PORTLAND
INVESTMENT COUNSEL™

Portland Private Income Fund

2015 Interim Financial Report

June 30, 2015

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PORTFOLIO MANAGEMENT TEAM	**Christopher Wain-Lowe,** BA, MBA Executive Vice President and Portfolio Manager

Overview

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

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

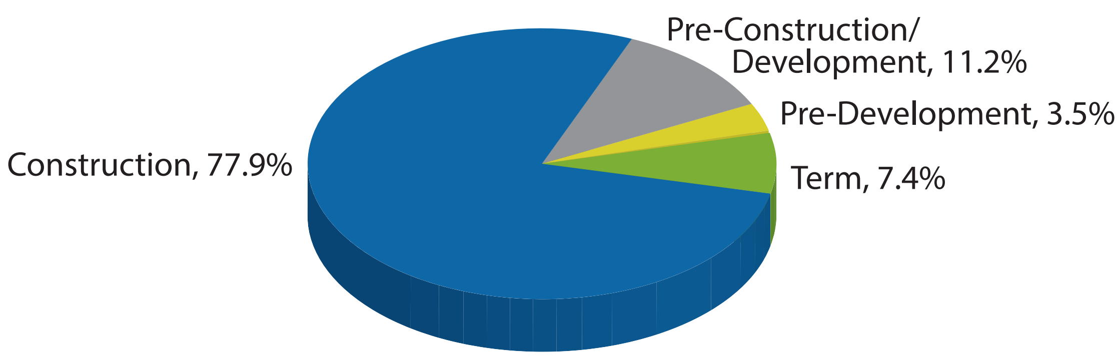
- private mortgages, administered by licensed mortgage administrators, currently MarshallZehr Group Inc. (Mortgage Administration #11955);
- private commercial debts, currently managed by Crown Capital Partners Inc., a portion of which may have participating features resulting in equity ownership of 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; and
- 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.

The following discussion covers the period from January 1, 2015 to June 30, 2015. Information related to mortgage investments is presented on a combined basis whether the mortgage investments are held by the Fund or the Partnership.

Recent Developments and Outlook

Current investments consist primarily of mortgages in the Greater Toronto Area (GTA), South-Western Ontario and Central Ontario including a variety of infill and intensification projects with what the Manager believes to be well-established developers located in areas of increased demand. The projects span term, pre-development, development and construction stages (see Table 1 and Chart 1).

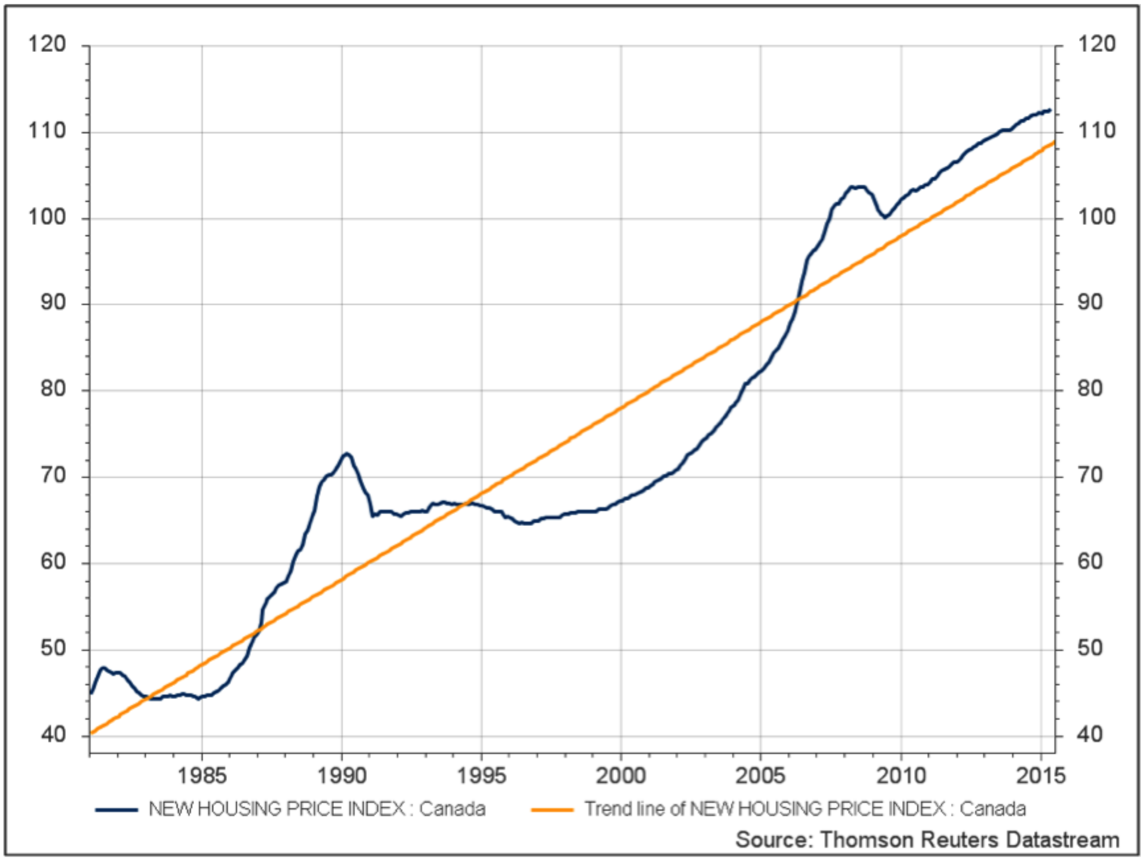
Chart 1. Portland Private Income Fund's mortgage portfolio breakdown by mortgage type as of June 30, 2015



Canada Mortgage and Housing Corporation (CMHC) issues a quarterly 'Housing Market Outlook'. CMCH's second quarter 2015 report notes "While the decline in oil prices appears to have reached a floor, the full impact of declining oil prices and continued low interest rates on economic and housing activity remains uncertain." Translated across Canada CMCH believes housing starts are expected to decline by 4.1% in 2015 relative to 2014 with further moderation in 2016. However, whereas housing activity is expected to slow in oil-producing provinces, particularly in Alberta this is expected to be partly offset by higher starts in other regions, particularly Ontario – in which this Fund's mortgage exposure is concentrated. CMCH notes that with Ontario's economy expected to outpace growth nationally over the next two years, net inter-provincial migration to Ontario will recover slightly and that for the first time in three years, multi-unit home construction led by town homes and apartments is expected to grow. Nonetheless CMCH believes Ontario home prices will grow at a slower rate over the next two years due to a more balanced housing market and a shift in demand to less expensive resale housing.

Chart 2 below, highlights Canadian real home prices indexed to June 2007. Chart 2 seeks to show that real home prices in Canada are on the high-side of their long-term trend, thanks to strong post-recession gains that have run above the rate of inflation. However, Bank of Canada and CMCH macro prudential efforts to decelerate the trend appear to be working in order to moderate price growth to a level more in line with underlying inflation.

Chart 2. Canada New Housing Price Index – January 15, 1981 to June 30, 2015

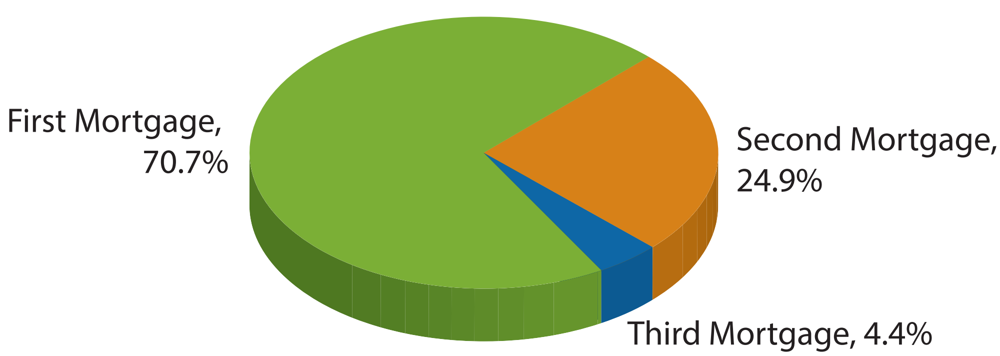


We believe, therefore, that indicators of housing market trends continue to look healthy, including rental vacancy rents, level of rents, absorption of condo units, the sales-to-new-listings ratios, months of housing inventory and housing affordability.

