PORTLAND
INVESTMENT COUNSEL™

Portland Private Income Fund

Annual Financial Report

December 31, 2019

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COMMENTARY

PORTFOLIO MANAGER	**Christopher Wain-Lowe,** BA, MBA Chief Investment Officer, Executive Vice President and Portfolio Manager

Overview

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

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

- private mortgages, administered by licensed mortgage administrators, currently MarshallZehr Group Inc.[1] (MarshallZehr);
- private commercial debt, a portion of which may have participating features resulting in equity ownership of the issuer of the debt or the underlying asset if certain events occur;
- other debt securities, a portion of which may have participating features resulting in equity ownership of the issuer of the debt or the underlying asset if certain events occur;
- investments in complementary income producing public securities, including real estate income trusts, royalty income trusts, preferred shares, dividend paying equity securities and debt securities including convertibles, corporate and sovereign debt; and
- investments in investment funds, exchange traded funds and mutual funds which may or may not be managed by the Manager.

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

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

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

The following discussion covers the period from January 1, 2019 to December 31, 2019. Information related to investments is presented on a combined basis whether the investments are held by the Fund or the Partnership.

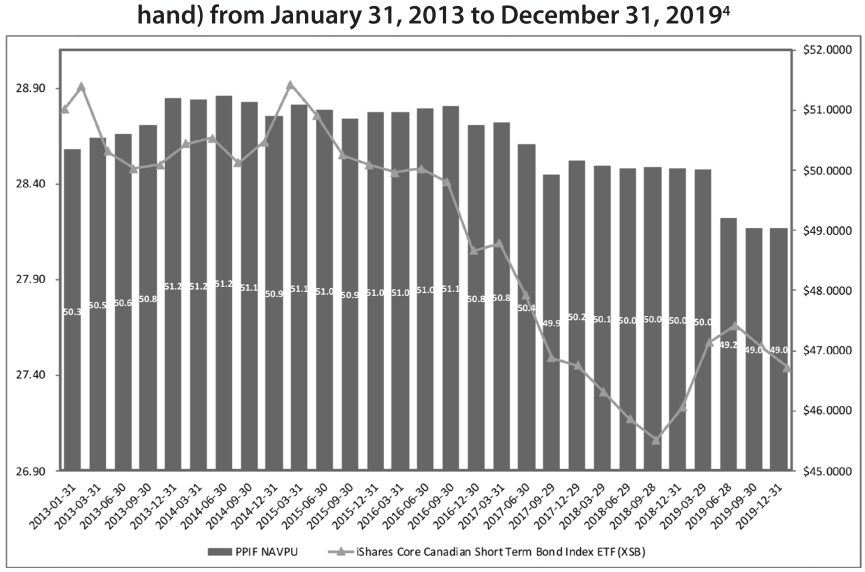
Financial Highlights

Common Units

The Fund's net return on common units from January 1, 2019 to December 31, 2019 was 6.1% for Series A units and 7.3% for Series F units. The Fund's net asset value (NAV) per unit as of December 31, 2019 was $47.76 for Series A units and $49.03 for Series F units. The Fund's return for 2019 has underperformed our target return by 1.7%. The underperformance followed the Partnership's participation in a commercial loan issued by Crown Partner Funding to Solo Liquor Holdings Limited (Solo Liquor) being placed into receivership in May 2019. For further details, please see the Canadian Commercial Loan Market section within the report.

The Fund has delivered annualized and cumulative net returns since inception of 7.6% and 64.6% for Series A units as well as 8.8% and 80.7% for Series F units[2], all but meeting its targeted 9% annualized return first set in January 2013. The Fund exhibits little variance in its monthly NAV per unit compared to publicly listed short-term debt instruments, such as the iShares Core Canadian Short Term Bond Index ETF (XSB), as depicted in Figure 1. For the twelve months ended December 31, 2019, the XSB achieved a 3.0% total return.

Figure 1. Historical net asset value per unit for the Fund's Series F (right hand) versus iShares Core Canadian Short Term Bond Index ETF (XSB) (left hand) from January 31, 2013 to December 31, 2019[4]



During the year, the Fund has maintained its regular distributions of $0.3333 per common unit per month and $0.3750 per common unit per month, for Series A units and Series F units, respectively. We remain confident that current investments, as well as a robust pipeline of investment opportunities, structured/arranged by MarshallZehr, Crown, GEEREF, EnTrust Global and Brookfield, should allow the Fund to continue to provide its unitholders with similar levels of fully funded distributions, that is Series A and Series F unitholders with about 8% and 9% (based on the initial NAV per unit of $50.00) annualized distributions paid monthly, respectively.

The Fund was the winner of the 2018 Canadian Hedge Fund Awards for the Best 5 Year Sharpe Ratio and the Best 5 Year Return in the private debt category.[3]

Preferred Units

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

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

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

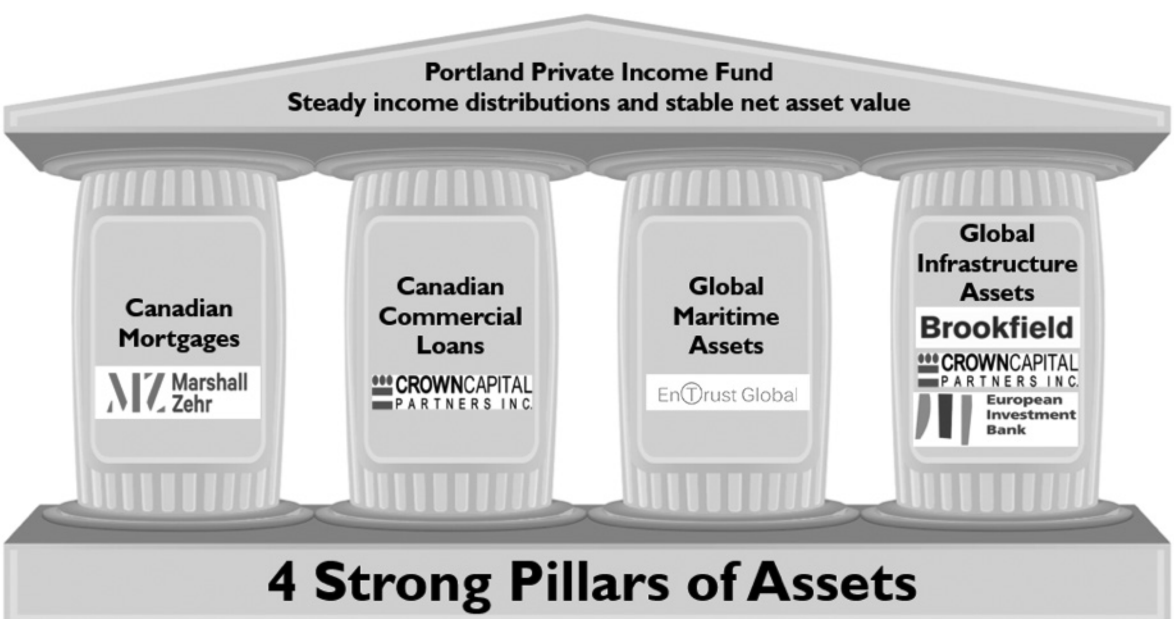
The Fund's net return on preferred units from January 1, 2019 to December 31, 2019 was 4.8% for Series FP units and 3.8% for Series AP units. The Fund's NAV per unit as of December 31, 2019 was $10.00 for Series AP and FP units. The Fund has delivered an annualized net return since inception of 4.7% for Series FP units and 3.8% for Series AP units.[2]

The preferred units are expected to pay a monthly distribution ranging from the Royal Bank of Canada Prime Rate (the Prime Rate) to no more than the cost of unsecured debt available to the Partnership. The monthly distribution will be the Prime Rate for Series AP units and the Prime Rate + 1.0% for Series FP units. As at December 31, 2019, the Prime Rate was 3.95%. Currently, the Series AP units pay an annual distribution of 3.7% and the Series FP units pay an annual distribution of 4.7%. The Prime Rate is reviewed on a quarterly basis and distribution rates will be posted on the Fund's website at www.portlandic.com/privateincome.html. We expect to adjust the distributions once the Prime Rate has changed by 50 basis points.

Recent Developments and Outlook

We believe we have better positioned and shaped the Fund's future by providing two discrete offers to investors: the common units and preferred units; supported across four strong pillars of assets: Canadian mortgages, Canadian commercial loans, Global maritime loans and Global infrastructure assets and operating leases as shown in Figure 2 below.

Figure 2.



When deciding to create this Fund, we wanted to create a portfolio that could straddle a variety of investment opportunities, be nimble to adapt to changing circumstances and alive to the best opportunities within those circumstances, while delivering steady income distributions and a stable NAV. From 2013 to mid-2015 we selected a portfolio almost exclusively of private mortgages. Beginning in mid-2015, we have gradually assessed the attractiveness of the housing market compared to other lending opportunities and selected four Specialty Investment Managers to enable the Fund to take advantage of those opportunities in order to have the Fund's monthly distribution supported by the four strong pillars of asset classes that are diversified by sector and geography.

The current Governor of the Bank of Canada, Stephen Poloz' announced in December 2019 that he would be stepping down from his post in June 2020 at the end of his seven-year term. At the same time he delivered this announcement, he delivered a speech and referred to a recently published paper of his entitled "Changing Fortunes: Long-Termism – G-Zero, Artificial Intelligence and Debt". This paper illustrated some of the long-term factors that potentially could impact the Canadian economy and how they will alter monetary policy. The paper addresses the substantial amount of debt that has accrued within Canadian households and the Canadian government across both the federal and provincial level. The paper references how large debt loads especially in the public sector have been dealt with in the past by periods of high inflation. High inflation renders existing debt less valuable as interest rates are tied to older nominal interest rates and over time the burden of the debt reduces. Governor Poloz draws attention to an important public conversation occurring over the future level of the target inflation rate that the Bank of Canada will manage after the renewal of the Monetary Policy Framework in 2021. We believe there is a distinct possibility that in 2021 this could be increased from 2% to 3%.

Canadian Mortgages

On April 4, 2019, the Canadian Federal Government announced a new First-Time Home Buyer Incentive that is designed to reduce the costs associated with home ownership for first-time home buyers. The program was rolled out in September 2019 where qualifying households are able to receive a shared equity mortgage up to 5% of the purchase price of an existing house or up to 10% of the purchase price of a new construction house. Households with a combined income of no more than $120,000 will qualify for the incentive as long as total borrowing does not exceed 4 times the household income. No monthly payments will be required to be made on the shared equity mortgage and the shared equity mortgage will only have to be repaid to the Canadian Mortgage Housing Corporation (CMHC) once the house is re-sold. As lenders into the new construction house market, we believe the First-Time Home Buyer Incentive will increase the demand for new construction homes by first-time home buyers participating in this program. Individuals that can now afford the costs of home ownership will provide marginal demand on this segment of the housing market, which will only help developers repay mortgages that we have extended to them.

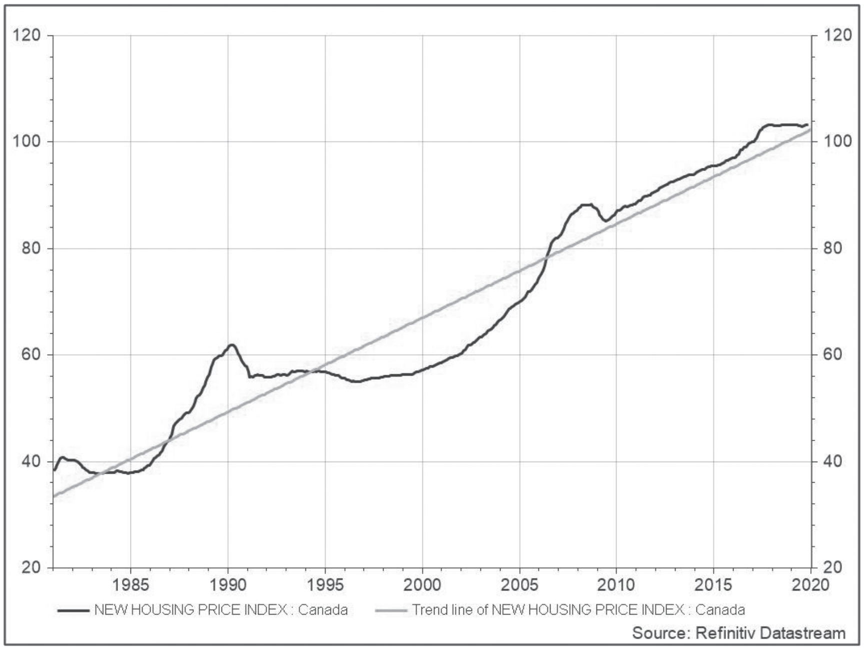
In our view, the Canadian housing market remains relatively expensive yet robust as policymakers increasingly look to intervene to curtail excesses in various guises. On November 15, 2018, the Ontario Progressive Conservative government announced legislation that ended rent control for all newly built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

In the fall of 2019, the CMHC released a Canadian Housing Starts forecast that showed housing starts are predicted to slow down gradually over the 2019 to 2021 horizon, moderating from the 10-year high recorded in 2017 to levels more in line with affordability data. By 2021, housing starts are expected to be in line with long-run averages. The Canadian housing market faces a few headwinds which we expect to moderate price increases and stabilize the sector after the 2016 and 2017 run up in property prices. There is expected to be vulnerabilities related to international trade tensions and the high household indebtedness of the average Canadian household. Even with this information, Canada has set a very aggressive immigration target. Canada targets 350,000 new immigrants per year by 2021 and the Canadian population is forecasted to increase by 713,000 from 2019 to 2021. About one third of all immigrants choose to reside in the GTA.[5]

We continue to recognize the heightened evidence of overvaluation in the Toronto housing market that is also noticeable in adjacent cities, however continued price increases are expected to be more moderate as underlying economic fundamentals catch up to current prices. We have continued to shun exposure to mortgages in the high-rise downtown core of Toronto and welcome the macro prudential efforts underway to engineer a cool down in prices. Lenders are beginning to see the side effects of regulators imposing new stress tests on mortgage borrowers as they are forced to test customers to see if they can afford the posted mortgage rate or the special mortgage rate plus 2%, whichever is higher. This stress test has excluded some individuals from being able to participate in home ownership and has rather forced them into the already hot rental market. As lenders try to lobby government officials to undo or more modestly tweak the stress test, they have begun to realize, in our view, the policy actions were no mistake and all the consequences of the slow-down in the real estate market were fully intended. Lenders continue to push for the fixed 2% stress test to be modified to a variable amount that would vary from quarter to quarter and would be determined by regulators as economic conditions in the country vary over time. It also appears as if the re-elected Liberal government may be making changes to this mortgage rule as Prime Minister Justin Trudeau has asked Finance Minister Bill Morneau to consider changes to the mortgage stress test that make the test more dynamic. After the implementation of this stress test, lenders have noticed that prime borrowers tend to gravitate to the special 5-year fixed term mortgage rates as they desire the certainty and stability of mortgage payments that do not vary over time and non-prime borrowers are being forced into shorter term variable mortgage payments as they do not qualify for mortgages at the more expensive 5-year interest rate plus 2%.

Figure 3 highlights Canadian real home index prices from January 15, 1981 to December 31, 2019. This figure seeks to show that real home prices in Canada are on the high-side of their long-term trend, due to strong post-recession gains that have run above the rate of inflation. The Bank of Canada's and CMHC's macro prudential efforts to decelerate the trend, have arguably worked to moderate price growth to a level more in line with underlying inflation. Canada is not alone. House prices are also relatively high in other cities like Seattle, San Francisco, London and Hong Kong. Common to all these cities are buyers from emerging markets, notably China, who have been willing to pay a premium to secure a safe place for their savings and so at the margin, help to drive a wedge between the prices of homes and the local fundamentals of incomes and rental payments. This mismatch has been frustrating local policymakers, hence the introduction of the non-resident taxes first introduced in Vancouver and more recently in Ontario.

Figure 3. Canada New Housing Price Index – January 15, 1981 to December 31, 2019



We source our investments in commercial mortgages from MarshallZehr, a licensed mortgage broker, which we have worked alongside for several years. We both welcome the tightening oversight of the syndicated mortgage market and expect the differences between how MarshallZehr and other well practiced firms operate, will shine through. We are experiencing how the dislocation of some operators presents attractive opportunities. Mortgage investment entities are not a homogeneous group and should be viewed as a "sector" only in the broadest of terms. The Fund lends short-term to developers and not long-term to individuals labelled by FICO® as a rating below scores of 660 and by banks as sub-prime. The Fund lends to developers known to MarshallZehr based on a project's understood exit, typically take-out financing as the development progresses or based on verified presales. We have been appreciative of the approach taken and quality of mortgage opportunities presented to us by MarshallZehr. The Fund does continue to have exposure to Ontario's retirement, student and commercial retail markets and has experience investing in affordable housing, which we believe is increasingly needed as urbanization increases a city's 'support network' of service industry workers.

