



PORTLAND
INVESTMENT COUNSEL®

PORTLAND VALUE FUND
ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

SEPTEMBER 30, 2019

PORTFOLIO
MANAGEMENT TEAM

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Executive Chairman, Chief Executive
Officer and Portfolio Manager

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Portfolio Manager

Management Discussion of Fund Performance Portland Value Fund

This 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 info@portlandic.com or 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 Portland Investment Counsel Inc. (the Manager) contained in this report are as of September 30, 2019 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 Value Fund (the Fund) is to generate an above average return by employing a focused investment strategy, primarily in a limited number of long securities positions. The Fund invests in a small number of quality equities, ordinarily selected from liquid, large cap stocks, domiciled in long-term growth industries, which the Manager believes are undervalued and/or have the potential of increased returns due to activist investor campaigns.

The Manager then overlays a risk mitigation strategy based on portfolio construction and value discipline. The Manager has long held the view that the key to wealth creation is owning a few high quality businesses. By using a concentrated investment strategy, the Manager leverages its best investment ideas, which is expected to aid the Fund in meeting its investment objectives.

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.

RISK

The overall risk level has not changed for the Fund. Investors should be able to accept a medium level of risk and plan to hold for the medium to long term.

RESULTS OF OPERATIONS

For the year ended September 30, 2019, the Fund's benchmark, the MSCI World Total Return Index, had a return of 4.2%. For the same period, the Fund's Series F had a return of (10.6%). 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 Corporation, Whitecap Resources, Inc. and Linamar Corporation, while relative performance contributors were Pershing Square Holdings Ltd., Brookfield Asset Management Inc. and Hertz Global Holdings, Inc.

As at September 30, 2019, the top 5 sector exposure was constituted by energy at 30.7%, financials at 26.5%, consumer staples at 14.8%, communication services at 9.9% and consumer discretionary at 8.3%. By using a concentrated investment strategy, the Manager leverages its best investment ideas, which is expected to aid the Fund in meeting its investment objectives. As of September 30, 2019, the Fund's underlying portfolio held 11 investments.

Given the focused mandate, the performance of the Fund is generally expected to be driven by company specific developments. However, over the past six months, a significant portion of the Fund's performance is explained by its exposure to the energy sector. As at September 30, 2019, the Fund had a 30.7% exposure to the energy sector, through investments in Canadian intermediate oil and gas exploration and production companies.

The Manager continues to believe that the fundamental operations of our energy holdings remain robust while their economics are gradually improving in a recovering energy market.

Crude oil prices traded mostly sideways during most of the period, after dropping abruptly during the last quarter of 2018 as a number of developments converged to pressure the commodity markets. Trade war concerns combined with the surprise announcement of Iran related crude oil import waivers and the weaker position for the leader of the supply reduction movement, Saudi Arabia, in the aftermath of the assassination of a dissident journalist. The Organization of the Petroleum Exporting Countries (OPEC+) nations, which include Russia, have shown close adherence to production targets and have maintained a supportive message throughout the period. Towards the end of the period, a surprise drone attack on Saudi oilfield facilities mid-September brought geopolitical risks back into focus, though only for a few days following the attack. Overall, traders continued to focus on global economic growth concerns and seemed to assign no value to geopolitical risks going forward. We find this somewhat surprising, given that the attacks on the oil facilities were the culmination of a series of provocations by Iran and its proxies in the region, which also included attacks on and sequestration of oil tankers from a few Western nations.

The U.S. and Canadian producers continued to proclaim their conviction for a more measured approach in relation to production growth in pursuit of profitability and as capital providers had turned off the taps. The number of drilling rigs dropped in the U.S. now for nine months in a row and the Energy Information Administration (EIA) continued to adjust its forecasts for U.S. production growth lower. Meanwhile, the same agency is expecting fossil fuel use, including petroleum and other liquids, to continue to grow through 2050. However, the investors' attention has been captivated by the trade fight between the U.S. and China, which spurred concerns around the potential impact it may have on demand. During the reporting period, the West Texas Intermediate (WTI), the North American crude oil price benchmark, which started the quarter at \$73.25/barrel, ended up closing the period at \$54.07/barrel.

The valuations of the energy related holdings in the Fund suffered markedly during the period as sentiment continued to worsen in relation to the Canadian energy industry, driven by a string of pipeline deployment delays and an evident lack of political will to address the issues affecting the sector.

