

2009 Annual Management Report of Fund Performance

for the year ended December 31, 2009

VentureLink Balanced Fund Inc.



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 VentureLink LP, 1 Richmond Street West, Suite 801, Toronto, ON M5H 3W4 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 BALANCED FUND INC.

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INVESTMENT OBJECTIVE AND STRATEGIES

The investment objective of the Fund is to realize long term capital appreciation on all or part of its investment portfolio. The Balanced Fund will make investments in eligible Canadian businesses as defined in the Ontario Act.

The Fund's strategy for 2010 will be to hold most or all venture investments through the year. New investments will be considered on a selective basis as proceeds are realized on existing investments.

RISK

The risk of investing in the Fund includes the need to provide ongoing financial support to early stage, growing technology businesses, the large portion of private company investments, industry concentration and the relatively limited number of investments in the portfolio.

There is no market for Class A Shares, therefore shareholders are only able to dispose of their Class A shares through the redemption of their shares. Depending on the circumstances, investors may not be able to redeem their Class A shares on demand.

The fair value of the largest venture investment represents approximately 10% of the net asset value of the Fund. The Fund is suited to investors that have a high tolerance for risk and a long-term investment horizon.

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

The net asset value of the Fund at the end of the 2009 fiscal year was \$34,900. There were 3,505,457 Class A Shares outstanding. During the period 300,000 Class P Shares were issued to the Manager, VentureLink LP.

Revenue

The Fund had revenue of \$809 in 2009 an amount equal to revenue in 2008.

Expenses

Operating expenses have decreased to \$1,755 in 2009 from \$2,456 in 2008, a decrease of 29%. A portion of the decrease is due to the reversal of capital taxes accrued in 2008 and the balance is related to reduced average monthly net asset values in 2009.

Class A Shares

Net Class A Shares redeemed during the period were \$429.

Class P Shares

300,000 Class P Shares were issued to the Manager during the period.

New investments

The Fund did not make any new or follow-on venture investments during the year.

Realizations

Two of the underlying funds realized proceeds totaling \$23 from the sale of securities of Futura Loyalty Group Inc. for a net realized loss of \$1,527.

The portfolio holdings continue to reflect the Fund's objective of investing in community small business investment fund corporations ("CSBIFs"), which in turn will make eligible investments in companies that are developing innovative new technologies, products or services in a diverse range of industries.

Fund performance

Fund performance reflected a decrease in net asset value per share of approximately 2.8% during the year versus the DEX Mid-Term Bond Index of 7.5% and the Globe Retail Venture Capital Peer Index of (5.1)%. The two strip bonds held by the Fund did not appreciate significantly and therefore underperformed the Bond Index. The Fund holds a much higher percentage of its assets in strip bonds than other retail venture capital funds and therefore had a smaller loss than the Peer Index.

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RECENT DEVELOPMENTS

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for all publicly accountable profit-oriented enterprises. IFRS will replace Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). IFRS becomes effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Based on the Manager's current evaluation of the differences between IFRS and Canadian GAAP, the Manager does not expect any impact to net asset value or net asset value per share as a result of the transition to IFRS. Currently, the Manager expects that the main impact will be on the Fund's financial statements, where additional disclosures or changes in presentation will be required. The Manager believes that the adoption of IFRS will have minimal impact on its operational areas and reporting systems. Further updates on the progress in the implementation of the IFRS transition plan and any changes to reporting will be provided during the implementation period leading up to January 1, 2011.

Ontario Tax Benefits

On September 30, 2005, the Ontario government announced that it is planning to remove the provincial tax credit for investors by the end of the 2011 RSP season. On March 23, 2006 a number of measures relating to the transition of the labour sponsored fund program were announced in the 2006 Ontario budget. These measures received Royal Assent on May 18, 2006 and are now law. In December of 2007, the Ontario Government announced that it intended to extend the tax credit by one year to the end of the 2012 RSP season and that it would increase the annual contribution eligible for provincial credit from \$5,000 to \$7,500. The measures announced in December 2007 received Royal Assent on May 14, 2008 and are now law.

RELATED PARTY TRANSACTIONS

Manager

The Manager, Investment Advisor and Sponsor are deemed to be related parties and earned \$1,220 from the Fund. This amount represents fees for management, investment advisor and sponsor services. No performance fees were paid or accrued in the year or at year-end.

Management Fees

In consideration of the management fees for the period, 100% of the fees were used to pay for administration.

Registrar and Transfer Agent

CI Investments Inc., is the registrar and transfer agent for the Fund.

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FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about the Fund and is 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 Values.

