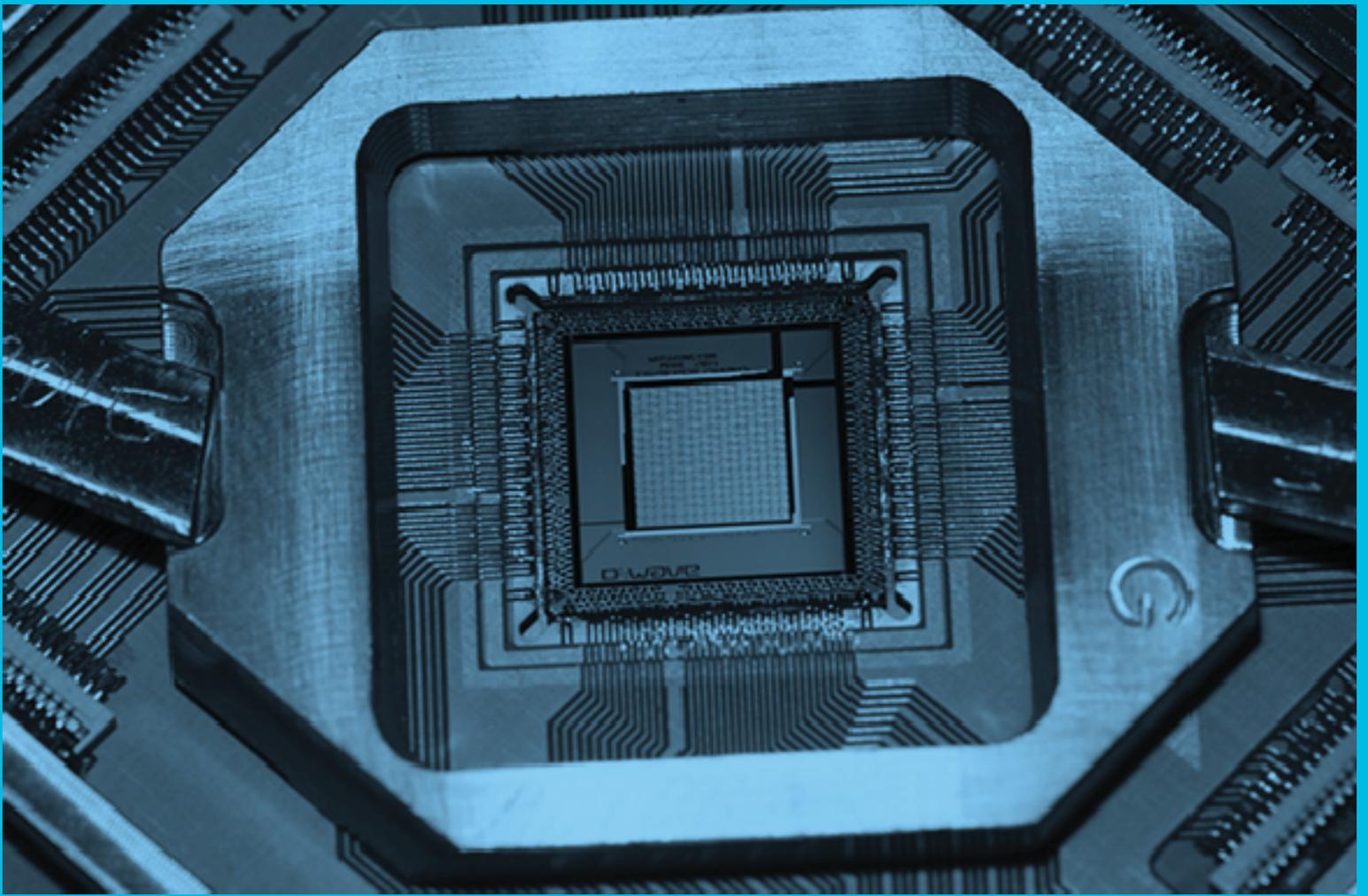


**Working Opportunity Fund (EVCC) Ltd.**  
Venture Series: Balanced Shares (series 1)  
Balanced Shares (series 2)



# Management Report of Fund Performance

For the six months ended June 30, 2019



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## **MANAGEMENT DISCUSSION OF FUND PERFORMANCE**

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### **Introduction**

This interim Management Report of Fund Performance dated August 22, 2019 presents a discussion of the financial results for the Working Opportunity Fund (EVCC) Ltd. Venture Series Balanced Shares (series 1) and Balanced Shares (series 2) for the six months ended June 30, 2019 and assesses factors that may affect future results. The financial condition and results of operations are analyzed and significant factors that affected the unaudited statements of financial position, statements of comprehensive income, statements of changes in net assets, and statements of cash flows are discussed.

This report contains financial highlights but does not contain either the unaudited interim financial statements or the audited annual financial statements of Balanced Shares (series 1) and Balanced Shares (series 2) (each or together, as the context requires, "Series") Class A Shares of the Working Opportunity Fund (EVCC) Ltd. (the "Fund" or "WOF"). You can get a copy of the unaudited interim financial statements or the audited annual financial statements at your request, and at no cost, by calling 1-888-787-9561 or by contacting the manager by mail at Suite 1830, 1066 West Hastings Street, Vancouver, BC V6E 3X2 or by visiting SEDAR at [www.sedar.com](http://www.sedar.com). You may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures or proxy voting disclosure record.

The Fund consists of the Venture Series (which as a result of consolidations now consists of the Series only) and the Commercialization Series (which as a result of consolidations now consists of the Commercialization Shares (series 2) only).. Unless otherwise stated, all information in this report relates only to the Series. Historical financial results regarding previously outstanding series of the Venture Series which have been consolidated with the Series (being the GIC Shares (series 2), Income Shares (series 2), Diversified Shares (series 2), Growth Shares (series 2), Growth Shares (series 1), and Financial Services Shares (series 2)) are not included in this report and instead can be found at [www.sedar.com](http://www.sedar.com) for the applicable years that each such series was outstanding.

