PORTLAND
INVESTMENT COUNSEL™

Portland Private Income Fund

Annual Financial Report

December 31, 2018

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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 Portland Investment Counsel Inc. (the Manager) may determine from time to time 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, consisting of:

- private mortgages, administered by licensed mortgage administrators, currently MarshallZehr Group Inc.[i] (MarshallZehr);
- private commercial debt, 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;
- 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; and
- investments in investment funds, exchange traded funds and mutual funds which may or may not be managed by the Manager.

The Manager decides whether or not the Partnership participates in mortgages offered to it by MarshallZehr.

The Manager will invest some of the Partnership's assets in investment products directly or indirectly managed by specialty investment managers which it believes have disciplined investment philosophies (a Specialty Investment Manager). The Manager decides whether the Partnership invests in a fund managed by a Specialty Investment Manager and the extent of the commitment to that fund; but does not decide on the individual loans or investments which will comprise that Specialty Investment Manager's fund.

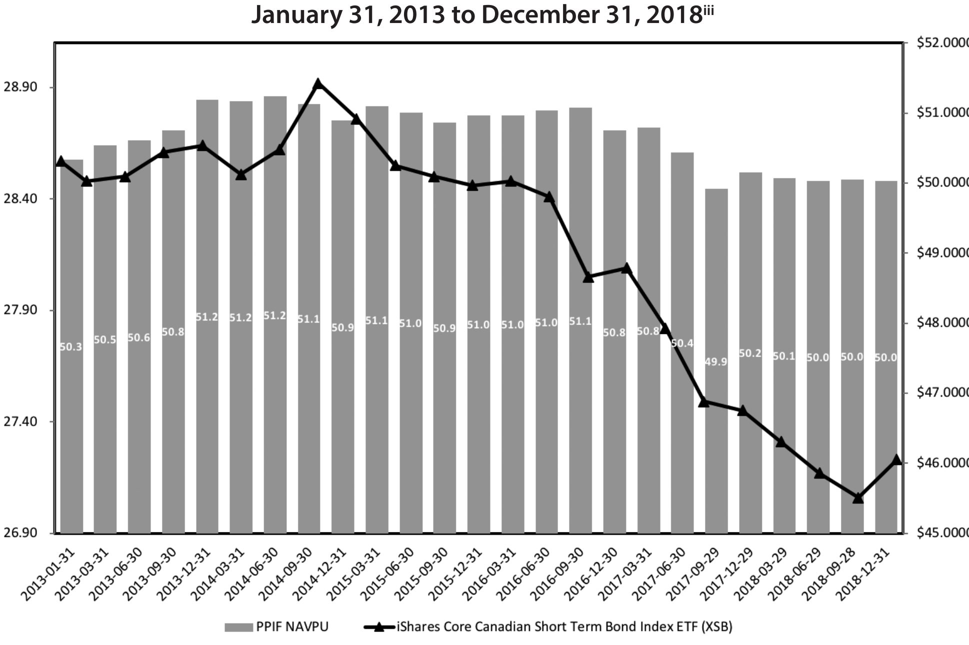
Current Specialty Investment Managers are the European Investment Fund (EIF) and its sister institution the European Investment Bank (EIB), which provide institutional support for the Global Energy Efficiency and Renewable Energy Fund (GEEREF) investment team, EnTrustPermal Ltd. (EnTrustPermal), Crown Capital Partners Inc. (Crown), and Brookfield Asset Management Inc. (Brookfield). Christopher Wain-Lowe, the lead portfolio manager of the Fund, is a non-voting observer member of Crown Capital Partner Fund, LP's (Crown Partner Funding) investment committee and a member of Crown Capital Power Limited Partnership's (Crown Power) fund advisory board.

The following discussion covers the period from January 1, 2018 to December 31, 2018. Information related to investments is presented on a combined basis whether the investments are held by the Fund or the Partnership..

Financial Highlights

The Fund's return from January 1, 2018 to December 31, 2018 was 7.9% for Series A and 9.1% for Series F units. It has been a successful year for the Fund as it was the winner of the 2018 Canadian Hedge Fund Awards for the Best 5 Year Sharpe Ratio and the Best 5 Year Return in the private debt category[ii]. The Fund's net asset value (NAV) per unit as of December 31, 2018 was $48.88 for Series A units and $50.03 for Series F units. The Fund has delivered annualized and cumulative returns since inception on February 28, 2013 of 7.8% and 55.1% for Series A units and since inception on January 7, 2013 of 9.1% and 68.3% for Series F units, respectively, while exhibiting little variance in its monthly NAV per unit compared to publicly listed short-term debt instruments, such as the iShares Core Canadian Short Term Bond Index ETF (XSB), as depicted in Chart 1. For the year ended December 31, 2018, the XSB achieved a 1.81% total return.

Chart 1. Historical net asset value per unit for the Fund's Series F (right hand) versus iShares Core Canadian Short Term Bond Index ETF (XSB) (left hand) from January 31, 2013 to December 31, 2018[iii]



While rising interest rates do adversely impact current fair market value of loans in the Fund, we believe the credit impact is modest. While the Fund continues to achieve its long-term targeted rates of return, 2018 was subjected to some volatility as the Canadian market was subject to the Bank of Canada's decision to raise interest rates three times and so began to unwind stimulating the economy while still targeting an inflation rate of 2%. The Bank of Canada elected to increase interest rates by 0.25% on each of January 17, July 11, and October 24. A subtle but notable announcement was made by the Bank of Canada in November that it plans on conducting a thorough review of its inflation targeting policy of 2% by 2021[iv]. A change in policy could have a profound impact on future monetary policy and overnight interest rate changes although we would expect this to be limited in the near term. With prospects for interest rates to continue to rise even in the face of regional economic disruption (in particular Alberta, where the impact of the heavily discounted price of Western Canadian Select oil to West Texas Intermediate oil has been felt the harshest), we believe the Fund will continue to outperform publicly traded fixed income instruments. Furthermore, given the large shock to the economy that the Great Recession (2007 – 2009) caused by delaying business investment, as business investment begins to recover a decade later, we would expect such investment to be more pronounced and so more pro-growth thereby influencing a data-dependent Bank of Canada to raise rates to slow such growth. During 2018, the Fund invested modestly in fixed-reset preferred shares which enjoy higher dividend payments when the Government of Canada 5-year interest rate increases on the reset date and more significantly in private mortgages and maritime assets whose interest rates are linked to the floating prime interest rate and US LIBOR, respectively. Furthermore, the Fund's investment in the Brookfield Super-Core Infrastructure Partners (NUS) L.P. (BSIP Fund) intends to invest in assets that have cash flows that are linked to the inflation rate, which would be a benefit to the Fund should inflation rise. By year end, about 5.3% of the Fund's assets were priced on floating interest rates.

The Fund declared quarterly distributions on its common units commencing with the quarter ending March 2013 and moved to monthly fixed distributions since January 2014. During the year to date, the Fund has maintained its regular distributions of $0.3333 per common unit per month and $0.3750 per common unit per month, for Series A units and Series F units, respectively.

Recent Developments and Outlook

When deciding to create this Fund, we wanted to create a portfolio that could straddle a variety of investment opportunities, be nimble to adapt to changing circumstances and alive to the best opportunities within those circumstances, while delivering steady income distributions and a stable NAV. From 2013 to mid 2015 we selected a portfolio almost exclusively of private mortgages. Since mid-2015, we have gradually assessed the attractiveness of the housing market compared to other lending opportunities and selected four Specialty Investment Managers to enable the Fund to take advantage of those opportunities with the most recent selection and commitment to a fund managed by Brookfield being initiated in December 2018.

In June 2018, the Fund began offering for the first time a preferred class of units (the Preferred Units). Preferred shares are already a popular investment for investors seeking lower risk compared to an equity investment in the same issuer. Our legal counsel believes this is the first time in Canada that preferred units are being offered by an open-ended mutual fund trust.

The Preferred Units are being issued to provide support to the investment objectives of the Fund by providing a source of borrowing at what we believe to be an attractive cost, which is expected to be between the borrowing cost of a prime brokerage facility and a loan facility. The Preferred Units will be included as debt in the calculation of borrowing as outlined in the investment strategies, which continues to be an aggregate amount of up to 25% of the total assets of the Partnership after giving effect to the borrowing.

The Preferred Units are available in two series, Series AP and Series FP, with a minimum investment of $5,000 and are available for purchase in registered accounts. Similar to the common units, subscriptions for Preferred Units must be received no later than the 20th calendar day of the month (or the preceding business day if the 20th falls on a weekend). The preferred units are intended to be priced at a fixed NAV per unit of $10.00. Redemptions require 60 days' notice and no redemption fees apply.

The Preferred Units are expected to pay a monthly distribution ranging from the Royal Bank of Canada Prime Rate (the Prime Rate) to no more than the cost of unsecured debt available to the Partnership. As at December 31, 2018, the Prime Rate was 3.95%, which we will review quarterly and will post the current distribution rates on the Fund's website at http://www.portlandic.com/privateincome.html. We will look to adjust the distributions once the Prime Rate has changed by 50 basis points. The monthly distribution will be the Prime Rate for Series AP units and the Prime Rate + 1.0% for Series FP units. Currently, the Series AP units pay a distribution of 3.7% and the Series FP units pay a distribution of 4.7%.

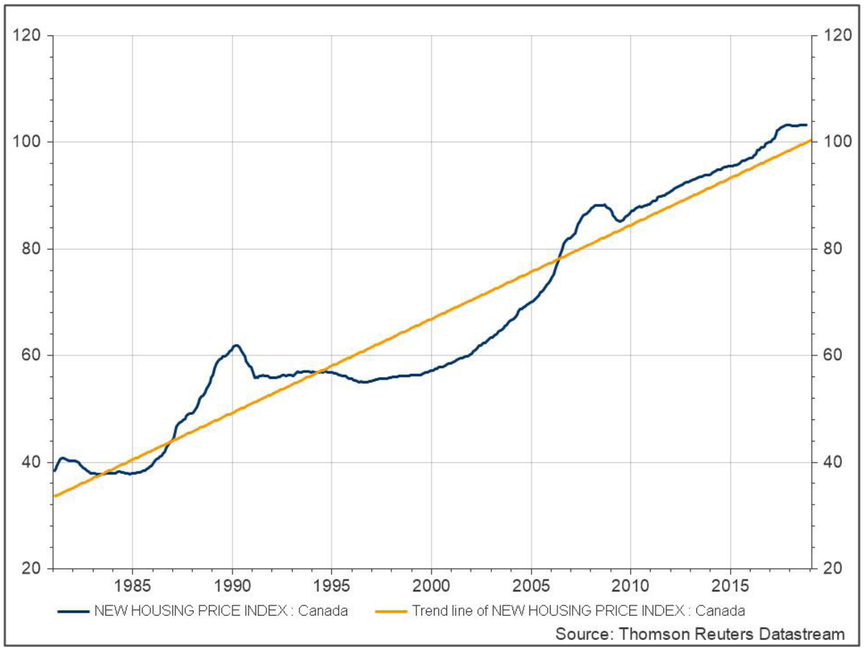
We believe we have better positioned and shaped the Fund's future by providing two discrete offers to investors: the common units and Preferred Units; supported across four strong pillars of assets: Canadian mortgages, Canadian commercial loans, Global maritime loans and Global infrastructure assets and operating leases.

Canadian Mortgage Market

The Canadian housing market remains relatively expensive yet robust as policymakers increasingly look to intervene to curtail excesses in various guises. On November 15, 2018, the Progressive Conservative provincial government announced legislation that ended rent control for all newly built or newly converted rental units going forward. The current rent control rules for current tenants will remain intact. These changes will be a part of a new Housing Supply Action Plan by the provincial government that is expected to be revealed in the spring of 2019. The details revealed so far have been implemented to incentivize the construction of purpose-built rental units, which would help to increase the supply and increase the affordability of housing in Ontario. As lenders in the housing market, we view any increase in development and stabilization of prices as a positive development as this provides more efficient deployment of capital and less risk.

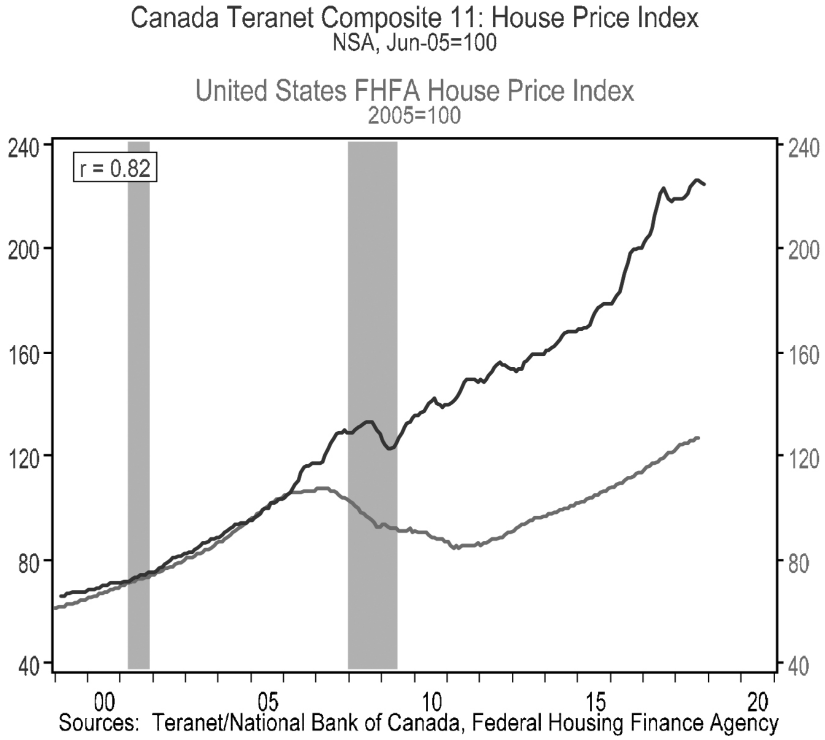
Chart 2 highlights Canadian real home index prices from January 15, 1981 to December 31, 2018. This chart seeks to show that real home prices in Canada are on the high-side of their long-term trend, due to strong post-recession gains that have run above the rate of inflation. The Bank of Canada's and Canadian Mortgage Housing Corporation's (CMHC) macro prudential efforts to decelerate the trend, have arguably worked 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, 2018



Canada is not alone. House prices are also relatively high in other cities like Seattle, San Francisco, London and Hong Kong. Common to all these cities are buyers from emerging markets, notably China, who have been willing to pay a premium to secure a safe place for their savings and so at the margin, help to drive a wedge between the prices of homes and the local fundamentals of incomes and rental payments. This mismatch has been frustrating local policymakers, hence the introduction of the non-resident taxes first introduced in Vancouver and more recently in Ontario. However, we believe that a correction is underway in several overseas cities, such as Australia's Sydney and Melbourne, as central banks begin to unwind record-low interest rates and fears mount over a slowdown in global growth.

The latest broad measure of Canadian home prices, from Teranet[v], showed a 0.3% monthly dip in November, leaving them up a moderate 3% year over year. That's still running a bit above inflation, with real home prices poised to rise for the ninth year in a row. That long stretch followed only a mild pullback in the Great Recession. When you look back to the pre-crisis time period, Canadian home prices have more than doubled over that period, returning an annual average gain of more than 6% (i.e. more than 4% above inflation). That's quite a different path than U.S. prices have carved out over that time. Even with a solid recovery in the past few years (and a 6% year over year rise in the past 12 months), U.S. prices have not kept pace with inflation since 2005, due to the brutal 2007-11 correction.[vi]



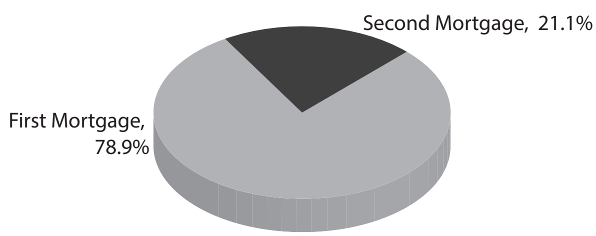
Nevertheless, thankfully, Canada's housing market continues to show that it has substantially cooled down due to housing policy changes after it saw huge returns in 2016 and early 2017. The national price indices mask stark regional differences. Broadly speaking, the variation is split between on the one hand Toronto and Vancouver where the affordability-challenged duo have taken the brunt of the policy hits; and on the other Alberta and Saskatchewan (where the oil producers were just getting back on their feet and shaking off the overhang from the 2015 oil-price shock) and Ottawa and Montreal (where markets are affordable and enjoying solid population growth). In total, we believe most of the country should see moderate, if slower, price gains in 2019.[vii]

In the Fall of 2018, the CMHC released a Canadian Housing Starts forecast that showed housing starts are predicted to slow down gradually over the 2018 to 2020 horizon, moderating from the 10-year high recorded in 2017 to levels more in line with affordability data. By 2020, housing starts are expected to be in line with long-run averages. The Canadian housing market faces a few headwinds which we expect to moderate price increases and stabilize the sector after the recent run up in property prices. There is expected to be slower employment and gross domestic product growth in Canada driven by the Bank of Canada applying less stimulative monetary policy as concerns about inflation begin to creep in. Furthermore, gradually increasing mortgage rates caused by less stimulative monetary policy should reduce the demand for existing homes and new supply that is expected to be brought to the market. These changes in supply and demand are expected to ease market conditions. We continue to recognize the heightened evidence of overvaluation in Toronto that is spreading to more adjacent cities, however continued price increases are expected to be more moderate as underlying economic fundamentals catch up to current prices. We have continued to shun exposure to mortgages in downtown Toronto and welcome the macro prudential efforts underway to engineer a cool down in prices. The Fund does have exposure to Ontario's retirement, student and commercial retail markets and has experience investing in affordable housing, which we believe is increasingly needed as urbanization increases a city's 'support network' of service industry workers.

We do source commercial mortgages from MarshallZehr, a licensed mortgage broker, which we have worked alongside for several years. We both welcome the tightening oversight of the syndicated mortgage market and expect the differences between how MarshallZehr and other well practiced firms operate, will shine through compared to those brokers now losing their licenses. We are experiencing how the dislocation of some operators presents attractive opportunities. Mortgage investment entities are not a homogeneous group and should be viewed as a "sector" only in the broadest of terms. The Fund lends short-term to developers and not long-term to individuals labelled by FICO® as rating below scores of 660 and by banks as sub-prime. The Fund lends to developers known to MarshallZehr based on a project's understood exit, typically take-out financing as the development progresses or based on verified presales. We have been appreciative of the approach taken and quality of mortgage opportunities presented to us by MarshallZehr.

In a capital structure, equity holds the greater risk and is the cushion against which debt can be repaid. As of December 31, 2018, the weighted average loan-to-value (LTV) of the mortgage portion of the Fund's portfolio was 66% (67% as at June 30, 2018) and its 29 securities 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, 2018



In our view, it would take a decline in property values in the order of greater than 25% to put the Fund's portfolio of mortgages at risk from a tangible collateral perspective and typically all the mortgages to developers are also secured by corporate or personal guarantees..

