PORTLAND VALUE PLUS FUND

PORTLAND INVESTMENT COUNSEL®
OWNERS. OPERATORS. AND INVESTORS.

(as at December 31, 2017)

	Net Asset Value Per Unit (as at December 31, 2017)	PERFORMANCE (as at December 31, 2017)					
		1 Month	3 Months	6 Months	1 Year	2 Years[1]	Since Inception[1]
Portland Value Plus Fund - Series A (CAD)	$24.4274	0.8%	2.1%	18.0%	(4.4%)	(1.7%)	(20.5%)
Portland Value Plus Fund - Series F (CAD)	$23.5801	0.8%	2.4%	18.7%	(3.3%)	(0.6%)	(19.7%)
MSCI World Total Return Index	-	1.6%	5.9%	6.7%	14.0%	9.2%	9.6%

FUND FACTS

Fund Net Assets	$0.9 million CAD
Inception Date	Jan. 30, 2015
Fund Type	Alternative Strategies
Offer Document	Offering Memorandum
Eligible for PAC Plans	Yes, monthly minimum of $500
Eligible for Registered Plans	Yes
Purchases and Redemptions	Monthly with no minimum investment term or redemption fee

HOW THE FUND IS MANAGED

- Focused investing in a number of quality equities, ordinarily selected from liquid, large cap stocks, domiciled in long-term growth industries, which we believe are undervalued and/or have the potential of increased returns due to activist investor campaigns.
- Leverage by purchasing securities on margin; leverage will initially be lower than 60% and ordinarily is not expected to exceed 70% of the portfolio (market value of securities).

KEY REASONS TO INVEST

- Experienced portfolio manager has practiced focused value investing for more than 25 years.
- Leveraged growth potential.
- Access to attractive borrowing terms by benefitting from Portland Holdings' financial strength and reputation.
- Embedded product leverage is non-recourse to individual investors versus recourse when using traditional margin accounts.
- Diversification benefits (alternative strategy, e.g. for asset-rich cash-poor investors).

PORTFOLIO COMPOSITION

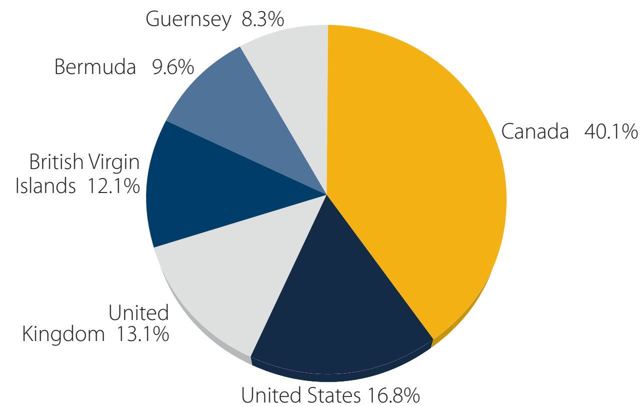
- Businesses led by eminent capital allocators.
- Businesses being transformed by eminent capital allocators (activist investors).
- Opportunities that prevail now.

PORTFOLIO MANAGER

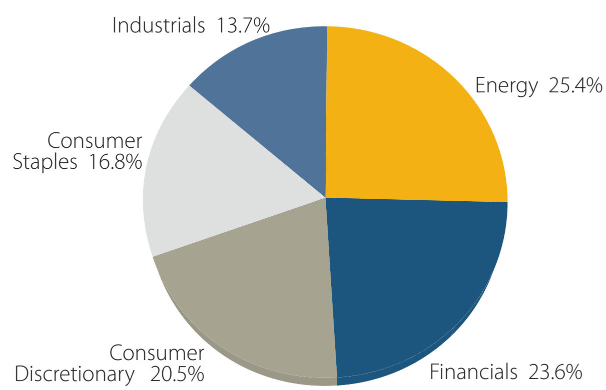
Michael Lee-Chin, B.Eng., LLD (Honorary)
Executive Chairman, Chief Executive Officer and Portfolio Manager

Dragos Berbecel, BComm., MBA, CFA
Portfolio Manager

Geographic Mix (as a % of total assets)



Sector Mix (as a % of total assets)



Asset Mix (as a % of net asset value)

Equities	219.2%
Other Net Assets (Liabilities)[2]	(4.4%)
Cash	(114.8%)

