

2007 Management Report of Fund Performance

December 31, 2007

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 2008 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.

RISKS

The risks of investing remain as discussed in the prospectus. The Fund is suited to investors that have a high tolerance for risk and a long term investment horizon. The market value of the two largest investments represents approximately 37% of the net asset value of the fund.

Fund merger

The Fund was created by the amalgamation of VentureLink Diversified Balanced Fund Inc. with VentureLink Brighter Future (Balanced) Fund Inc. effective July 31, 2006.

The 2006 comparative amounts are based on the results of VentureLink Brighter Future (Balanced) Fund Inc. only to July 31, 2006 and the combined results of the amalgamated fund from August 1, 2006 to December 31, 2006.

RESULTS OF OPERATIONS (in 000s except share numbers)

The net asset value of the Fund at the end of the 2007 fiscal year was \$39,974. There were 3,586,133 Class A Shares outstanding.

Revenue

The Fund had revenue of \$1,638 in 2007 compared to \$1,001 in 2006, an increase of approximately 63%. This increase is related to the increased average monthly size of the strip bond portfolio as a result of the merger.

Expenses

Operating expenses have increased to \$2,676 in 2007 from \$2,512 in 2006, an increase of 7%. This increase is related to the increased size of the Fund following the merger, partially offset by the impact of writing off deferred commissions of the former VentureLink Diversified Balanced Fund Inc. in 2006.

Class A Shares

Net Class A Shares redeemed during the period were \$489.

New investments

The Fund made \$252 of follow-on investments during the year in the following private businesses:

- Enerworks Inc., \$151 follow-on, total cost \$1,591
- Strategic Connections Inc., \$101 follow-on, total cost \$1,920

Realizations

The Fund realized proceeds totaling \$11,036 from the sale of securities of Ventus Energy Inc. for a realized gain of \$9,636.

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.

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Fund performance

Fund performance reflected an increase in net asset value per share of approximately 9.6% during the year. The increase was primarily related to realized and unrealized appreciation in the value of venture investments during the year. The performance of the venture portfolio accounted for returns in excess of those of the DEX Mid Term Bond Index of 3.3% and the Globe Labour Sponsored Peer Index of -1.1%.

RECENT DEVELOPMENTS

Turmoil characterized global equity markets during January 2008. Trading ranges of several hundred points were the order of the day on several occasions for the major equity indices. The continued unwinding of the U.S. sub-prime mortgage debacle saw additional writedowns at several major financial institutions. A potential trading fraud of record proportions at a top European bank made headlines and added to volatility as its positions were unwound. Against this backdrop, increased uncertainty over the health of the U.S. economy added to the fears of market participants, leading to declines on virtually all stock markets worldwide during the month.

Events prompted the U.S. Federal Reserve to cut interest rates by an aggressive three-quarters of a percentage point, and to follow up soon after with a further cut of half a percentage point. By contrast, the Bank of Canada's modest quarter point rate reduction served to provide greater interest rate differentiation and additional support for the Canadian dollar emerged. Not surprisingly, the fixed-income market reflected the volatility of the equity markets. Yields on 10-year Government of Canada bonds fell by close to a quarter of a percentage point over the course of the month, only to close out virtually unchanged at month's end. The story was different for short-term securities as two-year yields fell about half a percentage point, but closed the month down about a third of a percentage point.

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 is 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. These measures have not received Royal Assent and are not yet law.

RELATED PARTY TRANSACTIONS

Manager

The Manager, Advisor and Sponsor are deemed to be related parties and earned \$1,349 from the Fund. This amount represents fees for management, investment advisor and sponsor services. In addition, the Fund paid out \$1,912 of performance fees which included amounts accrued at the end of 2006 and \$407 recorded in the period. Of the performance fees paid, 50% was paid to the University of Western Ontario, Queens University, the University of Toronto and the University of Waterloo as sponsors of the Community Small Business Investment Funds. There were no performance fees accrued as at the end of the year.

Management Fees

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

Registrar and Transfer Agent

United Financial Corporation is the registrar and transfer agent for the Fund.

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FINANCIAL HIGHLIGHTS

The Fund's Net Assets per Share 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 five years ended December 31, as applicable. This information is derived from the Fund's audited annual financial statements.

