



PORTLAND
INVESTMENT COUNSEL®

PORTLAND ADVANTAGE FUND
ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

SEPTEMBER 30, 2017

PORTFOLIO
MANAGEMENT TEAM

Michael Lee-Chin
Executive Chairman, Chief Executive
Officer and Portfolio Manager

Robert Almeida
Senior Vice President and Portfolio Manager

Management Discussion of Fund Performance Portland Advantage 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, 2017 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 Advantage 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 while moderating the volatility of equities by investing in a portfolio of equities/ADRs, and which may include exchange traded funds. The Fund may invest up to 49% in foreign securities in a manner consistent with its investment objective.

RISK

For the year ended September 30, 2017, volatility in the oil and gas sector continued. The Fund's exposure to the oil and gas sector remains underweight relative to the S&P/TSX Composite Total Return Index.

The intensity of focus within the Fund was generally maintained with the total number of securities ending the period at 19, when adjusted to combine substantially similar securities, and the focus on the top five holdings reduced from 41.5% to 39.6%. This intensity of focus creates the potential for more volatility but in our opinion, improves the quality profile of the Fund and enhances the return potential.

The value of the Canadian dollar appreciated about 5.1% relative to the U.S. dollar during the period. It is possible for this trend to continue which would adversely affect U.S. dollar denominated securities. We are of the opinion that any Canadian dollar appreciation would be underpinned by a strong U.S. economy, which would be reflected in better returns from the holdings of U.S. securities. Accordingly, the approximately 40.5% foreign currency exposure in the Fund continues to be unhedged.

RESULTS OF OPERATIONS

For the year ended September 30, 2017, the Fund's benchmark, the S&P/TSX Composite Total Return Index, had a return of 9.2%. Over the same period, the Fund had a return of 3.8%. Unlike the Index, the Fund's return is after the deduction of its fees and expenses. The net

asset value per unit increased from \$12.13 at September 30, 2016 to \$12.26 at September 30, 2017. It should be noted that the Fund paid a distribution of \$0.17 per unit in Series A and \$0.32 per unit in Series F during the period.

The Fund's net asset value as at September 30, 2017 was \$4.7 million. On a cumulative basis since its inception, the Fund has experienced both positive net sales and positive investment performance; however, the Fund did experience net redemptions during the period.

The 5 holdings that contributed most to Fund performance were Brookfield Asset Management Inc., IGM Financial Inc., The Bank of Nova Scotia (BNS), Millicom International Cellular SA and Brookfield Infrastructure Partners L.P.. BNS benefitted from positive sentiment towards the banking sector coming out of the victory of Donald Trump in the U.S. election. Unfortunately, the Fund did not have more exposure to the banking sector.

The main detractors from Fund performance were Crescent Point Energy Corp., Liberty Global PLC LiLAC (Liberty LiLAC), Baytex Energy Corp., and Hertz Global Holdings, Inc. and Herc Holdings, Inc. (collectively referred to as Hertz). In addition, the depreciation of the U.S. dollar against the Canadian dollar was also a material detractor from Fund performance. Having completed the acquisition of Cable & Wireless Communications PLC, we believe that Liberty LiLAC is well positioned to realize above average growth driven by merger synergies combined with organic growth in underpenetrated markets and further sector consolidation activity. As part of its continuing efforts to isolate its Latin America and Caribbean business, Liberty Global PLC distributed Liberty LiLAC shares to its shareholders, who would not have been expected to have a good understanding of the region or the Liberty LiLAC business. We believe that the current share price is more reflective of selling activity resulting from the reorganization and not reflective of the earnings potential of the Liberty LiLAC business and we have high expectations for future returns. While the overall Canadian energy sector experienced a total return of about 1% during the period, Baytex and Crescent Point experienced negative returns of 32.5% and 40.4%, respectively. We believe that these companies are more sensitive to changes in the outlook for oil prices and look for them to outperform if and when the outlook for oil prices improves. Given the volatility of Baytex, we have sold and repurchased shares during the year to realize some trading gains in the Fund.

When we made the relatively small investment in Hertz, we were looking for a turnaround of the business to be driven by its activist shareholders. Unfortunately, the challenges to the car rental business model increased and the value of the business declined. As there had been a change in the fundamental outlook for the business, we decided to exit the position.

On a per unit basis during the period, the Fund's units generated \$0.33 of revenue, (\$0.09) of realized gains (losses) and \$0.44 of unrealized gains (losses).

