ROI Fund™

ANNUAL REPORT 2019

As at December 31, 2019

ROI Capital™

roicapital.ca

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March 20, 2020

The accompanying financial statements have been prepared and approved by Return On Innovation Advisors Ltd., the manager of the Fund. The Fund's manager is responsible for the information and representations contained in these financial statements.

Return On Innovation Advisors Ltd. maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and include certain amounts that are based on estimates and judgments. The significant accounting policies, which management believes are appropriate for the Fund, are described in note 4 to the financial statements.

PricewaterhouseCoopers LLP is the external auditor of the Fund. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out on the next page.

Wilfred Vos
President

Return on Innovation Advisors Ltd.

David Dundas
Chief Financial Officer

Return on Innovation Advisors Ltd.

Independent auditor's report

To the Shareholders of
Return On Innovation Fund Inc. Series I, II, III
Return On Innovation Fund Inc. Series IV

(individually, a Fund)

Our opinion

In our opinion, the accompanying financial statements of each Fund present fairly, in all material respects, the financial position of each Fund as at December 31, 2019 and 2018 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The financial statements of each Fund comprise:

- the statements of financial position as at December 31, 2019 and 2018;
- the statements of comprehensive income/loss, as applicable for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable shares for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of each Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
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Other information

Management is responsible for the other information of each Fund. The other information comprises the Annual Management Report of Fund Performance of each Fund.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of each Fund, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of each Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each Fund in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of each Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each Fund.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Fund are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each Fund.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of each Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 23, 2020

	December 31 2019	December 31 2018
Assets		
Current assets		
Investments		
Marketable securities	18,631,670	21,691,024
Fixed-income securities	–	1,997,483
Short-term investments	8,537,663	20,187,483
Cash	–	60,354
Interest and dividends receivable	80,353	53,829
Prepaid insurance	37,631	38,858
Receivable for investments sold [note 6]	–	125,000
HST receivable	1,495	1,258
	27,288,812	44,155,289
Liabilities		
Current Liabilities		
Share redemptions payable	57,251	74,096
Accrued expenses [note 9]	252,781	464,754
	310,032	538,850
Net assets attributable to holders of redeemable shares [note 8]	26,978,780	43,616,439
Net assets attributable to holders of redeemable shares per class		
Class A, Series I shares	14,608,126	18,548,800
Class A, Series II shares	11,991,369	24,548,624
Class A, Series III shares	379,285	519,015
Net assets attributable to holders of redeemable shares per class per share		
Class A, Series I shares	8.68	8.42
Class A, Series II shares	8.42	8.18
Class A, Series III shares	8.81	8.58

The accompanying notes are an integral part of these financial statements.

For the year ended December 31

	2019 $	2018 $
Income		
Foreign exchange gain on cash	28,978	102,111
Gain on investments		
Interest for distribution purposes	106,721	152,254
Dividend income	513,256	643,161
Net realized gain	1,580,121	18,271,194
Change in unrealized appreciation (depreciation)	1,776,816	(12,539,113)
Net gain on investments	3,976,914	6,527,496
Total income (net)	4,005,892	6,629,607
Expenses		
Advisor fees [note 9]	370,884	583,281
Audit fees	30,844	35,417
Commission financing fees [note 8]	218,328	466,657
Custodian fees	26,924	27,982
Directors and officers fees	105,492	91,554
Independent review committee fees	21,045	21,014
Legal fees	442	159,760
Management fees [note 9]	927,211	1,458,203
Shareholder reporting costs	69,544	95,568
Sponsor fees [note 9]	92,722	145,821
Trailing commissions [note 8]	226,921	348,814
Transfer agent	519,839	578,394
Foreign withholding taxes	–	10,573
	2,610,196	4,023,038
Expense recovery [note 12]	–	(709,179)
Total Expenses	2,610,196	3,313,859
Increase in net assets attributable to holders of redeemable shares	1,395,696	3,315,748
Increase in net assets attributable to holders of redeemable shares per series [note 10]		
Increase in net assets attributable to Class A, Series I shares	579,289	1,675,761
Increase in net asset attributable to Class A, Series I shares per share	0.31	0.61
Increase in net assets attributable to Class A, Series II shares	801,584	1,597,539
Increase in net asset attributable to Class A, Series II shares per share	0.43	0.48
Increase in net assets attributable to Class A, Series III shares	14,823	42,448
Increase in net asset attributable to Class A, Series III shares per share	0.30	0.59

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares – Series I, II, III

ROI Fund™
BALANCED

For the year ended December 31

	2019 $	2018 $
Net assets attributable to holders of redeemable shares at beginning of the year		
Class A, Series I shares	18,548,800	32,052,088
Class A, Series II shares	24,548,624	31,193,731
Class A, Series III shares	519,015	688,478
	43,616,439	63,934,297
Increase in net assets attributable to holders of redeemable shares		
Class A, Series I shares	579,289	1,675,761
Class A, Series II shares	801,584	1,597,539
Class A, Series III shares	14,823	42,448
	1,395,696	3,315,748
Redemption of redeemable Class A shares		
Class A, Series I shares	(4,519,963)	(15,179,049)
Class A, Series II shares	(13,358,839)	(8,242,646)
Class A, Series III shares	(154,553)	(211,911)
	(18,033,355)	(23,633,606)
Net assets attributable to holders of redeemable shares at end of the year		
Class A, Series I shares	14,608,126	18,548,800
Class A, Series II shares	11,991,369	24,548,624
Class A, Series III shares	379,285	519,015
	26,978,780	43,616,439

The accompanying notes are an integral part of these financial statements.

For the year ended December 31

	2019 $	2018 $
Cash provided by (used in)		
Operating activities		
Increase in net assets attributable to holders of redeemable shares	1,395,696	3,315,748
Non-cash items		
Foreign exchange gain on cash	(28,978)	(102,111)
Net realized gain on sale of investments	(1,580,121)	(18,271,194)
Net change in unrealized (appreciation) depreciation on investments	(1,776,816)	12,539,113
Net change in non-cash balances related to operations	(112,507)	(661,540)
Proceeds from the sale of marketable securities	6,202,423	13,851,232
Proceeds from the sale of short-term investments	20,186,269	25,156,447
Proceeds from the sale of fixed-income securities	1,966,350	–
Proceeds from the sale of venture investments	245,000	25,125,436
Purchase of short-term investments	(8,536,448)	(37,391,448)
	17,960,868	23,561,683
Financing activities		
Redemption of redeemable units Class A shares	(18,050,200)	(23,603,440)
	(18,050,200)	(23,603,440)
Foreign exchange gain on cash	28,978	102,111
Decrease in cash during the year	(89,332)	(41,757)
Cash and foreign currencies – beginning of year	60,354	–
Cash and foreign currencies – end of year	–	60,354
Supplemental cash flow information included in cash flows from operating activities		
Interest paid	33	30
Interest received	116,539	146,019
Dividends received, net of withholding taxes	476,947	649,363

