

BIG STOCKS BOOST RETURNS AT VENTURE CAPITAL FUNDS

By Shirley Won

The Globe and Mail, December 12, 2009

WHAT ARE WE LOOKING FOR?

How retail venture capital funds are faring this year as stock markets rebound.

These investments – commonly known as labour-sponsored investment funds – have been marketed on their federal and provincial tax credits. Ontario, however, plans to phase out its credits by the 2013 RRSP season.

TODAY'S SEARCH

We checked the year-to-date returns to screen the 15 best and worst performers. We excluded duplicate versions, and funds that have not reported a return for the first 11 months of 2009.

WHAT DID WE FIND?

Two of the three top funds focus on publicly traded companies. Horizons Advantaged Equity is at the top with a 30-per-cent return, while Dynamic Venture Opportunities is third with a 17-per-cent gain.

In 2005, Ontario changed its rules to allow funds to invest in publicly traded firms under certain circumstances within the venture capital portion (representing 60 per cent of new dollars raised). The balance can be invested in anything from stocks to bonds.

Horizons Advantaged Equity is co-run by Jim Huang of T.I.P. Wealth Manger Inc., who runs the venture capital side, while Leon Fraser & Associates Inc. manages the rest. This fund was formed in 2006 from the merger of Impax Venture Income, formerly DGC Entertainment Ventures, and Impax Venture Fund.

This fund had a rough ride last year, shedding 40 per cent. "We are vulnerable to public market downswings, but we are currently benefiting from the upswing," Mr. Huang said.

Some of his winners have included names like Guestlogix Inc., Bio-Extraction Inc. and Centamin Egypt Ltd. Larger names include EnCana Corp, and Canadian National Railway.

Ray Benzinger of Goldman & Co. has been running Dynamic Venture Opportunities since 1996. Some of his winners this year have included SXC Health Solutions Corp., TeraGo Inc. as well as Bank of Nova Scotia and Toronto-Dominion Bank.

Labour investment funds focused on public companies don't have the liquidity issues faced by some of their peers.

VenGrowth Asset Management Inc. recently halted redemptions in its VenGrowth Advanced Life Sciences Fund, because it has been unable to sell its investments to a strategic buyer or exit through an initial public offering (IPO). This fund has lost 14 per cent so far this year.

Last December, it stopped redemptions in VenGrowth Investment, which shed 31 per cent this year, and VenGrowth II, off 19 per cent. Investors can only redeem once a year from proceeds of a sale or IPO. "Market volatility has basically just shut down the exit market," VenGrowth spokesman David Ferguson said recently.

© Globe and Mail 2009 – Used with permission

Retail Venture Capital Funds to Nov. 30, 2009

Fund name	(As of Nov. 30) Assets (\$-mil)	Latest MER	% return (as of Nov.30)					Inception
			YTD	1-yr	3-yr	5-yr	10-yr	
Top 15								
Horizons Advantaged Equity Sr-I	1.9	9.5	29.5	21.9				-6.5
Covington Fund II		5.7	22.6	28.5	1.2	2.6		-1.2
Dynamic Venture Opport Series I		4.0	16.7	16.1	-7.8	-0.4	0.3	0.4
VentureLink Financial Serv Innov I	55.0	5.1	11.6	2.7	-5.6	-0.1		0.4
Covington Venture Fund VII-CapFirst		5.1	10.0	4.7	0.1	-2.4		-2.5
Covington Venture Fd VIII-Cap Prot			9.9	13.0				1.5
VentureLink Diversified Income I	6.3	5.0	7.8	-5.3	-9.3	-3.0		-1.5
Return on Innovation I	86.4	7.4	6.9	5.6	-7.3	-2.6		-2.0
Advantage Venture		5.2	3.7	2.9	-5.5	-5.6		-3.9
Covington Venture Fund IV-New Mille		4.3	3.7	4.0	15.8	9.9		4.9
Front Street Energy Gwth Fund Ser-I		7.2	3.4	1.6	-18.6	-5.0		4.2
Working Opp Commercialization 08	3.1		2.0	3.3				-1.3
Working Opport Commercialization 05	2.0	3.5	1.9	1.5	4.1			3.2
Saskworks Venture Fund Inc.		5.0	1.6	0.9	7.6	4.8		3.0
Saskworks Resources		5.5	1.2	0.6	9.6			6.8
Bottom 15								
VenGrowth Invst Fund Inc. CI A SrE		4.2	30.9	-31.9	-26.9	-16.8	-11.7	-5.0
Axis Investment Funds Inc. Ser. I	2.8	6.8	-29.2	-38.6	-39.4	-28.8		-17.7
Lawrence Enterprise I		6.4	-21.4	-22.4	-14.2	-13.5		-8.7
Covington Venture Fund V-New Gen		7.4	-20.7	-19.5	-10.3	-7.4		-4.7
Covington Strategic Capital Fund I		3.4	-17.9	-16.9	5.0	4.0		3.1
VenGrowth II Investment Fund Inc.		4.8	-17.8	-18.8	-18.4	-12.4		-8.3
VenGrowth Traditional Inds CI-A SrA		6.4	-15.3	-16.1	-7.1	-3.7		-3.4
ENSIS Growth Fund Inc.	63.3	5.0	-12.7	-13.7	0.7	-2.0	-1.8	-1.8
GrowthWorks Cdn Fund Ltd. (FOF Tra)	12.2	7.2	-12.7	-13.6	-5.2			-5.9
VenGrowth Adv Life Sciences CIA SrA		5.5	-12.2	-13.8	-8.4	-5.4		-3.8
GrowthWorks Canadian	116.3	5.5	-10.7	-11.6	-3.9	-1.9	-5.8	-0.8
British Columbia Discovery			-10.0	-12.2	-6.7	-5.2		-5.0
Covington Venture Fund Inc. Sr I		5.0	-9.4	-10.6	-2.0			-3.5
GrowthWorks Cdn Fund GIC Series I	0.3		-8.3	-9.7				-9.0
Working Opp Commercialization 06	3.2		-8.3	-7.7	-1.4			-1.4
BMO Nesbitt Burns Cdn Small Cap Index			64.3	74.6	-2.9	5.2	9.3	
NASDAQ Composite (\$ Cdn)			17.4	19.4	-6.5	-1.9	-7.4	
S&P/TSX Composite Index			27.4	23.5	-3.5	4.9	4.3	
S&P/TSX Completion			34.5	34.3	-6.7	2.0	4.6	

Excludes funds that do not report year-to-date returns for 2009. Source: Globe Investor

VentureLink LP

One Richmond Street W., Suite 801
Toronto, Ontario M5H 3W4
www.venturelinkfunds.com

Phone 416 681 6676
Toll Free 800 253 1043
Fax 416 681 6661