ROI Fund™

SEMI-ANNUAL REPORT 2017

As at June 30, 2017

ROI Capital™

roicapital.ca

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August 15, 2017

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.

The Auditor has not reviewed the Funds' June 30, 2017 financial statements. Return On Innovation Advisors Ltd., the manager of the Funds, appoints an independent auditor to audit the Funds' annual financial statements. Applicable securities laws require that if an auditor has not reviewed the interim financial statements, this must be disclosed in an accompanying notice.

"Wilfred Vos"

Wilfred Vos
President

Return on Innovation
Advisors Ltd.

"David Dundas"

David Dundas
Chief Financial Officer

Return on Innovation
Advisors Ltd.

	June 30 2017	December 31 2016
Assets		
Current assets		
Investments		
Venture investments	12,445,222	10,249,006
Marketable securities	33,693,035	45,175,536
Other securities	1,991,881	2,011,776
Short-term investments	13,477,397	11,105,399
Cash	47,515	–
Foreign currencies	119,805	197,653
Interest and dividends receivable	9,226	70,477
Prepaid insurance	14,664	30,754
HST receivable	3,971	2,860
	61,802,716	68,843,461
Liabilities		
Current liabilities		
Share redemptions payable	104,723	24,408
Accrued expenses [note 9]	759,835	866,354
	864,558	890,762
Net assets attributable to holders of redeemable shares [note 8]	60,938,158	67,952,699
Net assets attributable to holders of redeemable shares per class		
Class A, Series I shares	30,915,114	35,660,308
Class A, Series II shares	29,312,882	31,356,321
Class A, Series III shares	710,162	936,070
Net assets attributable to holders of redeemable shares per class per unit		
Class A, Series I shares	7.17	6.92
Class A, Series II shares	7.00	6.76
Class A, Series III shares	7.33	7.08

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

For the six-month periods ended June 30

	2017 $	2016 $
Income		
Foreign exchange loss on cash	(42,073)	(30,746)
Gain on investments		
Interest for distribution purposes – non venture investments	55,019	509,193
Interest for distribution purposes – venture investments	–	217,451
Dividends	519,816	255,693
Fee income from venture investments [note 4]	–	3,481
Net realized gain	2,965,574	626,913
Change in unrealized appreciation (depreciation)	1,301,628	(131,552)
Net gain on investments	4,842,037	1,481,179
Total income (net)	4,799,964	1,450,433
Expenses		
Advisor fees [note 9]	362,880	428,129
Audit fees	25,295	30,935
Commission financing fees [note 8]	413,780	530,029
Custodian fees	18,768	30,616
Directors and officers fees	50,145	45,270
Independent review committee fees	10,853	3,647
Legal fees	29,391	28,222
Management fees [note 9]	907,200	1,070,322
Shareholder reporting costs	55,965	107,287
Sponsor fees [note 9]	90,720	107,032
Trailing commissions [note 8]	171,816	194,803
Transfer agent and fund administration	309,267	330,432
Foreign withholding taxes	12,078	18,202
Total Expenses (net)	2,458,158	2,924,926
Increase (decrease) in net assets attributable to holders of redeemable shares	2,341,806	(1,474,493)
Increase (decrease) in net assets attributable to holders of redeemable shares per series [note 10]		
Increase (decrease) in net assets attributable to Class A, Series I shares	1,246,214	(781,052)
Increase (decrease) in net asset attributable to Class A, Series I shares per share	0.27	(0.13)
Increase (decrease) in net assets attributable to Class A, Series II shares	1,063,043	(670,281)
Increase (decrease) in net asset attributable to Class A, Series II shares per share	0.24	(0.13)
Increase (decrease) in net assets attributable to Class A, Series III shares	32,549	(23,160)
Increase (decrease) in net asset attributable to Class A, Series III shares per share	0.29	(0.13)

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 (Unaudited)

For the six-month periods ended June 30

	2017 $	2016 $
Net assets attributable to holders of redeemable shares at beginning of the period		
Class A, Series I shares	35,660,308	45,842,186
Class A, Series II shares	31,356,321	37,499,841
Class A, Series III shares	936,070	1,395,460
	67,952,699	84,737,487
Increase (decrease) in net assets attributable to holders of redeemable shares		
Class A, Series I shares	1,246,214	(781,052)
Class A, Series II shares	1,063,043	(670,281)
Class A, Series III shares	32,549	(23,160)
	2,341,806	(1,474,493)
Redeemable shares transactions		
Proceeds from redeemable Class A shares issued		
Class A, Series I shares	–	780
Class A, Series II shares	–	508
Class A, Series III shares	–	67
	–	1,355
Redemption of redeemable Class A shares		
Class A, Series I shares	(5,991,408)	(7,754,190)
Class A, Series II shares	(3,106,482)	(5,039,981)
Class A, Series III shares	(258,457)	(344,989)
	(9,356,347)	(13,139,160)
Net assets attributable to holders of redeemable shares at end of the period		
Class A, Series I shares	30,915,114	37,307,724
Class A, Series II shares	29,312,882	31,790,087
Class A, Series III shares	710,162	1,027,378
	60,938,158	70,125,189

