appreciation then we will only receive more cash in the following year than the previous year, which we believe is a good outcome as well.

The sectors contributing positively to the Fund's return for the period are financials (Cincinnati Financial Corp.), utilities (California Water Service Group), consumer discretionary (Target Corp.), real estate (Federal Realty Investment Trust), communication services (BCE Inc.), information technology (Visa Inc.), materials (Croda International PLC), and industrials (Mitsubishi Corp.). The sectors contributing negatively to the Fund's return for the period are consumer staples (Clorox Co.) and healthcare (Coloplast A/S).

The Fund seeks to mirror the currency exposure that exists within the Index. Seven currencies make up over 95% of the Index, which include the United States Dollar, the Euro, the Japanese Yen, the British Pound, the Canadian Dollar, the Swiss Franc and the Australian Dollar. Generally, we do not try to produce alpha<sup>8</sup> with respect to the benchmark by taking positions in different currencies. In order to avoid negative contribution with respect to the Index from currency exposure, we do our best to maintain exposures in the currencies as previously stated.

The preferred share component of the Fund (12.8% of the Fund) is now a holding in the Portland Private Income Fund Preferred CAD and USD Units (the "Portland Preferred Units"). This holding in the Portland Preferred Units allows the Fund to earn what we believe is an attractive distribution rate of the RBC Prime Rate of Interest plus 1% as we look to deploy the Fund's capital in attractively priced businesses.

The Fund's equity component (87.3% of the Fund) comprises mostly large companies which are dividend global aristocrats exhibiting, we believe, attractive dividend policies.

We currently target to obtain a Sharpe Ratio<sup>9</sup> of at least 1 on an ongoing basis. As we look to maintain a higher utilization of leverage within the Fund, we expect the beta of the Fund will stay closer to but still below 1. We believe a strategy which includes leveraging low beta stocks will allow the fund to generate returns equivalent to that of the market while maintaining a lower volatility and lower sensitivity to the movement of the market in general. The Fund is currently well positioned to meet its investment objective for the medium to long term. We will continue to evaluate opportunities that we believe may generate income,

enhance returns and/or reduce risk wherever possible.

The Fund is a mutual fund trust and therefore, it must pay out all of its net income to its unitholders at the end of the year in order for unitholders to avoid extra taxation. We attempt to minimize the amount of tax unitholders pay. Instead of paying one-time lumpy distributions at the end of the year, we have estimated the amount of net income that we expect to earn in an average year and make distribution payments monthly. In the case of Series A units, we have estimated 4% per annum based on the initial net asset value of \$50 and for series F units 5% per annum of the initial net asset value of \$50. For Series A units this is \$2 per unit per year and for Series F units this is \$2.50 per unit per year. Currently, this distribution is more than the dividends that each unit earns, however, the dividends received by holdings in the Fund in aggregate are growing year over year. This means at some point we will have to increase the monthly distribution in dollars per unit or resort to paying a special year-end lumpy distribution. Unitholders have the option to receive distributions in cash or have them automatically reinvested.

## RECENT DEVELOPMENTS

Positions in the Fund are expected to be primarily large market-capitalization dividend global aristocrat equities with some Canadian preferred shares to take advantage of higher yields and more advantageous taxation than debt. We also look to take currency exposures that match the Index so that we do not underperform the Index by missing out on currency exposures that the Index enjoys. We prefer defensive sectors such as utilities, real estate, and consumer staples that will benefit from interest rate cuts in a poor economic environment.

## POTENTIAL RISKS

The Manager believes the following risks may impact the performance of the Fund: 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.

# PORTLAND GLOBAL ARISTOCRATS PLUS FUND



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\* Since the Fund does not necessarily invest in the same securities as the benchmark or in the same proportion, the performance of the Fund may not be directly comparable to the benchmark. In addition, the Fund's performance returns reflect the use of leverage. The use of a benchmark is for illustrative purposes only, and is not an indication of performance of the Fund.

\*\* Annualized.

<sup>1</sup> Generally available through dealers who have entered into a Portland Series F Dealer Agreement.

<sup>2</sup> Accredited Investors as defined under National Instrument 45-106.

<sup>3</sup> 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.

<sup>4</sup> The Manager reserves the right to change the targeted annual distributions at its discretion.

<sup>5</sup> Other Net Assets (Liabilities) refers to all other assets and liabilities in the Fund excluding portfolio investments and cash.

<sup>6</sup> Leverage ratio is calculated as the total borrowing divided by the fair value of securities and does not take into account other Net Assets (Liabilities) as defined above.

<sup>7</sup> Beta is a measure of the volatility, or systematic risk, of an individual stock in comparison to the unsystematic risk of the entire market. In statistical terms, beta represents the slope of the line through a regression of data points from an individual stock's returns against those of the market.

<sup>8</sup> Alpha is a term used in investing to describe a strategy's ability to beat the market.

<sup>9</sup> Sharpe ratio is calculated by subtracting the risk-free rate from the return of the portfolio and dividing that result by the standard deviation of the portfolio's excess return.

<sup>10</sup> Standard Deviation is a statistic that measures the dispersion of a dataset relative to its mean and is calculated as the square root of the variance. It is calculated as the square root of variance by determining the variation between each data point relative to the mean. If the data points are further from the mean, there is a higher deviation within the data set; thus, the more spread out the data, the higher the standard deviation.

Commissions, trailing commissions, management fees and expenses all may be associated with investments. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and does not take into account sales, redemptions, distributions or optional charges or income taxes payable by any securityholder in respect of a participating fund that would have reduced returns. Funds are not guaranteed, their values change frequently and past performance may not be repeated.

The Portland Global Aristocrats Plus Fund (the "Fund") is not publicly offered. It is offered via an Offering Memorandum and available under exemptions to investors who meet certain 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.

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Portland Investment Counsel Inc., 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7 • Tel: 1-888-710-4242 • Fax: 905-319-4939 • www.portlandic.com • info@portlandic.com

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