

# 2021

## Semi-Annual

# Financial Statements

for the period ended June 30, 2021



VentureLink Innovation Fund Inc.

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VENTURELINK INNOVATION FUND INC.

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VL Advisors Inc., the Manager of the Fund, appoints independent auditors to audit the Fund's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Semi-Annual Financial Statements, this must be disclosed in an accompanying notice.

The Fund's independent auditors have not performed a review of the Semi-Annual Financial Statements of VentureLink Innovation Fund Inc. in accordance with standards established by the Canadian Institute of Chartered Accountants.

## Management's Responsibility For Financial Reporting

The accompanying financial statements have been prepared by VL Advisors Inc., the Manager and Investment Advisor of the Fund, and approved by the Board of Directors of the Fund. The Manager and Investment Advisor is responsible for the information and representations contained in these financial statements and other sections of this report. VL Advisors Inc., maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Fund are described in Note 2 to the financial statements.

PricewaterhouseCoopers LLP is the external auditor of the Fund. It has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable it to express to the shareholders its opinion on the financial statements. Its report is set out on the following page.

Toronto, Canada  
August 5, 2021



W. James Whitaker  
Chief Executive Officer  
VL Advisors Inc.



Geoff Horton  
Chief Financial Officer  
VL Advisors Inc.

# VENTURELINK INNOVATION FUND INC.

## Financial Statements (unaudited)

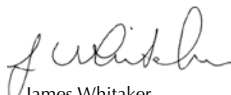
### Statements of Financial Position (in \$000's except for per share amounts and shares outstanding)

	as at June 30, 2021	as at December 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Investments*	12,902	16,933
Cash	708	1,009
Receivable for investments sold	13	-
	<u>13,623</u>	<u>17,942</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Due to underlying funds (Note 5)	-	-
Performance fees payable (Note 6)	1,149	1,154
Class P shares (Note 4)	-	-
Accrued liabilities	307	322
	<u>1,456</u>	<u>1,476</u>
<b>Net assets attributable to holders of redeemable shares</b>	<u>12,167</u>	<u>16,466</u>
<b>*Investments at cost</b>	20,346	24,360
<b>Net assets attributable to holders of redeemable shares per class:</b>		
Class A, Series I shares	2,812	3,357
Class A, Series II shares	1,940	2,200
Class A, Series III shares	5,169	7,858
Class A, Series IV shares	2,130	2,853
Class A, Series VI shares	116	198
<b>Net assets attributable to holders of redeemable shares per share:</b>		
Class A, Series I shares	7.66	7.79
Class A, Series II shares	7.30	7.42
Class A, Series III shares	6.65	6.77
Class A, Series IV shares	6.61	6.73
Class A, Series VI shares	6.64	6.78
<b>Number of redeemable shares outstanding:</b>		
Class A, Series I shares	367,291	431,170
Class A, Series II shares	265,778	296,527
Class A, Series III shares	777,015	1,161,145
Class A, Series IV shares	322,004	424,175
Class A, Series VI shares	17,501	29,166

Approved by the Board of Directors:



Geoff Horton  
CEO



James Whitaker  
CFO

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

# VENTURELINK INNOVATION FUND INC.

## Financial Statements (unaudited)

### Statements of Comprehensive Income (in \$000's except for per share amounts and number of shares)

	for the periods ended June 30	
	2021	2020
<b>Income</b>		
Net gain (loss) on investments		
Interest for distribution purposes	5	35
Participation fees	389	101
Net realized gain (loss) on sale of investments	(1)	(3,894)
Change in unrealized appreciation (depreciation) in value of investments	(17)	2,357
<b>Total net gain (loss) on investments</b>	<b>376</b>	<b>(1,401)</b>
<b>Total other income</b>	<b>-</b>	<b>1</b>
<b>Total income, net</b>	<b>376</b>	<b>(1,400)</b>
<b>Expenses</b>		
Management and investment advisory fees (Note 6)	210	272
Performance fees (Note 6)	64	(41)
Shareholders administration fees (Note 6)	96	118
Insurance fees	25	-
Sponsor's fees (Note 6)	16	21
Board of directors fees	80	75
Independent review committee fees	18	18
Audit fees	-	53
Legal fees	16	43
Dividend expense related to Class P shares	25	34
Harmonized sales tax	57	63
<b>Total expenses</b>	<b>607</b>	<b>656</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	<b>(231)</b>	<b>(2,056)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares per class:</b>		
Class A, Series I shares	(52)	(416)
Class A, Series II shares	(34)	(272)
Class A, Series III shares	(102)	(984)
Class A, Series IV shares	(40)	(358)
Class A, Series VI shares	(3)	(26)
<b>Increase (decrease) in net assets attributable to holders of redeemable shares per share:</b>		
Class A, Series I shares	(0.13)	(0.96)
Class A, Series II shares	(0.12)	(0.91)
Class A, Series III shares	(0.12)	(0.82)
Class A, Series IV shares	(0.12)	(0.80)
Class A, Series VI shares	(0.15)	(0.85)
<b>Weighted average number of shares:</b>		
Class A, Series I shares	381,595	436,121
Class A, Series II shares	273,330	298,939
Class A, Series III shares	839,704	1,210,288
Class A, Series IV shares	340,810	446,126
Class A, Series VI shares	18,878	30,400

