



**PORTLAND**  
INVESTMENT COUNSEL®

PORTLAND ADVANTAGE FUND  
**INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE**

MARCH 31, 2016

PORTFOLIO  
MANAGEMENT TEAM

**Michael Lee-Chin**  
Executive Chairman, Chief Executive  
Officer and Portfolio Manager

**Robert Almeida**  
Senior Vice President and Portfolio Manager

## Management Discussion of Fund Performance Portland Advantage Fund

This interim 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 1375 Kerns Road, Suite 100, Burlington, ON L7P 4V7 or visiting our website at [www.portlandic.com](http://www.portlandic.com) or SEDAR at [www.sedar.com](http://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 the portfolio management team contained in this report are as of March 31, 2016 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 Advantage Fund (the "Fund") remains as discussed in the prospectus. The Fund's objective is to provide positive long-term total returns by investing primarily in a portfolio of Canadian equities. The Fund seeks to provide capital growth and income while moderating the volatility of equities by investing in a portfolio of equities/ADRs, and which may include exchange traded funds. A current strategy of the Fund is to invest in the financial services sector including insurance, securities brokering, banking and wealth management. The Fund may invest up to 49% in foreign securities in a manner consistent with its investment objective.

### RISK

Effective April 29, 2016 the overall risk level has gone down from medium to high to medium for the Fund. As discussed in the Prospectus, investors should be able to accept a medium level of risk and plan to hold for the medium to long term.

During the six months ended March 31, 2016, financial markets experienced a fair amount of volatility. We used this volatility to add to the position of Baytex Energy Corporation. That addition combined with increases in the prices of Baytex Energy and Crescent Point Energy Corp. to moderately increase the Fund's exposure to the oil and gas sector, which remains underweight relative to the S&P/TSX Composite Total Return Index. We note that as prices rose, we did sell a small portion of the holding of Baytex Energy but continue to maintain a reasonable exposure to the holding.

The intensity of focus within the Fund was generally maintained with the total number of securities held being reduced from 20 to 19 and the focus on the top five holdings reduced from 46.8% to 45.6%. This intensity of focus creates the potential for more volatility but, in our opinion, improves the quality profile of the Fund and enhances the return potential.

As the value of the Canadian dollar has depreciated relative to the US dollar, it is possible that the risk has increased for a reversal in the trend adversely affecting US dollar denominated securities. We are of the opinion that any reversal in the trend would be underpinned by a strong US economy which would be reflected in better returns from the holdings of US securities. Accordingly, the foreign currency exposure in the Fund, which decreased by less than 1% during the period, continues to be unhedged.

### RESULTS OF OPERATIONS

For the six month period from September 30, 2015 to March 31, 2016, the Fund's benchmark, the S&P/TSX Composite Total Return Index, had a return of 3.1%. Over the same period, the Fund had a return of 12.6%. The net asset value per unit increased from \$11.01 at September 30, 2015 to \$12.00 at March 31, 2016. Unlike the Index, the Fund's return is after the deduction of its fees and expenses.

The Fund's net asset value as at March 31, 2016 was \$6.1 million. On a cumulative basis since its inception, the Fund has experienced both positive net sales and positive investment performance.

The 5 holdings that contributed most to Fund performance were Cable & Wireless Communications PLC, Northland Power Inc., Crescent Point Energy Corp., Baytex Energy Corporation and IGM Financial Inc. While the Fund's exposure to Baytex Energy was relatively small, its contribution to Fund performance is indicative of the outsized recovery potential that we believed was inherent in the company's depressed share price. Cable & Wireless Communications benefitted from the announcement of a merger transaction with Liberty Global PLC and we attribute the appreciation experienced by Northland Power Inc. to the progress it is making on its major wind power development project.

The main detractor from Fund performance was Hertz Global Holdings, Inc. When we made the relatively small investment in Hertz, we were looking for a turnaround of the business to be driven by its activist shareholders. Unfortunately, the challenges to the car rental business model increased during the period. We are hopeful that the business will make the necessary changes to adapt but only maintain a relatively small exposure to the holding.

On a per unit basis during the period, the Fund's units generated \$0.19 of revenue, \$0.48 of realized losses and \$1.73 of unrealized gains.

During the six month period ending March 31, 2016, the following holdings were added to the Fund, albeit with relatively small exposures. Both investments were made to take advantage of the broad declines that have impacted the Latin American markets.

- bonds of Digicel Group Ltd., a leading mobile telecommunications company in Central America and the Caribbean; and
- iShares MSCI Brazil Capped ETF.

The following holdings were divested from the Fund:

- Canadian Oil Sands Limited, which was sold after the price rose based on an announced acquisition by Suncor Energy Inc.;

- iShares India 50 Fund, which was sold because we believe that Brazil currently presents better value; and
- CK Hutchison Holdings Limited, which had performed well and we felt that the capital would be better invested in the Fund's other holdings.

