PORTLAND
INVESTMENT COUNSEL®

Portland Special Opportunities Fund

2018 Annual Report

June 30, 2018

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FINANCIAL STATEMENTS

PORTFOLIO MANAGEMENT TEAM

Christopher Wain-Lowe
Chief Investment Officer, Executive Vice-President and Portfolio Manager

Portland Special Opportunities Fund

JUNE 30, 2018

OVERVIEW

The investment objective of Portland Special Opportunities Fund (the Fund) is to provide above average risk-adjusted returns over the long term by investing directly or indirectly in strategies managed by EnTrustPermal Ltd. (EnTrustPermal) or its affiliates. The Manager (Portland Investment Counsel Inc.) has selected EnTrustPermal as a specialty investment manager. EnTrustPermal is one of the world's largest alternative strategies investors globally and has cultivated relationships with many active hedge fund managers, investment banks and other institutions providing experience and access to a breadth of alternative investment opportunities. This access enables EntrustPermal to be presented with what are believed to be the 'best idea' investment opportunities, typically in asset classes where market dislocations or other events have created attractive investment opportunities.

The Fund intends to achieve its investment objective by investing in alternative strategies managed by EnTrustPermal, commencing with the EnTrustPermal Special Opportunities Fund IV Ltd. (EPSO4). Since EPSO4 will seek to invest in the 'best ideas' of EnTrustPermal (rather than in a diversified fund), EPSO4's and so the Fund's results can be expected to be more idiosyncratic. EPSO4 can be expected to be more concentrated than a diversified fund and the success or failure of any one investment may have a more material impact on results than a more diversified portfolio. EPSO4 intends to invest in a range of investments, including but not limited to, distressed corporate securities, activist equities, municipal bonds, high yield bonds, leveraged loans, unsecured debt, collateralized debt obligations, mortgage backed securities, direct lending and sovereign debt, real estate, venture capital and private equity-type structures. The approach is to select investments in less efficient and dislocated markets where a catalyst can be held or controlled to unlock substantial value.

When EPSO4 becomes closed to new commitments, the Fund may commit to subsequent products and services offered or managed by EnTrustPermal on a direct or indirect basis.

RESULTS OF OPERATIONS

For the period December 14, 2017 to June 30, 2018, the Fund's Series F had a return of 1.3% while the Fund's broad-based benchmark, the MSCI World Total Return Index rose 4.6%.

EPSO4 completed its first closing as of March 27, 2018 having received approximately US$884 million in total commitments. The Fund committed US$8.3 million to EPSO4.

EPSO4 issued the first capital call of circa 6% of its funds due by March 27, 2018 and subsequently issued its second capital call for funds by April 13, its third capital call by June 14 and fourth capital call by June 21. Therefore, currently EPSO4 has called US$1.697 million equating to about 20.5% of the US$8.3 million committed, which as at June 30 was about 28% of the Fund.

RECENT DEVELOPMENTS AND OUTLOOK

EntrustPermal is planning a second closing of EPSO4, currently expected to occur by the end of September. Prior to a second closing of EPSO4, the Fund will look to increase its commitment in EPSO4, depending on the levels of new subscriptions received and expected over the next 12 – 18 months.

This period since the Great Recession is one of the longest ever stretches of rising markets. Cyclically and inflationary adjusted earnings over the last ten years compared to prices suggests in our view that the current market is fully valued. In addition, the U.S. Treasury Yield curve, reflecting the difference between 2-year and 10-year Treasury yields has flattened to levels not seen in a decade. A negative yield is ordinarily an indicator of recession and therefore while we do not see a near-term catalyst to initiate a market correction, such as recession or weakening confidence, such a correction is, at least statistically, due in our view and vulnerable to geopolitical events, not least trade protectionism.

In the near-term, while strengthening economies trump the shenanigans of popularity politics across Europe and the Americas, bond markets face rising rates for the first time in some four decades, which is likely to create significant asset reallocations and liquidity issues, leading to increased periods of volatility. Despite the political turmoil, central bankers have steered the global economy away from the Great Recession. While increased volatility may be unsettling, it is to be expected as rates rise and quantitative easing (i.e. bond purchasing) is replaced with quantitative firming (i.e. bond sales by Central Banks) as Central Banks wean their country's off support mechanisms and towards more normal rates and markets. Also as the U.S. proceeds towards trade 'wars' rather than an infrastructure agenda and the U.K.'s 'Brexit' negotiations with the E.U. remain protracted there is plenty of scope for turmoil.

