

2008 Management Report of Fund Performance

for the six-month period ended June 30, 2008

VentureLink Financial Services Innovation Fund Inc.



This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual or annual financial statements of the investment fund. You can get a copy of the semi-annual or 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.

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RESULTS OF OPERATIONS (all figures in \$000's except per share amounts, number of shares and percentages)

The net asset value of the Fund as at June 30, 2008 was \$115,263. There were 5,482,824 Class A Shares, Series I, 736,511 Class A Shares, Series II, 3,432,969 Class A Shares, Series III, 1,065,901 Class A Shares, Series IV and 2,991 Class A Shares, Series VI outstanding.

Revenue

The Fund had revenue for the period of \$3,197 compared to \$3,115 in 2007, an increase of approximately 2.6%. This increase can be attributed to an increase in placement and participation fees over the prior period.

Expenses

Operating expenses for the period decreased to \$4,064 from \$5,394 in 2007, a decrease of 24.7%. This decrease was primarily related to the reduction in performance fee expense in the period. Expenses excluding performance fees decreased by approximately 4% related to the decrease in average monthly net asset value during the period.

Class A Shares

Net purchases of Class A Shares during the period were \$7,351.

New investments

The Fund made a total of \$3,300 new and follow-on venture investments during the period:

- Clubb Finance Corporation, \$2,600 follow-on, total investment \$4,240
- Covarity Inc., \$500 follow-on, total investment \$1,000
- Lexfund Inc., \$200 follow-on, total investment \$3,593

In addition the Fund invested \$7,500 of reserves in a note linked to the return of the GMP Diversified Alpha Fund.

Realizations

The Fund realized proceeds totaling \$2,326 from the sale of securities of the following companies for a net realized gain of \$2.

- Covarity Inc., cost \$250
- Kensington Capital Partners Ltd., cost \$389
- N-Brook Lender Services Inc., cost \$1,686

The portfolio holdings continue to reflect the Fund's objective of investing in a diversified portfolio of financial service companies.

Fund performance

Fund performance reflected a decrease in net asset value per share of approximately 5% during the period. This decrease is primarily due to the reduced value of the Funds TSX Capped Financial Service Index linked notes.

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RECENT DEVELOPMENTS

Adoption of New Accounting Standards

The Canadian Institute of Chartered Accountants (“CICA”) issued Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation” in place of Section 3861 “Financial Instruments – Disclosure and Presentation”, Section 3862 and 3863 become effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. These sections establish standards for disclosure of financial instruments and the nature and extent of risks arising from financial instruments to which the Fund is exposed to during the reporting period. Adoption of the new accounting standards has no impact on valuation policies, nor the way the Fund’s Net Assets are calculated.

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 the provincial credit from \$5,000 to \$7,500. These measures received Royal Assent in May of 2008 and are now law.

RELATED PARTY TRANSACTIONS

Manager

The Manager, Advisor and Sponsor are deemed to be related parties and earned \$2,055 from the Fund. This amount represents fees for management, investment advisor and sponsor services. In addition, the Fund accrued \$586 of performance fees during the period and paid out performance fees of \$230 resulting in an ending accrual of \$4,170. Accrued performance fees will be payable to the Manager in the future if certain criteria are achieved.

