

Financial Statements
(Expressed in Canadian dollars)

**PORTLAND GLOBAL ENERGY
EFFICIENCY AND RENEWABLE
ENERGY FUND LP**

Year ended December 31, 2016
(Unaudited - see Notice to Reader)

PORTFOLIO
MANAGEMENT TEAM

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

OVERVIEW

The investment objectives of Portland Global Energy Efficiency and Renewable Energy Fund LP (the “Partnership” or “Portland GEEREF LP”) are to provide income and above average long-term returns by investing primarily in the B units of Global Energy Efficiency and Renewable Energy Fund (“GEEREF”), advised by the European Investment Fund (“EIF”) and sub-advised by the European Investment Bank (“EIB”).

To achieve the investment objectives:

The Partnership intends primarily to invest in the B units of GEEREF, a private equity and infrastructure fund of funds, investing in Regional Funds, providing equity or quasi equity primarily for energy efficiency and renewable energy projects in developing countries and economies in transition. The B units feature a preferred return mechanism and faster return of capital over the A shares currently held by public sponsors: Germany, Norway, and the EIF (on behalf of the European Commission representing the European Union).

When the Partnership subscribed for the B units of GEEREF, it was required to commit to investing a fixed amount of capital to GEEREF over time. The Partnership committed to invest €14,250,000. Pending the full investment of the Partnership’s commitments, and at any time deemed appropriate by Christopher Wain-Lowe on behalf of Portland Investment Counsel Inc. (the Manger of the Partnership) the Partnership may invest in a variety of other investments, including income producing private and public debt and equity securities, either directly or indirectly through other funds. Portland Investment Counsel Inc. (the “Manager”) may hedge part or all of the Partnership’s non-Canadian dollar exposure back to the Canadian dollar from time to time.

Triple P Strategy

GEEREF’s investments aim to bring equal benefits for a triple bottom line:



Planet

GEEREF seeks to fight climate change and contribute to a sustainable environment



People

GEEREF seeks to provide access to sustainable energy and increase energy efficiency in developing countries and economies in transition



Profit

GEEREF seeks to achieve robust financial returns.

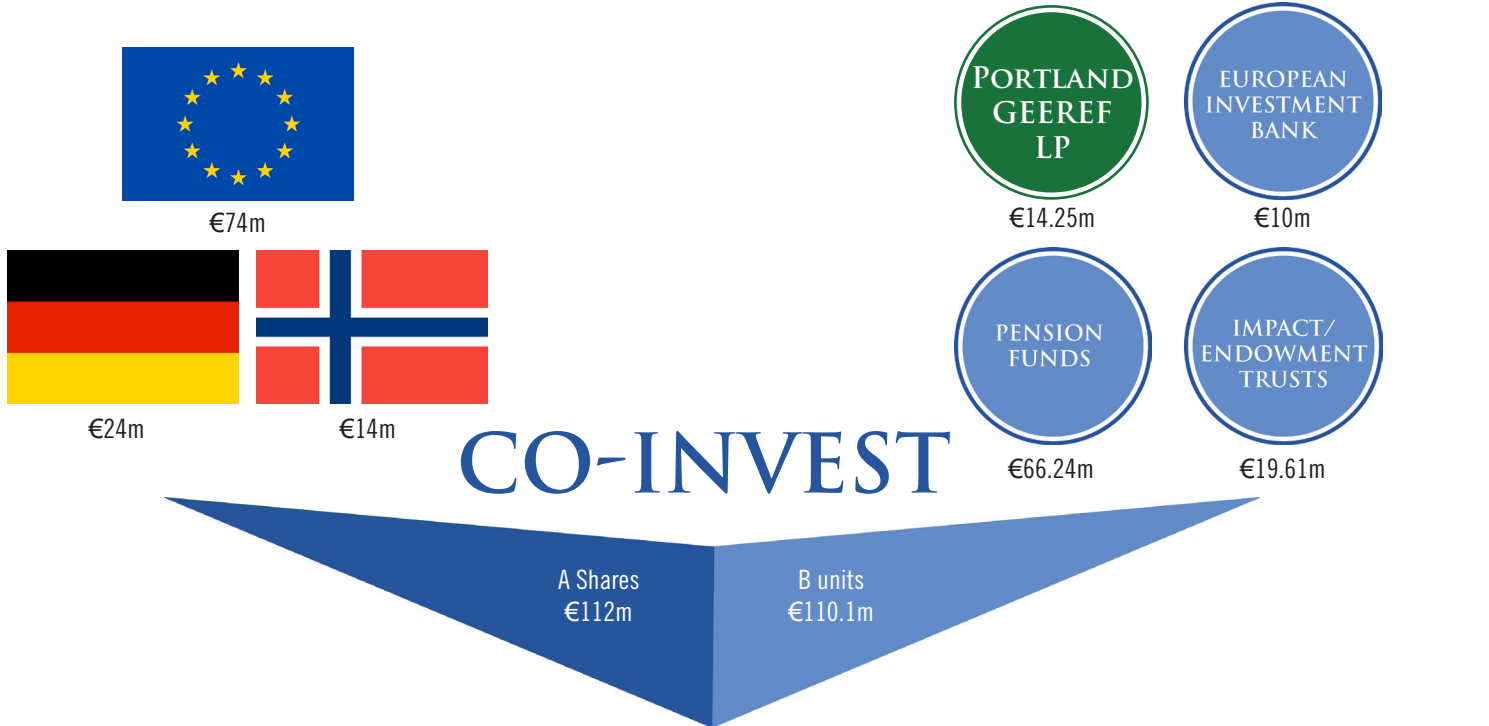
GEEREF invests exclusively in Regional Funds targeting projects in emerging markets that qualify as recipients for Official Development Assistance. There are currently 144 countries recognised as such by the Organisation for Economic Co-operation and Development and GEEREF’s Regional Funds can target all of these other than candidates for accession to the European Union. Hence, priority is given to investment in countries with appropriate policies and regulatory frameworks on energy efficiency and renewable energy.

GEEREF invests in specialist funds developing small to medium-sized projects in the following sectors:

- Renewable Energy – including small hydro, solar, wind, biomass and geothermal; and
- Energy Efficiency – including waste heat recovery, energy management in buildings, co-generation of heat and power, energy storage and smart grids.

GEEREF Regional Funds typically work with experienced local developers with a pipeline of projects seeking investment pre-construction. GEEREF engages with funds early in their development and seeks to enhance strategy, team capability and structure, being often the first cornerstone investor in a fund. Underpinning GEEREF’s investment strategy is a fundamental commitment to financial, environmental and social sustainability, principles which are mutually reinforcing. GEEREF Regional Funds typically have: strong technical and private equity transaction skills; a regional focus, an established local presence and networks to generate deal-flow; and an overall size of between €50 million and €200 million. (Details of the impact GEEREF is already having on both planet and people are provided on page 5)

PORTLAND GEEREF LP: CO-INVESTING WITH SOVEREIGN STATES AND PENSION FUNDS



* As at Dec. 31, 2015, comprising €672.3 million raised by GEEREF Regional Funds (including GEEREF, commitment of €99.0 million at the time) plus €2,187.8 million project financing commitments.



PARTNERSHIP UPDATE AND FINANCIAL HIGHLIGHTS

The Partnership's one year return as of December 31, 2016 was 5.5% for Series A and 6.0% for Series F units. Its cumulative return since inception on October 31, 2013 was 27.8% for Series A and 29.0% for Series F units. The Partnership's net asset value (NAV) per unit as of December 31, 2016 was \$63.89 for Series A and \$64.50 for Series F Units.

During the period from December 17, 2013 to May 17, 2015 the Partnership made five commitments to invest a total of €14,250,000 in B Units of GEEREF. In September 2016, the Partnership fulfilled a requirement to increase its subscriptions and so had contributed €9,084,325 for 908.433 B units, at a value of €10,000 each, representing 63.75% of its commitment. Subsequently, in March 2017, the Partnership fulfilled a further requirement to increase its subscriptions and so currently has contributed €12,267,056 for 1,226.700 B units, representing 86.08% of its commitment. The €12.3 million investment plus most receivables, have been hedged to the Canadian dollar.

As of December 31, 2016, GEEREF had committed to invest approximately €148.1 million in eleven Regional Funds, liquidated and so realized €17.2 million from one Regional Fund as well as positively received submissions from two successor Regional Funds with GEEREF committing €20 million into one by end of March 2017. GEEREF is also working on coinvestment/direct investment projects which are expected to materialize in early 2017. The portfolios of each of the eleven Regional Funds comprise a total of 84 investments. Two of these Regional Funds finalized their investment periods in late 2015 and have begun the process of divesting (Berkeley Energy and Inspired Evolution Investment Management). Christopher Wain-Lowe has annually visited and met partners of all the existing and prospective Regional Funds and expects that in 2017 GEEREF will be fully committed having invested in 13 to 15 Regional Funds, managed by the ten teams of investment professionals (as depicted on the bottom of the prior page) with at least three of these teams having successfully managed and closed one fund and then raised successor funds.

GEEREF closed its offer of B Units on May 31, 2015 having originally intended to close by November 5, 2013. A consequence of this delay has been: (i) the extension to accept more subscriptions into this Partnership until no later than November 30, 2017 and; (ii) the deferral to pay quarterly distributions until the quarter ended December 2017.

Over the last year, as the Partnership welcomed an increasing number of investors and existing investors who increased their investment, the Partnership's net assets have risen. Also, given the GEEREF offer is now closed, the Partnership's commitment is now capped. Therefore in anticipation of ongoing investor enthusiasm for the Partnership, the Manager is looking to complement the investment objectives of the Partnership by investing primarily in the B units of GEEREF and a portfolio of income producing private and public debt and equity securities.

In September 2016, the Partnership initiated a commitment to invest in Newlook Capital Industrial Services LP (Newlook) from which the Partnership is entitled to an 8% per annum cumulative return. Headquartered in Burlington, Ontario, Newlook has been created to provide an opportunity for investors, by way of a tiered investment structure, to invest in a portfolio of Canadian industrial services companies. Newlook's investment strategy consists of sourcing and acquiring interests in companies that have a component of their revenue arising from recurring service provision, which assures code compliance, a sustainable competitive position, high relative market share and a history of generating positive cash flow, and where Newlook's management see an opportunity to enhance value by driving operational improvements. Initially, Newlook has majority ownership of three industrial companies: Multiservice Group Inc. (Multiservice), Direct Elevator Service Ltd. (Direct) and True Canadian Elevator Maintenance Company Ltd. (True Canadian). Multiservice, founded in 1985, operates in Western Canada with offices in Edmonton and Calgary and installs and regularly inspects gas detection systems as mandated by the Alberta Fire code, serving over 1,600 customers. Direct, founded in 1988, is an elevator maintenance company based in Scarborough and servicing the Greater Toronto Area. Similarly, True Canadian, managed by a technician with 30 years of experience is in the elevator maintenance and modernization business, based in Etobicoke. The management of Newlook will seek to divest its investments at higher values than those paid on acquisition after growing them into larger businesses that are strategically relevant for corporate buyers or larger private equity groups. Newlook is expected to be terminated in 5 years, effectively by the end of September 2021, subject to three potential one year extensions at the discretion of the General Partner of Newlook. The Partnership is also a modest shareholder of the General Partner of Newlook.