In this report, "Net Assets" refers to net assets attributable to holders of Class A shares determined in accordance with International Financial Reporting Standards ("IFRS") and as presented in the financial statements of the Series. "Pricing NAV" refers to the total pricing net asset value of all Class A shares, or if referred to in relation to one or more particular series of shares, then the total Pricing NAV of those shares only. We calculate Pricing NAV by adjusting Net Assets for the cost of commissions paid to dealers on the sale of shares over the eight-year period that the Fund typically has that share capital. "Pricing NAV per Share" means the price for purchasing, redeeming or switching shares of WOF, as and if applicable, calculated in accordance with the formulae set out in the Fund's employee venture capital plan (the "Plan").

The manager of the Fund is PenderFund Capital Management Ltd. (the "Manager"). The Manager became manager effective March 1, 2019, under a new management agreement dated December 21, 2018 (the "New Management Agreement"). Prior to March 1, 2019 the Fund manager (the "Initial Manager") and principal distributor was Growth Works Capital Ltd., which managed the Fund pursuant to an amended and restated management agreement dated November 6, 2007 (the "IM Management Agreement"). If you wish to contact the Fund or our Manager, by mail at Suite 1830, 1066 West Hastings Street, Vancouver, BC V6E 3X2 or by telephone at 1-888-787-9561.

**All information for prior periods included in this document is as reported by the Initial Manager.**

### **Caution Regarding Forward-Looking Statements**

This report contains forward-looking statements about the Fund, including its strategy, prospects and further actions, for example. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or negative versions thereof and similar expressions.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements. Any number of important factors could contribute to these digressions, including, but not limited to: general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

These forward-looking statements relate primarily to assessments of the liquidity position of the Venture Series, including the targeted timing, the ability to complete, and the amount of proceeds from exits (also referred to as divestments); the Venture Series' ability to make follow-on investments and meet operating commitments; future economic and market conditions, including mergers and acquisitions ("M&A") and initial public offering ("IPO") market conditions; the ability of the Venture Series to complete an orderly realization of value of its venture portfolio; portfolio development and value increases including concentration of the portfolio; future cost savings and enhanced liquidity for Venture Series; and positioning the Fund for the future, including a possible future reorganization of Fund assets. Such information has been included to assist readers with assessing the maturity of the Venture Series venture portfolio, liquidity of the Venture Series including the timing and levels of dividend distributions under the cash dividend distribution policy and the ability to complete targeted divestments, the ability of the Venture Series to complete an orderly realization of value of its venture portfolio, recent developments in the Fund's operating climate and possible future developments that may affect the Fund, and the Venture Series and its performance.

All forward-looking statements are based on the Manager's current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Fund and economic factors, among other things. Statements with respect to liquidity, including, the targeted timing of, ability to complete, and amount of proceeds from, venture portfolio exits and the ability of the Venture Series to make key follow-on investments and continue to meet operating commitments, are based on the Manager's beliefs and assumptions with respect to a range of factors, including M&A and IPO market conditions generally and within the sectors in which portfolio companies operate; market potential of technologies and products under development or offered by portfolio companies; the management, intellectual property rights, performance and stage of development of portfolio companies and the portfolio companies' need for and access to further financing; concentration of the portfolio; the ability of the Venture Series to complete an orderly realization of value of its venture portfolio; the ability of the Venture Series to meet other operating commitments; future cost savings under the New Management Agreement and enhanced liquidity and additional future cost savings for Venture Series; and positioning the Fund for the future including a possible future reorganization of Fund assets. While the Manager considers such beliefs and assumptions to be reasonable based on information currently available to it, no assurance can be given that such beliefs and assumptions will prove to be correct. Events or circumstances may cause actual results to differ materially from those expressed or implied by such forward-looking statements as a result of numerous known and unknown risks and uncertainties, including, but not limited to, those associated with economic and market conditions, including M&A and IPO market conditions; portfolio companies' development, including value increases and achievement of milestones for developing products, technologies or services, including those for which markets are not yet established and may never be established; access to needed financing; portfolio companies' ability to attract and retain key management and employees and establish and protect intellectual property rights; concentration of the portfolio; the ability of the Venture Series to complete divestments of individual portfolio companies and/or to complete an orderly realization of value of its venture portfolio and to make follow-on investments and meet operating commitments; the ability to obtain all necessary approvals for a possible future reorganization of assets; and/or the ability to complete a reorganization as previously described or otherwise; and other risks identified in the Fund's most recent annual information form. Most of these factors are beyond the control of the Fund and its Manager.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any decisions regarding your investment in the Fund and we urge you to avoid placing undue reliance on forward-looking statements. Further, except as may be required under applicable law, the Manager has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

## **Results of Operations**

All information for prior periods included in this document is as reported by the Initial Manager.

The following comments and the comments under “Recent Developments” reflect the views of the Manager and the portfolio management team and are based on information at the end of the period. Please read the caution regarding forward-looking statements located on the first page of this document.

As at June 30, 2019, total Pricing NAV for the Series was \$86.8 million, an increase of \$0.6 million over the balance of \$86.2 million at December 31, 2018. This increase in Pricing NAV was primarily attributable to net realized and unrealized gains on venture investments of approximately \$2.2 million, which were partially offset by operating expenses for the period of \$1.6 million. Further details can be found below and in the “Investment Portfolio” section. There was no subscription activity during the period as the Series is no longer offered for sale.

For the six months ended June 30, 2019, the Series generated a total return of 0.47% for series 1 (June 30, 2018: -1.15%) and 0.84% on series 2 (June 30, 2018: -0.55%).

## ***Income***

Total investment income excluding gains and losses on investments was \$32,319 for the six months ended June 30, 2019. This reflects an increase from the \$8,786 recorded for the six months ended June 30, 2018, which was relatively low due to the write-off of previously accrued interest on the settlement of an interest-bearing venture investment in the six months ended June 30, 2018.

In the six months ended June 30, 2019, the net realized gain from the sale of investments was \$69,010, as compared to the net realized loss on investments of \$1,495,356 in the six months ended June 30, 2018. Net realized gains and losses on investments are the result of the sale of investments. They are generally not comparable between periods because the investments sold generally differ from period to period. The gain in the six months ended June 30, 2019 was primarily attributable to additional funds recovered and paid to the Fund from an investment that was disposed of in a prior period.