Canadian Commercial Loan Market

Aside from our views on the Canadian mortgage market, we have long believed that middle-market companies (revenues between $50 million and $500 million) are vital to the Canadian economy, yet they have remarkably few alternatives to access growth capital to expand their operations, fund acquisitions, or recapitalize. Canada's financial landscape is dominated by chartered banks and private equity funds, whose financial terms and dilutive financing structures are often ill-suited to meet the demands of mid-market companies. There is, we believe, a clear funding gap between equity providers and bank debt. Continued market uncertainty and banking regulatory changes have exacerbated the funding gap, as banks further limit their willingness to extend adequate credit, so providing the increasing growth opportunity for focused specialty finance providers. Therefore, we are continuing to diversify the Fund's portfolio to include private commercial debt and operating leases which we believe offers attractive risk-adjusted returns.

In July 2016, the portfolio broadened its exposure to private commercial debt via Crown Partner Funding that 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 to middle-market companies. Effective July 1, 2018, Crown Capital Fund IV, LP was renamed Crown Capital Partner Fund, LP. As of July 13, 2018, Crown Partner Funding has received commitments amounting to $300 million. Crown Partner Funding's focus is primarily on deals of 5 years or less. Initially, Crown owned 50% of Crown Partner Funding but as the fund grows it is steadily lowering its stake towards a targeted 30% ownership so enabling the Fund's portfolio to increase its ownership, from 10% initially to 17.5% effective July 13, 2018, being one of a select few other limited partners including the Investment Management Corporation of Ontario (IMCO)[viii]. The Fund's commitment to Crown Partner Funding as at December 31, 2018 when it was $300 million was 66.93% drawn. The portfolio of commercial loans held by Crown Partner Funding are detailed on Crown's website at www.crowncapital.ca. As at December 31, 2018, Crown Partner Funding comprised 13 loans ranging in size from $7 million to $30 million. A sector breakdown of the commercial loans is provided under the heading: Commercial Loans: Canada and Global Maritime and in Chart 8.

During the twelve months ended December 31, 2018, the additions and deletions to the portfolio of commercial loans held by Crown Partner Funding were:

- In January, Crown announced the closing of a $33.0 million term loan to Baylin Technologies Inc. (Baylin) (TSX:BYL), a global provider of innovative wireless antenna solutions with over 39 years of experience in designing, manufacturing and supplying antennas for the wireless infrastructure, networking and mobile markets. Headquartered in Toronto, Baylin maintains world-class research and development and engineering capabilities in Arizona, U.S. and Ottawa, Canada. Baylin is one of a few antenna manufacturers with design capabilities in indoor and outdoor cellular antenna systems, small cells, set-top boxes and mobile phones. Baylin has produced more than one billion antennas and designed over 2,000 unique custom antennas. The company has production capacity of 250 million antennas per year across three manufacturing facilities in China, South Korea and Vietnam. Baylin used the proceeds of the term loan to acquire the radio frequency, terrestrial microwave and antenna equipment divisions of Advantech Wireless Inc. and its affiliates (collectively, Advantech). Advantech is a provider of wireless broadband communications solutions, whose innovative solutions have for more than 25 years, enhanced the capabilities of government and commercial clients in over 150 countries. Advantech is headquartered in Montreal and has offices across North America, South America and Europe. The agreement provided for a $33.0 million term loan to Baylin, of which Crown Partner Funding has advanced $30.0 million. Crown syndicated $3.0 million of the loan to two of Crown Partner Funding's institutional limited partners, including the Partnership. The term loan bears a fixed interest rate of 9.0% per annum and matures in 60 months. In addition, a total of 682,500 warrants of Baylin were issued to Crown Partner Funding and its syndicate partners.
- In May, Crown announced the closing of a $12.0 million term loan to DATA Communications Management Corp. (DCM) (TSX:DCM), a leading provider of integrated business communication solutions to companies across North America. Founded in 1959, DCM's core capabilities include direct marketing, commercial print services, labels and asset tracking, event tickets and gift cards, logistics and fulfilment, content and workflow management, data management and analytics, and regulatory communications. The company serves clients in key vertical markets such as financial services, retail, healthcare, lottery and gaming, not-for-profit and energy. DCM is strategically located with six facilities across Canada to support clients on a national basis, and serves the U.S. market through facilities in Chicago and New York City. DCM used part of the proceeds of the term loan to acquire the Perennial Group of Companies (the Perennial Group), which includes Perennial Inc., one of Canada's leading design firms focused on creating and delivering design strategies for major retail brands in Canada and around the world, and The Finished Line Studios, an independent, multi-function creative, execution and production art studio. The Perennial Group has a 25-year track record of retail strategy design and execution for many of North America's top brands in the retail, financial services and consumer packaged goods markets. Crown's financing is also being used for debt repayment and general working capital purposes. The term loan bears a fixed interest rate of 10% per annum, matures in 60 months, and includes the issue to Crown of warrants to acquire 960,000 common shares of DCM.
- Also in May, Crown announced the closing of a $25.0 million term loan to Persta Resources Inc. (Persta), a Calgary-based company engaged in natural gas and crude oil exploration and production, with a focus on natural gas. Founded in 2005, Persta is focused on long-term growth through exploration, development, production and acquisitions in the Western Canadian Sedimentary Basin. Persta was one of the first oil and gas companies to target the Spirit River/Wilrich zones in the Alberta foothills. Persta holds approximately 120,000 net acres of land and currently has production of approximately 3,100 barrels of oil equivalent production per day, of which approximately 94% is natural gas and 6% is oil and natural gas liquids. Persta completed an initial public offering on the Hong Kong Stock Exchange in March 2017 and its common shares are listed under stock code 3395. Crown's financing is also being used for capital expenditures and to reduce the company's senior debt facility. Persta has been able to generate significant cash flow based on its low production costs. The company has a low-risk, repeatable development program and is projecting significant increases in production as it continues to develop its Basing property. The term loan bears a fixed interest rate of 12% per annum, matures in 60 months, and includes the issue to Crown of warrants to acquire 8,000,000 common shares of Persta.
- In June, Crown announced the full repayment by Petrowest Corporation (Petrowest) of a special situations loan of $15 million to Petrowest in September 2015. As part of a financial restructuring, Crown Partner Funding and a syndicate partner advanced an additional $12.0 million to Petrowest in May 2017. Petrowest was placed into receivership by its creditors in August 2017 and all of Petrowest's assets were offered for sale. In November 2017, as consideration for the acquisition of the assets of the Civil division from Petrowest, approximately $19.6 million of the loan was assumed by RBee Aggregate Consulting Ltd. (RBee). RBee, which has one of the largest mobile crushing fleets in Western Canada, is now 50% owned by the management of RBee and 50% owned by Crown Partner Funding and one of its syndicate partners (not the Partnership). As at March 31, 2018, the total amount owing by Petrowest to Crown Partner Funding and its syndicate partner included $7.4 million of loan principal as well as accrued interest and fees. Subsequently, approximately $0.8 million of loan principal was re-allocated from the RBee loan to the Petrowest loan due to final adjustments to the purchase price of the RBee assets, resulting in an outstanding principal amount owing by Petrowest to Crown Partner Funding and its syndicate partner of $8.2 million. Since March 31, 2018, Crown Partner Funding and its syndicate partner have received aggregate payments in respect of the Petrowest loan of $9.7 million, representing full repayment of the principal amount owing, as well as all accrued interest and supplemental fees. The realized gross internal rate of return (IRR)[ix] on Crown Partner Funding's aggregate investment in Petrowest was 18.2%. Chris Johnson, President and CEO of Crown subsequently stated, "RBee is performing well, with strong customer demand resulting in high utilization and favourable operating margins."
- In September, Crown announced the closing of a $15 million term loan to Triple Five Intercontinental Group Ltd. (Triple Five), a privately held, Calgary-based company engaged in the exploration, development and production of petroleum and natural gas. Triple Five's assets are located in west central Alberta, where the company has a 100% working interest in 20 contiguous sections of land (approximately 12,800 net acres) in the Spirit River zone. Triple Five is currently producing approximately 3,800 barrels of oil equivalent production per day from six wells, of which approximately 85% is natural gas and 15% is natural gas liquids. The loan is being used to refinance Triple Five's senior debt facility and provide capital to drill additional wells, which are expected to materially increase the company's production. The loan bears a fixed interest rate of 10.5% per annum, matures in 36 months, and includes a royalty to Crown Partner Funding based on Triple Five's gross sales.
- In November, Crown announced the closing of a $15 million term loan with VIQ Solutions Inc. (VIQ), an Ontario-based technology company focused on digital media capture, workflow management, and artificial intelligence tools. VIQ is a global expert in video and voice-to-text capture, providing a cybersecure AI technology and service platform to law enforcement, immigration, medical, legal, insurance, courts, and transcription service providers. VIQ's digital solutions save enterprises time and effort by eliminating the need to update, store, and search through huge audio and video records. VIQ's software captures digital content from any audio/video source for document creation and we believe meets the highest international data, cybersecurity and privacy standards, including military and medical regulations. VIQ has a diversified customer base comprised

of over 800 public and private agencies, with thousands of users in over 25 countries. The loan was funded with an initial advance of $5 million. The remaining $10 million was made available to fund subsequent acquisitions up to June 30, 2019. The term loan bears a fixed interest rate of 10% per annum, matures in 60 months, and includes the issuance to Crown Partner Funding of 2,127,659 common shares as well as warrants to acquire 9,000,000 common shares of VIQ.

- Also in November, Crown announced the repayment of the $30 million, five-year loan by Marquee Energy Ltd. (Marquee). This loan had initially been completed in May of 2017. On November 20, 2018, the shareholders and option holders of Marquee approved a plan of arrangement with Prairie Provident Resources Inc. (Prairie Provident) pursuant to which Prairie Provident acquired all of the issued and outstanding shares of Marquee. The transaction was completed on November 21, 2018, at which time the loan was prepaid in full, including principal and interest. As part of the prepayment of the loan Crown Partner Funding was granted 4.4 million common shares of Prairie Provident (TSX: PPR).

Global Maritime Market

Since the Great Recession, European banks, compared to U.S. banks, have been slower to build their capital strength but have historically served as the shipping industry's largest lenders. Regulatory changes now mandate banks to hold more capital and more liquidity and given the concentration and tenure of shipping loans, European banks have been reducing their lending activity to the sector, creating a shortfall in ship financing capacity. In early 2017, the UN International Maritime Organization decided to cap the sulphur content in marine fuel oil from 3.5% to 0.5% in 2020. As we get closer to this deadline, this regulation is expected to increase materially the price of low-sulphur bunker fuel, which cost will ultimately be borne by the end user of the cargo. Nevertheless initially, the shipping lines will bear the increased costs of transportation, as it will require time to be able to pass through the cost to consumers. However, the regulation is likely to be beneficial for the shipping industry as it will reduce / improve the supply situation, primarily due to slower sailing speeds for most segments and the likely acceleration of the scrapping of non-fuel efficient vessels.

Christopher Wain-Lowe has previous direct experience of European banking, having been employed by Barclays PLC for nearly 20 years. During that time, Christopher spent over 3 years based in Athens, Greece, ultimately as CEO of Barclays business in Greece responsible for its large shipping portfolio. These earlier experiences assisted the decision in March 2018 to select EnTrustPermal Ltd. as the Fund's third Specialty Investment Manager to complement the Fund's existing portfolio via its maritime lending fund, Blue Ocean Fund (Blue Ocean). EnTrustPermal is a leading global alternative asset manager and is one of the world's largest hedge fund investors. EnTrustPermal provides portfolio and risk management services to its maritime lending strategy of approximately U.S. $593 million which includes the Blue Ocean Fund of about $168 million in which we committed U.S. $5 million to the first close in March, with 99.6% drawn and U.S. $7 million to the second close in December with 42.5% drawn as at December 31, 2018.

The investment strategy of Blue Ocean is to seek to generate attractive risk adjusted returns by targeting direct lending opportunities to vessel owners by engaging in asset based financings secured by high-quality maritime assets. Blue Ocean is primarily engaged in lending to and investing in shipping companies, non-U.S. oil services companies and other maritime businesses and operations related directly thereto. Blue Ocean seeks to exploit the current twin dislocations in the shipping and European banking sectors by serving as an alternative source of liquidity to companies as traditional lenders reduce their activities.

We anticipate current financing opportunities to be diverse but includes the uneconomic selling by European banks of shipping assets at discounts based on their inability to afford funding such loans, as well as regulatory pressure to reduce exposure. The Manager and EnTrustPermal believe that current financing opportunities in the shipping sector come with significant contractual downside protection given low to moderate loan-to-ship values, historically low asset values and first lien, senior secured structures. Chart 4a illustrates a snapshot of the Blue Ocean's first close portfolio as of December 31, 2018. Chart 4b illustrates a snapshot of the Blue Ocean's second close portfolio as of December 31, 2018. As at the end of December 31, 2018, Blue Ocean's total invested capital of the first close featured a portfolio of 43 vessels with an average vessel age of 8 years. As at the end of December 31, 2018, Blue Ocean's total invested capital of the second close featured a portfolio of 5 vessels with an average vessel age of 7 years. Blue Ocean continues to make quarterly cash distributions of interest income and principal amortization.

Chart 4a. Portfolio Asset Allocation for the First Close of Blue Ocean Fund

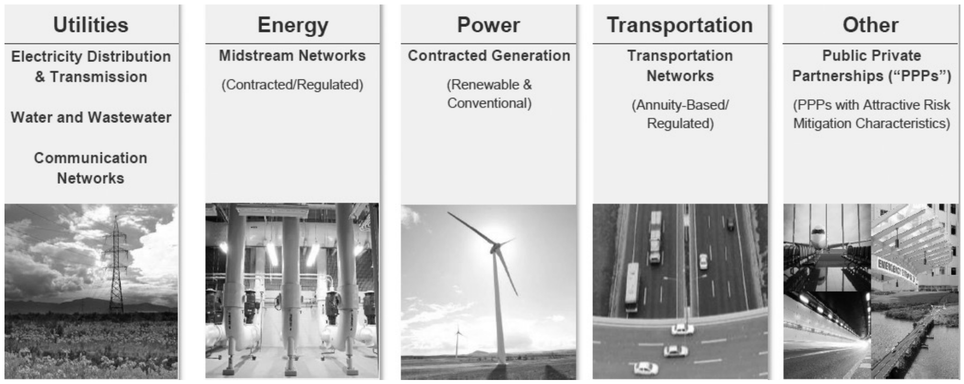
	Asset Allocation	
Segment Breakdown	AUM	% of Total
Container	$41.26	48.57%
Dry Bulk	$26.26	30.91%
Tanker	$17.43	20.52%
Total	$84.95	100.00%

Chart 4b. Portfolio Asset Allocation for the Second Close of Blue Ocean Fund

	Asset Allocation	
Segment Breakdown	AUM	% of Total
Dry Bulk	$7.79	49.66%
Offshore	$7.90	50.34%
Total	$15.68	100.00%

Global Infrastructure Assets Market

We believe the global infrastructure asset market presents an attractive investment opportunity. There has been systemic underinvestment in infrastructure which means that a significant amount of private capital is needed to address the global funding gap. This market's activity has been catalyzed further by strategic and infrastructure fund divestment programs. Furthermore, recent government initiatives are expected to create additional opportunities. Some examples of these assets are depicted in the below caption.



Infrastructure assets have certain characteristics that we see as displaying attractive attributes for the Fund. These characteristics include having a significant cash yield, lower volatility, diversification, inflation protection, and long duration.

Significant Cash Yield	Lower Volatility	Diversification	Inflation Protection	Long Duration
Significant percentage of returns can be generated from cash distributions	Regulated / contracted revenues from operating assets	Low correlation of infrastructure to other major asset classes	Inflation-linked cash flows provide natural hedge to rising liabilities	Long operational life of underlying assets

Renewable Energy Infrastructure Assets in Developing (Non-OECD) Countries

We believe that doing well and doing good is an important element to the social contract that we all have with each other as members of society. Environmental, social, and governance (ESG) factors are gaining in prominence and consideration among mainstream investors globally. Sustainable investing comprises investment strategies that integrate ESG practices into investment decisions when assessing risk and opportunities within a portfolio. Sustainable investing can help combat global challenges such as climate change, unfair business practices and social inequality by investing in businesses that promote ethical and responsible corporate practices.

We believe that renewable energy and energy efficiency are at the core of sustainable investing, which in turn is central to the transition to a less carbon-intensive and more sustainable global energy system. The investment in renewable energy and energy efficiency has grown rapidly over the past few years, as costs decline sharply especially for solar photovoltaics and wind power. At the Paris Conference in 2015 where the Paris Climate Agreement was negotiated, the developed countries (except the U.S.) reaffirmed the commitment to mobilize $100 billion a year in climate finance by 2020, and agreed to continue mobilizing finance at the level of $100 billion a year until 2025.[xi] The commitment refers to the pre-existing plan to provide U.S. $100 billion a year in aid to developing countries for actions on climate change adaptation and mitigation.[xii] As a result, an increasing number of emerging countries have introduced risk mitigants and upgraded their regulatory systems to attract private sector investment.

Renewable energy makes up an increasing share of primary energy supply. An emphasis on energy security and independence, concerns about balance of payments and improving economics relative to falling fossil fuel costs, carbon pricing in some regions and rising fossil fuel prices in the longer-term have significantly raised the profile of renewable energies and their inclusion in primary energy mixes. Large private energy consumers are also keenly interested to strengthen their supplier base.

The Fund has therefore invested in Portland Global Energy Efficiency and Renewable Energy Fund LP (Portland GEEREF LP), an investment fund also managed by the Manager via Christopher Wain-Lowe. The investment objective of Portland GEEREF LP is to provide income and above average long-term returns by investing primarily in the B units of GEEREF, advised by the EIF and sub-advised by the EIB, the largest multilateral borrower and lender in the European Union with over €470 billion of loans disbursed as at December 31, 2017.[xiii]

GEEREF is a private equity and infrastructure fund of funds, investing in equity or quasi equity investments in energy efficiency and renewable energy private equity funds, for primarily energy efficiency and renewable energy projects in developing countries (Regional Funds). GEEREF was initiated by the European Commission in 2006 and launched A shares in 2008 with funding from the European Union, Germany and Norway, totaling €112 million. GEEREF successfully concluded its fundraising from private sector investors for B units in May 2015 raising €110 million, which brought the total funds under management to €222 million. The Fund owns about 20% of Portland GEEREF LP which then committed about 90% of its funds to purchase €14.25 million B units. B units of GEEREF feature a preferred return mechanism and faster return of capital over the A shares currently held by the public sponsors. We believe the preferred return mechanism affords the B unitholders and so the Fund, a particularly attractive risk-adjusted return.

