

NEWSLETTER

VENTURELINK INNOVATION FUND - 2012 MID-YEAR REVIEW



Fund performance was down approximately 5% for the first half of 2012. The first six months of the year were challenging for our index linked notes and publicly traded equities that have direct public market exposure and for our portfolio of privately-held Ontario based businesses.

Although we have been disappointed with recent returns of the Fund we are seeing significant levels of realizations from our venture portfolio with approx. \$16 million received in the first half of 2012 and we expect to receive an equal or greater amount in the balance of the year. We plan to invest a portion of these proceeds in new investments and to retain a portion in order to maintain the strong liquidity position of the Fund.

As can be seen from the chart below, the liquidity position of the Fund is very strong with the majority of the Fund's assets held in liquid securities including cash, strip bonds, index linked notes and public equities.



LONG TERM PLANS FOR THE FUND



A number of investors and advisors have asked us about the long term plans of the Fund given that the Ontario credit has now been completely phased out. The Fund has a very strong liquidity position as described above. It also has the advantage of a relatively consistent fundraising history over the past eight years. For the years from 2004 to 2010, the predecessor funds to VentureLink Innovation Fund Inc. raised between \$15 million and \$30 million each year. This consistent fundraising record is expected to provide a consistent and predictable pattern of redemptions.

The current plan for the operation of the Fund is to make new investments and to manage the existing portfolio with a view towards an orderly wind-up of the Fund in the next 7-8 years. This plan will be subject to change in the event provincial tax credits are reinstated.

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INVESTMENT UPDATE



The Fund made three new investments in the first half of the year: Embotics Corp (\$2.5 million) is profiled under Portfolio Highlight; Pitchpoint Solutions Inc., (\$2 million) is a provider of mortgage data validation services; and FutureState IT Inc., (\$.25 million) a provider of software application rationalization solutions. The Fund is continuing to seek new investment opportunities in the Financial Service, Information Technology and Cleantech sectors.

PORTFOLIO HIGHLIGHT: EMBOTICS CORP.



Embotics provides mid-sized to large IT organizations with a simplified cloud management platform (CMP) that delivers IT-as-a-service (ITaaS) with the fastest time-to-value in the industry. Unlike other cloud management solutions, Embotics V-Commander® continuously monitors the virtual data center to optimize the automation, deployment and configuration of IT services. Embotics is headquartered in Ottawa, Canada with offices in the U.S. and Europe and it has a growing network of global partners. To see the product working in a live online demo or to download your free, 30-day evaluation copy of Embotics V-Commander, visit www.embotics.com.

ABOUT VENTURELINK

VL Advisors Inc. manages VentureLink Innovation Fund Inc. The Fund's objective is to realize long-term capital appreciation by making debt and equity investments in a diversified portfolio of securities in eligible Canadian businesses and by investing in reserves, including debt instruments whose returns are linked to the performance of the TSX or sub-indices of the TSX, instruments whose returns are linked to the performance of other investment vehicles approved by the board of directors and investment grade rated bonds.

VentureLink Innovation Fund Inc. was formed under the Canadian Business Corporation Act by articles of amalgamation dated September 10, 2010 amalgamating VentureLink Brighter Future Fund Inc., VentureLink Balanced Fund Inc., VentureLink Diversified Income Fund Inc., and VentureLink Financial Services Innovation Fund Inc. VentureLink Innovation Fund Inc. provides a 15% Federal Tax Credit on a purchase of up to \$5,000 per annum to investors in Ontario. Important information is contained in the prospectus, please read it before investing. Commissions, trailing commissions, management fees and expenses all may be associated with this investment. This fund is not guaranteed and its value may fluctuate. Investment must be held for eight years to keep the tax credits. VentureLink, VentureLink Funds and VentureLink Innovation Fund are trademarks of VentureLink LP. 08/12