We remain mindful of the well publicized over-supply of residential real estate projects in certain areas of the market, particularly regarding condo units at various levels of completion across Toronto, and we are applying selectivity and a rigorous due diligence process that we believe ensures a high quality in each project, strength in management, tangible security, an achievable business plan and clear realization of the anticipated returns. The Fund has no exposure to the condo market in Toronto but has exposure in Ontario's retirement market and modestly in affordable housing which we believe is increasingly needed as urbanization increases a city's 'support network' of service industry workers.

As of June 30, 2015, the weighted average loan-to-value (LTV)[1] of the mortgage portion of the portfolio was 69% and consisted primarily of first mortgages (see Table 1 and Chart 3).

Chart 3. Portland Private Income Fund's mortgage portfolio breakdown by type of security as of June 30, 2015



MarshallZehr Group Inc., the Mortgage Administrator, continues to focus on dynamic high growth geographies/niches which have been underserved by traditional lenders, where it draws on its extensive business experience in commercial finance and real estate.

We remain confident that current investments, as well as a robust pipeline of investment opportunities, structured/arranged by the Mortgage Administrator and the Specialty Investment Manager, Crown Capital Partners, will allow the Fund to continue to provide its unitholders with similar levels of fully funded annual distributions, paid monthly. The portfolio made its first commercial loans investment with Crown Capital Partners Inc in July 2015 by participating in its initial public offering. It's anticipated the portfolio will initiate further commercial loan investments via Crown Capital's next limited partnership fund which is expected to be launched by the fourth quarter 2015.

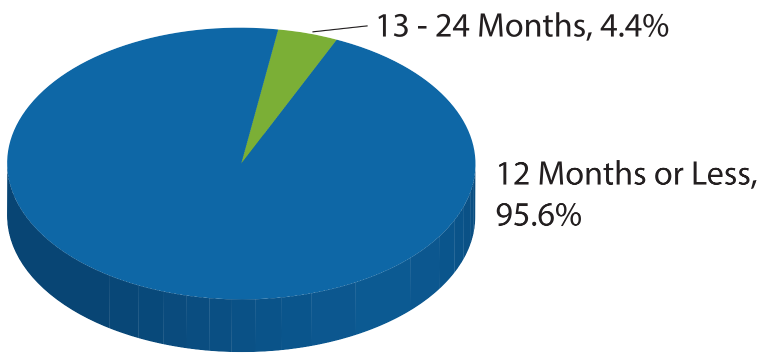
Financial Highlights

The Fund's one year return as of June 30, 2015 was 9.1% for the Series F while Series A's one year return was 7.9%.

The Fund declared quarterly distributions commencing with the quarter ending March, 2013 and moved to monthly fixed distributions since January, 2014. In January 2015, we announced that the Fund was to pay a special distribution in regards to its performance in 2014, in addition to its regular monthly distributions. This special distribution was paid to assist the Fund (on behalf of its unit holders) to avoid tax. Effective December 31, 2014: in addition to its regular fixed distribution of $0.3333 per month, the Series A units received a special distribution of $0.21190; and in addition to its regular fixed distribution of $0.375 per month, the Series F units received a special distribution of $0.21048. During 2015, the Fund has maintained its regular monthly distributions.

With prospects for interest rates to stay lower for longer, we believe the Fund will continue to outperform publicly traded fixed income instruments. For the 12 months period ended June 30, 2015 the FTSE TMX Canada Short Term Bond Index[2] achieved 3.4% total return while the iShares Canadian Short Term Bond Index ETF returned 3.2%[3] . Given the Fund's exposure to mostly short term loans (see Chart 4), we believe it retains the flexibility and capability to outperform publicly listed fixed income instruments when higher rates will, eventually, return.

Chart 4. Portland Private Income Fund's mortgage portfolio breakdown by mortgage term as of June 30, 2015[4]



The weighted average net interest rate (net of specific provisions) of the mortgage portfolio at June 30, 2015 is 10.2% (see Table 1).

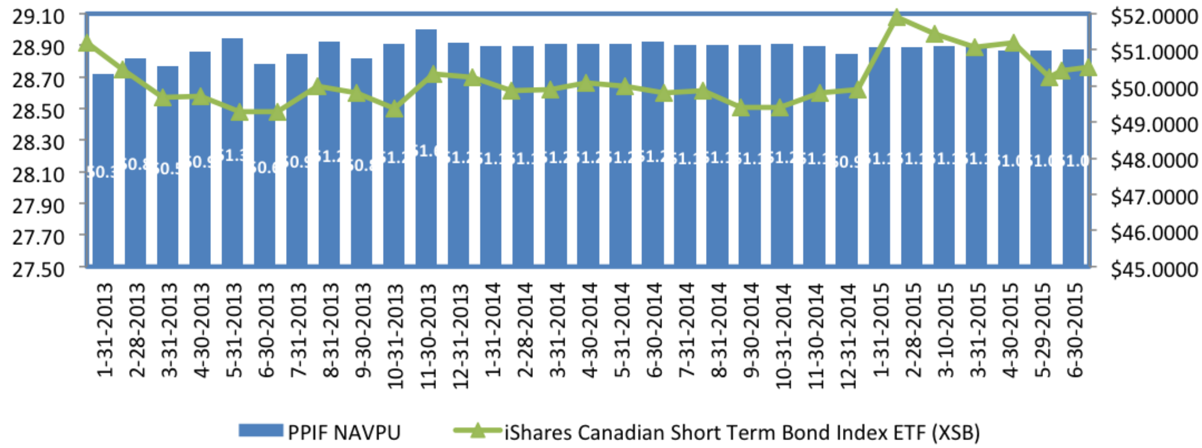
Table 1. Portland Private Income Fund's mortgage portfolio as of June 30, 2015

Build Form	Location	Type	Security	Term	Net Yield	Loan to Value
Senior Condominium	Richmond Hill	Pre-Construction/ Development	1st Mortgage	12 months	11.40%	85%
Residential Subdivision	Mississauga	Construction	1st Mortgage	18 months	10.00%	92%
Residential Subdivision	King City	Pre-Construction/ Development	1st Mortgage	24 months	10.00%	53%
Professional Condominium	Markham	Pre-Construction/ Development	1st Mortgage	12 months	12.00%	61%
Residential Condominium	Stoney Creek	Construction	2nd Mortgage	24 months	11.90%	75%
Mixed Use Condominium	Kitchener	Construction	3rd Mortgage	36 months	12.75%	83%
Residential Subdivision	Kitchener	Construction	2nd Mortgage	24 months	11.90%	58%
Senior Condominium	North GTA	Construction	1st Mortgage	24 months	10.20%	81%
Senior/Healthcare Condominium	Peterborough	Construction	1st Mortgage	19 months	10.50%	59%
Apartment Building	Peterborough	Construction	1st Mortgage	18 months	10.20%	78%
Residential Subdivision	Guelph	Pre-Development	1st Mortgage	12 months	10.20%	61%
Senior/Healthcare Residence	London	Term	1st Mortgage	12 months	9.50%	80%
Student Housing	Barrie	Construction	1st Mortgage	24 months	12.00%	82%
Residential Subdivision	Mississauga	Construction	2nd Mortgage	12 months	11.50%	75%
Commercial Plaza	London	Construction	1st Mortgage	13 months	10.20%	77%
Residential Subdivision	Mississauga	Construction	1st Mortgage	3 months	10.20%	58%
Residential Condominium	Richmond Hill	Construction	2nd Mortgage	3 months	11.90%	78%
Residential Condominium	Kitchener	Construction	1st Mortgage	3 months	10.20%	1%
			Weighted Average		10.20%*	69%

*Net of specific provisions

The Fund's net asset value per unit at June 30, 2015 was $51.00 for Series F and $49.96 for Series A. The Fund has managed to deliver a since inception annualized return of 9.3% for Series F (7.9% for Series A), while exhibiting little variance in its monthly net asset value per unit (and even less now that distributions are paid monthly) compared to publicly listed short term debt instruments, such as the iShares DEX Short Term Bond Index Fund, as depicted in Chart 5.

Chart 5. Historical net asset value per unit for the Fund's Series F (right hand) versus iShares DEX Short Term Bond Index Fund (XSB) (left hand) from January 31, 2013 to June 30, 2015



Credit risk

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

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

- the majority of mortgages are generally expected to be written for terms of 6 to 36 months and supported by commercial liability insurance and by personal or corporate guarantees; and
- mortgages are generally expected to be written for a principal amount 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 appraisers' valuations and credit checks and financial statement reviews on prospective borrowers.

