Working Opportunity Fund (EVCC) Ltd.

Commercialization Series:
Commercialization Shares (series 2) (the “05 Commercialization Shares”)

Management Report of Fund Performance

For the year ended December 31, 2019

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MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Introduction

This annual Management Report of Fund Performance dated March 30, 2020 presents a discussion of the financial results for the Working Opportunity Fund (EVCC) Ltd. Commercialization Shares (series 2) (the "05 Commercialization Shares" or the "Series") for the year ended December 31, 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 the audited annual financial statements of Commercialization Shares (series 2) Class A Shares of the Working Opportunity Fund (EVCC) Ltd. (the "Fund" or "WOF"). You can get a copy of 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. 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 consists of the Balanced shares (series 1 and 2)) and the 05 Commercialization Shares**.** The Venture Series participate in a separate venture portfolio from that of the 05 Commercialization Shares. "Commercialization Series" means some, any, or all series of the Fund's Class A shares that have or had the word "commercialization" in their name, as the context requires. Unless otherwise stated, all information in this report relates only to the Series. Historical financial results regarding previously outstanding series of the Commercialization Series which have been consolidated with the Series are not included in this report and instead can be found at www.sedar.com for the applicable years that each such series was outstanding. What follows is a listing of these previously outstanding Commercialization Shares listed below which have been consolidated with the 05 Commercialization Shares in accordance with the Commercialization Series' allocation rules upon completion of previously adopted dividend policies: Commercialization Shares (series 2-2006), Commercialization Shares (series 2-2007), Commercialization Shares (series 2-2008), Commercialization Shares (series 2-2009), Commercialization Shares (series 2-2010), Commercialization Shares (series 2-2011), Commercialization Shares (series 2-2012), and Commercialization Shares (series 2-2013).

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"). We also calculate management fees, performance returns and the management and trading expense ratios are based on Pricing NAV.

The manager of the Fund, PenderFund Capital Management Ltd. (the "Manager"), became manager effective March 1, 2019, under a management agreement dated December 21, 2018 (the "Management Agreement"). Prior to March 1, 2019 the Fund's 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"). You may contact the Fund or the Manager by mail at Suite 1830, 1066 West Hastings Street, Vancouver, BC V6E 3X2 or by telephone at 1-888-787-9561.

All information included in this document for periods prior to March 1, 2019 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, factors affecting portfolio company performance, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

These forward looking statements primarily relate to future economic and market conditions, including mergers and acquisitions (“M&A”) and initial public offering (“IPO”) market conditions; the Commercialization Series’ liquidity position including timing and levels of redemptions and the Commercialization Series ability to make new and follow-on investments; fund redemptions and meet operating commitments; portfolio development; divestments from the portfolio; the conversion of debt investments held in the portfolio into equity investments; value increases including concentration of the portfolio; future capital raising; future cost savings and enhanced liquidity for Commercialization 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 liquidity position of, and options for, the Commercialization Series, the maturity of the Commercialization Series venture portfolio, recent developments in the Fund's operating climate and possible future developments that may affect the Fund’s and the Commercialization Series’ performance and liquidity.

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 are based on management’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; liquidity position of, and option for, the Commercialization Series including the ability of the Commercialization Series to complete divestments from the portfolio; the ability of the Commercialization Series to raise capital in the future; the ability of the Commercialization Series to process redemption requests and meet other operating commitments; future cost savings under the Management Agreement and enhanced liquidity and additional future cost savings; and positioning the Fund for the future including the ability to finalize the terms of and/or complete a possible future reorganization of Fund assets as previously described or otherwise. 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’ performance and 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; the Board’s assessment of the liquidity position of and options for the Commercialization Series including the ability of the Commercialization Series to complete divestments from the portfolio; the impact of the conversion of debt investments into equity investments; concentration of the portfolio; redemption requests; the ability to finalize the terms of and/or 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.

Investment Objective and Strategies

The Fund's fundamental investment objective for all Series of Class A Shares is to achieve long-term capital appreciation for shareholders. Long-term capital appreciation, typically measured after the passage of more than six years, means increasing Pricing NAV.

As a registered employee venture capital corporation under the British Columbia Employee Investment Act, the Fund is required to make certain venture investments in companies that meet eligibility requirements. Eligibility requirements are focused around company size, measured by asset value and number of employees, and company location. The primary venture investment strategy for the Commercialization Series is to invest in businesses that have research and/or development activities in their operations and are seeking to commercialize an idea, discovery or technology which are mainly in the mid to later stages of development. Our manager performs a fundamental analysis of investment opportunities, including analyzing business plans, market opportunities, financial statements, particular industries, products, services and technologies, and evaluating the abilities of management of the business. Our manager applies a "true" venture capital investing strategy by implementing a disciplined investment strategy and adding value to those portfolio companies by actively managing our investments through participating on boards of directors, assisting in recruiting key personnel, securing additional financing and helping to formulate long- term strategic plans, for example.