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

For the six-month periods ended June 30

	2017 $	2016 $
Cash provided by (used in)		
Operating activities		
Increase (decrease) in net assets attributable to holders of redeemable shares	2,341,806	(1,474,493)
Non-cash items		
Foreign exchange loss on cash	42,073	30,746
Net realized gain on sale of investments	(2,965,574)	(626,913)
Net change in unrealized (appreciation) depreciation on investments	(1,301,628)	131,552
Net change in non-cash balances related to operations	(30,289)	96,082
Proceeds from the sale of marketable securities	13,220,235	8,821,424
Proceeds from the sale of short-term investments	11,286,008	14,304,975
Proceeds from the sale of other securities	–	11,215,000
Proceeds from the sale and principal repayment of venture investments	350,609	3,407,491
Purchase of short-term investments	(13,655,468)	(21,315,728)
	9,287,772	14,590,136
Financing activities		
Proceeds from redeemable units issued Class A shares	–	1,355
Redemption of redeemable units Class A shares	(9,276,032)	(13,143,255)
	(9,276,032)	(13,141,900)
Foreign exchange loss on cash	(42,073)	(30,746)
Increase in cash during the period	11,740	1,448,236
Cash and foreign currencies – beginning of period	197,653	541,952
Cash and foreign currencies – end of period	167,320	1,959,442
Supplemental cash flow information included in cash flows from operating activities		
Interest paid	23	7
Interest received	62,480	726,644
Dividends received, net of withholding taxes	580,766	237,491

The accompanying notes are an integral part of these financial statements

As at June 30, 2017

Number of shares/units		Maturity Date	Average Cost $	Fair value $
Marketable Securities				
Equities				
470,978	iShares S&P/TSX 60 Index ETF		8,796,655	10,564,036
50,000	Apple Inc.		4,502,507	9,351,939
550,000	iShares S&P/TSX Capped REIT Index ETF		9,595,069	8,882,500
176,000	iShares Core Canadian Short Term Bond Index ETF		4,993,063	4,894,560
Total Equities – 55.29%			27,887,294	33,693,035
Total Marketable Securities – 55.29%			27,887,294	33,693,035
Other Securities				
Convertible Unsecured Subordinated Debentures				
1,500,000	Dorel Industries, 5.50%	30/11/19	2,040,098	1,991,881
Total Other Securities – 3.27%			2,040,098	1,991,881

Par Value $ (or number of shares)		Average Cost $	Fair Value $
Venture Investments			
Consumer Services			
50,729	Toronto Waterfront Studios Inc., – Class A common shares	14,033,539	
Total Venture Investments – 20.42%		14,033,539	12,445,222
Short-term Investments			
13,472,523	CIBC Mellon Trust Demand Deposit,variable rate	13,472,523	13,473,094
3,313	BNY Mellon US$ Deposit Trust Reserve, variable rate	4,472	4,303
Total short-term Investments – 22.12%		13,476,995	13,477,397
Total Investments – 101.10%		57,437,926	61,607,535
Total Portfolio		57,437,926	61,607,535
Liabilities, Net of Other Assets – (1.10%)			(669,377)
Net assets attributable to holders of redeemable units			**60,938,158**

ROI Fund™ PRIVATE PLACEMENT

	June 30 2017	December 31 2016
Assets		
Current assets		
Investments		
Marketable securities	–	3,411
Other securities	38,021,759	43,874,906
Short-term investments	6,430,501	3,010,868
Cash	489,560	265,700
Interest and dividends receivable	172,522	374,871
Prepaid insurance	10,545	21,699
	45,124,887	47,551,455
Liabilities		
Current Liabilities		
Share redemptions payable	29,881	4,738
Accrued expenses [note 9]	481,217	533,264
	511,098	538,002
Net assets attributable to holders of redeemable shares [note 8]	44,613,789	47,013,453
Net assets attributable to holders of redeemable shares	44,613,789	47,013,453
Net assets attributable to holders of redeemable shares per unit	9.36	9.48

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

For the six-month periods ended June 30

	2017 $	2016 $
Income		
Gain on investments		
Interest for distribution purposes – non venture investments	963,517	1,118,839
Interest for distribution purposes – venture investments	–	84,179
Fee income from venture investments	–	2,681
Net realized gain (loss)	(359,446)	78,664
Change in unrealized appreciation (depreciation)	486,703	(311,188)
Net gain on investments	1,090,774	973,175
Total income (net)	1,090,774	973,175
Expenses		
Advisor fees [note 9]	256,616	275,406
Audit fees	16,855	21,310
Commission financing fees [note 8]	514,006	547,851
Custodian fees	16,063	24,673
Directors and officers fees	34,332	25,062
Independent review committee fees	8,757	2,837
Legal fees	3,586	6,758
Management fees [note 9]	590,215	633,431
Shareholder reporting costs	35,989	54,225
Sponsor fees [note 9]	64,154	68,851
Transfer agent and fund administration	90,504	96,937
Trailing commissions [note 8]	4,895	–
Total expenses	1,635,972	1,757,341
Decrease in net assets attributable to holders of redeemable shares	(545,198)	(784,166)
Decrease in net assets attributable to holders of redeemable shares per series [note 10]		
Decrease in net assets attributable to Class A, Series IV shares	(545,198)	(784,166)
Decrease in net asset value per Class A, Series IV share	(0.11)	(0.16)

