



PORTLAND ADVANTAGE PLUS - MCKINLEY FUND



PORTLAND
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OWNERS. OPERATORS. AND INVESTORS.

(as at May 31, 2017)

	Net Asset Value Per Unit (as at May 31, 2017)	Annual Distribution Rate ¹ (as at May 31, 2017)	PERFORMANCE (as at May 31, 2017)					
			1 Month	3 Months	6 Months	1 Year	3 Year [†]	Since Inception [†]
Portland Advantage Plus - McKinley Fund - Series A (CAD)	\$9.8716	11.0%	(8.1%)	(12.9%)	(11.4%)	(18.7%)	(36.8%)	(35.6%)
Portland Advantage Plus - McKinley Fund - Series F (CAD)	\$9.8617	12.6%	(8.0%)	(12.7%)	(10.9%)	(17.8%)	(36.1%)	(34.8%)
S&P/TSX Composite Total Return Index	-	-	(1.3%)	0.4%	3.2%	12.3%	4.7%	4.5%

FUND FACTS

Fund Net Assets	\$4.0 million CAD
Inception Date	April 30, 2014
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 limited number of quality equity securities with an emphasis towards: large capitalization, high liquidity, relatively high dividend yields and long-term growth industries
- Leverage by purchasing securities on margin, ordinarily expected to be up to 50% of the Portfolio (market value of securities)

KEY REASONS TO INVEST

- Income through targeting fully funded monthly distributions
- Above average return over the long term through a focused portfolio of quality equities, ordinarily selected from liquid, large cap, dividend-paying stocks at what we believe are attractive valuations
- Use of leverage to enhance the power of dividends
- Embedded product leverage is non-recourse to individual investors

PORTFOLIO COMPOSITION

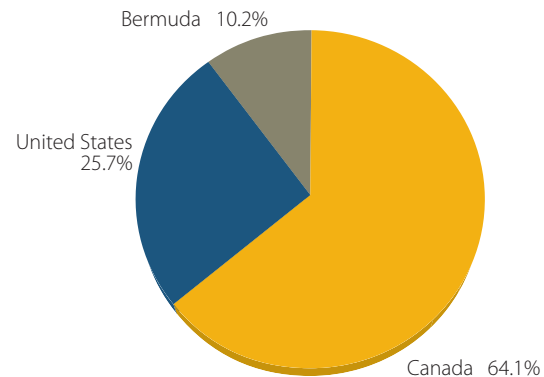
- Focused portfolio of select companies domiciled in long-term growth industries
- Emphasis on relatively higher dividend yielding securities
- Multiple sectors

PORTFOLIO MANAGER

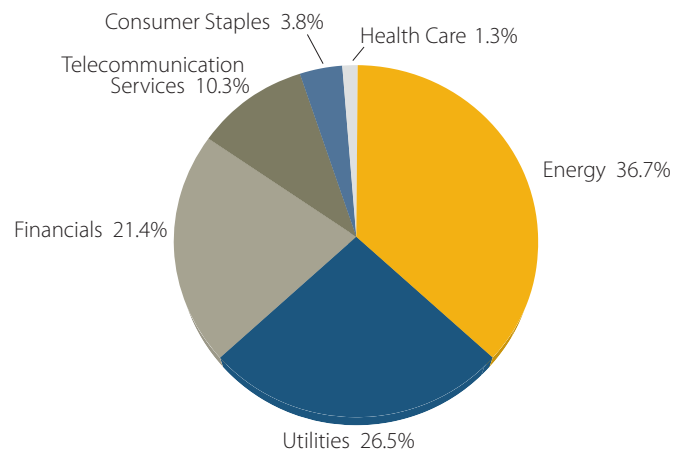
Michael Lee-Chin, B.Eng., LL.D (Honorary)
Executive Chairman, Chief Executive Officer
and Portfolio Manager

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	330.7%
Other Net Assets (Liabilities) ²	8.7%
Cash	(239.4%)