Leverage Ratio[3]	52.4%

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(as at December 31, 2017)

Top Holdings	Percentage of Total Assets
Liberty Global PLC LiLAC	13.1%
Nomad Foods Limited	12.1%
Brookfield Business Partners L.P.	9.6%
Whitecap Resources, Inc.	9.4%
Pershing Square Holdings, Ltd.	8.3%
Baytex Energy Corp.	8.2%
Berkshire Hathaway Inc.	8.0%
Crescent Point Energy Corp.	7.8%
Linamar Corporation	7.4%
Brookfield Asset Management Inc.	7.3%
Walgreens Boots Alliance, Inc.	4.7%
Hertz Global Holdings, Inc.	4.1%

FUND COMMENTARY (as at December 31, 2017)

For the period of September 30, 2017, to December 31, 2017, the Fund's benchmark, the MSCI World Total Return Index had a return of 5.9%. For the same period, the Fund's Series F units had a return of 2.4%. Unlike the Index, the Fund's return is after the deduction of its fees and expenses. The Fund's key relative performance detractors during the period were Liberty Global PLC (LiLAC), Whitecap Resources, Inc. and Crescent Point Energy Corp., while the Fund's relative performance contributors were Nomad Foods Limited, Brookfield Business Partners L.P. and Berkshire Hathaway Inc.. The Fund's leverage amplified the underperformance.

The Fund's net asset value at December 31, 2017, was $0.9 million.

The Fund aims to provide positive long-term total return by investing in a focused portfolio (generally no more than 15 names) of equities, selected from global companies domiciled in long-term growth industries and which are trading at a discount to their intrinsic value and/or have the potential of increased returns due to activist investor actions, while using leverage to enhance long-term capital appreciation.

Activist investors are value investors with a push. They are looking for opportunities to demand a change in a company's strategy in order to unlock shareholder value. Activist investors achieve their goals by cooperating with other institutional investors, acquiring board representation and/or changing the management of the target company.

Largely driven by what it is perceived as reflationary economic policies from the Donald Trump-led U.S. administration, the U.S. Fed has accelerated the pace of its previously tentative monetary tightening. With four Fed Funds rate raises since last December 2016 and expectations for about three more during 2018, coupled with accelerated sales of U.S. Fed's balance sheet assets, the excessive liquidity available to the capital markets is being removed. Such a development, we believe, is likely to favour value-based investment strategies, which have otherwise underperformed growth strategies since the beginning of the current market cycle, some nine years earlier. With valuations getting ahead of the fundamentals in certain areas of the market, the Manager believes that companies influenced by eminent capital allocators and activist investors have the ability to stand out by adapting quicker to market forces and improving their profitability through both operational changes and balance sheet optimization.

As expected, given the Fund's value focused mandate, the performance was mainly driven by company specific developments, the most important of which are detailed below.

LiLAC was affected during the quarter by the impact of Hurricane Irma and Hurricane Maria on its operations in the Caribbean. The company expects to receive insurance proceeds to cover the losses to its operations as a result, yet its operating cash flow had to be guided lower for 2017, at $1.35 billion from $1.5 billion. Following the end of 2017, Liberty Global PLC executed a full split-off of the Latam assets and Liberty Global PLC LiLAC was renamed Liberty Latin America Ltd.

During the quarter, Whitecap announced and closed the acquisition of key low decline light oil producing assets from Cenovus Energy Inc., as the latter company was pressured to reduce the size of its balance sheet. Whitecap also made good to its earlier promise and raised its dividend twice during the period, by a combined 10%.

Crescent Point Energy reported third quarter results which were slightly ahead of the expectations and used excess funds flow from operations to pay down debt and increase its capital program. The company initiated and intends to continue the streamlining of its operations by divesting non-core assets.

Nomad Foods reported a strong set of results for its third quarter and raised its guidance for 2017. Organic revenue growth continued to improve in the quarter, up by 5.9%. The results reflect favourable category performance coupled with market share gains. The company took advantage of market conditions to re-price its lending facilities at more favourable rates.