Currently about one out of every five units of energy delivered to consumers comes from renewable sources. This is remarkably evident in the power sector where renewables are growing at unprecedented rates, far outpacing growth in conventional technologies. Since 2012, new generating capacity fueled by renewables has exceeded that fueled by non-renewables by a widening margin. At 178 gigawatts, capacity renewables represented 66% of all new power generating capacity added worldwide in 2017.

Renewables are now the first choice option for expanding, upgrading, and modernizing power systems around the world. Wind and solar power are now competitive with conventional sources of electricity, as their costs have plunged in recent years. The cost of wind turbines has fallen by nearly a third since GEEREF was created in November 2008 and solar photovoltaic modules have fallen by 88% over the same timeframe. These developments are reflected in the levelised cost of electricity with some renewable technologies having reached grid parity. Currently on-shore wind, biomass geothermal and hydropower are all competitive or cheaper than coal, oil and gas-fired power stations even without financial support and despite relatively low oil prices. Countries in the Middle East have included solar as part of their investment into a wider energy portfolio, a possible option in their "post-oil" future.

The drop in crude oil prices has caused many nations to reconsider the allocation of their current subsidies (both towards renewables and towards fossil fuels), which has presented an opportunity for renewable energy to transition from an energy alternative and into an energy staple. At least 27 countries have elected to decrease or end subsidies that currently regulate fuel costs for electricity generation (including coal and natural gas). Fossil fuel subsidies have previously been criticized for distorting the energy markets in favour of sources that, without their support, would not be economically viable.

As of September 30, 2018, GEEREF had committed to invest approximately €154 million in twelve Regional Funds. The portfolio of Regional Funds held by GEEREF are detailed on GEEREF's website at www.geeref.com. The portfolios of each of the twelve Regional Funds currently comprise 130 investments. Six of these Regional Funds have finished their investment periods and three have begun the process of divesting. Full details about the Portland GEEREF LP can be found on our website at www.portlandic.com/geeref.html. To date, GEEREF has paid four distributions to Portland GEEREF LP which in turn initiated quarterly distributions from the quarter ended December 2017. As an institutional investor in Portland GEEREF LP, after the quarterly distribution commenced in December 2017, we elected in June 2018 to defer from receiving the payout preferring to retain a larger stake in these infrastructure assets. However, upon initiating a new relationship with the BSIP Fund we will in the future elect to receive distributions and so diversify our infrastructure assets.

Core Infrastructure Assets in Developed (OECD) Countries

In essence while we have held a modest exposure to infrastructure via an investment in Portland GEEREF LP, we are pleased now to be able to begin strengthening our fourth pillar of the Fund.

In December 2018, we selected Brookfield as the Fund's fourth Specialty Investment Manager, one of the largest global infrastructure investors and operators with over US$100 billion of infrastructure assets under management. As an initial investor, we committed US $5 million of the US $925.5 million, inclusive of Brookfield's US $50 million investment to the BSIP Fund managed by Brookfield. The investment strategy of the BSIP Fund is to invest in a portfolio of high quality, stable infrastructure assets and target mature, cash-generating core infrastructure assets with predominantly contracted / regulated revenues. In addition to this, it aims to pursue investments in developed markets where Brookfield has an investment presence, including North America, Western Europe and Australia. It will focus on the utilities, energy, power and transportation sectors where Brookfield has established operating expertise.

The BSIP Fund will primarily target investments that provide a high percentage of investment returns from current cash yield and achieve capital appreciation from inflation-linked cash flows and organic asset growth. Due to the strong infrastructure characteristics exhibited by these assets, the Fund is anticipated to demonstrate lower volatility relative to other major asset classes, which we and Brookfield believe will lead to attractive risk-adjusted returns.

The BSIP Fund has already secured its first investment and so by January 10, 2019, our commitment was 27.5% drawn. The transaction was secured by Brookfield on a proprietary basis in Q4 2018 for a total purchase price of US $460 million funded through a combination of debt and equity. The assets comprise a portfolio of 1293 long-term site control assets, primarily dedicated to the telecom and renewable power sectors in the U.S. with approximately 90 counterparties across all 50 U.S. states, combining long-dated and perpetual asset lives with low risk of asset obsolescence. This transaction is expected to provide a stable and secure cash flow profile, inflation protection, diversification, long duration and a potential for follow-on transactions.

We and Brookfield expect an expanding opportunity set, as capital-constrained governments and corporations are continuing to monetize mature infrastructure assets in order to deploy capital towards growth and development initiatives. This activity is set against a prevailing landscape of systemic underinvestment in public sector infrastructure. Together, these factors are expected to drive investment opportunities for the BSIP Fund.

As an initial investor in the BSIP Fund, the Fund receives a 10% discount to its management fee for 3 years, so overall fee of 1% is reduced to 0.925%. The BSIP Fund is open to new subscriptions quarterly and is targeting to raise $5 billion and so we will consider over time increasing our exposure to such high-quality core infrastructure assets in developed countries.

Power Generation: Infrastructure Assets in Ontario

The electricity markets in numerous regions in North America have become challenged. Mismanagement by the public sector has stressed electricity prices in numerous regions in North America. In Ontario electricity prices have increased over 70% in less than 10 years. The province of Ontario demands 18 gigawatt hours of electricity which equates to $11.9 billion which is spent annually on electricity. Due to underfunding of capital maintenance funds and an aging distribution system, we believe electricity prices are expected to continue to increase.

Many commercial enterprises are heavy users of electricity and the increased rates have affected their competitiveness. The private sector is responding and a private utility model is emerging. Private operators are building onsite Integrated Energy Platforms (IEPs) that include a combined heat and power unit to provide electricity at a lower and more predictable cost. The operators enter into long-term contracts to provide electricity and generate strong risk adjusted returns on capital deployed. The IEPs are natural gas fired generators with a heat exchanger that supplements or replaces the electricity an end customer purchases from the public utility and provides heat as a by-product. End customers are essentially making the decision to lock-in electricity prices by increasing exposure to natural gas prices.

Combined heat and power units are proven technology with thousands of systems installed across North America and Europe. We agree with Crown's belief that the inversion of natural gas and electricity prices have provided combined heat and power units a clear economic advantage over the public utilities in many jurisdictions. Combined heat and power systems typically remain backed-up to the grid providing maximum reliability.

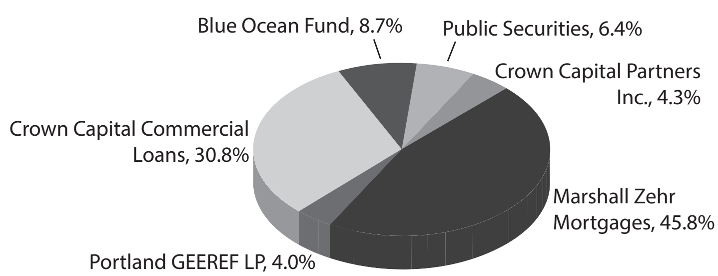
We are pleased to work with Crown, which via Crown Power is determined to capitalize on this market opportunity. Crown announced on June 28, 2018 that it has committed $15 million initially to Crown Power. Crown Power is in the process of acquiring a portfolio of IEPs that are under long-term contracts with a diversified mix of high-quality end users. Crown Power is working with several operators to construct and operate the IEPs – increasing the scale and diversity of projects. We anticipate the Partnership will commit as an early investor to Crown Power in the first quarter of 2019.

Portfolio Profile

The portfolio is comprised as follows (see Chart 5)[x]:

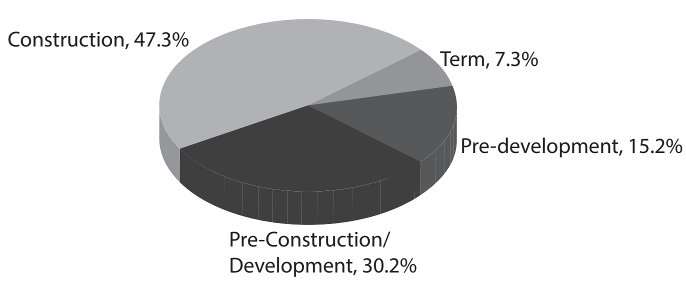
	December 31, 2018	December 31, 2017
Private mortgage loans administered by MarshallZehr:	45.8%	44.6%
Crown originated private debt:		
Crown Capital Partner Fund, LP	30.8%	32.7%
Crown Capital Partners Inc.	4.3%	4.8%
Blue Ocean Fund commercial debt	8.7%	5.6%
Private Equity:		
Portland Global Energy Efficiency and Renewable Energy Fund LP	4.0%	5.5%
Other Public Securities:	6.4%	6.8%

Chart 5. Investment Allocation as of December 31, 2018



Notwithstanding the developing relationship with Crown, EnTrustPermal, the European Investment Bank and Brookfield, a significant component of the portfolio's current investments consists of mortgages in the Greater Toronto Area, South-Western Ontario and Central Ontario sourced by MarshallZehr. These mortgages include 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 6a). The projects are also segmented between traditional housing, retail and mixed uses (see Chart 6b). The commercial mortgages are diversified across project types, geography, project stage and term, as detailed in Table 1. As of December 31, 2018, 100% of the mortgage investments were in Ontario.

Chart 6a. Mortgage portfolio breakdown by mortgage type as of December 31, 2018



Given the portfolio's exposure to mostly short term commercial mortgages and loans (see Chart 6 and Chart 7), we believe it retains the flexibility and capability to outperform publicly listed fixed income instruments as higher interest rates return.

Chart 6b. Mortgage portfolio breakdown by property usage as of December 31, 2018

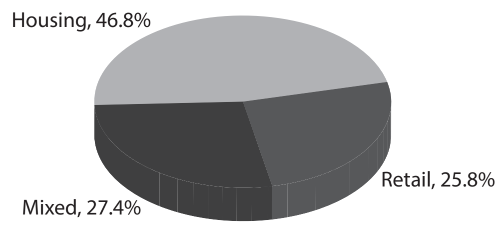
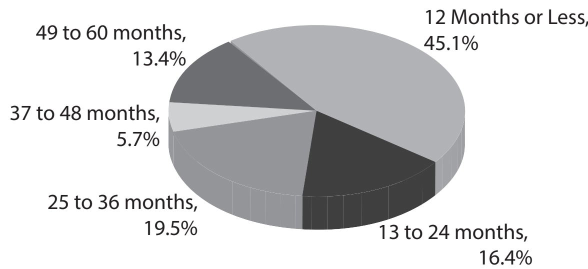


Chart 7. Debt portfolio breakdown by term as of December 31, 2018[xiv]



The weighted average net interest rate (net of specific provisions) of the mortgage portfolio at December 31, 2018 is 10.3% (see Table 1).

Table 1. Mortgage portfolio as of December 31, 2018

Build Form	Location	Type	Security	Term	Net Interest Rate	Loan to Value
Senior Condominium	Richmond Hill	Pre-Construction/ Development	1st Mortgage	12 months	11.40%	87%
Residential Condominium	Markham	Construction	2nd Mortgage	25 months	11.90%	86%
Mixed Use Condominium	Kitchener	Construction	1st Mortgage	36 months	12.75%	86%
Retirement Residences	Peterborough	Construction	1st Mortgage	6 months	11.90%	68%
Senior/Healthcare Residence	London	Term	1st Mortgage	12 months	9.50%	80%
Student Housing	Barrie	Construction	1st Mortgage	13 months	8.50%	88%
Residential Condominium	Richmond Hill	Construction	1st Mortgage	10 months	9.35%	40%
Residential Subdivision	Oakville	Construction	1st Mortgage	18 months	11.00%	59%
Residential Subdivision	Mississauga	Construction	1st Mortgage	18 months	11.00%	70%
Residential Condominium	Waterloo	Construction	1st Mortgage	18 months	11.90%	98%
Residential Condominium	Richmond Hill	Construction	1st Mortgage	18 months	10.60%	75%
Residential Subdivision	Peterborough	Construction	1st Mortgage	19 months	11.90%	71%
Commercial Development	Hamilton	Construction	1st Mortgage	13 months	10.60%	71%
Commercial Development	Markham	Construction	1st Mortgage	19 months	11.05%	42%
Residential Subdivision	Blue Mountains	Construction	1st Mortgage	25 months	8.00%	50%
Residential Subdivision	Blue Mountains	Construction	1st Mortgage	25 months	11.90%	60%
Residential Subdivision	King City	Pre-Development	1st Mortgage	19 months	8.50%	71%
Residential Subdivision	Brampton	Pre-Development	1st Mortgage	19 months	11.50%	68%
Residential Subdivision	Whitchurch-Stouffville	Pre-Construction/ Development	1st Mortgage	13 months	8.00%	71%
Residential Condominium	Richmond Hill	Construction	1st Mortgage	13 months	10.60%	78%

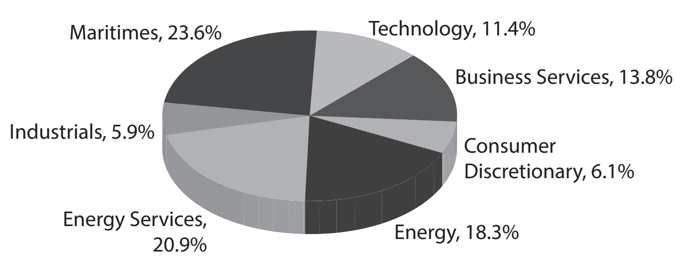
Build Form	Location	Type	Security	Term	Net Interest Rate	Loan to Value
Residential Subdivision	Vaughan	Pre-Development	1st Mortgage	17 months	11.20%	87%
Residential Subdivision	Barrie	Pre-Development	1st Mortgage	13 months	10.60%	71%
Residential Subdivision	Niagara Region	Term	1st Mortgage	7 months	8.00%	51%
Commercial Development	London	Pre-construction/ Development	1st Mortgage	7 months	11.05%	65%
Residential Subdivision	Richmond Hill	Pre-Development	1st Mortgage	13 months	10.60%	71%
Residential Condominium	North York	Pre-construction/ Development	2nd Mortgage	10 months	10.60%	84%
Residential Subdivision	Kitchener	Pre-construction/ Development	2nd Mortgage	25 months	12.50%	58%
Residential Subdivision	King City	Construction	1st Mortgage	19 months	8.50%	47%
Residential Subdivision	Richmond Hill	Pre-Development	1st Mortgage	13 months	11.25%	65%
			Weighted Average		10.3%	66%

Commercial Loans: Canada and Global Maritime

As depicted in Chart 8, the portfolio of 13 commercial loans made through Crown Partner Funding plus the exposure to Blue Ocean, is diversifying satisfactorily in our view.

- RBee Aggregate Consulting Ltd. (construction/engineering);
- Bill Gosling Outsourcing Holding Corp. (business process outsourcing services);
- Touchstone Exploration Inc. (oil & gas producer);
- Source Energy Sources (frac sand supplier in hydraulic fracturing process);
- Solo Liquor Holdings Ltd. (liquor retailer);
- Ferus Inc. (energy services);
- Canadian Helicopters Limited (charter & private air services);
- Active Exhaust Corp. (industrial machinery & equipment);
- Baylin Technologies Inc. (manufacture and supplier of antennas for the wireless infrastructure, networking and mobile markets);
- DATA Communications Management Corp. (direct marketing and print services);
- Persta Resources Inc. (oil and gas producer, with a focus on natural gas);
- Triple Five Intercontinental Group Ltd. (oil & gas producer);
- VIQ Solutions Inc. (transcription services industry); and
- Blue Ocean (global maritime/shipping).

Chart 8. Crown Partner Funding and Blue Ocean Breakdown by Sector as of December 31, 2018



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

Aligned with the Fund's mandate and pending further investments in private mortgages and other Specialty Investment Managers, approximately 6.4% of its investments (excluding Crown) in the portfolio consist of liquid assets, as follows:

(i) cash, short term notes and subscription receivables;

(ii) a debt holding in a Digicel Limited (Digicel) bond which matures March 1, 2023. Digicel is a leading wireless telecom business in the Caribbean with a dominant market share of above 50% in 24 markets;

(iii) Canadian-listed preferred shares, mostly bought at their initial public offerings, all investment grade rated by DBRS Limited and/or by Standard & Poor's rating agency, mostly including preferred shares which feature interest rate floors built into their structure whereby investors have the comfort of knowing the dividend rate cannot be adjusted lower than the initial rate, ranging from 4.75% to 6.25%;

(iv) Four U.S. business development corporations (BDCs): Ares Capital Corporation (Ares), Alcentra Capital Corporation (Alcentra), BlackRock Capital Investment Corporation (BlackRock) and Oaktree Strategic Income Corporation (Oaktree). Ares is a leading U.S. 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 U.S. 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. We believe BlackRock is one of the more conservatively managed specialty finance companies being externally managed by BlackRock Advisors, a subsidiary of BlackRock Inc., which is a leading global asset manager. Oaktree consists of virtually all senior secured debt investments that bear interest at floating rates. By comparison to other BDCs held in the portfolio, Oaktree aims to hold higher quality assets with commensurately lower returns which it then levers to generate higher returns. The initial investment in Oaktree was premature given its performance is leveraged to a rising interest rate environment;

(v) an equity holding in Brookfield Property Partners L.P. Brookfield Property Partners possesses a diversified portfolio with 144 office properties, 47 retail properties, 122 industrial properties, 84 multifamily properties, 155 hospitality properties, 322 triple net lease properties and 282 alternative real estate properties. Brookfield Property Partners 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 Property Partners was formed through a spin-off of Brookfield. Subsequent to the spin-off, Brookfield continues to share its industry expertise and proven investment strategies while retaining a 49% effective economic interest in the company; and

(vi) an equity holding in Brookfield Business Partners L.P. which operates as a business services and industrials company, focusing on construction, energy and other business services around the world.

The Partnership may from time to time borrow from a bank, prime broker, the Manager or its affiliates but such borrowings are subject to the restriction that they will not exceed 25% of the total assets of the Partnership. During the period, the portfolio has occasionally borrowed to manage cash flow requirements which resulted in a borrowing with the Partnership's prime broker of $6.7 million representing 5.6% of the total assets of the Partnership as at December 31, 2018. The Partnership also has a U.S. $7 million revolving loan facility that was drawn U.S. $4.4 million representing 5% of the total assets of the Partnership as at December 31, 2018. The total leverage of the Fund (including preferred units) is 11.3% as at December 31, 2018 (9.7% as at June 30, 2018).

Risk

Project Risk and Returns

The business environment in which the Fund operates is a relatively high yield market. This market is not without opportunity and risk. As described above, our holdings within our portfolio of private mortgages engage in a strategy that centers around taking on a suitable amount of project risk. The project that developers set out to accomplish is to construct a building or complete a phase of homes. Along a timeline from beginning to completion, a project enters into different periods of time when the level of risk varies. As an example, the point in time when the Fund initiates a loan to a developer is one when zoning approvals have only been conditionally obtained for a piece of land, however full approval is expected. It is at this point in time when the lender can command a high interest rate on its funds of about 8% to 12% per annum since there is a quantum of due diligence required that large banks are unwilling to dedicate to relatively small developments - and this is the opportunity that the Fund captures. As the project develops and evolves where more units/homes are sold and built, the level of risk on the project reduces and as such the capital available to such a project from large banks increases and the price of this capital decreases. It is at those points in time when the Fund's more expensive capital is replaced by less expensive capital that requires a lower interest rate.