Leverage Ratio ³	72.6%
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Top Holdings	Percentage of Total Assets	Dividend Yield ⁴
Crescent Point Energy Corp.	15.3%	3.1%
Pattern Energy Group Inc.	8.7%	7.4%
Northland Power Inc.	8.1%	4.6%
Ares Capital Corporation	6.9%	9.1%
Whitecap Resources, Inc.	6.1%	3.1%
Baytex Energy Corp.	5.7%	0.0%
Cardinal Energy Ltd.	5.6%	7.4%
Brookfield Property Partners L.P.	5.5%	5.3%
BCE Inc.	5.3%	4.7%
AT&T Inc.	5.0%	5.1%
TransAlta Renewables Inc.	5.0%	5.6%
Brookfield Infrastructure Partners L.P.	4.7%	4.3%
IGM Financial Inc.	4.6%	5.7%
The Bank of Nova Scotia	4.4%	4.0%
Veresen Inc.	4.0%	5.4%
The Procter & Gamble Company	3.8%	3.1%
Johnson & Johnson	1.3%	2.6%

FUND COMMENTARY (as at March 31, 2017)

For the period since December 31, 2016, to March 31, 2017, the Fund's benchmark, the S&P/TSX Composite Total Return Index had a return of 2.4%. For the same period, the Fund's Series F units had a return of (13.3%). Unlike the Index, the Fund's return is after the deduction of its fees and expenses. The Fund's underperformance was due to the Fund's energy sector (overweight) holdings negative relative contribution, offset by the positive relative contribution of the Fund being overweight in the utilities sector. The Fund's leverage amplified the underperformance.

The Fund's net asset value at March 31, 2017, was \$5.1 million.

The Fund has preserved its significant exposure to energy holdings, which, as at March 31, 2017, constituted 37.6% (of which 30.8% in the oil and gas production and exploration space) of the portfolio's assets.

The energy market sell-off, initiated in the third quarter of 2014, has abated somewhat over the reporting period, however, the price of crude oil as measured by the North American benchmark, the WTI (West Texas Intermediate), reached \$50.60/barrel by March 31, 2017, a 6% pullback from the \$53.72/barrel crude oil price as at December 30, 2016. The Manager had previously indicated that it had expected uncertainty to continue over the last quarter of 2016 and first quarter of 2017 as headlines around buildup of crude and product inventories in the US would take primacy, with little to offset these news before the start of the US driving season and refinery ramp-up. Indeed, in the aftermath of the oil production cuts agreed by OPEC and non-OPEC producers in November, 2016, crude oil prices have traded

mostly sideways as markets were waiting to firstly get confirmation of compliance with agreed cuts and secondly see evidence of global crude oil inventories drawdowns.

On the last day of November, 2016, OPEC (Organization of the Petroleum Exporting Countries) made good on its promise to agree on the details of the organization-wide production cut, as revealed at the end of its September 28 round of talks in Algiers. Helpfully, the new production target is at the lower end of the previously announced range of 32.5 to 33.00 million barrels of oil equivalent per day (boed), implying a cut of about 1.2 million boed or some 4.5% of the cartel's production. Iran was allowed to just "freeze" production, at levels in line to its pre-sanctions output (around 3.8 million boed), while Nigeria and Libya were exempt from the agreement, as their production has been affected by conflicts. The coordinated production cut is OPEC's first in eight years, since the depths of the last recession, and brings back the oil producing countries' cartel into relevance, which it had seemingly lost when it refused to explore a production cut at its meeting in November of 2014. The agreement contains a provision that it can be extended for a further six months. Compliance with the production targets has been surprisingly strong, in particular from the part of OPEC members, with Saudi Arabia exceeding its target at times and current talks giving increase credence to an extension of the agreement, albeit unlikely to be formalized before OPEC's next scheduled meeting at the end of May. A number of recent reports, including from OPEC itself, indicate that, even on the basis of supply and demand dynamics before the announced production cuts, the crude oil market was likely to re-balance towards the middle of 2017. As such, the current production curtailment measures are meant to accelerate the draw-down of crude oil inventories globally.

The Manager continues to believe that the fundamental operations of our energy holdings remain robust, even in this challenging environment. As such, we have continued to maintain elevated levels of exposure to the energy sector, through our oil and gas exploration and production holdings, and plan on doing so until we see a substantial recovery in the energy space.