Brookfield Business Partners (BBU) benefited in the quarter from strong results in the company's business services and industrials segments, offset by a loss on the sale of an oil and gas producer in Western Canada in its energy segment. Results benefited from positive contributions from the acquisitions of Greenergy International Ltd., a road fuels distributor that BBU acquired in May 2017, and the Loblaw gas station operations, a fuel marketing business, acquired in July 2017. Together with institutional partners, BBU has entered into an agreement to undertake the landmark acquisition of Westinghouse Electric Company LLC, a leading global provider of infrastructure services to the power generation industry, from Toshiba Corporation for a purchase price of approximately $4.6 billion

Bad weather also hurt Warren Buffett's Berkshire Hathaway Inc in the third quarter. Nonetheless, profit rose at the Berkshire Hathaway Energy unit, while "improving economic conditions" helped boost shipping and profit at BNSF Railway Company.

Book value per Class A share, measuring assets minus liabilities, rose 2.5% and was up 8.9% from January to September. During the quarter Berkshire announced the eventual acquisition of 80% of Pilot Travel Centres (Pilot Flying J), the largest U.S. truck stop operator. The late year successful tax reform package is expected to deliver significant tax savings to the group, whereas the gradually higher interest rate environment is supportive of the group's financial services activities.

During the quarter, the Fund took advantage of market dislocation in Walgreens Boots Alliance, Inc., driven by rumors of Amazon.com, Inc.'s entry in retail pharmacy, sub-par performance at Rite-Aid Corporation which led to negative cross-read towards Walgreens' newly acquired stores and concerns surrounding the U.S. healthcare reform, and initiated a position. We're pleased to see that Walgreens has already been a meaningful contributor to fund performance during the period.

The Fund has a material exposure to energy holdings, which we believe have currently depressed valuations and which, as at December 31, 2017, constituted 25.4% of the portfolio's assets. The performance of our energy holdings was mostly negative during the period and detracted from the performance of the fund.

Over the course of the past quarter the energy markets have continued their journey towards recovery, meaningfully supported by the Organization of Petroleum Exporting Countries (OPEC) and certain non-OPEC countries' (most notably Russia) decision to extend the currently agreed production cuts until the end of 2018, but also by unforeseen production disruption, such as the repairs to the Forties pipeline in the North Sea or civil unrest in the key producing countries of Iran, Venezuela and Libya. During the reporting period, the West Texas Intermediate (WTI), the North American crude oil price benchmark, advanced from $51.67/barrel (bbl) to $60.42/bbl, a roughly 17% improvement over the period. Crude oil inventory drawdowns, which had accelerated over the summer months across the OECD countries and in the U.S., but also in important Asian markets such as China, continued well into the fourth quarter and, as we write this note, are still ongoing. U.S. crude oil inventories, for instance, reached 424 million barrels (bbl) at the end of December, down more than 100 million since their peak of 536 million at the end of March, and are now lower than both end of 2016 and end of 2015 levels. Winter months tend however to be volatile ones for the crude oil as travel and demand for gasoline slows down and refinery runs are interrupted by maintenance. In addition, as mentioned in our previous notes, the debate continues around the potential production growth in the U.S., notably the Eagle Ford and Permian basins, with signs that earlier growth estimates may be exaggerated.

As at December 31, 2017, based on total assets, the top 5 sector exposure was constituted by energy 25.4%, financials 23.6%, consumer discretionary 20.5%, consumer staples 16.8% and industrials 13.7%. The Fund makes use of low-cost leverage to augment its long term returns. Leverage within the Fund was at inception, lower than 60% and ordinarily is not expected to exceed 70% of the portfolio (market value of securities). As at December 31, 2017, leverage in the Fund was 52.4% of the portfolio.

RISK MANAGEMENT STRATEGY

The Manager relies on the following risk mitigation measures:

- Value discipline
- Portfolio construction
- Intending to preserve excess margin or 'buffer'

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 Fund.

The Manager believes the following risks are key to the Fund's performance: leverage, highly volatile markets and equity risk. Please read the "Risk Factors" section in the Offering Memorandum for a more detailed description of all the relevant risks.

FUNDSERV CODES

Fund Name	Series A	Series F*	Series N
Portland Value Plus Fund	PTL970	PTL980	PTL966
Portland Value Plus Fund USD	PTL870	PTL880	PTL866

**Generally only available through dealers who have entered into a Portland Series F Dealer Agreement*

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The Portland Value Plus Fund was formerly known as the Portland Advantage Plus - Value Fund.

1. Annualized.

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

3. 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.

Additional Sources: Bloomberg, Thomson Reuters

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