PORTLAND
INVESTMENT COUNSEL™

Portland Private Income Fund
2015 Annual Report

December 31, 2015

Portland Private Income Fund

2015 Annual Report

December 31, 2015

COMMENTARY	
PORTFOLIO MANAGER	**Christopher Wain-Lowe,** BA, MBA Chief Investment Officer, Executive Vice President and Portfolio Manager

Overview

The investment objective of the Portland Private Income Fund (the Fund) is to preserve capital and provide income and above average long-term returns. The Fund ultimately intends to achieve its investment objective by investing all, or substantially all, of its net assets in the Portland Private Income LP (the Partnership). Although the Fund ultimately intends to invest all, or substantially all, of its net assets in the Partnership, Portland Investment Counsel Inc. (the Manager) currently determines and, from time to time, may determine that the investment objective of the Fund can be best achieved through direct investment in underlying securities and/or investment in other pooled investment vehicles. To the extent the Fund makes direct investments, it will apply the investment strategies of the Partnership.

The investment objective of the Partnership is to preserve capital and provide income and above average long-term returns by investing primarily in a portfolio of private debt securities, either directly or indirectly through other funds, initially consisting of:

- private mortgages, administered by licensed mortgage administrators, currently MarshallZehr Group Inc. (Mortgage Administration #11955) (MarshallZehr or the Mortgage Administrator);
- private commercial debts, currently managed by Crown Capital Partners Inc. (Crown or the Specialty Investment Manager), a portion of which may have participating features resulting in equity ownership of the issuer of the debt or the underlying asset if certain events occur;
- other debt securities, a portion of which may have participating features resulting in equity ownership of the issuer of the debt or the underlying asset if certain events occur; and
- investments in complementary income producing public securities, including real estate income trusts, royalty income trusts, preferred shares, dividend paying equity securities and debt securities including convertibles, corporate and sovereign debt.

The following discussion covers the period from January 1 to December 31, 2015. Information related to investments is presented on a combined basis whether the investments are held by the Fund or the Partnership.

Recent Developments and Outlook

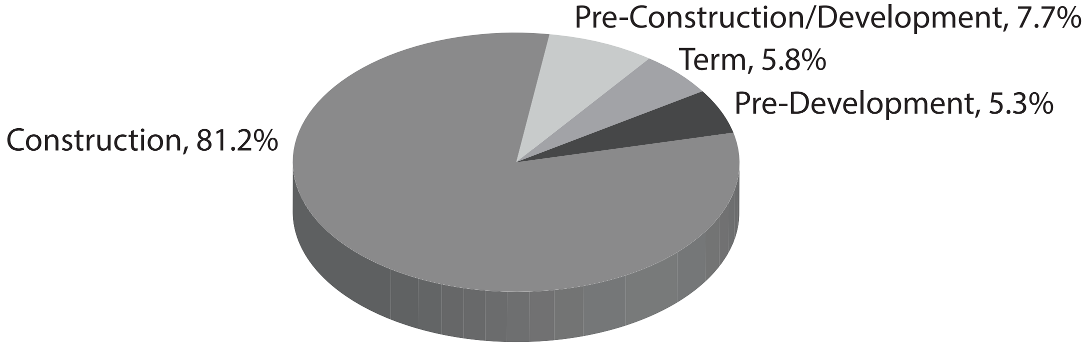
The portfolio made its first commercial loans investment in July 2015 with Crown by participating in its initial public offering. Crown is a specialty finance company focused primarily on providing capital to successful Canadian companies and to select U.S. companies. Crown originates, structures and provides tailored transitory and permanent financing solutions in the form of loans, royalties and other structures with minimal or no ownership dilution. Crown announced the first successful closing of its fourth special situations debt fund, Crown Capital Fund IV, LP (Crown Capital Fund IV) on September 24th with initial commitments of $100 million. Whereas Crown's focus is on financing deals of more than 5 years, Crown Capital Fund IV's focus is on deals of 5 years or less. Crown currently has a 50% ownership of Crown Capital Fund IV and the portfolio currently has a 10% ownership being one of a select few other initial limited partners.

On September 29th, Crown announced the closing of a $15 million, 3 year, subordinated debt agreement with Petrowest Corporation provided by Crown Capital Fund IV. Under the terms of the agreement, Petrowest has granted to Crown Capital Fund IV 4,300,000 warrants each entitling the purchase of one class A common share of Petrowest at an exercise price of $0.40 for a period of five years. Petrowest is an Alberta based corporation involved in both industrial and civil infrastructure projects, as well as pre-drilling and post-completion energy services, gravel crushing and hauling for non-energy sector customers. On November 25th, The BC Hydro and Power Authority announced it had selected the Peace River Hydro Partners consortium as the preferred proponent for the Site C main civil works contract. Peace River Hydro Partners is a consortium in which Petrowest is partnered with Acciona Infrastructure Canada Inc. and Samsung C&T Canada Ltd. The main civil works is the largest single contract in the $8 billion Site C project and includes the construction of an earthfill dam, two diversion tunnels and a concrete foundation for a generation station and spillways. The project is expected to commence in January 2016 but prior to this, Petrowest is currently already on site executing a sub-contract to prepare the work camp site.

On November 25th, Crown announced the closing of a $20 million, 5 year loan with Distinct Infrastructure Group Inc. (Distinct) provided by Crown Capital Fund IV. Under the terms of the agreement, Distinct has granted 8,000,000 common shares at an issuance price of $0.085 per share to Crown Capital Fund IV. Distinct is a utility and telecom infrastructure contractor with capabilities in design, engineering, construction, service and maintenance, and materials management. The company's goal is to be the premier infrastructure provider for Canadian utilities, municipal and provincial governments and already counts Bell and Rogers as existing clients.

Notwithstanding the initiation of the relationship with Crown and Crown Capital Fund IV, the portfolio's current investments consist primarily of mortgages in the Greater Toronto Area (GTA), South-Western Ontario and Central Ontario including a variety of infill and intensification projects with what the Manager believes to be well-established developers located in areas of increased demand. The projects span term, pre-development, development and construction stages (see Table 1 and Chart 1).

Chart 1. Mortgage portfolio breakdown by mortgage type as of December 31, 2015



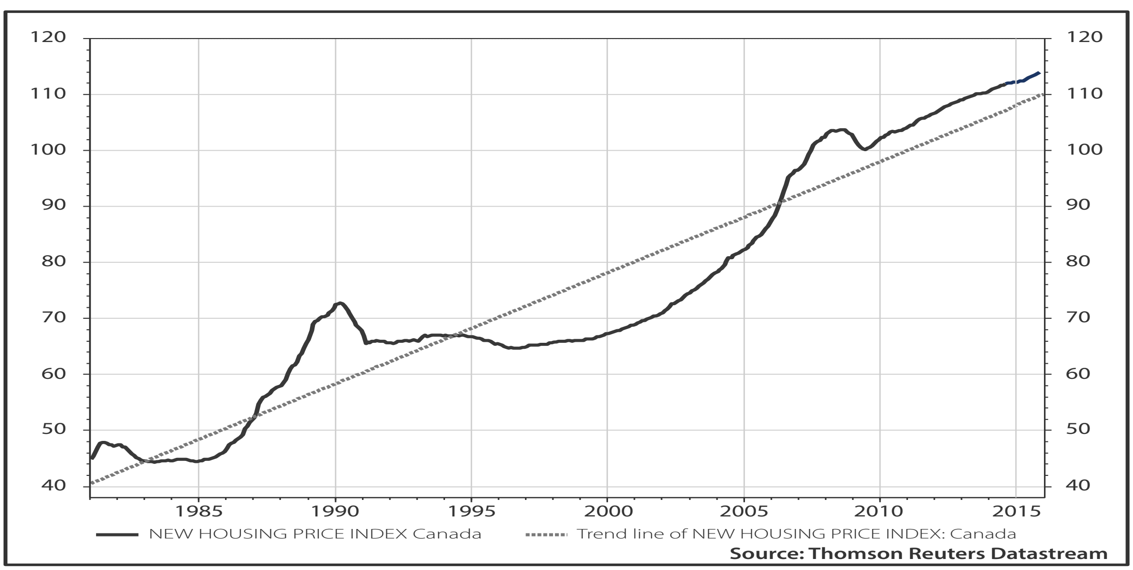
Canada Mortgage and Housing Corporation (CMHC) issues a quarterly 'Housing Market Outlook'. CMCH's fourth quarter 2015 report notes "While the prolonged decline in oil prices triggered two consecutive quarters of real Gross Domestic Product contraction in 2015, employment gains and low interest rates have supported housing activity. Looking ahead, there is considerable uncertainty due to the various risks to the outlook".

Translated across Canada CMCH believes housing starts are expected to moderate in 2016 due to slower housing demand and inventory management of new and unsold multi-family units while growth in price will moderate as buyers favour moderately priced homes. However, whereas housing activity is expected to slow in oil-producing provinces, particularly in Alberta, this is expected to be partly offset by higher starts in other regions, particularly British Columbia and more importantly Ontario – in which this Fund's mortgage exposure is concentrated.

CMCH notes that Ontario's economy will gain momentum over the next two years but job growth will likely not match its pre-recession level. A gradually improving US economy, a low Canadian dollar and low energy prices are expected to support Ontario's export and business investment sector. CMCH believes fewer employment opportunities in public administration and natural resources will dampen activity in eastern and northern Ontario respectively; whereas in south western Ontario (in which this Fund is currently focused) markets such as London and Windsor should outperform over the next two years thanks to high affordability and improving economic conditions. Finally, CMCH expects single family housing in less expensive markets bordering the GTA which include Barrie, Hamilton, Durham and Peterborough should benefit most from rising Toronto home prices.

Chart 2 below, highlights Canadian real home prices indexed to June 2007. This chart seeks to show that real home prices in Canada are on the high-side of their long-term trend, thanks to strong post-recession gains that have run above the rate of inflation. However, Bank of Canada and CMCH macro prudential efforts to decelerate the trend, appear to be working in order to moderate price growth to a level more in line with underlying inflation.

Chart 2. Canada New Housing Price Index – January 15, 1981 to December 31, 2015

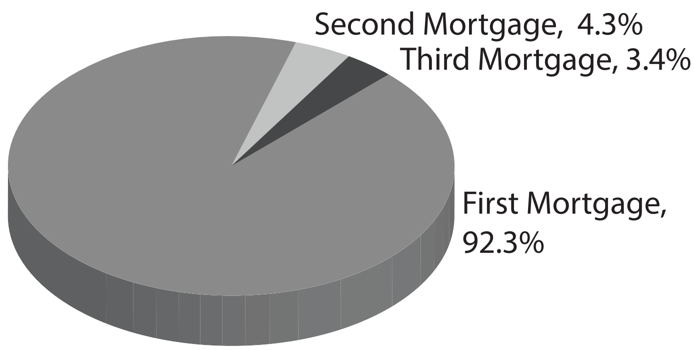


We believe, therefore, that indicators of housing market trends across Ontario continue to look investible, including rental vacancy rents, level of rents, absorption of condo units, the sales-to-new-listings ratios, months of housing inventory and housing affordability.

We remain mindful of the well publicized over-supply of residential real estate projects in certain areas of the market, particularly regarding condo units at various levels of completion across Toronto, and we are applying selectivity and a rigorous due diligence process that we believe ensures a high quality in each project, strength in management, tangible security, an achievable business plan and clear realization of the anticipated returns. The Fund has no exposure to the condo market in Toronto but has exposure in Ontario's retirement and retail markets and modestly in affordable housing which we believe is increasingly needed as urbanization increases a city's 'support network' of service industry workers.

As of December 31, 2015, the weighted average loan-to-value (LTV) of the mortgage portion of the portfolio was 68% and consisted primarily of first mortgages (see Table 1 and Chart 3). LTV is the ratio of loans advanced to date, to the appraised value of the project by MarshallZehr and/or independent appraisers and the Manager.

Chart 3. Mortgage portfolio breakdown by type of security as of December 31, 2015



MarshallZehr continues to focus on dynamic high growth geographies/niches which have been underserved by traditional lenders, where it draws on its extensive business experience in commercial finance and real estate.

We remain confident that current investments, as well as a robust pipeline of investment opportunities, structured/arranged by MarshallZehr and Crown, should allow the Fund to continue to provide its unitholders with similar levels of fully funded distributions, paid monthly, that is Series A and Series F unit holders with about 8% and 9% (based on the initial net asset value per unit of $50.00) annual distributions, respectively.

In May, the 2015 PCMA Private Capital Markets Annual Conference announced the winners of the 2015 PCMA Awards – Private Capital Markets Deals of the Year. The nominees were evaluated based on their leadership in the industry, their contribution to the deal, innovative market, product or investment opportunities created and the benefits of the deal for the issuer and for investors. The award selection committee was comprised of independent members of the PCMA Board of Directors. Portland Private Income Fund was announced as the 'Investment Fund Deal of the Year'.