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 2007	Dec. 31 2006	Dec. 31 2005*	Dec. 31 2004*	Dec. 31 2003*
Net assets, beginning of year ⁽³⁾⁽⁹⁾	10.06	10.88	9.81	9.97	10.10
Increase (decrease) from operations:					
Total revenue	0.33	0.33	0.32	0.29	0.27
Total expenses	(0.74)	(0.75)	(1.10)	(0.40)	(0.50)
Realized gain (loss) for the year	0.25	—	—	—	0.06
Unrealized gain (loss) for the year	1.24	0.73	1.85	0.46	0.06
Total increase (decrease) from operations ⁽³⁾	1.08	0.31	1.07	0.35	(0.11)
Dividends					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total dividends ⁽³⁾⁽⁴⁾	—	—	—	—	—
Net assets at end of year shown ⁽³⁾⁽⁹⁾	11.15	10.06	10.88	9.81	9.97
RATIOS AND SUPPLEMENTAL DATA					
Total net asset value (\$000's)	40,769	36,550	18,829	17,074	17,562
Number of shares outstanding (000's)	3,586	3,632	1,730	1,742	1,761
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⁾	6.98	6.72	12.69	5.80	4.33
Portfolio turnover rate (%) ⁽⁷⁾	6.88	—	—	0.03	0.16
Trading expense ratio (%) ⁽⁸⁾	—	—	—	N/A	N/A
Net Asset Value at end of year ⁽⁹⁾	11.37	10.37	11.23	9.81	9.97

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

- The amounts in the Fund's Net Assets per Share (\$) table have been adjusted to conform to the requirements of National Instrument 81-106, which came into effect in 2005. It is not intended that this table act as a continuity of beginning and ending Net Assets per share. Any prior year audited information has not been restated and is stated as previously published.
- The following classes of shares of the Fund commenced operations:
Class A, Series I shares January 1, 2002
- 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 period.
- 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.
- The Fund has entered into various agreements including management, investment advisory and administration agreements. The annualized fees are as shown.
- 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 period.
- 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 period. The higher a Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, 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 period, 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 market value of investments during the period.

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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 period. The trading expense ratio is provided from 2005 onwards.
- (9) The Canadian Securities Administrators issued a notice and request for comments to the proposed amendments to NI 81-106, form 81-106F1 and 81-106CP on June 1, 2007. The proposed amendments permit investment funds to have two different net asset values: one for financial statements prepared in accordance with Canadian GAAP (referred to as "Net Assets" in the proposal) and one for the purchase and redemption price of an investment fund (referred to as "Net Asset Value" in the proposal). Net Assets requires bid price (for long securities) or ask price (for securities held short) to be used in the fair valuation of investments whereas Net Asset Value uses closing sale prices. The provisions of Section 3855 have been applied retroactively without restatement of prior periods. Accordingly, the net assets at the beginning of the current period has been adjusted as follows:

	Class A, Series I shares
Net Assets per unit, beginning of period - Adjustment	–

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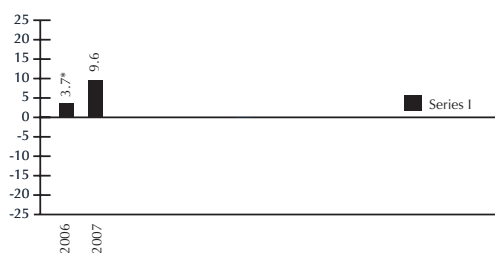
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PAST PERFORMANCE

This section describes how the Fund has performed in the past. Remember, 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 asset values per share (Note 3 of the Financial Statements). The information shown assumes that dividends paid by the Fund in the periods 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 period would have grown or decreased by the last day of each financial period.



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

Annual Compound Returns

The following table shows the Fund's annual compound returns, compared to the DEX Mid Term Bond Index and Globe Labour-Sponsored Peer Index.

DEX Mid Term Bond Index is comprised of Canadian, provincial and municipal government bond issues and corporate bond issues with maturities from five to ten years. The index is a component of the DEX Universe Bond Index.

The Globe Labour-Sponsored Peer Index is an equally weighted average of mutual funds within the Labour-Sponsored Investment Fund asset class.

A discussion of the performance of the Fund as compared to the DEX Mid Term Bond Index and Globe Labour-Sponsored Peer Index are found in the Results of Operations section of this report.

	One Year	Three Years	Five Years	Since Inception
Class A, Series I (%)	9.6	N/A	N/A	9.4
DEX Mid Term Bond 100%	3.3	N/A	N/A	4.7
Globe Labour Sponsored Peer Index 100%	-1.1	N/A	N/A	0.2

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SUMMARY OF VENTURE INVESTMENTS (as at December 31, 2007)

Industry Sector	Number of companies	Cost (in \$000's)	Fair Market Value (in \$000's)	% of cost	% of FMV
Energy and environmental	3	3,818	3,085	35.5	32.7
Information technology	3	5,231	6,296	48.7	66.8
Financial	1	1,700	46	15.8	0.5
	7	10,749	9,427	100.0	100.0

Stage of Development	Number of companies	Cost (in \$000's)	Fair Market Value (in \$000's)	% of cost	% of FMV
Investment Stage					
Early	7	10,749	9,427	100.0	100.0
	7	10,749	9,427	100.0	100.0

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.