In a capital structure, equity holds the greater risk and is the cushion against which debt can be repaid. As of December 31, 2019, the weighted average loan-to-value (LTV) of the mortgage portion of the Fund's portfolio was 71% (66% as at December 31, 2018) and its 30 mortgage loans consisted primarily of first mortgages. As at December 31, 2019 over 76% of the mortgage portfolio consisted of first mortgages. 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.

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

Canadian Commercial Loans

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

In July 2016, the portfolio broadened its exposure to private commercial debt via Crown Partner Funding that originates, structures and provides tailored transitory and permanent financing solutions in the form of loans, royalties and other structures with minimal or no ownership dilution to middle-market companies. As of July 13, 2018, Crown Partner Funding has received commitments amounting to $300 million. Crown Partner Funding's focus is primarily on deals of 5 years or less. Initially, Crown owned 50% of Crown Partner Funding but as the fund grows it is steadily lowering its stake towards a targeted 30% ownership which enabled the Fund's portfolio to increase its ownership, from 10% initially to 17.5% effective July 13, 2018, being one of a select few other limited partners including the Investment Management Corporation of Ontario (IMCO is one of the largest institutional investment managers in Canada and around the globe with approximately $60 billion in assets under management).

The Fund's commitment to Crown Partner Funding as at December 31, 2019 was 64.3% drawn. The Fund has committed $52.5 million at December 31, 2019, for 17.5% of the total of $300 million capital commitments into Crown Partner Funding. The portfolio of commercial loans held by Crown Partner Funding are detailed on Crown's website at www.crowncapital.ca. As at December 31, 2019, Crown Partner Funding comprised 10 loans ranging in size from $7 million to $50 million. A sector breakdown of the commercial loans is provided under the heading: Commercial Loans: Canada and Global Maritime and in Figure 15.

During the twelve months ended December 31, 2019, the additions and deletions to the portfolio of commercial loans held by Crown Partner Funding were as follows:

- In March, Crown announced the repayment of a $15 million term loan from Bill Gosling Outsourcing Holding Corp. (Bill Gosling). Bill Gosling is a privately-owned global provider of outsourced call center solutions to blue chip and emerging high-growth clients. Bill Gosling repaid the loan in full including principal, interest, fees and other payments. The loan had an original maturity of 60 months from May 2016 when it was initially issued. The realized gross internal rate of return (IRR) on the transaction for Crown Partner Funding is 17.6%.
- In March, Crown announced the closing of an additional $5.0 million term loan to Triple Five Intercontinental Group Ltd. (Triple Five). Triple Five is a privately held Calgary-based company engaged in the exploration, development and production of petroleum and natural gas. Triple Five was founded in 2014 and its assets are located in west central Alberta where the company has a 100% working interest in 20 contiguous sections of land in the Spirit River zone. Triple Five is currently producing approximately 5,100 barrels of oil equivalent production per day from eight producing wells, of which approximately 81% is natural gas and 19% is natural gas liquids. The drilling results from the two most recent wells have outperformed expectations, more than doubling the company's natural gas liquids production. The additional funding from Crown Partner Funding will be used for capital expenditures to support growth initiatives. Crown Partner Funding initially provided a three-year term loan in September of 2018 for $15.0 million. The term loan has an interest rate of 10.5% per annum and includes a royalty payment based on Triple Five's gross sales. At the same time as the issuance of the additional $5.0 million term loan, the maturity of the original term loan was extended by six months.
- In April, Crown announced the repayment of a $33.0 million term loan from Baylin Technologies Inc. (Baylin) (TSX:BYL), a global provider of innovative wireless antenna solutions with over 39 years of experience in designing, manufacturing and supplying antennas for the wireless infrastructure, networking and mobile markets. Baylin is one of a few antenna manufacturers with design capabilities in indoor and outdoor cellular antenna systems, small cells, set-top boxes and mobile phones. Baylin used the proceeds of the term loan to acquire the radio frequency, terrestrial microwave and antenna equipment divisions of Advantech Wireless Inc. and its affiliates. The agreement provided for a $33.0 million term loan to Baylin, of which Crown Partner Funding had advanced $30.0 million. Crown syndicated $3.0 million of the loan to two of Crown Partner Funding's institutional limited partners, including the Partnership. The term loan had a fixed interest rate of 9.0% per annum and was set to mature in January 2023. The loan was fully repaid including principal, interest and fees charged for early prepayment. In addition, a total of 682,500 warrants of Baylin were issued to Crown Partner Funding and its syndicate partners. Crown Partner Funding and the Partnership continue to own the warrants of Baylin.
- In April, Crown announced the closing of a $25.0 million term loan to Rokstad Holdings Corporation (Rokstad), a privately held company headquartered in Coquitlam, British Columbia, that provides power line construction and maintenance services to customers across North America. Rokstad was founded in 2008 and offers a full suite of power line services, including emergency and storm response, transmission and distribution line construction and maintenance and underground cable services. Rokstad is also a specialist in live line construction methods for distribution and transmission line projects. Rokstad has operations throughout Canada and the United States where it has successfully grown from a mid-size contractor to one of the largest power line contractors in North America. The company's largest markets are British Columbia, California and Arizona. The $25.0 million term loan matures in 60 months and includes a bonus feature based on the growth in Rokstad's equity value.
- On May 1, 2019, Crown disclosed that Solo Liquor was placed into receivership by the Alberta Treasury Board Financial (ATB), which had provided credit facilities to Solo Liquor. Crown Partner Funding had completed a $15 million loan to Solo Liquor on February 27, 2017 at an interest rate of 12% with a maturity in 3 years. On May 28, 2019, Crown Partner Funding advanced an additional $13.6 million to acquire a portion of the outstanding senior debt of Solo Liquor from ATB. During the 3 months ended September 30, 2019, Crown Partner Funding received principal repayments totalling $17.5 million and recognized a realized loss on principal of $11.1 million. Approximately 26 months' of interest at 12% was received, which is approximately ((26/12)*12%)*$15 million = $3.9 million. The total loan extended amounts to $28.6 million and the total proceeds received in principal repayments and interest amounts to $21.4 million representing a realized multiple of 0.75 on the transaction (i.e. lost 25% of principal). The Partnership is recognizing in 2019 its 17.5% of the original $15 million where it lost $11.1 million, which translates to a loss to the Partnership of $1.94 million equating to about 1.5% or $0.76 of the original $50 net asset value per unit of the Fund.
- In July, Crown announced the repayment of an $8 million term loan from Canadian Helicopters Limited (Canadian Helicopters). Canadian Helicopters is the largest helicopter transportation services company in Canada with a network of 28 strategically located fixed bases to support operations throughout the country. Canadian Helicopters has prepaid this loan in full, including principal, interest, fees and other payments. The realized gross IRR on the aggregate investment in Canadian Helicopters is 23.8%.
- In August, Crown announced the closing of an additional $17 million to two portfolio companies, which include $10 million to Rokstad and $7 million to DATA Communications Management Corp. (Data Communications). The $10 million to Rokstad was a six-month bridge facility, which brought the total loan outstanding to $35 million. The $7 million loan to Data Communications brought the total loan outstanding to $19 million. Data Communications is a leading provider of integrated business communication solutions to companies across North America. Founded in 1959, Data Communication's core capabilities include direct marketing, commercial print services, labels and asset tracking, event tickets and gift cards, logistics and fulfilment, content and workflow management, data management and analytics, and regulatory communications. The company serves clients in key vertical markets such as financial services, retail, healthcare, lottery and gaming, not-for-profit and energy. Data Communications is strategically located with six facilities across Canada to support clients on a national basis, and serves the U.S. market through facilities in Chicago and New York City.
- In November, Crown announced the closing of an additional $12 million to two portfolio companies, which include $5 million to Touchstone Exploration Inc. (Touchstone) and $7 million to Triple Five. The $7 million loan to Triple Five brought the total loan outstanding to $27 million. Touchstone is 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 $5 million loan to Touchstone brought the total loan outstanding to $20 million.

- In November, Crown announced the closing of an additional $15 million to Rokstad increasing the total loan outstanding to $50 million. The loan facility provides for a total term loan of $55 million to Rokstad, of which Crown subscribed for $50 million and Crown syndicated $5 million to two of its institutional partners in Crown Partner Funding including the Partnership which subscribed $2.5 million. The $55 million loan facility matures in 60 months.

Global Maritime Assets

Since the Great Recession, European banks, compared to U.S. banks, have been slower to build their capital strength but have historically served as the shipping industry's largest lenders. Regulatory changes now mandate banks to hold more capital and more liquidity and given the concentration and tenure of shipping loans, European banks have been reducing their lending activity to the sector, creating a shortfall in ship financing capacity. In early 2017, the UN International Maritime Organization (IMO) decided to cap the sulphur content in marine fuel oil from 3.5% to 0.5% in 2020. As we get closer to this deadline, this regulation is expected to increase materially the price of low-sulphur bunker fuel, which cost will ultimately be borne by the end user of the cargo. The only alternative to purchasing low-sulphur bunker fuel is for ship owners to make a large capital investment in scrubbers on board their ships where they can use the less expensive 3.5% sulphur bunker fuel and bring the fuel in compliance with the IMO standard. We have seen the smaller shipping companies opt to use the more expensive 0.5% sulphur bunker fuel and incur the higher ongoing operating cost.

As it currently stands, we believe that there is not currently enough 0.5% sulphur bunker fuel being produced in the market for when the new regulations come in force in 2020. Nevertheless, initially the shipping lines will bear the increased costs of transportation, as it will require time to be able to pass through the cost to consumers. However, the regulation is likely to be beneficial for the shipping industry as it will reduce / improve the supply situation, primarily due to slower sailing speeds for most segments and the likely acceleration of the scrapping of non-fuel efficient vessels and vessels where companies do not want to make a capital investment into onboard scrubbers.

Christopher Wain-Lowe has previous direct experience of European banking, having been employed by Barclays PLC for nearly 20 years. During that time, Christopher spent over 3 years based in Athens, Greece, ultimately as CEO of Barclays business in Greece responsible for its large shipping portfolio. These earlier experiences assisted the decision in March 2018 to select EnTrust Global as the Fund's third Specialty Investment Manager to complement the Fund's existing portfolio via its maritime lending fund, Blue Ocean Fund (Blue Ocean). EnTrust Global is a leading global alternative asset manager and is one of the world's largest hedge fund investors. EnTrust Global provides portfolio and risk management services to its maritime lending strategy of approximately U.S. $628.3 million which includes the Blue Ocean of about $122.43 million in which we committed U.S. $5 million to the first close with 99.8% drawn and U.S. $7 million to the second close with 84% drawn as at December 31, 2019.

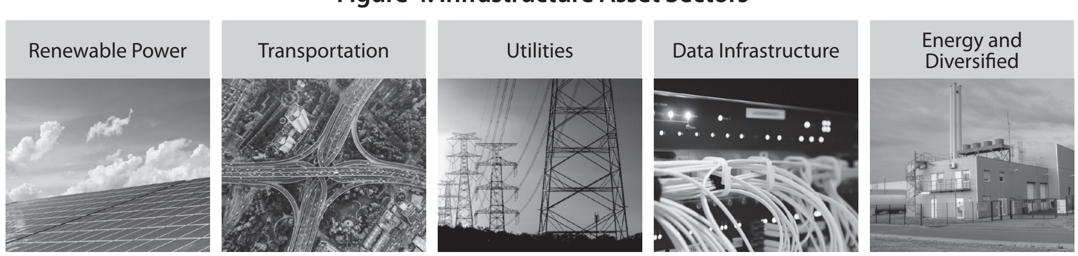
The investment strategy of Blue Ocean is to seek to generate attractive risk adjusted returns by targeting direct lending opportunities to vessel owners by engaging in asset based financings secured by high-quality maritime assets. Blue Ocean is primarily engaged in lending to and investing in shipping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

We anticipate current financing opportunities to be diverse but to include the uneconomic selling by European banks of shipping assets at discounts based on their inability to afford funding such loans, as well as regulatory pressure to reduce exposure. The Manager and EnTrust Global believe that current financing opportunities in the shipping sector come with significant contractual downside protection given low to moderate loan-to-ship values, historically low asset values and first lien, senior secured structures. As at the end of December 31, 2019, Blue Ocean's total invested capital of the first close featured a portfolio of 46 vessels with an average vessel age of 9 years. As at the end of December 31, 2019, Blue Ocean's total invested capital of the second close featured a portfolio of 41 vessels with an average vessel age of 8 years. Blue Ocean continues to make quarterly cash distributions of interest income and principal amortization.

Global Infrastructure Assets

We believe there has been systemic underinvestment in infrastructure which means that a significant amount of private capital is needed to address the global funding gap. This market's activity has been catalyzed further by strategic and infrastructure fund divestment programs. Furthermore, recent government initiatives are expected to create additional opportunities. Some examples of these assets are depicted in Figure 4 below.

Figure 4. Infrastructure Asset Sectors



Infrastructure assets have certain characteristics that we see as displaying attractive attributes for the Fund. These characteristics include having a significant cash yield, lower volatility, diversification, inflation protection, and long duration. Please see Figure 5 below.

Figure 5. Infrastructure Asset Characteristics

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

Core Infrastructure Assets in Developed (OECD) Countries

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

BSIP will primarily target investments that provide a high percentage of investment returns from current cash yield and achieve capital appreciation from inflation linked cash flows and organic asset growth. Due to the strong infrastructure characteristics exhibited by these assets, the Fund is anticipated to demonstrate lower volatility relative to other major asset classes, which we believe will lead to attractive risk-adjusted returns. The Partnership's commitment as at December 31, 2019 was 100% drawn.

We expect an expanding opportunity set of core infrastructure assets, as capital-constrained governments and corporations are continuing to monetize mature infrastructure assets in order to deploy capital towards growth and development initiatives. This activity is set against a prevailing landscape of systemic underinvestment in public sector infrastructure.

International Infrastructure Assets

In March 2019, the Fund as an investor committed U.S. $15 million to the Brookfield Infrastructure Fund IV (BIF IV). As at December 31, 2019, U.S. $4.5 million was paid toward this commitment, resulting in a remaining commitment of U.S. $10.5 million. BIF IV is seeking to acquire high-quality, core infrastructure assets on a value basis. BIF IV is expected to leverage Brookfield's operations-oriented approach to enhance sourcing and execution, and add value post-acquisition. BIF IV will pursue investments in markets globally where Brookfield has an established investment presence. BIF IV will focus on sectors where Brookfield possesses extensive operating expertise including transportation, renewable power, utilities, energy and data infrastructure.

In order to be able to acquire high-quality core assets, Brookfield will focus on essential services with inelastic demand. It will identify strong barriers to entry, due to regulatory and/or contractual frameworks and attractive locations. Brookfield will seek sustainable, long-term, inflation-linked cash flows with high operating margins. In order to invest on a value basis, Brookfield will tap into proprietary deal flow utilizing its proactive outreach program and advantages of scale and operating expertise. It intends to capitalize on a broad global mandate to invest opportunistically where pockets of value exist and to leverage its ability to execute large, multifaceted transactions, where there is less competition. In order to enhance value with an operations-oriented approach, Brookfield will focus on acquiring control or co-control of investments. Brookfield will implement an active management approach through the use of business plans. It will originate accretive organic growth projects and add-on acquisitions as it seeks to execute opportunistic exits in order to maximize value.

On February 7, 2020, Brookfield Asset Management Inc. announced the closing of its latest flagship global infrastructure fund, BIF IV, with total equity commitments of $20 billion. Based on strong investor demand, BIF IV attracted total capital commitments exceeding the original $17 billion fundraising target. BIF IV's predecessor fund closed in 2016 with $14 billion of total capital commitments. Investors in BIF IV are a diverse group of 170 institutional investors from across the globe, including public and private pension plans, sovereign wealth funds, insurance companies, financial institutions, endowments and foundations, family offices, and private wealth investors. Approximately 75% of the third-party capital came from existing Brookfield investors, highlighting Brookfield's focus on building long-term relationships with its limited partners. Brookfield Asset Management Inc. committed $5 billion to the Fund, underscoring its strong alignment of interests with its investors. Brookfield Asset Management Inc.'s commitment will be funded through Brookfield Infrastructure Partners L.P. and Brookfield Renewable Partners L.P. To date, BIF IV has invested or committed approximately $8 billion, or 40% of its capital, to a diversified set of attractive infrastructure businesses, including the largest short-haul rail operator in North America, natural gas pipelines in North America, data infrastructure businesses in South America, New Zealand, India and the U.K., and a global portfolio of renewable power assets.