The Commercialization Series assembled a venture portfolio primarily consisting of companies with research and/or development activities in their operations. To help enhance return expectations on investments in companies with research and/or development activities, we generally structured venture investments of the Commercialization Series so that they are capable of generating both income (such as interest, royalties or dividends) and capital appreciation (such as conversion rights and warrants to purchase shares in the companies to whom loans were made). Given this income component, the Board of Directors of the Fund adopted a dividend policy to pay dividends on each previously offered Commercialization Series equal in total to approximately 25% of the purchase price of the shares during the three-year period following the offering of a Series. See "Distributions of Dividend Payments" below. With the venture portfolio maturing, certain equity investments held in the venture portfolio have the potential to result in increases in value. See "Results of Operation – Investment Portfolio".

The Series may also invest in short term investments and other non-venture investments we call "Directed Funds" when there is capital to do so. The investment strategy for the Directed Funds of the Series is generally to invest in high quality debt instruments, high yield investments and bank investments ("Bank Securities") which may include debt instruments and shares of Canadian banks and instruments linked to the performance of high-quality debt, high yield and Bank Securities. The level of non-venture investments, including Directed Funds, of the Series fluctuates based on a number of factors, including levels of redemption and investment and divestment activity within the portfolio and anticipated operating liabilities. Our portfolio adviser may change the selection of non-venture investments within the area of focus for Directed Funds based on its investment outlook from time to time. Pending investment of capital raised, funds may be temporarily held in high quality, liquid debt instruments or their equivalents. Additionally, some level of on-going cash balances may be held as part of the Directed Funds of the Series. Excess cash was maintained on deposit in a Premium Investment Account at the Royal Bank of Canada that provided interest at rates comparable to those investments under the Directed Funds investment strategy.

Risk

There are risks associated with holding an investment in the Fund. No material changes occurred during the year ended December 31, 2019 with respect to the risks associated with holding an investment in the Series and readers are encouraged to review the risks described in the Fund's most recent annual information form. All investments in the venture portfolio continue to be in the information technology sector in private companies that have research and/or development activities in their operations and are seeking to commercialize an idea, discovery or technology. While increasing concentration is expected within a maturing venture portfolio, it increases the Commercialization Series to sector specific risk and also specific company risk. Investee companies may require access to significant amounts of capital and when they are not able to raise sufficient capital, as was the case with one investee company this can negatively impact the NAV for the Series if a company raises capital at a lower valuation or not at all. Over the past year, the Fund's Board has been evaluating ways in which to reduce costs and enhance liquidity options for shareholders and positioning the Fund for the future. As discussed below in "Recent Developments" and "Management Fees", the Fund has entered into the Management Agreement aimed at providing significant cost savings for usual day to day operations and providing for the Fund to work towards a reorganization. As part of that process, the Fund's board will assess the liquidity of the Series and determine a course of action. Circumstances may arise that negatively impact the assumptions and costs associated with the transition to the Management Agreement such that while not intended, management expense ratio under the Management Agreement may be higher than projected for particular periods. Further, finalizing terms of a potential reorganization that could enhance liquidity and therefore the assessment of liquidity of the Series, have has taken longer than expected and there can be no guarantee that terms will be finalized, that required approvals for a reorganization will be received and/or that the Fund completes a reorganization as previously described or otherwise and/or that liquidity will be enhanced.

Beginning in late 2019, there was an outbreak of a novel strain of coronavirus (COVID-19) in China, which has since then spread rapidly to many parts of the world. The epidemic has resulted in quarantines, travel restrictions, and the temporary closure of stores and facilities in most of the world. In March 2020, the World Health Organization declared the COVID-19 a pandemic. Any potential impact to on investment results will depend, to a large extent, on future developments and new information that may emerge regarding the duration and severity of the COVID-19 and the actions taken by government authorities and other entities to contain the COVID-19 or treat its impact, almost all of which are beyond our control.

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 December 31, 2019 total Pricing NAV for the Series was $12.1 million, a decrease of $4.6 million over the balance of $16.7 million at December 31, 2018. This decrease in Pricing NAV was primarily attributable to redemption activity of approximately $3.7 million, net realized and unrealized losses on venture investments of $0.7 million, and operating expenses of $0.5 million, which were partially offset by investment income of $0.3 million. Further details can be found below and in the "Investment Portfolio" section. There was no subscription activity during the period as new series are not being offered for sale.