The accompanying notes are an integral part of these financial statements

As at December 31, 2019

Number of shares/units		Maturity Date	Average Cost $	Fair value $
Marketable Securities				
Equities				
312,000	iShares S&P/TSX 60 Index ETF		5,955,482	7,974,720
299,000	iShares S&P/TSX Capped REIT Index ETF		5,298,209	5,827,510
176,000	iShares Canadian Short Term Bond Index ETF		4,988,672	4,829,440
Total Equities – 69.06%			16,242,363	18,631,670
Total Marketable Securities – 69.06%			16,242,363	18,631,670

Par Value $ (or number of shares)		Average Cost $	Fair Value $
Short-term Investments			
8,537,663	CIBC Mellon Trust Demand Deposit, variable rate	8,537,663	8,537,663
Total Short-term Investments – 31.65%		8,537,663	8,537,663
Total Investments – 100.71%		24,780,026	27,169,333
Total Portfolio		24,780,026	27,169,333
Liabilities, net of other assets – (0.71%)			(190,553)
Net assets attributable to holders of redeemable shares			**26,978,780**

	December 31 2019	December 31 2018
Assets		
Current assets		
Investments		
Fixed-income securities	10,969,961	21,522,722
Short-term investments	5,088,746	3,314,374
Cash	–	–
Interest and dividends receivable	2,468	8,171
Prepaid insurance	22,050	21,323
	16,083,225	24,866,590
Liabilities		
Current Liabilities		
Share redemptions payable	4,620	15,919
Accrued expenses [note 9]	166,381	258,410
	171,001	274,329
Net assets attributable to holders of redeemable shares [note 8]	15,912,224	24,592,261
Net assets attributable to holders of redeemable shares	15,912,224	24,592,261
Net assets attributable to holders of redeemable shares per share	8.07	8.44

The accompanying notes are an integral part of these financial statements.

For the year ended December 31

	2019 $	2018 $
Income		
Gain on investments		
Interest for distribution purposes	763,544	1,290,133
Net realized loss	(810,123)	(68,155)
Change in unrealized appreciation (depreciation)	898,603	(983,144)
Net gain on investments	852,024	238,834
Total income (net)	852,024	238,834
Expenses		
Advisor fees [note 9]	212,375	340,378
Audit fees	30,931	34,927
Commission financing fees [note 8]	317,971	565,268
Custodian fees	21,923	23,536
Directors and officers fees	58,129	60,445
Independent review committee fees	21,045	21,031
Management fees [note 9]	488,459	782,866
Shareholder reporting costs	48,368	70,255
Sponsor fees [note 9]	53,093	85,094
Trailer commission [note 8]	61,526	67,223
Transfer Agent	216,043	254,333
	1,529,863	2,305,356
Expenses recovery [note 12]	–	(467,983)
Total expenses	1,529,863	1,837,373
Decrease in net assets attributable to holders of redeemable shares	(677,839)	(1,598,539)
Decrease in net assets attributable to holders of redeemable shares [note 10]		
Decrease in net assets attributable to Class A, Series IV shares	(677,839)	(1,598,539)
Decrease in net asset value per Class A, Series IV share	(0.30)	(0.47)

The accompanying notes are an integral part of these financial statements.

For the year ended December 31

	2019 $	2018 $
Net assets attributable to holders of redeemable shares at beginning of the year		
Class A, Series IV shares	24,592,261	41,889,212
Decrease in net assets attributable to holders of redeemable shares		
Class A, Series IV shares	(677,839)	(1,598,539)
Redeemable shares transactions		
Redemption of redeemable Class A, Series IV shares	(8,002,198)	(15,698,412)
Net assets attributable to holders of redeemable shares at end of the year		
Class A, Series IV shares	15,912,224	24,592,261

The accompanying notes are an integral part of these financial statements.

For the year ended December 31

	2019 $	2018 $
Cash provided by (used in)		
Operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	(677,839)	(1,598,539)
Non-cash items		
Net realized loss on sale of investments	810,123	68,155
Net change in unrealized (appreciation) depreciation on investments	(898,603)	983,144
Net change in non-cash balances related to operations	(87,053)	(1,737,781)
Proceeds from the sale of short-term investments	7,473,874	24,890,217
Proceeds from the sale of fixed-income securities	10,641,240	7,113,311
Purchase of short-term investments	(9,248,245)	(8,183,511)
Purchase of fixed-income investments	–	(5,841,350)
	8,013,497	15,693,646
Financing activities		
Redemption of redeemable units Class A, Series IV shares	(8,013,497)	(15,688,965)
	(8,013,497)	(15,688,965)
Increase (decrease) in cash during the year	–	4,681
Cash (bank overdraft) – beginning of year	–	(4,681)
Cash – end of year	–	–
Supplemental cash flow information:		
Interest paid	7	55
Interest received	769,257	1,754,895

The accompanying notes are an integral part of these financial statements

As at December 31, 2019

Par Value $ (or number of shares)		Maturity Date	Average Cost $	Fair Value $
Fixed-income Securities				
Convertible Unsecured Subordinated Debentures				
2,136,000	Chemtrade Logistics Income Fund, 5.25%	30/06/21	2,182,817	2,167,399
3,000,000	Element Fleet Management Corp., 4.25%	30/06/20	2,982,416	3,014,100
5,717,000	Morguard REIT, 4.50%	31/12/21	5,772,345	5,788,462
Total Fixed-income Securities – 68.94%			10,937,578	10,969,961
Short-term Investment				
5,088,746	CIBC Mellon Trust Demand Deposit, variable rate		5,088,746	5,088,746
Total Short-Term Investment – 31.98%			5,088,746	5,088,746
Total Investments – 100.92%			16,026,324	16,058,707
Total Portfolio			16,026,324	
Other assets, net of liabilities – (0.92)%				(146,483)
Net assets attributable to holders of redeemable shares				15,912,224

December 31, 2019

1. GENERAL INFORMATION

Return On Innovation Fund Inc. ("ROI Fund Inc.") was incorporated under the laws of Canada by Articles of Incorporation dated October 28, 2002. ROI Fund Inc. commenced active operations in December 2002 on the initial issue of its Class A Shares. Three series of Class A Shares of ROI Fund Inc. were offered for sale at a price of $10 per share until March 3, 2003 and continuously thereafter at the net asset value ("NAV") per Class A Share for the applicable series. On December 17, 2008, the Articles of incorporation of ROI Fund Inc. were amended to provide additional Class A Shares – Series IV with an initial net asset value of $10.

