



Portland Investment Counsel®

Buy. Hold. And Prosper.®

# Portland Private Wealth, a team within Portland Investment Counsel Inc.





Thank you for your interest in Portland Investment Counsel.

We are no ordinary investment counsel. We are certainly smaller than the big bank-owned investment firms and deliberately located away from the ‘noise’ large investment firms tend to generate. Based in Burlington, Ontario, our name comes from the birthplace of Michael Lee-Chin, our founder. Portland, with its capital town of Port Antonio, is a parish located on Jamaica’s northeast coast. It is one of the rural areas of Jamaica, containing part of the Blue Mountains, now famous for its rather special brand of coffee.



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Wealth is generally created by business people, not by governments or central bankers. Although we believe that enlightened governments should provide social inclusion through healthcare and education, fight to reduce poverty and strive to provide an equitable path to opportunity for all, a country’s business people will generally hold the responsibility of wealth creation. At Portland, we are business professionals. We follow investment principles which guide our everyday actions. We have experience as investors, owners and operators of successful businesses. We understand that to invest successfully requires a sound intellectual framework, control of emotions and access to opportunities.

We believe that wealth is created by owning a few well-understood businesses which reside in long term growth industries, use other people’s money prudently and holding those businesses for the long run. With this in mind, we choose to invest in quality

companies which consist of a number of factors, including: leadership by an owner/operator; concentrated and easily identifiable ownership with key stakeholders being personified in the company; autocratic and entrepreneurial management; low managerial turnover, symmetrically distributed risks/rewards; a clear focus on achieving long-term goals and growth; and valuation of the companies based on business fundamentals.

Wealth can be created one investment decision at a time. As owners and operators of private businesses, we use our experience to build portfolios that we expect to withstand the test of time and allow compounding of wealth. Successful investing includes owning assets we understand. As such, our investment decisions are deliberate, taking care that quality opportunities are included in our portfolios. We continually persevere in our search for what we believe are quality businesses at fair prices. Our opportunity for success is broadened through our access to private securities and alternative strategies. For generations, successful institutions and affluent investors have achieved above average rates of return by utilizing an asset mix which combines traditional and private investments. We have endeavoured to leverage our investment approach by associating ourselves with other business professionals and eminent asset allocators, sharing access to such opportunities with our investors along the way.



Unashamedly, our bias is to invest your money alongside ours and other clients in Portland's investment funds and private equity products. If you choose only to place a part of your wealth with us then we would always look first at your suitability to invest in the private and alternative investments we manage, assuming your residual wealth is being invested in more traditional ways (public

equity and debt). Since we seek to invest in a few well-understood businesses rather than a more diversified approach, our results can be expected to be more concentrated and perhaps different from the general market over shorter periods of time, but we will invest based on our philosophy while understanding your needs and our desire to help make you wealthier.

Take a look at Portland's Private Wealth team. We are a small group within Portland Investment Counsel Inc. who have made it our mission to create wealth for our investors, one investment decision at a time, one investment mandate at a time, one individual at a time. We are excited about the road ahead, grateful for the opportunity to share it with you, and are always happy to discuss.

## Doing well and doing good

At Portland, we believe that investing for the greater good is an element of the social contract that we all have with each other as members of society. Since launching the Portland Global Energy Efficiency and Renewable Energy Fund LP ("Portland GEEREF") in 2013, we have been watching others follow similar commitments to impact investing. Portland GEEREF co-invested in a private equity and infrastructure fund of funds (Global Energy Efficiency and Renewable Energy Fund "GEEREF") with the European Investment Fund, Germany, Norway as well as pension funds and endowment funds across the world. GEEREF seeks to provide access to sustainable energy and increase energy efficiency in developing countries and economies in transition. GEEREF's portfolio is investing indirectly in 183 projects. GEEREF's current projects

eliminate 2.5 million tonnes of CO2 equivalent per annum and have created over 8,000 permanent and temporary jobs. As of end 2019, GEEREF's operational projects (including projects exited by the funds) had a climate mitigation effect of about 9.5m tonnes CO2 equivalent (cumulatively since 2014). This is equivalent to 1.8 million passenger vehicles driven for one year. This is also equivalent to the greenhouse gas emissions avoided by 366 million trash bags of waste recycled instead

of landfilled and the carbon sequestered by 11 million acres of U.S. forests in one year. We are proud and delighted with Portland GEEREF and so have and will create more funds with similar socially conscious purposes.



