PORTLAND
INVESTMENT COUNSEL™

Portland Private Income Fund

2017 Interim Report

June 30, 2017

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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 the Fund ultimately intends to invest all, or substantially all, of its net assets in the Partnership, Portland Investment Counsel Inc. (the Manager) currently determines and, from time to time, may determine that the investment objective of the Fund can be best achieved through direct investment in underlying securities and/or investment in other pooled investment vehicles. To the extent the Fund makes direct investments, it will apply the investment strategies of the Partnership.

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

- private mortgages, administered by licensed mortgage administrators, currently MarshallZehr Group Inc. (Mortgage Administration #11955) (MarshallZehr or the Mortgage Administrator);
- private commercial debts, 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 the Mortgage Administrator.

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 that are similar to its own (a Specialty Investment Manager). The Manager decides whether or not 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), and Crown Capital Partners Inc. (Crown). Christopher Wain-Lowe, the lead portfolio manager of the Fund, is a non-voting observer member of Crown's investment committee.

The following discussion covers the period from January 1 to June 30, 2017. Information related to investments is presented on a combined basis whether the investments are held by the Fund or the Partnership.

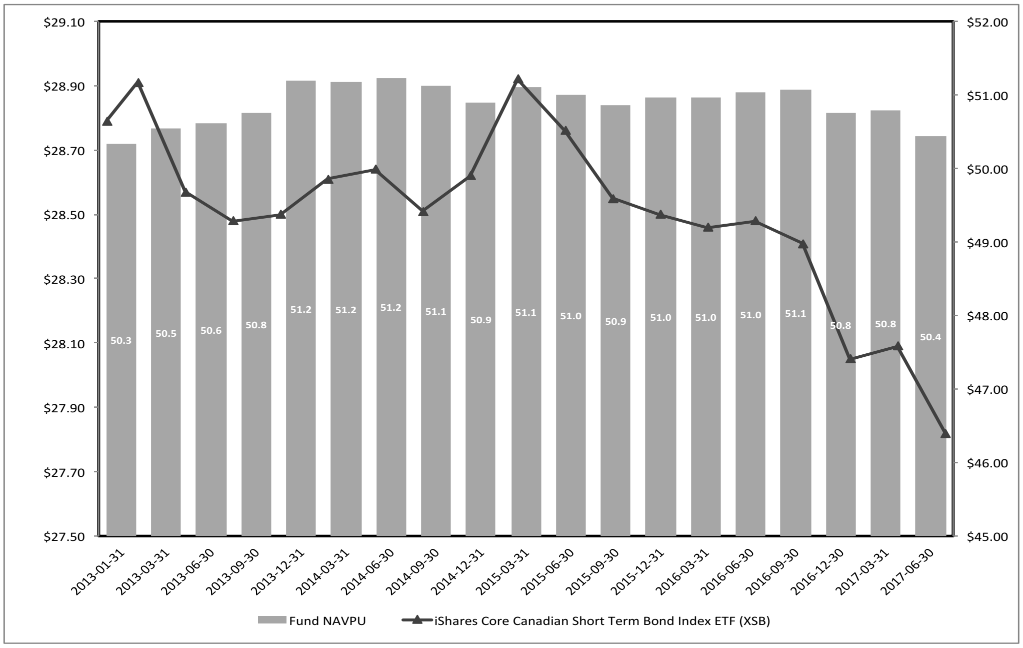
Financial Highlights

The Fund's one year return as of June 30, 2017 was 7.0% for Series A and 8.3% for Series F units. The Fund's net asset value (NAV) per unit as of June 30, 2017 was $49.51 for Series A units and $50.44 for Series F units. The Fund has delivered annualized and cumulative returns since inception on February 28, 2013 of 7.9% and 39.1% for Series A units and since inception on January 7, 2013 of 9.2% and 48.4% 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.

The Fund declared quarterly distributions commencing with the quarter ending March, 2013 and moved to monthly fixed distributions since January, 2014. Effective December 31, 2016, in addition to its regular fixed distribution of $0.3750 per unit per month, the Series F units received a special distribution of $0.1486 per unit in January 2017. This special distribution was paid to ensure the Fund did not pay income tax. During 2017 to date, the Fund has maintained its regular distributions of $0.3333 per unit per month and $0.3750 per unit per month, for Series A units and Series F units, respectively.

With prospects for interest rates to rise but remain low, we believe the Fund will continue to outperform publicly traded fixed income instruments. For the year ended June 30, 2017, the iShares Core Canadian Short Term Bond Index ETF achieved a -0.04% 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 June 30, 2017[1]



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 changed circumstances and alive to the best opportunities within those circumstances, while delivering steady income distributions and a stable NAV. We selected from 2013 to mid-2015 a portfolio almost exclusively of private mortgages. Since mid-2015, we have gradually assessed the attractiveness of the housing market compared to other commercial opportunities and selected three 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 EnTrustPermal being completed in June 2017.

Canadian Mortgage Market

The Canadian housing market experienced three noteworthy events in April 2017 which are of interest to the Fund.

(i) On April 20, 2017, the Ontario provincial government announced the Ontario Fair Housing Plan aimed at cooling the surging Toronto housing market, including a 15% non-resident speculation tax.

(ii) In its April Budget, the Ontario provincial government moved to tighten oversight of syndicated mortgage investments: it announced that it will transfer responsibility for the syndicated mortgage sector away from the Financial Services Commission of Ontario (FSCO) and to the Ontario Securities Commission (OSC). The shift was recommended last year recognizing the significant increase in the syndicated mortgage sector over recent years and OSC's experience of overseeing securities products. Syndicated mortgages are mortgage investment products marketed by companies that finance real estate development using money provided by a pool of investors. Several mortgage firms have faced lawsuits in recent years from investors upset that development projects have not proceeded after companies faced financial difficulties. The shift of oversight to the OSC is consistent with the way syndicated mortgage products are regulated in other provinces. The shift follows recent publicity of some failing syndicated mortgage investments. In April, CNBC News reported that 120 Chinese investors in Greater Toronto Area lost nearly $9 million; that Tier 1 Mortgage Corporation (Tier 1) was issued a cease and desist compliance order by FSCO in October 2016; and that since then a trustee has been appointed to protect the interests of syndicated mortgage investors in sixteen Tier 1 real estate development projects. The Financial Post also mentions that Grant Thornton LLP was appointed by the courts to administer eleven corporations performing mortgage administration functions involving Tier 1 real estate projects and that First Commonwealth Mortgage Corp. also had its license suspended by FSCO last October. A few weeks earlier a Globe & Mail article focused on Mortgage Investment Entities (MIE's) and the premise that more money than ever is chasing mortgage deals which, in turn, has caused interest rate compression for MIEs. As a consequence, MIE's have been faced with the decision to either let the yield fall or take on extra risk to keep yields up.

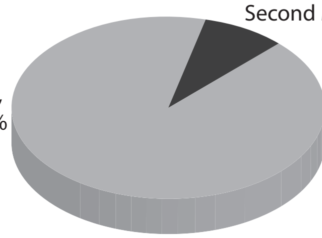
(iii) Home Capital Group Inc. (HCG) faced self-inflicted challenges following disclosures of misconduct allegations by the OSC and funding issues. HCG experienced a 30% decline in its high-interest savings account balances across March and April and consequently agreed to a $2 billion credit facility with Healthcare of Ontario Pension Plan (HOOPP) as a replacement, at an interest rate of 10% per annum and reportedly an all-in extremely high 22.5% implied interest rate. For perspective, as of February 2017 HCG had approximately $16 billion in residential mortgage loans outstanding; by comparison the six big banks plus Canadian Western Bank and Laurentian Bank of Canada ended the first quarter of 2017 with total domestic residential real estate exposure of about $1,175 billion. In other words, HCG has an approximately 1% market share and there is no indication, in our view, of credit deterioration in the mortgage portfolio of HCG (its delinquency rate is understood to be less than 0.21%). In June, HCG announced that it had entered into an agreement with KingSett Capital Inc. to sell a portfolio of commercial mortgage assets valued at about $1.2 billion for 99.61% of outstanding principal value, less a share of future credit losses. Subsequently in June, Berkshire Hathaway Inc. announced an agreement to acquire up to 38.4% of the common shares of HCG and provide a new $2 billion credit facility at an interest rate of

9.5% per annum falling to 9% once the (highly dilutive) equity investment is finalized. The divestment to KingSett and agreement with Berkshire will pay down the onerous HOOPP lifeline.

Taking each issue in turn and its impact on the Fund, we wrote in the 2016 Annual Report the heightened evidence of overvaluation in Toronto spreading to more adjacent cities, causing the moderation of the Fund's exposure to mortgages. Earlier we shunned exposure to mortgages in the condo market in downtown Vancouver or Toronto and so now welcome the macro prudential efforts underway to engineer a cool down in prices. 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 practised firms operate, will shine through compared to those brokers now losing their licenses. We are already seeing how the dislocation of some operators are presenting attractive opportunities. MIE's 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 an understood exit, typically take-out financing as the development progresses or based on verified presales.

In a capital structure, equity holds the greater risk and is the cushion against which debt can be repaid. As of June 30, 2017, the weighted average loan-to-value (LTV) of the mortgage portion of the Fund's portfolio was 67% (reduced from 74% at December 31, 2016) and its securities consisted primarily of first mortgages (see Table 1 and Chart 2). 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 2. Mortgage portfolio breakdown by type of security as of June 30, 2017



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. Funding HCG's long term liabilities with short term broker deposits required constant confidence which its management spectacularly undermined. The requirement to shore up liquidity with a 'bazooka'-type credit facility on very expensive terms hemorrhaged the equity value of HCG but hardly impinged upon the credit worthiness of HCG's debt, exemplified by the sales terms of its recent divestment to KingSett for 99.61 cents on the dollar, less a share of future credit losses undertaken under duress in order to help reduce its expensive debts. Given the large banks are now embarking on introducing mortgage-backed securities to the Canadian market, those banks and pension funds like HOOPP may have an interest in maintaining orderly markets but the credit line to HCG by HOOPP was both opportunistic and on a risk-adjusted basis, we believe singularly attractive and while it was large, it was the kind of commercial loan opportunity that the Fund, likely via Crown, would entertain. The manner in which Warren Buffet via Berkshire Hathaway Inc. subsequently feasted on the folly of HCG only serves to endorse our view.

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 for growth capital – capital to expand their operations, fund acquisitions, or recapitalize. Canada's financial landscape is dominated by chartered banks and private equity funds, whose financing 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, over the last 24 months, we have gradually diversified the Fund's portfolio to include private commercial debt which we believe offers increasingly improving risk adjusted returns.

In July 2016, the portfolio broadened its exposure to private commercial loans via Crown, the specialty finance company focused primarily on providing capital to successful Canadian companies and to select U.S. companies. Crown originates, structures and provides tailored transitory and permanent financing solutions in the form of loans, royalties and other structures with minimal or no ownership dilution. Crown successfully increased the size of its fourth special situations debt fund, Crown Capital Fund IV, L.P. (Crown Fund IV) to $125 million on July 15, 2016. Whereas Crown's focus is on financing deals of more than 5 years, Crown Fund IV's focus is on deals of 5 years or less. As a result of increasing the size of Crown Fund IV, Crown took its first step towards a targeted 30% ownership by lowering its holding from 50% to 40% of Crown Fund IV enabling the Fund's portfolio to increase its ownership from 10% to 13.12%. Crown successfully increased Crown Fund IV to $175 million in January 2017 and further reduced its holding in Crown Fund IV from 40% to 36.5% in July 2017, enabling the Fund's portfolio to increase its ownership to 15%, being one of a select few other limited partners including the Investment Management Corporation of Ontario (formerly Ontario Pension Board). The Fund's commitment to Crown Fund IV as at June 30, 2017 was 94.3% drawn and, as expected Crown has increased Crown Fund IV in July, 2017 to $225 million with the Fund's ownership being maintained at 15%. The portfolio of commercial loans held by Crown Fund IV are detailed on Crown's website at www.crowncapital.ca. As at June 30, 2017, Crown Fund IV comprised nine loans ranging in size from $15 million to $30 million. A sector breakdown of the commercial loans is shown in Chart 7.