Based on the requirements of National Instrument 81-106 ("NI 81-106"), since Series I, II, III and Series IV have separate portfolios of assets, they are considered separate investment funds for the purposes of NI 81-106. As a result, separate financial statements for Series I, II, III and for Series IV have been provided within the statements of the ROI Fund Inc. The Class A Shares, Series I, II, III and Series IV are collectively referred to as the Funds. If ROI Fund Inc. cannot satisfy its obligations related to an individual Series, it may be required to satisfy them using assets attributable to other series. ROI Fund Inc. is registered as a labour-sponsored investment fund corporation under the Community Small Business Investment Funds Act (Ontario) (the "Ontario Act") and is a prescribed labour-sponsored venture capital corporation under the Income Tax Act (Canada) (the "Tax Act").

ROI Fund Inc. is taxable as a mutual fund corporation under the Tax Act and *Corporations Tax Act* (Ontario). The Funds make investments in eligible Canadian businesses ("venture investments") as defined in the Tax Act and Ontario Act.

In March 2013, the Federal Minister of Finance announced that the 15% federal tax credit available for investments in labour-sponsored venture capital corporations would be phased out in stages to 0% after 2016. It remained at 15% for 2014, was reduced to 10% for 2015, was reduced to 5% for 2016 and nil thereafter. Similarly, there is no provincial tax credit available for investments in labour-sponsored venture capital corporations. The Fund is no longer accepting subscriptions.

The sponsor of ROI Fund Inc. is ACTRA Toronto Performers (the "Sponsor"). The Manager of the Funds is Return On Innovation Advisors Ltd., (the "Manager").

ROI Fund Inc.'s principal office is located at 43 Front Street East, Suite 301, Toronto, Ontario M5E 1B3.

2. INVESTMENT OBJECTIVES AND STRATEGY OF THE FUNDS

The Funds' investment objectives are to provide investors with yield as well as long-term capital gains by making debt and equity investments in a diversified portfolio of small and medium sized eligible businesses. The objective of Series I, II and III is to realize long-term capital appreciation on part of its investment portfolio, and current yield and early return of capital on remainder of its investment portfolio. The objective of Series IV is to realize a current yield and early return of capital on its investment portfolio.

The Funds may focus on the manufacturing, health services and financial services sectors and on hospitality and other businesses. The Funds' will seek to invest in mature, stable business with cash flow or near-term cash flow and established customer bases.

3. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

These financial statements were authorized for issue by the Manager on March 20, 2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Funds are as follows:

Financial Instruments

The Funds' financial instruments consist primarily of cash, short term investments, marketable securities, fixed-income securities, interest and dividends receivable, share redemptions payable and accrued expenses. The Funds recognize financial instruments at fair value upon initial recognition. Regular purchase and sales of financial assets are recognized at their trade date.

The Funds have determined that they meet the definition of 'investment entity'. An investment entity is an entity that: obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Funds non-derivative investments are measured at fair value through profit and loss ("FVTPL"). In classifying and measuring financial instruments held by the Funds, the Manager has assessed the Funds' business model for managing their respective portfolios of investments and evaluating the performance on a fair value basis and concluded that these financial instruments should be measured at FVTPL in accordance with IFRS.

As the Class B founder shares are the most subordinate class of shares of ROI Fund Inc., the Funds' shares have been classified as financial liabilities presented at the value of the net assets attributable to holders of redeemable shares ("net assets") to which shareholders are entitled. The Funds' obligation for net assets attributable to holders of redeemable shares is presented at the redemption amounts.

All other financial assets and liabilities are carried at amortized cost, which approximates fair value due to their short-term nature.

The Funds' accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its NAV for transactions with shareholders.

Fair Value Measurement

Marketable securities are recorded at fair value, established as the last market price for the security on the recognized exchange on which they are principally traded where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances. Where securities are not traded on that date or where the last traded price is not within the bid-ask spread, a valuation adjustment may be applied by the Manager acting in good faith.

Investments that are not publicly traded or other assets for which no public market exists are valued at estimated fair value. The fair values of these investments are determined using an appropriate valuation methodology after considering: the history and nature of the business; operating results and financial conditions; independent valuations of the business; contractual rights relating to the investment; public market comparable transactions and recent multiples, where applicable; current market yields; macroeconomic conditions and other pertinent considerations. The process of valuing private investments for which no published market or market observable factors exist is subject to inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for those investments. These differences could be material to the fair value of the investments.

Securities and other assets for which market quotations are, in the opinion of the Manager, inaccurate, unreliable, not reflective of all available material information or not readily available are valued at their fair value, as determined by the Manager. Fair value presents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investment Transactions, Income Recognition and Transaction Costs

Regular purchases and sales of financial assets are recognized on their trade date.

Realized gains and losses from the sales of investments and net change in unrealized appreciation (depreciation) in the value of investments are calculated with reference to the average cost of the related investments, which excludes brokerage commissions, other trading expenses and any premiums paid, or discounts received on the purchase of fixed income securities.

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are recognized in the Statements of Comprehensive Income (Loss) as they arise.

Interest for Distribution Purposes

Interest for distribution purposes is shown on the Statements of Comprehensive Income (Loss) and represents the coupon interest on debt instruments accounted for on an accrual basis. Interest receivable is shown separately in the Statements of Financial Position based on the debt instruments' stated rates of interest. The Funds do not amortize premiums paid or discounts received on the purchase of debt securities.

Dividend Income

Dividends are recognized as income on the ex-dividend date and distributions from underlying exchange-traded funds are recorded when declared and presented as dividend income on the Statements of Comprehensive Income (Loss). Realized gain (loss) on investments and unrealized appreciation (depreciation) of investments are determined on an average cost basis.

Cash

Cash in comprised of deposits with financial institutions and is recorded at amortized cost. The carrying amount of cash approximates fair value because it is short-term in nature.

Translation of Foreign Currencies

The Funds' functional currency, as disclosed in note 6, represents the currency that the Manager views to most faithfully represent the economic effects of the Funds' underlying transactions, events and conditions taking into consideration how shares are issued or redeemed and how returns are measured. Foreign currency translations are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date.

Valuation of Class and Shares

A NAV is calculated for each series of shares of the Funds each business day. The NAV is computed by calculating the value of each series' proportionate share of the assets and liabilities of the

Funds, less the liabilities of the Funds attributable only to that series. Investment income, expenses, realized and unrealized capital and foreign exchange gains and losses are either allocated proportionately to each series based upon the relative net assets of each series or to a specific series if they are directly attributable to that series. A business day is each day on which the TSX is open for business. The net asset value per share of each series for the purposes of redemption or reinvestments is computed by dividing the NAV of the Fund attributable to the series by the total number of shares of the series of the Fund outstanding at such time. Refer to the liquidity risk disclosure in note 6 for additional details.