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

# VENTURELINK INNOVATION FUND INC.

## Financial Statements (unaudited)

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares (in \$000's)

for the periods ended June 30	Fund		Class A, Series I		Class A, Series II	
	2021	2020	2021	2020	2021	2020
<b>Net assets attributable to holders of redeemable shares at the beginning of period</b>	16,466	25,053	3,357	3,998	2,200	2,565
Increase (decrease) in net assets attributable to holders of redeemable shares	(231)	(2,056)	(52)	(416)	(34)	(272)
<b>Dividends to holders of redeemable shares</b>						
From net investment income	-	-	-	-	-	-
From net realized gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total dividends to holders of redeemable shares</b>	-	-	-	-	-	-
<b>Redeemable share transactions</b>						
Proceeds from redeemable shares issued	-	-	-	-	-	-
Redemption of redeemable shares	(4,068)	(7,904)	(493)	(506)	(226)	(279)
<b>Net increase (decrease) from redeemable share transactions</b>	(4,068)	(7,904)	(493)	(506)	(226)	(279)
<b>Net increase (decrease) in net assets attributable to holders of redeemable shares</b>	(4,299)	(9,960)	(545)	(922)	(260)	(551)
<b>Net assets attributable to holders of redeemable shares at the end of period</b>	12,167	15,093	2,812	3,076	1,940	2,014

for the periods ended June 30	Class A, Series III		Class A, Series IV		Class A, Series VI	
	2021	2020	2021	2020	2021	2020
<b>Net assets attributable to holders of redeemable shares at the beginning of period</b>	7,858	12,927	2,853	5,223	198	340
Increase (decrease) in net assets attributable to holders of redeemable shares	(102)	(984)	(40)	(358)	(3)	(26)
<b>Dividends to holders of redeemable shares</b>						
From net investment income	-	-	-	-	-	-
From net realized gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total dividends to holders of redeemable shares</b>	-	-	-	-	-	-
<b>Redeemable share transactions</b>						
Proceeds from redeemable shares issued	-	-	-	-	-	-
Redemption of redeemable shares	(2,587)	(4,737)	(683)	(2,250)	(79)	(132)
<b>Net increase (decrease) from redeemable share transactions</b>	(2,587)	(4,737)	(683)	(2,250)	(79)	(132)
<b>Net increase (decrease) in net assets attributable to holders of redeemable shares</b>	(2,689)	(5,721)	(723)	(2,608)	(82)	(158)
<b>Net assets attributable to holders of redeemable shares at the end of period</b>	5,169	7,206	2,130	2,615	116	182

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

# VENTURELINK INNOVATION FUND INC.

## Financial Statements (unaudited)

### Statements of Cash Flows (in \$000's)

	for the periods ended June 30	
	2021	2020
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares	(231)	(2,056)
Adjustments for:		
Net realized (gain) loss on sale of investments	1	3,894
Change in unrealized (appreciation) depreciation in value of investments	17	(2,357)
Proceeds from sale and maturity of investments and derivatives	16,496	28,310
Purchase of investments	(12,496)	(7,161)
(Increase) decrease in interest receivable	-	41
Increase (decrease) in performance fees payable	(5)	(41)
Net change in non-cash balances related to operations	(15)	(12,553)
<b>Net cash from (used in) operating activities</b>	<b>3,767</b>	<b>8,077</b>
<b>Cash flows from (used in) financing activities</b>		
Amounts paid on redemption of redeemable shares	(4,068)	(7,904)
<b>Net cash from (used in) financing activities</b>	<b>(4,068)</b>	<b>(7,904)</b>
Net increase (decrease) in cash	(301)	173
Cash (bank overdraft), beginning of period	1,009	2,152
<b>Cash (bank overdraft), end of period</b>	<b>708</b>	<b>2,325</b>
<b>Supplementary Information:</b>		
Interest received, net of withholding tax*	5	76

\*Included in operating activities.

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

# VENTURELINK INNOVATION FUND INC.

## Schedule of Investment Portfolio (unaudited)

### Schedule of Investment Portfolio as at June 30, 2021

Par Value/Number of Shares/Units	Description	Maturity Date/ Expiration Date/ Exercise Date	Average Cost (in \$000's)	Fair Value (in \$000's)
<b>Financial Services (1.5%)</b>				
1,261,363	DCR Strategies Inc., common shares		-	
3,562,500	DCR Strategies Inc., loan	August 31, 2021	3,563	
10,500	WF Fund III Limited Partnership		-	
			<b>3,563</b>	<b>185</b>
<b>Biotechnology (0.0%)</b>				
190,166	Performance Plants Inc., common shares		-	-
<b>Information Technology (67.6%)</b>				
874,422	MMB Research Inc., Class A, preferred shares		1,000	
393,645	MMB Research Inc., Class B, preferred shares		841	
19,762	MMB Research Inc., preferred warrants	September 22, 2024	-	
7,405,797	Peraso Technologies Inc., common shares		7,406	
8,984,840	Pitchpoint Solutions Inc., common shares		2,300	
6,312,748	Upsight Inc., common shares		739	
			<b>12,286</b>	<b>8,219</b>
<b>Total Venture Investments</b>			<b>15,849</b>	<b>8,404</b>
4,500,000	<b>Short-Term Investments (37.0%)</b>		<b>4,498</b>	<b>4,498</b>
<b>Total Investments (106.1%)</b>			<b>20,347</b>	<b>12,902</b>
<b>Other Net Assets (Liabilities) (-6.1%)</b>				(735)
<b>Total net assets (100.0%)</b>				<b>12,167</b>

A portion of the Fund's venture investment portfolio is in the form of debt investments with interest rates of 10%.

Percentages shown in brackets relate investments at fair value to net assets attributable to holders of redeemable shares of the Fund.



# VENTURELINK INNOVATION FUND INC.

## Fund Specific Notes to Financial Statements (unaudited)

### (a) Unconsolidated Subsidiaries, Associates and Structured Entities

Information about the Fund's interest in unconsolidated subsidiaries, associates and related ownership percentage is as follows:

Name	Relationship	June 30,	December 31,
		2021 (%)	2020 (%)
MMB Research Inc.	Associate	8	8
Peraso Technologies Inc.	Associate	n/a	n/a
Pitchpoint Solutions Inc.	Associate	23	23

All of the companies listed above are incorporated in Canada and have their principal place of business in Canada.

The Fund also has an interest of less than 1% (2020 - 1%) in an unconsolidated structured entity, WF Fund III Limited Partnership.

