



# PORTLAND PRIVATE INCOME FUND



**PORTLAND**  
INVESTMENT COUNSEL

OWNERS. OPERATORS. AND INVESTORS.

(as at September 30, 2018)

	Series Start Date	Net Asset Value Per Unit (as at September 30, 2018)	Monthly Distribution <sup>10</sup>	PERFORMANCE (as at September 30, 2018)					
				3 Months	6 Months	1 Year	3 Year*	5 Year*	Since Inception*
Portland Private Income Fund - Series A	Feb. 28, 2013	\$48.9380	\$0.3333	2.0%	3.9%	8.4%	7.8%	7.8%	7.8%
Portland Private Income Fund - Series F	Jan. 7, 2013	\$50.0490	\$0.3750	2.3%	4.5%	9.6%	9.0%	9.1%	9.1%
Portland Private Income Fund - Series AP	Jun. 29, 2018	\$10.0000	\$0.0308	-	-	-	-	-	-
Portland Private Income Fund - Series FP	Jun. 29, 2018	\$10.0000	\$0.0392	1.1%	-	-	-	-	1.1%

## INVESTMENT OBJECTIVE AND STRATEGIES

The investment objective of Portland Private Income Fund (the “Fund”) is to preserve capital, provide income and above-average long-term returns.

To achieve this investment objective, the Fund invests primarily in Portland Private Income LP, both of which invest primarily in a portfolio of private debt securities including private mortgage loans, private commercial loans and other debt securities.

Keystone investments:

- Private mortgage loans administered by MarshallZehr Group Inc. (“MarshallZehr”).
- Private commercial loans managed by U.S. based Business Development Corporations and Crown Capital Partners Inc. (“Crown Capital”) through funds managed by Crown Capital and/or via co-investment opportunities.

Investments are secured mortgages, loans and participating capital with covenants.

Investments are generally short term in nature ranging from terms of 6 months to 5 years.

Liquidity may be managed by investing in complementary income producing public securities.

Allocation of invested capital between mortgage, commercial lending and other complementary opportunities is the responsibility of the Manager.

The Fund has issued a preferred class of units to provide an additional source of borrowing. The Fund may from time to time borrow from the issuance of preferred units, a bank, prime broker, the Manager or its affiliates up to 25% of the total assets of the Partnership.

## FUND FACTS

<b>Fund Net Assets</b>	\$95.7 million
<b>Fund Type</b>	Alternative Strategies
<b>Offer Document</b>	Offering Memorandum
<b>Legal Type</b>	Mutual Fund Trust
<b>Eligible for Registered Plans</b>	Yes
<b>Eligible for PAC Plans</b>	Yes, monthly minimum of \$500
<b>Purchases and Redemptions</b>	Monthly
<b>Minimum Investment Term</b>	None
<b>Notice Period for Redemptions</b>	60 days
<b>Mortgage Administrator</b>	MarshallZehr Group Inc. (Mortgage Administration #11955)
<b>Specialty Investment Managers</b>	Crown Capital Partners Inc. European Investment Fund/ European Investment Bank EnTrustPermal Ltd.
<b>Mortgage Administration/ Specialty Investment Manager Fees</b>	Expected to be up to 2% per annum on the respective underlying investments.
<b>Fund Manager</b>	Portland Investment Counsel Inc. Chris Wain-Lowe, BA, MBA

	Common Units		Preferred Units	
	Series A	Series F <sup>1</sup>	Series AP	Series FP <sup>1</sup>
Subscription Fund Code	PTL140	PTL141	-	-
Fund Code	PTL700	PTL006	PTL705	PTL026
Min. initial investment, accredited investors <sup>2</sup>	\$2,500	\$2,500	\$5,000	\$5,000
Min. initial investment, non-individuals	\$150,000	\$150,000	\$150,000	\$150,000
Min. subsequent investment <sup>3</sup>	\$500	\$500	\$500	\$500
Management Fee <sup>4</sup>	0.5%	0.5%	0.5%	0.5%
Trailer Fee	1.00%	-	1.00%	-
Targeted Distribution <sup>5</sup>	8%	9%	Prime Rate	Prime Rate +1.0%
Current Annual Distribution <sup>10</sup>	\$4.00	\$4.50	\$0.37	\$0.47
Redemption Fee	Within 18 months - 5%, 19-36 months - 2%		None	
Risk Rating	Medium		Low-to-Medium	