Increase (decrease) in Net Assets Attributable to Holders of Redeemable Shares per Share

Increase (decrease) in net assets attributable to holders of redeemable shares per share is based on the increase (decrease) in net assets attributable to holders of redeemable Class A shares divided by the weighted average number of such shares outstanding during the year. Refer to note 10 for the calculation.

Income Taxes

ROI Fund Inc. qualifies as a mutual fund corporation under the Tax Act. The Funds are subject to tax at normal corporate rates on net investment income and net taxable capital gains for the year, where applicable. The Funds are also required to file a labour-sponsored venture capital corporation return estimating any tax and penalties payable under the provisions of the Tax Act that apply to the Funds. Refer to note 11.

The Funds currently incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income (Loss).

Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset, and the net amount reported in the Statements of Financial Position where the Funds have a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In all other situations they are presented on a gross basis. In the normal course of business, the Funds may enter into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the Statements of Financial Position but still allow for the related amounts to be set-off in certain circumstances, such as bankruptcy or the termination of the contracts.

Interest in Unconsolidated Structured Entities

The Funds have determined that they meet the definition of an investment entity and as a result measure all investments at FVTPL. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Funds have determined that all of the underlying exchange-traded funds in which the Funds invest are unconsolidated structured entities. In making this determination, the Funds evaluated the fact that decision making about the underlying exchange-traded funds' activities is generally not governed by voting or similar rights held by the Funds and other investors in any underlying exchange-traded funds.

The Funds may invest in underlying exchange-traded funds whose investment objectives range from achieving short to long-term income and capital growth potential. The Funds' interest in these securities as at December 31, 2019 and 2018 are included at their fair value in the Statements of Financial Position, which represent Funds' exposures in these underlying exchange-traded funds. The Funds do not provide and have not committed to provide any additional significant financial or other support to the underlying exchange-traded funds. The change in fair value of each of the underlying exchange-traded funds during the reporting periods is included in Change in Unrealized Appreciation (Depreciation) in the Statements of Comprehensive Income (Loss). Information about the Funds' interests in subsidiaries, associates, joint ventures and structured entities (if any), as at December 31, 2019 and December 31, 2018 are as follows:

ROI Fund – Series I, II, III

As at December 31, 2019

Investments	Principal place of business	Country of incorporation	Nature of Fund's interest	Carrying amount	Nature of project/ development	Ownership interest %	Voting rights %	Unfurnished loan commitments
iShares Canadian Short Term Bond Index ETF	Ontario	Canada	Equity	4,829,440	Exchange traded fund	0.21%	0.21%	–
iShares S&P/TSX Capped REIT Index Fund	Ontario	Canada	Equity	5,827,510	Exchange traded fund	0.40%	0.40%	–
iShares S&P/TSX 60 Index ETF	Ontario	Canada	Equity	7,974,720	Exchange traded fund	0.09%	0.09%	–

ROI Fund – Series I, II, III

As at December 31, 2018

Investments	Principal place of business	Country of incorporation	Nature of Fund's interest	Carrying amount	Nature of project/ development	Ownership interest %	Voting rights %	Unfurnished loan commitments
iShares Canadian Short Term Bond Index ETF	Ontario	Canada	Equity	4,792,480	Exchange traded fund	0.22%	0.22%	–
iShares S&P/TSX Capped REIT Index Fund	Ontario	Canada	Equity	6,716,000	Exchange traded fund	0.58%	0.58%	–
iShares S&P/TSX 60 Index ETF	Ontario	Canada	Equity	10,182,544	Exchange traded fund	0.12%	0.12%	–

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the amounts of income and expense during the reporting period. Actual results could differ from those estimates and those differences could be significant. The most significant estimates are made on the valuation of private investments, if any, which are further discussed in note 6.

Classification and Measurement of Financial Assets and Liabilities

The Fund's obligation for net assets attributable to holders of redeemable shares represents a financial liability and is measured at the redemption amount, which approximates fair value. All other financial assets and liabilities are measured at amortized cost.

6. FINANCIAL INSTRUMENTS

Venture investments in private companies typically consist of convertible debt, mortgages, equity, or equity-equivalent instruments. These investments in private companies are typically illiquid. The Funds seek to reduce the risks typically associated with such investments by diversifying the investment portfolio through investments in eligible companies that are in differing stages of development in a variety of high-growth-potential industries and by working with investee companies through, among other things and providing business advice and other services.

The Funds' activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk, currency risk and other price risk) and valuation risk with respect to venture investments. The Manager seeks to minimize potential adverse effects of these risks on the Funds' performance by employing professional experience, daily monitoring of the Funds' positions and market events, by diversifying the investment portfolio within the constraints of the investment objectives and, for venture investments, by structuring investments to provide the Funds with maximum protection in the event of financial problems with the issuer of the security.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Funds. Investments in debt instruments represent the Funds' main concentration of credit risk. The fair value of debt instruments and derivatives includes consideration of the creditworthiness of the issuer and represents the maximum credit risk exposure of the Funds.

Series IV invests a significant portion of its assets in debt obligations that are unsecured or subordinated to senior creditors. The risks of debt obligations arise from the potential inability of the issuer to make interest payments on or repay the debt securities. The inability of the issuer to meet its obligations will affect the value of the investment and the Funds may suffer a loss. As at December 31, 2019, Series I, II, III had $ nil (December 31, 2018 – $1,997,483) and Series IV had $10,969,961 (December 31, 2018 – $21,522,722) invested in these assets.

All transactions in listed securities are settled upon delivery using approved brokers. The risk of default is related to receivables for investments sold and is considered minimal, as delivery of securities sold is only made once the Funds have received payment. Payment is made on a purchase once the securities have been received by the Funds. Should either party not meet its obligation, the trade will fail.

The Funds measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. All other receivables amounts, due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds.

As at December 31, 2019 the Funds held the following fixed-income securities: Chemtrade Logistics Income Fund – 5.25%, Element Fleet Management Corp. 4.25%, and Morguard REIT – 4.50%. With the exception of Element Fleet Management Corp. – 4.25% (which is rated BBB High by DBRS) the securities have not been rated.

As at December 31, 2018 the Funds held the following fixed-income securities: AG Growth International Inc. 4.50%, Chemtrade Logistics Income Fund 5.25%, Element Fleet Management Corp. 4.25%, Exchange Income Corp. 5.25%, Just Energy Group Inc. 6.75%, Morguard REIT 4.50%, Northwest Healthcare Properties REIT, Series 'C', 7.25% and Dorel Industries 5.50%. With the exception of Element Fleet Management Corp. 4.25% (which is rated BBB+ by DBRS) the securities had not been rated.