COOPEGUANACASTE SOLAR PARK, COSTA RICA, MSEF I



EUCALYPTUS PLANT NURSERY, APSD BIOMASS, GHANA, AREF



PANAMASATARA, INDIA (REAF)





### **Chris Wain-Lowe, MBA**

Chief Investment Officer

Since finishing his MBA in 1992, Chris has 25 years of senior executive financial services experience – living and working in several different countries. At the age of 26, he embarked on an 18-month Investment Banking term in

Hong Kong with Barclays Bank, later serving as Head of the Utilities team within Barclays' Large Corporate Banking division in London, England. By 32, Chris was promoted to CEO, where he led operations in Greece and then Botswana, Southern Africa – winning the Banker magazine's 'Best Bank in Africa' award. During 2000, Chris left Barclays to be the Group CEO of National Commercial Bank Jamaica Limited to lead the recovery and sale of the Jamaican Government's majority ownership. During his tenure, the bank's market capitalization rose from US\$100 million to US\$400 million – a compound annual growth rate of 100%. Chris joined Portland Investment Counsel in 2002 and for several years promoted the launch and listing on the Toronto Stock Exchange of ten publicly listed funds. Chris is married with three sons and spent his formative years in Liverpool, England. Now a dual citizen, Chris is an avid reader of the Financial Times and a stoic supporter of the West Ham football club.



### **Dragos Berbecel, CFA, MBA**

Portfolio Manager

Curious about the proper crop rotation in the Northern Hemisphere? Need some help machining a thread on a steel rod? Interested in good practices for grapevine growing in

Southern France? A bit confused about the finer points of history and politics in Eastern Europe? Or perhaps you'd like to learn more about socially responsible investing? Talk to Dragos. He knows a lot because he's done a lot. Dragos leverages ten years of business operating experience in Europe and North America and 10 more years as an investment professional in developing and managing a number of public equity, balanced and alternative assets investment strategies at Portland. A while back, he pursued his CFA designation while completing his MBA at the University of Toronto, working full time and supporting his young family. He holds master's degrees in marketing and in communications and public relations. A value investor at heart, Dragos is an avid reader of finance literature as well as most things sailing. For fun, he likes to travel, work out and race down the powdery slopes or in a fast car.



### **Dan Anacleto, CIM**

Trading Supervisor & Associate Portfolio Manager

Joining the team in 2006, Dan is the Supervisor of Trading. He is also registered as an Associate Portfolio Manager and an Exempt Market Dealer-Dealing Representative.

In addition to working with his clients, his responsibilities include overseeing the trade desk activities and operations in domestic and international equities, fixed income, foreign exchange and options. Dan works closely with the Portfolio Management team and focuses on the management and servicing of institutional and private wealth accounts. Prior to joining the firm, Dan had six years of experience at TD Securities and its affiliates. Dan holds a Bachelor of Commerce Honours with a major in Finance from the University of Windsor in 1999, and has successfully completed numerous courses through the Canadian Securities Institute. During his free time, Dan enjoys cycling, watching and playing soccer and attending his kids' competitive events.



### **Kyle Ostrander, CFA**

Portfolio Manager

Whether you're trying to craft a mean-variance optimized portfolio or a Tampa 2 defense, Kyle is likely to be able to lend a helping hand. His Saturdays are spent studying finance and his Sundays are spent studying football. He

likes his portfolios with high Sharpe ratios and his football teams with Lombardi's. His personal derivative portfolios are treated risk-neutral but his 4th down conversion attempts are risk-seeking. He focuses on the long-term for investing but 2-minute drills are for the present. If you're not sure what this is all about, he is more than happy to tell you all about it when you meet with him. Kyle has over 5 years of experience in the financial services industry. He graduated from the DeGroote School of Business at McMaster University in 2014 with an Honours Bachelor of Commerce degree with a Minor in Mathematics. He also earned his Master of Finance from the Rotman School of Management at the University of Toronto in 2019. Kyle is a CFA charterholder and has been a member of the CFA Society Toronto since 2018.