The performance drag from the Fund's exposure to the energy sector was only partially offset by strong performance of some of the other Fund holdings, as detailed below.

Pershing Square experienced one of its strongest performance streaks during the period, in particular since the start of 2019, as its underlying holdings saw continued appreciation, though the investment vehicle still traded at significant discount (upwards of 25%) to its net asset value. Pershing Square exited its investments in Automatic Data Processing Inc. and United Technologies Corporation and initiated a new position in Berkshire Hathaway Inc., the latter being intended to be a passive investment and not rely on the brand of activism which made Bill Ackman famous.

Brookfield Asset Management continued to see price appreciation during the quarter as investors become increasingly attracted to Brookfield's steady growth in assets under management, in particular within its private funds, as well as prospects for accelerated fees growth. During the period, Brookfield announced second quarter results, which included the contribution from a number of acquisitions closed during the last twelve months, as well as organic growth from existing investments. Fee related earnings before performance fees for the quarter totaled \$263 million, an increase of 33%. This is due to higher levels of private fund fee bearing capital from capital raised in the firm's flagship funds in the last twelve months across each of its real estate, infrastructure and private equity strategies.

Concerns around protracted trade negotiations and the escalation of tariffs have weighed on sentiment around the automotive industry and dragged Linamar's valuation lower as well. Into the end of the period, the United Auto Workers' strike on General Motors, a major Linamar customer, further pressured the shares. We continue to believe that Linamar is fundamentally a very well run, competitive, innovative and differentiated industrial company trading at depressed valuation and that the stock is likely to recover meaningfully should the trade negotiations advance.

During the period, the Fund initiated an investment in CES Energy Solutions Corp., a specialty chemicals producers which, the Manager believes, trades at very attractive levels and stands to benefit from the oil and gas production growth trends across the North American continent.

During the period, we took advantage of a temporary strength in trading to exit our investment in Hertz Global Holdings as the investment thesis took too long to materialize despite a still impressive line-up of activists, led by Carl Icahn, present in the shareholder roster. The Fund also exited its remaining investment in Walgreens Boots Alliance Inc.

RECENT DEVELOPMENTS

The U.S. economy is expected to lead the pack of developed countries' economies for the foreseeable future, as a newfound willingness by central bank authorities across the globe to continue supportive monetary policies seems to be taking hold. The spike in volatility in the last quarter of 2018 was a wakeup call for regulatory entities across the globe that the path to normalization is going to be anything but smooth. The risk of policy missteps continues to take precedence. The policy path is, declaredly, data dependent, with the chief driver being inflation, though the pace of economic growth and level of employment are also key measurements. The pace of economic growth may succumb to the global slowdown trend, in particular if the breakdown in trade patterns deepens spurred by tariff wars.

Canada has been following in the footsteps of its much larger Southern neighbor and major trading partner insofar as its monetary policy is concerned. The Bank of Canada has indicated, during its more recent rate announcement, that the bar for a rate move, in either direction, is high and, therefore, the base rate scenario is hold for the foreseeable future. This is hardly surprising given the degree of interconnectivity between the two economies.

In an environment of slower but continued economic growth, which led to and combined with a more dovish stance by the U.S. Fed, investors appear to have fallen into a pattern of complacency. With ever-lower fixed income yields, equities continue to appear relatively attractive, despite the strong run-up during the first quarter of 2019. The economic growth is deemed sufficient to support relatively attractive earnings growth, but not strong enough to demand restrictive monetary policy action. We believe that investing in the equity markets is likely to become a significantly more discerning affair, an environment far more benefiting active management and value-focused investors. The Manager believes that founder-led companies and companies with a high degree of ownership engagement have the ability to stand out by adapting quicker to market forces and improving their profitability through both operational changes and balance sheet optimization. Such companies are also likely to avoid the mistake of endangering long-term goals for short-term success.

We believe that the Fund is well positioned to continue to meet its investment objectives as outlined above.

RELATED PARTY TRANSACTIONS

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, 2019, the Manager received \$7,794 in management fees from the Fund, net of applicable taxes (September 30, 2018: \$9,769).