Liquidity Risk

Liquidity risk is the risk that the Funds will encounter difficulties in meeting their financial obligations. The Funds' exposure to liquidity risk is concentrated in the daily cash redemptions of shares. While the Funds may invest a portion of their assets in venture investments, which are considered illiquid, the Funds retain sufficient cash and marketable security positions to maintain liquidity. An illiquid asset is a security or other position that may not be disposed of quickly in the normal course of business. While investments in illiquid assets can present above-average growth opportunities, they can be difficult to value and/or sell at the time and price preferred by the Funds.

The liquidity risk associated with the daily cash redemptions of shares is managed by maintaining an appropriate portion of the Funds' portfolio in cash, marketable securities and short-term investments.

There are certain circumstances in which the Funds may suspend redemptions for substantial periods of time. Furthermore, in any given year, the Funds will not be required to redeem Class A Shares in any financial year having an aggregate redemption value exceeding 20% of the NAV of the Class A Shares calculated as of the last day of the preceding financial year.

ROI Fund Series I, II, III

As at December 31, 2019 and 2018 this series held no venture investments. It held 100.71% (December 31, 2018 – 96.17%) of net assets in cash, foreign currencies, marketable securities and short-term investments that are traded in active markets and/or can be readily disposed. The fixed-income securities are exchange listed securities that are thinly traded. These securities represented nil% (December 31, 2018 – 4.58%) of net assets.

The following table summarizes the maturity profile as at December 31, 2019 and December 31, 2018, of financial instruments by contractual maturity or expected cash flow dates for Series I, II, III.

						As at December 31, 2019
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	No specific date	Total
Assets						
Interest and dividends receivable	80,353	–	–	–	–	80,353
Short-term investments	8,537,663	–	–	–	–	8,537,663
Marketable securities	–	–	–	–	18,631,670	18,631,670
	$ 8,618,016	$ –	$ –	$ –	$ 18,631,670	$ 27,249,686
Liabilities						
Accrued expenses	252,781	–	–	–	–	252,781
Share redemptions payable	57,251	–	–	–	–	57,251
	$ 310,032	$ –	$ –	$ –	$ –	$ 310,032

						As at December 31, 2018
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	No specific date	Total
Assets						
Cash	–	–	–	–	60,354	60,354
Interest and dividends receivable	53,829	–	–	–	–	53,829
Receivable for investments sold	125,000	–	–	–	–	125,000
Short-term investments	20,187,483	–	–	–	–	20,187,483
Fixed-income securities	1,997,483	–	–	–	–	1,997,483
Marketable securities	–	–	–	–	21,691,024	21,691,024
	$ 22,363,795	$ –	$ –	$ –	$ 21,751,378	$ 44,115,173
Liabilities						
Accrued expenses	464,754	–	–	–	–	464,754
Share redemptions payable	74,096	–	–	–	–	74,096
	$ 538,850	$ –	$ –	$ –	$ –	$ 538,850

ROI Fund Series IV

As at December 31, 2019 and 2018 this series held no venture investments. It held 31.98% (December 31, 2018 – 13.48%) of net assets in cash and short-term investments that are traded in active markets and/or can be readily disposed. The fixed-income securities are exchange-listed securities that are thinly traded. These securities represented 68.94% (December 31, 2018 – 87.52%) of net assets.

The following table summarizes the maturity profile as at December 31, 2019 and December 31, 2018, of financial instruments by contractual maturity or expected cash flow dates for Series IV.

					As at December 31, 2019	
	Within 1 year $	1 to 3 years $	3 to 5 years $	Over 5 years $	No specific date $	Total $
Assets						
Interest and dividends receivable	2,468	–	–	–	–	2,468
Fixed-income securities	3,014,100	7,955,861	–	–	–	10,969,961
Short-term investments	5,088,746	–	–	–	–	5,088,746
	$ 8,105,314	$ 7,955,861	$ –	$ –	$ –	$ 16,061,175
Liabilities						
Accrued expenses	166,381	–	–	–	–	166,381
Share redemptions payable	4,620	–	–	–	–	4,620
	$ 171,001	$ –	$ –	$ –	$ –	$ 171,001

					As at December 31, 2018	
	Within 1 year $	1 to 3 years $	3 to 5 years $	Over 5 years $	No specific date $	Total $
Assets						
Interest and dividends receivable	8,171	–	–	–	–	8,171
Fixed-income securities	430,202	16,161,270	4,931,250	–	–	21,522,722
Short-term investments	3,314,374	–	–	–	–	3,314,374
	$ 3,752,747	$ 16,161,270	$ 4,931,250	$ –	$ –	$ 24,845,267
Liabilities						
Accrued expenses	258,410	–	–	–	–	258,410
Share redemptions payable	15,919	–	–	–	–	15,919
	$ 274,329	$ –	$ –	$ –	$ –	$ 274,329

Market Risk

Market risk comprises three main components: interest rate risk, foreign currency risk and other price risk.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or the fair values of interest-bearing investments. The Funds' exposure to interest rate risk is concentrated in their investments in debt securities. Short-term investments, cash, and other financial assets and liabilities are short-term in nature and/or non-interest bearing and not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

If the Funds invest in underlying exchange-traded funds, they are exposed to indirect interest rate risk to the extent of the interest-bearing financial instruments held by the underlying exchange-traded fund.

ROI Fund Series I, II, III

As at December 31, 2019, had the prevailing interest rates raised or lowered by 1% for all the debt securities, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $nil (December 31, 2018 – $17,278). In practice, the actual results may differ from this sensitivity analysis and the difference could be material. This Series held 31.65% (December 31, 2018 – 46.29%) of its assets in short-term investments that earn a variable rate of interest.

ROI Fund Series IV

As at December 31, 2019, had the prevailing interest rates raised or lowered by 1% for all the debt securities, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $155,781 (December 31, 2018 – $537,759). In practice, the actual results may differ from this sensitivity analysis and the difference could be material. This Series held 31.98% (December 31, 2018 – 11.20%) of its assets in short-term investments that earn a variable rate of interest.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash) that are denominated in a currency other than the Canadian dollar, which represents the functional currency of the Funds. The Funds may enter into foreign exchange contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

At December 31, 2019, the Funds held cash and securities which are subject to U.S. dollar currency risk as follows: Series I, II, III – $nil (December 31, 2018 – $1,997,483) and Series IV – $nil (December 31, 2018 – $nil). If the Funds invest in underlying funds, they are exposed to indirect currency risk if the underlying funds invest in financial instruments that are denominated in a currency other than the underlying funds' functional currency.

As at December 31, 2019, if the Canadian dollar had strengthened or weakened by 10% in relation to all currencies, with all other variables held constant, net assets attributable to holders of Series I, II, III shares would have decreased or increased, respectively, by approximately $nil (December 31, 2018 – $199,748). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Other financial assets (including dividends and interest receivable and receivables for investments and shares sold) and financial liabilities that are denominated in foreign currencies do not expose the Funds to significant currency risk.