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 the six-month period ended June 30, 2008, and for each of the five one-year periods ended December 31, as applicable. This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. Please see the front page for information about how you can obtain the Fund's annual or semi-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	Jun. 30 2008	Dec. 31 2007	Dec. 31 2006	Dec. 31 2005	Dec. 31 2004	Dec. 31 2003
Net assets, beginning of period ⁽³⁾⁽⁹⁾	11.49	11.91	10.40	9.79	10.49	10.38
Increase (decrease) from operations:						
Total revenue	0.31	0.80	1.10	0.67	0.47	0.50
Total expenses	(0.36)	(0.73)	(1.01)	(0.78)	(0.54)	(0.85)
Realized gains (losses) for the period	–	0.67	0.57	0.02	0.12	–
Unrealized gains (losses) for the period	(0.55)	(1.16)	0.85	0.72	0.26	0.58
Total increase (decrease) from operations ⁽³⁾	(0.60)	(0.42)	1.51	0.63	0.31	0.23
Distributions						
From income (excluding dividends)	–	–	–	–	–	–
From dividends	–	–	–	–	0.15	–
From capital gains	–	–	–	–	–	–
Return of capital	–	–	–	–	–	–
Total distributions ⁽³⁾⁽⁴⁾	–	–	–	–	0.15	–
Net assets at end of period shown ⁽³⁾⁽⁹⁾	10.90	11.49	11.92	10.40	9.79	10.49
RATIOS AND SUPPLEMENTAL DATA						
Total net asset value (\$000's)	61,351	65,447	66,436	58,564	55,658	60,079
Number of shares outstanding (000's)	5,483	5,520	5,574	5,629	5,682	5,729
Management Fee (%) ⁽⁵⁾	1.25	1.25	1.25	1.25	1.25	1.25
Investment advisor fee (%) ⁽⁵⁾	2.00	2.00	2.00	2.00	2.00	2.00
Management expense ratio (%) ⁽⁶⁾	5.49	5.90	8.74	7.40	5.13	7.78
Portfolio turnover rate (%) ⁽⁷⁾	2.24	27.83	17.63	4.43	12.37	41.00
Trading expense ratio (%) ⁽⁸⁾	–	0.01	–	–	N/A	N/A
Net Asset Value per share ⁽⁹⁾	11.19	11.85	12.41	11.03	9.79	10.49

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

CLASS A, SERIES II SHARES	Jun. 30 2008	Dec. 31 2007	Dec. 31 2006	Dec. 31 2005	Dec. 31 2004	Dec. 31 2003
Net assets, beginning of period ⁽³⁾⁽⁹⁾	11.56	12.03	10.60	10.05	10.44	10.34
Increase (decrease) from operations:						
Total revenue	0.30	0.79	1.09	0.67	0.47	0.50
Total expenses	(0.38)	(0.79)	(1.07)	(0.84)	(0.59)	(0.85)
Realized gains (losses) for the period	–	0.66	0.56	0.02	0.12	–
Unrealized gains (losses) for the period	(0.55)	(1.15)	0.85	0.72	0.26	0.57
Total increase (decrease) from operations ⁽³⁾	(0.63)	(0.49)	1.43	0.57	0.26	0.22
Distributions						
From income (excluding dividends)	–	–	–	–	–	–
From dividends	–	–	–	–	0.15	–
From capital gains	–	–	–	–	–	–
Return of capital	–	–	–	–	–	–
Total distributions ⁽³⁾⁽⁴⁾	–	–	–	–	0.15	–
Net assets at end of period shown ⁽³⁾⁽⁹⁾	10.93	11.56	12.05	10.60	10.05	10.44
RATIOS AND SUPPLEMENTAL DATA						
Total net asset value (\$000's)	8,178	8,731	9,008	7,994	7,679	8,073
Number of shares outstanding (000's)	737	742	748	754	764	773
Management Fee (%) ⁽⁵⁾	1.25	1.25	1.25	1.25	1.25	1.25
Investment advisor fee (%) ⁽⁵⁾	2.00	2.00	2.00	2.00	2.00	2.00
Management expense ratio (%) ⁽⁶⁾	6.01	6.43	9.26	7.94	5.67	7.80
Portfolio turnover rate (%) ⁽⁷⁾	2.24	27.83	17.63	4.43	12.37	41.00
Trading expense ratio (%) ⁽⁸⁾	–	0.01	–	–	–	–
Net Asset Value per share ⁽⁹⁾	11.10	11.77	12.34	10.97	10.05	10.44