Impairment of financial assets

At least monthly, we assess whether there is objective evidence that loans and receivables are impaired, having occurred after the initial recognition of the asset and prior to the month-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 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 the Mortgage Administrator aims to collect all indebtedness on mortgage loans, 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.

In the first half of 2015, we recognized that in addition to one mortgage recognized in 2014, two other mortgages had objective evidence of financial difficulty and from the date of recognition classified these mortgages as non-performing loans, with their mortgage interest accrued into revenue being discounted by way of creating a specific allowance.

The Mortgage Administrator has been actively engaged in the recovery processes, including the provision of additional finance by way of Court Ordered debtor-in-possession facilities, pursuant to the Companies' Creditors Arrangement Act. The Mortgage Administrator continues to advise us to expect full recovery of these mortgages with the mortgage identified in 2014 now showing some improvement but until all objective evidence of impairment is removed the specific allowances on these mortgages remain a modest drag on the portfolio's return.

Measurement of credit risk via 'Expected Loss'

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

The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of the credit risk to which the portfolio 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 can assign an Expected Loss over the next 12 months to each borrower by multiplying these three factors. We calculate probability of default (PD) by assessing the credit quality of borrowers. For the sake of illustration, suppose a borrower has a 2% probability of defaulting over a 12-month period.

The exposure at default (EAD) is our estimate of what the outstanding balance will be if the borrower does default. Suppose the current balance is C$100,000, our models might predict a rise to $110,000 by the time the borrower defaults. Should borrowers default, some part of the exposure is usually recovered. The part that is not recovered, together with the costs associated with the recovery process, comprise the loss given default (LGD), which is expressed as a percentage of EAD. Suppose the LGD in this case is estimated to be 10%, the Expected Loss for this borrower is then calculated as 2% x $110,000 x 10% which is $220 (i.e. 0.22% of the outstanding balance).

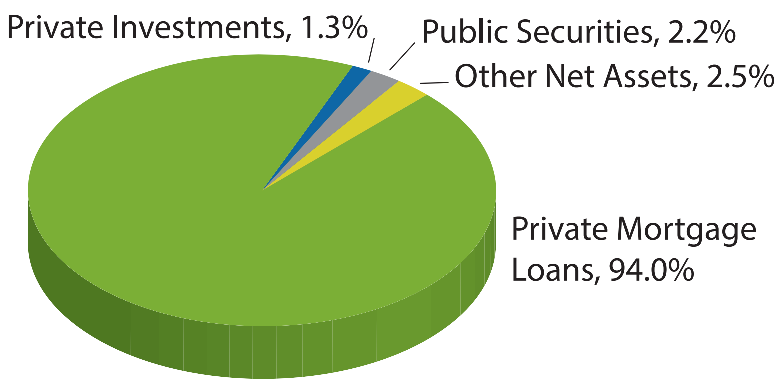
To calculate probability of default, the portfolio assesses the credit quality of borrowers and utilizes publicly available risk default data to help determine both point in time and through-the-cycle estimations of PD. When assessing exposure at default the portfolio anticipates mortgages to be fully drawn and for the purposes of assessing the loss given default the portfolio makes adjustments to account for the increased losses experienced under downturn conditions.

Based on this Expected Loss methodology we conducted an assessment at the beginning of the year from which we assigned a collective allowance/ collective loan loss provision attributable to the mortgage portfolio holdings at a rate of 0.40% of outstanding balances which we increased to 0.60% in June 2015, recognizing that such related losses have yet to be identified. This Expected Loss collective allowance is a deduction from the calculated net asset value and the distributions from the Fund are paid after deducting the specific and collective allowance.

Portfolio Profile

The current portfolio is 94.0% comprised of commercial mortgages (see Chart 5), diversified across project types, geography, project stage and term, as detailed in Table 1. As of June 30, 2015, 100% of the mortgage investments were in Ontario.

Chart 5. Portland Private Income Fund's Portfolio Allocation as of June 30, 2015



The portfolio contains investments in two US business development corporations (BDCs): Ares Capital Corporation and Fifth Third Street Senior Floating Rate Corporation. Ares is a leading US specialty finance company focused on lending to underserved middle market companies. It provides 'one stop' financing via a combination of senior and subordinated loans. Its focus is on high free cash flow companies in defensive industries and is one of the largest regulated business development companies in the US. Fifth Street consists of virtually all senior secured debt investments that bear interest at floating rates. By comparison to other BDCs, Fifth Street aims to hold higher quality assets with commensurately lower returns which it then levers to generate higher returns. The investment in Fifth Street has therefore proven premature given its performance is leveraged to a rising interest rate environment.

Also, the portfolio invests modestly in an exclusive Portland private offering in renewable energy (Portland Global Energy Efficiency and Renewable Energy Fund LP).

The Fund, including the Partnership, may from time to time borrow but such borrowings are subject to the restriction that they will not exceed 25% of the total assets. The Fund, including the Partnership, has occasionally borrowed to manage day-to-day cash flow requirements. As at June 30, 2015, the Partnership was borrowing $88,885. This was repaid on July 10, 2015.

We remain confident that current investments, as well as a pipeline of investment opportunities, should allow the Fund to provide its Series A and Series F unitholders with an 8% and 9% (based on the initial net asset value per unit of $50.00) fully funded annual distribution, respectively.

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

2. The DEX Short Term Bond Index is a sub-index of the DEX Universe Bond Index and includes bonds with remaining effective terms greater than 1 year and less than or equal to 5 years. The DEX Universe Bond Index is designed to be a broad measure of the Canadian investment-grade fixed income market. The DEX Universe Bond Index and the DEX Short Term Bond Index are Trade Marks of PC-Bond.

3. iShares by Blackrock, DEX Short Term Bond Index Fund, http://ca.ishares.com/product_info/fund/overview/XSB.htm

4. Remaining term as of current date.

Management's Responsibility for Financial Reporting

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

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

"Michael Lee-Chin"

Michael Lee-Chin,
Director
August 10, 2015

"Robert Almeida"

Robert Almeida,
Director
August 10, 2015

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

Statements of Financial Position (unaudited)

as at June 30, 2015		June 30, 2015		December 31, 2014
Assets				
Current Assets				
Cash and cash equivalents	$	47,242	$	-
Subscriptions receivable		455,196		497,313
Receivable for investments sold or matured		564,564		-
Interest receivable		383,264		266,617
Investments at carrying value (Note 3, 5)		15,438,217		8,758,354
Total Assets		16,888,483		9,522,284
Liabilities				
Current Liabilities				
Short term borrowing (Note 5)		-		36,046
Accrued expenses		15,489		9,327
Redemptions payable		161,853		-
Payable for investments purchased		1,179,993		-
Distributions payable		47,272		27,530
Total Liabilities		1,404,607		72,903
Net Assets Attributable to Holders of Redeemable Units	$	15,483,876	$	9,449,381
Net Assets Attributable to Holders of Redeemable Units Per Series (Note 7)				
Series A		4,130,147		1,991,838
Series F		11,351,598		7,455,514
Series O		2,131		2,029
	$	15,483,876	$	9,449,381
Number of Redeemable Units Outstanding				
Series A		82,663		39,889
Series F		222,564		146,493
Series O		43		41
Net Assets Attributable to Holders of Redeemable Units per Unit				
Series A		49.96		49.94
Series F		51.00		50.89
Series O		49.89		49.82

Approved on behalf of the Trustee, Portland Investment Counsel Inc.

