

# 2008 Management Report of Fund Performance

December 31, 2008

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VentureLink Balanced Fund Inc.

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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](http://www.venturelinkfunds.com) or SEDAR at [www.sedar.com](http://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.

*Management Report of Fund Performance for the year ended December 31, 2008*

## INVESTMENT OBJECTIVE AND STRATEGIES

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

The Fund's strategy for 2009 will be to hold most or all venture investments through the year.

## 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 market value of the largest venture investment represents approximately 6% 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 2008 fiscal year was \$36,074. There were 3,548,586 Class A Shares outstanding.

### Revenue

The Fund had revenue of \$809 in 2008 compared to \$1,205 in 2007, a decrease of approximately 33%. This decrease is related to a reduction in the value of strip bonds held directly by the Fund.

### Expenses

Operating expenses have decreased to \$2,456 in 2008 from \$2,676 in 2007, a decrease of 8%. Operating expenses in 2007 before the performance fee accrual were \$2,456 in 2008 versus \$2,269 in 2007 or a net increase of 8%. This increase is related to a higher average net asset value in 2008 compared to 2007.

### Class A Shares

Net Class A Shares redeemed during the period were \$431.

### New investments

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

### Realizations

There were no realizations of venture investments during the year.

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 reflects a decrease in net asset value per share of approximately 9.4% for the year versus the DEX Mid-Term Bond Index of 7.0% and the Globe Retail Venture Capital Peer Index of (14.7)%. The Fund underperformed the DEX Mid-Term Bond Index due to unrealized depreciation in the value of venture investments during the year. The Fund holds a much higher portion of its assets in strip bonds than most retail venture capital funds and therefore outperformed the Globe Venture Capital Peer Index.

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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 became 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 including the nature and extent of risks arising from financial instruments to which the Fund is exposed during the reporting period. The adoption of the new accounting standards has no impact on valuation policies, nor the way the Fund's Net Assets are calculated.

Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. The new standard became effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The adoption of the new accounting standard has no impact on the Fund's Net Assets.

### **Future Accounting Standards**

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the use of the 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 ("GAAP"). IFRS becomes effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

At December 31, 2008, the Manager is taking the following steps to transition to IFRS:

- Identification of areas where changes in disclosure will be required under IFRS standards.
- Identification of operational areas impacted by the adoption of IFRS.
- Assessment of current reporting systems and their readiness for IFRS implementation.
- Implementation of an IFRS transition plan.

### **Ontario Tax Benefits**

On September 30, 2005, the Ontario government announced plans 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 \$1,417 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.

### **Registrar and Transfer Agent**

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

# VENTURELINK BALANCED FUND INC.

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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 past five one-year periods ended December 31, as applicable.

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

#### THE FUND'S NET ASSETS PER SHARE (\$) <sup>(1)(2)</sup>

CLASS A, SERIES I SHARES	Dec. 31 2008	Dec. 31 2007	Dec. 31 2006	Dec. 31 2005*	Dec. 31 2004*
Net assets, beginning of year <sup>(3)(9)</sup>	11.15	10.06	10.88	9.81	9.97
<b>Increase (decrease) from operations:</b>					
Total revenue	0.23	0.33	0.33	0.32	0.29
Total expenses	(0.69)	(0.74)	(0.75)	(1.10)	(0.40)
Realized gains (losses) for the period	—	0.25	—	—	—
Unrealized gains (losses) for the period	(0.51)	1.24	0.73	1.85	0.46
Total increase (decrease) from operations <sup>(3)</sup>	(0.97)	1.08	0.31	1.07	0.35
<b>Distributions:</b>					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total annual distributions <sup>(3)(4)</sup>	—	—	—	—	—
<b>Net assets at end of year shown <sup>(3)(9)</sup></b>	<b>10.17</b>	<b>11.15</b>	<b>10.06</b>	<b>10.88</b>	<b>9.81</b>
<b>RATIOS AND SUPPLEMENTAL DATA</b>					
Total net asset value (\$000's)	36,565	40,769	36,550	18,829	17,074
Number of shares outstanding (000's)	3,549	3,586	3,632	1,730	1,742
Management fee (%) <sup>(5)</sup>	1.25	1.25	1.25	1.25	1.25
Investment advisor fee (%) <sup>(5)</sup>	2.00	2.00	2.00	2.00	2.00
Management expense ratio (%) <sup>(6)</sup>	6.07	6.98	6.72	12.69	5.80
Portfolio turnover rate (%) <sup>(7)</sup>	1.12	6.88	—	—	0.03
Trading expense ratio (%) <sup>(8)</sup>	—	—	—	—	N/A
Net asset value per share (\$) <sup>(9)</sup>	10.30	11.37	10.37	11.23	9.81

\* 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 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 fiscal period.
- (4) Distributions 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 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 fair 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 years.

# VENTURELINK BALANCED FUND INC.

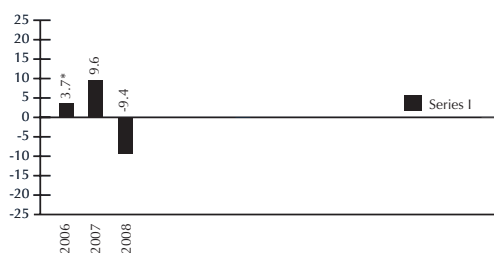
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## PAST PERFORMANCE

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 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 year would have grown or decreased by the last day of each financial year.



\*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, compared to the DEX Mid Term Bond Index and Globe Retail Venture Capital Peer Index.

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.

The Globe Retail Venture Capital Peer Index (formerly Globe Labour-Sponsored 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.

A discussion of the performance of the Fund as compared to the DEX Mid Term Bond Index and Globe Retail Venture Capital 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 (%)	-9.4	N/A	N/A	1.2
DEX Mid Term Bond 100%	7.0	N/A	N/A	5.7
Globe Retail Venture Capital Peer Index 100%	-14.7	N/A	N/A	-6.3

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## SUMMARY OF INVESTMENT PORTFOLIO (as at December 31, 2008)

Industry Sector	Number of companies	Cost (in \$000's)	Fair Market Value (in \$000's)	% of cost	% of FMV
Energy and environmental	3	3,817	1,409	35.5	37.8
Information technology	3	5,232	2,311	48.7	62.0
Financial	1	1,700	8	15.8	0.2
	7	10,749	3,728	100.0	100.0

Stage of Development	Number of companies	Cost (in \$000's)	Fair Market Value (in \$000's)	% of cost	% of FMV
Early	7	10,749	3,728	100.0	100.0
	7	10,749	3,728	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.