During the 6 months ended June 30, 2017, the additions and deletions to the portfolio of commercial loans held by Crown Fund IV were:

- In February, Crown announced the closing of a $15 million, three-year term loan through Crown Fund IV with Solo Liquor Holdings Ltd., the second largest liquor retailer in Alberta and largest private liquor retailer in the province. Headquartered in Calgary, Solo currently operates 41 liquor stores in high-traffic locations in Alberta, including 19 stores in Calgary, 13 in Edmonton and the remaining 9 in other communities across Alberta. Founded in 1996, the company is 100% owned by senior management. Solo will use Crown Fund IV's loan to expand its store network over the next several years. The term loan includes a bonus feature based on the growth in Solo's enterprise value. The Alberta Treasury Board M&A Advisory Services acted as exclusive financial adviser to Solo.

- In May, Crown announced prepayment of the $20 million, 5-year loan by Distinct Infrastructure Group Inc., a TSXV-listed turnkey solutions firm providing design, engineering, construction and maintenance services to telecommunications firms, utilities and government bodies. The loan was initiated in November 2015. As stated by Chris Johnson, President and CEO of Crown, "Distinct has done an excellent job of growing its business and creating value, by capitalizing on the growing market demand for high-speed fiber installation capabilities. This performance enabled Distinct to secure an expanded facility with their existing senior lender." Distinct has prepaid the loan in full, including principal, interest and fees. In July 2017, Crown announced the disposition of all the common shares of Distinct held by Crown Fund IV and which resulted in net proceeds of approximately $1.4 million. The realized gross internal rate of return (IRR)[2] on the Distinct investment was 19.8%.
- In May, Crown announced it had amended its $15 million term loan agreement with Petrowest Corporation, a TSX-listed Calgary infrastructure company and completed a new $12 million bridge loan with the company. The amended loan is a 3-year loan and it together with the 6-month bridge loan are to provide additional financial flexibility while Petrowest pursues its previously announced non-core asset disposition program. On closing the bridge loan, Crown syndicated $2 million to one of the other limited partners in Crown Fund IV. As part of the amended term loan, the 4.3 million warrants previously issued to Crown Fund IV were cancelled and 4.3 million common shares of Petrowest were issued to Crown Fund IV at nominal cost. The bridge loan agreement also included the issuance of 3 million common shares of Petrowest so that in total Crown Fund IV now owns 7.7 million common shares of Petrowest (approximately 4% ownership).
- In May, Crown announced the closing of a $30 million, five-year term loan through Crown Fund IV with Marquee Energy Ltd., a Calgary-based TSXV-listed company engaged in the acquisition, exploration, development and production of petroleum and natural gas reserves focused in western Canada. Marquee's primary assets are located in the Michichi area of southern Alberta. The company has current production of approximately 2,600 barrels of oil equivalent production per day of which approximately 50% is natural gas and 50% is oil and natural gas liquids. The company's land base includes approximately 386,000 net acres of total land with 172,000 net acres of undeveloped land. Marquee is focused on growing through exploitation of existing opportunities and continued consolidation within its core area. The loan from Crown Fund IV will be used to repay the existing senior debt facility and to fund Marquee's capital program. The term loan includes warrants to acquire 37.5 million common shares of Marquee, exercisable at $0.11 per share.
- In June, Crown announced the closing of a $25 million, five-year term loan through Crown Fund IV with Ferus Inc., a Calgary-based company which provides a dedicated supply of energized fluids (liquid nitrogen and liquid carbon dioxide) as well as the related logistical and operational services to deliver those products and frac sand to customers in the energy industry. The company is the leading provider of industrial gases to the Canadian energy market where its products are integral to the energized hydraulic fracturing process. Ferus has the strategic advantage of owning and operating the complete supply chain, from gas production through to last-mile delivery. The company has six strategically located production plants and maintains a logistics fleet as well as network of specialty wellsite storage units to facilitate the efficient delivery of essential fracturing inputs. Crown Fund IV's term loan will be used to repay Ferus' existing senior credit facility and to support Ferus' growth objectives. The term loan includes warrants of Ferus.

Global Renewable Energy Market

The Partnership has also invested in Portland Global Energy Efficiency and Renewable Energy Fund LP (Portland GEEREF LP), an investment fund also managed by the Manager and Christopher Wain-Lowe. The investment objectives 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 €345 billion of lending for the period from 2011-2015. 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 on May 2015, which brought the total funds under management to €222 million. 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 Partnership, a particularly attractive risk-adjusted return.

As of March 31, 2017, GEEREF had committed to invest approximately €164.7 million in twelve Regional Funds, liquidated and so realized €16.9 million from one Regional Fund and positively received submissions from one successor Regional Fund. The portfolio of Regional Funds held by GEEREF are detailed on GEEREF's website at www.geeref.com. GEEREF is also working on co-investment/direct investment projects which are expected to materialize in 2017. The portfolios of each of the twelve Regional Funds comprise a total of 92 investments. Three of these Regional Funds have finalized their investment periods.

Global Maritime Market

Christopher Wain-Lowe has previous direct experience of European banking, having been employed by Barclays plc for nearly twenty 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 to select EnTrustPermal Ltd. as the Partnership's third Specialty Investment Manager to complement the Partnership's existing portfolio via its maritime lending fund, Blue Ocean Fund (Blue Ocean). EnTrustPermal is a leading global alternative asset manager and as one of the world's largest hedge fund investors provides portfolio and risk management services to Blue Ocean which was launched in June 2017 with an initial size of U.S. $216 million. The Partnership was an initial investor in Blue Ocean having committed U.S. $5 million, with 12.35% drawn as at June 30, 2017, 40.89% drawn as at July 18, 2017 and most of the rest expected to be called over the next few months.

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.

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. The Manager anticipates 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. Once fully invested, Blue Ocean is expected to be a diversified portfolio of 25 to 40 primarily floating rate first lien loans or bonds over a 12 to 36 month build up period. Investments will focus on situations currently being underserved by traditional maritime lenders, including financing of small to medium sized shipping companies in various degrees of stress. Blue Ocean intends to make quarterly cash distributions of interest income and principal amortization. The Partnership as an investor in Blue Ocean will pay to EnTrustPermal a management fee of 1.5% per annum of the NAV of contributed capital in addition to any organizational costs and ongoing fees and expenses related to the operation of Blue Ocean.

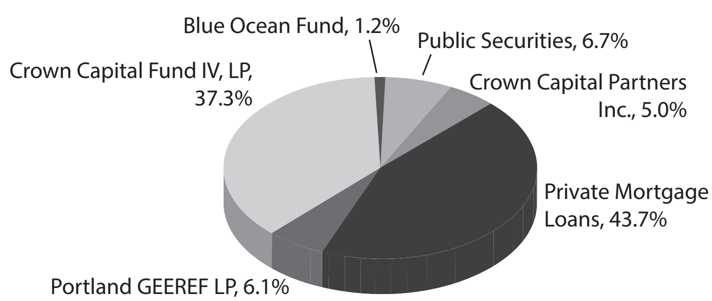
Portfolio Profile

The portfolio is comprised as follows (see Chart 3):

	June 30, 2017	December 31, 2016
Private mortgage loans administered by MarshallZehr Group:	43.7%	50.4%
Crown originated private debt:		
Crown Capital Fund IV, L.P.	37.3%	31.3%
Crown Capital Partners Inc.	5.0%	5.4%
Blue Ocean Fund commercial debt (investment made in U.S.$)	1.2%	nil
Private Equity:		
Portland Global Energy Efficiency and Renewable Energy Fund LP	6.1%	5.4%
Other Public Securities:	6.7%	7.5%

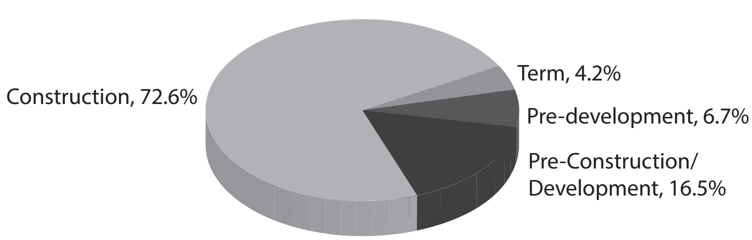
Note: December 31, 2016 values have been restated from Financial Report dated December 31, 2016

Chart 3. Investment Allocation as of June 30, 2017[3]



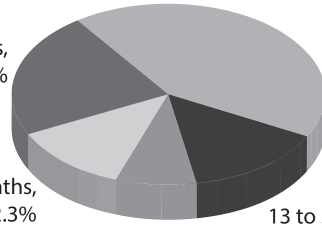
Notwithstanding the developing relationship with Crown and Crown Fund IV, and now EnTrustPermal and Blue Ocean, a significant component of the portfolio's current investments consist of mortgages in the Greater Toronto Area, South-Western Ontario and Central Ontario including a variety of infill and intensification projects with what the Manager believes to be well-established developers located in areas of increased demand. The projects span term, pre-development, development and construction stages (see Table 1 and Chart 4). The commercial mortgages are diversified across project types, geography, project stage and term, as detailed in Table 1. As of June 30, 2017, 100% of the mortgage investments were in Ontario.

Chart 4. Mortgage portfolio breakdown by mortgage type as of June 30, 2017



Given the portfolio's exposure to mostly short term commercial mortgages and loans (see Chart 5), we believe it retains the flexibility and capability to outperform publicly listed fixed income instruments as higher rates return.

Chart 5. Debt portfolio breakdown by term as of June 30, 2017[4]



The weighted average net interest rate (net of specific provisions) of the mortgage portfolio at June 30, 2017 is 10.3% (see Table 1).

