

# PORTLAND 15 OF 15 ALTERNATIVE FUND



(as at October 31, 2024)

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

	Series Start Date	Net Asset Value Per Unit (as at October 31, 2024)	PERFORMANCE (as at October 31, 2024)					
			Year to Date	1 Month	3 Months	1 Year	3 Years <sup>4</sup>	Since Inception <sup>4</sup>
Portland 15 of 15 Alternative Fund - Series A	Apr. 20, 2020	\$13.5373	40.81%	3.24%	9.01%	62.32%	17.31%	17.58%
Portland 15 of 15 Alternative Fund - Series F	Apr. 20, 2020	\$15.0244	42.00%	3.32%	9.27%	63.91%	18.47%	18.72%
MSCI USA Index CAD*	-	-	27.27%	2.40%	4.68%	38.38%	12.17%	17.82%

## FUND DETAILS

Fund Net Assets	\$50.9 million
CIFSC** Asset Class	Alternative Equity Focused
Risk Tolerance	Medium
Management Fee	Series A: 1.75%, Series F: 0.75%
Performance Fee	Series A, Series F: 10% above high water mark
MER <sup>5</sup>	Series A: 2.53%, Series F: 1.42%

## INVESTMENT OBJECTIVE

- The Fund's objective is to provide positive long-term total returns by investing primarily in a portfolio of global equities and debt-like securities. In selecting its investment, the Fund considers 15 principles/attributes which the Manager believes will result in successful wealth creation.
- The Fund may also engage in borrowing for investment purposes.

## KEY REASONS TO INVEST

- Close adherence to Framework:
  - Five Laws of Wealth Creation:**
    - Own a few high quality businesses
    - Thoroughly understand these businesses
    - Ensure these businesses are domiciled in strong, long-term growth industries
    - Use other people's money prudently
    - Hold these businesses for the long run

## 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.

## Geographic Allocation

Australia	40.87%
United States	34.58%
Canada	9.79%
Panama	5.46%
France	4.35%
India	2.32%
South Korea	1.55%
Cash & Cash Equivalents	1.54%
Other Net Assets (Liabilities) <sup>1</sup>	(0.46%)

## Sector Allocation

Health Care	45.70%
Financials	31.10%
Consumer Discretionary	8.20%
Utilities	8.01%
Industrials	3.93%
Information Technology	1.55%
Cash & Cash Equivalents	1.54%
Exchange Traded Funds	0.43%
Other Net Assets (Liabilities) <sup>1</sup>	(0.46%)

## PORTFOLIO MANAGERS

**Michael Lee-Chin**, B.Eng., LL.D (Honorary)  
Executive Chairman, Chief Executive Officer and  
Portfolio Manager

**Dragos Berbecel**, BComm., MBA, CFA  
Portfolio Manager

**Dragos Stefanescu**, CFA, MBA  
Portfolio Manager

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## Top Holdings<sup>2</sup>

Telix Pharmaceuticals Limited	32.30%
Berkshire Hathaway Inc., Class B	15.40%
Clarity Pharmaceuticals Limited	8.57%
Oklo Inc.	8.01%
Brookfield Corporation	5.80%
Carnival Corporation	5.46%
Danaher Corporation	4.83%
Brookfield Asset Management Ltd.	3.99%
BGC Group, Inc.	3.16%
Ares Management Corporation	2.75%
LVMH Moët Hennessy Louis Vuitton SE, ADR	2.74%
Reliance Industries Ltd.	2.32%
Assystem	1.61%
Samsung Electronics Co., Ltd.	1.55%
Cash & Cash Equivalents	1.54%
SPDR Bloomberg 1-3 Month T-Bill ETF	0.43%

## FUND COMMENTARY (As at September 30, 2024)

For the period of June 30, 2024 to September 30, 2024, the Fund's benchmark, the MSCI USA Index (CAD), had a return of 4.48%. For the same period, the Fund's Series F units had a return of 10.27%. Unlike the Index, the Fund's return is after the deduction of its fees and expenses. As expected, given the Fund's focused mandate, the performance is mainly driven by company specific developments. During the quarter, key performance contributors were Telix Pharmaceuticals Ltd., Clarity Pharmaceuticals Ltd. and Berkshire Hathaway, Inc., offset by the negative contribution of the Fund's investment in Samsung Electronics Co Ltd., Reliance Industries Ltd. and Carnival Corp.