As at December 31, 2019 and 2018, Series IV is not subject to significant currency risk.

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All equity securities present a risk of loss of capital. The Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk of loss resulting from financial instruments is equivalent to their fair value.

As at December 31, 2019, 69.06% (December 31, 2018 – 49.73%) of Series I, II, III net assets were invested in equities which are actively traded on Canadian and global stock exchanges. Series IV had no investments in actively traded equities. Equities are susceptible to market price risk arising from uncertainties about future prices of those instruments. If equity prices on Canadian and global stock exchanges had increased or decreased by 10% as at the year end, with all other factors remaining constant, Series I, II, III actively traded equities would have increased or decreased by approximately $1,863,167 (December 31, 2018 – $2,169,102). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Venture Investments

On May 14, 2018, Series I, II, III completed the sale of its investment in Toronto Waterfront Studios Inc., Class A common shares, the last venture investment held by the Fund.

A portion of the proceeds from the sale of this investment were held in escrow as recourse for indemnity claims that may arise under the sale agreement. No indemnity claims arose from the sale agreement and during the period, the escrow amounts were paid to the Fund, resulting in a gain of $245,000.

As at December 31, 2019 and 2018, the Funds did not hold any venture investments.

Valuation Processes

The Manager is responsible for determining the recurring fair value measurements included in the financial statements, including the fair value of Level 3 investments. The Manager prepares a valuation for each investment at least quarterly; however, any new information that may impact the valuation of investments is addressed when known.

The Level 3 investments in the Fund may include debt and equity securities, however as at December 31, 2019 and 2018, there were no Level 3 investments remaining in the Funds.

Investment Portfolio Concentration (%)

Series I, II, III

The Fund's investment portfolio is concentrated in the following segments as at

	December 31, 2019	December 31, 2018
MARKETABLE SECURITIES		
Equities	**69.06%**	49.73%
FIXED-INCOME SECURITIES		
Convertible Unsecured Subordinated Debentures	–	4.58%
SHORT-TERM INVESTMENTS	**31.65%**	46.29%
LIABILITIES, NET OF OTHER ASSETS	**(0.71)%**	(0.60)%
	100.00%	100.00%

Investment Portfolio Concentration (%)

Series IV

The Fund's investment portfolio is concentrated in the following segments as at

	December 31, 2019	December 31, 2018
FIXED-INCOME SECURITIES		
Convertible Unsecured Subordinated Debentures	**68.94%**	87.52%
SHORT-TERM INVESTMENTS	**31.98%**	13.48%
OTHER ASSETS, NET OF LIABILITIES	**(0.92)%**	(1.00%)
	100.00%	100.00%

7. FAIR VALUE HIERARCHY

The Funds provide disclosures about the inputs to fair value measurement, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;

Level 2 Inputs other than quoted prices included within Level 1that are observable for the asset or liability either directly or indirectly; and

Level 3 Inputs that are unobservable for the asset and liability.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following tables illustrate the classification of the Funds' financial instruments carried at fair value within the hierarchy as at December 31, 2019 and December 31, 2018:

ROI Fund Series I, II, III	**Assets at fair value As at December 31, 2019**			
	Level 1	**Level 2**	**Level 3**	**Total**
Marketable securities	18,631,670	–	–	18,631,670
Short-term investments	–	8,537,663	–	8,537,663
	$18,631,670	**$8,537,663**	**$–**	**$27,169,333**

ROI Fund Series I, II, III

	Assets at fair value as at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Marketable securities	21,691,024	–	–	21,691,024
Fixed-income securities	–	1,997,483	–	1,997,483
Short-term investments	–	20,187,483	–	20,187,483
	$21,691,024	$22,184,966	$–	$43,875,990

ROI Fund Series IV

	Assets at fair value as at December 31, 2019			
	Level 1 $	Level 2 $	Level 3 $	Total $
Short-term investments	–	5,088,746	–	5,088,746
Fixed-income securities	–	10,969,961	–	10,969,961
	$–	$16,058,707	$–	$16,058,707

ROI Fund Series IV

	Assets at fair value as at December 31, 2018			
	Level 1 $	Level 2 $	Level 3 $	Total $
Short-term investments	–	3,314,374	–	3,314,374
Fixed-income securities	–	21,522,722	–	21,522,722
	$–	$24,837,096	$–	$24,837,096

All fair value measurements above are recurring. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3. The Funds' policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer. There were no transfers between levels during the year ended December 31, 2019.

Marketable Securities

The Funds' marketable securities are classified as Level 1 when the security is actively traded and/or a reliable quote is available. Marketable securities include publicly traded equities and investments in mutual funds.

Fixed-Income Securities

The investments in convertible unsecured subordinated debentures are classified as Level 2. These are exchange-listed securities that are thinly traded.

Short-term Investments

The Funds' short-term investments are classified as Level 2 as they represent overnight cash deposits and are considered equivalent to cash, measured at amortized cost.

8. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

The net assets attributable to holders of redeemable shares of each series represent the issued share capital and cumulative retained earnings (deficit) of the series. The following is a description of the authorized share capital, the differences between the series available and a description of the distribution costs associated with the shares. The Funds are no longer accepting new subscriptions.

Authorized share capital

Unlimited number of Class A Shares, discretionary dividend entitlement, voting, restrictions on transfer and redemption, redeemable at the net asset value less any redemption fee, entitled to elect one of seven directors.

Unlimited number of Class B Shares, issuable only to the Sponsor of the Fund, no dividend entitlement, voting, entitled to elect six of seven directors.

Series

The Class A Shares were available in four series. The series all have the same rights and privileges; the differences among the series are the distribution costs of the Funds' shares – the sales commissions and commission financing fees paid to dealers. In addition, the investment strategy for Class A shares, Series IV differs from that of the other three series. Series IV may not invest in publicly traded equity securities.

Distribution costs

Sales commissions

The Funds did not pay sales commissions. The Manager (on behalf of the Funds) paid a sales commission to dealers on the sale of Class A Shares (if applicable, the Funds would reimburse the Manager by way of commission financing fees) or the investors would pay the sales commissions. The sales commissions were as follows:

Class A Shares, Series I: 10% of the original issue price, paid by the Manager;

Class A Shares, Series II: 6% of the original issue price, paid by the Manager;

Class A Shares, Series III: Up to 2% of the original issue price, may be paid by the investor;

Class A Shares, Series IV under option I: 10% of the original issue price, paid by the Manager;

Class A Shares, Series IV under option II: 6% of the original issue price, may be paid by the Manager; and

Class A Shares, Series IV under option III: 2% of the original issue price, paid by the investor.