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

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

We believe that renewable energy and energy efficiency are at the core of sustainable investing, which in turn is central to the transition to a less carbon-intensive and more sustainable global energy system. The investment in renewable energy and energy efficiency has grown rapidly over the past few years, as costs decline sharply especially for solar photovoltaics and wind power.

The Fund has therefore invested in Portland Global Energy Efficiency and Renewable Energy Fund LP (Portland GEEREF LP), an investment fund also managed by the Manager via Christopher Wain-Lowe. The investment objective of Portland GEEREF LP is to provide income and above average long-term returns by investing primarily in the B units of GEEREF, advised by the EIF and sub-advised by the EIB, the largest multilateral borrower and lender in the European Union with over €451 billion of loans disbursed as at December 31, 2018.

GEEREF is a private equity and infrastructure fund of funds, investing in equity or quasi equity investments in energy efficiency and renewable energy private equity funds, for primarily energy efficiency and renewable energy projects in developing countries (Regional Funds). GEEREF was initiated by the European Commission in 2006 and launched A shares in 2008 with funding from the European Union, Germany and Norway, totaling €112 million. GEEREF successfully concluded its fundraising from private sector investors for B units in May 2015 raising €110 million, which brought the total funds under management to €222 million, and added an additional €19.8 million in February 2019, bringing the total commitments to €241.8 million. The Fund owns about 18% of Portland GEEREF LP which then committed about 90% of its funds to purchase €14.25 million B units. B units of GEEREF feature a preferred return mechanism and faster return of capital over the A shares currently held by the public sponsors. We believe the preferred return mechanism affords the B unitholders and so the Fund, a particularly attractive risk-adjusted return. To date, Portland GEEREF LP has invested €13,654,966 representing 95.82% of its commitment.

As of September 30, 2019, GEEREF had committed to invest approximately €195 million in 15 Regional Funds. The portfolio of Regional Funds held by GEEREF are detailed on GEEREF's website at www.geeref.com. The portfolios of each of the 15 Regional Funds currently comprise 157 investments. Seven of these Regional Funds have finished their investment periods and nine have begun the process of divesting. One investment has been realized. Full details about Portland GEEREF LP can be found on our website at www.portlandic.com/geeref.html. To date, GEEREF has paid six distributions to Portland GEEREF LP which in turn initiated quarterly distributions from Portland GEEREF LP to its unitholders beginning December 2017.

Power Generation: Infrastructure Assets in Ontario

The electricity markets in numerous regions in North America have become challenged. Mismanagement by the public sector has stressed electricity prices in numerous regions in North America. In Ontario electricity prices have increased over 70% in less than 10 years. The province of Ontario demands 18 gigawatt hours of electricity which equates to $11.9 billion which is spent annually on electricity.[6] Due to underfunding of capital maintenance funds and an aging distribution system, we believe electricity prices are expected to continue to increase.

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

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

We are pleased to work with Crown, which via Crown Power is determined to capitalize on this market opportunity. Crown announced on March 4, 2019 that it had increased its commitment to Crown Power by $10 million bringing its total commitment to $25 million. It also announced that the total committment to Crown Power increased to $58 million. The Partnership completed a $10 million capital commitment as part of the total Crown Power upsizing to $58 million. The Partnership therefore holds about an 17.2% interest in Crown Power. As at the end of the quarter, Crown had drawn about 40.36% of committed capital to Crown Power. Crown Power is in the process of acquiring a portfolio of IEPs that are under long-term contracts with a diversified mix of high-quality end users. Crown Power is working with several operators to construct and operate the IEPs – increasing the scale and diversity of projects. Crown Power has seven projects either operating or under construction and another 11 being planned. After a difficult first year involving litigating against one former partner, prospects for 2020 and beyond are more aligned with initial attractive expectations.

In the first quarter of 2019, Crown had made a provision of $3.1 million, which was recorded in relation to amounts owing from an operating partner affiliated with Crown Power. This amount relates to advances from Crown that were used by the operating partner to fund unauthorized operating expenses. Crown is pursuing recovery of this amount, however any loss that may be realized in the future would be fully borne by Crown shareholders and not by Crown Power.

Portfolio Profile

The portfolio is comprised as follows:

	December 31, 2019	December 31, 2018
Canadian Mortgages	46.3%	45.8%
Canadian Commercial Loans:	25.5%	30.8%
Crown Capital Partner Funding, LP	23.7%	30.8%
Co-investment Canadian Commercial Loans	1.8%	-
Global Maritime Loans	7.8%	8.7%
Global Infrastructure Assets and Operating Leases:	14.8%	4.0%
Brookfield Super-Core Infrastructure Partners LP	4.7%	-
Brookfield Infrastructure Fund IV	4.1%	-
Crown Capital Power LP	3.0%	-
Portland Global Energy Efficiency and Renewable Energy Fund LP	3.0%	4.0%
Public Securities:	5.6%	10.7%
Public Securities excluding Crown Capital Partners Inc.	2.5%	6.4%
Crown Capital Partners Inc.	3.1%	4.3%
Total	100.0%	100.0%

The Fund is primarily invested in private debt. Please see the below Figure 6 to see the Fund's historical asset allocation to debt.

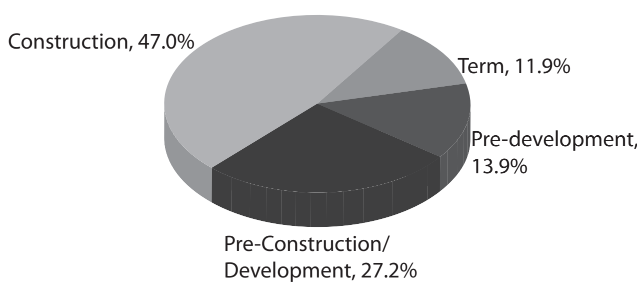
Figure 6. Historical Debt Allocations

	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019
Canadian Mortgages	46.8%	44.6%	45.8%	46.3%
Canadian Commercial Loans	29.1%	32.7%	30.8%	25.5%
Global Maritime Loans	-	5.6%	8.7%	7.8%
Infrastructure Operating Leases	-	-	-	3.0%
Total Debt Allocation	75.9%	82.9%	85.3%	82.6%

Canadian Mortgages

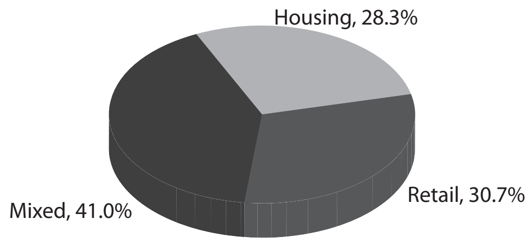
Notwithstanding the developing relationship with Crown, EnTrust Global, the EIB and Brookfield, a significant component of the portfolio's current investments consists of 30 mortgages in the Greater Toronto Area, Southwestern Ontario and Central Ontario sourced by MarshallZehr. These 30 mortgages include a variety of infill and intensification projects with what the Manager believes to be well-established developers located in areas of increased demand. The projects span term, pre-development, development and construction stages (see Figure 7). The projects are also segmented between traditional housing, retail and mixed uses (see Figure 8). The commercial mortgages are diversified across project types, geography, project stage and term. As of December 31, 2019, 100% of the mortgage investments were in Ontario.

Figure 7. Mortgage portfolio breakdown by mortgage type as of December 31, 2019



Given the portfolio's exposure to mostly short term commercial mortgages and loans (see Figure 15), we believe it retains the flexibility and capability to outperform publicly listed fixed income instruments.

Figure 8. Mortgage portfolio breakdown by property usage as of December 31, 2019



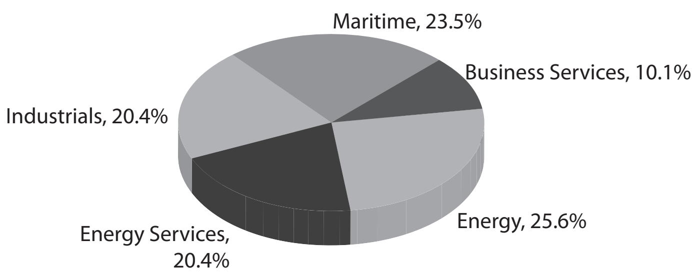
The weighted average net interest rate (net of specific provisions) of the mortgage portfolio at December 31, 2019 is 11.15%.

Canadian Commercial Loans and Global Maritime Assets

As depicted in Figure 9, the portfolio of 10 commercial loans made through Crown Partner Funding plus the exposure to Blue Ocean, is diversifying satisfactorily in our view.

(i) RBee Aggregate Consulting Ltd. (construction/engineering);
(ii) Touchstone (oil & gas producer);
(iii) Source Energy Sources (frac sand supplier in hydraulic fracturing process);
(iv) Ferus Inc. (energy services);
(v) Active Exhaust Corp. (industrial machinery & equipment);
(vi) Rokstad (power line construction and maintenance services);
(vii) Data Communications (direct marketing and print services);
(viii) Persta Resources Inc. (oil and gas producer, with a focus on natural gas);
(ix) Triple Five (oil & gas producer);
(x) VIQ Solutions Inc. (transcription services industry); and
(xi) Blue Ocean (global maritime/shipping).

Figure 9. Crown Partner Funding and Blue Ocean Breakdown by Sector as of December 31, 2019



Please see the below Figure 10 and 11 to see the asset allocation of the Blue Ocean portfolios. Figure 10 illustrates a snapshot of Blue Ocean's first portfolio as of December 31, 2019. Figure 11 illustrates a snapshot of Blue Ocean's second portfolio as of December 31, 2019.

Figure 10. Portfolio Asset Allocation for the First Close of the Blue Ocean Fund

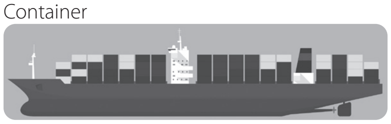
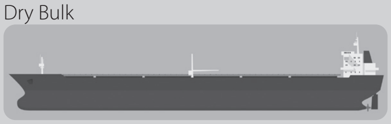
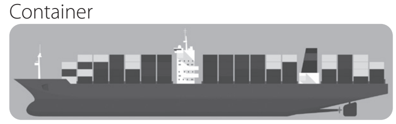
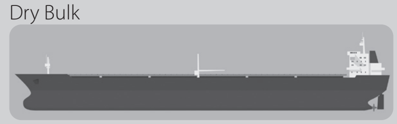
Asset Allocation		
Segment Breakdown	AUM (USD millions)	% of Total
Container 	$22.26	40.6%
Dry Bulk 	$15.77	28.7%
Tanker 	$16.85	30.7%
Total	$54.88	100.0%

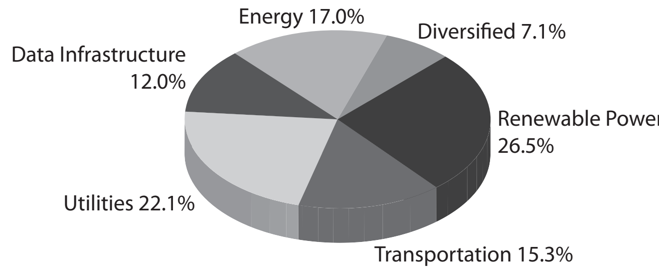
Figure 11. Portfolio Asset Allocation for the Second Close of the Blue Ocean Fund

Asset Allocation		
Segment Breakdown	AUM (USD millions)	% of Total
Container 	$27.60	56.4%
Dry Bulk 	$20.85	42.6%
Tanker 	$0.47	1.0%
Total	$48.92	100.0%

Global Infrastructure Assets

Our asset allocation to infrastructure assets is derived from exposures to BIF IV, BSIP, Crown Power and Portland GEEREF LP. By aggregating the underlying assets across these four funds, we have been able to provide an approximate sector asset allocation across our infrastructure assets. Please see the below Figure 12 that shows the approximate sector allocation that encompasses the Fund's assets in the global infrastructure market as at December 31, 2019.

Figure 12. Infrastructure Assets by Sector (approximate)



Risk

Project Risk and Returns

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

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

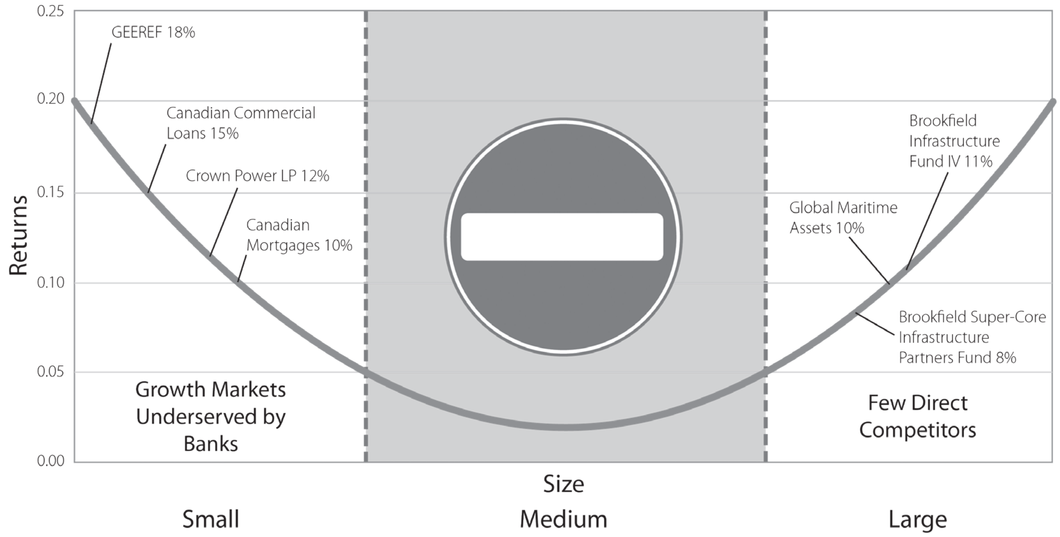
By comparison, BSIP and BIF IV will seek to capitalize on Brookfield's 115 year history of owning and operating essential infrastructure businesses globally and the knowledge gained through operating over $100 billion in infrastructure assets under management. Both BSIP and BIF IV will invest in a portfolio of high-quality, stable infrastructure assets with a focus on the utilities, energy, renewable power, data infrastructure and transportation sectors where Brookfield has established operating expertise. More specifically, BSIP will target mature, highly cash generative core infrastructure assets that benefit from predominantly contracted or regulated revenues. BSIP will pursue investments in OECD markets, predominantly located in North America, Western Europe, and Australia where Brookfield has an investment presence. BSIP will target a gross internal rate of return of approximately 9%, a net internal rate of return of 8% and an average current yield of 5% to 6%, supported by a focus on downside protection. By comparison, BIF IV will target a gross internal rate of return of approximately 13%, a net internal rate of return of 10% and an average current yield of 6% to 9%.

Exposure to global maritime assets is likely to be more cyclical to infrastructure but similar to Canadian commercial loans and so will be driven by opportunistically favourable deals due in part to a dearth of competition, so enabling loan pricing of approximately 8% to 10% per annum.

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

The below Figure 13 shows the expected returns of the different investments along the y-axis and the size of the underlying investment entity along the x-axis. This illustrates that we target to invest in growth markets that are under served by banks or invest in areas where there are few direct competitors. The scope of investments that range in between these two types of opportunities are likely an area where we would typically not invest since we would expect to receive lower returns due to competition.

Figure 13. Targeted Returns in a Competitive Framework



Credit risk

Credit risk is the risk of suffering financial loss should any of the borrowers fail to fulfill their contractual obligations.

Credit risk is managed by adhering to the investment and operating policies, as set out in the Fund's offering documents.

This includes the following policies:

- The majority of mortgages are generally expected to be written for terms of 6 to 36 months and supported by commercial liability insurance and by personal or corporate guarantees.
- The portfolio of mortgages are generally expected to be written for principal amounts at the time of commitment (together with the principal balance outstanding on prior mortgages if applicable), not exceeding 75% of the determined value of the underlying property securing the mortgage.
- Such mortgage risks are further mitigated by ensuring a comprehensive due diligence process is conducted on each mortgage prior to funding. This process generally includes, but is not limited to, reviewing legal documentation, independent appraisers' valuations and credit checks and financial statement reviews on prospective borrowers.
- The portfolio of commercial loans are generally expected to be first and second lien senior loans and mezzanine debt of 1 to 10 years with amortization and so with terms being between 1 to 7 years, although some may be a much longer duration while bridge loans would typically be less than one year.