The Fund recognized a positive net change in unrealized appreciation/depreciation of investments of \$2,158,533 during the six months ended June 30, 2019, as compared to the positive net change of \$3,114,120 in the same period in 2018. This change in the current period was primarily attributable to a valuation adjustment which increased the unrealized appreciation for one private technology company, valuation adjustments which increased the unrealized depreciation for three private technology companies, and the negative impact of foreign exchange rate changes. The Canadian dollar appreciated against the US dollar in the six months ended June 30, 2019, resulting in an increase in unrealized depreciation of approximately \$3.0 million on the conversion for financial reporting purposes of the carrying value of US dollar-denominated investments to Canadian dollars.

## ***Expenses***

For the six months ended June 30, 2019 the total operating expenses of the Series were \$1.6 million, down from \$2.1 million for the same period in 2018.

The Series’ primary recurring expenses are management fees and administration costs.

Management fees are calculated based on a percentage of Pricing NAV, as specified in the management agreement between the Fund and its manager. Under the IM Management Agreement, administration fees were also calculated based on a percentage of Pricing NAV. Because Pricing NAV may be lower or higher for a portion of the financial period than it is at the end of the period due to changes in the value of the investment portfolio, as well as sales and/or redemptions, changes in expenses calculated based on a percentage of Pricing NAV may not be proportionate to the change in Pricing NAV in any financial period.

An important consideration in the discussion of management fees and administration fees or costs during the six months ended June 30, 2019 is the change in both the manager of the Fund and the management agreement in effect, as described in the “Introduction” and “Recent Developments” sections of this document.

As a result of these changes, the structure and percentage of fees paid to the Initial Manager from January 1, 2019 to February 28, 2019 under the IM Management Agreement, were different from the structure and percentage of fees payable to the Manager and the administration costs paid by the Fund from March 1, 2019 to June 30, 2019 under the New Management Agreement:

	Initial Management Agreement <sup>1</sup>		New Management Agreement
	Series 1	Series 2	Series 1 and Series 2 <sup>2</sup>
Period of applicability	Prior to March 1, 2019		March 1 - June 30, 2019
Management Fee	2.22% - 3.01%	2.00%	1.50%
Additional Administration Fee	NIL	0.50% - 1.29%	N/A - administration costs are paid directly by the Fund

In the period from December 21, 2018 to February 28, 2019, the Manager provided certain services to the Fund to ensure an efficient transfer of management and received a fee in respect of the Series of \$127,320 including GST, of which \$64,253 was paid during the six months ended June 30, 2019 and \$63,067 was paid in December 2018.

The total of all management fees under the New Management Agreement and all management and administration fees under the IM Management Agreement during the six months ended June 30, 2019 was \$939,198. The total of the professional fees, operating expenses, custody and recordkeeping fees, and directors’ fees paid directly by the Fund, net of transitional and strategic expenses, in the six months ended June 30, 2019 under the New Management Agreement was \$366,859. Together, total management and administration costs including the fee for transitional services were \$1,370,310 for the six months ended June 30, 2019, down from the \$1,545,888 incurred in the six months ended June 30, 2018.

As part of the previously announced cost-cutting initiatives of the board of the Fund, the Fund ceased paying services fees, also known as trailing commissions, on January 1, 2019. Accordingly, service fees were nil in the six months ended June 30, 2019 as compared to \$216,504 in the six months ended June 30, 2018.

Professional fees for the six months ended June 30, 2019 were \$277,712 (\$315,678 in the six months ended June 30, 2018). These represent legal, audit and advisory fees incurred and accrued for the period. Included in these fees are costs of \$161,470 in the six months ended June 30, 2019 (\$287,236 in the six months ended June 30, 2018) relating to the transition of manager, strategic review and restructuring initiative of the board of the Fund.

<sup>1</sup> Please see details regarding the terms and fees under the IM Management Agreement in the “Related Party Transactions” and “Management Fees” section of this document.

<sup>2</sup> Please see details regarding the terms of the New Management Agreement in the “Related Party Transactions” and “Management Fees” section of this document.

### **Management Expense Ratio (“MER”)**

The operating MER for the six months ended June 30, 2019 was 3.70% for Series 1 (June 30, 2018: 4.07%) and 3.74% for Series 2 (June 30, 2018: 4.74%). The changes in operating MER are consistent with the changes in operating expenses and Pricing NAV for the period. Please see the “Financial Highlights” section below.

### **Liquidity**

The Series’ primary source of liquidity at present is the sale and/or repayment of investments. No capital is available from the issuance of shares as the Series is not in distribution. The primary factors that draw on the Series’ available capital are any dividends to shareholders under the cash dividend distribution policy, strategic follow-on investments in those companies within the existing portfolio, and the liabilities and operating expenses of the Series. Operating expenses generally include fees paid to the Fund’s manager, the cost to operate the Fund, and costs associated with matters such as the ongoing review of opportunities to continue to reduce costs and enhance liquidity options for shareholders and positioning the Fund for the future. Please refer to the “Results of Operations” section of this document.

The Fund manages liquidity by regularly measuring and estimating cash available and cash required, with the goal of ensuring sufficient liquid assets are on hand to meet projected distributions to shareholders (whether by way of cash dividends or, previously, by way of redemptions) and to fund follow-on venture investments and operating expenses.

In addition, external financing is a potential strategic source of liquidity which, if available, could be used as a bridge to healthier exit markets and/or where the value accretion expected to be generated by the financing exceeds the costs associated with the financing.

The Series completed partial exits from two investee companies during the six months ended June 30, 2019, which added to its working capital available to fund normal course operations over the short to medium term. Please see the “Results of Operations”, “Investment Portfolio”, and “Recent Developments” sections of this document.

Venture capital investments in private companies are not immediately saleable and it may take some time for exit opportunities to arise, particularly as the Series generally holds minority positions. Forced sales of venture investments prior to exit opportunities generally result in exit values that are lower than prevailing carrying values and may result in portfolio losses. For example, a forced sale through a secondary transaction where an investor sells its minority position in a portfolio company to another financial investor, generally results in discounts in pricing compared to the sale of 100% of the portfolio company to a strategic acquirer or to the portfolio company completing an initial public offering (“IPO”). The Series relies to a significant extent on favourable mergers and acquisitions (“M&A”) and IPO market conditions for positive venture investment exit opportunities and realization, conditions over which the Fund has no control.

