



PORTLAND
INVESTMENT COUNSEL®

PORTLAND ADVANTAGE FUND
ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

SEPTEMBER 30, 2016

PORTFOLIO
MANAGEMENT TEAM

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

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Management Discussion of Fund Performance Portland Advantage Fund

This annual 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 or SEDAR at 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 September 30, 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

During the twelve months ended September 30, 2016, financial markets experienced a fair amount of volatility, especially in the oil and gas sector. The Fund's exposure to the sector increased year-over-year primarily driven by relative price appreciation. The Fund's exposure to the oil and gas sector remains underweight relative to the S&P/TSX Composite Total Return Index.

The intensity of focus within the Fund was generally maintained with the total number of securities held remaining at 21, when adjusted to combine substantially similar securities, and the focus on the top five holdings reduced from 46.9% to 41.4%. 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.

The value of the Canadian dollar appreciated about 2% relative to the U.S. dollar during the year and it is possible for further appreciation which would adversely affect U.S. dollar denominated securities. We are of the opinion that any Canadian dollar appreciation would be underpinned by a strong U.S. economy which would be reflected in better returns from the holdings of U.S. securities. Accordingly, the foreign currency exposure in the Fund, which increased by approximately 2% during the period, continues to be unhedged.

RESULTS OF OPERATIONS

For the twelve month period from October 1, 2015 to September 30, 2016, the Fund's benchmark, the S&P/TSX Composite Total Return Index, had a return of 14.2%. Over the same period, the Fund had a return of 13.8%. The net asset value per unit increased from \$11.01 at September 30, 2015 to \$12.13 at September 30, 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 September 30, 2016 was \$5.9 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 Northland Power Inc. (NPI), Cable & Wireless Communications PLC (CWC), Brookfield Infrastructure Partners L.P. (BIP), The Bank of Nova Scotia (BNS) and Baytex Energy Corp (BTE). While the Fund's exposure to BTE 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. We also used the higher price volatility associated with BTE to generate some trading gains during the year. CWC benefitted from the announcement of a merger transaction with Liberty Global PLC (Liberty) in late 2015. The Fund received holdings of Liberty Global PLC LiLAC A and Liberty Global PLC LiLAC C shares in spring 2016, which track the performance of the Latin American assets of Liberty, replacing the Fund's holdings in CWC. However, the gains received by CWC were largely offset by depreciation in the shares of Liberty following that transaction. We attribute the appreciation experienced by NPI to the progress it is making on its major wind power development project and its announced intention to pursue a strategic transaction. We believe that the performance of BNS and BIP are largely attributable to their operational performance.

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. CI Financial Corp. detracted from Fund performance as it had to deal with some regulatory issues as well as a general concern regarding fee pressures in the industry.

On a per unit basis during the period, the Fund's units generated \$0.47 of revenue, \$0.14 of realized gains (losses) and \$1.04 of unrealized gains (losses).

During the twelve month period ending September 30, 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.
- Millicom International Cellular SA, a leading telecommunications company focused on the Andean region in Central and South America.

In addition, as a result of corporate actions, the Fund received units of Brookfield Business Partners L.P. and shares of Hertz and Herc Holdings Inc.

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 Holding Limited, which had performed well and we felt that the capital would be better invested in the Fund's other holdings.

At September 30, 2016, by asset class the Fund's net asset value was invested approximately 97% in 20 equity securities and 1 debt security. By geography, the Fund's net assets were invested 57% 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

Global capital markets continue to be impacted by relatively major geo-political events including the U.K. referendum in favour of exiting European Union, the Colombian referendum against a peace settlement with FARC, a polarizing U.S. election, potential OPEC supply agreements and terrorist attacks in Europe and the U.S. In addition, a low yield environment combined with changing expectations as to the duration of this environment provides periodic market shocks. The magnitude and consequences of these events should not be understated and will contribute to market volatility and we believe that the Fund is well positioned to achieve its objectives.

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 September 30, 2016, the Manager received \$83,099 in management fees from the Fund compared to \$83,169 for the period ended September 30, 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 comprehensive income. 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 September 30, 2016, the Manager was reimbursed \$29,290 for operating expenses incurred on behalf of the Fund, including amounts paid to affiliates, net of applicable taxes. This compares to \$28,447 for period ended September 30, 2015. In addition to the amounts reimbursed, the Manager absorbed \$88,000 of operating expenses during the period ended September 30, 2016 compared to \$103,160 during the period ended September 30, 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 \$2,581 during the period ended September 30, 2016 by the Fund for such services, compared to \$4,118 during the period ended September 30, 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 September 30, 2016, Related Parties owned 9.5% (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 September 30, 2016