At March 31, 2016, by asset class the Fund's net asset value was invested approximately 98% in 18 equity securities and 1 debt security. By geography, the Fund's net assets were invested 58% in cash and securities of issuers based in Canada. We believe that the Fund is well positioned to continue to meet its investment objectives as outlined above.

## RECENT DEVELOPMENTS

The first quarter of 2016 was relatively volatile in global capital markets. However, we believe that the volatility is just that – volatility – and not any particular secular trend that would cause us to make any substantive changes to the Fund. We continue to be optimistic for the future but we are cognizant that markets have moved up substantially over the last few years. Accordingly, the Fund's exposure to the wealth management sector, while still overweight relative to the benchmark, is much lower than it used to be a few years ago.

On October 19, 2015, the Fund changed custodians from Citibank Canada to CIBC Mellon Trust Company.

## RELATED PARTY TRANSACTIONS

The Fund's manager is Portland Investment Counsel Inc. (the "Manager"). 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 March 31, 2016, the Manager received \$39,902 in management fees from the Fund compared to \$39,696 for the period ended March 31, 2015 (net of applicable taxes).

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 operations. Depending on their nature, some expenditures are allocated to the Fund based upon the net asset value or actual costs incurred. During the period ended March 31, 2016, the

Manager was reimbursed \$14,034 for operating expenses incurred on behalf of the Fund, including amounts paid to affiliates, net of applicable taxes. This compares to \$13,648 for period ended March 31, 2015. In addition to the amounts reimbursed, the Manager absorbed \$45,210 of operating expenses during the period ended March 31, 2016 compared to \$40,840 during the period ended March 31, 2015 (net of applicable taxes).

Affiliates of the Manager provide administrative services associated with the day-to-day operations of the Fund. These affiliates of the Manager were reimbursed \$1,450 during the period ended March 31, 2016 by the Fund for such services, compared to \$2,182 during the period ended March 31, 2015.

The Manager, its affiliates, officers and directors of the Manager ("Related Parties") may own units of the Fund. 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 March 31, 2016, Related Parties owned 10.6% (September 30, 2015: 3.4%) of the Fund.

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 March 31, 2016

## Top 25 Investments\*

	% of Net Asset Value
Cable & Wireless Communications PLC	13.2%
Brookfield Asset Management Inc.	9.7%
Crescent Point Energy Corp.	8.7%
Bank of Nova Scotia	7.2%
Northland Power Inc.	6.8%
Invesco, Ltd.	6.3%
IGM Financial, Inc.	5.8%
BCE Inc.	5.4%
Baytex Energy Corporation	5.3%
Brookfield Infrastructure Partners LP	5.2%
The Toronto-Dominion Bank	4.1%
Digicel Group Limited 8.250% September 30, 2020	3.7%
Brookfield Property Partners LP	3.6%
Berkshire Hathaway Inc.	3.3%
Cash	2.9%
CI Financial Corporation	2.9%
Franklin Resources, Inc.	2.7%
Hertz Global Holdings, Inc.	1.8%
Copa Holdings SA	1.5%
iShares MSCI Brazil Capped ETF	0.8%
<b>Grand Total</b>	<b>100.9%</b>
<b>Total net asset value</b>	<b>\$6,079,425</b>

\* 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 does 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](http://www.portlandic.com) or contacting us at 1-888-710-4242.

## Portfolio Composition

## Sector

Integrated Telecommunication Services	18.6%
Asset Management and Custody Banks	17.5%
Oil and Gas Exploration and Production	14.0%
Diversified Banks	11.3%
Diversified Real Estate Activities	9.7%
Independent Power Producers and Energy Traders	6.8%
Electric Utilities	5.2%
Wireless Telecommunication Service	3.7%
Real Estate Operating Companies	3.6%
Multi-Sector Holdings	3.3%
Other Net Assets (Liabilities)	2.2%
Trucking	1.8%
Airlines	1.5%
Exchange Traded Funds	0.8%

## Geographic Region

Canada	55.8%
Bermuda	18.7%
United Kingdom	13.2%
United States	8.6%
Other Net Assets (Liabilities)	2.2%
Panama	1.5%