CLASS A, SERIES III SHARES	Jun. 30 2008	Dec. 31 2007	Dec. 31 2006	Dec. 31 2005	Dec. 31 2004
Net assets, beginning of period ⁽³⁾⁽⁹⁾	11.20	11.78	10.54	10.14	10.00
Increase (decrease) from operations:					
Total revenue	0.29	0.75	1.05	0.64	0.44
Total expenses	(0.42)	(0.89)	(1.15)	(0.93)	(0.68)
Realized gains (losses) for the period	–	0.63	0.54	0.02	0.11
Unrealized gains (losses) for the period	(0.51)	(1.09)	0.81	0.69	0.25
Total increase (decrease) from operations ⁽³⁾	(0.64)	(0.60)	1.25	0.42	0.12
Distributions					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
Total distributions ⁽³⁾⁽⁴⁾	–	–	–	–	–
Net assets at end of period shown ⁽³⁾⁽⁹⁾	10.54	11.20	11.80	10.54	10.14
RATIOS AND SUPPLEMENTAL DATA					
Total net asset value (\$000's)	36,192	32,495	27,714	19,677	13,412
Number of shares outstanding (000's)	3,433	2,902	2,350	1,867	1,323
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⁾	7.13	7.55	10.37	9.16	6.87
Portfolio turnover rate (%) ⁽⁷⁾	2.24	27.83	17.63	4.43	12.37
Trading expense ratio (%) ⁽⁸⁾	–	0.01	–	–	–
Net Asset Value per share ⁽⁹⁾	10.54	11.20	11.80	10.54	10.14

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

CLASS A, SERIES IV SHARES	Jun. 30 2008	Dec. 31 2007	Dec. 31 2006	Dec. 31 2005	Dec. 31 2004
Net assets, beginning of period ⁽³⁾⁽⁹⁾	11.21	11.80	10.56	10.16	10.00
Increase (decrease) from operations:					
Total revenue	0.30	0.75	1.05	0.64	0.43
Total expenses	(0.43)	(0.89)	(1.15)	(0.93)	(0.68)
Realized gains (losses) for the period	–	0.63	0.54	0.02	0.11
Unrealized gains (losses) for the period	(0.51)	(1.10)	0.81	0.69	0.25
Total increase (decrease) from operations ⁽³⁾	(0.64)	(0.61)	1.25	0.42	0.11
Distributions					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
Total distributions ⁽³⁾⁽⁴⁾	–	–	–	–	–
Net assets at end of period shown ⁽³⁾⁽⁹⁾	10.56	11.21	11.81	10.56	10.16
RATIOS AND SUPPLEMENTAL DATA					
Total net asset value (\$000's)	11,251	9,890	7,995	5,465	3,408
Number of shares outstanding (000's)	1,066	882	677	518	335
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⁾	7.16	7.58	10.40	9.16	6.88
Portfolio turnover rate (%) ⁽⁷⁾	2.24	27.83	17.63	4.43	12.37
Trading expense ratio (%) ⁽⁸⁾	–	0.01	–	–	–
Net Asset Value per share ⁽⁹⁾	10.56	11.21	11.81	10.56	10.16

CLASS A, SERIES VI SHARES	Jun. 30 2008
Net assets, beginning of period ⁽³⁾⁽⁹⁾	10.00
Increase (decrease) from operations:	
Total revenue	0.23
Total expenses	(0.32)
Realized gains (losses) for the period	–
Unrealized gains (losses) for the period	(0.35)
Total increase (decrease) from operations ⁽³⁾	(0.44)
Distributions	
From income (excluding dividends)	–
From dividends	–
From capital gains	–
Return of capital	–
Total distributions ⁽³⁾⁽⁴⁾	–
Net assets at end of period shown ⁽³⁾⁽⁹⁾	9.68
RATIOS AND SUPPLEMENTAL DATA	
Total net asset value (\$000's)	29
Number of shares outstanding (000's)	3
Management Fee (%) ⁽⁵⁾	1.25
Investment advisor fee (%) ⁽⁵⁾	2.00
Management expense ratio (%) ⁽⁶⁾	0.77
Portfolio turnover rate (%) ⁽⁷⁾	2.24
Trading expense ratio (%) ⁽⁸⁾	–
Net Asset Value per share ⁽⁹⁾	9.68