### **Steven Poudrier**

Institutional Trader

With over 20 years of experience in the financial services industry, Steve began his career in investor trade settlement operations where he learned the administration side of the business. He later moved into a High Net Worth Trader/Portfolio Associate position where he gained client service experience and honed his skills at providing a top-notch client experience. Finally, Steve moved into the Institutional Trader post where he's been active since 2006. He has witnessed, experienced and/or traded through many significant market events such as: the dot-com bubble; September 11<sup>th</sup> (9/11); the financial crisis of 2007-2009; the 2010 flash crash; and the longest bull market for the Dow Jones Industrial Average, post-World War II. His responsibilities include trading equities, fixed income, foreign exchange, and derivatives for Portland Funds and high-net-worth clients. Steve studied Economics at Bishop's University and has taken numerous financial industry courses through the Canadian Securities Institute. Steve is studying towards achieving a Chartered Investment Manager (CIM) designation and is particularly interested in the field of Behavioral Finance. Steve is an active member of his local community and spends most of his free time coaching soccer and ringette. Mountain biking, kayaking and camping round out his interests in between his family's sporting activities.





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## About Portland

*Owners. Operators. Insightful Investors.*

Portland Investment Counsel is an asset management firm based in Burlington with additional offices in Toronto and Calgary. With investor roots dating back to 1986, we provide portfolio management and exempt market dealer services as well as investment products. Portland is a member of the global conglomerate, Portland Holdings Group, which was founded by Michael Lee-Chin and has various businesses and investments throughout the Caribbean, Latin America and Europe.

So what makes us different?

At Portland, we provide a differentiated approach to servicing the needs of investors. By democratizing access to alternative and private investment opportunities, we create quality private and public investment portfolios. Our reputation and network provides us with unique access to quality private offerings, many of which are typically reserved for the affluent and institutional investor. By choosing to invest with us, we provide you with access to a global network of quality public and private/alternative investment opportunities.

At Portland we ask ourselves an important question: What is the highest value add that we can provide to our clients? The answer is simple: make them wealthy! We believe in 'value investing', which, as Warren Buffett's partner Charlie Munger has famously said, is still the only real form of sensible investing. As owners, operators and investors in businesses globally, we practice what we have coined, the "15 Rules for Wealth Creation".

We will use this framework for your public and private investments with us. If the needs of the affluent and institutional investor are the same as those of the wealth-seeking investor, the portfolio profiles should be similar.

## Wealth Creation in the Real World

First, there are the **Five Laws of Wealth Creation:**

1. Own a few high quality businesses. ✓
2. Thoroughly understand these businesses. ✓
3. Ensure these businesses are domiciled in strong, long-term growth industries. ✓
4. Use other people's money prudently. ✓
5. Hold these businesses for the long run. ✓

But at Portland we use **Ten more** principles to filter out the **best public/traditional and private/alternative investment opportunities.**

6. Owner of the business is also the Operator of the business; ✓
7. Ownership is heavily concentrated; ✓
8. Key stakeholders are personified in the company and vice versa; ✓
9. Autocratic management style; ✓
10. Entrepreneurial management style; ✓
11. Low turnover in management positions; ✓
12. Symmetrical risk and reward for management; ✓
13. Business sets goals for the long term; ✓
14. Board focus on growth; and ✓
15. Value of the business is based on fundamentals: sales, market share and margins. ✓