At such times, we believe a pivot towards 'value' rather than 'growth' criteria is likely to predominate as investors seek businesses that are priced reasonably, particularly in a reflationary environment. Overall, we believe that the Fund is currently well positioned to meet its investment objective.

We are enthusiastic about the opportunity set for EPSO4's event-driven, multi-strategy managers. We expect corporate activity to remain elevated following the U.S. corporate tax reform. There was over US$1 trillion in cash held overseas by S&P 500 companies that is expected to be repatriated based on incentives created in the tax bill largely held by technology and healthcare companies. While much of the formerly-stranded cash may be deployed towards debt reduction, stock buy-backs and increased dividends, the amounts are so large that even a partial deployment towards mergers and acquisitions would equate to a substantial deal flow. We believe the outlook and opportunity set across the major asset classes is now driven by the overarching belief that central banks must begin tightening, inflation may surprise to the upside and volatility will be elevated relative to recent history. As such, we believe EPSO4 has the ability to source and execute upon a diverse pool of idiosyncratic, company-specific situations, where in partnership with its managers, it has the potential to shape, drive and influence desired outcomes for the benefit of its investors, i.e. our Fund.

Notes

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. These forward-looking statements are not historical facts, but reflect the current expectations of the portfolio management team regarding *future results or events of the Fund. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. The portfolio management team has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, except as required by securities legislation.*

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

Management's Responsibility for Financial Reporting

The accompanying financial statements of Portland Special Opportunities Fund (the Fund) have been prepared by Portland Investment Counsel Inc. in its capacity as manager (the Manager) of the Fund. The Manager of the Fund 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, 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 Fund are described in Note 3 to these financial statements.

PricewaterhouseCoopers 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
September 20, 2018

"Robert Almeida"

Robert Almeida
Director
September 20, 2018

Independent Auditor's Report

September 20, 2018

To the Unitholders of:

Portland Special Opportunities Fund (the Fund)

We have audited the accompanying June 30, 2018 annual financial statements of the Fund, which comprise the statement of financial position as at June 30, 2018 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the period from December 14, 2017 (commencement of operations) to June 30, 2018 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2018 and its financial performance and its cash flows for the period from December 14, 2017 to June 30, 2018 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

Statement of Financial Position

as at June 30,		2018
Assets		
Current Assets		
Cash and cash equivalents	$	5,556,401
Subscriptions receivable		246,835
Investments (note 5)		2,276,646
		8,079,882
Liabilities		
Current Liabilities		
Management fees payable		6,931
Expenses payable		3,678
Redemptions payable		15,160
Organization expenses payable (note 8)		11,442
		37,211
Non-current Liabilities		
Organization expenses payable (note 8)		38,728
		75,939
Net Assets Attributable to Holders of Redeemable Units	$	8,003,943
Net Assets Attributable to Holders of Redeemable Units Per Series		
Series A		736,452
Series F		7,267,491
	$	8,003,943
Number of Redeemable Units Outstanding (note 6)		
Series A		14,678
Series F		144,302
Net Assets Attributable to Holders of Redeemable Units Per Unit		
Series A		50.17
Series F		50.36

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

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

Director Director

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

Statement of Comprehensive Income

for the period ended June 30,		2018 *
Income		
Net gain (loss) on investments		
Interest for distribution purposes	$	41,156
Change in unrealized appreciation (depreciation) on investments		85,093
		126,249
Other income		
Foreign exchange gain (loss) on cash and other net assets		4,283
Total income (net)		130,532
Expenses		
Organization expenses (note 8)		52,811
Management fees (note 8)		32,429
Audit fees		12,080
Securityholder reporting cost		6,441
Independent review committee fees		1,463
Custodial fees		1,298
Total operating expenses		106,522
Less: management fees waived by Manager (note 8)		(7,366)
Less: expenses absorbed by Manager (note 8)		(7,923)
Net operating expenses		91,233
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$	39,299
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series		
Series A		996
Series F		38,303
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Series A		0.11
Series F		0.37