During the year ending September 30, 2017, ECN Capital Corp. was added to the Fund. ECN is a result of the splitting of Element Financial Corporation into two businesses, a fleet management business and

ECN, a commercial finance business with Steven Hudson as CEO. Steven Hudson has a successful track record of building financing businesses. In addition to ECN, Trisura Group Ltd. was added to the Fund as part of a corporate action of Brookfield Asset Management Inc.

As noted earlier, Hertz was divested from the Fund during the period. Consistent with our focused strategy, we exited the position in Franklin Resources Inc. at what we believed to be an attractive price and also disposed of the small position in Brookfield Business Partners L.P.

At September 30, 2017, by asset class the Fund's net asset value was invested approximately 99% in 18 equity securities and 1 debt security. By geography, the Fund's net assets were invested approximately 55% in cash and securities of issuers based in Canada. We believe that the Fund is well positioned to continue to meet its investment objectives as outlined above.

RECENT DEVELOPMENTS

Global capital markets have experienced strong positive returns post the U.S. election raising market valuations to the high end of historical norms and increasing price risk in the market. The U.S. Federal Reserve increased its target for the Fed Funds rate by 25 basis points, which could be the beginning of a period of rising rates. The future for Europe remains unclear as the United Kingdom recently officially triggered its exit from the European Union. Also, the North American Free Trade Agreement is about to be renegotiated. These and other items will undoubtedly impact global markets. However, we are more focused on the fundamental performances of the businesses in the Fund and we are optimistic for the future.

Effective April 20, 2017, the Fund no longer offered Series G units.

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, 2017, the Manager received \$77,998 in management fees from the Fund compared to \$83,099 for the period ended September 30, 2016 (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, 2017, the Manager was reimbursed \$26,921 for operating expenses incurred on behalf of the Fund, including amounts paid to affiliates, net of applicable taxes. This compares to \$29,290 for period ended September 30, 2016. In addition to the amounts reimbursed, the Manager absorbed \$93,615 of operating expenses during the period ended September 30, 2017 compared to \$88,000 during the period ended September 30, 2016 (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 \$2,237 during the period ended September 30, 2017 by the Fund for such services, compared to \$2,581 during the period ended September 30, 2016.

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, 2017, Related Parties owned 13.4% (September 30, 2016: 9.5%) 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, 2017

Top 25 Investments*

	% of Net Asset Value
Liberty Global PLC LILAC	11.7%
Brookfield Asset Management Inc.	11.2%
Millicom International Cellular SA	5.9%
Baytex Energy Corp.	5.4%
ECN Capital Corp.	5.4%
Invesco Ltd.	5.3%
Digicel Group Limited 8.250% September 30, 2020	5.2%
The Toronto-Dominion Bank	5.0%
Crescent Point Energy Corp.	5.0%
BCE Inc.	4.9%
The Bank of Nova Scotia	4.9%
Northland Power Inc.	4.6%
IGM Financial Inc.	4.6%
Berkshire Hathaway Inc.	4.5%
Brookfield Property Partners L.P.	4.5%
Brookfield Infrastructure Partners L.P.	4.2%
CI Financial Corp.	3.5%
Copa Holdings SA	3.4%
Cash	0.8%
Trisura Group Ltd.	0.0%
Grand Total	100.0%
Total net asset value	\$4,703,073

* 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	
Asset Management & Custody Banks	24.6%
Cable & Satellite	11.7%
Oil & Gas Exploration & Production	10.4%
Diversified Banks	9.9%
Wireless Telecommunication Services	5.9%
Specialized Finance	5.4%
Corporate Bonds	5.2%
Integrated Telecommunication Services	4.9%
Independent Power Producers & Energy Traders	4.6%
Multi-Sector Holdings	4.5%
Real Estate Operating Companies	4.5%
Electric Utilities	4.2%
Airlines	3.4%
Other Net Assets (Liabilities)	0.8%
Geographic Region	
Canada	54.5%
Bermuda	19.2%
United Kingdom	11.7%
Luxembourg	5.9%
United States	4.5%
Panama	3.4%
Other Net Assets (Liabilities)	0.8%