### (b) Redeemable Share Transactions

for the periods ended June 30

	Class A, Series I		Class A, Series II		Class A, Series III	
	2021	2020	2021	2020	2021	2020
Number of redeemable shares at the beginning of period	431,170	494,457	296,527	332,856	1,161,145	1,838,860
Redeemable shares issued for cash	-	-	-	-	-	-
Redeemable shares redeemed	(63,879)	(62,738)	(30,749)	(36,329)	(384,130)	(675,226)
Number of redeemable shares at the end of period	367,291	431,719	265,778	296,527	777,015	1,163,634

	Class A, Series IV		Class A, Series VI	
	2021	2020	2021	2020
Number of redeemable shares at the beginning of period	424,175	747,400	29,166	47,880
Redeemable shares issued for cash	-	-	-	-
Redeemable shares redeemed	(102,171)	(322,627)	(11,665)	(18,714)
Number of redeemable shares at the end of period	322,004	424,773	17,501	29,166

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

# VENTURELINK INNOVATION FUND INC.

## Fund Specific Notes to Financial Statements (unaudited)

### (c) Financial Instruments Risks (Note 9)

#### Venture Portfolio Breakdown\* as at June 30, 2021

Industry Sector	Number of Companies	Cost (in \$000's)	Fair Value (in \$000's)	% of Cost	% of Fair Value
Financial Services	2	3,563	185	22.5	2.2
Biotechnology	1	-	-	-	-
Information Technology and Communications	4	12,286	8,219	77.5	97.8
	7	15,849	8,404	100.0	100.0

#### Venture Portfolio Breakdown\* as at December 31, 2020

Industry Sector	Number of Companies	Cost (in \$000's)	Fair Value (in \$000's)	% of Cost	% of Fair Value
Financial Services	2	3,575	215	22.5	2.5
Biotechnology	1	-	-	-	-
Information Technology	4	12,286	8,219	77.5	97.5
	7	15,861	8,434	100.0	100.0

\*Includes directly held venture investments.

The Fund generally maintains a portfolio of venture investments and eligible reserves.

As at June 30, 2021 and December 31, 2020, the investments of the Fund consisted of the following:

as at June 30, 2021	Fair Value (in \$000's)	(%)
Short-Term Investments	4,498	34.9
Private Equity Investments	8,404	65.1
<b>Total</b>	<b>12,902</b>	<b>100.0</b>

as at December 31, 2020	Fair Value (in \$000's)	(%)
Short-Term Investments	8,499	50.2
Private Equity Investments	8,434	49.8
<b>Total</b>	<b>16,933</b>	<b>100.0</b>

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

# VENTURELINK INNOVATION FUND INC.

## Fund Specific Notes to Financial Statements (unaudited)

### (c) Financial Instruments Risks (Note 9) (cont'd)

#### Other Price Risk

The Fund is exposed to other price risk through its holdings in private equity investments. All equity investments present a risk of loss of capital; the maximum risk for equity investments is equal to their fair value. The value for each investment is influenced by the outlook of the issuer and by general economic and political conditions, as well as industry and market trends.

As at June 30, 2021, had the fair value of the private equity investments increased or decreased by 10% (December 31, 2020 - 10%), with all other variables held constant, net assets attributable to holders of redeemable shares would have increased or decreased, respectively, by approximately \$840,000 (December 31, 2020 - \$850,000). In practice, the actual results may differ materially.

#### Interest Rate Risk

The tables below summarize the Fund's exposure to interest rate risk. They include the assets and liabilities of the Fund at fair values, categorized by the contractual maturity date.

as at June 30, 2021	Less than 1 Year (in \$000's)	1 - 3 Years (in \$000's)	3 - 5 Years (in \$000's)	Greater than 5 Years (in \$000's)	Total (in \$000's)
Interest Rate Exposure	5,206	-	-	-	5,206

as at December 31, 2020	Less than 1 Year (in \$000's)	1 - 3 Years (in \$000's)	3 - 5 Years (in \$000's)	Greater than 5 Years (in \$000's)	Total (in \$000's)
Interest Rate Exposure	9,508	-	-	-	9,508

As at June 30, 2021, had the prevailing interest rates increased or decreased by 1% (December 31, 2020 - 1%), assuming a parallel shift in the yield curve, with all other variables held constant, net assets attributable to holders of redeemable shares of the Fund would have decreased or increased, respectively, by nil (December 31, 2020 - nil). In practice, the actual results may differ from this analysis and the difference may be material.

#### Liquidity Risk

The liquidity of the Fund's holdings of private investments is low as there is no active market for these investments. The Fund is in the process of winding down its portfolio of investments and is managing its liquidity in order to facilitate the orderly wind up of the Fund and distribute the proceeds to shareholders. As required by its governing legislation, the Fund's venture portfolio consists largely of illiquid venture investments. In most cases the optimal approach to realizing venture investments is to hold the investments until liquidity is provided by way of an en-bloc sale of the business or an initial public offering by the venture company. The timing of realizations is dependent upon (i) aligning the objectives of the shareholders of a particular investment (of which the Fund is typically one of several) and (ii) the market conditions for sale transactions and/or initial public offerings for companies similar to the particular venture company.

After considering the timing of the optimal realization for each of its venture investments and the investment horizon for each of its shareholders, the Fund has identified 2021 as its target for the realization of 100% of the venture investments of the Fund.

As part of its plan to manage Fund liquidity until such time as the Fund realizes upon its venture investments, the Fund may cap redemptions during the year. The Fund's prospectus provides the Fund with the discretion to halt redemptions in a given financial year once redemptions have reached an aggregate value of 20% of the net asset value of the Fund on the last day of the preceding financial year.

The financial liabilities of the Fund mature in less than three months with the exception of accrued performance fees. The maturity of performance fees is uncertain and is dependent upon realizations of venture investments.

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

# VENTURELINK INNOVATION FUND INC.

## Fund Specific Notes to Financial Statements (unaudited)

### (c) Financial Instruments Risks (Note 9) (cont'd)

#### Currency Risk

As at June 30, 2021 and December 31, 2020, the Fund did not hold any financial investments or derivatives denominated in foreign currency.

#### Credit Risk

The Fund holds a portion of its investment portfolio in private debt investments. The private debt investments are typically high yielding, relatively high risk debt investments that are unrated.

The Fund was invested in debt securities with the following credit ratings, as per tables below.