Completed exit transactions have been delayed compared to expectations when the cash dividend distribution policy was adopted in 2014. Despite our focus on developing and closing-out exit opportunities, as the venture investments are generally minority positions in private companies, the timing and ability to effect realization of exits are largely beyond the control of the Fund, and therefore, difficult to predict. There can be no assurance that the Venture Series will be able to complete divestments of individual portfolio companies generally and/or complete an orderly realization of value (at current values or otherwise). Further, since the amount and timing of future cash dividends to Venture Series shareholders under the Fund’s cash dividend distribution policy and the Fund’s ability to fund follow-on investments and operating expenses depends on the timing and realizations of exits, no assurance can be given as to the timing or amount of any future cash dividends to Venture Series shareholders or the ability to fund follow-on investments and/or ongoing operations.

For more information on liquidity, please see the Fund’s most recent annual information form and the “Investment Portfolio” and “Recent Developments” sections of this document.

### ***Investment Portfolio***

At June 30, 2019 the investment portfolio included venture investments of \$83.4 million, as compared to \$81.8 million at December 31, 2018.

All Venture Series shares participate in the same venture investment portfolio. As the originally offered shares of the Fund, the Venture Series continues a natural progression for a maturing venture capital portfolio and is focused on developing and closing-out exit opportunities as well as strategic follow-on investments (within the existing venture portfolio). Please see the “Summary of Investment Portfolio” section of this document.

In the six months ended June 30, 2019, the Venture Series completed two partial divestments of investments, in Teradici Corp. and Highline, Canada AcceleratorCo Inc., for total proceeds of \$0.6 million. The partial divestment of Teradici was through an early loan repayment. The partial divestment of Highline was a distribution from the sale of legacy portfolio investments made by Highline when it was an active technology accelerator fund. These transactions represent small steps in the Fund’s orderly realization of its portfolio to maximize value for shareholders and they added to the Venture Series working capital. Please see the “Results of Operations”, “Recent Developments” and “Liquidity” sections of this document.

There were no other changes in the composition of the portfolio. During the six months ended June 30, 2019, investee companies that needed to raise capital were generally able to do so at appropriate valuation levels which did not require the participation of the Venture Series. The Fund made no new investments in the period.

Other changes in the investment portfolio in the six months ended June 30, 2019 related to valuation adjustments and the impact of foreign exchange rate fluctuations that were described in the “Results of Operations” section of this document.

As of the date of this report, the Venture Series holds venture investments in 15 private investee companies. A number of the Venture Series’ portfolio companies depend on venture capital financing to fund working capital during their growth stages so continued healthy funding markets are imperative. Venture capital funds like the Fund rely on favourable M&A and IPO market conditions for high-value, cash generating exit opportunities. If economic growth continues, the Fund would expect that exit markets may present exit opportunities for certain portfolio companies. However, the Fund can provide no assurance as to if, when or at what values, any exits may be completed. Please see the “Results of Operations”, “Liquidity”, and “Recent Developments” sections of this document.

### ***Investment Pacing***

As at the end of the year, the Fund is current with its investment pacing requirements. Investment pacing requirements are applied at the Fund level and are described in detail in the Fund’s most recent annual information form.

## Recent Developments

Overall, the Venture Series' venture investment portfolio generally did not meet expectations during the six months ended June 30, 2019 as it did not generate sufficient liquidity for the Board to consider declaring a cash dividend to Venture Series shareholders. During the six months ended June 30, 2018, the Venture Series completed a partial secondary sale of its ownership interest in one investee company in the information technology sector. The divestment proceeds from this transaction provided the Venture Series at that time with working capital for normal course operations over the short to medium term.

The Venture Series' investee companies' financial performance is linked to the state of the Canadian and world economy and the Venture Series depends on M&A and IPO markets (collectively "exit markets") to sell its venture investments. Exit transactions have been delayed compared to expectations when the cash dividend distribution policy was adopted in 2014. Despite the portfolio experiencing this delay in completing anticipated exits, we believe that the outlook for a number of the portfolio companies continues to be positive and that the potential for the Venture Series portfolio to eventually provide value and meaningful liquidity through possible exit transactions does exist.

Investment and exit markets continue to be healthy for private technology companies. The Series' portfolio companies appear to be positioned to benefit from healthy levels of investment activity, both in terms of availability of growth capital and availability of exit opportunities. If healthy exit markets continue, the Fund expects that they may eventually present exit opportunities for certain portfolio companies, although the Fund can provide no assurance as to if, when or at what values, any exits may be completed. Further, there can be no assurance that the Venture Series will be able to complete divestments of individual portfolio companies generally and/or complete an orderly realization of value (at current values or otherwise). Since the Fund's ability to fund follow-on investments and operating expenses depends on the timing and realizations of exits, no assurance can be given as to the timing, amount or the ability to fund follow-on investment and/or operating commitments. Please see also the "Liquidity" and "Investment Portfolio" sections of this document.

The Manager assumed management of the Fund under the New Management Agreement on March 1, 2019 and the Fund now pays a management fee of 1.5% of Pricing NAV and its own administrative expenses rather than paying a percentage fee for normal course administration costs to the manager. Please see the "Results of Operations" and "Management Fees" sections of this document for more information. Under the New Management Agreement, the Fund and the Manager have agreed to use reasonable commercial efforts to effect a reorganization of the assets of the Fund and since March 1, 2019, the Manager and the Fund have been evaluating numerous aspects of the previously announced potential reorganization, including working through tax considerations and reviewing opportunities for liquidity and further cost savings.

The potential reorganization transaction would require shareholder approval, certain regulatory approvals and approvals of the boards of the Fund, its sponsor and the Manager acting reasonably. A detailed information circular describing the potential reorganization is required to be mailed to shareholders in conjunction with seeking any such shareholder approval. At the Funds' next shareholder meeting, shareholders will be asked to ratify the transition of management. The Fund has received an extension to January 2020 to hold its next annual general meeting. There can be no guarantee that these required approvals will be received and/or that the Fund will complete a reorganization as previously described or otherwise.

For more details regarding the New Management Agreement, please see the Fund's most recent annual information form.