As at December 31, 2016, the investment in Newlook represented about 4.2% of the Partnership. In February 2017, the Partnership received its first cash pro-rated distribution from Newlook based on the aggregate capital contributed during the last few months of 2016. In keeping with its investment strategies, the Partnership intends primarily to invest in the B Units of GEEREF and so whilst pleased at this opportunity and the attractive returns, currently anticipates that its investment in Newlook may be up to about 10% of the Partnership and the Partnership's stake to be about 5% of Newlook.

In early December, the Partnership was delighted to receive its first distribution of €728,662 in lieu of partial divestments from three Regional Funds in GEEREF and received its second distribution in late March 2017 of €347,045. These distributions reaffirm the intent to set in train the funding of the quarterly distribution to be paid from quarter ended 2017, after the Partnership has been closed no later than November 30, 2017.

Pending further subscription payments for the B units of GEEREF, the Partnership currently holds approximately 13% of its investments in a portfolio of liquid assets comprising:

- predominantly cash and short term notes held with Royal Bank of Canada; and
- a modest holding of Manulife Financial Corporation preferred shares with a quarterly fixed dividend yielding 4.85% per annum. These preferred shares were bought at the initial public offering, are rated within the second highest rating of categories utilized by DBRS Limited (the rating agency formerly called Dun & Bradstreet Rating Services) and after a positive reaction from the market when listed, were subsequently sold at a profit early at the end of January 2017.

This Partnership has extended its availability and will remain open to accept new subscriptions until no later than November 30, 2017. However, the extended availability of the Partnership is only available for purchase by accredited investors (including managed accounts) and non-individuals who invest more than \$150,000. 'Accredited investors' is referenced within the meaning of applicable laws and is explained in the offering memorandum and in the subscription agreement of the Partnership.

The Partnership is not considered a reporting issuer under applicable securities laws and continuous reporting requirements under those laws do not apply to the Partnership. The Manager prepares financial statements once a year, December 31, to align it with the year end for tax purposes.

MARKET OVERVIEW

The Paris climate change agreement signed on December 12, 2015 by the representatives of 196 countries was hailed as a historic diplomatic success. The challenge posed by anthropogenic global warming will hinge on how solemnly its many signatories are willing to accept the challenge not least the U.S.. While the deal sets a new target to limit global warming to well below 2 degrees above pre-industrial levels the current plans as submitted by 188 countries would, according to the Financial Times, lead to temperatures rising by about 2.7% and so fail to meet the target set. Nonetheless, the hope now is that, finally, a framework for confronting the challenge is in place. International co-operation to transition towards a decarbonised global economy is particularly helpful for both environmentally vulnerable and developing countries many of which are within the scope of GEEREF. Inevitably the Paris accord remains a work in progress but it is encouraging to recognize that while GEEREF is in the vanguard of this change its goals are now more recognizably part of an altogether greater ambition.

It remains our view that GEEREF is playing its part in meeting the challenge of climate change (see GEEREF impact metrics on next page). Its investors are contributing capital to a first generation of renewable energy projects. These projects are giving greater and cleaner access to electricity to select populations while generating attractive financial returns. In support of this understanding we have been permitted by the International Energy Agency to reproduce at the end of our commentary, their recent five-part series on energy efficiency focusing on real-life examples in developing countries. Nearer to home, industrial services in Canada are regulated by codes of compliance which by their nature require technical services and generate recurring revenues in areas which benefit and protect the societies they serve. Market drivers for both electricity generation and industrial services like elevator maintenance and gas detection include increasing urbanization and technological development. We therefore believe the Partnership's investment in Newlook is complementary to its investment in B units of GEEREF and together are designed to meet the Partnership's objectives to provide income and above average long-term returns.

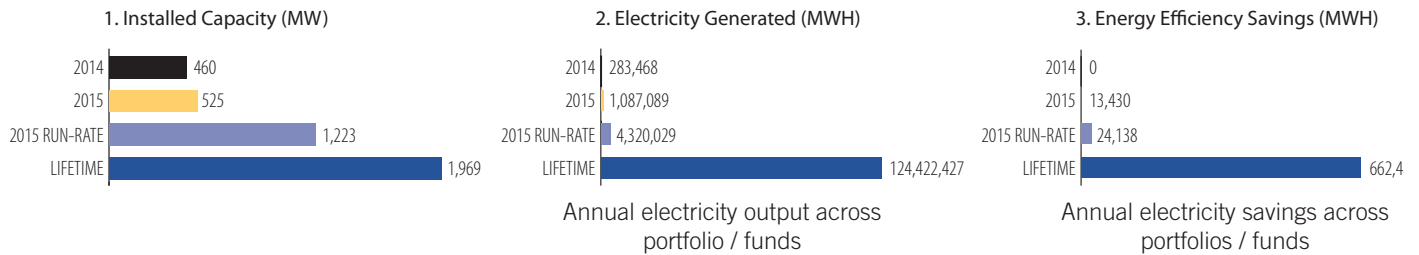
GEEREF IMPACT METRICS*

GEEREF exists to catalyze investment into clean electricity capacity in developing countries and to maximize the positive impact of those projects in environmental, social and development areas. The Triple P Strategy at work (Planet, People, Profit).

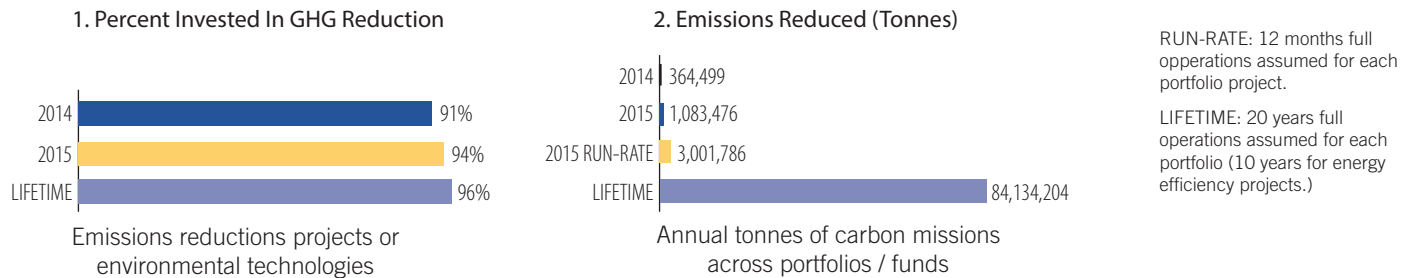


ENVIRONMENT & CLEAN ENERGY:

472 megawatts (MW) of installed capacity and over 1 million megawatt hours (MWH) generated

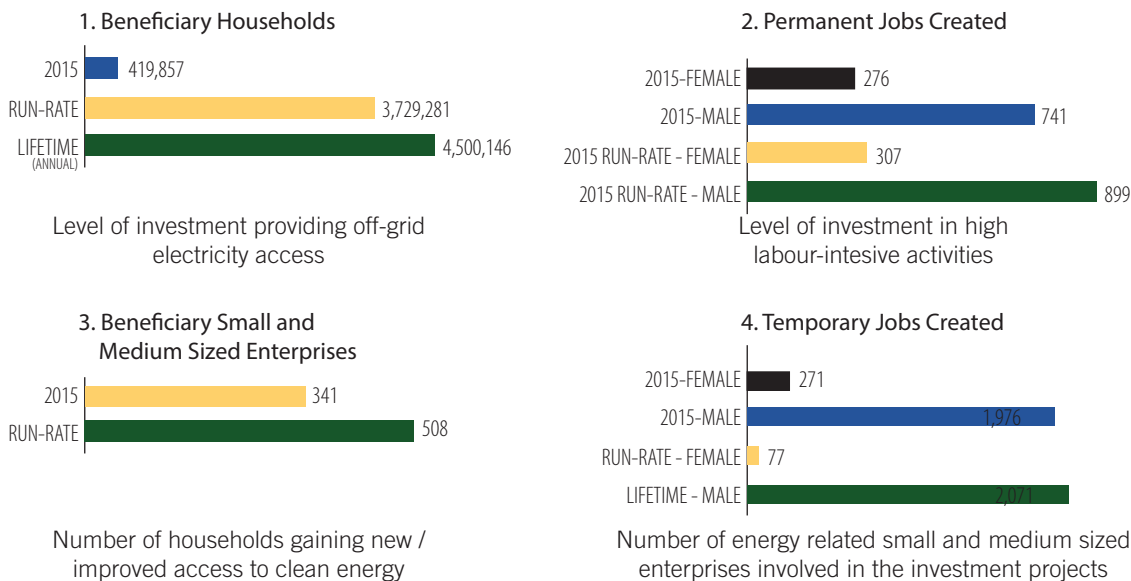


Over 1 million tonnes of greenhouse gas emissions (GHG) avoided during 2015



SUSTAINABLE DEVELOPMENT:

More than 400,000 beneficiary households in 2015



* GEEREF Impact Report 2015. Note On Methodology: GEEREF Funds convert megawatts hours of clean electricity produced into avoided greenhouse gases, using a standard conversion number which differs from country to country according to energy mix and other variables. This conversion ranges from 0.5 tonnes to 1 tonne of avoided greenhouse gas per megawatt hour of clean electricity produced.

REGIONAL FUNDS – into which GEEREF has conditionally committed or invested



AFRICA RENEWABLE ENERGY FUND

Geeref Has Committed USD 19.6 Million To The Africa Renewable Energy Fund, Managed By Berkeley Energy

AREF is a private equity fund focusing on renewable energy infrastructure investments across Sub-Saharan Africa, excluding South Africa.

AREF's primary investment focus is on renewable energy projects deploying operationally and economically mature technologies with proven and successful track records, namely small and medium-sized hydro, wind, solar photo voltaic, geothermal and biomass, thereby seeking to avoid technology risk.