Table 1. Mortgage portfolio as of June 30, 2017

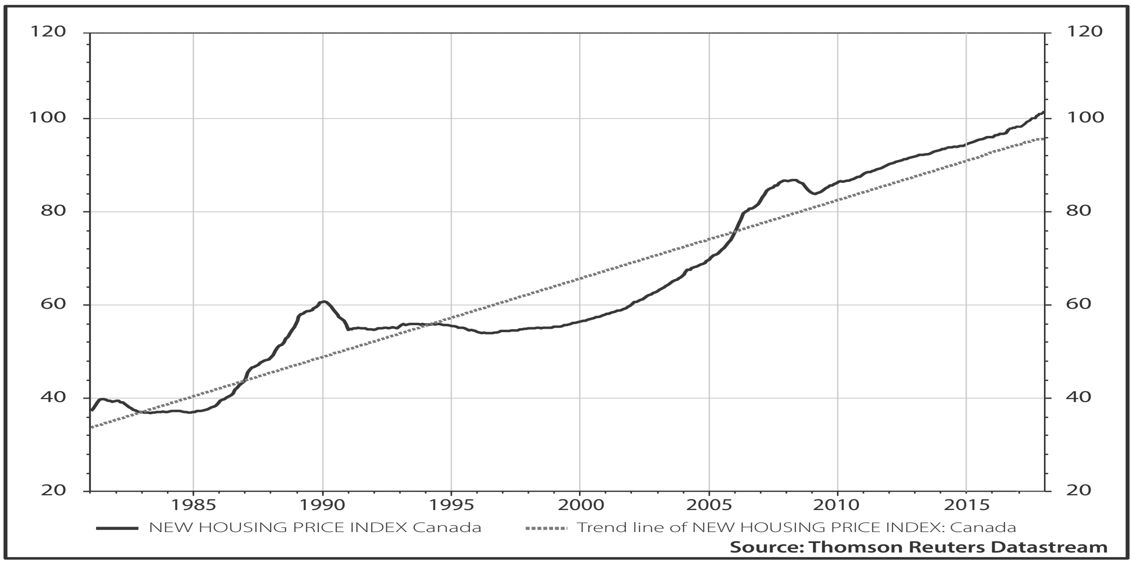
Build Form	Location	Type	Security	Term	Net Interest Rate	Loan to Value
Senior Condominium	Richmond Hill	Pre-Construction/ Development	1st Mortgage	12 months	11.40%	87%
Professional Condominium	Markham	Construction	2nd Mortgage	25 months	11.90%	78%
Mixed Use Condominium	Kitchener	Construction	1st Mortgage	36 months	12.75%	80%
Retirement Residences	Peterborough	Construction	1st Mortgage	6 months	11.90%	71%
Residential Subdivision	Guelph	Construction	1st Mortgage	18 months	11.90%	81%
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	11.90%	75%
Residential Subdivision	Barrie	Pre-Construction/ Development	1st Mortgage	13 months	8.00%	29%
Residential Subdivision	Oakville	Construction	1st Mortgage	18 months	11.00%	79%
Residential Subdivision	Mississauga	Construction	1st Mortgage	18 months	11.00%	74%
Residential Condominium	Waterloo	Construction	1st Mortgage	18 months	11.90%	91%
Residential Condominium	Richmond Hill	Construction	1st Mortgage	18 months	10.60%	82%
Residential Subdivision	Peterborough	Construction	1st Mortgage	19 months	11.90%	73%
Commercial Development	Hamilton	Pre-Construction/ Development	1st Mortgage	13 months	10.60%	72%
Commercial Development	Markham	Construction	1st Mortgage	19 months	10.60%	40%
Retirement Residences	Burlington	Pre-Development	1st Mortgage	12 months	8.50%	27%
Retirement Residences	Kitchener	Pre-Development	1st Mortgage	12 months	8.50%	35%
Retirement Residences	Oakville	Pre-Development	1st Mortgage	12 months	8.50%	69%
			Weighted Average		10.3%	67%

Canada Mortgage and Housing Corporation (CMHC) issue periodically a Housing Market Assessment. CMHC's second quarter 2017 report notes "While the overall assessment of problematic conditions remains strong for Canada, overvaluation has been downgraded to moderate from a previously strong assessment. House price growth at the national level has weakened to around 4% year-over-year, while personal disposable income has grown at a steady pace and growth in the young adult population has strengthened at the end of 2016. Careful analysis by geography shows that local differences continue to divide the Canadian housing market into several markets: centres in the East are showing weak evidence of overvaluation, while centres in Southern Ontario and the West are showing moderate to strong evidence of overvaluation."

CMHC noted that in Toronto "Four consecutive quarters of the sales-to-new listings ratio being above the problematic threshold of 0.70 has led to the continued detection of moderate evidence of overheating."

Chart 6 below, highlights Canadian real home prices indexed to June 2007. This chart seeks to show that real home prices in Canada are on the high-side of their long-term trend, thanks to strong post-recession gains that have run above the rate of inflation. The Bank of Canada and CMHC macro prudential efforts to decelerate the trend, have until recently appeared to be working to moderate price growth to a level more in line with underlying inflation. However, the recent spike, in our view, helped spur the Government last October to propose risk sharing measures to slow the mortgage and housing markets. Placing an onus on banks to hold some amount of capital on insured mortgages in lieu of a loss sharing agreement, prompted the banks to offset such costs by raising mortgage rates by 0.15%-0.25%. Such measures on top of the increased tax implications for foreign buyers in Vancouver and higher qualifying rates for insurance might serve to help dampen housing demand but have now been further strengthened by the catch-up actions announced by the Ontario provincial government in April, referred to as the Ontario Fair Housing Plan, a sixteen-point plan aimed at cooling the surging Toronto housing market, which includes a 15% non-resident speculation tax.

Chart 6. Canada New Housing Price Index – January 15, 1981 to June 30, 2017



Canada is not alone. House prices are also relatively high in Sydney and Melbourne in Australia and Seattle and San Francisco in the United States. Common to all these cities are buyers from emerging markets, notably China, who are 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 is frustrating local policymakers, hence the introduction of the non-resident taxes first introduced in Vancouver which is widely understood to have exacerbated price pressures in both Seattle and Toronto. Given Toronto has now imposed a similar non-resident speculation tax, the current concern is of a price surge in Montreal. For now though, the measures taken do appear to be cooling some excesses.

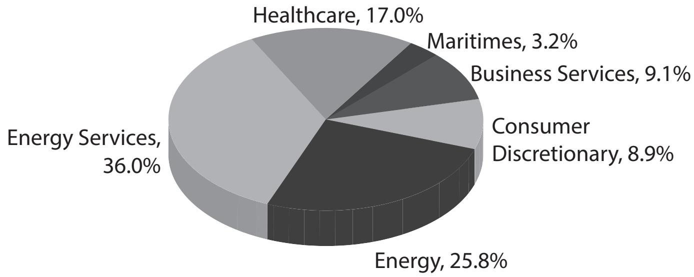
In June, Reuters highlighted that the value of Canadian building permits declined in April, as there were fewer construction plans for single-family homes in Ontario, where a lack of supply has driven up home prices. According to data released by Statistics Canada, permits dipped 0.2%, the third monthly decrease in a row. Also in June, the Toronto Real Estate Board suggests that sales of existing homes in the Greater Toronto Area dropped by 20% from a year ago, while average home prices in the region fell about 6% in May from April. Also in June, the Globe & Mail reported that property developers in Ontario were calling for changes to rent-control measures announced by the province in April, citing them as too harsh and already causing builders to cancel apartment construction projects. The province announced the new measures would expand rent controls to all rental properties in Ontario and cap the rate of annual rent increases at the rate of inflation or a maximum of 2.5% annually. The newspaper cited an industry request that the cap should be raised to 10% from 2.5%. It seems unlikely the Ontario provincial government will accede to such requests.

One swallow does not a summer make. It does therefore seem that while the recent measures are having some effect we are expecting further tightening of macro prudential measures including the Bank of Canada's decision on July 12 to begin unwinding stimulus and to raise interest rates. Absent more material evidence of a cooling market, we recognize the heightened evidence of overvaluation in Toronto is spreading to more adjacent cities further prompting our actions to moderate the Fund's exposure to mortgages, reduce the weighted average LTV ratio of the mortgage portfolio and increase the collective allowance.

We remain mindful of the well-publicized over-supply of residential real estate projects in certain areas of the market, particularly regarding condo units at various levels of completion across Toronto, and we are applying selectivity and a rigorous due diligence process that we believe ensures a high quality in each project, strength in management, tangible security, an achievable business plan and clear realization of the anticipated returns. The Fund has no exposure to the condo market in Toronto but has exposure in Ontario's retirement, student and 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. MarshallZehr continues to focus on dynamic high growth geographies/niches which have been underserved by traditional lenders, where it draws on its extensive business experience in commercial finance and real estate. During this period, we have been appreciative of the approach taken and quality of mortgage opportunities presented to us by MarshallZehr.

As depicted in Chart 7, the portfolio of nine commercial loans made through Crown Fund IV plus the exposure to Blue Ocean, is diversifying satisfactorily in our view with: Petrowest's term loan and bridging loan (infrastructure/energy services); Bill Gosling Outsourcing Holding Corp. (business process outsourcing services); Touchstone Exploration Inc. (oil & gas producer); Medicure (pharmaceuticals); Source Energy Sources (frac sand supplier in hydraulic fracturing process); Solo (liquor retailer); Marquee (oil and gas producer); Ferus (energy services) and Blue Ocean (global maritime/shipping).

Chart 7. Crown Capital Fund IV, LP and Blue Ocean Breakdown by Sector as of June 30, 2017



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

Aligned with the Fund's mandate and pending further investments in private mortgages or increases in capital contributions to Crown Fund IV and Blue Ocean approximately 6.7% (December 31, 2016: 7.5%) 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 bond which matures March 1, 2023. Although the bond was issued at U.S. $100.00 we bought it subsequently at U.S. $87.50 so that while its coupon is U.S. $6.75 per annum, its effective yield to the Fund is just over 8% per annum. Digicel is a leading wireless telecommunications business in the Caribbean with dominant market shares of above 50% in 20 markets. The accredited rating agency Moody's ranks the bond at 'B1' level which we believe reflects in part the low ratings attributed to many sovereigns in the Caribbean in which Digicel operates and the fact that the company's combined gross debt is nearly 4 x debt / EBITDA (earnings before interest, taxes, depreciation and amortization). Christopher Wain-Lowe, lived and worked in the Caribbean from 2000 to 2002 and established early relations with Digicel when he was Group Managing Director of National Commercial Bank Jamaica Limited at that time. Digicel is believed to be the most widely held emerging market credit by U.S. high yield accounts and we believe represents an attractively priced asset with credit credentials similar to those sought and adopted by Crown;

(iii) Fourteen preferred shares, mostly bought at their initial public offerings, all investment grade rated by DBRS Limited and/or by Standard & Poor's rating agency, comprising:

- 9 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 4.90% to 6.25%;
- 3 chartered bank non-cumulative 5-year rate reset preferred shares with initial dividends ranging from 4.4% to 4.85%;
- Partners Value Split Corp. which features a quarterly fixed dividend rate of 4.85% based on its initial price of $25 and a final maturity date of December 10, 2017. This preferred share is rated within the second highest investment grade category by DBRS Limited recognizing the protection of dividends and principal is substantial, via holding a portfolio of Class A Limited Voting Shares of Brookfield Asset Management Inc.
- First National Financial Corporation, an originator, underwriter and servicer of mainly prime single-family and multi-unit residential mortgages, as well as commercial mortgages. First National is Canada's largest non-bank originator and underwriter of mortgages with over $90 billion in mortgages under administration, its preferred share was reset on March 31, 2016 at a floating price of 2.07% above the equivalent (initially 5 years) Government of Canada Bond;

(iv) four U.S. business development corporations (BDCs): Ares Capital Corporation, Alcentra Capital Corporation, BlackRock Capital Investment Corporation and Fifth Street Senior Floating Rate Corporation. 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. a leading global asset manager. Fifth Street consists of virtually all senior secured debt investments that bear interest at floating rates. By comparison to other BDCs held in the portfolio, Fifth Street aims to hold higher quality assets with commensurately lower returns which it then levers to generate higher returns. The initial investment in Fifth Street was premature given its performance is leveraged to a rising interest rate environment;

(v) an equity holding in Brookfield Property Partners L.P. (Brookfield). Brookfield is a multinational commercial real estate owner, operator and investor. Brookfield possesses a diversified portfolio including interests in over 400 office and retail properties encompassing approximately 280 million square feet. In addition, Brookfield owns 45 million square feet of industrial space, 30,300 multi-family units as well as 19 hotel assets with nearly 14,200 rooms. Brookfield is headquartered in Bermuda, while the majority of its properties are located in North America, Europe, Australia and Brazil. Established on January 3, 2013, Brookfield was formed through a spin-off of Brookfield Asset Management Inc. Subsequent to the spin-off, Brookfield Asset Management Inc. continues to share its industry expertise and proven investment strategies while retaining a 19.7% 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 portfolio also includes an equity holding in Crown equivalent to 5.0% of the Fund's portfolio of investments and an exclusive investment in Portland's private offering in renewable energy, Portland GEEREF LP, equivalent to 6.1% of the Fund's portfolio of investments.