For the year ended December 31, 2019, the Series generated a total return of -7.71%. (December 31, 2018: -15.85%). Total return is calculated as the change in Pricing NAV per Share (and not the change in Net Assets) from January 1, 2019 to December 31, 2019.

Subsequent to December 31, 2019 the Pricing NAV was adjusted to reflect a reduction in carrying value of one of the Fund's private portfolio companies. While the determination to recognize the reduction in carrying value of the private portfolio company was made based on information available subsequent to December 31, 2019, the reduction has been recognized in the Fund's financial statements effective as of December 31, 2019, as the determination was made before the Fund's financial statements were authorized for issue. This results in Net Assets being significantly lower than Pricing NAV published as at December 31,2019. Further details can be found in the "Recent Developments" section.

Information presented within this report is based on Net Assets and the year-end financial statements unless otherwise noted. Specifically, the management fees, performance returns and the management and trading expense ratios are based on Pricing NAV.

Income

As reported in the financial statements total investment income excluding gains and losses on investments was $261,365 for the Series for year ended December 31, 2019. This reflects a decrease from the $523,080 recorded for the year ended December 31, 2018. primarily due to the reduction in income-generating investments as certain promissory notes were repaid in the period. Interest from bonds, deposits and other investments also increased in the fiscal year from $79,843 in 2018 to $150,957 in 2019 due to the fact that excess cash and capital available for investment increased over the year ended 2019.

As reported in the financial statements the net realized loss from the sale of investments was $51,299 in the year ended December 31, 2019 as compared to the net realized loss on investments of $1,234,983 in the year ended December 31, 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 loss in the year ended December 31, 2019 was the net impact of a write off of a divestment proceeds receivable offset against additional funds recovered and paid to the Fund from an investment that was disposed of in a prior period.

As reported in the financial statements the Fund recognized a net change in unrealized depreciation of investments of $3,351,081 during the year ended December 31, 2019, as compared to the net change in unrealized depreciation of $1,653,952 in the same period in 2018. This change as reflected in the period's financial statements was primarily attributable to 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 year ended December 31, 2019, resulting in an increase in unrealized depreciation of approximately $0.4 million on the conversion for financial reporting purposes of the carrying value of US dollar-denominated investments to Canadian dollars. Further details regarding the material decrease in the unrealized depreciation of one of the private portfolio companies can be found in the "Recent Developments" section.

Expenses

For the year ended December 31, 2019 the total operating expenses of the Series were $0.5 million, down from $0.8 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 year ended December 31, 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 December 31, 2019 under the Management Agreement:

	Initial Management Agreement[1]	Management Agreement[2]
	Series 2	Series 2
Period of applicability	Prior to March 1, 2019	March 1 – December 31, 2019
Management Fee	2%	1.50%
Additional Administration Fee	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 $24,930 including GST, of which $11,872 was paid during the year ended December 31, 2019 and $13,058 was paid in December 2018.

The total of all management fees under the Management Agreement and all management and administration fees under the IM Management Agreement during the year ended December 31, 2019 was $266,782. The total of the operating expenses, custody and recordkeeping fees, professional fees and directors' fees paid directly by the Fund, net of transitionary and strategic expenses, in the year ended December 31, 2019 under the Management Agreement was $117,244. Together, total management and administration costs including the fee for transitionary services were $395,898 for the year ended December 31, 2019, down from the $708,338 incurred in the year ended December 31, 2018.

Additional expenses incurred by the Series in the year ended December 31, 2019 included service fees, also known as trailing commissions. Service fees are calculated as a percentage of the NAV of those shares for which a service fee applies. Service fees were $68,956 in period, as compared to $101,410 in the year ended December 31, 2019. Redemptions of shares and the reduction in the NAV during the period led to the decrease in service fees in the period.

Included in professional fees and the custody and record keeping fees are costs of $72,750 in the year ended December 31, 2019 ($26,569 in the year ended December 31, 2018) relating to the transition of manager, strategic review and restructuring initiative of the board of the Fund.

Management Expense Ratio ("MER")

The operating MER for the year ended December 31, 2019 was 3.86% (December 31, 2018: 4.10%). MER calculations are based on Pricing NAV and 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 December 31, 2019 Net Assets of $9.4 million included $8.4 million in cash and liquid assets, an increase of $2.3 million from the $6.1 million of cash and liquid assets at December 31, 2018. This significant increase in liquid assets in the period was primarily due to the early repayment of certain promissory notes, being partially offset by redemptions and expenses of the period. Please refer to the "Investment Portfolio" section of this document.

