Working Opportunity Fund (EVCC) Ltd.

Commercialization Series:
Commercialization Shares (series 2) (the "05 Commercialization Shares")

Management Report of Fund Performance

For the six months ended June 30, 2020

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MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Introduction

This interim Management Report of Fund Performance dated August 25, 2020 presents a discussion of the financial results for the Working Opportunity Fund (EVCC) Ltd. Commercialization Shares (series 2) for the six months ended June 30, 2020 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 Commercialization Shares (series 2) (the “05 Commercialization Shares” or the “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. 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, as the context requires, that have or had the word “commercialization” in their name. 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. The following 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 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 differences, 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 are based on the Manager’s current expectations and projections about future events, are inherently subject to risks, uncertainties and assumptions about the Fund and economic factors and other things, and 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 of, ability to complete, and amount of proceeds from, exits from the venture investment portfolio, future payment of dividend(s) on the Commercialization Series, the ability to make follow-on investments and meet operating commitments; portfolio development; the conversion of debt investments held in the portfolio into equity investments; the impact of value increases and/or decreases on the portfolio; concentration of the portfolio; future cost savings and the on-going review of strategic options for the Commercialization Series. 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.

Statements with respect to liquidity, including the timing of, ability to complete, and amount of proceeds from portfolio company exits and the ability of the Commercialization Series to 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; cost savings under the Management Agreement and additional future cost savings; and the on-going review of strategic options for the Commercialization Series. 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 general market conditions as well as M&A and IPO market conditions, including those resulting from COVID-19 and measure taken for its containment; portfolio companies’ performance and development, including concentration of the portfolio and value increases or decreases 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 of the Fund (the “Board”) assessment of the liquidity position of and on-going review of strategic options for the Commercialization Series including the ability of the Commercialization Series to complete divestments of individual portfolio companies and/or complete an orderly realization of the value of its investment portfolio and meet future operating commitments; 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

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 at the beginning of this document.

Pricing NAV

As at June 30, 2020 total Pricing NAV for the Series was $6.2 million, a decrease of $5.9 million from the balance of $12.1 million at December 31, 2019. This decrease in Pricing NAV during the period was primarily attributable to redemption activity of approximately $3.0 million, net unrealized depreciation of venture investments of $2.9 million, and operating expenses of $0.1 million, which were partially offset by investment income of $0.1 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 six months ended June 30, 2020, the Series generated a total return of -27.33%. (June 30, 2019: -5.88%). Total return is calculated as the change in Pricing NAV per Share (and not the change in Net Assets) from January 1, 2020 to June 30, 2020.

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 was 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 resulted in Net Assets being significantly lower than the Pricing NAV published as at December 31,2019. As a result, the decrease in Net Assets recorded during the period was less than the change of Pricing NAV during the period. Further details can be found in the “Recent Developments” section.

Information presented within this report is based on Net Assets and the interim and 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.

Effective July 13, 2020 the Fund paid a $3.8 million dividend for the Commercialization Series’ shares and upon payment of that dividend Pricing NAV as at July 17, 2020 was $2.4 million. For more information on the $3.8 million dividend payment the “Recent Developments” section of this document.

Income

As reported in the financial statements, total investment income excluding gains and losses on investments was $53,001 for the Series for six months ended June 30, 2020. This reflects a decrease from the $162,793 recorded for the six months ended June 30, 2019. The decrease was due to the reduction in income-generating investments in comparison to prior period, when certain promissory notes were repaid. Interest from bonds, deposits and other investments also decreased in the six months ended June 30, 2020 to $35,549 from $69,837 in same period in 2019 due to the fact that excess cash and capital available for investment decreased.

