

# PORTLAND 15 OF 15 ALTERNATIVE FUND

FRAMEWORK DRIVEN INVESTMENT BEHAVIOUR

FEBRUARY 28, 2023



Portland Investment Counsel®

Buy. Hold. And Prosper.®

# PORTLAND 15 OF 15 ALTERNATIVE FUND



*I'm a better investor because I'm a businessman, and a better businessman because I'm an investor.*

Warren Buffett

## KEY REASONS TO INVEST

- Close adherence to framework:
  - The 5 laws of wealth creation drive transparent investment behaviour.
  - 10 attributes of successful private businesses drive investment selection.
- Founder-led companies and companies with a high degree of ownership engagement tend to outperform over the long run.<sup>1</sup>
- Transparent investment selection process and look-through into investee companies' fundamentals and share ownership.
- Experienced management team has studied wealth creation and practiced focused investing with the lead manager practicing since 1983.



## FRAMEWORK

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 identify what we believe are the **best public/traditional and private/alternative investment opportunities**.

1. Owner of the business is also the operator of the business.
2. Ownership is heavily concentrated.
3. Key stakeholders are personified in the company and vice versa.
4. Authoritative management style.
5. Entrepreneurial management style.
6. Low turnover in management positions.
7. Symmetrical risk and reward for management.
8. Business sets goals for the long term.
9. Board focus on growth.
10. Value of the business is based on fundamentals: sales, market share and margins.

**15/15**  
*Perfect!*

## WHAT THE WEALTHY DON'T DO

- Overdiversify
- Hold all liquid assets
- Take zero risk
- Practice absentee ownership
- Focus on "mark to market" valuations
- Invest formulaically
- Think short-term
- Invest in "black-boxes"
- Trust agents with no skin in the game

## HOW THE FUND IS MANAGED

- The investable universe, primarily U.S. listed equity securities, is screened for adherence to the 15 investment criteria.
- Investment decisions incorporate fundamental analysis and adhere to a value discipline.
- Investments are managed with a long-term focus. The result is a low turnover, concentrated portfolio.
- The Fund's holdings are what we believe to be quality companies which are growing, profitable, stable and shareholder friendly.
- The Fund's investments are concentrated in, but not limited to, the financial services, healthcare and technology sectors.

## PORTFOLIO COMPOSITION

A reflection of the investment framework.

Issuer	Sub Industry	Market Cap (\$ Billion)
<b>Financials</b>		
Ares Management Corporation	Asset Management & Custody Banks	23.65
Pershing Square Holdings, Ltd.	Closed End Funds	7.58
Berkshire Hathaway Inc. Class B	Multi-Sector Holdings	670.94
Brookfield Asset Management Inc. Class A	Asset Management & Custody Banks	13.86
Brookfield Corporation Class A	Asset Management & Custody Banks	54.48
<b>Consumer Discretionary</b>		
D.R. Horton, Inc.	Homebuilding	31.76
<b>Consumer Staples</b>		
Nomad Foods Limited	Packaged Foods & Meats	3.12
<b>Information Technology</b>		
Samsung Electronics Co., Ltd.	Technology Hardware, Storage & Peripherals	306.66
<b>Communication Services</b>		
Altice USA, Inc.	Cable & Satellite	1.81
SoftBank Group Corp. - ADR	Wireless Telecommunication Services	69.79
<b>Health Care</b>		
Stryker Corporation	Health Care Equipment	99.59
Danaher Corporation	Life Sciences Tools & Services	180.34
Telix Pharmaceuticals Limited	Biotechnology	1.49
<b>Industrials</b>		
Reliance Industries Limited	Oil & Gas Refining & Marketing	184.94

Source: Thomson Reuters Eikon as of February 28, 2023

## POTENTIAL RISKS

The Manager believes the following risks may impact the performance of the Fund: concentration risk, currency risk, equity risk and leverage risk. Please read the "Risk Factors" section in the Simplified Prospectus for a more detailed description of all the relevant risks.

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## WHY ARE WE CONFIDENT?

Below we'd like to introduce our investors to the investment rationale for each of the Fund's holdings.

### FINANCIAL SERVICES



**Ares Management Corporation.** A pre-eminent alternative asset manager, focused on private debt, private equity and infrastructure, providing public access to alternatives through its traded funds. Its founders and employees own close to half of the company, exhibiting a deeply embedded culture of ownership.

Ares had approximately \$352 billion under management at the end of the fiscal year of 2022 including \$85 billion of available capital for investment, allowing it to be opportunistic in this volatile environment.