We continue to believe that the current oil prices are unsustainable, as evidenced by the more than 20% back-to-back drops in global oil industry capex in 2015 and 2016 adding up to some \$1 trillion in overall spending cuts towards finding and developing reserves by 2020. Capex cuts of such magnitude are unprecedented and are sowing the seeds of future supply shortfall as demand continues to grow. In other words, the longer lower oil prices stay low, the higher the eventual rebound.

Energy companies held in the Fund have responded to the protracted low price environment and uncertain near-term outlook by further curtailing capital expenditures, extending financing facilities, raising capital to strengthen balance sheets and continuing their broad hedging programs, while maintaining robust production levels. They have been and are likely to continue to benefit from significant cost reductions and improvements in production efficiency compared to 2014.

It needs to be emphasized, we believe, that the recovery in the market values of oil and gas exploration and production (E&P) companies is not a linear function of the crude oil prices, but rather a combination of the prices, operating leverage and balance sheet leverage. As such, there are likely a couple of inflection points in the performance of E&P companies. In broad terms, a WTI level in the low \$30/barrel could



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signify potential liquidity and solvency issues for many operators, with the associated drops in valuations, while levels in the \$50 to \$60/barrel range are more indicative of cash flow positive operations and significant uplift in valuations.

The performance of our energy holdings was negative during the period, though it did improve through the end of 2016, following OPEC's production cut announcement, eroding significantly since the beginning of 2017 as news heralding continued buildup of U.S. crude oil inventories took precedence. As mentioned above, we see such developments as largely seasonal and believe that global crude oil inventory are set to accelerate their drawdown, even more so should OPEC and its partners decide to extend the cuts. This is likely to be supportive of crude oil prices both globally, but also in North America. Current crude oil prices afford a level of operating cash generation in some cases exceeding the cost to support production growth and cover dividend payments, though excess cash flows are only marginally positive. We have opportunistically added to our energy holdings during the period.

Whitecap Resources Inc. reported fourth quarter results which point to an improving cash flow profile, which in turn could, we believe, lead to an upwards revision of the dividend over the following quarter. Management has guided for a top quartile 14% production per share increase for 2017. Whitecap managed to increase the production in its newly acquired Saskatchewan lands by 16% since the time of acquisition from Husky Energy mid 2016, an indication that the company's recent mergers and acquisitions is bearing fruit and could lead to further tuck-in deals.

Crescent Point Energy Corp. increased its capital program for 2017 to \$1.45 billion, including \$100 million saved from its 2016 budget. On such basis, the company is expected to experience a 10% production growth by the end of 2017, though production per share is more likely to be flat to slightly positive, given the company decided to issue equity in the fall of 2016 to expand its program. Though, in hindsight, the company's decision to issue additional equity may turn out to be the right decision, given the attractive capital efficiency available to the company at its drilling locations, the markets reacted negatively to what it was perceived as a poorly communicated strategy. The company admitted its communication shortcomings and is taking measures to improve. Rumors of activist involvement, which ultimately turn out to be unfounded, provided a temporary boost the otherwise battered shares. We believe that the current depressed valuation level would turn out to be a rare opportunity to buy into great quality assets.

Baytex Energy Corp.'s fourth quarter results were broadly in line with the expectations, in term of production, at just over 65,000 boed. Funds from operations exceeded capex by about \$51 million in the quarter. Guidance for 2017 involves a roughly 3% production growth on exit-on-exit basis (68,000 boed midpoint) at a cost of \$300 million to \$350 million. Key highlights, I believe, are very strong well deliverability with the most recent well pad drilled at Peace River delivering 600 boed initial heavy oil production and at Eagle Ford 1,200 boed light oil production. This type of well deliverability, if consistent throughout the year, should cause BTE to easily exceed its current guidance.