AREF makes equity investments into development stage renewable energy projects and project developers, brings these projects all the way through financial close and construction into operation, and expects to generate returns through exits either on an individual basis or via consolidated portfolios of assets, regionally or by technology.

You can read more about Africa Renewable Energy Fund by visiting its website: www.berkeley-energy.com/



ARMSTRONG SOUTH EAST ASIA CLEAN ENERGY FUND

Geeref Has Committed € 10.0 Million To The Armstrong S.e. Asia Clean Energy Fund, Managed By Armstrong Asset Management

Armstrong is a private equity fund that invests in small-scale renewable energy and resource efficiency projects in Southeast Asia, focusing particularly on Thailand, Philippines, Indonesia and Vietnam. This strategy is driven by the high energy demand and strong market fundamentals in the region.

The investment strategy is based on a market demand supported by strong economic fundamentals; a commitment to positive social and environmental impact; risk minimisation through a portfolio of small-scale projects; no technology risk; the ability to generate early cash flows; positive entry valuations due to lack of investor competition; competitive advantage as a result of the team's local operating experience; and a clear exit strategy.

You can read more about Armstrong South East Asia Clean Energy Fund by visiting its website: www.armstrongam.com



CATALYST MENA CLEAN ENERGY FUND

GEEREF Has Committed USD 16.6 Million To The Catalyst Mena Clean Energy Fund, Managed By Catalyst Investment Management

Catalyst MENA (Middle East and North Africa) Clean Energy Fund is a private equity fund that invests in renewable energy infrastructure for electricity generation and small scale renewable energy and energy efficiency projects across the Middle East and Northern Africa region.

Catalyst's primary strategic focus is to concentrate on solar energy related infrastructure, mostly solar photo voltaic. As for small scale renewable energy and energy efficiency projects, the fund's strategy is to invest in solar thermal projects, such as for heating, cooling or chilling; as well as in small and medium-sized enterprises offering services to the renewable energy or energy efficiency industry. With a focus on Jordan, the fund may also target investments in Egypt, Morocco and Tunisia.

The investment strategy is underpinned by strong market fundamentals in the MENA region such as its large solar power potential, an enabling regulatory and policy framework, the region's electricity demand growth as well as its transmission infrastructure prospects amongst others.

You can read more about Catalyst MENA Clean Energy Fund by visiting its website: www.catalystpe.com



CAUCASUS CLEAN ENERGY FUND

GEEREF Has Conditionally Committed USD 13.0 Million To The Caucasus Clean Energy Fund, Managed By Schulze Global Investments

Caucasus Clean Energy Fund is a private equity fund that invests in small and medium scale hydropower plants in the Republic of Georgia. It targets projects in the range of 10-20 MW, focusing on introducing international best practices in respect of the construction and operation of hydropower plants, as well as their environmental and social management. The fund participates actively in the development of projects from a very early stage, although it may also be open to investments in more mature projects, and has a preference for majority ownership.

The investment strategy is underpinned by strong market fundamentals in the Caucasus region such as Georgia's large hydropower potential, an enabling regulatory and policy framework, the region's electricity demand growth and seasonality patterns, as well as the region's transmission infrastructure prospects amongst others.

You can read more about Caucasus Clean Energy Fund by visiting its website: www.schulzeglobal.com

FRONTIER

Investment Management

DI FRONTIER MARKET ENERGY & CARBON FUND

GEEREF Has Committed € 10.0 Million To The Di Frontier Market Energy & Carbon Fund, Managed By Frontier Investment Management

DI Frontier is a private equity fund providing equity financing to small-scale renewable energy (wind, solar and solar heating, hydro, biomass, waste to energy, geothermal), fuel switch and energy efficiency projects in Sub-Saharan Africa with a focus on East Africa, particularly Kenya and Uganda.

DI Frontier may participate actively in the development of projects from a very early stage but it is also open to investments in mature projects. Projects may be standalone such as wind farms or captive such as bagasse based power generation at sugar factories.

You can read more about DI Frontier by visiting its website: www.frontier.dk



EMERGING ENERGY LATIN AMERICA FUND II

GEEREF Has Committed € 12.5 Million To The Emerging Energy Latin America Fund Ii, Managed By Emerging Energy And Environment

EELAF II is a private equity fund providing equity financing to renewable energy infrastructure in Latin America, principally in the high growth economies of Brazil, Mexico, Peru, Chile, and Colombia. The fund mainly invests in companies within the energy related sectors of hydroelectricity, wind power generation, and solar energy.

EELAF II may also invest in regional mid-market companies that provide support and energy services to the renewable and energy efficient sectors using market proven technologies.

You can read more about Emerging Energy Latin America Fund II by visiting its website: www.emergingenergy.com



EVOLUTION ONE FUND

GEEREF Has Committed € 10.0 Million To The Evolution One Fund, Managed By Inspired Evolution

Evolution One is a private equity fund providing equity financing to projects on the clean energy and clean technologies sectors in the Southern African Development Community.

It focuses on the following sectors and sub-sectors: cleaner energy generation and energy efficiency; cleaner production technologies and processes; air quality and emissions control; water quality and management; waste management; agribusiness and forestry; natural products, organics and natural health; sustainable buildings and environmental real estate.

Evolution One makes early stage and later stage development, expansion or mature equity and equity-related investments, primarily for control or significant minority positions in market-leading growth businesses.

Evolution One has currently reached the end of its investment period.

You can read more about Evolution One by visiting its website: www.inspiredevolution.co.za



EVOLUTION II FUND

GEEREF Has Committed € 21.0 Million To The Evolution II Fund, Managed By Inspired Evolution

Evolution II is a private equity fund providing equity financing to projects on the clean energy and clean technologies sectors across Sub-Saharan Africa, including South Africa. Launched late 2016/early 2017, Evolution II is the successor fund of Evolution One, to which GEEREF committed € 10.0 million.

It focuses on the following two principal investment themes: clean energy infrastructure-type development and project finance investments; and energy and resource efficiency growth investments – and the value chains that support them. The key investment sectors and sub-sectors include renewable and sustainable energy power and electricity generation, energy efficiency, water efficiency, agribusiness efficiency, waste efficiency and environmental services.

Evolution II makes greenfield and early stage infrastructure development, project finance, growth equity and equity-related investments, primarily for control or significant minority positions, in clean energy infrastructure or market-leading growth businesses in its target sectors.

You can read more about EVOLUTION II by visiting its website: www.inspiredevolution.co.za



MGM SUSTAINABLE ENERGY FUND

MGM SUSTAINABLE ENERGY FUND**GEEREF Has Committed € 10.0 Million To The Mgm Sustainable Energy Fund, Managed By Mgm Innova Capital Llc**

MSEF is a private equity fund providing equity and mezzanine financing to projects in the demand-side energy efficiency and renewable energy sectors in Colombia, Mexico, Central America and the Caribbean region.

The fund will seek to invest 70% of its committed capital in energy efficiency projects (residential sector: consumer financing for green appliances; commercial sector: hotels, hospitals, other large buildings; municipal sector: street lighting); and 30% in renewable energy projects (proven technologies including hydro expansion/rehabilitation, solar and wind).

You can read more about MGM Sustainable Energy Fund by visiting its website: www.mgminnovacap.com



RENEWABLE ENERGY ASIA FUND

RENEWABLE ENERGY ASIA FUND**GEEREF Has Committed € 12.5 Million To The Renewable Energy Asia Fund, Managed By Berkeley Energy**

REAF is a private equity fund focusing on renewable energy infrastructure investments across South and South East Asia.

REAF targets markets and assets where value is supported by maturing and expanding local renewable energy legislation, deregulation of the electricity sector and demographic and commercial drivers under-pinning future demand growth for power. REAF's investment activity has focused on the substantial opportunity available in the Philippines and the Indian markets.

REAF's primary investment focus is on renewable energy projects deploying operationally and economically mature technologies with proven and successful track records, namely small and medium-sized hydro, wind, solar photo voltaic, geothermal and biomass, thereby seeking to avoid technology risk.

REAF makes equity investments into development stage renewable energy projects and project developers, brings these projects all the way through financial close and construction into operation, and expects to generate returns through exits either on an individual basis or via consolidated portfolios of assets, regionally or by technology.

REAF has currently reached the end of its investment period.

You can read more about Renewable Energy Asia Fund by visiting its website: www.berkeley-energy.com



RENEWABLE ENERGY ASIA FUND II

RENEWABLE ENERGY ASIA FUND II**GEEREF Has Committed USD 15.9 Million To The Renewable Energy Asia Fund II, Managed By Berkeley Energy**

REAF II is a private equity fund focusing on renewable energy infrastructure investments across South and South East Asia. REAF II is the successor fund of REAF, to which GEEREF committed € 12.5 million.

REAF II targets markets and assets where value is supported by maturing and expanding local renewable energy legislation, deregulation of the electricity sector and demographic and commercial drivers under-pinning future demand growth for power, most notably India, the Philippines and Indonesia.

REAF II's primary investment focus is on renewable energy projects deploying operationally and economically mature technologies with proven and successful track records, namely small and medium-sized hydro, wind, solar photo voltaic, geothermal and biomass, thereby seeking to avoid technology risk.

REAF II makes equity investments into development stage renewable energy projects and project developers, brings these projects all the way through financial close and construction into operation, and expects to generate returns through exits either on an individual basis or via consolidated portfolios of assets, regionally or by technology.

You can read more about Renewable Energy Asia Fund II by visiting its website: www.berkeley-energy.com/

**SOLARARISE INDIA PROJECTS PRIVATE LIMITED****GEEREF Has Committed € 12 Million To Solararise India Projects Private Limited, An India Focused Solar Asset Vehicle**

SolarArise is an India focused solar asset vehicle that invests in grid-connected solar PV projects in India, to provide steady annuity-like cash returns to investors. This strategy provides attractive returns at low risk and is geared to provide capital for sustainable clean renewable power.

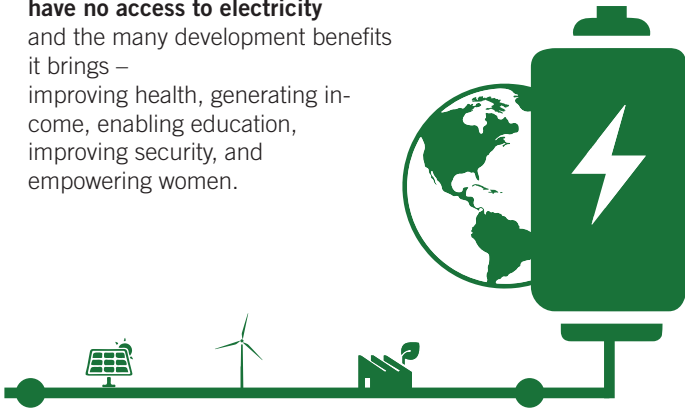
The investment strategy is based on the rising market demand for power in India; the commitment to provide clean renewable energy with a positive environmental impact; the use of proven and established technology to minimise performance risk; minimal execution and operation risk through a diversified portfolio; a quick investment cycle to generate revenue; and a strong and experienced management team capable of building and managing a large solar portfolio.