We believe that strong management, real cash flow, controlled balance sheet leverage and the ability, either directly or indirectly, to negotiate the appropriate entry price point are the primary drivers of value creation. We would ordinarily expect the leverage of companies being financed within Crown Partner Funding to be less than 50% of their determined value and controlled at or below a ratio of 4x debt/EBITDA.[7]

Before investing in Crown Partner Funding, a portfolio of commercial loans, we reviewed Crown's track record of previously directing three special situation debt funds; which together with the current portfolio, now includes the deployment of over $720 million in 50+ secondary debt transactions since 2000. Across Crown's completed 38 transactions to date, they have averaged an IRR of approximately 14% per transaction. Also, Crown's anticipated typical characteristics for the special situation financings being undertaken by Crown Partner Funding include: loans of duration 6 months to 5 years, and covenants including debt/EBITDA typically less than 4x which is within our preferred risk parameters.

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

Based on current expectations, the composition of maritime loans is expected to have appropriate loan to value and proper asset protection through their tenors. The investments which are senior secured loans would ordinarily expect to be within the range of 50% - 80% of the determined value of its underlying assets.

Liquidity

The liquidity of the Fund is an important consideration that we take into account when we conduct portfolio asset allocation. It is of utmost importance that the Fund is able to meet its financial liabilities as they come due. The Fund continually balances the desire to earn the illiquidity premium on private asset classes and avoid engaging in forced selling of private assets in order to meet near term liabilities. As discussed earlier, we look at the Fund through the lens of the four pillars of assets, namely Canadian mortgages, Canadian commercial loans, Global maritime loans and Global infrastructure assets and operating leases.

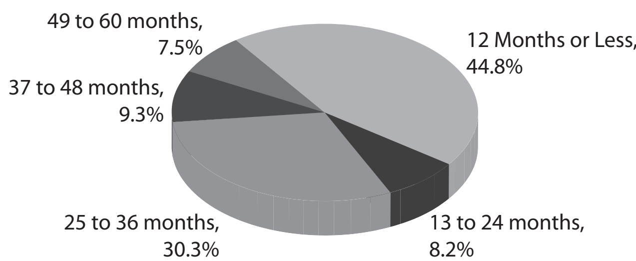
On a more granular level, the Fund has made allocations into eight main components that make up the four pillars of assets and they are MarshallZehr mortgages, Portland GEEREF LP, Crown Capital commercial loans, Crown Power, BSIP, BIF IV, Blue Ocean Fund and with liquidity uppermost in our minds, an allocation to publicly traded securities. These eight components amount to a portfolio size of $139 million with some debt funding the assets.

The Partnership may from time to time borrow from a bank, prime broker, the Manager or its affiliates but such borrowings are subject to the restriction that they will not exceed 25% of the total assets of the Partnership. During the period, the portfolio has occasionally borrowed to manage cash flow requirements which resulted in a borrowing with the Partnership's prime broker representing 2.95% of the total assets of the Fund as at December 31, 2019. The Partnership has also borrowed from a bank credit facility representing 6.3% of total assets. As at December 31, 2019 it has drawn US$6.8 million of its US$10 million credit facility. The total leverage of the Fund (including preferred units) is 10.5% as at December 31, 2019 (11.3% as at December 31, 2018).

There is also liquidity within the loan portfolios as they fall due for repayment. For instance, $48.7 million of loans within the portfolio will contractually mature within the next 12 months, $43.4 million of loans within the portfolio will contractually mature within the next 9 months, $41.5 million of loans within the portfolio will contractually mature within the next 6 months and $22.7 million of loans within the portfolio will contractually mature within the next 3 months. The repayments that are made from these maturing loans are a source of liquidity that can be used to fund any upcoming current obligations.

For more detail on when the debt portfolio is expected to mature beyond the next 12 months, please see the below Figure 14.

Figure 14. Debt portfolio breakdown by term as of December 31, 2019[8]



In addition to this portfolio liquidity, the assets within the portfolio generate cash distributions / payments on monthly and quarterly intervals. Based on target distribution rates and interest payments, we currently expect to receive approximately $1 million in monthly payments across the seven components of assets. Investors within the Fund can elect to receive their monthly distributions in cash or have them reinvested. Approximately 39.4% of the monthly liquidity received is used to meet monthly cash distributions that the Fund pays and the remaining portion can be used to fund additional investments and/or meet other financial liabilities that may come due.

In 2019, we have proven that our Canadian mortgage portfolio can provide us with liquidity before the maturity date as we have been able to transfer certain mortgages at par value to third party investors via MarshallZehr.

Impairment of Financial assets

On a monthly basis, we assess whether there is objective evidence that mortgages are impaired, having occurred after the initial recognition of the asset and prior to the period-end that have adversely impacted the estimated future cash flows of the asset. The criteria that we use to determine that there is objective evidence of an impairment loss include: significant financial difficulty of the borrowing entity; a breach of contract; and we, as lender, for economic or legal reasons relating to the borrower's financial difficulty, grant (directly or indirectly) to the borrower a concession that the lender would not otherwise consider.

Non-performing loans and the resolution of such loans are a normal, ongoing part of the business. In general, loan pricing takes into account the fact that a small percentage of loans will have a period of non-performance. While MarshallZehr, Crown and EnTrust Global, as Specialty Investment Managers aim to collect all indebtedness on mortgage loans and commercial loans respectively, there are instances where borrowers encounter circumstances when the collection and/or timing of principal repayments and interest payments becomes unclear. For these non-performing loans, interest accrued into revenues is discounted, if such loans are partly performing, or eliminated, if such loans are not performing, thereby resulting in a lower return on the portfolio. Resolving non-performing loans to maximize value is not typically an expedient process and takes patience, experience and capital.

As at December 31, 2019, we recognized that four mortgages administered by MarshallZehr 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. Two of these non-performing loans are interest amounts only and are not considered a part of the mortgage portfolio as the specific allowance brings their values down to zero.

MarshallZehr has been actively and successfully engaged in the recovery processes, including the provision of additional financing by way of court ordered debtor-in-possession facilities, pursuant to the Companies' Creditors Arrangement Act. MarshallZehr continues to advise us to expect full recovery of the non-performing mortgages but until all objective evidence of impairment is removed, the specific allowances on these mortgages remain a modest drag on the portfolio's return. Mortgage loans through MarshallZehr are valued at amortized cost (principal plus accrued interest less an allowance for expected credit losses), which approximates their fair value due to their short term nature.

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

The loan component will be valued by a discounted cash flow method taking into account current market interest rates and other spread premiums. The discount rate shall be the sum of the following components:

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

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

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

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

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

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

Measurement of Credit Risk via Expected Credit Loss (ECL)

At least annually we will estimate the ECL attributable to the portfolio of mortgages based on probabilities of inherent losses that are as yet unidentified. The approach adopted is 'Expected Credit Loss', a methodology which performs a quantitative calculation of the ECL to arrive at a probable quantitative value of the overall ECL. This methodology is similar to regulatory capital calculations already employed by banks and so represents the industry's regulatory standard. The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of the credit risk to which the portfolio of mortgages (and separately loans) is exposed, from the level of individual borrowers up to the total portfolio. The key building blocks of this process are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

For example, the portfolio of mortgages can assign an ECL over the next 12 months to each borrower by multiplying these three factors. A PD is calculated by assessing the credit quality of borrowers. For illustration purposes, suppose a borrower has a 2% probability of defaulting over a 12-month period. The EAD is our estimate of what the outstanding balance will be if the borrower does default. Suppose the current balance is $100,000, our models might predict a rise to $110,000 by the time the borrower defaults. Should borrowers default, some part of the exposure is usually recovered. The part that is not recovered, together with the costs associated with the recovery process, comprise the LGD, which is expressed as a percentage of EAD. Suppose the LGD in this case is estimated to be 10%, the ECL for this borrower is then calculated as 2% x $110,000 x 10% which is $220 (i.e. 0.22% of the outstanding balance).

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

Based on this ECL methodology, we have conducted regular assessments and have assigned an ECL/collective loan loss provision attributable to the mortgage portfolio holdings. As at December 31, 2019, we have assigned an overall rate of 0.23% on the outstanding balances in the mortgage portfolio (less any balances that include a specific provision). In the ECL for mortgages, we recognize that such related losses have yet to be identified. We no longer make additional provisioning on Crown Partner Funding as it is classified as a Fair Value Through Profit and Loss asset under IFRS 9 (previous to Crown adopting IFRS 9 we had assigned an ECL/collective loan loss provision).

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

Subsequent Events: Coronavirus

As the Manager, we have been closely monitoring developments related to coronavirus (COVID-19). As an investor in the Fund, we want take this opportunity to assure we have taken measures to protect the health and safety of our employees, and to update on how we and our portfolio companies are minimizing the impact on the Fund's businesses. All of our relationships with Specialty Managers and MarshallZehr and their businesses go back about a decade or more and so we believe our partners have proven capability to manage through downturns.

We believe the Fund's business is well diversified and resilient, and while we expect some near-term softness in volumes mostly from our container terminals and minor delays in our Chinese solar development business, we do not expect the overall impact to be material. We are monitoring closely as the situation continues to evolve.

Across the 4 pillars of assets which support the Fund, we believe those assets are well diversified and resilient, and while we should expect some near-term softness in volumes which underpin the global activities across maritime shipping and container terminals, and minor delays of equipment, we do not expect the overall impact on these areas to be material. Obviously, with the declaration by the World Health Organization of a Global Pandemic, we are monitoring closely as the situation continues to evolve.

We understand from among the Fund's portfolio of companies that they are prepared with essential materials, including business continuity/action plans that address potential coronavirus situations.

In ports operations around the world we understand quarantine periods for all vessel crews coming from Asia are being implemented with procedures at the dock level to ensure minimal direct interaction between ship and shore crews. We have therefore noted a slowdown in container volumes but expect that these impacts will recover through April and May. Conversely, the tanker market has performed decently to start the year and with the collapse of the OPEC+ talks and Saudi Arabia's subsequent decision to increase its oil production, the crude tanker market will see an increased demand for long haul voyages and for vessels used for floating storage. Also, should the reduced oil prices persist it will help the fuel costs across all our maritime assets.

We are seeing some minor supply chain disruptions relating to sourcing cabling and electronic equipment. This may result in some minor delays on the buildouts underway in our portfolios of renewable energy projects and data centres ... as an example commercial operation dates are likely being pushed back by a few months due to delays in receipt of spare parts and certain battery components from China. We haven't been advised of any delays to date, but I believe we should see some impact to the various operations and maintenance programs over time in the event of an extended disruption to supply chains.

In our renewable power portfolio, the ultimate impact of the virus is expected to be marginal and short term: nonetheless power demand throughout February was naturally lower – not least given reduced business activity following the Chinese New Year holiday and untypical disruptions to travel. However, as renewable power is dispatched in priority and, with power demand largely driven by industrial activity, the bulk of our assets are relatively more defensive and expected to be at the forefront of the eventual economic recovery.

Currently, the impact on the Fund's Ontario mortgage and Canadian commercial loan portfolios are believed to be modest – rather our focus in the earlier part of 2020 for those parts of the portfolio have been more centered on the impact of the Wet'suwet'en protests and their claims over the unceded land the 670 km Coastal GasLink pipeline will pass through and the impact of the rallies in solidarity that have resulted in blocking rails, streets, bridges and ports therefore causing disruptions to deliveries. But here again, our understanding is that developers and project managers are accommodating these extra challenges. Obviously, such impacts are more on equity value whereas the Fund is predominantly debt based and so far better shielded.

Notes

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

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

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

1. *Marshall Zehr Group Inc. Mortgage Administration #11955 Mortgage Brokerage #12453*
2. *Inception dates of each series are as follows: Series A February 28, 2013, Series F January 7, 2013, Series AP December 31, 2018 and Series FP June 29, 2018.*
3. *The awards are based solely on quantitative performance data of 207 Canandian hedge funds to June 30, 2018 with Fundata managing the collection and tabulation of the data to determine the winners. There is no nomination process or subjective assessment in identifying the winning hedge funds. The sharpe ratio is a measure for calculating risk-adjusted returns. The sharpe ratio is the portfolio return in excess of the risk-free rate divided by the volatility of the portfolio.*
4. *Source: www.blackrock.com/ca/individual/en/products/239491/ishares-canadian-short-term-bond-index-etf. The iShares Core Canadian Short Term Bond Index ETF (XSB) seeks to replicate the performance of the FTSE TMX Canada Short Term Bond Index, net of expenses. The XSB includes bonds with remaining effective terms greater than 1 year and less than or equal to 5 years. The XSB is designed to be a broad measure of the Canadian investment-grade fixed income market. Since the Fund does not necessarily invest in the same securities as the XSB or in the same proportion, the performance of the Fund may not be directly comparable to the XSB. In addition, the Fund's performance returns reflect the use of leverage. The use of XSB is for illustration purposes only, and is not an indication of performance of the Fund.*
5. *Robert Hogue, RBC Economics.*
6. *Crown Capital Power LP July 2018 Presentation, Crown Capital Partners Inc.*
7. *Earnings before interest, taxes, depreciation and amortization*
8. *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. (the Manager) in its capacity as the manager of the Fund. The Manager is responsible for the information and representations contained in these financial statements. The Board of Directors of the Manager, in its capacity as trustee of the Fund, approved these financial statements.

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

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

"Michael Lee-Chin"

Michael Lee-Chin
Director
March 20, 2020

"Robert Almeida"

Robert Almeida
Director
March 20, 2020

Independent Auditor's Report

To the Unitholders of Portland Private Income Fund

Opinion

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

- the statement of financial position as at December 31, 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in net assets attributable to the holders of redeemable units for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licenced Public Accountants

March 20, 2020
Toronto, Canada

Statements of Financial Position

As at December 31,		2019		2018
Assets				
Cash and cash equivalents	$	88,693	$	-
Subscriptions receivable		520,060		3,650,258
Interest receivable		-		921,662
Investments (note 5)		126,998,196		111,160,403
		127,606,949		115,732,323
Liabilities				
Overdraft		-		2,589
Management fees payable		117,834		100,343
Expenses payable		69,041		179,282
Redemptions payable		180,005		215,767
Payable for investments purchased		40,255		2,919,000
Distributions payable		389,025		311,496
Organization expenses payable (note 8)		27,308		-
		823,468		3,728,477
Net Assets Attributable to Holders of Redeemable Units	$	126,783,481	$	112,003,846
Net Assets Attributable to Holders of Redeemable Units Per Series				
Series AP		43,650		-
Series FP		1,334,855		871,502
Series A		27,566,526		24,829,254
Series F		97,835,284		86,300,155
Series O		3,166		2,935
	$	126,783,481	$	112,003,846
Number of Redeemable Units Outstanding (note 6)				
Series AP		4,365		-
Series FP		133,486		87,150
Series A		577,303		507,979
Series F		1,995,908		1,724,993
Series O		67		61
Net Assets Attributable to Holders of Redeemable Units Per Unit				
Series AP	$	10.00	$	-
Series FP	$	10.00	$	10.00
Series A	$	47.75	$	48.88
Series F	$	49.02	$	50.03
Series O	$	47.25	$	48.11

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

"Michael Lee-Chin" — Director

"Robert Almeida" — Director

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

Statements of Comprehensive Income

For the years ended December 31,		2019		2018
Income				
Net gain (loss) on investments				
Interest for distribution purposes	$	376,345	$	429,658
Net realized gain (loss) on investments		307,562		2,258
Change in unrealized appreciation (depreciation) on investments		8,280,589		8,153,922
Total income (net)		8,964,496		8,585,838
Expenses				
Management fees (note 8)		678,904		509,215
Service fees (note 8)		287,521		224,744
Securityholder reporting costs (note 8)		175,706		152,886
Organization expenses (note 8)		32,770		-
Mortgage administration fees		30,131		40,649
Audit fees		27,535		20,367
Independent review committee fees		2,737		2,826
Custodial fees		653		493
Legal fees		152		211
Impairment (gain) loss (note 5)		(429,426)		(55,268)
Net operating expenses		806,683		896,123
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$	8,157,813	$	7,689,715
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series				
Series AP	$	1,025	$	-
Series FP	$	34,579	$	8,543
Series A	$	1,578,037	$	1,517,154
Series F	$	6,543,941	$	6,163,758
Series O	$	231	$	260
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit				
Series AP	$	0.34	$	-
Series FP	$	0.47	$	0.17
Series A	$	2.87	$	3.73
Series F	$	3.49	$	4.39
Series O	$	3.63	$	4.51