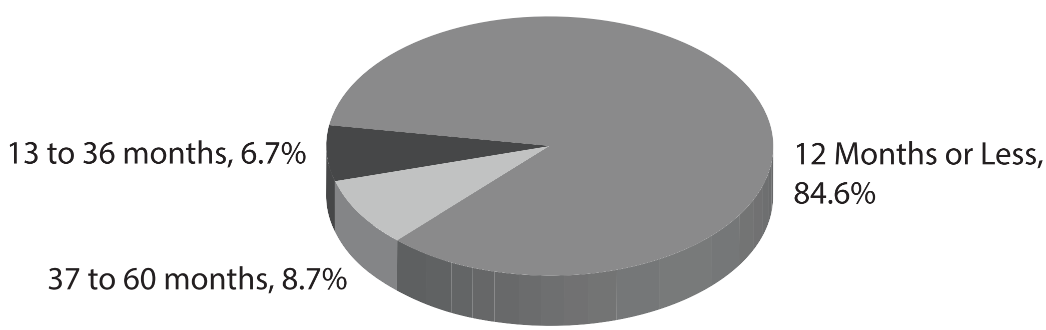
Financial Highlights

The Fund's one year return as of December 31, 2015 was 10.0% for the Series F while Series A's one year return was 8.8%.

The Fund declared quarterly distributions commencing with the quarter ending March, 2013 and moved to monthly fixed distributions since January, 2014. In January 2016, the Fund paid a special distribution in regards to its performance in 2015, in addition to its regular monthly distributions. This special distribution was paid to ensure the Fund did not pay income tax. Effective December 31, 2015, in addition to its regular fixed distribution of $0.3333 per month, the Series A units received a special distribution of $0.045105; and in addition to its regular fixed distribution of $0.375 per month, the Series F units received a special distribution of $0.311818. During 2015, the Fund has maintained its regular monthly distributions.

With prospects for interest rates to remain low, we believe the Fund will continue to outperform publicly traded fixed income instruments. For the 12 months period ended December 31, 2015, the iShares Canadian Short Term Bond Index ETF (XSB) achieved 2.34% total return. Given the Fund's exposure to mostly short term commercial mortgages and loans (see Chart 4), we believe it retains the flexibility and capability to outperform publicly listed fixed income instruments when higher rates will, eventually, return.

Chart 4. Portfolio breakdown by term as of December 31, 2015[1]



The weighted average net interest rate (net of specific provisions) of the mortgage portfolio at December 31, 2015 is 10.6% (see Table 1).

1. Remaining term of mortgages and commercial loans as of breakdown date.

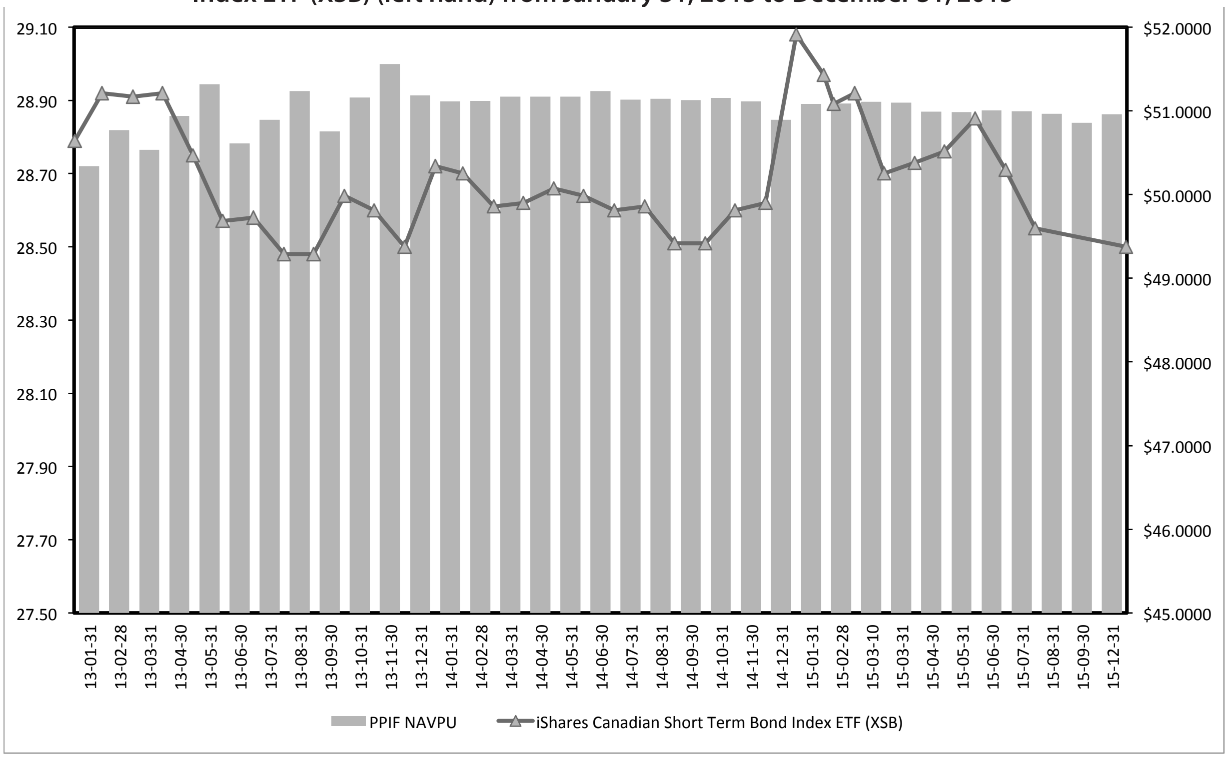
Table 1. Mortgage portfolio as of December 31, 2015

Build Form	Location	Type	Security	Term	Net Yield	Loan to Value
Senior Condominium	Richmond Hill	Pre-Construction/ Development	1st Mortgage	12 months	11.40%	86%
Residential Subdivision	Mississauga	Construction	1st Mortgage	18 months	10.00%	85%
Professional Condominium	Markham	Pre-Construction/ Development	1st Mortgage	12 months	12.00%	61%
Mixed Use Condominium	Kitchener	Construction	3rd Mortgage	36 months	12.75%	91%
Residential Subdivision	Kitchener	Construction	2nd Mortgage	24 months	11.90%	58%
Senior Condominium	North GTA	Construction	1st Mortgage	24 months	10.20%	85%
Senior/Healthcare Condominium	Peterborough	Construction	1st Mortgage	19 months	11.90%	60%
Apartment Building	Peterborough	Construction	1st Mortgage	18 months	10.20%	78%
Residential Subdivision	Guelph	Pre-Development	1st Mortgage	12 months	10.20%	61%
Senior/Healthcare Residence	London	Term	1st Mortgage	12 months	9.50%	81%
Student Housing	Barrie	Construction	1st Mortgage	24 months	12.00%	82%
Commercial Plaza	London	Construction	1st Mortgage	13 months	10.20%	75%
Residential Subdivision	Mississauga	Construction	1st Mortgage	3 months	10.20%	36%
Residential Condominium	Richmond Hill	Construction	2nd Mortgage	3 months	11.90%	78%
Residential Subdivision	Barrie	Pre-Development	1st Mortgage	12 months	10.20%	18%
Commercial Plaza	Scarborough	Pre-Construction/ Development	1st Mortgage	14 months	11.50%	89%
Mixed Use Condominium	Kitchener	Construction	1st Mortgage	9 months	10.20%	71%
			Weighted Average		10.60%[2]	68%

2. Net of specific provisions

Net asset value per unit at December 31, 2015 was $50.96 for Series F and $50.10 for Series A. The Fund has managed to deliver a since inception 9.5% annualized return for Series F (8.1% for Series A), while exhibiting little variance in its monthly net asset value per unit (and even less now that distributions are paid monthly) compared to publicly listed short term debt instruments, such as the iShares Canadian Short Term Bond Index ETF, as depicted in Chart 5.

Chart 5. Historical net asset value per unit for the Fund's Series F (right hand) versus iShares Canadian Short Term Bond Index ETF (XSB) (left hand) from January 31, 2013 to December 31, 2015[3, 4]



Credit risk

Credit risk is the risk of suffering financial loss should any of the borrowers fail to fulfill their contractual obligations.

Credit risk is managed by adhering to the investment and operating policies, as set out in the Fund's Offering Memorandum. This includes the following policies:

- the majority of mortgages are generally expected to be written for terms of 6 to 36 months and supported by commercial liability insurance and by personal or corporate guarantees;
- the portfolio of mortgages are generally expected to be written for principal amounts at the time of commitment (together with the principal balance outstanding on prior mortgages if applicable), not exceeding 75% of the determined value of the underlying property securing the mortgage; and
- the portfolio of commercial loans are generally expected to be first and second lien senior loans and mezzanine debt of 3 to 10 years with amortization and so with terms being between 3 to 7 years, although some may be a much longer duration while bridge loans would typically be less than one year.

Such risks are further mitigated by ensuring a comprehensive due diligence process is conducted on each mortgage and commercial loan prior to funding. This process generally includes, but is not limited to, reviewing legal documentation, independent appraisers' valuations and credit checks and financial statement reviews on prospective borrowers.

We believe that strong management, real cash flow, controlled balance sheet leverage and the ability, either directly or indirectly, to negotiate the appropriate entry price point are the primary drivers of value creation. We would ordinarily expect the leverage of companies being financed would be less than 50% of their determined value and controlled at or below a ratio of 5x debt / EBITDA (earnings before interest, taxes, depreciation and amortization). In selecting Crown as a the Specialty Investment Manager to manage a portfolio of commercial loans, we reviewed their track record of previously directing three special situation debt funds which include the completion of 30 secondary debt transactions since 2002 which Crown estimates achieved an average gross internal rate of return of approximately 16%. Also, Crown's anticipated typical characteristics for the special situations financing being undertaken by Crown Capital Fund IV include: loans of duration 6 months to 5 years, and covenants including debt / EBITDA typically less than 4x which is within our preferred risk parameters.

3. Source: https://www.blackrock.com/ca/individual/en/products/239491/ishares-canadian-short-term-bond-index-etf
4. The iShares Canadian Short Term Bond Index ETF seeks to replicate the performance of the FTSE TMX Canada Short Term Bond Index, net of expenses. The iShares Canadian Short Term Bond Index ETF includes bonds with remaining effective terms greater than 1 year and less than or equal to 5 years. The iShares Canadian Short Term Bond Index ETF is designed to be a broad measure of the Canadian investment-grade fixed income market.

Impairment of financial assets

At least monthly, in respect of the mortgages and quarterly, in respect of the commercial loans managed by Crown, we assess whether there is objective evidence that loans and receivables are impaired, having occurred after the initial recognition of the asset and prior to the period-end that have adversely impacted the estimated future cash flows of the asset. The criteria that we use to determine that there is objective evidence of an impairment loss include: significant financial difficulty of the borrowing entity; a breach of contract; and we, as lender, for economic or legal reasons relating to the borrower's financial difficulty, grant (directly or indirectly) to the borrower a concession that the lender would not otherwise consider.

Non-performing mortgage loans and the resolution of such loans are a normal, ongoing part of the business. In general, loan pricing takes into account the fact that a small percentage of loans will have a period of non-performance. While MarshallZehr as Mortgage Administrator aims to collect all indebtedness on mortgage loans, there are instances where borrowers encounter circumstances when the collection and/or timing of principal repayments and interest payments becomes unclear. For these non-performing loans, interest accrued into revenues is discounted, if such loans are partly performing, or eliminated, if such loans are not performing, thereby resulting in a lower return on the portfolio.

Resolving non-performing loans to maximize value is not typically an expedient process and takes patience, experience and capital.

In the first half of 2015, we recognized that in addition to one mortgage recognized in 2014, two other mortgages had objective evidence of financial difficulty and from the date of recognition classified these mortgages as non-performing loans, with their mortgage interest accrued into revenue being discounted by way of creating a specific allowance.

MarshallZehr has been actively engaged in the recovery processes, including the provision of additional finance by way of Court Ordered debtor-in-possession facilities, pursuant to the Companies' Creditors Arrangement Act. MarshallZehr continues to advise us to expect full recovery of these mortgages with the mortgages identified in early 2015 now showing improvement but until all objective evidence of impairment is removed the specific allowances on these mortgages remain a modest drag on the portfolio's return. In January 2016, the mortgage including outstanding interest which we had classified as non-performing since early 2015 was repaid in full.

Crown, as Specialty Investment Manager, conducts its own quarterly review of the loans it manages and provides us with that assessment. Private securities are valued based upon the value of the underlying components. For example, an investment made by Crown that includes both debt and equity will value the debt component as one security and the equity component as a second security. Upon inception of an investment, the two components shall be equal to the consideration provided by Crown exclusive of market rate financing fees and transaction expenses. The loan component will be valued by a discounted cash flow method taking into account current market interest rate spreads. The discount rate shall be the sum of the following components:

(I) Benchmark yield: for Canadian loans, this is the on-the-run Government of Canada bond with equivalent duration. For U.S. loans, this is the on-the-run U.S. Treasury with equivalent duration.

(II) Credit spread: this is the Canadian or U.S. 'BBB' rated corporate spread index of equivalent duration.

(III) Excess credit spread: this is determined by Crown at the inception of the loan and unless the loan becomes impaired is expected to decline over the life of the loan, taking into account the projected de-leveraging and increase in profitability.

