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Portland Private Income Fund

Interim Financial Report

June 30, 2021

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

Overview

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

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

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

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

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

The Manager decides whether or not the Partnership participates in co-investment or other direct participation opportunities offered to it by a Specialty Investment Manager

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

The following discussion covers the period from January 1, 2021 to June 30, 2021. Information related to investments is presented on a combined basis whether the investments are held by the Fund or the Partnership.

Financial Highlights

Common Units

The Fund's one-year net return on common units as at June 30, 2021 was 10.3% for Series A units and 11.6% for Series F units. The Fund's net asset value (NAV) per unit as of June 30, 2021 was $46.36 for Series A units and $47.89 for Series F units. The Fund has delivered annualized and cumulative net returns since inception of 7.5% and 82.6% for Series A units as well as 8.8% and 103.9% for Series F units, compared to its targeted 9% annualized return first set in January 2013.[1]

In January 2021, we announced that the Fund was to pay a special distribution in regards to its performance in 2020, in addition to its regular monthly distributions. This special distribution is paid to assist the Fund (on behalf of its unitholders) to avoid tax. Effective December 31, 2020: in addition to its regular fixed distribution of $0.3333 per month, the Series A units received a special distribution of $0.216207; and in addition to its regular fixed distribution of $0.375 per month, the Series F units received a special distribution of $0.175815.

Figure 1 shows the comparison of performance per year of the Series F units of the Fund alongside the total distributions that have been paid. The performance of the Fund's Series F units has been an annualized rate of 8.8% since inception. If the Fund had not paid distributions, the NAV per unit would have risen from $50.00 to $85.82, a change of $35.82 per unit. However, since inception the Fund has targeted a regular distribution of 9% per annum and so paid out $37.08 of monthly distributions as well as $0.86 of special distributions required to ensure the Fund is not liable for income taxes as all income and capital gains must be distributed out to the investors in the Fund. As detailed in Figure 1, the difference between the performance earned of $35.83 and total distributions paid of $37.94 equals a change of ($2.11) and equates to the NAV per unit of $47.89 as at June 30, 2021.

Figure 1. Performance and Distributions - Series F

Year	Opening NAV per Unit	+ Performance	- Regular Distributions	- Special Distribution	Ending NAV per Unit
2013	$50.00	$4.51	$3.33	-	$51.19
2014	$51.19	$4.42	$4.50	$0.21	$50.89
2015	$50.89	$4.89	$4.50	$0.32	$50.96
2016	$50.96	$4.44	$4.50	$0.15	$50.75
2017	$50.75	$3.90	$4.50	-	$50.15
2018	$50.15	$4.38	$4.50	-	$50.03
2019	$50.03	$3.50	$4.50	-	$49.03
2020	$49.03	$3.22	$4.50	$0.18	$47.57
2021	$47.57	$2.57	$2.25	-	$47.89
Total		$35.83	$37.08	$0.86	

We remain confident current investments as well as a robust pipeline of investment opportunities should allow the Fund to more closely meet its targeted returns and to continue to provide its unitholders with similar levels of fully funded distributions, that is Series A and Series F unitholders with about 8% and 9% (based on the initial NAV per unit of $50.00) annualized distributions paid monthly, respectively.

The Fund finished in 3rd place of the 2020 Canadian Hedge Fund Awards for the Best 5 Year Return in the private debt category. The Fund was also the winner of the 2018 Canadian Hedge Fund Awards for the Best 5 Year Return and the Best 5 Year Sharpe Ratio in the private debt category, the last time the 5 Year Sharpe Ratio was awarded.[2]

Preferred Units

The Fund offers a preferred class of units (the preferred units). Preferred shares are already a popular investment for investors seeking lower risk compared to an equity investment in the same issuer. In preparing for the launch of the preferred units in 2018, our legal counsel believed this was the first time in Canada that preferred units were being offered by an open-ended mutual fund trust.

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

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

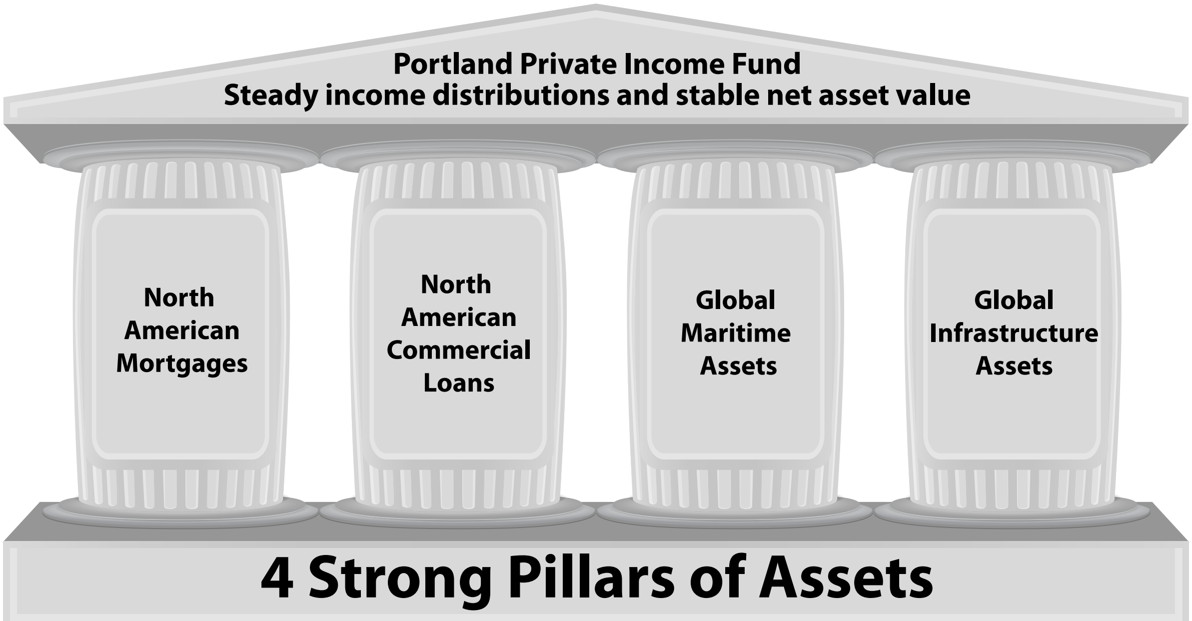
The Fund's one-year net return on preferred units as at June 30, 2021 was 3.5% for Series FP units and 2.5% for Series AP units. The Fund's NAV per unit as of June 30, 2021 was $10.00 for both Series AP and FP units. The Fund has delivered an annualized net return since inception of 4.2% for Series FP units and 3.1% for Series AP units.[2]

The preferred units are expected to pay a monthly distribution ranging from the Royal Bank of Canada Prime Rate (the Prime Rate) to no more than the cost of unsecured debt available to the Partnership. The monthly distribution will be the Prime Rate for Series AP units and the Prime Rate + 1.0% for Series FP units. As at June 30, 2021, the Prime Rate was 2.45%. Currently, the Series AP units pay an annual distribution of 2.45% and the Series FP units pay an annual distribution of 3.45%. The Prime Rate is reviewed on a quarterly basis and distribution rates are posted on the Fund's website at www.portlandic.com/privateincome. We expect to adjust the distributions once the Prime Rate has changed by 50 basis points.

Recent Developments and Outlook

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

Figure 2.



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

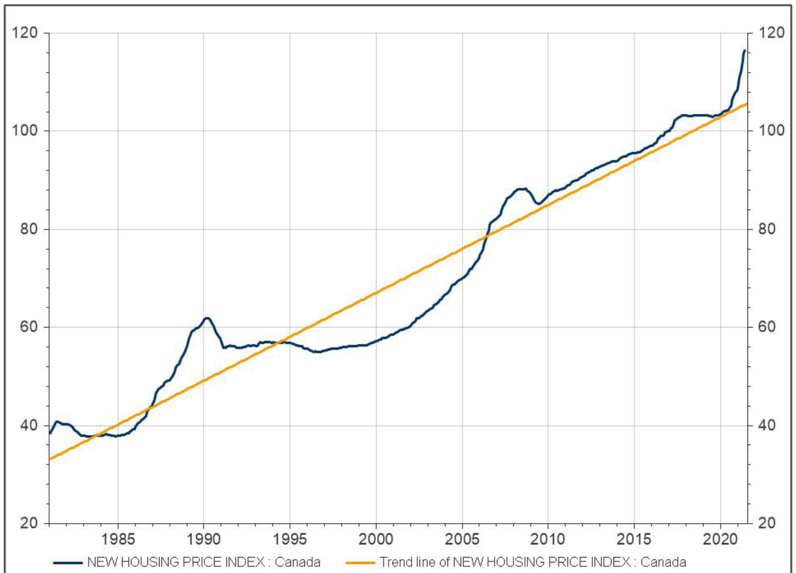
North American Mortgages

After the 2007-2008 global financial crisis, increased regulatory oversight of the banking sector resulted in more conservative lending standards and higher capital requirements. This tightened credit and reduced liquidity in the real estate-backed debt market and created an attractive opportunity for non-traditional real estate lenders, as yields generally increased. This environment has persisted despite being more than a decade removed from the beginning of the 2007-2008 global financial crisis. In addition, beginning in early 2020, there was dislocation in credit markets across asset classes as a result of the worldwide COVID-19 pandemic. We believe that the ongoing conservatism of the bank market and the current market volatility has created and continues to create opportunities to identify and invest in attractive commercial real estate debt instruments. In this environment, we believe that borrowers will be attracted to stable sources of capital like the Portland Private Income Fund with proven execution records.

Figure 3 highlights Canadian real home index prices from January 15, 1981 to June 30, 2021. This figure seeks to show that real home prices in Canada are on the high-side of their long-term trend even after the COVID-19 pandemic imposed a heavy toll on main street businesses (with the evident casualty of related job losses) while financial markets have recovered from the March 2020 low. The Bank of Canada has been forced to cut overnight interest rates to all-time lows, which has caused mortgage rates to drop to all-time lows as well. This has, at the margin, continued to support real estate prices throughout Ontario and more broadly across Canada. The all-time low interest rates and the continued work from home trend caused Canadians to demand additional square footage in their homes throughout the pandemic. These two factors have helped contribute to the large price increases that have occurred throughout the pandemic. The lack of supply of housing units and the higher expected immigration into Canada as COVID-19 restrictions are lifted, are likely to be tailwinds to support current housing prices. Scotiabank notes that a number of key Canadian markets are seeing their ratio of total housing costs (which include mortgage payments, property taxes, and utilities) to gross household income swell above the 10-year average, with the average for Ontario and B.C. notably above the recommended 32% gross debt service ratio. Although the maximum gross household income ratio for a mortgage to be approved In Canada is 35%, a movement towards this ratio signals an affordability issue in the market. Scotiabank expects affordability issues to have a dampening impact on housing activity over the mid-term. The impact from the resumption of immigration is a potential positive offset, but the development of more affordable housing units is likely to take years and only offer potential relief over the longer-term horizon. Since the Fund is a lender to developers, as long as new housing units are sold at the construction cost of the new housing unit, the Fund will be fully repaid with interest on its loans.

However, we continue to recognize the heightened evidence of overvaluation in the Toronto and GTA housing market that is also noticeable in adjacent cities and believe continued price increases should moderate as underlying economic fundamentals catch up to current prices. We have continued to shun exposure to mortgages in the high- rise downtown core of Toronto and this strategy has been effective throughout the COVID-19 pandemic since the valuations of these units have been hardest hit due to the rise of remote working arrangements.

Figure 3. Canada New Housing Price Index – January 15, 1981 to June 30, 2021



Source: Refinitiv Datastream

House prices are relatively high in other major cities around the world. Common to all these cities are buyers from emerging markets, notably China, who have been willing to pay a premium to secure a safe place for their savings and so at the margin, help to drive a wedge between the prices of homes and the local fundamentals of incomes and rental payments. This mismatch has been frustrating local policymakers, hence the introduction of the non-resident taxes first introduced in Vancouver and more recently in Ontario.

We welcome the tightening oversight of the syndicated mortgage market and are experiencing how the dislocation of some operators presents attractive opportunities. Mortgage investment entities are not a homogeneous group and should be viewed as a "sector" only in the broadest of terms. The Fund lends short-term to developers and not long-term to individuals labelled by FICO® as a rating below scores of 660 and by banks as sub-prime. The Fund lends to developers or landowners known to us or the licensed mortgage administrator based on a project's understood exit, typically take-out financing as the development progresses or based on verified presales. The Fund does continue to have exposure to retirement, student and commercial retail markets and has experience investing in affordable housing, which we believe is increasingly needed as urbanization increases a city's 'support network' of service industry workers.

While the COVID-19 pandemic initially caused challenges to projects, the expectation of delays was already a contingency built into budgets. Now after some adjusting: zoning, environmental and other issues pending for development/land loans are progressing in municipal approval processes; and designs and sales of properties are progressing - all through remote and virtual work environments. Construction sites continue to operate by utilizing innovative work processes.

In a capital structure, equity holds the greater risk and is the cushion against which debt can be repaid. As of June 30, 2021, the weighted average loan-to-value (LTV) of the mortgage portion of the Fund's portfolio was 75% and its 29 mortgage loans consisted primarily of first mortgages. As at June 30, 2021, over 79% of the mortgage portfolio consisted of first mortgages. LTV is the ratio of loans advanced to date, to the appraised value of the project by a licensed mortgage administrator and/or independent appraisers and the Manager.

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

North American Commercial Loans

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

In July 2016, the portfolio broadened its exposure to private commercial debt via Crown Partner Funding that originates, structures and provides tailored transitory and permanent financing solutions in the form of loans, royalties and other structures with minimal or no ownership dilution to middle-market companies.

The portfolio of commercial loans held by Crown Partner Funding are detailed on Crown's website at https://crowncapital.ca/. As at June 30, 2021, the Partnership was 18.3% of Crown Partner Funding's $217.8 million investment portfolio which comprised 10 loans ranging in size from $7 million to $45 million. A sector breakdown of the commercial loans is provided under the heading: Commercial Loans: Canada and Global Maritime and in Figure 9.

During the six–month period ended June 30, 2021, there were no additions and deletions to the portfolio of commercial loans held by Crown Partner Funding as the portfolio is now expected to be gradually reduced as loans are repaid.