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

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

For the years ended December 31,	2019	2018
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Series AP	$ -	$ -
Series FP	871,502	-
Series A	24,829,254	16,150,404
Series F	86,300,155	61,650,027
Series O	2,935	2,675
	112,003,846	77,803,106
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Series AP	1,025	-
Series FP	34,579	8,543
Series A	1,578,037	1,517,154
Series F	6,543,941	6,163,758
Series O	231	260
	8,157,813	7,689,715
Distributions to Holders of Redeemable Units		
From net investment income		
Series AP	(1,007)	-
Series FP	(31,252)	(8,543)
Series A	(2,162,266)	(1,555,738)
Series F	(7,627,671)	(5,733,277)
Series O	(248)	(197)
	(9,822,444)	(7,297,755)
From return of capital		
Series AP	(18)	-
Series FP	(3,327)	-
Series A	(38,436)	(68,120)
Series F	(811,900)	(580,634)
Series O	(54)	(77)
	(853,735)	(648,831)
Net Decrease from Distributions to Holders of Redeemable Units	(10,676,179)	(7,946,586)
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Series AP	42,625	-
Series FP	1,037,956	870,450
Series A	4,556,091	9,427,572
Series F	12,990,655	23,253,095
Series O	-	-
	18,627,327	33,551,117
Reinvestments of distributions		
Series AP	1,025	-
Series FP	13,047	1,052
Series A	1,456,660	1,225,089
Series F	4,891,123	3,760,049
Series O	302	274
	6,362,157	4,986,464
Redemptions of redeemable units		
Series AP	-	-
Series FP	(587,649)	-
Series A	(2,652,814)	(1,867,107)
Series F	(4,451,020)	(2,212,863)
Series O	-	-
	(7,691,483)	(4,079,970)
Net Increase (Decrease) from Redeemable Unit Transactions	17,298,001	34,457,611
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Series AP	43,650	-
Series FP	1,334,855	871,502
Series A	27,566,526	24,829,254
Series F	97,835,284	86,300,155
Series O	3,166	2,935
	$ 126,783,481	$ 112,003,846

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

Statements of Cash Flows

For the years ended December 31,		2019		2018
Cash Flows from Operating Activities				
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$	8,157,813	$	7,689,715
Adjustments for:				
Net realized (gain) loss on investments		(307,562)		(2,258)
Change in unrealized (appreciation) depreciation on investments		(8,280,589)		(8,153,922)
Impairment (gain) loss		(429,426)		(55,268)
(Increase) decrease in interest receivable		921,662		(344,751)
Increase (decrease) in management fees and expenses payable		(92,750)		200,241
Increase (decrease) in organization expenses payable		27,308		-
Purchase of investments		(13,830,699)		(25,001,331)
Proceeds from sale of investments		4,131,737		671,079
Net Cash Generated (Used) by Operating Activities		(9,702,506)		(24,996,495)
Cash Flows from Financing Activities				
Increase (decrease) in overdraft		(2,589)		2,589
Distributions to holders of redeemable units, net of reinvested distributions		(4,236,492)		(2,849,785)
Proceeds from redeemable units issued (note 3)		20,393,906		30,456,675
Amount paid on redemption of redeemable units (note 3)		(6,363,626)		(2,847,903)
Net Cash Generated (Used) by Financing Activities		9,791,199		24,761,576
Net increase (decrease) in cash and cash equivalents		88,693		(234,919)
Cash and cash equivalents - beginning of period		-		234,919
Cash and cash equivalents - end of period		88,693		-
Cash and cash equivalents comprise:				
Cash at bank	$	88,693	$	-
From operating activities:				
Interest received, net of withholding tax	$	1,298,007	$	84,907
From financing activities:				
Distributions paid	$	4,236,492	$	2,849,785

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

Schedule of Investment Portfolio
as at December 31, 2019

No. of Units	Description		Average Cost		Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
UNDERLYING FUNDS						
Canada						
1,506,830	Portland Private Income LP Class B	$	101,228,704	$	126,998,196	100.2%
	Other assets less liabilities				(214,715)	(0.2%)
	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$	126,783,481	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 investment fund established under the laws of the Province of Ontario as a trust pursuant to an amended and restated master declaration of trust dated as of December 13, 2013, as amended thereafter and as may be amended and restated from time to time. The formation date of the Fund was December 17, 2012 and inception date was January 7, 2013.Portland Investment Counsel Inc. (the Manager) is the Investment Fund Manager, Portfolio Manager and Trustee of the Fund. The head office of the Fund is 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7. These financial statements were authorized for issue by the Board of Directors of the Manager on March 20, 2020. The financial statements of Portland Private Income LP (the Partnership) are included in Appendix A and are to be read in conjunction with these financial statements.

The Fund offers units to the public on a private placement basis under an offering memorandum. The investment objectives of the Fund are to preserve capital and provide income and above average long-term returns. Although the Fund intends to achieve its investment objective by investing all, or substantially all, of its net assets in the Partnership, the Manager may from time to time determine that the investment objective of the Fund can be best achieved through direct investment in underlying securities and/or investment in other pooled investment vehicles. To the extent the Fund makes direct investments, it will apply the investment strategies of the Partnership. The investment objective of the Partnership is to preserve capital and provide income and above average long-term returns by investing primarily in a portfolio of private debt securities. During December 2019, all mortgage investments were transferred to the Partnership.

Effective June 8, 2018, the Fund launched two new series of preferred units – Series AP and Series FP (Preferred Units). In November, the Fund added a U.S. dollar purchase option for all series of the Fund.

The statements of financial position of the Fund are as at December 31, 2019 and 2018. The statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows of the Fund are for the years ended December 31, 2019 and 2018.

2. BASIS OF PRESENTATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

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

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

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

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

The Fund's accounting policies for measuring the fair value of its investments are similar to those used in measuring net asset value (NAV) for unitholder transactions; therefore, the NAV will be similar to the net assets attributable to holders of redeemable units for financial reporting purposes except for the treatment of organization expenses. Such expenses are fully deductible in the first year of operations under IFRS, therefore the NAV is higher than the net assets attributable of redeemable units in these financial statements. There is a comparison of the NAV per unit and net assets attributable to holders of redeemable units per unit within note 11.

Financial assets and liabilities may be offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund may enter into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy, certain events of default or termination of the contracts.

(b) Recognition, de-recognition and measurement

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

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

Fair value measurement

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

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

Revenue recognition

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

Impairment of financial assets

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

Foreign currency translation

The Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the reporting date. Foreign exchange gains and losses related to assets and liabilities at amortized cost are recognized in profit and loss and are presented as 'Foreign exchange gain (loss) on cash and other net assets' on the statements of comprehensive income. Realized foreign exchange gains and losses related to investments are recognized when incurred and are presented in the statements of comprehensive income within 'Net realized gain (loss) on investments'.

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

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

Cash and cash equivalents

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

Cost of investments

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

Redeemable Units

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

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

Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's NAV per unit at the time of issue or redemption. The Fund's NAV per unit is calculated by dividing the net assets attributable to the holders of each series of redeemable units by the total number of outstanding redeemable units of each respective series. Refer to note 6 for additional details on redeemable units.

Expenses

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

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

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

Organization expenses

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

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

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

Distribution to Unitholders

Distributions will be made to unitholders only at such times and in such amounts as may be determined at the discretion of the Manager. The Fund will distribute sufficient net income and net realized capital gains to unitholders annually to ensure that the Fund is not liable for ordinary income taxes. All distributions by the Fund will be automatically reinvested in additional units of the Fund held by the investor at the NAV per unit thereof, unless the investor notifies the Manager in writing that cash distributions are preferred.

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

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

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

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

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

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

For the period ended	December 31, 2019 ($)	December 31, 2018 ($)
Portland Private Income Fund	17,463,141	1,032,055

Future accounting changes

There are no new accounting standards effective for the years ended beginning after January 1, 2019 which affect the accounting policies of the Fund.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Fair value of securities not quoted in an active market

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

Classification of financial assets and liabilities

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

5. FINANCIAL INSTRUMENTS

a) Risk management

The Fund's investment activities may be exposed to various financial risks, including market risk (which includes price risk, interest rate risk and currency risk), liquidity risk and credit risk. During December 2019, all mortgage investments held by the Fund were transferred to the Partnership. The Fund invests in the Partnership which invests in other funds (the Underlying Funds) and is therefore susceptible to the market risk arising from uncertainties about future values of those Underlying Funds. The Manager makes investment decisions after an extensive assessment of the Underlying Funds, their strategies and the overall quality of the Underlying Funds' manager. All of the Underlying Funds and their underlying investments are subject to risks inherent in their industries. In the case of the Underlying Funds, established markets do not exist for these holdings, and are therefore considered illiquid. The Fund is therefore indirectly exposed to each financial risk of the respective Underlying Fund in proportion to its investments in such Underlying Fund. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's investment objectives and risk tolerance per the Fund's offering memorandum. All investments result in a risk of loss of capital.

Price risk

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

As at December 31, 2019 and 2018, the Fund did not have significant direct exposure to price risk. The Fund has indirect exposure to price risk through its investment in the Partnership.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held by the Fund, such as mortgages. The fair value and future cash flows of such instruments held by the Fund will fluctuate due to changes in market interest rates. The Fund has indirect exposure to interest rate risk through its investment in the Partnership.

There were no mortgage investments held as at December 31, 2019. As of December 31, 2018, the Fund's mortgage investments were in fixed rate, short-term mortgages. The Manager intends to hold all of its mortgages to maturity. There is a very limited secondary market for the Fund's mortgages and in syndication transactions such as the ones in which the Fund participates, these mortgages are generally traded at face value without regard to changes in interest rates. The following is a summary of the carrying value (principal minus allowance for ECL) of mortgage investments segmented by gross interest rate (before deduction of mortgage administration fees) as at December 31, 2018:

	0% - 11.99% ($)	12% - 12.99% ($)	13% - 13.99% ($)	14% - 14.99% ($)	Total ($)
December 31, 2018	1,735,280	-	-	276,032	2,011,312

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

	12 months or less ($)	13 to 24 months ($)	Total ($)
December 31, 2018	1,724,762	286,550	2,011,312

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

Currency risk

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

As at December 31, 2019 and December 31, 2018, the Fund did not have significant exposure to currency risk. The Fund has indirect exposure to currency risk through its investment in the Partnership.

Liquidity risk

The Fund invests in the the Partnership which is not traded in an active market. As a result, the Fund may not be able to quickly liquidate its investments at amounts which approximate their fair values. Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund's exposure to liquidity risk is concentrated in the cash redemption of its units. The Fund provides investors with the right to redeem units monthly upon 60 days' notice in advance of the redemption date. Such redemptions are to be paid within 30 days following the redemption date. Historical experience indicates that shares of the Fund are generally held by unitholders on a medium or long term basis. Based on average historical information from the past 3 years, redemption levels were an average of $264,642 per month (December 31, 2018: $124,947); however, actual monthly redemptions could differ significantly. The portfolio receives a constant cash flow from the underlying mortgage portfolio and other investments and the Manager monitors liquidity within the portfolio on a monthly basis. As at December 31, 2019, 5.6% of the portfolio is held in publically traded securities (December 31, 2018: 10.7%).

The Partnership has the ability to borrow up to 25% of the total assets of the Partnership 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. As at December 31, 2019, the borrowing percentage of the Partnership was 9.3% (December 31, 2018: 9.9%).

Other obligations of the Fund including management fees payable, service fees payable, expenses payable, redemptions payable, payable for investments purchased, and distributions payable, as applicable, were due within 3 months from the financial reporting date. Issued redeemable units are payable on demand following 60 days notice.

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 invested in private mortgage loans which are subject to credit risk. During December 2019, all mortgage investments held by the Fund were transferred to the Partnership and there were no mortgage investments held as at December 31, 2019. Any instability in the real estate sector and adverse change in economic conditions in Canada could result in declines in the value of real property securing the Fund's mortgage investments.

The Fund's credit risk management objectives are to:

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

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

- the majority of mortgages are generally expected to be written for terms of 6 to 36 months and supported by commercial liability insurance and by personal or corporate guarantees; and
- the portfolio of mortgages is generally expected to be written for principal amounts at the time of commitment (together with the principal balance outstanding on prior mortgages if applicable), not exceeding 75% of the determined value of the underlying property securing the mortgage.

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

Expected Credit Losses

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

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

Stage 1 - Performing

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

Stage 2 – Non performing

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

Stage 3 – Impaired

If the Manager believes that a mortgage or commercial loan is impaired, an allowance specific to that loan will be determined based on an assessment of the expected loss over the lifetime of the loan. A range of possibilities is considered and the probable value of the recovery amount determines the amount of the lifetime ECL.

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

ECL is calculated by applying the following formula:

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

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

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

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

$429,426 was reversed from 'Impairment (gain) loss' on the statements of comprehensive income as all mortgages in the Fund were transferred to the Partnership. The following table presents the breakdown of the Mortgage Portfolio into Stages and the respective ECL as at December 31, 2018:

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

Determination of significant changes in credit risk

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

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

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

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

The maximum direct exposure to credit risk is calculated as the face value of the private mortgage loans plus the accrued interest thereon less any ECLs, which totaled $2,838,467 as at December 31, 2018. The Fund has recourse under the terms of the private mortgage loans in the event of default by the borrower, in which case the Fund would have a claim against the underlying property and security.

The following is a summary of the Mortgage Portfolio held by the Fund as at December 31, 2018:

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

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

	Pre-development/ Construction ($)	Construction ($)	Term ($)	Total ($)
December 31, 2018	276,510	709,844	1,024,958	2,011,312

In addition to private mortgage loans, the Fund has indirect exposure to commercial loans through its investment in the Partnership and the Partnership's underlying investments.

b) Fair value of financial instruments

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

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

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

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

The fair value hierarchy requires the use of observable market data each time such data exists. A financial instrument is classified at the lowest level of the hierarchy for which significant input has been considered in measuring fair value.

The following tables illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2019 and 2018:

	Assets (Liabilities)			
As at December 31, 2019	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Partnership	-	126,998,196	-	126,998,196
Total	**-**	**126,998,196**	**-**	**126,998,196**

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

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

c) Structured entities

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

i) restricted activities;

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

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

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

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

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

The exposure to the investment in the Partnership at fair value as at December 31, 2019 and 2018 is presented in the following tables. This investment is included at fair value in financial assets at FVTPL in the statements of financial position. The Manager's best estimate of the maximum exposure to loss from the Fund's investment in the Partnership is the fair value below.

December 31, 2019	Fair value of Underlying Fund ($)	Investment at fair value ($)	% of Fair value of Underlying Fund
Portland Private Income LP	126,998,281	126,998,196	100.0%

December 31, 2018	Fair value of Underlying Fund ($)	Investment at fair value ($)	% of Fair value of Underlying Fund
Portland Private Income LP	109,149,170	109,149,091	100.0%

6. REDEEMABLE UNITS

The Fund is permitted to issue an unlimited number of redeemable units issuable in Series A, Series F, Series O (Common Units). The Fund is permitted to issue Series AP and Series FP (Preferred Units), limited to equivalent of a maximum of 25% of the total assets of the Partnership after giving effect to borrowing, inclusive of any prime brokerage or other borrowing facility. Additional series may be offered in the future on different terms, including different fee and dealer compensation terms and different minimum subscription levels. Each unit of a series represents an undivided ownership interest in the net assets of the Fund attributable to that series of units.

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

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

The principal difference between the series of units relates to the distribution policy, management fee payable to the Manager, minimum investment requirements and the compensation paid to dealers. Units of the Fund are entitled to participate in the liquidation of assets on a series basis. Units are issued as fully paid and non-assessable and are redeemable at the NAV per unit of the applicable series of units of the Fund being redeemed, determined at the close of business on the redemption date, as outlined in the offering memorandum.

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

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

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

Series F and Series FP Units are available to investors who meet the eligibility requirements and who invest a minimum of $2,500 in respect of Series F and $5,000 in respect of Series FP, who participate in fee-based programs through their dealer and whose dealer has signed a Series F agreement with the Manager, investors for whom the Fund does not incur distribution costs, or individual investors approved by the Manager.

Series O Units are available to certain institutional investors making a minimum investment of $500,000.