#### as at June 30, 2021

Credit Rating*	Net Assets (%)
AAA/Aaa/A++	37.0
<b>Total</b>	<b>37.0</b>

#### as at December 31, 2020

Credit Rating*	Net Assets (%)
AAA/Aaa/A++	51.6
<b>Total</b>	<b>51.6</b>

\*Credit ratings are obtained from Dominion Bond Rating Services.

### (d) Fair Value Hierarchy

The tables below summarize the inputs used by the Fund in valuing the Fund's investments and derivatives carried at fair value.

#### Long Positions at fair value as at June 30, 2021

	Level 1 (in \$000's)	Level 2 (in \$000's)	Level 3 (in \$000's)	Total (in \$000's)
Short-Term Investments	-	4,498	-	4,498
Equity Investments	-	-	8,404	8,404
<b>Total</b>	<b>-</b>	<b>4,498</b>	<b>8,404</b>	<b>12,902</b>

#### Long Positions at fair value as at December 31, 2020

	Level 1 (in \$000's)	Level 2 (in \$000's)	Level 3 (in \$000's)	Total (in \$000's)
Short-Term Investments	-	8,499	-	8,499
Equity Investments	-	-	8,434	8,434
<b>Total</b>	<b>-</b>	<b>8,499</b>	<b>8,434</b>	<b>16,933</b>

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

# VENTURELINK INNOVATION FUND INC.

## Fund Specific Notes to Financial Statements (unaudited)

### (d) Fair Value Hierarchy (cont'd)

#### Fair Value Measurements Using Level 3 Inputs

The tables below summarize the movement in Level 3 financial instruments at fair value using unobservable inputs.

##### for the period ended June 30, 2021

	Balance at Dec. 31, 2020 (in \$000's)	Purchases (in \$000's)	Sales (in \$000's)	Transfers In (in \$000's)	Transfers (Out) (in \$000's)	Realized Gain (Loss) (in \$000's)	Unrealized Gain (Loss)* (in \$000's)	Balance at Jun. 30, 2021 (in \$000's)
<b>Long Positions/Assets:</b>								
Debt Investments	-	-	(13)	-	-	-	13	-
Equities Investments	8,434	-	-	-	-	-	(30)	8,404
<b>Total</b>	<b>8,434</b>	<b>-</b>	<b>(13)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17)</b>	<b>8,404</b>

\*Change in unrealized gain (loss) related to investments held at June 30, 2021 was (\$17,215).

##### for the year ended December 31, 2020

	Balance at Dec. 31, 2019 (in \$000's)	Purchases (in \$000's)	Sales (in \$000's)	Transfers In (in \$000's)	Transfers (Out) (in \$000's)	Realized Gain (Loss) (in \$000's)	Unrealized Gain (Loss)** (in \$000's)	Balance at Dec. 31, 2020 (in \$000's)
<b>Long Positions/Assets:</b>								
Equities Investments	8,710	-	(580)	-	-	(250)	554	8,434
Debt Investments	3,694	663	(4,951)	-	-	76	518	-
Underlying funds	13,774	-	(13,774)	-	-	(3,917)	3,917	-
<b>Total</b>	<b>26,178</b>	<b>663</b>	<b>(19,305)</b>	<b>-</b>	<b>-</b>	<b>(4,091)</b>	<b>4,989</b>	<b>8,434</b>

\*\*Change in unrealized gain (loss) related to investments held at December 31, 2020 was \$378,206.

The fair value of each level 3 investment is generally related to the underlying value and/or creditworthiness of a small to medium sized privately held business. Management reviews a number of applicable valuation techniques for each investment depending on a number of factors including: stage of business; the period since the last third party financing; the ability to compare the businesses to similar publicly held companies; the reliability of future cash flow projections; and disclosed information related to transactions involving similar businesses.

The tables below summarize the significant unobservable inputs used in the fair value measurement of Level 3 financial instruments.

For the purpose of these tables, debt investments that are current with respect to principal and interest are described as performing and debt investments that are not current are described as non-performing. With respect to equity investments, those investments that are expected to require significant further investment to reach cash flow break-even are classified as early stage and other equity investments are classified as later stage.

##### as at June 30, 2021

Description	Fair Value (in \$000's)	Valuation Technique	Unobservable Inputs	Weighted Average Input	Reasonable Possible Shift +/- (Absolute Value/%)	Change in Valuation +/-
Later stage equity	8,404	Comparable trading multiples	Revenue multiple	2.6	0.5	1,771/(1,771)

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

# VENTURELINK INNOVATION FUND INC.

## *Fund Specific Notes to Financial Statements (unaudited)*

### (d) Fair Value Hierarchy (cont'd)

#### Fair Value Measurements Using Level 3 Inputs (cont'd)

as at December 31, 2020

Description	Fair Value (in \$000's)	Valuation Technique	Unobservable Inputs	Weighted Average Input	Reasonable Possible Shift +/- (Absolute Value/%)	Change in Valuation +/-
Later stage equity	8,434	Comparable trading multiples	Revenue multiple	2.6	0.5	1,771/(1,771)

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

# VENTURELINK INNOVATION FUND INC.

## Notes to the Financial Statements (unaudited)

### 1. CORPORATE STATUS AND ACTIVITIES

VentureLink Innovation Fund Inc. (the “Fund”) was created by articles of amalgamation pursuant to the CBCA on September 10, 2010 from the amalgamation of VentureLink Balanced Fund Inc., VentureLink Brighter Future Fund Inc., VentureLink Diversified Income Fund Inc. and VentureLink Financial Services Innovation Fund Inc. The Fund is registered as a labour sponsored venture capital corporation under the Income Tax Act (Canada), as amended (the “Federal Tax Act”) and as a labour sponsored investment fund corporation under the Community Small Business Investment Funds Act (Ontario), as amended (the “Ontario Act”). The address of the Fund’s registered office is 8 King Street East, Suite 300, Toronto, Ontario, M5C 1B5.

These financial statements were authorized for issue by VL Advisors Inc. (the “Manager”) on August 5, 2021.