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FINANCIAL HIGHLIGHTS cont'd

- (1) 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.
- (2) The following classes of shares of the Fund commenced operations:

Class A, Series I shares	January 1, 2002
Class A, Series II shares	January 1, 2002
Class A, Series III shares	January 1, 2004
Class A, Series IV shares	January 1, 2004
Class A, Series VI shares	January 24, 2008
- (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 period.
- (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 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.
- (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 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.
- (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 December 31, 2007 beginning net assets per unit has been adjusted as follows:

	Class A, Series I shares	Class A, Series II shares	Class A, Series III shares	Class A, Series IV shares
Net Assets per unit, beginning of period - Adjustment	0.01	0.02	0.02	0.01

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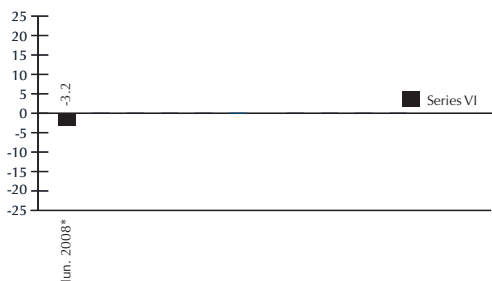
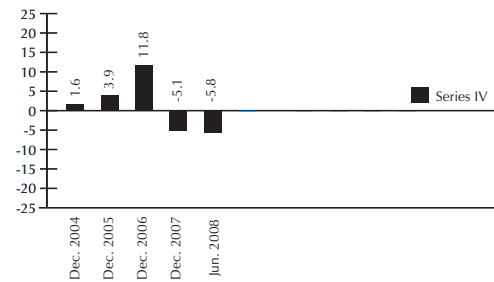
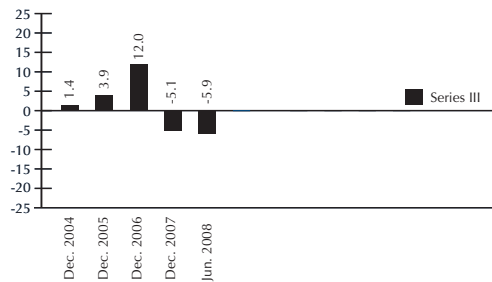
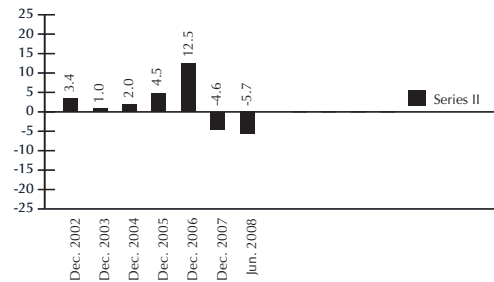
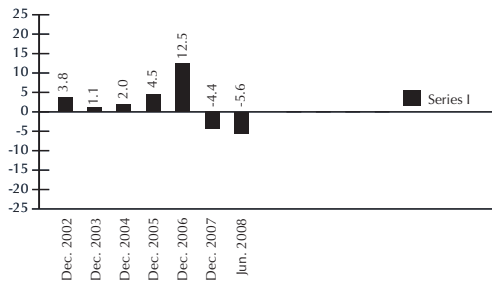
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PAST PERFORMANCE

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 six-month performance for the period ended June 30, 2008 and the 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 January 24, 2008 to June 30, 2008.

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SUMMARY OF INVESTMENT PORTFOLIO (as at June 30, 2008)

Industry Sector	Number of companies	Cost (in \$000's)	Fair Market Value (in \$000's)	% of cost	% of FMV
Sector					
Financials	17	62,637	57,517	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					
Public	5	13,429	10,786	21.4	18.8
Private	12	49,208	46,731	78.6	81.2
	17	62,637	57,517	100.0	100.0

The summary of investment portfolio 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.