The number of units issued and outstanding for the years ended December 31, 2019 and 2018 was as follows:

For the period ended December 31, 2019	Balance, Beginning of Period	Units Issued Including Switches from Other Series	Units Reinvested	Units Redeemed Including Switches to Other Series	Balance, End of Period	Average Number of Units
Series AP	-	4,263	102	-	4,365	3,026
Series FP	87,150	103,796	1,305	58,765	133,486	76,971
Series A	507,979	94,237	30,243	55,156	577,303	550,367
Series F	1,724,993	262,293	99,073	90,451	1,995,908	1,876,269
Series O	61	-	6	6	67	64

For the period ended December 31, 2018	Balance, Beginning of Period	Units Issued Including Switches from Other Series	Units Reinvested	Units Redeemed Including Switches to Other Series	Balance, End of Period	Average Number of Units
Series FP	-	87,045	105	-	87,150	43,770
Series A	328,552	192,590	25,031	38,194	507,979	406,748
Series F	1,229,242	464,836	75,166	44,251	1,724,993	1,404,660
Series O	55	-	6	-	61	58

7. TAXATION

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

The taxation year end of the Fund is December 31.

The Fund has $584,159 of capital loss carry forwards as at December 31, 2019 (December 31, 2018: $1,090). The Fund does not have any non-capital loss carry forwards amounts as at December 31, 2019 (December 31, 2018: nil).

8. FEES AND EXPENSES

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

The Fund is required to pay management fees to the Manager, calculated and accrued on each valuation date and paid monthly. The annual management fee rate for Series A, Series F, Series AP and Series FP Units is 0.50% of the NAV of the applicable series. Management fees on Series O Units are negotiated and are charged to the investors who hold Series O Units, not the Fund. The Fund is also charged service fees on Series A and Series AP Units of 1.00% per annum calculated and accrued on each Valuation Date and paid monthly. The Manager distributes the service fees to advisors as a trailing commission.

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

During the period ended December 31, 2018, organization expenses in the amount of $29,000 (excluding applicable taxes such as HST) were incurred for the issuance of Preferred Units. The Fund is required to re-pay this amount to the Manager over five years commencing January 31, 2019.

All management fees, operating expenses and organization expense payable by the Fund to the Manager are subject to GST and/or HST as applicable and will be deducted as an expense of the applicable series of units in the calculation of the NAV of such series of units.

9. SOFT DOLLARS

Allocation of business to brokers of the Fund is made on the basis of coverage, trading ability and fundamental research expertise. The Manager may choose to affect portfolio transactions with dealers who provide research, statistical and other similar services to the Fund or to the Manager at prices which reflect such services (termed proprietary research). The dealers do not provide the Manager with an estimate of the cost of the research, statistical and other similar services (referred to as soft dollars).

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

10. RELATED PARTY TRANSACTIONS

The following tables outline the management fees, service fees and operating expense reimbursements that were paid to the Manager by the Fund during the years ended December 31, 2019 and 2018. The table includes the amount of operating expense reimbursement that was made to affiliates of the Manager. All of the dollar amounts in the table below exclude applicable GST and/or HST.

Period ended	Management Fees ($)	Service Fees ($)	Operating Expense Reimbursement ($)	Organization Costs ($)	Operating Expenses Reimbursed to Affiliates of the Manager ($)
December 31, 2019	604,224	255,901	184,043	5,800	1,351
December 31, 2018	453,976	200,364	157,605	-	2,621

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

As at	Management Fees ($)	Service Fees ($)	Operating Expense Reimbursement ($)	Organization Costs ($)
December 31, 2019	104,916	34,408	27,117	24,167
December 31, 2018	89,631	39,191	36,203	-

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

As at	Manager	Related Parties
December 31, 2019	-	231,717
December 31, 2018	-	210,032

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

The NAV per unit of the Fund is lower than the net assets attributable to holders of redeemable units per unit because of the difference in the accounting treatment of organization expenses. Such expenses were recorded in full in the financial statements but are deducted from the NAV on a monthly basis over a five-year period for purposes of unitholder transactions starting January 30, 2019. Therefore, the NAV per unit for the Fund is higher than net assets attributable to holders of redeemable units per unit. The following table provides a comparison of NAV per unit and net assets attributable to holders of redeemable units of the Fund as at December 31, 2019. There was no difference in the NAV per unit of the Fund and net assets attributable to unitholders of the Fund as at December 31, 2018.

As at December 31, 2019	NAV per Unit ($)	Net assets attributable to holders of redeemable units per unit ($)
Series AP Units	10.00	10.00
Series FP Units	10.00	10.00
Series A Units	47.76	47.75
Series F Units	49.03	49.02
Series O Units	47.16	47.15

12. EXEMPTION FROM FILING

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

APPENDIX A

Portland Private Income LP

Annual Financial Report

December 31, 2019

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

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

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

"Michael Lee-Chin"

Michael Lee-Chin
Director
March 20, 2020

"Robert Almeida"

Robert Almeida
Director
March 20, 2020

Independent Auditor's Report

To the Unitholders of Portland Private Income LP

Opinion

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

- the statement of financial position as at December 31, 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in net assets attributable to holders of redeemable units for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licenced Public Accountants

March 20, 2020
Toronto, Canada

Statements of Financial Position

As at December 31,		2019		2018
Assets				
Cash and cash equivalents	$	197,999	$	-
Subscriptions receivable		40,255		2,919,000
Receivable for investments sold		722,900		698,941
Interest receivable		2,331,053		1,231,951
Dividends receivable		1,012		20,977
Investments (note 5)		133,169,431		115,763,720
Investments - pledged as collateral (note 5 and 9)		3,419,356		1,684,685
Derivative assets		221,378		-
		140,103,384		122,319,274
Liabilities				
Borrowing (note 9)		12,944,412		12,706,257
Expenses payable		120,388		117,302
Payable for investments purchased		21,087		346,445
Derivative liabilities		19,116		-
		13,105,003		13,170,004
Net Assets Attributable to Holders of Redeemable Units	$	126,998,381	$	109,149,270
Equity				
General Partner's Equity		100		100
Net Assets Attributable to Holders of Redeemable Units Per Class				
Class A		85		79
Class B		126,998,196		109,149,091
	$	126,998,281	$	109,149,170
Number of Redeemable Units Outstanding (note 6)				
Class A		1		1
Class B		1,506,830		1,393,112
Net Assets Attributable to Holders of Redeemable Units Per Unit				
Class A	$	85.10	$	78.92
Class B	$	84.28	$	78.35

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

"Michael Lee-Chin"

Director

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

Statements of Comprehensive Income

For the years ended December 31,	2019	2018
Income		
Net gain (loss) on investments and derivatives		
Dividends	$ 835,126	$ 778,649
Interest for distribution purposes	7,841,601	5,166,954
Net realized gain (loss) on investments	890,284	123,848
Net realized gain (loss) on forward currency contracts	62,102	-
Change in unrealized appreciation (depreciation) on investments	35,432	4,409,662
	9,664,545	10,479,113
Other income		
Foreign exchange gain (loss) on cash and other net assets	274,978	(474,451)
Total income (net)	9,939,523	10,004,662
Expenses		
Mortgage administration fees	1,010,388	671,633
Interest expense and bank charges (note 10)	314,267	454,625
Securityholder reporting costs (note 8)	71,471	38,144
Audit fees	52,067	58,976
Arrangement fee-Clarien Bank (note 9 and 11)	44,195	-
Withholding tax expense	22,672	31,856
Transaction costs	8,041	4,335
Legal fees	4,159	212
Custodial fees	3,070	2,115
Organization expenses (note 8)	-	4,114
Impairment (gain) loss (note 5)	(178,923)	582,485
Total operating expenses	1,351,407	1,848,495
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 8,588,116	$ 8,156,167
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	$ 6	$ 7
Class B	$ 8,588,110	$ 8,156,160
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	$ 5.48	$ 7.21
Class B	$ 5.92	$ 6.96

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

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

For the years ended December 31,	2019	2018
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Class A	$ 79	$ 72
Class B	109,149,091	74,613,581
	109,149,170	74,613,653
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	6	7
Class B	8,588,110	8,156,160
	8,588,116	8,156,167
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	-	-
Class B	10,951,995	26,394,350
	10,951,995	26,394,350
Redemptions of redeemable units		
Class A	-	-
Class B	(1,691,000)	(15,000)
	(1,691,000)	(15,000)
Net Increase (Decrease) from Redeemable Unit Transactions	9,260,995	26,379,350
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Class A	85	79
Class B	126,998,196	109,149,091
	$ 126,998,281	$ 109,149,170

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

Statements of Cash Flows

For the years ended December 31,	2019	2018
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 8,588,116	$ 8,156,167
Adjustments for:		
Net realized (gain) loss on investments	(890,284)	(123,848)
Change in unrealized (appreciation) depreciation on investments	(35,432)	(4,409,662)
Unrealized foreign exchange (gain) loss on cash	(3,158)	1,758
Impairment (gain) loss	(178,923)	582,485
(Increase) decrease in interest receivable	(1,099,102)	(641,066)
(Increase) decrease in dividends receivable	19,965	38,762
Increase (decrease) in expenses payable	3,086	67,734
Purchase of investments	(70,648,510)	(47,199,016)
Proceeds from sale of investments	52,027,821	15,381,267
Net Cash Generated (Used) by Operating Activities	(12,216,421)	(28,145,419)
Cash Flows from Financing Activities		
Increase (decrease) in borrowing	271,522	3,160,388
Proceeds from redeemable units issued (note 3)	13,830,740	25,001,350
Amount paid on redemption of redeemable units (note 3)	(1,691,000)	(15,000)
Net Cash Generated (Used) by Financing Activities	12,411,262	28,146,738
Net increase (decrease) in cash and cash equivalents	194,841	1,319
Unrealized foreign exchange gain (loss) on cash	3,158	(1,758)
Cash and cash equivalents - beginning of period	-	439
Cash and cash equivalents - end of period	197,999	-
Cash and cash equivalents comprise:		
Cash at bank	$ 98,264	$ -
Short-term investments	99,735	-
	$ 197,999	$ -
From operating activities:		
Interest received, net of withholding tax	$ 6,742,499	$ 4,525,888
Dividends received, net of withholding tax	$ 832,419	$ 785,555
From financing activities:		
Interest paid	$ 289,798	$ 379,165

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

Schedule of Investment Portfolio

As at December 31, 2019

No. of Units/ Shares/ Face Value	Description	Average Cost	Fair Value/ Amortized Cost	% of Net Assets Attributable to Holders of Redeemable Units
LOAN PARTICIPATION AGREEMENT				
Canada				
2,500,000	Crown Capital Partner Fund, LP - Rokstad Holdings Corporation	2,500,000	2,503,500	
		2,500,000	2,503,500	2.0%
EQUITIES - COMMON				
Bermuda				
106,000	Brookfield Property Partners L.P.	$ 2,849,132	$ 2,515,470	
		2,849,132	2,515,470	2.0%
Canada				
31,022	Baylin Technologies Inc. Warrant January 17, 2023	40,755	8,686	
563,000	Crown Capital Partners Inc.	5,145,486	4,273,170	
1,000	RioCan Real Estate Investment Trust	24,087	26,760	
		5,210,328	4,308,616	3.4%
United States				
1,000	Ares Capital Corporation	20,171	24,218	
		20,171	24,218	-
	Total equities - common	8,079,631	6,848,304	5.4%
EQUITIES - PREFERRED				
Bermuda				
4,000	Brookfield Infrastructure Partners L.P., Preferred, Series 11, Fixed Reset	96,725	88,600	
		96,725	88,600	0.1%
Canada				
7,500	Bank of Montreal, Preferred, Series 42, Fixed-Reset	177,471	160,125	
2,000	Brookfield Office Properties Inc., Preferred, Series S, Floating Rate	43,130	38,510	
3,000	Brookfield Renewable Power Inc., Preferred, Series 2, Floating Rate	53,265	51,180	
7,000	ECN Capital Corp., Preferred, Series C, Fixed-Reset	153,957	143,465	
2,500	Enbridge Inc., Preferred, Series 11, Fixed-Reset	49,013	41,200	
2,000	First National Financial Corporation, Preferred Series 2, Floating Rate	27,230	24,870	
1,000	First National Financial Corporation, Preferred, Series 1, Fixed-Reset	11,108	12,180	
6,000	National Bank of Canada, Preferred, Series 38, Fixed-Reset	139,241	129,600	
4,500	The Toronto-Dominion Bank, Preferred, Series 16, Fixed-Reset	111,570	94,590	
5,000	TransAlta Corporation, Preferred, Series B, Floating Rate	72,706	59,999	
		838,691	755,719	0.6%
	Total equities - preferred	935,416	844,319	0.7%
UNDERLYING FUNDS				
Canada				
4,975	Brookfield Super-Core Infrastructure Partners (NUS) L.P.	6,613,965	6,505,915	
52,500	Crown Capital Partner Fund, LP	24,745,188	32,866,050	
10,000	Crown Capital Power Limited Partnership	4,036,415	4,103,600	
1,205	Portland Global Aristocrats Plus Series O	60,250	63,016	
62,219	Portland Global Energy Efficiency and Renewable Energy Fund LP Class O	3,546,524	4,207,679	
		39,002,342	47,746,260	37.6%
Ireland				
22,453	Blue Ocean Fund Class I	2,943,613	3,607,363	
52,563	Blue Ocean Fund Class I-B	7,069,183	7,260,971	
		10,012,796	10,868,334	8.6%
United States				
4,464	Brookfield Infrastructure Fund IV-A L.P.	5,883,849	5,764,782	
		5,883,849	5,764,782	4.5%
	Total - underlying funds	54,898,987	64,379,376	50.7%
MORTGAGES				
Canada				
	Private Mortgage Loans (note 5)*	63,093,981	62,013,288	
	Total mortgages	63,093,981	62,013,288	48.7%

* Reported at amortized cost

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

Schedule of Investment Portfolio (continued)
As at December 31, 2019

No. of Units/ Shares/ Face Value	Description		Average Cost	Fair Value/ Amortized Cost	% of Net Assets Attributable to Holders of Redeemable Units
FORWARD CURRENCY CONTRACTS (Schedule 1)					
	Total unrealized gain on forward currency contracts		-	221,378	
	Total unrealized loss on forward currency contracts		-	(19,116)	
				202,262	0.2%
	Net investments		129,508,015	136,791,049	107.7%
	Transaction costs		(3,364)	-	-
		$	129,504,651	136,791,049	107.7%
	Liabilities less other assets			(9,792,768)	(7.7%)
	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEEMABLE UNITS			$ 126,998,281	100.0%

Schedule 1

		Purchased Currency			Sold Currency			
Contract Price	Settlement Date	Currency	Amount ($)	Value as at December 31, 2019 ($)	Currency	Amount ($)	Value as at December 31, 2019 ($)	Unrealized gain (loss) ($)
0.75347	Jan-15-20	Canadian Dollar	2,708,815	2,708,815	United States Dollar	2,041,000	2,650,169	58,646
0.75529	Jan-15-20	Canadian Dollar	3,905,800	3,905,800	United States Dollar	2,950,000	3,830,474	75,325
0.76154	Feb-14-20	Canadian Dollar	3,643,936	3,643,936	United States Dollar	2,775,000	3,602,805	41,131
0.76339	Mar-18-20	Canadian Dollar	5,161,203	5,161,203	United States Dollar	3,940,000	5,114,928	46,275
							Unrealized gain	221,378
0.75887	Jan-15-20	United States Dollar	991,000	1,286,780	Canadian Dollar	1,305,895	1,305,895	(19,116)
							Unrealized loss	(19,116)

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

1. GENERAL INFORMATION

Portland Private Income LP (the Partnership) is a limited partnership established under the laws of the Province of Ontario pursuant to a limited partnership agreement dated as of December 17, 2012, as amended thereafter and as may be amended and restated from time to time. The inception date of the Partnership was October 31, 2012. Pursuant to the partnership agreement, Portland General Partner (Ontario) Inc. (the General Partner) is responsible for the management of the Partnership. The General Partner has engaged Portland Investment Counsel Inc. (the Manager) to direct the day-to-day business, operations and affairs of the Partnership, including management of the Partnership's portfolio on a discretionary basis and distribution of the units of the Partnership. The head office of the Partnership is 1375 Kerns Road, Suite 100, Burlington, ON L7P 4V7. These financial statements were authorized for issue by the General Partner on March 20, 2020.

The Partnership was established as an investment vehicle for Portland Private Income Fund (the Fund). Both the Partnership and the Fund are managed by the Manager.

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

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

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

In addition, the Partnership may borrow up to 25% of the total assets of the Partnership after giving effect to the borrowing.