Top 25 Investments*

	% of Net Asset Value
Brookfield Asset Management Inc.	10.2%
Liberty Global PLC LiLAC	9.3%
Crescent Point Energy Corp.	8.6%
The Bank of Nova Scotia	7.2%
Invesco Ltd.	6.1%
Baytex Energy Corp.	5.9%
Brookfield Infrastructure Partners L.P.	5.7%
Northland Power Inc.	5.6%
IGM Financial Inc.	5.5%
The Toronto-Dominion Bank	4.4%
BCE Inc.	4.1%
Millicom International Cellular SA	3.9%
Digicel Group Limited 8.250% September 30, 2020	3.9%
Brookfield Property Partners L.P.	3.7%
Berkshire Hathaway Inc.	3.5%
Cash and Cash Equivalents	3.0%
Franklin Resources, Inc.	2.6%
CI Financial Corp.	2.6%
Copa Holdings SA	2.0%
Hertz Global Holdings, Inc.	1.4%
Herc Holdings, Inc.	0.4%
Brookfield Business Partners L.P.	0.2%
Grand Total	99.8%
Total net asset value	\$5,874,926

* 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 or contacting us at 1-888-710-4242.

Portfolio Composition

Sector

Asset Management & Custody Banks	27.0%
Oil & Gas Exploration & Production	14.5%
Diversified Banks	11.6%
Cable & Satellite	9.3%
Wireless Telecommunication Services	7.8%
Electric Utilities	5.7%
Independent Power Producers & Energy Traders	5.6%
Integrated Telecommunication Services	4.1%
Real Estate Operating Companies	3.7%
Multi-Sector Holdings	3.5%
Other Net Assets (Liabilities)	3.2%
Airlines	2.0%
Trucking	1.4%
Trading Companies & Distributors	0.4%
Construction and Engineering	0.2%

Geographic Region

Canada	54.2%
Bermuda	19.5%
United Kingdom	9.3%
United States	7.9%
Luxembourg	3.9%
Other Net Assets (Liabilities)	3.2%
Panama	2.0%

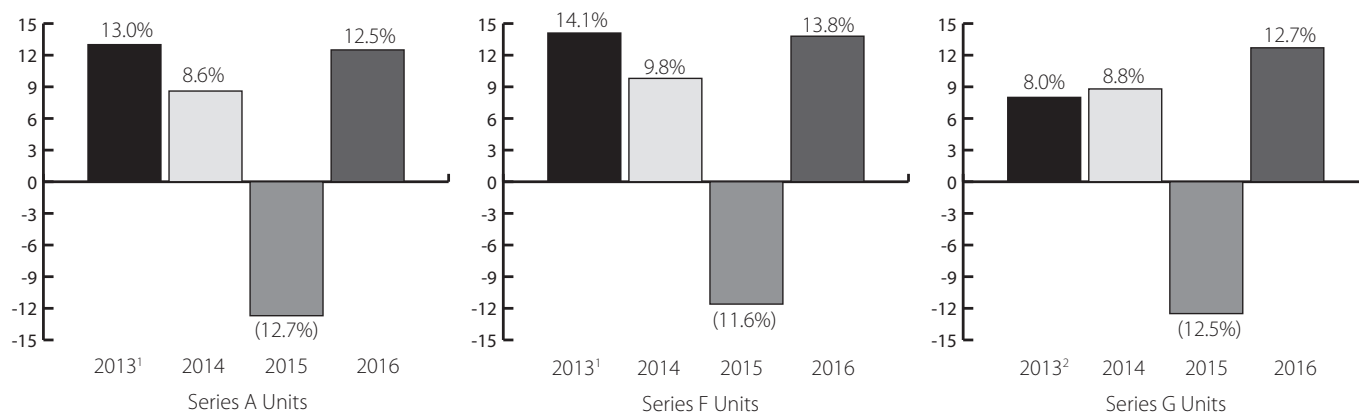
Other Net Assets (Liabilities) refers to cash on hand plus all other assets and liabilities in the Fund excluding portfolio investments.

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.

Annual Compound Returns

The table below shows the historical compound returns of the applicable series of units and the S&P/TSX Composite Total Return Index (the Index). The Index comprises approximately 95% of the Canadian equities market and is the primary gauge for Canadian-based, Toronto Stock Exchange listed companies. Performance will vary by series largely due to the extent that fees and expenses may differ between series.

Series of Units	Inception Date	Since Inception	One Year	Three Year	Five Year	Ten Year
Series A	October 31, 2012	4.9%	12.5%	2.2%	-	-
Index		7.7%	14.2%	8.0%	-	-
Series F	October 31, 2012	6.1%	13.8%	3.4%	-	-
Index		7.7%	14.2%	8.0%	-	-
Series G	March 14, 2013	3.2%	12.7%	2.4%	-	-
Index		7.2%	14.2%	8.0%	-	-

Comparison to the Index: Since the Fund does not necessarily invest in the same securities as the Index or in the same proportion, the performance of the Fund is not expected to equal that of its benchmark. Please refer to Management Discussion of Fund Performance - Results of Operations for additional discussion of the Fund's performance compared to the Index.