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

Director Director

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

Statements of Comprehensive Income (unaudited)

For the periods ended June 30,	2015	2014
Income		
Interest for distribution purposes	$ 465,222	$ 185,327
Dividends	-	925
Net realized gain (loss)	31,819	399
Change in unrealized appreciation (depreciation)	211,651	340
	708,692	186,991
Foreign currency gain (loss) on cash and other net assets (Note 3)	(3)	(1,401)
Expenses		
Mortgage administration fees	60,333	29,177
Collective and specific allowance (Note 3)	29,538	11,008
Management fees (Note 8)	35,072	7,434
Service fees (Note 8)	15,585	3,998
Securityholder reporting costs (Note 8)	-	20,793
Audit fees	13,800	9,502
Custodian fees	2,268	401
Legal fees	3,862	8,097
Independent review committee fees	2,220	2,771
Interest and borrowing expense	260	7
Transaction costs	148	43
Withholding tax expense	-	119
Organizational expenses (Note 8)	6,860	6,751
	169,946	100,101
Less: expenses absorbed by Manager (Note 8)	(4,507)	(40,321)
Total operating expenses	165,439	59,780
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$ 543,250	$ 125,810
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series		
Series A	107,869	27,922
Series F	435,279	90,209
Series O	102	7,679
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series per Unit		
Series A	1.97	2.01
Series F	2.30	2.36
Series O	2.45	2.44

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

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

For the periods ended June 30,	2015	2014
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Series A	$ 1,991,838	$ 462,516
Series F	7,455,514	1,394,903
Series O	2,029	111,551
	9,449,381	1,968,970
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Series A	107,869	27,922
Series F	435,279	90,209
Series O	102	7,679
	543,250	125,810
Distributions to Holders of Redeemable Units		
From net investment income		
Series A	(109,490)	(27,885)
Series F	(425,662)	(86,286)
Series O	(99)	(7,505)
	(535,251)	(121,676)
From net realized gains on investments		
Series A	-	-
Series F	-	-
Series O	-	-
	-	-
Net Increase (Decrease) from Distributions to Holders of Redeemable Units	(535,251)	(121,676)
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Series A	2,050,419	447,507
Series F	4,123,753	2,114,916
Series O	-	194,000
	6,174,172	2,756,423
Reinvestments of distributions to holders of redeemable units		
Series A	89,511	27,885
Series F	239,509	78,911
Series O	99	7,505
	329,119	114,301
Redemption of redeemable units		
Series A	-	-
Series F	(476,795)	-
Series O	-	(18,315)
	(476,795)	(18,315)
Net Increase (Decrease) from Redeemable Unit Transactions	6,026,496	2,852,409
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Series A	4,130,147	937,945
Series F	11,351,598	3,592,653
Series O	2,131	294,915
	$ 15,483,876	$ 4,825,513

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

Statements of Cash Flows (unaudited)

For the periods ended June 30,		2015		2014
Cash Flows from Operating Activities				
Increase in net assets attributable to holders of redeemable units	$	543,250	$	125,810
Adjustments for:				
Foreign currency (gain) loss on cash and other net assets		3		1,401
Collective and specific allowances		29,538		11,008
Net realized (gain) loss		(31,819)		(399)
Change in unrealized (appreciation) depreciation on investments		(211,651)		(340)
(Increase) decrease in interest receivable		(116,647)		(89,102)
(Increase) decrease in receivable for investments sold		(564,564)		-
Increase (decrease) in short term borrowing		(36,046)		-
Increase (decrease) in accrued expenses		6,162		742
Purchase of investments		(7,956,723)		(2,718,048)
Proceeds from sales of investments		2,670,785		313,554
Net Cash Generated (Used) by Operating Activities		(5,667,712)		(2,355,374)
Cash Flows from Financing Activities				
Distributions to holders of redeemable units, net of reinvested distributions (Note 12)		(186,390)		(1,835)
Proceeds from redeemable units issued		6,216,289		2,388,673
Amount paid on redemption of redeemable units		(314,942)		(18,315)
Net Cash Generated (Used) by Financing Activities		5,714,957		2,368,523
Net increase (decrease) in cash and cash equivalents		47,245		13,149
Foreign currency gain (loss) on cash and other net assets		(3)		(1,401)
Cash and cash equivalents beginning of period		-		2,471
Cash and Cash Equivalents - End of Period	$	47,242	$	14,219
Cash and cash equivalents comprise:				
Cash at bank		47,242		14,219
	$	47,242	$	14,219
Interest received, net of withholding tax	$	348,576	$	96,225
Dividends received, net of witholding tax	$	-	$	806
Interest paid	$	260	$	7
Distributions paid	$	186,390	$	7,375

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

Schedule of Investment Portfolio (unaudited)

as at June 30, 2015

Number of Units	Description	Cost	Carrying Value	Percentage of Net Assets Attributable to Holder of Redeemable Units
UNDERLYING INVESTMENT FUNDS (Note 3)				
Canada				
158,881	Portland Private Income LP	$ 8,777,791	$ 8,990,475	56.2%
MORTGAGES				
	Private Mortgage Loans (Note 5)	6,506,784	6,447,742	41.6%
	Total investment portfolio	$ 15,284,575	15,438,217	97.8%
	Other assets less liabilities		45,659	2.2%
	TOTAL NET ASSETS		$ 15,483,876	100.0%

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

1. GENERAL INFORMATION

Portland Private Income Fund (the Fund) is an open-ended mutual trust established by Portland Investment Counsel Inc. (the Trustee or Manager) as trustee under the laws of Ontario pursuant to a Master Declaration of Trust dated as of December 17, 2012 (the Declaration of Trust), as amended. The Fund commenced operations on January 7, 2013. The Trustee is a corporation formed under the laws of Ontario. The Trustee has ultimate responsibility for the business and undertaking of the Fund in accordance with the terms of the Declaration of Trust. The Trustee has engaged the Manager to manage the Fund on a day-to-day basis, including management of the Fund's portfolio and distribution of the units of the Fund. The registered office of the Fund is 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7.

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

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

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

These financial statements have been authorized for issue by the Board of Directors of the Trustee on August 10, 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

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

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

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

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

(b) Recognition, de-recognition and measurement

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

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

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

The carrying value of mortgage investments classified as loans and recievables includes an estimate for impairment, when appropriate. Refer to the section called 'Impairment of financial assets at amortized cost and collective and specific allowances'. The carrying value of mortgage investments does not include the accrued and unpaid interest thereon.

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

Structured entities

The Fund has determined that its holding in an Underlying Investment Fund meets the definition of structured entities and as a result such investment is accounted for at FVTPL. The Underlying Investment Fund is concluded to be a structured entity as (i) the voting rights in the fund are not the dominant factor in deciding who controls it; (ii) its activities are restricted by its offering document; and (iii) the fund has narrow and well-defined objectives to provide investment opportunities for investors while passing on the associated risks and rewards. The Fund's holding in Underlying Investment Fund is included in the schedule of investment portfolio, which represents the Fund's maximum exposure to this investment. The change in fair value of this investment is included in 'change in unrealized appreciation (depreciation)' on the statements of comprehensive income.

Revenue recognition

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

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

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instruments' original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. As at June 30, 2015, the Fund had not recognized any impairment.

Regarding the measurement of mortgage and loan investments, the manager intends to assess impairment using a combination of (i) specific allowances on mortgages and loans that are individually significant and (ii) on a collective basis using an expected loss model. An expected loss model looks at the following elements and multiplies them together to arrive at the percentage of the carrying value to record as a collective allowance:

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

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

At least annually, the Manager will estimate a collective allowance attributable to the portfolio based on probabilities of inherent losses that are as yet unidentified. As at June 30, 2015, the value of private mortgage loans plus accrued interest had been reduced by 0.60% representing a collective allowance for such inherent losses. The change in collective allowance from December 31, 2014 to June 30, 2015 is reflected in the statements of comprehensive income.

In addition to the above collective allowance, the Fund recognized a specific allowance against two of its mortgage investments equal to the unpaid interest.

As at June 30,2015, the carrying value of mortgage investments was reduced by $22,207 (2014: $nil) and $36,884 (2014: $29,503) due to specific and collective allowances, respectively.

For the period ended June 30, 2015, $22,207 (2014: $nil) and $7,331 (2014: $11,008) was included in the statements of comprehensive income for specific and collective allowances respectively.

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 on the dates transactions occur. Assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing on 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 currency gain (loss) on cash and other net assets' on the statements of comprehensive income. Realized foreign exchange gains and losses related to investments are recognized when incurred and are presented in the statement of comprehensive income within 'net realized gain (loss) on investments'.

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

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

Cash and cash equivalents

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

Cost of investments

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

Short term borrowing

Net overdraft positions on custodial cash accounts of the Fund are repayable on demand and are presented as a liability in the line 'Short term borrowing' on the statements of financial position.

Redeemable Units

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

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

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

Expenses

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

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

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

Organizational expenses

In accordance with its offering documents, organizational expenses in the amount of $40,291, which include legal and registration fees associated with the formation of the Fund and applicable taxes, are recoverable by the Manager from the Fund. The Fund is required to re-pay the Manager over three years commencing in 2014. A decision was made by the Manager to waive the collectible amounts for 2014 and the first four months of 2015. Organizational expenses, including applicable taxes, for the period ended June 30, 2015 in the amount of $6,860 (2014: $6,751) were included in the line 'Organizational expenses' and a corresponding amount of $3,418 (2014: $6,751) was included in the line 'Expenses absorbed by Manager' on the statements of comprehensive income.