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 $2.8 million representing 4.3% of the total assets of the Partnership as at June 30, 2017. We have also agreed terms for a U.S. $6 million revolving loan facility but had not drawn upon the facility as at June 30, 2017.

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 Fund IV would be less than 50% of their determined value and controlled at or below a ratio of 5x debt/EBITDA.

In selecting Crown as a Specialty Investment Manager to manage a portfolio of commercial loans, we reviewed their track record of previously directing three special situation debt funds which included the deployment of over $350 million in more than 30 secondary debt transactions since 2002. Crown achieved a gross IRR of greater than 20% in its first fund, 12.4% in its second fund and prior to its initial public offering in June, 2015 estimated its third fund would generate a gross IRR of approximately 10.4% as at March 31, 2015. Since then Crown has announced the closure of the third fund having generated a gross IRR of approximately 24%. Also, Crown's anticipated typical characteristics for the special situations financing being undertaken by Crown Fund IV include: loans of duration 6 months to 5 years, and covenants including debt/EBITDA typically less than 4x which is within our preferred risk parameters. 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, as Mortgage Administrator, and Crown and EnTrustPermal, as a 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 June 30, 2017, we recognized that two mortgages (compared to two mortgages at the end of 2016 and three mortgages in 2015) 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 finance by way of Court Ordered debtor-in-possession facilities, pursuant to the Companies' Creditors Arrangement Act. MarshallZehr continues to advise us to expect full recovery of 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 costs (principal plus accrued interest) 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 rate spreads. The discount rate shall be the sum of the following components:

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

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

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

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

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

EnTrustPermal, as a Specialty Investment Manager will provide a quarterly NAV per unit. They have 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 Levels 1, 2 and 3 please refer to the Notes to Financial Statements, Section 5 (c) 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. EnTrustPermal conducts and provides quarterly valuations to us. Under U.S. Accounting Standards Codification 820 Fair Value Measures and Disclosures (the Code), EnTrustPermal is required to fair value including an impairment/collective allowance.

Measurement of credit risk via 'Expected Loss'

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

The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of the credit risk to which the portfolio of mortgages (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 Expected Loss 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 the sake of illustration, 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 Expected Loss 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 both point in time and through-the-cycle estimations of PD. 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 Expected Loss methodology, we have conducted regular assessments and have assigned a collective allowance/collective loan loss provision attributable to the mortgage portfolio holdings. As at June 30, 2017, we have assigned an overall rate of 2.03% (December 31, 2016: 1.83%) on the outstanding balances in the mortgage portfolio. Last year, a collective allowance was introduced equal to 1% of the principal balance of the commercial loans through Crown Fund IV in the portfolio. In both the collective allowances for mortgages and loans we recognize that such related losses have yet to be identified. These Expected Loss collective allowances are a deduction from the calculated NAV and the distributions from the Fund are paid after deducting the specific and collective allowances. As Blue Ocean is required to recognize an impairment/collective allowance under the Code, we make no additional allowance.

We believe our approach towards collective allowances is in harmony with, and so an intermediate step towards, the introduction of International Financial Reporting Standards, IFSR 9, the mandatory effective date of which is 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

1. 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.

2. The IRR is the discount rate that makes the net present value of a series of cash flows equal to zero

3. Portfolio breakdown is less other net assets includes cash, subscriptions receivable, borrowing and/or working capital.

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

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. and EnTrustPermal Ltd., Thomson Reuters and company websites.

Management's Responsibility for Financial Reporting

The accompanying financial statements of Portland Private Income Fund (Fund) have been prepared and approved by Portland Investment Counsel Inc. in its capacity as the manager (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.

"Michael Lee-Chin"

Michael Lee-Chin,
Director
August 3, 2017

"Robert Almeida"

Robert Almeida,
Director
August 3, 2017

These financial statements have not been reviewed by an independent auditor.

Statements of Financial Position (unaudited)

	As at June 30, 2017	As at December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	$ 8,919	$ 9,446
Subscriptions receivable	1,410,707	3,847,447
Receivable for investments sold	-	235,468
Interest receivable	471,942	354,636
Investments (note 5)	65,649,080	51,554,535
	67,540,648	56,001,532
Liabilities		
Current Liabilities		
Management fees payable	30,659	65,263
Service fees payable	12,838	27,869
Expenses payable	24,849	39,056
Redemptions payable	204,823	-
Payable for investments purchased	983,000	3,785,000
Distributions payable	167,176	178,753
	1,423,345	4,095,941
Net Assets Attributable to Holders of Redeemable Units	$ 66,117,303	$ 51,905,591
Net Assets Attributable to Holders of Redeemable Units Per Series		
Series A	13,699,035	10,731,905
Series F	52,415,703	41,171,223
Series O	2,565	2,463
Number of Redeemable Units Outstanding (note 6)		
Series A	276,707	215,111
Series F	1,039,232	811,232
Series O	53	50
Net Assets Attributable to Holders of Redeemable Units Per Unit		
Series A	49.51	49.89
Series F	50.44	50.75
Series O	48.86	49.22

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 (unaudited)

For the periods ended June 30,	2017	2016
Income		
Net gain (loss) on investments		
Interest for distribution purposes	$ 227,749	$ 416,315
Net realized gain (loss) on investments	-	5,200
Change in unrealized appreciation (depreciation) on investments	2,346,008	1,205,262
Total income (net)	2,573,757	1,626,777
Expenses		
Management fees (note 8)	165,892	87,705
Securityholder reporting costs (note 8)	100,478	16,152
Collective and specific allowances (note 3)	94,121	48,808
Service fees (note 8)	69,778	46,628
Mortgage administration fees	24,450	44,851
Audit fees	9,882	9,764
Independent review committee fees	1,736	1,989
Custodial fees	521	-
Legal fees	203	623
Organization expense (note 8)	-	6,884
Total operating expenses	467,061	263,404
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 2,106,696	$ 1,363,373
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series		
Series A	388,004	329,303
Series F	1,718,590	1,033,959
Series O	102	111
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Series A	1.58	2.01
Series F	1.89	2.33
Series O	2.01	2.39

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

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (unaudited)

For the periods ended June 30,	2017	2016
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Series A	$ 10,731,905	$ 6,915,696
Series F	41,171,223	19,041,867
Series O	2,463	2,245
	51,905,591	25,959,808
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Series A	388,004	329,303
Series F	1,718,590	1,033,959
Series O	102	111
	2,106,696	1,363,373
Distributions to Holders of Redeemable Units		
From net investment income		
Series A	(492,174)	(327,393)
Series F	(2,041,512)	(999,590)
Series O	(121)	(110)
Net Decrease from Distributions to Holders of Redeemable Units	(2,533,807)	(1,327,093)
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Series A	3,321,065	2,375,858
Series F	10,674,282	9,998,841
Series O	-	-
	13,995,347	12,374,699
Reinvestments of distributions		
Series A	384,626	255,011
Series F	1,240,976	674,562
Series O	121	110
	1,625,723	929,683
Redemptions of redeemable units		
Series A	(634,391)	(313,489)
Series F	(347,856)	(586,693)
Series O	-	-
	(982,247)	(900,182)
Net Increase (Decrease) from Redeemable Unit Transactions	14,638,823	12,404,200
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Series A	13,699,035	9,234,986
Series F	52,415,703	29,162,946
Series O	2,565	2,356
	$ 66,117,303	$ 38,400,288

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

Statements of Cash Flows (unaudited)

For the periods ended June 30,	2017	2016
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 2,106,696	$ 1,363,373
Adjustments for:		
Net realized (gain) loss on investments	-	(5,200)
Change in unrealized (appreciation) depreciation on investments	(2,346,008)	(1,205,262)
Collective and specific allowances	94,121	48,808
(Increase) decrease in interest receivable	(117,306)	13,234
Increase (decrease) in management fees, service fees and expenses payable	(63,842)	10,526
Increase (decrease) in payable for investments purchased	-	(1,644,470)
Purchase of investments	(14,652,999)	(11,852,089)
Proceeds from sale of investments	243,809	2,336,426
Net Cash Generated (Used) by Operating Activities	(14,735,529)	(10,934,654)
Cash Flows from Financing Activities		
Distributions to holders of redeemable units, net of reinvested distributions	(919,661)	(400,541)
Proceeds from redeemable units issued	15,996,102	11,933,427
Amount paid on redemption of redeemable units	(341,439)	(539,628)
Net Cash Generated (Used) by Financing Activities	14,735,002	10,993,258
Net increase (decrease) in cash and cash equivalents	(527)	58,604
Cash and cash equivalents - beginning of period	9,446	812
Cash and cash equivalents - end of period	8,919	59,416
Cash and cash equivalents comprise:		
Cash at bank	$ 8,919	$ 59,416
From operating activities		
Interest received, net of withholding tax	$ 110,443	$ 429,456

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

Schedule of Investment Portfolio (unaudited)
as at June 30, 2017

No. of Units	Description		Cost		Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
UNDERLYING FUNDS						
918,917	Portland Private Income LP Class B	$	56,474,539	$	62,717,394	94.9%
MORTGAGES						
	Private Mortgage Loans (note 5)		3,298,566		2,931,686	4.4%
		$	59,773,105	$	65,649,080	99.3%
	Other assets less liabilities				468,223	0.7%
	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$	66,117,303	100.0%

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

1. GENERAL INFORMATION

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

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

These financial statements have been authorized for issue by the Board of Directors of the Manager on August 3, 2017. The financial statements of the Partnership are included in Appendix A.

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

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

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

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

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

(b) Recognition, de-recognition and measurement

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

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

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

Fair value measurement

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

Revenue recognition

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

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

At each reporting date, the Manager assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instruments' original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

The Manager intends to assess impairment using a combination of (i) specific allowances on impaired mortgages and (ii) on a collective basis using an expected loss model. An expected loss model looks at the following elements and multiplies them together to arrive at the percentage of the carrying value to record as a collective allowance:

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

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

At least annually, the Manager will estimate a collective allowance attributable to the portfolio based on probabilities of inherent losses that are as yet unidentified. As at June 30, 2017, the Fund recognized a collective allowance equal to 2.92% (December 31, 2016: 1.83%) of the value of private mortgage loans plus accrued interest thereon. The mortgages held by the Fund are part of a portfolio of mortgages that have a collective allowance of 2.03% as of June 30, 2017 in combination with the Partnership. As at June 30, 2017, the value of private mortgage loans plus accrued interest was reduced by $75,290 (December 31, 2016: $46,243), representing the collective allowance for impairment.

As at June 30, 2017, two mortgage loans were identified as non-performing and the carrying value was reduced by way of a specific allowance in the amount of $291,590 (December 31, 2016: $226,515) on an aggregate carrying value (before the deduction of the specific allowance) of $1,192,113 (December 31, 2016: $1,134,560).

During the period ended June 30, 2017, $94,121 (June 30, 2016: $48,808) was presented as 'Collective and specific allowances' in the statements of comprehensive income, of which $29,046 (June 30, 2016: $18,175) related to the collective allowance and $65,075 (June 30, 2016: $30,633) related to the specific allowance.

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) on investments' in the statements of comprehensive income.

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

Cash and cash equivalents

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

Cost of investments

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

Redeemable Units

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

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.

