

2020 Annual Management Report of Fund Performance

for the year ended December 31, 2020

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 (416) 681-6372, by writing to us at VL Advisors Inc., 8 King Street East, Suite 300, Toronto, ON M5C 1B5 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 2021 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 Fund's largest investment represents approximately 47% 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 2021. This management process will reduce the number of portfolio holdings from the current level of seven private holdings and result in an increase to overall portfolio concentration.

Although management is working towards the full exit of the portfolio and the wind-up of the Fund prior to December 31, 2021, there is no certainty that this will occur.

The realization of private investments can be affected by company specific issues and by external matters including public market performance and the possible impact of COVID-19.

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

The net asset value of the Fund at the end of the 2020 fiscal year was \$16,466. There were 431,170 Class A Shares, Series I, 296,527 Class A Shares, Series II, 1,161,145 Class A Shares, Series III, 424,175 Class A Shares, Series IV, and 29,166 Class A Shares Series VI outstanding.

Income

The Fund had total income of \$1,143 in 2020 compared to \$(3,332) in 2019, an increase of \$4,475. This increase is principally related to realized and unrealized gains on investments and reserves of \$889 in 2020 versus \$(4,396) in 2019.

Expenses

Operating expenses were \$1,799 in 2020 compared to \$2,074 in 2019, a decrease of \$275 or 13%. Operating expenses excluding performance fees and Class P dividend expense were \$1,290 in 2020 compared to \$2,098 in 2019 a decrease of 35%. This decrease is related to the reduction in the weighted average net asset value of the Fund during 2020 compared to 2019.

Class A Shares

Net redemptions of Class A Shares during the year were \$7,931.

New investments

The Fund made no new venture investments in the year. There was an addition of \$663 to SCI Ltd., the amount held by the Underlying Funds prior to the amalgamation of the Fund with the Underlying Funds on January 1, 2020.

Realizations

The Fund realized cash proceeds totaling \$5,531 from the sale of securities of the following venture investments for a net realized loss of \$174:

- DCR Strategies Inc., cost \$75
- FutureState IT Inc., cost \$250
- SCI Ltd., cost \$4,799
- Wellington Fund IV Limited Partnership, cost \$580

In addition to the venture investment activity, short term notes of \$27,981 were purchased and \$29,437 were sold in the year.

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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.

Amalgamation of Underlying Funds with the Fund

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.

Fund performance

Fund performance, on a per share basis, varied from a loss of \$.27 for Series IV to a loss of \$.33 for Series VI. The losses were primarily related to operating expenses in excess of total income for the year.

RECENT DEVELOPMENTS

Fund Liquidity and investment concentration

The Fund has approx. 58% 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 largest investment of the Fund has a total value equal to 47% 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, ideally prior to the end of 2021.

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.

RELATED PARTY TRANSACTIONS

Manager

The Manager and Investment Advisor and Sponsor are deemed to be related parties and earned \$563 from the Fund. This amount represents fees for management, investment advisor and sponsor services. The Fund accrued \$417 of performance fees in the year, resulting in an ending accrual of \$1,154. Accrued performance fees will be payable to the Manager in future periods if certain criteria are achieved. In addition, the Fund incurred dividend expenses of \$92 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.

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Management Report of Fund Performance for the year ended December 31, 2020

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 2020	Dec. 31 2019	Dec. 31 2018	Dec. 31 2017	Dec. 31 2016
Net assets at the beginning of year⁽³⁾	8.09	9.81	10.34	8.37	8.07
Increase (decrease) from operations:					
Total revenue	0.12	0.34	0.51	0.15	0.13
Total expenses (excluding distributions)	(0.84)	(0.66)	(0.47)	(1.05)	(0.74)
Realized gains (losses) for the year	(1.53)	(2.21)	(0.77)	3.23	0.66
Unrealized gains (losses) for the year	1.94	0.80	0.21	(0.38)	0.27
Total increase (decrease) from operations⁽³⁾	(0.31)	(1.73)	(0.52)	1.95	0.32
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⁾	7.79	8.09	9.81	10.34	8.37
Ratios and Supplemental Data					
Net asset value (\$000's)	3,357	3,998	5,395	6,347	5,876
Number of shares outstanding (000's)	431	494	549	614	702
Portfolio turnover rate (%) ⁽⁵⁾	0.86	1.52	18.77	-	2.05
Trading expense ratio (%) ⁽⁶⁾	-	-	-	-	0.01
Management expense ratio after taxes (%) ⁽⁴⁾	11.19	6.48	4.79	11.75	8.87
Net assets per share (\$)	7.79	8.09	9.81	10.34	8.37