# PORTLAND PRIVATE INCOME FUND



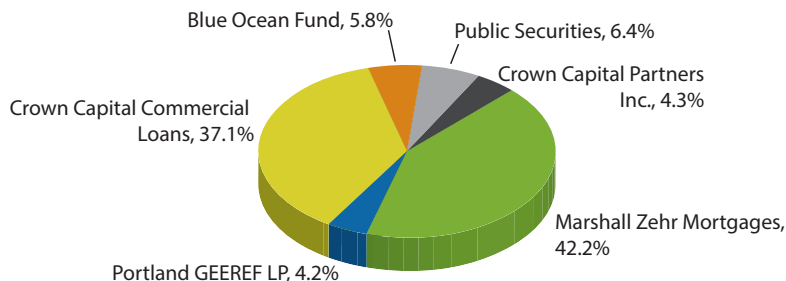
**PORTLAND**  
INVESTMENT COUNSEL

OWNERS. OPERATORS. AND INVESTORS.

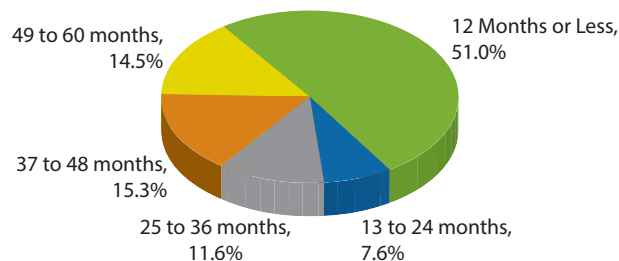
(as at September 30, 2018)

## FUND BREAKDOWN (As at September 30, 2018)

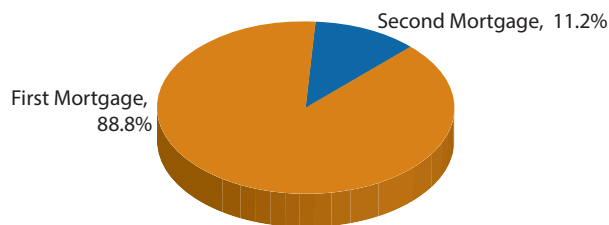
### Investment Allocation



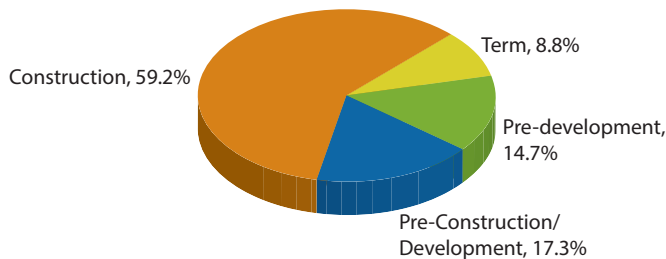
### Debt Portfolio Breakdown by Term<sup>8</sup>