Cardinal Energy Ltd. achieved record average production of 14,957 boed during its third quarter and closed the year at approximately 15,000 boed. Its average production increased by 23% during 2016. The company's less than 15% production decline rate enables Cardinal to weather periods of low commodity pricing with minimum capital

spending. Cardinal expects, in an oil price environment of above \$50 WTI, that it would be able to provide double digit production growth for 2017. The company is set to benefit from the rebound in commodity prices with increased spending for 2017. Cardinal will drill a record number of wells targeting multiple plays across its asset base. Acquisitions are a core part of Cardinal's business strategy and although 2016 was a quiet year on the M&A front, the company closed an acquisition in Wainwright in late Q4 for \$32 million.

Outside of the energy space, the holdings had performed well, as our more interest sensitive holdings, such as Ares Capital Corporation, Brookfield Infrastructure Partners L.P., Veresen Inc., TransAlta Renewables Inc. and IGM Financial Inc., as financial services firms stand to gain from an improvement in their net interest margin, driven by a tighter monetary policy, whereas Canadian utilities benefited from confirmation of continued supportive monetary policy from the Bank of Canada. Northland Power Inc. had a notably flat performance over the period, we believe, on account of the company already trading at elevated levels supported by acquisition expectations. On the basis of our views we had reduced our exposure to Northland Power and used the proceeds to invest in Veresen Inc. and Pattern Energy Group Inc., mostly prior to the beginning of the current period.

As at March 31, 2017, based on the Fund's total assets, the top 5 sector exposure was constituted by energy 37.6%, utilities 26.2%, financials 20.7%, telecommunication services 10.6% and consumer staples 4.0%. The Fund makes use of low-cost leverage to invest in a portfolio with a dividend yield that currently provides a substantial spread over the cost of borrowing. Based on settlement date activity, leverage within the Fund was, as of March 31, 2017, 68.5% of the portfolio. As of the same date, the Fund's underlying portfolio's dividend yield was 4.7%, which, upon the application of leverage, translates into a gross 14.9% yield to the equity. The Manager believes that the stream of dividends generated by the underlying investments provide an attractive entry point for investors looking for equity based high yield. As of December 30, 2016, the Fund provides a 8.4% distribution yield for investors in the Series F units.

Going forward, we believe that the Fund is well-positioned to meet its investment objectives which are to provide income and achieve, over the long-term, an above average return by combining a leveraged investment strategy with focused investment, primarily in a limited number of long securities positions.



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RISK MANAGEMENT STRATEGY

The Manager relies on the following risk mitigation measures:

- Portfolio construction
- Buffers against margin calls
- Companies with relatively higher dividend yields, lower volatility and diversified by sector
- Intending to preserve excess margin or 'buffer'
- Reduce the impact of rising interest rates through emphasis on investments that are positively correlated with economic growth
- Value discipline

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, interest rate changes, dividend yields, 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 Advantage Plus - McKinley Fund - CDN\$	PTL940	PTL935	PTL930
Portland Advantage Plus - McKinley Fund - USD\$	PTL840	PTL835	PTL830

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



† Annualized.

1. Distribution yields are based on the net asset value per unit divided by a full month distribution rate and reflects the increase in rate effective September 2016. The Manager reserves the right to change the targeted annual distributions at its discretion.
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.
4. Dividend Yield – Annual dividends divided by the share price.

Additional Sources: Bloomberg, Thomson Reuters

The Portland Advantage Plus – McKinley Fund is not publicly offered. It is only available under prospectus exemptions and other exemptions available to investors who meet certain eligibility or minimum or maximum purchase requirements. Currently these exemptions include the accredited investor exemption and the \$150,000 minimum purchase exemption for institutional investors. Information herein is pertaining to the Fund 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. If there are any discrepancies between this document and the Offering Memorandum, the Offering Memorandum is deemed correct. 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 portfolio is expected to generate income from dividends, interest and option writing income, which after deduction of expenses, will be distributed by the Fund to unitholders. Assuming the expected level of income is received, the portfolio would not be required to appreciate. If the level of income is less than the amount necessary to meet the target distribution, the Manager may either pay out a lower distribution or supplement the amount needed through net realized capital gains from the portfolio or may return a portion of the capital of the Fund to unitholders in which case the distribution would not have been fully funded as the net asset value would be reduced. Distributions are reinvested automatically in additional units of the Fund. No commissions are payable upon automatic reinvestment of distributions.

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