THE FUND'S NET ASSETS PER SHARE (\$) ⁽¹⁾⁽²⁾

CLASS A, SERIES I SHARES	Dec. 31 2009	Dec. 31 2008	Dec. 31 2007	Dec. 31 2006	Dec. 31 2005*
Net assets, beginning of year ⁽³⁾⁽⁹⁾	10.17	11.15	10.06	10.88	9.81
Increase (decrease) from operations:					
Total revenue	0.23	0.23	0.33	0.33	0.32
Total expenses	(0.50)	(0.69)	(0.74)	(0.75)	(1.10)
Realized gains (losses) for the period	—	—	0.25	—	—
Unrealized gains (losses) for the period	0.06	(0.51)	1.24	0.73	1.85
Total increase (decrease) from operations ⁽³⁾	(0.21)	(0.97)	1.08	0.31	1.07
Dividends:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total annual dividends ⁽³⁾⁽⁴⁾	—	—	—	—	—
Net assets at end of year shown ⁽³⁾⁽⁹⁾	9.96	10.17	11.15	10.06	10.88
RATIOS AND SUPPLEMENTAL DATA					
Total net asset value (\$000's)	35,091	36,565	40,769	36,550	18,829
Number of shares outstanding (000's)	3,505	3,549	3,586	3,632	1,730
Management fee (%) ⁽⁵⁾	1.25	1.25	1.25	1.25	1.25
Investment advisor fee (%) ⁽⁵⁾	2.00	2.00	2.00	2.00	2.00
Management expense ratio (%) ⁽⁶⁾	5.04	6.07	6.98	6.72	12.69
Portfolio turnover rate (%) ⁽⁷⁾	—	1.12	6.88	—	—
Trading expense ratio (%) ⁽⁸⁾	—	—	—	—	—
Net asset value per share (\$) ⁽⁹⁾	10.01	10.30	11.37	10.37	11.23

* Figures provided are those of VentureLink Brighter Future (Balanced) Fund Inc.

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per share presented in the financial statements differs from the net asset value calculated for Fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements.
- (2) The following classes of shares of the Fund commenced operations:
Class A, Series I shares January 1, 2002
- (3) Net assets per share and dividends 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 fiscal year.
- (4) Dividends are automatically reinvested in additional shares of the Fund, unless the shareholder withdraws from the automatic reinvestment plan by providing written notice to the Manager, or unless the Fund elects to pay them.
- (5) The Fund has entered into various agreements including management, investment advisory and administration agreements. The annualized fees are as shown.
- (6) Management expense ratio is calculated based on expenses charged directly to the Fund (excluding commissions and other portfolio transaction costs) 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.
- (7) 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.

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FINANCIAL HIGHLIGHTS cont'd

- (8) 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.
- (9) Section 14.2 of National Instrument 81-106 requires the net assets of an investment fund to be calculated using the fair value of the fund's assets and liabilities. Canadian GAAP requires a different valuation method for calculating net assets for financial reporting purposes. For the purpose of processing shareholder transactions, net assets are calculated based on the closing market price (referred to as "Net Asset Value"), while for financial statement purposes net assets are calculated based on bid/ask price (referred to as "Net Assets").

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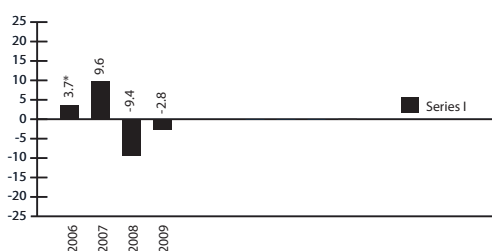
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PAST PERFORMANCE

This section describes how the Fund has performed in the past. Past returns do not indicate how the Fund will perform in the future. Returns shown are based on Net Asset Value per share, which differs from the GAAP Net Assets per share (Note 3 of the Financial Statements). 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 chart shows 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, except where noted.



*This figure is for the period from July 28, 2006 to December 31, 2006.

Annual Compound Returns

The following table shows the Fund's annual compound returns for each period indicated, compared to the Globe Retail Venture Capital Peer Index, DEX Mid Term Bond Index and the Blended Index composed of: 50% - Globe Retail Venture Capital Peer Index and 50% - DEX Mid Term Bond Index.

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

The DEX Mid Term Bond Index is a market capitalization weighted index that measures the performance of the Canadian investment-grade fixed income market. The DEX Mid Term Bond Index consists of fixed rate bonds denominated in Canadian dollars, with remaining effective terms to maturity greater than 5 years, and less than or equal to 10 years, rated BBB or higher. The Index is a sub-sector of the DEX Universe Bond Index.

A discussion of the performance of the Fund as compared to the Globe Retail Venture Capital Peer Index, DEX Mid Term Bond Index and the Blended Index composed of: 50% - Globe Retail Venture Capital Peer Index and 50% - DEX Mid Term Bond Index is found in the Results of Operations section of this report.

	One Year	Three Years	Five Years	Since Inception
Class A, Series I (%)	-2.8	-1.2	N/A	0.0
Blended Index (%)	2.4	-0.4	N/A	0.4
Globe Retail Venture Capital Peer Index (%)	-5.1	-7.2	N/A	-5.9
DEX Mid Term Bond Index (%)	7.5	5.9	N/A	6.2

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SUMMARY OF INVESTMENT PORTFOLIO as at December 31, 2009

Industry Sector	Number of companies	Cost (in \$000's)	Fair Value (in \$000's)	% of cost	% of FV
Energy and environmental	3	3,817	1,227	41.5	25.1
Information technology	3	5,232	3,646	56.9	74.8
Financial	1	150	2	1.6	0.1
	7	9,199	4,875	100.0	100.0

Stage of Development	Number of companies	Cost (in \$000's)	Fair Value (in \$000's)	% of cost	% of FV
Early	7	9,199	4,875	100.0	100.0
	7	9,199	4,875	100.0	100.0

This Summary includes the venture investments of the Fund and the CSBIF's owned by the Fund.

The summary of Venture investments may change due to ongoing portfolio transactions of the Fund and updates will be available on a semi-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.