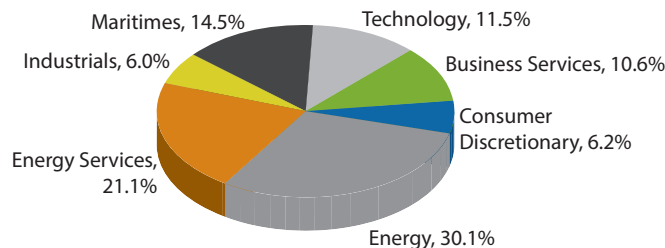
### Mortgage Security Type



### Mortgage Type



### Crown Capital Partner Funding, LP<sup>9</sup> and Blue Ocean Fund Breakdown by Sector



## FUND COMMENTARY (As at September 30, 2018)

The portfolio is currently comprised of 42% MarshallZehr mortgages, 37% Crown Capital Partners Inc. (Crown) commercial loans, 6% in a maritime lending fund (see below), 4% in Portland Global Energy Efficiency and Renewable Energy Fund LP (Portland GEEREF LP), 4% in the listed equity of Crown and 7% in a portfolio of liquid securities.

A significant component of the portfolio's current investments consists of 29 mortgages in the Greater Toronto Area, Southwestern 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 weighted average net interest rate of the mortgage portfolio at June 30, 2018 is 9.9%<sup>5</sup>. The portfolio has no exposure to the condo market in downtown Toronto but has exposure in Ontario's retirement market. As of September 30, 2018, the weighted average loan-to-value of the mortgage portion of the Fund's portfolio was 69.3%<sup>6</sup> and its

securities consisted primarily of first mortgages. In March 2017, we selected EnTrustPermal Ltd. as another Specialty Investment Manager to compliment the Fund's existing portfolio via its maritime lending fund. EnTrustPermal is a leading global alternative asset manager and is one of the world's largest hedge fund investors. EnTrustPermal provides portfolio and risk management services to its maritime lending strategy of approximately US \$245 million which includes the launching in June 2017 of the Blue Ocean Fund with an initial closing of US \$91.5 million. The Fund's portfolio was an initial investor in the Blue Ocean Fund having committed US \$5 million, with 99.6% drawn as at September 30, 2018. A second closing of the Blue Ocean Fund is expected in October via which the Fund anticipates increasing its commitment by US \$7 million.

Effective July 1, 2018, Crown Capital Fund IV, LP has been renamed Crown Capital Partner Funding, LP (Crown Fund). In July, the Crown Fund increased its size from \$225 million to \$300 million and the Fund has increased its ownership from 15% to 17.5%. The Fund's



# PORTLAND PRIVATE INCOME FUND



**PORTLAND**  
INVESTMENT COUNSEL™

OWNERS. OPERATORS. AND INVESTORS.

(as at September 30, 2018)

commitment to Crown Fund as at September 30, 2018 was 73.95% drawn.

The portfolio of 13 commercial loans made through Crown Fund plus the exposure to the maritime lending fund, is diversifying satisfactorily in our view with: RBee Aggregate Consulting Ltd. (RBee), RBee: construction/engineering); Bill Gosling Outsourcing (business process outsourcing services); Touchstone Exploration Inc. (oil & gas producer); Source Energy Services (frac sand supplier in hydraulic fracturing process); Solo Liquor Holdings Ltd. (liquor retailer); Marquee Energy Ltd. (oil and gas producer); Ferus, Inc. (energy services); Canadian Helicopters Limited (charter & private air services); Active Exhaust Corp. (industrial machinery & equipment); Baylin Technologies Inc. (technology equipment, communications and networking); Persta Resources Inc. (oil and gas producer); DATA Communications Management Corp. (advertising and marketing); Triple 5 Intercontinental Group Ltd. (oil and gas producer) and EnTrustPermal (global maritime/shipping).

The portfolio's other investments comprise: cash; a debt holding in a Digicel Limited bond which matures March 1, 2023, its effective yield to the portfolio is 11.8% per annum; a selection of investment grade related preferred shares; four U.S. business development corporations; an equity holding in Brookfield Property Partners L.P., a multinational commercial real estate owner, operator and investor; an equity holding in Brookfield Business Partners L.P.; an equity holding in Transalta Renewables Inc.; a direct equity holding in Crown; and an exclusive investment in Portland's private offering in renewable energy, Portland GEEREF LP. As at September 30, 2018, the total leverage of the Partnership was 13.1%, well within its borrowing limit to not exceed 25% of its total assets.