* From December 14, 2017 (commencement of operations) to June 30, 2018

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

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

for the period ended June 30,		2018*
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Series A	$	-
Series F		-
		-
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Series A		996
Series F		38,303
		39,299
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Series A		735,456
Series F		7,244,348
		7,979,804
Redemptions of redeemable units		
Series A		-
Series F		(15,160)
		(15,160)
Net Increase (Decrease) from Redeemable Unit Transactions		7,964,644
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Series A		736,452
Series F		7,267,491
	$	8,003,943

* From December 14, 2017 (commencement of operations) to June 30, 2018

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

Statement of Cash Flows

for the period ended June 30,		2018 *
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$	39,299
Adjustments for:		
Change in unrealized (appreciation) depreciation on investments		(85,093)
Increase (decrease) in management fees and expenses payable		10,609
Increase (decrease) in organization expenses payable		50,170
Purchase of investments		(2,191,553)
Net Cash Generated (Used) by Operating Activities		(2,176,568)
Cash Flows from Financing Activities		
Proceeds from redeemable units issued		7,732,969
Net Cash Generated (Used) by Financing Activities		7,732,969
Net increase (decrease) in cash and cash equivalents		5,556,401
Cash and cash equivalents - beginning of period		-
Cash and cash equivalents - end of period	$	5,556,401
Cash and cash equivalents comprise:		
Cash at bank	$	105
Short-term investments		5,556,296
	$	5,556,401
From operating activities:		
Interest received, net of withholding tax	$	41,156

* From December 14, 2017 (commencement of operations) to June 30, 2018

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

Schedule of Investment Portfolio

as at June 30, 2018

No. of Shares	Security Name		Average Cost		Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
UNDERLYING FUNDS						
Cayman Islands						
1,679	EnTrustPermal Special Opportunities Fund IV Ltd.	$	2,191,553	$	2,276,646	28.4%
		$	2,191,553		2,276,646	28.4%
	Other assets less liabilities				5,727,297	71.6%
	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$	8,003,943	100.0%

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

1. GENERAL INFORMATION

Portland Special Opportunities Fund (the Fund) is a trust established under the laws of the Province of Ontario pursuant to an amended and restated master declaration of trust dated as of December 13, 2013, as amended thereafter and as may be amended from time to time (Declaration of Trust). The Fund was formed on December 5, 2017 and commenced operations on December 14, 2017. Portland Investment Counsel Inc. (the Trustee and Manager) is the Investment Fund Manager, Portfolio Manager and Trustee of the Fund. The Trustee is a corporation formed under the laws of Ontario. The registered office of the Fund is 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7. These financial statements are presented in Canadian dollars and were authorized for issue by the Board of Directors of the Manager on September 20, 2018.

The investment objective of the Fund is to provide above average risk-adjusted returns over the long term by investing directly or indirectly, in strategies managed by EnTrustPermal Ltd. or its affiliates.

The statement of financial position of the Fund is as at June 30, 2018. The statement of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows are for the period from December 14, 2017 (commencement of operations) to June 30, 2018.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).

The Fund has early adopted IFRS 9 – Financial Instruments (IFRS 9) in these financial statements. IFRS 9 replaced International Accounting Standard 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 which meet the criteria for hedge accounting, so those aspects of the standard have not been applied in these financial statements.

The date of initial application for the new classification and measurement standards in IFRS 9 is January 1, 2018. The Fund is new, so it has no comparative information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

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. Cash, short-term commercial paper and short-term receivables have been classified as financial assets at amortized cost. Other investment funds (the Underlying Fund or EnTrustPermal Special Opportunities Fund IV Ltd. (EPSO4)) held by the Fund do not meet the SPPI test and therefore have been classified as financial assets at fair value through profit and loss (FVTPL).

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 elected to classify its obligation for net assets attributable to holders of redeemable units as a financial liability at FVTPL.