As reported in the financial statements, the net realized gain or loss from the sale of investments was $Nil in the six months ended June 30, 2020 as compared to the net realized gain on investments of $7,034 in the six months ended June 30, 2019. 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. During the six months ended June 30, 2020 there were no divestments. The gain in the six months ended June 30, 2019 was the net impact of funds recovered and paid to the Fund in excess of divestment proceeds recorded as receivable 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 $151,556 during the six months ended June 30, 2020, as compared to the net change in unrealized depreciation of $638,148 in the same period in 2019. This change as reflected in the period's financial statements was primarily attributable to a valuation adjustment which decreased the unrealized depreciation for one private technology company offset by the positive impact of foreign exchange rate changes. The Canadian dollar depreciated against the US dollar in the six months ended June 30, 2020, resulting in an increase in unrealized appreciation of approximately $0.02 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, 2020 the total operating expenses of the Series were $0.1 million, down from $0.3 million for the same period in 2019.

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, 2020 is the change in both the manager of the Fund and the management agreement in effect, during the prior period, as described in the "Introduction" section of this document.

As a result of these changes, the structure and percentage of fees paid to the Initial Manager during the prior period, 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 onward under the Management Agreement:

	IM Management Agreement[1]	Management Agreement[1]
	Series 2	Series 2
Period of applicability	Prior to March 1, 2019	March 1 onward
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.

The total of all management fees under the Management Agreement during the six months ended June 30, 2020 was $57,972. The total of the operating expenses, custody and recordkeeping fees, professional fees and directors' fees paid directly by the Fund, net of strategic expenses, in the six months ended June 30, 2020, under the Management Agreement was $76,143. Together, total management and administration costs were $134,115 for the six months ended June 30, 2020, down from the $237,725 incurred in the six months ended June 30, 2019.

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

Additional expenses incurred by the Series in the six months ended June 30, 2020 included service fees, also known as trailing commissions. Service fees are calculated as a percentage of the Pricing NAV of those shares for which a service fee applies. Service fees were $20,216 in the six months ended June 30, 2020, as compared to $37,140 in the same period in 2019. Redemptions of shares and the reduction in the NAV during the period led to the decrease in service fees in the period. As part of cost-cutting initiatives of the Board, the Fund ceased paying services fees, on July 1, 2020. Further details can be found in the “Recent Developments” section.

Included in professional fees are costs of $10,512 in the six months ended June 30, 2020 ($27,946 in the six months ended June 30, 2019) relating to the strategic review and restructuring initiative of the board of the Fund. Included in the prior period costs were transitionary expenses relating to the Manager providing certain services to the Fund to ensure an efficient transfer of management. The Manager 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.

Management Expense Ratio (“MER”)

The operating MER for the six months ended June 30, 2020 was 3.63% (June 30, 2019: 4.19%). 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 Net Assets as at June 30, 2020 of $6.2 million included $5.3 million in cash and liquid assets, a decrease of $3.0 million from the $8.3 million of cash and liquid assets as at December 31, 2019. This significant decrease in liquid assets in the period was primarily due to redemptions and expenses during the period. Please refer to the “Expenses” and “Investment Portfolio” sections 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’ available capital are management fees and other operating commitment, possible follow-on investments and distributions to shareholders. Until July 3, 2020, distribution to shareholders has been by way of redemptions of Class A Shares and historically, distributions in accordance with specific dividend policies adopted for the Commercialization Series. The Board currently does not expect to open redemptions of Commercialization Series and instead will seek to distribute available cash from future divestments of portfolio companies equally, by way of dividends. 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 fund redemptions and operating expenses while working toward exit opportunities for its remaining investments. 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 orderly 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 IPO. The Series relies to a significant extent on favourable 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.

As part of the Fund work on a potential reorganization, the Board assessed the liquidity of the Series and determined 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. As a result of that assessment, on July 3, 2020, the Fund announced a $3.8 million dividend for the Fund's Series' shares that was paid effective July 13, 2020. The $3.8 million dividend represented over 60% of the Series' Pricing NAV at the time it was paid. In connection with the payment of a $3.8 million dividend, the Fund made the decision to close Commercialization Series redemptions in accordance with the provisions for ceasing redemptions set out in the Fund's articles, its EVCC Plan and the *Employee Investment Act*. The decision to close Commercialization Series redemptions was based on a decision to return as much cash as possible, equally, to all shareholders. Redemption requests for Commercialization Series received by the Fund will continue to be placed in a queue for processing in the order they are received; however, the Board currently does not expect to open redemptions of Commercialization Series and instead will seek to distribute available cash from future divestments of portfolio companies equally, by way of dividends. For more information on the $3.8 million dividend payment the "Recent Developments" section of this document.