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

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

Distribution to Unitholders

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

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

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

Future accounting changes

IFRS 9, Financial Instruments

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however it is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

The Fund holds financial instruments that are not quoted in active markets, including private mortgages loans. The Manager has concluded that these financial instruments are classified as loans and receivables and are carried at amortized cost which approximates their fair value due to their short term nature.

Functional and presentation currency

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

5. FINANCIAL INSTRUMENTS

a. Offsetting financial assets and liabilities

Financial assets and liabilities must be offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

As at June 30, 2015, there was no offsetting. The Fund has Canadian and U.S. dollar cash accounts. As at December 31, 2014 the Fund held ($40,027) in its Canadian dollar account and $3,981 (expressed in Canadian dollar terms) in its U.S. dollar account. The net amount of ($36,046) was presented in the line item 'Short term borrowing' on the statement of financial position because the balances are held at the same financial institution and there was a legal right to offset.

b. Categorization of financial instruments

The following tables present the carrying amounts of the Fund's financial instruments by category as at June 30, 2015 and December 31, 2014.

June 30, 2015:

Assets	Financial assets at FVTPL Designated at Inception ($)	Financial assets at amortized cost ($)	Total ($)
Cash and cash equivalents	-	47, 242	47,242
Subscriptions receivable	-	455,196	455,196
Receivable for investments sold	-	564,564	564,564
Interest receivable	-	383,264	383,264
Mortgage investments	-	6,447,742	6,447,742
Underlying fund investments	8,990,475	-	8,990,475
Total	8,990,475	7,898,008	16,888,483

Liabilities	Financial liabilities at FVTPL Designated at Inception ($)	Financial liabilities at amortized cost ($)	Total ($)
Accrued expenses	-	15,489	15,489
Redemptions payable	-	161,853	161,853
Payable for investments purchased	-	1,179,993	1,179,993
Distributions payable	-	47,272	47,272
Total	-	1,404,607	1,404,607

December 31, 2014:

Assets	Financial assets at FVTPL Designated at Inception ($)	Financial assets at amortized cost ($)	Total ($)
Subscriptions receivable	-	497,313	497,313
Interest receivable	-	266,617	266,617
Mortgage investments	-	7,079,588	7,079,588
Underlying fund investments	1,477,415	-	1,477,415
Equity positions - long	201,351	-	201,351
Total	1,678,766	7,843,518	9,522,284

Liabilities	Financial liabilities at FVTPL Designated at Inception ($)	Financial liabilities at amortized cost ($)	Total ($)
Short term borrowing	-	36,046	36,046
Accrued expenses	-	9,327	9,327
Distributions payable	-	27,530	27,530
Total	-	72,903	72,903

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the periods ended June 30, 2015 and 2014.

Category	Net gains (losses) ($) 2015	2014
Financial Assets at FVTPL:		
Designated at inception	31,819	399
Total	31,819	399

c. Risks associated with financial instruments

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

Price risk

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

As at June 30, 2015 and December 31, 2014, the Fund did not have significant exposure to price risk.

Interest rate risk

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

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

As of June 30, 2015 and December 31, 2014, the Fund's mortgage investments are in fixed rate, short-term mortgages. The Fund generally holds all of its mortgages to maturity. There is no secondary market for the Fund's mortgages and in syndication transactions such as the ones in which the Fund participates these mortgages are generally traded at face value without regard to changes in interest rates.

The following is a summary of the amortized cost of mortgage investments segmented by gross interest rate (before deduction of mortgage administration fees) as at June 30, 2015 and December 31, 2014:

	11% - 11.99% ($)	12% - 12.99% ($)	13% - 13.99% ($)	14% - 14.99% ($)	15% - 15.99% ($)	Total ($)
June 30, 2015	1,746,428	1,718,014	99,328	1,546,688	1,337,284	6,447,742
December 31, 2014	1,603,507	2,723,499	497,936	914,097	1,340,549	7,079,588

The following is a summary of the amortized cost of mortgage investments segmented by term as at June 30, 2015 and December 31, 2014:

	12 months or less ($)	13 to 24 months ($)	24 to 36 months ($)	Total ($)
June 30, 2015	5,891,540	556,202	-	6,447,742
December 31, 2014	4,985,402	2,094,186	-	7,079,588

As at June 30, 2015 the Fund did not have any borrowing. As at December 31, 2014, the Fund had short term borrowing in the amount of $36,046 which was repayable on demand.

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

Currency risk

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

As at June 30, 2015 and December 31, 2014, the Fund did not have significant exposure to currency risk.

Liquidity risk

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

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

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

June 30, 2015	< 6 months ($)	> 6 months ($)	Total ($)
Accrued expenses	15,489	-	15,489
Redemptions payable	161,853	-	161,853
Payable for investments purchased	1,179,993	-	1,179,993
Distributions payable	47,272	-	47,272

December 31, 2014	< 6 months ($)	> 6 months ($)	Total ($)
Short term borrowing	36,046	-	36,046
Accrued expenses	9,327	-	9,327
Distributions payable	27,530	-	27,530

Credit risk

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

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

The Fund's credit risk management objectives are to:

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

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

- the majority of mortgages are generally expected to be written for terms of 6 to 36 months and supported by commercial liability insurance and by personal or corporate guarantees; and
- mortgages are generally expected to be written for a principal amount 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 appraisers' valuations and credit checks and financial statement reviews on prospective borrowers.

The maximum exposure to credit risk at June 30, 2015 is the face value of the private mortgage loans plus the accrued interest and less any allowances thereon, which total $6,829,636 (December 31, 2014 - $7,109,091). 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 private mortgage loans held as at June 30, 2015:

	Number of Mortgages	Face Value($)	Amortized Cost($)
First Mortgages	10	4,928,766	4,880,346
Second Mortgages	3	1,018,018	1,011,194
Third Mortgages	1	560,000	556,202
Total	**14**	**6,506,784**	**6,447,742**

The following is a summary of the private mortgage loans held as at December 31, 2014:

	Number of Mortgages	Face Value($)	Carrying Value($)
First Mortgages	10	5,531,073	5,508,381
Second Mortgages	3	1,018,018	1,013,661
Third Mortgages	1	560,000	557,546
Total	**14**	**7,109,091**	**7,079,588**

The following is a summary of the private mortgage loans held by the Fund segmented by type of project as at June 30, 2015 and December 31, 2014:

	Pre-development ($)	Pre-development/ Construction ($)	Construction ($)	Term ($)	Total ($)
June 30, 2015	496,975	1,439,914	3,467,200	1,043,654	6,447,742
December 31, 2014	497,983	1,454,799	3,523,299	1,603,507	7,079,588

d. Fair value of financial instruments

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

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

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

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

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

The following table illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2015:

	Assets at fair value as at June 30, 2015			
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Underlying fund	-	8,990,475	-	8,990,475
Total	**-**	**8,990,475**	**-**	**8,990,475**

The following table illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2014:

	Assets at fair value as at December 31, 2014			
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Equities - Long	201,351	-	-	201,351
Underlying fund	-	1,477,415	-	1,477,415
Total	**201,351**	**1,477,415**	**-**	**1,678,766**

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

As at June 30, 2015, the Fund held units of Portland Private Income LP (the "Partnership"). Such units are measured at the most recent NAV per unit and are redeemable on a monthly basis by the Fund. As such they have been classified as Level 2 in the hierarchy.

6. REDEEMABLE UNITS

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

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

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

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

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

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

The Fund's NAV per unit is determined on the last business day of each month at the close of regular trading on the Toronto Stock Exchange, (each, a Valuation Date) or on such other date as determined by the Manager (an Additional Pricing Date). Unitholders may redeem their Units on any Valuation Date by submitting a request for redemption no later than the day that is 60 days prior to the Valuation Date in order for the redemption to be accepted as at that Valuation Date; otherwise the redemption will be processed as at the next Valuation Date. The redemption price shall equal the net asset value per unit of the applicable series of units being redeemed, determined as of the close of business on the relevant Valuation Date.

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

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

Period ended June 30, 2015	Balance, Beginning of Period	Units Issued	Units Reinvested	Units Redeemed	Balance, End of Period
Series A	39,889	40,985	1,789	-	82,663
Series F	146,493	80,726	4,692	(9,347)	222,564
Series O	41	-	2	-	43

The number of units issued and outstanding for the period ended June 30, 2014 was as follows:

Period ended June 30, 2014	Balance, Beginning of Period	Units Issued	Units Reinvested	Units Redeemed	Balance, End of Period
Series A	9,179	8,893	554	-	18,626
Series F	27,252	41,327	1,542	-	70,121
Series O	2,232	3,885	150	(367)	5,900

7. TAXATION

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

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

The Fund's tax year end is December 31. As at December 31, 2014, there were no capital losses to carry forward and there were unused non-capital losses of $79 which can be carried forward and applied to reduce income or capital gains in future years and expire in 2033.

