

## **Management Report of Fund Performance**

For the year ended August 31, 2011

### **GrowthWorks Commercialization Fund Ltd.**

05 Series  
09 Series  
10 Series  
11 Series

Performance Diversification Know-How



This annual management report of fund performance contains financial highlights but does not contain either annual or interim financial statements for the 05 Series, the 09 Series, the 10 Series or the 11 Series (each or together, as the context requires, "Series") of GrowthWorks Commercialization Fund Ltd. (the "Fund") Class A Shares. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling toll free 1-800-268-8244, by writing to us at Suite 2200 Exchange Tower, 130 King Street West, PO Box 422, Toronto, Ontario M5X 1E3 or by visiting our website at [www.growthworks.ca](http://www.growthworks.ca) or SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, or proxy voting disclosure record. Unless otherwise stated, all information in this report relates only to the Series.

"Net asset value" or "NAV" means the total NAV of all Class A Shares of the Fund, or where referring to a particular Series of shares, then the total NAV of only that Series of shares. In this report, "net assets" refers to net assets determined in accordance with Canadian generally accepted accounting principles (GAAP), as presented in the financial statements of the Fund.

Our manager (the "Manager") is GrowthWorks WV Management Ltd. and our principal distributor is GrowthWorks Capital Ltd. Our Manager and principal distributor form part of the venture capital operating division of Matrix Asset Management Inc. which manages several retail venture capital funds (RVCs) across Canada.

*This report contains forward looking statements. These statements primarily relate to future economic and market conditions, including mergers and acquisitions ("M&A") and initial public offering ("IPO") market conditions, portfolio company development and the adoption of International Financial Reporting Standards ("IFRS"). Such information has been included to assist readers with assessing recent developments in the Fund's operating climate and possible future developments that may affect Fund performance. All forward looking statements are based on management's current beliefs and assumptions which are subject to numerous risks and uncertainties. While management considers such beliefs and assumptions to be reasonable based on information currently available to it, no assurance can be given that such beliefs and assumptions will prove to be correct. Events or circumstances may cause actual results to differ materially from those expressed or implied by such forward looking statements as a result of numerous known and unknown risks and uncertainties, including, but not limited to, those associated with economic and market conditions, including M&A and IPO market conditions, portfolio companies' development, portfolio companies' access to needed financing and other risks identified in the Fund's prospectus. Most of these factors are beyond the control of the Fund and its Manager. Neither the Fund nor its Manager assumes any obligation to update any of the forward looking statements made in this report.*

## **MANAGEMENT DISCUSSION OF FUND PERFORMANCE**

### **Investment Objectives and Strategies**

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The Fund's investment objective for all series of Class A Shares is to achieve long-term capital appreciation for shareholders. Long-term capital appreciation, typically measured after the passage of more than six years, means increasing NAV. During the 2010 financial year, the Fund implemented revised investment allocation rules under which the venture and non-venture investments of all series of Class A Shares are pooled.

As a RVC, the Fund is required to invest the majority of the money it raises by the sale of its shares in companies that meet eligibility requirements. Eligibility requirements are focused around company size, measured by asset value and number of employees, and company location. In addition, as a research oriented investment fund ("ROIF"), the Fund has primarily targeted venture investments in early stage research oriented companies in Canada seeking to commercialize their technologies or discoveries. With the Fund's maturing portfolio and with the expectation of the Fund ceasing to be a ROIF after February 29, 2012 with the phase out of the Ontario program, the Fund has more flexibility within its venture investment strategies such that over time, the Fund's portfolio may include a larger proportion of mid to later stage companies that also meet the criteria of an eligible investment. Our Manager performs a fundamental analysis of investment opportunities, including analysing business plans, market opportunities, financial statements, particular industries, products, services and technologies, and evaluating the abilities of management of the business.

To help enhance potential returns, we seek to generally structure investments so that they are capable of generating both income (such as interest, royalties or dividends) and capital appreciation. Given this income component, which generally exists during the first three years of an investment, the Board of Directors of the Fund adopted a dividend policy to pay dividends on each Series equal in total to approximately 25% of the purchase price of the shares during the three year period after the Series was offered for sale.

We call funds used to make non-venture investments "Directed Funds". Directed Funds investments for the Series may include investments linked to high quality debt instruments, high yield investments and bank investments, which may include shares and/or debt instruments. Given the dividend policy for each Series, a higher proportion of funds may be invested in income generating venture investments and therefore capital available for Directed Funds investments will vary. Our portfolio adviser may change the selection of non-venture investments within the area of focus for Directed Funds based on its investment outlook from time to time. Some level of on-going cash balances may also be held as part of the Directed Funds of the Series. For more information, please refer to the Fund's current prospectus.

### **Risks**

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There are risks associated with investing in the Fund. A detailed discussion of those risks can be found in the Fund's prospectus (as amended, updated and renewed from time to time). Over the year, no material changes occurred that affected the risks described in the Fund's prospectus.

As part of the non-venture portfolio, the Series may hold income notes linked to a basket of income trust units ("Income Notes"), and what we refer to as "Bank Instruments" which offer participation in bank investments, including debt instruments and/or shares of Canadian banks. The Income Notes and Bank Instruments that offer participation in bank shares carry similar market risk to equity securities that are traded on open exchanges. Past performance does not necessarily indicate how Income Notes or Bank Instruments will perform in the future. See "Results of Operations – Investment Portfolio" below.

## **Results of Operations**

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### *Net Asset Value (NAV)*

Total NAV for these Series closed the year at \$26.00 million compared to \$23.20 million at the prior year end. The increase in NAV was primarily the result of subscription activity of \$4.35 million and interest earned on venture investments of \$832,344. These factors were partially offset by operating expenses, realized loss in the venture portfolio of \$706,586, dividend payments on the 08, 09 and 10 Series of Class A shares totalling \$733,117 and \$238,138 paid to fund Class A share redemptions. See “Distributions of Dividend Payments” and “Investment Portfolio” below.

### *Distributions of Dividend Payments*

The Fund generally structures venture investments so that they are capable of generating both income (such as interest, royalties or dividends) and capital appreciation. Given this income component, which generally exists during the first three years of an investment, the Board of Directors of the Fund adopted a dividend policy to pay dividends on each Series equal in total to approximately 25% of the purchase price of the shares during the three year period after the Series was offered for sale.

In accordance with these dividend policies, the 05 Series paid a total of \$1.73 million (\$2.50/share) during the period 2005 to 2008. To date, the 09 Series has paid \$435,987 (\$1.50/share) and is expected to complete its dividend payments in February 2012. The 10 Series made its first dividend payment during the year and paid \$149,509 (\$0.50/share) and is expected to complete its dividend payments in February 2013. The 11 Series is expected to make its first dividend payment in February 2012 and complete its dividend payments in February 2014. The Fund completed the dividend policy on the previously issued 06 Series in February 2009, paying a total of \$675,640 in dividends (\$2.50/share), 07 Series in February 2010, paying a total of \$544,043 in dividends (\$2.50/share), and 08 Series in February 2011, paying a total of \$738,518 (\$2.50/share). Following completion of its dividend policy, each of the 06 Series, the 07 Series and the 08 Series was converted into the 05 Series in accordance with the Fund’s investment allocation rules. Dividends are not guaranteed.