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 on a variety of methods including net asset value or actual costs incurred. During the period ended September 30, 2019, the Manager was reimbursed \$2,577 for operating expenses incurred on behalf of the Fund, including amounts paid to affiliates, net of applicable taxes (September 30, 2018: \$3,057). The Manager absorbed \$87,322 of operating expenses during the period ended September 30, 2019, net of applicable taxes (September 30, 2018: \$87,970).

Affiliates of the Manager provide administrative services associated with the day-to-day operations of the Fund. These affiliates of the Manager were reimbursed \$355 during the period ended September 30, 2019 by the Fund for such services (September 30, 2018: \$1,038).

The Manager and/or its affiliates and key management personnel of the Manager and their family (collectively referred to as Related Parties) may invest in units of the Fund from time to time in the normal course of business. 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, 2019, Related Parties owned 28,662 shares of the Fund (September 30, 2018: 22,163).

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, 2019

Top 25 Investments*

	% of Net Asset Value
Nomad Foods Ltd.	14.8%
Pershing Square Holdings Ltd.	11.1%
Whitecap Resources, Inc.	10.0%
Liberty Latin America Ltd.	9.9%
Crescent Point Energy Corp.	8.8%
Berkshire Hathaway Inc.	8.4%
Linamar Corporation	8.3%
Brookfield Business Partners L.P.	8.2%
Brookfield Asset Management Inc.	7.1%
Baytex Energy Corporation	6.9%
CES Energy Solutions Corp.	5.0%
Grand Total	98.5%
Total net asset value	\$411,987

* 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 may 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	
Energy	30.7%
Financials	26.5%
Consumer Staples	14.8%
Communication Services	9.9%
Consumer Discretionary	8.3%
Industrials	8.2%
Other Net Assets (Liabilities)	1.6%

Geographic Region	
Canada	46.0%
Bermuda	18.1%
British Virgin Islands	14.8%
Guernsey	11.1%
United States	8.4%
Other Net Assets (Liabilities)	1.6%

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

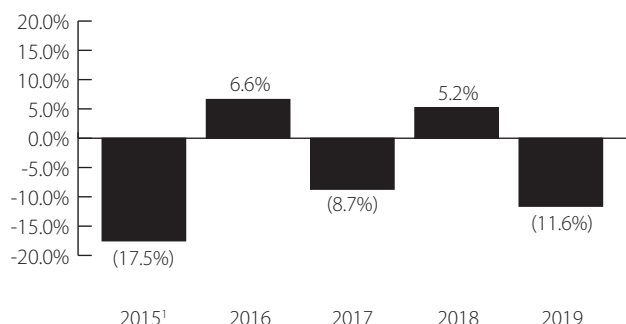
Past Performance

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 Fund in the periods shown were reinvested in additional securities of the 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.

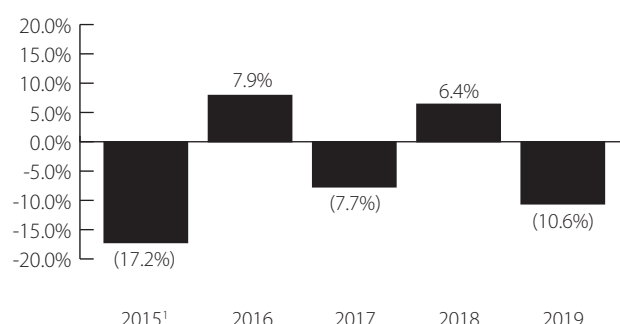
Year-By-Year Returns

The following bar charts show the performance of each series of the Fund for each of the financial years shown and illustrates how the investment fund's performance has changed from year to year. The charts show in percentage terms how an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.

Series A Units



Series F Units



1. Return for 2015 represents a partial year starting May 19, 2015 to September 30, 2015.

Annual Compound Returns

The table below shows the historical compound returns of the applicable series of units and the MSCI World Total Return Index (the Index). The Index is designed to measure the equity market performance of the following 23 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. 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	May 19, 2015	(6.5%)	(11.6%)	(5.3%)	-	-
Index		8.4%	4.2%	10.6%	-	-
Series F	May 19, 2015	(5.4%)	(10.6%)	(4.2%)	-	-
Index		8.4%	4.2%	10.6%	-	-

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 portfolio 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%	36%	-	64%
Series F	1.00%	-	-	100%

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. The information is provided as at September 30 of the year shown.