All remaining liabilities of the Fund are classified as financial liabilities 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 accounting policies for measuring its investments are similar to those used in measuring net asset value (NAV) for unitholder transactions, except for the treatment of organization expenses. Such expenses are deductible from NAV over 60 months as outlined in the offering documents of the Fund, but are fully deductible in the first year of operations under IFRS. A comparison of the NAV per unit used for unitholder transactions and net assets attributable to holders of redeemable units per unit is presented in note 11.

Financial assets and liabilities may be offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. 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 statement of financial position but still allow 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 statement 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 statement 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 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 Fund 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 Underlying Fund as reported by Citco Fund Services (Curacao) B.V. (Citco), the administrator of the Underlying Fund. Adjustments may be made, if necessary, based on considerations such as the value date of the price provided, cash flows (calls/distributions) since the latest value date, the estimated total return reported by the manager of the Underlying Fund if a price is unavailable, restrictions on redemptions and the basis of accounting, if not at fair value. The Manager will monitor these estimates regularly and update them as necessary if macro or individual fund changes warrant any adjustments.

The manager of the Underlying Fund itself uses valuation techniques to determine the fair value of investments in the Underlying Fund for which market prices are not readily available. Citco relies on financial data furnished to it by the advisor and/or manager of the Underlying Fund including but not limited to, valuation of such investments. The Underlying Fund is audited annually by an independent auditor. There is no guarantee that the value ascribed to the Underlying Fund or any investment held by the Underlying Fund will represent the value to be realized in the eventual disposition of such investment or that could be realized upon an immediate disposition of such investment.

All security valuation techniques are periodically reviewed and approved by the Manager. The Manager provides administration and oversight of the Fund's valuation policies and procedures. These procedures allow the Fund to utilize the latest net asset value pricing available, estimated total returns and other relevant market sources to determine fair value.

Net changes in fair value of securities at FVTPL are included in the statement of comprehensive income in 'change in unrealized appreciation (depreciation) on investments'.

Revenue recognition

"Interest for distribution purposes" shown on the statement of comprehensive income represents the stated rate of interest earned by the Fund on fixed income securities accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities, unless they are classified as financial assets at amortized cost, in which case the discount or premium is amortized on a straight line basis, which approximates the effective interest method. Interest receivable is shown separately in the statement of financial position based on the debt instruments' stated rates of interest. Dividends on equity investments and distributions on investments in Underlying Funds are recognized as income on the ex-dividend date.

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. Unrealized exchange gains or losses on financial assets at FVTPL are included in "change in unrealized appreciation (depreciation) on investments" in the statement of comprehensive income. Realized foreign exchange gains and losses related to financial assets at FVTPL are recognized when incurred and are presented in the statement of comprehensive income within "net realized gain (loss) on investments".

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 statement of comprehensive income. Such gains and losses arise 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 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 a Canadian custodian.

Cost of investments

The cost of financial assets at FVTPL represents the cost for each security excluding transaction costs paid to acquire the security. The cost of each investment is determined on an average basis by dividing the total cost of such investment by the total number of shares purchased. On the schedule of investment portfolio, transaction costs of financial assets at FVTPL have been deducted in aggregate from the total cost of individual investments, which includes such transaction costs. The cost of financial assets at amortized cost includes transaction costs.

Redeemable units

The Fund has issued two series of redeemable units, which are redeemable monthly upon 60 calendar days' notice subject to the redemption lock up period of 180 days after the period beginning on the date that units of the Fund are first issued to the first investor. Thereafter, units are redeemable at the holder's option but do not have identical rights and, as a result, are classified as financial liabilities. 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.

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 for each respective series.

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

Expenses

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

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

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 and expensed for NAV purposes in equal installments over 60 months commencing March 31, 2018. For financial reporting purposes, these fees were expensed in their entirety in the first fiscal year of the Fund.

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 statement 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 of sufficient net income and net realized gains will be made to unitholders annually to ensure that the Fund is not liable for ordinary income taxes. All distributions by the Fund on Series A and Series F Units will be automatically reinvested in additional units of the same series of the Fund held by the investor at the NAV per unit thereof, unless the investor notifies the Manager in writing that cash distributions are preferred.