### *Revenue, Expenses and Management Expense Ratio (“MER”)*

Total investment income for the year was \$1.12 million (August 31, 2010: \$1.39 million). This decrease was primarily the result of lower interest earned on venture investments, reflecting a general downward trend in realizable market interest rates and also due to a decline in interest generating venture holdings.

Total operating expenses for the year were \$1.72 million (August 31, 2010: \$1.10 million). The Series’ primary expenses are management and administration fees. As management fee and administration fee expenses are based on fixed percentages as outlined in the management agreement between the Fund and its Manager, the expectation may be that expenses will increase or decrease relative to the increase or decrease in NAV for the year. However, the seasonal nature of the sales and redemption cycles of investment funds such as the Fund means that NAV may be lower or higher for a significant portion of the year than the NAV at the end of the year. As a result, changes in expenses may not change proportionate to the change in NAV at the end of the year. The reported changes in expenses are consistent with the changes in NAV for the Series over the course of the year. The increase in expenses was a direct result of a \$2.41 million increase in NAV from August 31, 2010. Additional expenses including service fees were also incurred by each Series. See “Management Fees” below.

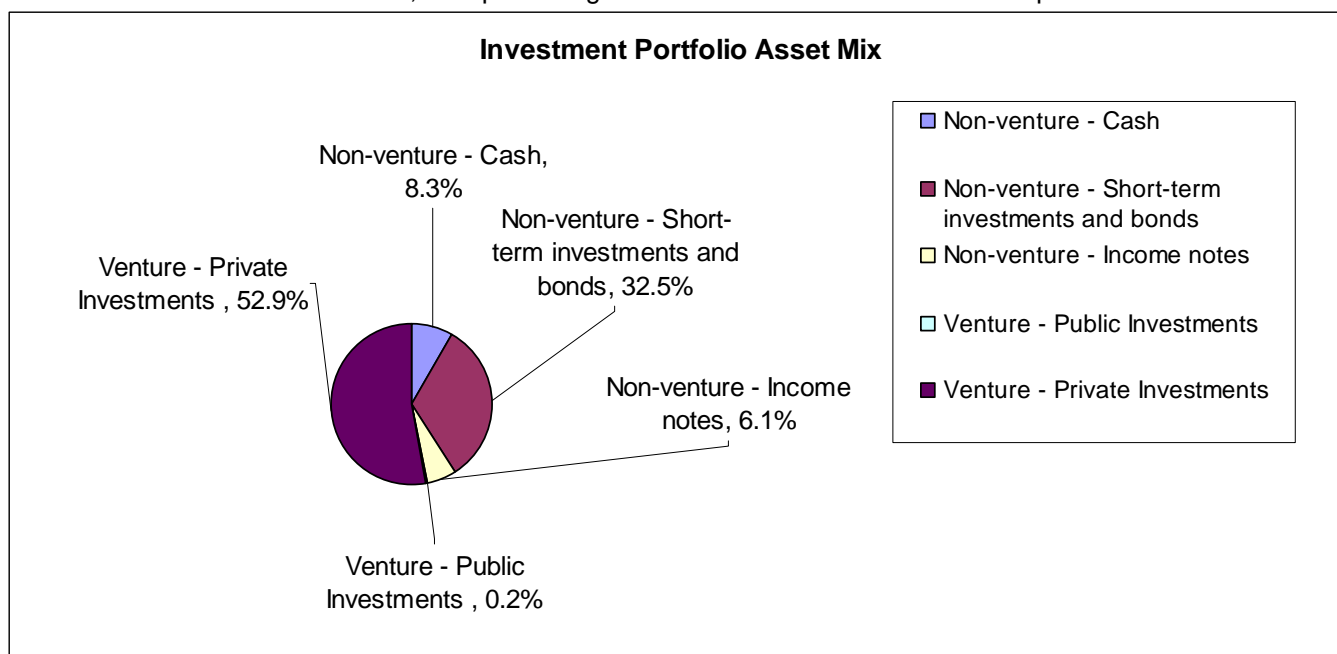
Operating MER (before performance amounts) for the year was 7.08% for the 05 Series, 6.89% for the 09 Series, 7.11% for the 10 Series and 6.08% for the 11 Series (August 31, 2010: 6.83%, 6.52%, 6.06% and n/a, respectively). There is no August 31, 2010 Operating MER or MER for the 11 Series as the Fund commenced offering the 11 Series after August 31, 2010. Although expenses such as management fees have a direct relationship to NAV as they are based on a fixed percentage of NAV, other expenses included in the MER calculation are not based on NAV and therefore may cause fluctuations in MER. The increases in MER for the 05 Series, 09 Series and 10 Series were primarily due to the introduction of the Harmonized Sales Tax (“HST”) on July 1, 2010 by the Ontario Government. Previously, no provincial sales tax was payable on management and administration fees.

*Liquidity*

We monitor and manage liquidity at the Fund level based on activities that draw on liquidity, capital raised and realized and unrealized appreciation or depreciation of investments. Activities that draw on liquidity are (1) new and follow-on venture investments, (2) management fees, operating expenses, financing expenses and other commitments, (3) redemptions of Class A Shares, in particular shares that may be redeemed without repayment of tax credits, and (4) distributions. Liquidity coverage at the Fund level is presently estimated to be sufficient to meet current and projected cash requirements. In accordance with the requirements of the Manitoba *Labour-Sponsored Venture Capital Corporations Act*, the Fund has adopted a Reserves Policy and is actively monitoring its liquidity position.

*Investment Portfolio*

The overall asset mix of the Series, as a percentage of the total value of the investment portfolio is set out below:



Venture investments made during the year amounted to \$6.36 million and bring the total current value of this portfolio to \$12.67 million. The following new or follow-on venture investments were made during the year:

Greencore Composites Inc.	Ascentify Learning Media Inc.
Kibboko Inc.	gShift Inc.
Peerset Inc.	HY-Power Nano Inc.
Verold Inc.	7842317 Canada Inc.
PerspecSys Inc.	iStopOver Inc.

The aggregate size of the Series' venture investment portfolio increased by \$5.80 million during the year, a net increase of 84.29% from the prior year-end. This increase was largely a result of new and follow-on investment activity following multiple divestments from the portfolio during the prior year. Management expects the income component of the Series' venture investments will continue to support adopted dividend policies.

As the portfolio matures, some of the additional features in our investments focused on capital appreciation, such as the conversion of debt into shares of portfolio companies to which loans were made, may result in an increase in value for the venture investment portfolio. This was the case in the prior fiscal year with the conversion of debt in

three portfolio companies. These holdings were divested during the 2010 fiscal year at significant gains relative to the conversion price.

Short term investments are comprised of investments in bonds and deposits, which may include high quality debt instruments. The Series' short term investments (which includes Venture Pending Funds) decreased by \$2.87 million from August 31, 2010 due primarily to divestments of short-term investments to meet operational commitments and to fund investments in the venture portfolio and Directed Funds portfolio.