The Series' ability to pay future dividends 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 of, the ability to and amount of proceeds from, exits from the venture investment portfolio, the future payment of dividend(s) on the Commercialization Series, the ability to make follow-on investment and/or operating commitments. The Board will continue to review options to further reduce the operating costs of the Fund, pursue maximizing value and generating liquidity from the remaining investments in the Fund and to consider further strategic options for the Commercialization Series. There can be no guarantee as to the outcome of that further review and/or strategic options that may be available for the Series.

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

When assembling the Series' venture investments portfolio, the investments were generally structured so that they were 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 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. For each offering of series of Commercialization Series shares, the Fund has met this dividend policy 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 six months ended June 30, 2020.

In addition to the above noted dividend policies, the rights and restrictions attached to the Series allow holders to receive dividends if and when the Board declares them. Effective July 13, 2020 the Fund paid a $3.8 million dividend for the Fund's Commercialization Series' shares. For more information on the $3.8 million dividend payment the "Recent Developments" section of this document.

Investment Portfolio

As recorded in the financial statements, the aggregate fair value of the Series' venture investment portfolio decreased by $0.2 million during the six months ended June 30, 2020. 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 did not complete any divestments during the period.

At the end of the period, the Series holds venture investments in 6 investee companies and is focused on developing and completing 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.

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 that were comparable to those investments under the Directed Funds investment strategy.

Investment Pacing

As at the end of the period, 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 period, as one portfolio company did not meet its performance milestones.

Beginning in late 2019, the outbreak of a novel strain of coronavirus ("COVID-19") spread rapidly to many parts of the world. In March 2020, the World Health Organization declared COVID-19 a health pandemic. The pandemic resulted in measures to contain the virus including quarantines, travel restrictions, and the temporary closure of stores and facilities in most of the world. The negative economic impact of these measures together with the uncertainty of the situation led to significant volatility in equity markets, increasing the exposure of the Fund and its investee companies, to risk, particularly liquidity risk, market risk and price risk. While governmental initiatives to reduce the economic impact and more recent measures to reopen the economy may mitigate volatility, exposure to price risk and financial results will depend, to a large extent, on future developments and new information that may emerge regarding COVID-19, factors which are beyond the Fund's control. Given the extent of the crisis, it is difficult to estimate the ultimate impact or duration of the situation on the Fund.

For the six months ended June 30, 2020, the Series' investee companies' financial performance is linked to the state of the Canadian and world economies. The Fund is actively working with the management teams of portfolio companies to support them in working through the challenges brought on by the COVID-19 pandemic. 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. The Fund is seeing a general slow-down in merger & acquisition activity with a number of acquiring companies putting acquisitions on hold as a priority Investment markets continue to be at healthy levels 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 resume, 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 secured. This represented a further reduction in Pricing NAV of approximately 12.1%. 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 was 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. For purposes of determining Pricing NAV, the two reductions in carrying value were recognized effective January 31, 2020 and February 28, 2020, respectively.

In July 2020, the Chief Technology Officer (“CTO”) of BuildDirect, an investee company of the Series, was arrested in the USA and charged with wire fraud and money laundering. In a recent news article the CEO of BuildDirect has stated that “BuildDirect is not listed as one of the companies involved in the alleged scheme, nor did any of the alleged activities involve BuildDirect in any way whatsoever.” The article also states that “Court documents show that these charges involved six different companies, but do not involve BuildDirect.” The CTO’s employment with BuildDirect has since been terminated. The news has not impacted the Fund’s carrying value of the investment.

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 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 established a special committee to work through key structuring matters involved with a potential reorganization which has been impacted by the uncertainty of the COVID-19 situation and significant volatility in equity markets. As part of the Fund work on a potential reorganization, the Board assessed the liquidity of the Series and determined 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.

