

2019 Annual Management Report of Fund Performance

for the year ended December 31, 2019

VentureLink Innovation Fund Inc.



VENTURELINK
FUNDS

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-800-253-1043, by writing to us at VL Advisors Inc., 3 Church Street, Suite 602, Toronto, ON M5E 1M2 or by visiting our website at www.venturelinkfunds.com or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or semi-annual portfolio disclosure.

VENTURELINK INNOVATION FUND INC.

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INVESTMENT OBJECTIVE AND STRATEGIES

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 sized eligible Ontario businesses.

The Fund's strategy for 2020 will be to invest in and support existing portfolio companies with a view to realization in the current year. The Fund will not pursue investment opportunities outside the existing portfolio.

In addition to supporting its existing portfolio of growing Ontario businesses, the Fund invests a portion of the portfolio in eligible reserves.

RISKS

The Fund is suitable for investors with a longer-term investment focus and higher risk tolerance as discussed in the Fund's annual information form. The market value of the three largest investments represents approximately 43% of the net asset value of the Fund.

The Fund is being managed to preserve liquidity while working with portfolio companies to create successful exits before December 2020. This management process will reduce the number of portfolio holdings from the current level of eight private holdings and result in an increase to overall portfolio concentration.

RESULTS OF OPERATIONS (in \$000's except per share numbers)

The net asset value of the Fund at the end of the 2019 fiscal year was \$25,053. There were 494,457 Class A Shares, Series I, 332,856 Class A Shares, Series II, 1,838,860 Class A Shares, Series III, 747,400 Class A Shares, Series IV, and 47,880 Class A Shares Series VI outstanding.

Income

The Fund had total income of \$(3,332) in 2019 compared to \$(223) in 2018, a decrease of \$3,109. This decrease is principally related to realized and unrealized gains (losses) on investments and reserves of \$(4,396) in 2019 versus \$(2,238) in 2018.

Expenses

Operating expenses were \$2,074 in 2019 compared to \$2,411 in 2018, a decrease of \$337 or 14%. Operating expenses excluding performance fees and Class P dividend expense were \$2,098 in 2019 compared to \$2,854 in 2018. This decrease is related to the reduction in the weighted average net asset value of the Fund during 2019 compared to 2018.

Class A Shares

Net redemptions of Class A Shares during the year were \$8,163.

New investments

The Fund made one venture investment of \$500,000 during the year in the form of a loan to Pitchpoint Solutions Inc. The amount was repaid during the year.

Realizations

The Fund realized cash proceeds totaling \$3,394 from the sale of securities of the following venture investments for a net realized loss of \$6,894:

- DCR Strategies Inc., cost \$225
- Embotics Inc., cost \$2,500
- Pitchpoint Solutions Inc., cost \$500
- SCI Ltd., cost \$2,313
- WireE Holdings International Inc., cost \$4,750

The portfolio holdings continue to reflect the Fund's objective of investing in a diversified portfolio mezzanine debt and equity investments. However, concentration is increasing significantly as the orderly wind up the investment portfolio progresses.

Fund performance

Fund performance, on a per share basis, varied from a loss of \$1.73 for Series I to a loss of \$1.49 for Series IV. The losses were primarily related to two large unrealized losses on venture investments recognized in the year.

VENTURELINK INNOVATION FUND INC.

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RECENT DEVELOPMENTS

Fund Liquidity and investment concentration

The Fund has approx. 48% of its assets in cash and short term notes. As the orderly wind up of the Fund takes place, the concentration of the investment portfolio is increasing. The three largest investments of the Fund have a total value equal to 43% of net asset value.

The current plan for the operation of the Fund is to exit the remaining portfolio investments followed by an orderly wind up of the Fund within the next six to eighteen months.

In order to manage fund liquidity until such time as the Fund realizes upon its venture investments, 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. On January 10, 2020, the Fund capped redemptions at approximately \$7.9 million, an amount in excess of 20% of the net asset value of the Fund as of December 31, 2019.