Fund Name	Inception date of Series I	Inception date of Series II	Inception date of Series III	Inception date of Series IV	Inception date of Series VI
VentureLink Innovation Fund Inc.	Sept. 10, 2010	Sept. 10, 2010	Sept. 10, 2010	Sept. 10, 2010	Sept. 10, 2010

The Fund’s objective is to realize long-term capital appreciation by making debt and equity investments in a diversified portfolio of small and medium size Ontario businesses.

The Fund ceased to be open for new subscriptions effective October 2012. The Fund will continue to manage liquidity in an effort to achieve an orderly wind-up of the Fund in 2021. Provided that the Fund’s investment realization efforts are proceeding on schedule, the Fund intends to seek approval for the return of capital to all Class A shareholders of an amount equal to net asset value per share at the time.

On January 1, 2020, the Fund and its four underlying funds, Brighter Future CSBIF (I) Fund Inc., Brighter Future CSBIF (II) Fund Inc., Diversified Balanced CSBIF (I) Fund Inc. and Diversified Balanced CSBIF (II) Fund Inc. were amalgamated. There was no impact on the Fund net asset value as a result of the amalgamation.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by the *International Accounting Standards Board*.

#### a. Financial instruments

The Fund classifies and measures its investments (such as fixed-income securities, equity securities, investment funds, exchange-traded funds and derivatives) based on both the Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund’s portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The contractual cash flows of the Fund’s debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund’s business model’s objective. Consequently, all investments and derivatives are measured at fair value through profit or loss (FVTPL). Short sales are held for trading and are consequently classified as financial liabilities at FVTPL. Derivative contracts that have a negative fair value are presented as liabilities at FVTPL.

The Fund’s obligations for net assets attributable to holders of redeemable shares are presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost, which approximates their fair value. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract’s effective interest rate.

#### b. Valuation of investments

At the financial reporting date, listed securities are valued based on the last traded market price where the last traded price falls within the day’s bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the existing market conditions. Unlisted securities are valued based on price quotations received from recognized investment dealers, or failing that, their fair value is determined by the Manager on the basis of the latest reported information available. Fixed income securities, debentures and other debt instruments including short-term investments, are valued at the quotation from recognized investment dealers. Underlying Funds are valued on each business day at their net asset value as reported by the Underlying Funds’ manager.

Venture investments for which no quoted market value exists, or venture investments in restricted securities, are recorded at estimated fair value. The fair values of investments are determined using the appropriate valuation methodology after considering: the history and nature of the business; operating results and financial conditions; the general economic, industry and market conditions; capital market and transaction market conditions; independent valuations of the business; contractual rights relating to the investment; public market comparable transactions and results multiples, where applicable and other pertinent considerations.

The process of valuing venture investments for which no published market or market observable factors exist is subject to inherent uncertainties and the resulting values may differ from values which would have been used had a ready market existed for those investments. These differences could be material to the fair value of venture investments.

### **c. Subsidiaries, associates, joint ventures and structured entities**

Subsidiaries are entities, including investments in other investment entities, over which a Fund has control. A Fund controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Associates and joint ventures are investments over which a Fund has significant influence or joint control. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factors in deciding, who controls the entity, or when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Investments that are held as part of the Fund's investment portfolio are carried on the Statements of Financial Position at fair value even though the Fund may have control or significant influence over those companies. As the Fund meets the definition of an Investment Entity under IFRS 10, investments in subsidiaries are required to be carried at fair value in accordance with IFRS 10, "Consolidation". IAS 28, "Investment in Associates" allows investments in associates that are held by Investment Entities to be recognized and measured at fair value through profit and loss and to be accounted for in accordance with IFRS 9, "Financial Instruments" and IFRS 13, "Fair Value Measurement" with changes in fair value recognized in the Statements of Comprehensive Income in the period of change. Investments in unconsolidated structured entities have been designated at FVTPL.

### **d. Foreign currency translation**

The Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also the Fund's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash, if any, are presented as "Foreign exchange gain (loss) on cash" and those relating to other financial assets and liabilities are presented within "Net realized gain (loss) on sale of investments" and "Changes in unrealized appreciation (depreciation) in value of investments" in the Statements of Comprehensive Income.

### **e. Commissions and other portfolio transaction costs**

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities, are included in "Commissions and other portfolio transaction costs" in the Statements of Comprehensive Income.

### **f. Cost of investments**

Cost of investments represents the amount paid for each security and is determined on an average cost basis excluding commissions and transactions costs and amortization premiums or discounts on fixed income securities (with the exception of zero-coupon bonds).

### **g. Investment transactions and income recognition**

Investment transactions relating to private venture investments are accounted for on the closing date of the transaction, or in case of a series of funding tranches, the dates on which funds are advanced. Realized and unrealized gains and losses from venture investment transactions are calculated on an average cost basis. Regular way purchases and sales are accounted for on the trade date for financial reporting purposes and any unrealized and realized gains and losses on such transactions are calculated on an average cost basis.

The interest for distribution purposes shown in the Statements of Comprehensive Income represents the coupon interest received by the Fund and is accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight-line basis.

Dividends and distributions from investments are recognized on the ex-dividend/ex-distribution date.

Fees and commission income are recognized as income over the period in which the related service is rendered.

### **h. Placement and participation fees**

Placement and participation fees include all fees received by the Fund from venture investments that are not interest, dividends or capital in nature. Examples of these fees include royalty income, profit participation and commitment fees. Such income is recorded on an accrual basis.

### **i. Income and expense allocation**

Expenses directly attributable to a Series of Class A shares are charged to that Series of Class A shares. Other income and expenses, and gains and losses, are allocated to each Series proportionately based upon the relative total net asset value of each Series of Class A shares.

### **j. Increase (decrease) in net assets attributable to holders of redeemable shares**

Increase (decrease) in net assets attributable to holders of redeemable shares per series of Class A share in the Statements of Comprehensive Income is calculated by dividing the increase (decrease) in net assets attributable to holder of redeemable shares per series by the weighted average number of shares outstanding for each relevant series of Class A during the period.