You can read more about SolarArise by visiting its website: www.solararise.com

THE ENERGY ACCESS GAP

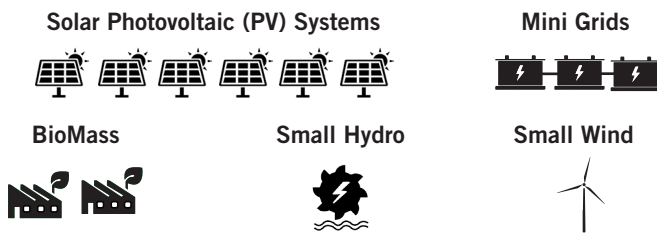
THE PROBLEM

Over 1.2 billion people around the world have no access to electricity and the many development benefits it brings – improving health, generating income, enabling education, improving security, and empowering women.



THE SOLUTIONS

A range of options exist and are ready for scale for off-grid rural electrification, including:



THE FRAMEWORK

The UN-Led Sustainable Energy for All initiative seeks to achieve universal energy access by 2030 as one of its three goals, the others being doubling the rate of improvement in energy efficiency and doubling the share of renewables in the global energy mix.



Universal Energy Access



Renewable Energy



Energy Efficiency

THE NEED

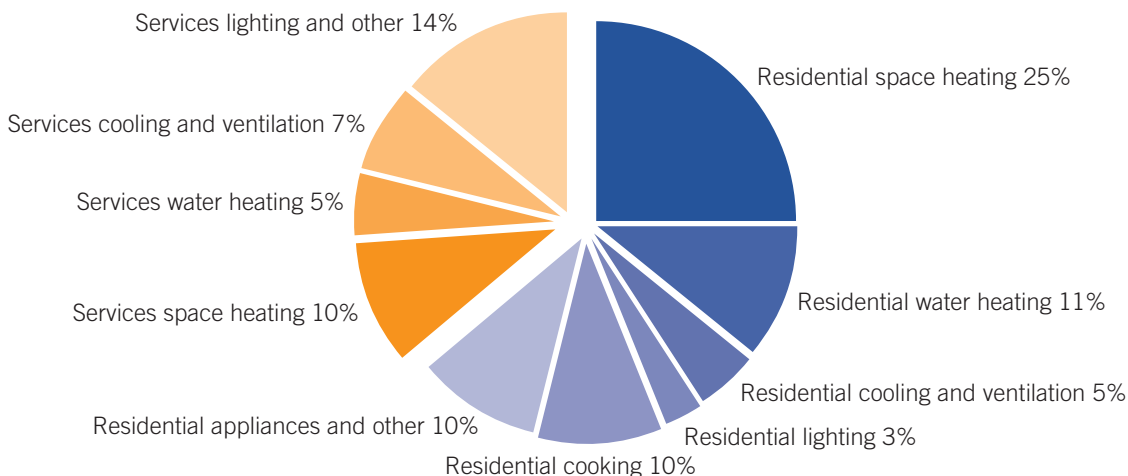
The International Energy Agency estimates that 60% of new electricity needs will have to be met by distributed (mini- & off-grid) solutions.



Portland GEEREF LP addresses all these solutions

THE CASE FOR ENERGY EFFICIENCY

- Energy efficiency provides the most cost-effective solution in the short to medium term for reducing energy demand/supply gap, enhancing energy security, and reducing local and global environmental impacts.
- The following pie chart shows the breakdown of the scope for future energy savings in the residential and commercial buildings sector by 2050, two thirds of the buildings sector energy savings came from the residential sector, with heating, ventilation and air conditioning (HVAC) technologies showing most potential with 63%.



Buildings Sector Potential Energy Savings*

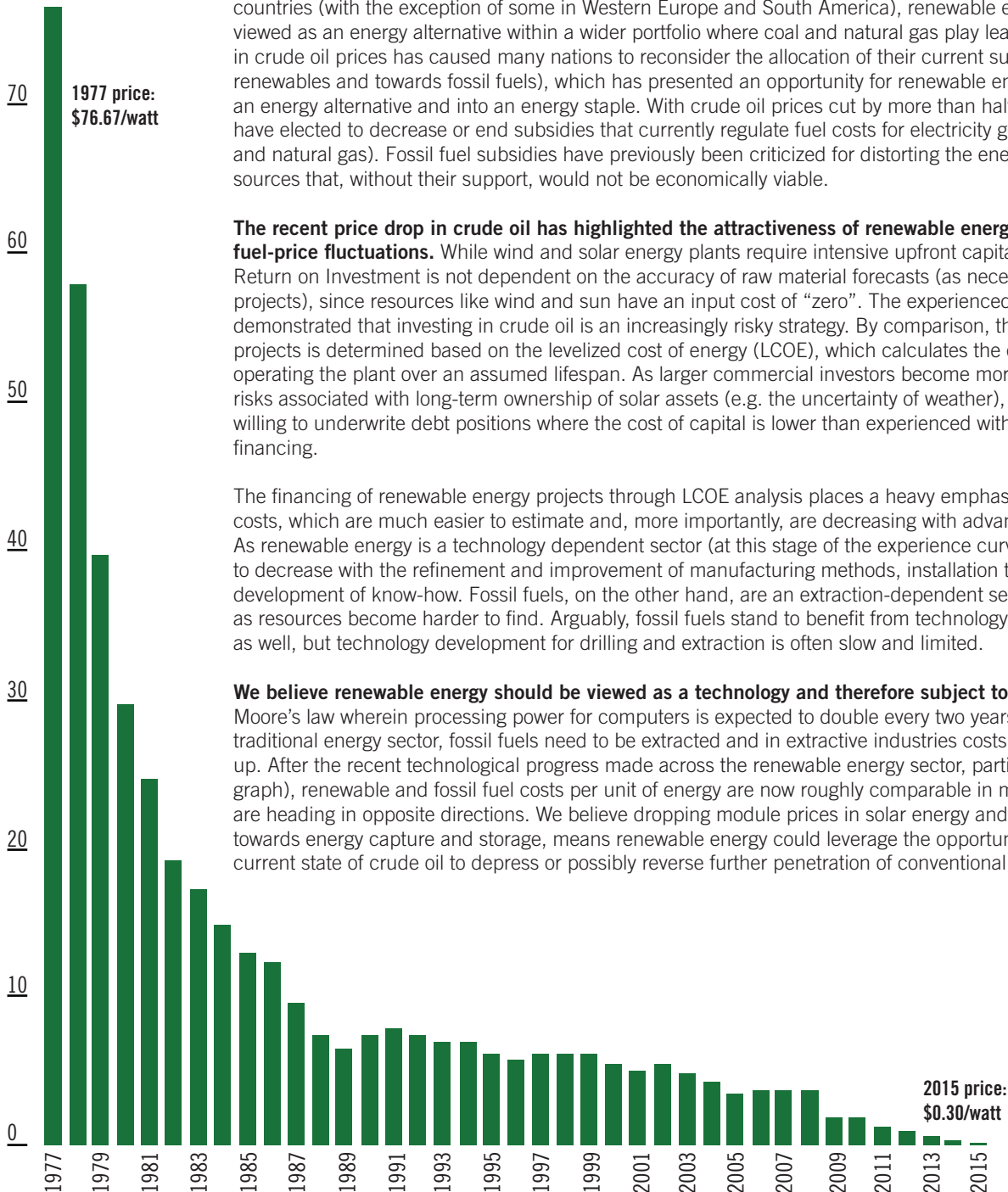
Total energy savings 1,509 Mtoe (million tones oil equivalent)

* International Energy Agency (IEA), "Technology Roadmap – Energy-efficient Buildings: Heating and Cooling Equipment", 2011. IEA Energy Technology Perspectives 2010 BLUE Map scenario describes the role of energy technologies in transforming the buildings sector by 2050 in line with an overall goal of reducing global annual energy-related CO2 emissions to half that of 2007 levels

THE CASE FOR RENEWABLE ENERGY

The economics of renewable energy generation are evolving differently in developed countries and developing ones. While the subsidies in the United States of America, European Union and other developed countries are being reassessed due to their high cost, the overall market in the renewable energy and energy efficiency sectors in developing countries is in fact benefitting from an increasingly cheaper supply of renewable energy technologies and strong competition between technology providers.

Price of crystalline silicon photovoltaic cells, \$/watt



Traditionally, renewable energy has been largely driven by sustainability targets and concerted regional efforts to diversify existing energy portfolios. Photovoltaic (PV) global installations has continued to rise since 2006, largely driven by the continued drop in capital costs – the price of PV modules has fallen by over 30% year on year since 2008. This reduction in capital investment has allowed solar power to be viewed as a viable energy alternative to traditional power generation from coal, natural gas, and/or nuclear. Countries in the Middle East have included solar as part of their investment into a wider energy portfolio, a possible option in their “post-oil” future. For most countries (with the exception of some in Western Europe and South America), renewable energy continues to be viewed as an energy alternative within a wider portfolio where coal and natural gas play leading roles. The drop in crude oil prices has caused many nations to reconsider the allocation of their current subsidies (both towards renewables and towards fossil fuels), which has presented an opportunity for renewable energy to transition from an energy alternative and into an energy staple. With crude oil prices cut by more than half, at least 27 countries have elected to decrease or end subsidies that currently regulate fuel costs for electricity generation (including coal and natural gas). Fossil fuel subsidies have previously been criticized for distorting the energy markets in favor of sources that, without their support, would not be economically viable.

The recent price drop in crude oil has highlighted the attractiveness of renewable energy’s relative isolation from fuel-price fluctuations. While wind and solar energy plants require intensive upfront capital, their forecasted project Return on Investment is not dependent on the accuracy of raw material forecasts (as necessary with petrochemical projects), since resources like wind and sun have an input cost of “zero”. The experienced volatility in prices has demonstrated that investing in crude oil is an increasingly risky strategy. By comparison, the payback of solar projects is determined based on the levelized cost of energy (LCOE), which calculates the cost of building and operating the plant over an assumed lifespan. As larger commercial investors become more comfortable with the risks associated with long-term ownership of solar assets (e.g. the uncertainty of weather), they will be increasingly willing to underwrite debt positions where the cost of capital is lower than experienced with traditional power project financing.