Commission financing fees

ROI Fund Series I, II, III

As of January 1, 2004, the Funds pay the Manager an annual base commission financing fee of (a) 1.25% of the original purchase price of Class A Shares, Series I for up to eight years following the sale of each Class A Share, Series I and (b) 0.75% of the original purchase price of each Class A Share, Series II for up to eight years following the sale of each Class A Share, Series II, provided that, in the case of (a) and (b) above, the shares remain issued and unredeemed, and such fee ceases for any such shares retained for more than eight years. This fee is contingent upon continued management services.

ROI Fund Series IV

As of December 17, 2008, the Funds pay the Manager an annual base commission financing fee of 1.5% of the original purchase price of each Class A Share, Series IV for up to eight years following the sale of each Class A Share, Series IV, provided that, in the case of the above, the shares remain issued and unredeemed, and such fee ceases for any such shares retained for more than eight years. This fee is contingent upon continued management services.

The Funds pay the Manager an additional commission financing fee equal to 0.40% annually of the net asset value of Series I, II, III and Series IV for services, including arranging financing for the payment of commissions by the Manager to the dealers and for assisting in the administration of sales of Class A Shares. This fee is contingent upon continued management services.

During the year ended December 31, 2019, the Funds incurred commission financing fees in Series I, II, III – $218,328 (December 31, 2018 – $466,657) and Series IV – $317,971 (December 31, 2018 – $565,268).

Trailing commissions

Trailing commissions paid by the Funds are as follows:

Class A Shares, Series I: Not paid to dealers until the eighth anniversary of the date of issue of the Series I Shares (thereafter, 0.75% annually of the net asset value of the Series I Shares held by the clients of the sales representatives of the dealers), and is paid by the Fund;

Class A Shares, Series II: 0.75% annually of the net asset value of the Series II Shares held by clients of the sales representatives of the dealers, and is paid by the Fund;

Class A Shares, Series III: 1.25% annually of the net asset value of the Series III Shares held by clients of the sales representatives of the dealers, and is paid by the Fund;

Class A Shares, Series IV – Option I: Not paid to dealers until the eighth anniversary of the date of issue of the Series IV Shares. Thereafter, 0.75% annually of the net asset value of the Series IV Shares held by the clients of the sales representatives of the dealer and is paid by the Fund.

Class A Shares, Series IV – Option II: 0.75% annually, until the eighth anniversary of the date of issue of the Series IV Shares of the net asset value of the Series IV Shares held by the clients of the sales representatives of the dealers is paid by the Manager. Thereafter, 0.75% annually of the net asset value of the Series IV Shares held by the clients of the sales representative of the dealers, and is paid by the Fund; and

Class A Shares, Series IV – Option III: 1.25% annually, until the eighth anniversary of the date of issue of the Series IV Shares of the net asset value of the Series IV Shares held by the clients of the sales representatives of the dealers and is paid by the Manager. Thereafter, 0.75% annually of the net asset value of the Series IV Shares held by the clients of the sales representative of the dealers and is paid by the Fund and 0.50% is paid by the Manager.

During the year ended December 31, 2019, the Fund incurred trailing commissions of: Series I, II, III – $226,921 (December 31, 2018 – $348,814) and Series IV – $61,526 (December 31, 2018 – $67,223).

Capital Shares

The capital of the Funds is represented by issued redeemable shares with no par value. Shareholders of Class A shares are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's net asset value per share upon redemption. The Funds have no restrictions or specific capital requirements on the subscription and redemption of shares other than the minimum subscription requirements. Capital movements are shown on the statements of changes in net assets. In accordance with its investment strategies and risk management policies, the Funds invest their subscriptions while maintaining sufficient liquidity to meet redemptions.

ISSUED AND OUTSTANDING	At December 31, 2019	At December 31, 2018
CLASS A, SERIES I SHARES		
Balance, beginning of year	2,201,874	4,019,935
Redeemed during the year	(518,671)	(1,818,061)
Balance, end of year	**1,683,247**	**2,201,874**
CLASS A, SERIES II SHARES		
Balance, beginning of year	3,000,263	4,014,528
Redeemed during the year	(1,576,723)	(1,014,265)
Balance, end of year	**1,423,540**	**3,000,263**
CLASS A, SERIES III SHARES		
Balance, beginning of year	60,478	84,457
Redeemed during the year	(17,407)	(23,979)
Balance, end of year	**43,071**	**60,478**
CLASS B SHARES		
Balance, beginning of year	100	100
Balance, end of year	**100**	**100**

ISSUED AND OUTSTANDING	At December 31, 2019	At December 31, 2018
CLASS A, SERIES IV SHARES		
Balance, beginning of year	2,912,907	4,680,054
Redeemed during the year	(940,323)	(1,767,140)
Balance, end of year	**1,972,583**	**2,912,907**

Redemption of Class A Shares

A shareholder may redeem all or part of the Class A Shares held at the net asset value per Class A Share, subject to certain restrictions. One of these restrictions provides that the Funds are not required to redeem Class A Shares in any financial year having an aggregate redemption value exceeding 20% of the net asset value of the Class A Shares calculated as at the last day of the preceding fiscal year.

Class A Shares, Series I: Holders of Class A Shares, Series I purchased on or following September 28, 2012, who request that the ROI Fund redeem shares before the eighth anniversary of their date of issue will be charged a redemption fee payable to the Manager of 12% of the original issue price, which is reduced by 0.5% of the original issue price each year until the eighth anniversary of the date of issue. After the eighth anniversary of the date of issue, there is no redemption fee.

Class A Shares, Series II: Holders of Class A Shares, Series II purchased on or following September 28, 2012, who request that the ROI Fund redeem shares before the eighth anniversary of their date of issue will be charged a redemption fee payable to the Manager of 12% of the original issue price, which is reduced by 0.5% of the original issue price each year until the eighth anniversary of the date of issue. After the eighth anniversary of the date of issue, there is no redemption fee.

Class A Shares, Series III: No redemption fee will be charged.

Class A Shares, Series IV – Holders of Class A Shares, Series IV purchased on or following September 28, 2012 under the Deferred Sales Charge Option I, who request that the ROI Fund redeem shares before the eighth anniversary of their date of issue will be charged a redemption fee payable to the Manager of 12% of the original issue price, which is reduced by 0.5% of the original issue price each year until the eighth anniversary of the date of issue. After the eighth anniversary of the date of issue there is no redemption fee.

Class A Shares, Series IV – Holders of Class A Shares, Series IV purchased on or following September 28, 2012 under the Deferred Sales Charge Option II, who request that the ROI Fund redeem shares before the eighth anniversary of their date of issue will be charged a redemption fee payable to the Manager of 12% of the original issue price, which is reduced by 0.5% of the original issue price each year until the eighth anniversary of the date of issue.