This particular strategy of providing expensive capital and executing on the development of a project is one in which the EIB's GEEREF, Crown Power and the BSIP Fund all operate. GEEREF's Regional Funds and Crown Power intend to build portfolios of IEP's and then sell them at a higher price and lower risk to the purchaser. It is the aggregation of these assets in a diversified portfolio that reduce the risk of the combined portfolio and lowers the required rate of return the purchaser seeks. It is these factors that should allow GEEREF and Crown Power to generate attractive returns for investors, targeting net internal rates of return of greater than 10%. Crown Power intends to provide operating leases by effectively owning each combined heat and power unit and leasing them back via long-term power contracts to creditworthy end-user counterparties; whereas GEEREF's A shares / B units structure provides significant downside protection and preferred returns to the B unitholders (in which the Fund invests).

By comparison, the BSIP Fund will seek to capitalize on Brookfield's 115 year history of owning and operating essential infrastructure businesses globally and the knowledge gained through operating over $100 billion in infrastructure assets under management. Specifically, the BSIP Fund will target mature, highly cash generative core infrastructure assets that benefit from predominantly contracted or regulated revenues in the utilities, energy, power and transportation sectors in markets where Brookfield has an investment presence and operating capabilities of scale. The BSIP Fund will target a gross internal rate of return of approximately 9%, a net internal rate of return of 8% and an average current yield of 5% to 6%, supported by a focus on downside protection.

Exposure to global maritime assets is likely to be more cyclical to infrastructure but similar to Canadian commercial loans and so will be driven by opportunistically favourable deals due in part to a dearth of competition, so enabling loan pricing of about 8% to 12% per annum.

A key consideration to our seeking exposure to all 4 pillars: mortgages, commercial loans, maritime assets and infrastructure, is our belief that such diversification lowers the correlation of risk to other major asset classes including publicly traded asset classes, thereby enhancing the attractiveness of the Fund's risk-adjusted returns.

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 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;
- 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;
- the portfolio of commercial loans are generally expected to be first and second lien senior loans and mezzanine debt of 1 to 10 years with amortization and so with terms being between 1 to 7 years, although some may be a much longer duration while bridge loans would typically be less than one year; and
- based on current expectations, the composition of commercial loans is expected to have appropriate loan to value and proper asset protection through their tenors. The investments which are senior secured loans would ordinarily expect to be within the range of 50% - 80% of the determined value of its underlying assets.

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.

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 within Crown Partner Funding would be less than 50% of their determined value and controlled at or below a ratio of 4x debt/EBITDA[xv].

Before investing in Crown Partner Funding, a portfolio of commercial loans, we reviewed Crown's track record of previously directing three special situation debt funds; which together with the current portfolio, now includes the deployment of over $720 million in 50+ secondary debt transactions since 2000. Across Crown's completed 34 transactions to date, they have averaged an IRR of approximately 15% per transaction. Also, Crown's anticipated typical characteristics for the special situation financings being undertaken by Crown Partner Funding 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. Christopher Wain-Lowe is a non-voting observer member of Crown's investment committee.

In selecting EnTrustPermal as a Specialty Investment Manager of maritime assets, we reviewed the experiences and expectations of the senior team managing Blue Ocean and agreed with their analysis of opportunities to exploit twin dislocations in the shipping and European banking sectors by serving as an alternative source of liquidity to companies as traditional lenders reduce their activities. Both the Manager and EnTrustPermal believe that current financing opportunities in the shipping sector come with contractual downside protection given low to moderate loan-to-ship values, historically low asset values and first lien, senior securities structures.

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 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, Crown and EnTrustPermal, as Specialty Investment Managers aim to collect all indebtedness on mortgage loans and commercial loans respectively, 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.

As at December 31, 2018, we recognized that four mortgages have 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 and successfully engaged in the recovery processes, including the provision of additional financing 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 the non-performing mortgages but until all objective evidence of impairment is removed, the specific allowances on these mortgages remain a modest drag on the portfolio's return. Mortgage loans through MarshallZehr are valued at amortized cost (principal plus accrued interest less an allowance for expected credit losses), which approximates their fair value due to their short term nature.

Crown, as a 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 rates and other spread premiums. 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 fluctuates over time as these spreads are observed by Crown in the marketplace.

(iv) Excess illiquidity spread: this is determined by Crown at the inception of the loan and fluctuates over time as these spreads are observed by Crown in the marketplace.

Crown conducts internal valuations monthly and provides these valuations to us ordinarily within about 5 business days after the month end.

EnTrustPermal, as a Specialty Investment Manager, provides a quarterly NAV per unit. They appointed Citco Fund Services (Ireland) Limited to act as an external valuer to value Level 1 and certain Level 2 securities of Blue Ocean (for an explanation of Fair Value Levels 1, 2 and 3 please refer to the Notes to Financial Statements, Section 5(b) Fair value of financial instruments). Level 3 securities, being mainly the loans, lease portfolios and similar investments within Blue Ocean will be valued by EnTrustPermal with the assistance of one or more specialist maritime pricing providers, in accordance with fair value accounting principles. Under U.S. Accounting Standards Codification 820 Fair Value Measures and Disclosures (the Code), EnTrustPermal is required to fair value including an impairment/expected credit loss.

Measurement of Credit Risk via Expected Credit Loss (ECL)

At least annually we will estimate the ECL attributable to the portfolio of mortgages based on probabilities of inherent losses that are as yet unidentified. The approach adopted is 'Expected Credit Loss', a methodology which performs a quantitative calculation of the ECL to arrive at a probable quantitative value of the overall ECL. 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 (and separately loans) 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 ECL over the next 12 months to each borrower by multiplying these three factors. A PD is calculated by assessing the credit quality of borrowers. For illustration purposes, suppose a borrower has a 4% probability of defaulting over a 12-month period.

The EAD is our estimate of what the outstanding balance will be if the borrower does default. Suppose the current balance is $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 LGD, which is expressed as a percentage of EAD. Suppose the LGD in this case is estimated to be 20%, the ECL for this borrower is then calculated as 4% x $110,000 x 20% which is $880 (i.e. 0.88% of the outstanding balance).

To calculate PD, the Manager assesses the credit quality of borrowers and utilizes publicly available risk default data to help determine 1 year probabilities of default and lifetime probabilities of default. When assessing EAD the portfolio anticipates mortgages to be fully drawn and for the purposes of assessing the LGD, the portfolio makes adjustments to account for the increased losses experienced under downturn conditions.

Based on this ECL methodology, we have conducted regular assessments and have assigned a ECL/collective loan loss provision attributable to the mortgage portfolio holdings. As at December 31, 2018, we have assigned an overall rate of 1.70% (2.03% as at December 31, 2017 and 1.83% as at December 31, 2016) on the outstanding balances in the mortgage portfolio. In the ECL for mortgages, we recognize that such related losses have yet to be identified. We no longer make additional provisioning on Crown Partner Funding as it is classified as a Fair Value Through Profit and Loss asset under IFRS 9 (previous to Crown adopting IFRS 9 we had assigned an ECL/collective loan loss provision of 1% as at December 31, 2017 and 1% as at December 31, 2016). We hold one commercial loan held at amortized cost that was sourced through Crown that we have placed an ECL/collective loan loss provision of 1% as at December 31, 2018.

We believe our approach towards ECLs is in harmony with International Financial Reporting Standards, IFRS 9, which became effective January 1, 2018, namely that we are setting aside collective provisions on performing and 'watch listed' loans, so establishing coverage of credit risk based on expected losses.

Notes

Sources: Unless noted, information has been compiled from various sources including corporate documents, press releases, annual reports, offering documents and public news articles of MarshallZehr Group Inc., Crown Capital Partners Inc., EnTrustPermal Ltd., Brookfield Asset Management Inc. and affiliates, European Investment Bank, GEEREF, Thomson Reuters and company websites.

Certain statements included in this Commentary constitute forward-looking statements, including those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend" and similar expressions to the extent they relate to the Fund or Partnership. These forward-looking statements are not historical facts, but reflect the current expectations of the portfolio management team regarding future results or events of the Fund or Partnership. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. The portfolio management team has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, except as required by securities legislation.

Certain research and information about specific holdings in the Fund or Partnership, including any opinion, is based upon various sources believed to be reliable, but it cannot be guaranteed to be current, accurate or complete. It is for information only, and is subject to change without notice.

i. *Marshall Zehr Group Inc. Mortgage Administration #11955 Mortgage Brokerage #12453*

ii. *The awards are based solely on quantitative performance data of 207 Canadian hedge funds to June 30th, 2018 with Fundata Canada managing the collection and tabulation of the data to determine the winners. There is no nomination process or subjective assessment in identifying the winning hedge funds. The sharpe ratio is a measure for calculating risk-adjusted returns. The sharpe ratio is the portfolio return in excess of the risk-free rate divided by the volatility of the portfolio.*

iii. *Source: www.blackrock.com/ca/individual/en/products/239491/ishares-canadian-short-term-bond-index-etf.*

The iShares Core 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 Core 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 Core Canadian Short Term Bond Index ETF is designed to be a broad measure of the Canadian investment-grade fixed income market

iv. *"Bank of Canada Plans Thorough Review of Inflation Targeting", Bloomberg, November 20, 2018, https://www.bloomberg.com/news/articles/2018-11-20/bank-of-canada-plans-thorough-review-of-inflation-targeting*

v. *Teranet is Canada's leader in the delivery and transformation of statutory registry services with extensive expertise in land and commercial registries*

vi. *"Film Review: The Madness of Canadian Home Prices III", BMO Financial Group, Douglas Porter, CFA, Chief Economist, https://economics.bmocapitalmarkets.com/economics/amcharts/4DZ22P-L3YYBL-T68TGR-CLL4TV-S50.pdf*

vii. *"Stock vs. Bond Battle… Cash Wins", BMO Financial Group, Sal Guatieri, Senior Economist, https://economics.bmocapitalmarkets.com/economics/amcharts/M33ZF8-W1B66H-2F8HB1-K6XVDS-S70.pdf*

viii. *IMCO is an independent investment management firm designed to serve public-sector clients in Ontario. With approximately $60 billion in assets under management, IMCO is one of the largest institutional investment managers in Canada and around the globe.*

ix. *he IRR is the discount rate that makes the net present value of a series of cash flows equal to zero.*

x. *Investment Allocation is less other net assets. Other net assets include cash, subscriptions receivable, borrowing and/or working capital.*

xi. *What Does the Paris Agreement Do for Finance?, World Resources Institute, December 18, 2015, http://www.wri.org/blog/2015/12/what-does-paris-agreement-do-finance*

xii. *COP21 climate change summit reaches deal in Paris, BBC News, Dec 13, 2015, http://www.bbc.com/news/science-environment-35084374*

xiii. *European Investment Bank, http://www.eib.org/attachments/general/reports/fr2017en.pdf*

xiv. *Remaining term as of breakdown date for mortgages and commercial loans.*

xv. *Earnings before interest, taxes, depreciation and amortization*

Management's Responsibility for Financial Reporting

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

KPMG LLP is the external auditor of the Fund. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Unitholders their opinion on the financial statements. Their report is attached.

"Michael Lee-Chin"

Michael Lee-Chin
Director
March 13, 2019

"Robert Almeida"

Robert Almeida
Director
March 13, 2019

Independent Auditors' Report

To the Unitholders of Portland Private Income Fund

Opinion

We have audited the financial statements of Portland Private Income Fund (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in net assets attributable to holders of redeemable units for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Fund commentary document.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Fund commentary document as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licenced Public Accountants

March 13, 2019
Toronto, Canada

Statements of Financial Position

as at December 31,	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ -	$ 234,919
Subscriptions receivable	3,650,258	1,587,871
Interest receivable	921,662	576,911
Investments (note 5)	111,160,403	77,225,703
	115,732,323	79,625,404
Liabilities		
Current Liabilities		
Overdraft	2,589	-
Distributions payable	311,496	201,159
Redemptions payable	215,767	15,755
Expenses payable	179,282	29,129
Management fees payable	100,343	36,041
Service fees payable	-	14,214
Payable for investments purchased	2,919,000	1,526,000
	3,728,477	1,822,298
Net Assets Attributable to Holders of Redeemable Units	$ 112,003,846	$ 77,803,106
Net Assets Attributable to Holders of Redeemable Units Per Series		
Series FP	871,502	-
Series A	24,829,254	16,150,404
Series F	86,300,155	61,650,027
Series O	2,935	2,675
	$ 112,003,846	$ 77,803,106
Number of Redeemable Units Outstanding (note 6)		
Series FP	87,150	-
Series A	507,979	328,552
Series F	1,724,993	1,229,242
Series O	61	55
Net Assets Attributable to Holders of Redeemable Units Per Unit		
Series FP	10.00	-
Series A	48.88	49.16
Series F	50.03	50.15
Series O	48.11	48.53

Approved by the Board of Directors of Portland Investment Counsel Inc.

"Michael Lee-Chin" Director

"Robert Almeida" Director

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

Statements of Comprehensive Income

for the years ended December 31,	2018	2017
Income		
Net gain (loss) on investments		
Interest for distribution purposes	$ 429,658	$ 454,780
Net realized gain (loss) on investments	2,258	-
Change in unrealized appreciation (depreciation) on investments	8,153,922	5,438,195
Total income (net)	8,585,838	5,892,975
Expenses		
Management fees (note 8)	509,215	367,593
Service fees (note 8)	224,744	147,448
Securityholder reporting costs (note 8)	152,886	241,347
Mortgage administration fees	40,649	48,980
Audit fees	20,367	19,912
Independent review committee fees	2,826	3,392
Custodial fees	493	480
Legal fees	211	10,950
Impairment (gain) loss (note 5)	(55,268)	211,935
Net operating expenses	896,123	1,052,037
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 7,689,715	$ 4,840,938
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series		
Series FP	8,543	-
Series A	1,517,154	843,794
Series F	6,163,758	3,996,932
Series O	260	212
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Series FP	0.17	-
Series A	3.73	3.22
Series F	4.39	3.90
Series O	4.51	4.05

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,	2018	2017
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Series FP	$ -	$ -
Series A	16,150,404	10,731,905
Series F	61,650,027	41,171,223
Series O	2,675	2,463
	77,803,106	51,905,591
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Series FP	8,543	-
Series A	1,517,154	843,794
Series F	6,163,758	3,996,932
Series O	260	212
	7,689,715	4,840,938
Distributions to Holders of Redeemable Units		
From net investment income		
Series FP	(8,543)	-
Series A	(1,555,738)	(926,858)
Series F	(5,733,277)	(3,819,394)
Series O	(197)	(168)
	(7,297,755)	(4,746,420)
From return of capital		
Series FP	-	-
Series A	(68,120)	(119,703)
Series F	(580,634)	(788,285)
Series O	(77)	(81)
	(648,831)	(908,069)
Net Decrease from Distributions to Holders of Redeemable Units	(7,946,586)	(5,654,489)
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Series FP	870,450	-
Series A	9,427,572	7,027,784
Series F	23,253,095	18,960,662
Series O	-	-
	33,551,117	25,988,446
Reinvestments of distributions		
Series FP	1,052	-
Series A	1,225,089	845,143
Series F	3,760,049	2,787,998
Series O	274	249
	4,986,464	3,633,390
Redemptions of redeemable units		
Series FP	-	-
Series A	(1,867,107)	(2,251,661)
Series F	(2,212,863)	(659,109)
Series O	-	-
	(4,079,970)	(2,910,770)
Net Increase (Decrease) from Redeemable Unit Transactions	34,457,611	26,711,066
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Series FP	871,502	-
Series A	24,829,254	16,150,404
Series F	86,300,155	61,650,027
Series O	2,935	2,675
	$ 112,003,846	$ 77,803,106

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

Statements of Cash Flows

for the years ended December 31,	2018	2017
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 7,689,715	$ 4,840,938
Adjustments for:		
Net realized (gain) loss on investments	(2,258)	-
Change in unrealized (appreciation) depreciation on investments	(8,153,922)	(5,438,195)
Impairment (gain) loss	(55,268)	211,935
(Increase) decrease in interest receivable	(344,751)	(222,275)
Increase (decrease) in management fees, service fees, and expenses payable	200,241	(52,804)
Purchase of investments	(25,001,331)	(22,914,000)
Proceeds from sale of investments	671,079	445,560
Net Cash Generated (Used) by Operating Activities	(24,996,495)	(23,128,841)
Cash Flows from Financing Activities		
Increase (Decrease) in borrowing/overdraft	2,589	-
Distributions to holders of redeemable units, net of reinvested distributions	(2,849,785)	(1,998,693)
Proceeds from redeemable units issued (note 3)	30,456,675	25,989,943
Amount paid on redemption of redeemable units (note 3)	(2,847,903)	(636,936)
Net Cash Generated (Used) by Financing Activities	24,761,576	23,354,314
Net increase (decrease) in cash and cash equivalents	(234,919)	225,473
Cash and cash equivalents - beginning of period	234,919	9,446
Cash and cash equivalents - end of period	-	234,919
Cash and cash equivalents comprise:		
Cash at bank	$ -	$ 234,919
From operating activities:		
Interest received, net of withholding tax	$ 84,907	$ 232,505
From financing activities:		
Distributions paid	$ 2,849,785	$ 1,998,693

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

Schedule of Investment Portfolio

as at December 31, 2018

No. of Units	Description		Average Cost		Fair Value/Amortized Cost	% of Net Assets Attributable to Holders of Redeemable Units
UNDERLYING FUNDS						
Canada						
1,393,112	Portland Private Income LP Class B	$	91,660,147	$	109,149,091	97.4%
MORTGAGES						
Canada						
	Private Mortgage Loans (note 5)*		2,440,737		2,011,312	1.8%
		$	94,100,884		111,160,403	99.2%
	Other assets less liabilities				843,443	0.8%
	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$	112,003,846	100.0%

* Reported at amortized cost

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

1. GENERAL INFORMATION

Portland Private Income Fund (the Fund) is an open-ended investment fund established under the laws of the Province of Ontario as a trust pursuant to an amended and restated master declaration of trust dated as of December 13, 2013, as amended thereafter and as may be amended and restated from time to time. The formation date of the Fund was December 17, 2012 and inception date was January 7, 2013.Portland Investment Counsel Inc. (the Manager) is the Investment Fund Manager, Portfolio Manager and Trustee of the Fund. The head office of the Fund is 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7. These financial statements were authorized for issue by the Board of Directors of the Manager on March 13, 2019. The financial statements of Portland Private Income LP (the Partnership) are included in Appendix A and are to be read in conjunction with these financial statements.

The Fund offers units to the public on a private placement basis under an offering memorandum. The investment objectives of the Fund are to preserve capital and provide income and above average long-term returns. Although the Fund intends to achieve its investment objective by investing 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.