The financing of renewable energy projects through LCOE analysis places a heavy emphasis on the upfront capital costs, which are much easier to estimate and, more importantly, are decreasing with advancements in technology. As renewable energy is a technology dependent sector (at this stage of the experience curve), costs will continue to decrease with the refinement and improvement of manufacturing methods, installation techniques, and development of know-how. Fossil fuels, on the other hand, are an extraction-dependent sector, where costs increase as resources become harder to find. Arguably, fossil fuels stand to benefit from technology gains and cost deflation as well, but technology development for drilling and extraction is often slow and limited.

We believe renewable energy should be viewed as a technology and therefore subject to cost deflation (e.g. Moore’s law wherein processing power for computers is expected to double every two years). In contrast, in the traditional energy sector, fossil fuels need to be extracted and in extractive industries costs (almost) always go up. After the recent technological progress made across the renewable energy sector, particularly solar (see price graph), renewable and fossil fuel costs per unit of energy are now roughly comparable in many countries – but are heading in opposite directions. We believe dropping module prices in solar energy and progressing research towards energy capture and storage, means renewable energy could leverage the opportunity spurred on by the current state of crude oil to depress or possibly reverse further penetration of conventional power sources.

Source: Bloomberg, New Energy Finance

ENERGY EFFICIENT PROSPERITY: THE “FIRST FUEL” OF ECONOMIC DEVELOPMENT



October 10, 2016

From family homes to large-scale factories, energy efficiency offers governments, businesses and households a range of tools and solutions to reduce power bills, curb carbon emissions, and save money at the same time.

This notion of “energy-efficient prosperity” is especially relevant for developing countries, which can most benefit from investing in energy efficiency improvements that provide affordable and reliable services, while supporting a strong economy and improved quality of life over the long term.

As this series will show, energy efficiency policies are available to all, from factories in the Balkans to households in South Africa. Many can benefit from simple investments that can deliver more services for the same amount of energy input, or the same services for even less energy input. In fact, governments are looking at energy

efficiency as the “first fuel” – a source of energy in its own right, in which they can invest ahead of other more complex or costly energy sources.

The International Energy Agency in its latest report, Energy Efficiency Market Report 2016, found that last year consumers, businesses and governments spent USD 221 billion on energy efficiency improvements in 2015.

As a result, energy intensity – the amount of energy used per unit of GDP – improved by 1.8% last year compared with 1.5% in 2014 and triple the average rate seen over the past decade.

Between now and 2035, more than 95% of the projected growth in global energy demand will happen in developing countries, especially in China, India and Southeast Asia. And while sustained economic growth is likely to lead to higher levels of energy use overall, there is clear potential for countries to use energy more efficiently.

One example among many is a furniture factory in the Balkans where workers used to start their days by loading wood briquettes into a furnace. Like many manufacturing companies in post-Communist Balkan countries, its operations relied on old, inefficient equipment and incurred high energy costs.

But a set of energy efficiency improvements supported by the European Bank for Reconstruction and Development has helped it turn a corner. It installed new energy-efficient building insulation, lighting systems and windows, improving overall energy efficiency and comfort by making the factory warmer and brighter for the workers.

The factory cut its energy costs almost in half by powering the furnaces with new wood briquettes made from the factory’s own sawdust by-products and wood waste. Workers don’t have to wear winter jackets and hats indoors anymore because of bad heating. New lights made the working environment safer, which also led to gains in productivity.

Energy efficiency improvements tend to be both cost-effective and widely available, making them a logical consideration for countries facing surging energy demand. They also boost energy productivity because they reduce the amount of energy needed to produce each unit of gross domestic product.

Analysis by the IEA has shown that if energy efficiency investments were scaled up, they would have the potential to reduce South Africa’s need for additional electricity generation capacity by 18% in 2030. They could also allow the country to avoid burning 25 million tonnes of coal, equivalent to 275 000 railcars full of coal.

Meanwhile, in rapidly growing India, energy efficiency measures have the potential to reduce national energy consumption by more than 10%. Energy efficiency has already been a major driver of the decline in the energy intensity of India’s GDP, which has almost halved between 1981 and 2011.

For growing economies like these, meeting energy demand also means improving both energy access and energy security. The use of available energy efficiency measures could achieve universal provision of modern energy services with 50-80% less energy.

From the industrial and building sectors to home appliances and transport, energy efficiency should be treated as a key ingredient in building prosperous societies.

Photo courtesy of Flickr user Lenny van Dijk.

ENERGY EFFICIENT PROSPERITY: LOW-COST ENERGY TOOLS CAN YIELD BIG BENEFITS



October 11, 2016

Until a few years ago, residents of the Cato Manor Township, in Durban, South Africa, suffered from the significant health and safety risks that come from regularly burning fires indoors. Nearly half the homes were using paraffin for cooking and heating, along with other fuels like wood and coal. They had no access to hot water, and were struggling to pay their power bills.

But thanks to a programme rolled out in 2011, some residents saw their quality of life improve dramatically as the Green Building Council of South Africa and the World Green Building Council set out to retrofit 30 local low-income houses with a range of energy efficiency improvements.

These houses were originally built to provide basic shelter for five people, and are similar to about three million government-subsidised homes built over the past 15 years.

The project fitted each low-cost home with solar water heaters, efficient lighting, insulated ceilings and innovative “Wonderbag” insulation cookers that drastically reduce the amount of fuel needed for cooking. The community also received harvesting tanks for rainwaters and vegetable gardens to grow their own food.

Merging the environmental goals with development policies, the project offers a glimpse of the health benefits that flow from improvements in energy efficiency.

As communities develop and grow, investing in energy-efficient technologies and buildings can help make peoples' lives healthier and safer. Both indoor and outdoor air pollution tend to go hand-in-hand with the inefficient and wasteful use of energy. They also carry well-known health risks, such as respiratory illnesses, heart diseases, and cancer.

For low-income communities in small and often cramped housing, the threats posed by indoor fires and the need to gather fuel are especially high. The project showed how simple upgrades that make hot water available and reduce the need to burn fuel indoors can significantly boost residents' hygiene, health and quality of life.

The Cato Manor “Green” Street is now a living example of how energy efficiency improvements can improve the health, safety and overall quality of life for residents.

More efficient energy use can also improve public health, bringing much-needed medical services to people in areas with limited energy access.

As recently as 2012, 35% of health-care facilities in Sierra Leone had no access to electricity. Energy-efficient solutions helped fill this gap by allowing people in poor and remote areas receive critical services. Medical devices that consume smaller amounts of energy are especially valuable. Energy-efficient, battery-powered ultrasound machines are enabling early treatment of problems such as breach births, while low-watt foetal heart monitors allow doctors to identify and manage birth complications.

In other rapidly developing countries, like India, energy efficiency upgrades are also improving safety and community cohesion outside the home. After authorities installed more efficient lighting along a major street in Mumbai, more than 85% of surveyed residents reported feeling safer.

Elsewhere in India, the World Health Organization is supporting retrofits and interventions in informal settlements to improve heating, cooling and natural ventilation, aiming to reduce the rates of stroke, respiratory illness, vector-borne diseases and tuberculosis among some of the poorest populations.

ENERGY EFFICIENT PROSPERITY: LOW-HANGING FRUITS



October 12, 2016

From Africa to East Asia, energy efficiency is increasingly becoming a critical consideration for countries that want to promote sustainable growth in the face of fast-growing energy demand. Investments that support more energy-efficient technologies and services can help businesses save energy and money, which ultimately means higher production levels and profits and more jobs.

The far-reaching economic benefits of energy efficiency are well established. In South Africa, analysis by the IEA indicates that implementing efficiency measures could effectively contain energy spending at current levels.

Energy service companies, commonly known as ESCOs, can play a central role in supporting a range of technical and financial energy solutions and services. ESCOs are an increasingly important focus for many emerging economies.

China has fostered the development of more than 5 000 ESCOs, creating about 600 000 jobs. Shenwu Corporation – one of the first ESCOs to be certified by China’s National Development and Reform Commission – develops energy-saving technologies, and has grown rapidly over the past 15 years. From 78 workers in 2000, it now employs more than 4 000 people.

In just five years, its sales jumped from USD 3 million in 2010 to USD 1.75 billion in 2015.

In India, the Confederation of Indian Industry has promoted a range of measures, including the “Perform, Achieve and Trade” programme targeted at energy-intensive industries. Encompassing nearly 500 companies across eight energy-intensive sectors, the programme sets incentives and targets for energysavings – recognising good performers, penalising bad ones and encouraging further improvements, resulting in savings of over USD 1 billion per year.

There is also significant potential to use energy efficiency to strengthen the productivity and competitiveness of small and medium-sized enterprises, which are especially critical players in many emerging economies. These businesses account for nearly 60% of China’s economy; in India, they deliver 45% of the country’s manufacturing production. On a global scale, they account for more than 13% of total final energy consumption and provide 60% of all jobs.

According to the IEA, implementing cost-effective energy efficiency measures in small and mid-sized enterprises could reduce global energy consumption by 30% – an amount equal to the total combined annual energy use of Japan and Korea.

Business owners are also increasingly recognising how energy efficiency improvements can yield low-hanging fruit in the form of major savings. Take Ivan Stojakovic, a producer of pekmez – a fruit delicacy popular in South-Eastern Europe. Mr. Stojakovic is one of many manufacturers in the western Balkans whose business needs large amounts of energy to operate. For him, it’s a costly business to heat the plums jam in vats.

With the support of a local partner of the European Bank for Reconstruction and Development, Mr. Stojakovic has been able to install a new, more efficient biomass boiler that transforms the plum stones – which were once a useless by-product of jam production – into a sustainable fuel.

A more efficient boiler now powers the production process and heats the workers’ offices, reducing the factory’s demand for fuel oil and lowering the factory’s overall energy consumption and spending. As a result, he can continue buying plums from local farmers and produce pekmez year-round.

ENERGY EFFICIENT PROSPERITY: EXPANDING ENERGY ACCESS



October 13, 2016

Sub-Saharan Africa faces what some energy analysts have called the “66% situation.” Around 66% of the region’s population – more than 620 million people – have no access to electricity while 66% of energy investment in the region is aimed at exporting energy rather than using it internally.

This is all the more striking given that nearly a third of all global oil and gas discoveries between 2009 and 2014 occurred in the sub-Saharan region. According to the IEA, energy resources in sub-Saharan Africa are more than sufficient to meet the needs of its population, yet they are highly underdeveloped.

But the situation is a stark reminder that even if a country has plenty of energy resources there is no guarantee that its citizens will have access to energy.

