

# PORTLAND PRIVATE SMA PROGRAM



Portland Investment Counsel<sup>®</sup>

Buy. Hold. And Prosper.<sup>®</sup>

# PORTLAND PRIVATE SMA PROGRAM



## WHY SELECT PORTLAND INVESTMENT COUNSEL AS YOUR PORTFOLIO MANAGER?

A private separately managed account (SMA) managed by Portland Investment Counsel Inc. provides unique access to professionally managed portfolios invested exclusively in select Portland Investment Counsel private and alternative products. This program truly democratizes wealth creation as it gives access for all investors to own private and alternative assets. This program will provide the opportunity for investors to access current and future Portland Investment Counsel private product offerings as this program is actively managed. A periodic portfolio rebalancing will occur where we believe we can increase risk-adjusted returns by incorporating new Portland Investment Counsel private products into client portfolios. We believe attractive risk-adjusted returns and active rebalancing are critical to maintaining the integrity of our client's portfolios. In the rebalancing process, we will maintain a balanced diversification of Portland Investment Counsel products throughout all of our implemented mandates.

A Portland Investment Counsel portfolio manager will directly manage each client's portfolio to ensure that the most suitable private and alternative products are included in each account. If investing in the private and alternative assets category is new to you then that is not a problem. We have segmented the risk spectrum across different levels of risk. You can get access to Medium Risk and High Risk private and alternative portfolios. We have carefully constructed these mandates segmented by risk to match the risk segmentation that financial advisors commonly do for their clients when recommending mutual funds. As an example, in general, if you would generally only purchase medium risk mutual funds then the Medium Risk Private Separately Managed Account may be the best selection for you. We have also carefully considered the investment time horizon for our portfolios across the short term (3-5 years), medium term (5-7 years) and long term (7-10 years) time horizons. Please see the below chart for a better understanding of the portfolio risks and time horizons that we have available to you:

	Time Horizon			
	Short Term	Medium Term	Long Term	
Risk	High	N/A	N/A	Portland High Risk Funds (Long Term)
	Medium	Portland Medium Risk Funds (Short Term)	Portland Medium Risk Funds (Medium Term)	Portland Medium Risk Funds (Long Term)
	Low	N/A	N/A	N/A

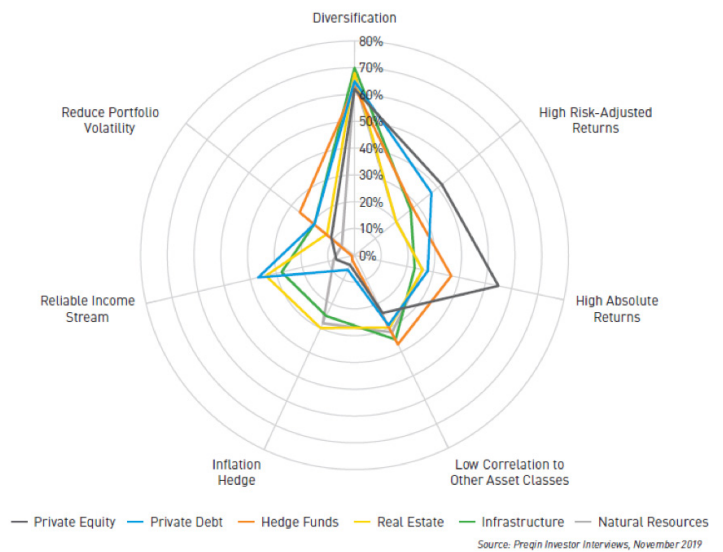
In order to best assess your financial needs, please complete the Mandeville Private Allocation Tool and submit the completed copy to Mandeville Private Client Inc.'s Chief Investment Officer if you are unsure of the portfolio that is most suitable for you. Once you have made the risk selection, a Portland Investment Counsel portfolio manager will select the most suitable private and alternative products to ensure that the level of risk and time horizon in the desired portfolio is met. There will also be careful consideration over whether your portfolio will be primarily composed of income securities, primarily composed of growth securities or whether there will be a balanced mix of income and growth securities.

## BENEFITS OF INVESTING IN PRIVATE ASSETS

There are many reasons why investors choose to invest in private assets. The most preeminent pension plans in this country invest in private assets and therefore, we believe that you also may wish to within your own registered retirement savings plan. In a Preqin Investor Interviews survey<sup>1</sup> from November 2019, they cite the most common reasons why institutional investors invest in alternative assets which include diversification, high risk-adjusted returns, high absolute returns, low correlation to other asset classes, inflation hedge, a reliable income stream and to reduce portfolio volatility. Please see the chart to the right for the results of the survey.