Ms. Susan Koch was appointed as a member of the Independent Review Committee, filling the vacancy left from the passing of Mr. Bill LeClair. At June 30, 2019, the Independent Review Committee of the Fund was composed of Mr. Robert Cooper, Ms. Susan Koch, and Mr. Garry Rasmussen. The Independent Review Committee of the Manager was composed of Kerry Ho, Robin Mahood and John Webster.

## **Related Party Transactions**

The Fund's assets and liabilities are allocated in the records of the Fund among the Series of the Fund in accordance with the particular investment policies and expenses and charges applicable to the particular Series. Certain investments and other assets, including cash, are allocated among all Series of the Fund through the use of inter-series receivable and payable accounts. All inter-series allocations occur at fair value. For ease of administration, the Series also incur inter-series receivables and payables on the reallocation of the Fund's various shared portfolios. Generally, inter-series balances are non-interest bearing, unsecured, and have no specific repayment terms.

For the period from January 1, 2019 to February 28, 2019, the Fund paid management fees and administration fees, of \$477,475 to the Initial Manager for management and portfolio advisory and administration expenses.

In the period from December 21, 2018 to February 28, 2019, the Manager provided certain services to the Fund to ensure an efficient transfer of management and received a fee in respect of the Series of \$127,320 including GST, of which \$64,253 was paid during the six months ended June 30, 2019 and \$63,067 was paid in December 2018.

On March 1, 2019 the Fund began to pay management fees to the Manager for services. For the period from March 1, 2019 to June 30, 2019, \$461,723 was paid to the Manager for management and portfolio advisory.

The Manager also recovers from the Fund certain Fund operating expenses incurred by it on behalf of the Fund.

In addition to the Fund, the Manager is the portfolio manager for a number of funds and one or more of those other funds may hold investments in investee companies of the Fund. The Manager has adopted an allocation of opportunities policy to address potential conflicts that might arise as a result of the common shareholdings. As at June 30, 2019 D-Wave is the sole investment of the Fund that is held in another fund under the Manager's management.

Certain directors and/or officers of the Fund and/or the Manager own shares of the Fund directly and/or indirectly. These shareholdings are disclosed in the Fund's Annual Information Form each year and represent less than 1% of the outstanding shares of the Fund.

As at June 30, 2019 directors and officers of the Fund and/or the Manager held less than 0.01% of the issued and outstanding shares of D-Wave, one of the Fund's investments.

Maria Pacella is a director and CEO of the Fund and an officer and shareholder of the Manager. Gina Jones is the Fund's CFO and an officer and shareholder of the Manager.

The secretary of the board of the Fund provides legal services on a fee for service basis to the Fund in the normal course of business.

Alex Irwin is a director of the Fund and provides consulting services on a fee for service basis to the Fund.

## FINANCIAL HIGHLIGHTS<sup>3</sup>

The following tables show selected key financial information about each of the Balanced Shares (series 1) and Balanced Shares (series 2) and are intended to help you understand the Series' financial performance for the past five years and the six months ended June 30, 2019. The financial information presented below was prepared in accordance with International Financial Reporting Standards.

<b>Balanced Shares (series 1)</b>						
<b>Net Assets per share <sup>(1)</sup></b>						
	<b>June 30, 2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net assets per share, beginning of period <sup>(2)</sup></b>	<b>\$5.77</b>	<b>\$6.13</b>	<b>\$8.43</b>	<b>\$8.88</b>	<b>\$8.00</b>	
<b>Increase (decrease) from operations:</b>						
Total revenue	0.00	0.01	0.01	0.01	0.02	0.02
Total expenses and amortization [excluding distributions]	(0.11)	(0.26)	(0.27)	(0.30)	(0.28)	(0.26)
Realized gains (losses) for the year	0.00	(0.10)	(0.30)	0.11	(0.19)	(0.74)
Unrealized gains (losses) for the year	0.14	(0.01)	(1.74)	(0.27)	1.81	1.98
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.03</b>	<b>(0.36)</b>	<b>(2.30)</b>	<b>(\$0.45)</b>	<b>1.36</b>	<b>1.00</b>
<b>Distributions:</b>						
From net investment income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital <sup>(7)</sup>	-	-	-	-	(\$0.48)	-
<b>Total annual distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(\$0.48)</b>	<b>-</b>
<b>Net Assets per share at end of period <sup>(2)</sup></b>	<b>\$5.80</b>	<b>\$5.77</b>	<b>\$6.13</b>	<b>\$8.43</b>	<b>\$8.88</b>	<b>\$8.00</b>

<b>Ratios and Supplemental Data</b>						
	<b>June 30, 2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Pricing NAV (000's) <sup>(3)</sup>	\$23,276	\$23,167	\$24,583	\$33,834	\$35,883	\$32,478
Number of shares outstanding (000's) <sup>(3)</sup>	4,013	4,013	4,013	4,013	4,041	4,059
Operating management expense ratio <sup>(4)</sup>	3.70%	4.27%	3.61%	3.24%	3.25%	3.32%
Amortization of share issue commissions and fees	-	-	-	-	-	-
Financing fees	-	-	-	-	-	0.03%
Total MER before waivers or absorptions	3.70%	4.27%	3.61%	3.24%	3.25%	3.35%
Trading expense ratio <sup>(5)</sup>	-	-	0.01%	-	0.05%	-
Portfolio turnover ratio <sup>(6)</sup>	-	-	-	-	3.67%	8.47%
<b>Pricing NAV per share at end of period</b>	<b>\$5.80</b>	<b>\$5.77</b>	<b>\$6.13</b>	<b>\$8.43</b>	<b>\$8.88</b>	<b>\$8.00</b>

<sup>3</sup> All information for prior periods included in this document is as reported by the Initial Manager.

