PORTLAND
INVESTMENT COUNSEL™

Portland Private Income Fund
2016 Annual Report

December 31, 2016

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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, currently managed by Crown Capital Partners Inc. (Crown or the Specialty Investment Manager), a portion of which may have participating features resulting in equity ownership of the issuer of the debt or the underlying asset if certain events occur;
- other debt securities, a portion of which may have participating features resulting in equity ownership of the issuer of the debt or the underlying asset if certain events occur;
- 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 following discussion covers the period from January 1 to December 31, 2016. Information related to investments is presented on a combined basis whether the investments are held by the Fund or the Partnership.

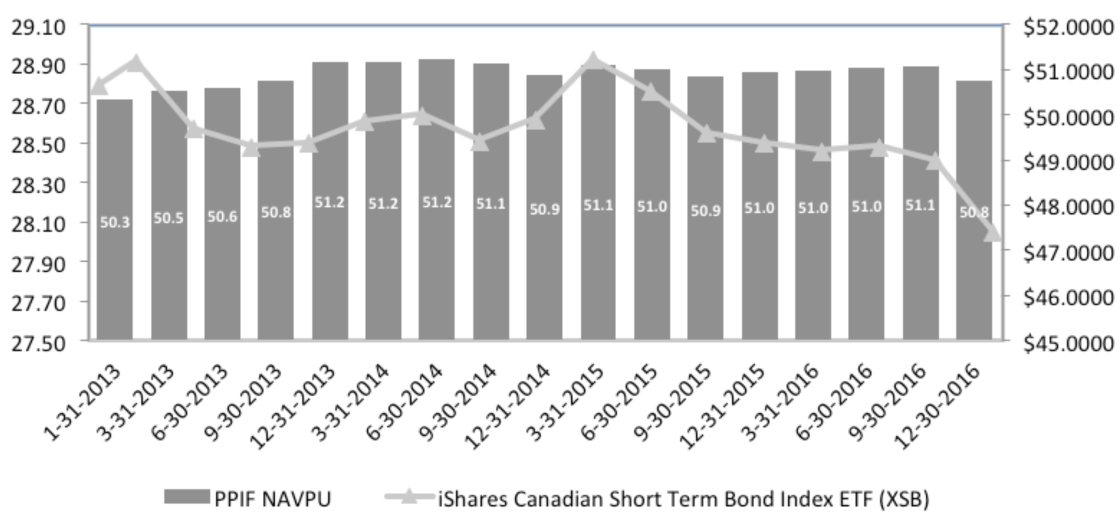
Financial Highlights

The Fund's one year return as of December 31, 2016 was 7.8% for Series A and 9.1% for Series F units. The Fund's net asset value (NAV) per unit as of December 31, 2016 was $49.89 for Series A units and $50.75 for Series F units. The Fund has delivered a cumulative return since inception on February 28, 2013 of 34.6% for Series A units and since inception on January 7, 2013 of 42.9% for Series F units, while exhibiting little variance in its monthly net asset value per unit compared to publicly listed short term debt instruments, such as the iShares Canadian Short Term Bond Index ETF, 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. In January 2017, the Fund paid a special distribution in regards to its performance in 2016, in addition to its regular monthly distributions. This special distribution was paid to ensure the Fund did not pay income tax. Effective December 31, 2016, in addition to its regular fixed distribution of $0.375 per unit per month, the Series F units received a special distribution of $0.14864 per unit. During 2016, the Fund has maintained its regular distributions of $0.3333 per unit per month, for the Series A units and $0.375 per unit per month, for the Series F units.

With prospects for interest rates to remain low, we believe the Fund will continue to outperform publicly traded fixed income instruments. For the 12 months period ended December 31, 2016, the iShares Canadian Short Term Bond Index ETF (XSB) achieved 0.76% total return.

Chart 1. Historical net asset value per unit for the Fund's Series F (right hand) versus iShares Canadian Short Term Bond Index ETF (XSB) (left hand) from January 31, 2013 to December 31, 2016[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.

Initially, as the world wobbled from the effects of the global financial crisis, businesses conserved rather than deployed cash and shunned investing for growth, save for the U.S. shale gas industry which transformed the country from being a net importer to a net energy exporter. The overreaction by OPEC, the Organization of the Petroleum Exporting Countries, to refuse to accommodate the increased supply of energy caused a seismic shift and resultant oversupply of oil, causing prices to fall dramatically and sparked creativity both in renewable energy and shale gas businesses. Also over this period, inequality measures have widened and geopolitically, populist and angry politics have been in the ascendancy. Canada continues to be viewed as a safe-haven and with interest rates low, an ongoing open approach to immigration and reduced energy costs akin to a tax cut; we selected from 2013 to mid 2015 a portfolio almost exclusively of private mortgages. Since mid 2015 those circumstances have little changed, requiring our gradual reassessment of the attractiveness of the housing market compared to commercial opportunities.

We believe 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. We have therefore over the last 18 months 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, LP (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%. On January 18, 2017, Crown successfully increased Crown Fund IV to $175 million and further reduced its holding in Crown Fund IV from 40% to 35%, enabling the Fund's portfolio to increase its ownership to 15%, being one of a select few other limited partners including the Ontario Pension Board.

The portfolio of commercial loans held by Crown Fund IV are detailed below.

In March 2016, Distinct Infrastructure Group Inc., announced it had acquired Mega Diesel Excavating Ltd. at a purchase price of $2,526,160. The acquisition is the first purchase by Distinct since November 25, 2015 when Crown, through Crown Fund IV, announced the closing of the $20 million, 5 year loan with Distinct. Distinct is a utility and telecom infrastructure contractor with capabilities in design, engineering, construction, service and maintenance, and materials management. Mega is an Edmonton based company providing hydro vac, vacuum truck and excavating services throughout Edmonton and the surrounding areas. In our view the acquisition is aligned with Distinct's goal to be the premier infrastructure provider for Canadian utilities, and municipal and provincial governments and already counts Bell and Rogers as existing clients. Subsequently on July 4, 2016, Distinct announced that due to rapid organic growth which had surpassed expectations, it and Crown Fund IV agreed to modify financial terms and covenants to accommodate the growth in consideration for which Distinct agreed to issue an aggregate 2 million common shares at a price of $0.125 per share to Crown Fund IV in addition to originally granting 8 million common shares at an issuance price of $0.085 per share.

In April 2016, Petrowest Corporation announced the successful raising of $10,000,000 by way of issuing new ordinary shares at $0.35 per share. The proceeds have been used to repay debt which had previously ranked ahead of the $15 million, 3 year, subordinated debt agreement Crown Fund IV had provided Petrowest in September 2015. Under the terms of the agreement Petrowest has granted to Crown Fund IV 4,300,000 warrants each entitling the purchase of one class A common share of Petrowest at an exercise price of $0.40 for a period of five years. Petrowest is an Alberta based corporation involved in both industrial and civil infrastructure projects, as well as pre-drilling and post-completion energy services, gravel crushing and hauling for non-energy sector customers. In November 2015, the BC Hydro and Power Authority announced it had selected the Peace River Hydro Partners consortium as the preferred proponent for the Site C main civil works contract. Peace River Hydro Partners is a consortium in which Petrowest is partnered with Acciona Infrastructure Canada Inc. and Samsung C&T Canada Ltd. The main civil works, now underway, is the largest single contract in the $8 billion Site C project and includes the construction of an earth fill dam, two diversion tunnels and a concrete foundation for a generation station and spillways.

In May 2016, Crown announced the closing of a $15 million, five-year term loan through Crown Fund IV with Bill Gosling Outsourcing (BGO), a provider of call center solutions and other business process outsourcing services. BGO was founded in 1955 and is headquartered in Newmarket, Ontario. BGO offers a full suite of customer contact solution services (i.e. accounts receivable management, customer care, and customer sales & acquisition) and operates nine call centers in Canada, the U.S., the U.K. and Philippines. The company's key customers include Fortune 100 and Fortune 1000 companies in the financial, communication, utility and government sectors. We understand BGO maintains a stable relationship with its customers, with average tenure of more than 10 years for its top 10 customers. This deal is characterized as a specialty finance loan, which includes a bonus feature based on growth of the company over the term of the loan. BGO expects to increase revenue and earnings before interest, taxes, depreciation and amortization (EBITDA) significantly over the next three years, driven by key customers and its Philippines expansion.