8. MANAGEMENT FEES AND EXPENSES

Pursuant to the Fund's prospectus, the Fund agrees to pay management fees to the Manager, calculated and accrued daily and paid monthly. The annual management fee rate for Series A and Series F Units is 0.5%. Management fees on Series O Units are negotiated and are charged to the investors in Series O Units, not the Fund. The Fund is also charged a service fee on Series A Units of 1.0% per annum calculated and accrued on each Valuation Date and paid monthly. The Manager distributes the service fee to advisors as a trailing commission.

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

The Fund is responsible for, and the Manager is entitled to reimbursement from the Fund for all costs associated with the creation and organization of the Fund. Organizational expenses in the amount of $40,291 (including applicable taxes) will be charged to the Fund over a period of three years, on a pro rata basis commencing January 1, 2014. The Manager decided to waive the chargeable amounts for all of 2014 and the first four months of 2015. Organizational expenses, including applicable taxes, for 2015 in the amount of $6,860 (2014: $6,751) have been included in 'Organizational expense' and $3,418 (2014: $6,751) related to such expense has been included in 'Expenses absorbed by the Manager' on the statements of comprehensive income.

9. SOFT DOLLARS

A portion of the brokerage commissions (referred to as "soft dollars") paid by the Fund on securities purchases and sales to dealers (generally "full service" dealers) represents fees for goods and services, in the form of proprietary research, provided to the Manager by the dealer which are in addition to order execution services. 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. The Manager may direct trades to a dealer in exchange for 'in-house' proprietary research. The dealers do not provide the Manager with an estimate of the cost of the research, statistical and other similar services.

10. RELATED PARTY TRANSACTIONS

The following table outlines the management fees, service fees and operating expense reimbursements that were paid to the Manager by the Fund during the periods ended June 30, 2015 and 2014. The table includes the amount of operating expense reimbursement that was paid to affiliates of the Manager for administrative services provided in managing the day-to-day operation of the Fund and the amount of additional absorbed operating expenses that the Manager chose not to charge to the Fund. All of the dollar amounts in the table below exclude applicable GST or HST.

Period ended	Management Fees ($)	Service Fees ($)	Operating Expense Reimbursement ($)	Organizational Expense Reimbursement ($)	Absorbed Expense ($)	Absorbed Organizational Expense ($)	Operating Expenses Reimbursed to Affiliates of the Manager ($)
June 30, 2015	31,220	13,801	18,761	6,090	970	3,045	4,144
June 30, 2014	6,716	3,538	37,406	6,092	30,292	6,092	2,474

The Fund owed the following amounts to the Manager:

As at	Management Fees ($)	Service Fees ($)	Operating Expense Reimbursement ($)	Organizational Expense Reinbursement ($)
June 30, 2015	6,354	3,331	3,099	1,015
December 31, 2014	3,745	1,501	3,129	-

The Manager, its officers and directors (Related Parties) may invest in units of the Fund from time to time in the normal course of business. All such transactions are measured at NAV per unit. As at June 30, 2015, Related Parties owned less than 2% of the net assets of the Fund. As at December 31, 2014, Related Parties owned less than 3% of the net assets of the Fund.

11. EXEMPTION FROM FILING

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

12. COMPARATIVE FIGURES

On the statements of cash flows for the period ended June 30, 2014 the amount of cash paid for 'Distributions to holders of redeemable units, net of re-invested distributions' has been combined with the 'Increase (decrease) in distributions payable' in order to present a more accurate amount of cash paid during the period for distributions. The table below compares the original amounts to the revised amounts.

For the period ended June 30, 2014	Revised Amount ($)	Original Amount ($)
Increase (decrease) in distribution payable	-	5,540
Distributions to holders of redeemable units net of re-invested distributions	(1,835)	(7,375)

APPENDIX A

Portland Private Income LP

2014 Interim Financial Report

June 30, 2015

▪ 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	Citigroup Fund Services Canada, Inc. Mississauga, Ontario
▪ Auditor:	KPMG LLP Toronto, Ontario

Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared and approved by Portland Investment Counsel Inc., (the Manager) of Portland Private Income LP (the Partnership). The Partnership's Manager is responsible for the information and representations contained in these financial statements. The Board of Directors of the General Partner is responsible for reviewing and approving the financial statements.

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

"Michael Lee-Chin"

Michael Lee-Chin
Director
August 10, 2015

"Robert Almeida"

Robert Almeida
Director
August 10 , 2015

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

Statements of Financial Position (unaudited)

		June 30, 2015		December 31, 2014
Assets				
Current Assets				
Cash and cash equivalents	$	13,066	$	357
Subscriptions receivable		1,179,993		-
Other receivables		-		51
Interest receivable		147,414		19,960
Dividends receivable		477		-
Investments at carrying value (Note 3, 5, 6)		7,772,460		1,457,952
Total Assets		9,113,410		1,478,320
Liabilities				
Current Liabilities				
Margin loan and borrowing (Note 9)		88,885		-
Accrued expenses		4,022		696
Payable for investments purchased		29,870		-
Total Liabilities		122,777		696
Net Assets Attributable to Holders of Redeemable Units	$	8,990,633	$	1,477,624
Equity				
General Partner's contribution		100		100
Net Assets Attributable to Holders of Redeemable Units Per Class (Note 7)				
Class A		57		54
Class B		8,990,476		1,477,470
	$	8,990,533	$	1,477,524
Number of Redeemable Units Outstanding				
Class A		1		1
Class B		158,881		27,277
Net Assets Attributable to Holders of Redeemable Units per Unit				
Class A		56.96		54.37
Class B		56.59		54.17

Approved on behalf of the General Partner

"Michael Lee-Chin"

Director

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

Statements of Comprehensive Income (unaudited)

For the periods ended June 30,		2015		2014
Income				
Interest for distribution purposes	$	299,042	$	-
Dividends		13,219		-
Net realized gain (loss)		913		-
Change in unrealized appreciation (depreciation)		(8,377)		-
	$	304,797	$	-
Foreign currency gain (loss) on cash and other net assets		(1,915)		-
Expenses				
Mortgage administration fees		45,358		-
Collective and specific allowances (Note 3)		27,222		-
Securityholder reporting costs		5,416		-
Audit fees		7,783		2,328
Custodian fees		886		-
Interest and borrowing expense		1,491		-
Transaction costs		458		-
Withholding tax expense		1,983		-
Organizational expenses (Note 8)		2,054		3,428
		92,651		5,756
Less: expenses absorbed by Manager (Note 8)		(1,027)		(5,756)
Total operating expenses		91,624		-
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$	211,258	$	-
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class				
Class A		3		-
Class B		211,255		-
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class per Unit				
Class A		3.00		-
Class B		2.28		-

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

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

For the periods ended June 30,	2015	2014
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Class A	$ 54	$ 54
Class B	1,477,470	54
	1,477,524	108
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	3	-
Class B	211,255	-
	211,258	-
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	-	-
Class B	7,301,806	-
	7,301,806	-
Redemption of redeemable units		
Class A	-	-
Class B	(55)	-
	(55)	-
Net Increase (Decrease) from Redeemable Unit Transactions	7,301,751	-
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Class A	57	54
Class B	8,990,476	54
	$ 8,990,533	$ 108

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

Statements of Cash Flows (unaudited)

For the periods ended June 30,	2015	2014
Cash Flow from Operating Activities		
Increase in net assets attributable to holders of redeemable units	$ 211,258	$ -
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	1,915	-
Collective and specific allowances	27,222	-
Net realized (gain) loss on investments	(913)	-
Change in unrealized (appreciation) depreciation on investments	8,377	-
(Increase) decrease in interest receivable	(127,454)	-
(Increase) decrease in dividends receivable	(477)	-
(Increase) decrease in other receivable and assets	51	-
Increase (decrease) in margin loan and borrowing	88,885	-
Increase (decrease) in other payables and accrued liabilities	3,326	-
Purchase of investments	(6,319,324)	-
Net Cash Generated (Used) by Operating Activities	(6,107,134)	-
Cash Flows from Financing Activities		
Proceeds from redeemable units issued	6,121,813	-
Amount paid on redemption of redeemable units	(55)	-
Net Cash Generated (Used) by Financing Activities	6,121,758	-
Net increase (decrease) in cash and cash equivalents	14,624	-
Foreign currency gain (loss) on cash and other net assets	(1,915)	-
Cash and cash equivalents beginning of period	357	157
Cash and Cash Equivalents End of Period	$ 13,066	$ 157
Cash and cash equivalents comprise:		
Cash at bank	13,066	157
	$ 13,066	$ 157
Interest received (paid), net of withholding tax	$ 171,588	$ -
Dividends received, net of witholding tax	$ 10,759	$ -
Interest paid	$ 1,491	$ -