In keeping with the Directed Funds investment strategy, the Series may invest in Income Notes. These investments contribute in two ways to the returns of the Series: (1) income paid to the holder of the notes, and (2) capital appreciation or depreciation of the notes based on market fluctuations. During the year, Income Notes contributed income of \$81,226 and \$191,672 in unrealized appreciation to the Series.

The Income Notes carry similar market risk to equity securities that are traded on open exchanges. Past performance does not necessarily indicate how Income Notes will perform in the future. The proportion of funds available for allocation for the Series' Directed Funds portfolio will decline due to, or be affected by, among other things, venture investment activity, Class A share redemptions and the liquidity of the Series' portfolio generally.

### *Investment Pacing*

As at the end of the year, the Fund is current with its investment pacing requirements. Investment pacing requirements are described in detail in the Fund's prospectus. To maintain compliance with investment pacing requirements, the Fund may be required to re-deploy proceeds from divestments of venture holdings into other venture investments.

### **SUMMARY OF INVESTMENT PORTFOLIO**

We seek to maximize returns by investing in high growth potential companies across a range of sectors and we seek to reduce the risks typically associated with venture investments by diversifying our portfolio. Our manager applies a "true" venture capital investing strategy by assembling a portfolio of young, entrepreneurial companies with high growth potential for its managed funds' venture investments and adding value to those portfolio companies typically by participating on boards of directors, assisting in recruiting key personnel, securing additional financing and helping to formulate long-term strategic plans. The Series hold active venture investments in 14 portfolio companies.

The table and pie charts below provide information about the Series' investment portfolio. The investment portfolio profile may change due to ongoing portfolio transactions. See the Statement of Investment Portfolio in the Fund's financial statements for additional investment details and a breakdown of the portfolio by subgroup as a percentage of net assets and "Results of Operations – Investment Portfolio" for portfolio composition as at the end of the year. The following tables and pie charts contain mandated regulatory disclosure. We note that for the purposes of the Top 25 Investments table, the Series may have less than 25 holdings as at the year end.

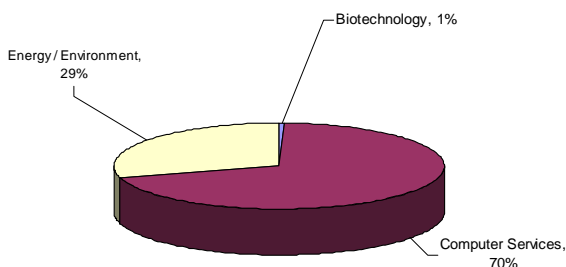
### **Top 25 Investments**

The following table represents the top 25 ranking of investments within the total investment portfolio for these Series based on fair value as a percentage of total NAV of the Series.

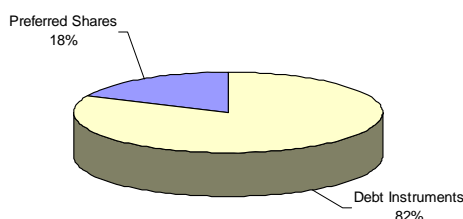
1 TD Banker's Acceptance	10 Bank of Nova Scotia Bank Instrument
2 HY-Power Nano Inc.	11 iStopOver Inc.
3 Greencore Composites Inc.	12 Bering Media Inc.
4 National Bank of Canada Income Note	13 gShift Labs Inc.
5 Paymentus Inc.	14 Wired Sun ( 2144306 Ontario Inc. "The Solar Venture" )
6 PerspecSys Inc.	15 Ascentify Learning Media Inc. ( formerly neuroLanguage Inc. )
7 Kibboko Inc.( formerly Pinpoint Selling Inc.)	16 Peerset Inc. ( formerly Ontogenix Inc. )
8 Verold Inc.	17 7842317 Canada Inc. ( formerly Octopz )
9 National Bank Bank Instrument	18 MCN BioProducts Inc.
<b>TOTAL % OF NAV</b>	
<b>84.15%</b>	

The following charts show the venture investment portfolio for these Series as represented by sector and type of investment holding based on cost as a percentage of the total cost of the Series' venture portfolio. The Fund's venture investments may consist of equity and debt instruments. Debt investments are generally structured so that they are capable of generating income during the first three years and are generally subordinated and in most cases are structured to be converted into shares of the portfolio company after completion of the income generating period.

**Sector Composition based on Cost of Venture Investments**



**Investment Holdings based on Cost of Venture Investments**



### **Recent Developments**

The world economy recorded positive growth for the year ending August 31, 2011, however not without significant challenges, in particular concerns surrounding sovereign debt levels in Europe and the United States. In Europe, politicians, bankers, and regulators are working to manage potential instability of the European banking system. In the United States, Democrats and Republicans disagree on remedies for the Federal Government's substantial budget deficit. Unemployment remains high in many industrialized nations and governments have limited flexibility to provide fiscal stimulus. World central banks are providing substantial monetary stimulus as interest rates are at historically low levels in many countries.

North American equity markets reacted negatively during the summer months of 2011 to economic concerns. The NASDAQ declined 7% and the TSX Composite declined 4% during July and August. The period was marked by substantial market volatility. The Fund's manager expects these market conditions will continue at least in the near term until the European banking systems shows signs of stabilizing.

The Fund's operating environment was healthy during the period. M&A markets, a key exit path for the Fund's venture investments, registered reasonable levels of activity in the United States during the first half of 2011. While activity during Q1 2011 matched the record activity of Q1 2010, activity slowed during Q2 2011. Similar to the M&A market, activity in the initial public offering or "IPO" market in the United States during the first half of 2011 matched levels recorded during the first half of 2010. A total of 24 venture-backed companies went public in the United States during the first half of 2011, including companies such as LinkedIn and Pandora.

Compared to the United States, Canadian exit markets were slower. The Canadian IPO market has been very slow since 2007, with only a few filings for venture-backed companies. In Q1 2011, Canadian M&A markets slowed, with activity levels falling short of levels for Q1 2010.

Effective December 15, 2010, the Fund was registered as a labour sponsored venture capital corporation in Manitoba. As a result, investors resident in Manitoba are eligible to receive a provincial tax credit of 15% of the purchase price of Class A Shares of the Fund, up to a maximum credit per year of \$1,800.

The Ontario government has adopted legislation providing for the phase-out of the Ontario RVC tax credit. Ontario purchasers of the Fund's Class A shares are eligible to receive a 10% tax credit for the 2011 taxation year. After

the 2011 taxation year, no Ontario RVC tax credit will be available. The maximum investment that qualifies for the Ontario RVC tax credit is \$7,500. The maximum annual Ontario RVC tax credit for purchases of the Fund's Class A shares is \$750 for the 2011 taxation year. The federal tax credit remains at 15% subject to an annual maximum of \$750.

In accordance with the Fund's investment allocation rules, the Fund's 08 Series shares were converted into 05 Series shares based on the relative NAV per share of the two series on February 25, 2011. NAV per share was \$10.09 per 05 Series share and \$11.79 per 08 Series share, and therefore each 08 Series share was converted into 1.17 05 Series shares.