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

Expenses

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

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

Organization expenses

In accordance with its offering documents, organization expenses in the amount of $36,553 (excluding applicable taxes, such as HST), which includes legal and registration fees associated with the formation of the Fund, are recoverable by the Manager from the Fund. The Fund was required to re-pay the Manager over three years commencing in 2014 and completed its payments at the end of 2016. Organization expenses are included as 'organization expenses' on the statements of comprehensive income.

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

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

Distribution to Unitholders

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

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

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

Future accounting changes

On July 24, 2014 the IASB issued the complete IFRS 9 Financial Instruments (IFRS 9). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. The Manager has commenced a detailed review of the new standard, including the impact on classification of its mortgage investments based on the business model of the Fund. At this time, the Manager does not anticipate a material impact on the carrying amounts that have been determined historically for such investments. It is anticipated that disclosures may change as a result of implementing IFRS 9, regardless of how its investments are classified.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

The Manager has concluded that private mortgage loans are classified as loans and receivables and measured at amortized cost which approximates their fair value due to their short term nature.

Functional and presentation currency

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

5. FINANCIAL INSTRUMENTS

a) Categorization of financial instruments

The following tables present the carrying amounts of the Fund's financial instruments by category as at June 30, 2017:

Assets	Financial assets at FVTPL Designated at Inception ($)	Financial assets at amortized cost ($)	Total ($)
Cash and cash equivalents	-	8,919	8,919
Subscriptions receivable	-	1,410,707	1,410,707
Interest receivable	-	471,942	471,942
Mortgage investments	-	2,931,686	2,931,686
Underlying Funds	62,717,394	-	62,717,394
Total	**62,717,394**	**4,823,254**	**67,540,648**

Liabilities	Financial liabilities at FVTPL Designated at Inception ($)	Financial liabilities at amortized cost ($)	Total ($)
Management fees payable	-	30,659	30,659
Service fees payable	-	12,838	12,838
Expenses payable	-	24,849	24,849
Redemptions payable	-	204,823	204,823
Payable for investments purchased	-	983,000	983,000
Distributions payable	-	167,176	167,176
Total	**-**	**1,423,345**	**1,423,345**

The following tables present the carrying amounts of the Fund's financial instruments by category as at December 31, 2016:

Assets	Financial assets at FVTPL Designated at Inception ($)	Financial assets at amortized cost ($)	Total ($)
Cash and cash equivalents	-	9,446	9,446
Subscriptions receivable	-	3,847,447	3,847,447
Receivable for investments sold	-	235,468	235,468
Interest receivable	-	354,636	354,636
Mortgage investments	-	3,034,148	3,034,148
Underlying Funds	48,520,387	-	48,520,387
Total	**48,520,387**	**7,481,145**	**56,001,532**

Liabilities	Financial liabilities at FVTPL Designated at Inception ($)	Financial liabilities at amortized cost ($)	Total ($)
Management fees payable	-	65,263	65,263
Service fees payable	-	27,869	27,869
Expenses payable	-	39,056	39,056
Payable for investments purchased	-	3,785,000	3,785,000
Distributions payable	-	178,753	178,753
Total	**-**	**4,095,941**	**4,095,941**

The following table presents the net gain (loss) on financial instruments at FVTPL by category for the periods ending June 30, 2017 and June 30, 2016:

	Net gains (losses) ($)	
Category	2017	2016
Financial Assets at FVTPL:		
Designated at inception	2,346,008	1,210,462
Total	**2,346,008**	**1,210,462**

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), liquidity risk and credit risk. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's investment objectives and risk tolerance per the Fund's offering documents. All investments result in a risk of loss of capital.

Price risk

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

As at June 30, 2017 and December 31, 2016, 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 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

As of June 30, 2017 and December 31, 2016, the Fund's mortgage investments are in fixed rate, short-term mortgages. The Fund generally holds all of its mortgages to maturity. There is hardly any 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 (at amortized cost) of mortgage investments segmented by gross interest rate (before deduction of mortgage administration fees) as at June 30, 2017 and December 31, 2016:

	0% - 11.99% ($)	12% - 12.99% ($)	13% - 13.99% ($)	14% - 14.99% ($)	15% - 15.99% ($)	Total ($)
June 30, 2017	2,159,883	-	-	1,138,683	-	3,298,566
December 31, 2016	1,916,505	-	-	1,117,643	-	3,034,148

The following is a summary of the carrying value (at amortized cost) of mortgage investments segmented by term as at June 30, 2017 and December 31, 2016:

	12 months or less ($)	13 to 24 months ($)	24 to 36 months ($)	Total ($)
June 30, 2017	2,931,686	-	-	2,931,686
December 31, 2016	2,388,066	646,082	-	3,034,148

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

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

Currency risk

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

As at June 30, 2017 and December 31, 2016, 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 Underlying Funds 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. In order to maintain liquidity, the Fund may invest in complementary, more liquid, income producing public securities, including real estate income trusts, royalty income trusts, preferred shares, dividend paying equity securities and debt securities including convertibles, corporate and sovereign debt. The Fund has the ability to borrow for the purposes of making investments, providing cover for the writing of options, paying redemptions, working capital purposes and to maintain liquidity in accordance with its investment objective and investment strategies.

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 policies:

- the majority of mortgages are generally expected to be written for terms of 6 to 36 months and supported by commercial liability insurance and by personal or corporate guarantees; and
- 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.

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 Fund IV, L.P. (Crown Fund IV) and Blue Ocean Fund (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 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.

Ordinarily, the Manager expects the leverage of companies being financed within Crown Fund IV 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 Fund IV 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.

Based on current expectations, the Manager expects the composition of commercial loans within Blue Ocean 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.

The maximum exposure to credit risk at June 30, 2017 includes the face value of the private mortgage loans plus the accrued interest thereon less the collective allowance and specific allowance, which totaled $3,403,643 (December 31, 2016: $3,388,786). 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 Fund had indirect exposure to mortgage loans through its investment in the Partnership. The maximum credit risk of this indirect exposure at June 30, 2017 was $25,947,979 (December 31, 2016: $20,833,682).

In addition, the Fund had indirect exposure to credit risk through the Partnership holding in Crown Fund IV. As determined by the Manager, the fair value of Crown Fund IV was reduced by a collective allowance equal to $250,500 (December 31, 2016: $144,320) which represents 1% of the principal of the commercial loans held therein. The total fair value of the commercial loans plus accrued interest, less the collective allowance, to which the Fund was indirectly exposed was $25,067,175 (December 31, 2016 – $15,028,907).

The Fund also had indirect exposure to credit risk through its holding in Blue Ocean Fund (Blue Ocean) which is held in the Partnership. EnTrustPermal, as a Specialty Investment Manager 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 to us. Under US Accounting Standards Codification 820 Fair Value Measures and Disclosures (Code), EnTrustPermal is required to fair value including an impairment / collective allowance. As Blue Ocean is required to recognize an impairment / collective allowance under the Code, the Manager makes no additional allowance for credit risk.

The following is a summary of the private mortgage loans held as at June 30, 2017:

	Number of Mortgages	Carrying Value ($)	Carrying Value + Accrued Interest ($)
First Mortgages	6	2,931,686	3,403,643
Total	**6**	**2,931,686**	**3,403,643**

The following is a summary of the private mortgage loans held as at December 31, 2016:

	Number of Mortgages	Carrying Value ($)	Carrying Value + Accrued Interest ($)
First Mortgages	6	3,034,148	3,388,801
Total	**6**	**3,034,148**	**3,388,801**

The following is a summary of the private mortgage loans held by the Fund segmented by type of project as at June 30, 2017 and December 31, 2016:

	Pre-development ($)	Pre-development/ Construction ($)	Construction ($)	Term ($)	Total ($)
June 30, 2017	-	315,420	1,603,586	1,012,680	2,931,686
December 31, 2016	-	340,431	1,666,019	1,027,698	3,034,148

c) Fair value of financial instruments

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

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

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

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

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

The following table illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2017:

	Assets at fair value as at June 30, 2017			
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Underlying Fund	-	62,717,394	-	62,717,394
Total	**-**	**62,717,394**	**-**	**62,717,394**

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

	Assets at fair value as at December 31, 2016			
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Underlying Fund	-	48,520,387	-	48,520,387
Total	**-**	**48,520,387**	**-**	**48,520,387**

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

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 investment in the Partnership at fair value as at June 30, 2017 and December 31, 2016 is disclosed in the following tables. This investment is included at its NAV per unit 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.

June 30, 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	62,717,493	62,717,394	100.0%

December 31, 2016:

Description	Net asset value of Underlying Fund ($)	Investment at fair value ($)	% of Net Assets attributable to holders of redeemable units
Portland Private Income LP	48,520,448	48,520,387	100.0%

6. REDEEMABLE UNITS

The Fund is permitted to issue an unlimited number of redeemable units issuable in Series A, Series F and Series O Units, having such terms and conditions as the Manager may determine. Additional series may be offered in 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 endeavors to invest capital in appropriate investments in conjunction with its investment objectives. The Fund maintains sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments, where necessary.

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

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

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

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

The Fund's NAV per unit is determined on the last business day of each month at the close of regular trading on the Toronto Stock Exchange, (each, a Valuation Date) or on such other date as determined by the Manager (an Additional Pricing Date). Unitholders may redeem their units on any Valuation Date by submitting a request for redemption no later than the day that is 60 days prior to the Valuation Date in order for the redemption to be accepted as at that Valuation Date; otherwise the redemption will be processed as at the next Valuation Date. The redemption price shall equal the 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 18 months from initial purchase, the Manager may, in its discretion, charge a redemption penalty equal to 5% of the NAV of such units redeemed which will be deducted from the redemption proceeds and retained by the Fund. If a unitholder redeems his or her units after 18 months to 36 months from initial purchase, the Manager may, in its discretion, charge a redemption penalty equal to 2% of the NAV of such units redeemed which will be deducted from the redemption proceeds and retained by the Fund.

The number of units issued and outstanding for the period ended June 30, 2017 was as follows:

	Balance, Beginning of Period	Units Issued Including Transfers from Other Series	Units Reinvested	Units Redeemed Including Transfers to Other Series	Balance, End of Period	Average Number of Units
Series A	215,111	66,626	7,722	(12,752)	276,707	246,041
Series F	811,232	210,384	24,471	(6,855)	1,039,232	908,399
Series O	50	-	3	-	53	51

The number of units issued and outstanding for the period ended June 30, 2016 was as follows:

	Balance, Beginning of Period	Units Issued Including Transfers from Other Series	Units Reinvested	Units Redeemed Including Transfers to Other Series	Balance, End of Period	Average Number of Units
Series A	138,036	47,467	5,093	(6,256)	184,340	163,886
Series F	373,648	196,081	13,234	(11,514)	571,449	444,455
Series O	45	-	3	-	48	46

7. TAXATION

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

The Fund 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 Fund's tax year end is December 31. As at December 31, 2016, there were no capital losses or non-capital losses to carry forward.

8. MANAGEMENT FEES AND EXPENSES

Pursuant to the Fund's prospectus, the Fund agrees to pay management fees to the Manager, calculated and accrued daily and paid monthly. The annual management fee rate for Series A and Series F Units is 0.5%. Management fees on Series O Units are negotiated and are charged to the investors who hold Series O Units, not the Fund. The Fund is also charged service fees on Series A Units of 1.0% 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. GST and HST paid by the Fund on its expenses is not recoverable. The Manager also provides key management personnel to the Fund. The Manager may charge the Fund for actual time spent by its personnel (or those of its affiliates) in overseeing the day-to-day business affairs of the Fund. The amount charged for time spent by personnel is determined based on fully allocated costs and does not include a mark up or administration fee. The Manager may absorb fund operating expenses at its discretion but is under no obligation to do so.