In November 2016, Crown announced the closing of a $15 million five-year term loan through Crown Fund IV with Touchstone Exploration Inc., a Calgary-based, publicly-traded company engaged in the business of acquiring interests in petroleum and natural gas rights, and the exploration, development, production and sale of petroleum and natural gas. Touchstone is focused on onshore properties located in the Republic of Trinidad and Tobago, a country which is currently the world's sixth largest liquefied natural gas exporter (LNG) and largest LNG exporter to the United States. The loan includes a 1% royalty on Touchstone's petroleum sales calculated and payable quarterly and which remains in place for five years regardless of whether or not the loan is repaid.

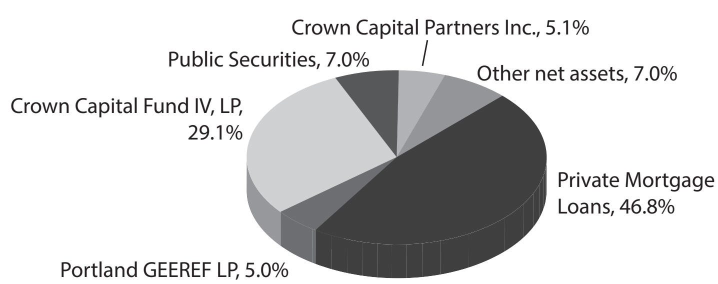
Also in November 2016, Crown announced the closing of a $60 million four-year term loan with Medicure Inc., a Winnipeg-based specialty pharmaceutical company focused on the development and commercialization of cardiac therapeutics for the U.S. hospital market. Medicure's lead product is Aggrastat, which is marketed in the U.S. for non-ST elevation acute coronary syndrome. Medicure reports that sales of Aggrastat have been growing rapidly over recent years and the product now accounts for approximately 40% of the patient share of the market for this class of drugs in the U.S. compared with only 3% share in 2012. Medicure also owns a minority interest in Apicore U.S., a fast-growing active pharmaceutical ingredient manufacturing service provider and developer of generic products for pharmaceutical companies. Medicure will use the proceeds of the term loan to purchase an additional 60% of the outstanding shares of Apicore. The agreement provides for a $60 million term loan to Medicure of which Crown Fund IV advanced $30 million with Crown syndicating the other $30 million to the Ontario Pension Board ('OPB'), a limited partner in Crown's funds. In addition, the agreement includes warrants to acquire 450,000 common shares of Medicure for each of Crown Fund IV and OPB, exercisable at $6.50 per share.

In December 2016, Crown announced the closing of a $15 million participation through Crown Fund IV in a $130 million offering of senior secured first lien five-year term loan notes (the Notes) with Source Energy Services (Source). Source, a Calgary-based vertically integrated company owning a sand mine in Wisconsin, seven transload terminals in Canada and two transload terminals in the U.S. and is the leading provider of frac sand to the Western Canadian Sedimentary Basin. Frac sand, also referred to as proppant, is used to 'prop' open fissures created during the hydraulic fracturing process. Source is expected to be a leading beneficiary of the continued intensification of frac sand usage in oil well completions as well as an increase in drilling activity. Source estimates it has approximately 50% of the Canadian market share for northern white sand and by several multiples the greatest handling capacity. The Notes provide the holders the right to participate in the equity of Source and on March 2nd, 2017, Source issued a preliminary prospectus for an initial public offering of 33%-37% of its common shares. Prior to December 15, 2018 the Note issuers may, at their option, redeem up to 35% of the aggregate principal amount of the Notes with the net proceeds of equity offerings by Source of a redemption price of 110.500% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest, if any, to the redemption date. Source expects to exercise the Notes 35% optional redemption following the completion of the Offering.

Portfolio Profile

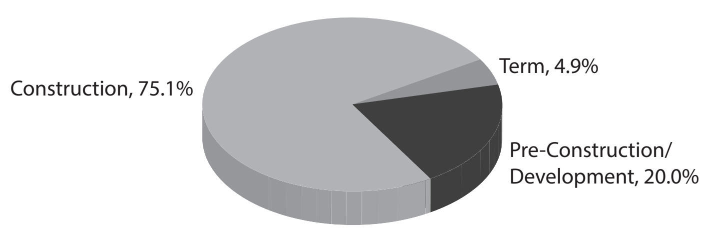
The portfolio is currently comprised (see Chart 2):	
Marshall Zehr administered private mortgage loans:	46.8% (74%, 2015)
Crown originated private debt:	29.1% (14%, 2015) i.e. Crown Capital Fund IV, LP, and 5.1% (2%, 2015) i.e. Crown
Private Equity:	5.0% (2%, 2015) i.e. Portland Global Energy Efficiency and Renewable Energy Fund LP
Other Public Securities:	7.0% (6%, 2015)
Other net assets:	7.0% (2% 2015) i.e. mostly cash, subscriptions receivable, borrowing and/or working capital

Chart 2. Investment Allocation as of December 31, 2016[2]



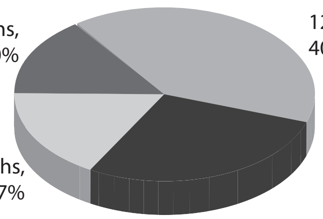
Notwithstanding the developing relationship with Crown and Crown Fund IV, the largest component of the portfolio's current investments consist of mortgages in the Greater Toronto Area (GTA), South-Western Ontario and Central Ontario including a variety of infill and intensification projects with what the Manager believes to be well-established developers located in areas of increased demand. The projects span term, pre-development, development and construction stages (see Table 1 and Chart 3). The commercial mortgages are diversified across project types, geography, project stage and term, as detailed in Table 1. As of December 31, 2016, 100% of the mortgage investments were in Ontario.

Chart 3. Mortgage portfolio breakdown by mortgage type as of December 31, 2016



Given the Fund's exposure to mostly short term commercial mortgages and loans (see Chart 4), we believe it retains the flexibility and capability to outperform publicly listed fixed income instruments when higher rates will, eventually, return.

Chart 4. Debt portfolio breakdown by term as of December 31, 2016[3]



The weighted average net interest rate (net of specific provisions) of the mortgage portfolio at December 31, 2016 is 10.4% (see Table 1).

Table 1. Mortgage portfolio as of December 31, 2016

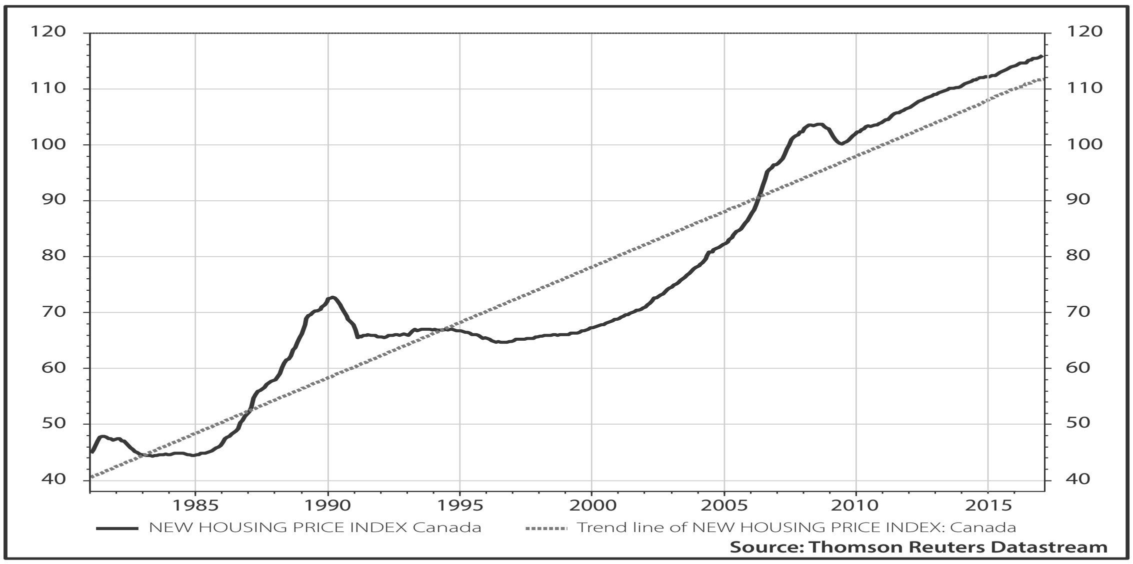
Build Form	Location	Type	Security	Term	Net Yield	Loan to Value
Senior Condominium	Richmond Hill	Pre-Construction/ Development	1st Mortgage	12 months	11.40%	90%
Professional Condominium	Markham	Construction	2nd Mortgage	25 months	11.90%	78%
Mixed Use Condominium	Kitchener	Construction	1st Mortgage	36 months	12.75%	80%
Senior/Healthcare Condominium	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%	83%
Residential Condominium	Richmond Hill	Construction	1st Mortgage	10 months	11.90%	82%
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	13 months	11.90%	57%
Commercial Development	Hamilton	Pre-Construction/ Development	1st Mortgage	13 months	10.60%	72%
			Weighted Average		10.4%*	74%

Canada Mortgage and Housing Corporation (CMHC) issues a quarterly Housing Market Outlook. CMCH's fourth quarter 2016 report notes "a combination of strong evidence of overvaluation and moderate evidence of price acceleration for Canada as a whole" and states its evidence of problematic conditions reflects two effects. "Firstly, there is increased evidence of growth in house prices and its intensification for cities within Ontario and British Colombia... Secondly, it reflects the continuing challenges to housing markets in oil-dependent provinces of the prolonged period of low oil prices."