**Berkshire Hathaway Inc.** The storied investor and our role model, Warren Buffett, founded the company and built it into a bell-weather of the U.S. economy, encompassing over 80 operating businesses painstakingly-picked over nearly six decades, as well as a portfolio of select publicly traded equities. The

company currently has one of the largest cash surpluses (see table below), enabling it to take advantage of available opportunities in this environment, using Warren Buffett and Charlie Munger's investment prowess.



**Brookfield Asset Management Ltd.** A leading global alternative asset manager with approximately \$800 billion of assets under management across renewable power & transition, infrastructure, private equity, real estate, and credit. Brookfield Asset Management offers a range of alternative investment products to

investors around the world, including public and private pension plans, endowments and foundations, sovereign wealth funds, financial institutions, insurance companies and private wealth investors. Management and employees own close to 17% of the company.



**Brookfield Corporation.** One of the largest and most experienced infrastructure investors in the world, it is also known for its thorough and successful approach for investing in other real assets, such as real estate, renewable energy and private equity. Management and employees own close to 15% of the company and a culture

of collaboration, deep specialization and professionalism, as well as a global footprint have been the not so secret reasons for its success to date.



**Pershing Square Holdings Ltd.** The famous activist investor Bill Ackman's investment vehicle is a collection of blue-chip companies, only some of which are activism targets. His investments currently include Agilent, Berkshire Hathaway, Chipotle Mexican Grill, Hilton Worldwide, Restaurant Brands International, Lowe's

and Howard Hughes. We find the substantial discount to the fund's net asset value to be a very compelling investment proposition, in addition to Bill Ackman's investment prowess.

### HEALTHCARE



**Danaher Corporation.** Founded by the Rales brothers as an industrial conglomerate, Danaher grew to become a pre-eminent advanced medical equipment and technology company through what we believe to be astute capital allocation and outstanding operations management.

Its Danaher Business System is revered worldwide and is one of the reasons for which the company has been a strong performing long-term investment in the U.S. stock market.



**Stryker Corporation.** The Kalamazoo, Michigan based company is one of the leading medical technology companies, offering innovative products and services through orthopaedics, medical and surgical as well as neurotechnology and spine divisions. Its strong cash generation capabilities allow it to face the current

crisis with over \$8.1 billion of surplus cash, a valuable war chest.



**Telix Pharmaceuticals Limited.** A leader in clinical development of radiopharmaceutical solutions for cancer treatment, Telix benefits from the experience and dedication of its founder, Chris Behrenbruch, a serial entrepreneur in the area of diagnostics and medical research. Chris Behrenbruch owns a material amount of company shares,

together with the company's co-founder and the other insiders, close to 20%. Portland funds participated in a private placement in the common stock of Telix during 2019 and the Manager is excited with the growth prospects of the company and the sector as a whole.



## TECHNOLOGY



**SoftBank Group Corp.** The founder of SoftBank Group Corp., Masayoshi “Masa” Son, is an impressive technology and telecom entrepreneur in the world. What distinguishes Masa from the rest of the tech leaders, is the fact that he has touched most corners of the tech and telecom sector. From selling software and

handsets, to designing wireless networks, data centers and e-commerce platforms, Masa has seen it all. Today SoftBank is like a Berkshire Hathaway of the technology sector. But unlike Berkshire Hathaway, SoftBank trades at what we believe to be a deep discount to its sum of the parts value.



**Samsung Electronics Co., Ltd.** Founded as a grocery store in 1938, Samsung has evolved to become one of the leading companies in the global IT industry. Currently it is the largest manufacturer of handsets, semis memory, and TVs, and a strong competitor in other attractive growth areas such as telecom network

equipment and sensors. With this portfolio of products, the company is well positioned to benefit from AI implementation, 5G network rollout and increasing smartphone adoption in emerging markets. The Lee family (currently headed by Vice Chairman Jay Lee – a grandchild of founder Lee Byung-Chull) collectively owns close to 5% of the outstanding shares, with financial incentives well-aligned with other shareholders.

## OTHER SECTORS



**Altice USA, Inc.** The controlling shareholder of Altice USA, Patrick Drahi has a successful career in the cable and telecom sector. A Moroccan born French citizen, he started out by building a rural cable operation in Southern France. The U.S. expansion was done via partnering with Canada Pension Plan and BC

Partners where they rolled up several cable properties, including the former Cablevision of the Dolan family. Today, Altice USA is the third largest cable company in the U.S. and it is well positioned to offer convergent services due to its long-term network agreement with T-Mobile US. Altice USA is also a textbook example of what it means to use other peoples money prudently. The company has borrowed the famous leveraged model with no short-term maturities pioneered by John Malone, and we believe they have improved it.