## *IFRS*

The Accounting Standards Board ("AcSB") published amendments to the Handbook on October 1, 2010 that provided a one-year deferral of the transition to IFRS for investment companies like the Fund. However, the AcSB issued subsequent amendments to the Handbook in March 2011, providing a two-year deferral of the changeover date to January 1, 2013. The deferral of the mandatory changeover from January 1, 2011 to January 1, 2013 is intended to allow the IASB's proposed exemption from consolidation (*Accounting Standard 27 Consolidated and Separate Financial Statements (IAS 27)*) for investment companies to be in place prior to adoption of IFRS by investment companies in Canada. If adopted, this would make *IAS 27* largely consistent with current Accounting Guideline 18 *Investment Companies*.

The identification and review of major differences from existing accounting policies, new IFRS accounting policies and exemptions, and the preparation of appropriate disclosures in the Fund's IFRS financial statements is substantially complete.

As at August 31, 2011, the Manager expects that the impact of adopting IFRS will not impact measurement, but will be mainly in presentation and additional disclosure requirements in the financial statements of the Fund. Based upon the current deferral, the Fund would commence IFRS effective September 1, 2013 for its annual and interim financial statements, including comparative figures for the preceding year.

## ***Related Party Transactions***

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The Fund pays the Manager fees based on fixed percentages of NAV for management and administrative services provided to the Fund under a management agreement. See "Management Fees" below. Management fees paid by the Series to the Manager during the year were \$1.29 million, including \$148,591 of HST. The Fund also reimburses the Manager or other related entities any interest expense incurred in the financing of sales commissions. The Fund pays all other operating expenses incurred by or on behalf of the Fund up to a cap of 0.75% of average NAV and, thereafter, the Manager pays all of the Fund's operating expenses. The cap excludes fees and taxes payable by the Fund to the Manager and extraordinary expenses. The Series reimbursed the Manager \$28,282 during the year for interest expense incurred in financing sales commissions.

The management agreement may be terminated by either party if the other party becomes bankrupt or insolvent or is in material breach of the agreement and does not remedy the breach within 60 days of notice from the other party. The Fund may also terminate the management agreement by resolution of the Board if the termination is ratified by a special resolution of the Fund's shareholders. The termination would be effective five years after such ratification. The Manager may also terminate the management agreement if the Fund changes its fundamental investment objectives or policies.

The Manager has engaged GrowthWorks Capital Ltd., another company in the Matrix Venture Capital Operating Division, at its own cost, to provide investment advice and principal distributor services to the Fund. The Manager may engage others, including other companies in the Matrix Venture Capital Operating Division, at its own cost to provide some or all of the services provided under the management agreement.

The Manager owns Class C shares of the Fund, which entitle the Manager to receive dividends ("IPA dividends") based on realized gains and income resulting from the Fund's venture investments. IPA dividends of \$253,612 were paid or accrued during the year by the Series. In addition, contingent IPA increased by \$153,356 during the year. Contingent IPA is not an amount that was actually paid or payable, but is an estimate of IPA dividends that would have been payable had the entire venture portfolio been disposed of at the estimated fair value as of the end of the year.

The Fund's assets and liabilities are allocated in the records of the Fund among all series of Class A Shares of the Fund in accordance with the particular income allocation rules and other policies described in the Fund's prospectus and expenses and charges applicable to the particular series. Certain investments and other assets, including cash, are allocated among multiple series of Class A Shares of the Fund through the use of inter-series receivable and payable accounts. The Series also incur inter-series receivables and payables on the reallocation of the Fund's various shared portfolios, for example when a newly created series of Class A Shares begins to participate with the Series in the Fund's shared venture investment portfolio. All inter-series allocations occur at fair value. All inter-series balances are non-interest bearing, unsecured and have no specific repayment terms.

On February 25, 2011, the Fund's 08 Series shares were converted into 05 Series shares based on the relative NAV per share of the two series on the conversion date. See "Recent Developments" above.

### FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Series and are intended to help you understand the Series' financial performance for the past five years or since inception of the Series, as applicable. This information is derived from the Fund's audited annual financial statements.

<b>05 Series</b>						
<b>Net Assets per Share <sup>(1)</sup></b>	2011 <sup>(4)</sup>	2010 <sup>(4)</sup>	2009 <sup>(4)</sup>	2008 <sup>(4)</sup>	2007 <sup>(4)</sup>	2006 <sup>(4)</sup>
Net assets per share, beginning of period <sup>(2)</sup>	\$10.19	\$7.07	\$8.40	\$9.51	\$9.89	\$9.85
<b>Increase (decrease) from operations:</b>						
Total revenue	\$0.29	\$0.28	\$0.30	\$0.42	\$1.61	\$1.06
Total expenses and amortization	(\$0.45)	(\$0.57)	(\$0.42)	(\$0.54)	(\$0.96)	(\$0.61)
Realized gains (losses) for the period	(\$0.31)	\$3.23	(\$0.07)	(\$0.04)	-	\$0.20
Unrealized gains (losses) for the period	\$0.12	\$0.23	(\$1.35)	\$0.05	(\$0.03)	(\$0.11)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(\$0.35)</b>	<b>\$3.17</b>	<b>(\$1.54)</b>	<b>(\$0.11)</b>	<b>\$0.62</b>	<b>\$0.54</b>
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	(\$1.00)	(\$1.00)	(\$0.50)
Return of capital	-	-	-	-	-	-
<b>Total annual distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(\$1.00)</b>	<b>(\$1.00)</b>	<b>(\$0.50)</b>
<b>Net assets per share at end of period shown <sup>(1)</sup></b>	<b>\$9.86</b>	<b>\$10.19</b>	<b>\$7.07</b>	<b>\$8.40</b>	<b>\$9.51</b>	<b>\$9.89</b>

<b>Ratios and Supplemental Data</b>						
Total net asset value (000's) <sup>(3)</sup>	\$14,662	\$11,828	\$6,740	\$5,783	\$6,582	\$6,874
Number of shares outstanding (000's) <sup>(3)</sup>	1,488	1,161	953	689	692	695
Operating management expense ratio before IPA <sup>(5)</sup>	7.08%	6.83%	6.29%	7.05%	6.73%	7.00%
Earned IPA	0.47%	12.83%	-	-	-	-
Contingent IPA	0.09%	-	-	-	-	-
Total MER before waivers or absorptions	7.64%	19.66%	6.29%	7.37%	10.68%	7.87%
Trading expense ratio <sup>(6)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(7)</sup>	65.93%	111.37%	3.25%	0.00%	0.00%	0.00%
Net assets per share at end of period	\$9.86	\$10.19	\$7.07	\$8.40	\$9.51	\$9.89