*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 II SHARES Commencement of operations September 10, 2010	Dec. 31 2020	Dec. 31 2019	Dec. 31 2018	Dec. 31 2017	Dec. 31 2016
Net assets at the beginning of year ⁽³⁾	7.71	9.35	9.91	8.07	7.82
Increase (decrease) from operations:					
Total revenue	0.11	0.32	0.48	0.15	0.13
Total expenses (excluding distributions)	(0.80)	(0.63)	(0.50)	(1.06)	(0.76)
Realized gains (losses) for the year	(1.43)	(2.11)	(0.74)	3.10	0.64
Unrealized gains (losses) for the year	1.83	0.77	0.20	(0.37)	0.26
Total increase (decrease) from operations ⁽³⁾	(0.29)	(1.65)	(0.56)	1.82	0.27
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⁾	7.42	7.71	9.35	9.91	8.07
Ratios and Supplemental Data					
Net asset value (\$000's)	2,200	2,565	3,342	4,033	3,654
Number of shares outstanding (000's)	297	333	357	407	453
Portfolio turnover rate (%) ⁽⁵⁾	0.86	1.52	18.77	-	2.05
Trading expense ratio (%) ⁽⁶⁾	-	-	-	-	0.01
Management expense ratio after taxes (%) ⁽⁴⁾	11.21	6.49	5.35	12.32	9.43
Net assets per share (\$)	7.42	7.71	9.35	9.91	8.07

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FINANCIAL HIGHLIGHTS (cont'd)

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

CLASS A, SERIES III SHARES Commencement of operations September 10, 2010	Dec. 31 2020	Dec. 31 2019	Dec. 31 2018	Dec. 31 2017	Dec. 31 2016
Net assets at the beginning of year⁽³⁾	7.03	8.53	9.14	7.53	7.38
Increase (decrease) from operations:					
Total revenue	0.10	0.30	0.44	0.13	0.12
Total expenses (excluding distributions)	(0.73)	(0.57)	(0.56)	(1.06)	(0.80)
Realized gains (losses) for the year	(1.78)	(1.91)	(0.67)	2.81	0.62
Unrealized gains (losses) for the year	2.13	0.69	0.18	(0.33)	0.25
Total increase (decrease) from operations⁽³⁾	(0.28)	(1.49)	(0.61)	1.55	0.19
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⁾	6.77	7.03	8.53	9.14	7.53
Ratios and Supplemental Data					
Net asset value (\$000's)	7,858	12,927	20,470	28,630	30,111
Number of shares outstanding (000's)	1,161	1,839	2,396	3,131	4,000
Portfolio turnover rate (%) ⁽⁵⁾	0.86	1.52	18.77	-	2.05
Trading expense ratio (%) ⁽⁶⁾	-	-	-	-	0.01
Management expense ratio after taxes (%) ⁽⁴⁾	11.14	6.48	6.44	13.39	10.49
Net assets per share (\$)	6.77	7.03	8.53	9.14	7.53

*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	2020	2019	2018	2017	2016
Net assets at the beginning of year ⁽³⁾	6.99	8.48	9.10	7.50	7.35
Increase (decrease) from operations:					
Total revenue	0.10	0.29	0.44	0.13	0.12
Total expenses (excluding distributions)	(0.72)	(0.57)	(0.56)	(1.06)	(0.80)
Realized gains (losses) for the year	(1.95)	(1.89)	(0.67)	2.78	0.63
Unrealized gains (losses) for the year	2.30	0.68	0.18	(0.33)	0.25
Total increase (decrease) from operations ⁽³⁾	(0.27)	(1.49)	(0.61)	1.52	0.20
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⁾	6.73	6.99	8.48	9.10	7.50
Ratios and Supplemental Data					
Net asset value (\$000's)	2,853	5,223	8,855	12,838	13,858
Number of shares outstanding (000's)	424	747	1,043	1,411	1,849
Portfolio turnover rate (%) ⁽⁵⁾	0.86	1.52	18.77	-	2.05
Trading expense ratio (%) ⁽⁶⁾	-	-	-	-	0.01
Management expense ratio after taxes (%) ⁽⁴⁾	11.11	6.48	6.50	13.45	10.54
Net assets per share (\$)	6.73	6.99	8.48	9.10	7.50

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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 2020	Dec. 31 2019	Dec. 31 2018	Dec. 31 2017	Dec. 31 2016
Net assets at the beginning of year⁽³⁾	7.11	8.70	9.30	7.64	7.47
Increase (decrease) from operations:					
Total revenue	0.10	0.30	0.45	0.14	0.13
Total expenses (excluding distributions)	(0.79)	(0.66)	(0.54)	(1.06)	(0.79)
Realized gains (losses) for the year	(1.86)	(1.94)	(0.69)	2.83	0.64
Unrealized gains (losses) for the year	2.22	0.70	0.19	(0.30)	0.25
Total increase (decrease) from operations⁽³⁾	(0.33)	(1.60)	(0.59)	1.61	0.23
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⁾	6.78	7.11	8.70	9.30	7.64
Ratios and Supplemental Data					
Net asset value (\$000's)	198	340	560	680	709
Number of shares outstanding (000's)	29	48	64	73	93
Portfolio turnover rate (%) ⁽⁵⁾	0.86	1.52	18.77	-	2.05
Trading expense ratio (%) ⁽⁶⁾	-	-	-	-	0.01
Management expense ratio after taxes (%) ⁽⁴⁾	11.97	7.33	6.20	13.16	10.24
Net assets per share (\$)	6.78	7.11	8.70	9.30	7.64

