



PORTLAND ADVANTAGE PLUS - VALUE FUND



PORTLAND
INVESTMENT COUNSEL®

OWNERS. OPERATORS. AND INVESTORS.

(as at May 31, 2017)

	Net Asset Value Per Unit (as at May 31, 2017)	PERFORMANCE (as at May 31, 2017)					
		1 Month	3 Months	6 Months	1 Year	2 Years ¹	Since Inception ¹
Portland Advantage Plus - Value Fund - Series A (CAD)	\$22.6057	(2.4%)	(11.6%)	(10.5%)	(26.9%)	(29.2%)	(28.0%)
Portland Advantage Plus - Value Fund - Series F (CAD)	\$22.1609	(2.3%)	(11.3%)	(10.0%)	(26.1%)	(28.4%)	(27.2%)
MSCI World Total Return Index	-	1.1%	6.6%	13.8%	20.1%	10.1%	10.8%

FUND FACTS

Fund Net Assets	\$0.8 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

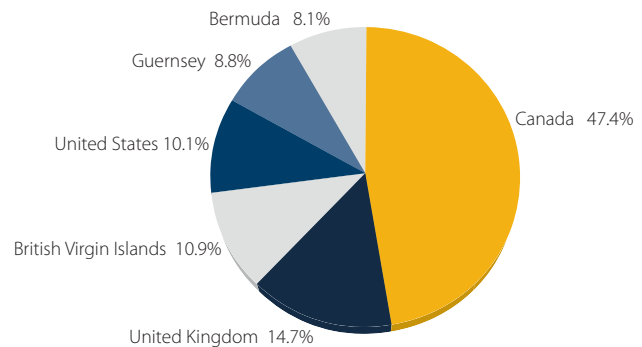
- Businesses led by eminent capital allocators.
- Businesses being transformed by eminent capital allocators (activist investors).
- Opportunities that prevail now.

PORTFOLIO MANAGER

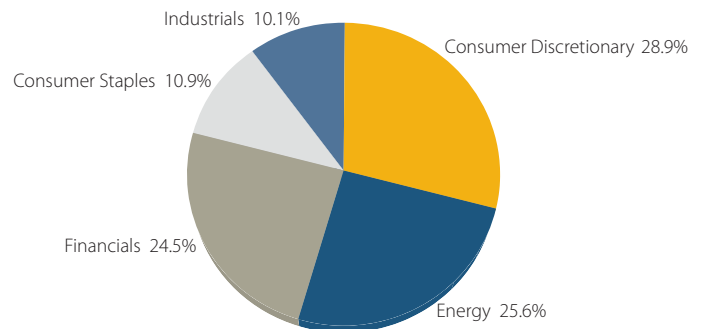
Michael Lee-Chin, B.Eng., LL.D (Honorary)
Executive Chairman, Chief Executive Officer
and Portfolio Manager

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	253.2%
Other Net Assets (Liabilities) ²	-0.3%
Cash	(152.9%)

Leverage Ratio ³	60.4%
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Top Holdings	Percentage of Total Assets
Liberty Global PLC LiLAC	14.7%
Nomad Foods Limited	10.9%
Restaurant Brands International Inc.	9.5%
Whitecap Resources, Inc.	9.4%
Crescent Point Energy Corp.	8.8%
Pershing Square Holdings, Ltd.	8.8%
Berkshire Hathaway Inc.	8.1%
Brookfield Business Partners L.P.	8.1%
Brookfield Asset Management Inc.	7.6%
Baytex Energy Corp.	7.4%
Linamar Corporation	4.7%
Hertz Global Holdings, Inc.	2.0%
Trisura Group Ltd.	0.0%

FUND COMMENTARY (as at March 31, 2017)

For the period since December 31, 2016, to March 31, 2017, the Fund's benchmark, the MSCI World Total Return Index had a return of 5.2%. For the same period, the Fund's Series F units had a return of (9.2%). Unlike the Index, the Fund's return is after the deduction of its fees and expenses. The Fund's key relative performance detractors were Baytex Energy Corp., Crescent Point Energy Corp. and Whitecap Resources Inc., while the Fund's relative performance contributors were Nomad Foods Ltd., Restaurant Brands International Inc. and Brookfield Asset Management Inc. The Fund's leverage amplified the underperformance.

The Fund's net asset value at March 31, 2017, was \$0.8 million.

The Fund aims to provide positive long-term total returns by investing in a focused portfolio (generally no more than 15 names) of quality 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. Common strategies include demanding a raise in dividends/share buybacks, the divestment of assets and/or the embracing or rejecting of mergers and acquisitions. Activist investors achieve their goals by cooperating with other institutional investors, acquiring board representation and/or changing the management of the target company.