<b>09 Series</b>			
<b>Net Assets per Share <sup>(1)</sup></b>			
	2011 <sup>(4)</sup>	2010 <sup>(4)</sup>	2009 <sup>(4)</sup>
Net assets per share, beginning of period <sup>(2)</sup>	\$12.91	\$9.87	\$10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	\$0.82	\$1.59	\$0.05
Total expenses and amortization	(\$0.74)	(\$0.96)	(\$0.29)
Realized gains (losses) for the period	(\$0.27)	\$2.90	-
Unrealized gains (losses) for the period	\$0.14	(\$0.00)	\$0.03
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(\$0.05)</b>	<b>\$3.53</b>	<b>(\$0.21)</b>
Distributions: <sup>(3)</sup>			
From income (excluding dividends)	-	(0.50)	-
From dividends	-	-	-
From capital gains	(\$1.00)	-	-
Return of capital	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>(\$1.00)</b>	<b>(\$0.50)</b>	<b>-</b>
<b>Net assets per share at end of period <sup>(2)</sup></b>	<b>\$11.85</b>	<b>\$12.91</b>	<b>\$9.87</b>

<b>Ratios and Supplemental Data</b>			
Total net asset value (000's) <sup>(4)</sup>	\$3,419	\$3,747	\$2,894
Number of shares outstanding (000's) <sup>(4)</sup>	289	290	293
Operating management expense ratio before IPA <sup>(5)</sup>	6.89%	6.52%	5.67%
<i>Earned IPA</i>	0.34%	8.98%	-
<i>Contingent IPA</i>	0.07%	-	-
Total MER before waivers or absorptions	7.30%	15.49%	5.67%
Trading expense ratio <sup>(6)</sup>	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(7)</sup>	91.98%	111.37%	0.00%
Net asset value per share end of period <sup>(4)</sup>	\$11.85	\$12.91	\$9.87

<b>10 Series</b>		
<b>Net Assets per Share <sup>(1)</sup></b>		
	2011 <sup>(4)</sup>	2010 <sup>(4)</sup>
Net assets per share, beginning of period/at inception <sup>(2)</sup>	\$12.68	\$10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	\$0.85	\$1.02
Total expenses and amortization	(\$0.78)	(\$0.81)
Realized gains (losses) for the period	(\$0.27)	\$5.41
Unrealized gains (losses) for the period	\$0.14	(\$1.06)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(\$0.06)</b>	<b>\$4.56</b>
Distributions: <sup>(3)</sup>		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	(\$0.50)	-
Return of capital	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>(\$0.50)</b>	<b>-</b>
<b>Net asset per share at end of period <sup>(2)</sup></b>	<b>\$12.11</b>	<b>\$12.68</b>

<b>Ratios and Supplemental Data</b>		
Total net asset value (000's) <sup>(4)</sup>	\$3,620	\$3,805
Number of shares outstanding (000's) <sup>(4)</sup>	299	300
Operating management expense ratio before IPA <sup>(5)</sup>	7.11%	6.06%
<i>Earned IPA</i>	0.34%	15.60%
<i>Contingent IPA</i>	0.07%	-
Total MER before waivers or absorptions	7.52%	21.66%
Trading expense ratio <sup>(6)</sup>	0.00%	0.00%
Portfolio turnover rate <sup>(7)</sup>	93.51%	111.37%
Net assets per share end of period <sup>(4)</sup>	\$12.11	\$12.68

<b>11 Series</b>	
<b>Net Assets per Share <sup>(1)</sup></b>	
	2011 <sup>(4)</sup>
Net assets per share, beginning of period/at inception <sup>(2)</sup>	\$10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	\$0.72
Total expenses and amortization	(\$0.54)
Realized gains (losses) for the period	(\$0.47)
Unrealized gains (losses) for the period	\$0.16
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(\$0.13)</b>
Distributions: <sup>(3)</sup>	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>
<b>Net asset per share at end of period <sup>(2)</sup></b>	<b>\$9.93</b>

<b>Ratios and Supplemental Data</b>	
Total net asset value (000's) <sup>(4)</sup>	\$4,299
Number of shares outstanding (000's) <sup>(4)</sup>	433
Operating management expense ratio before IPA <sup>(5)</sup>	6.08%
<i>Earned IPA</i>	0.71%
<i>Contingent IPA</i>	0.16%
Total MER before waivers or absorptions	6.95%
Trading expense ratio <sup>(6)</sup>	0.00%
Portfolio turnover rate <sup>(7)</sup>	128.90%
Net assets per share end of period <sup>(4)</sup>	\$9.93

Notes:

- (1) This information is derived from the Series' audited annual financial statements.
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period. The inception date for the 05 Series, 09 Series, 10 Series and 11 Series is January 21, 2005, September 8, 2008, September 4, 2009 and September 3, 2010, respectively.
- (3) Distributions were paid in cash.
- (4) This information is presented as of August 31 of year shown.
- (5) Operating management expense ratio ("MER") means the total MER for the Series before taking into account IPA dividends and contingent IPA. Contingent IPA is not an amount that was actually paid or is payable. Rather it is an estimate of the Earned IPA that would have been payable if the Fund's entire venture portfolio had been disposed of at the estimated fair market value. The earned IPA consists of amounts that are to be paid or are payable. See the prospectus for further details. Total MER is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of average net asset value during the period. Securities regulators have directed that performance based IPA dividends earned from realized gains and income on successful exits in the Fund's venture portfolio are to be included in the Total MER.
- (6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average weekly net asset value during the period.
- (7) A Series' portfolio turnover rate indicates how actively that Series' portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Series buying and selling all of the securities in its portfolio once in the course of the period. The higher a Series' portfolio turnover rate in a period, the greater the trading costs payable by the Series in the period and the greater the chance of an

*investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Series. This rate includes the turnover of venture and non-venture investments.*

## **Management Fees**

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The Manager provides management services (including day-to-day management and investment management) and administrative services (including administrative, sales and marketing) to the Fund under an amended and restated management agreement dated June 28, 2005. Under the terms of the agreement, the Manager is entitled to a management fee of 2.0% of average NAV and an annual base administration fee on a declining basis as follows: 1.91% of average NAV up to \$300 million, 1.74% of the next \$200 million, 1.55% beyond \$500 million. The management and base administration fees are calculated and paid monthly on the average NAV of the Fund. There is also an additional capital retention administration fee of 0.75% of the original purchase price of Class A Shares that remain issued and unredeemed that is calculated and paid monthly for the Manager's efforts to retain capital within the Fund. This fee ceases in respect of shares outstanding for more than 8 years.

