



PORTLAND
INVESTMENT COUNSEL®

PORTLAND CANADIAN FOCUSED FUND
ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

SEPTEMBER 30, 2018

PORTFOLIO
MANAGEMENT TEAM

James Cole
Senior Vice President and Portfolio Manager

Management Discussion of Fund Performance Portland Canadian Focused Fund

This annual 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 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 the portfolio management team contained in this report are as of September 30, 2018 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 Canadian Focused Fund (the Fund) remains as discussed in the prospectus. The Fund's objective is to provide positive long-term total returns by investing primarily in a portfolio of Canadian equities. The Fund seeks to provide capital growth and income by investing in a portfolio of equities and may also invest in exchange-traded funds (ETFs). The Fund may invest up to 49% in foreign securities in a manner consistent with its investment objective.

RISK

The overall risk level has not changed for the Fund and remains as discussed in the prospectus. 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, 2018, the Fund had a return of 5.8%. For the same period, the Fund's benchmark, the S&P/TSX Composite Total Return Index (the Index), had a return of 5.9%. For the full period since launch of the Fund on October 31, 2012 to September 30, 2018, the Fund had an annualized return of 10.5%. For the same period, the Index had an annualized return of 7.6%. Unlike the Index, the Fund's return is after the deduction of its fees and expenses.

The Fund's net asset value at September 30, 2018 was \$16.9 million. On a cumulative basis since its inception, the Fund has experienced both positive net sales and positive investment performance. Asset mix as at September 30, 2018 was common equities, 82.8%; and cash and other net assets, 17.2%. By geography, net assets were invested 84.7% in Canada (including other net assets and liabilities) and 15.3% in the United States.

The top five contributors to the Fund's performance were Walgreens Boots Alliance, Inc., The Toronto-Dominion Bank, Canadian Imperial Bank of Commerce, Berkshire Hathaway Inc. and Bank of Montreal. Three of those businesses are banks, whose share prices benefitted from recently higher interest rates (which are expected to boost bank profits). Walgreens Boots Alliance, Inc. was bought at an attractive price

during a period of market concern regarding the future of traditional retailers. As those concerns abated, its share price performed well. Berkshire Hathaway benefitted from strong economic growth in the United States and from U.S. tax reform which significantly reduced corporate tax rates.

The top three detractors to the Fund's performance were Emera Incorporated, Power Financial Corporation and Fortis Inc. The share prices of the two utilities were affected by higher interest rates which have tended to weaken the valuations of companies perceived as interest-sensitive. The valuation of Power Financial has been adversely affected as life insurance companies and asset managers have fallen out of investor favour. No other businesses had a negative impact on absolute performance.

RECENT DEVELOPMENTS

Over the last seven years, the average valuation of North American equity markets has appreciated at a faster rate than have corporate earnings. As a result, equity market valuations, such as price-earnings ratios, have generally increased. At the same time, interest rates, and therefore the yields on fixed income securities, have remained at historically low levels. In this environment, it has become more difficult to find attractively valued securities of high quality, financially strong issuers. One group of companies that we believe is reasonably valued, offering attractive total return prospects and average downside risks, is the common shares of leading Canadian banks. As a result, at September 30, 2018, Canadian bank stocks accounted for 45.5% of the Fund's net asset value. Another investment area that we believe offers attractive total return prospects, and is very defensive, is utilities. These comprise 14.5% of the Fund's net asset value. The portfolio management team continues to believe that the Fund's focused portfolio of high quality companies positions the Fund well to meet its investment objective over the longer term.

RELATED PARTY TRANSACTIONS

The Fund's manager is Portland Investment Counsel Inc. (the Manager). 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, 2018, the Manager received \$201,269 in management fees from the Fund compared to \$147,364 for the period ended September 30, 2017 (net of applicable taxes).

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 upon the net asset value or actual costs incurred. During the period ended September 30, 2018, the Manager was reimbursed \$82,723 for operating expenses incurred on behalf of the Fund, including amounts paid to affiliates, net of applicable taxes. This compares to \$64,699 for the period ended September 30, 2017. In addition to the amounts reimbursed, the Manager absorbed \$39,405 of operating expenses during the period ended September 30, 2018 compared to \$38,900 during the period ended September 30, 2017 (net of applicable taxes).