Driven in large part by what it is perceived as largely reflationary economic policies from the new Donald Trump-led U.S. administration, the US Fed has accelerated the pace of its previously tentative monetary tightening. With two Fed Funds rate raises since last September and expectations for a couple more during the year, the excessive liquidity available to the capital markets is, albeit gradually, mopped up. 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 eight 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.

John Malone-backed Liberty Global PLC Latin America and Caribbean (LiLAC), whose performance is tracked by the NASDAQ listed LiLAC shares, serves 10 million video, data, voice and mobile subscribers. During the period, the company revealed a better than expected set of results for its last quarter of 2016, driven by robust results at its Cable & Wireless Communications PLC (CWC) division as well as solid 10% growth in its Chilean business. The company also guided for a strong level of operating cash flows (OCF) for 2017, at a \$1.5 billion level. Nonetheless, LiLAC had suffered significant selling pressure in the aftermath of the de-merger via stock dividend by Liberty Global in Q3 of 2016 and recent appreciation following Q4 results has been relatively modest. With its fourth quarter results release, LiLAC held its first ever separated conference call and reiterated its intention to pursue a full legal separation from Liberty Global this year, a positive catalyst, we believe, since it would allow for certain investors, otherwise precluded from holding tracking share, to consider LiLAC shares. Speaking to the attractiveness of the LiLAC valuation, the company announced a \$300 million share buy-back program, an action used frequently by John Malone throughout his storied career. Driven by the regions favourable demographics, relatively low technological penetration and industry readiness for consolidation, we believe LiLAC, through its asset base and capabilities transferred from John Malone's Liberty entities, is uniquely positioned to outperform. We find the value proposition very compelling and apparently we're not alone, given that, during the period, it has been revealed that prominent value investors have taken an interest in the company. Warren Buffett's Berkshire Hathaway is the company's third largest holder of "A" shares, with other notable investors including Jeremy Grantham's GMO (Grantham Mayo Van Otterloo & Co. LLC), Bill Gates and his foundation, as well as long-time John Malone supporter, Mario Gabelli.

Nomad Foods, a significant contributor to fund performance during the quarter, reported fourth quarter and full year 2016 results which revealed a sequential improvement in revenue growth, the result of the company's refocus on key categories, such as frozen fish and peas, supported by a concentrated promotional campaign around what the company calls 'must win battles'. The company's restructuring plan, including the realization of synergies from combining the businesses of Iglo and Findus, is on track. Stefan Descheemaeker (CEO), formerly CFO of Delhaize (a Belgian headquartered, pan-European retail chain) and Head of Strategy & M&A at Interbrew during the takeover process by 3G Group's Anheuser-Busch, has experience with transformative deals and has, we believe, assembled a strong team of industry specialists.

Restaurant Brands International was a major contributor to the Fund's performance during the period, driven by positive market reaction to continued operational improvements, international expansion, but also by continued interest in pursuing accretive acquisitions. The company's costs reduced by 16% in the last quarter of 2016, while its total revenue increased by 5% during the same period. Early into 2017, the company announced the establishment of a master franchise joint venture with the purpose of launching the Tim Hortons brand in Mexico. Subsequently, Restaurant Brands International announced the acquisition of Popeye's



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Louisiana Kitchen's over 2,000 of restaurants for \$1.8 billion in cash, undoubtedly a source of future cost savings and expansion opportunities. We expect that, under the stewardship of the controlling shareholder, the 3G Group, the company will continue its acquisitive trajectory, followed by the implementation of now well-known value creation measures, such as zero based budgeting.

The Fund has a material exposure to energy holdings, which we believe have currently depressed valuations and which, as at March 31, 2017, constituted 28.9% of the portfolio's assets.

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.

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.

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 West Texas Intermediate (WTI) level in the low \$30/barrel could 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 quarter, eroding significantly since the beginning of 2017 as news heralding continued buildup of U.S. crude oil inventories took precedence. 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 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 M&A is bearing fruit and could lead to further tuck-in deals.

Crescent Point 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' 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 Baytex to easily exceed its current guidance.

As at March 31, 2017, based on total assets of Value+, the top 5 sector exposure was constituted by energy 28.9%, consumer discretionary 25.7%, financials 25.2%, industrials 11.2% and consumer staples 9.0%. Value+ makes use of low-cost leverage to augment its long term returns. Leverage within Value+ was at inception, lower than 60% and ordinarily is not expected to exceed 70% of the portfolio (market value of securities). As at March 31, 2017, leverage in the Fund was 58.7% of the portfolio.



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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 Advantage Plus - Value Fund	PTL970	PTL980	PTL966
Portland Advantage Plus - Value Fund USD	PTL870	PTL880	PTL866

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



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

The Portland Advantage Plus – Value Fund (the "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 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.

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