CMCH noted in its second quarter 2016 report that affordability is declining, encouraging consumers to gravitate towards less expensive home options and that while house price growth in Ontario is expected to moderate in 2017, there is a risk that housing market imbalances could unwind in a more disorderly fashion, particularly if economic conditions are weaker than expected.

Chart 5 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 CMCH 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, has helped spur the Government in 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, has 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 and higher qualifying rates for insurance should serve to help steer the housing market away from unwinding the imbalances in a disorderly fashion.

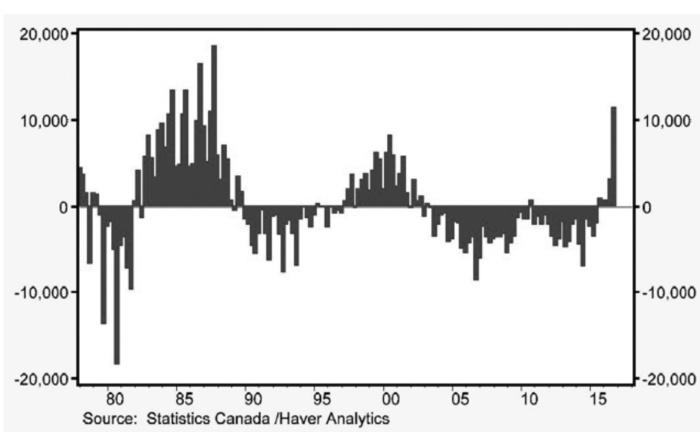
Chart 5. Canada New Housing Price Index – January 15, 1981 to December 31, 2016



Nonetheless, while cautiously optimistic of macro prudential measures in Canada's near oligopolistic market, we recognize the heightened evidence of overvaluation in Toronto is spreading to more adjacent cities further incentivizing our actions to moderate the Fund's exposure to mortgages. Also, without exposure to private mortgages in British Columbia, we can observe dispassionately, the BC government efforts to engineer a cool down in prices in Metro Vancouver. Currently we believe indicators of housing market trends across the rest of Ontario continue to look investible, including rental vacancy rents, level of rents, absorption of condo units, the sales-to-new-listings ratios, months of housing inventory and housing affordability (for locals).

Chart 6 (sourced from Bank of Montreal which in turn sourced from Statistics Canada/Haver Analytics) depicts how net interprovincial migration to Ontario increased to nearly 12,000 people in the 3rd quarter 2016, the highest total in 29 years. If that pace persists, it is estimated it would add more than 0.3% to overall provincial population growth. By comparison, interprovincial migration trends have been reducing 0.4% from Alberta's population growth, albeit that factor is still outweighed by births and immigration.

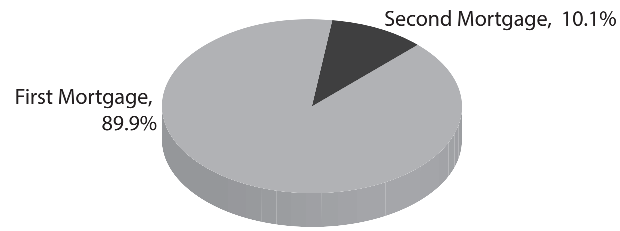
Chart 6. Ontario Net Interprovincial Migration



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.

As of December 31, 2016, the weighted average loan-to-value (LTV) of the mortgage portion of the portfolio was 74% (68% December 31, 2015) and consisted primarily of first mortgages (see Table 1 and Chart 7). 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.

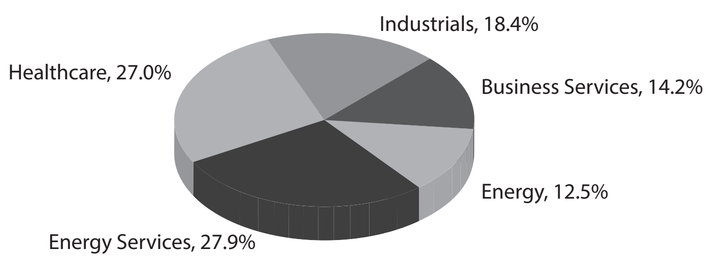
Chart 7. Mortgage portfolio breakdown by type of security as of December 31, 2016



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.

As already commented within the 'Recent Developments' section and depicted in Chart 8, the portfolio of commercial loans made through Crown Fund IV and Crown, is diversifying satisfactorily in our view with Petrowest (infrastructure/energy services), Distinct (design/engineering/construction/maintenance services), BGO (business process outsourcing services), Touchstone (petroleum), Medicure Inc. (pharmaceuticals) and Source (frac sand supplier in hydraulic fracturing process).

Chart 8. Crown Capital Fund IV, LP Breakdown by Sector as of December 31, 2016



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

Aligned with the Fund's mandate and pending further investments in private mortgages or increases in capital contributions to Crown Fund IV, approximately 14% (10% December 31, 2015) 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 US $100.00 we bought it subsequently at US$87.50 so that while its coupon is US$6.75 per annum, its effective yield to the Fund is just over 7.5% 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. The Fund's lead portfolio manager, Chris 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) eight preferred shares, all investment grade rated by DBRS Limited (the rating agency formerly called Dun & Bradstreet Rating Services) and/or by Standard & Poor's rating agency, comprising:

- Brookfield Office Properties Inc., Brookfield Renewable Partners L.P., Brookfield Infrastructure Partners L.P., Westcoast Energy Inc. and TransCanada Corporation. These preferred shares 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 of 6.00%, 5.75%, 5.35% , 5.20% and 4.90%, respectively;
- Bank of Nova Scotia. This non-cumulative 5 year rate reset preferred share was launched with an initial dividend of 4.85% and can only be extended at 4.19% above the then 5-year Government of Canada Bond yield;

- 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 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 $86 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;

Brookfield Office Properties, Brookfield Infrastructure, Westcoast, TransCanada and Bank of Nova Scotia were purchased at their initial public offerings at $25 per unit.

(iv) four US 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 US specialty finance company focused on lending to underserved middle market companies. It provides 'one stop' financing via a combination of senior and subordinated loans. Its focus is on high free cash flow companies in defensive industries and is one of the largest regulated business development companies in the 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. BlackRock is we believe one of the more conservatively managed specialty finance companies being externally managed by BlackRock Advisors, a subsidiary of BlackRock Inc. a leading global asset manager. Fifth Street consists of virtually all senior secured debt investments that bear interest at floating rates. By comparison to other BDCs held in the portfolio, Fifth Street aims to hold higher quality assets with commensurately lower returns which it then levers to generate higher returns. The investment in Fifth Street has therefore proven premature given its performance is leveraged to a rising interest rate environment;

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

(vi) an equity holding in Brookfield Business Partners LP 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 5.1% of the Fund's portfolio of investments and an exclusive investment in Portland's private offering in renewable energy, Portland Global Energy Efficiency and Renewable Energy Fund LP, equivalent to 5.0% of the Fund's portfolio of investments.

