

NEWSLETTER

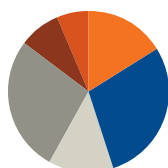
VENTURELINK INNOVATION FUND - 2011 REVIEW



Fund performance was down from 9.5% to 12.1% for 2011. The year was challenging for our index linked notes and publicly traded equities that have direct public market exposure as the TSX and TSX Venture incurred significant value decreases. The private portfolio also had a challenging year from a performance perspective. We note that a number of positions were written down and that the fund has continued to support its stronger investments.

We believe the Fund is well-positioned for 2012 with a strong liquidity position and a good balance of liquid investments (approximately 54% of net assets) and private debt and equity investments. We also note that a significant portion of the private debt investments mature in the next two years.

TYPE OF INVESTMENT*



Cash & marketable securities	8.4%
Index linked notes	27.1%
Publicly Traded Equities	13.1%
Private Debt	28.9%
Yield earning LP investments	6.3%
Private Equities	16.2%

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 will be completely phased out at the end of this current RRSP season. 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 should provide a consistent and predictable pattern to 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



In the last quarter of 2011 the Fund completed an initial CDN\$750,000 investment round in Smart Energy Instruments Inc. ("SEI"), a co-investment between the Fund and the Ontario Emerging Technology Fund ("OETF").

The Fund also provided follow-on investments of CDN\$1,097,451 to Peraso Technologies Inc. and CDN\$1,500,000 to LivClean Corp.

PORTFOLIO HIGHLIGHT: SMART ENERGY INSTRUMENTS INC.



SEI develops game-changing synchronous measurement technologies for the burgeoning "Smart Grid" to address today's global energy-environment challenges. Its mission is to achieve the global "Smart Grid" vision through ubiquitous synchronized measurements. SEI is applying its expertise and IP in power systems, digital signal processing, network communications and IC technologies to create the first universal

measurement and communications core for next generation intelligent devices in power systems. These smart sensor devices provide real-time measurements, vital to improving grid reliability and efficiency and accelerating the shift to renewable energy sources. Products incorporating SEI's technology provide electric utilities and system operators an unprecedented ability to monitor, understand, control and plan electric power grids.

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 and a 5% Provincial Tax Credit on a purchase of up to \$7,500 per annum to investors in Ontario on purchases made prior to March 1, 2012. 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. 01/12