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

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

Future accounting changes

New standards, amendments and interpretations effective after January 1, 2018 and that have not been early adopted

There are no new accounting standards effective 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 Underlying Funds

The fair value of Underlying Funds that are not quoted in an active market is determined primarily in reference to the latest available price of such units for each Underlying Fund, as determined by the administrator of such Underlying Fund. The Fund may make adjustments to the reported net asset value of various Underlying Funds based on considerations such as the value date of the price provided, cash flows (calls/distributions) since the latest value date, the estimated total return reported by the manager of the Underlying Fund if a price is unavailable, restrictions on redemptions and the basis of accounting, if not at fair value.

The carrying values of Underlying Funds may be materially different to the values that could be realized as of the financial reporting date or ultimately realized on redemption.

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 its financial assets and liabilities. The classification of financial assets and liabilities of the Fund are described in note 3 and outlined in note 5a.

5. FINANCIAL INSTRUMENTS

a) Classification of financial instruments

The following table presents the carrying amounts of the Fund's financial instruments by category as at June 30, 2018:

Assets	Financial assets at FVTPL ($)	Financial assets at amortized cost ($)	Total ($)
Cash and cash equivalents	-	5,556,401	5,556,401
Subscriptions receivable	-	246,835	246,835
Investments	2,276,646	-	2,276,646
Total	**2,276,646**	**5,803,236**	**8,079,882**

Liabilities	Financial liabilities at FVTPL ($)	Financial liabilities at amortized cost ($)	Total ($)
Management fees payable	-	6,931	6,931
Expenses payable	-	3,678	3,678
Redemptions payable	-	15,160	15,160
Organization expenses payable	-	50,170	50,170
Net assets attributable to holders of redeemable units	8,003,943	-	8,003,943
Total	**8,003,943**	**75,939**	**8,079,882**

b) Risks associated with financial instruments

The Fund's investment activities may be exposed to various financial risks, including market risk (which includes price risk, interest rate risk and currency risk), concentration risk, liquidity risk and credit risk. The Fund 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 Fund, its strategy 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 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 interest in an Underlying Fund is disclosed in note 5 d). The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's investment objectives and risk tolerance per the Fund's offering documents. All investments result in a risk of loss of capital.

Price risk

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

The Fund invests in EPSO4 and may invest in other Entrust Permal funds and is susceptible to market price risk arising from uncertainties about future values and events of these underlying funds. EPSO4 makes investment decisions after an extensive assessment of underlying funds, its strategies and the overall quality of underlying fund managers. EPSO4 is presented with "best idea" investment opportunities typically in asset classes where market dislocations or other events have created attractive investment opportunities. Since EPSO4 will seek to invest in the "best ideas" that are presented to it (rather than a diversified portfolio), its results can be expected to be more idiosyncratic. Previous prices realized on past "best ideas" opportunities may not be indicative of prices realized on current "best ideas" opportunities. The Manager of the Fund reviews EPSO4 and other Entrust Permal funds' investment decisions, comments, news and performance typically on a quarterly basis.

If the price movement of the investments held by the Fund on June 30, 2018 had been higher or lower by 5%, the net assets attributable to holders of redeemable units of the Fund would have been higher or lower by $113,832.

Concentration risk

The following tables present the Fund's exposure as a percentage of its net assets attributable to holders of redeemable units by geographic region and by industry sector as at June 30, 2018:

By Geographic Region	June 30, 2018
Cayman Islands	28.4%
Other Net Assets (Liabilities)	71.6%
Total	**100%**

By Industry Sector	June 30, 2018
Private/Alternative Funds	28.4%
Other Net Assets (Liabilities)	71.6%
Total	**100%**

Interest rate risk

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

As at June 30, 2018, the Fund did not have significant exposure to interest rate risk.

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 June 30, 2018, the Fund held investments that were denominated in currencies other than the Canadian dollar. The table below illustrates the foreign currencies to which the Fund had exposure on June 30, 2018. It also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 5% in relation to each of the other currencies, with all other variables held constant.