<b>Balanced Shares (series 2)</b>						
<b>Net Assets per share <sup>(1)</sup></b>						
	<b>June 30, 2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net assets per share, beginning of period <sup>(2)</sup></b>	<b>\$5.07</b>	<b>\$5.38</b>	<b>\$7.70</b>	<b>\$8.18</b>	<b>\$7.34</b>	<b>\$6.35</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.00	0.01	0.01	0.01	0.02	0.02
Total expenses and amortization [excluding distributions]	(0.09)	(0.26)	(0.28)	(0.32)	(0.32)	(0.28)
Realized gains (losses) for the year	0.00	(0.10)	(0.30)	0.11	(0.23)	(0.74)
Unrealized gains (losses) for the year	0.14	0.04	(1.74)	(0.27)	1.84	1.98
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.05</b>	<b>(0.31)</b>	<b>(2.31)</b>	<b>(0.47)</b>	<b>1.31</b>	<b>0.98</b>
<b>Distributions:</b>						
From net investment income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital <sup>(7)</sup>	-	-	-	-	(0.44)	-
<b>Total annual distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.44)</b>	<b>-</b>
<b>Net Assets per share at end of period <sup>(2)</sup></b>	<b>\$5.12</b>	<b>\$5.07</b>	<b>\$5.38</b>	<b>\$7.70</b>	<b>\$8.18</b>	<b>\$7.34</b>
<b>Ratios and Supplemental Data</b>						
	<b>June 30, 2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Pricing NAV (000's) <sup>(3)</sup>	\$63,577	\$63,050	\$66,937	\$95,808	\$102,607	\$92,479
Number of shares outstanding (000's) <sup>(3)</sup>	12,421	12,421	12,421	12,421	12,515	12,537
Operating management expense ratio <sup>(4)</sup>	3.70%	4.85%	4.19%	3.82%	3.81%	3.88%
Amortization of share issue commissions and fees	0.04%	0.07%	0.10%	0.13%	0.23%	0.37%
Financing fees	-	-	-	-	-	0.04%
Total MER before waivers or absorptions	3.74%	4.92%	4.29%	3.95%	4.04%	4.29%
Trading expense ratio <sup>(5)</sup>	-	-	0.02%	-	0.05%	-
Portfolio turnover ratio <sup>(6)</sup>	-	-	-	-	3.67%	8.51%
<b>Pricing NAV per share at end of period</b>	<b>\$5.12</b>	<b>\$5.07</b>	<b>\$5.39</b>	<b>\$7.72</b>	<b>\$8.20</b>	<b>\$7.38</b>

Notes:

- (1) This information is derived from the Series' unaudited interim and audited annual financial statements. Net Assets per share presented in the financial statements differs from the Pricing NAV calculated for fund pricing purposes. Pricing NAV includes the unamortized balance of up-front sales commissions paid by the Fund. A reconciliation of Net Assets to Pricing NAV is included in the notes to the financial statements. As the Balanced Shares (series 1) have been outstanding for more than 8 years, all share issue commissions and certain fees and other costs related to this series have been fully amortized and no difference exists between Net Assets and Pricing NAV.
- (2) The increase/decrease from operations is based on the weighted average number of shares outstanding during the financial period. Net Assets and distributions are based on the actual number of shares outstanding at the relevant time.
- (3) This information is provided as at December 31 of the year shown and at June 30, 2019 for the interim period.
- (4) Operating management expense ratio ("MER") means the total MER for the Series before taking into account amortization of share issue commissions. Total MER is based on total expenses (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of average weekly Pricing NAV during the period. In calculating the effect of the change under the New Management Agreement, the Manager has assumed that the 2018 operating expenses for the Fund would have been equal to the Fund's annualized budget for operating expenses for 2019, which would have resulted in a decrease of the 2018 MER of approximately 0.81% for series 1 and 1.43% for series 2. Circumstances may arise that negatively impact these assumptions and costs associated with the transition to the New Management Agreement may be such that while not intended, MER under the New Management Agreement may be higher than projected for particular periods. In addition, to the MER analysis, the Fund also considered the potential for additional fees payable in the event of a successful exit for portfolio investments and concluded that such potential would be less likely under the terms of the New Management Agreement.
- (5) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average weekly Pricing NAV during the period.
- (6) A Series' portfolio turnover rate indicates how actively the Series' portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Series buying and selling all of the securities in its portfolio once in the course of the period. While the portfolio turnover rate is not necessarily related to performance, in general, lower turnover rates result in lower trading costs and may reduce realized capital gains and losses. This rate is a blended rate of the turnover of the venture and non-venture investments. Due to the nature of non-venture investments, in particular the bond and deposits portfolio, the turnover associated with these investments may be significantly higher than the turnover of the venture investments.
- (7) Distributions paid in cash under the cash dividend distribution policy. See "Liquidity" and "Recent Developments".

## **Management Fees**

Management fees are calculated and paid monthly to the manager of the Fund, based on the aggregate net asset value of all outstanding Class A shares of the Fund, in accordance with the management agreement in place at the time.

During the six months ended June 30, 2019, there was a change in the manager of the Fund and the management agreement. Please see details of the changes in the "Introduction" and "Recent Developments" sections of this document.

Please see the "Expenses" section of this document for aggregate amounts paid during the period and comparative amounts for the prior year period.

### ***Fees payable until February 28, 2019***

Under the IM Management Agreement, the Initial Manager provided management services to the Fund until February 28, 2019.

Under the IM Management Agreement, the Initial Manager was responsible for paying the Fund's general operating expenses, with the following exceptions: fees payable to the Initial Manager as outlined above, applicable taxes, capital items, commissions, a portion of fees payable to the Fund's IRC and expenses unique to early stage, research and/or development company investing.

#### ***Fees payable by Balanced Shares (series 1) ("Series 1 shares") shareholders***

Under the terms of the IM Management Agreement, the Fund paid the Initial Manager a monthly fee of 2.22% to 3.01% of the Fund's month end Pricing NAV of the Series 1 shares, less any fee or benefit, including finders' fees, directors' fees and consulting fees, received by the Initial Manager from investees or prospective investees, from which the Initial Manager paid all costs of operating the Fund other than certain share issue commissions and income taxes. The fees under this agreement for the two month period from January 1, 2019 to February 28, 2019 were \$120,228, including GST of \$5,725 (six months ended June 30, 2018: \$378,979 including GST of \$18,017).

The Initial Manager was also entitled to a performance bonus equal to 20% of the net return on the Series 1 shares' proportionate share of the venture investments in excess of a threshold return of the greater of 10% or the average 5-year GIC rate during the year plus 3%. No performance bonus was paid or payable by the Series 1 shares in the period or in 2018.