What would adequate energy access look like for sub-Saharan Africa and other developing economies around the world? This 66% paradox highlights that energy access is not only about energy supply. But rather it is about providing affordable energy services that work when people need them. It means being able to install and turn on a set of lights that efficiently use energy from a suitable, reliable source.

This is a major challenge for many emerging economies experiencing economic growth and rising living standards in both urban and remote areas.

In sub-Saharan Africa, the generation capacity of grid-based power continues to fall far short of demand. Expensive backup generators have become widespread to help deal with insufficient and unreliable power supply. Whenever there are peak levels of energy demand, power outages and “brownouts,” temporary reductions in voltage due to power shortages, become frequent.

Energy efficiency is a vital part of the answer for emerging economies seeking to improve energy access. By needing less energy overall to operate, energy-efficient solutions – from home appliances to industrial equipment – allows the energy savings to be used for elsewhere. Energy-efficient appliances have also reduced costs in off-grid energy systems by two-thirds in five years, enabling valuable off-grid investments to go further.

Energy efficient technologies help free up capacity in an energy grid and allow it to provide energy services to more consumers. Efficient equipment can also let users channel their energy savings into running additional energy services that have multiple benefits, such as improving workplace productivity or comfort at home.

Back in 2007, Ghana gained direct experience of these kinds of benefits. As part of its efforts to address electricity demand – which was growing at about 7% a year – Ghana became the first African nation to introduce an efficient lightbulb replacement programme for households.

Authorities had several aims: reducing peak electricity demand, brownouts and transformer overloads, and introducing consumers to more efficient technologies and energy-saving behaviours. Before implementation, waste in the end-use of electricity was estimated at around 30%.

In the space of three months, they handed out six million free compact fluorescent lamps and collected millions of old incandescent lights in turn.

The programme achieved peak savings of 124 megawatts, saving over USD 300 million in power plant investment to achieve the same peak capacity. In addition, the scheme saved almost USD 30 million between October 2007 and June 2008 alone. Over the next two years, installed CFLs in households increased from 3% to 79% of all bulbs.

The programme increased access to electric lighting in Ghana without any need for additional generation capacity. By making efficient lighting a reality for many Ghanaians, it improved both energy efficiency and energy access. It also helped pave the way for continued energy-efficient investment in the country by establishing two local factories to produce efficient lightbulbs, employing 100 workers.

For highly price-sensitive and energy-poor consumers in many developing countries, a free or low-cost technology, like an efficient light bulb, can open the door to better energy access and a better quality of life. Ghana’s example demonstrates that energy efficiency can boost energy access for consumers equally reliant on networks as well as off-grid systems.

ENERGY EFFICIENT PROSPERITY: GREEN BUILDINGS



October 14, 2016

A couple of years ago, the Ngewana family sat around the kitchen table of their Cape Town home and set themselves a target: over the next six months, they would try to cut their electricity use by 40% by retrofitting their two-story home and making some small but important changes to their daily habits.

Even though the family knew there was a lot they could do, they were not sure where to start. They teamed up with the Green Building Council South Africa to make a range of no-cost, low-cost and “invest to save” improvements, and they also set goals to reduce their water use and waste.

To limit the amount of electricity they needed for heating and cooling, they installed insulation, ceiling fans, a flat-panel solar hot water heater, and a closed-combustion wood pellet stove. The family built on these investments by making a raft of low-cost and free changes

to their everyday practices – for example, by replacing old light bulbs with more efficient ones and switching them off whenever they left the room.

Within three months, the Ngewanas had already surpassed their electricity target, and were enjoying the increased comfort that came with their energy savings. As a family with two parents in well-paid jobs and three young adults living at home, the Ngewanas enjoyed an income and lifestyle that were notably above the South African average.

Yet it is households like theirs – with mid- to high-incomes and comfortable, often rising standards of living – that tend to have the highest residential energy use. And so they offer some of the best opportunities to substantially reduce energy consumption. “[People] still think that because they can afford [their energy use], they don’t have to change,” Bulelwa Ngewana said as the family set out on its home greening project.

In developed and emerging economies alike, the buildings in which we live and work offer huge potential for energy savings. Buildings are some of the largest energy users in the world, accounting for 30% of total energy use.

For countries seeking to confront major challenges like rising energy demand and energy insecurity, it’s essential to reduce our buildings’ energy consumption. By 2050, over 85% of the projected growth of building energy demand is expected to occur outside the OECD.

This is especially true for populations that are gaining greater access to material wealth and goods. As we build more factories and new homes, we lock in patterns of energy use and behaviour that will affect us for years to come.

Large residential blocks in countries like Ukraine offer a stark example of this. In addition to a residential energy sector that was once highly subsidised, Ukraine has a history of slow legislative change, limited awareness, and few resources to adopt and maintain energy efficient practices. Yet residents wanted more comfortable homes but also lower energy bills.

Many Ukrainian apartment buildings were built well before 1990 and are in a poor condition, with up to 80% of them considered energy inefficient. The residential sector alone makes up for as much as a third of the country’s energy use.

The NGO, Housing and Municipal Reform Support Centre, in Kiev says there is huge potential for government, home owners, banks, utility companies and donor organisations to upgrade buildings to reduce energy use.

Improvements to building energy efficiency are also having a significant impact in countries like India. The Indian Green Building Council has brought in green building rating systems and is helping to achieve building energy savings of 30% to 50%. Investments are generally paid back over just two to three years, showing how green buildings make good business sense.

Meanwhile, back in South Africa, the Green Building Council recently developed a new “socio economic category” for rating the energy efficiency of buildings.

The method takes into account socio-economic considerations that affect energy use and comfort in buildings, such as poverty, unemployment and levels of health and education. “[These] can all be addressed, at least to some degree, through the way we design, build and operate buildings,” said the council’s chief executive, Brian Wilkinson.

As for the Ngewana family, by the end of their project, they had managed to reduce their home electricity use by more than a half. They were left with a house that ran more efficiently and was more comfortable at a far lower cost to them and the environment. The family’s story has been shared widely in South Africa, with the aim of giving other households the information they need to make similar changes.



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NOTICE TO READER

On the basis of information provided by Portland Investment Counsel Inc., we have compiled the statement of financial position of Portland Global Energy Efficiency and Renewable Energy Fund LP as at December 31, 2016 and the statements of comprehensive income, changes in partners' equity and cash flows for the year then ended. We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon. Readers are cautioned that these financial statements may not be appropriate for their purposes.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 10, 2017
Toronto, Canada

PORTLAND GLOBAL ENERGY EFFICIENCY AND RENEWABLE ENERGY FUND LP

Statements of Financial Position
(Expressed in Canadian dollars)

December 31, 2016, with comparative information for December 31, 2015
(Unaudited - see Notice to Reader)

	2016	2015
Assets		
Cash and cash equivalents	\$ 1,600,610	\$ 1,419,864
Investments, at fair value through profit or loss (cost - \$14,954,549)	14,280,132	5,384,367
Interest receivable	226	600
Other receivables	683,869	929,035
Foreign currency forward contracts	421,677	-
Subscriptions receivable	252,500	459,500
	\$ 17,239,014	\$ 8,193,366

Liabilities and Partners' Equity

Liabilities:

Payable for investments purchased	\$ -	\$ 56,763
Redemptions payable	-	243,214
Accrued fees and expenses	15,804	7,979
Foreign currency forward contracts	-	148,001
	15,804	455,957

Partners' equity (note 2):

General Partner's capital	50	50
Class A	1,511,374	1,555,695
Class F	12,012,859	5,663,294
Class O	3,698,927	518,370
	17,223,210	7,737,409

	\$ 17,239,014	\$ 8,193,366
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See accompanying notes to financial statements.

Approved on behalf of Portland General Partner (Ontario) Inc.:

"Michael Lee-Chin"

Director

PORTLAND GLOBAL ENERGY EFFICIENCY AND RENEWABLE ENERGY FUND LP

Statements of Comprehensive Income
(Expressed in Canadian dollars)

Year ended December 31, 2016, with comparative information for 2015
(Unaudited - see Notice to Reader)

	2016	2015
Revenue:		
Interest income for distribution purposes	\$ 9,055	\$ 2,690
Investment income	864,646	774,136
Foreign currency gain on cash and other net assets	143,635	128,520
Realized gain (loss) on foreign currency forward contracts	212,850	(306,971)
Realized loss on investments	(5,015)	(42,320)
Change in unrealized appreciation (depreciation) of investments	(875,856)	346,656
Change in unrealized appreciation (depreciation) of foreign currency forward contracts	569,678	(176,126)
	<u>918,993</u>	<u>726,585</u>
Expenses:		
Management fees	76,584	37,586
Fund accounting and transfer agent fees	44,668	34,697
Fund expenses	20,005	24,898
Professional fees	4,153	3,814
Legal fees	6,859	7,214
Transaction costs	—	210
	<u>152,269</u>	<u>108,419</u>
Expenses absorbed by the Manager	—	(38,657)
	<u>152,269</u>	<u>69,762</u>
Net comprehensive income	\$ 766,724	\$ 656,823

See accompanying notes to financial statements.

PORTLAND GLOBAL ENERGY EFFICIENCY AND RENEWABLE ENERGY FUND LP

Statements of Changes in Partners' Equity
(Expressed in Canadian dollars)

Year ended December 31, 2016, with comparative information for 2015
(Unaudited - see Notice to Reader)

2016	General Partner	Class A	Class F	Class O
Balance, December 31, 2015	\$ 50	\$ 1,555,695	\$ 5,663,294	\$ 518,370
Net contributions	–	(127,965)	5,864,242	2,982,800
Net comprehensive income	–	83,644	485,323	197,757
Balance, December 31, 2016	\$ 50	\$ 1,511,374	\$ 12,012,859	\$ 3,698,927

2015	General Partner	Class A	Class F	Class O
Balance, December 31, 2014	\$ 50	\$ 491,307	\$ 2,736,332	\$ 403,606
Net contributions	–	982,315	2,424,721	42,255
Net comprehensive income	–	82,073	502,241	72,509
Balance, December 31, 2015	\$ 50	\$ 1,555,695	\$ 5,663,294	\$ 518,370

See accompanying notes to financial statements.