(IV) Excess illiquidity spread: this is determined by Crown at the inception of the loan and unless the loan becomes impaired is expected to decline over the life of the loan as the premium required for holding an illiquid security declines with time.

Crown conducts internal valuations monthly and provides quarterly valuations to us. Crown has agreed it would notify us in between submission of a quarterly report to us, should it consider there to be a material issue to warrant an impairment. On the two commercial loans closed in the period through Crown Capital Fund IV, Crown has not made any adjustments to its valuation models to signal impairment.

Measurement of credit risk via 'Expected Loss'

At least annually we will estimate a collective allowance attributable to the portfolio of mortgages based on probabilities of inherent losses that are as yet unidentified. The approach adopted is 'Expected Loss', a methodology which performs a quantitative calculation of the collective allowance to arrive at a probable quantitative value of the overall collective allowance. This methodology is similar to regulatory capital calculations already employed by banks and so represents the industry's regulatory standard.

The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of the credit risk to which the portfolio of mortgages is exposed, from the level of individual borrowers up to the total portfolio. The key building blocks of this process are:

- Probability of default (PD)
- Loss Given Default (LGD); and
- Exposure at default (EAD).

For example, the portfolio of mortgages can assign an Expected Loss over the next 12 months to each borrower by multiplying these three factors. We calculate probability of default (PD) by assessing the credit quality of borrowers. For the sake of illustration, suppose a borrower has a 2% probability of defaulting over a 12-month period.

The exposure at default (EAD) is our estimate of what the outstanding balance will be if the borrower does default. Suppose the current balance is C$100,000, our models might predict a rise to $110,000 by the time the borrower defaults. Should borrowers default, some part of the exposure is usually recovered. The part that is not recovered, together with the costs associated with the recovery process, comprise the loss given default (LGD), which is expressed as a percentage of EAD. Suppose the LGD in this case is estimated to be 10%, the Expected Loss for this borrower is then calculated as 2% x $110,000 x 10% which is $220 (i.e. 0.22% of the outstanding balance).

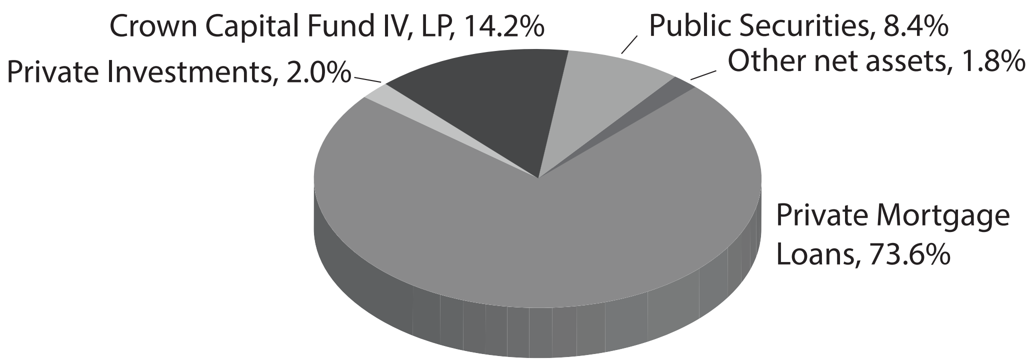
To calculate probability of default, the portfolio assesses the credit quality of borrowers and utilizes publicly available risk default data to help determine both point in time and through-the-cycle estimations of PD. When assessing exposure at default the portfolio anticipates mortgages to be fully drawn and for the purposes of assessing the loss given default the portfolio makes adjustments to account for the increased losses experienced under downturn conditions.

Based on this Expected Loss methodology we conducted an assessment at the beginning of the year from which we assigned a collective allowance/ collective loan loss provision attributable to the mortgage portfolio holdings at a rate of 0.40% of outstanding balances which we increased to 0.60% in June 2015, recognizing that such related losses have yet to be identified. This Expected Loss collective allowance is a deduction from the calculated net asset value and the distributions from the Fund are paid after deducting the specific and collective allowances.

Portfolio Profile

The current portfolio is currently comprised: 74% commercial mortgages, 14% commercial loans (Crown Capital Fund IV) and 12% public securities, private investments and cash and other net assets (see Chart 5). The commercial mortgages are diversified across project types, geography, project stage and term, as detailed in Table 1. As of December 31, 2015, 100% of the mortgage investments were in Ontario.

Chart 5. Portfolio Allocation as of December 31, 2015



Pending further investments in private mortgages or increases in capital contributions to Crown Capital Fund IV , approximately 10% of its investments in the portfolio consist of liquid assets:

(i) cash and short term notes;

(ii) a small holding in First National Financial Corporation's preferred shares with a quarterly fixed dividend which is expected to be reset on 31st March 2016 at a floating prices of 2.07% above the equivalent (initially 5 years) Government of Canada Bond. These preferred shares are investment grade rated by DBRS Limited (the rating agency formerly called Dun & Bradstreet Rating Services). First National is an originator, underwriter and servicer of mainly prime single-family and multi-unit residential mortgages, as well as commercial mortgages. First National is Canada's largest non-bank originator and underwriter of mortgages with over $86 billion in mortgages under administration;

(iii) four US business development corporations (BDCs): Ares Capital Corporation, Alcentra Capital Corporation, BlackRock Kelso Capital Corporation and Fifth Street Senior Floating Rate Corporation. Ares is a leading US specialty finance company focused on lending to underserved middle market companies. It provides 'one stop' financing via a combination of senior and subordinated loans. Its focus is on high free cash flow companies in defensive industries and is one of the largest regulated business development companies in the US. Alcentra was formed in early 2014 from funds within Alcentra Group and the high yield fixed income platform within Bank of New York Mellon Corporation (BNY Mellon), the world's largest global custodian and a leading asset manager. Alcentra targets growth companies that are typically less leveraged and we believe its affiliation with BNY Mellon will provide first refusal over many investment opportunities. BlackRock invests primarily in middle-market companies in the form of senior and junior secured and unsecured debt securities. BlackRock is we believe one of the more conservatively managed specialty finance companies being externally managed by BlackRock Advisors, a subsidiary of BlackRock Inc. a leading global asset manager. Fifth Street consists of virtually all senior secured debt investments that bear interest at floating rates. By comparison to other BDCs held in the portfolio, Fifth Street aims to hold higher quality assets with commensurately lower returns which it then levers to generate higher returns. The investment in Fifth Street has therefore proven premature given its performance is leveraged to a rising interest rate environment;

(iv) an equity holding in Brookfield Property Partners LP. Brookfield is a multinational commercial real estate owner, operator and investor. Brookfield possesses a diversified portfolio including interests in over 400 office and retail properties encompassing approximately 260 million square feet. In addition, Brookfield owns 44 million square feet of industrial space, 27,800 multi-family units as well as 11 hotel assets with nearly 8,700 rooms. Brookfield is headquartered in Bermuda, while the majority of its properties are located in North America, Europe, Australia and Brazil. Established on January 3, 2013, Brookfield was formed through a spin-off of Brookfield Asset Management, Inc. Subsequent to the spin-off, Brookfield Asset Management continues to share its industry expertise and proven investment strategies while maintaining a nearly 68% interest in the company. The acquisition activities for the past two years involving Canary Wharf and Brookfield Office Properties Inc. has further strengthened its office portfolio consisting mostly of Class A office buildings located in downtown cores of some of the largest cities in the world; and

(v) an equity holding in Crown.

The portfolio also includes an exclusive investment in Portland's private offering in renewable energy (Portland Global Energy Efficiency and Renewable Energy Fund LP).

The Fund may from time to time borrow but such borrowings are subject to the restriction that they will not exceed 25% of the total assets of the Fund. During the period, the portfolio has only occasionally borrowed to manage day-to-day cash flow requirements which resulted in a borrowing with the Partnership's prime broker of $1,071,733 over the year-end and which was repaid on January 4th, 2016.

Notes

Commissions, trailing commissions, management fees and expenses all may be associated with investments. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales or optional charges or income taxes payable by any unitholder in respect of a fund that would have reduced returns. Funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the offering memorandum before investing. Portland Investment Counsel Inc. has not independently verified all the information and opinions given in this material. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this material. Information presented in this material should be considered for background information only and should not be construed as investment or financial advice. Please consult a Financial Advisor.

Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared and approved by Portland Investment Counsel Inc., the manager and trustee (the Manager) of Portland Private Income Fund (the Fund). The Fund's Manager is responsible for the information and representations contained in these financial statements. The Board of Directors of the Manager is responsible for reviewing and approving the financial statements.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 to these financial statements.

"Michael Lee-Chin"

Michael Lee-Chin,
Director
March 18, 2016

"Robert Almeida"

Robert Almeida,
Director
March 18, 2016

Independent Auditor's Report

To the Unitholders of Portland Private Income Fund

We have audited the accompanying financial statements of Portland Private Income Fund, which comprise the statement of financial position as at December 31, 2015, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Portland Private Income Fund as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

KPMG LLP

March 18, 2016
Toronto, Canada

Statements of Financial Position

as at December 31,	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	$ 812	$ -
Subscription receivable	1,744,470	497,313
Interest receivable	466,792	266,617
Investments (Note 5)	25,506,004	8,758,354
Total Assets	27,718,078	9,522,284
Liabilities		
Current Liabilities		
Short term borrowing (Note 5)	-	36,046
Accrued expenses	22,075	9,327
Payable for investments purchased	1,644,470	-
Distributions payable	91,725	27,530
Total Liabilities	1,758,270	72,903
Net Assets Attributable to Holders of Redeemable Units	$ 25,959,808	$ 9,449,381
Net Assets Attributable to Holders of Redeemable Units Per Series (Note 6)		
Series A	6,915,696	1,991,838
Series F	19,041,867	7,455,514
Series O	2,245	2,029
	$ 25,959,808	$ 9,449,381
Number of Redeemable Units Outstanding		
Series A	138,036	39,889
Series F	373,648	146,493
Series O	45	41
Net Assets Attributable to Holders of Redeemable Units per Unit		
Series A	50.10	49.94
Series F	50.96	50.89
Series O	49.38	49.82

Approved on behalf of the Trustee, Portland Investment Counsel Inc.

"Michael Lee-Chin" | *"Robert Almeida"*

Director | Director

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income

For the years ended December 31,	2015	2014
Income		
Interest for distribution purposes	$ 941,024	$ 562,989
Dividends	3,935	7,689
Net realized gain (loss) on investments	31,896	509
Change in unrealized appreciation (depreciation) of investments	849,437	1,013
	1,826,292	572,200
Foreign currency gain (loss) on cash and other net assets	(3)	(1,561)
	(3)	(1,561)
Expenses		
Mortgage administration fees	118,950	75,647
Collective and specific allowances (Note 3)	14,927	43,905
Management fees (Note 8)	89,639	24,775
Service fees (Note 8)	45,530	10,842
Securityholder reporting costs (Note 8)	13,003	24,150
Audit fees	26,113	22,760
Custodial fees	5,320	858
Legal fees	15,955	11,003
Independent review committee fees	4,279	4,976
Bank charges	538	125
Transaction costs	147	162
Withholding tax expense	-	1,143
Organizational expenses (Note 8)	13,767	13,469
	348,168	233,815
Less: expenses absorbed by Manager (Note 8)	(28,169)	(51,922)
Total operating expenses	319,999	181,893
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 1,506,290	$ 388,746
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series		
Series A	347,284	71,034
Series F	1,158,790	299,751
Series O	216	17,961
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series per Unit		
Series A	4.35	3.75
Series F	4.98	4.39
Series O	5.02	4.58

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

For the years ended December 31,	2015	2014
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Series A	$ 1,991,838	$ 462,515
Series F	7,455,514	1,394,904
Series O	2,029	111,551
	9,449,381	1,968,970
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Series A	347,284	71,034
Series F	1,158,790	299,751
Series O	216	17,961
	1,506,290	388,746
Distributions to Holders of Redeemable Units		
From net investment income		
Series A	(325,849)	(83,271)
Series F	(1,150,465)	(337,162)
Series O	(235)	(18,470)
	(1,476,549)	(438,903)
From net realized gains on investments		
Series A	(840)	-
Series F	(2,632)	-
Series O	(1)	-
	(3,473)	-
Net Increase (Decrease) from Distributions to Holders of Redeemable Units	(1,480,022)	(438,903)
Redeemable Unit Transactions		
Proceeds from issuance of redeemable units		
Series A	4,650,591	1,487,943
Series F	11,706,390	5,915,965
Series O	-	331,000
	16,356,981	7,734,908
Reinvestments of distributions to holders of redeemable units		
Series A	252,672	80,103
Series F	669,043	260,333
Series O	236	16,715
	921,951	357,151
Redemption of redeemable units		
Series A	-	(26,486)
Series F	(794,773)	(78,277)
Series O	-	(456,728)
	(794,773)	(561,491)
Net Increase (Decrease) from Redeemable Unit Transactions	16,484,159	7,530,568
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Series A	6,915,696	1,991,838
Series F	19,041,867	7,455,514
Series O	2,245	2,029
	$ 25,959,808	$ 9,449,381

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

For the years ended December 31,	2015	2014
Cash Flows from Operating Activities		
Increase / (decrease) in net assets attributable to holders of redeemable units	$ 1,506,290	$ 388,746
Adjustments for:		
Foreign exchange (gain) loss on cash and other net assets	3	1,561
Collective and specific allowances	14,927	43,905
Net realized (gain) loss on investments	(31,896)	(509)
Change in unrealized (appreciation) depreciation on investments	(849,437)	(1,013)
(Increase) decrease in interest receivable	(200,175)	(233,636)
Increase (decrease) in distributions payable	64,195	27,530
Increase (decrease) in accrued expenses	12,748	5,296
Purchase of investments	(16,604,592)	(9,207,422)
Proceeds from the sale of investments	2,367,818	2,313,234
Net Cash Generated (Used) by Operating Activities	(13,720,119)	(6,662,308)
Cash Flows from Financing Activities		
Proceeds from redeemable units issued	15,109,824	7,268,595
Amount paid on redemption of redeemable units	(794,773)	(561,491)
Distributions to holders of redeemable units, net of reinvested distributions	(558,071)	(81,752)
Net Cash Generated (Used) by Financing Activities	13,756,980	6,625,352
Net increase (decrease) in cash and cash equivalents	36,861	(36,956)
Foreign exchange gain (loss) on cash and other net assets	(3)	(1,561)
Cash and cash equivalents beginning of period	(36,046)	2,471
Cash and Cash Equivalents/(Short Term Borrowing) - End of Period	$ 812	$ (36,046)
Cash and cash equivalents (short term borrowing) comprise:		
Cash at bank	812	(36,046)
	812	(36,046)
Interest received, net of withholding tax	740,849	329,353
Dividends received, net of witholding tax	3,935	6,546
Interest paid	538	125
Distributions paid	558,071	81,752

The accompanying notes are an integral part of these financial statements.