We believe that private assets have the potential to outperform publicly traded equivalent assets over the long-term, however as seen in the chart, high absolute returns were not the number one reason why institutional investors chose to invest in private assets, but rather they chose to invest for portfolio diversification. We believe that each Portland Investment Counsel product that is offered within the Portland Private SMA Program has unique attributes to offer your portfolio. We have highlighted these attributes in the below chart:

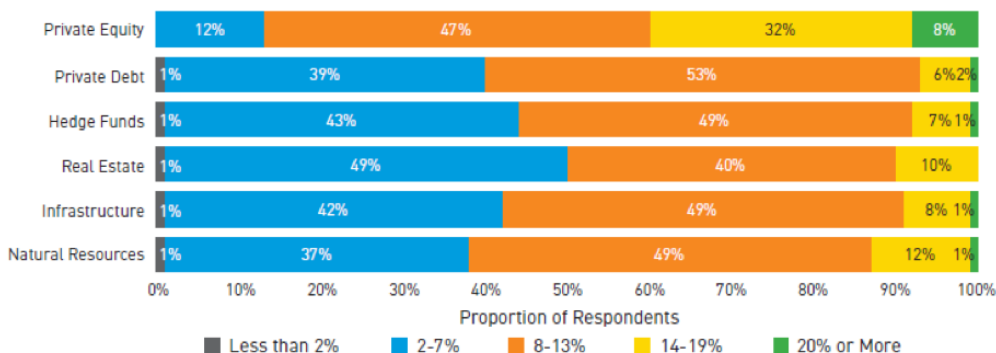
**Institutional Investors' Main Reasons for Investing in Alternative Assets**



	Portland Private Income Fund – Preferred Units	Portland Private Income Fund – Common Units	Portland Global Sustainable Evergreen Fund	Portland Focused Plus Fund	Private Equity Fund
Diversification	✓	✓	✓	✓	✓
High Risk-Adjusted Returns		✓			
High Absolute Returns				✓	✓
Low Correlation to Other Asset Classes	✓	✓	✓		✓
Inflation Hedge			✓		
Reliable Income Stream	✓	✓			
Reduce Portfolio Volatility	✓	✓	✓		

From the same Preqin Investor Interviews survey, they asked institutional investors for their targeted returns per annum over the long-term for alternative assets. Please see the below chart for their targeted returns across a variety of alternative assets.

**Institutional Investors' Targeted Returns for their Alternative Assets Portfolios**



In general, we believe that the vast majority of the underlying private assets held within the Portland Private SMA Program are aligned with the institutional investor's expectations across the orange band to the left. This is a general statement, however we believe these return expectations are attractive for the types of risks investors are taking on.

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## WHY INVEST IN PRIVATE ASSETS?

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 Valuators at \$6 per share due to a 40% illiquidity discount<sup>2</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>3</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.

## FEATURES AND BENEFITS

There are many features and benefits to selecting the Portland Private Separately Managed Account Program, which include:

- ability to diversify and reduce the risk of an overall portfolio
- gain exposure to select private and alternative products while maintaining liquidity
- obtain professional management of private and alternative assets
- portfolio managers ensure that the risk levels of the portfolios are maintained by rebalancing the portfolios periodically
- portfolio managers have a high KYP (know-your-product) standard and do not solely rely on due diligence sourced or obtained from third parties
- opportunity to invest predominantly in a select portfolio including award-winning private and alternative funds; and
- new high quality private and alternative products can be introduced into existing accounts as long as the overall risk level of the portfolio remains unchanged.

A minimum investment amount of \$10,000 is required, however Portland Investment Counsel may consider waivers to this minimum under certain circumstances.

If you would like more information about this program, please contact either:

**Chris Wain-Lowe, Chief Investment Officer, Executive Vice-President and Portfolio Manager** at 905-331-4250 Ext. 4232 and [cwain-low@portlandic.com](mailto:cwain-low@portlandic.com); or

**Kyle Ostrander, Portfolio Manager** at 905-331-4250 Ext. 4234 and [kostrander@portlandic.com](mailto:kostrander@portlandic.com)



1. Source: Preqin Investor Interviews, November 2019; [www.preqin.com](http://www.preqin.com)

2. 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.

3. 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
- $FV = \$1,000 * (1 + 0.167)^{40} = \$481,763.90$

Commissions, trailing commissions, management fees and expenses all may be associated with investments. Please read the offering memorandum(s) before investing. Investments are not guaranteed, their values change frequently and past performance may not be repeated. Risk tolerance measures the degree of uncertainty that an investor can handle regarding fluctuations in the value of their portfolio. The amount of risk associated with any particular investment depends largely on your own personal circumstances including your time horizon, liquidity needs, portfolio size, income, investment knowledge and attitude toward price fluctuations. Investors should consult their Financial Advisor before making a decision as to whether this program is suitable for them.

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