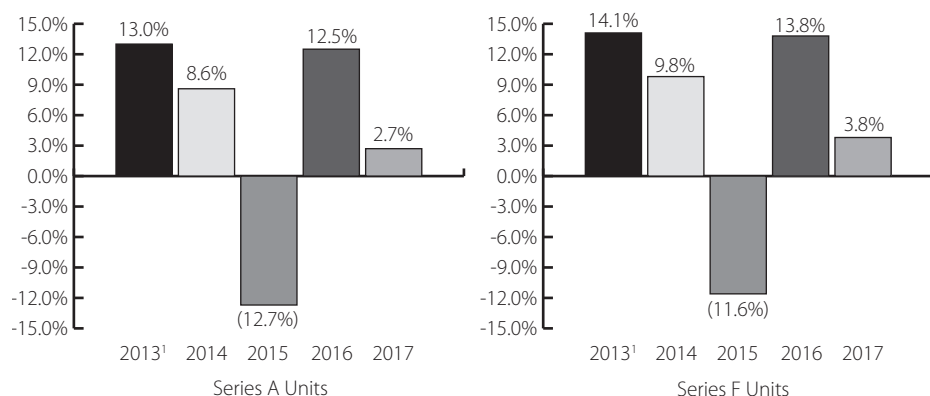
Other Net Assets (Liabilities) refers to cash on hand plus all other assets and liabilities in the Fund excluding portfolio investments.

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 graphs show the annual historical returns of the applicable series of units, which change each year. Annual return is the percentage change in the value of an investment from October 1 to September 30 (unless otherwise stated).



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	4.4%	2.7%	0.3%	-	-
Index		8.0%	9.2%	4.5%	-	-
Series F	October 31, 2012	5.6%	3.8%	1.4%	-	-
Index		8.0%	9.2%	4.5%	-	-

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%	39%	-	61%
Series F	1.00%	-	-	100%

Financial Highlights

The following tables show selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past 5 years or, if shorter, the periods since inception of the Fund. The information in the table below is for the period from October 1 to September 30, or inception date to September 30 in the inception period.

Series A Units - Net Assets per unit^(a)

For the periods ended	2017	2016	2015	2014	2013
Net assets, beginning of the period	\$11.77	\$10.71	\$12.27	\$11.30	\$10.00 ^{(1)(b)}
Increase (decrease) from operations:					
Total revenue	0.34	0.45	0.64	0.36	0.24
Total expenses	(0.34)	(0.33)	(0.36)	(0.35)	(0.28)
Realized gains (losses)	(0.06)	0.11	0.01	0.03	(0.02)
Unrealized gains (losses)	0.35	1.13	(1.93)	0.54	1.10
Total increase (decrease) from operations ²	0.29	1.36	(1.64)	0.58	1.04
Distributions to unitholders:					
From income	(0.06)	(0.03)	-	-	-
From dividends	-	(0.24)	-	-	-
From capital gains	(0.11)	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions ³	(0.17)	(0.27)	-	-	-
Net assets, end of period ⁴	\$11.91	\$11.77	\$10.71	\$12.27	\$11.29

Series A Units - Ratios/Supplemental Data

For the periods ended	2017	2016	2015	2014	2013
Total net asset value	\$2,424,788	\$2,770,840	\$2,617,354	\$2,658,899	\$948,044
Number of units outstanding	203,582	235,362	244,347	216,622	83,890
Management expense ratio ⁵	2.83%	2.82%	2.84%	2.83%	2.79% *
Management expense ratio before waivers or absorptions ⁵	4.79%	4.52%	4.89%	7.41%	26.73% *
Trading expense ratio ⁶	0.05%	0.04%	0.09%	0.04%	0.05% *
Portfolio turnover rate ⁷	10.44%	31.17%	22.23%	1.48%	3.61%
Net asset value per unit	\$11.91	\$11.77	\$10.71	\$12.27	\$11.30

Series F Units - Net Assets per unit^(a)

For the periods ended	2017	2016	2015	2014	2013
Net assets, beginning of the period	\$12.13	\$11.01	\$12.54	\$11.41	\$10.00 ^{(1)(b)}
Increase (decrease) from operations:					
Total revenue	0.33	0.47	0.66	0.41	0.26
Total expenses	(0.20)	(0.19)	(0.22)	(0.21)	(0.21)
Realized gains (losses)	(0.09)	0.14	0.02	0.02	(0.02)
Unrealized gains (losses)	0.44	1.04	(1.74)	(0.23)	1.12
Total increase (decrease) from operations ²	0.48	1.46	(1.28)	(0.01)	1.15
Distributions to unitholders:					
From income	(0.21)	(0.05)	-	-	-
From dividends	-	(0.34)	(0.07)	-	-
From capital gains	(0.11)	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions ³	(0.32)	(0.39)	(0.07)	-	-
Net assets, end of period ⁴	\$12.26	\$12.13	\$11.01	\$12.54	\$11.40