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

Schedule of Investment Portfolio (unaudited)
as at June 30, 2015

No. of Shares/Units	Description	Cost	Carrying Value	Percentage of Net Assets Attributable to Holder of Redeemable Units
EQUITIES				
United States				
12,800	Ares Capital Corporation	$ 267,235	$ 262,729	
6,000	Fifth Third Street Senior Floating Rate Corporation	73,254	68,984	
		340,489	331,713	3.8%
INVESTMENT FUNDS				
Canada				
3,520	Portland Global Energy Efficiency and Renewable Energy Fund LP	200,000	200,000	2.3%
MORTGAGES				
	Private Mortgage Loans (Note 5)	7,291,016	7,240,747	83.3%
	Transaction costs	397	-	
	Total investment portfolio	$ 7,831,902	$ 7,772,460	89.4%
	Other assets less liabilities		1,218,173	10.6%
	TOTAL NET ASSETS		$ 8,990,633	100.0%

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

1. GENERAL INFORMATION

Portland Private Income LP (the Partnership) is a limited partnership established under the laws of the Province of Ontario on December 17, 2012. Pursuant to the limited partnership agreement, Portland General Partner (Ontario) Inc. (the General Partner) is responsible for the management of the Partnership. The General Partner has engaged Portland Investment Counsel Inc. (the Manager) to direct the day-to-day business, operations and affairs of the Partnership, including management of the Partnership's portfolio on a discretionary basis and distribution of the Units of the Partnership.

The Partnership was established as an investment vehicle for the Portland Private Income Fund (the Fund). During the period ended December 31, 2013, the Fund invested the majority of its net assets in units of the Partnership. On October 25, 2013, the Fund redeemed its units and received mortgage investments from the Partnership as consideration. Accordingly, interest on the related mortgages was earned in the Partnership for the period from commencement of the Fund until October 25, 2013. Thereafter, interest on the mortgage investments was earned in the Fund until November 28, 2014 when the Fund began investing in units of the Partnership again. The Manager intends to make all future investments in the Partnership. Both the Partnership and the Fund are managed by the Manager.

The investment objective of the Partnership is to preserve capital and provide income and above average long-term returns by investing primarily in a portfolio of private debt securities. To achieve the investment objective, the Manager may:

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

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

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

The Partnership may invest in investment funds, exchange-traded funds and mutual 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.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

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

These financial statements have been authorized for issue by the Board of Directors of the General Partner on August 10, 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

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

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

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

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

(b) Recognition, de-recognition and measurement

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

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

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

The carrying value of mortgage investments classified as loans and recievables includes an estimate for impairment, when appropriate. Refer to the section called 'Impairment of financial assets at amortized cost and collective and specific allowances'. The carrying value of mortgage investments does not include the accrued and unpaid interest thereon.

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

Revenue recognition

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

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

At each reporting date, the Partnership assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Partnership recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instruments original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. As at June 30, 2015, the Partnership had not recognized any impairment.

Regarding the measurement of mortgage and loan investments, the manager intends to assess impairment using a combination of (i) specific allowances on impaired mortgages and loans that are individually significant and (ii) on a collective basis using an expected loss model. An expected loss model looks at the following elements and multiplies them together to arrive at the percentage of the carrying value to record as a collective allowance:

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

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

At least annually, the Manager will estimate a collective allowance attributable to the portfolio based on probabilities of inherent losses that are as yet unidentified. As at June 30, 2015, the value of private mortgage loans plus accrued interest was reduced by 0.60% representing a collective allowance for such inherent losses. The change in collective allowance from December 31, 2014 to June 30, 2015 is reflected in the statements of comprehensive income.

The Partnership recognized a specific allowance against one of its mortgage investments because the borrower had not paid interest owing on the mortgage and was unable to pay the principle amount upon maturity on December 14, 2014. (Note that the mortgage was transferred from the Fund to the Partnership on November 28, 2014). The mortgage administrator initiated debtor in possession proceedings in order to complete construction on previously sold properties and re-package the remaining construction financing, which resulted in closing on one of the homes and a repayment of some overdue interest in July 2015. As at June 30, 2015, the specific allowance in relation to this mortgage investment has been reduced to $8,754 (December 31, 2014: $19,024) on investment value of $489,754. In Management's view, there was sufficient loan to value coverage on this investment and no further impairment was warranted as at June 30, 2015.

In addition, as at June 30, 2015 the carrying value of mortgage investments was reduced by $41,516 (2014: $4,024) due to the collective allowance.

For the period ended June 30, 2015, negative $10,270 (2014: nil) and $37,492 (2014: nil) was included in the statements of comprehensive income specific and collective allowances respectively.

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 on the dates transactions occur. Assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing on 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 currency gain (loss) on cash and other net assets' on the statements of comprehensive income. Realized foreign exchange gains and losses related to investments are recognized when incurred and are presented in the statement of comprehensive income within 'net realized gain (loss) on investments'.

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

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

Cash and cash equivalents

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

Cost of investments

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

Redeemable Units

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

The redeemable units are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the unit back to the 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 series of redeemable units with the total number of outstanding redeemable units for each respective series. In accordance with the provisions of the Partnership's regulations, investment positions are valued based on the last traded market price for the purpose of determining the NAV per unit for subscriptions and redemptions.

Expenses

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

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

Organization expenses

In accordance with its offering documents, organizational expenses in the amount of $20,568, which include legal and registration fees associated with the formation of the Partnership and applicable taxes, are recoverable by the Manager from the Partnership. The Partnership is required to re-pay the Manager over five years commencing in 2014. A decision was made by the Manager to waive the collectible amounts for 2014 and the first four months of 2015. Organizational expenses, including applicable taxes, for the period ending June 30, 2015 in the amount of $2,054 (2014: $3,428) were included in the line 'Organizational expenses' and a corresponding amount of $1,027 (2014: $3,428) was included in the line 'Expenses absorbed by Manager' on the statements of comprehensive income.

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

'Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit' in the statements of comprehensive income represents the Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class, divided by the 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 General Partner.

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

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

Future accounting changes

IFRS 9, Financial Instruments

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however it is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Partnership is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

The Partnership holds financial instruments that are not quoted in active markets, including private mortgages loans. The Manager has concluded that these financial instruments are classified as loans and receivables which approximates their fair value due to their short term nature.

Functional and presentation currency

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

5. FINANCIAL INSTRUMENTS

a) Categorization of financial instruments

The following tables present the carrying amounts of the Partnership's financial instruments by category as at June 30, 2015 and December 31, 2014:

June 30, 2015:

Assets	Financial assets at FVTPL Designated at Inception ($)	Financial assets at amortized cost ($)	Total ($)
Cash and cash equivalents	-	13,066	13,066
Subscriptions receivable	-	1,179,993	1,179,993
Interest receivable	-	147,414	147,414
Dividends receivable	-	477	477
Mortgage investments	7,240,747	-	7,240,747
Equity positions – long	331,713	-	331,713
Investment funds	200,000	-	200,000
Total	**7,772,460**	**1,340,950**	**9,113,410**

Liabilities	Financial liabilities at FVTPL Designated at Inception ($)	Financial liabilities at amortized cost ($)	Total ($)
Short term borrowing	-	88,885	88,885
Accrued expenses	-	4,022	4,022
Payable for investments purchased	-	29,870	29,870
Total	**-**	**122,777**	**122,777**

December 31, 2014:

Assets	Financial assets at FVTPL Designated at Inception ($)	Financial assets at amortized cost ($)	Total ($)
Cash and cash equivalents	-	357	357
Other receivables	-	51	51
Interest receivable	-	19,960	19,960
Mortgage investments	-	1,457,952	1,457,952
Total	**-**	**1,478,320**	**1,478,320**

Liabilities	Financial liabilities at FVTPL Designated at Inception ($)	Financial liabilities at amortized cost ($)	Total ($)
Accrued expenses	-	696	696
Total	**-**	**696**	**696**

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the period ended June 30, 2015 and June 30, 2014.