The Fund's objective is to provide positive long-term total returns by investing primarily in a portfolio of global equities and debtlike securities. In selecting its investments, the Fund considers 15 principles (attributes) which the Manager believes will result in successful wealth creation. The 15 criteria are used to drive the Manager's investment behaviour (the five laws of wealth creation) and the Manager's security selection process (the ten traits of successful private and private-like businesses). To detail, the Manager believes that wealth is being created by owning a few businesses, which are well understood, reside in long-term growth industries, use other people's money prudently and which are held for the long-term. The Manager believes quality businesses are led by an owner/operator, have concentrated and easily identifiable ownership, exhibit authoritative and entrepreneurial management and board which are focused on growth, allow low turnover in its managerial ranks, have risks and rewards which are symmetrically distributed and focus on long-term goals and business fundamentals. The Fund may also engage in borrowing for investment purposes. In particular, the Fund may borrow up to 50% of its net assets in order to finance

long securities purchases. The Fund may purchase individual securities to weights of up to 20% of the Fund's net assets.

Over the past quarters the U.S. GDP growth seems to have decelerated, with leading indicators suggesting recession may yet be looming on the horizon. Whereas, up to this point, the U.S. consumer has shown to be more resilient than expected, partly helped by higher wages, tight labor markets and some accumulated pandemic savings, those conditions appear to be reversing. The savings rate has retreated to below prepandemic levels, while household credit has seen the most rapid acceleration in a decade. Absent further consumer support, generally accounting for some 70% of U.S. economic growth, there is precious little help to be expected from the other areas of the economy in the medium term.

Most recently, the U.S. gross domestic product (GDP) growth rebounded nearly 3.0% level in the second quarter of 2024, ahead of the otherwise mostly tepid economic growth experienced by the American economy through the current US administration. Hidden in the detail, a rather worrisome buildup of private inventories, contributing about 1.1% in the quarter, coupled with a helping of government consumption, adding 0.5% in the period. The most recent retail sales data continued to weaken, reinforcing trends observed in GDP growth and consumer finances. Prompted by evidence of a significantly weaker economic background, the Federal Reserve (FED) undertook an aggressive initial 50 basis point cut in the overnight rate, with the federal funds rate now moving lower at 5.0%. Nonetheless, policy risks abound. Sticky components of inflation undercut the previous consensus view that the FED will cut rates four times in 2024. The tightening policy stance has been reducing inflation, though the last bit of price deceleration is likely to be the most difficult to achieve. As we write this commentary, news of stubbornly high prices resurfaced, including in many of the core components, prompting interest rates observers to indicate a likely slowing down in the pace of easing for the US Central Bank. Simply put, we have entered a higher-for-longer interest rate environment. Our view is that the risk of structurally higher cost of capital is not priced in. Public market performance has been in line with the previous interest rate outlook, though performance has not been as dramatically driven by the tech megacap companies with the appreciation being more broadly distributed.

The U.S. labor market remains tight, with the unemployment rate near 4%. However, job creation has been declining over the past two years. Wage growth has moderated, and real wages are still under pressure from inflation. We note the recent divergence between the unemployment rates based on household surveys and nonfarm payrolls. Nonfarm payrolls have remained resilient in 2024, while the unemployment rate has drifted modestly higher. Overall, we may be seeing the first signs of a cooling job market. On the same note, the University of Michigan Sentiment Index remains low at 70.1 points, reflecting consumer pessimism. Personal savings as a percentage of disposable personal income is at approximately 4.8%, below average. Consumer credit outstanding decelerated over 2023

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and continued in 2024 so far, perhaps a sign of stricter lending standards, but also potentially of reluctance to take on higher cost debt, on the side of the US households. Nonetheless, data suggests that consumers are becoming increasingly reliant on credit cards and higher interest products. Beyond consumer credit, household debt continued to climb, with delinquency rates ticking higher. Hence, we believe the trend of weak consumer spending is likely to continue.

The housing market continues to cool. The S&P/Case-Shiller Home Price Index indicates a slight deceleration from recent 2024 highs, and housing affordability remains a significant issue. Mortgage rates have retreated to a more manageable 6.4% from recent highs in excess of 7%, nonetheless mortgage applications have not picked up meaningfully. The tightening cycle that began in early 2022 has led to 4.2-months supply of existing homes. This, coupled with high borrowing costs, suggests that the housing market will remain subdued throughout the year.