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

For the periods ended	2019	2018	2017	2016	2015
Net assets, beginning of the period	\$8.39	\$7.98	\$8.79	\$8.25	\$10.00 ^(b)
Increase (decrease) from operations:					
Total revenue	0.08	0.07	0.08	0.17	0.14
Total expenses	(0.20)	(0.25)	(0.24)	(0.26)	(0.11)
Realized gains (losses)	(0.38)	(0.06)	0.25	0.33	(0.09)
Unrealized gains (losses)	(0.55)	0.64	(0.86)	(0.22)	(1.55)
Total increase (decrease) from operations ²	(1.05)	0.40	(0.77)	0.02	(1.61)
Distributions to unitholders:					
From income	(0.58)	-	-	-	-
From dividends	(0.06)	-	-	(0.01)	-
From capital gains	-	-	(0.05)	-	-
Return of capital	-	-	-	-	-
Total annual distributions ³	(0.64)	-	(0.05)	(0.01)	-
Net assets, end of period ⁴	\$6.71	\$8.39	\$7.98	\$8.79	\$8.25

Series A Units - Ratios/Supplemental Data

For the periods ended	2019	2018	2017	2016	2015
Total net asset value	\$166,619	\$353,285	\$383,479	\$470,433	\$46,143
Number of units outstanding	24,839	42,108	48,059	53,522	5,594
Management expense ratio ⁵	2.83%	3.03%	2.84%	2.83%	2.85% *
Management expense ratio before waivers or absorptions ⁵	21.97%	19.29%	21.45%	27.83%	85.28% *
Trading expense ratio ⁶	0.10%	0.03%	0.02%	0.16%	0.36% *
Portfolio turnover rate ⁷	10.65%	6.85%	18.94%	43.57%	0.00%
Net asset value per unit	\$6.71	\$8.39	\$7.98	\$8.79	\$8.25

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

For the periods ended	2019	2018	2017	2016	2015
Net assets, beginning of the period	\$8.47	\$8.09	\$8.87	\$8.28	\$10.00 ^(b)
Increase (decrease) from operations:					
Total revenue	0.09	0.07	0.04	0.10	0.14
Total expenses	(0.12)	(0.16)	(0.15)	(0.16)	(0.08)
Realized gains (losses)	(0.16)	(0.07)	0.41	0.44	(0.08)
Unrealized gains (losses)	(0.61)	0.67	(0.85)	0.38	(1.71)
Total increase (decrease) from operations ²	(0.80)	0.51	(0.55)	0.76	(1.73)
Distributions to unitholders:					
From income	(0.70)	-	-	-	-
From dividends	(0.07)	-	-	(0.06)	-
From capital gains	-	(0.13)	(0.11)	-	-
Return of capital	-	-	-	-	-
Total annual distributions ³	(0.77)	(0.13)	(0.11)	(0.06)	-
Net assets, end of period ⁴	\$6.71	\$8.47	\$8.09	\$8.87	\$8.28

Series F Units - Ratios/Supplemental Data

For the periods ended	2019	2018	2017	2016	2015
Total net asset value	\$245,368	\$269,970	\$211,192	\$171,350	\$111,150
Number of units outstanding	36,555	31,862	26,102	19,316	13,417
Management expense ratio ⁵	1.70%	1.87%	1.68%	1.70%	1.74% *
Management expense ratio before waivers or absorptions ⁵	20.84%	18.13%	20.29%	26.70%	84.29% *
Trading expense ratio ⁶	0.10%	0.03%	0.02%	0.16%	0.36% *
Portfolio turnover rate ⁷	10.65%	6.85%	18.94%	43.57%	0.00%
Net asset value per unit	\$6.71	\$8.47	\$8.09	\$8.87	\$8.28

[†] Initial offering price

* Annualized

Explanatory Notes

1. a) The information is derived from the Fund's audited annual financial statements prepared in accordance with International Financial Reporting Standards. The net assets per security presented in the financial statements may differ from the net asset value calculated for fund pricing purposes.

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 May 19, 2015

Series F Units May 19, 2015

2. 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.

3. Distributions are paid out in cash/reinvested in additional units of the Fund, or both.

4. This is not a reconciliation of the beginning and ending net assets per unit.

5. The management expense ratio 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.

6. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the daily average net asset value of the Fund during the period.

7. 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 a 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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