### 3. CRITICAL JUDGMENTS AND ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

***Fair value measurement of investments and derivatives not quoted in active market***

The Fund holds financial instruments that are not quoted in active markets, such as unlisted securities, venture investments or venture investments in restricted securities. Unlisted securities are valued based on price quotations from recognized investment dealers, or failing that, their fair value is determined by the Manager on the basis of the latest reported information available. Venture investments for which no quoted market value exists, or venture investments in restricted securities, are recorded at estimated fair value. The fair values of investments are determined using the appropriate valuation methodology after considering: the history and nature of the business; operating results and financial conditions; the general economic, industry and market conditions; capital market and transaction market conditions; independent valuations of the business; contractual rights relating to the investment; public market comparable transactions and results multiples, where applicable and other pertinent considerations.

The process of valuing venture investments for which no published market or market observable factors exist is subject to inherent uncertainties and the resulting values may differ from values which would have been used had a ready market existed for those investments. These differences could be material to the fair value of venture investments.

### 4. REDEEMABLE SHARES

***Authorized***

Unlimited Class A shares, issuable in series, discretionary dividend entitlement, voting, restrictions on transfer and redemption, entitled to elect one or two of the directors.

Unlimited Class B shares, issuable only to the Sponsor, no dividend entitlement, voting, entitled to elect the remaining directors.

Unlimited Class P shares, issuable in series, discretionary dividend entitlement, non-voting. The 1,200,000 (December 31, 2020 – 1,200,000) issued and outstanding Class P Shares are held by VL Holdings LP, the 100% shareholder of the Manager and Investment Advisor.

The Class P shares have been recorded as a liability of the Fund and the payment of dividends, if any, will be recorded as a dividend expense.

***Redemption of Class A shares***

A shareholder may redeem all or part of the Class A shares held at the NAV per Class A share subject to certain redemption restrictions, the withholding of any amount required to be withheld and the deduction of the redemption fees.

For Class A shares, Series I and Class A shares, Series III, a redemption fee is charged in the amount of up to 10% of the original issue price calculated as 1.25% of the original issue price times the number of years or part years remaining until the eighth anniversary date of issue.

For Class A shares, Series II and Class A shares, Series IV, a redemption fee is charged in the amount of up to 6% of the original issue price calculated as 0.75% of the original issue price times the number of years or part years remaining until the eighth anniversary date of issue.

No redemption fees are applicable to Class A shares, Series VI.

The Class A shares do not meet the strict criteria contained in IAS 32 (Amendment), "Financial Instruments: Presentation", to be classified as equity as there are multiple series of shares with non-identical features. Accordingly, the shares are classified as a financial liability.

### 5. FEES AND EXPENSES

The Fund has contracted with the following parties for services as follows:

Sponsor – The Canadian Federal Pilots Association (the "Sponsor") is the sponsor of the Fund. Under the terms of the Sponsor Agreement ("the Agreement") the Sponsor is entitled to receive from the Fund an annual fee of 0.25% of the NAV of the Fund.

Manager and Investment Advisor - VL Advisors Inc., the Manager and Investment Manager of the Fund, provides key management personnel to the Fund. Under the terms of Management and Investment Advisory Agreement, VL Advisors Inc., is entitled to receive from the Fund an annual fee of 3.25% of the NAV of the Fund plus two-thirds of any service fee payment related to Class A shares, Series I and II and all of any service fee payments related to Class A shares, Series III, IV and VI. Under the terms of the Agreement, management and investment advisory fees may be charged to the Fund or the Underlying Funds.

# VENTURELINK INNOVATION FUND INC.

## Notes to the Financial Statements (unaudited) (cont'd)

Administrator – CI Investments Inc. acts as registrar, transfer agent and administrator of the Fund. Under the terms of the Fund Administrator Agreement, the administrator is entitled to receive from the Fund an annual fee of 0.90% of the NAV of the Fund. The Fund incurred fees of approximately \$58,000 (June 30, 2020 - \$75,000) to the Administrator during the period.

In addition to the services provided under the Fund Administrator Agreement, the Fund is responsible for its own administrative expenses including audit and legal fees, and all other costs and fees imposed by statute or regulation, such as fees related to the establishment and operation of the Independent Review Committee and expenses incurred by providing services in relation to reporting and making distributions to shareholders.

### **Performance Bonus Plan**

The performance bonus plan (“Performance Bonus Plan”) retains historical performance and performance fee calculations from the predecessor Funds. The plan consists of four parts:

#### **Performance Bonus – Historical VentureLink Financial Services Innovation Fund Inc. investments and new investments (“Continuing Plan”)**

The Manager and Investment Advisor, (“VL Advisors”) will be entitled to a performance bonus (the “Performance Bonus” or “Performance Fee”) based on realized gains and cumulative performance of the Continuing Plan Investments. Before any Performance Bonus is paid by the Fund on realization of a Continuing Plan Investment, the Continuing Plan Portfolio must have:

- (i) earned sufficient income to generate a return on eligible investments in excess of a cumulative annualized threshold return of 6%. The income on eligible investments includes realized and unrealized investment gains and realized and unrealized losses earned and incurred since inception.
- (ii) earned income from the eligible investment which provides a cumulative investment return at an average annual rate in excess of 6% since the date of the investment; and
- (iii) fully recouped an amount equal to all principal invested in the eligible investment.

Subject to all of the above, the Performance Bonus will be an amount equal to the lesser of (i) 20% of all income earned from the eligible investment and (ii) the portion of that amount that does not reduce returns on the Continuing Plan Portfolio below a Cumulative Annualized Threshold Return of 6%.

#### **Performance Bonus – Investments of predecessor Fund, VentureLink Diversified Income Fund Inc. (the “DI Fund”)**

VL Advisors will be entitled to a Performance Bonus based on realized gains and cumulative performance of the DI Fund Investments. Before any Performance Bonus is paid by the Fund on realization of a DI Fund Investment, the DI Fund Portfolio must have:

- (i) earned sufficient income to generate a return on eligible investments in excess of a cumulative annualized threshold return of 6%. The income on eligible investments includes realized and unrealized investment gains and realized and unrealized losses earned and incurred since inception.
- (ii) earned income from the eligible investment which provides a cumulative investment return at an average annual rate in excess of 6% since the date of the investment; and
- (iii) fully recouped an amount equal to all principal invested in the eligible investment.