*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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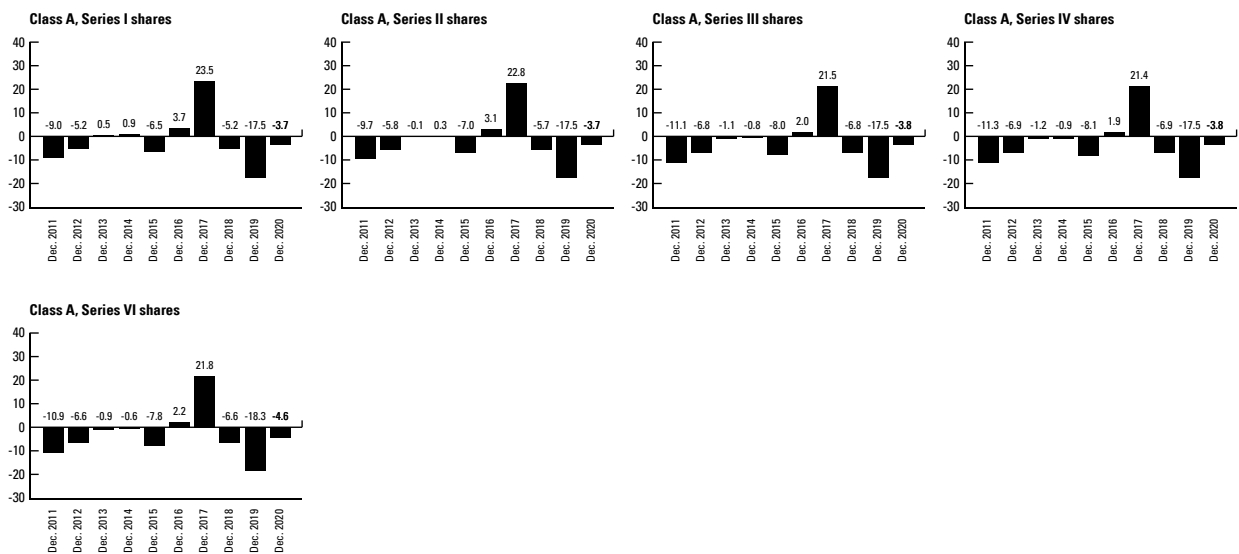
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PAST PERFORMANCE

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.



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 (%)	Ten Years (%)
Class A, Series I shares	(3.7)	(9.1)	(0.7)	(2.4)
Globe Labor-Sponsored Peer Index	51.6	1.0	10.7	(9.2)
Class A, Series II shares	(3.7)	(9.2)	(1.0)	(2.8)
Globe Labor-Sponsored Peer Index	51.6	1.0	10.7	(9.2)
Class A, Series III shares	(3.8)	(9.6)	(1.7)	(3.7)
Globe Labor-Sponsored Peer Index	51.6	1.0	10.7	(9.2)
Class A, Series IV shares	(3.8)	(9.6)	(1.8)	(3.8)
Globe Labor-Sponsored Peer Index	51.6	1.0	10.7	(9.2)
Class A, Series VI shares	(4.6)	(10.0)	(1.9)	(3.7)
Globe Labor-Sponsored Peer Index	51.6	1.0	10.7	(9.2)

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SUMMARY OF INVESTMENT PORTFOLIO as at December 31, 2020

Industry Sector	Number of Companies	Cost (in \$000's)	Fair Value (in \$000's)	% of Cost	% of Fair Value
Sector					
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

Stage of Development	Number of Companies	Cost (in \$000's)	Fair Value (in \$000's)	% of Cost	% of Fair Value
Investment Stage					
Early	2	7,407	-	46.7	-
Later	5	8,454	8,434	53.3	100.0
	7	15,861	8,434	100.0	100.0

Investments	Cost (in \$000's)	Fair Value (in \$000's)
Venture Investments	15,861	8,434
Short-Term Investments	8,499	8,499
	24,360	16,933

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SUMMARY OF INVESTMENT PORTFOLIO as at December 31, 2020 (cont'd)

Top Venture Investment Holdings (as at December 31, 2020)*

DCR Strategies Inc.

MMB Research Inc.

Peraso Technologies Inc.

Performance Plants Inc.

Pitchpoint Solutions Inc.

Upsight Inc.

Wellington Fund IV Limited Partnership

*This includes the 7 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.