Series F Units - Ratios/Supplemental Data

For the periods ended	2017	2016	2015	2014	2013
Total net asset value	\$2,278,285	\$ 3,102,977	\$2,504,363	\$2,022,327	\$151,658
Number of units outstanding	185,761	255,828	227,399	161,307	13,288
Management expense ratio ⁵	1.70%	1.69%	1.71%	1.69%	1.65% *
Management expense ratio before waivers or absorptions ⁵	3.66%	3.39%	3.75%	5.39%	49.36% *
Trading expense ratio ⁶	0.05%	0.04%	0.09%	0.04%	0.05% *
Portfolio turnover rate ⁷	10.44%	31.17%	22.23%	1.48%	3.61%
Net asset value per unit	\$12.26	\$12.13	\$11.01	\$12.54	\$11.41

Series G Units - Net Assets per unit^{(a)(b)}

For the periods ended	2017	2016	2015	2014	2013
Net assets, beginning of the period	\$10.90	\$9.92	\$11.35	\$10.43	\$10.00 ^{(1)(b)}
Increase (decrease) from operations:					
Total revenue	0.38	0.28	0.59	0.30	0.14
Total expenses	(0.13)	(0.29)	(0.32)	(0.32)	(0.14)
Realized gains (losses)	(0.64)	(0.47)	0.01	0.04	(0.02)
Unrealized gains (losses)	0.73	1.35	(1.70)	0.90	0.44
Total increase (decrease) from operations ²	0.34	0.87	(1.42)	0.92	0.42
Distributions to unitholders:					
From income	-	(0.03)	-	-	-
From dividends	-	(0.24)	-	-	-
From capital gains	(0.10)	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions ³	(0.10)	(0.27)	-	-	-
Net assets, end of period ⁴	-	\$10.90	\$9.92	\$11.35	\$10.42

Series G Units - Ratios/Supplemental Data^(b)

For the periods ended	2017	2016	2015	2014	2013
Total net asset value	-	\$1,110	\$5,955	\$6,808	\$6,257
Number of units outstanding	-	102	600	600	600
Management expense ratio ⁵	2.54% *	2.61%	2.65%	2.64%	2.59% *
Management expense ratio before waivers or absorptions ⁵	4.51% *	4.30%	4.70%	7.96%	23.29% *
Trading expense ratio ⁶	0.05%	0.04%	0.09%	0.04%	0.05% *
Portfolio turnover rate ⁷	10.44%	31.17%	22.23%	1.48%	3.61%
Net asset value per unit	-	\$10.90	\$9.92	\$11.35	\$10.43

† Initial offering price

* Annualized

Explanatory Notes

1. a) The information for 2014 through 2017 is derived from the Fund's audited annual financial statements prepared in accordance with International Financial Reporting Standards. The information for prior years is derived from the Fund's audited annual financial statements prepared based on Canadian Generally Accepted Accounting Principles (GAAP).

b) The following series of the Fund commenced operations on the following dates, which represents the date upon which securities of a series were first purchased by investors.

Series A Units October 31, 2012

Series F Units October 31, 2012

Series G Units March 14, 2013

Series G no longer existed effective March 8, 2017.

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. The information for years prior to September 30, 2014 is derived from the Fund's annual audited financial statements prepared based on Canadian GAAP. Prior to September 30, 2014, for the purpose of processing unitholder transactions, net assets were calculated based on the closing market price, while for financial statement purposes net assets were calculated based on bid/ask price. For the periods ended after September 30, 2013 the information provided for processing unitholder transactions is consistent with the information provided for reporting purposes.

5. The management expense ratio (MER) is based on total expenses (excluding foreign withholding taxes, commissions and other portfolio transaction costs but including management fee distributions paid to certain unitholders 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.

The Fund may hold investments in Exchange Traded Funds (ETFs). The MER is calculated taking into consideration the expenses of the Fund allocated to the series including expenses indirectly attributable to its investment in the ETFs divided by the average daily NAV of the series of the Fund during the period.

6. The trading expense ratio (TER) represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the daily average net asset value of the Fund.

The TER is calculated taking into consideration the costs attributable to its investment in ETFs.

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.



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Historical annual compounded total returns as at September 30, 2017 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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