	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary ($)	Non - monetary ($)	Total ($)	Monetary ($)	Non - monetary ($)	Total ($)
United States Dollar	66	2,276,646	2,276,712	3	113,832	113,835
Total	**66**	**2,276,646**	**2,276,712**	**3**	**113,832**	**113,835**
% of net assets attributable to holders of redeemable units	**-**	**28.4%**	**28.4%**	**-**	**1.4%**	**1.4%**

Liquidity risk

Liquidity risk is the risk that the Fund, or the Underlying Fund, will not be able to meets its liabilities as they fall due.

The Fund is committed and invested in an unlisted Underlying Fund which does not permit redemptions during the three years following its initial commitment, plus a potential one-year extension. Following this period, the Fund may redeem shares of the Underlying Fund quarterly upon 95 days' notice. As a result, the Fund may not be able to quickly liquidate its Underlying Fund investment at amounts which approximate fair value, or be able to respond to specific events such as deterioration of creditworthiness of the issuer. The Fund's capital commitment to the Underlying Fund can be called within a notice period as outlined in the subscription agreement between the Fund and the Underlying Fund. The Manager manages the capital calls through cash flow management. As at June 30, 2018, the Fund received net subscriptions totaling $8.0 million.

As at June 30, 2018, the Fund's total commitment to the Underlying Fund was U.S. $8.3 million, of which U.S. $1.7 million has already been called and U.S. $6.6 million remained uncalled.

The fund is obligated to reimburse the Manager for organization costs as outlined in note 3 and note 8.

All other obligations of the Fund were due within 3 months from the financial reporting date. Redemptions of redeemable units can be made in accordance with the Fund's offering memorandum as outlined in note 6.

The Fund has the ability to borrow to fund its investments and short term working capital requirements.

In accordance with the Fund's investment objective, the Manager monitors the Fund's liquidity position on an ongoing basis.

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. All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the broker has received the securities. The trade will fail if either party fails to meet its obligation. The Fund may hold cash balances at large Canadian financial institutions.

As at June 30, 2018, the Fund did not have significant exposure to credit risk.

c) Fair value of financial instruments

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the importance of the inputs used to perform each valuation. Refer to note 3 and 4 for a discussion of fair value measurement.

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 table illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2018:

	Assets at fair value as at June 30, 2018			
Description	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Underlying Fund	-	2,276,646	-	2,276,646
Total	**-**	**2,276,646**	**-**	**2,276,646**

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.

d) 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 the Underlying Fund to be an investment in an unconsolidated structured entity.

The change in fair value of the Underlying Fund is included in the statement of comprehensive income in "change in unrealized appreciation (depreciation) of the investments".

The Fund's investment in the Underlying Fund is subject to the terms and conditions of its 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 exposure to investment in the Underlying Fund at fair value as at June 30, 2018 is presented in the following tables. This investment is included at fair value in financial assets at FVTPL in the statement of financial position. The Manager's best estimate of the maximum exposure to loss from the Fund's investment in Underlying Funds is the fair value below.

June 30, 2018:

Description	Net asset value of Underlying Funds ($)	Investment at fair value ($)	% of Net asset value of Underlying Fund
EnTrustPermal Special Opportunities Fund IV Ltd.	242,245,644	2,276,646	0.94%

6. REDEEMABLE UNITS

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

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

Units of the Fund are available in multiple series as outlined below. The principal differences between the series of units relate to the management fee payable to the Manager, minimum investment requirements and the compensation paid to dealers. All units are entitled to participate in the Fund's liquidation of assets on a series basis. Units are issued as fully paid and non-assessable and are redeemable at the NAV per unit of the applicable series of units being redeemed as described below.

Series A Units are available to all investors who meet eligibility requirements and who invest a minimum of $10,000.

Series F Units are available to investors who meet eligibility requirements and who invest a minimum of $10,000, 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 and who invest a minimum 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 Fund's NAV per unit is determined on the last business day of each month at the close of regular trading on the Toronto Stock Exchange, (each, a Valuation Date) or on such other date as determined by the Manager. Unitholders may redeem their units on any Valuation Date by submitting a request for redemption no later than the day that is 60 days prior to the Valuation Date in order for the redemption to be accepted as at that Valuation Date; otherwise the redemption will be processed as at the next Valuation Date. The redemption price shall equal the NAV per unit of the applicable series of units being redeemed, determined as of the close of business on the relevant Valuation Date.