Affiliates of the Manager provide administrative services associated with the day-to-day operations of the Fund. These affiliates of the Manager were reimbursed \$862 during the period ended September 30, 2018 by the Fund for such services, compared to \$2,237 during the period ended September 30, 2017.

The Manager, its affiliates, officers and directors of the Manager (Related Parties) may own units of the Fund. 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, 2018, Related Parties owned 0.3% (September 30, 2017: 1.6%) of the Fund.

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, 2018

Top 25 Investments*

	% of Net Asset Value
Cash	17.2%
Canadian Imperial Bank of Commerce	10.1%
The Bank of Nova Scotia	10.1%
Walgreens Boots Alliance, Inc.	10.1%
Royal Bank of Canada	9.8%
The Toronto-Dominion Bank	9.8%
Fortis Inc.	7.9%
Power Financial Corporation	7.5%
Emera Incorporated	6.6%
Bank of Montreal	5.7%
Berkshire Hathaway Inc.	5.2%
Grand Total	100.0%
Total net asset value	\$16,911,182

* 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

Financials	58.2%
Other Net Assets (Liabilities)	17.2%
Utilities	14.5%
Consumer Staples	10.1%

Geographic Region

Canada	67.5%
Other Net Assets (Liabilities)	17.2%
United States	15.3%

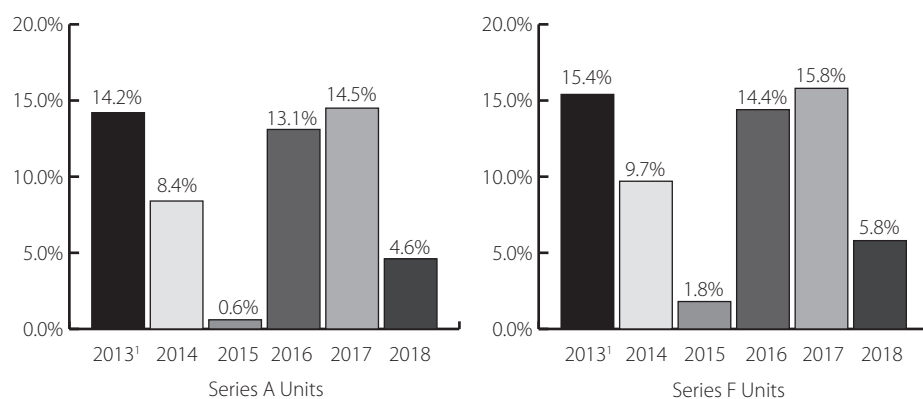
Other Net Assets (Liabilities) refers to cash on hand plus all other assets and liabilities in the Fund excluding portfolio investments

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 investment fund in the periods shown were reinvested in additional securities of the investment 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 for the year ended September 30, 2018. 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.



¹ Return for 2013 represents a partial year starting October 31, 2012 to September 30, 2013.

Annual Compound Returns

The table below shows the historical compound returns of the applicable series of units and the S&P/TSX Composite Total Return Index (the Index). The Index comprises approximately 95% of the Canadian equities market and is the primary gauge for Canadian-based, Toronto Stock Exchange listed companies. 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	October 31, 2012	9.3%	4.6%	10.6%	8.1%	-
Index		7.6%	5.9%	9.7%	7.8%	-
Series F	October 31, 2012	10.5%	5.8%	11.9%	9.4%	-
Index		7.6%	5.9%	9.7%	7.8%	-

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 investment 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%	84%	-	16%
Series F	1.00%	-	80%	20%

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 as applicable. The information in the table is for the period from October 1 to September 30.