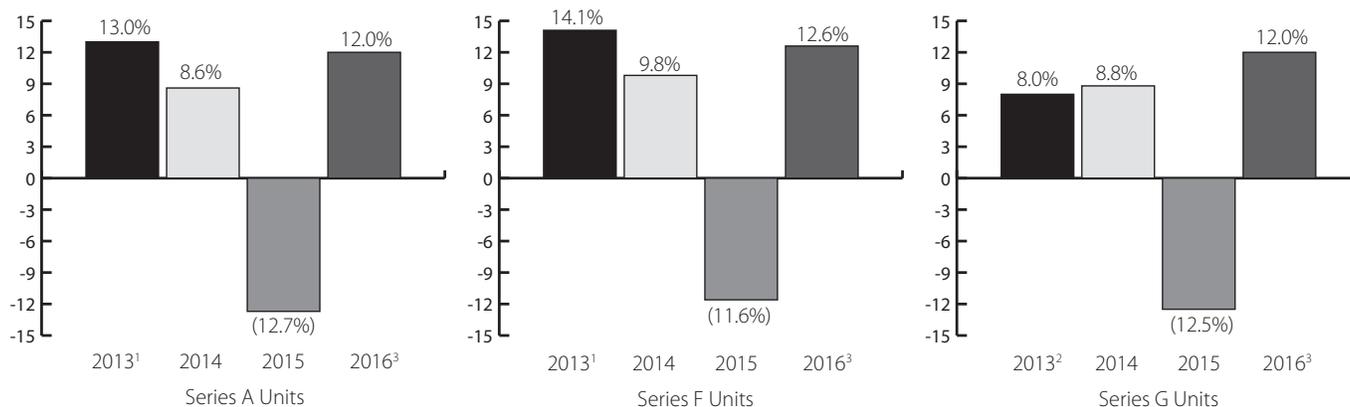
Other Net Assets (Liabilities) refers to cash on hand plus all other assets and liabilities in the Fund excluding portfolio investments.

### 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 investment fund in the periods shown were reinvested in additional securities of the investment 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 graphs show the annual historical returns of the applicable series of units, which change each year. Annual return is the percentage change in the value of an investment from October 1 to September 30 (unless otherwise stated).



1. Return for 2013 represents a partial year starting October 31, 2012 to September 30, 2013.  
 2. Return for 2013 represents a partial year starting January 24, 2013 to September 30, 2013.  
 3. Return for 2016 represents a partial year starting October 1, 2015 to March 31, 2016

### 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 investment 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.

Series of Units	Management Fee (%)	Expenses Paid Out of the Management Fee (%)		
		Dealer compensation	General administration, investment advice and profit	Absorbed expenses
Series A	2.00%	55%	-	45%
Series F	1.00%	-	-	100%
Series G	2.00%	50%	-	50%

## Financial Highlights

The following tables show selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past 5 years or, if shorter, the periods since inception of the Fund. For the current year, information in the table below is for the period from October 1, 2015 to March 31, 2016. For all other years, the information in the table below is for the period from October 1 to September 30, or inception date to September 30 in the inception period.

### Series A Units - Net Assets per unit<sup>(a)</sup>

For the periods ended	2016	2015	2014	2013
Net assets, beginning of the period	\$10.71	\$12.27	\$11.30	\$10.00 <sup>(b)</sup>
Increase (decrease) from operations:				
Total revenue	0.18	0.64	0.36	0.24
Total expenses	(0.16)	(0.36)	(0.35)	(0.28)
Realized gains (losses)	(0.49)	0.01	0.03	(0.02)
Unrealized gains (losses)	1.76	(1.93)	0.54	1.10
Total increase (decrease) from operations	1.29	(1.64)	0.58	1.04
Distributions to unitholders:				
From income	(0.03)	-	-	-
From dividends	(0.24)	-	-	-
From capital gains	-	-	-	-
Return of capital	-	-	-	-
Total annual distributions <sup>3</sup>	(0.27)	-	-	-
Net assets, end of period	\$11.72	\$10.71	\$12.27	\$11.29

### Series A Units - Ratios/Supplemental Data

For the periods ended	2016	2015	2014	2013
Total net asset value	\$2,923,984	\$2,617,354	\$2,658,899	\$948,044
Number of units outstanding	249,566	244,347	216,622	83,890
Management expense ratio	2.82% *	2.84%	2.83%	2.79% *
Management expense ratio before waivers or absorptions	4.64% *	4.89%	7.41%	26.73% *
Trading expense ratio	0.05% *	0.09%	0.04%	0.05% *
Portfolio turnover rate	9.46%	22.23%	1.48%	3.61%
Net asset value per unit	\$11.72	\$10.71	\$12.27	\$11.30

### Series F Units - Net Assets per unit<sup>(a)</sup>

For the periods ended	2016	2015	2014	2013
Net assets, beginning of the period	\$11.01	\$12.54	\$11.41	\$10.00 <sup>(b)</sup>
Increase (decrease) from operations:				
Total revenue	0.19	0.66	0.41	0.26
Total expenses	(0.09)	(0.22)	(0.21)	(0.21)
Realized gains (losses)	(0.48)	0.02	0.02	(0.02)
Unrealized gains (losses)	1.73	(1.74)	(0.23)	1.12
Total increase (decrease) from operations	1.35	(1.28)	(0.01)	1.15
Distributions to unitholders:				
From income	(0.05)	-	-	-
From dividends	(0.34)	(0.07)	-	-
From capital gains	-	-	-	-
Return of capital	-	-	-	-
Total annual distributions <sup>3</sup>	(0.39)	(0.07)	-	-
Net assets, end of period	\$12.00	\$11.01	\$12.54	\$11.40