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[1] 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.

[2] Please see details regarding the terms of the Management Agreement in the "Related Party Transactions" and "Management Fees" section of this document.

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' liquidity are (1) venture investment activity, (2) management fees and other operating commitments, (3) redemptions of Class A Shares, in particular shares that may be redeemed after expiration of the hold period on shares and without repayment of tax credits (referred to as "mature Class A shares") and (4) historically, distributions in accordance with dividend policies adopted for the Commercialization Series. Please see the "Distributions of Dividend Payments" section below for further information regarding dividends. 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 redemption requests and to fund follow-on venture investments and operating expenses. An ongoing analysis of historical redemption activity assists in modeling expected levels of annual share redemptions relative to the number of mature shares of the Series. This liquidity management process also provides information for setting targeted levels of investment/divestment activity in advance of disposition dates. 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.
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. Further, increasing levels of redemptions will generally reduce liquidity and the proportion of capital invested in non-venture investments. As disclosed in its most recent annual information form, the Fund Articles permit it to suspend redemptions in certain circumstances, including where it is determined that available capital will not be sufficient to honour all redemption requests.

The Series' ability to honour Share redemption requests, participate in selected investments, and meet operating commitments in the ordinary course is dependent on its liquidity position and forecasted liquidity needs. Since the primary source of liquidity for the Series is the realizations of exits for investee companies, and the timing and ability to effect realization of exits are largely beyond the control of the Fund, no assurance can be given as to the timing or amount or the ability to continue to fund Share redemptions, follow-on investment and/or operating commitments. Under the Management Agreement, as part of the Fund work on a potential reorganization, the Fund's board will assess the liquidity of the Series and determine a course of action for the Series taking into account portfolio composition, liquidity options and such other factors as considered relevant on the advice of advisors. There can be no guarantee as to the outcome of that assessment and/or liquidity options that may be available for the Series.

The cash dividend distribution policy announced for the Venture Series on October 30, 2014 only applies to the Fund's Venture Series shares and will not impact previously adopted dividend policies in respect of the Commercialization Series shares or redemptions of 05 Commercialization Shares as the Fund manages liquidity separately for Venture Series and the Commercialization Series shares. For more information, see the Management Report of Fund Performance for the Venture Series Balanced Shares.

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.

Distributions of Dividend Payments

Venture investments of the Series were generally structured so that they are capable of generating both capital appreciation and income, such as interest, royalties or dividends. Given the potential income component, which generally exists during the first three years of an investment, the Board of Directors of the Fund adopted a dividend policy to pay dividends on each Series equal in total to 25% of the purchase price of the shares during the three year period after each of the series of Commercialization Series was offered for sale. Since its initial offering of the Commercialization Series shares in 2005, the Fund has met this dividend policy for all Commercialization Series with a total of $2.50 per share, or $9.5 million in aggregate, having been paid on all outstanding or previously outstanding Commercialization Series shares.

On completion of its dividend policy, each of the previously outstanding series of the Commercialization Series were converted into the 05 Commercialization Shares in accordance with the Commercialization Series' investment allocation rules. For more information on the allocation rules, see the Fund's most recent annual information form.

The last payment under the dividend policies adopted for Commercialization Series was completed by December 31, 2016, and there were no dividends payable or paid during the year ended December 31, 2019.

Investment Portfolio

As recorded in the financial statements at December 31, 2019 the aggregate fair value of the Series' venture investment portfolio decreased by $9.4 million during the year, as a result of the divestment of two privately held venture investments and unrealized depreciation in the valuation of three other privately held venture investments during the period. The decrease in the value of the venture investments is mainly attributable to a reduction in the carrying value of one of the Fund's private portfolio companies. Further details can be found in the "Recent Developments" section.

The Series completed one full divestment during the period, with the early repayment of a $5.5 million from Teradici. The Series also completed one partial divestment during the period, upon a partial loan repayment from 4300092 Canada Inc. (formerly LightHaus). This partial divestment was the result of the company collecting an earnout payment from the 2015 acquisition of LightHaus by US-based Envysion Inc. Please see the "Results of Operations" section of this document for information on changes to unrealized appreciation and/or depreciation of investee companies.

At the end of the period, the Series holds venture investments in 6 investee companies.

Non-venture investments decreased from $5.6 million at December 31, 2018 to NIL at December 31, 2019. Non-venture investments were sold to partially fund redemptions of $3.7 million during the period and to provide cash to fund the operating expenses of the Series.