PORTLAND GLOBAL ENERGY EFFICIENCY AND RENEWABLE ENERGY FUND LP

Statements of Cash Flows
(Expressed in Canadian dollars)

Year ended December 31, 2016, with comparative information for 2015
(Unaudited - see Notice to Reader)

	2016	2015
Cash flows from (used in) operating activities:		
Net comprehensive income	\$ 766,724	\$ 656,823
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Realized loss on investments	5,015	42,320
Change in unrealized depreciation (appreciation) on investments and foreign currency forward contracts	306,178	(170,530)
Decrease (increase) in interest receivable	374	(19)
Decrease (increase) in other receivables	245,166	(739,961)
Increase in accrued fees and expenses	7,825	4,129
Sale of investments	9,258,996	122,649
Purchase of investments	(19,092,395)	(3,207,698)
	(8,502,117)	(3,292,287)
Cash flows from investing activities:		
Partner contributions	8,682,863	3,433,005
Increase in cash and cash equivalents	180,746	140,718
Cash and cash equivalents, beginning of year	1,419,864	1,279,146
Cash and cash equivalents, end of year	\$ 1,600,610	\$ 1,419,864

See accompanying notes to financial statements.

PORTLAND GLOBAL ENERGY EFFICIENCY AND RENEWABLE ENERGY FUND LP

Notes to Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2016
(Unaudited - see Notice to Reader)

Portland Global Energy Efficiency and Renewable Energy Fund LP (the "Partnership") is a limited partnership established under the laws of the Province of Ontario on September 13, 2013. Pursuant to the partnership agreement, Portland General Partner (Ontario) Inc. (the "General Partner") is responsible for the management of the Partnership. The General Partner has engaged Portland Investment Counsel Inc. (the "Manager") to direct the day-to-day business, operations and affairs of the Partnership, including management of the Partnership's portfolio on a discretionary basis and distribution of the units of the Partnership. The head office of the Partnership is located at 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7.

The Partnership has the ability to issue an unlimited number of Class A, Class F and Class O units. Each class of units has different fees and expenses, as outlined in its offering memorandum dated October 2, 2013, and as amended thereafter and as may be amended from time to time. ("Offering Memorandum").

The Partnership was formed for the purpose of investing primarily in B units of the Global Energy Efficiency and Renewable Energy Fund ("GEEREF"), advised by the European Investment Fund and sub-advised by the European Investment Bank. GEEREF is a private equity and infrastructure fund of funds, investing in equity or quasi-equity for primarily energy efficiency and renewable energy projects in developing countries.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements of the Partnership have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements are solely for the information and use of the partners of the Partnership. The financial statements are not intended to be used by anyone other than the specified users or for any other purpose.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates and the difference could be material.

PORTLAND GLOBAL ENERGY EFFICIENCY AND RENEWABLE ENERGY FUND LP

Notes to Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2016
(Unaudited - see Notice to Reader)

1. Significant accounting policies (continued):

(b) Functional and presentation currency:

Items included in the Partnership's financial statements are measured using the currency of the primary economic environment in which the Partnership operates (the "functional currency"). The financial statements are presented in Canadian dollar, which is the Partnership's functional and presentation currency.

Transactions in currencies other than the Canadian dollar are translated at the rate of exchange prevailing at the transaction date. Assets and liabilities denominated in currencies other than the Canadian dollar are translated at the applicable exchange rates prevailing at the reporting date. Resulting exchange differences are recognized in the statement of comprehensive income.

(c) Cash and cash equivalents:

Cash and cash equivalents are classified as loans and receivables and are recorded at amortized cost, which approximates fair value. The Partnership considers highly liquid investments with an original maturity date of three months or less that are readily convertible to known amounts to cash and which are subject to an insignificant risk of changes in value to be cash and cash equivalents.

(d) Financial instruments:

Financial instruments measured at fair value are classified in one of three fair value hierarchy levels, based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

PORTLAND GLOBAL ENERGY EFFICIENCY AND RENEWABLE ENERGY FUND LP

Notes to Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2016
(Unaudited - see Notice to Reader)

1. Significant accounting policies (continued):

(e) Valuation of investments:

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices. 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 circumstance 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.

Investments in other investment funds are measured using the most recently published net asset value per unit, unless the Manager believes the net asset value per unit is not indicative of fair value, or is not available. In such circumstances, the Manager will determine the carrying value based on its judgment under the circumstances to ensure the investments are included at fair value.

B units of GEEREF are initially measured at the amount paid plus transaction costs. Actualization interest is considered a transaction cost and is included in the cost to acquire B units. Subsequent to acquisition, B units are measured at the amount paid, plus an accrual for amounts owing on the B units in accordance with the GEEREF prospectus, referred to as waterfall distributions. Such amounts are included as other receivables on the statement of financial position. As GEEREF liquidates its investments and cash becomes available to distribute, waterfall distributions will be declared and paid in the following sequence:

- (i) holders of B units have their commitments repaid;
- (ii) holders of B units receive a distribution of 4% per annum;
- (iii) shareholders have their commitments repaid;
- (iv) holders of B units receive a distribution of 6% per annum;

PORTLAND GLOBAL ENERGY EFFICIENCY AND RENEWABLE ENERGY FUND LP

Notes to Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2016
(Unaudited - see Notice to Reader)

1. Significant accounting policies (continued):

(v) 95% of the remaining distributions are allocated pro rata based on the percentage of capital commitment made by each investor in A shares and B units (and within each class of shares and B units, on the basis of each respective class of share and B unit capital contribution); and

(vi) 5% of the remaining distributions are allocated as carried interest to C units, which are held by the European Investment Fund as fund advisor to GEEREF.

Since the Partnership is contractually entitled to these amounts, the Partnership will include them as a receivable unless collectability is no longer assured. The net asset value of GEEREF is approximately €179,652,776 as at December 31, 2016 and, therefore, the Manager is of the view that collectability is assured.

Open forward contracts are revalued to fair value in the statement of comprehensive income based on the difference between the contract rate and the applicable forward rate to close out the contract. Gains and losses associated with the valuation of open forward contracts are recorded in the statement of comprehensive income as change in unrealized appreciation of foreign currency forward contracts. The cumulative change in value upon settlement is included in the statement of comprehensive income as realized gain on foreign currency forward contracts.

(f) Classification:

The Partnership classifies its investments in equity securities and derivatives as financial assets and liabilities at fair value through profit or loss.

This category has two sub-categories: financial assets or financial liabilities held-for-trading; and those designated at fair value through profit or loss at inception.

PORTLAND GLOBAL ENERGY EFFICIENCY AND RENEWABLE ENERGY FUND LP

Notes to Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2016
(Unaudited - see Notice to Reader)

1. Significant accounting policies (continued):

(i) Financial assets and financial liabilities held-for-trading:

A financial asset or financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together, and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held-for-trading. The Partnership does not classify any derivatives as hedges in a hedging relationship.

(ii) Financial assets and financial liabilities designated at fair value through profit or loss at inception:

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held-for-trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Partnership's documented investment strategy.

The Partnership recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular purchases and sales of financial assets are recognized at their trade date. The Partnership's non-derivative investments have been designated at fair value through profit or loss. All other financial assets and financial liabilities are measured at amortized cost. Under this method, financial assets and financial liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. When determining the Partnership's net asset value for transactions with unit holders, the accounting policies are the same as those described above for financial reporting purposes, with the exception of the recognition and measurement of an investment in B units of GEEREF. In determining net asset value for unitholder transactions, an investment in B units of GEEREF will not be recognized until the later of (a) the date of payment for the B units; and (b) the value date within a subscription request to pay for the B units.

PORTLAND GLOBAL ENERGY EFFICIENCY AND RENEWABLE ENERGY FUND LP

Notes to Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2016
(Unaudited - see Notice to Reader)

1. Significant accounting policies (continued):

(g) Cost of investments:

The cost of investments represents the amount paid for each security and is determined on an average cost basis, including commissions and other portfolio transaction costs.

(h) Investment transactions and income:

Investment transactions are accounted for on the trade date. Interest income is accrued daily and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated on an average cost basis.

The interest for distribution purposes shown on the statement of comprehensive income represents the coupon interest received by the Partnership accounted for on an accrual basis. The Partnership does not amortize premiums paid or discounts received on the purchase of fixed income securities, except for zero coupon bonds, which are amortized on a straight-line basis.

Realized gain (loss) on sale of investments and unrealized appreciation (depreciation) of investments are determined on an average cost basis.

(i) Future significant accounting policies:

IFRS 9, Financial Instruments ("IFRS 9"):

On July 24, 2014, the IASB issued the complete IFRS 9 ("IFRS 9 (2014)"). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new expected credit loss model for calculating impairment.

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1. Significant accounting policies (continued):

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The Partnership intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

2. Partners' equity:

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 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 General Partner has designated three classes of units:

- Class A units - available to all investors who meet the minimum investment criteria;
- Class F units - generally available to investors who meet the minimum investment criteria and who purchase their units through a fee-based account with their registered dealer; and
- Class O units - may be issued to certain institutions or other investors.

The Partnership endeavors to invest its capital in appropriate investments in conjunction with its investment objectives, as outlined in its Offering Memorandum.

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2. Partners' equity (continued):

In accordance with the limited partnership agreement, the General Partner contributed \$50 to the Partnership. No units were issued to the General Partner in exchange for this contribution. Net profit or loss of the Partnership is allocated to the General Partner in accordance with its proportionate allocation, which is 0.001%.

Below is a summary of the unit transactions:

2016	General Partner	Class A	Class F	Class O
Balance, December 31, 2015	–	25,684	93,045	8,453
Net contributions (redemptions)	–	(2,029)	93,198	48,090
Balance, December 31, 2016	–	23,655	186,243	56,543

2015	General Partner	Class A	Class F	Class O
Balance, December 31, 2014	–	9,068	50,442	7,439
Net contributions	–	16,616	42,603	1,014
Balance, December 31, 2015	–	25,684	93,045	8,453

3. Financial risk management:

This note presents information about the Partnership's exposure to each of the risks below and the Partnership's objectives, policies and processes for measuring and managing risk.

The following summary is not intended to be a comprehensive outline of all risks and investors should refer to the Partnership's current Offering Memorandum for a more detailed discussion of the risks inherent in investing in the Partnership:

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3. Financial risk management (continued):

(a) Market risk:

The success of the Partnership's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the value of GEEREF and may have an impact on the timing and/or ability to effect a liquidity event.

The Partnership is exposed to a number of risks through its financial instruments, comprising cash, interest receivable and other receivables. Risk management relates to the active management of risks associated with all areas of the Partnership and its operating environment. The financial instruments are exposed to liquidity risk, credit risk, currency risk and concentration risk.

(b) Liquidity risk:

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting obligations associated with its financial liabilities. Since units are not redeemable until there is a liquidity event, the Partnership's main source of liquidity risk lies in its ability to pay its ongoing operating expenses and its investment administration fees. The Partnership maintains a cash reserve in order to fund these obligations and receives interest income from its investments. Should the need arise, the Partnership may also borrow to meet its obligations.