Schedule of Investment Portfolio

as at December 31, 2015

No. of Shares	Description		Cost		Carrying Value
UNDERLYING INVESTMENT FUNDS					
Canada					
322,558	Portland Private Income LP Class B	$	18,274,284	$	19,124,914
MORTGAGES					
	Private Mortgage Loans (Note 5)		6,425,521		6,381,090
	TOTAL INVESTMENTS	$	24,699,805	$	25,506,004

The accompanying notes are an integral part of these financial statements.

1. GENERAL INFORMATION

Portland Private Income Fund (the Fund) is an open-ended mutual trust established by Portland Investment Counsel Inc. (the Trustee or Manager) as trustee under the laws of Ontario pursuant to a Master Declaration of Trust dated as of December 17, 2012 (the Declaration of Trust). The Fund commenced operations on January 7, 2013. The Trustee is a corporation formed under the laws of Ontario. The Trustee has ultimate responsibility for the business and undertaking of the Fund in accordance with the terms of the Declaration of Trust. The Trustee has engaged the Manager to manage the Fund on a day-to-day basis, including management of the Fund's portfolio and distribution of the units of the Fund. The registered office of the Fund is 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7.

The investment objective of the Fund is to preserve capital and provide income and above average long-term returns. The Fund intends to achieve its investment objective by investing all, or substantially all, of its net assets in the Portland Private Income LP (the Partnership or Underlying Fund). Although the Fund intends to invest all, or substantially all, of its net assets in the Partnership, the Manager may from time to time determine that the investment objective of the Fund can be best achieved through direct investment in underlying securities and/or investment in other pooled investment vehicles. To the extent the Fund makes direct investments, it will apply the investment strategies of the Partnership. The investment objective of the Partnership is to preserve capital and provide income and above average long-term returns by investing primarily in a portfolio of private debt securities.

During the period ending December 31, 2013, the Fund invested the majority of its net assets in units of the Partnership. On October 25, 2013, the Fund redeemed its units and received mortgage investments from the Partnership as consideration. Accordingly, interest on the related mortgages was earned in the Partnership for the period from commencement of the Fund until October 25, 2013. Thereafter, interest on the mortgage investments was earned in the Fund until November 28, 2014 when the Fund began investing in units of the Partnership again. The Manager intends to make all future investments in the Partnership.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB). The Fund has consistently applied the accounting policies used in the preparation of its financial statements for the years ended December 31, 2015 and December 31, 2014.

These financial statements have been authorized for issue by the Board of Directors of the Manager on March 18, 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. The Fund's investments in equity instruments and underlying Fund investments are designated at inception and are measured at fair value through profit and loss (FVTPL).

The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount.

All other financial assets and liabilities, including mortgage investments are classified as loans and receivables or other financial liabilities and are measured at amortized cost which approximates fair value using the effective interest method. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate.

The Fund's accounting policies for measuring the fair value of its investments and derivatives are similar to those used in measuring its net asset value (NAV) for unitholder transactions; therefore it is expected that net assets attributable to holders of redeemable units will be the same in all material respects as the NAV per unit used in processing unitholder transactions.

(b) Recognition, de-recognition and measurement

Regular way purchases and sales of financial assets are recognized on their trade date - the date on which the Fund commits to purchase or sell the investment. Financial assets and liabilities at FVTPL are initially recognized at fair value. Transaction costs are expensed as incurred in the statements of comprehensive income.

Financial assets are de-recognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all the risks and rewards of ownership. Upon disposal, the difference between the amount received and the average cost to acquire the financial asset is included within 'Net realized gain (loss)' in the statements of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at FVTPL are measured at fair value. Gains and losses arising from change in fair value of the 'financial assets and liabilities at fair value through profit or loss' category are presented in the statements of comprehensive income within "change in unrealized appreciation (depreciation) on investments" in the period in which they arise.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. If there has been no trade, the mid price (average bid and asking price) as of the close of the business on the reporting date is used to approximate fair value. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

Revenue recognition

'Interest for distribution purposes' shown on the statements of comprehensive income represents the interest earned by the Fund on debt securities and distributions paid on Underlying Funds accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities other than zero coupon debt securities which are amortized on a straight line basis. Interest receivable is shown separately in the statements of financial position based on the debt instruments' stated rates of interest. Dividends on equity investments and distributions on investments in other investment funds are recognized as income on the ex-dividend date.

Impairment of financial assets at amortized cost and collective and specific allowances

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instruments' original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. As at December 31, 2015, the Fund has not recognized any impairment.

In the first half of 2015, the Manager recognized that in addition to one mortgage recognized in 2014, two other mortgages had objective evidence of financial difficulty and from the date of recognition classified these mortgages as non-performing loans, with their mortgage interest accrued into revenue being discounted by way of creating a specific allowance. As at December 31, 2015, the specific allowance in relation to these mortgage investments was $7,599 on aggregate investment value of $753,818 (2014: Nil). On the statements of comprehensive income, $14,927 was recorded as "Collective and specific allowances" during the year ended December 31, 2015 of which $7,328 relates to the collective allowance and $7,599 relates to the above-mentioned specific allowance.

Regarding the measurement of mortgage and loan investments, the manager intends to assess impairment using a combination of (i) specific allowances on impaired mortgages and loans that are individually significant and (ii) on a collective basis using an expected loss model. An expected loss model looks at the following elements and multiplies them together to arrive at the percentage of the carrying value to record as a collective allowance:

- Probability of Default (PD)
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

PD is determined by assessing the credit quality of borrowers and the use of publicly available risk default data for similar mortgage and loan investments. EAD is the estimate of what the outstanding balance will be if the borrower does default at the time of default. LGD is the un-recovered part of EAD if there is a default requiring recovery of collateral or payments under a guarantee.

At least annually, the Manager will estimate a collective allowance attributable to the portfolio based on probabilities of inherent losses that are as yet unidentified. The Fund has recognized a collective allowance on its private mortgage loans. As at December 31, 2015, the Manager has reduced the value of its private mortgage loans plus accrued interest by 0.60%, representing a collective allowance for impairment. An amount of $7,328 was included in 'Collective and specific allowances' on the statements of comprehensive income.

Foreign currency translation

The Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the reporting date. Foreign exchange gains and losses related to assets and liabilities at amortized cost are recognized in profit and loss and are presented as 'foreign currency gain (loss) on cash and other net assets' on the statements of comprehensive income. Realized foreign exchange gains and losses related to investments are recognized when incurred and are presented in the statement of comprehensive income within 'net realized gain (loss) on investments'.

Unrealized exchange gains or losses on investments are included in 'change in unrealized appreciation (depreciation) on investments' in the statements of comprehensive income.

'Foreign exchange gain (loss) on currencies and other net assets' arise from sale of foreign currencies, currency gains or losses realized between trade and settlement dates on securities transactions, and the difference between the recorded amounts of dividend, interest and foreign withholding taxes and the Canadian dollar equivalent of the amounts actually received or paid.

Cash and cash equivalents

The Fund considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents. Cash is comprised of deposits with financial institutions.

Cost of investments

The cost of investments represents the average cost for each security excluding transaction costs. On the schedule of investment portfolio, transaction costs have been deducted in aggregate from the total cost of individual investments which include transaction costs.

Short term borrowing

Net overdraft positions on custodial cash accounts of the Fund are repayable on demand and have been presented as a liability in the line 'Short term borrowing' on the statements of financial position.

Redeemable Units

The Fund issued three series of redeemable units, which are redeemable with 60 days notice at the holder's option and do not have identical rights. Such units are classified as financial liabilities. Redeemable units can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's NAV attributable to the unit series. Units are redeemable monthly.

The redeemable units are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the unit back to the Fund.

Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's NAV per unit at the time of issue or redemption. The Fund's NAV per unit is calculated by dividing the net assets attributable to the holders of each series of redeemable units with the total number of outstanding redeemable units for each respective series. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the last traded market price for the purpose of determining the NAV per unit for subscriptions and redemptions.

Expenses

Expenses of the Fund including management fees and other operating expenses are recorded on an accrual basis.

Transaction costs associated with investment transactions, including brokerage commissions, have been expensed on the statements of comprehensive income for financial assets and liabilities at FVTPL.

Interest expense associated with short term borrowing is recorded on an accrual basis.

Organization expenses

In accordance with its offering documents, organizational expenses in the amount of $36,553, which includes legal and registration fees associated with the formation of the Fund, but excludes applicable taxes, are recoverable by the Manager from the Fund. The Fund is required to re-pay the Manager over three years commencing in 2014. Organizational expenses for 2015 in the amount of $13,767 (2014: $13,469), including applicable taxes, has been included as 'Organizational expenses' on the statements of comprehensive income. A decision was made by the Manager to waive the chargeable amounts of organizational expenses for the first 3 months of 2015 and full year 2014. Waived organizational expenses of $3,441 (2014: $13,469) including applicable taxes have been included in 'Expenses absorbed by the Manager' on the statements of comprehensive income.

Increase (decrease) in net assets attributable to holders of redeemable units per unit

'Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit' in the statements of comprehensive income represents the Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series, divided by the weighted average units outstanding of that Series during the reporting period.

Distribution to Unitholders

Distributions will be made to Unitholders only at such times and in such amounts as may be determined at the discretion of the Manager. All distributions by the Fund on Series A, Series F and Series O Units will be automatically reinvested in additional units of the same Series of the Fund held by the investor at the NAV per unit thereof, unless the investor notifies the Manager in writing that cash distributions are preferred.

Allocation of income and expense, and realized and unrealized gains and losses

Management fees and other costs directly attributable to a series are charged to that series. The Fund's shared operating expenses, income, and realized and unrealized gains and losses are generally allocated proportionately to each series based upon the relative NAV of each Series.

Future accounting changes

On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces the existing standards for revenue recognition. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The new standard establishes a framework for the recognition and measurement of revenue generated from contracts with customers, except for items, such as financial instruments, insurance contracts and leases. The new standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from transactions with our customers. IFRS 15 is effective for our fiscal year beginning December 1, 2018. The Manager is in the process of evaluating the impact of the new standard.

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)).The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. The Manager is in the process of evaluating the impact of the new standard.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates the Fund has made in preparing these financial statements.

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments under IAS 39, Financial Instruments - Recognition and Measurement, the Manager is required to make significant judgments about whether or not the investments of the Fund are considered held for trading or that the fair value option can be applied to those that are not. The Manager has concluded that the fair value option can be applied to the Fund's investments that are not considered held for trading. Such investments have been designated at FVTPL.

The Fund holds financial instruments that are not quoted in active markets, including private mortgages loans. The Manager has concluded that these financial instruments are classified as loans and receivables which approximates their fair value due to their short term nature.

Functional and presentation currency

The Fund's investors are mainly from Canada, with subscriptions and redemptions of the redeemable units denominated in Canadian dollars. The primary activity of the Fund is to invest in a portfolio of private loans and mortgages. The performance of the Fund is measured and reported to investors in Canadian dollars. The manager considers the Canadian dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Canadian dollars, which is the Fund's functional and presentation currency.

5. FINANCIAL INSTRUMENTS

a) Offsetting financial assets and liabilities

Financial assets and liabilities must be offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Fund has Canadian and U.S. dollar bank accounts. As at December 31, 2015 the Fund had a balance in its Canadian dollar bank account of $812 and a nil balance in its U.S. dollar account. The Fund has included $812 as 'Cash and cash equivalents' on the statement of financial position.