The Fund is responsible for, and the Manager is entitled to reimbursement from the Fund for all costs associated with its creation and organization, including legal and registration fees associated with the formation of the Fund in the amount of $36,553 (excluding applicable taxes, such as HST). The Fund is required to re-pay the Manager over three years commencing in 2014 and completed its re-payments by the end of 2016. During the period ended June 30, 2017, the Fund was charged $nil (June 30, 2016: $6,882) for organization expenses, including applicable taxes.

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).

Effective January 1, 2016, 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 ascertainable value of the third party soft dollar arrangements in connection with portfolio transactions for the period ended June 30, 2017 was $nil (June 30, 2016: $nil).

10. RELATED PARTY TRANSACTIONS

The following table outlines the management fees, service fees and operating expense reimbursements that were charged to the Fund by the Manager during the periods ended June 30, 2017 and June 30, 2016. The table also includes the amount of operating expense reimbursement that was made 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 ($)	Service Fees ($)	Operating Expense Reimbursement ($)	Organizational Expense Reimbursement ($)	Operating Expenses Reimbursed to Affiliates of the Manager ($)
June 30, 2017	146,887	61,784	99,895	-	1,065
June 30, 2016	77,718	41,319	25,280	6,090	2,389

The Fund owed the following amounts to the Manager:

As at	Management Fees ($)	Service Fees ($)	Operating Expense Reimbursement ($)	Organizational Expense Reimbursement ($)
June 30, 2017	27,143	11,372	22,000	-
December 31, 2016	57,778	24,715	31,530	3,046

The Manager, its officers and directors (Related Parties) may invest in units of the Fund from time to time in the normal course of business. All such transactions are measured at NAV per unit. As at June 30, 2017, 11 Related Parties owned less than 1% of the net assets of the Fund. As at December 31, 2016, 13 Related Parties owned less than 1% of the net assets of the Fund.

11. EXEMPTION FROM FILING

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

Statement of Corporate Governance Practices

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

APPENDIX A

Portland Private Income LP

2017 Interim Report

June 30, 2017

▪ 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 (Partnership) have been prepared by Portland Investment Counsel Inc. in its capacity as manager (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.

"Michael Lee-Chin"

Michael Lee-Chin,
Director
August 3, 2017

"Robert Almeida"

Robert Almeida,
Director
August 3, 2017

These financial statements have not been reviewed by an independent auditor.

Statements of Financial Position (unaudited)

	As at June 30, 2017	As at December 30, 2016
Assets		
Current Assets		
Cash and cash equivalents	$ 174,092	$ 38,491
Subscriptions receivable	983,000	3,785,000
Receivable for investments sold	597,665	2,294,271
Interest receivable	463,762	451,046
Dividends receivable	20,058	17,461
Investments (note 5)	59,083,702	40,943,566
Investments - pledged as collateral (note 5 and 9)	4,240,088	3,235,640
	65,562,367	50,765,475
Liabilities		
Current Liabilities		
Borrowing (note 9)	2,811,545	2,209,735
Expenses payable	8,315	34,720
Payable for investments purchased	18,116	-
Derivative liabilities	6,798	472
	2,844,774	2,244,927
Net Assets Attributable to Holders of Redeemable Units	$ 62,717,593	$ 48,520,548
Equity		
General Partner's Equity	100	100
Net Assets Attributable to Holders of Redeemable Units Per Class		
Class A	69	61
Class B	62,717,424	48,520,387
Number of Redeemable Units Outstanding (note 6)		
Class A	1	1
Class B	918,917	742,379
Net Assets Attributable to Holders of Redeemable Units Per Unit		
Class A	69.04	61.00
Class B	68.25	65.36

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 (unaudited)

For the periods ended June 30,	2017	2016
Income		
Net gain (loss) on investments and derivatives		
Dividends	$ 221,231	$ 138,478
Interest for distribution purposes	1,545,362	887,602
Net realized gain (loss) on investments and options	3,564	5,963
Change in unrealized appreciation (depreciation) on investments and options	988,210	438,460
	2,758,367	1,470,503
Other income		
Foreign exchange gain (loss) on cash and other net assets	17,871	(7,272)
Total income (net)	2,776,238	1,463,231
Expenses		
Mortgage administration fees	217,062	119,242
Collective and specific allowances (note 3)	111,501	49,953
Securityholder reporting costs	39,596	49,040
Interest expense and bank charges	31,444	6,761
Audit fees	12,920	9,777
Withholding tax expense	12,563	10,671
Transaction costs	2,458	4,802
Organization expense (note 8)	2,058	2,057
Custodial fees	388	12
Legal fees	203	433
Total operating expenses	430,193	252,748
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 2,346,045	$ 1,210,483
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	8	3
Class B	2,346,037	1,210,480
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	8.00	3.07
Class B	2.85	3.01

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

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (unaudited)

For the periods ended June 30,	2017	2016
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Class A	$ 61	$ 60
Class B	48,520,387	19,124,913
	48,520,448	19,124,973
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	8	3
Class B	2,346,037	1,210,480
	2,346,045	1,210,483
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	-	-
Class B	11,851,000	12,290,618
	11,851,000	12,290,618
Redemptions of redeemable units		
Class A	-	-
Class B	-	(82,500)
	-	(82,500)
Net Increase (Decrease) from Redeemable Unit Transactions	11,851,000	12,208,118
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Class A	69	63
Class B	62,717,424	32,543,511
	$ 62,717,493	$ 32,543,574

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

Statements of Cash Flows (unaudited)

For the periods ended June 30,	2017	2016
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 2,346,045	$ 1,210,483
Adjustments for:		
Net realized (gain) loss on investments and options	(3,564)	(5,963)
Change in unrealized (appreciation) depreciation on investments and options	(988,210)	(438,460)
Unrealized foreign exchange (gain) loss on cash	(18,034)	6
Collective and specific allowances	111,501	49,953
(Increase) decrease in interest receivable	(12,716)	27,239
(Increase) decrease in dividends receivable	(2,597)	(3,401)
Increase (decrease) in expenses payable	(26,405)	4,392
Purchase of investments	(21,568,081)	(16,648,965)
Proceeds from sale of investments	5,024,818	5,537,200
Net Cash Generated (Used) by Operating Activities	(15,137,243)	(10,267,516)
Cash Flows from Financing Activities		
Increase (decrease) in borrowing	601,810	(1,071,833)
Proceeds from redeemable units issued	14,653,000	12,210,088
Amount paid on redemption of redeemable units	-	(82,500)
Net Cash Generated (Used) by Financing Activities	15,254,810	11,055,755
Net increase (decrease) in cash and cash equivalents	117,567	788,239
Unrealized foreign exchange gain (loss) on cash	18,034	(6)
Cash and cash equivalents - beginning of period	38,491	216
Cash and cash equivalents - end of period	174,092	788,449
Cash and cash equivalents comprise:		
Cash at bank	$ 174,092	$ 788,449
From operating activities		
Interest received, net of withholding tax	$ 1,532,646	$ 907,056
Dividends received, net of withholding tax	$ 206,071	$ 135,809
From financing activities		
Interest paid	$ 4,553	$ 5,991

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

Schedule of Investment Portfolio (unaudited)

as at June 30, 2017

No. of Units/ Face Value	Description	Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
BONDS				
Bermuda				
200,000	Digicel Limited Callable 6.750% March 1, 2023	$ 246,654	$ 243,884	
		246,654	243,884	0.4%
EQUITIES				
Bermuda				
2,000	Brookfield Business Partners L.P.	50,842	70,140	
4,000	Brookfield Infrastructure Partners L.P., Preferred, Series 5, Fixed-Reset	100,000	102,680	
3,000	Brookfield Infrastructure Partners L.P., Preferred, Series 7, Fixed-Reset	75,000	75,900	
32,000	Brookfield Property Partners L.P.	909,134	981,760	
6,000	Brookfield Renewable Partners L.P., Preferred, Series 9, Fixed-Reset	150,290	156,540	
		1,285,266	1,387,020	2.2%
Canada				
6,000	Bank of Montreal	150,000	149,880	
500	The Bank of Nova Scotia, Preferred, Series 38, Fixed-Reset	12,500	13,080	
6,000	Brookfield Office Properties Inc., Preferred, Series CC, Fixed-Reset	150,720	161,040	
4,000	Brookfield Office Properties Inc., Preferred. Series EE, Fixed-Reset	100,000	101,000	
4,000	Brookfield Renewable Partners L.P., Preferred, Series 11, Fixed-Reset	100,000	100,880	
312,200	Crown Capital Partners Inc.	2,739,887	3,340,540	
2,000	ECN Capital Corp.	46,930	47,400	
4,500	First National Financial Corporation, Preferred, Series 1, Fixed-Reset	49,985	64,012	
4,000	National Bank of Canada	100,000	99,800	
10,000	Partners Value Split Corp., Preferred, Series 5, Fixed-Reset	246,154	250,600	
1,500	TransCanada Corporation, Preferred, Series 15, Fixed-Reset	37,500	39,315	
1,300	Westcoast Energy Inc., Preferred, Series 12, Fixed-Reset	32,500	34,294	
		3,766,176	4,401,841	7.0%
United States				
16,793	Alcentra Capital Corporation	258,065	295,952	
49,000	Ares Capital Corporation	985,908	1,040,837	
20,000	BlackRock Capital Investment Corporation	227,281	194,261	
27,000	Fifth Street Senior Floating Rate Corporation	308,327	285,361	
		1,779,581	1,816,411	2.9%
		6,831,023	7,605,272	12.1%
UNDERLYING FUNDS				
Canada				
26,250	Crown Capital Fund IV, L.P.	23,662,147	25,067,175	
60,950	Portland Global Energy Efficiency and Renewable Energy Fund LP Class O	3,830,000	4,122,425	
		27,492,147	29,189,600	46.5%
Ireland				
6,174	Blue Ocean Fund	819,074	794,981	1.3%
		28,311,221	29,984,581	47.8%
MORTGAGES				
Canada				
	Private Mortgage Loans (note 5)	25,989,917	25,490,053	
		25,989,917	25,490,053	40.7%
DERIVATIVES - WRITTEN OPTIONS				
Written Put Options				
Bermuda				
CAD (20)	Brookfield Property Partners L.P., Put 28, 21/07/2017	(780)	(160)	
CAD (20)	Brookfield Property Partners L.P., Put 29, 21/07/2017	(1,080)	(170)	
		(1,860)	(330)	-
Canada				
CAD (40)	RioCan Real Estate Investment Trust, Put 24, 18/08/2017	(1,360)	(1,800)	-
United States				
USD (60)	Fifth Street Senior Floating Rate Corporation, Put 7.5, 15/09/2017	(3,942)	(3,501)	
USD (30)	Ares Capital Corporation, Put 16, 15/09/2017	(2,204)	(1,167)	
		(6,146)	(4,668)	-
	Total written options	(9,366)	(6,798)	-
	Net Investments	61,369,449	63,316,992	101.0%
	Transaction costs	(6,987)	-	-
		$ 61,362,462	63,316,992	101.0%
	Liabilities less other assets		(599,499)	(1.0)%
	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEEMABLE UNITS		$ 62,717,493	100.0%

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

1. GENERAL INFORMATION

Portland Private Income LP (the Partnership) is a limited partnership established under the laws of the Province of Ontario on December 17, 2012 which commenced operations on January 7, 2013. The registered office of the Partnership is 1375 Kerns Road, Suite 100, Burlington, ON L7P 4V7. Pursuant to the limited partnership agreement, Portland General Partner (Ontario) Inc. (the General Partner) is responsible for the management of the Partnership. The General Partner has engaged Portland Investment Counsel Inc. (the Manager) to direct the day-to-day business, operations and affairs of the Partnership, including management of the Partnership's portfolio on a discretionary basis and distribution of the Units of the Partnership.