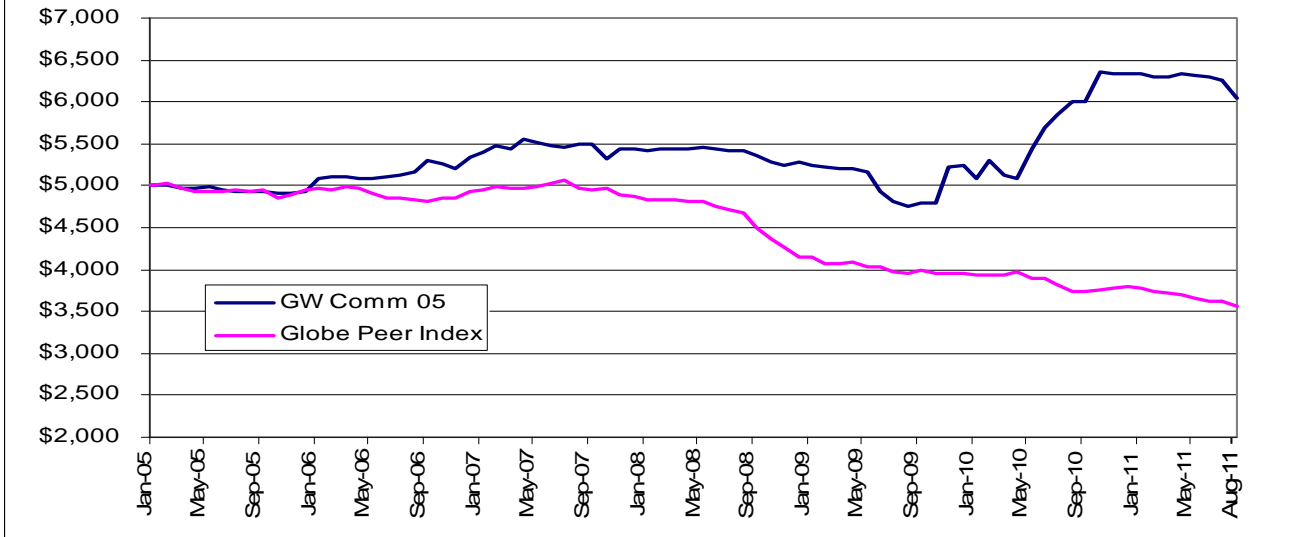
For the year, the aggregate amount of fees charged to the Series was \$1.29 million, including \$148,591 of HST. The breakdown of those fees is as follows: management fee of \$560,993 (including \$64,539 of HST), representing 43.43% of fees paid to the Manager; base administration fee of \$535,749 (including \$61,635 of HST), representing 41.48% of fees paid to the Manager; and additional administration fee of \$194,858 (including \$22,417 of HST), representing 15.09% of fees paid to the Manager. Service fees of 0.5% per year amounted to \$124,819 for the year and were paid directly by the Series to dealers.

## **PAST PERFORMANCE**

The performance data provided does not assume re-investment of distributions, if any, and does not take into account redemption or other charges directly payable by any shareholder that would have reduced returns. In calculating standard performance data, distributions are included and furthermore, it is generally assumed that distributions by an investment fund are reinvested in shares of that investment fund. Performance data for these Series includes the distributions paid but does not assume reinvestments of distributions, as the particular Series was not available for sale when distributions were paid in accordance with the dividend policies for the Series (see "Results of Operations – Distributions of Dividend Payments"). Past performance does not necessarily indicate how a Series will perform in the future. Performance data is not provided for the 11 Series as the 11 Series was not in existence for a full year prior to August 31, 2011.

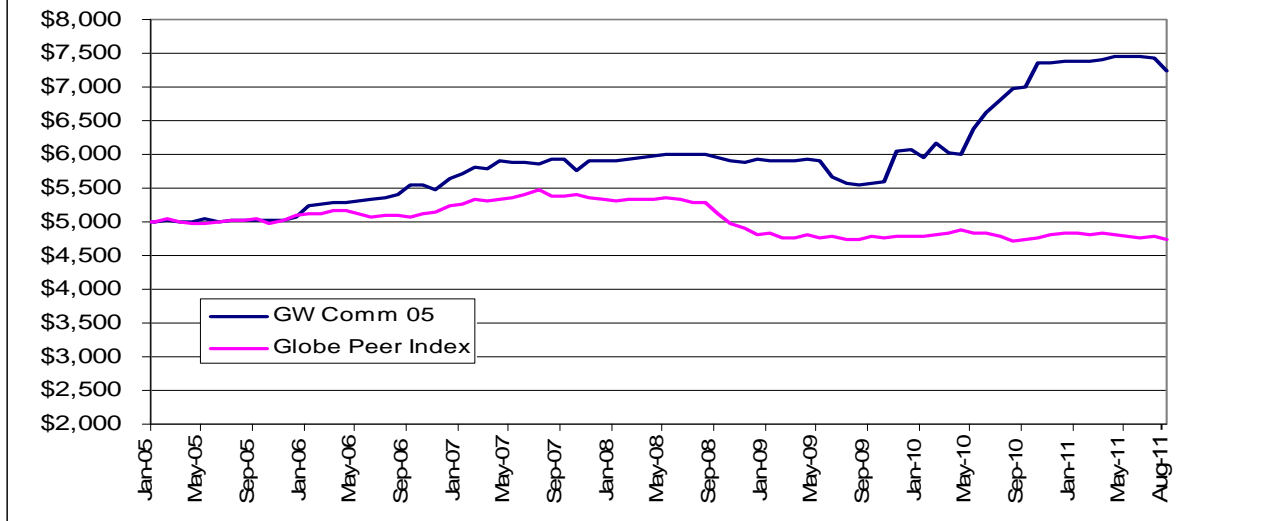
To provide additional information for investors about the Fund's performance, we have included the following graphs which show the performance of a \$5,000 investment made on January 21, 2005 (05 Series inception date) to August 31, 2011 for the 05 Series as compared to the Globe Retail Venture Capital Peer Index ("Globe Peer Index"). The Globe Peer Index is a mutual fund sector specific index that combines data from similar funds, in this case RVCs, to provide sector average return information. Performance data for 09 Series, 10 Series and 11 Series since their inception dates will vary as these Series did not participate in the same venture portfolio until February 5, 2010, March 22, 2010 and March 25, 2011, respectively. The second chart shows the performance of the 05 Series after taking in to account the special retail venture capital fund tax credits that you do not receive when you invest in ordinary mutual funds. These tax credits represent a substantial financial benefit that the Fund believes should be taken into account when looking at share returns.

**Growth of \$5,000 from Jan 21, 2005 - Aug 31, 2011**



When comparing the performance of the 05 Series with the Globe Peer Index, readers should be mindful of economic factors unique to venture capital investing. Venture capital funds employ a wide range of investment strategies. Some funds focus on businesses at earlier stages of development and others focus on later stage businesses that allow for shorter investment cycles. While the Fund has a diversified portfolio of investments, some venture investments made by the Fund are in earlier stage businesses that may take four to eight years or longer to mature. As a result, different investment portfolios may have vastly different investment cycles, and this can have a significant effect on relative performance. Venture capital funds also employ different non-venture investment strategies and are impacted in varying degrees by economic factors such as changing interest and foreign exchange rates. We believe these factors should be considered when comparing the returns of the Series with the Globe Peer Index.