As at December 31, 2014 the Fund had a balance in its Canadian dollar bank account of ($40,027) which has been offset by $3,981 (expressed in Canadian dollar terms) held in its U.S. dollar bank account. The net amount of ($36,046) is presented in the line item 'Short term borrowing' on the statement of financial position because the balances are held at the same financial position and there is a legal right to offset.

b) Categorization of financial instruments

The following tables present the carrying amounts of the Fund's financial instruments by category as at December 31, 2015 and December 31, 2014.

December 31, 2015:

Assets	Financial assets at FVTPL Designated at Inception ($)	Financial assets at amortized cost ($)	Total ($)
Cash and cash equivalents	-	812	812
Subscriptions receivable	-	1,744,470	1,744,470
Interest receivable	-	466,792	466,792
Mortgage investments	-	6,381,090	6,381,090
Underlying fund investments	19,124,914	-	19,124,914
Total	**19,124,914**	**8,593,164**	**27,718,078**

Liabilities	Financial liabilities at FVTPL Designated at Inception ($)	Financial liabilities at amortized cost ($)	Total ($)
Accrued expenses	-	22,075	22,075
Payable for investments purchased	-	1,644,470	1,644,470
Distributions payable	-	91,725	91,725
Total	**-**	**1,758,270**	**1,758,270**

December 31, 2014:

Assets	Financial assets at FVTPL Designated at Inception ($)	Financial assets at amortized cost ($)	Total ($)
Subscriptions receivable	-	497,313	497,313
Interest receivable	-	266,616	266,616
Mortgage investments	-	7,079,588	7,079,588
Underlying fund investments	1,477,415	-	1,477,415
Equity positions - long	201,351	-	201,351
Total	**1,678,766**	**7,843,517**	**9,522,284**

Liabilities	Financial liabilities at FVTPL Designated at Inception ($)	Financial liabilities at amortized cost ($)	Total ($)
Short term borrowing	-	36,046	36,046
Accrued expenses	-	9,327	9,327
Distributions payable	-	27,530	27,530
Total	**-**	**72,903**	**72,903**

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ending December 31, 2015 and December 31, 2014.

Category	Net gains (losses) ($) 2015	2014
Financial Assets at FVTPL:		
Designated at inception	885,268	9,211
Total	**885,268**	**9,211**

c) Risks associated with financial instruments

The Fund's investment activities may be exposed to various financial risks, including market risk (which includes price risk, interest rate risk and currency risk), liquidity risk and credit risk. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's investment objectives and risk tolerance per the Fund's offering documents. All investments result in a risk of loss of capital.

Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk). Financial instruments held by the Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at December 31, 2015 and December 30, 2014, the Fund did not have significant exposure to price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

This risk is managed by investing in short-term mortgages. As a result the credit characteristics of the Fund's mortgages will evolve such that in periods of higher market interest rates, the Fund's mortgages will be those with narrower credit spreads, and vice versa in periods of lower market interest rates compared to other benchmark rates.

As of December 31, 2015 and December 31, 2014, the Fund's mortgage investments are in fixed rate, short-term mortgages. The Fund generally holds all of its mortgages to maturity. There is no secondary market for the Fund's mortgages and in syndication transactions such as the ones in which the Fund participates these mortgages are generally traded at face value without regard to changes in interest rates.

The following is a summary of the amortized cost of mortgage investments segmented by gross interest rate (before deduction of mortgage administration fees) as at December 31, 2015 and December 31, 2014:

	0% - 11.99%	12% - 12.99%	13% - 13.99%	14% - 14.99%	15% - 15.99%	Total
December 31, 2015	$1,438,472	$2,342,315	-	$1,263,351	$1,336,952	$6,381,090
December 30, 2014	$1,603,507	$2,723,499	$497,936	$914,097	$1,340,549	$7,079,588

The following is a summary of the amortized cost of mortgage investments segmented by term as at December 31, 2015 and December 31, 2014:

	12 months or less	13 to 24 months	24 to 36 months	Total
December 31, 2015	$6,381,090	-	-	$6,381,090
December 30, 2014	$4,985,402	$2,094,186	-	$7,079,588

As at December 31, 2014 the Fund had short term borrowing in the amount of $36,046 which was repayable on demand.

The Fund's balances of interest receivable, subscription receivable, accrued expenses and distributions payable have no exposure to interest rate risk due to their short term nature.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Securities included in the Fund may be valued in or have exposure to currencies other than the Canadian dollar and when measured in Canadian dollars, be affected by fluctuations in the value of such currencies relative to the Canadian dollar.

As at December 31, 2015 and December 30, 2014, the Fund did not have significant exposure to currency risk.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund's exposure to liquidity risk is concentrated in the cash redemption of its units. The Fund provides investors with the right to redeem units monthly upon 60 days notice in advance of the redemption date, such redemptions to be paid within 30 days following the redemption date.

The Fund makes investments in private mortgage loans that are not traded in an active market. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at amounts which approximate their fair values. In order to maintain liquidity, the Fund may invest in complementary, more liquid, income producing public securities, including real estate income trusts, royalty income trusts, preferred shares, dividend paying equity securities and debt securities including convertibles, corporate and sovereign debt. The Fund has the ability to borrow for the purposes of making investments, providing cover for the writing of options, paying redemptions, working capital purposes and to maintain liquidity in accordance with its investment objective and investment strategies.

The tables below analyze the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

December 31, 2015	< 6 months ($)	> 6 months ($)	Total ($)
Accrued expenses	22,075	-	22,075
Payable for investments purchased	1,644,470	-	1,644,470
Distributions payable	91,725	-	91,725

December 31, 2014	< 6 months ($)	> 6 months ($)	Total ($)
Short term borrowing	36,046	-	36,046
Accrued expenses	9,327	-	9,327
Distributions payable	27,530	-	27,530

Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The Fund invests a majority of its assets in private mortgage loans which are subject to credit risk. Any instability in the real estate sector and adverse change in economic conditions in Canada could result in declines in the value of real property securing the Fund's mortgage investments.

The Fund's credit risk management objectives are to:

- establish a framework of controls to ensure credit risk-taking is based on sound credit risk management principles; and
- identify, assess and measure credit risk clearly and accurately across the Fund, from the level of individual mortgages or commercial loans up to the total portfolio.

Credit risk is managed by adhering to the investment and operating policies, as set out in its offering documents. This includes the following policies:

- the majority of mortgages are generally expected to be written for terms of 6 to 36 months and supported by commercial liability insurance and by personal or corporate guarantees; and
- mortgages are generally expected to be written for a principal amount at the time of commitment (together with the principal balance outstanding on prior mortgages if applicable), not exceeding 75% of the determined value of the underlying property securing the mortgage.

Such risks are further mitigated by ensuring a comprehensive due diligence process is conducted on each mortgage prior to funding. This process generally includes, but is not limited to, reviewing legal documentation, independent appraisers valuations and credit checks and financial statement reviews on prospective borrowers.

In addition to private mortgage loans, the Fund has indirect exposure to commercial loans through its investment in Portland Private Income LP, which in turn invests in Crown Capital Fund IV LP.

- the portfolio of commercial loans are generally expected to be first and second lien senior loans and mezzanine debt of 3 to 10 years with amortization and so with terms being between 3 to 7 years, although some may be a much longer duration while bridge loans would typically be less than one year.

Ordinarily the Manager expects the leverage of companies being financed within Crown Capital Fund IV LP would be less than 50% of their determined value and controlled at or below a ratio of 5x debt / EBITDA (earnings before interest, taxes, depreciation and amortization). It is anticipated that typical characteristics for the special situations financing being undertaken by Crown Capital Fund IV, LP are: loans of duration 6 months to 5 years; and covenants including debt / EBITDA typically less than 4x which is within the preferred risk parameters of the Manager.

The maximum exposure to credit risk at December 31, 2015 is the face value of the private mortgage loans plus the accrued interest thereon less the collective allowance, which total $6,847,882 (December 31, 2014 - $7,109,091). The Fund has recourse under the terms of the private mortgage loans in the event of default by the borrower, in which case the Fund would have a claim against the underlying property and security.

The following is a summary of the private mortgage loans held as at December 31, 2015:

	Number of Mortgages	Carrying Value	Carrying Value + Accrued Interest
First Mortgages	10	$5,196,483	$5,454,493
Second Mortgages	1	$628,538	$742,207
Third Mortgages	1	$556,069	$651,182
Total	**12**	**$6,381,090**	**$6,847,882**

The following is a summary of the private mortgage loans held as at December 31, 2014:

	Number of Mortgages	Carrying Value	Carrying Value + Accrued Interest
First Mortgages	10	$5,508,381	$5,531,073
Second Mortgages	3	$1,013,661	$1,018,018
Third Mortgages	1	$557,546	$560,000
Total	**14**	**$7,079,588**	**$7,109,091**

The following is a summary of the private mortgage loans held by the Fund segmented by type of project as at December 31, 2015 and December 30, 2014:

	Pre-development	Pre-development/ Construction	Construction	Term	Total
December 31, 2015	$496,975	$1,176,008	$3,664,760	$1,043,347	$6,381,090
December 31, 2014	$497,983	$1,454,799	$3,523,299	$1,603,507	$7,079,588

d. Fair value of financial instruments

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the importance of the inputs used to perform each valuation. The fair value hierarchy is made up of the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 - inputs are unobservable for the asset or liability.

The fair value hierarchy requires the use of observable market data each time such data exists. A financial instrument is classified at the lowest level of the hierarchy for which significant input has been considered in measuring fair value. Private mortgage loans are not measured at FVTPL therefore are not included in the below summary.

The following tables illustrate the classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2015:

	Assets at fair value as at December 31, 2015			
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Underlying Fund	-	19,124,914	-	19,124,914
Total	**-**	**19,124,914**	**-**	**19,124,914**

The following tables illustrate the classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2014:

	Assets at fair value as at December 31, 2014			
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Equities - Long	201,351	-	-	201,351
Underlying Fund	-	1,477,415	-	1,477,415
Total	**201,351**	**1,477,415**	**-**	**1,678,766**

Fair value is classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, the instrument is reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

6. REDEEMABLE UNITS

The Fund is permitted to issue an unlimited number of redeemable units issuable in Series A, Series F and Series O Units, having such terms and conditions as the Manager may determine. Additional series may be offered in future on different terms, including different fee and dealer compensation terms and different minimum subscription levels. Each unit of a series represents an undivided ownership interest in the net assets of the Fund attributable to that series of units.

The Fund endeavors to invest capital in appropriate investments in conjunction with its investment objectives. The Fund maintains sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments, where necessary.

Units of the Fund are available in multiple series as outlined below. The principal difference between the series of units relates to the management fee payable to the Manager, the compensation paid to dealers and the expenses payable by the series. All units are entitled to participate in the Fund's liquidation of assets on a series basis. Units are issued as fully paid and non-assessable and are redeemable at the NAV per unit of the applicable series of units being redeemed, determined at the close of business on the day the redemption request is submitted.

Series A Units are available to all investors who meet the eligibility requirements.

Series F Units are available to investors who meet the eligibility requirements and who participate in fee-based programs through their dealer and whose dealer has signed a Series F Agreement with the Manager, investors for whom the Fund do not incur distribution costs, or individual investors approved by the Manager.

Series O Units are available to certain institutional or other investors.

The Fund's NAV per unit is determined on the last business day of each month at the close of regular trading on the Toronto Stock Exchange, (each, a Valuation Date) or on such other date as determined by the Manager (an Additional Pricing Date). Unitholders may redeem their Units on any Valuation Date by submitting a request for redemption no later than the day that is 60 days prior to the Valuation Date in order for the redemption to be accepted as at that Valuation Date; otherwise the redemption will be processed as at the next Valuation Date. The redemption price shall equal the net asset value per unit of the applicable series of units being redeemed, determined as of the close of business on the relevant Valuation Date.

If a Unitholder redeems his or her units within the first 18 months from initial purchase, the Manager may, in its discretion, charge a redemption penalty equal to 5% of the NAV of such Units redeemed which will be deducted from the redemption proceeds and retained by the Fund. If a Unitholder redeems his or her units after 18 months to 36 months from initial purchase, the Manager may, in its discretion, charge a redemption penalty equal to 2% of the NAV of such Units redeemed which will be deducted from the redemption proceeds and retained by the Fund.

The number of units issued and outstanding for the year ended December 31, 2015 was as follows:

Year ended December 31, 2015	Balance, Beginning of Year	Units Issued	Units Reinvested	Units Redeemed	Balance, End of Year
Series A	39,889	93,090	5,057	-	138,036
Series F	146,493	229,611	13,120	15,576	373,648
Series O	41	-	4	-	45

The number of units issued and outstanding for the year ended December 31, 2014 was as follows:

Year ended December 31, 2014	Balance, Beginning of Year	Units Issued	Units Reinvested	Units Redeemed	Balance, End of Year
Series A	9,179	29,642	1,596	528	39,889
Series F	27,252	115,677	5,095	1,531	146,493
Series O	2,232	6,632	335	9,158	41

7. TAXATION

The Fund qualifies as a mutual fund trust within the meaning of the Income Tax Act (Canada). Mutual fund trusts are subject to tax on any income, including net realized capital gains, which is not paid or payable to their unitholders. All of the Fund's net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the statements of financial position as a deferred income tax asset.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statements of comprehensive income. Withholding taxes are shown as a separate item in the statements of comprehensive income.