Despite an 7% year-over-year growth in household net worth, much of this increase is tied to the volatile equity market performance. This wealth effect is not likely to be broadly felt among consumers, many of whom do not hold significant stock portfolios. Consequently, while the rise in household net worth suggests a positive economic indicator, it is heavily reliant on the stock market, which may face corrections. Additionally, the wealth effect from home sales and property appreciation has played a role, though it is less pronounced. Consequently, there is a disconnect between the wealth effect and broader consumer sentiment, as highlighted by the low University of Michigan Sentiment Index. Despite record levels of wealth, the average U.S. consumer remains financially strained.

Corporate borrowing costs have risen sharply, significantly impacting sectors heavily reliant on debt financing. This has led companies to delay capital expenditures and expansion plans, further slowing economic growth. Non-financial debt has seen minimal growth, with only a 1.18% change in credit market debt outstanding, indicating reluctance to take on more debt in the current high-interest environment. Additionally, uncertainty around future tax regimes and potential political shifts is causing corporations to hold back on capital deployment.

U.S. equity markets have continued to witness multiples expansion over the past 18 months, with indices at or near all-time highs. The S&P 500, up 22.08% year to date indicate that the markets are pricing in a high probability that the FED will continue the expansionary phase of the monetary cycle and the “fear of missing out” dominates the sentiment. Through the lens of the equity market, the dislocation between the gloomy outlook and a charged spirit continues to be highly visible. Once again, the market’s behavior is concerning.

During the quarter, the Fund initiated new holdings in Clarity Pharmaceuticals, an Australia-based clinical stage company focused on developing products to address the growing need for radiopharmaceuticals in oncology using its proprietary technology in conjunction with copper radioisotopes for diagnosis and therapy; Assystem SA, a France-based company that is principally engaged in engineering and innovation consultancy including managing infrastructural investments; and Oklo Inc., a company developing next-generation fission reactors to produce abundant, affordable, clean energy at a global scale using small modular fast reactor technology. The Fund disposed of its investments in Altice USA Inc and DR Horton Inc on fundamentals concerns related to industry developments and looser match with the owner/operator criteria with the passing of the company’s founder, for the latter.

Overall, the Fund maintains ample available liquidity through its existing borrowing ability of up to 50% of the Fund’s net assets, currently not utilized.

The Fund’s net asset value at September 30, 2024 was \$48.3 million. The asset mix at September 30, 2024 was common equities, 96.00%; and cash and other net assets, 4.00%. The top five sector exposures was constituted by health care 48.61%, financials 31.26%, consumer discretionary 7.94%, consumer staples 3.50% and industrials 2.94%. Going forward, we believe the Fund is well positioned to meet its investment objectives, which are to provide positive long-term total returns, with a focused investment, primarily in a limited number of long security positions.

## 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 “What are the risks of investing in the Fund?” section in the Simplified Prospectus for a more detailed description of all the relevant risks.

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Fund Name	SERIES A			SERIES F <sup>3</sup>
	Code - Initial Sales Charge	Code - DSC	Code - LL	
Portland 15 of 15 Alternative Fund	PTL524	PTL522	PTL523	PTL009

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\* Since the Fund does not necessarily invest in the same securities as the benchmark or in the same proportion, the performance of the Fund may not be directly comparable to the benchmark. In addition, the Fund's performance returns may reflect the use of leverage. The use of a benchmark is for illustrative purposes only, and is not an indication of performance of the Fund.

\*\* Canadian Investment Funds Standards Committee

1. Other Net Assets (Liabilities) refers to all other assets and liabilities in the Fund excluding portfolio investments.
2. Where the Fund holds less than 25 long and short 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%.
3. Generally available through dealers who have entered into a Portland Series F Dealer Agreement.
4. Annualized.
5. MER or management expense ratio is presented excluding performance fees and is after absorptions as at March 31, 2024. MER is updated on a semi-annual basis and the Manager may absorb operating expenses of the Fund at its discretion but is under no obligation to do so. The MER including performance fees and absorptions was 5.72% and 4.61% for Series A and Series F, respectively, as at March 31, 2024.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Any indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions [dividends] and does not take into account sales, redemptions, distributions or optional charges or income taxes payable by any securityholder in respect of a participating fund that would have reduced returns. Mutual funds 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 Fund is a suitable investment for them.

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