Effective June 8, 2018, the Fund launched two new series of preferred units – Series AP and Series FP (Preferred Units).

The statements of financial position of the Fund are as at December 31, 2018 and December 31, 2017. The statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows of the Fund are for the years ended December 31, 2018 and December 31, 2017.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS).

The date of initial application for the new classification and measurement standards in IFRS 9 - Financial Instruments is for fiscal years beginning on or after January 1, 2018. The Fund has adopted IFRS 9 in these financial statements and IFRS 9 has been applied retrospectively by the Fund. There were no changes in measurement attributes for any of the financial assets and liabilities held by the Fund as at January 1, 2018, however, some of the classifications have changed compared to the previous classification under IAS 39. See note 3(a).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

The Fund has adopted IFRS 9 in these financial statements. IFRS 9 replaced IAS 39 and provides a new framework for classification and measurement of financial assets and liabilities, as well as new standards for hedge accounting. The Fund does not have arrangements in place that meet the criteria for hedge accounting, so those aspects of the standard have not been applied in these financial statements.

The Fund classifies financial assets based on the business model used for managing such financial assets and the contractual cash flow characteristics of those financial assets. The Fund may be divided into sub-portfolios that have different business models. Where contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test), the financial asset will be classified as a financial asset at amortized cost.

The Fund recognizes financial instruments at fair value upon initial recognition, inclusive of transaction costs in the case of financial instruments not measured at fair value. Purchases and sales of financial assets are recognized as at their trade date. The Fund classifies its investment in equities and fixed income securities as financial assets or financial liabilities at fair value through profit or loss (FVTPL). Mortgage loans have been classified as financial assets at amortized cost. Other investment funds (the Partnership) held by the Fund do not meet the SPPI test and therefore have been classified as financial assets at FVTPL.

All other financial assets and liabilities are recognized at amortized cost and are reflected at the amount required to be paid, discounted to reflect the time value of money when appropriate.

The Fund's obligation for net assets attributable to holders of redeemable units does not meet the criteria for equity treatment and therefore is presented as a liability on the statement of financial position. The Fund has classified its obligation for net assets attributable to holders of redeemable units as a financial liability at FVTPL.

The Fund's accounting policies for measuring the fair value of its investments are similar to those used in measuring net asset value (NAV) for unitholder transactions; therefore, the NAV will be similar to the net assets attributable to holders of redeemable units for financial reporting purposes except for the treatment of organization expenses.

Financial assets and liabilities may be offset and the net amount reported in the statements 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. In the normal course of business, the Fund may enter into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy, certain events of default or termination of the contracts.

(b) Recognition, de-recognition and measurement

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 are initially recognized at fair value. Transaction costs incurred to acquire financial assets at FVTPL are expensed as incurred in the statement of comprehensive income. Subsequent to initial recognition, all financial assets and liabilities at FVTPL are measured at fair value. Unrealized gains and losses arising from changes in fair value of the FVTPL category are presented in the statements of comprehensive income within 'Change in unrealized appreciation (depreciation) on investments' in the period in which they arise. Financial assets at amortized cost are subsequently measured at amortized cost, less any impairment losses. Transaction costs incurred on financial assets or liabilities at amortized cost are amortized over the life of the asset or liability.

Financial assets are de-recognized when the rights to receive cash flows 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 (for financial assets at FVTPL) or the amortized cost (for financial assets at amortized cost) is included within 'Net realized gain (loss) on investments' in the statements of comprehensive income.

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 and the difference is material, 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.

The Manager has procedures to determine the fair value of securities at FVTPL for which market prices are not readily available or which may not be reliably priced. The Partnership does not trade on an active market hence its fair value is determined using valuation techniques. The fair value is primarily determined based on the latest available price of the Partnership as reported by the administrator of the Partnership.

Revenue recognition

'Interest for distribution purposes' shown on the statements of comprehensive income represents the stated rate of interest earned by the Fund on fixed income securities accounted for on an accrual basis, as applicable. 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 instrument funds are recognized as income on the ex-dividend date.

Impairment of financial assets

The Manager estimates the amount of expected credit losses (ECLs) on the Fund's financial assets at amortized cost at each reporting date. The amount of the ECL is deducted from the carrying amount of investments on the statements of financial position. Changes in the ECL from the previous reporting date are included as 'Impairment (gain) loss' on the statements of comprehensive income. Refer to note 5 *Credit Risk* for information on ECLs.

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 exchange 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 statements 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) of investments' in the statements of comprehensive income.

'Foreign exchange gain (loss) on cash and other net assets' arises from sale of foreign currencies, change in foreign currency denominated loans, 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 cost for each security excluding transaction costs for investments at FVTPL. On the schedule of investment portfolio, transaction costs have been deducted in aggregate from the total cost of individual investments which includes transaction costs.

Redeemable Units

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

The redeemable units are carried at the redemption amount that is payable at the statements of financial position date if the holder exercises the right to put the units 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 by the total number of outstanding redeemable units of each respective series. Refer to note 6 for additional details on redeemable units.

Expenses

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

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

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

Organization expenses

Organization expenses including legal fees, time spent by the Manager to create the Fund, and registration fees associated with the formation of the Fund are recoverable from the Fund by the Manager. During the period ended December 31, 2018, organization expenses were incurred for the issuance of Preferred Units. The Fund is required to re-pay this amount to the Manager over five years commencing the month following the first issuance of Preferred Units or January 31, 2019, whichever occurs last. The NAV per unit of the Fund is higher than the net assets attributable to holders of redemable units because of the accounting treatment of organization expenses.

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. The Fund will distribute sufficient net income and net realized capital gains to unitholders annually to ensure that the Fund is not liable for ordinary income taxes. All distributions by the Fund will be automatically reinvested in additional units 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.

With respect to distributions, the Common Units and Preferred Units are, to a certain extent, comparable to common shares and preferred shares, respectively, of a corporation. The Preferred Units pay or accrue a monthly distribution (which accrues if it is unpaid) equal to the Preferred Return expressed as an annualized percentage (the Preferred Return) of the Preferred unitholder's subscription price (the Preferred Unit Investment Amount) which will range from the Royal Bank of Canada Prime Rate (the Prime Rate) to no more than the cost of unsecured debt available to the Partnership, as adjusted by the Manger from time to time. The Preferred Return is paid in preference to distributions on the Common Units. The Common Units receive a distribution following the payment of Preferred Return, which is not capped (unlike the Preferred Return). The distribution on the Common Units is variable and may be higher or lower than the distribution on the Preferred Units depending upon the cash flow of the Fund's underlying investments. All distributions are paid after the payment of fund expenses, including interest and principal payments on indebtedness.

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

Management fees and other costs directly attributable to each series of common units are charged to that series.

All of the Fund's expenses, income and realized and unrealized gains and losses, including the Preferred Return, are allocated to the Common Units of the Fund. The Preferred Units do not receive any allocation of fees or expenses of the Fund because the Preferred Units only entitle the holder to the Preferred Return and a return of the Preferred Unit Investment Amount. In contrast, the Common Units entitle the holder to the Fund's income after payment of all fees, expenses, the Preferred Return and the return of any amount of the Preferred Unit Investment Amount.

Allocation of non-cash items on the statement of cash flows

The Fund includes only the net cash flow impact and does not include non-cash switches between series of the Fund that occurred during the year in 'Proceeds from redeemable units issued' or 'Amount paid on redemption of redeemable units'. The below non-cash switches have been excluded from the Fund's operation and financing activities on the statements of cash flows.

For the period ended	December 31, 2018 ($)	December 31, 2017 ($)
Portland Private Income Fund	1,032,055	2,258,079

Future accounting changes

New standards, amendments and interpretations effective for the years ended beginning after January 1, 2018 and that have not been early adopted

There are no new accounting standards effective for the years ended beginning after January 1, 2018 which affect the accounting policies of the Fund.

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.

Fair value of securities not quoted in an active market

The fair value of such securities not quoted in an active market may be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices. Such values may be indicative and not executable or binding. The Fund would exercise judgment and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Fund may value positions using their own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The inputs into these models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Classification of financial assets and liabilities

Financial assets may be classified as financial assets at amortized cost, financial assets at FVTPL or financial assets at fair value through other comprehensive income. Financial liabilities may be classified as financial liabilities at amortized cost or financial liabilities at FVTPL. In order to classify its financial assets and liabilities in accordance with IFRS 9, the Manager uses judgment to assess the business model of the Fund and the cash flows of their financial assets and liabilities. The classification of financial assets and liabilities of the Fund is outlined in note 3.

5. FINANCIAL INSTRUMENTS

a) Risk management

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 invests in the Partnership which invests in other funds (the Underlying Funds) and is therefore susceptible to the market risk arising from uncertainties about future values of those Underlying Funds. The Manager makes investment decisions after an extensive assessment of the Underlying Funds, their strategies and the overall quality of the Underlying Funds' manager. All of the Underlying Funds and their underlying investments are subject to risks inherent in their industries. In the case of the Underlying Funds, established markets do not exist for these holdings, and are therefore considered illiquid. The Fund is therefore indirectly exposed to each financial risk of the respective Underlying Fund in proportion to its investments in such Underlying Fund. 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 memorandum. 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 may be susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at December 31, 2018 and December 31, 2017, the Fund did not have significant direct exposure to price risk. The Fund has indirect exposure to price risk through its investment in the Partnership.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held by the Fund, such as mortgages. The fair value and future cash flows of such instruments held by the Fund will fluctuate due to 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, 2018 and December 31, 2017, the Fund's mortgage investments are in fixed rate, short-term mortgages. The Fund generally intends to hold all of its mortgages to maturity. There is a very limited 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 carrying value (principal minus allowance for ECL) of mortgage investments segmented by gross interest rate (before deduction of mortgage administration fees) as at December 31, 2018 and December 31, 2017:

	0% - 11.99% ($)	12% - 12.99% ($)	13% - 13.99% ($)	14% - 14.99% ($)	Total ($)
December 31, 2018	1,735,280	-	-	276,032	2,011,312
December 31, 2017	2,187,988	-	-	424,134	2,612,122

The following is a summary of the carrying value of mortgage investments segmented by term as at December 31, 2018 and December 31, 2017:

	12 months or less ($)	13 to 24 months ($)	Total ($)
December 31, 2018	1,724,762	286,550	2,011,312
December 31, 2017	2,137,314	474,808	2,612,122

The Fund has indirect exposure to interest rate risk through its investment in the Partnership.

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, 2018 and December 31, 2017, 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 are to be paid within 30 days following the redemption date. The Fund makes investments in private mortgage loans or the Partnership that are not traded in an active market and may not be redeemable. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at amounts which approximate their fair values. 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. All obligations of the Fund including management fees payable, service fees payable, expenses payable, redemptions payable, payable for investments purchased, and distributions payable, as applicable, were due within 3 months from the financial reporting date. Issued redeemable units are payable on demand.

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 significant portion 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 the Fund's offering documents. This includes the following strategies:

- 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
- the portfolio of mortgages is 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.

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 appraiser's valuations and credit checks and financial statement reviews on prospective borrowers.

Expected Credit Losses

At each reporting date, the Manager performs an assessment of credit risk on its portfolio of mortgage loans. ECLs are estimated and reflected as a reduction to the carrying amount of the Fund's mortgage loan portfolio (the Mortgage Portfolio).

The Mortgage Portfolio is grouped into three categories or stages, as described below.

Stage 1 - Performing

There has been no significant change in credit risk on the loan (or the loan was and still is in the low credit risk category) since initial recognition. The ECL rate is multiplied by the aggregate principal plus accrued interest of all Stage 1 loans to reduce the carrying amount.

Stage 2 – Non performing

When a particular Stage 1 mortgage or commercial loan moves to Stage 2 (see the section below entitled *Determination of significant changes in credit risk*) a lifetime ECL is applied on that individual loan. The lifetime ECL is determined using loan-to-value (LTV), information from the third party mortgage administrator or investment manager as well as historical experience in similar situations. A range of possibilities is considered and the probable value of the recovery amount determines the amount of the ECL. Typically, the ECL is ratably higher than the ECL on Stage 1 assets to reflect the increase in credit risk.

Stage 3 – Default

If the Manager believes that a mortgage or commercial loan is in default, an allowance specific to that loan will be determined based on an assessment of the expected loss over the lifetime of the loan. A range of possibilities is considered and the probable value of the recovery amount determines the amount of the lifetime ECL. Typically, the lifetime ECL is ratably higher than the ECL on Stage 1 or Stage 2 assets to reflect the increase in credit risk.

For mortgages in Stage 1, an ECL percentage rate is applied to the total carrying value of all mortgage loans that are in Stage 1. The ECL percentage rate is determined by calculating an ECL (in dollars) for each loan in the Mortgage Portfolio and dividing the aggregate ECL by the total value of such loans, excluding the ECL.

ECL is calculated by applying the following formula:

Expected credit loss = Exposure at Default (EAD) x Loss Given Default (LGD) x Probability of Default (PD)

EAD is the estimate of what the outstanding balance will be at the time of default, if the borrower does default, including time to resolve the default. LGD is the unrecovered part of EAD if there is a default requiring recovery of collateral or payments under a guarantee. PD is the probability that a borrower will default prior to the maturity of the loan.

For mortgages in Stage 2 or Stage 3, the ECL is determined based on the Manager's best estimate of the ECL over the lifetime of the loan.

The Fund considers a borrower to be in default when the first of (i) a failure to pay interest or principal on a loan more than 90 days after the payment is due and either the loan-to-cost (LTC) or LTV covenant is breached or (ii) bankruptcy filing or receivership, occurs. The Manager believes that more than 90 days and either a LTC or LTV covenant breach is a reasonable definition of default based on its previous experience in the mortgage and commercial loan industry. Loans will be written off when there is no reasonable prospect of recovering any further cash flows from the financial asset.

The following tables present the breakdown of the Mortgage Portfolio into Stages and the respective ECL as at December 31, 2018 and December 31, 2017:

December 31, 2018	Number of Loans	Principal + Accrued Interest ($)	ECL Amount ($)	ECL Rate
Stage 1	3	1,910,954	(32,486)	1.7%
Stage 2	-	-	-	-
Stage 3	2	1,356,940	(396,940)	29.3%
Total	**5**	**3,267,894**	**(429,426)**	

December 31, 2017	Number of Loans	Principal + Accrued Interest ($)	ECL Amount ($)	ECL Rate
Stage 1	3	1,930,755	(56,378)	2.9%
Stage 2	-	-	-	-
Stage 3	3	1,742,986	(428,330)	24.5%
Total	**6**	**3,673,741**	**(484,708)**	

During the period ended December 31, 2018, a mortgage loan was moved out of Stage 3 because it was repaid in full. The recovered amount is included as 'Impairment (gain) loss' on the statements of comprehensive income.

Determination of significant changes in credit risk

The Manager compares the risk of a default occurring as at the reporting date with the risk of a default occurring on a financial instrument as at the date of initial recognition using reasonable and supportable information that is available without undue cost. The Manager may assume that the credit risk of a private mortgage loan has not changed significantly if it is determined to have low credit risk at the reporting date. The Manager looks at the following factors to assess whether credit risk has increased (or decreased) since initial recognition:

- Increases in LTC and/or LTV on particular loans;
- Events/delays in construction or intentions that are a significant deviation from planned activities;

- Missed interest or principal payments; and
- Degradation of the financial position of the borrower, including its guarantors.

LTV ratios are updated using forward-looking information whenever it is available via periodic updates from the third party investment manager/ mortgage administrator on the status of projects and collateral underlying the loans. LTC and LTV ratios that exceed 90% and 85%, respectively are viewed as a sign that the mortgage may be put on a watch list for potential changes in credit risk. This will depend on how close a project is to completion (in the case of development/construction projects) and other qualitative factors.

The assessment may include an evaluation of the monitoring steps being taken by the third party investment manager/mortgage administrator which can be a sign of a change in credit risk.

The maximum direct exposure to credit risk at December 31, 2018 is calculated as the face value of the private mortgage loans plus the accrued interest thereon less any ECLs, which totaled $2,838,467 (December 31, 2017: $3,189,033). 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 Mortgage Portfolio held by the Fund as at December 31, 2018:

	Number of Mortgages	Carrying Value ($)	Carrying Value + Accrued Interest ($)
First Mortgages	5	2,011,312	2,838,467
Total	**5**	**2,011,312**	**2,838,467**

The following is a summary of the Mortgage Portfolio held as at December 31, 2017:

	Number of Mortgages	Carrying Value ($)	Carrying Value + Accrued Interest ($)
First Mortgages	6	2,612,122	3,189,033
Total	**6**	**2,612,122**	**3,189,033**

The following is a summary of the Mortgage Portfolio segmented by type of project as at December 31, 2018 and December 31, 2017:

	Pre-development/ Construction ($)	Construction ($)	Term ($)	Total ($)
December 31, 2018	276,510	709,844	1,024,958	2,011,312
December 31, 2017	802,564	798,668	1,010,890	2,612,122

In addition to private mortgage loans, the Fund has indirect exposure to commercial loans through its investment in the Partnership, which in turn invests in Crown Capital Partner Fund, LP and Blue Ocean Fund. Refer to Appendix A for further details.

b) 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.

The following tables illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2018 and December 31, 2017:

	Assets (Liabilities)			
As at December 31, 2018	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Partnership	-	109,149,091	-	109,149,091
Total	**-**	**109,149,091**	**-**	**109,149,091**

	Assets (Liabilities)			
As at December 31, 2017	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Partnership	-	74,613,548	-	74,613,548
Total	**-**	**74,613,548**	**-**	**74,613,548**

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.

c) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

i) restricted activities;

ii) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;

iii) insufficient equity to permit the structured entity to finance its activities without subordinate financial support; and

iv) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Fund considers its investment in the Partnership to be an investment in an unconsolidated structured entity. The Partnership is valued as per the above section on Fair Value Measurement. The change in fair value of the Partnership is included in the statements of comprehensive income in 'Change in unrealized appreciation (depreciation) on investments'.

The Fund's investment in the Partnership is subject to the terms and conditions of its offering document and is susceptible to market price risk arising from uncertainties about future values. The Partnership units are redeemable.

The exposure to the investment in the Partnership at fair value as at December 31, 2018 and December 31, 2017 is presented in the following tables. This investment is included at fair value in financial assets at FVTPL in the statements of financial position. The Manager's best estimate of the maximum exposure to loss from the Fund's investment in the Partnership is the fair value below.

December 31, 2018:

Description	Net asset value of Underlying Fund ($)	Investment at fair value ($)	% of Net Assets attributable to holders of redeemable units
Portland Private Income LP	109,149,170	109,149,091	100.0%

December 31, 2017:

Description	Net asset value of Underlying Fund ($)	Investment at fair value ($)	% of Net Assets attributable to holders of redeemable units
Portland Private Income LP	74,613,653	74,613,581	100.0%

6. REDEEMABLE UNITS

The Fund is permitted to issue an unlimited number of redeemable units issuable in Series A, Series F, Series O (Common Units). The Fund is permitted to issue Series AP and Series FP (Preferred Units), limited to equivalent of a maximum of 25% of the total assets of the Partnership after giving effect to borrowing, inclusive of any prime brokerage or other borrowing facility. Additional series 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 series represents an undivided ownership interest in the net assets of the Fund attributable to that series of units.