The Series did not fund any new venture or non-venture investments during the period. Excess cash was maintained on deposit in a Premium Investment Account at the Royal Bank of Canada that provided interest at rates comparable to those investments under the Directed Funds investment strategy..

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

The Series' venture investment portfolio generally did not meet expectations during the year, as three portfolio companies did not meet their performance milestones.

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. There are meaningful direct and indirect effects developing particularly with companies. The Fund will continue to support its portfolio companies and monitor the impact COVID-19 has on them and reflect the consequences as appropriate in its accounting and reporting. Otherwise for the year ended December 31, 2019, the financial performance of the Series' investee companies is linked to the state of the Canadian and world economies. The outlook for the growth-oriented private companies in the Commercialization Series' venture investment portfolio continues to be positive. Certain Commercialization Series' portfolio companies depend on venture capital financing to fund working capital during their growth stages, therefore healthy funding markets are imperative.

The Series depends on M&A and IPO markets (collectively "exit markets") to sell its venture investments and on the ability of investee companies to repay loans. Investment and exit markets continue to be healthy for private technology companies. Several of the Commercialization 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. 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.

On January 31, 2020, the Fund announced a reduction in carrying value of $1.6 million of one Fund's private portfolio companies which had accepted a term sheet for a significant equity financing at a lower level than its prior equity financings. This represented a reduction in Pricing NAV of approximately 14.0%. Subsequently, on February 28, 2020, the Fund further reduced the carrying value of the private portfolio company by $1.1 million to reflect the expected economics of the alternate financing the portfolio company is now working to close. This represented a further reduction in Pricing NAV of approximately 12.1%. There can be no assurance that the portfolio company will be able to close this alternate financing or any other financing. While the determination to recognize the reduction in carrying value of the private portfolio company was made based on information available in January and February 2020, the reduction has been recognized in the Fund's financial statements effective as of December 31, 2019, as the determination was made before the Fund's financial statements were authorized for issue. This results in Net Assets being significantly lower than Pricing NAV published as at December 31, 2019. For purposes of determining Pricing NAV, the two reductions in carrying value were recognized effective January 31, 2020 and February 28, 2020, respectively.

The Manager assumed management of the Fund under the 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. At the Funds' shareholder meeting held in December 2019, shareholders ratified, confirmed and approved the transition of management to Pender including the terms of the Management Agreement. For more details regarding the Management Agreement, please see the Fund's most recent annual information form.

Under the Management Agreement, the Fund and the Manager have agreed to use reasonable commercial efforts to effect a potential reorganization of the assets of the Fund and since March 1, 2019, the Manager and the Fund have been evaluating numerous aspects of a potential reorganization, including working through tax considerations and reviewing opportunities for liquidity and further cost savings. Terms of a potential reorganization that could enhance liquidity have not been finalized and the Fund continues its work in this area which has taken longer than expected. To move forward the Fund has established a special committee to work through key structuring matters involved with a potential reorganization. As part of the Fund work on a potential reorganization, the Fund's board will assess the liquidity of the Series and determine a course of action for the Series taking into account portfolio composition, liquidity options and such other factors as considered relevant on the advice of advisors. There can be no guarantee as to the outcome of that assessment and/or liquidity options that may be available for the Series. A potential reorganization transaction would require shareholder approval, certain regulatory approvals and approvals of the boards of the Fund, its labour sponsor and Pender 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. There can be no guarantee that terms of a potential reorganization will be finalized with respect to the Series or otherwise, that that the Fund will complete a reorganization as previously described or otherwise and/or that liquidity will be enhanced.

Hay & Watson LLP, Chartered Professional Accounts served as auditors of the Fund since 1991 and resigned at the request of the Fund effective November 14, 2019. Effective November 14, 2019, the Fund filled the vacancy by appointing KPMG LLP, Chartered Accountants as auditors of the Fund, which appointment was approved by the Fund's Independent Review Committee. At the Funds' shareholder meeting held in December 2019, shareholders appointed KPMG LLP to serve as auditors of the Fund.

Ms. Susan Koch was appointed as a member of the Independent Review Committee, filling the vacancy left from the passing of Bill LeClair. At December 31, 2019, the Independent Review Committee of the Fund was composed of Robert Cooper and Susan Koch, both of whom are external to the Fund, with a vacancy left from the passing of Garry Rasmussen. It is expected that a director of the Fund independent of the Fund's sponsor and Manager will be appointed in the near term. The Independent Review Committee of the Manager was composed of Kerry Ho, Robin Mahood and John Webster.