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%	49%	-	51%
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. 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^(a)

For the periods ended	2016	2015	2014	2013
Net assets, beginning of the period	\$10.71	\$12.27	\$11.30	\$10.00 ^(b)
Increase (decrease) from operations:				
Total revenue	0.45	0.64	0.36	0.24
Total expenses	(0.33)	(0.36)	(0.35)	(0.28)
Realized gains (losses)	0.11	0.01	0.03	(0.02)
Unrealized gains (losses)	1.13	(1.93)	0.54	1.10
Total increase (decrease) from operations ²	1.36	(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 ³	(0.27)	-	-	-
Net assets, end of period ⁴	\$11.77	\$10.71	\$12.27	\$11.29

Series A Units - Ratios/Supplemental Data

For the periods ended	2016	2015	2014	2013
Total net asset value	\$2,770,840	\$2,617,354	\$2,658,899	\$948,044
Number of units outstanding	235,362	244,347	216,622	83,890
Management expense ratio ⁵	2.82%	2.84%	2.83%	2.79% *
Management expense ratio before waivers or absorptions ⁵	4.52%	4.89%	7.41%	26.73% *
Trading expense ratio ⁶	0.04%	0.09%	0.04%	0.05% *
Portfolio turnover rate ⁷	31.17%	22.23%	1.48%	3.61%
Net asset value per unit	\$11.77	\$10.71	\$12.27	\$11.30

Series F Units - Net Assets per unit^(a)

For the periods ended	2016	2015	2014	2013
Net assets, beginning of the period	\$11.01	\$12.54	\$11.41	\$10.00 ^(b)
Increase (decrease) from operations:				
Total revenue	0.47	0.66	0.41	0.26
Total expenses	(0.19)	(0.22)	(0.21)	(0.21)
Realized gains (losses)	0.14	0.02	0.02	(0.02)
Unrealized gains (losses)	1.04	(1.74)	(0.23)	1.12
Total increase (decrease) from operations ²	1.46	(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 ³	(0.39)	(0.07)	-	-
Net assets, end of period ⁴	\$12.13	\$11.01	\$12.54	\$11.40

Series F Units - Ratios/Supplemental Data

For the periods ended	2016	2015	2014	2013
Total net asset value	\$ 3,102,977	\$2,504,363	\$2,022,327	\$151,658
Number of units outstanding	255,828	227,399	161,307	13,288
Management expense ratio ⁵	1.69%	1.71%	1.69%	1.65% *
Management expense ratio before waivers or absorptions ⁵	3.39%	3.75%	5.39%	49.36% *
Trading expense ratio ⁶	0.04%	0.09%	0.04%	0.05% *
Portfolio turnover rate ⁷	31.17%	22.23%	1.48%	3.61%
Net asset value per unit	\$12.13	\$11.01	\$12.54	\$11.41

Series G Units - Net Assets per unit^(a)

For the periods ended	2016	2015	2014	2013
Net assets, beginning of the period	\$9.92	\$11.35	\$10.43	\$10.00 ^(b)
Increase (decrease) from operations:				
Total revenue	0.28	0.59	0.30	0.14
Total expenses	(0.29)	(0.32)	(0.32)	(0.14)
Realized gains (losses)	(0.47)	0.01	0.04	(0.02)
Unrealized gains (losses)	1.35	(1.70)	0.90	0.44
Total increase (decrease) from operations ²	0.87	(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 ³	(0.27)	-	-	-
Net assets, end of period ⁴	\$10.90	\$9.92	\$11.35	\$10.42

Series G Units - Ratios/Supplemental Data

For the periods ended	2016	2015	2014	2013
Total net asset value	\$1,110	\$5,955	\$6,808	\$6,257
Number of units outstanding	102	600	600	600
Management expense ratio ⁵	2.61%	2.65%	2.64%	2.59% *
Management expense ratio before waivers or absorptions ⁵	4.30%	4.70%	7.96%	23.29% *
Trading expense ratio ⁶	0.04%	0.09%	0.04%	0.05% *
Portfolio turnover rate ⁷	31.17%	22.23%	1.48%	3.61%
Net asset value per unit	\$10.90	\$9.92	\$11.35	\$10.43

† Initial offering price

* Annualized

Explanatory Notes

- The information for September 30, 2016 and 2015 is derived from the Fund's audited annual financial statements prepared in accordance with International Financial Reporting Standards. The information for prior years is derived from the Fund's audited annual financial statements prepared based on Canadian Generally Accepted Accounting Principles (GAAP).
 - 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 September 30, 2016 and 2015 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 distributions 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 may hold 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.



Historical annual compounded total returns as at September 30, 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.

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