As a result of that assessment, on July 3, 2020, the Fund announced a $3.8 million dividend for the Fund’s Series’ shares. The $3.8 million dividend represented over 60% of the Series’ Pricing NAV. In determining the amount of the dividend that was approved, the Board worked with the Manager to determine an appropriate reserve of cash for anticipated operating expenses over the medium term as it seeks to maximize the value of the remaining portfolio. The $3.8 million dividend was paid effective July 13, 2020. The Manager continues to seek to monetize the remaining private venture investments. The Board will continue to review options to further reduce the operating costs of the Fund, pursue maximizing value and generating liquidity from the remaining investments in the Fund and to consider further strategic options for the Commercialization Series. There can be no guarantee as to the outcome of that further review and/or strategic options that may be available for the Series.

In connection with the payment of the dividend in July, 2020, the Fund made the decision to close the Series redemptions in accordance with the provisions for ceasing redemptions set out in the Fund’s articles, its EVCC Plan and the *Employee Investment Act*. Closing the Series redemptions was based on a decision to return as much cash as possible, equally, to all shareholders. Redemption requests for the Series received by the Fund will continue to be placed in a queue for processing in the order they are received; however, the Board currently does not expect to open redemptions of the Series and instead will seek to distribute available cash from future divestments of portfolio companies equally by way of dividends. The Fund also made the decision to cease payment of trailer commissions to dealers. The Fund has always reserved the right to not pay service fees/trailer commissions in specified circumstances. The Board has specified the payment of the $3.8 million dividend and closure of redemptions as such a circumstance. Accordingly, the Fund ceased to pay service fees/trailer commissions with respect to the Series shares beginning July 1, 2020.

During the period, Mr. Chris Reid was appointed as a member of the Independent Review Committee, filling the vacancy left from the passing of Garry Rasmussen. As at June 30, 2020, the Independent Review Committee of the Fund was composed of Robert Cooper, Susan Koch and Chris Reid. As at June 30, 2020, the Independent Review Committee of the Manager was composed of Kerry Ho, Robin Mahood and John Webster.

Related Party Transactions

In the six months ended June 30, 2020, $57,972 was paid to the Manager for management and portfolio advisory services. The Manager also recovers from the Fund certain Fund operating expenses incurred by it on behalf of 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.

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, 2020 DWSI Holdings Inc. (formerly D-Wave Systems Inc.) and Copperleaf Technologies Inc. are the sole investments of the Fund that are also held in other funds 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, 2020 directors and officers of the Fund and/or the Manager held less than 0.01% of the issued and outstanding shares of DWSI Holdings Inc. (formerly D-Wave Systems Inc.), 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 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[2]

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 six months ended June 30, 2020 and the past five years ended December 31. The financial information presented below was prepared in accordance with International Financial Reporting Standards.

05 Commercialization Shares ***Net Assets per share (1)***	June 30, 2020	2019	2018	2017	2016	2015
Net Assets per share, beginning of period (2)	**$6.58**	**$9.11**	**$10.79**	**$11.76**	**$11.90**	**$11.53**
Increase (decrease) from operations:						
Total revenue	$0.05	$0.17	$0.36	$0.41	$0.58	$0.25
Total expenses and amortization [excluding distributions]	($0.13)	($0.34)	($0.43)	($0.49)	($0.47)	($0.45)
Realized gains (losses) for the period	$0.00	($0.04)	($0.73)	$0.00	$0.06	$0.55
Unrealized gains (losses) for the period	($0.13)	($2.14)	($0.81)	($0.88)	($0.38)	$0.08
Total increase (decrease) from operations (2)	($0.21)	($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)	**$6.14**	**$6.58**	**$9.11**	**$10.79**	**$11.76**	**$11.90**