From time to time, the Partnership has invested directly in deals syndicated by Crown or its affiliates Crown Partner Funding and now its successor, Crown Private Credit Partners Inc., and we expect this practice to continue. Also, an open-ended follow on fund is expected to be launched by Crown Private Credit Partners Inc. and we expect the Partnership to be a participant as the team at Crown has a robust track record of success in this asset class.

Global Maritime Assets

Since the Great Recession, European banks, compared to U.S. banks, have been slower to build their capital strength but have historically served as the shipping industry's largest lenders. Regulatory changes now mandate banks to hold more capital and more liquidity and given the concentration and tenure of shipping loans, European banks have been reducing their lending activity to the sector, creating a shortfall in ship financing capacity.

We anticipate current financing opportunities to be diverse but to include the uneconomic selling by European banks of shipping assets at discounts based on their inability to afford funding such loans, as well as regulatory pressure to reduce exposure. Also, the disruption from COVID-19 has accelerated banks' wishes to divest maritime assets and so forsake relationships with strong counterparties which presents added opportunities. The large blue-chip ship owners, which historically have had no issues finding lower-cost financing from traditional shipping banks, are now seeking alternative forms of capital providers to finance acquisitions or debt maturities that are coming due. Many banks in Europe are focused on preserving capital and seek capital relief programs, which include selling off certain loan portfolios.

Christopher Wain-Lowe, portfolio manager of the Fund, has previous direct experience of European banking, having been employed by Barclays PLC for nearly 20 years. During that time, Christopher spent over 3 years based in Athens, Greece, ultimately as CEO of Barclays business in Greece responsible for its large shipping portfolio. These earlier experiences assisted the decision in March 2018 to select EnTrust Global as a Specialty Investment Manager to complement the Fund's existing portfolio via its maritime lending fund, Blue Ocean Fund (Blue Ocean). EnTrust Global is a leading global alternative asset manager and is one of the world's largest hedge fund investors.

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

EnTrust Global provides portfolio and risk management services to its maritime lending strategy of approximately U.S. $1.3 billion which includes the U.S. $5 million the Partnership committed to Blue Ocean's first close with 99.8% drawn and U.S. $7 million the Partnership committed to the second close with 89.8% drawn. It is expected we will be co-investing in maritime assets and committing to a third Blue Ocean Fund later this year.

The Manager and EnTrust Global believe that current financing opportunities in the shipping sector come with significant contractual downside protection given low to moderate loan-to-ship values, historically low asset values and first lien, senior secured structures. As at the end of June 30, 2021, Blue Ocean's total invested capital of the first close featured a portfolio of 26 vessels with an average vessel age of 11 years and its total invested capital of the second close featured a portfolio of 91 vessels with an average vessel age of 12 years. Blue Ocean continues to make quarterly cash distributions of interest income and principal amortization.

The strong recovery in the global economy is now underway as we progress through 2021 which has generally been a very positive sign for world trade and the shipping industry. After a 3.6% contraction in 2020 (1.7% in tonne-miles), global seaborne trade is projected to rebound by 4.2% to 12 billion tonnes in 2021. As highlighted in Tables 1 to 3, individual sectors are at different points in their respective cycles and COVID-19 restrictions still affect economic activity in some regions, how that ultimate recovery will translate into charter rates and values is complex but with the roll out of vaccinations globally, a gradual return to improved economic activity is likely later in 2021.

Table 1. 2021 Shipping Market Forecast

Segment Name	Market Commentary	2021 Estimated Net Demand
Product Tanker	• Historically low order books for the tanker market in addition to the global roll out of vaccinations bringing back oil demand has created an attractive entry point for the segment • Increased refinery capacity in the Middle East and U.S., combined with continued shutdowns in Asia is likely to support a more sustained tonne-mile demand in the future for these types of vessels	3%
Chemical Tanker	• Orderbooks near 20 year lows • Robust demand as segment is direct beneficiary of rebounding global GDP	8%
Dry Bulk	• After a generally challenging 2020, the bulker market started 2021 (typically a seasonally weak period) extremely strong aided by economic recovery and trade disruptions • Demand remains robust, specifically in smaller tonnage (also lowest order book amongst fleet) where rates are achieving decade high levels, a trend typically correlated to strong GDP • Outsized demand remains from China on back of infrastructure stimulus	2%

Segment Name	Market Commentary	2021 Estimated Net Demand
Containerships	• Major improvements in second half 2020 brought a swift recovery in volumes and in combination with logistical disruptions, changes in consumer preferences and inventory restocking have driven earnings to historically high levels where they have remained in 2021 thus far • Robust volume demand expected to continue into 2021 as supply constraints persist	6%
Liquefied Petroleum Gas (LPG) Carriers	• Outsized growth in Chinese LPG imports, gradual improvements in European Autogas sector and increased North American supply with ongoing capacity expansion (although more moderate than in recent years) albeit offset by OPEC+ output cuts • LPG as a "cleaner" fuel should benefit as energy transition has accelerated during COVID-19 • Significant tonnage remains in the fleet, maintaining pressure on spot rates in the near-term but with low order books a gradual rebalancing of the market is anticipated	-1%

The impact of COVID-19 on energy markets has been dramatic where 2020 saw an overall drop of approximately 8.7 million barrels per day in the daily demand for crude oil vs. 2019. Against this backdrop, oil companies slashed exploration and production spending on oil and gas by 25-30% (shale down 60%) and many operators still seem skeptical about 2021 although the recent surge in the price of oil has helped alleviate some of those worries. Although expectations are for a stronger market in coming months, should offshore markets continue to be challenging in the near-term, the Blue Ocean exposure is within more niche segments of the industry with much higher barriers to entry giving them a thicker layer of insulation from any broader weakness in addition to largely being covered by fixed employment. Once COVID-19 operational challenges clear and pent up demand for oil begins to require more normalized levels of supply, an increased level of project and chartering activity is expected.

Table 2. Offshore Shipping

Offshore Segments	Commentary
Emergency Response and Rescue Vessels (ERRVs)	• Pandemic has contributed to downward pressure on day-rates due to postponed drilling campaigns. Gradual market recovery is expected in 2021 and 2022, driven by lower supply with demand picking up as drilling campaigns restart and older tonnage is left idle/scrapped • ERRVs better insulated from downturns than broader offshore industry and outlook is positive. ERRVs are versatile and operate in a tightly regulated market with high barriers to entry

Oil Spill Response Vessels (OSRVs)	• Growth in demand for OSRVs anticipated as a greater number of production units come on-stream through 2021 and new drilling campaigns begin.
	  • International oil majors gaining market share through strategic partnerships
	  • Market tightly regulated, leading to stable and growing demand as offshore activities increase

Icebreakers	• Large long-term production assets, create stable demand plus continued subarctic energy exploration

Offshore Construction and Support Vessels (OCVs)	• Day rate recovery of OCVs likely to take more time due to lower utilization
	  • At the 2014 peak, OCV demand stood at avg. of 326 vessel-years and 61% utilization.
	  • Activity troughed in 2016-2017 at 230 vessel-years and utilization level of below 40%
	  • Activity has increased since; due to legacy new buildings being delivered, utilization has remained depressed
	  • Construction vessels are active in both oil & gas as well as the offshore wind market, which is a clear beneficiary of the accelerated pursuit of alternative energy in 2020 and beyond.

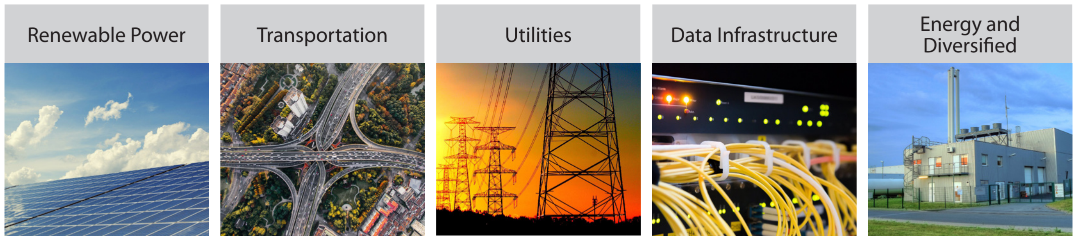
Table 3. Onshore Shipping

Onshore Segment	Commentary
Intermodal	**Strengthening supply and demand environment** • Europe, Asia, and North America regions are all experiencing strong tank container demand • Major industry customers reporting that 2019 production levels expected to return sometime in second half of 2021 • Drewry World Container Index almost 3 times higher year over year **Long-term outlook favorable as chemical and other liquid shippers shift to tank containers** • More efficient than drums and flexi tanks, resulting in lower shipping costs per tonne • Most eco-friendly alternative as tank containers are fully reusable • Ability to deliver smaller parcels with tank containers has attracted chemical shippers over the past decade

Global Infrastructure Assets

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

Figure 4. Infrastructure Asset Sectors



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

Figure 5. Infrastructure Asset Characteristics

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

The COVID-19 pandemic has impacted infrastructure assets but mostly on the sidelines, as the asset characteristics are well placed to withstand economic downturns and the operating businesses are for the most part deemed essential services. Minor disruptions to construction and the quantum of activities on sites at any one time are now being factored into schedules with health and safety the ongoing priority. It can be argued that the nature of large infrastructure projects in which the Partnership invests benefit more from the decline in interest rates across the yield curve more than any potential minor decline in cash flows over a short time period. The reason for this is that the infrastructure projects are typically project financed by a majority of fixed term debt over the useful life of the underlying project. A decrease in interest rates should only make the financing of these projects less expensive, decrease the overall project discount rate and increase the net present value of the project. Of the four pillars of assets within the Fund, we believe the Infrastructure Pillar will likely be the asset class most resilient to the negative effects due to the COVID-19 pandemic.

Core Infrastructure Assets in Developed (OECD) Countries

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

BSIP primarily targets investments that provide a high percentage of investment returns from current cash yield and achieve capital appreciation from inflation linked cash flows and organic asset growth. Due to the strong infrastructure characteristics exhibited by these assets, the Fund is anticipated to demonstrate lower volatility relative to other major asset classes, which we believe will lead to attractive risk-adjusted returns. The Partnership's initial commitment was 100% drawn with no direct exposure to commodity prices.

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

International Infrastructure Assets

On February 7, 2020, Brookfield announced the closing of its flagship global infrastructure fund, Brookfield Infrastructure Fund IV (BIF IV), with total equity commitments of $20 billion. In March 2019, the Partnership as an initial investor committed U.S. $15 million to BIF IV. Brookfield committed $5 billion to BIF IV.

BIF IV is seeking to acquire high-quality, core infrastructure assets on a value basis. BIF IV is expected to leverage Brookfield's operations-oriented approach to enhance sourcing and execution, and add value post- acquisition. BIF IV pursues investments in markets globally where Brookfield has an established investment presence. BIF IV concentrates on sectors where Brookfield possesses extensive operating expertise including transportation, renewable power, utilities, energy and data infrastructure.

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

As at June 30, 2021, the Partnership had paid U.S. $8.3 million towards its commitment, resulting in a remaining commitment of U.S. $6.7 million.

BIF IV has invested or committed capital to a diversified set of attractive infrastructure businesses, including the largest short-haul rail operator in North America, natural gas pipelines in North America, European residential infrastructure, global telecom towers, data infrastructure businesses in South America, New Zealand, India and the U.K., a North American Liquefied Natural Gas export facility, and a global portfolio of renewable power assets, with no direct exposure to commodity prices.

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

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

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

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

GEEREF is a private equity and infrastructure fund of funds, investing in energy efficiency and renewable energy private equity funds, for primarily energy efficiency and renewable energy projects in developing countries (Regional Funds). GEEREF was initiated by the European Commission in 2006 and launched A shares in 2008 with funding from the European Union, Germany and Norway, ultimately totaling €131.8 million. GEEREF successfully concluded its fundraising from private sector investors for B units in May 2015 raising €110 million. GERREF's total commitments were €241.8 million. The Partnership owns Portland GEEREF LP which committed €14.25 million for B units in GEEREF. B units of GEEREF feature a preferred return mechanism and faster return of capital over the A shares currently held by the public sponsors. We believe the preferred return mechanism affords the B unitholders and so the Fund, a particularly attractive risk-adjusted return.

As of March 31, 2021, GEEREF had committed to invest approximately €184 million in 14 Regional Funds. The portfolio of Regional Funds held by GEEREF are detailed on GEEREF's website at www.geeref.com. The portfolios of each of the 14 Regional Funds currently comprise 183 investments. Nine of these Regional Funds have finished their investment periods and ten have begun the process of divesting. One investment has been realized. Full details about Portland GEEREF LP can be found on our website at www.portlandic.com/geeref.html. To date, GEEREF has paid seven distributions to Portland GEEREF LP which in turn initiated quarterly distributions from Portland GEEREF LP to its unitholders beginning December 2017. The impact of lockdowns and COVID-19 have of course reached into the emerging countries in which GEEREF's assets are located, causing delays though the 'life-cycle' of these assets, particularly delays in construction, delivery of equipment and divesting the operating assets as would-be buyers hesitate. This has caused delays in the ultimate payouts, however, GEEREF has paid an eighth distribution on July 9, 2021.

Power Generation: Infrastructure Assets in Ontario

The electricity markets in numerous regions in North America have become challenged. Mismanagement by the public sector has stressed electricity prices in numerous regions in North America. In Ontario electricity prices had increased over 70% in less than 10 years. The province of Ontario demands 18 gigawatt hours of electricity which equates to $11.9 billion which is spent annually on electricity.[3] Due to underfunding of capital maintenance funds and an aging distribution system, we believe electricity prices are expected to continue to increase.

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

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

Crown launched Crown Power in 2019 and believes that the market opportunity continues to become more compelling for onsite power generation in each of Ontario and Alberta, the current geographic regions of focus. Crown Power is also currently prospecting opportunities in Eastern Canada, where electricity prices are among the highest in Canada but where natural gas supply is relatively limited, and is investigating potential expansion into select U.S. markets.

Crown Power has raised commitments of $58 million of which Crown has committed $25 million. The Partnership committed $10 million and therefore holds about a 17.2% interest in Crown Power. By June 30, 2021, Crown Power had drawn about 74% of the committed capital as Crown Power currently has 11 projects underway of which: four are operating; three are expected to become operational later this year; three will become operational in the first quarter of 2022; with the remaining project becoming operational in Q2 2022. In addition to this, Crown Power has a strong pipeline of projects under consideration.