RELATED PARTY TRANSACTIONS

Manager

The Manager and Investment Advisor and Sponsor are deemed to be related parties and earned \$1,007 from the Fund. This amount represents fees for management, investment advisor and sponsor services. The Fund recovered \$551 of performance fees in the year, and made payments of \$12, resulting in an ending accrual of \$737. In addition, the Fund incurred dividend expense of \$527 in connection with the issuance of dividends on Class P shares held by VL Holdings LP, the 100% shareholder of the Manager and Investment Advisor. Accrued performance fees will be payable to the Manager in future periods if certain criteria are achieved.

VENTURELINK INNOVATION FUND INC.

Management Report of Fund Performance for the year ended December 31, 2019

FINANCIAL HIGHLIGHTS

The Fund's Net Assets per Share tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for each of the past five years.

The Ratios & Supplemental Data shown below are based on net asset value.

THE FUND'S NET ASSETS PER SHARE (\$)^{(1)(2)*}

CLASS A, SERIES I SHARES Commencement of operations September 10, 2010	Dec. 31 2019	Dec. 31 2018	Dec. 31 2017	Dec. 31 2016	Dec. 31 2015
Net assets at the beginning of year⁽³⁾	9.81	10.34	8.37	8.07	8.63
Increase (decrease) from operations:					
Total revenue	0.34	0.51	0.15	0.13	0.22
Total expenses (excluding distributions)	(0.66)	(0.47)	(1.05)	(0.74)	(0.56)
Realized gains (losses) for the year	(2.21)	(0.77)	3.23	0.66	0.56
Unrealized gains (losses) for the year	0.80	0.21	(0.38)	0.27	(0.78)
Total increase (decrease) from operations⁽³⁾	(1.73)	(0.52)	1.95	0.32	(0.56)
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total distributions⁽³⁾	-	-	-	-	-
Net assets at the end of the year shown⁽³⁾	8.09	9.81	10.34	8.37	8.07
Ratios and Supplemental Data					
Net asset value (\$000's)	3,998	5,395	6,347	5,876	6,431
Number of shares outstanding (000's)	494	549	614	702	797
Portfolio turnover rate (%) ⁽⁵⁾	1.52	18.77	-	2.05	2.98
Trading expense ratio (%) ⁽⁶⁾	-	-	-	0.01	0.01
Management expense ratio after taxes (%) ⁽⁴⁾	6.48	4.79	11.75	8.87	7.46
Net assets per share (\$)	8.09	9.81	10.34	8.37	8.07

*Footnotes for the tables are found at the end of the Financial Highlights section.

VENTURELINK INNOVATION FUND INC.

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FINANCIAL HIGHLIGHTS (cont'd)

THE FUND'S NET ASSETS PER SHARE (\$) ^{(1)(2)*}

CLASS A, SERIES II SHARES Commencement of operations September 10, 2010	Dec. 31 2019	Dec. 31 2018	Dec. 31 2017	Dec. 31 2016	Dec. 31 2015
Net assets at the beginning of year ⁽³⁾	9.35	9.91	8.07	7.82	8.42
Increase (decrease) from operations:					
Total revenue	0.32	0.48	0.15	0.13	0.18
Total expenses (excluding distributions)	(0.63)	(0.50)	(1.06)	(0.76)	(0.59)
Realized gains (losses) for the year	(2.11)	(0.74)	3.10	0.64	0.56
Unrealized gains (losses) for the year	0.77	0.20	(0.37)	0.26	(0.75)
Total increase (decrease) from operations ⁽³⁾	(1.65)	(0.56)	1.82	0.27	(0.60)
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total distributions ⁽³⁾	-	-	-	-	-
Net assets at the end of the year shown ⁽³⁾	7.71	9.35	9.91	8.07	7.82
Ratios and Supplemental Data					
Net asset value (\$000's)	2,565	3,342	4,033	3,654	4,034
Number of shares outstanding (000's)	333	357	407	453	516
Portfolio turnover rate (%) ⁽⁵⁾	1.52	18.77	-	2.05	2.98
Trading expense ratio (%) ⁽⁶⁾	-	-	-	0.01	0.01
Management expense ratio after taxes (%) ⁽⁴⁾	6.49	5.35	12.32	9.43	8.03
Net assets per share (\$)	7.71	9.35	9.91	8.07	7.82

*Footnotes for the tables are found at the end of the Financial Highlights section.

