

## INVESTMENT OBJECTIVE

The fundamental investment objective of the mandate is to provide positive long-term total returns by investing in a portfolio of global equity securities, with a primary focus on North American listed securities. The mandate invests in companies that exhibit close adherence to the 5 laws of wealth creation and the 10 traits of successful businesses (see over).

## INVESTMENT STRATEGY

- Concentrated portfolio that invests primarily in North American equity securities
- Quality companies which are growing, profitable, stable and shareholder friendly
- Founder-led companies and companies with a high degree of ownership engagement tend to outperform over the long-run
- Seeking reasonable diversification in the context of a focused strategy, generally 10-20 investments, which should limit variability of returns

The Portland vision is to create long-term wealth for clients. This is achieved by following a well-proven and disciplined investment philosophy: the Manager aims to buy what it believes to be high quality businesses in strong, long-term growth industries and hold these investments for the long run. Using this “buy-and-hold” investment strategy, Portland strives to:

- Preserve client capital
- Provide opportunity for capital growth
- Generate income at required levels
- Minimize tax

## QUICK FACTS

Asset Class	Global Equity
Style	Large Cap Value
Manager	Portland Investment Counsel Inc.
Lead Portfolio Manager	Michael Lee-Chin, B. Eng, LLD (Honorary)
Currency	CAD

### Key Metrics<sup>1</sup>

For the 12 months ended June 30, 2020

Standard Deviation	18.8
Realized Beta	0.7
Dividend Yield	1.0%
Sharpe Ratio	0.3

### Top 10 Holdings

As at June 30, 2020

Canadian Dollar	18.9%
Softbank Group Corp.	9.3%
LVMH Moët Hennessy Louis Vuitton SE	7.7%
Danaher Corporation	6.8%
Oracle Corporation	6.5%
Berkshire Hathaway Inc.	6.0%
Brookfield Asset Management Inc.	6.0%
Stryker Corporation	6.0%
Facebook, Inc.	5.3%
D.R. Horton, Inc.	5.2%
<b>TOP 10 TOTAL</b>	<b>77.8%</b>

## PERFORMANCE

Gross Performance (as at August 31, 2020)	Start Date	1 Mo	3 Mos	6 Mos	Calendar YTD	1 Year	3 Years*	5 Years*	Since Start*
15 of 15 Model	Dec 13, 2016	1.3%	7.5%	17.0%	14.1%	24.0%	7.0%	-	7.9%
S&P 500 Total Return Index	-	4.2%	9.1%	16.2%	10.3%	19.6%	16.1%	-	14.4%

### Top Performers

For the 12 months ended June 30, 2020

D.R. Horton, Inc.	67.6%
Ares Management Corporation	65.5%
Brookfield Business Partners L.P.	51.6%
Whitecap Resources, Inc.	35.2%
Alphabet Inc.	32.5%

### Bottom Performers

For the 12 months ended June 30, 2020

Canopy Growth Corporation	(51.9%)
Brookfield Property Partners L.P.	(41.9%)
Fortive Corporation	(34.7%)
Linamar Corporation	(30.9%)
Westinghouse Air Brake Technologies Corporation	(16.8%)

## SECTOR BREAKDOWN AND RELATIVE PERFORMANCE

For the 12 months ended June 30, 2020	Weight		Return		
	Mandate	Benchmark <sup>2</sup>	Mandate	Benchmark <sup>2</sup>	Difference
Cash & Equivalents	18.9%	0.0%	1.2%	6.0%	(4.8%)
Communication Services	18.5%	10.7%	28.5%	15.2%	13.3%
Consumer Discretionary	12.9%	10.9%	(5.7%)	16.7%	(22.4%)
Consumer Staples	4.7%	6.9%	16.0%	7.5%	8.6%
Energy	-	2.8%	28.1%	(33.7%)	61.8%
Financials	17.1%	10.2%	3.0%	(10.8%)	13.8%
Health Care	21.3%	14.6%	(6.6%)	15.0%	(21.6%)
Industrials	-	8.0%	(9.0%)	(5.6%)	(3.4%)
Information Technology	6.5%	27.6%	9.7%	40.9%	(31.2%)
Materials	-	2.5%	-	2.6%	(2.6%)
Real Estate	-	2.8%	(41.9%)	1.6%	(43.5%)
Utilities	-	3.0%	(5.6%)	1.5%	(7.1%)
	<b>100.0%</b>	<b>100.0%</b>	<b>7.5%</b>	<b>11.5%</b>	<b>(4.0%)</b>

## THE 15 CRITERIA FOR WEALTH CREATION

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;

But at Portland we use **Ten more** principles to filter out the **best public/traditional and private/alternative investment opportunities**.

6. Owner of the business is also the Operator of the business;
7. Ownership is heavily concentrated;
8. Key stakeholders are personified in the company and vice versa;
9. Autocratic management style;
10. Entrepreneurial management style;
11. Low turnover in management positions;
12. Symmetrical risk and reward for management;
13. Business set goals for the long term;
14. Board focus on growth; and
15. Value of the business is based on fundamentals: sales, market share and margins.

 **Portland Investment Counsel Inc.**

 **portlandinvestmentcounsel**

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\* Annualized

1. Dividend Yield: The dividends per share for the most recent 12-month period divided by the current market price per share.

Standard Deviation: A measure of the dispersion of a set of data from its mean to measure an investment's volatility. It is calculated as the square root of variance by determining the variation between the monthly returns.

Realized Beta: A measure of systematic risk of a security or portfolio that allows you to calculate the expected return within the Capital Asset Pricing Model. It is calculated by taking the covariance between the returns of a security or portfolio with the returns of the market portfolio divided by the variance of the returns of the market portfolio.

Sharpe Ratio: A measure for calculating risk-adjusted returns. The Sharpe ratio is the portfolio return in excess of the risk-free rate divided by the volatility of the portfolio.

2. Benchmark weight and return from the iShares S&P 500 Index, which seeks to track the investment results of an index composed of U.S. equities.

Since the Mandate does not necessarily invest in the same securities as the benchmark or in the same proportion, the performance of the Mandate may not be directly comparable to the benchmark. The use of a benchmark is for illustrative purposes only, and is not an indication of performance of the Mandate.

Fees may be associated with this investment program. Indicated rates of return are the historical annual compounded total returns and do not include fees. Investment returns are not guaranteed, their values change frequently and past performance may not be repeated.

Risk tolerance measures the degree of uncertainty that an investor can handle regarding fluctuations in the value of their portfolio. An investor's tolerance for risk depends largely on their personal financial circumstances including time horizon, liquidity needs, portfolio size, income, investment knowledge and attitude toward price fluctuations. Clients should only make investments that are suitable and consistent with their individual risk tolerance.

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