The Fund 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 Fund. During the period, the portfolio has occasionally borrowed to manage day-to- day cash flow requirements which resulted in a borrowing with the Partnership's prime broker of $2.2 million over the year-end and which was repaid on January 4, 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 Memorandum. This includes the following policies:

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

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

We believe that strong management, real cash flow, controlled balance sheet leverage and the ability, either directly or indirectly, to negotiate the appropriate entry price point are the primary drivers of value creation. We would ordinarily expect the leverage of companies being financed would be less than 50% of their determined value and controlled at or below a ratio of 5x debt / EBITDA. In selecting Crown as a the Specialty Investment

Manager to manage a portfolio of commercial loans, we reviewed their track record of previously directing three special situation debt funds which included the deployment of over $350 million in more than 30 secondary debt transactions since 2002. Crown achieved a gross internal rate of return ('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. 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.

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, as Specialty Investment Manager, aim to collect all indebtedness on mortgage loans and commercial loans respectively, there are instances where borrowers encounter circumstances when the collection and/or timing of principal repayments and interest payments becomes unclear. For these non-performing loans, interest accrued into revenues is discounted, if such loans are partly performing, or eliminated, if such loans are not performing, thereby resulting in a lower return on the portfolio.

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

As at December 31, 2016, we recognized that two mortgages (compared to 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.

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

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

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

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

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

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

Measurement of credit risk via 'Expected Loss'

At least annually we will estimate a collective allowance attributable to the portfolio of mortgages 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. We calculate probability of default (PD) 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 exposure at default (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 loss given default (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 probability of default, 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 exposure at default the portfolio anticipates mortgages to be fully drawn and for the purposes of assessing the loss given default the portfolio makes adjustments to account for the increased losses experienced under downturn conditions.

Based on this Expected Loss methodology, we have conducted regular assessments and have assigned a collective allowance/collective loan loss provision attributable to the mortgage portfolio holdings. As at December 31, 2016, we have assigned a rate of 1.83% (December 31, 2015: 0.60%) on the outstanding balances in the mortgage portfolio. This year we also introduced a collective allowance 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 net asset value and the distributions from the Fund are paid after deducting the specific and collective allowances.

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

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

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** Net of specific provisions*

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

2. Other net assets includes cash, subscriptions receivable, borrowing and/or working capital.

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

Management's Responsibility for Financial Reporting

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

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

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

"Michael Lee-Chin"

Michael Lee-Chin,
Director
March 15, 2017

"Robert Almeida"

Robert Almeida,
Director
March 15, 2017

Independent Auditors' Report

To the Unitholders of Portland Private Income Fund

We have audited the accompanying financial statements of Portland Private Income Fund, which comprise the statement of financial position as at December 31, 2016, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Portland Private Income Fund as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licenced Public Accountants

March 15, 2017
Toronto, Canada

Statements of Financial Position

as at December 31,	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	$ 9,446	$ 812
Subscriptions receivable	3,847,447	1,744,470
Receivable for investments sold	235,468	-
Interest receivable	354,636	466,792
Investments (note 5)	51,554,535	25,506,004
	56,001,532	27,718,078
Liabilities		
Current Liabilities		
Management fees payable	65,263	11,380
Service fees payable	27,869	6,348
Expenses payable	39,056	4,347
Payable for investments purchased	3,785,000	1,644,470
Distributions payable	178,753	91,725
	4,095,941	1,758,270
Net Assets Attributable to Holders of Redeemable Units	$ 51,905,591	$ 25,959,808
Net Assets Attributable to Holders of Redeemable Units Per Series		
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
Number of Redeemable Units Outstanding (note 6)		
Series A	215,111	138,036
Series F	811,232	373,648
Series O	50	45
Net Assets Attributable to Holders of Redeemable Units per Unit		
Series A	49.89	50.10
Series F	50.75	50.96
Series O	49.22	49.38

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

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

Director Director

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

Statements of Comprehensive Income

for the periods ended December 31,	2016	2015
Income		
Net gain (loss) on investments		
Dividends	$ -	$ 3,935
Interest for distribution purposes	750,578	941,024
Net realized gain (loss) on investments	5,237	31,896
Change in unrealized appreciation (depreciation) on investments	3,046,218	849,437
	3,802,033	1,826,292
Other income		
Foreign exchange gain (loss) on cash and other net assets	-	(3)
Total income (net)	3,802,033	1,826,289
Expenses		
Collective and specific allowances (note 3)	228,329	14,927
Management fees (note 8)	209,746	89,639
Service fees (note 8)	101,638	45,530
Mortgage administration fees	76,338	118,950
Securityholder reporting costs (note 8)	68,252	13,003
Audit fees	19,320	26,113
Organization expenses (note 8)	13,768	13,767
Independent review committee fees	3,764	4,279
Legal fees	623	15,955
Custodial fees	-	5,320
Interest expense and bank charges	-	538
Transaction costs	-	147
Total operating expenses	721,778	348,168
Less: expenses absorbed by Manager	-	(28,169)
Net operating expenses	721,778	319,999
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 3,080,255	$ 1,506,290
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series		
Series A	676,242	347,284
Series F	2,403,795	1,158,790
Series O	218	216
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Series A	3.79	4.35
Series F	4.39	4.98
Series O	4.58	5.02

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

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

for the periods ended December 31,	2016	2015
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Series A	$ 6,915,696	$ 1,991,838
Series F	19,041,867	7,455,514
Series O	2,245	2,029
	25,959,808	9,449,381
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Series A	676,242	347,284
Series F	2,403,795	1,158,790
Series O	218	216
	3,080,255	1,506,290
Distributions to Holders of Redeemable Units		
From net investment income		
Series A	(598,750)	(325,849)
Series F	(2,554,487)	(1,150,465)
Series O	(172)	(235)
	(3,153,409)	(1,476,549)
From net realized gains on investments		
Series A	-	(840)
Series F	(20,767)	(2,632)
Series O	-	(1)
	(20,767)	(3,473)
From return of capital		
Series A	(115,005)	-
Series F	-	-
Series O	(54)	-
	(115,059)	-
Net Increase (Decrease) from Distributions to Holders of Redeemable Units	(3,289,235)	(1,480,022)
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Series A	4,618,655	4,650,591
Series F	21,472,590	11,706,390
Series O	-	-
	26,091,245	16,356,981
Reinvestments of distributions		
Series A	555,077	252,672
Series F	1,636,852	669,043
Series O	226	236
	2,192,155	921,951
Redemptions of redeemable units		
Series A	(1,320,010)	-
Series F	(808,627)	(794,773)
Series O	-	-
	(2,128,637)	(794,773)
Net Increase (Decrease) from Redeemable Unit Transactions	26,154,763	16,484,159
Net Assets Attributable to Holders of Redeemable Units at End 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

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

Statements of Cash Flows

for the periods ended December 31,	2016	2015
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 3,080,255	$ 1,506,290
Adjustments for:		
Net realized (gain) loss on investments	(5,237)	(31,896)
Change in unrealized (appreciation) depreciation on investments	(3,046,218)	(849,437)
Unrealized foreign exchange (gain) loss on cash	-	3
Collective and specific allowances	228,329	14,927
(Increase) decrease in interest receivable	112,156	(200,175)
Increase (decrease) in management fees, service fees, and expenses payable	110,113	12,748
Purchase of investments	(25,740,458)	(16,604,592)
Proceeds from sale of investments	4,420,115	2,367,818
Net Cash Generated (Used) by Operating Activities	(20,840,945)	(13,784,314)
Cash Flows from Financing Activities		
Distributions to holders of redeemable units, net of reinvested distributions	(1,010,052)	(493,876)
Proceeds from redeemable units issued	22,668,258	15,109,824
Amount paid on redemption of redeemable units	(808,627)	(794,773)
Net Cash Generated (Used) by Financing Activities	20,849,579	13,821,175
Net increase (decrease) in cash and cash equivalents	8,634	36,861
Unrealized foreign exchange gain (loss) on cash	-	(3)
Cash and cash equivalents/(short term borrowing) - beginning of period	812	(36,046)
Cash and cash equivalents - end of period	9,446	812
Cash and cash equivalents comprise:		
Cash at bank	9,446	812
	$ 9,446	$ 812
From operating activities		
Interest received, net of withholding tax	$ 862,734	$ 740,849
Dividends received, net of withholding tax	$ -	$ 3,935
From financing activities		
Interest paid	$ -	$ 538
Distributions Paid	$ 1,010,052	$ 493,876

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

Schedule of Investment Portfolio
as at December 31, 2016

No. of Shares	Description		Cost		Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
UNDERLYING FUNDS						
Canada						
742,379	Portland Private Income LP Class B (Appendix A)	$	44,623,539	$	48,520,387	93.5%
MORTGAGES						
	Private Mortgage Loans (note 5)		3,306,907		3,034,148	5.8%
		$	47,930,446	$	51,554,535	99.3%
	Other assets less liabilities				351,056	0.7%
	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$	51,905,591	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 trust established by Portland Investment Counsel Inc. (the Trustee or Manager) as trustee under the laws of Ontario pursuant to a Master Declaration of Trust dated as of December 17, 2012 (the Declaration of Trust) and as amended thereafter and as may be amended 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 the Portland Private Income LP (the Partnership or Underlying Fund). Although the Fund intends to invest all, or substantially all, of its net assets in the Partnership, the Manager may from time to time determine that the investment objective of the Fund can be best achieved through direct investment in underlying securities and/or investment in other pooled investment vehicles. To the extent the Fund makes direct investments, it will apply the investment strategies of the Partnership. The investment objective of the Partnership is to preserve capital and provide income and above average long-term returns by investing primarily in a portfolio of private debt securities.