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FINANCIAL HIGHLIGHTS (cont'd)

THE FUND'S NET ASSETS PER SHARE (\$) ^{(1)(2)*}

CLASS A, SERIES III SHARES	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
Commencement of operations September 10, 2010	2019	2018	2017	2016	2015
Net assets at the beginning of year⁽³⁾	8.53	9.14	7.53	7.38	8.02
Increase (decrease) from operations:					
Total revenue	0.30	0.44	0.13	0.12	0.19
Total expenses (excluding distributions)	(0.57)	(0.56)	(1.06)	(0.80)	(0.65)
Realized gains (losses) for the year	(1.91)	(0.67)	2.81	0.62	0.53
Unrealized gains (losses) for the year	0.69	0.18	(0.33)	0.25	(0.72)
Total increase (decrease) from operations⁽³⁾	(1.49)	(0.61)	1.55	0.19	(0.65)
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total distributions⁽³⁾	-	-	-	-	-
Net assets at the end of the year shown⁽³⁾	7.03	8.53	9.14	7.53	7.38
Ratios and Supplemental Data					
Net asset value (\$000's)	12,927	20,470	28,630	30,111	36,874
Number of shares outstanding (000's)	1,839	2,396	3,131	4,000	4,997
Portfolio turnover rate (%) ⁽⁵⁾	1.52	18.77	-	2.05	2.98
Trading expense ratio (%) ⁽⁶⁾	-	-	-	0.01	0.01
Management expense ratio after taxes (%) ⁽⁴⁾	6.48	6.44	13.39	10.49	9.12
Net assets per share (\$)	7.03	8.53	9.14	7.53	7.38

*Footnotes for the tables are found at the end of the Financial Highlights section.

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FINANCIAL HIGHLIGHTS (cont'd)

THE FUND'S NET ASSETS PER SHARE (\$) ^{(1)(2)*}

CLASS A, SERIES IV SHARES	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
Commencement of operations September 10, 2010	2019	2018	2017	2016	2015
Net assets at the beginning of year ⁽³⁾	8.48	9.10	7.50	7.35	8.00
Increase (decrease) from operations:					
Total revenue	0.29	0.44	0.13	0.12	0.20
Total expenses (excluding distributions)	(0.57)	(0.56)	(1.06)	(0.80)	(0.65)
Realized gains (losses) for the year	(1.89)	(0.67)	2.78	0.63	0.52
Unrealized gains (losses) for the year	0.68	0.18	(0.33)	0.25	(0.72)
Total increase (decrease) from operations ⁽³⁾	(1.49)	(0.61)	1.52	0.20	(0.65)
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total distributions ⁽³⁾	-	-	-	-	-
Net assets at the end of the year shown ⁽³⁾	6.99	8.48	9.10	7.50	7.35
Ratios and Supplemental Data					
Net asset value (\$000's)	5,223	8,855	12,838	13,858	17,462
Number of shares outstanding (000's)	747	1,043	1,411	1,849	2,375
Portfolio turnover rate (%) ⁽⁵⁾	1.52	18.77	-	2.05	2.98
Trading expense ratio (%) ⁽⁶⁾	-	-	-	0.01	0.01
Management expense ratio after taxes (%) ⁽⁴⁾	6.48	6.50	13.45	10.54	9.19
Net assets per share (\$)	6.99	8.48	9.10	7.50	7.35

*Footnotes for the tables are found at the end of the Financial Highlights section.

VENTURELINK INNOVATION FUND INC.