The Partnership may invest in investment funds and mutual funds (collectively, Underlying Funds) and exchange-traded funds which may or may not be managed by the Manager or one of its affiliates or associates. The Partnership may hold cash in short-term debt instruments, money market funds or similar temporary instruments, pending full investment of the Partnership's capital and at any time deemed appropriate by the Manager.

The Partnership has no geographic, industry sector, asset class or market capitalization restrictions. There is no restriction on the percentage of the net asset value of the Partnership which may be invested in the securities of a single issuer.

The statements of financial position of the Partnership are as at December 31, 2019 and 2018. The statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows of the Partnership are for the years ended December 31, 2019 and 2018.

2. BASIS OF PRESENTATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

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

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

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

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

Financial assets and liabilities may be offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Partnership may enter into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy, certain events of default or termination of the contracts.

(b) Recognition, de-recognition and measurement

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

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

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

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

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

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

i. Expiration of purchased options - realized losses will arise equal to the premium paid;
ii. Exercise of the purchased options - realized gains will arise up to the intrinsic value of the option net of premiums paid; or
iii. Closing of the purchased options - realized gains or losses will arise equal to the proceeds from selling the options to close the position, net of any premium paid.

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

Fair value measurement

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

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

Revenue recognition

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

Impairment of financial assets

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

Foreign currency translation

The Partnership's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the reporting date. Foreign exchange gains and losses related to assets and liabilities at amortized cost are recognized in profit and loss and are presented as 'Foreign exchange gain (loss) on cash and other net assets' on the statements of comprehensive income. Realized foreign exchange gains and losses related to investments are recognized when incurred and are presented in the statements of comprehensive income within 'Net realized gain (loss) on investments'.

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

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

Cash and cash equivalents

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

Cost of investments

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

Redeemable Units

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

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

Redeemable units are issued and redeemed at the holder's option at prices based on the Partnership's NAV per unit at the time of issue or redemption. The Partnership's NAV per unit is calculated by dividing the net assets attributable to the holders of each class of redeemable units by the total number of outstanding redeemable units of each respective class.

Expenses

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

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

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

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.

Loan origination fees

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

Distribution to Unitholders

Distributions will be made to unitholders only at such times and in such amounts as may be determined at the discretion of the Manager. All distributions by the Partnership will be paid in cash.

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

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

Collateral

Collateral other than cash is classified in the statements of financial position separately from other assets and liabilities as 'Investments - pledged as collateral' if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral.

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

The Partnership includes only the net cash flow impact and does not include non-cash switches between classes of the Partnership that occurred during the year in 'Proceeds from redeemable units issued' or 'Amount paid on redemption of redeemable units'. There were no non-cash switches excluded from the Partnership's operation and financing activities on the statements of cash flows for the periods ended December 31, 2019 and December 31, 2018.

Future accounting changes

There are no new accounting standards effective for the years ended beginning after January 1, 2019 which affect the accounting policies of the Partnership.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Fair value of securities not quoted in an active market

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

Fair value of foreign securities

The Manager has procedures in place to determine the fair value of foreign securities traded in foreign markets to avoid stale prices and to take into account, among other things, any subsequent events occurring after the close of a foreign market. The Manager's fair value pricing techniques involve assigning values to the Partnership's portfolio holdings that may differ from the closing prices on the foreign securities exchanges. The Manager will do this in circumstances where it has in good faith determined that to do so better reflects the market values of the securities in question.

Fair value of Underlying Funds

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

Classification of financial assets and liabilities

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

5. FINANCIAL INSTRUMENTS

a) Risk management

The Partnership's investment activities may be exposed to various financial risks, including market risk (which includes price risk, interest rate risk and currency risk), liquidity risk, credit risk and leverage risk. The Partnership invests in other funds and is therefore susceptible to the market risk arising from uncertainties about future values of those Underlying Funds. The Manager makes investment decisions after an extensive assessment of the Underlying Funds, their strategies and the overall quality of the Underlying Fund's manager. All of the Underlying Funds and their underlying investments are subject to risks inherent in their industries. In the case of the Underlying Funds, established markets do not exist for these holdings, and are therefore considered illiquid. The Partnership is therefore indirectly exposed to each financial risk of the respective Underlying Fund in proportion to its investments in such Underlying Fund. The Partnership's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Partnership's investment objectives and risk tolerance per the Partnership's offering documents. All investments result in a risk of loss of capital.

Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk). Financial instruments, excluding interest-bearing financial instruments such as mortgages, commercial loans and bonds, held by the Partnership are susceptible to market price risk arising from uncertainties about future prices of the instruments.

If the price of these investments held by the Partnership on December 31, 2019 had been higher or lower by 5%, net assets attributable to holders of redeemable units of the Partnership would have been higher or lower by $3,603,560 (December 31, 2018: $3,209,094). Actual results may differ from this sensitivity analysis and the difference could be material.

Interest rate risk

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

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

As of December 31, 2019 and 2018, the Partnership's Loan Portfolio includes fixed rate, short-term mortgages and a commercial loan. The Partnership generally intends to hold all of its investments in the Loan Portfolio to maturity. There is a very limited secondary market for the Loan Portfolio and in syndication transactions such as the ones in which the Partnership participates, these investments are generally traded at face value without regard to changes in interest rates.

The following is a summary of the carrying value (principal minus allowance for ECL) of the mortgages segmented by gross interest rate (before deduction of mortgage administration fees) as at December 31, 2019 and 2018:

	0% - 11.99% ($)	12% - 12.99% ($)	13% - 13.99% ($)	14% - 14.99% ($)	15% - 15.99% ($)	Total ($)
December 31, 2019	8,709,095	14,632,586	14,809,348	13,554,814	10,307,445	62,013,288
December 31, 2018	8,221,303	12,840,080	18,675,529	11,866,153	-	51,603,065

The following is a summary of the carrying value of mortgage investments segmented by term as at December 31, 2019 and December 31, 2018:

	12 months or less ($)	13 to 24 months ($)	24 to 36 months ($)	Total ($)
December 31, 2019	43,583,389	2,214,659	16,215,240	62,013,288
December 31, 2018	41,248,677	9,570,325	784,063	51,603,065

In addition, the Partnership held a participation interest in a commercial loan which is a co-investment with Crown Partner Funding. The participation interest is $2.5 million of a $55 million loan that was completed with Rokstad Holdings Corporation (Rokstad). Interest of 10% per annum is payable monthly.

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

The Partnership had exposure to interest rate risk due to its borrowings as described in note 9. If interest rates had doubled during the year ended, interest expense would have been higher and ending net assets attributable to holders of redeemable units would have been lower by $280,678 (December 31, 2018: $379,165).

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

Currency risk

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

The use of currency risk mitigation strategies such as forward currency contracts involves special risks including the possible default by the counterparty to the transaction, illiquidity and to the extent the Manager's assessment of certain market movements is incorrect, the risk that the use of such strategies could result in losses greater than if the strategy had not been used. The forward currency contracts may have the effect of limiting or reducing the total returns of the Partnership if the Manager's expectations concerning future events or market conditions prove to be incorrect. In addition, costs associated with the forward currency contracts may outweigh the benefits of the arrangements in some circumstances.

The Manager may, from time to time, at its sole discretion, enter into forward currency contracts in relation to all or a portion of the value of the Partnership's non-Canadian dollar currency exposure or the non-Canadian currency exposure of the issuers whose securities comprise the Partnership's portfolio back, directly or indirectly, to the Canadian dollar. Forward currency contract amounts are based on a combination of trading currency of the Partnership's holdings and an estimate of the currency to which their operations are exposed.

The tables below indicate the foreign currencies to which the Partnership had significant exposure at December 31, 2019 and 2018 in Canadian dollar terms, net of the notional amounts of forward currency contracts. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 5% in relation to each of the other currencies, with all other variables held constant.

December 31, 2019	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary ($)	Non-monetary ($)	Total ($)	Monetary ($)	Non-monetary ($)	Total ($)
United States Dollar	(23,438,393)	23,448,098	9,705	(1,171,920)	1,172,405	485
Total	**(23,438,393)**	**23,448,098**	**9,705**	**(1,171,920)**	**1,172,405**	**485**
% of net assets attributable to holders of redeemable units	**(0.2%)**	**0.2%**	**0.0%**	**(0.0%)**	**0.0%**	**0.0%**

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

Liquidity risk

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

The Partnership investments in the Loan Portfolio and the Underlying Funds are not traded in an active market and may not be 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 borrowing facilities may be payable upon demand, as described in note 9.

The Partnership has committed amounts to Underlying Funds, as described in note 12. All other payables were due within 3 months from the financial reporting date. Issued redeemable units and borrowings are payable on demand following 60 days notice.

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 in private mortgage loans (the Mortgage Portfolio) which are subject to credit risk. Any instability in the real estate sector and adverse change in economic conditions in Canada could result in declines in the value of real property securing the Partnership's mortgage investments within its Loan Portfolio. As at December 31, 2019 and 2018, the Mortgage Portfolio only contained investments within Ontario.

The Partnership's credit risk management objectives are to:

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

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

- the majority of mortgages are generally expected to be written for terms of 6 to 36 months and supported by commercial liability insurance and by personal or corporate guarantees; and
- the portfolio of mortgages is generally expected to be written for principal amounts at the time of commitment (together with the principal balance outstanding on prior mortgages if applicable), not exceeding 75% of the determined value of the underlying property securing the mortgage.

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

Expected Credit Losses

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

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

Stage 1 - Performing

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

Stage 2 – Non performing

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

Stage 3 – Impaired

If the Manager believes that a mortgage or commercial loan is impaired, an allowance specific to that loan will be determined based on an assessment of the expected loss over the lifetime of the loan. A range of possibilities is considered and the probable value of the recovery amount determines the amount of the lifetime ECL.

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

ECL is calculated by applying the following formula:

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

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

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

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

As at December 31, 2019, $178,923 was reversed from 'Impairment (gain) loss' on the statements of comprehensive income as the Manager decreased the ECL rate. The following tables present the breakdown of the Mortgage Portfolio into Stages and the respective ECL as at December 31, 2019 and 2018:

December 31, 2019	Number of Loans	Principal + Accrued Interest ($)	ECL Amount ($)	ECL Rate
Stage 1	26	62,216,342	(143,098)	0.2%
Stage 2	-	-	-	-
Stage 3	4	3,258,691	(937,595)	14.3%
Total	**30**	**65,475,033**	**(1,080,693)**	

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

During the year ended December 31, 2019, a mortgage loan was moved out of Stage 3 as the probability of loan repayment has improved. The recovered amount is included as 'Impairment (gain) loss' on the statements of comprehensive income. As at December 31, 2019, the principal plus accrued interest of this mortgage loan was $578,061. As at December 31, 2028, this mortgage loan was held by the Fund.

Determination of significant changes in credit risk

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

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

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

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

The maximum direct exposure to credit risk at December 31, 2019 is calculated as the face value of the private mortgage loans plus the accrued interest thereon less any ECLs, which totaled $64,394,341 (December 31, 2018: $52,817,622). The Partnership has recourse under the terms of the private mortgage loans in the event of default by the borrower, in which case the Partnership would have a claim against the underlying property and security.

The following is a summary of the Mortgage Portfolio held by the Partnership as at December 31, 2019 and 2018:

December 31, 2019	Number of Mortgages	Carrying Value ($)	Carrying Value + Accrued Interest ($)
First Mortgages	26	47,097,061	49,154,120
Second Mortgages	2	5,902,619	5,960,445
Fourth Mortgages	1	6,709,042	6,922,428
Fifth Mortgages	1	2,304,566	2,357,347
Total	**30**	**62,013,288**	**64,394,341**

December 31, 2018	Number of Mortgages	Carrying Value ($)	Carrying Value + Accrued Interest ($)
First Mortgages	21	40,408,225	41,082,606
Second Mortgages	4	11,194,840	11,735,016
Total	**25**	**51,603,065**	**52,817,622**

The following is a summary of the Mortgage Portfolio segmented by type of project as at December 31, 2019 and 2018:

	Pre-development ($)	Pre-development/ Construction ($)	Construction ($)	Term ($)	Total ($)
December 31, 2019	9,297,855	18,106,770	26,877,704	2,351,201	56,633,530
December 31, 2018	8,380,285	16,260,443	24,345,839	2,616,498	51,603,065

The following is a summary of the maturity profile of the Mortgage Portfolio as at December 31, 2019 and 2018:

	12 months or less ($)	13 to 24 months ($)	25 to 36 months ($)	Total ($)
December 31, 2019	45,626,445	2,240,670	16,527,226	64,394,341
December 31, 2018	42,144,821	9,879,321	793,480	52,817,622

During the year ended December 31, 2019, the Partnership held a participation interest in two commercial loans which were co-investments with Crown Partner Funding. On November 5, 2019, the Partnership participated in a loan participation agreement of $2.5 million of a $55 million loan that was completed with Rokstad. The value of this investment and the maximum exposure to credit risk is $2,503,500. In 2018, the Partnership participated with an investment of $1.5 million in a $33 million loan with Baylin Technologies Inc. (Baylin). The Baylin partnership interest was paid in full on March 31, 2019. As at December 31, 2018, the value of the Baylin investment was reduced by ECL equal to 1.00% of the implied face value of the loan leaving the maximum exposure to credit risk from the investment at $1,447,413 including accrued interest.

The Partnership also has indirect exposure to commercial loans through its investment in Crown Partner Funding and Blue Ocean. The portfolio of commercial loans are generally expected to be first and second lien senior loans and mezzanine debt of 1 to 10 years amortization period and with terms being between 1 to 7 years, although some may be a much longer duration while bridge loans would typically be less than one year.

Ordinarily, the Manager expects the leverage of companies being financed within Crown Partner Funding would be less than 50% of their determined value and controlled at or below a ratio of 5x debt / EBITDA (earnings before interest, taxes, depreciation and amortization). It is anticipated that typical characteristics for the special situations financing being undertaken by Crown Partner Funding are: loans of duration 6 months to 5 years; and covenants including debt / EBITDA typically less than 4x, which is within the preferred risk parameters of the Manager. Crown Partner Funding is valued at FVTPL. As at December 31, 2019, the value of this investment and the maximum exposure to credit risk is $32,866,050 (December 31, 2018: $35,912,100).

Based on current expectations, the Manager expects the composition of commercial loans within Blue Ocean to have appropriate LTV and proper asset protection through their tenors. The investments which are senior secured loans would ordinarily expect to be within the range of 50% – 80% of the determined value of its underlying assets. EnTrust Global , the specialty investment manager of Blue Ocean has appointed Citco Fund Services (Ireland) Limited to act as an external valuer to value Level 1 and certain Level 2 securities of Blue Ocean. Level 3 securities, being mainly the loans, lease portfolios and similar investments within Blue Ocean will be valued by EnTrust Global with the assistance of one or more specialist maritime pricing providers, in accordance with fair value accounting principles. EnTrust Global conducts and provides quarterly valuations at a minimum to the Manager. Under U.S. Accounting Standards Codification 820 Fair Value Measures and Disclosures (the Code), EnTrust Global is required to fair value including an impairment allowance. As Blue Ocean is required to recognize an impairment allowance under the Code, the Manager makes no additional allowance for credit risk. As at December 31, 2019, the value of this investment and the maximum exposure to credit risk is $10,868,334 (December 31, 2018: $10,603,246).

The Partnership is also exposed to credit risk from investments in forward currency contracts. The Partnership limits its exposure to credit losses on forward currency contracts by ensuring there are netting arrangements with each counterparty to the forward currency contracts, such that any gains (amounts owing to the Partnership) on individual contracts can be set off against any losses (amounts owing to the counterparty) even in the event of default or bankruptcy. The maximum exposure to credit risk from these contracts is equivalent to the fair value of forward currency contracts that are in a net unrealized gain position as of the reporting date as outlined in the table below including the effect of master netting or similar arrangements in place with all counterparties. The following table outlines the exposure and credit rating of each counterparty in an unrealized gain position as of the date of the statements of financial position. There were no similar arrangements as at December 31, 2018.

	December 31, 2019	
	Net Unrealized Gain ($)	Credit Rating
CIBC World Markets Inc.	202,262	Standard & Poor's A-1

Leverage Risk

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

As at December 31, 2019, the amount borrowed was $12,944,412 (December 31, 2018: $12,706,257) representing 9.3% of the total assets of the Partnership (December 31, 2018: 9.9%). Interest expense incurred on amounts borrowed for the period ended December 31, 2019 was $280,678 (December 31, 2018:$379,165).

b) Fair value of financial instruments

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

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

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

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

The fair value hierarchy requires the use of observable market data each time such data exists. A financial instrument is classified at the lowest level of the hierarchy for which significant input has been considered in measuring fair value.