In the first quarter of 2019, Crown had made a provision of $3.1 million, which was recorded in relation to amounts owing from an operating partner affiliated with Crown Power. This amount relates to advances from Crown that were used by the operating partner to fund unauthorized operating expenses. Any loss that may be realized in the future would be fully borne by Crown shareholders and not by Crown Power. This amount is gradually beng reduced and repaid by Crown over time as capital is needed within Crown Power to make further underlying investments. As at June 30, 2021, the remaining portion of the provision receivable by Crown Power is $0.7 million.

Portfolio Profile

The portfolio is comprised as follows:

June 30, 2021	Asset Allocation	# of Investments
Canadian Mortgages	41.9%	29
Canadian Commercial Loans:	25.5%	11
Crown Capital Partner Funding, LP	23.6%	10
Co-investment Canadian Commercial Loans	1.9%	1
Global Maritime Loans	7.1%	117
Global Infrastructure Assets and Operating Leases:	19.7%	215
Brookfield Super-Core Infrastructure Partners LP	4.3%	4
Brookfield Infrastructure Fund IV	7.4%	17
Crown Capital Power LP	5.1%	11
Portland Global Energy Efficiency and Renewable Energy Fund LP	2.9%	183
Public Securities:	5.8%	22
Public Securities excluding Crown Capital Partners Inc.	3.6%	21
Crown Capital Partners Inc.	2.2%	1
Total	100.0%	394

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

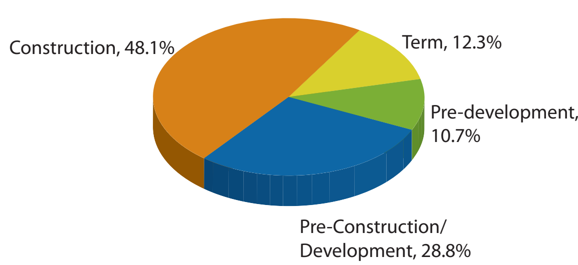
Figure 6. Annual Historical Debt Allocations

	June 30, 2021	2020	2019	2018	2017	2016
Canadian Mortgages	41.9%	43.5%	46.3%	45.8%	44.6%	46.8%
Canadian Commercial Loans	25.5%	26.6%	25.5%	30.8%	32.7%	29.1%
Global Maritime Loans	7.1%	7.5%	7.8%	8.7%	5.6%	-
Infrastructure Operating Leases	5.1%	5.3%	3.0%	-	-	-
Total Debt Allocation	79.6%	82.9%	82.6%	85.3%	82.9%	75.9%

North American Mortgages

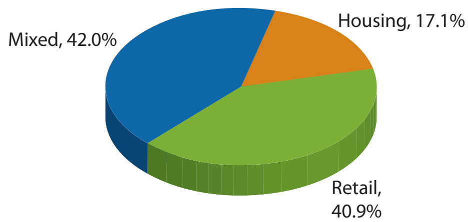
A significant component of the portfolio's current investments consists of 29 mortgages in the Greater Toronto Area, Southwestern Ontario and Central Ontario sourced by MarshallZehr Group Inc. (MarshallZehr)[4]. These 29 mortgages include a variety of infill and intensification projects with what the Manager believes to be well-established developers located in areas of increased demand. The projects span term, pre-development, development and construction stages (see Figure 7). The projects are also segmented between traditional housing, retail and mixed uses (see Figure 8). The commercial mortgages are diversified across project types, geography, project stage and term. As of June 30, 2021, 100% of the mortgage investments were in Ontario.

Figure 7. Mortgage portfolio breakdown by mortgage type as of June 30, 2021



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

Figure 8. Mortgage portfolio breakdown by property usage as of June 30, 2021



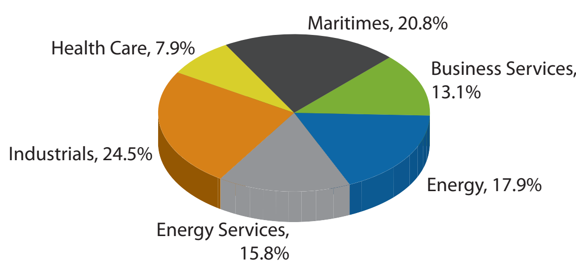
The weighted average net interest rate (net of specific provisions) of the mortgage portfolio at June 30, 2021 is 9.7%.

North American Commercial Loans and Global Maritime Assets

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

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

Figure 9. Crown Partner Funding and Blue Ocean Breakdown by Sector as of June 30, 2021



Please see the below Figure 10 and 11 to see the asset allocation of the Blue Ocean portfolios. Figure 10 illustrates a snapshot of Blue Ocean's first portfolio as of June 30, 2021. Figure 11 illustrates a snapshot of Blue Ocean's second portfolio as of June 30, 2021.

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

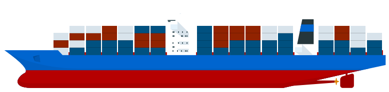
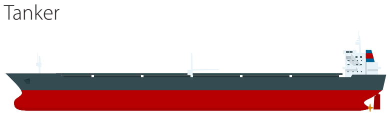
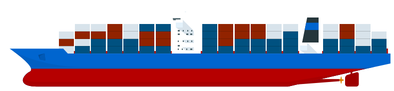
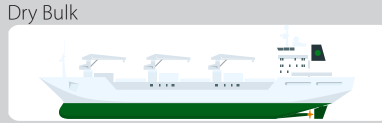
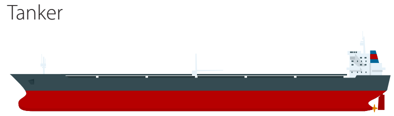
Asset Allocation		
Segment Breakdown	AUM (USD millions)	% of Total
Container 	$18.60	53.1%
Tanker 	$16.43	46.9%
Total	$35.02	100.0%

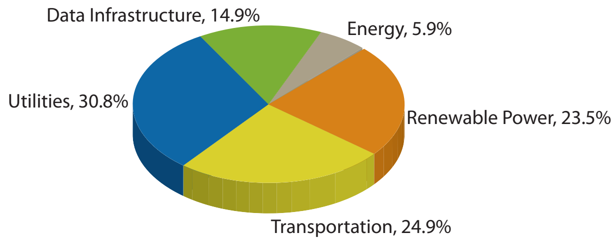
Figure 11. Portfolio Asset Allocation for the Second Close of the Blue Ocean Fund

Asset Allocation		
Segment Breakdown	AUM (USD millions)	% of Total
Container 	$19.70	28.3%
Dry Bulk 	$26.00	37.3%
Tanker 	$24.00	34.4%
Total	$69.70	100.0%

Global Infrastructure Assets

Our asset allocation to infrastructure assets is derived from exposures to BIF IV, BSIP, Crown Power and Portland GEEREF LP. By aggregating the underlying assets across these four funds, we have been able to provide an approximate sector asset allocation across our infrastructure assets. Please see the below Figure 12 that shows the approximate sector allocation that encompasses the Fund's assets in the global infrastructure market as at June 30, 2021.

Figure 12. Infrastructure Assets by Sector (approximate)



Risk

Project Risk and Returns

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

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

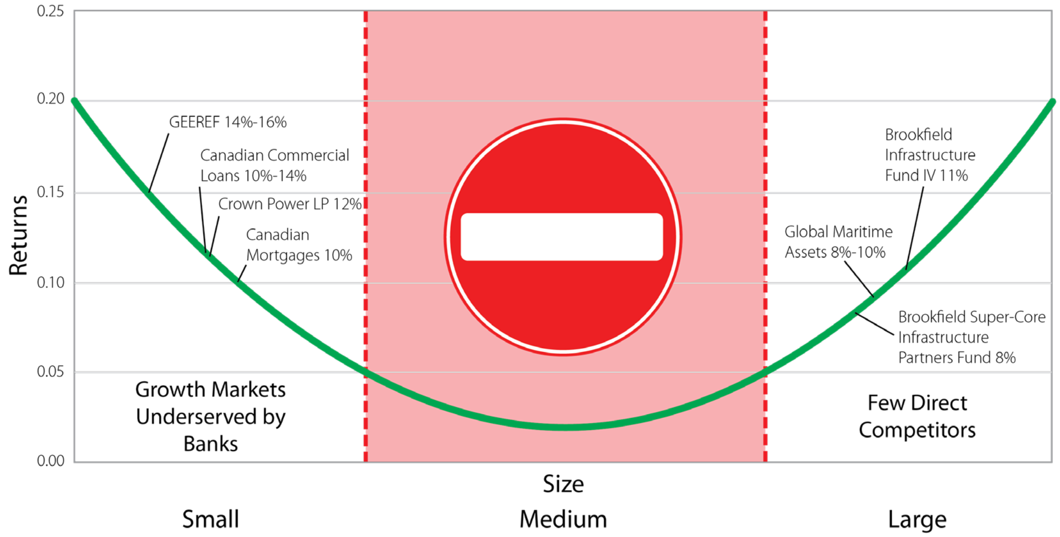
By comparison, BSIP and BIF IV will seek to capitalize on Brookfield's over 120 year history of owning and operating essential infrastructure businesses globally. Both BSIP and BIF IV will invest in a portfolio of high-quality, stable infrastructure assets with a focus on the utilities, energy, renewable power, data infrastructure and transportation sectors where Brookfield has established operating expertise. More specifically, BSIP will target mature, highly cash generative core infrastructure assets that benefit from predominantly contracted or regulated revenues. BSIP will pursue investments in OECD markets, predominantly located in North America, Western Europe, and Australia where Brookfield has an investment presence. BSIP will target a gross IRR of approximately 9%, a net IRR of 8% and an average current yield of 5% to 6%, supported by a focus on downside protection. By comparison, BIF IV will target a gross IRR of approximately 13%, a net IRR of 10% and an average current yield of 6% to 9%.

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

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

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

Figure 13. Targeted Returns in a Competitive Framework



The target returns illustrated in Figure 14 are illustrated net of the fees that the Fund pays to the mortgage administrator and Specialty Investment Managers. As mentioned earlier, the four pillars of assets can be broken down into eight main components of assets. These eight main components of assets are listed in Figure 14, which highlights the management fees and performance fees that we have agreed to pay in recognition of contribution to performance. Our approach has been to setup the fee structure such that the Fund will generally only pay performance fees after its distribution and return targets have been achieved with the performance, net of fees, published on the website.

Figure 14. Fees Profile

Security	Management Fee per annum	Performance Fee	Hurdle Rate	Catch Up after High Water Mark is Achieved
Mortgages	≤2%	N/A	N/A	N/A
GEEREF	0.95% of total commitments	5%	10% on B unitholders total committments	No
Crown Partner Funding	1.75% less ~0.35% discount = 1.40%	20%	8%	No
Crown Power	1% on total assets	20% less 10% discount = 10%	8%	No
BSIP	0.75% less ~0.075% discount plus ~0.25% incentive fee = 0.925%	N/A	N/A	N/A
BIF IV	1.5% less ~0.15% discount = 1.35%	20%	8%	Yes
Blue Ocean Fund	1.25%	10%	7.5%	Yes
Publicly Traded Securities	N/A	N/A	N/A	N/A

Credit risk

Credit risk is the risk of suffering financial loss should any of the borrowers fail to fulfill their contractual obligations. Credit risk is managed by adhering to the investment and operating policies, as set out in the Fund's offering documents. This includes the following policies:

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

We believe that strong management, real cash flow, controlled balance sheet leverage and the ability, either directly or indirectly, to negotiate the appropriate entry price point are the primary drivers of value creation. We would ordinarily expect the leverage of companies being financed to be less than 50% of their determined value and controlled at or below a ratio of 4x debt/EBITDA.[5]

Before investing in Crown Partner Funding, a portfolio of commercial loans, we reviewed Crown's track record of previously directing three special situation debt funds. To date, Crown Partner Funding has completed 20 commercial loans with a combined gross IRR of 13.4% and a unrealized multiple of 1.26x. Since inception, Crown Partner Funding has invested $421.4 million and net of repayments, the total invested capital is $208.4 million. Crown's typical characteristics for the special situation financings being undertaken by Crown Partner Funding include loans of duration 6 months to 5 years, and covenants including debt/EBITDA typically less than 4x which is within our preferred risk parameters.

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

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

Liquidity

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

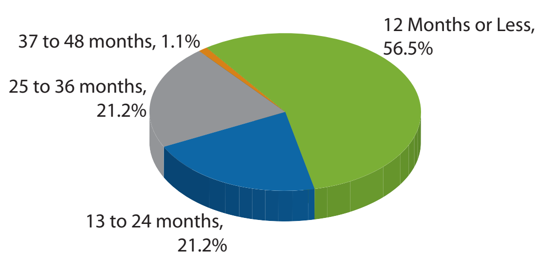
On a more granular level, the Fund has made allocations into eight main components that make up the four pillars of assets and they are mortgages, units of Portland GEEREF LP, Crown Capital commercial loans, Crown Power, BSIP, BIF IV, Blue Ocean Fund investments and, with liquidity uppermost in our minds, an allocation to publicly traded securities. These eight components amount to a portfolio size of $148.7 million with some debt funding the assets.

The Partnership may from time to time borrow from a bank, prime broker, the Manager or its affiliates but such borrowings are subject to the restriction that they will not exceed 25% of the total assets of the Partnership as detailed in the offering memorandum. During the year, the portfolio has occasionally borrowed to manage cash flow requirements, however there was minimal borrowing with the Partnership's prime broker as at June 30, 2021. The Partnership may borrow in U.S. dollars but holds cash balances in Canadian dollars in order to hedge portfolio positions held in U.S. dollars. The Partnership has also borrowed from a bank credit facility in the past, however there was a negligible amount of borrowing as at June 30, 2021. The total leverage of the Fund (including preferred units) is 2.0% as at June 30, 2021. All of the Fund's Specialty Investment Managers have the capacity to borrow. As at June 30, 2021, all Specialty Investment Manager's either do not have any debt or are borrowing funds that are less than any outstanding capital commitments by its equity partners. This gives the Specialty Investment Manager's the option to convert the respective investment portfolios to be 100% equity funded if necessary.