The Partnership was established as an investment vehicle for the Portland Private Income Fund (the Fund). 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. Short sale positions may be used to profit from the expected decline in valuations of overvalued securities or to hedge the Partnership's long positions.

In addition, the Partnership may borrow (from a bank, prime broker or on a short term basis from the Manager or its affiliates) up to 25% of the total assets of the Partnership after giving effect to the borrowing.

The Partnership may invest in investment funds, 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 (NAV) of the Partnership which may be invested in the securities of a single issuer.

These financial statements were authorized for issue by the Board of Directors of the General Partner on August 3, 2017.

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

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

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

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

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

(b) Recognition, de-recognition and measurement

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

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

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 and options'. 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 and options'. When a written put option is exercised, the amount of premiums received is deducted from the cost to acquire the related investment.

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

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

Fair value measurement

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

Revenue recognition

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

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

At each reporting date, the Manager assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Partnership recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instruments original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

The Manager intends to assess impairment using a combination of (i) specific allowances on impaired mortgages and loans and (ii) on a collective basis using an expected loss model. An expected loss model looks at the following elements and multiplies them together to arrive at the percentage of the carrying value to record as a collective allowance:

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

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

At least annually, the Manager will estimate a collective allowance attributable to the portfolio based on probabilities of inherent losses that are as yet unidentified. The Partnership has recognized a collective allowance equal to 1.89% (December 31, 2016: 1.83%) of the value of private mortgage loans plus accrued interest thereon. The mortgages held by the Partnership are part of a portfolio of mortgages that have a collective allowance of 2.03% as of June 30, 2017, in combination with the Fund. The collective allowance is applied to all mortgage loans which do not already have an associated specific allowance. As at June 30, 2017, the value of private mortgage loans plus accrued interest was reduced by $499,864 (December 31, 2016: $388,363), representing the collective allowance for impairment.

In addition, the Partnership has recognized the fair value of Crown Capital Fund IV, L.P. (Crown Fund IV) to include a collective allowance equal to $250,500 (December 31, 2016: $144,320) which represents 1.00% of the principal of the commercial loans held therein.

As at December 31, 2015, the Partnership recognized a specific allowance against one of its mortgage investments because the borrower had not made its interest payments owing and was unable to pay the principal amount upon maturity. The specific allowance in relation to this mortgage investment was $62,936 on investment value of $502,559. In January 2016, the Partnership received payment of all outstanding interest and principal on the aforementioned mortgage. Following receipt of the full proceeds on the mortgage, the specific allowance in the amount of $62,936 was reversed into income.

As at June 30, 2017 and December 31, 2016, there was no specific allowance on any mortgage investments in the Partnership.

During the period ended June 30, 2017, $111,501 (June 30, 2016: $49,953) was recorded on the statements of comprehensive income as 'collective and specific allowances' of which $111,501 (June 30, 2016: $112,888) related to the collective allowance and $nil (June 30, 2016: negative $62,936) related to the aforementioned specific allowance.

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 and options'.

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

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

Cash and cash equivalents

The Partnership considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents. Cash is comprised of Canadian or U.S. dollar denominated deposits with a Canadian custodian, a Canadian dealer or a Bermuda-based bank.

Cost of investments

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

Redeemable Units

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

The redeemable units are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the 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 with the total number of outstanding redeemable units for each respective class. In accordance with the Partnership's limited partnership agreement, investment positions are measured at fair value for the purpose of determining the NAV per unit.

Expenses

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

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

Interest expense 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.

Organization expenses

In accordance with its offering documents, organization expenses in the amount of $18,202 (excluding applicable taxes, such as HST), which includes 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 of organization expenses during 2014 and for the first 3 months of 2015. Organization expenses are included as 'organization expenses' 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.

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

Management 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 based upon the relative NAV of each class.

Future accounting changes

On July 24, 2014 the IASB issued the complete IFRS 9. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. The Manager has commenced a detailed review of the new standard, including the impact on classification of its mortgage investments based on the business model of the Partnership. At this time, the Manager does not anticipate a material impact on the carrying amounts that have been determined historically for such investments. It is anticipated that disclosures may change as a result of implementing IFRS 9, regardless of how its investments are classified.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

The Manager has concluded that private mortgage loans are classified as loans and receivables and measured at amortized cost which approximates their fair value due to their short term nature.

Functional and presentation currency

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

5. FINANCIAL INSTRUMENTS

a) Categorization of financial instruments

The following tables present the carrying amounts of the Partnership's financial instruments by category as at June 30, 2017:

Assets	Held for Trading ($)	Financial assets at FVTPL Designated at Inception ($)	Financial assets at amortized cost ($)	Total ($)
Cash and cash equivalents	-	-	174,092	174,092
Subscriptions receivable	-	-	983,000	983,000
Receivable for investments sold	-	-	597,665	597,665
Interest receivable	-	-	463,762	463,762
Dividends receivable	-	-	20,058	20,058
Mortgage investments	-	-	25,490,053	25,490,053
Underlying Funds	-	29,984,581	-	29,984,581
Investments	-	3,609,068	-	3,609,068
Investments - pledged as collateral	-	4,240,088	-	4,240,088
Total	**-**	**37,833,737**	**27,728,630**	**65,562,367**

Liablilities	Held for Trading ($)	Financial liabilities at FVTPL Designated at Inception ($)	Financial liabilities at amortized cost ($)	Total ($)
Borrowing	-	-	2,811,545	2,811,545
Expenses payable	-	-	8,315	8,315
Payable for investments purchased	-	-	18,116	18,116
Derivative liabilities	6,798	-	-	6,798
Total	**6,798**	**-**	**2,837,976**	**2,844,774**

The following tables present the carrying amounts of the Partnership's financial instruments by category as at December 31, 2016:

Assets	Held for Trading ($)	Financial assets at FVTPL Designated at Inception ($)	Financial assets at amortized cost ($)	Total ($)
Cash and cash equivalents	-	-	38,491	38,491
Subscriptions receivable	-	-	3,785,000	3,785,000
Receivable for investments sold	-	-	2,294,271	2,294,271
Interest receivable	-	-	451,046	451,046
Dividends receivable	-	-	17,461	17,461
Mortgage investments	-	-	20,388,679	20,388,679
Underlying Funds	-	17,600,330	-	17,600,330
Investments	-	2,954,557	-	2,954,557
Investments - pledged as collateral	-	3,235,640	-	3,235,640
Total	**-**	**23,790,527**	**26,974,948**	**50,765,475**

Liablilities	Held for Trading ($)	Financial liabilities at FVTPL Designated at Inception ($)	Financial liabilities at amortized cost ($)	Total ($)
Borrowing	-	-	2,209,735	2,209,735
Expenses payable	-	-	34,720	34,720
Derivative liabilities	472	-	-	472
Total	**472**	**-**	**2,244,455**	**2,244,927**

The following table presents the net gain (loss) on financial instruments at FVTPL by category for the periods ending June 30, 2017 and June 30, 2016:

Category	Net gains (losses) ($) 2017	2016
Financial Assets at FVTPL:		
Designated at inception	1,206,191	581,539
Total	**1,206,191**	**581,539**
Financial Liabilities at FVTPL:		
Held for trading	6,814	(1,362)
Total	**1,213,005**	**580,177**

b) Risks associated with financial instruments

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

Price risk

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

If the price movement of the investments held by the Partnership on June 30, 2017 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 $1,879,493 (December 31, 2016: $1,177,421).

Interest rate risk

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

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

As of June 30, 2017 and December 31, 2016, the Partnership's mortgage investments are in fixed rate, short-term mortgages. The Partnership generally holds all of its mortgages to maturity. There is a very limited secondary market for the Partnership's mortgages and in syndication transactions such as the ones in which the Partnership participates these mortgages are generally traded at face value without regard to changes in interest rates.

The following is a summary of the carrying value (at amortized cost) of mortgage investments segmented by gross interest rate (before deduction of mortgage administration fees) as at June 30, 2017 and December 31, 2016:

	0% - 11.99% ($)	12% - 12.99% ($)	13% - 13.99% ($)	14% - 14.99% ($)	Total ($)
June 30, 2017	5,580,333	10,074,530	-	9,835,190	25,490,053
December 31, 2016	3,685,575	6,282,030	-	10,421,073	20,388,678

The following is a summary of the carrying value (at amortized cost) of mortgage investments segmented by term as at June 30, 2017 and December 31, 2016:

	12 months or less ($)	13 to 24 months ($)	24 to 36 months ($)	Total ($)
June 30, 2017	17,870,774	7,619,279	-	25,490,053
December 31, 2016	12,385,594	8,003,084	-	20,388,678

The Partnership has indirect exposure to interest rate risk through its investment in Crown Fund IV and Blue Ocean Fund (Blue Ocean) which hold commercial loans.

The Partnership's balances of dividends receivable, interest receivable, subscriptions receivable, receivable for investments sold and expenses payable have no significant exposure to interest rate risk due to their short term nature. The borrowing facility is charged variable interest and is subject to interest rate risk as described in note 9. If interest rates had doubled during the period ended June 30, 2017, interest expense would have been higher and ending net assets attributable to holders of redeemable units would have been lower by $4,553.

Currency risk

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

As at June 30, 2017 and December 31, 2016, the Partnership held investments or made use of borrowings that were denominated in currencies other than the Canadian dollar. The tables below illustrate the foreign currencies to which the Partnership had exposure on June 30, 2017 and December 31, 2016. 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.

June 30, 2017	Monetary ($)	Non-monetary ($)	Total ($)	Impact on net assets attributable to holders of redeemable units Monetary ($)	Non-monetary ($)	Total ($)
United States Dollar	(787,326)	2,850,607	2,063,281	(39,366)	142,530	103,164
Total	**(787,326)**	**2,850,607**	**2,063,281**	**(39,366)**	**142,530**	**103,164**
% of net assets attributable to holders of redeemable units	**(1.3)%**	**4.6%**	**3.3%**	**-**	**0.2%**	**0.2%**

December 31, 2016	Monetary ($)	Non-monetary ($)	Total ($)	Impact on net assets attributable to holders of redeemable units Monetary ($)	Non-monetary ($)	Total ($)
United States Dollar	22,527	1,870,631	1,893,158	1,126	93,532	94,658
Total	**22,527**	**1,870,631**	**1,893,158**	**1,126**	**93,532**	**94,658**
% of net assets attributable to holders of redeemable units	**-**	**3.9%**	**3.9%**	**-**	**0.2%**	**0.2%**

Liquidity risk

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

The Partnership makes investments in private mortgage loans that are not traded in an active market as well as Underlying Funds that 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 writes 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 ($)
June 30, 2017	114,000	216,602	330,602
December 31, 2016	177,500	-	177,500

The Partnership has committed $26,250,000 to Crown Fund IV and U.S. $5,000,000 to Blue Ocean, as described in note 12. All other obligations including borrowing, expenses payable, redemptions payable, payable for investments purchased, and other liabilities, 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 Partnership.

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

The Partnership's credit risk management objectives are to:

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

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

- the majority of mortgages are generally expected to be written for terms of 6 to 36 months and supported by commercial liability insurance and by personal or corporate guarantees; and
- 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.

In addition to private mortgage loans, the Partnership has indirect exposure to commercial loans through its investment in Crown Fund IV 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 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.

Ordinarily, the Manager expects the leverage of companies being financed within Crown Fund IV 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 Fund IV 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.