These financial statements have been authorized for issue by the Board of Directors of the Manager on March 15, 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, options 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 which approximates fair value using the effective interest method. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate.

The Fund's accounting policies for measuring the fair value of its investments 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 change in fair value of the 'financial assets and liabilities at fair value through profit or loss' category are presented in the statements of comprehensive income within 'change in unrealized appreciation (depreciation) on investments' in the period in which they arise.

Fair value measurement

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

Revenue recognition

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

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

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

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 if the borrower does default at the time of default. LGD is the un- recovered part of EAD if there is a default requiring recovery of collateral or payments under a guarantee.

At least annually, the Manager will estimate a collective allowance attributable to the portfolio based on probabilities of inherent losses that are as yet unidentified. The Fund recognized a collective allowance equal to 1.83% of the value of private mortgage loans plus accrued interest thereon. As at December 31, the value of private mortgage loans plus accrued interest was reduced by $46,243 (December 31, 2015: $36,831), representing the collective allowance for impairment.

In the first half of 2015, the Manager recognized that two mortgages had objective evidence of financial difficulty and from the date of recognition classified these mortgages as non-performing loans, with their mortgage interest accrued into revenue being discounted by way of creating a specific allowance. In the second half of 2016, the Fund received payment of all outstanding interest and principal on one of the above-mentioned mortgages which had been overdue and in arrears on its interest payments and for which the specific allowance had been in place as at December 31, 2015. Following receipt of the full proceeds on the mortgage, the specific allowance in the amount of $2,725 was reversed into income. In addition, in the second half of 2016, another mortgage had objective evidence of financial difficulty and from the date of recognition classified this mortgage as a non-performing loan, with its mortgage interest accrued into revenue being discounted by way of creating a specific allowance. As at December 31, 2016, the specific allowance in relation to these mortgage investments was $226,515 (December 31, 2015: $7,599) on aggregate investment value of $1,134,560 (December 31, 2015: $753,818). On the statements of comprehensive income, $228,329 (December 31, 2015: $14,927) was recorded as 'Collective and specific allowances' during the period ended December 31, 2016 of which $9,413 (December 31, 2015: $7,328) related to the collective allowance and $218,916 (December 31, 2015: $7,599) related to the above-mentioned 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 statement of comprehensive income within 'net realized gain (loss) on investments'.

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

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

Cash and cash equivalents

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

Cost of investments

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

Redeemable Units

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

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

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

Expenses

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

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

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

Organizational expenses

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

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

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

Distribution to Unitholders

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

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

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

Future accounting changes

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

In classifying and measuring financial instruments under IAS 39, Financial Instruments - Recognition and Measurement, the Manager is required to make significant judgments about whether or not the investments of the Fund are considered held for trading or that the fair value option can be applied to those that are not. The Manager has concluded that the fair value option can be applied to the Fund's investments that are not considered held for trading. Such investments have been designated at FVTPL, 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 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 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 tables present the carrying amounts of the Fund's financial instruments by category as at December 31, 2015:

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

Liabilities	Financial liabilities at FVTPL Designated at Inception ($)	Financial liabilities at amortized cost ($)	Total ($)
Management fees payable	-	11,380	11,380
Service fees payable	-	6,348	6,348
Expenses payable	-	4,347	4,347
Payable for investments purchased	-	1,644,470	1,644,470
Distributions payable	-	91,725	91,725
Total	**-**	**1,758,270**	**1,758,270**

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the periods ending December 31, 2016 and December 31, 2015.

Category	Net gains (losses) ($) 2016	2015
Financial Assets at FVTPL:		
Designated at inception	3,051,455	885,268
Total	**3,051,455**	**885,268**

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 December 31, 2016 and December 31, 2015, the Fund did not have significant exposure to price risk.

Interest rate risk

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

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

As of December 31, 2016 and December 31, 2015, the Fund's mortgage investments are in fixed rate, short-term mortgages. The Fund generally holds all of its mortgages to maturity. There is no secondary market for the Fund's mortgages and in syndication transactions such as the ones in which the Fund participates, these mortgages are generally traded at face value without regard to changes in interest rates.

The following is a summary of the amortized cost of mortgage investments segmented by gross interest rate (before deduction of mortgage administration fees) as at December 31, 2016 and December 31, 2015:

	0% - 11.99% ($)	12% - 12.99% ($)	13% - 13.99% ($)	14% - 14.99% ($)	15% - 15.99% ($)	Total ($)
December 31, 2016	1,916,505	-	-	1,117,643	-	3,034,148
December 31, 2015	1,438,472	2,342,315	-	1,263,351	1,336,952	6,381,090

The following is a summary of the amortized cost of mortgage investments segmented by term as at December 31, 2016 and December 31, 2015:

	12 months or less ($)	13 to 24 months ($)	24 to 36 months ($)	Total ($)
December 31, 2016	2,388,066	646,082	-	3,034,148
December 31, 2015	6,381,090	-	-	6,381,090

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

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

Currency risk

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

As at December 31, 2016 and December 31, 2015, the Fund did not have significant exposure to currency risk.

Liquidity risk

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

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

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

December 31, 2016	< 6 months ($)	> 6 months ($)	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

December 31, 2015	< 6 months ($)	> 6 months ($)	Total ($)
Management fees payable	11,380	-	11,380
Service fees payable	6,348	-	6,348
Expenses payable	4,347	-	4,347
Payable for investments purchased	1,644,470	-	1,644,470
Distributions payable	91,725	-	91,725

Credit risk

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

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

The Fund's credit risk management objectives are to:

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

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

- the majority of mortgages are generally expected to be written for terms of 6 to 36 months and supported by commercial liability insurance and by personal or corporate guarantees; and
- 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, LP (Crown Fund IV). The portfolio of commercial loans are generally expected to be first and second lien senior loans and mezzanine debt of 3 to 10 years with amortization and so with terms being between 3 to 7 years, although some may be a much longer duration while bridge loans would typically be less than one year.

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

The maximum exposure to credit risk at December 31, 2016 includes the face value of the private mortgage loans plus the accrued interest thereon less the collective allowance and specific allowance, which totalled $3,388,786 (December 31, 2015 - $6,847,882). 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.

In addition, the Fund had indirect exposure to credit risk through its holding in Crown Fund IV, which is held in the Partnership. As determined by the Manager, the fair value of Crown Fund IV was reduced by a collective allowance equal to $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 $15,028,907 (December 31, 2015 – $3,690,993).

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
Second Mortgages	-	-	-
Third Mortgages	-	-	-
Total	**6**	**3,034,148**	**3,388,801**

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

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

The following is a summary of the private mortgage loans held by the Fund segmented by type of project as at December 31, 2016 and December 31, 2015:

	Pre-development ($)	Pre-development/ Construction ($)	Construction ($)	Term ($)	Total ($)
December 31, 2016	-	340,431	1,666,019	1,027,698	3,034,148
December 31, 2015	496,975	1,176,008	3,664,760	1,043,347	6,381,090

c) Fair value of financial instruments

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

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

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

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

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

The following table illustrates the classification of the Fund'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 ($)	Total ($)
Underlying Fund	-	48,520,387	-	48,520,387
Total	**-**	**48,520,387**	**-**	**48,520,387**

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

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

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 December 31, 2016 and December 31, 2015 is disclosed in the following tables. This investment is included at its net asset value per unit in financial assets at fair value through profit or loss in the statement of financial position. The Manager's best estimate of the maximum exposure to loss from the Fund's investment in the Partnership is the fair value below.