There is also liquidity within the loan portfolios as they fall due for repayment. For instance, $61 million of loans within the portfolio will contractually mature within the next 12 months, $55.0 million of loans within the portfolio will contractually mature within the next 9 months, $52 million of loans within the portfolio will contractually mature within the next 6 months and $28.9 million of loans within the portfolio will contractually mature within the next 3 months. The repayments that are made from these maturing loans are a source of liquidity that can be used to fund any upcoming current obligations.

For more detail on when the debt portfolio is expected to mature beyond the next 12 months, please see the below Figure 15.

Figure 15. Debt portfolio breakdown by term as of June 30, 2021[6]



In addition to this portfolio liquidity, the assets within the portfolio generate cash distributions/payments on monthly and quarterly intervals. Based on target distribution rates and interest payments, we currently expect to receive approximately $0.9 million in monthly payments across the seven components of assets. Investors within the Fund can elect to receive their monthly distributions in cash or have them reinvested. Approximately 54% of the monthly liquidity received is used to meet monthly cash distributions that the Fund pays and the remaining portion can be used to fund additional investments and/or meet other financial liabilities that may come due.

Impairment of Financial assets

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

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

As at June 30, 2021, we recognized that eight mortgages administered by MarshallZehr have objective evidence of financial difficulty and from the date of recognition, classified these mortgages as non-performing loans, with their mortgage interest accrued into revenue being discounted by way of creating a specific allowance. Three of these non-performing loans are interest amounts only and are not considered a part of the mortgage portfolio as the specific allowance brings their values down to zero.

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

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

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

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

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

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

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

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

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

Measurement of Credit Risk via Expected Credit Loss (ECL)

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

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

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

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

Based on this ECL methodology, we have conducted regular assessments and have assigned an ECL/collective loan loss provision attributable to the mortgage portfolio holdings. As at June 30, 2021, we have assigned an overall rate of 1.76% on the outstanding balances in the mortgage portfolio (less any balances that include a specific provision). In the ECL for mortgages, we recognize that such related losses have yet to be identified. Within the portfolio of mortgages that require an ECL/collective loan loss provision to be made, each mortgage is either classified as a Stage 1 or Stage 2 loan. If the mortgage was classified as a Stage 3 loan then it would qualify for a specific allowance to be placed on it as was discussed earlier. The difference between a Stage 1 and a Stage 2 loan is that a Stage 2 loan is one in which there has been a significant increase in credit risk since inception of the loan. In other words, has the probability of default on the loan significantly increased since the loan was first made. An increase in the probability of default does not mean that a default has occurred or that we have identified a situation that makes a default certain in the future. Once a loan is classified as a Stage 2 loan, the lifetime expected credit losses are calculated on the whole life of the loan instead of the 1 year expected credit losses that are calculated for Stage 1 loans. This means that a higher value is used for the PD value in the example that was used above than before. As at June 30, 2021, three mortgages have been identified as Stage 2 loans and five mortgages have been identified as Stage 3 loans within the framework that was used. The annual specific allowance rate on the mortgage portfolio set aside since inception is 3.7% in 2020, 0.1% in 2019, 0.2% in 2018, 0.13% in 2017, 0.58% in 2016, -0.01% in 2015, 0.39% in 2014 and 0% in 2013. The overall specific allowance rate (including Stage 2 and Stage 3 loans) that has been applied on the outstanding balances in the mortgage portfolio is 1.0% as at June 30, 2021.

Crown Partner Funding is classified as a fair value through profit and loss asset under IFRS 9 (previous to Crown adopting IFRS 9 we had assigned an ECL/collective loan loss provision). We believe our approach towards ECLs is in harmony with International Financial Reporting Standards, IFRS 9, which became effective January 1, 2018, namely that we are setting aside collective provisions on performing and 'watch listed' loans, so establishing coverage of credit risk based on expected losses.

COVID-19

As the Manager, we have been closely monitoring developments related to COVID-19. As an investor in the Fund, we want to assure you we have taken measures to protect the health and safety of our employees and we believe our partners have a proven capability to manage through downturns and so are responding appropriately through this challenging time to safeguard the value created.

Across the four pillars of assets which support the Fund, we believe those assets are well diversified and resilient. We believe the Fund's portfolio of companies are equipped with essential materials, including business continuity/action plans that address the ongoing COVID-19 pandemic and of increasing importance have continued to adapt in order to operate effectively and profitably in the new normal of physical distancing that is likely to persist post COVID-19.

Thank You

This COVID-19 era has been a time like no other. We know you have choices and want to thank you for placing your savings and trust in the Fund. While remaining nimble we will continue to prioritize the monthly distribution and to maintain an attractive allocation of capital to the four pillars of assets. Necessity is the mother of invention and we look forward to the operational innovations that will be created consequent to the COVID-19 crisis…and of course to the continued fair distribution of vaccines throughout the rest of 2021 and beyond.

Notes

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

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

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

1. *Inception dates of each series are as follows: Series A February 28, 2013, Series F January 7, 2013, Series AP December 31, 2018 and Series FP June 29, 2018.*
2. *The Canadian Hedge Fund awards are based solely on quantitative performance data with Fundata managing the collection and tabulation of the data to determine the winners. There is no nomination process or subjective assessment in identifying the winning hedge funds. The 2018 awards were baed on 207 Canadian hedge funds to June 30, 2018 and the 2020 awards were based on 221 Canadian hedge funds to June 30, 2020.The sharpe ratio is a measure for calculating risk-adjusted returns. The sharpe ratio is the portfolio return in excess of the risk-free rate divided by the volatility of the portfolio.*
3. *Crown Capital Power LP July 2018 Presentation, Crown Capital Partners Inc.*
4. *MarshallZehr Group Inc. Mortgage Administration #11955 Mortgage Brokerage #12453*
5. *Earnings before interest, taxes, depreciation and amortization*
6. *Remaining term as of breakdown date for mortgages and commercial loans*

Management's Responsibility for Financial Reporting

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

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

"Michael Lee-Chin"

Michael Lee-Chin
Director
August 19, 2021

"Robert Almeida"

Robert Almeida
Director
August 19, 2021

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

Statements of Financial Position (Unaudited)

	As at June 30, 2021	As at December 31, 2020
Assets		
Cash and cash equivalents	$ 330,167	$ 9,113
Subscriptions receivable	1,390,474	2,128,143
Investments (note 5)	149,524,570	136,237,263
	151,245,211	138,374,519
Liabilities		
Management fees payable	68,274	63,726
Expenses payable	42,643	41,875
Redemptions payable	168,249	1,355,344
Payable for investments purchased	359,000	-
Distributions payable	506,661	590,288
Organization expenses payable (note 8)	16,931	20,208
	1,161,758	2,071,441
Net Assets Attributable to Holders of Redeemable Units	$ 150,083,453	$ 136,303,078
Net Assets Attributable to Holders of Redeemable Units Per Series		
Series AP	45,424	44,871
Series FP	3,002,383	2,093,625
Series A	25,617,031	26,049,261
Series F	121,415,012	108,111,915
Series O	3,603	3,406
	$ 150,083,453	$ 136,303,078
Number of Redeemable Units Outstanding (note 6)		
Series AP	4,542	4,487
Series FP	276,238	209,362
Series A	552,609	564,630
Series F	2,535,818	2,272,903
Series O	79	75
Net Assets Attributable to Holders of Redeemable Units Per Unit		
Series AP	$ 10.00	$ 10.00
Series FP	$ 10.00	$ 10.00
Series A	$ 46.36	$ 46.14
Series F	$ 47.88	$ 47.57
Series O	$ 45.61	$ 45.41

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

"Michael Lee-Chin" Director

"Robert Almeida" Director

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

Statements of Comprehensive Income (Unaudited)

For the periods ended June 30,		2021		2020
Income				
Securityholder redemption fees	$	11,334	$	21,418
Net gain (loss) on investments				
Interest for distribution purposes		172		-
Net realized gain (loss) on investments		1		431,528
Change in unrealized appreciation (depreciation) on investments		8,038,307		1,444,601
		8,049,814		1,897,547
Other income				
Foreign exchange gain (loss) on cash and other net assets		(48)		280
Total income (net)		8,049,766		1,897,827
Expenses				
Management fees (note 8)		402,173		358,314
Service fees (note 8)		141,632		153,899
Securityholder reporting costs (note 8)		94,614		84,697
Audit fees		4,204		4,061
Independent review committee fees		1,843		1,450
Custodial fees		784		350
Legal fees		235		196
Interest expense		23		38
Net operating expenses		645,508		603,005
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$	7,404,258	$	1,294,822
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series				
Series AP	$	553	$	675
Series FP	$	40,654	$	34,882
Series A	$	1,217,077	$	159,557
Series F	$	6,145,777	$	1,099,663
Series O	$	197	$	45
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit				
Series AP	$	0.12	$	0.15
Series FP	$	0.17	$	0.20
Series A	$	2.23	$	0.27
Series F	$	2.56	$	0.54
Series O	$	2.56	$	0.67

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

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

For the periods ended June 30,	2021	2020
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Series AP	$ 44,871	$ 43,650
Series FP	2,093,625	1,334,855
Series A	26,049,261	27,566,526
Series F	108,111,915	97,835,284
Series O	3,406	3,166
	136,303,078	126,783,481
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Series AP	553	675
Series FP	40,654	34,882
Series A	1,217,077	159,557
Series F	6,145,777	1,099,663
Series O	197	45
	7,404,258	1,294,822
Distributions to Holders of Redeemable Units		
From net investment income		
Series AP	(553)	(675)
Series FP	(40,654)	(34,882)
Series A	(1,093,514)	(1,170,345)
Series F	(5,391,472)	(4,558,926)
Series O	(182)	(163)
Net Decrease from Distributions to Holders of Redeemable Units	(6,526,375)	(5,764,991)
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Series AP	-	-
Series FP	977,256	1,172,152
Series A	1,247,452	774,734
Series F	11,816,511	6,331,022
Series O	-	-
	14,041,219	8,277,908
Reinvestments of distributions		
Series AP	553	675
Series FP	18,121	25,929
Series A	679,634	746,415
Series F	3,091,343	2,582,894
Series O	182	163
	3,789,833	3,356,076
Redemptions of redeemable units		
Series AP	-	-
Series FP	(86,619)	(572,882)
Series A	(2,482,879)	(932,892)
Series F	(2,359,062)	(5,296,618)
Series O	-	-
	(4,928,560)	(6,802,392)
Net Increase (Decrease) from Redeemable Unit Transactions	12,902,492	4,831,592
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Series AP	45,424	44,325
Series FP	3,002,383	1,960,054
Series A	25,617,031	27,143,995
Series F	121,415,012	97,993,319
Series O	3,603	3,211
	$ 150,083,453	$ 127,144,904

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

Statements of Cash Flows (Unaudited)

For the periods ended June 30,		2021		2020
Cash Flows from Operating Activities				
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$	7,404,258	$	1,294,822
Adjustments for:				
Net realized (gain) loss on investments		(1)		(431,528)
Change in unrealized (appreciation) depreciation on investments		(8,038,307)		(1,444,601)
Unrealized foreign exchange (gain) loss on cash		(190)		14
Increase (decrease) in management fees and expenses payable		5,316		216,737
Increase (decrease) in organization expenses payable		(3,277)		(4,369)
Purchase of investments		(4,889,999)		(824,152)
Proceeds from sale of investments		-		1,355,256
Net Cash Generated (Used) by Operating Activities		(5,522,200)		162,179
Cash Flows from Financing Activities				
Distributions to holders of redeemable units, net of reinvested distributions		(2,820,169)		(2,393,556)
Proceeds from redeemable units issued (note 3)		13,070,910		7,377,537
Amount paid on redemption of redeemable units (note 3)		(4,407,677)		(5,233,886)
Net Cash Generated (Used) by Financing Activities		5,843,064		(249,905)
Net increase (decrease) in cash and cash equivalents		320,864		(87,726)
Unrealized foreign exchange gain (loss) on cash		190		(14)
Cash and cash equivalents - beginning of period		9,113		88,693
Cash and cash equivalents - end of period		330,167		953
Cash and cash equivalents comprise:				
Cash at bank	$	30,169	$	953
Short-term investments		299,998		-
	$	330,167	$	953
From operating activities:				
Interest received, net of withholding tax	$	172	$	-
From financing activities:				
Distributions paid	$	2,820,169	$	2,393,556

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

Schedule of Investment Portfolio (Unaudited)
as at June 30, 2021

No. of Units	Description		Average Cost		Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
UNDERLYING FUNDS						
Canada						
1,558,360	Portland Private Income LP Class B	$	106,821,863	$	149,524,570	99.6%
	Other assets less liabilities				558,883	0.4%
	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			$	150,083,453	100.0%

1. GENERAL INFORMATION

Portland Private Income Fund (the Fund) is an open-ended investment fund established under the laws of the Province of Ontario as a trust pursuant to an amended and restated master declaration of trust dated as of December 13, 2013, as amended thereafter and as may be amended and restated from time to time. The formation date of the Fund was December 17, 2012 and inception date was January 7, 2013.Portland Investment Counsel Inc. (the Manager) is the Investment Fund Manager, Portfolio Manager and Trustee of the Fund. The head office of the Fund is 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7. These financial statements were authorized for issue by the Board of Directors of the Manager on August 19, 2021. The financial statements of Portland Private Income LP (the Partnership) are included in Appendix A and are to be read in conjunction with these financial statements.

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

The statements of financial position of the Fund are as at June 30, 2021 and December 31, 2020. The statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows of the Fund are for the six-month periods ended June 30, 2021 and June 30, 2020. The schedule of investment portfolio of the Fund is as at June 30, 2021.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss (FVTPL).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

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

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

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

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

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

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

(b) Recognition, de-recognition and measurement

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

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

Fair value measurement

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

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

Revenue recognition

'Interest for distribution purposes' shown on the statements of comprehensive income represents the stated rate of interest earned by the Fund on fixed income securities accounted for on an accrual basis, as applicable. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities other than zero coupon debt securities which are amortized on a straight line basis. Interest receivable is shown separately in the statements of financial position based on the debt instruments' stated rates of interest. Dividends on equity investments and distributions on investments in other instrument funds are recognized as income on the ex-dividend date. Redemption fees earned by the Fund as detailed under note 6 are presented as 'Securityholder redemption fees' and are recognized upon the redemption date of the units on the statements of comprehensive income.