Series A Units - Net Assets per unit¹

For the periods ended	2018	2017	2016	2015	2014
Net assets, beginning of the period	\$14.63	\$13.30	\$12.41	\$12.39	\$11.42
Increase (decrease) from operations:					
Total revenue	0.50	0.43	0.44	0.42	0.33
Total expenses	(0.42)	(0.41)	(0.37)	(0.37)	(0.35)
Realized gains (losses)	0.40	0.68	0.30	0.45	0.11
Unrealized gains (losses)	0.14	0.74	1.18	(0.39)	0.86
Total increase (decrease) from operations ²	0.62	1.44	1.55	0.11	0.95
Distributions to unitholders:					
From income	-	-	-	-	-
From dividends	(0.05)	-	-	-	-
From capital gains	(0.44)	(0.59)	(0.65)	(0.05)	-
Return of capital	-	-	-	-	-
Total annual distributions ³	(0.49)	(0.59)	(0.65)	(0.05)	-
Net assets, end of period ⁴	\$14.82	\$14.63	\$13.30	\$12.41	\$12.39

Series A Units - Ratios/Supplemental Data

For the periods ended	2018	2017	2016	2015	2014
Total net asset value	\$5,180,718	\$4,270,287	\$1,777,168	\$1,652,985	\$2,626,736
Number of units outstanding	349,520	291,969	133,584	133,150	212,070
Management expense ratio ⁵	2.82%	2.82%	2.82%	2.82%	2.84%
Management expense ratio before waivers or absorptions ⁵	3.09%	3.16%	3.77%	3.99%	5.27%
Trading expense ratio ⁶	0.01%	0.01%	0.03%	0.04%	0.02%
Portfolio turnover rate ⁷	26.85%	26.51%	52.33%	62.95%	16.34%
Net asset value per unit	\$14.82	\$14.63	\$13.30	\$12.41	\$12.39

Series F Units - Net Assets per unit¹

For the periods ended	2018	2017	2016	2015	2014
Net assets, beginning of the period	\$15.39	\$14.00	\$12.80	\$12.65	\$11.54
Increase (decrease) from operations:					
Total revenue	0.53	0.45	0.46	0.43	0.35
Total expenses	(0.25)	(0.24)	(0.22)	(0.22)	(0.22)
Realized gains (losses)	0.43	0.79	0.32	0.64	0.10
Unrealized gains (losses)	0.14	1.01	1.27	(0.65)	0.76
Total increase (decrease) from operations ²	0.85	2.01	1.83	0.20	0.99
Distributions to unitholders:					
From income	-	-	-	-	-
From dividends	(0.10)	(0.16)	(0.12)	(0.04)	-
From capital gains	(0.39)	(0.63)	(0.44)	(0.05)	-
Return of capital	-	-	-	-	-
Total annual distributions ³	(0.49)	(0.79)	(0.56)	(0.09)	-
Net assets, end of period ⁴	\$15.79	\$15.39	\$14.00	\$12.80	\$12.65

Series F Units - Ratios/Supplemental Data

For the periods ended	2018	2017	2016	2015	2014
Total net asset value	\$11,730,464	\$10,887,386	\$7,976,763	\$5,559,835	\$2,979,696
Number of units outstanding	742,969	707,465	569,929	434,414	235,462
Management expense ratio ⁵	1.69%	1.69%	1.69%	1.69%	1.70%
Management expense ratio before waivers or absorptions ⁵	1.96%	2.03%	2.64%	2.84%	4.03%
Trading expense ratio ⁶	0.01%	0.01%	0.03%	0.04%	0.02%
Portfolio turnover rate ⁷	26.85%	26.51%	52.33%	62.95%	16.34%
Net asset value per unit	\$15.79	\$15.39	\$14.00	\$12.80	\$12.65

Explanatory Notes

1. The information is derived from the Fund's audited annual financial statements prepared in accordance with International Financial Reporting Standards.
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 unit holders 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.
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.



Historical annual compounded total returns as at September 30, 2018 include changes in unit value and distributions reinvested and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Commissions, service fees, management fees and expenses may be associated with investment funds. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the prospectus before investing. PORTLAND, PORTLAND INVESTMENT COUNSEL and the Clock Tower Design are registered trademarks of Portland Holdings Inc. Used under licence by Portland Investment Counsel Inc.

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