December 31, 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%

December 31, 2015:

Description	Net asset value of Underlying Fund ($)	Investment at fair value ($)	% of Net Assets attributable to holders of redeemable units
Portland Private Income LP	19,124,973	19,124,914	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 net asset value per unit of the applicable series of units being redeemed, determined as of the close of business on the relevant Valuation Date.

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

The number of units issued and outstanding for the period ended December 31, 2016 was as follows:

Period ended December 31, 2016	Balance, Beginning of Period	Units Issued	Units Reinvested	Units Redeemed	Balance, End of Period
Series A	138,036	92,329	11,093	26,347	215,111
Series F	373,648	421,330	32,120	15,866	811,232
Series O	45	-	5	-	50

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

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

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 in Series O Units, not the Fund. The Fund is also charged a service fee on Series A Units of 1.0% per annum calculated and accrued on each Valuation Date and paid monthly. The Manager distributes the service fee to advisors as a trailing commission.

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

The Fund is responsible for, and the Manager is entitled to reimbursement from the Fund for all costs associated with 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). The Fund is required to re-pay the Manager over three years commencing in 2014. During the period ended December 31, 2016, the Fund was charged organizational expenses in the amount of $13,768 (2015: $13,767), including applicable taxes. No organizational expenses were waived during the period ended December 31, 2016. Waived organizational expenses were $3,441 including applicable taxes, for the period ended December 31, 2015.

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 from January 1, 2016 to December 31, 2016 was $nil.

10. RELATED PARTY TRANSACTIONS

The following table outlines the management fees, service fees and operating expense reimbursements that were paid to the Manager by the Fund during the periods ended December 31, 2016 and December 31, 2015. The table includes the amount of operating expense reimbursement that was paid to affiliates of the Manager for administrative services provided in managing the day-to-day operation of the Fund and the amount of additional absorbed operating expenses that the Manager chose not to charge to the Fund. All of the dollar amounts in the table below exclude applicable GST or HST.

Period ended	Management Fees ($)	Service Fees ($)	Operating Expense Reimbursement ($)	Organizational Expense Reimbursement ($)	Absorbed Expense ($)	Absorbed Organizational Expense ($)	Operating Expenses Reimbursed to Affiliates of the Manager ($)
December 31, 2016	185,807	90,038	81,464	12,184	-	-	5,207
December 31, 2015	79,825	40,283	35,571	12,183	22,022	3,045	5,993

The Fund owed the following amounts to the Manager:

As at	Management Fees ($)	Service Fees ($)	Operating Expense Reimbursement ($)	Organizational Expense Reimbursement ($)
December 31, 2016	57,778	24,715	31,530	3,046
December 31, 2015	10,136	5,618	2,850	-

The Manager, its officers and directors (Related Parties) may invest in units of the Fund from time to time in the normal course of business. All such transactions are measured at NAV per unit. As at December 31, 2016, thirteen Related Parties owned less than 1% of the net assets of the Fund. As at December 31, 2015, thirteen Related Parties owned less than 4% of the net assets of the Fund.

11. EXEMPTION FROM FILING

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

12. COMPARATIVE INFORMATION

Certain comparative figures have been re-classified to conform with the financial statement presentation for the current year.

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

2016 Annual Report

December 31, 2016

▪ PARTNERSHIP INFORMATION

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

Management's Responsibility for Financial Reporting

The accompanying financial statements of Portland Private Income LP (the Partnership) have been prepared by Portland Investment Counsel Inc. in its capacity as manager (the Manager) of the Partnership. The Manager of the Partnership 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. (the General Partner) has approved these financial statements.

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

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

"Michael Lee-Chin"

Michael Lee-Chin,
Director
March 15, 2017

"Robert Almeida"

Robert Almeida,
Director
March 15, 2017

Independent Auditors' Report

To the Limited Partners of Portland Private Income LP

We have audited the accompanying financial statements of Portland Private Income LP, which comprise the statement of financial position as at December 31, 2016, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Portland Private Income LP as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licenced Public Accountants

March 15, 2017
Toronto, Canada

Statements of Financial Position

as at December 31,		2016		2015
Assets				
Current Assets				
Cash and cash equivalents	$	38,491	$	216
Subscriptions receivable		3,785,000		1,644,470
Receivable for investments sold		2,294,271		-
Interest receivable		451,046		243,634
Dividends receivable		17,461		8,738
Investments (note 5)		40,943,566		16,225,747
Investments - pledged as collateral (note 5 and 9)		3,235,640		2,172,292
		50,765,475		20,295,097
Liabilities				
Current Liabilities				
Borrowing (note 9)		2,209,735		1,071,733
Expenses payable		34,720		9,489
Derivative liabilities		472		-
Payable for investments purchased		-		88,802
		2,244,927		1,170,024
Net Assets Attributable to Holders of Redeemable Units	$	48,520,548	$	19,125,073
Equity				
General Partner's Equity		100		100
Net Assets Attributable to Holders of Redeemable Units Per Class				
Class A		61		59
Class B		48,520,387		19,124,914
	$	48,520,448	$	19,124,973
Number of Redeemable Units Outstanding (note 6)				
Class A		1		1
Class B		742,379		322,558
Net Assets Attributable to Holders of Redeemable Units per Unit				
Class A		61.00		59.00
Class B		65.36		59.29

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

"Michael Lee-Chin"

Director

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

Statements of Comprehensive Income

for the periods ended December 31,	2016	2015
Income		
Net gain (loss) on investments and derivatives		
Dividends	$ 314,797	$ 59,986
Interest for distribution purposes	2,203,528	868,175
Net realized gain (loss) on investments and options	14,396	2,286
Change in unrealized appreciation (depreciation) on investments and derivatives	1,239,226	226,957
	3,771,947	1,157,404
Other income		
Foreign exchange gain (loss) on cash and other net assets	(6,108)	(1,027)
Total income (net)	3,765,839	1,156,377
Expenses		
Mortgage administration fees	297,845	130,768
Collective and specific allowances (note 3)	254,078	111,237
Securityholder reporting costs (note 8)	90,661	33,837
Audit fees	25,273	20,171
Custodial fees	829	3,277
Legal fees	1,158	620
Interest expense and bank charges	12,677	1,918
Organization expenses (note 8)	4,114	4,112
Withholding tax expense	22,497	8,513
Transaction costs	5,250	1,713
Total operating expenses	714,382	316,166
Less: expenses absorbed by Manager (note 8)	-	(8,912)
Net operating expenses	714,382	307,254
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 3,051,457	$ 849,123
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	2	6
Class B	3,051,455	849,117
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	2.00	5.53
Class B	6.11	5.58

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

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

for the periods ended December 31,	2016	2015
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Class A	$ 59	$ 54
Class B	19,124,914	1,477,470
	19,124,973	1,477,524
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	2	6
Class B	3,051,455	849,117
	3,051,457	849,123
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	-	-
Class B	26,426,518	16,798,381
	26,426,518	16,798,381
Redemptions of redeemable units		
Class A	-	-
Class B	(82,500)	(55)
	(82,500)	(55)
Net Increase (Decrease) from Redeemable Unit Transactions	26,344,018	16,798,326
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Class A	61	59
Class B	48,520,387	19,124,914
	$ 48,520,448	$ 19,124,973

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

Statements of Cash Flows

for the periods ended December 31,	2016	2015
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 3,051,457	$ 849,123
Adjustments for:		
Net realized (gain) loss on investments and options	(14,396)	(2,286)
Change in unrealized (appreciation) depreciation on investments and derivatives	(1,239,226)	(226,957)
Unrealized foreign exchange (gain) loss on cash	(115)	1,027
Collective and specific allowances	254,078	111,237
(Increase) decrease in interest receivable	(207,412)	(223,674)
(Increase) decrease in dividends receivable	(8,723)	(8,738)
Increase (decrease) in expenses payable	25,231	8,793
Purchase of investments	(36,826,161)	(20,274,806)
Proceeds from sale of investments	9,661,937	3,541,527
Other receivables	-	51
Net Cash Generated (Used) by Operating Activities	(25,303,330)	(16,224,703)
Cash Flows from Financing Activities		
Increase (decrease) in borrowing	1,138,002	1,071,733
Proceeds from redeemable units issued	24,285,988	15,153,911
Amount paid on redemption of redeemable units	(82,500)	(55)
Net Cash Generated (Used) by Financing Activities	25,341,490	16,225,589
Net increase (decrease) in cash and cash equivalents	38,160	886
Unrealized foreign exchange gain (loss) on cash	115	(1,027)
Cash and cash equivalents - beginning of period	216	357
Cash and cash equivalents - end of period	38,491	216
Cash and cash equivalents comprise:		
Cash at bank	38,491	216
	$ 38,491	$ 216
From operating activities		
Interest received, net of withholding tax	$ 1,996,116	$ 644,501
Dividends received, net of withholding tax	$ 283,577	$ 44,839
From financing activities		
Interest paid	$ 8,239	$ 643