Impairment of financial assets

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

Foreign currency translation

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

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

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

Cash and cash equivalents

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

Cost of investments

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

Redeemable Units

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

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

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

Expenses

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

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

Organization expenses

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

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

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

Distribution to Unitholders

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

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

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

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

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

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

The Fund includes only the net cash flow impact and does not include non-cash switches between series of the Fund that occurred during the year in 'Proceeds from redeemable units issued' or 'Amount paid on redemption of redeemable units'. For the six-month period ended June, 30, 2021, $1,707,978 of non-cash switches have been excluded from the Fund's operation and financing activities on the statements of cash flows (June 30, 2020: $356,840).

Future accounting changes

There are no new accounting standards effective after January 1, 2021 which affect the accounting policies of the Fund.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Fair value of securities not quoted in an active market

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

Classification of financial assets and liabilities

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

COVID-19

While the precise impact of the recent COVID-19 outbreak remains unknown, it has introduced uncertainty and volatility in global markets and economies. This is a continuing situation and might impact the Fund's ability to generate income and charge related parties for reimbursement of expenses. Currently, it is unknown as to the impact on the Fund's receivables and investments if COVID-19 persists for an extended period. The Fund may incur reductions in revenue relating to such events outside of their control, which could have a material adverse impact on the Fund's business, operating results, revenues and financial condition. The Manager continues to asses the impact of COVID-19 on its investment in the Partnership and the Partnership's underlying investments. No adjustments have been reflected in the financial statements at this time. See the Fund Commentary and the fund specific notes of the Partnership for specific details on COVID-19.

5. FINANCIAL INSTRUMENTS

a) Risk management

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

Price risk

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

If the price of these investments held by the Fund on June 30, 2021 had been higher or lower by 10%, net assets attributable to holders of redeemable units of the Fund would have been higher or lower by $14,952,457 (December 31, 2020: $13,623,726). Actual results may differ from this sensitivity analysis and the difference could be material. The Fund has indirect exposure to price risk through its investment in the Partnership.

Interest rate risk

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

Currency risk

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

Liquidity risk

The Fund invests in the Partnership, which is not traded in an active market. As a result, the Fund may not be able to quickly liquidate its investments at amounts which approximate their fair values. The Fund may suspend the redemption of Units or postpone the date of payment of redeemed units (a) for any period when normal trading is suspended on any stock, options, futures or other exchange or market within or outside Canada on which securities are listed and traded, or on which permitted derivatives are traded, which represent more than 50% by value or underlying market exposures of the public securities of the Fund, without allowance for liabilities or (b) at any time that the Manager is unable to value or dispose of the assets of the Fund. In case of a suspension of a right of redemption, a unitholder will receive redemption proceeds based on the NAV per unit on the first Valuation Date (as defined in note 6) following the termination of the suspension unless the redemption request has been withdrawn earlier by the Unitholder.

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund's exposure to liquidity risk is concentrated in the cash redemption of its units. The Fund provides investors with the right to redeem units monthly upon 60 days' notice in advance of the redemption date. Such redemptions are to be paid within 30 days following the redemption date. Historical experience indicates that shares of the Fund are generally held by unitholders on a medium or long term basis. Based on average historical information from the past 3 years, redemption levels were an average of $577,625 per month (December 31, 2020: $468,189); however, actual monthly redemptions could differ significantly. The portfolio receives a constant cash flow from the underlying mortgage portfolio and other investments and the Manager monitors liquidity within the portfolio on a monthly basis. As at June 30, 2021, 5.8% of the portfolio is held in publically traded securities (December 31, 2020: 3.6%).

The Fund invests directly in the Partnership and the Partnership has the ability to borrow up to 25% of the total assets of the Partnership for the purposes of making investments, providing cover for the writing of options, paying redemptions, working capital purposes and to maintain liquidity in accordance with its investment objective and investment strategies. As at June 30, 2021, the borrowing percentage of the Partnership was less than 0.1% (December 31, 2020: 13.1%).

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

Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has indirect exposure to commercial loans through its investment in the Partnership and the Partnership's underlying investments.

b) Fair value of financial instruments

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

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

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

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

The fair value hierarchy requires the use of observable market data each time such data exists. A financial instrument is classified at the lowest level of the hierarchy for which significant input has been considered in measuring fair value. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The following tables illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2021 and December 31, 2020:

	Assets			
As at June 30, 2021	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Partnership	-	149,524,570	-	149,524,570
Total	**-**	**149,524,570**	**-**	**149,524,570**

	Assets			
As at December 31, 2020	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Partnership	-	136,237,263	-	136,237,263
Total	**-**	**136,237,263**	**-**	**136,237,263**

c) Structured entities

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

i) restricted activities;

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

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

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

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

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

The exposure to the investment in the Partnership at fair value as at June 30, 2021 and December 31, 2020 are presented in the following tables. This investment is included at fair value in financial assets at FVTPL in the statements of financial position. The Manager's best estimate of the maximum exposure to loss from the Fund's investment in the Partnership is the fair value below.

June 30, 2021	Investment at Fair Value ($)	Net Asset Value ($)	% of Net Asset Value
Portland Private Income LP	149,524,570	149,524,766	100.0%

December 31, 2020	Investment at Fair Value ($)	Net Asset Value ($)	% of Net Asset Value
Portland Private Income LP	136,237,263	136,237,354	100.0%

6. REDEEMABLE UNITS

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

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

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

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

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

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

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

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

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

The number of units issued and outstanding for the six-month periods ended June 30, 2021 and June 30, 2020 was as follows:

June 30, 2020	Beginning Balance	Units Issued Including Switches from Other Series	Units Reinvested	Units Redeemed Including Switches to Other Series	Ending Balance	Weighted Average Number of Units
Series AP	4,487	-	55	-	4,542	4,511
Series FP	209,362	109,126	1,812	44,062	276,238	236,118
Series A	564,630	26,988	14,694	53,703	552,609	546,645
Series F	2,272,903	247,596	64,758	49,439	2,535,818	2,398,196
Series O	75	-	4	-	79	77

June 30, 2020	Beginning Balance	Units Issued Including Switches from Other Series	Units Reinvested	Units Redeemed Including Switches to Other Series	Ending Balance	Weighted Average Number of Units
Series AP	4,365	-	68	-	4,433	4,397
Series FP	133,486	117,991	2,592	57,288	196,781	176,601
Series A	577,303	16,702	15,997	20,071	589,931	585,218
Series F	1,995,908	133,221	53,871	111,735	2,071,265	2,026,475
Series O	67	-	4	-	71	69

7. TAXATION

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

The taxation year end of the Fund is December 31.

The Fund has $nil capital loss and non-capital loss carry forwards as at December 31, 2020 (December 31, 2019: $584,159 capital loss carry forwards and $nil non-capital loss carry forwards).

8. FEES AND EXPENSES

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

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

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

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

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

9. SOFT DOLLARS

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

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

10. RELATED PARTY TRANSACTIONS

The following table outlines the management fees, service fees and operating expense reimbursements that were paid to the Manager by the Fund during the six-month periods ended June 30, 2021 and June 30, 2020. The table includes the amount of operating expense reimbursement that was made to affiliates of the Manager. All of the dollar amounts in the table below exclude applicable GST and/or HST.

Period ended	Management Fees ($)	Service Fees ($)	Operating Expense Reimbursement ($)	Organization Costs ($)	Operating Expenses Reimbursed to Affiliates of the Manager ($)
June 30, 2021	358,194	126,156	90,571	2,900	678
June 30, 2020	318,333	136,733	80,633	2,900	743

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

As at	Management Fees ($)	Service Fees ($)	Operating Expense Reimbursement ($)	Organization Costs ($)
June 30, 2021	62,281	20,871	15,657	14,983
December 31, 2020	55,683	22,740	14,282	17,883

The Manager and/or its affiliates and key management personnel of the Manager and their family (collectively referred to as Related Parties) may invest in units of the Fund from time to time in the normal course of business. As at June 30, 2021, Related Parties held 422,152 units of the Fund (June 30, 2020: 424,283).

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

The NAV per unit of the Fund is lower than the net assets attributable to holders of redeemable units per unit because of the difference in the accounting treatment of organization expenses. Such expenses were recorded in full in the financial statements but are deducted from the NAV on a monthly basis over a five-year period for purposes of unitholder transactions starting January 31, 2019. Therefore, the NAV per unit for the Fund is higher than net assets attributable to holders of redeemable units per unit. The following tables provide a comparison of NAV per unit and net assets attributable to holders of redeemable units of the Fund as at June 30, 2021 and June 30, 2020.

As at June 30, 2021	NAV per Unit ($)	Net assets attributable to holders of redeemable units per unit ($)
Series AP Units	10.00	10.00
Series FP Units	10.00	10.00
Series A Units	46.36	46.36
Series F Units	47.89	47.88
Series O Units	45.60	45.59

As at June 30, 2020	NAV per Unit ($)	Net assets attributable to holders of redeemable units per unit ($)
Series AP Units	10.00	10.00
Series FP Units	10.00	10.00
Series A Units	46.02	46.01
Series F Units	47.32	47.31
Series O Units	45.43	45.42

12. EXEMPTION FROM FILING

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

APPENDIX A

Portland Private Income LP

Interim Financial Report

June 30, 2021

▪ PARTNERSHIP INFORMATION

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

Management's Responsibility for Financial Reporting

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

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

"Michael Lee-Chin"

Michael Lee-Chin
Director
August 19, 2021

"Robert Almeida"

Robert Almeida
Director
August 19, 2021

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

Statements of Financial Position (Unaudited)

		As at June 30, 2021		As at December 31, 2020
Assets				
Cash and cash equivalents	$	54,357	$	45,904
Subscriptions receivable		359,000		-
Distributions receivable		718,124		717,880
Interest receivable		6,056,067		4,301,009
Dividends receivable		55,651		28,622
Investments (note 5)		141,018,192		135,556,280
Investments - pledged as collateral (note 5 and 9)		1,590,510		1,748,507
Derivative assets		14,951		118,465
		149,866,852		142,516,667
Liabilities				
Borrowing (note 9)		2,863		6,103,008
Expenses payable		60,865		74,592
Payable for investments purchased		84,120		96,913
Derivative liabilities		194,238		4,700
		342,086		6,279,213
Net Assets Attributable to Holders of Redeemable Units	$	149,524,766	$	136,237,454
Equity				
General Partner's Equity		100		100
Net Assets Attributable to Holders of Redeemable Units Per Class				
Class A		96		91
Class B		149,524,570		136,237,263
	$	149,524,666	$	136,237,354
Number of Redeemable Units Outstanding (note 6)				
Class A		1		1
Class B		1,558,360		1,502,256
Net Assets Attributable to Holders of Redeemable Units Per Unit				
Class A	$	95.85	$	91.00
Class B	$	95.95	$	90.69

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

"Michael Lee-Chin"

Director

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

Statements of Comprehensive Income (Unaudited)

For the periods ended June 30,		2021		2020
Income				
Net gain (loss) on investments and derivatives				
Dividends	$	1,046,971	$	720,284
Interest for distribution purposes		4,465,000		4,267,257
Net realized gain (loss) on investments and options		346,263		(437,025)
Net realized gain (loss) on forward currency contracts		348,022		(682,511)
Change in unrealized appreciation (depreciation) on investments and derivatives		2,936,933		97,969
		9,143,189		3,965,974
Other income				
Foreign exchange gain (loss) on cash and other net assets		503,105		(288,117)
Total income (net)		9,646,294		3,677,857
Expenses				
Impairment (gain) loss (note 5)		724,211		769,842
Mortgage administration fees		622,660		535,825
Interest expense and bank charges (note 10)		170,769		412,420
Audit fees		46,148		36,923
Securityholder reporting costs (note 8)		17,258		24,585
Transaction costs		12,093		2,243
Custodial fees		8,493		2,826
Withholding tax expense		6,116		128
Legal fees		234		195
Arrangement fee-Clarien Bank (note 9 and 11)		-		16,708
Total operating expenses		1,607,982		1,801,695
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$	8,038,312	$	1,876,162
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class				
Class A	$	5	$	1
Class B	$	8,038,307	$	1,876,161
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit				
Class A	$	4.90	$	1.06
Class B	$	5.26	$	1.25

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

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

For the periods ended June 30,	2021	2020
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Class A	$ 91	$ 85
Class B	136,237,263	126,998,196
	136,237,354	126,998,281
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	5	1
Class B	8,038,307	1,876,161
	8,038,312	1,876,162
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	-	-
Class B	5,249,000	743,609
	5,249,000	743,609
Redemptions of redeemable units		
Class A	-	-
Class B	-	(2,046,589)
	-	(2,046,589)
Net Increase (Decrease) from Redeemable Unit Transactions	5,249,000	(1,302,980)
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Class A	96	86
Class B	149,524,570	127,571,377
	$ 149,524,666	$ 127,571,463

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

Statements of Cash Flows (Unaudited)

For the periods ended June 30,		2021		2020
Cash Flows from Operating Activities				
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	$	8,038,312	$	1,876,162
Adjustments for:				
Net realized (gain) loss on investments and options		(346,263)		437,025
Change in unrealized (appreciation) depreciation on investments and derivatives		(2,936,933)		(97,969)
Unrealized foreign exchange (gain) loss on cash		810		(3,069)
Impairment (gain) loss		724,211		769,842
(Increase) decrease in distributions receivable		(244)		-
(Increase) decrease in interest receivable		(1,755,058)		645,039
(Increase) decrease in dividends receivable		(27,029)		(85,708)
Increase (decrease) in expenses payable		(13,727)		152,386
Purchase of investments		(15,221,372)		(17,466,406)
Proceeds from sale of investments		12,756,701		18,935,751
Net Cash Generated (Used) by Operating Activities		1,219,408		5,163,053
Cash Flows from Financing Activities				
Increase (decrease) in borrowing		(6,100,145)		(4,626,318)
Proceeds from redeemable units issued (note 3)		4,890,000		783,864
Amount paid on redemption of redeemable units (note 3)		-		(1,315,000)
Net Cash Generated (Used) by Financing Activities		(1,210,145)		(5,157,454)
Net increase (decrease) in cash and cash equivalents		9,263		5,599
Unrealized foreign exchange gain (loss) on cash		(810)		3,069
Cash and cash equivalents - beginning of period		45,904		197,999
Cash and cash equivalents - end of period		54,357		206,667
Cash and cash equivalents comprise:				
Cash at bank	$	54,357	$	206,667
From operating activities:				
Interest received, net of withholding tax	$	1,991,818	$	4,912,296
Dividends received, net of withholding tax	$	1,013,826	$	634,448
From financing activities:				
Interest paid	$	60,727	$	319,240