Related Party Transactions

For the period from January 1, 2019 to February 28, 2019, the Fund paid management fees and administration fees of $95,591 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 $24,930 including GST, of which $11,872 was paid during the year ended December 31, 2019 and $13,058 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 December 31, 2019, $171.190.90 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 December 31, 2019 D-Wave Systems Inc. and Copperleaf Technologies Inc. are the sole investments of the Fund that are also 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 December 31, 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 from time to time provides certain consulting services on a fee for service basis to the Fund.

FINANCIAL HIGHLIGHTS[3]

The following tables show selected key financial information about each of the Series and are intended to help you understand the Series' financial performance for the past five years ended December 31, 2019. The financial information presented below was prepared in accordance with International Financial Reporting Standards.

05 Commercialization Shares

Net Assets per share (1)	2019	2018	2017	2016	2015
Net Assets per share, beginning of period (2)	**$9.11**	**$10.79**	**$11.76**	**$11.90**	**$11.53**
Increase (decrease) from operations:					
Total revenue	$0.17	$0.36	$0.41	$0.58	$0.25
Total expenses and amortization [excluding distributions]	($0.34)	($0.43)	($0.49)	($0.47)	($0.45)
Realized gains (losses) for the period	($0.04)	($0.73)	$0.00	$0.06	$0.55
Unrealized gains (losses) for the period	($2.14)	($0.81)	($0.88)	($0.38)	$0.08
Total increase (decrease) from operations (2)	($2.35)	($1.61)	($0.97)	($0.21)	$0.43
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital (7)	-	-	-	-	-
Total annual distributions	-	-	-	-	-
Net Assets per share at end of period (1)(2)	**$6.58**	**$9.11**	**$10.79**	**$11.76**	**$11.90**

Ratios and Supplemental Data					
Total Pricing NAV (000's) (3)	$12,082	$16,852	$23,596	$28,904	$25,201
Number of shares outstanding (000's) (3)	1,424	1,833	2,240	2,420	2,082
Operating management expense ratio (4)	3.86%	4.10%	3.87%	3.77%	3.76%
Amortization of share issue commissions and fees	0.72%	0.66%	0.64%	1.16%	0.55%
Earned IPA	0.00%	0.00%	0.02%	0.08%	1.34%
Conditional IPA	-0.16%	-0.39%	-1.49%	0.55%	0.49%
Total MER before w aivers or absorptions	4.42%	4.37%	3.04%	5.56%	6.14%
Trading expense ratio (5)	0.00%	0.00%	0.02%	0.00%	0.03%
Portfolio turnover rate (6)	0.00%	3.15%	7.15%	6.08%	23.75%
Pricing NAV per share at end of period	**$8.49**	**$9.19**	**$10.92**	**$11.94**	**$12.10**

Notes:

(1) *This information is derived from the Series' 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 at December 31, 2019 an adjustment was made to Net Assets per share, for financial reporting purposes, including this table. Refer to "Recent Developments" section for further details.*

(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.*

(4) *Operating management expense ratio ("MER") means the total MER for the Series before taking into account*

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

amortization of share issue commissions and fees, Earned IPA dividends and Conditional IPA dividends. Earned IPA dividends reflects the Initial Manager's participating interest in gains and income realized on successful exits from the Fund's venture investments. Conditional IPA dividends are not an amount actually paid or payable; rather, it is an estimate of the IPA dividends that would be payable if the Fund's entire venture portfolio was disposed of at the period end and this line reflects the change in the estimate from the previous period. Under the rights attached to the IPA Shares, certain amounts are to be accrued as at the date of termination of the Initial Manager as the contracted manager of the Fund in certain circumstances which accrued amounts shall only be paid on the sale of the relevant portfolio investment. The Series has accrued a Contingent IPA dividend payable to the Initial Manager only upon sale of the relevant portfolio company of $497,448 (recorded as Conditional IPA dividend at December 31, 2018: $518,911). See "Related Party Transactions". 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. The Management Agreement took effect on March 1, 2019. If the Management Agreement had been in effect throughout 2019, this would have resulted in a decrease of the 2019 MER of approximately 0.22%. Circumstances may arise that negatively impact costs associated with the transition to the Management Agreement such that while not intended, MER under the 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 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.*

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 year ended December 31, 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. These latter expenses were be allocated specifically to the Commercialization Series Shares.

Under the terms of the IM Management Agreement, the Fund paid 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 Commercialization 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 fees under this agreement for the two month period from January 1 to February 28, 2019 were $95,591, including GST of $4,552 (year ended December 31, 2018 - $695,280, including GST of $33,109).