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

Schedule of Investment Portfolio
as at December 31, 2016

No. of Shares	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	$ 242,115	
		246,654	242,115	0.5%
EQUITIES				
Bermuda				
2,000	Brookfield Business Partners L.P.	50,934	64,520	
4,000	Brookfield Infrastructure Partners L.P., Preferred, Series 5	100,000	104,000	
28,000	Brookfield Property Partners L.P.	783,295	821,240	
6,000	Brookfield Renewable Partners L.P., Preferred, Series 9, Fixed-Reset	150,290	156,000	
		1,084,519	1,145,760	2.4%
Canada				
6,000	Brookfield Office Properties Inc., Preferred, Series CC	150,720	158,100	
270,000	Crown Capital Partners Inc.	2,299,568	2,616,300	
4,500	First National Financial Corporation, Preferred, Series 1, Fixed-Reset	49,985	63,000	
10,000	Partners Value Split Corp., Preferred, Series 5, Fixed Rate	246,154	251,800	
500	The Bank of Nova Scotia, Preferred, Series 38	12,500	12,875	
1,500	TransCanada Corporation, Preferred, Series 15	37,500	38,190	
1,300	Westcoast Energy Inc., Preferred, Series 12	32,500	33,540	
		2,828,927	3,173,805	6.5%
United States				
16,793	Alcentra Capital Corporation	258,066	269,889	
45,000	Ares Capital Corporation	895,765	996,314	
20,000	BlackRock Capital Investment Corporation	227,281	186,897	
15,000	Fifth Street Senior Floating Rate Corporation	175,501	175,417	
		1,556,613	1,628,517	3.4%
		5,470,059	5,948,082	12.3%
UNDERLYING FUNDS				
Canada				
16,400	Crown Capital Fund IV, L.P.	14,214,983	15,028,907	
39,308	Portland Global Energy Efficiency and Renewable Energy Fund LP Class O	2,400,000	2,571,423	
		16,614,983	17,600,330	36.3%
MORTGAGES				
	Private Mortgage Loans (note 5)	20,777,042	20,388,679	
		20,777,042	20,388,679	42.0%
DERIVATIVES - WRITTEN OPTIONS				
Written Put Options				
Bermuda				
CAD (10)	Brookfield Property Partners L.P., Put 26, 20/01/2017	(340)	(85)	
CAD (20)	Brookfield Property Partners L.P., Put 27, 20/01/2017	(480)	(170)	
		(820)	(255)	-
Canada				
CAD (15)	Fortis Inc., Put 37, 20/01/2017	(555)	(142)	
CAD (10)	Emera Incorporated, Put 42, 20/01/2017	(370)	(75)	
		(925)	(217)	-
	Total written put options	(1,745)	(472)	-
	Net investments	43,106,993	44,178,734	91.1%
	Transaction costs	(6,079)	-	-
		$ 43,100,914	44,178,734	91.1%
	Other assets less liabilities		4,341,714	8.9%
	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEEMABLE UNITS		$ 48,520,448	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. 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, initially consisting of:

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

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

In addition, the Partnership may borrow (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 of the Partnership which may be invested in the securities of a single issuer.

These financial statements have been authorized for issue by the Board of Directors of the General Partner on March 15, 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 which approximates fair value using the effective interest method. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate.

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

(b) Recognition, de-recognition and measurement

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

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

Fair value measurement

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

Revenue recognition

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

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

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

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 if the borrower does default at the time of default. LGD is the un-recovered part of EAD if there is a default requiring recovery of collateral or payments under a guarantee.

At least annually, the Manager will estimate a collective allowance attributable to the portfolio based on probabilities of inherent losses that are as yet unidentified. The Partnership has recognized a collective allowance equal to 1.83% of the value of private mortgage loans plus accrued interest thereon. As at December 31, 2016, the value of private mortgage loans plus accrued interest was reduced by $388,363 (December 31, 2015: $71,350), representing the collective allowance for impairment.

In addition, the Partnership has recognized the fair value of Crown Capital Fund IV, LP to include a collective allowance equal to $144,320 which represents 1.00% of the principal of the commercial loans held therein.

The Partnership recognized a specific allowance against one of its mortgage investments because the borrower had not paid interest payments owing for the period from September 28, 2014 to December 14, 2014 and was unable to pay the principal amount upon maturity on December 14, 2014 (note that the mortgage was transferred from the Fund to the Partnership on November 28, 2014). The mortgage administrator initiated debtor in possession proceedings in order to complete construction on previously sold properties and re-finance the remaining construction financing, which did occur in the first quarter of 2015. As at December 31, 2015, the specific allowance in relation to this mortgage investment was $62,936 on investment value of $502,559. In January 2016, the Partnership received payment of all outstanding interest and principal on the above-mentioned mortgage which had been overdue and in arrears on its interest payments and for which the specific allowance had been in place as at December 31, 2015. Following receipt of the full proceeds on the mortgage, the specific allowance in the amount of $62,936 was reversed into income.

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

On the statements of comprehensive income, $254,078 (December 31, 2015: $111,237) was recorded as 'Collective and specific allowances' during the period ended December 31, 2016 of which $317,013 (December 31, 2015: $67,325) related to the collective allowance and negative $62,935 (December 31, 2015: $43,912) related to the above-mentioned 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 derivatives'.

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

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

Cash and cash equivalents

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

Cost of investments

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

Redeemable Units

The Partnership issued two 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 provisions of the Partnership's regulations, investment positions are valued based on the last traded market price for the purpose of determining the NAV per unit for subscriptions and redemptions.

Expenses

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

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

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

Organizational expenses

In accordance with its offering documents, organizational expenses in the amount of $18,202, which includes legal and registration fees associated with the formation of the Partnership, but excludes applicable taxes, are recoverable by the Manager from the Partnership. The Partnership is required to re-pay the Manager over three years commencing in 2014. A decision was made by the Manager to waive the chargeable amounts of organizational expenses during 2014 and for the first 3 months of 2015. Organizational expenses are included as 'Organizational expenses' and waived amounts are included as 'Expenses absorbed by the Manager' on the statements of comprehensive income.

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

'Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit' in the statements of comprehensive income represents the Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class, divided by the weighted average units outstanding of that 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 series are charged to that Class. The Partnership's shared operating expenses, income, and realized and unrealized gains and losses are generally allocated proportionately to each Class based upon the relative NAV of each Class.

Future accounting changes

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

5. FINANCIAL INSTRUMENTS

a) Categorization of financial instruments

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

Assets	Held for Trading ($)	Financial assets at FVTPL Designated at Inception ($)	Financial assets at amortized cost ($)	Total ($)
Cash and cash equivalents	-	-	216	216
Subscriptions receivable	-	-	1,644,470	1,644,470
Interest receivable	-	-	243,634	243,634
Dividends receivable	-	-	8,738	8,738
Mortgage investments	-	-	12,069,163	12,069,163
Underlying Funds	-	4,156,584	-	4,156,584
Investments - pledged as collateral	-	2,172,292	-	2,172,292
Total	**-**	**6,328,876**	**13,966,221**	**20,295,097**

Liabilities	Held for Trading ($)	Financial liabilities at FVTPL Designated at Inception ($)	Financial liabilities at amortized cost ($)	Total ($)
Borrowing	-	-	1,071,733	1,071,733
Expenses Payable	-	-	9,489	9,489
Payable for investments purchased	-	-	88,802	88,802
Total	**-**	**-**	**1,170,024**	**1,170,024**

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the periods ending December 31, 2016 and December 31, 2015.

Category	Net gains (losses) ($) 2016	2015
Financial Assets at FVTPL:		
Designated at inception	3,759,037	289,229
	3,759,037	**289,229**
Financial Liabilities at FVTPL:		
Held for trading	12,910	-
Total	**3,771,947**	**289,229**

b) Risks associated with financial instruments

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

Price risk

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

If the price movement of the investments held by the Partnership on December 31, 2016 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 $1,177,421 (December 31, 2015: $316,443).