The following tables illustrates the classification of the Partnership's financial instruments within the fair value hierarchy as at December 31, 2019 and 2018:

		Assets (Liabilities)		
December 31, 2019	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Equities - Long	7,692,623	-	-	7,692,623
Loans	-	-	2,503,500	2,503,500
Underlying Funds	-	43,538,581	20,840,795	64,379,376
Derivative Assets	-	221,378	-	221,378
Derivative Liabilities	-	(19,116)	-	(19,116)
Total	**7,692,623**	**43,740,843**	**23,344,295**	**74,777,761**

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

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, 2019, the Partnership held units of Portland Global Energy Efficiency and Renewable Energy Fund LP (Portland GEEREF LP), Blue Ocean, Brookfield Infrastructure Fund IV-A L.P. (Brookfield IV LP) and Rokstad, which it considers Level 3 investments.

Portland GEEREF LP is a closed-end investment fund. Portland GEEREF LP has the same Manager and administrator as the Partnership. This investment is considered Level 3 in the fair value hierarchy because it does not allow redemptions or transfers of units prior to dissolution except in very limited circumstances. The Partnership measures Portland GEEREF LP units at the most recently published NAV per unit as reported by its administrator, considering restrictions on the Partnership's ability to redeem units of Portland GEEREF LP. If the NAV per unit of Portland GEEREF LP had been higher or lower by 5%, the net assets attributable to holders of redeemable units of the Partnership would have been higher or lower by $210,384 as at December 31, 2019 (December 31, 2018: $243,218).

Blue Ocean is a closed-ended sub-fund of EnTrustPermal ICAV, an umbrella Irish Collective Asset-Management Vehicle with segregated liability between sub-funds. This investment is considered Level 3 in the fair value hierarchy because it does not allow redemptions or transfers of units prior to dissolution. The Partnership measures Blue Ocean at the most recently published NAV per unit as reported by its administrator, considering the Partnership's inability to redeem units of Blue Ocean. If the NAV per unit of Blue Ocean had been higher or lower by 5%, the net assets attributable to holders of redeemable units of the Partnership would have been higher or lower by $543,417 as at December 31, 2019 (December 31, 2018: $530,162).

The Partnership made a commitment to Brookfield LP IV during 2019 in the amount of $15,000,000. Brookfield LP V is a closed-ended parallel structured fund. This investment is considered Level 3 in the fair value hierarchy because it does not allow redemptions or transfers of units prior to dissolution. The Partnership measures Brookfield LP IV at the most recently published NAV per unit as reported by its administrator, considering the Partnership's inability to redeem units of Brookfield LP IV. As at December 31, 2019, U.S. $4,449,502 was paid toward this commitment, resulting in a remaining commitment of U.S. $10,550,498. If the NAV per unit of Brookfield LP IV 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 $288,239 as at December 31, 2019.

In 2019, the Partnership participated in a co-investment opportunity with Crown Partner Funding in a loan participation agreement with Rokstad in the amount of $2,500,000. This investment is considered Level 3 in the fair value hierarchy because it is valued using a fair valuation techniques to determine value of the loan participation agreement. If the value of Rokstad 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 $125,175 as at December 31, 2019.

The Partnership interest in Crown Partner Funding was transferred from Level 3 to Level 2 during 2019 as the Partnership is now able to measure Crown Partner Funding at the most recently published NAV per unit as reported by its manager. Prior to November 30, 2018, Crown Partner Funding was 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.

Reconciliation of Level 3 Fair Value Measurement of Financial Instruments

The following tables reconcile the Partnership's Level 3 fair value measurement of financial instruments for the periods ended December 31, 2019 and 2018:

December 31, 2019	Investment Funds ($)	Loans ($)	Total ($)
Balance at beginning of period	51,379,710	-	51,379,710
Investment purchases during the period*	9,404,393	2,500,000	11,904,393
Proceeds from sales during the period*	(4,319,871)	-	(4,319,871)
Net transfers in (out) during the period	(29,095,942)	-	(29,095,942)
Net realized gain (loss) on sale of investments	644,352	-	644,352
Unrealized appreciation (depreciation) of investments	(7,171,847)	3,500	(7,168,347)
Balance at end of period	20,840,795	2,503,500	23,344,295
Unrealized appreciation (depreciation) in value of investments held at end of period	**155,182**	**3,500**	**158,682**

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

**Balances reported are net of return of capital*

c) Structured entities

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

i) restricted activities;

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

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

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

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

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

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

The exposure to investments in Underlying Funds at fair value as at December 31, 2019 and 2018 is presented in the following tables. These investments are included at their fair value in financial assets at FVTPL in the statements of financial position. The Manager's best estimate of the maximum exposure to loss from the Partnership's investment in Underlying Funds is the fair value below.

December 31, 2019	Fair value of Underlying Funds ($ millions)	Investment at fair value ($)	% of Fair value of Underlying Fund
Blue Ocean Fund Class I	84	3,607,363	-
Blue Ocean Fund Class I-B	74	7,260,971	0.1%
Brookfield Super-Core Infrastructure Partners (NUS) L.P.	354	6,505,915	-
Brookfield Infrastructure Fund IV-A L.P.	2,403	5,764,782	-
Crown Capital Partner Fund, LP	287	32,866,050	11.4%
Crown Capital Power Limited Partnership	24	4,103,600	0.2%
Portland Global Aristocrats Plus Series O	0.7	63,016	8.8%
Portland Global Energy Efficiency and Renewable Energy Fund LP Class O	23	4,207,679	18.1%

December 31, 2018:

December 31, 2018	Fair value of Underlying Funds ($ millions)	Investment at fair value ($)	% of Fair value of Underlying Fund
Crown Capital Partner Fund, LP	205	35,912,100	17.5%
Portland Global Energy Efficiency and Renewable Energy Fund LP Class O	25	4,864,364	19.7%
Blue Ocean Fund Class I	124	6,544,987	5.3%
Blue Ocean Fund Class I-B	45	4,058,259	9.1%

6. REDEEMABLE UNITS

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

The Partnership's NAV per unit is determined on the last business day of each month at the close of regular trading on the Toronto Stock Exchange, (each, a Valuation Date) or on such other date as determined by the Manager. Unitholders may redeem their units on any Valuation Date by submitting a request for redemption no later than the day that is 60 days prior to the Valuation Date in order for the redemption to be accepted as at that Valuation Date; otherwise the redemption will be processed as at the next Valuation Date.

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

The number of units issued and outstanding for the years ended December 31, 2019 and 2018 was as follows:

Period ended December 31, 2019	Balance, Beginning of Period	Units Issued Including Switches from Other Series	Units Redeemed Including Switches to Other Series	Balance, End of Period	Average Number of Units
Class A	1	-	-	1	1
Class B	1,393,112	134,533	20,815	1,506,830	1,451,176

Period ended December 31, 2018	Balance, Beginning of Period	Units Issued Including Switches from Other Series	Units Redeemed Including Switches to Other Series	Balance, End of Period	Average Number of Units
Class A	1	-	-	1	1
Class B	1,044,997	348,315	200	1,393,112	1,171,047

7. TAXATION

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

The Partnership may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statements of comprehensive income. Withholding taxes are shown as a separate item in the statements of comprehensive income.

The taxation year end of the Partnership is December 31.

8. FEES AND EXPENSES

The Partnership is responsible for the payment of the following ongoing fees and expenses relating to its operation: custodian fees, administration fees, accounting expenses, audit fees, interest and safekeeping charges, all taxes (including Goods and Services Tax (GST) and HST, if any), assessments or other regulatory and governmental charges levied against the Partnership, interest and all brokerage fees. The Manager may absorb future Partnership operating expenses at its discretion but is under no obligation to do so. In accordance with its offering documents, organization expenses in the amount of $18,202 (excluding applicable taxes, such as HST), which included legal and registration fees associated with the formation of the Partnership, were recoverable by the Manager from the Partnership. The Partnership re-payed the Manager over five years from 2014 to 2018. Organization expenses charged to the Partnership were included in the line 'Organization expenses' on the statements of comprehensive income.

9. BORROWING FACILITY

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

Settlement Services Agreement

The Partnership has a Settlement Services Agreement (SSA) with a Canadian dealer for margin borrowing. The rate of interest payable on borrowed money in Canadian dollars is the 3-month Canadian Dealer Offered Rate plus 0.50% and in U.S. dollars is the 3-month LIBOR plus 0.50% and the facility is repayable on demand. The Partnership has placed securities on account with the dealer as collateral for borrowing.

Based on the amount borrowed, the required amount of non-cash collateral has been classified separately within the statements of financial position from other assets and is identified as 'Investments - pledged as collateral'.

As at December 31, 2019, the Partnership was borrowing $4,142,342 (December 31, 2018: $6,664,816). During the year ended December 31, 2019, the Partnership borrowed a minimum of $nil and a maximum of $12,198,253 (December 31, 2018: minimum of $1,091,573 and maximum of $6,884,283) under the SSA.

Revolving Loan Facility

The Partnership has a revolving loan facility (the Facility) with a Bermuda-based bank (the Bank). Under the Facility, the Partnership could borrow in order to bridge the timing difference between planned subscriptions from unitholders and the commitments/disbursements to/from investments made by the Partnership.

From May 2018 to April 2019, the Partnership agreed to pay on demand to the Bank the principal sum of up to U.S. $7,000,000 and to pay interest on unpaid principal, calculated from and including the date of first drawdown at a rate which is the greater of 3.32% above the U.S.$ 3-month LIBOR or 5.5% net of any applicable withholding taxes, payable over 364 days from the date of first drawdown at interest only quarterly with principal payments at the Partnership's election subject to the term if not renewed. In the event that the Facility becomes 90 days overdue, the Bank could increase the rate of interest to 2% over the interest rate being charged at that time. A non-utilization fee was payable quarterly in arrears of between zero and 0.35% per annum, depending on the quarterly average amount of the Facility that is undrawn. Payments of principal could be made at any time without penalty. The terms of the Facility include that the maximum total debt of the Partnership does not exceed 25% of total assets and that the Facility amount drawn does not exceed 20% of the Partnership's assets less those securities the Partnership has placed on account with the dealer of the SSA as collateral for the margin borrowing mentioned above. The Partnership paid off the balance of the Facility in full on April 1, 2019.

In October 2019,the Partnership entered into a new Facility, where the Partnership agreed to pay on demand to the Bank the principal sum of up to U.S. $5,000,000 and to pay interest on unpaid principal, calculated from and including the date of first drawdown at a rate which is the greater of 4.5% above the U.S.$ 3-month LIBOR+3.5% net of any applicable withholding taxes, payable over 364 days from the date of first drawdown at interest only quarterly with principal payments at the Partnership's election subject to the term if not renewed. In the event that the Facility becomes 90 days overdue, the Bank could increase the rate of interest to 2% over the interest rate being charged at that time. A non-utilization fee was payable quarterly in arrears of between zero and 0.30% per annum, depending on the quarterly average amount of the Facility that is undrawn. Payments of principal could be made at any time without penalty. The terms of the Facility include that the maximum total debt of the Partnership does not exceed 25% of total assets and that the Facility amount drawn does not exceed 20% of the Partnership's assets less those securities the Partnership has placed on account with the dealer of the SSA as collateral for the margin borrowing mentioned above. An arrangement fee of 0.30% or U.S. $15,000 is payable on the date of initial drawdown and was deducted from the proceeds. On October 31, 2019, the Partnership renewed the Facility to permit borrowing of up to U.S. $10,000,000 with the same terms as noted above. An arrangement fee of 0.30% or U.S. $15,000 was payable on the date of second drawdown and was deducted from the proceeds.

The Partnership was borrowing U.S. $6,778,383 as at December 31, 2019 (December 31, 2018: U.S. $4,400,874). During the period ended December 31, 2019, the Partnership borrowed a minimum of U.S. $nil and a maximum of U.S. $7,403,383 (December 31, 2018: minimum of nil and maximum of $6,732,603) under the Facility.

10. SOFT DOLLARS

Allocation of business to brokers of the Partnership is made on the basis of coverage, trading ability and fundamental research expertise. The Manager may choose to affect portfolio transactions with dealers who provide research, statistical and other similar services to the Partnership or to the Manager at prices which reflect such services (termed proprietary research). The dealers do not provide the Manager with an estimate of the cost of the research, statistical and other similar services (referred to as soft dollars).

The Manager may use third party proprietary research, which is generally also available on a subscription basis, the value of which will be used to approximate the value of research and other similar services received from third parties through commission sharing arrangements with executing brokers. The ascertainable value of the third party soft dollar arrangements in connection with portfolio transactions for the year ended December 31, 2019 was $2,342 (December 31, 2018: $1,132).

11. RELATED PARTY TRANSACTIONS

The following table outlines the operating expense reimbursements that were paid to the Manager by the Partnership during the years ended December 31, 2019 and 2018. The table includes the amount of operating expense reimbursement that was made to affiliates of the Manager. All of the dollar amounts in the table below exclude applicable GST and/or HST.

Period ended	Operating Expense Reimbursement ($)	Organization Expense Reimbursement ($)	Organization Expense Reimbursement to affiliates of the Manager ($)
December 31, 2019	112,177	-	1,280
December 31, 2018	88,005	3,640	1,379

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

Period ended	Operating Expense Reimbursement ($)	Organization Expense Reimbursement ($)
December 31, 2019	18,677	-
December 31, 2018	17,577	607

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

On December 13, 2017, an affiliate of the Manager acquired indirect controlling interest in the Bank. The Partnership has a loan facility with the Bank as described under note 9. The Partnership paid loan origination fees of U.S. $19,800 to the Bank when it entered into the Facility in 2017 and U.S. $33,383 for the Facility in 2019.

12. COMMITMENTS

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

Crown Capital Partner Funding, LP

On September 23, 2015, the Partnership committed to invest $10,000,000 in Crown Partner Funding. Effective July 15, 2016, the amount of this commitment was increased by $6,400,000, effective January 9, 2017, the amount of this commitment was increased by $9,850,000, effective July 13, 2017, the amount of this commitment was increased by $7,500,000 and effective July 13, 2018, the amount of this commitment was increased by $18,750,000, for a total commitment of $52,500,000. As at December 31, 2019, the cumulative amount paid toward this commitment was $30,586,035 and the remaining uncalled capital commitment was $21,913,965 (December 31, 2018: $35,059,910).

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

Blue Ocean Fund

On June 1, 2017, the Partnership committed to invest U.S. $5,000,000 to Blue Ocean Class I Units. As at December 31, 2019, U.S. $4,989,071 was paid toward this commitment, resulting in a remaining uncalled commitment of U.S. $10,929 (December 31, 2018: U.S. $4,978,142).

On September 10, 2018, the Partnership committed to invest U.S. $7,000,000 to Blue Ocean Class I-B Units. As at December 31, 2019, U.S. $5,845,052 was paid toward this commitment, resulting in a remaining uncalled commitment of U.S. $1,154,948 (December 31, 2018: U.S. $2,972,648).

Brookfield Super-Core Infrastructure Partners (NUS) L.P.

On December 21, 2018, the Partnership committed to invest U.S. $5,000,000 to Brookfield Super-Core Infrastructure Partners (NUS) L.P. As at December 31, 2019, the commitment was paid in full (December 31, 2018: nil).

Crown Capital Power Limited Partnership

On February 28, 2019, the Partnership committed to invest U.S. $10,000,000 to Crown Capital Power Limited Partnership. As at December 31, 2019, $4,036,415 was paid toward this commitment, resulting in a remaining uncalled commitment of $5,963,585.

Christopher Wain-Lowe is a member of the fund advisory board of Crown Capital Power.

Brookfield Infrastructure Fund IV-A, L.P.

On March 4, 2019, the Partnership committed to invest U.S. $15,000,000 to Brookfield IV LP. As at December 31, 2019, U.S. $4,449,502 was paid toward this commitment, resulting in a remaining uncalled commitment of U.S. $10,550,498.

13. SUBSEQUENT EVENTS

Blue Ocean Fund

On January 29, 2020, the Partnership paid U.S. $120,221 in satisfaction of a capital call by Blue Ocean Class I-B Units, bringing its remaining uncalled commitment down to U.S. $1,428,433.

Brookfield Infrastructure Fund IV-A, L.P.

On March 6, 2020, the Partnership was notified of a capital call of U.S. $308,995 due on March 20, 2020 and on March 17, 2020, the Partnership was notified of a capital call of U.S. $1,575,000 due on March 31, 2020.

14. EXEMPTION FROM FILING

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

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PIC0074-E(03/20)