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, or on such other date as determined by the Manager (each, a Valuation 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. If a holder of Common Units 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 holder of Common Units 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. There are no redemption fees applicable to Preferred Units.

The Fund endeavors to invest capital in appropriate investments in conjunction with their investment objectives. The Fund may borrow or dispose of investments, where necessary, to fund redemptions.

The principal difference between the series of units relates to the distribution policy, management fee payable to the Manager, minimum investment requirements and the compensation paid to dealers. Units of the Fund are entitled to participate in the 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 of the applicable Fund being redeemed, determined at the close of business on the redemption date, as outlined in the offering memorandum.

Preferred Units are issuable and redeemable at the NAV per unit of the applicable series, which is generally $10.00, plus any accrued and unpaid distributions. Common Units are issuable and redeemable at the NAV per unit which is the NAV of the applicable series of Common Units divided by the number of units of the applicable series. The NAV of Common Units is the amount of net assets available after deduction of the NAV and accrued and unpaid distribution attributable to the Preferred Units.

Preferred Units rank ahead of Common Units for payment of distributions and redemptions in the normal course, as well as upon liquidation of the Fund.

Series A and Series AP Units are available to all investors who meet the eligibility requirements and invest a minimum of $2,500 in respect of Series A and $5,000 in respect of Series AP.

Series F and Series FP Units are available to investors who meet the eligibility requirements and who invest a minimum of $2,500 in respect of Series F and $5,000 in respect of Series FP, 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 does not incur distribution costs, or individual investors approved by the Manager.

Series O Units are available to certain institutional investors making a minimum investment of $500,000. Fees associated with Series O Units are negotiated and paid directly from the investor to the Manager and are not an expense of the Fund.

The number of units issued and outstanding for the periods ended December 31, 2018 and December 31, 2017 was as follows:

December 31, 2018

	Balance, Beginning of Period	Units Issued Including Switches from Other Series	Units Reinvested	Units Redeemed Including Switches to Other Series	Balance, End of Period	Average Number of Units
Series FP	-	87,045	105	-	87,150	43,770
Series A	328,552	192,590	25,031	38,194	507,979	406,748
Series F	1,229,242	464,836	75,166	44,251	1,724,993	1,404,660
Series O	55	-	6	-	61	58

December 31, 2017

	Balance, Beginning of Period	Units Issued Including Switches from Other Series	Units Reinvested	Units Redeemed Including Switches to Other Series	Balance, End of Period	Average Number of Units
Series A	215,111	141,952	17,085	45,596	328,552	261,896
Series F	811,232	375,750	55,317	13,057	1,229,242	1,025,029
Series O	50	-	5	-	55	52

7. TAXATION

The Fund qualifies as a mutual fund trust within the meaning of the Income Tax Act (Canada) (the Tax Act). The Fund calculates taxable and net capital gains/(losses) in accordance with the Tax Act and intends to distribute sufficient net income and net realized capital gains, if any, to ensure it does not pay ordinary income tax. 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, if any, has not been reflected in the statements of financial position as a deferred income tax asset.

The taxation year end of the Fund is December 31.

The Fund has $1,090 of capital loss carry forwards and $nil non-capital loss carry forwards as at December 31, 2018.

8. FEES AND EXPENSES

Pursuant to the Fund's offering memorandum, all of the Fund's fees and expenses, including distributions of the Preferred Return on Preferred Units, are allocated to the Common Units of the Fund. The Preferred Units do not receive any allocation of fees or expenses of the Fund because the Preferred Units only entitle the holder to the Preferred Return and the Preferred Unit Investment Amount. In contrast, the Common Units entitle the holder to the Fund's income after payment of all fees, expenses, the Preferred Return and the return of any amount of the Preferred Unit Investment Amount.

The Fund is required to pay management fees to the Manager, calculated and accrued on each valuation date and paid monthly. The annual management fee rate for Series A, Series F, Series AP and Series FP Units is 0.50% of the NAV of the applicable series. Management fees on Series O Units are negotiated and are charged to the investors who hold Series O Units, not the Fund. The Fund is also charged service fees on Series A and Series AP Units of 1.00% per annum calculated and accrued on each Valuation Date and paid monthly. The Manager distributes the service fees 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. 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 markup or administration fee. The Manager may absorb fund operating expenses at its discretion but is under no obligation to do so.

During the period ended December 31, 2018, additional organization expenses in the amount of $28,450 (excluding applicable taxes such as HST) were incurred for the issuance of Preferred Units. The Fund is required to re-pay this amount to the Manager over five years commencing the month following the first issuance of Preferred Units or January 31, 2019, whichever is last.

9. SOFT DOLLARS

Allocation of business to brokers of the Fund is made on the basis of coverage, trading ability and fundamental research expertise. 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 (termed proprietary research). The dealers do not provide the Manager with an estimate of the cost of the research, statistical and other similar services (referred to as soft dollars).

The Manager may use third party proprietary research, which is generally also available on a subscription basis, the value of which will be used to approximate the value of research and other similar services received from third parties through commission sharing arrangements with executing brokers. The Fund has not participated in any third party soft dollar arrangements to date.

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 periods ended December 31, 2018 and December 31, 2017. The table includes the amount of operating expense reimbursement that was made to affiliates of the Manager. All of the dollar amounts in the table below exclude applicable GST or HST.

Period ended	Management Fees ($)	Service Fees ($)	Operating Expense Reimbursement ($)	Operating Expenses Reimbursed to Affiliates of the Manager ($)
December 31, 2018	453,976	200,364	157,605	2,621
December 31, 2017	325,443	130,553	244,446	2,866

The Fund owed the following amounts to the Manager excluding the applicable GST or HST:

As at	Management Fees ($)	Service Fees ($)	Operating Expense Reimbursement ($)
December 31, 2018	89,631	39,191	36,203
December 31, 2017	31,879	12,591	25,789

The Manager and/or its affiliates and key management personnel of the Manager and their family (collectively referred to as Related Parties) may invest in units of the Fund from time to time in the normal course of business. The following table presents the number of units of the Fund held by the Manager and Related Parties on each reporting date.

As at	Manager	Related Parties
December 31, 2018	-	210,032
December 31, 2017	-	196,207

11. EXEMPTION FROM FILING

The Fund is relying on the exemption contained within National Instrument 81-106, Part 2.11 to not file its financial statements with the applicable securities regulatory authorities.

APPENDIX A

Portland Private Income LP

Annual Financial Report

December 31, 2018

▪ 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 of Portland Private Income LP (the Partnership) have been prepared by Portland Investment Counsel Inc. in its capacity as manager (the Manager) of the Partnership. The Manager is responsible for the information and representations contained in these financial statements. The Board of Directors of the general partner of the Partnership, Portland General Partner (Ontario) Inc. has approved these 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.

KPMG LLP is the external auditor of the Partnership. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Unitholders their opinion on the financial statements. Their report is attached.

"Michael Lee-Chin"

Michael Lee-Chin
Director
March 13, 2019

"Robert Almeida"

Robert Almeida
Director
March 13, 2019

Independent Auditors' Report

To the Limited Partners of Portland Private Income LP

Opinion

We have audited the financial statements of Portland Private Income LP (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in net assets attributable to holders of redeemable units for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Fund commentary document.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Fund commentary document as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licenced Public Accountants

March 13, 2019
Toronto, Canada

Statements of Financial Position

as at December 31,		2018		2017
Assets				
Current Assets				
Cash and cash equivalents	$	-	$	439
Subscriptions receivable		2,919,000		1,526,000
Receivable for investments sold		698,941		905
Interest receivable		1,231,951		590,885
Dividends receivable		20,977		59,739
Investments (note 5)		115,763,720		77,519,522
Investments - pledged as collateral (note 5 and 9)		1,684,685		4,617,277
		122,319,274		84,314,767
Liabilities				
Current Liabilities				
Borrowing (note 9)		12,706,257		9,545,869
Payable for investments purchased		346,445		103,747
Expenses payable		117,302		49,568
Derivative liabilities		-		1,830
		13,170,004		9,701,014
Net Assets Attributable to Holders of Redeemable Units	$	109,149,270	$	74,613,753
Equity				
General Partner's Equity		100		100
Net Assets Attributable to Holders of Redeemable Units Per Class				
Class A		79		72
Class B		109,149,091		74,613,581
	$	109,149,170	$	74,613,653
Number of Redeemable Units Outstanding (note 6)				
Class A		1		1
Class B		1,393,112		1,044,997
Net Assets Attributable to Holders of Redeemable Units Per Unit				
Class A		78.92		72.42
Class B		78.35		71.40

Approved by the Board of Directors of Portland General Partner (Ontario) Inc.

"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,	2018	2017
Income		
Net gain (loss) on investments and derivatives		
Dividends	$ 778,649	$ 453,484
Interest for distribution purposes	5,166,954	3,484,548
Net realized gain (loss) on investments	123,848	23,027
Change in unrealized appreciation (depreciation) on investments	4,409,662	2,456,065
	10,479,113	6,417,124
Other income		
Foreign exchange gain (loss) on cash and other net assets	(474,451)	46,008
Total income (net)	10,004,662	6,463,132
Expenses		
Mortgage administration fees	671,633	465,014
Impairment (gain) loss (note 5)	582,485	288,768
Interest expense and bank charges	454,625	143,284
Audit fees	58,976	33,472
Securityholder reporting costs (note 8)	38,144	55,918
Withholding tax expense	31,856	26,224
Transaction costs	4,335	5,982
Organization expenses (note 8)	4,114	4,114
Custodial fees	2,115	1,710
Legal fees	212	441
Total operating expenses	1,848,495	1,024,927
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 8,156,167	$ 5,438,205
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	7	11
Class B	8,156,160	5,438,194
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	7.21	10.59
Class B	6.96	6.05

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,	2018	2017
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Class A	$ 72	$ 61
Class B	74,613,581	48,520,387
	74,613,653	48,520,448
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	7	11
Class B	8,156,160	5,438,194
	8,156,167	5,438,205
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	-	-
Class B	26,394,350	20,655,000
	26,394,350	20,655,000
Redemptions of redeemable units		
Class A	-	-
Class B	(15,000)	-
	(15,000)	-
Net Increase (Decrease) from Redeemable Unit Transactions	26,379,350	20,655,000
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Class A	79	72
Class B	109,149,091	74,613,581
	$ 109,149,170	$ 74,613,653

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

Statements of Cash Flows

for the years ended December 31,	2018	2017
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 8,156,167	$ 5,438,205
Adjustments for:		
Net realized (gain) loss on investments	(123,848)	(23,027)
Change in unrealized (appreciation) depreciation on investments	(4,409,662)	(2,456,065)
Unrealized foreign exchange (gain) loss on cash	1,758	136
Impairment (gain) loss	582,485	288,768
(Increase) decrease in interest receivable	(641,066)	(139,839)
(Increase) decrease in dividends receivable	38,762	(42,278)
Increase (decrease) in expenses payable	67,734	14,848
Purchase of investments	(47,199,016)	(39,556,412)
Proceeds from sale of investments	15,381,267	6,187,614
Net Cash Generated (Used) by Operating Activities	(28,145,419)	(30,288,050)
Cash Flows from Financing Activities		
Increase (decrease) in borrowing	3,160,388	7,336,134
Proceeds from redeemable units issued (note 3)	25,001,350	22,914,000
Amount paid on redemption of redeemable units (note 3)	(15,000)	-
Net Cash Generated (Used) by Financing Activities	28,146,738	30,250,134
Net increase (decrease) in cash and cash equivalents	1,319	(37,916)
Unrealized foreign exchange gain (loss) on cash	(1,758)	(136)
Cash and cash equivalents - beginning of period	439	38,491
Cash and cash equivalents - end of period	-	439
Cash and cash equivalents comprise:		
Cash at bank	$ -	$ 439
From operating activities:		
Interest received, net of withholding tax	$ 4,525,888	$ 3,344,709
Dividends received, net of withholding tax	$ 785,555	$ 384,982
From financing activities:		
Interest paid	$ 379,165	$ 103,003

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

Schedule of Investment Portfolio
as at December 31, 2018

No. of Units/ Shares/ Face Value	Description	Average Cost	Fair Value/ Amortized Cost	% of Net Assets Attributable to Holders of Redeemable Units
BONDS				
Bermuda				
200,000	Digicel Limited Callable 6.750% March 1, 2023	$ 246,654	$ 216,044	
	Total bonds	246,654	216,044	0.2%
COMMERCIAL LOANS				
Canada				
1,500,000	Baylin Technologies Inc. 9.000% January 17, 2023*	1,459,245	1,447,413	
	Total commercial loans	1,459,245	1,447,413	1.3%
EQUITIES - COMMON				
Bermuda				
2,000	Brookfield Business Partners L.P.	50,614	83,160	
102,000	Brookfield Property Partners L.P.	2,743,218	2,245,884	
		2,793,832	2,329,044	2.1%
Canada				
31,022	Baylin Technologies Inc. Warrant January 17, 2023	40,755	45,531	
504,600	Crown Capital Partners Inc.	4,649,910	5,247,840	
20,000	RioCan Real Estate Investment Trust	481,739	476,000	
10,000	TransAlta Renewables Inc.	130,624	103,700	
		5,303,028	5,873,071	5.4%
United States				
26,000	Alcentra Capital Corporation	348,799	229,654	
70,000	Ares Capital Corporation	1,411,970	1,488,887	
60,000	BlackRock Capital Investment Corporation	538,091	433,314	
27,000	Oaktree Strategic Income Corporation	308,327	285,668	
		2,607,187	2,437,523	2.2%
	Total equities - common	10,704,047	10,639,638	9.7%
EQUITIES - PREFERRED				
Bermuda				
4,000	Brookfield Infrastructure Partners L.P., Preferred, Series 11, Fixed Reset	100,000	89,400	
4,500	Brookfield Infrastructure Partners L.P., Preferred, Series 5, Fixed-Reset	109,011	112,500	
3,500	Brookfield Infrastructure Partners L.P., Preferred, Series 7, Fixed-Reset	84,401	79,870	
2,000	Brookfield Infrastructure Partners L.P., Preferred, Series 9, Fixed-Reset	50,000	45,300	
8,500	Brookfield Renewable Partners L.P., Preferred, Series 11, Fixed-Reset	193,671	184,195	
6,500	Brookfield Renewable Partners L.P., Preferred, Series 9, Fixed Reset	159,135	162,240	
		696,218	673,505	0.6%
Canada				
10,500	Bank of Montreal, Preferred, Series 42, Fixed-Reset	248,460	231,000	
3,000	Brookfield Asset Management Inc., Preferred, Series 48, Fixed-Reset	75,000	73,290	
6,000	Brookfield Office Properties Inc., Preferred, Series CC, Fixed-Reset	150,720	152,640	
5,400	Brookfield Office Properties Inc., Preferred, Series EE, Fixed-Reset	129,186	116,910	
2,000	Brookfield Office Properties Inc., Preferred, Series S, Floating Rate	43,130	37,220	
3,000	Brookfield Renewable Power Inc., Preferred, Series 2, Floating Rate	53,265	48,600	
12,000	ECN Capital Corp., Preferred, Series C, Fixed-Reset	263,926	218,400	
1,500	Enbridge Inc., Preferred, Series 11, Fixed-Reset	32,068	24,975	
2,000	First National Financial Corporation, Preferred Series 2, Floating Rate	27,230	25,860	
4,500	First National Financial Corporation, Preferred, Series 1, Fixed-Reset	49,985	59,535	
2,000	Kinder Morgan Canada Ltd, Preferred, Series 1, Fixed-Reset	50,000	43,900	
8,000	National Bank of Canada, Preferred, Series 38, Fixed-Reset	185,655	177,200	
6,500	The Toronto-Dominion Bank, Preferred, Series 16, Fixed-Reset	161,156	144,040	
5,000	TransAlta Corporation, Preferred, Series B, Floating Rate	72,706	65,750	
1,500	TransCanada Corporation, Preferred, Series 15, Fixed-Reset	37,500	37,080	
1,300	Westcoast Energy Inc., Preferred, Series 12, Fixed-Reset	32,500	32,630	
		1,612,487	1,489,030	1.4%
	Total equities - preferred	2,308,705	2,162,535	2.0%
UNDERLYING FUNDS				
Canada				
68,022	Portland Global Energy Efficiency and Renewable Energy Fund LP Class O	4,108,474	4,864,364	
52,500	Crown Capital Partner Fund, LP	29,095,943	35,912,100	
		33,204,417	40,776,464	37.4%
Ireland				
42,771	Blue Ocean Fund Class I	5,605,278	6,544,987	
29,726	Blue Ocean Fund Class I-B	4,002,016	4,058,259	
		9,607,294	10,603,246	9.7%

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

Schedule of Investment Portfolio (Continued)
as at December 31, 2018

No. of Units/ Shares/ Face Value	Description	Average Cost	Fair Value/ Amortized Cost	% of Net Assets Attributable to Holders of Redeemable Units
	Total - underlying funds	42,811,711	51,379,710	47.1%
MORTGAGES				
Canada				
	Private Mortgage Loans (note 5)*	52,847,682	51,603,065	47.3%
		52,847,682	51,603,065	47.3%
	Net investments	110,378,045	117,448,405	107.6%
	Transaction costs	(9,742)	-	-
		$ 110,368,303	117,448,405	107.6%
	Liabilities less other assets		(8,299,235)	(7.6%)
	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEEMABLE UNITS		$ 109,149,170	100.0%

* Reported at amortized cost

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 pursuant to a limited partnership agreement dated as of December 17, 2012, as amended thereafter and as may be amended and restated from time to time. The inception date of the Partnership was October 31, 2012. Pursuant to the 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 head office of the Partnership is 1375 Kerns Road, Suite 100, Burlington, ON L7P 4V7. These financial statements were authorized for issue by the General Partner on March 13, 2019.

The Partnership was established as an investment vehicle for the Portland Private Income Fund (the Fund). 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, 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 are used to generate income. Derivatives may include forward currency agreements and options.

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 and mutual funds (collectively, Underlying Funds) and exchange-traded 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.

The statements of financial position of the Partnership are as at December 31, 2018 and December 31, 2017. The statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows of the Partnership are for the years ended December 31, 2018 and December 31, 2017.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS).

The date of initial application for the new classification and measurement standards in IFRS 9 - Financial Instruments is for fiscal years beginning on or after January 1, 2018. The Partnership has adopted IFRS 9 in these financial statements and IFRS 9 has been applied retrospectively by the Partnership. There were no changes in measurement attributes for any of the financial assets and liabilities held by the Partnership as at January 1, 2018, however, some of the classifications have changed compared to the previous classification under IAS 39. See note 3(a).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

The Partnership has adopted IFRS 9 in these financial statements. IFRS 9 replaced IAS 39 and provides a new framework for classification and measurement of financial assets and liabilities, as well as new standards for hedge accounting. The Partnership does not have arrangements in place that meet the criteria for hedge accounting, so those aspects of the standard have not been applied in these financial statements.