Subject to all of the above, the Performance Bonus will be an amount equal to the lesser of (i) 20% of all income earned from the eligible investment and (ii) the portion of that amount that does not reduce returns on the DI Fund Portfolio below a Cumulative Annualized Threshold Return of 6%.

#### **Performance Bonus – Investments of the Underlying Funds owned by the Fund (the “CSBIFs”)**

VL Advisors will be entitled to half of the Performance Bonus, with the other half payable to the sponsoring universities involved in sponsoring the CSBIF, based on realized gains and cumulative performance of the CSBIFs’ Investments. Before any Performance Bonus is paid by the Fund on realization of a CSBIF Investment, a CSBIF Portfolio must have:

- (i) earned sufficient income to generate a return on eligible investments in excess of a cumulative annualized threshold return of 6%. The income on eligible investments includes realized and unrealized investment gains and realized and unrealized losses earned and incurred since inception.
- (ii) earned income from the eligible investment which provides a cumulative investment return at an average annual rate in excess of 6% since the date of the investment; and
- (iii) fully recouped an amount equal to all principal invested in the eligible investment.

Subject to all of the above, the Performance Bonus will be an amount equal to the lesser of (i) 20% of all income earned from the eligible investment and (ii) the portion of that amount that does not reduce returns on a CSBIF Portfolio below a Cumulative Annualized Threshold Return of 6%.

#### **Performance Bonus – Investments of the predecessor Fund, VentureLink Brighter Future Inc. (the “BF Fund”)**

VL Advisors will be entitled to a Performance Bonus based on the realized gains and cumulative performance of the BF Fund Investments.

# VENTURELINK INNOVATION FUND INC.

## Notes to the Financial Statements (unaudited) (cont'd)

The Performance Bonus will consist of two parts as follows:

The first part pays VL Advisors a 5% bonus on proceeds in excess of the fair value of an eligible investment as at July 31, 2006 plus the threshold rate of return. Before the 5% performance bonus is paid by the Fund on the realization of an eligible investment, the BF Fund Portfolio must have:

- (i) earned sufficient income to generate a rate of return on eligible investments in excess of a cumulative annualized threshold return of 6% since July 31, 2006. The income on eligible investments includes realized and unrealized investment gains and losses earned and incurred since July 31, 2006;
- (ii) earned income from the eligible investment which provides a cumulative investment return at an average annual rate in excess of 6% since July 31, 2006; and
- (iii) fully recouped an amount equal to all principal invested in the eligible investment.

Subject to all of the above, the Performance Bonus will be an amount equal to the lesser of: (i) 5% of proceeds (realized gains and income) less the greater of the carrying value on July 31, 2006 plus 6% per annum and original cost; and (ii) the portion of the amount in section (i) immediately above that does not reduce returns on the BF Fund Portfolio since July 31, 2006 below a cumulative annualized threshold return of 6%.

The second part pays VL Advisors a 10% performance bonus on proceeds over the original cost of the investment. Before the 10% performance bonus can be paid, the BF Fund Portfolio must have:

- (i) earned sufficient income to generate a rate of return on eligible investments in excess of original cost of the portfolio plus a cumulative annualized threshold return of 6% since July 31, 2006. The income on eligible investments includes realized and unrealized investment gains and losses earned and incurred since July 31, 2006; and
- (ii) fully recouped an amount equal to all principal invested in the eligible investment.

Subject to all of the above, the Performance Bonus will be an amount equal to the lesser of: (i) 10% of all income earned from the eligible investment and (ii) the portion of the amount in section (i) immediately above that does not reduce returns on the BF Fund Portfolio since July 31, 2006 below original cost, plus a cumulative annualized threshold return of 6%.

The Effective Date for the Performance Bonus Plan is July 22, 2010.

Instead of paying a Performance Bonus as a fee, the Fund, subject to Board approval, may allocate income equal to the Performance Bonus to the Class P Shares and declare dividends on the Class P Shares. The amount of the dividends would be equal to the Performance Bonus that otherwise would have been paid to VL Advisors as a fee. Since the Class P Shares represent a method of satisfying the Performance Fee obligation in the Fund, they are classified as liability on the Statements of Financial Position and Class P Shares dividends paid are classified as dividend expense.

Amounts related to performance fees included in the Statements of Comprehensive Income and Financial Position are as follow.

(in \$000's)	Expenses / (Recovery)		Accrued Performance Fees		Performance Fees Paid	
	2021	2020	2021	2020	2021	2020
VentureLink Innovation Fund Inc.	64	(41)	1,149	696	69	nil

Included in the expense (recovery) above, Class P dividends of \$25,000 (June 30, 2020 – \$34,000) were declared and paid by the Fund during the period.

The performance fees are calculated and accrued on a daily basis for eligible investments based on cash invested, proceeds realized and the current fair value of each investment. The performance fees are not paid to the Manager and Investment Advisor until an eligible investment, which meets the criteria specified above, is sold.

## 6. TAXATION

Under the Federal Tax Act, no income taxes are payable by the Fund on dividends received from Canadian corporations, and income taxes payable on capital gains will be fully refundable on a formula basis when shares of the Fund are redeemed or capital gains dividends are paid or deemed to be paid by the Fund to its shareholders. As a result of the capital gains refund mechanism, the Fund recovers any Canadian income taxes paid with respect of its capital gains. Interest income and foreign dividends, net of applicable expenses, are taxed at full corporate rates applicable for mutual fund corporations, however, tax deductible operating expenses of the Fund are expected to exceed interest income and foreign dividend income for all future periods.

As a result, the Corporation does not record any provision for income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset.