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FINANCIAL HIGHLIGHTS (cont'd)

THE FUND'S NET ASSETS PER SHARE (\$)^{(1)(2)*}

CLASS A, SERIES VI SHARES Commencement of operations September 10, 2010	Dec. 31 2019	Dec. 31 2018	Dec. 31 2017	Dec. 31 2016	Dec. 31 2015
Net assets at the beginning of year⁽³⁾	8.70	9.30	7.64	7.47	8.11
Increase (decrease) from operations:					
Total revenue	0.30	0.45	0.14	0.13	0.14
Total expenses (excluding distributions)	(0.66)	(0.54)	(1.06)	(0.79)	(0.64)
Realized gains (losses) for the year	(1.94)	(0.69)	2.83	0.64	0.55
Unrealized gains (losses) for the year	0.70	0.19	(0.30)	0.25	(0.69)
Total increase (decrease) from operations⁽³⁾	(1.60)	(0.59)	1.61	0.23	(0.64)
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total distributions⁽³⁾	-	-	-	-	-
Net assets at the end of the year shown⁽³⁾	7.11	8.70	9.30	7.64	7.47
Ratios and Supplemental Data					
Net asset value (\$000's)	340	560	680	709	900
Number of shares outstanding (000's)	48	64	73	93	120
Portfolio turnover rate (%) ⁽⁵⁾	1.52	18.77	-	2.05	2.98
Trading expense ratio (%) ⁽⁶⁾	-	-	-	0.01	0.01
Management expense ratio after taxes (%) ⁽⁴⁾	7.33	6.20	13.16	10.24	8.89
Net assets per share (\$)	7.11	8.70	9.30	7.64	7.47

*Footnotes for the tables are found at the end of the Financial Highlights section.

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FINANCIAL HIGHLIGHTS (cont'd)

- (1) This information is derived from the Fund's audited annual financial statements.
- (2) The following classes of shares of the Fund commenced operations:

Class A, Series I shares	September 10, 2010
Class A, Series II shares	September 10, 2010
Class A, Series III shares	September 10, 2010
Class A, Series IV shares	September 10, 2010
Class A, Series VI shares	September 10, 2010
- (3) Net assets per share and distributions per share are based on the actual number of shares outstanding for the relevant class on the relevant date. The increase (decrease) in net assets from operations per share is based on the weighted average number of shares outstanding for the relevant class over the financial year.
- (4) Management expense ratio is calculated based on expenses charged directly to the Fund plus, if applicable, expenses of the underlying funds, calculated on a weighted average basis based on the percentage weighting of each underlying fund and is expressed as an annualized percentage of average daily net asset value for the year.
- (5) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the fiscal year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a higher turnover rate and the performance of a Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the year, excluding cash and short-term investments maturing in less than one year and the value of any securities acquired as a result of merger, by the average of the monthly fair value of investments during the year.
- (6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value of the Fund during the year.

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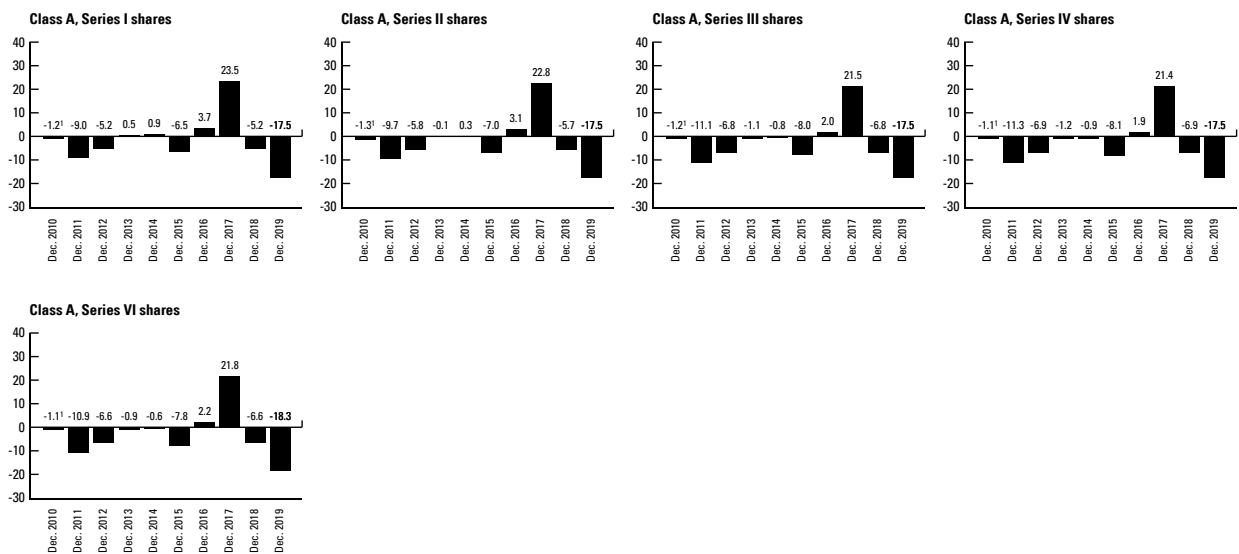
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PAST PERFORMANCE