(c) Credit risk:

Credit risk is the possibility that a loss may occur from the insolvency or default of a counterparty who fails to perform according to the terms of a contract. The Partnership's cash and cash equivalents are maintained at a large financial institution with a credit rating of A. There are no accounts receivable overdue as at December 31, 2016.

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3. Financial risk management (continued):

(d) Currency risk:

Foreign currency risk is the possibility that revenue or expenses will change in value due to future fluctuations in exchange rates. The Partnership's revenue is in Canadian dollars and Euros and its expenses are in Canadian dollars. The Partnership enters into foreign currency forward contracts to manage its exposure to the Euro; therefore, the impact of currency risk to the Partnership is considered to be minimal.

(e) Concentration risk:

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The Partnership has concentration risk because it primarily invests in GEEREF, which has exposure to the infrastructure and development sector in select developing countries. Accordingly, regulatory, economic or political changes associated with that industry and region are likely to have an impact on the value of the Partnership's investments.

4. Fair value of financial instruments:

Financial assets designated at fair value through profit or loss were as follows:

2016:

Investment	Number of shares	Price per share	Fair value	Cost	Unrealized gain (loss)
Newlook Capital Industrial Services LP, Class D	250	\$ 1,000	\$ 250,000	\$ 250,000	\$ -
Newlook Capital Industrial Services LP, Class C	525	1,000	525,000	525,000	-
GEEREF B units	908	14,133	12,839,284	13,514,587	(675,303)
Royal Bank of Canada bankers' acceptance, 6/2/2017	600,000	0.996	597,808	597,462	346
Manulife Financial Corporation, Preferred Series 23	2,700	25.200	68,040	67,500	540
Total			\$ 14,280,132	\$ 14,954,549	\$ (674,417)

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4. Fair value of financial instruments (continued):

2015:

Investment	Number of shares	Price per share	Fair value	Cost	Unrealized gain
GEEREF B units	348	\$ 15,041	\$ 5,234,427	\$ 5,033,580	\$ 200,847
Partners Value Split Corp.	6,000	25	149,940	149,348	592
Total			\$ 5,384,367	\$ 5,182,928	\$ 201,439

The cost of GEEREF includes \$102,437 (2015 - \$105,364) in actualization interest paid upon acquisition of GEEREF B units.

(a) Fair value hierarchy:

Fair value measurements are classified into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value based on their observable or unobservable nature.

The three levels are as follows:

- Level 1 - inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access at the measurement date;
- Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

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4. Fair value of financial instruments (continued):

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgment by the Partnership. The Partnership considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following tables analyze the Partnership's financial assets and liabilities measured at fair value within the fair value hierarchy:

2016	Level 1	Level 2	Level 3	Total
Equities - long	\$ 68,040	\$ -	\$ -	\$ 68,040
Commercial paper	-	597,808	-	597,808
Investment funds	-	13,614,284	-	13,614,284
Foreign currency forward contracts	-	421,677	-	421,677
	\$ 68,040	\$ 14,633,769	\$ -	\$ 14,701,809

2015	Level 1	Level 2	Level 3	Total
Equities - long	\$ 149,940	\$ -	\$ -	\$ 149,940
Investment funds	-	5,234,427	-	5,234,427
Foreign currency forward contracts	-	(148,001)	-	(148,001)
	\$ 149,940	\$ 5,086,426	\$ -	\$ 5,236,366

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4. Fair value of financial instruments (continued):

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include investments in other partnerships that can be liquidated in line with the Partnership's actual redemption terms to meet investor liquidity requirements. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

(b) Financial instruments not measured at fair value:

Financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities which carrying amounts approximate fair value.

5. Classification of financial assets and financial liabilities:

The tables below set out the classifications of the carrying amounts of the Partnership's financial assets and financial liabilities into categories of financial instruments:

2016	Designated at fair value through profit or loss	Held-for- trading	Loans and receivables	Other financial liabilities
Cash and cash equivalents	\$ –	\$ –	\$ 1,600,610	\$ –
Investments	14,280,132	–	–	–
Foreign currency forward contracts	–	421,677	–	–
Interest receivable	–	–	226	–
Other receivable	–	–	683,869	–
Subscriptions receivable	–	–	252,500	–
Accrued fees and expenses	–	–	–	15,804
	\$ 14,280,132	\$ 421,677	\$ 2,537,205	\$ 15,804

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5. Classification of financial assets and financial liabilities (continued):

2015	Designated at fair value through profit or loss	Held-for- trading	Loans and receivables	Other financial liabilities
Cash and cash equivalents	\$ —	\$ —	\$ 1,419,864	\$ —
Investments	5,384,367	—	—	—
Foreign currency forward contracts	—	(148,001)	—	—
Interest receivable	—	—	600	—
Other receivables	—	—	929,035	—
Subscriptions receivable	—	—	459,500	—
Accrued fees and expenses	—	—	—	7,979
Redemptions payable	—	—	—	243,214
Payable for investments purchased	—	—	—	56,763
	\$ 5,384,367	\$ (148,001)	\$ 2,808,999	\$ 307,956

6. Agreement and fees:

(a) Investment management agreement:

Portland Investment Counsel Inc. is a corporation formed under the laws of the Province of Ontario and has been engaged as the Manager to assist the General Partner with certain aspects of the business and operations of the Partnership, pursuant to a management agreement dated September 20, 2013, which may be amended from time to time. The Manager may delegate certain of these duties from time to time.

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6. Agreement and fees (continued):

(b) Investment administration fee:

The Manager will receive a fee from the Partnership for providing portfolio advisory services and for management of the day-to-day business and operations of the Partnership. Each of the following management fees is calculated and accrued on each Valuation Date during the selling period commencing the period beginning one month from the initial Subscription Date, and on the last business day of each calendar quarter following the selling period and payable quarterly (plus applicable taxes, such as goods and services tax ("GST") or harmonized sales tax ("HST")):

- (i) Class A - 1.0% per annum until December 31, 2017, then increased to 1.35% per annum from January 1, 2018 to December 31, 2020; then increased to 1.75% from January 1, 2021, based on the net asset value of Class A of the Partnership.
- (ii) Class F - 0.6% per annum until December 31, 2017, then increased to 0.75% per annum from January 1, 2018, based on the net asset value of Class F of the Partnership.
- (iii) Class O - negotiated with each investor.

Management fees on Class O units are paid by investors and are not recorded as an expense of the class in the determination of the net asset value of Class O units.

(c) Partnership organizational expenses:

The expenses incurred in respect of the organization of the Partnership and the offering of the units (the "Organizational Expenses") amounted to \$85,843 (2015 - \$85,843), including HST and were initially paid by the Manager. Such amount included legal and registration costs associated with the formation of the Partnership and its related offering documents that were incurred by the Manager. The Manager is entitled to reimbursement for the Organizational Expenses incurred with respect to the Partnership.

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6. Agreement and fees (continued):

(d) Agent's commission:

Registered dealers with advisors who have clients who purchase Class A units will receive an agent's commission equal to 3%, inclusive of applicable GST, HST or other applicable taxes, of the gross subscriptions into Class A units made by said clients. As at December 31, 2016, \$64,104 (2015 - \$48,915) was paid by the Manager in respect of the agent's commission.

The total amount of agent's commission will be deducted from the net asset value of the Partnership over a 60-month period commencing the first valuation date following the Final Subscription Date, which is outlined in the offering documents of the Partnership and is expected to be November 30, 2017.

(e) Promoter fee:

The Manager is also the promoter of the Partnership and is entitled to receive a promoter fee equal to 2%, inclusive of applicable GST, HST or other applicable taxes of the total amount of gross subscriptions received by the Partnership as a result of this offering. As at December 31, 2016, \$318,171 (2015 - \$153,286) is owed from the Partnership in relation to the promoter fee.

The total amount of promoter fee will be deducted from the net asset value of the Partnership over a 60-month period commencing the first valuation date following the Final Subscription Date.

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6. Agreement and fees (continued):

(f) Partnership operating expenses:

The Partnership is responsible for, and the General Partner and the Manager are entitled to reimbursement from the Partnership for, all costs and operating expenses actually incurred by them, including a reasonable allocation of time spent by their personnel, in connection with the formation and organization of the Partnership and the ongoing activities of the Partnership, including but not limited to:

- third-party fees and administrative expenses of the Partnership, which may include accounting, audit and legal costs, insurance premiums, Fundserv fees, custodial fees, registrar and transfer agency fees and expenses, bookkeeping and recordkeeping costs, limited partner reporting and communication expenses, organizational expenses, the cost of maintaining the Partnership's existence, dissolution and liquidation costs, regulatory fees and expenses, all reasonable extraordinary or non-recurring expenses and applicable GST and/or HST; and
- fees and expenses relating to the Partnership's investment in the shares, interest on borrowings and commitment fees and related expenses payable to lenders and counterparties, and banking fees.

7. Related party transactions:

During the year ended December 31, 2016, the Partnership paid \$67,773 (2015 - \$33,267) and \$66,978 (2015 - \$28,288) to the Manager for management fees and reimbursement of fund operating expenses, respectively. These amounts are net of management fee waived of nil (2015 - nil) and fund operating expenses absorbed of nil (2015 - \$34,210). All amounts exclude applicable GST and/or HST. GST and/or HST is not recoverable by the Partnership. Amounts paid for reimbursement of fund operating expenses include \$3,963 (2015 - \$5,729) to affiliates of the Manager for services provided in respect of the Partnership.

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7. Related party transactions (continued):

The Manager, its officers and directors and other investment funds managed by the Manager ("Related Parties") may invest in units of the Partnership from time to time in the normal course of business. All such transactions are measured at net asset value per unit. As at December 31 2016, eight Related Parties owned 25.8% of the net asset value of the Partnership (2015 - seven Related Parties owned 2.3%).

8. Commitments:

The Partnership has made commitments to purchase B units of GEEREF over the life of this investment. Commitments of €3,200,000, €2,500,000, €2,300,000, €2,000,000 and €4,250,000 were made on February 20, 2014, September 30, 2014, December 17, 2014, April 23, 2015 and May 29, 2015, respectively. As at December 31, 2016, the total remaining unfunded commitments for B units was €5,165,675 (2015 - €10,769,062), which becomes payable when GEEREF issues subscription requests to the Partnership.

9. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

Sources:

<http://geeref.com>, European Investment Bank, GEEREF Investors Quarterly Report, 30 Sept 2016, GEEREF Information Memorandums, June 2013 and June 2014, GEEREF Impact Report 2014.

Notes

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