The Fund's tax year end is December 31. As at December 31, 2015, there were no capital losses or non-capital losses to carryfoward.

8. MANAGEMENT FEES AND EXPENSES

Pursuant to the Fund's prospectus, the Fund agrees to pay management fees to the Manager, calculated and accrued daily and paid monthly. The annual management fee rate for Series A and Series F Units is 0.5%. Management fees on Series O Units are negotiated and are charged to the investors in Series O Units, not the Fund. The Fund is also charged a service fee on Series A Units of 1.0% per annum calculated and accrued on each Valuation Date and paid monthly. The Manager distributes the service fee to advisors as a trailing commission.

In addition, the Fund is responsible for, and the Manager is entitled to reimbursement for any operating expenses it incurs on behalf of the Fund, including regulatory filing fees, custodian fees, legal and audit fees, costs associated with the Independent Review Committee, bank charges, the cost of financial reporting, and all related sales taxes. GST and HST paid by the Fund on its expenses is not recoverable. The Manager also provides key management personnel to the Fund. The Manager may charge the Fund for actual time spent by its personnel (or those of its affiliates) in overseeing the day-to-day business affairs of the Fund. The amount charged for time spent by personnel is determined based on fully allocated costs and does not include a mark up or administration fee. The Manager may absorb fund operating expenses at its discretion but is under no obligation to do so.

The Fund is responsible for, and the Manager is entitled to reimbursement from the Fund for all costs associated with the creation and organization, including legal and registration fees associated with the formation of the Fund in the amount of $36,553 (excluding applicable taxes). The Fund is required to re-pay the Manager over three years commencing in 2014. Organizational expenses for 2015 in the amount of $13,767 (2014: $13,469), including applicable taxes, has been included as 'Organizational expenses' on the statements of comprehensive income. A decision was made by the Manager to waive the chargeable amounts for the first 3 months of 2015 and full year 2014. Waived organizational expenses of $3,441 (2014:$13,469), including applicable taxes, have been included in 'Expenses absorbed by the Manager' on the statements of comprehensive income.

9. SOFT DOLLARS

A portion of the brokerage commissions (referred to as "soft dollars") paid by the Fund on securities purchases and sales to dealers (generally "full service" dealers) represents fees for goods and services, in the form of proprietary research, provided to the Manager by the dealer which are in addition to order execution services. The Manager may choose to affect portfolio transactions with dealers who provide research, statistical and other similar services to the Fund or to the Manager at prices which reflect such services. The Manager may direct trades to a dealer in exchange for 'in-house' proprietary research. The dealers do not provide the Manager with an estimate of the cost of the research, statistical and other similar services.

10. RELATED PARTY TRANSACTIONS

The following table outlines the management fees, service fees and operating expense reimbursements that were paid to the Manager by the Fund during the years ended December 31, 2015 and December 31, 2014. The table includes the amount of operating expense reimbursement that was paid to affiliates of the Manager for administrative services provided in managing the day-to-day operation of the Fund and the amount of additional absorbed operating expenses that the Manager chose not to charge to the Fund. All of the dollar amounts in the table below exclude applicable GST or HST.

Period ended	Management Fees ($)	Service Fees ($)	Operating Expense Reimbursement ($)	Organizational Expense Reimbursement ($)	Absorbed Expense ($)	Absorbed Organizational Expense ($)	Operating Expenses Reimbursed to Affiliates of the Manager ($)
December 31, 2015	79,825	40,283	35,571	12,183	22,022	3,045	5,993
December 31, 2014	22,412	9,594	57,550	12,180	34,775	12,180	5,114

The Fund owed the following amounts to the Manager:

As at	Management Fees ($)	Service Fees ($)	Operating Expense Reimbursement ($)
December 31, 2015	10,136	5,618	2,850
December 31, 2014	3,745	1,501	3,129

The Manager, its officers and directors (Related Parties) may invest in units of the Fund from time to time in the normal course of business. All such transactions are measured at NAV per unit. As at December 31, 2015, thirteen Related Parties owned less than 4% of the net assets of the Fund. As at December 31, 2014, less than 10 Related Parties owned less than 3% of the net assets of the Fund.

11. EXEMPTION FROM FILING

The Fund is relying on the exemption obtained in National Instrument 81-106, Part 2.11 to not file its financial statements on SEDAR.

12. COMPARATIVE INFORMATION

Certain comparative amounts have been re-formatted to conform to current year presentation.

Statement of Corporate Governance Practices

Canadian securities law requires certain reporting issuers to publish specific disclosure concerning their corporate governance practices. The Manager has established an Independent Review Committee consisting of three members appointed to provide independent advice to assist the Manager in performing its services and to consider and provide recommendations to the Manager on conflicts of interest to which the Manager is subject when managing the Fund.

APPENDIX A

Portland Private Income LP

2015 Annual Report

December 31, 2015

▪ PARTNERSHIP INFORMATION

▪ General Partner:	Portland General Partner (Ontario) Inc.
▪ Registered Office:	1375 Kerns Road, Suite 100 Burlington, Ontario L7P 4V7
▪ Investment fund manager and portfolio manager:	Portland Investment Counsel Inc. Burlington, Ontario
▪ Administrator	CIBC Mellon Global Securities Services Company Toronto, Ontario
▪ Auditor:	KPMG LLP Toronto, Ontario

Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared and approved by Portland Investment Counsel Inc., (the Manager) of Portland Private Income LP (the Partnership). The Partnership's Manager is responsible for the information and representations contained in these financial statements. The Board of Directors of the Manager is responsible for reviewing and approving the financial statements.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Partnership are described in Note 3 to these financial statements.

"Michael Lee-Chin"

Michael Lee-Chin,
Director
March 18, 2016

"Robert Almeida"

Robert Almeida,
Director
March 18, 2016

Independent Auditor's Report

To the Limited Partners of Portland Private Income LP

We have audited the accompanying financial statements of Portland Private Income LP, which comprise the statement of financial position as at December 31, 2015, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Portland Private Income LP as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

KPMG LLP

March 18, 2016
Toronto, Canada

Statements of Financial Position

as at December 31,		2015		2014
Assets				
Current Assets				
Cash and cash equivalents	$	216	$	357
Dividends receivable		8,738		-
Other receivables		-		51
Subscriptions receivable		1,644,470		-
Interest receivable		243,634		19,960
Investments - pledged as collateral (Note 5 and 9)		2,172,292		-
Investments (Note 5)		16,225,747		1,457,952
Total Assets		20,295,097		1,478,320
Liabilities				
Current Liabilities				
Loan facility (Note 9)		1,071,733		-
Accrued expenses		8,577		696
Payable for investments purchased		88,802		-
Other liabilities		912		-
Total Liabilities		1,170,024		696
Net Assets Attributable to Holders of Redeemable Units	$	19,125,073	$	1,477,624
Equity				
General Partner's contribution		100		100
Net Assets Attributable to Holders of Redeemable Units Per Class (Note 6)				
Class A		60		54
Class B		19,124,913		1,477,470
	$	19,124,973	$	1,477,524
Number of Redeemable Units Outstanding				
Class A		1		1
Class B		322,558		27,277
Net Assets Attributable to Holders of Redeemable Units per Unit (Note 6)				
Class A		59.66		54.37
Class B		59.29		54.17

Approved on behalf of the General Partner

"Michael Lee-Chin"

Director

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income

For the years ended December 31,	2015	2014
Income		
Interest for distribution purposes	$ 868,175	$ 12,843
Dividends	59,986	-
Net realized gain (loss) on investments	2,286	-
Change in unrealized appreciation (depreciation) of investments	226,957	-
	1,157,404	12,843
Foreign currency gain (loss) on cash and other net assets	(1,027)	-
	(1,027)	-
Expenses		
Mortgage administration fees	130,768	1,989
Collective and specific allowances (Note 3)	111,237	8,646
Securityholder reporting costs (Note 8)	33,837	1,427
Audit fees	20,171	5,636
Custodial fees	3,277	-
Legal fees	620	-
Interest expense and bank charges	1,918	-
Transaction costs	1,713	-
Withholding tax expense	8,513	-
Organizational expenses (Note 8)	4,112	4,112
	316,166	21,810
Less: expenses absorbed by Manager (Note 8)	(8,912)	(10,480)
Total operating expenses	307,254	11,330
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 849,123	$ 1,513
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	6	-
Class B	849,117	1,513
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class per Unit		
Class A	5.53	-
Class B	5.58	0.50

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

for the years ended December 31,	2015	2014
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Class A	$ 54	$ 54
Class B	1,477,470	54
	1,477,524	108
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	6	-
Class B	849,117	1,513
	849,123	1,513
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	-	-
Class B	16,798,381	1,475,903
	16,798,381	1,475,903
Redemption of redeemable units		
Class A	-	-
Class B	(55)	-
	(55)	-
Net Increase (Decrease) from Redeemable Unit Transactions	16,798,326	1,475,903
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Class A	60	54
Class B	19,124,913	1,477,470
	$ 19,124,973	$ 1,477,524

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

For the years ended December 31,	2015	2014
Cash Flow from Operating Activities		
Increase / (decrease) in net assets attributable to holders of redeemable units	$ 849,123	$ 1,513
Adjustments for:		
Foreign exchange (gain) loss on cash and other net assets	1,027	-
Collective and specific allowances	111,237	8,646
Net realized (gain) loss on investments	(2,286)	-
Change in unrealized (appreciation) depreciation on investments	(226,957)	-
(Increase) decrease in interest receivable	(223,674)	(19,960)
Increase (decrease) in accrued expenses	8,793	696
Purchase of investments	(20,274,806)	(2,466,338)
Proceeds from the sale of investments	3,541,527	999,740
Dividends receivable	(8,738)	-
Other receivables	51	-
Net Cash Generated (Used) by Operating Activities	(16,224,703)	(1,475,703)
Cash Flows from Financing Activities		
Increase in loan facility	1,071,733	-
Proceeds from redeemable units issued	15,153,911	1,475,903
Amount paid on redemption of redeemable units	(55)	-
Net Cash Generated (Used) by Financing Activities	16,225,589	1,475,903
Net increase (decrease) in cash and cash equivalents	886	200
Foreign exchange gain (loss) on cash and other net assets	(1,027)	-
Cash and cash equivalents beginning of period	357	157
Cash and cash equivalents/(short term borrowing) - end of period	$ 216	$ 357
Interest received (paid), net of withholding tax	$ 644,501	$ (7,117)
Dividends received, net of withholding taxes	$ 44,839	$ -
Interest paid	$ 643	$ -

The accompanying notes are an integral part of these financial statements.

Schedule of Investment Portfolio

as at December 31, 2015

No. of Shares	Description		Cost		Carrying Value
EQUITIES					
Canada					
3,500	Crown Capital Fund Private Placement	$	3,448,521	$	3,638,214
73,000	Crown Capital Partners Inc.		669,584		638,750
2,000	First National Financial Corporation Preferred Series 1		22,320		21,380
			4,140,425		4,298,344
United States					
14,000	Alcentra Capital Corporation		224,451		224,713
35,000	Ares Capital Corporation		707,516		690,120
5,000	BlackRock Kelso Capital Corporation		62,872		65,034
11,000	Brookfield Property Partners LP		302,848		354,420
15,000	Fifth Street Senior Floating Rate Corporation		175,501		177,875
			1,473,188		1,512,162
UNDERLYING INVESTMENTS FUNDS					
Canada					
8,453	Portland Global Energy Efficiency and Renewable Energy Fund LP Class O		490,000		518,370
			490,000		518,370
MORTGAGES					
	Private Mortgage Loans (Note 5)		12,203,448		12,069,163
			12,203,448		12,069,163
	Transaction costs		(1,694)		
	TOTAL INVESTMENTS	$	18,305,367	$	18,398,039

The accompanying notes are an integral part of these financial statements.

1. GENERAL INFORMATION

Portland Private Income LP (the Partnership) is a limited partnership established under the laws of the Province of Ontario on December 17, 2012. Pursuant to the limited partnership agreement, Portland General Partner (Ontario) Inc. (the General Partner) is responsible for the management of the Partnership. The General Partner has engaged Portland Investment Counsel Inc. (the Manager) to direct the day-to-day business, operations and affairs of the Partnership, including management of the Partnership's portfolio on a discretionary basis and distribution of the Units of the Partnership.

The Partnership was established as an investment vehicle for the Portland Private Income Fund (the Fund). During the period ending December 31, 2013, the Fund invested the majority of its net assets in units of the Partnership. On October 25, 2013, the Fund redeemed its units and received mortgage investments from the Partnership as consideration. Accordingly, interest on the related mortgages was earned in the Partnership for the period from commencement of the Fund until October 25, 2013. Thereafter, interest on the mortgage investments was earned in the Fund until November 28, 2014 when the Fund began investing in units of the Partnership again. The Manager intends to make all future investments in the Partnership. Both the Partnership and the Fund are managed by the Manager.