The Initial Manager owns a series of Class B shares of the Fund, which entitled the Initial Manager to receive dividends ("IPA dividends") based on realized gains and income from venture investments attributable to the Fund's series 2 shares, including the Series, while the Initial Manager was the Fund's manager. No IPA dividends were paid to the Initial Manager by the Series during the period (December 31,2018: $NIL).

From time-to-time the Series is required to accrue conditional IPA dividends ("Conditional IPA dividends"). Conditional IPA dividends are not amounts that are actually paid or payable, but are an estimate of IPA dividends that would be payable if the entire venture portfolio were disposed of at the estimated fair value as of the period end. Under the rights attached to the IPA Shares, certain amounts are to be accrued as at the date of termination of the Initial Manager as the contracted manager of the Fund in certain circumstances which accrued amounts shall only be paid on the sale of the relevant portfolio investment (the "Contingent IPA dividend"). The Series has accrued a Contingent IPA dividend, in connection with the Initial Manager ceasing to be the Fund's manager, of $497,448 (recorded as Conditional IPA dividend at December 31, 2018: $518,911) (See "Management Fees"). Any interest income received or accrued on venture investments that is used or will be used in connection with the payment of dividends in accordance with the dividend policies of the Fund's Commercialization Series of shares is excluded from realized gains and income used to calculate the IPA dividends and Conditional IPA dividends although this interest will continue to be included for determining whether the conditions regarding the payment of IPA dividends have been met.

The table below summarizes the changes in the Conditional IPA dividend recorded by the Commercialization Series during the year ended December 31, 2019. As noted above the decrease reflects the change in the Conditional IPA dividend prior to February 28, 2019 before the change in manager, after this date the balance has been recorded as a Contingent IPA dividend:

Conditional IPA dividend at December 31, 2018	$	518,911
Changes in estimated Conditional IPA dividend due to changes in the fair value of venture investments as at February 28, 2019		(21,463)
Contingent IPA dividend at December 31, 2019	$	497,448

Fees payable after February 28, 2019

Under the 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 Commercialization Series 2 shares for the ten month period from March 1, 2019 to December 31, 2019 were $171,191 including GST of $8,338 (December 31, 2019: $Nil).

There is no performance bonus for the Manager under the 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.

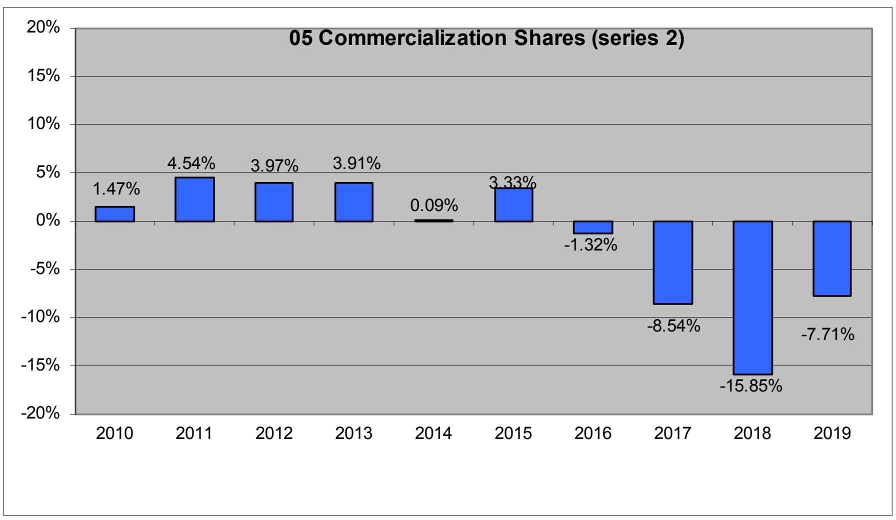
PAST PERFORMANCE

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 when distributions of the dividends paid in accordance with the dividend policy were made. 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 year ended December 31, 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 based on Pricing NAV. Refer to the "Recent Developments" section for disclosure of adjustments to Pricing NAV subsequent to December 31, 2019.



Annual Compound Returns

The table below shows the Series' annual compounded performance for the given years, compared with the NASDAQ Composite Index denominated in Canadian dollars, as a comparative broad-based market index due to its significant exposure to technology and life sciences companies. The performance of the NASDAQ Composite Index can be an indicator of the M&A and IPO activity within the sectors represented by the index, including the technology sector. To the extent that the Fund has investments within those sectors, changes in M&A and IPO activity can impact the value of the Fund's venture investments, opportunities for the Fund to dispose of such investments and, potentially, Fund returns. For instance, increasing performance of the index may increase the number of potential acquirers for the Fund's venture investments since stock compensation is often the acquisition currency used in M&A transactions. This can positively influence the value of the Fund's venture investments, thereby increasing returns. By contrast, declining performance of the index may be an indicator of decreased M&A and IPO activity, which may in turn negatively impact the value of the Fund's venture investments, thereby reducing returns. The Series have underperformed the NASDAQ Composite Index during the years presented.