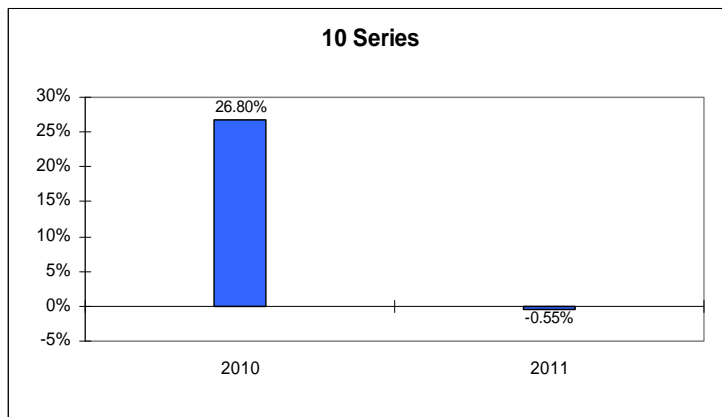
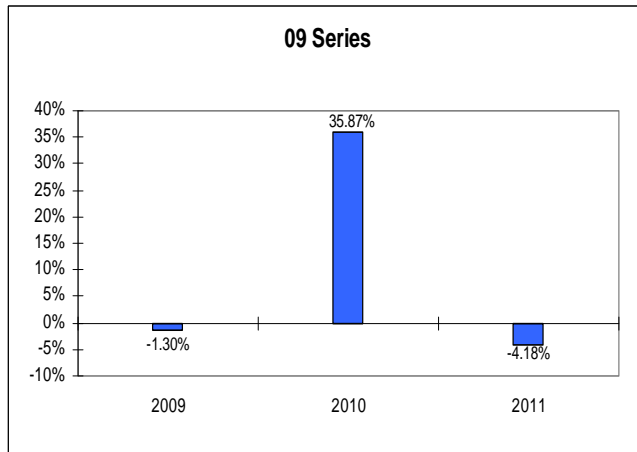
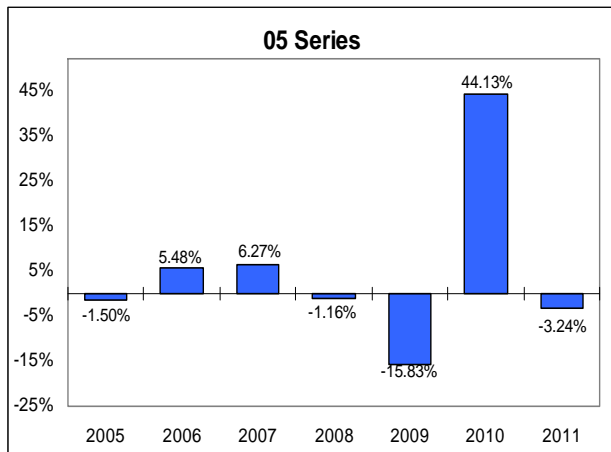
**Growth of \$5,000 from Jan 21, 2005 - Aug 31, 2011  
(including benefit of tax credits)**



This second chart includes the annual, compounded rate of return related to the tax credits over the typical 8 year period during which shares must be held to retain the benefit of the tax credits (assumes tax credits were fully claimed at a combined rate of 35% and allowed at the same time as the purchase of Fund shares and shares are redeemed on the expiry of 8 years from the date of purchase). The tax credit rate for the 2011 taxation year for purchasers in Saskatchewan is 35% (15% federal and 20% provincial) and in Ontario is 25% (15% federal and 10% provincial). The previous combined tax credit in Ontario was 35% for tax years prior to 2010 and 30% for the 2010 tax year. The Ontario government has adopted legislation providing for the phase-out of the Ontario RVC tax credit. See "Recent Developments" above. The rate of return related to a 35% (or 30% or 25%) combined tax credit rate is illustrated by the following. If there was no growth at all in the NAV per share over time, the net capital invested would essentially grow to a redemption claim equal to the purchase price over 8 years. To simplify the math, a share is purchased for \$1; the cost is reduced by 35 cents of tax credits (30 cents with 30% tax credits and 25 cents with 25% tax credits), for net capital invested of 65 cents (70 cents with 30% tax credits and 75 cents with 25% tax credits). At year 8 if NAV per share has not changed, the share can be redeemed for \$1. Thus, 65 cents (70 cents with 30% tax credits and 75 cents with 25% tax credits) growing to \$1 over 8 years provides a 5.53% (4.56% with 30% tax credits and 3.66% with 25% tax credits) annual, compounded rate of growth over that period.

## Year-by-Year Returns

The following bar charts show the Series' performance for each of the periods shown, and illustrate how the Series' performance has changed from year to year. The bar chart shows in percentage terms, how much an investment made on September 1 (or the inception date) would have grown or decreased during the applicable year ended August 31.



## Annual Compound Returns

The table below shows the 05, 09 and 10 Series' annual compound performance for the given periods, compared with the Globe Peer Index Return. As clarified by the Ontario Securities Commission, an investment fund is required to include comparative information for a broad-based market index. The Fund has selected the NASDAQ Composite Index denominated in Canadian dollars due to its significant exposure to technology and life sciences companies. As the chart reveals, the Series, with the exception of the current year have generally outperformed the Globe Peer Index and the NASDAQ during the given periods. The performance of the NASDAQ Composite Index can be an indicator of the M&A and IPO activity within the sectors represented by the Index, including the technology and life sciences sectors. To the extent that the Fund has investments within those sectors, changes in M&A and IPO activity can impact the value of the Fund's venture investments, opportunities for the Fund to dispose of such investments and, potentially, Fund returns. For instance, increasing performance of the Index may increase the number of potential acquirers for the Fund's venture investments since stock compensation is often the acquisition currency used in M&A transactions. This can positively influence the value of the Fund's venture investments, thereby increasing returns. By contrast, declining performance of the Index may be an indicator of decreased M&A and IPO activity, which may in turn negatively impact the value of the Fund's venture investments, thereby reducing returns.

Annual Compound Returns to August 31, 2011	1 Year	3 Years	5 Years	Since Inception <sup>(1)</sup>
05 Series	-3.24%	8.94%	4.56%	3.23%
09 Series	-4.18%	n/a	n/a	10.19%
10 Series	-0.55%	n/a	n/a	12.37%
Benchmark – Globe Peer Index Return	-4.73%	-8.72%	-5.95%	05 Series / 09 Series / 10 Series -5.04% / -8.78% / -5.06%
Benchmark – NASDAQ Composite Index Return (C\$)	12.21%	0.11%	0.87%	05 Series / 09 Series / 10 Series -0.56% / 0.11% / 7.06%

*Notes*

(1) Since Inception Compound Return for Globe Peer Index Return and NASDAQ Composite Index is shown from January 21, 2005, from September 8, 2008 and from September 4, 2009, the inception dates for 05 Series, 09 Series and 10 Series, respectively.

When comparing the performance of the Series with the Globe Peer Index Return, readers should be mindful of economic factors unique to venture capital investing. Venture capital funds employ a wide range of investment strategies. Some funds focus on businesses at earlier stages of development and others focus on later stage businesses that allow for shorter investment cycles. While the Fund has a diversified portfolio of investments, some venture investments made by the Fund are in earlier stage businesses that may take four to eight years or longer to mature. As a result, different investment portfolios may have vastly different investment cycles, and this can have a significant effect on relative performance. Venture capital funds also employ different non-venture investment strategies and are impacted in varying degrees by economic factors such as changing interest and foreign exchange rates. We believe these factors should be considered when comparing the returns of the Series with the Globe Peer Index Return.