The Partnership classifies financial assets based on the business model used for managing such financial assets and the contractual cash flow characteristics of those financial assets. The Partnership may be divided into sub-portfolios that have different business models. Where contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test), the financial asset will be classified as a financial asset at amortized cost.

The Partnership recognizes financial instruments at fair value upon initial recognition, inclusive of transaction costs in the case of financial instruments not measured at fair value. Purchases and sales of financial assets are recognized as at their trade date. The Partnership classifies its investment in equities and fixed income securities as financial assets or financial liabilities at fair value through profit or loss (FVTPL). Mortgage loans and commercial loans have been classified as amortized cost. Other Underlying Funds held by the Partnership do not meet the SPPI test and therefore have been classified as financial assets at FVTPL.

All other financial assets and liabilities are recognized at amortized cost and are reflected at the amount required to be paid, discounted to reflect the time value of money when appropriate.

The Partnership's obligation for net assets attributable to holders of redeemable units does not meet the criteria for equity treatment and therefore is presented as a liability on the statement of financial position. The Partnership has elected to classify its obligation for net assets attributable to holders of redeemable units as a financial liability at FVTPL.

Financial assets and liabilities may be offset and the net amount reported in the statements 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. In the normal course of business, the Partnership may enter into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy, certain events of default or termination of the contracts.

(b) Recognition, de-recognition and measurement

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 are initially recognized at fair value. Transaction costs incurred to acquire financial assets at FVTPL are expensed as incurred in the statement of comprehensive income. Subsequent to initial recognition, all financial assets and liabilities at FVTPL are measured at fair value. Unrealized gains and losses arising from changes in fair value of the FVTPL category are presented in the statements of comprehensive income within 'Change in unrealized appreciation (depreciation) on investments' in the period in which they arise. Financial assets at amortized cost are subsequently measured at amortized cost, less any impairment losses. Transaction costs incurred on financial assets or liabilities at amortized cost are amortized over the life of the asset or liability.

Financial assets are de-recognized when the rights to receive cash flows 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 (for financial assets at FVTPL) or the amortized cost (for financial assets at amortized cost) is included within 'Net realized gain (loss) on investments' in the statements of comprehensive income.

Amounts receivable or payable with respect to derivative transactions, including premiums of discounts received or paid, are included in the statements of financial position under 'Derivative assets' or 'Derivative liabilities'.

When the Partnership writes an option, an amount equal to fair value which is based on the premium received by the Partnership is recorded as a liability. When options are closed, the difference between the premium and the amount received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in the statements of comprehensive income within 'Net realized gain (loss) on investments'. When a written call option is exercised, the amount of gain or loss realized from the disposition of the related investment at the exercise price, plus the premiums received at the time the option was written are included in the statements of comprehensive income within 'Net realized gain (loss) on investments'. When a written put option is exercised, the amount of premiums received is deducted from the cost to acquire the related investment.

Option premiums paid when the Partnership purchases an option are recorded as an asset. Exchange traded options are valued at their last traded market price where the last traded market price falls within the day's bid-ask spread. In cases where the last traded price is not within the day's bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances.

Realized gains and losses relating to purchased options may arise from:

i. Expiration of purchased options - realized losses will arise equal to the premium paid;

ii. Exercise of the purchased options - realized gains will arise up to the intrinsic value of the option net of premiums paid; or

iii. Closing of the purchased options - realized gains or losses will arise equal to the proceeds from selling the options to close the position, net of any premium paid.

Realized gains and losses related to options are included in 'Net realized gain (loss) on investments' in the statements of comprehensive income.

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 and the difference is material, 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.

The Manager has procedures to determine the fair value of securities at FVTPL for which market prices are not readily available or which may not be reliably priced. The Underlying Funds do not trade on an active market hence its fair value is determined using valuation techniques. The fair value is primarily determined based on the latest available price of the Underlying Fund as reported by the administrator of the Underlying Fund.

Revenue recognition

'Interest for distribution purposes' shown on the statements of comprehensive income represents the stated rate of interest earned by the Partnership on fixed income securities accounted for on an accrual basis, as applicable. 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 statements of financial position based on the debt instruments' stated rates of interest. Dividends on equity investments and distributions on investments in Underlying Funds are recognized as income on the ex-dividend date.

Impairment of financial assets

The Manager estimates the amount of expected credit losses (ECLs) on the Partnership's financial assets at amortized cost at each reporting date. The amount of the ECL is deducted from the carrying amount of investments on the statements of financial position. Changes in the ECL from the previous reporting date are included as 'Impairment (gain) loss' on the statements of comprehensive income. Refer to note 5 *Credit Risk* for information on ECLs.

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 exchange 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 statements 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) of investments' in the statements of comprehensive income.

'Foreign exchange gain (loss) on cash and other net assets' arises from sale of foreign currencies, change in foreign currency denominated loans, 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 cost for each security excluding transaction costs for investments at FVTPL. On the schedule of investment portfolio, transaction costs have been deducted in aggregate from the total cost of individual investments which includes transaction costs.

Redeemable Units

The Partnership has issued multiple classes of redeemable units, which are redeemable at the holder's option and do not have identical rights. Redeemable units can be put back to the Partnership at any redemption date for cash equal to a proportionate share of the Partnership's NAV attributable to the unit class. Units are redeemable monthly with 60 days' notice.

The redeemable units are carried at the redemption amount that is payable at the statements of financial position date if the holder exercises the right to put the units 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 class of redeemable units by the total number of outstanding redeemable units of each respective class.

Expenses

Expenses of the Partnership including operating expenses are recorded on an accrual basis.

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

Interest expense and applicable non-utilization fees associated with borrowing are recorded on an accrual basis.

Loan origination fees

The Partnership may pay fees to a lender at the time of negotiating borrowing facilities. Such origination fees are due at the time the borrowing facility becomes legally binding, which is generally when both the borrower and the lender have signed the agreement. Such fees shall be accounted for as a prepaid expense and amortized on a straight line basis over the term of the borrowing facility, unless they are not material in which case they will be expensed when due. The Manager considers that such fees are not material if they are less than 0.05% of the NAV at the time they become due. The expensed portion of such fees will be included as 'Interest expense and bank charges' 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 class 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 Partnership will be paid in cash.

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

Fees and other costs directly attributable to a class 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 of Units based upon the relative NAV of each class.

Allocation of non-cash items on the statement of cash flows

The Partnership includes only the net cash flow impact and does not include non-cash switches between classes of the Partnership that occurred during the year in 'Proceeds from redeemable units issued' or 'Amount paid on redemption of redeemable units'. There were no non-cash switches excluded from the Partnership's operation and financing activities on the statements of cash flows for the periods ended December 31, 2018 and December 31, 2017.

Future accounting changes

New standards, amendments and interpretations effective for the years ended beginning after January 1, 2018 and that have not been early adopted

There are no new accounting standards effective for the years ended beginning after January 1, 2018 which affect the accounting policies of the Partnership.

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.

Fair value of securities not quoted in an active market

The fair value of such securities not quoted in an active market may be determined by the Partnership using reputable pricing sources (such as pricing agencies) or indicative prices. Such values may be indicative and not executable or binding. The Partnership would exercise judgment and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Partnership may value positions using their own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The inputs into these models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The determination of what constitutes 'observable' requires significant judgment by the Partnership. The Partnership considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Classification of financial assets and liabilities

Financial assets may be classified as financial assets at amortized cost, financial assets at FVTPL or financial assets at fair value through other comprehensive income. Financial liabilities may be classified as financial liabilities at amortized cost or financial liabilities at FVTPL. In order to classify its financial assets and liabilities in accordance with IFRS 9, the Manager uses judgment to assess the business model of the Partnership and the cash flows of their financial assets and liabilities. The classification of financial assets and liabilities of the Partnership are outlined in note 3.

5. FINANCIAL INSTRUMENTS

a) Risk management

The Partnership'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, credit risk and leverage risk. The Partnership invests in other funds and is therefore susceptible to the market risk arising from uncertainties about future values of those Underlying Funds. The Manager makes investment decisions after an extensive assessment of the Underlying Funds, their strategies and the overall quality of the Underlying Fund's manager. All of the Underlying Funds and their underlying investments are subject to risks inherent in their industries. In the case of the Underlying Funds, established markets do not exist for these holdings, and are therefore considered illiquid. The Partnership is therefore indirectly exposed to each financial risk of the respective Underlying Fund in proportion to its investments in such Underlying Fund. 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 prices of the investments held by the Partnership (excluding mortgages and commercial loans (collectively referred to as the Loan Portfolio) and bonds) on December 31, 2018 had been higher or lower by 5%, net assets attributable to holders of redeemable units of the Partnership would have been higher or lower by $3,209,094 (December 31, 2017: $2,366,159). Actual results may differ from this sensitivity analysis and the difference could be material.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held by the Partnership, such as the Loan Portfolio. The fair value and future cash flows of such instruments held by the Partnership will fluctuate due to changes in market interest rates.

This risk is managed by investing in a short-term Loan Portfolio. As a result, the credit characteristics of the Partnership's Loan Portfolio will evolve such that in periods of higher market interest rates, the Partnership's Loan Portfolio 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, 2018 and December 31, 2017, the Partnership's Loan Portfolio includes fixed rate, short-term mortgages and commercial loans. The Partnership generally intends to hold all of its investments in the Loan Portfolio to maturity. There is a very limited secondary market for the Loan Portfolio and in syndication transactions such as the ones in which the Partnership participates, these investments are generally traded at face value without regard to changes in interest rates.

The following is a summary of the carrying value (principal minus allowance for ECL) of the mortgages segmented by gross interest rate (before deduction of mortgage administration fees) as at December 31, 2018 and December 31, 2017:

	0% - 11.99% ($)	12% - 12.99% ($)	13% - 13.99% ($)	14% - 14.99% ($)	Total ($)
December 31, 2018	8,221,303	12,840,080	18,675,529	11,866,153	51,603,065
December 31, 2017	8,929,654	9,218,499	8,353,193	8,063,287	34,564,633

The following is a summary of the carrying value of mortgage investments segmented by term as at December 31, 2018 and December 31, 2017:

	12 months or less ($)	13 to 24 months ($)	24 to 36 months ($)	Total ($)
December 31, 2018	41,248,677	9,570,325	784,063	51,603,065
December 31, 2017	23,744,951	9,644,034	1,175,648	34,564,633

The Partnership has indirect exposure to interest rate risk through its investment in Crown Capital Partner Fund, LP (Crown Partner Funding) (previously know as Crown Capital Fund IV, LP) and Blue Ocean Fund Class I and Blue Ocean Fund Class I-B (collectively referred to as Blue Ocean) which invest in commercial loans.

The Partnership's balances of dividends receivable, interest receivable, subscriptions receivable, receivable for investments sold, expenses payable and payable for investments purchased have no significant exposure to interest rate risk due to their short term nature.

As at December 31, 2018 and December 31, 2017, the Partnership had exposure to interest rate risk due to its borrowings as described in note 9. If interest rates had doubled during the period ended December 31, 2018, interest expense would have been higher and ending net assets attributable to holders of redeemable units would have been lower by $379,165 (December 31, 2017: $103,003).

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.

The tables below indicate the foreign currencies to which the Partnership had significant exposure at December 31, 2018 and December 31, 2017 in Canadian dollar terms. The table 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.

December 31, 2018	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary ($)	Non-monetary ($)	Total ($)	Monetary ($)	Non-monetary ($)	Total ($)
United States Dollar	(11,326,414)	13,520,897	2,194,483	(566,321)	676,045	109,724
Total	**(11,326,414)**	**13,520,897**	**2,194,483**	**(566,321)**	**676,045**	**109,724**
% of net assets attributable to holders of redeemable units	**(10.4%)**	**12.4%**	**2.0%**	**(0.5%)**	**0.6%**	**0.1%**

December 31, 2017	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary ($)	Non-monetary ($)	Total ($)	Monetary ($)	Non-monetary ($)	Total ($)
United States Dollar	(6,418,886)	7,085,134	666,248	(320,944)	354,257	33,313
Total	**(6,418,886)**	**7,085,134**	**666,248**	**(320,944)**	**354,257**	**33,313**
% of net assets attributable to holders of redeemable units	(8.6%)	9.5%	0.9%	(0.4%)	0.5%	0.1%

Liquidity risk

Liquidity risk is the risk that the Partnership, or the Underlying Funds, will encounter difficulty in meeting their obligations associated with financial liabilities. The Partnership is exposed to monthly cash redemptions and may borrow on margin to make investments. The Manager monitors the Partnerships liquidity position on an ongoing basis.

The Partnership investments in the Loan Portfolio and the Underlying Funds are not traded in an active market and are non-redeemable. 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 Partnership may write cash secured put options in accordance with its investment objectives and strategies. The value of the securities and/or cash required to satisfy the written options if they were exercised, is presented in the table below.

Value of securities or cash required to satisfy written options	Less than 1 month ($)	1 to 3 months ($)	Total ($)
December 31, 2018	-	-	-
December 31, 2017	200,000	56,565	256,565

The Partnership has committed amounts to Underlying Funds, as described in note 12. All other payables were due within 3 months from the financial reporting date. Issued redeemable units and borrowings are payable on demand.

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 significant portion of its assets in private mortgage loans (the Mortgage Portfolio) 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 within its Loan Portfolio.

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 the Partnership's offering documents. This includes the following strategies:

- 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
- the portfolio of mortgages is 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.

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 appraiser's valuations and credit checks and financial statement reviews on prospective borrowers.

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 appraiser's valuations and credit checks and financial statement reviews on prospective borrowers.

Expected Credit Losses

At each reporting date, the Manager performs an assessment of credit risk on its Loan Portfolio. ECLs are estimated and reflected as a reduction to the carrying amount of the Partnership's Loan Portfolio.

The Loan Portfolio is grouped into three categories or stages, as described below.

Stage 1 - Performing

There has been no significant change in credit risk on the loan (or the loan was and still is in the low credit risk category) since initial recognition. The ECL rate, as determined above, is multiplied by the aggregate principal plus accrued interest of all Stage 1 loans to reduce the carrying amount.

Stage 2 – Non performing

When a particular Stage 1 mortgage or commercial loan moves to Stage 2 (see the section below entitled *Determination of significant changes in credit risk*) a lifetime ECL is applied on that individual loan. The lifetime ECL is determined using loan-to-value (LTV), information from the third party mortgage administrator or investment manager as well as historical experience in similar situations. A range of possibilities is considered and the probable value of the recovery amount determines the amount of the ECL. Typically, the ECL is ratably higher than the ECL on Stage 1 assets to reflect the increase in credit risk.

Stage 3 – Default

If the Manager believes that a mortgage or commercial loan is in default, an allowance specific to that loan will be determined based on an assessment of the expected loss over the lifetime of the loan. A range of possibilities is considered and the probable value of the recovery amount determines the amount of the lifetime ECL. Typically, the lifetime ECL is ratably higher than the ECL on Stage 1 or Stage 2 assets to reflect the increase in credit risk.

For mortgages in Stage 1, an ECL percentage rate is applied to the total carrying value of all mortgage loans that are in Stage 1. The ECL percentage rate is determined by calculating an ECL (in dollars) for each mortgage and dividing the aggregate ECL by the total value of such loans, excluding the ECL.

ECL is calculated by applying the following formula:

Expected credit loss = Exposure at Default (EAD) x Loss Given Default (LGD) x Probability of Default (PD)

EAD is the estimate of what the outstanding balance will be at the time of default, if the borrower does default, including time to resolve the default. LGD is the unrecovered part of EAD if there is a default requiring recovery of collateral or payments under a guarantee. PD is the probability that a borrower will default prior to the maturity of the loan.

For mortgages in Stage 2 or Stage 3, the ECL is determined based on the Manager's best estimate of the ECL over the lifetime of the loan.

The Partnership considers a borrower to be in default when the first of (i) a failure to pay interest or principal on a loan more than 90 days after the payment is due and either the loan-to-cost (LTC) or LTV covenant is breached or (ii) bankruptcy filing or receivership, occurs. The Manager believes that more than 90 days and either a LTC or LTV covenant breach is a reasonable definition of default based on its previous experience in the mortgage and commercial loan industry. Loans will be written off when there is no reasonable prospect of recovering any further cash flows from the financial asset.

The following tables present the breakdown of the Mortgage Portfolio into Stages and the respective ECL as at December 31, 2018 and December 31, 2017:

December 31, 2018	Number of Loans	Principal + Accrued Interest ($)	ECL Amount ($)	ECL Rate
Stage 1	23	51,802,006	(880,634)	1.7%
Stage 2	-	-	-	-
Stage 3	2	2,260,232	(363,982)	16.1%
Total	**25**	**54,062,238**	**(1,244,616)**	

December 31, 2017	Number of Loans	Principal + Accrued Interest ($)	ECL Amount ($)	ECL Rate
Stage 1	26	35,827,039	(677,131)	1.9%
Stage 2	-	-	-	-
Stage 3	-	-	-	-
Total	**26**	**35,827,039**	**(677,131)**	

Determination of significant changes in credit risk

The Manager compares the risk of a default occurring as at the reporting date with the risk of a default occurring on a financial instrument as at the date of initial recognition using reasonable and supportable information that is available without undue cost. The Manager may assume that the credit risk of a private mortgage loan has not changed significantly if it is determined to have low credit risk at the reporting date. The Manager looks at the following factors to assess whether credit risk has increased (or decreased) since initial recognition:

- Increases in LTC and/or LTV on particular loans;
- Events/delays in construction or intentions that are a significant deviation from planned activities;
- Missed interest or principal payments; and
- Degradation of the financial position of the borrower, including its guarantors.

LTV ratios are updated using forward-looking information whenever it is available via periodic updates from the third party investment manager/ mortgage administrator on the status of projects and collateral underlying the loans. LTC and LTV ratios that exceed 90% and 85%, respectively are viewed as a sign that the mortgage may be put on a watch list for potential changes in credit risk. This will depend on how close a project is to completion (in the case of development/construction projects) and other qualitative factors.

The assessment may include an evaluation of the monitoring steps being taken by the third party investment manager/mortgage administrator which can be a sign of a change in credit risk.