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

Schedule of Investment Portfolio (Unaudited)
As at June 30, 2021

No. of Units/ Shares/ Face Value	Description	Average Cost	Fair Value/ Amortized Cost	% of Net Assets Attributable to Holders of Redeemable Units
LOAN PARTICIPATION AGREEMENT				
Canada				
2,500,000	Crown Capital Partner Fund, LP - Rokstad Holdings Corporation	$ 2,500,000	$ 2,810,000	
	Total loan participation agreement	2,500,000	2,810,000	1.9%
EQUITIES - COMMON				
Canada				
31,022	Baylin Technologies Inc. Warrant January 17, 2023	40,755	-	
586,200	Crown Capital Partners Inc.	5,139,304	3,329,616	
		5,180,059	3,329,616	2.2%
Cayman Islands				
11,000	CK Hutchison Holdings Limited	97,079	106,250	0.1%
Denmark				
2,000	Coloplast A/S	374,750	406,792	0.3%
Germany				
19,000	Bayer AG - Sponsored ADR	372,128	358,939	
2,200	Fresenius Medical Care AG & Co. KGaA	210,520	226,487	
1,500	Fresenius SE & Co KGaA	99,837	96,999	
4,800	RWE Aktiengesellschaf - SP ADR	221,687	215,750	
		904,172	898,175	0.6%
Japan				
2,000	Mitsubishi Corporation	62,996	67,573	0.1%
United Kingdom				
100,000	Airtel Africa PLC	148,015	132,120	
19,000	Compass Group PLC	503,241	495,867	
4,000	GlaxoSmithKline PLC - SP ADR	181,114	197,443	
7,000	National Grid PLC - SP ADR	532,898	554,820	
12,000	SSE PLC	295,526	308,755	
22,000	Vodafone Group PLC - SP ADR	493,792	467,156	
		2,154,586	2,156,161	1.4%
United States				
14,000	AT&T Inc.	515,303	499,460	
5,500	Consolidated Edison, Inc.	516,312	488,973	
1,500	Corporate Office Properties Trust	44,483	52,045	
2,000	Federal Realty Investment Trust	204,889	290,488	
1,000	SJW Group	74,236	78,467	
600	The Procter & Gamble Company	98,238	100,355	
2,000	Walgreens Boots Alliance, Inc.	92,796	130,430	
		1,546,257	1,640,218	1.1%
	Total equities - common	10,319,899	8,604,785	5.8%
UNDERLYING FUNDS				
Canada				
7,500	Crown Capital Partner Fund, LP (Non-Voting Units)	3,368,210	5,007,075	
45,000	Crown Capital Partner Fund, LP (Voting Units)	17,706,989	30,042,450	
7,500	Crown Capital Power Limited Partnership (Voting)	5,552,258	5,695,725	
2,500	Crown Capital Power Limited Partnership (Non-Voting)	1,850,753	1,898,575	
1,979	Portland Global Aristocrats Plus Series O	99,750	108,774	
44,975	Portland Global Energy Efficiency and Renewable Energy Fund LP Class O (Voting)	2,442,168	3,186,353	
15,447	Portland Global Energy Efficiency and Renewable Energy Fund LP Class O (Non-Voting)	839,140	1,094,367	
		31,859,268	47,033,319	31.4%
Ireland				
11,773	Blue Ocean Fund Class I	1,543,403	2,074,220	
58,512	Blue Ocean Fund Class I-B	8,095,997	8,555,907	
		9,639,400	10,630,127	7.1%
United States				
8,316	Brookfield Infrastructure Fund IV-A L.P.	10,843,078	10,964,157	
4,949	Brookfield Super-Core Infrastructure Partners (NUS) L.P.	6,613,965	6,340,289	
		17,457,043	17,304,446	11.6%
	Total - underlying funds	58,955,711	74,967,892	50.1%
MORTGAGES				
Canada				
	Private Mortgage Loans (note 5)*	61,130,483	56,226,025	37.6%
	Total mortgages	61,130,483	56,226,025	37.6%
	Total investment portfolio	132,906,093	142,608,702	95.4%

Schedule of Investment Portfolio (continued) (Unaudited)

As at June 30, 2021

No. of Units/ Shares/ Face Value	Description	Average Cost	Fair Value/ Amortized Cost	% of Net Assets Attributable to Holders of Redeemable Units
DERIVATIVES - OPTIONS[1]				
Call Options				
United States				
USD (20)	Federal Realty Investment Trust, Call 125, 07/16/21	(1,207)	(496)	
USD (10)	Walgreens Boots Alliance, Inc., Call 57, 07/16/21	(295)	(483)	
USD (10)	Walgreens Boots Alliance, Inc., Call 60, 07/16/21	(603)	(198)	
	Total call options	(2,105)	(1,177)	-
Put Options				
United Kingdom				
USD (50)	Credit Suisse Group AG, Put 10, 07/16/21	(545)	(434)	-
United Kingdom				
USD (20)	Barclays PLC, Put 10, 07/16/21	(581)	(1,116)	
USD (30)	Barclays PLC, Put 9, 07/16/21	(336)	(186)	
USD (20)	Barclays PLC, Put 9, 08/20/21	(469)	(620)	
USD (30)	BP PLC, ADR, Put 24, 07/16/21	(1,267)	(334)	
USD (20)	GlaxoSmithKline PLC, Put 36, 07/16/21	(460)	(173)	
USD (15)	GlaxoSmithKline PLC, Put 37, 07/16/21	(708)	(93)	
USD (15)	GlaxoSmithKline PLC, Put 38, 07/16/21	(536)	(279)	
USD (10)	GlaxoSmithKline PLC, Put 39, 07/16/21	(474)	(310)	
USD (15)	GlaxoSmithKline PLC, Put 37, 08/20/21	(537)	(557)	
USD (10)	National Grid PLC, ADR, Put 60, 07/16/21	(531)	(93)	
USD (10)	National Grid PLC, ADR, Put 60, 08/20/21	(483)	(496)	
USD (20)	Royal Dutch Shell PLC, Put 35, 07/16/21	(1,122)	(310)	
USD (50)	Vodafone Group PLC, Sponsored ADR, Put 17, 07/16/21	(1,469)	(1,549)	
USD (20)	Vodafone Group PLC, Sponsored ADR, Put 18, 07/16/21	(1,130)	(2,454)	
USD (50)	Vodafone Group PLC, Sponsored ADR, Put 16, 08/20/21	(923)	(1,301)	
		(11,026)	(9,871)	-
United States				
USD (10)	Consolidated Edison, Inc., Put 67.5, 08/20/21	(542)	(832)	
USD (40)	General Electric Company, Put 11, 08/20/21	(543)	(446)	
USD (10)	State Street Corporation, Put 77.5, 07/16/21	(961)	(843)	
USD (30)	AT&T Inc., Put 26, 07/16/21	(400)	(149)	
USD (20)	AT&T Inc., Put 27, 07/16/21	(652)	(149)	
USD (30)	AT&T Inc., Put 28, 07/16/21	(1,401)	(930)	
USD (40)	AT&T Inc., Put 26, 08/20/21	(1,004)	(1,042)	
USD (15)	AT&T Inc., Put 27, 08/20/21	(664)	(688)	
USD (10)	Verizon Communications Inc., Put 52.5, 08/20/21	(493)	(484)	
		(6,660)	(5,563)	-
	Total put options	(18,231)	(15,868)	-
	Total options	(20,336)	(17,045)	-
FORWARD CURRENCY CONTRACTS (Schedule 1)				
	Total unrealized gain on forward currency contracts	-	14,951	-
	Total unrealized loss on forward currency contracts	-	(177,193)	(0.1%)
	Net Investments	132,885,757	142,429,415	95.3%
	Transaction costs	(97,437)	-	-
		$ 132,788,320	142,429,415	95.3%
	Other assets less liabilities		7,095,351	4.7%
	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEEMABLE UNITS		$ 149,524,766	100.0%

Schedule 1

	Purchased Currency				Sold Currency			
Contract Price	Settlement Date	Currency	Amount ($)	Value as at June 30, 2021 ($)	Currency	Amount ($)	Value as at June 30, 2021 ($)	Unrealized gain (loss) ($)
0.80119	Jul-15-21	Canadian Dollar	2,184,263	2,184,263	United States Dollar	1,750,000	2,169,312	14,951
							Unrealized gain	14,951
0.82853	Aug-18-21	Canadian Dollar	1,750,077	1,750,077	United States Dollar	1,450,000	1,797,463	(47,386)
0.83017	Aug-18-21	Canadian Dollar	1,084,113	1,084,113	United States Dollar	900,000	1,115,666	(31,553)
0.83019	Jul-15-21	Canadian Dollar	722,729	722,729	United States Dollar	600,000	743,764	(21,035)
0.83174	Jul-15-21	Canadian Dollar	360,690	360,690	United States Dollar	300,000	371,882	(11,192)
0.83174	Aug-18-21	Canadian Dollar	360,690	360,690	United States Dollar	300,000	371,889	(11,199)
0.82038	Sep-15-21	Canadian Dollar	3,230,218	3,230,218	United States Dollar	2,650,000	3,285,046	(54,828)
							Unrealized loss	(177,193)

* Reported at amortized cost

[1] The contract size of the options is 100 shares, except as otherwise noted.

1. GENERAL INFORMATION

Portland Private Income LP (the Partnership) is a limited partnership established under the laws of the Province of Ontario pursuant to a limited partnership agreement dated as of December 17, 2012, as amended thereafter and as may be amended and restated from time to time. The inception date of the Partnership was October 31, 2012. Pursuant to the partnership agreement, Portland General Partner (Ontario) Inc. (the General Partner) is responsible for the management of the Partnership. The General Partner has engaged Portland Investment Counsel Inc. (the Manager) to direct the day-to-day business, operations and affairs of the Partnership, including management of the Partnership's portfolio on a discretionary basis and distribution of the units of the Partnership. The head office of the Partnership is 1375 Kerns Road, Suite 100, Burlington, ON L7P 4V7. These financial statements were authorized for issue by the General Partner on August 19, 2021.

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

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

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

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

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

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

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

The statements of financial position of the Partnership are as at June 30, 2021 and December 31, 2020.The statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows of the Partnership are for the six-month periods ended June 30, 2021 and June 30, 2020. The schedule of investment portfolio of the Partnership is as at June 30, 2021.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss (FVTPL).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Classification

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

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

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

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

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

(b) Recognition, de-recognition and measurement

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

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

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

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

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

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

i. Expiration of purchased options - realized losses will arise equal to the premium paid;

ii. Exercise of the purchased options - realized gains will arise up to the intrinsic value of the option net of premiums paid; or

iii. Closing of the purchased options - realized gains or losses will arise equal to the proceeds from selling the options to close the position, net of any premium paid.

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

Fair value measurement

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

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

Revenue recognition

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

Impairment of financial assets

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

Foreign currency translation

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

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

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

Cash and cash equivalents

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

Cost of investments

The cost of investments represents the cost for each security excluding transaction costs for investments at FVTPL. On the schedule of investment portfolio, transaction costs have been deducted in aggregate from the total cost of individual investments which includes transaction costs. The premium received on a written put option is added to the cost of investments acquired when the written put option is exercised.

Redeemable Units

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

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

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

Expenses

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

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

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

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

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

Loan origination fees

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

Distribution to Unitholders

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

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

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

Collateral

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

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

The Partnership includes only the net cash flow impact and does not include non-cash switches between classes of the Partnership that occurred during the year in 'Proceeds from redeemable units issued' or 'Amount paid on redemption of redeemable units'. There were no non-cash switches excluded from the Partnership's operation and financing activities on the statements of cash flows for the six-month periods ended June 30, 2021 and June 30, 2020.

Future accounting changes

There are no new accounting standards effective after January 1, 2021 which affect the accounting policies of the Partnership.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Fair value of securities not quoted in an active market

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

Fair value of foreign securities

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

Fair value of Underlying Funds

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

Classification of financial assets and liabilities

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

COVID-19

While the precise impact of the COVID-19 outbreak remains unknown, it has introduced uncertainty and volatility in global markets and economies. This is a developing situation and might impact the Partnership's ability to generate income and charge related parties for reimbursement of expenses. Currently, it is unknown as to the impact on the Partnership's receivables and investments if COVID-19 persists for an extended period of time. As the Manager, Portland has been closely monitoring developments related to COVID-19 of its investments and believes that assets held by the Partnership are well diversified and resilient and are responding accordingly to manage through the COVID-19 pandemic. Although in the first half of the year operations were reduced, mortgage projects include a contingency for delays and work was minimally impacted, global trade continues to have a high demand for shipping vessels and other businesses continue to have essential materials, action plans and market experience to reduce disruption. The Partnership may incur reductions in revenue relating to such events outside of their control, which could have a material adverse impact on the Partnership's business, operating results, revenues and financial condition. The Manager is continuing to assess the impact of COVID-19 and no adjustments have been reflected in the financial statements at this time. See the Fund Commentary for specific details on COVID-19 impacts on the Partnership's investments.

5. FINANCIAL INSTRUMENTS

a) Offsetting of Financial Assets and Financial Liabilities

The Partnership has a master netting or similar arrangements in place with the counterparty for borrowing and the execution of forward currency contracts. This means that in the event of default or bankruptcy, the Partnership may set off the assets held with the counterparty against the liabilities it owes to the same counterparty. The contracts in place under these arrangements that settle on the same date have been offset and presented as a net figure in the statements of financial position of the Partnership and the table below, where there is a legally enforceable right and an intention to settle the contracts on a net basis. There is no collateral associated with these arrangements. The following table presents the gross amount of recognized financial assets and liabilities of the Partnership that are offset under master netting or similar arrangements as at June 30, 2021 and December 31, 2020.