**After Tax Credit Annual Compound Return to Shareholders**

Investing in a RVC such as the Fund provides tax credits that you do not receive when you invest in ordinary mutual funds. These tax credits represent a substantial financial benefit that the Fund believes should be taken into account when looking at share returns. The provincial tax credit for Saskatchewan increased from 15% to 20% for purchases in taxation years after 2008. The provincial tax credit for Ontario decreased from 20% to 15% for the 2010 tax year and from 15% to 10% for the 2011 tax year. For Ontario (ON) and Saskatchewan (SK), an investor's returns to the end of the year on a \$5,000 purchase of 05, 09 and 10 Series shares after taking into account the special tax credits are as set out in the following tables. For purchasers of 06, 07 and 08 series of Class A Shares, returns will vary from those set out below due to varying levels of performance prior to the respective dates of conversion of these series into the 05 Series and differing levels of provincial tax credits in effect at the time of purchase of these series.

**05 Series**

35% - FEDERAL AND PROVINCIAL TAX CREDITS				
ON purchases of 05 Series <sup>(3)</sup>				
(not applicable to SK purchases of 05 Series)				
After Tax Credit Annual Compound Returns	1 Year	3 Years	5 Years	Since Inception <sup>(4)</sup>
<b>05 Series &amp; After Tax Credit Return<sup>(1)</sup></b>	2.29%	14.47%	10.09%	8.76%
<b>05 Series – Tax Credit Return<sup>(2)(3)</sup></b>	5.53%	5.53%	5.53%	5.53%
<b>05 Series – Annual Compound Return</b>	-3.24%	8.94%	4.56%	3.23%

30% - FEDERAL AND PROVINCIAL TAX CREDITS SK purchases of 05 Series <sup>(3)</sup> (not applicable to ON purchases of 05 Series)				
After Tax Credit Annual Compound Returns	1 Year	3 Years	5 Years	Since Inception <sup>(4)</sup>
05 Series & After Tax Credit Return <sup>(1)</sup>	1.32%	13.50%	9.12%	7.79%
05 Series – Tax Credit Return <sup>(2)(3)</sup>	4.56%	4.56%	4.56%	4.56%
05 Series – Annual Compound Return	-3.24%	8.94%	4.56%	3.23%

### 09 Series

35% - FEDERAL AND PROVINCIAL TAX CREDITS ON purchases of 09 Series <sup>(3)</sup> SK purchases of 09 Series after January 1, 2009 <sup>(3)</sup>		
After Tax Credit Annual Compound Returns	1 Year	Since Inception <sup>(4)</sup>
09 Series & After Tax Credit Return <sup>(1)</sup>	1.35%	15.72%
09 Series – Tax Credit Return <sup>(2)(3)</sup>	5.53%	5.53%
09 Series – Annual Compound Return	-4.18%	10.19%

30% - FEDERAL AND PROVINCIAL TAX CREDITS SK purchases of 09 Series before January 1, 2009 <sup>(3)</sup> (not applicable to ON purchases of 09 Series)		
After Tax Credit Annual Compound Returns	1 Year	Since Inception <sup>(4)</sup>
09 Series & After Tax Credit Return <sup>(1)</sup>	0.38%	14.75%
09 Series – Tax Credit Return <sup>(2)(3)</sup>	4.56%	4.56%
09 Series – Annual Compound Return	-4.18%	10.19%

### 10 Series

35% - FEDERAL AND PROVINCIAL TAX CREDITS ON purchases of 10 Series for 2009 tax year <sup>(3)</sup> SK purchases of 10 Series <sup>(3)</sup>		
After Tax Credit Annual Compound Returns	1 Year	Since Inception <sup>(4)</sup>
10 Series & After Tax Credit Return <sup>(1)</sup>	4.98%	17.90%
10 Series – Tax Credit Return <sup>(2)(3)</sup>	5.53%	5.53%
10 Series – Annual Compound Return	-0.55%	12.37%

<b>30% - FEDERAL AND PROVINCIAL TAX CREDITS</b> <b>ON purchases of 10 Series for 2010 tax year<sup>(3)</sup></b> <b>(not applicable to SK purchases of 10 Series)</b>		
After Tax Credit Annual Compound Returns	<b>1 Year</b>	<b>Since Inception<sup>(4)</sup></b>
<b>10 Series &amp; After Tax Credit Return <sup>(1)</sup></b>	4.01%	16.93%
<b>10 Series – Tax Credit Return <sup>(2)(3)</sup></b>	4.56%	4.56%
<b>10 Series – Annual Compound Return</b>	-0.55%	12.37%

Notes:

- (1) This return is the sum of the Tax Credit Return and the Annual Compound Return for the particular Series.
- (2) This is the annual, compounded rate of return related to investment of the tax credits over the typical 8 year period during which shares must be held to retain the benefit of the tax credits (assumes tax credits were fully claimed and allowed at the same time as the purchase was made). This is illustrated by the following. If there was no growth at all in the NAV per share over time, the net capital invested would essentially grow to a redemption claim equal to the purchase price over 8 years. To simplify the math, a share is purchased for \$1; the cost is reduced by 35 cents of tax credits (30 cents with 30% tax credits and 25 cents with 25% tax credits), for net capital invested of 65 cents (70 cents with 30% tax credits and 75 cents with 25% tax credits). At year 8 if NAV per share has not changed, the share can be redeemed for \$1. Thus, 65 cents (70 cents with 30% tax credits and 75 cents with 25% tax credits) growing to \$1 over 8 years provides a 5.53% (4.56% with 30% tax credits and 3.66% with 25% tax credits) annual, compounded rate of growth over that period. The Ontario provincial tax credit rate was reduced to 30% (15% federal and 15% provincial) for the 2010 tax year and 25% (15% federal and 10% provincial) for the 2011 tax year.
- (3) The tax credit rate for purchasers in Ontario is 35% (for years prior to the 2010 tax year, 15% federal and 20% provincial), 30% (for the 2010 tax year, 15% federal and 15% provincial) or 25% (for the 2011 tax year, 15% federal and 10% provincial). See "Recent Developments" above. The tax credit rate for purchasers in Saskatchewan is 35% (purchases after January 1, 2009, 15% Federal and 20% Saskatchewan) or 30% (purchases before January 1, 2009, 15% Federal and 15% Saskatchewan). At present, the maximum purchase amounts in respect of which tax credits may be claimed for Class A Shares offered by the Fund are \$5,000 Federal, \$7,500 Ontario (previously \$5,000) and \$5,000 Saskatchewan (previously \$3,500). Returns for investments which exceed the maximum purchase amounts for which tax credits may be claimed will vary and are not provided in these tables. After tax credit compound returns provided do not apply to purchasers resident in other provinces.
- (4) The inception dates for the 05 Series, the 09 Series and the 10 Series are January 21, 2005, September 8, 2008 and September 4, 2009, respectively.



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