### Series F Units - Ratios/Supplemental Data

For the periods ended	2016	2015	2014	2013
Total net asset value	\$3,153,204	\$2,504,363	\$2,022,327	\$151,658
Number of units outstanding	262,700	227,399	161,307	13,288
Management expense ratio	1.55% *	1.71%	1.69%	1.65% *
Management expense ratio before waivers or absorptions	3.37% *	3.75%	5.39%	49.36% *
Trading expense ratio	0.05% *	0.09%	0.04%	0.05% *
Portfolio turnover rate	9.46%	22.23%	1.48%	3.61%
Net asset value per unit	\$12.00	\$11.01	\$12.54	\$11.41

Series G Units - Net Assets per unit<sup>(a)</sup>

For the periods ended	2016	2015	2014	2013
Net assets, beginning of the period	\$9.92	\$11.35	\$10.43	\$10.00 <sup>(b)</sup>
Increase (decrease) from operations:				
Total revenue	0.17	0.59	0.30	0.14
Total expenses	(0.14)	(0.32)	(0.32)	(0.14)
Realized gains (losses)	(0.51)	0.01	0.04	(0.02)
Unrealized gains (losses)	0.96	(1.70)	0.90	0.44
Total increase (decrease) from operations	0.48	(1.42)	0.92	0.42
Distributions to unitholders:				
From income	(0.03)	-	-	-
From dividends	(0.24)	-	-	-
From capital gains	-	-	-	-
Return of capital	-	-	-	-
Total annual distributions <sup>3</sup>	(0.27)	-	-	-
Net assets, end of period	\$10.84	\$9.92	\$11.35	\$10.42

Series G Units - Ratios/Supplemental Data

For the periods ended	2016	2015	2014	2013
Total net asset value	\$2,237	\$5,955	\$6,808	\$6,257
Number of units outstanding	206	600	600	600
Management expense ratio	2.63% *	2.65%	2.64%	2.59% *
Management expense ratio before waivers or absorptions	4.45% *	4.70%	7.96%	23.29% *
Trading expense ratio	0.05% *	0.09%	0.04%	0.05% *
Portfolio turnover rate	9.46%	22.23%	1.48%	3.61%
Net asset value per unit	\$10.84	\$9.92	\$11.35	\$10.43

† Initial offering price

\* Annualized

## Explanatory Notes

- a) The information for March 31, 2016 is derived from the Fund's unaudited semi-annual financial statements and for September 30, 2015 and 2014 the information is derived from audited annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The information for prior years is derived from the Fund's audited annual financial statements prepared based on Canadian GAAP.

b) The following series of the Fund commenced operations on the following dates, which represents the date upon which securities of a series were first purchased by investors.

Series A Units	October 31, 2012
Series F Units	October 31, 2012
Series G Units	March 14, 2013
- 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.
- Distributions are paid out in cash/reinvested in additional units of the Fund, or both.
- This is not a reconciliation of the beginning and ending net assets per unit. The information for years prior to September 30, 2014 is derived from the Fund's annual audited financial statements prepared based on Canadian GAAP. Prior to September 30, 2014, for the purpose of processing unitholder transactions, net assets were calculated based on the closing market price, while for financial statement purposes net assets were calculated based on bid/ask price. For the periods ended March 31, 2016, September 30, 2015 and 2014, the information provided for processing unitholder transactions is consistent with the information provided for reporting purposes.

- The management expense ratio ("MER") is based on total expenses (excluding foreign withholding taxes, commissions and other portfolio transaction costs but including management fee rebates 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 holds investments in Exchange Traded Funds ("ETF's"). 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 ETF's divided by the average daily NAV of the series of the Fund during the period.

- 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.

The TER is calculated taking into consideration the costs attributable to its investment in ETF's.
- 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 the 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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Historical annual compounded total returns as at March 31, 2016 include changes in unit value and distributions reinvested and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Commissions, service fees, management fees and expenses may be associated with investment funds. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the prospectus before investing. PORTLAND, PORTLAND INVESTMENT COUNSEL and the Clock Tower Design are registered trademarks of Portland Holdings Inc. Used under licence by Portland Investment Counsel Inc.

Portland Investment Counsel Inc., 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7 Tel:1-888-710-4242 • Fax: 1-866-722-4242  
www.portlandic.com • info@portlandic.com

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