	June 30, 2021 ($)	December 31, 2020 ($)
Gross Derivatives		
Gross Derivative Assets	14,951	118,465
Gross Derivative Liabilities	(177,193)	-
Net Exposure	(162,242)	118,465
Gross Borrowing		
Gross Borrowing	(9,852,437)	(16,031,388)
Cash	52,149	597,987
Short Term Investments	9,797,425	14,422,898
Net Exposure	(2,863)	(6,103,008)

b) Risk management

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

Price risk

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

If the price of these investments held by the Partnership on June 30, 2021 had been higher or lower by 10%, net assets attributable to holders of redeemable units of the Partnership would have been higher or lower by $8,355,563 (December 31, 2020: $7,764,413). Actual results may differ from this sensitivity analysis and the difference could be material.

Interest rate risk

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

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

As of June 30, 2021 and December 31, 2020, the Partnership's Loan Portfolio includes fixed rate, short-term mortgages and a commercial loan. The Partnership generally intends to hold all of its investments in the Loan Portfolio to maturity. There is a very limited secondary market for the Loan Portfolio and in syndication transactions such as the ones in which the Partnership participates, these investments are generally traded at face value without regard to changes in interest rates.

The following is a summary of the carrying value (principal minus allowance for ECL) of the mortgages segmented by gross interest rate (before deduction of mortgage administration fees) as at June 30, 2021 and December 31, 2020:

	0% - 11.99% ($)	12% - 12.99% ($)	13% - 13.99% ($)	14% - 14.99% ($)	15% - 15.99% ($)	Total ($)
June 30, 2021	17,177,170	17,266,703	4,937,153	13,369,471	3,475,528	56,226,025
December 31, 2020	15,294,540	20,871,437	3,664,317	13,490,176	3,515,488	56,835,958

The following is a summary of the carrying value of mortgage investments segmented by term as at June 30, 2021 and December 31, 2020:

	12 months or less ($)	13 to 24 months ($)	24 to 36 months ($)	Total ($)
June 30, 2021	41,894,671	13,447,343	884,011	56,226,025
December 31, 2020	41,128,139	15,707,819	-	56,835,958

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

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

The Partnership had exposure to interest rate risk due to its borrowings as described in note 9. If interest rates had doubled during the six-month periods ended June 30, 2021, interest expense would have been higher and ending net assets attributable to holders of redeemable units would have been lower by $137,969 (June 30, 2020: $411,132).

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

Currency risk

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

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

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

The tables below indicate the foreign currencies to which the Partnership had significant exposure at June 30, 2021 and December 31, 2020 in Canadian dollar terms, net of the notional amounts of forward currency contracts. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to each of the other currencies, with all other variables held constant.

	Exposure			Impact on net assets attributable to holders of redeemable units		
June 30, 2021	Monetary ($)	Non-monetary ($)	Total ($)	Monetary ($)	Non-monetary ($)	Total ($)
British Pound	52,149	885,020	937,169	5,215	88,502	93,717
Danish Krone	(21)	406,792	406,771	(2)	40,679	40,677
Euro	160	323,979	324,139	16	32,398	32,414
Hong Kong Dollar	3,016	106,250	109,266	302	10,625	10,927
Japanese Yen	1,267	67,573	68,840	127	6,757	6,884
United Stated Dollar	(19,583,608)	28,286,627	8,703,019	(1,958,361)	2,828,663	870,302
Total	**(19,527,037)**	**30,076,241**	**10,549,204**	**(1,952,704)**	**3,007,624**	**1,054,920**
% of net assets attributable to holders of re-deemable units	**(0.1%)**	**0.2%**	**0.1%**	-	-	-

December 31, 2020	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary ($)	Non-monetary ($)	Total ($)	Monetary ($)	Non-monetary ($)	Total ($)
British Pound	13	65,263	65,276	1	6,526	6,527
Euro	(31,947)	31,816	(131)	(3,195)	3,182	(13)
Japanese Yen	-	62,650	62,650	-	6,265	6,265
United States Dollar	(27,167,819)	28,286,627	1,118,808	(2,716,782)	2,828,663	111,881
Total	(27,199,753)	28,446,356	1,246,603	(2,719,976)	2,844,636	124,660
% of net assets attributable to holders of redeemable units	(0.2%)	0.2%	-	-	-	-

Liquidity risk

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

The Partnership's investments in the Loan Portfolio and the Underlying Funds are not traded in an active market and may not be redeemable. As a result, the Partnership may not be able to quickly liquidate its investments in these instruments at amounts, which approximate their fair values. In order to maintain liquidity, the Partnership may invest in complementary, more liquid, income producing public securities, including real estate income trusts, royalty income trusts, preferred shares, dividend paying equity securities and debt securities including convertibles, corporate and sovereign debt. The Partnership has the ability to borrow for the purposes of making investments, providing cover for the writing of options, paying redemptions, working capital purposes and to maintain liquidity in accordance with its investment objective and investment strategies. The borrowing facilities may be payable upon demand, as described in note 9.

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

The Partnership writes cash secured put options in accordance with its investment objectives and strategies. The value of the securities and/or cash required to satisfy the options if they were exercised as at June 30, 2021 and December 31, 2020 are presented in the table below.

	Less than 1 month ($)	1 to 3 months ($)	Greater than 3 months and less than ($)	Total ($)
June 30, 2021	1,161,505	647,071	-	1,808,576
December 31, 2020	891,348	105,014	-	996,362

Credit risk

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

The Partnership invests in private mortgage loans (the Mortgage Portfolio) which are subject to credit risk. Any instability in the real estate sector and adverse change in economic conditions in Canada could result in declines in the value of real property securing the Partnership's mortgage investments within its Loan Portfolio. As at June 30, 2021 and December 31, 2020, the Mortgage Portfolio only contained investments within Ontario.

The Partnership's credit risk management objectives are to:

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

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

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

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

Expected Credit Losses

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

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

Stage 1 - Performing

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

Stage 2 – Non performing

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

Stage 3 – Impaired

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

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

ECL is calculated by applying the following formula:

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

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

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

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

The following tables present the breakdown of the Mortgage Portfolio into Stages and the respective ECL as at June 30, 2021 and December 31, 2020:

June 30, 2021	Number of Loans	Principal + Accrued Interest ($)	ECL Amount ($)	ECL Rate
Stage 1	21	44,980,769	(791,661)	1.8%
Stage 2	3	19,313,600	(2,141,478)	11.1%
Stage 3	5	2,891,760	(1,971,310)	68.2%
Total	**29**	**67,186,129**	(4,904,448)	

December 31, 2020	Number of Loans	Principal + Accrued Interest ($)	ECL Amount ($)	ECL Rate
Stage 1	22	48,308,496	(832,119)	1.7%
Stage 2	3	14,321,839	(1,684,983)	11.8%
Stage 3	4	2,686,957	(1,663,145)	61.9%
Total	**29**	**65,317,292**	(4,180,247)	

During the six-month period ended June 30, 2021, there was one mortgage loan that moved from Stage 1 and Stage 2 and one mortgage loan that moved from Stage 2 to Stage 3.

Determination of significant changes in credit risk

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

- Increases in LTC and/or LTV on particular loans;
- Events/delays in construction or intentions that are a significant deviation from planned activities;
- Missed interest and/or principal payments; and

- Material degradation of the financial position of the borrower, including its guarantors.

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

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

The maximum direct exposure to credit risk as at June 30, 2021 is calculated as the face value of the private mortgage loans plus the accrued interest thereon less any ECLs, which totaled $56,226,025 (December 31, 2020: $56,835,958). The Partnership has recourse under the terms of the private mortgage loans in the event of default by the borrower, in which case the Partnership would have a claim against the underlying property and security.

The following is a summary of the Mortgage Portfolio held by the Partnership as at June 30, 2021 and December 31, 2020:

June 30, 2021	Number of Mortgages	Carrying Value ($)	Carrying Value + Accrued Interest ($)
First Mortgages	25	44,000,885	49,636,114
Second Mortgages	3	9,961,451	10,060,602
Third Mortgages	1	2,263,689	2,584,965
Total	**29**	**56,225,025**	**62,281,681**

December 31, 2020	Number of Mortgages	Carrying Value ($)	Carrying Value + Accrued Interest ($)
First Mortgages	26	44,610,256	48,420,906
Second Mortgages	2	9,960,395	10,221,437
Third Mortgages	1	2,265,307	2,494,701
Total	**29**	**56,835,958**	**61,137,044**

The following is a summary of the Mortgage Portfolio segmented by type of project as at June 30, 2021 and December 31, 2020:

	Pre-development ($)	Pre-development/ Construction ($)	Construction ($)	Term ($)	Total ($)
June 30, 2021	6,603,086	14,957,756	27,447,755	7,217,428	56,226,025
December 31, 2020	8,871,960	12,418,380	28,200,211	7,345,407	56,835,958

The following is a summary of the maturity profile of the Mortgage Portfolio as at June 30, 2021 and December 31, 2020:

	12 months or less ($)	13 to 24 months ($)	25 to 36 months ($)	Total ($)
June 30, 2021	41,894,671	13,447,343	884,011	56,226,025
December 31, 2020	41,128,139	15,707,819	-	56,835,958

The Partnership has indirect exposure to commercial loans through its investment in Crown Partner Funding and Blue Ocean. The portfolio of commercial loans are generally expected to be first and second lien senior loans and mezzanine debt of 1 to 10 years amortization period and with terms being between 1 to 7 years, although some may be a much longer duration while bridge loans would typically be less than one year. As at June 30, 2021, the value of Crown Partner Funding and the maximum exposure to credit risk is $35,049,525 (December 31, 2020: $34,496,700). As at June 30, 2021, the value of Blue Ocean and the maximum exposure to credit risk is $10,630,127 (December 31, 2020: $10,551,350).

The Partnership is also exposed to credit risk from investments in forward currency contracts. The Partnership limits its exposure to credit losses on forward currency contracts by ensuring there are netting arrangements with each counterparty to the forward currency contracts, such that any gains (amounts owing to the Partnership) on individual contracts can be set off against any losses (amounts owing to the counterparty) even in the event of default or bankruptcy. The maximum exposure to credit risk from these contracts is equivalent to the fair value of forward currency contracts that are in a net unrealized gain position as of the reporting date as outlined in the table below including the effect of master netting or similar arrangements in place with all counterparties. The following table outlines the exposure and credit rating of each counterparty in an unrealized gain position as of the date of the statements of financial position.

June 30, 2021	Net Unrealized Gain ($)	Credit Rating
CIBC World Markets Inc.	14,951	Standard & Poor's A-1

December 31, 2020	Net Unrealized Gain ($)	Credit Rating
CIBC World Markets Inc.	118,465	Standard & Poor's A-1

Leverage Risk

The Partnership uses leverage as part of its investment strategy and is therefore subject to leverage risk. The Partnership may generally borrow up to 25% of its total assets. The Partnership pledges securities as collateral and is able to borrow up to limits imposed by the lender it has pledged the collateral to. The amount of borrowing allowed by the lender depends on the nature of securities pledged. The Partnership pays interest on the amounts borrowed, which accrues daily and is payable monthly. When the Partnership makes investments in derivatives, borrows cash for investment purposes, or uses physical short sales on equities, fixed-income securities or other portfolio assets, leverage may be introduced into the Partnership. Leverage occurs when the Partnership borrows to invest or when the Fund's notional exposure to underlying assets is greater than the amount invested. It is an investment technique that can magnify gains and losses. Consequently any adverse change in the value or level of the Partnership's investments, or of the underlying assets, rate or index to which the Partnership's investments relate, may amplify losses compared to those that would have been incurred if the Fund had not borrowed to invest or if the underlying asset had been directly held by the Partnership. This may result in losses greater than if the Partnership had not borrowed to invest, or, in the case of derivatives, losses greater than the amount invested in the derivative itself.

As at June 30, 2021, the amount borrowed was $2,863 (December 31, 2020: $6,103,008) representing less than 0.1% of the total assets of the Partnership (December 31, 2020: 4.3%) and 2.0% of the total assets of the Partnership including Preferred Units (December 31, 2020: 5.8%). Interest expense incurred on amounts borrowed for the six-month period ended June 30, 2021 was $137,969 (December 31, 2020: $607,601).

c) Fair value of financial instruments

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

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

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

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

The fair value hierarchy requires the use of observable market data each time such data exists. A financial instrument is classified at the lowest level of the hierarchy for which significant input has been considered in measuring fair value. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. The Partnership's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The following tables illustrates the classification of the Partnership's financial instruments within the fair value hierarchy as at June 30, 2021 and December 31, 2020:

June 30, 2021	Level 1 ($)	Assets (Liabilities) Level 2 ($)	Level 3 ($)	Total ($)
Derivative Assets	-	14,951	-	14,951
Derivative Liabilities	-	(194,238)	-	(194,238)
Loans	-	-	2,810,000	2,810,000
Equities - Long	8,604,785	-	-	8,604,785
Underlying Funds	-	49,092,888	25,875,004	74,967,892
Total	**8,604,785**	**48,913,601**	**28,685,004**	**86,203,390**

December 31, 2020	Level 1 ($)	Assets (Liabilities) Level 2 ($)	Level 3 ($)	Total ($)
Derivative Assets	-	118,465	-	118,465
Derivative Liabilities	-	(4,700)	-	(4,700)
Loans	-	-	2,810,000	2,810,000
Equities - Long	4,958,502	-	-	4,958,502
Underlying Funds	-	48,623,900	24,076,427	72,700,327
Total	**4,958,502**	**48,737,665**	**26,886,427**	**80,582,594**

As at June 30, 2021 and December 31, 2020, the Partnership held units of Portland Global Energy Efficiency and Renewable Energy Fund LP (Portland GEEREF LP), Blue Ocean, Brookfield Infrastructure Fund IV-A L.P. (BIF IV) and Rokstad, which it considers Level 3 investments.

Portland GEEREF LP is a closed-end investment fund. Portland GEEREF LP has the same Manager and administrator as the Partnership. This investment is considered Level 3 in the fair value hierarchy because it does not allow redemptions or transfers of units prior to dissolution except in very limited circumstances. The Partnership measures Portland GEEREF LP units at the most recently published NAV per unit as reported by its administrator, considering restrictions on the Partnership's ability to redeem units of Portland GEEREF LP. If the NAV per unit of Portland GEEREF LP had been higher or lower by 10%, the net assets attributable to holders of redeemable units of the Partnership would have been higher or lower by $428,072 as at June 30, 2021 (December 31, 2020: $441,236).