This section describes how the Fund has performed in the past. Past returns do not indicate how the Fund will perform in the future. The information shown assumes that dividends paid by the Fund in the years shown were reinvested in additional shares of the relevant classes of the Fund. In addition, the information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance.

Year-by-Year Returns

The following charts show the Fund's annual performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. In percentage terms, the charts show how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.



¹ 2010 return is for the period from September 10, 2010 to December 31, 2010.

Returns for years up to December 31, 2012 are calculated using Canadian GAAP while returns for years thereafter are calculated using IFRS.

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Annual Compound Returns

The following table shows the Fund's annual compound returns for each year indicated, compared to the Globe Retail Venture Capital Peer Index.

The Globe Labor-Sponsored Peer Index is a mutual fund sector specific index that combines data from similar funds, in this case labor-sponsored venture capital funds, to provide sector average return information.

	One Year (%)	Three Years (%)	Five Years (%)	Since Inception (%)
Class A, Series I shares	(17.5)	(1.1)	(1.3)	(2.3)
Globe Labor-Sponsored Peer Index	3.7	(8.8)	(3.6)	(10.4)
Class A, Series II shares	(17.5)	(1.5)	(1.7)	(2.8)
Globe Labor-Sponsored Peer Index	3.7	(8.8)	(3.6)	(10.4)
Class A, Series III shares	(17.5)	(2.2)	(2.6)	(3.7)
Globe Labor-Sponsored Peer Index	3.7	(8.8)	(3.6)	(10.4)
Class A, Series IV shares	(17.5)	(2.3)	(2.7)	(3.8)
Globe Labor-Sponsored Peer Index	3.7	(8.8)	(3.6)	(10.4)
Class A, Series VI shares	(18.3)	(2.4)	(2.6)	(3.6)
Globe Labor-Sponsored Peer Index	3.7	(8.8)	(3.6)	(10.4)

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SUMMARY OF INVESTMENT PORTFOLIO as at December 31, 2019

Industry Sector	Number of Companies	Cost (in \$000's)	Fair Value (in \$000's)	% of Cost	% of FV
Sector					
Financial Services	2	4,230	796	20.2	6.4
Biotechnology	1	-	-	-	-
Information Technology	6	16,671	11,608	79.8	93.6
	9	20,901	12,404	100.0	100.0

Stage of Development	Number of Companies	Cost (in \$000's)	Fair Value (in \$000's)	% of Cost	% of FV
Investment Stage					
Early	3	7,656	741	36.6	6.0
Later	6	13,245	11,663	63.4	94.0
	9	20,901	12,404	100.0	100.0

Investments	Cost (in \$000's)	Fair Value (in \$000's)
Short Term Investments	9,955	9,955
Venture Investments	20,901	12,404
Underlying Funds	17,692	13,774
	48,548	36,133

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SUMMARY OF INVESTMENT PORTFOLIO as at December 31, 2019 (cont'd)

Top Venture Investment Holdings (as at December 31, 2019)*

DCR Strategies Inc.

Futurestate IT Inc.

MMB Research Inc.

Peraso Technologies Inc.

Pitchpoint Solutions Inc.

Upsight Inc.

SCI Ltd.

WF Fund IV Limited Partnership

*This includes the eight venture investments that continue to be carried at greater than nominal cost or market value.

The summary of investment may change due to ongoing portfolio transactions of the Fund and updates will be available on an annual basis.

A NOTE ON FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective," and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-

looking statement made by the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchanges rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.