## Why Private?

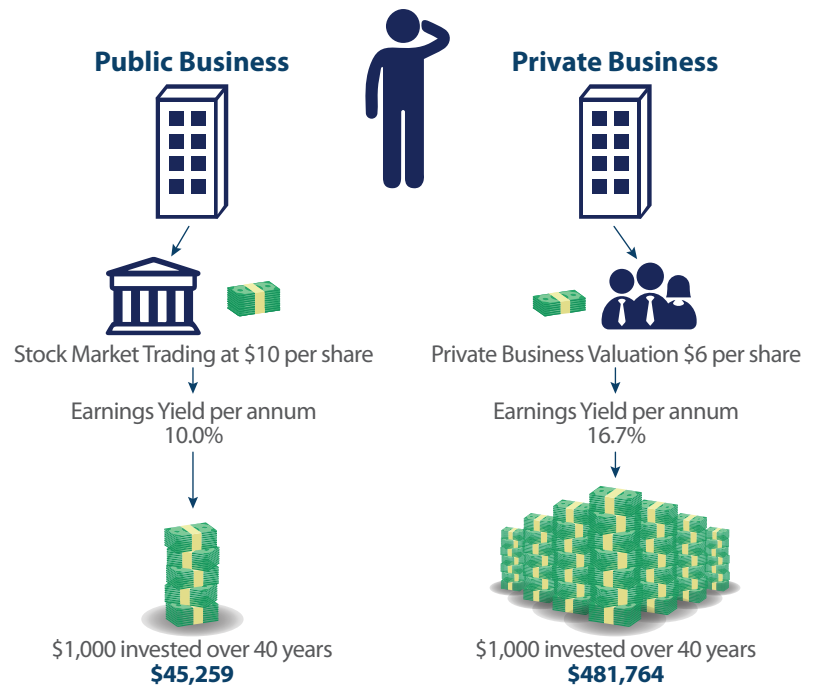
We've mentioned a few times our ability to offer private investments to our clients. But what exactly are the benefits of investing in private securities versus public securities? Allow us to explain.

Liquid assets are easy to convert into cash in a timely fashion without jeopardizing the asset's selling price, as they can be quickly sold on the public markets. Illiquid assets, on the other hand, are more difficult to convert into cash due to various reasons including lock-up or hold periods. While liquid assets are easy to convert into cash, they might not have the same potential to grow as much as illiquid assets. In other words, liquid assets tend to cost more and so have limited price growth potential compared to illiquid assets, which tend to benefit from the opportunity to achieve higher returns due to an illiquidity discount.

Imagine an investor decides to invest \$1,000 in either Company A or Company B for 40 years. Both companies are identical in purpose but Company A is publicly traded and Company B is a private company. Imagine both firms have the same earnings of \$1 per share. The value of Company A is available daily through the stock-market and is currently trading at a price of \$10 per share. By comparison, Company B is valued by Business Valuers at \$6 per share due to a 40% illiquidity discount.<sup>1</sup> Therefore, Earnings Yield (calculated as earnings per share/price per share) for Company A is 10% per annum, but 16.7% per annum for Company B. \$1,000 invested at 10% over 40 years will provide a future value of roughly \$45,259 whereas \$1,000 invested at 16.7% for 40 years will lead to roughly \$481,764.<sup>2</sup>

Of course, we all need some readily accessible cash to meet unforeseen needs. Investing completely into illiquid assets would be irrational, however, depending on your situation, we believe it makes sense to invest some money into private investments. The earlier example works best for those of us who can invest over many years – forty years is better than four.

### The Illiquidity Discount



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1. When a business valuator looks at a private company, one of the steps they take is to compare that private business to a publicly listed business that is in a similar industry and has similar characteristics. An illiquidity discount is typically applied by the business valuator to a private business as it takes more time to sell a private business compared to a public business.

2. Future Value (FV) is the amount present value (PV) invested over a certain period of time (n), which is assumed to be compounded annually at an after-tax interest rate.

- $FV = \$1,000 * (1 + 0.1)^{40} = \$45,259.26$ , where PV is the present value equal to \$1,000, and the rate equal to 10% (or 0.1) represents the after-tax interest rate that is invested within a 40 year time frame
- $FV = \$1,000 * (1 + 0.167)^{40} = \$481,763.90$

Sources: GEEREF Impact Report December 2020 and Portland Global Energy Efficiency and Renewable Energy Fund LP Offering Memorandum

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