Blue Ocean is a closed-ended sub-fund of EnTrustPermal ICAV, an umbrella Irish Collective Asset-Management Vehicle with segregated liability between sub-funds. This investment is considered Level 3 in the fair value hierarchy because it does not allow redemptions or transfers of units prior to dissolution. The Partnership measures Blue Ocean at the most recently published NAV per unit as reported by its administrator, considering the Partnership's inability to redeem units of Blue Ocean. If the NAV per unit of Blue Ocean had been higher or lower by 10%, the net assets attributable to holders of redeemable units of the Partnership would have been higher or lower by $1,063,013 as at June 30, 2021 (December 31, 2020: $1,055,135).

BIF IV is a closed-ended parallel structured fund. This investment is considered Level 3 in the fair value hierarchy because it does not allow redemptions or transfers of units prior to dissolution. The Partnership measures BIF IV at the most recently published NAV per unit as reported by its administrator, considering the Partnership's inability to redeem units of BIF IV. If the NAV per unit of BIF IV had been higher or lower by 10%, the net assets attributable to holders of redeemable units of the Partnership would have been higher or lower by $1,096,416 as at June 30, 2021 (December 31, 2020: $911,272).

In 2019, the Partnership participated in a co-investment opportunity with Crown Partner Funding in a loan participation agreement with Rokstad in the amount of $2,500,000. This investment is considered Level 3 in the fair value hierarchy because it is valued using a fair valuation techniques to determine value of the loan participation agreement. If the value of Rokstad had been higher or lower by 10%, the net assets attributable to holders of redeemable units of the Partnership would have been higher or lower by $281,000 as at June 30, 2021 (December 31, 2020: $281,000).

Reconciliation of Level 3 Fair Value Measurement of Financial Instruments

The following tables reconcile the Partnership's Level 3 fair value measurement of financial instruments for the six-month periods ended June 30, 2021 and June 30, 2020:

June 30, 2021	Investment Funds ($)	Loans ($)	Total ($)
Balance at beginning of period	24,076,427	2,810,000	26,886,427
Investment purchases during the period*	5,044,421	-	5,044,421
Proceeds from sales during the period*	(4,139,396)	-	(4,139,396)
Net transfers in (out) during the period	-	-	-
Net realized gain (loss) on sale of investments	157,075	-	157,075
Unrealized appreciation (depreciation) of investments	736,477	-	736,477
Balance at end of period	25,875,004	2,810,000	28,685,004
Unrealized appreciation (depreciation) in value of investments held at end of period	**736,477**	**-**	**736,477**

June 30, 2020	Investment Funds ($)	Loans ($)	Total ($)
Balance at beginning of period	20,840,795	2,503,500	23,344,295
Investment purchases during the period*	4,966,771	-	4,966,771
Proceeds from sales during the period*	(4,242,751)	-	(4,242,751)
Net transfers in (out) during the period	-	-	-
Net realized gain (loss) on sale of investments	395,561	-	395,561
Unrealized appreciation (depreciation) of investments	814,943	10,500	825,443
Balance at end of period	22,775,319	2,514,000	25,289,319
Unrealized appreciation (depreciation) in value of investments held at end of period	**1,934,524**	**10,500**	**1,945,024**

**Balances reported are net of return of capital*

d) Structured entities

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

i) restricted activities;

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

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

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

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

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

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

The exposure to investments in Underlying Funds at fair value as at June 30, 2021 and December 31, 2020 are presented in the following tables. These investments are included at their fair value in financial assets at FVTPL in the statements of financial position. The Manager's best estimate of the maximum exposure to loss from the Partnership's investment in Underlying Funds is the fair value below.

June 30, 2021	Investment at Fair Value ($)	Net Asset Value ($ millions)	% of Net Asset Value
Blue Ocean Fund Class I	2,072,220	50	4.2%
Blue Ocean Fund Class I-B	8,555,907	97	8.9%
Brookfield Infrastructure Fund IV-A L.P.	10,964,157	13,187	0.1%
Brookfield Super-Core Infrastructure Partners (NUS) L.P.	6,340,289	2,046	0.3%
Crown Capital Partner Fund, LP	34,049,525	191	18.3%
Crown Capital Power Limited Partnership	7,594,300	44	17.3%
Portland Global Aristocrats Plus Fund	108,774	0.7	14.6%
Portland Global Energy Efficiency and Renewable Energy Fund LP	4,280,720	24	18.1%

December 31, 2020	Investment at Fair Value ($)	Net Asset Value ($ millions)	% of Net Asset Value
Blue Ocean Fund Class I	2,892,655	53	5.5%
Blue Ocean Fund Class I-B	7,658,695	85	9.1%
Brookfield Infrastructure Fund IV-A L.P.	9,112,722	12,055	0.1%
Brookfield Super-Core Infrastructure Partners (NUS) L.P.	6,609,015	1,830	0.3%
Crown Capital Partner Fund, LP	34,496,700	200	17.2%
Crown Capital Power Limited Partnership	7,431,100	34	21.8%
Portland Global Aristocrats Plus Fund	87,085	0.7	11.8%
Portland Global Energy Efficiency and Renewable Energy Fund LP	4,412,355	25	17.6%

6. REDEEMABLE UNITS

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

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

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

The number of units issued and outstanding for the six-month periods ended June 30, 2021 and June 30, 2020 was as follows:

June 30, 2021	Beginning Balance	Units Issued Including Switches from Other Series	Units Redeemed Including Switches to Other Series	Ending Balance	Weighted Average Number of Units
Class A	1	-	-	1	1
Class B	1,502,256	56,104	-	1,558,360	1,527,219

December 31, 2020	Beginning Balance	Units Issued Including Switches from Other Series	Units Redeemed Including Switches to Other Series	Ending Balance	Weighted Average Number of Units
Class A	1	-	-	1	1
Class B	1,506,830	34,712	39,286	1,502,256	1,505,113

7. TAXATION

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

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

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

8. FEES AND EXPENSES

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

9. BORROWING FACILITY

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

Settlement Services Agreement

The Partnership has a Settlement Services Agreement (SSA) with a Canadian dealer for margin borrowing. The rate of interest payable on borrowed money in Canadian dollars is the 3-month Canadian Dealer Offered Rate plus 0.50% and in U.S. dollars is the Overnight Bank Funding Rate (OBFR) plus 0.60% and the facility is repayable on demand. The Partnership has placed securities on account with the dealer as collateral for borrowing.

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

As at June 30, 2021, the Partnership borrowed $9,800,288 or $2,863 net of short term investments (December 31, 2020: $15,423,456 or $1,010,503 net of short term investments). During the six-month period ended June 30, 2021, the Partnership borrowed a minimum of $6,259,070 and a maximum of $15,546,838 under the SSA (December 31, 2020: minimum of $nil and maximum of $15,645,132).

Revolving Loan Facility

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

In October 2019, the Partnership entered into a new Facility, where the Partnership agreed to pay on demand to the Bank the principal sum of up to U.S. $5,000,000 and to pay interest on unpaid principal, calculated from and including the date of first drawdown at a rate which is the greater of 4.5% above the U.S.$ 3-month LIBOR+3.5% net of any applicable withholding taxes, payable over 364 days from the date of first drawdown at interest only quarterly with principal payments at the Partnership's election subject to the term if not renewed. In the event that the Facility becomes 90 days overdue, the Bank could increase the rate of interest to 2% over the interest rate being charged at that time. A non-utilization fee was payable quarterly in arrears of between zero and 0.30% per annum, depending on the quarterly average amount of the Facility that is undrawn. Payments of principal could be made at any time without penalty. The terms of the Facility include that the maximum total debt of the Partnership does not exceed 25% of total assets and that the Facility amount drawn does not exceed 20% of the Partnership's assets less those securities the Partnership has placed on account with the dealer of the SSA as collateral for the margin borrowing mentioned above. An arrangement fee of 0.30% or U.S. $15,000 was payable on the date of initial drawdown and was deducted from the proceeds. On October 31, 2019, the Partnership renewed the Facility to permit borrowing of up to U.S. $10,000,000 with the same terms as noted above, except that the non-utilization fee would be reduced to 0.0% (no fee) if the average utilization during the proceeding quarter is greater than 40%. An arrangement fee of 0.30% or U.S. $15,000 was payable on the date of second drawdown and was deducted from the proceeds.

On March 27, 2020, the Partnership increased the Facility by U.S. $1,500,000 to U.S. $11,500,000. An arrangement fee of U.S. $12,000 was payable and was deducted from the proceeds. On August 13, 2020, the Facility was reverted to U.S. $10,000,000.

In October 2020, the Partnership entered into a new Facility, where the Partnership agreed to pay on demand to the Bank the principal sum of up to U.S. $10,000,000 and to pay interest on the same terms as the agreement signed in October 2019. An arrangement fee of 0.30% or U.S. $30,000 was payable on the date of initial drawdown and was deducted from the proceeds.

The Partnership borrowed U.S. $nil as at June 30, 2021 (December 31, 2020: U.S. $4,000,711). During the six-month period ended June 30, 2021, the Partnership borrowed a minimum of U.S. $nil and a maximum of U.S. $4,600,711 under the Facility (December 31, 2020: minimum of U.S. $1,200,711 and a maximum of U.S. $11,499,383).

10. SOFT DOLLARS

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

The Manager may use third party proprietary research, which is generally also available on a subscription basis, the value of which will be used to approximate the value of research and other similar services received from third parties through commission sharing arrangements with executing brokers. The ascertainable value of the third party soft dollar arrangements in connection with portfolio transactions for the six-month period ended June 30, 2021 was $563 (June 30, 2020: $1,384).

11. RELATED PARTY TRANSACTIONS

The following table outlines the operating expense reimbursements that were paid to the Manager by the Partnership during the six-month periods ended June 30, 2021 and June 30, 2020. The table includes the amount of operating expense reimbursement that was made to affiliates of the Manager. All of the dollar amounts in the table below exclude applicable GST and/or HST.

As at	Operating Expense Reimbursement ($)	Organization Expense Reimbursement ($)
June 30, 2021	64,392	452
June 30, 2020	57,468	743

As at June 30, 2021, the Partnership owed $11,188 of operating expenses excluding applicable GST and/or HST to the Manager (December 31, 2020: $10,219).

All of the issued and outstanding Class B units of the Partnership are owned by the Fund, which has the same manager as the Partnership. The Class A unit of the Partnership is owned by the General Partner which is related to the Partnership and the Manager. The Partnership invests in Portland GEEREF LP and Portland Global Aristocrats Plus Fund which have the same manager as the Partnership. Portland GEEREF LP also owns Preferred Units of the Fund.

On December 13, 2017, an affiliate of the Manager acquired indirect controlling interest in the Bank. The Partnership has Facility with the Bank as described under note 9. The Partnership paid loan origination fees of a total of U.S. $95,183 to the Bank. Interest and loan origination fees with the Facility are subject to an additional withholding tax as a result of the indirect controlling interest in the Bank and is included under 'Interest expense and bank charges' on the statements of comprehensive income when paid.

12. COMMITMENTS

Unfunded capital commitments to the Underlying Funds are not presented in the statement of financial position as a liability, as the unfunded capital represents a loan commitment that is not within the scope of IFRS 9.

Crown Capital Partner Funding, LP

On September 23, 2015, the Partnership committed to invest $10,000,000 in Crown Partner Funding. Effective July 15, 2016, the amount of this commitment was increased by $6,400,000, effective January 9, 2017, the amount of this commitment was increased by $9,850,000, effective July 13, 2017, the amount of this commitment was increased by $7,500,000 and effective July 13, 2018, the amount of this commitment was increased by $18,750,000, for a total commitment of $52,500,000. On December 31, 2020, Crown provided the Fund a notice of waiver of $10,500,000 of capital commitment. As a result of the waiver, remaining uncalled capital commitment was reduced by this amount. As at June 30, 2021, the cumulative amount paid toward this commitment was $34,248,151 and the remaining uncalled capital commitment was $7,751,849 (December 31, 2020: $18,251,849).

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

Blue Ocean Fund

On June 1, 2017, the Partnership committed to invest U.S. $5,000,000 to Blue Ocean Class I Units. As at June 30, 2021, U.S. $4,989,071 was paid toward this commitment, resulting in a remaining uncalled commitment of U.S. $10,929 (December 31, 2020: U.S. $10,929).

On September 10, 2018, the Partnership committed to invest U.S. $7,000,000 to Blue Ocean Class I-B Units. As at June 30, 2021, this commitment was paid in full but subject to a recallable distribution U.S. $1,822,895 (December 31, 2020: U.S. $1,154,948).

On June 26, 2020, the Partnership committed to invest an additional U.S. $400,000 the third tranche of Blue Ocean. In November 2020, the manager of Blue Ocean advised that the closing of the third tranche would be moved out to 2021 and will advise the Manager once further updates are available.

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

On December 21, 2018, the Partnership committed to invest U.S. $5,000,000 to Brookfield Super-Core Infrastructure Partners (NUS) L.P. and the commitment has been paid in full.

Crown Capital Power Limited Partnership

On February 28, 2019, the Partnership committed to invest $10,000,000 to Crown Capital Power Limited Partnership. As at June 30, 2021, $7,403,011 was paid toward this commitment, resulting in a remaining uncalled commitment of $2,596,989 (December 31, 2020: $2,569,989). Christopher Wain-Lowe is a member of the fund advisory board of Crown Capital Power.

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

Brookfield Infrastructure Fund IV-A, L.P.

On March 4, 2019, the Partnership committed to invest U.S. $15,000,000 to BIF IV. As at June 30, 2021, U.S. $8,316,443 was paid toward this commitment, resulting in a remaining uncalled commitment of U.S. $6,683,556 (December 31, 2020: U.S. $7,852,215).

13. SUBSEQUENT EVENTS

On April 16, 2021, the Partnership committed to invest $3,000,000 to a loan participation agreement with Crown Private Credit Partners Inc. for CareRX Corporation. The loan is expected to close on August 23, 2021.

On July 20, 2021, the Partnership committed to invest U.S. $5,000,000 to Bridge Debt Strategies Fund IV International LP.

On August 13, 2021, the Partnership committed to invest U.S. $1,500,000 to Bridge Agency MBS Fund International LP.

14. EXEMPTION FROM FILING

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

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