Ratios and Supplemental Data	June 30, 2020	2019	2018	2017	2016	2015
Total Pricing NAV (000's) (3)	$6,189	$12,082	$16,852	$23,596	$28,904	$25,201
Number of shares outstanding (000's) (3)	1,003	1,424	1,833	2,240	2,420	2,082
Operating management expense ratio (4)	3.63%	3.86%	4.10%	3.87%	3.77%	3.76%
Amortization of share issue commissions and fees	0.56%	0.72%	0.66%	0.64%	1.16%	0.55%
Earned IPA	0.00%	0.00%	0.00%	0.02%	0.08%	1.34%
Conditional IPA	0.00%	-0.16%	-0.39%	-1.49%	0.55%	0.49%
Total MER before w aivers or absorptions	4.19%	4.42%	4.37%	3.04%	5.56%	6.14%
Trading expense ratio (5)	0.00%	0.00%	0.00%	0.02%	0.00%	0.03%
Portfolio turnover rate (6)	0.00%	0.00%	3.15%	7.15%	6.08%	23.75%
Pricing NAV per share at end of period	**$6.17**	**$8.49**	**$9.19**	**$10.92**	**$11.94**	**$12.10**

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 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 and at June 30, 2020 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 and fees, Earned IPA dividends and Conditional IPA dividends with respect to the Initial Manager. The Manager is not entitled to any 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 were not an amount actually paid or payable; rather, were 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*

[2] All information for periods prior to March 1, 2019 included in this document is as reported by the Initial Manager.

payable to the Initial Manager only upon sale of the relevant portfolio company of $497,448 (recorded as Conditional IPA dividend at December 31, 2019: $497,448). 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.

On March 1, 2019, there was a change in the manager of the Fund and the management agreement. Please see the "Introduction" section 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.

The Initial Manager owns a series of Class B shares of the Fund (the "IPA shares"), which entitled the Initial Manager to receive dividends ("IPA dividends") based on realized gains and income from venture investments attributable to 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 six months ended June 30, 2020 (June 30, 2019: $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 (December 31, 2019: $497,448) (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.

During the six months ended June 30, 2020 there has been no change to the Contingent IPA dividend.

Fees payable February 28, 2019 onward

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 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 Board, acting reasonably.

The management and administration fees for the Commercialization Series 2 shares for the six months ended June 30, 2020 were $ 57,972 including GST of $2,824 (four month period from March 1, 2019 to June 30, 2019 were $72,758 including GST of $3,465).

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 IPA dividends 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.