Interest rate risk

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

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

As of December 31, 2016 and December 31, 2015, the Partnership's mortgage investments are in fixed rate, short-term mortgages. The Partnership generally holds all of its mortgages to maturity. There is hardly any secondary market for the Partnership's mortgages and in syndication transactions such as the ones in which the Partnership participates these mortgages are generally traded at face value without regard to changes in interest rates.

The following is a summary of the carrying value (at amortized cost) of mortgage investments segmented by gross interest rate (before deduction of mortgage administration fees) as at December 31, 2016 and December 31, 2015:

	0% - 11.99% ($)	12% - 12.99% ($)	13% - 13.99% ($)	14% - 14.99% ($)	Total ($)
December 31, 2016	3,685,575	6,282,030	-	10,421,073	20,388,678
December 31, 2015	418,064	6,989,587	-	4,661,512	12,069,163

The following is a summary of the carrying value (at amortized cost) of mortgage investments segmented by term as at December 31, 2016 and December 31, 2015:

	12 months or less ($)	13 to 24 months ($)	24 to 36 months ($)	Total ($)
December 31, 2016	12,385,594	8,003,084	-	20,388,678
December 31, 2015	12,069,163	-	-	12,069,163

The Partnership has indirect exposure to interest rate risk through its investment in Crown Fund IV which holds commercial loans.

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

Currency risk

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

As at December 31, 2016 and December 31, 2015, the Partnership held investments and 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 December 31, 2016 and December 31, 2015. It also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 5% in relation to each of the other currencies, with all other variables held constant.

				Impact on net assets attributable to holders of redeemable units		
December 31, 2016	Monetary ($)	Non-monetary ($)	Total ($)	Monetary ($)	Non-monetary ($)	Total ($)
U.S. 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	0.0%	3.9%	3.9%	0.0%	0.2%	0.2%

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

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 ($)
December 31, 2016	177,500	-	177,500

The Partnership did not have any written options as at December 31, 2015.

All other obligations including borrowing expenses payable, redemptions payable, payable for investments purchased, and other liabilities 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. The portfolio of commercial loans are generally expected to be first and second lien senior loans and mezzanine debt of 3 to 10 years with amortization and so with terms being between 3 to 7 years, although some may be a much longer duration while bridge loans would typically be less than one year.

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

The maximum exposure to credit risk as at December 31, 2016 includes the face value of the private mortgage loans plus the accrued interest thereon less the collective allowance and specific allowance, which totalled $20,833,682 (December 31, 2015 - $12,259,878). 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 $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 $14,668,887, making the combined total exposure to credit risk from private mortgage loans and commercial loans equal to $35,502,569 (December 31, 2015 - $12,259,878).

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 private mortgage loans held as at December 31, 2015:

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

The following is a summary of the carrying value of private mortgage loans held by the Partnership segmented by type of project as at December 31, 2016 and December 31, 2015:

	Pre-development ($)	Pre-development/ Construction ($)	Construction ($)	Total ($)
December 31, 2016	-	4,417,161	15,971,517	20,388,678
December 31, 2015	496,861	114,307	11,457,995	12,069,163

c) Fair value of financial instruments

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

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

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

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

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

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)**

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

	Assets at fair value as at December 31, 2015			
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Equities - Long	2,172,292	-	-	2,172,292
Underlying Fund	-	-	4,156,584	4,156,584
Total	**2,172,292**	**-**	**4,156,584**	**6,328,876**

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

As at December 31, 2016 and December 31, 2015, 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 $128,571 (December 31, 2015: $25,919).

As at December 31, 2016 and December 31, 2015, 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 principle 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 $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 $300,250.

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 December 31, 2016 and December 31, 2015:

December 31, 2016	Investment Funds ($)	Total ($)
Balance at Beginning of Period	4,156,584	4,156,584
Investment purchases during the period	13,001,232	13,001,232
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	442,514	442,514
Balance at end of period	17,600,330	17,600,330
Change in unrealized appreciation (depreciation) in value of investments held at end of period	**442,514**	**442,514**

December 31, 2015	Investment Funds ($)	Total ($)
Balance at Beginning of period	–	–
Investment purchases during the period	3,990,000	3,990,000
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	166,584	166,584
Balance at end of period	4,156,584	4,156,584
Change in unrealized appreciation (depreciation) in value of investments held at end of period	**166,584**	**166,584**

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 by type of fund as at December 31, 2016 and December 31, 2015 is disclosed 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.

December 31, 2016

Description	Net asset value of Underlying Funds ($)	Investment at fair value ($)	% of Net Assets attributable to holders of redeemable units
Portland Global Energy Efficiency and Renewable Energy Fund LP	17,223,210	2,571,423	14.9%
Crown Capital Fund IV, LP	115,649,059	15,028,907	13.0%

December 31, 2015

Description	Net asset value of Underlying Funds ($)	Investment at fair value ($)	% of Net Assets attributable to holders of redeemable units
Portland Global Energy Efficiency and Renewable Energy Fund LP	7,737,409	518,370	6.7%
Crown Capital Fund IV, LP	36,325,906	3,638,214	10.0%

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 December 31, 2016 was as follows:

Period ended December 31, 2016	Balance, Beginning of Period	Units Issued	Units Reinvested	Units Redeemed	Balance, End of Period
Class A	1	-	-	-	1
Class B	322,558	421,153	-	1,332	742,379

The number of units issued and outstanding for the period ended June 30, 2015 was as follows:

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

7. TAXATION

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

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

8. FEES AND EXPENSES

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

In accordance with its offering documents, organizational expenses in the amount of $18,202, which include legal and registration fees associated with the formation of the Partnership, but excludes applicable taxes, are recoverable by the Manager from the Partnership. The Partnership is required to re-pay the Manager over five years commencing in 2014. A decision was made by the Manager to waive the chargeable amounts for 2014 and the first three months of 2015. Organizational expenses charged to the Partnership for the period ended December 31, 2016 were $4,114 (December 31, 2015: $4,112), including applicable taxes, and were included in the line 'Organizational expenses' on the statements of comprehensive income. The amount waived in 2015 was $1,027, including applicable taxes, and was included in the line 'Expenses absorbed by the Manager' on the statements of comprehensive income. No organizational expenses were waived in the period ended December 31, 2016.

9. BORROWING FACILITY

The Partnership has a Settlement Services Agreement with a Canadian dealer for margin borrowing. The rate of interest payable on borrowed money in Canadian dollars is the Canadian Dealer Offered Rate plus 0.70% and in US 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 December 31, 2016, the Partnership was borrowing $2,209,735 (December 31, 2015: $1,071,733).

The Partnership borrowed a minimum of $nil and a maximum of $3,383,652 under the agreement during the period ended December 31, 2016 (December 31, 2015: minimum of nil and maximum of $1,088,549).

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 from January 1, 2016 to December 31, 2016 was $507.

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 December 31, 2016 and December 31, 2015. The table includes the amount of operating expense reimbursement that was paid to affiliates of the Manager for administrative services provided in managing the day-to-day operation of the Partnership and the amount of additional absorbed operating expenses that the Manager chose not to charge to the Partnership. All of the dollar amounts in the table below exclude applicable GST or HST.

Year ended	Operating Expense Reimbursement ($)	Organizational Expense Reimbursement ($)	Absorbed Expenses ($)	Absorbed Organizational Expense ($)	Operating Expenses Reimbursed to Affiliates of the Manager ($)
December 31, 2016	104,355	3,640	-	-	-
December 31, 2015	44,265	3,639	6,978	909	559

The Partnership owed the following amounts to the Manager:

Year ended	Operating Expense Reimbursement ($)	Organizational Expense Reimbursement ($)
December 31, 2016	26,251	910
December 31, 2015	7,287	303

All of the issued and outstanding Class B units of the Partnership are owned by Portland Private Income 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 Capital Fund IV, LP. Effective July 15, 2016 the amount of this commitment was increased by $6,400,000 for a total commitment of $16,400,000.

As at December 31, 2016 the cumulative amount paid toward this commitment was $14,432,000 and the remaining capital commitment was $1,968,000.

13. EXEMPTION FROM FILING

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

14. COMPARATIVE INFORMATION

Certain comparative figures have been re-classified to conform with the financial statement presentation for the current year.

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