Based on current expectations, the Manager expects the composition of commercial loans within Blue Ocean 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.

The maximum exposure to credit risk as at June 30, 2017 includes the face value of the private mortgage loans plus the accrued interest thereon less the collective allowance and specific allowance, which totaled $25,947,979 (December 31, 2016: $20,833,682). 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.

In addition, the Partnership had indirect exposure to credit risk through its holding in Crown Fund IV. As determined by the Manager, the fair value of Crown Fund IV was reduced by a collective allowance equal to $250,500 (December 31, 2016: $144,320) which represents 1% of the principal of the commercial loans held therein. The total fair value of the commercial loans plus accrued interest, less the collective allowance, to which the Fund was indirectly exposed was $25,067,175 (December 31, 2016: $14,668,887), making the combined total exposure to credit risk from private mortgage loans and commercial loans equal to $51,015,154 (December 31, 2016: $35,502,569).

The Partnership has indirect exposure to credit risk through its investment in Blue Ocean. EnTrustPermal Ltd., 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 to us. Under US Accounting Standards Codification 820 Fair Value Measures and Disclosures (Code), EnTrustPermal is required to fair value including an impairment / collective allowance. As Blue Ocean is required to recognize an impairment / collective allowance under the Code, the Manager makes no additional allowance for credit risk.

The following is a summary of the private mortgage loans held as at June 30, 2017:

	Number of Mortgages	Carrying Value ($)	Carrying Value + Accrued Interest ($)
First Mortgages	11	23,138,516	23,432,281
Second Mortgages	1	2,351,537	2,515,698
Total	**12**	**25,490,053**	**25,947,979**

The following is a summary of the private mortgage loans held as at December 31, 2016:

	Number of Mortgages	Carrying Value ($)	Carrying Value + Accrued Interest ($)
First Mortgages	10	18,034,249	18,389,036
Second Mortgages	1	2,354,429	2,444,646
Total	**11**	**20,388,678**	**20,833,682**

The following is a summary of the carrying value of private mortgage loans held by the Partnership segmented by type of project as at June 30, 2017 and December 31, 2016:

	Pre-development ($)	Pre-development/ Construction ($)	Construction ($)	Total ($)
June 30, 2017	1,962,059	4,414,310	19,113,684	25,490,053
December 31, 2016	-	4,417,161	15,971,517	20,388,678

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 June 30, 2017, the amount borrowed was $2,811,545 (December 31, 2016: $nil) representing 4.3% of the total assets of the Partnership. Interest expense incurred on amounts borrowed for the period ended June 30, 2017 was $4,553 (June 30, 2016: $5,991).

c) Fair value of financial instruments

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

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

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

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

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

The following table illustrates the classification of the Partnership's financial instruments within the fair value hierarchy as at June 30, 2017:

	Assets at fair value as at June 30, 2017			
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Equities - Long	7,541,260	64,012	-	7,605,272
Fixed income	-	243,884	-	243,884
Underlying Funds	-	-	29,984,581	29,984,581
Total	**7,541,260**	**307,896**	**29,984,581**	**37,833,737**

	Liabilities at fair value as at June 30, 2017			
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Options - Short	(6,798)	-	-	(6,798)
Total	**(6,798)**	**-**	**-**	**(6,798)**

The following table illustrates the classification of the Partnership's financial instruments within the fair value hierarchy as at December 31, 2016:

	Assets at fair value as at December 31, 2016			
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Equities - Long	5,885,082	63,000	–	5,948,082
Fixed Income	-	242,115	-	242,115
Underlying Funds	-	-	17,600,330	17,600,330
Total	**5,885,082**	**305,115**	**17,600,330**	**23,790,527**

	Liabilities at fair value as at December 31, 2016			
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Options - Short	(472)	-	–	(472)
Total	**(472)**	**-**	**-**	**(472)**

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 June 30, 2017 and December 31, 2016, the Partnership held units of Portland Global Energy Efficiency and Renewable Energy Fund LP (Portland GEEREF), which is a closed-end investment fund. Portland GEEREF 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 measured Portland GEEREF 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. If the NAV per unit 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 $206,121 (December 31, 2016: $128,571).

As at June 30, 2017 and December 31, 2016, the Partnership held an interest in Crown Fund IV. Crown Fund IV 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 Fund IV 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. As such the Manager on behalf of the Partnership periodically assesses impairment on a collective basis using an expected loss model and has currently reduced the value of its investment in Crown Fund IV by applying a collective allowance equal to 1% of the principal balance of all commercial loans in the portfolio. The main variable used in the valuation technique is the discount rate applied to the loans. If the model had used a discount rate for each of the loans that was higher by 1%, the value of the Partnership's position in Crown Fund IV would have been lower by $390,948 (December 31, 2016: $287,204). If the model had used a discount rate for each of the loans that was lower by 1%, the value of the Partnership's position in Crown Fund IV would have been higher by $407,953 (December 31, 2016: $300,250).

As at June 30, 2017, the Partnership held an interest in Blue Ocean which was valued at 99.3% of its cost. The discount was applied to the amount paid for its initial investment on June 27, 2017 as a result of information that the amount paid would be used to pay expenses, in part. If the discount had not been applied, the net assets attributable to redeemable units of the Partnership would have been higher by $5,604.

Reconciliation of Level 3 Fair Value Measurement of Financial Instruments

The following tables reconcile the Fund's Level 3 fair value measurement of financial instruments for the periods ended June 30, 2017 and December 31, 2016:

June 30, 2017	Investment Funds ($)	Total ($)
Balance, Beginning of Period	17,600,330	17,600,330
Investment purchases during the period	11,696,238	11,696,238
Proceeds from sales during the period	-	-
Net transfers in (out) during the period	-	-
Net realized gain (loss) on sale of investments	-	-
Change in unrealized appreciation (depreciation) in value of investments	688,013	688,013
Balance at End of Period	29,984,581	29,984,581
Change in unrealized appreciation (depreciation) in value of investments held at end of period	**688,013**	**688,013**

June 30, 2016	Investment Funds ($)	Total ($)
Balance at Beginning of period	4,156,584	4,156,584
Investment purchases during the period	3,200,000	3,200,000
Proceeds from sales during the period	-	-
Net transfers in (out) during the period	-	-
Net realized gain (loss) on sale of investments	-	-
Change in unrealized appreciation (depreciation) in value of investments	238,995	238,995
Balance at end of period	7,595,579	7,595,579
Change in unrealized appreciation (depreciation) in value of investments held at end of period	**238,995**	**238,995**

d) Structured entities

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 June 30, 2017 and December 31, 2016 is presented in the following table. 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.

June 30, 2017:

Description	Net asset value of Underlying Funds ($ millions)	Investment at fair value ($)	% of Net asset value of Underlying Fund
Portland Global Energy Efficiency and Renewable Energy Fund L.P.	21.6	4,122,425	19.1%
Crown Capital Fund IV, L.P.	168.8	25,067,175	14.9%
Blue Ocean Fund	34.6	794,981	2.3%

December 31, 2016:

Description	Net asset value of Underlying Funds ($ millions)	Investment at fair value ($)	% of Net asset value of Underlying Fund
Portland Global Energy Efficiency and Renewable Energy Fund L.P.	17.2	2,571,423	14.9%
Crown Capital Fund IV, L.P.	115.6	15,028,907	13.0%

6. REDEEMABLE UNITS

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

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

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

The number of units issued and outstanding for the period ended June 30, 2017 was as follows:

Period ended June 30, 2017	Balance, Beginning of Period	Units Issued Including Transfers from Other Series	Units Reinvested	Units Redeemed Including Transfers to Other Series	Balance, End of Period
Class A	1	-	-	-	1
Class B	742,379	176,538	-	-	918,917

The number of units issued and outstanding for the period ended June 30, 2016 was as follows:

Period ended June 30, 2016	Balance, Beginning of Period	Units Issued Including Transfers from Other Series	Units Reinvested	Units Redeemed Including Transfers to Other Series	Balance, End of Period
Class A	1	-	-	-	1
Class B	322,558	201,367	-	(1,332)	522,593

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 its limited partnership agreement. Accordingly, the Partnership has not included a provision for taxes in the financial statements.

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

8. FEES AND EXPENSES

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

In accordance with its offering documents, 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 June 30, 2017 were $2,057 (June 30, 2016: $2,057), including applicable taxes, and were included in the line 'organization expenses' on the statements of comprehensive income.

9. BORROWING FACILITY

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 0.70% and in U.S. dollars is the LIBOR plus 0.70% 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 June 30, 2017, the Partnership was borrowing $2,811,545 (December 31, 2016: $2,209,735) and during the period ended June 30, 2017, the Partnership borrowed a minimum of $nil and a maximum of $3,632,151 (June 30, 2016: minimum of nil and maximum of $2,944,408) under the SSA.

Revolving Loan Facility

During the period ended June 30, 2017, the Partnership entered into a revolving loan facility (Facility) with a Bermuda-based bank (Bank). Under the Facility, the Partnership may borrow up to U.S. $6,000,000 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. The term of the Facility is 364 days from the first drawdown, which was made on July 18, 2017.

The Facility charges a rate of interest equal to the greater of 5.5% or U.S.$ 3 month LIBOR + 4.32% and is calculated on the basis of actual days elapsed and a 360 day year. 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.

Quarterly payments of interest only are required, in addition to a non-utilization fee 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 Facility is repayable on demand in the event of default, including if the Manager ceases to be the manager of the Partnership or the Fund, or if the General Partner ceases to be the general partner of the Partnership.

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).

Effective January 1, 2016, 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 ascertainable value of the third party soft dollar arrangements in connection with portfolio transactions for the period ended June 30, 2017 was $10 (June 30, 2016: $379).

11. RELATED PARTY TRANSACTIONS

The following table outlines the management fees, service fees and operating expense reimbursements that were paid to the Manager by the Partnership during the periods ended June 30, 2017 and June 30, 2016. The table includes the amount of operating expense reimbursement that was paid to affiliates of the Manager for administrative services provided in managing the day-to-day operation of the Partnership. All of the dollar amounts in the table below exclude applicable GST or HST.

Period ended	Operating Expense Reimbursement ($)	Organization Expense Reimbursement ($)
June 30, 2017	46,998	1,820
June 30, 2016	52,444	1,818

The Partnership owed the following amounts to the Manager:

Period ended	Operating Expense Reimbursement ($)	Organization Expense Reimbursement ($)
June 30, 2017	5,145	303
December 31, 2016	26,251	910

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.

12. COMMITMENTS

On September 23, 2015 the Partnership committed to invest $10,000,000 in Crown Fund IV. Effective July 15, 2016 the amount of this commitment was increased by $6,400,000 for a total commitment of $16,400,000. Effective January 9, 2017, the amount of this commitment was increased by $9,850,000 for a total commitment of $26,250,000.

As at June 30, 2017 the cumulative amount paid toward this commitment was $24,750,000 and the remaining capital commitment was $1,500,000.

On June 1, 2017, the Partnership committed to invest U.S.$5,000,000 to Blue Ocean. As at June 30, 2017, U.S.$617,377 was paid toward this commitment, resulting in a remaining commitment of U.S.$4,382,623.

13. SUBSEQUENT EVENTS

Effective July 13, 2017, the Partnership increased its commitment to Crown Fund IV by $7,500,000 making its total commitment equal to $33,750,000.

On July 18, 2017, the Partnership paid U.S. $1,315,067 in satisfaction of a capital call by Blue Ocean, bringing its remaining commitment down to U.S. $3,067,556.

On July 18, 2017, the Partnership borrowed U.S. $1,525,000 under the Facility described in note 9.

14. EXEMPTION FROM FILING

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

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