Category	Net gains (losses) ($) 2015	2014
Financial Assets at FVTPL:		
Designated at inception	913	-
Total	913	-

b) Risks associated with financial instruments

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

Price risk

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

As of June 30, 2015 and December 31, 2014, the Partnership did not have significant exposure to price risk.

Interest rate risk

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

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

As of June 30, 2015 and December 31, 2014, the Partnership's mortgage investments are in fixed rate, short-term mortgages. The Partnership generally holds all of its mortgages to maturity. There is no secondary market for the Partnership's mortgages and in syndication transactions such as the ones in which the Partnership participates these mortgages are generally traded at face value without regard to changes in interest rates.

The following is a summary of the amortized cost of mortgage investments segmented by gross interest rate (before deduction of mortgage administration fees) as of June 30, 2015 and December 31, 2014:

	11% - 11.99%($)	12% - 12.99%($)	13% - 13.99%($)	14% - 14.99%($)	15% - 15.99%($)	Total($)
June 30, 2015	472,246	4,383,044	-	2,385,457	-	7,240,747
December 31, 2014	-	1,457,952	-	-	-	1,457,952

The following is a summary of the amortized cost of mortgage investments segmented by term as of June 30, 2015 and December 31, 2014:

	12 months or less($)	13 to 24 months($)	24 to 36 months($)	Total($)
June 30, 2015	7,240,747	-	-	7,240,747
December 31, 2014	461,976	995,976	-	1,457,952

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

Currency risk

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

As of June 30, 2015 and December 31, 2014, the Partnership did not have significant exposure to currency risk.

Liquidity risk

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

The Partnership makes investments in private mortgage loans that are not traded in an active market. As 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 tables below analyze the Partnership's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

June 30, 2015	< 6 months ($)	> 6 months ($)	Total ($)
Margin loan and borrowing	88,885	-	88,885
Accrued expenses	4,022	-	4,022
Payable for investments purchased	29,870	-	29,870

December 31, 2014	< 6 months ($)	> 6 months ($)	Total ($)
Accrued expenses	696	-	696

Credit risk

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

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

The Partnership's credit risk management objectives are to:

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

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

- the majority of mortgages are generally expected to be written for terms of 6 to 36 months and supported by commercial liability insurance and by personal or corporate guarantees; and
- mortgages are generally expected to be written for a principal amount 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 appraisers 'valuations and credit checks and financial statement reviews on prospective borrowers.

The maximum exposure to credit risk as of June 30, 2015 is the face value of the private mortgage loans plus the accrued interest and less any allowances thereon, which total $7,388,161 (December 31, 2014 – $1,477,912). 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 private mortgage loans held as of June 30, 2015:

	Number of Mortgages	Face Value($)	Amortized Cost($)
First Mortgages	4	4,891,016	4,855,290
Second Mortgages	1	2,400,000	2,385,457
Third Mortgages	-	-	-
Total	**5**	**7,291,016**	**7,240,747**

The following is a summary of the private mortgage loans held as of December 31, 2014:

	Number of Mortgages	Face Value($)	Carrying Value($)
First Mortgages	2	1,481,000	1,457,952
Second Mortgages	-	-	-
Third Mortgages	-	-	-
Total	**2**	**1,481,000**	**1,457,952**

The following is a summary of the private mortgage loans held by the Partnership segmented by type of project:

	Pre-development ($)	Pre-development/ Construction($)	Construction ($)	Term ($)	Total ($)
June 30, 2015	-	-	7,240,747	-	7,240,747
December 31, 2014	-	-	1,457,952	-	1,457,952

c. Fair value of financial instruments

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

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

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

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

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

The following table illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2015:

	Assets at fair value as at June 30, 2015			
	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Equities - Long	331,713	-	-	331,713
Investment funds	-	-	200,000	200,000
Total	**331,713**	**-**	**200,000**	**531,713**

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 of June 30, 2015, the Partnership held units of Portland Global Energy Efficiency and Renewable Energy Fund LP ("Portland GEEREF") which is a closed-end investment fund. Portland GEEREF is managed by the same Manager as the Partnership. This investment is considered Level 3 in the fair value hierarchy because it does not allow redemptions prior to dissolution. Portland GEEREF is the Partnership's only Level 3 investment. The Partnership measures the Portland GEEREF units at the most recently published NAV per unit considering restrictions on the Fund's ability to redeem the units of Portland GEEREF. If the NAV per Unit of Portland GEEREF had been higher or lower by 5%, the net assets attributable to holders of redeemable units would have been higher or lower by $10,000.

Reconciliation of Level 3 Fair Value Measurements of Financial Instruments

June 30, 2015	Investment Funds ($)	Total ($)
Balance at beginning of period	-	-
Investment purchases during the period	200,000	200,000
Proceeds from sales during the period	-	-
Net transfers in (out) during the period	-	-
Net realized gain (loss) on sale of investments	-	-
Change in unrealized gain (loss) in value of investments	-	-
Balance at end of period	200,000	200,000
Change in unrealized gain (loss) in value of investments held at the end of period	-	-

There were no Level 3 investments as of December 31, 2014.

6. REDEEMABLE UNITS

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

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

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

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

Period ended June 30, 2015	Balance, Beginning of Period	Units Issued	Units Redeemed	Balance, End of Period
Class A	1	-	-	1
Class B	27,277	131,605	1	158,881

The number of units issued and outstanding for the period ended June 30, 2014 was as follows:

Period ended June 30, 2014	Balance, Beginning of Period	Units Issued	Units Redeemed	Balance, End of Period
Class A	1	-	-	1
Class B	1	-	-	1

7. TAXATION

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

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

8. EXPENSES

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

The Partnership is responsible for, and the Manager is entitled to reimbursement from the Partnership for, all costs associated with the creation and organization of the Partnership. Organizational costs in the amount of $18,202 (net of applicable taxes) will be charged to the Partnership over a period of five years, on a pro rata basis commencing January 1, 2014. The Manager decided to waive the chargeable amounts for 2014 and the first four months of 2015. Organizational expenses for the period ended June 30, 2015 in the amount of $2,054 (2014: $3,428) were included in the line 'Organizational expenses' and a corresponding amount of $1,027 (2014: $3,428) was included in the line 'Expenses absorbed by Manager' on the statements of comprehensive income.

9. PRIME BROKERAGE FACILITY

The Partnership has a prime brokerage agreement with the RBC Dominion Securities Inc. The rate of interest payable on borrowed money is the Royal Bank of Canada Overnight Rate + 1% and the facility is repayable on demand.

The Partnership borrowed a minimum of $nil and a maximum of $123,134 under this brokerage facility for the six month period ended June 30, 2015 (2014 – $nil).

10. SOFT DOLLARS

A portion of the brokerage commissions (referred to as "soft dollars") paid by the Partnership on securities purchases and sales to dealers (generally "full service" dealers) represents fees for goods and services, in the form of proprietary research, provided to the Manager by the dealer which are in addition to order execution services. 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. The Manager may direct trades to a dealer in exchange for 'in-house' proprietary research. The dealers do not provide the Manager with an estimate of the cost of the research, statistical and other similar services.

11. RELATED PARTY TRANSACTIONS

The following table outlines the operating and organizational expense reimbursements that were paid to the Manager by the Partnership during the periods ended June 30, 2015 and June 30, 2014. The table also includes the amount of operating expense reimbursement that was paid to affiliates of the Manager for administrative services provided in managing the day-to-day operation of the Partnership and the amount of additional absorbed operating expenses that the Manager chose not to charge to the Partnership. All of the dollar amounts in the table below exclude applicable GST or HST.

Period ended	Operating Expense Reimbursement ($)	Organizational Expense Reimbursement ($)	Absorbed Expense ($)	Absorbed Organizational Expense ($)	Operating Expenses Reimbursed to Affiliates of the Manager ($)
June 30, 2015	12,465	1,818	-	909	559
June 30, 2014	2,060	3,034	2,060	3,034	-

The Partnership owed the following amounts to the Manager:

As at	Operating Expense Reimbursement ($)	Organizational Expense Reimbursement ($)
June 30, 2015	3,256	303
December 31, 2014	616	-

12. EXEMPTION FROM FILING

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

PORTLAND
INVESTMENT COUNSEL™

Statement of Corporate Governance Practices

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

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