The maximum direct exposure to credit risk at December 31, 2018 is calculated as the face value of the private mortgage loans plus the accrued interest thereon less any ECLs, which totaled $52,817,622 (December 31, 2017: $35,149,909). 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 Mortgage Portfolio held by the Partnership as at December 31, 2018:

	Number of Mortgages	Carrying Value ($)	Carrying Value + Accrued Interest ($)
First Mortgages	21	40,408,225	41,082,606
Second Mortgages	4	11,194,840	11,735,016
Total	**25**	**51,603,065**	**52,817,622**

The following is a summary of the Mortgage Portfolio held as at December 31, 2017:

	Number of Mortgages	Carrying Value ($)	Carrying Value + Accrued Interest ($)
First Mortgages	25	32,214,535	32,559,517
Second Mortgages	1	2,350,098	2,590,392
Total	**26**	**34,564,633**	**35,149,909**

The following is a summary of the Mortgage Portfolio segmented by type of project as at December 31, 2018 and December 31, 2017:

	Pre-development ($)	Pre-development/ Construction ($)	Construction ($)	Term ($)	Total ($)
December 31, 2018	8,380,285	16,260,443	24,345,839	2,616,498	51,603,065
December 31, 2017	5,099,590	6,392,188	22,845,767	227,088	34,564,633

In addition to the Mortgage Portfolio, the Partnership holds a participation interest in a commercial loan which is a co-investment with Crown Partner Funding. The participation interest is $1.5 million of a $33 million loan that was completed with Baylin Technologies Inc. (Baylin). The loan bears a fixed rate of interest of 9.0% per annum and matures in 60 months from the date of issuance. In addition, 31,022 warrants of Baylin were received. In addition to credit risk of the borrower, the participation interest carries additional risks associated with the credit-worthiness of Crown Partner Funding, including illiquidity and lack of control. The Partnership may not be able to exit from all or part of its interest in the loan unless Crown Partner Funding exits. Likewise, if Crown Partner Funding chooses to exit the position, the Partnership may not have a choice, but to also do so. The value of this investment has been reduced by ECL equal to 1.00% of the implied face value of the loan leaving the maximum exposure to credit risk from the investment at $1,447,413 including accrued interest.

The Partnership also has indirect exposure to commercial loans through its investment in Crown Partner Funding and Blue Ocean. The portfolio of commercial loans are generally expected to be first and second lien senior loans and mezzanine debt of 1 to 10 years amortization period and with terms being between 1 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 Partner Funding 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 Partner Funding 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.

Crown Partner Funding is valued at FVTPL. The value of this investment and the maximum exposure to credit risk is $35,912,100. For the period ended December 31, 2017, as determined by the Manager, the fair value of Crown Partner Funding was reduced by an ECL equal to $228,642, which represented 1.01% of the principal of the commercial loans held therein. Within Crown Partner Funding, the total fair value of the commercial loans plus accrued interest, less the collective allowance was $28,061,100, making the combined total exposure to credit risk from private mortgage loans and commercial loans equal to $63,211,009.

Based on current expectations, the Manager expects the composition of commercial loans within Blue Ocean to have appropriate LTV and proper asset protection through their tenors. The investments which are senior secured loans would ordinarily expect to be within the range of 50% – 80% of the determined value of its underlying assets. EnTrustPermal Ltd. (EnTrustPermal), the specialty investment manager of Blue Ocean has appointed Citco Fund Services (Ireland) Limited to act as an external valuer to value Level 1 and certain Level 2 securities of Blue Ocean. Level 3 securities, being mainly the loans, lease portfolios and similar investments within Blue Ocean will be valued by EnTrustPermal with the assistance of one or more specialist maritime pricing providers, in accordance with fair value accounting principles. EnTrustPermal conducts and provides quarterly valuations at a minimum to the Manager. Under U.S. Accounting Standards Codification 820 Fair Value Measures and Disclosures (the Code), EnTrustPermal is required to fair value including an impairment allowance. As Blue Ocean is required to recognize an impairment allowance under the Code, the Manager makes no additional allowance for credit risk.

Leverage Risk

The Partnership uses leverage as part of its investment strategy and is therefore subject to leverage risk. The Partnership may generally borrow up to 25% of its total assets. The Partnership pledges securities as collateral and is able to borrow up to limits imposed by the lender it has pledged the collateral to. The amount of borrowing allowed by the lender depends on the nature of securities pledged. The Partnership pays interest on the amounts borrowed, which accrues daily and is payable monthly.

As at December 31, 2018, the amount borrowed was $12,706,257 (December 31, 2017: $9,545,869) representing 9.9% of the total assets of the Partnership (December 31, 2017: 11.3%). Interest expense incurred on amounts borrowed for the period ended December 31, 2018 was $379,165 (December 31, 2017: $103,003).

b) 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.

The following tables illustrates the classification of the Partnership's financial instruments within the fair value hierarchy as at December 31, 2018 and December 31, 2017:

As at December 31, 2018	Assets (Liabilities) Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Equities - Long	12,756,643	45,531	-	12,802,174
Fixed income	-	216,044	-	216,044
Underlying Funds	-	-	51,379,710	51,379,710
Total	**12,756,643**	**261,575**	**51,379,710**	**64,397,928**

As at December 31, 2017	Assets (Liabilities) Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Equities - Long	9,483,636	260,778	-	9,744,414
Fixed income	-	247,166	-	247,166
Underlying Funds	-	-	37,580,586	37,580,586
Options - Short	(1,830)	-	-	(1,830)
Total	**9,481,806**	**507,944**	**37,580,586**	**47,570,336**

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.

As at December 31, 2018 and December 31, 2017, the Partnership held units of Portland Global Energy Efficiency and Renewable Energy Fund LP (Portland GEEREF LP), which is a closed-end investment fund. Portland GEEREF LP has the same Manager and administrator as the Partnership. This investment is considered Level 3 in the fair value hierarchy because it does not allow redemptions or transfers of units prior to dissolution except in very limited circumstances. The Partnership measures Portland GEEREF LP units at the most recently published NAV per unit as reported by its administrator, considering restrictions on the Partnership's ability to redeem units of Portland GEEREF LP. If the NAV per unit of Portland GEEREF LP 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 $243,218 (December 31, 2017: $234,792).

As at December 31, 2018 and December 31, 2017, the Partnership held an interest in Crown Partner Funding. Crown Partner Funding invests mainly in private commercial loans that may have terms that include an equity interest in the borrower (including the granting of shares or derivatives). Crown Partner Funding is valued using other valuation techniques involving the use of models to determine the discounted value of each commercial loan and the value of any equity interests. This investment is considered Level 3 in the fair value hierarchy because of the level of unobservable inputs. If the value of the Partnership's position in Crown Partner Funding 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 $1,795,605 (December 31, 2017: $1,403,055).

As at December 31, 2018, the Partnership held an interest in Blue Ocean, which is a closed-ended sub-fund of EnTrustPermal ICAV, an umbrella Irish Collective Asset-Management Vehicle with segregated liability between sub-funds. This investment is considered Level 3 in the fair value hierarchy because it does not allow redemptions or transfers of units prior to dissolution. The Partnership measures Blue Ocean at the most recently published NAV per unit as reported by its administrator, considering the Partnership's ability to redeem units of Blue Ocean. If the NAV per unit of Blue Ocean 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 $530,162 (December 31, 2017: $241,182).

Reconciliation of Level 3 Fair Value Measurement of Financial Instruments

The following tables reconcile the Partnership's Level 3 fair value measurement of financial instruments for the periods ended December 31, 2018 and December 31, 2017:

December 31, 2018	Investment Funds ($)	Total ($)
Balance at beginning of period	37,580,586	37,580,586
Investment purchases during the period*	9,446,552	9,446,552
Proceeds from sales during the period*	(530,764)	(530,764)
Net transfers in (out) during the period	-	-
Net realized gain (loss) on sale of investments	34,383	34,383
Unrealized appreciation (depreciation) in value of investments	4,848,953	4,848,953
Balance at end of period	51,379,710	51,379,710
Unrealized appreciation (depreciation) in value of investments held at end of period	**4,848,953**	**4,848,953**

December 31, 2017	Investment Funds ($)	Total ($)
Balance at beginning of period	17,600,330	17,600,330
Investment purchases during the period*	17,482,110	17,482,110
Proceeds from sales during the period*	(240,101)	(240,101)
Net transfers in (out) during the period	-	-
Net realized gain (loss) on sale of investments	4,550	4,550
Unrealized appreciation (depreciation) in value of investments	2,733,697	2,733,697
Balance at end of period	37,580,586	37,580,586
Unrealized appreciation (depreciation) in value of investments held at end of period	**2,733,697**	**2,733,697**

**Balances reported are net of return of capital*

c) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

i) restricted activities;

ii) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;

iii) insufficient equity to permit the structured entity to finance its activities without subordinate financial support; and

iv) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Partnership considers its investments in Underlying Funds to be investments in unconsolidated structured entities.

The change in fair value of the Partnership is included in the statements of comprehensive income in 'change in unrealized appreciation (depreciation) of the investments'.

The Partnership's investments in Underlying Funds are subject to the terms and conditions of their respective offering documents and are susceptible to market price risk arising from uncertainties about future values. The Manager makes investment decisions after extensive due diligence on the strategy and overall quality of the Underlying Fund's manager.

The Underlying Funds held in the Partnership are non-redeemable and will be liquidated in full upon termination.

The exposure to investments in Underlying Funds at fair value as at December 31, 2018 and December 31, 2017 is presented in the following tables. These investments are included at their fair value in financial assets at FVTPL in the statements of financial position. The Manager's best estimate of the maximum exposure to loss from the Partnership's investment in Underlying Funds is the fair value below.

December 31, 2018:

Description	Net asset value of Underlying Funds ($)	Investment at fair value ($)	% of Net asset value of Underlying Fund
Crown Capital Partner Fund, LP	205,212,000	35,912,100	17.5%
Portland Global Energy Efficiency and Renewable Energy Fund LP Class O	24,635,201	4,864,364	19.7%
Blue Ocean Fund Class I	123,554,199	6,544,987	5.3%
Blue Ocean Fund Class I-B	44,591,801	4,058,259	9.1%

December 31, 2017:

Description	Net asset value of Underlying Funds ($)	Investment at fair value ($)	% of Net asset value of Underlying Fund
Portland Global Energy Efficiency and Renewable Energy Fund LP	24,475,992	4,695,846	19.2%
Crown Capital Partner Fund, LP	189,696,381	28,061,100	14.8%
Blue Ocean Fund Class I	86,481,610	4,823,640	5.6%

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 have voting rights, while Class B units are available for purchase by the Fund and 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'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. 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 Partnership endeavors to invest capital in appropriate investments in conjunction with their investment objectives. The Partnership may borrow or dispose of investments, where necessary, to fund redemptions.

The number of units issued and outstanding for the periods ended December 31, 2018 and December 31, 2017 was as follows:

December 31, 2018

Period ended December 31, 2017	Balance, Beginning of Period	Units Issued Including Transfers from Other Series	Units Redeemed Including Transfers to Other Series	Balance, End of Period	Average Number of Units
Class A	1	-	-	1	1
Class B	1,044,997	348,315	200	1,393,112	1,171,047

December 31, 2017

Period ended December 31, 2017	Balance, Beginning of Period	Units Issued Including Transfers from Other Series	Units Redeemed Including Transfers to Other Series	Balance, End of Period	Average Number of Units
Class A	1	-	-	1	1
Class B	742,379	302,618	-	1,044,997	898,576

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 Partnership may incur 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 taxation year end of 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 safekeeping charges, all taxes (including Goods and Services Tax (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, organization expenses in the amount of $18,202 (excluding applicable taxes, such as HST), which include legal and registration fees associated with the formation of the Partnership, are recoverable by the Manager from the Partnership. The Partnership is required to re-pay the Manager over five years commencing in 2014. A decision was made by the Manager to waive the chargeable amounts for 2014 and the first 3 months of 2015. Organization expenses charged to the Partnership for the period ended December 31, 2018 were $4,114 (December 31, 2017: $4,114), including applicable taxes, and were included in the line 'Organization expenses' on the statements of comprehensive income.

9. BORROWING FACILITY

The Partnership may use various forms of leverage, including its margin facility with a prime broker and a loan facility with a bank, that allows it to borrow funds from time to time when the Manager determines this to be appropriate. The aggregate amount of borrowing by the Partnership may not exceed 25% of the total assets of the Partnership at the time of use.

Settlement Services Agreement

The Partnership has a Settlement Services Agreement (SSA) with a Canadian dealer for margin borrowing. The rate of interest payable on borrowed money in Canadian dollars is the Canadian Dealer Offered Rate plus 0.50% and in U.S. dollars is the LIBOR plus 0.50% and the facility is repayable on demand. The Partnership has placed securities on account with the dealer as collateral for borrowing.

Based on the amount borrowed, the required amount of 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, 2018, the Partnership was borrowing $6,664,816 (December 31, 2017: $3,637,969). During the period ended December 31, 2018, the Partnership borrowed a minimum of $1,091,573 and a maximum of $6,884,283 (December 31, 2017: minimum of nil and maximum of $5,814,303) under the SSA.

Revolving Loan Facility

The Partnership has a revolving loan facility (Facility) with a Bermuda-based bank (Bank). Under the Facility, the Partnership may borrow at any time in order to bridge the timing difference between planned subscriptions from unitholders and the commitments/disbursements to/from investments made by the Partnership. Under the Facility's terms, the Partnership has agreed to pay on demand to the Bank the principal sum of up to U.S. $7,000,000 and to pay interest on unpaid principal, calculated from and including the date of first drawdown at a rate which is the greater of 3.32% above the U.S.$ 3 month LIBOR or 5.5% net of any applicable withholding taxes, payable over 364 days from the date of first drawdown at interest only quarterly with principal payments at the Partnership's election subject to the term if not renewed. The term of the Facility is 364 days from the first drawdown, which was made on July 18, 2017. In the event that the Facility becomes 90 days overdue, the Bank may increase the rate of interest to 2% over the interest rate being charged at that time.

A non-utilization fee is payable quarterly in arrears of between zero and 0.35% per annum, depending on the quarterly average amount of the Facility that is undrawn. Payments of principal can be made at any time without penalty. The terms of the Facility include that the maximum total debt of the Partnership does not exceed 25% of total assets and that the Facility amount drawn does not exceed 20% of the Partnership's assets less those securities the Partnership has placed on account with the dealer of the SSA as collateral for the margin borrowing mentioned above.

The Partnership paid loan origination fees of U.S. $19,800 to the lender when it entered into the Facility in 2017.

As at December 31, 2018, the Partnership was borrowing U.S. $4,400,874 (December 31, 2017: U.S. $4,700,000). During the period ended December 31, 2018, the Partnership borrowed a minimum of U.S. $nil and a maximum of U.S. $6,732,603 (December 31, 2017: minimum of nil and maximum of $4,700,000) under the Facility.

10. SOFT DOLLARS

Allocation of business to brokers of the Partnership is made on the basis of coverage, trading ability and fundamental research expertise. 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 (termed proprietary research). The dealers do not provide the Manager with an estimate of the cost of the research, statistical and other similar services (referred to as soft dollars).

The Manager may use third party proprietary research, which is generally also available on a subscription basis, the value of which will be used to approximate the value of research and other similar services received from third parties through commission sharing arrangements with executing brokers. The ascertainable value of the third party soft dollar arrangements in connection with portfolio transactions for the period ended December 31, 2018 was $1,132 (December 31, 2017: $963).

11. RELATED PARTY TRANSACTIONS

The following table outlines the operating expense reimbursements that were paid to the Manager by the Partnership during the periods ended December 31, 2018 and December 31, 2017. The table includes the amount of operating expense reimbursement that was made to affiliates of the Manager. All of the dollar amounts in the table below exclude applicable GST or HST.

Period ended	Operating Expense Reimbursement ($)	Organization Expense Reimbursement ($)	Organization Expense Reimbursement to affiliates of the Manager ($)
December 31, 2018	88,005	3,640	1,379
December 31, 2017	81,010	3,640	75

The Partnership owed the following amounts to the Manager excluding the applicable GST or HST:

Period ended	Operating Expense Reimbursement ($)	Organization Expense Reimbursement ($)
December 31, 2018	17,577	607
December 31, 2017	6,091	303

All of the issued and outstanding Class B units of the Partnership are owned by the Fund, which has the same manager as the Partnership. The Class A unit of the Partnership is owned by the General Partner which is related to the Partnership and the Manager.

On December 13, 2017, an affiliate of the Manager acquired indirect controlling interest in a Bermuda-Based bank. The Partnership has a loan facility with the bank.

12. COMMITMENTS

Crown Capital Partner Fund, LP

On September 23, 2015, the Partnership committed to invest $10,000,000 in Crown Partner Funding. Effective July 15, 2016, the amount of this commitment was increased by $6,400,000, effective January 9, 2017, the amount of this commitment was increased by $9,850,000, effective July 13, 2017, the amount of this commitment was increased by $7,500,000 and effective July 13, 2018, the amount of this commitment was increased by $18,750,000, for a total commitment of $52,500,000. As at December 31, 2018, the cumulative amount paid toward this commitment was $35,059,910 and the remaining capital commitment was $17,440,090.

Christopher Wain-Lowe is a non-voting observer member of Crown Partner Funding.

Blue Ocean Fund

On June 1, 2017, the Partnership committed to invest U.S. $5,000,000 to Blue Ocean Class I Units. As at December 31, 2018, U.S. $4,978,142 was paid toward this commitment, resulting in a remaining commitment of U.S. $21,858.

On September 10, 2018, the Partnership committed to invest U.S. $7,000,000 to Blue Ocean Class I-B Units. As at December 31, 2018, U.S. $2,972,648 was paid toward this commitment, resulting in a remaining commitment of U.S. $4,027,352.

Brookfield Super-Core Infrastructure Partners LP

On December 21, 2018, the Partnership committed to invest U.S. $5,000,000 to Brookfield Super-Core Infrastructure Partners LP (BSIP Fund). As at December 31, 2018, nil was paid toward this commitment.

Unfunded capital commitments to the Underlying Funds are no presented in the statement of financial position as a liability, as the unfunded capital represents a loan commitment that is not within the scope of IFRS 9.

13. SUBSEQUENT EVENTS

Brookfield Super-Core Infrastructure Partners LP

On January 24, 2019, BSIP Fund issued its first capital call to the Partnership of U.S. $1,379,340 equating to about 27.6% of the U.S. $5,000,000 commitment.

Impairment (Gain) Loss

On January 31, 2019, interest accrued on a mortgage loan was moved into Stage 3 in the amount of $14,789. The principal was fully repaid on this mortgage loan on January 23, 2019.

Crown Capital Power Limited Partnership

On February 28, 2019, the Partnership committed to invest $10,000,000 in Crown Capital Limited Partnership (Crown Power). Christopher Wain-Lowe is a member of Crown Power's fund advisory board.

Brookfield Infrastructure Fund IV

On March 4, 2019, the Partnership committed to invest U.S. $12,500,000 to Brookfield Infrastructure Fund IV.

14. EXEMPTION FROM FILING

The Partnership is relying on the exemption contained within National Instrument 81-106, Part 2.11 to not file its financial statements with the applicable securities regulatory authorities.

PORTLAND
INVESTMENT COUNSEL™

Portland Investment Counsel Inc., 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7 Tel:1-888-710-4242 • Fax: 1-866-722-4242 • www.portlandic.com • info@portlandic.com

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