**D.R. Horton Inc.** America’s largest home-builder was founded in 1978 in Fort Worth, Texas, by Donald Ryan Horton, still the Executive Chairman of the Board. We believe they are well positioned to continue to benefit from the secular growth trend in U.S. household formation, which drives the need for

shelter, but also from the tight inventory of new homes and near historical affordability. We believe the company is well capitalized and, given its high proportion of variable costs, has been proven to have good flexibility during times of upheaval.



**Nomad Foods Limited** The brainchild of successful businessman, Martin Franklin, and his partner, famed investor Noam Gottesman, Nomad Foods quickly became one of the largest frozen food businesses in Europe through what we believe was judicious capital allocation.

The business also benefits from the leadership of its CEO, Stefan Descheemaeker, a former 3G Group executive. Besides its intrinsically defensive business model (i.e. frozen food is in high demand even in recessionary times), we believe its cash generation capabilities and growing cash pile positions it well to take advantage of further opportunities in the current environment.



**Reliance Industries Limited.** The best way to describe Reliance Industries is as the Exxon Mobil, Amazon, and AT&T of India all under one roof. Although he is a second generation owner and operator of the business, Mukesh Ambani behaves entirely like a first-generation owner. His

crisp vision and execution capabilities were well proven in 2016, when he started Reliance Jio from scratch. Today, Jio is one of the largest wireless carriers in the second largest telecommunications market in the world, after many competitors went bankrupt and the rest of them merged in order to survive. As the Indian economy continues to grow at much higher rates than the developed markets, we believe Reliance is well positioned to create significant value for its shareholders.

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## CASH IS KING IN A CRISIS

The Manager believes that a good barometer of the quality of the holdings in the Fund is balance sheet strength. This is particularly important in this environment, when companies need to be able to navigate the pitfalls of a credit crunch and be able to take advantage of opportunities.

The following is the ranking of the top 15 securities by their available cash surplus within the MSCI USA Index universe of securities. The ranking contains 1 of the Fund's holdings, which have been highlighted below, as well as Samsung Electronics Co., Ltd. and Brookfield Corporation, which are portfolio holdings that are not in the MSCI USA index, but have liquidity strength of commensurate value.

Company	Ticker	Sector	Cash Surplus (Deficit)	Cash flow less fixed charges	Working Capital (Ex cash)	Total cash & investment	Debt in current liabilities
Alphabet Inc	GOOGL.OQ	Communication Services	\$179,871	\$44,416	\$(18,267)	\$154,020	\$298
Goldman Sachs Group	GS.N	Financials	\$174,186	\$5,789	\$-	\$377,273	\$208,876
Samsung Electronics Co., Ltd.*	0593xq.L	Information Technology	\$159,750	\$25,236	\$19,746	\$119,713	\$4,946
Microsoft Corp	MSFT.OQ	Information Technology	\$153,101	\$38,047	\$(30,155)	\$149,018	\$3,809
Exxon Mobil Corp	XOM.N	Energy	\$104,432	\$43,641	\$(1,054)	\$62,484	\$639
State Street Corp	STT.N	Financials	\$102,814	\$2,112	\$-	\$105,967	\$5,265
Charles Schwab Corp	SCHW.N	Financials	\$93,707	\$4,802	\$-	\$106,786	\$17,881
American Express	AXP.N	Financials	\$86,558	\$5,663	\$-	\$90,754	\$9,859
Berkshire Hathaway Inc. Class B	BRKb	Financials	\$79,950	\$(26,623)	\$(20,059)	\$146,461	\$19,829
Brookfield Corporation Class A*	BN.N	Financials	\$69,662	\$12,728	\$(14,569)	\$71,503	\$-
Apple Inc	AAPL.OQ	Information Technology	\$68,293	\$79,925	\$(66,881)	\$76,488	\$21,239
Chevron Corp	CVX.N	Energy	\$63,612	\$28,985	\$(1,766)	\$38,357	\$1,964
Meta Platforms, Inc.	META.OQ	Communication Services	\$46,315	\$455	\$(8,215)	\$54,204	\$129
Marathon Petroleum Corp	MPC.N	Energy	\$43,127	\$15,494	\$3,452	\$25,247	\$1,066
Pfizer Inc	PFE.N	Health Care	\$41,374	\$24,246	\$(13,611)	\$33,684	\$2,945

\*Not part of MSCI USA

Source: Thomson Reuters Eikon as of February 28, 2023



## MANAGEMENT TEAM

### **Michael Lee-Chin. Lead Manager.**

Michael is the embodiment of Mr. Buffett's famous quotation: "I am a better investor because I am a businessman, and a better businessman because I am an Investor".