# VENTURELINK INNOVATION FUND INC.

## Notes to the Financial Statements (unaudited) (cont'd)

The Federal Tax Act and the Ontario Act set minimum levels of qualifying venture investments for the Fund. If the minimum level of qualifying venture investments is not met under each statute, the Fund will be subject to defined taxes and penalties.

The tax amounts reflected in these financial statements are based on management's best estimate of the amounts that will ultimately be assessed.

This determination is based on numerous factors such as the pace at which the Fund makes qualifying venture investments, the amount of share capital raised and redeemed, and the net income and the undistributed net realized gains (losses) on sales of investments by the Fund. Should there be an assessment that differs from the estimates made by management of the Fund, material adjustments to the tax amounts may be required.

### 7. BROKERAGE AND OTHER COMMISSIONS

Brokerage commissions paid for security transactions during the periods ended June 30 were as follows:

<b>(in \$000's)</b>	<b>2021</b>	<b>2020</b>
VentureLink Innovation Fund Inc.	-	-

The Manager may have received research services for commissions paid to certain dealers, otherwise known as soft dollars. For the periods ended June 30, 2021 and 2020, there were no soft dollar commissions paid by the Fund.

### 8. FINANCIAL INSTRUMENTS RISKS

#### *Risk Management*

The Fund is exposed to a variety of financial instruments risks: credit risk, liquidity risk and market risk (including other price risk, interest rate risk and currency risk). The level of risk to which the Fund is exposed depends on the investment objective and the type of investments the Fund holds.

The value of the investments within the portfolio can fluctuate daily as a result of changes in prevailing interest rates, economic and market conditions and company specific news related to investments held by Fund. The Manager of the Fund may minimize potential adverse effects of these risks on the Fund's performance by, but not limited to, regular monitoring of the Fund's positions and market events, diversification of the investment portfolio by asset type, sector, term to maturity within the constraints of the stated objectives, and through the usage of derivatives to hedge certain risk exposures.

The Fund invests in units of underlying funds and is indirectly exposed to the financial instruments risks mentioned above. To minimize the potential adverse effects of those risks the Manager on regular basis, but not limited to, reviews the Underlying Funds' investment mandate, returns, assets, investment management process, risk levels and overall fit of the Underlying Funds within Fund's stated objectives.

#### *Credit Risk*

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to meet its financial obligations. The fair value of a debt instrument includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt instruments as presented on the Schedule of Investment Portfolio represents the maximum credit risk exposure of the Fund.

The significant cash balance as disclosed in the Statements of Financial Position is maintained by the custodian RBC Investor Services Trust. The Fund Administrator monitors the credit worthiness of the custodian on a regular basis.

#### *Liquidity Risk*

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations, on time or at a reasonable price. The Fund is exposed to daily cash redemptions subject to an annual maximum of 20% of the net asset value of the Fund. The Fund manages liquidity risk by holding a portion of its portfolio in liquid reserves and cash. In addition, the Fund matches the expected duration of its investments with the expected redemption horizon of shareholders.

Liquidity risk is impacted by the Fund's ability to realize on its private company investments in a reasonable time frame. The Fund's investment strategy is to wind-up in the 2021 year. Factors beyond the control of the Fund, including portfolio company specific matters and external matters including public market performance and the possible impact of COVID-19 may delay the Fund wind-up.

#### *Other Price Risk*

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk). The value of each investment is influenced by the outlook of the issuer and by general economic and political conditions, as well as industry and market trends. All securities present a risk of loss of capital.

Other assets and liabilities are monetary items that are short-term in nature and therefore are not subject to market price risk.

# VENTURELINK INNOVATION FUND INC.

## *Notes to the Financial Statements (unaudited) (cont'd)*

### *Interest Rate Risk*

Interest rate risk is the risk that the fair value of interest-bearing investments will fluctuate due to changes in prevailing levels of market interest rates. As a result, the value of cash balances and debt securities will be affected by changes in applicable interest rates. If interest rates fall, the fair value of existing debt securities may increase. Alternatively, if interest rates rise, the yield of existing debt securities decrease which may then lead to a decrease in their fair value. The magnitude of the change will generally be greater for long-term debt securities than for short-term debt securities.

Interest rate risk also applies to convertible securities. The fair value of these securities varies inversely with interest rates, similar to other debt securities. However, since they may be converted into common shares, convertible securities are generally less affected by interest rate fluctuations than other debt securities.

### *Currency Risk*

Currency risk arises from financial instruments that are denominated in a currency other than Canadian dollars, the functional and presentation currency of the Fund. As a result, the Fund may be exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. Equities traded in foreign markets are also exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency to determine their fair value.

### *Fair Value Hierarchy*

The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The Fund is required to classify financial instruments measured at fair value using a fair value hierarchy. Investments whose values are based on quoted market prices in active markets are classified as Level 1. This level may include publicly traded equities, exchange traded and retail mutual funds, exchange traded warrants, futures contracts, traded options, American depositary receipts ("ADRs") and Global depositary receipts ("GDRs").

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified as Level 2. These may include fixed income securities, mortgage backed securities ("MBS"), short-term instruments, non-traded warrants, over-the-counter options, structured notes of indexed securities, foreign currency forward contracts and swap instruments.

Investments classified as Level 3 have significant unobservable inputs. Level 3 instruments may include private equities, private term loans, private equity funds and certain derivatives. As observable prices are not available for these securities, the Fund may use a variety of valuation techniques to derive their fair value.

Details of the Fund's exposure to financial instruments risks including concentration risk and fair value hierarchy classification are available in the Fund Specific Notes to Financial Statements of the financial statements.

## 9. CAPITAL MANAGEMENT

The Fund considers its capital to be its net assets attributable to holders of redeemable shares. The Fund does not pay monthly dividends and is being managed to enable the potential wind up of the Fund and the payment to each Class shareholder of an amount equal to the net asset value per share at the time of wind up.

In any fiscal year, the Fund will not be required to redeem class A shares having an aggregate redemption value exceeding 20% of the net asset value of the Fund as of the last day or the preceding financial period.

# VENTURELINK INNOVATION FUND INC.

## *Corporate Information*

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