#### ***Fees payable by Balanced Shares (series 2)***

Under the terms of the IM Management Agreement, the Fund pays the Initial Manager a monthly management fee of 2% and an administration fee of between 0.50% to 1.29% of the proportionate share of the Fund's month end Pricing NAV attributable to the Balanced Series 2 shares, less any fee or benefit, including finders' fees, directors' fees and consulting fees, received by the Initial Manager from investees or prospective investees, from which the Initial Manager paid all costs of operating the Fund other than certain share issue commissions and income taxes.

The management and administration fees under the IM Management Agreement for the Balanced Shares (Series 2) for the two month period from January 1, 2019 to February 28, 2019 were \$357,247 including GST of \$17,011 (six months ended June 30, 2018: \$1.2 million including GST of \$55,567).

The Initial Manager also had a participating interest in the realized gains and income attributable to Balanced Shares (Series 2) shares, payable through dividends on the IPA Shares. No IPA dividends were payable to the Initial Manager from the Balanced Shares (Series 2) during the two month period from January 1, 2019 to February 28, 2019 or in 2018.

### ***Fees payable after February 28, 2019***

Under the New Management Agreement, the annual management fee payable is 1.5% of Pricing NAV of the all series of shares of the Fund and the Fund pays operating expenses set out in an annual budget approved by the Fund's Board and any expenditure by the Fund that is more than \$10,000 and not included in the annual budget must be approved by the Fund's Board, acting reasonably.

The management and administration fees for the Balanced Shares (Series 1) for the four month period from March 1, 2019 to June 30, 2019 were \$123,710 including GST of \$6,025 (six months ended June 30, 2018: \$Nil). The fees under this agreement for the Balanced Shares (Series 2) for the four month period from March 1, 2019 to June 30, 2019 were \$338,013, including GST of \$16,463 (six months ended June 30, 2018: \$Nil).

There is no performance bonus for the Manager under the New Management Agreement; however, on completion of a possible future reorganization of Fund assets, the Manager will be entitled to a success fee on the same terms and conditions as currently calculated under the Fund's incentive participation shares provided that no such success fee would be paid or accrued until all preferred shares issued to Fund shareholders in connection with such reorganization have been redeemed.

### **PAST PERFORMANCE**

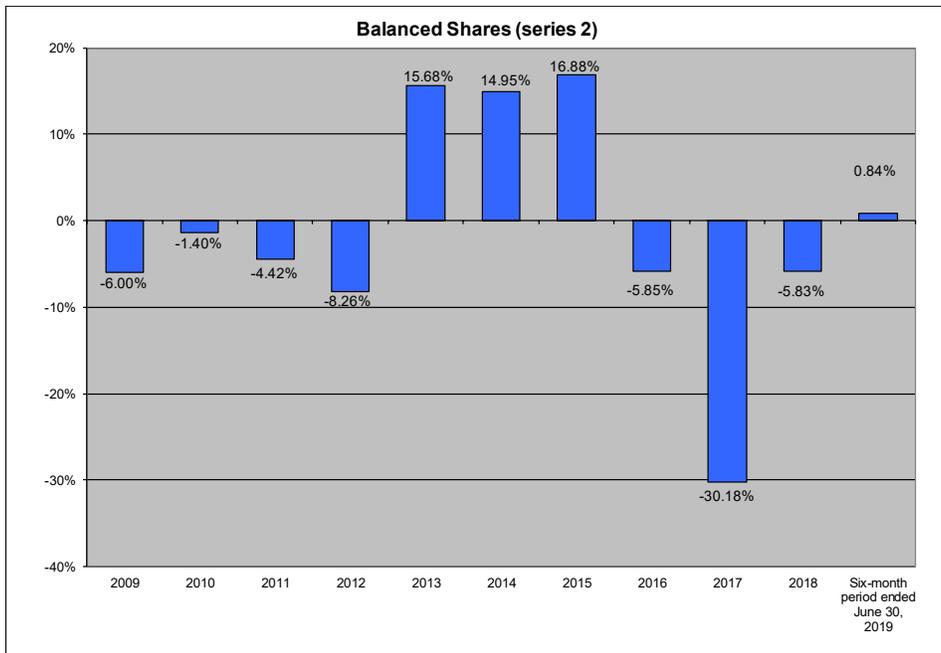
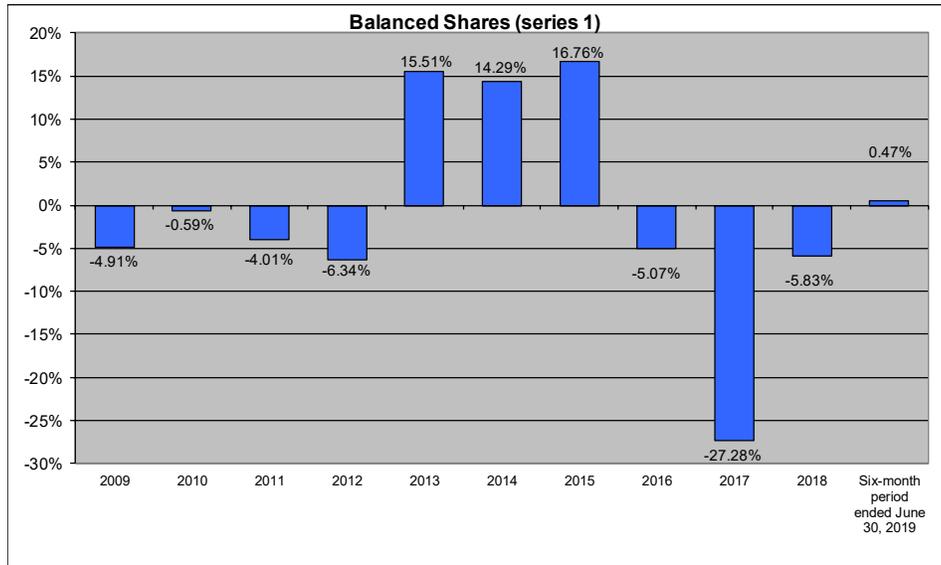
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The performance data provided assumes reinvestment of distributions, if any, and does not take into account redemption or other charges directly payable by any shareholder that would have reduced returns. In calculating standard performance data, distributions are included and furthermore, it is generally assumed that distributions by an investment fund are reinvested in shares of that investment fund, although the Series was not available for purchase during the period. Under the cash dividend distribution policy, the Board determined that the manner in which the Fund distributes available cash to Venture Series shareholders would be changed from distributions by way of redemptions to distributions by way of cash dividends and the Board intends to distribute available cash, by way of dividend distributions, through an orderly realization of value from dispositions in the Venture Series' portfolio while maintaining funds for strategic follow-on investments (within the existing portfolio only), liabilities and anticipated operating expenses of the Venture Series. Past performance does not necessarily indicate how the Series will perform in the future.