After the eighth anniversary of the date of issue there is no redemption fee.

Class A Shares, Series IV – Holders of Class A Shares, Series IV under the Initial Sales Charge Option III will not be charged a redemption fee.

For Class A Shares issued prior to January 1, 2004, the Fund will keep the redemption fee that it receives from the shareholder. For Class A Shares issued after January 1, 2004, the redemption fee will be paid to the Manager.

9. FEES

The Funds' investment activities are managed by Return On Innovation Advisors Ltd., with administration delegated to CIBC Mellon (the Administrator). The Manager is responsible for the organization and creation of the Fund, developing and implementing all aspects of the Funds' sales, marketing, distribution and communications strategies, retaining and supervising service providers, managing the ongoing business of the Fund and provides key management personnel to the Fund. In consideration, the Manager is entitled to receive a management fee based on the average net asset value of Series I, II, III of 2.5% and Series IV of 2.3% calculated daily and payable monthly. During the year ended December 31, 2019, Series I, II, III incurred management fees of $927,211 (December 31, 2018 – $1,458,203) with outstanding fees for the year ended December 31, 2019 of $65,643 (December 31, 2018 – $106,249) included in accrued expenses in the Statements of Financial Position. Series IV incurred management fees of $488,459 (December 31, 2018 – $782,866) with outstanding fees for the year ended December 31, 2019 of $35,339 (December 31, 2018 – $54,394), included in accrued expenses in the Statements of Financial Position.

The Manager may waive or absorb certain expenses of the Funds. The decision to do so is reviewed annually and determined at the sole discretion of the Manager.

The Manager is responsible for the management of the investment portfolio of the Funds. In consideration, the Manager is paid an annual fee calculated monthly for its services at the annual rate of 1.0% of the net asset value of the Funds. During the year ended December 31, 2019, Series I, II, III incurred investment advisor fees of $370,884 (December 31, 2018 – $538,281) with outstanding fees for the year ended December 31, 2019 of $26,257 (December 31, 2018 – $42,499) included in accrued expenses in the Statements of Financial Position. Series IV incurred investment advisor fees of $212,375 (December 31, 2018 – $340,378) with outstanding fees for the year ended December 31, 2019 of $15,365 (December 31, 2018 – $23,650), included in accrued expenses in the Statements of Financial Position.

During the year ended December 2019 and 2018, the Manager did not collect a performance fee because it forfeited its performance fee entitlement by way of an amendment to the management agreement dated October 29, 2010.

Commencing March 1, 2003, the Fund pays the Sponsor an annual fee of 0.25% of the net asset value of the Fund, calculated and paid monthly in arrears. During the year ended December 31, 2019, Series I, II, III incurred Sponsor fees of $92,722 (December 31, 2018 – $145,821 with outstanding fees for the year ended December 31, 2019 of $6,564 (December 31, 2018 – $10,625), included in accrued expenses in the Statements of Financial Position. Series IV incurred investment advisor fees of $53,093 (December 31, 2018 – $85,094) with outstanding fees for the year ended December 31, 2019 of $3,841 (December 31, 2018 – $5,912), included in accrued expenses in the Statements of Financial Position.

10. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES PER SHARE

For the year ended December 31, 2019	Series I	Series II	Series III
Increase in net assets attributable to holders of redeemable shares	579,289	801,584	14,823
Weighted average shares outstanding during the year	1,883,536	1,878,926	50,049
Increase in net assets attributable to holders of redeemable shares per share	0.31	0.43	0.30

For the year ended December 31, 2018	Series I	Series II	Series III
Increase in net assets attributable to holders of redeemable shares	1,675,761	1,597,539	42,448
Weighted average shares outstanding during the year	2,737,794	3,295,188	71,629
Increase in net assets attributable to holders of redeemable shares per share	0.61	0.48	0.59

For the year ended December 31, 2019	Series IV
Decrease in net assets attributable to holders of redeemable shares	(677,839)
Weighted average shares outstanding during the year	2,225,015
Decrease in net assets attributable to holders of redeemable shares per share	(0.30)

For the year ended December 31, 2018	Series IV
Decrease in net assets attributable to holders of redeemable shares	(1,598,539)
Weighted average shares outstanding during the year	3,412,569
Decrease in net assets attributable to holders of redeemable shares per share	(0.47)

11. INCOME TAXES

ROI Fund Inc. is a mutual fund corporation and a prescribed labour-sponsored venture capital corporation under the Income Tax Act (Canada).

Under the Tax Act, no income taxes are payable by the Funds on dividends received from Canadian corporations, and income taxes payable on capital gains will be fully refundable on a formula basis when shares of the Funds are redeemed or capital gains dividends are paid or deemed to be paid by the Funds to its shareholders. The Fund has sufficient expenses to offset income from sources other than dividend and capital gains.

The Funds recover all of their refundable income taxes annually through the deemed payment of a dividend by capitalizing the appropriate amount of their income as paid-up capital pro rata on their Class A shares. As a result, the Funds have determined that it is in substance not taxable on these sources of income and therefore do not record income taxes on them. The Funds did not set up deferred tax assets for the non-capital loss carryforward.

If and to the extent the Funds increase the paid-up capital of the Class A Shares, the holder of the shares will be deemed to have received a dividend and the adjusted cost base of the holder's shares will be increased by the amount of the deemed dividend.

As at December 31, 2019, the Funds had available for deduction against future taxable income, non-capital losses of approximately $48,427,727 and capital losses of $27,578,589. The capital losses may be deducted against future capital gains and have no expiry. Non-capital losses carried forward will expire, if not applied, Under the Tax Act, as follows: 2027 – $1,827,632; 2028 – $2,824,103; 2029 – $3,194,490; 2030 – $5,433,646; 2031 – $6,232,809; 2032 – $5,127,161; 2033 – $3,556,103; 2034 – $2,421,372; 2035 – $5,188,082; 2036 – $4,963,553; 2037 – $4,916,057 and 2038 – $ 2,742,718

12. INVESTMENT PACING REQUIREMENTS

Both the Tax Act and the Ontario Act set investment pacing requirements for the Funds. If the minimum level of qualifying venture investments is not met as at the calendar year end, the Funds may be subject to defined taxes and penalties. The Funds returned to compliance in February of 2018. As such the investment level taxes relating to 2016 and 2017 were recognized as an expense recovery in 2018 in the Statements of Comprehensive Income (Loss).

As at December 31, 2019 and 2018, the Fund was in compliance with the investment pacing requirement.

13. SUBSEQUENT EVENTS – CORONAVIRUS

The impact of the coronavirus ("COVID-19") outbreak on the financial performance of the Funds' investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Funds' future investment results may be materially adversely affected.

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