The investment objective of the Partnership is to preserve capital and provide income and above average long-term returns by investing primarily in a portfolio of private debt securities. To achieve the investment objective, the Manager may:

- invest in a portfolio of private income generating securities, either directly or indirectly through other funds, initially consisting of:
- private mortgages, administered by licensed mortgage administrators;
- private commercial debts, a portion of which may have provisions resulting in equity ownership of the issuer of the debt or the underlying asset if certain events occur;
- other debt securities, a portion of which may have provisions resulting in equity ownership of the issuer of the debt or the underlying asset if certain events occur; and
- invest in complementary income producing public securities, including real estate income trusts, royalty income trusts, preferred shares, dividend paying equity securities and debt securities including convertibles, corporate and sovereign debt.

To a lesser extent, derivatives may also be used on an opportunistic basis in order to meet the Partnership's investment objective. Derivatives may limit or hedge potential losses associated with currencies, specific securities, stock markets and interest rates or be used to generate income. Derivatives may include forward currency agreements and options. Short sale positions may be used to profit from the expected decline in valuations of overvalued securities or to hedge the Partnership's long positions.

In addition, the Partnership may borrow up to 25% of the total assets of the Partnership after giving effect to the borrowing.

The Partnership may invest in investment funds, exchange-traded funds and mutual funds which may or may not be managed by the Manager or one of its affiliates or associates. The Partnership may hold cash in short-term debt instruments, money market funds or similar temporary instruments, pending full investment of the Partnership's capital and at any time deemed appropriate by the Manager.

The Partnership has no geographic, industry sector, asset class or market capitalization restrictions. There is no restriction on the percentage of the Net Asset Value of the Partnership which may be invested in the securities of a single issuer.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB). The Partnership has consistently applied the accounting policies used in the preparation of its financial statements for the years ended December 31, 2015 and December 31, 2014.

These financial statements have been authorized for issue by the Board of Directors of the Manager on March 18, 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

The Partnership recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. The Partnership's investments in equity instruments are designated at inception and are measured at fair value through profit and loss (FVTPL).

The Partnership's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount.

All other financial assets and liabilities are classified as loans and receivables or other financial liabilities and are measured at amortized cost which approximates fair value using the effective interest method. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate.

The Partnership's accounting policies for measuring the fair value of its investments and derivatives are similar to those used in measuring its net asset value (NAV) for unitholder transactions; therefore it is expected that net assets attributable to holders of redeemable units will be the same in all material respects as the NAV per unit used in processing unitholder transactions.

(b) Recognition, de-recognition and measurement

Regular way purchases and sales of financial assets are recognized on their trade date - the date on which the Partnership commits to purchase or sell the investment. Financial assets and liabilities at FVTPL are initially recognized at fair value. Transaction costs are expensed as incurred in the statements of comprehensive income.

Financial assets are de-recognized when the rights to receive cash flows from the investments have expired or the Partnership has transferred substantially all the risks and rewards of ownership. Upon disposal, the difference between the amount received and the average cost to acquire the financial asset is included within 'Net realized gain (loss) on investments' in the statements of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at FVTPL are measured at fair value. Gains and losses arising from change in fair value of the 'financial assets and liabilities at fair value through profit or loss' category are presented in the statements of comprehensive income within "change in unrealized appreciation (depreciation)" in the period in which they arise.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Partnership uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. If there has been no trade, the mid price (average bid and asking price) as of the close of the business on the reporting date is used to approximate fair value. The Partnership's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

Revenue recognition

'Interest for distribution purposes' shown on the statements of comprehensive income represents the interest earned by the Partnership on debt securities and distributions paid on Underlying Funds accounted for on an accrual basis. The Partnership does not amortize premiums paid or discounts received on the purchase of fixed income securities other than zero coupon debt securities which are amortized on a straight line basis. Interest receivable is shown separately in the statement of financial position based on the debt instruments' stated rates of interest. Dividends on equity investments and distributions on investments in other investment Partnerships are recognized as income on the ex-dividend date.

Impairment of financial assets at amortized cost and collective and specific allowances

At each reporting date, the Partnership assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Partnership recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instruments original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. As at December 31, 2015, the Partnership has not recognized any impairment.

The Partnership recognized a specific allowance against one of its mortgage investments because the borrower had not paid interest payments owing for the period from September 28, 2014 to December 14, 2014 and was unable to pay the principal amount upon maturity on December 14, 2014. (Note that the mortgage was transferred from the Fund to the Partnership on November 28, 2014). The mortgage administrator initiated debtor in possession proceedings in order to complete construction on previously sold properties and re-package the remaining construction financing, which did occur in the first quarter of 2015. As at December 31, 2015, the specific allowance in relation to this mortgage investment was $62,936 on investment value of $502,559 (2015: $43,912, 2014: $19,024).

In January 2016, the Partnership received payment of all outstanding interest and principal on the above-mentioned mortgage which had been overdue and in arrears on its interest payments and for which the specific allowance had been in place as at December 31, 2015. Following receipt of the full proceeds on the mortgage, the specific allowance in the amount of $62,936 was reversed into income.

On the statements of comprehensive income, $111,237 was recorded as 'Collective and specific allowances' during the year ended December 31, 2015 of which $67,325 relates to the collective allowance and $43,912 relates to the above-mentioned specific allowance.

Regarding the measurement of mortgage and loan investments, the manager intends to assess impairment using a combination of (i) specific allowances on impaired mortgages and loans that are individually significant and (ii) on a collective basis using an expected loss model. An expected loss model looks at the following elements and multiplies them together to arrive at the percentage of the carrying value to record as a collective allowance:

- Probability of Default (PD)
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

PD is determined by assessing the credit quality of borrowers and the use of publicly available risk default data for similar mortgage and loan investments. EAD is the estimate of what the outstanding balance will be if the borrower does default at the time of default. LGD is the un-recovered part of EAD if there is a default requiring recovery of collateral or payments under a guarantee.

At least annually, the Manager will estimate a collective allowance attributable to the portfolio based on probabilities of inherent losses that are as yet unidentified. The Partnership has recognized a collective allowance on its private mortgage loans. As at December 31, 2015, the Manager has reduced the value of its private mortgage loans plus accrued interest by 0.60% representing a collective allowance for impairment. The change in collective allowance from December 31, 2014 to December 31, 2015 is reflected in the statements of comprehensive income in 'Collective and specific allowances'.

Foreign currency translation

The Partnership's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the reporting date. Foreign exchange gains and losses related to assets and liabilities at amortized cost are recognized in profit and loss and are presented as 'foreign currency gain (loss) on cash and other net assets' on the statements of comprehensive income. Realized foreign exchange gains and losses related to investments are recognized when incurred and are presented in the statement of comprehensive income within 'net realized gain (loss) on investments'.

Unrealized exchange gains or losses on investments are included in 'change in unrealized appreciation (depreciation)' in the statements of comprehensive income.

'Foreign exchange gain (loss) on currencies and other net assets' arise from sale of foreign currencies, currency gains or losses realized between trade and settlement dates on securities transactions, and the difference between the recorded amounts of dividend, interest and foreign withholding taxes and the Canadian dollar equivalent of the amounts actually received or paid

Cash and cash equivalents

The Partnership considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents. Cash is comprised of deposits with financial institutions.

Cost of investments

The cost of investments represents the average cost for each security excluding transaction costs. On the schedule of investment portfolio, transaction costs have been deducted in aggregate from the total cost of individual investments which include transaction costs.

Redeemable Units

The Partnership issued two series of redeemable units and do not have identical rights. Such units are classified as financial liabilities. Redeemable units can be put back to the Partnership at any dealing date for cash equal to a proportionate share of the Partnership's NAV attributable to the unit series. Units are redeemable monthly.

The redeemable units are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the unit back to the Partnership.

Redeemable units are issued and redeemed at the holder's option at prices based on the Partnership's NAV per unit at the time of issue or redemption. The Partnership's NAV per unit is calculated by dividing the net assets attributable to the holders of each series of redeemable units with the total number of outstanding redeemable units for each respective series. In accordance with the provisions of the Partnership's regulations, investment positions are valued based on the last traded market price for the purpose of determining the NAV per unit for subscriptions and redemptions.

Expenses

Expenses of the Partnership including management fees and other operating expenses are recorded on an accrual basis.

Transaction costs associated with investment transactions, including brokerage commissions, have been expensed on the statements of comprehensive income for financial assets and liabilities at FVTPL.

Organization expenses

In accordance with its offering documents, organizational expenses in the amount of $18,202, which include legal and registration fees associated with the formation of the Partnership, but excludes applicable taxes, are recoverable by the Manager from the Partnership. The Partnership is required to re-pay the Manager over five years commencing in 2014. Organizational expenses for 2015 in the amount of $4,112 (2014: $4,112), including applicable taxes, has been included as 'Organizational expenses' on the statements of comprehensive income. A decision was made by the Manager to waive the chargeable amounts of organizational expenses for the first three months of 2015 and full year 2014. Waived organizational expenses of $1,027 (2014:$4,112), including applicable taxes, have been included in the line 'Expenses absorbed by the Manager' on the statements of comprehensive income.

Increase (decrease) in net assets attributable to holders of redeemable units per unit

'Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit' in the statements of comprehensive income represents the Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class, divided by the weighted average units outstanding of that Series during the reporting period.

Distribution to Unitholders

Distributions will be made to Unitholders only at such times and in such amounts as may be determined at the discretion of the General Partner.

Allocation of income and expense, and realized and unrealized gains and losses

Management fees and other costs directly attributable to a series are charged to that Class. The Partnership's shared operating expenses, income, and realized and unrealized gains and losses are generally allocated proportionately to each Class based upon the relative NAV of each Class.

Future accounting changes

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces the existing standards for revenue recognition. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The new standard establishes a framework for the recognition and measurement of revenue generated from contracts with customers, except for items, such as financial instruments, insurance contracts and leases. The new standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from transactions with our customers. IFRS 15 is effective for our fiscal year beginning December 1, 2018. The Manager is in the process of evaluating the impact of the new standard.

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)).The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. The Manager is in the process of evaluating the impact of the new standard.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates the Partnership has made in preparing these financial statements.

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments under IAS 39, Financial Instruments - Recognition and Measurement, the Manager is required to make significant judgments about whether or not the investments of the Partnership are considered held for trading or that the fair value option can be applied to those that are not. The Manager has concluded that the fair value option can be applied to the Partnership's investments that are not considered held for trading. Such investments have been designated at FVTPL.

The Partnership holds financial instruments that are not quoted in active markets, including private mortgages loans. The Manager has concluded that these financial instruments are classified as loans and receivables which approximate their fair value due to their short term nature.

Functional and presentation currency

The Partnership's investors are mainly from Canada, with subscriptions and redemptions of the redeemable units denominated in Canadian dollars. The primary activity of the Partnership is to invest in a portfolio of private loans and mortgages. The performance of the Partnership is measured and reported to the investors in Canadian dollars. The manager considers the Canadian dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Canadian dollars, which is the Partnership's functional and presentation currency.

5. FINANCIAL INSTRUMENTS

a) Categorization of financial instruments

The following tables present the carrying amounts of the Partnership's financial instruments by category as at December 31, 2015 and December 31, 2014.

December 31, 2015:

Assets	Financial assets at FVTPL Designated at Inception ($)	Financial assets at amortized cost ($)	Total ($)
Cash and cash equivalents	-	216	216
Subscriptions receivable	-	1,644,470	1,644,470
Dividends receivable	-	8,738	8,738
Interest receivable	-	243,634	243,634
Mortgage investments	-	12,069,163	12,069,163
Underlying fund investment	518,370	-	518,370
Equity investments	5,810,506	-	5,810,506
Total	**6,328,876**	**13,966,221**	**20,295,097**

Liabilities	Financial liabilities at FVTPL Designated at Inception ($)	Financial liabilities at amortized cost ($)	Total ($)
Loan facility	-	1,071,733	1,071,733
Accrued expenses	-	8,577	8,577
Payable for investments purchased	-	88,802	88,802
Other liabilities	-	912	912
Total	**-**	**1,170,024**	**1,170,024**

December 31, 2014:

Assets	Financial assets at FVTPL Designated at Inception ($)	Financial assets at amortized cost ($)	Total ($)
Cash and cash equivalents	-	357	357
Other receivables	-	51	51
Interest receivable	-	19,960	19,960
Mortgage investments	-	1,457,952	1,457,952
Total	**-**	**1,478,320**	**1,478,320**

Liabilities	Financial liabilities at FVTPL Designated at Inception ($)	Financial liabilities at amortized cost ($)	Total ($)
Accrued expenses	-	696	696
Total	**-**	**696**	**696**

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ending December 31, 2015 and December 31, 2014.

	Net gains (losses) ($)	
Category	2015	2014
Financial Assets at FVTPL:		
Designated at inception	289,229	-
Total	**289,229**	**-**

b) Risks associated with financial instruments

The Partnership's investment activities may be exposed to various financial risks, including market risk (which includes price risk, concentration risk, interest rate risk and currency risk), liquidity risk and credit risk. The Partnership's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Partnership's investment objectives and risk tolerance per the Partnership's offering documents. All investments result in a risk of loss of capital.

Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk). Financial instruments held by the Partnership are susceptible to market price risk arising from uncertainties about future prices of the instruments.

If the price movement of the investments held by the Partnership on December 31, 2015 had been higher or lower by 5%, the net assets attributable to holders of redeemable units of the Partnership would have been higher or lower by $316,344 (2014: nil). The Partnership did not have significant exposure to price risk as at December 30, 2014.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

This risk is managed by investing in short-term mortgages. As a result the credit characteristics of the Partnership's mortgages will evolve such that in periods of higher market interest rates, the Partnership's mortgages will be those with narrower credit spreads, and vice versa in periods of lower market interest rates compared to other benchmark rates.

As of December 31, 2015 and December 31, 2014, the Partnership's mortgage investments are in fixed rate, short-term mortgages. The Partnership generally holds all of its mortgages to maturity. There is no secondary market for the Partnership's mortgages and in syndication transactions such as the ones in which the Partnership participates these mortgages are generally traded at face value without regard to changes in interest rates.

The following is a summary of the carrying value (at amortized cost) of mortgage investments segmented by gross interest rate (before deduction of mortgage administration fees) as at December 31, 2015 and December 31, 2014:

	0% - 11.99%	12% - 12.99%	13% - 13.99%	14% - 14.99%	15% - 15.99%	Total
December 31, 2015	$418,064	$6,989,587	-	$4,661,512	-	$12,069,163
December 31, 2014	-	$1,457,952	-	-	-	$1,457,952

The following is a summary of the carrying value (at amortized cost) of mortgage investments segmented by term as at December 31, 2015 and December 31, 2014:

	12 months or less	13 to 24 months	24 to 36 months	Total
December 31, 2015	$12,069,163	-	-	$12,069,163
December 31, 2014	$461,976	$995,976	-	$1,457,952

The Partnership's balances of dividends receivable, interest receivable, subscriptions receivable and accrued expenses have no exposure to interest rate risk due to their short term nature. The loan facility pays variable interest and is subject to interest rate risk as described in note 9.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Securities included in the Partnership may be valued in or have exposure to currencies other than the Canadian dollar and when measured in Canadian dollars, be affected by fluctuations in the value of such currencies relative to the Canadian dollar.

As at December 31, 2015, the Partnership held investments and made use of borrowings that were denominated in currencies other than the Canadian dollar. The table below illustrates the foreign currencies to which the Partnership had exposure on December 31, 2015. It also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 5% in relation to each of the other currencies, with all other variables held constant.

				Impact on net assets attributable to holders of redeemable units		
December 31, 2015	Monetary $	Non-monetary $	Total $	Monetary $	Non-monetary $	Total $
United States Dollar	(27,073)	1,157,742	1,130,669	(1,354)	57,887	56,533
Total	(27,073)	1,157,742	1,130,669	(1,354)	57,887	56,533
% of net assets attributable to holders of redeemable units	(0.1%)	6.1%	6.0%	0.0%	0.3%	0.3%

As at December 30, 2014, the Partnership did not have significant exposure to currency risk.

Liquidity risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting obligations associated with financial liabilities. The Partnership's exposure to liquidity risk is concentrated in the cash redemption of its units.

The Partnership makes investments in private mortgage loans that are not traded in an active market. As a result, the Partnership may not be able to quickly liquidate its investments in these instruments at amounts which approximate their fair values. In order to maintain liquidity, the Partnership may invest in complementary, more liquid, income producing public securities, including real estate income trusts, royalty income trusts, preferred shares, dividend paying equity securities and debt securities including convertibles, corporate and sovereign debt. The Partnership has the ability to borrow for the purposes of making investments, providing cover for the writing of options, paying redemptions, working capital purposes and to maintain liquidity in accordance with its investment objective and investment strategies.

The tables below analyze the Partnership's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

December 31, 2015	< 6 months ($)	> 6 months ($)	Total ($)
Loan facility	1,071,733	-	1,071,733
Accrued expenses	8,234	-	8,234
Organizational expenses payable	343	-	343
Payable for investments purchased	88,802	-	88,802
Other liabilities	912	-	912

December 31, 2014	< 6 months ($)	> 6 months ($)	Total ($)
Accrued expenses	696	-	696

Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Partnership.

The Partnership invests a majority of its assets in private mortgage loans which are subject to credit risk. Any instability in the real estate sector and adverse change in economic conditions in Canada could result in declines in the value of real property securing the Partnership's mortgage investments.

The Partnership's credit risk management objectives are to:

- establish a framework of controls to ensure credit risk-taking is based on sound credit risk management principles; and
- identify, assess and measure credit risk clearly and accurately across the Partnership, from the level of individual mortgages or commercial loans up to the total portfolio.

Credit risk is managed by adhering to the investment and operating policies, as set out in its offering documents. This includes the following policies:

- the majority of mortgages are generally expected to be written for terms of 6 to 36 months and supported by commercial liability insurance and by personal or corporate guarantees; and
- mortgages are generally expected to be written for a principal amount at the time of commitment (together with the principal balance outstanding on prior mortgages if applicable), not exceeding 75% of the determined value of the underlying property securing the mortgage.

Such risks are further mitigated by ensuring a comprehensive due diligence process is conducted on each mortgage prior to funding. This process generally includes, but is not limited to, reviewing legal documentation, independent appraisers 'valuations and credit checks and financial statement reviews on prospective borrowers.

The maximum exposure to credit risk as at December 31, 2015 is the face value of the private mortgage loans plus the accrued interest thereon less the collective allowance and specific allowance, which total $12,259,878 (December 31, 2014 -$1,477,911). The Partnership has recourse under the terms of the private mortgage loans in the event of default by the borrower, in which case the Partnership would have a claim against the underlying property and security.

The following is a summary of the private mortgage loans held as at December 31, 2015:

	Number of Mortgages	Carrying Value	Carrying Value + Accrued Interest
First Mortgages	7	$11,994,694	$12,171,941
Second Mortgages	1	$74,469	$87,937
Total	**8**	**$12,069,163**	**$12,259,878**

The following is a summary of the private mortgage loans held as at December 31, 2014:

	Number of Mortgages	Carrying Value	Carrying Value + Accrued Interest
First Mortgages	2	$1,457,952	$1,477,911
Total	**2**	**$1,457,952**	**$1,477,911**

The following is a summary of the carrying value of private mortgage loans held by the Partnership segmented by type of project as at December 31, 2015 and December 31, 2014:

	Pre-development	Pre-development/ Construction	Construction	Term	Total
December 31, 2015	$496,861	$114,307	$11,457,995	-	$12,069,163
December 30, 2014	-	-	$1,457,952	-	$1,457,952

c. Fair value of financial instruments

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the importance of the inputs used to perform each valuation. The fair value hierarchy is made up of the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 - inputs are unobservable for the asset or liability.

The fair value hierarchy requires the use of observable market data each time such data exists. A financial instrument is classified at the lowest level of the hierarchy for which significant input has been considered in measuring fair value. Private mortgage loans are not measured at FVTPL therefore are not included in the fair value hierarchy table.

The following table illustrates the classification of the Partnership's financial instruments within the fair value hierarchy as at December 31, 2015:

	Assets at fair value as at December 31, 2015			
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Equities - Long	2,172,292	-	-	2,172,292
Private placement	-	-	3,636,214	3,636,214
Underlying Fund	-	-	518,370	518,370
Total	**2,172,292**	**-**	**4,154,584**	**6,326,876**

The Partnership did not hold any financial instruments which were classified as FVTPL as at December 31, 2014.

Fair value is classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, the instrument is reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

6. REDEEMABLE UNITS

The Partnership is available in two classes of shares: Class A and Class B. Class A units may only be issued to the General Partner, or an affiliate of the General Partner and are voting. Class B units are non-voting. The Partnership is permitted to have an unlimited number of classes of units, having such terms and conditions as the Manager may determine. Additional classes may be offered in the future on different terms, including different fee and dealer compensation terms and different minimum subscription levels. Each unit of a class represents an undivided ownership interest in the net assets of the Partnership attributable to that class of units.

The Partnership endeavors to invest capital in appropriate investments in conjunction with its investment objectives. The Partnership maintains sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments, where necessary.

The Partnership's NAV per unit is determined on the last business day of each month at the close of regular trading on the Toronto Stock Exchange, (each, a Valuation Date) or on such other date as determined by the Manager (an Additional Pricing Date). The redemption price shall equal the net asset value per unit of the applicable class of units being redeemed, determined as of the close of business on the relevant Valuation Date.

The number of units issued and outstanding for the year ended December 31, 2015 was as follows:

Year ended December 31, 2015	Balance, Beginning of Year	Units Issued	Units Reinvested	Units Redeemed	Balance, End of Year
Class A	1	-	-	-	1
Class B	27,277	295,282	-	1	322,558

The number of units issued and outstanding for the year ended December 31, 2014 was as follows:

Year ended December 31, 2014	Balance, Beginning of Year	Units Issued	Units Reinvested	Units Redeemed	Balance, End of Year
Class A	1	-	-	-	1
Class B	1	27,276	-	-	27,277

7. TAXATION

The Partnership calculates its taxable income and net capital gains/ (losses) in accordance with the Income Tax Act (Canada). The Partnership is not a taxable entity and is required to allocate its taxable income and net capital gains/(losses) to its limited partners in accordance with the Limited Partnership Agreement. Accordingly, the Partnership has not included a provision for taxes in the financial statements.

The taxation year-end for the Partnership is December 31.

8. FEES AND EXPENSES

The Partnership is responsible for the payment of the following ongoing fees and expenses relating to its operation: custodian fees, administration fees, accounting expenses, audit fees, interest and dividend expense on securities sold short and safekeeping charges, all taxes (including GST and HST, if any), assessments or other regulatory and governmental charges levied against the Partnership, interest and all brokerage fees. The Manager may absorb future Partnership operating expenses at its discretion but is under no obligation to do so.

In accordance with its offering documents, organizational expenses in the amount of $18,202, which include legal and registration fees associated with the formation of the Partnership, but excludes applicable taxes, are recoverable by the Manager from the Partnership. The Partnership is required to re-pay the Manager over five years commencing in 2014. Organizational expenses for 2015 in the amount of $4,112 (2014: $4,112), including applicable taxes, were included in the line 'Organizational expenses' on the statements of comprehensive income. A decision was made by the Manager to waive the chargeable amounts for the first three months of 2015 and full year 2014. Waived organizational expenses of $1,027 (2014: $4,112), including applicable taxes, have been included in the line 'Expenses absorbed by the Manager' on the statements of comprehensive income.

9. LOAN FACILITY

The Partnership has a Settlement Services Agreement with a Canadian dealer for margin borrowing. The rate of interest payable on borrowed money in Canadian dollars is the Canadian Dealer Offered Rate + 70bps and in US dollars is the LIBOR + 70bps and the facility is repayable on demand. The Partnership has placed securities on account with the dealer as collateral for borrowing.

Such non-cash collateral has been classified separately within the statements of financial position from other assets and is identified as "Investments - pledged as collateral".

As at December 31, 2015, the Partnership was borrowing $1,071,733 (December 31, 2014: nil).

The Partnership borrowed a minimum of $nil and a maximum of $1,088,549 under the agreement in 2015 (2014: minimum of nil and maximum of nil).

10. SOFT DOLLARS

A portion of the brokerage commissions (referred to as "soft dollars") paid by the Partnership on securities purchases and sales to dealers (generally "full service" dealers) represents fees for goods and services, in the form of proprietary research, provided to the Manager by the dealer which are in addition to order execution services. The Manager may choose to affect portfolio transactions with dealers who provide research, statistical and other similar services to the Partnership or to the Manager at prices which reflect such services. The Manager may direct trades to a dealer in exchange for 'in- house' proprietary research. The dealers do not provide the Manager with an estimate of the cost of the research, statistical and other similar services.

11. RELATED PARTY TRANSACTIONS

The following table outlines the management fees, service fees and operating expense reimbursements that were paid to the Manager by the Partnership during the years ended December 31, 2015 and December 31, 2014. The table includes the amount of operating expense reimbursement that was paid to affiliates of the Manager for administrative services provided in managing the day-to-day operation of the Partnership and the amount of additional absorbed operating expenses that the Manager chose not to charge to the Partnership. All of the dollar amounts in the table below exclude applicable GST or HST.

Year ended	Operating Expense Reimbursement ($)	Organizational Expense Reimbursement ($)	Absorbed Expenses ($)	Absorbed Organizational Expense ($)	Operating Expenses Reimbursed to Affiliates of the Manager ($)
December 31, 2015	44,265	3,639	6,978	909	559
December 31, 2014	6,251	3,639	5,635	3,639	24

The Partnership owed the following amounts to the Manager:

Year ended	Operating Expense Reimbursement ($)	Organizational Expense Reimbursement ($)
December 31, 2015	7,287	303
December 31, 2014	616	-

12. EXEMPTION FROM FILING

The Partnership is relying on the exemption obtained in National Instrument 81-106, Part 2.11 to not file its financial statements on SEDAR.

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