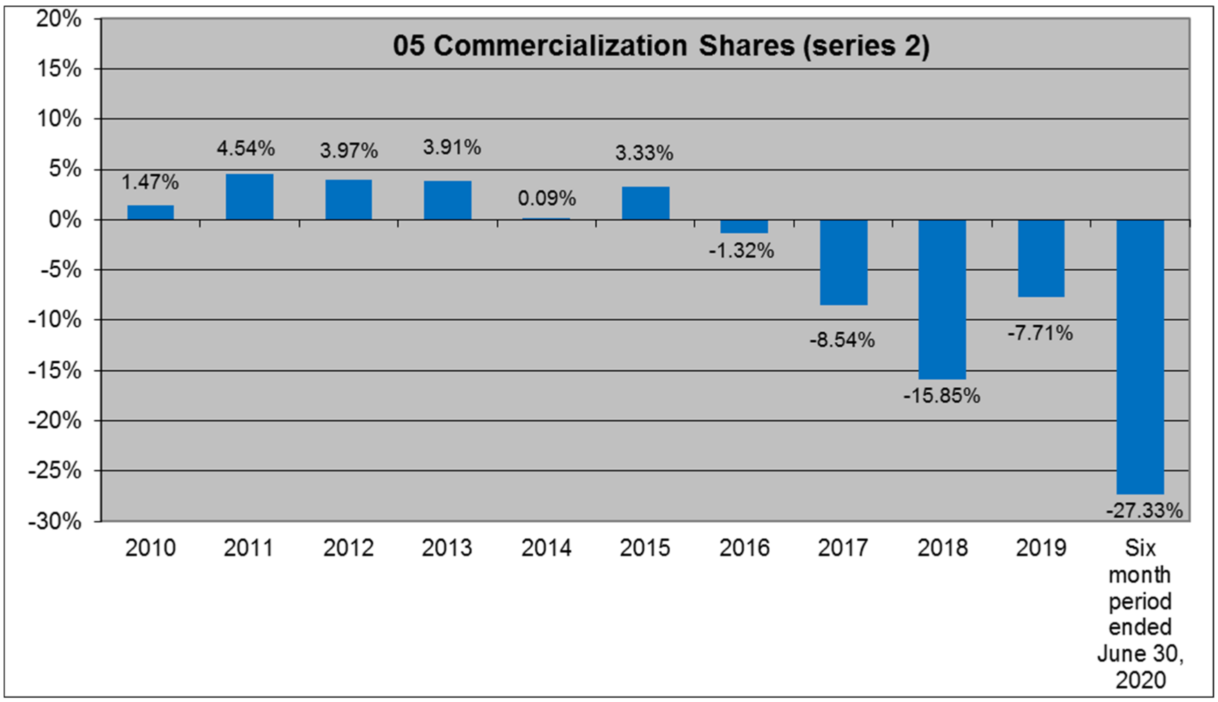
PAST PERFORMANCE

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 periods prior to March 1, 2019 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 months ended June 30, 2020 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 during the six months ended June 30, 2020.



SUMMARY OF INVESTMENT PORTFOLIO

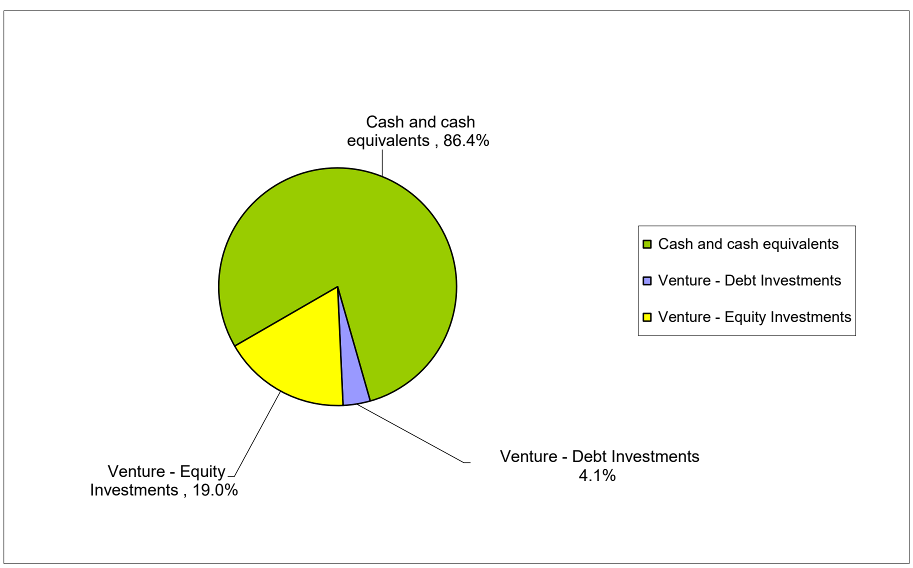
The Series seeks to maximize returns by supporting high growth potential companies. The Fund applies a “true” venture capital investing strategy by adding value to portfolio companies by actively managing investments, typically through participating on boards of directors, assisting in recruiting key 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 June 30, 2020, the top two investments represent 17.0% of Net Assets of the Series. Subsequent to the dividend payment, the top two investments represent 44.1% of Net Assets of the Series.

A description of the Series’ top three investments based on percentage of Net Assets of the Series as at June 30, 2020 is provided below.

- 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.
- Sandbox Technologies (dba Vitrium Systems) delivers enterprise content security and digital rights management software to control and protect documents and images for secure distribution.

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 June 30, 2020 the overall asset mix of the Series, as a percentage of the Net Assets, is set out below (remaining balance of Net Assets comprised of other assets and liabilities of -$0.6 million (-9.5% of Net Assets)):



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	BuildDirect.com Technologies Inc.	
2	Inetco Holdings Ltd.	
3	Sandbox Technologies Inc.	
4	4300092 Canada Inc.	
5	Teradici Corporation	
6	DWSI Holdings Inc. (fka D-Wave Systems Inc.)	
	TOTAL PERCENTAGE OF NET ASSETS	23.1%

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