We remain confident that current investments, as well as a pipeline of investment opportunities, structured/arranged by MarshallZehr, Crown and EnTrustPermal should allow the Fund to provide its Series A and Series F unitholders with an 8% and 9% fully funded annual distribution, respectively.

## POTENTIAL RISKS

While the Manager, MarshallZehr, Crown Capital and EnTrustPermal exercise due diligence throughout the lending process, no guarantees can be given to offset a risk of loss and investors should consult with their financial advisor prior to investing in the Fund. The Manager believes that given the character of the private debt investments that are making up the majority of the Fund's holdings, the Fund has less exposure to market risk than a similar fund invested in publicly listed securities. The Manager believes the following risks are key to the Fund's performance: nature of investments, credit, interest rate, general economic and market conditions, liquidity, marketability and transferability of units. Please read the "Risk Factors" section in the Offering Memorandum for a more detailed description of the relevant risks. Please read the "Risk Factors" section in the Offering Memorandum for a more detailed description of the relevant risks.



# PORTLAND PRIVATE INCOME FUND



**PORTLAND**  
INVESTMENT COUNSEL™

OWNERS. OPERATORS. AND INVESTORS.

(as at September 30, 2018)



\* Annualized

1 Generally available through dealers who have entered into a Portland Series F Dealer Agreement.

2 Accredited Investors as defined under National Instrument 45-106.

3 For investors who are not Accredited Investors, the additional investment must be in an amount that is not less than \$500 if the investor initially acquired Units for an acquisition cost of not less than \$150,000 and, at the time of the additional investment, the Units then held by the investor have an acquisition cost or a net asset value equal to at least \$150,000, or another exemption is available.

4 See the offering memorandum for fee details. Management fees on Preferred Units are allocated to Common unitholders, similar to the cost of borrowing.

5 Targeted distribution is 8% for Series A and 9% for Series F, paid annually based on the initial net asset value per unit of \$50.00, anticipated to be fully funded, paid monthly, net of Mortgage Administration/Specialty Investment Manager fees, management fees, trailer fees and expenses. Distribution rate for Series AP and Series FP is reviewed on a quarterly basis. Prime rate is based on the Royal Bank of Canada Prime Rate.

6 Net of specific provisions.

7 Loan-to-value is the ratio of: loans advanced to date, to the appraised value of the project by MarshallZehr and/or independent appraisers and the Manager.

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

9 Effective July 1, 2018, the name of Crown Capital Fund IV, LP changed to Crown Capital Partner Funding, LP.

10 Distribution rate shown is as at October 1, 2018.

The PORTLAND PRIVATE INCOME FUND (the "Fund") is not publicly offered. It is only available under Offering Memorandum and other exemptions to investors who meet certain eligibility or minimum purchase requirements such as "accredited investors". Information herein pertaining to the Fund is solely for the purpose of providing information and is not to be construed as a public offering in any jurisdiction of Canada. The offering of Units of the Fund is made pursuant to an Offering Memorandum and the information contained herein is a summary only and is qualified by the more detailed information in the Offering Memorandum.

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 does not take into account sales, redemptions, distributions or optional charges or income taxes payable by any securityholder in respect of a participating fund that would have reduced returns. Funds are not guaranteed, their values change frequently and past performance may not be repeated.

Portland Investment Counsel Inc. has not independently verified all the information and opinions given in this material. Accordingly, no representative 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. Every effort has been made to ensure the utmost accuracy of the information provided. Information provided is believed to be reliable when published. All information is subject to modification from time to time without notice. Consent is required for any reproduction, in whole or in part, of this piece and/or of its images and concepts. PORTLAND, PORTLAND INVESTMENT COUNSEL and the Clock Tower Design are registered trademarks of Portland Holdings Inc. and Used under license by Portland Investment Counsel Inc.

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

PIC2319-E (10/18)