## Period-by-Period Returns

All information for prior periods included in this document is as reported by the Initial Manager.

To illustrate how the Fund's performance has varied over time, the following bar charts show the Series' performance for the six month period ended June 30, 2019 and for each of the previous 12-month periods ended December 31. The bar charts show, in percentage terms, how much an investment made on January 1 of a given year would have grown or decreased by December 31 of that year and the six month period ended June 30, 2019.



## SUMMARY OF INVESTMENT PORTFOLIO

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The Series seeks to maximize returns by supporting high growth potential companies, and when it was making new investments sought to reduce the risks associated with venture investments by diversifying its portfolio. The Venture Series is following a natural progression for a maturing venture capital portfolio and is focusing on developing and closing out exit opportunities and making strategic follow-on investments.

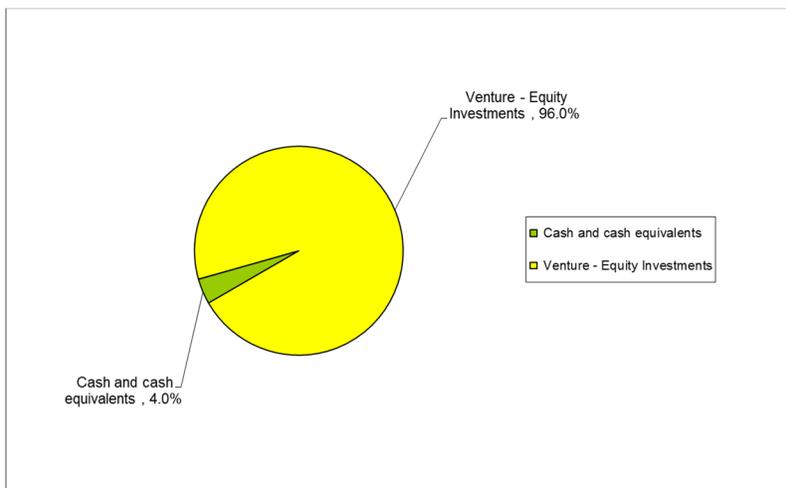
The Venture Series now features a portfolio primarily across two main business sectors: information technologies and clean technologies. The Venture Series holds investments in 15 private companies. As at June 30, 2019, the top five investments represent 93.00% of Pricing NAV of the Series and US denominated investments, which is the common denomination as venture capital investments mature, represent 67.92% of Pricing NAV of the Series. Concentration of value is expected within a venture capital portfolio and may increase further with a maturing venture portfolio and in connection with an orderly realization of value, it does mean that a material change, whether positive or negative, in a particular portfolio company will likely result in a corresponding material change in overall NAV for the Venture Series.

A description of the top five investments based on percentage of Pricing NAV of the Series is provided below.

- Teradici creates secure virtual workspaces, through its PCoIP technology, which powers the spectrum of local, remote, mobile and collaborative work styles, simplifying how computing is provisioned, managed, and used throughout multi-cloud environments.
- D-Wave Systems is a quantum computer hardware and software developer. Initial applications are for use with hybrid supercomputer quantum computer applications. Customers with systems installed onsite include NASA, Google, Lockheed Martin, Los Alamos National Labs and the University of Southern California.
- General Fusion is developing a commercial nuclear fusion energy power plant to generate electricity for residential and industrial customers
- Copperleaf develops and sells software that is used by utilities for asset investment planning & management ("AIPM"). The company uses real-time data and extensive knowledge on asset management to help energy companies find the balance between maximizing profitability and minimizing risk and cost
- Switch Materials has developed an innovative optical filter platform technology that allows glass to adjust how much light can be shown through – Switch Materials currently works with the automotive industry.

The Balanced Shares (series 1) and Balanced Shares (series 2) have the same investment strategies and share the same investment portfolios. As a result, unless otherwise indicated, all information in this section is the same for both Series.

The tables and pie charts below provide information about the investment portfolio of the Series. The investment portfolio profile may change due to ongoing portfolio transactions within the Series. See the Schedule of Investment Portfolio in the Fund's financial statements for additional investment details and a breakdown of the portfolio by subgroup as a percentage of Pricing NAV. As at June 30, 2019, the overall asset mix of the Series, as a percentage of the Pricing NAV, is \$3.4 million cash (4.0% of Pricing NAV) and \$83.4 million of venture investments (96.0% of Pricing NAV).



The following table represents the Top 25 investments within the total investment portfolio for the Series, excluding cash and short-term investments, based on fair value as a percentage of Pricing NAV. We note that for the purposes of the Top 25 Investments table, the investment portfolio includes only 15 investments.

1	Teradici Corporation	
2	D-Wave Systems Inc.	
3	CopperLeaf Technologies Inc.	
4	General Fusion Inc.	
5	Switch Materials Inc.	
6	1150818 B.C. Ltd. (formerly Mixpo)	
7	Redlen Technologies Inc.	
8	ArborGen Warrants (Rubicon Ltd.)	
9	Boreal Genomics Inc.	
10	Canada AcceleratorCo Inc. (formerly Highline)	
11	BuildDirect.com Technologies Inc.	
12	4300092 Canada Inc.	
13	Bootup Labs (VCC) Inc.	
14	Cooledge Lighting Inc.	
15	Methylation Sciences Inc.	
TOTAL PERCENTAGE OF PRICING NAV		96.04%

The following charts show the venture investment portfolio for the Series as represented by sector and type of investment holding as a percentage of total cost of venture investments. The Venture Series' venture investments generally consist of equity investments. Any debt investments are generally subordinated and in most cases are structured to be converted into shares of the portfolio company. There are no debt investments as at June 30, 2019.