Annual Compound Returns	1 Year Return	3 Year Return	5 Year Return	10 Year Return
WOF Comm 05	-7.71%	-10.75%	-6.23%	-1.83%
NASDAQ Composite Index ($CDN)	28.36%	17.14%	16.15%	17.22%

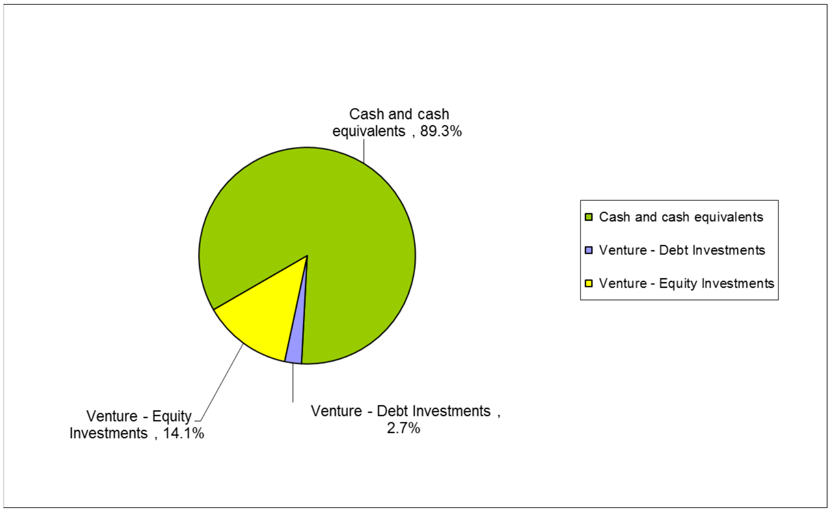
SUMMARY OF INVESTMENT PORTFOLIO

The Series seeks to maximize returns by supporting high growth potential companies. The Fund applies a “true” venture capital investing strategy by adding value to portfolio companies by actively managing investments, typically through participating on boards of directors, assisting in recruiting key personnel, securing additional financing, and helping to formulate long-term strategic plans. At the end of the year, the Series holds venture investments in six portfolio companies.

The investee companies in the Series’ investment portfolio are all in the information technology sector. While concentration of value is expected within a maturing venture portfolio, 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 Pricing NAV and Net Assets for the Series. As reported post year end, the Series experienced an aggregate reduction in carrying value of $2.7 million or 22.1% of Pricing NAV as a result of negative developments with a portfolio company’s financing. As at December 31, 2019, the top two investments represent 11.39% of Net Assets of the Series. A description of the Series’ top three investments is provided below.

- Sandbox Technologies (dba Vitrium Systems) delivers enterprise content security and digital rights management software to control and protect documents and images for secure distribution.
- BuildDirect is a home improvement Ecommerce business. BuildDirect specializes in shipping heavy building materials direct to homes and job sites in Canada and the United States.
- Inetco provides real-time transaction monitoring software for a variety of payment processing and banking environments.

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 Net Assets. As at December 31, 2019 the overall asset mix of the Series, as a percentage of the Net Assets, is set out below:

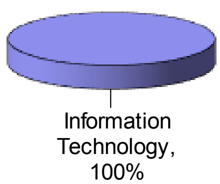


The following table represents the Top 25 investments within the total investment portfolio for the Series, excluding cash and short-term investments, based on fair value as a percentage of Net Assets. We note that for the purposes of the Top 25 Investments table, the investment portfolio includes only 6 investments.

1	Sandbox Technologies Inc.	
2	BuildDirect.com Technologies Inc.	
3	Inetco Holdings Ltd.	
4	4300092 Canada Inc.	
5	Teradici Corporation	
6	D-Wave Systems Inc.	
	TOTAL PERCENTAGE OF NET ASSETS	16.8%

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 Commercialization Series' venture investments may consist of equity and debt instruments but generally consisted of debt investments during the first three years from the date of investment. Debt investments were generally structured so that they were capable of generating income during the first three years and were generally subordinated and in some cases were structured to be converted into shares of the portfolio company after completion of the income generating period. As debt investments were repaid or converted, the equity component as a percentage of the venture portfolio has increased.

Sector Composition based on Cost of Venture Investments



Investment Holdings based on Cost of Venture Investments