Michael is vocal about his deliberate approach to investing. As a young investment advisor, he sought to deliver the highest value add he could bring to clients - the creation of wealth. His guiding framework, known today as the *5 Laws of Wealth Creation*, drives his investment behavior. The *5 Laws of Wealth Creation* are complemented by the *10 traits* that he looks for in private and public investment opportunities. These very principles and traits are the foundation of the *Portland 15 of 15 Alternative Fund*.

Born in Port Antonio, Jamaica in 1951, Michael immigrates to Canada in 1970, to study civil engineering at McMaster University, in Hamilton, Ontario. After beginning post-graduate studies, Michael's trajectory changes and, at the age of 26, he becomes a financial advisor, quickly progressing to the position of branch manager. In 1983, at the age of 32, Michael borrows money to purchase \$500,000 worth of Mackenzie Financial Corporation stock. Four years later, the stock appreciates sevenfold and Michael uses the profits to make his first acquisition - a small Ontario based investment firm, AIC Limited. At the time, Advantage Investment Counsel (a division of AIC Limited) had assets under management of just \$800,000. Within 20 years, AIC grew from less than \$1 million in assets to more than \$15 billion under management, at its business peak.

The next chapter in Michael's life was a natural transition born of his earlier successes. As owner and operator of a privately held asset management business, he was ideally positioned to branch out into private investments, both through direct investments and private equity funds. Portland Holdings, a privately held investment company controlled by Michael, owns interests in a collection of diversified businesses operating in sectors that include financial services, insurance, tourism, agriculture, consumer goods and services, real estate development, energy and targeted radionuclide therapy.

Michael has received Honorary Doctor of Laws degrees from a number of distinguished universities. From 2011-2016, Michael holds the position of Chancellor of Wilfrid Laurier University in Waterloo, Ontario, and in 2016, Michael is appointed Chair of the Government of Jamaica's newly established Economic Growth Council, in an effort to bolster economic development. In 2017, he becomes a member of the Order of Ontario, the province's highest honour, recognizing individuals whose exceptional achievements have left a lasting legacy in the province, in Canada, and beyond.



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## MANAGEMENT TEAM



### **Dragos Berbecel. Co-Manager.**

Dragos has 20 years of experience, both as an investment professional and a business operator. He has devoted the last 10 years to being a student and practitioner of focused value investing. Dragos leverages more than a decade of experience as a marketing and sales executive working in diverse industries in Europe and North America. He played a leading role in starting up a new subsidiary for Syngenta, the largest global agribusiness, in a key European market. He was also instrumental in improving the performance metrics for KBC Tools and Machinery, a top North American industrial distribution company. Having worked with thousands of clients from

individual farmers to distributors and large industrial corporations, his ground level understanding of what it takes for a company to be successful in the marketplace has been greatly enhanced.

Dragos joined Portland Investment Counsel in 2008 when he conducted research in the field of investment alternatives with a socially responsible investing mandate and amassed a body of knowledge necessary to introduce the environmental, social and governance performance and risk factors analysis in the firm's investment process. Since then, Dragos has been involved in developing and managing a number of public equity, balanced and alternative assets investment strategies.

Dragos holds an MBA degree from the University of Toronto, with a major in Finance. He earned a BComm and an MSc in Marketing Management from the Academy of Economic Studies in Bucharest, as well as an MA from the National School of Political Studies and Public Administration in Bucharest. He passed the professional accreditation exams to be licensed as a broker/trader on the BSE (Bucharest Stock Exchange) by the Brokers' Association and the Romanian Financial Institute.

Dragos is a CFA charterholder and has been a member of CFA Society Toronto since 2009.



### **Dragos Stefanescu. Co-Manager.**

Dragos has an MBA from University of British Columbia and is a CFA charter member. His investment methodology is in alignment with the Manager's framework. Dragos brings a plethora of wealth management experience including 16 years with the Ontario Teachers' Pension Plan where he held various positions, the last of which was Director of Global Equities. He also holds an advisory role in the technology and telecom sector.

Dragos has in-depth knowledge of global technology, telecom services and capital goods/industrial sectors and extensive experience investing in North America, emerging markets, Japan and Europe.



1. Source: Bain and Company - Founder's Mentality® - <https://www.bain.com/insights/founders-mentality-barriers-and-pathways-to-sustainable-growth/>

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PIC5172-E(03/23)