If a unitholder redeems his or her units within the first 60 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.

The number of units issued and outstanding for the period ended June 30, 2018 was as follows:

Period ended June 30, 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	Weighted Average Number of Units
Series A Units	-	14,678	-	-	14,678	9,124
Series F Units	-	144,601	-	299	144,302	103,540

7. TAXATION

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

The taxation year end of the Fund is December 31.

As at June 30, 2018, there were no capital losses or non-capital losses to carry forward.

8. FEES AND EXPENSES

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). Pursuant to its offering memorandum, the Fund pays management fees to the Manager, calculated and accrued on each Valuation Date and paid monthly.

The annual management fees rate of the respective series of units are as follows:

Series A Units 1.85%

Series F Units 0.85%

In addition, the Manager will be reimbursed 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 operation of the Fund. The amount charged for time spent by personnel is determined based on fully allocated costs and does not include a mark-up or administration fee. The Manager may waive or absorb management fees and operating expenses at its discretion but is under no obligation to do so. For the period from December 14, 2017 (commencement of operations) to February 28, 2018, the Manager waived all management fees and absorbed all operating expenses that would otherwise be payable by the Fund to the Manager.

The Fund is also responsible for all costs associated with its creation and organization of the Fund including but not limited to legal and audit costs, registration and regulatory filing fees, costs associated with due diligence by registered dealers, printing costs, postage and courier costs and time spent by personnel of the Manager at fully allocated costs. The Manager has paid the costs associated with the formation and creation of the Fund and the offering of Units and is entitled to reimbursement from the Fund for such costs.

Goods and Services Tax (GST) and/or Harmonized Sales Tax (HST) paid by the Fund on its fees and expenses is not recoverable.

9. SOFT DOLLARS

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

The Manager may use third party 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, operating expenses and organization expenses that were paid to the Manager by the Fund during the period ended June 30, 2018. The table includes the amount of operating expense reimbursement that was paid to affiliates of the Manager for administrative services provided in managing the day-to-day operation of the Fund. All of the dollar amounts in the table below exclude applicable GST or HST.

Period ended	Management fees ($)	Management fees waived ($)	Organization Expenses ($)	Operating Expenses ($)	Operating Expenses Absorbed ($)	Organization Expense Paid to affiliates of the Manager ($)
June 30, 2018	28,751	6,530	46,735	18,869	7,024	571

The Fund owed the following amounts to the Manager:

As at	Management fees ($)	Operating Expense ($)	Organization Expense ($)
June 30, 2018	6,147	3,263	44,398

The Manager, its officers and directors may invest in units of the Fund from time to time in the normal course of business. All such transactions occur at NAV per unit.

11. COMPARISON OF NAV PER UNIT AND NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The NAV per unit of the Fund is higher than the net assets attributable to holders of redeemable units per unit because of the difference in the accounting treatment of organization expenses. The Fund recorded such expenses in these financial statements but deducts them from NAV as described in note 3 and note 8. As a result, the NAV per unit is higher than net assets attributable to holders of redeemable units per unit.

The table below provides a comparison of the per unit amounts as at June 30, 2018:

Fund/Series	NAV per Unit ($)	Net assets attributable to holders of redeemable units per unit ($)
Portland Special Opportunities Fund - Series A	50.48	50.17
Portland Special Opportunities Fund - Series F	50.67	50.36

12. COMMITMENTS

On March 16, 2018 the Fund committed to invest U.S. $8,300,000 in EPSO4 over a commitment period of 3 years.

As at June 30, 2018 the cumulative amount paid toward this commitment was U.S. $2,215,012 and the remaining capital commitment was U.S. $6,084,988.

Unfunded capital commitments to the Underlying Fund are not 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. EXEMPTION FROM FILING

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

Statement of Corporate Governance Practices

Canadian securities law requires certain reporting issuers to publish specific disclosure concerning their corporate governance practices. Even though the Fund is not a reporting issuer, the Manager has established an Independent Review Committee consisting of three members appointed to provide independent advice to assist the Manager in performing its services and to consider and provide recommendations to the Manager on conflicts of interest to which the Manager is subject when managing the Fund.

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