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

For the six-month periods ended June 30

	2017 $	2016 $
Net assets attributable to holders of redeemable shares at beginning of the period		
Class A, Series IV shares	47,013,453	49,749,466
Decrease in net assets attributable to holders of redeemable shares		
Class A, Series IV shares	(545,198)	(784,166)
Redeemable shares transactions		
Redemption of redeemable Class A, Series IV shares	(1,854,466)	(403,932)
Net assets attributable to holders of redeemable shares at end of the period		
Class A, Series IV shares	44,613,789	48,561,368

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

For the six-month periods ended June 30

	2017 $	2016 $
Cash provided by (used in)		
Operating activities		
Decrease in net assets attributable to holders of redeemable units	(545,198)	(784,166)
Non-cash items		
Net realized (gain) loss on sale of investments	361,307	(77,533)
Net change in unrealized (appreciation) depreciation on investments	(486,703)	311,188
Net change in non-cash balances related to operations	161,456	1,989,849
Proceeds from the sale of short-term investments	14,565,862	7,049,296
Proceeds from the sale of other securities	17,240,690	5,157,462
Proceeds from the sale and principal repayment of venture investments	399	13,685,000
Purchase of short-term investments	(17,985,206)	(17,848,631)
Purchase of other securities	(11,259,424)	(9,062,577)
	2,053,183	419,888
Financing activities		
Redemption of redeemable units Class A, Series IV shares	(1,829,323)	(401,973)
	(1,829,323)	(401,973)
Increase in cash during the period	223,860	17,915
Cash – beginning of period	265,700	2,190
Cash – end of period	489,560	20,105
Supplemental cash flow information:		
Interest paid	69	–
Interest received	1,167,949	1,203,745

The accompanying notes are an integral part of these financial statements

As at June 30, 2017

Par Value $ (or number of shares)		Maturity Date	Average Cost $	Fair Value $
Other Securities				
Convertible Unsecured Subordinated Debentures				
8,383,000	H&R REIT, 5.40%	30/11/18	9,113,300	8,550,660
7,700,000	Morguard REIT, 4.50%	31/12/21	7,761,373	8,008,000
5,140,000	Superior Plus Corp. 6.00%	30/06/19	5,334,306	5,306,793
4,747,000	First Capital Realty Inc., Series 'I' 4.75%	31/07/19	4,811,649	4,758,868
2,705,000	OneREIT, 5.45%	30/06/18	2,726,165	2,711,763
2,503,000	OneREIT, 5.50%	30/06/20	2,473,436	2,553,060
1,500,000	Crombie REIT, Series 'E', 5.25%	31/03/21	1,595,310	1,602,000
1,153,000	Northwest Healthcare Properties REIT, Series 'B', 7.50%	30/09/18	1,171,750	1,183,497
1,008,000	Northwest Healthcare Properties REIT, Series 'A', 6.50%	31/03/18	1,029,159	1,060,920
914,000	Crombie REIT, Series 'D', 5.00%	30/09/19	952,574	914,457
657,000	Northwest Healthcare Properties REIT, Series 'F', 5.25%	31/12/21	661,922	684,134
429,000	Northwest Healthcare Properties REIT, Series 'C', 7.25%	31/10/19	438,931	450,707
230,000	First Capital Realty Inc., Series 'J' 4.45%	28/02/20	236,007	236,900
Total Other Securities – 85.22%			38,305,882	38,021,759
Short-term Investment				
6,430,211	CIBC Mellon Trust Demand Deposit, variable rate		6,430,210	6,430,501
Total Short-Term Investment – 14.41%			6,430,210	6,430,501
Total Investments – 99.63%			44,736,092	44,452,260
Total Portfolio			44,736,092	
Other Assets, Net of Liabilities – 0.37%				161,529
Net assets attributable to holders of redeemable shares				44,613,789

June 30, 2017

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. The objectives of the Series I, II and III of the Funds are is to realize long-term capital appreciation on part of its investment portfolio, and current yield and early return of capital on the remainder of its investment portfolio. The objective of Series IV of the Fund is to realize a current yield and early return of capital on the investment portfolio.

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 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 when applicable. The Funds may focus on the manufacturing, health services, real estate, and financial services sectors and other business that have the potential to generate free cash flow. The Funds' will seek to invest in mature, stable business with cash flow or near term cash flow and have an established customer bases.

3. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements including IAS 34 – *Interim Financial Reporting*, as published 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 including derivative financial instruments, at fair value through profit or loss.

These financial statements were authorized for issue by the Manager on August 15, 2017.

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, other securities, venture investments, 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 adopted the Investment Entity Amendments to IFRS 10, Consolidated Financial Statements and 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 designated at fair value through profit or loss (FVTPL) and are measured at fair value.

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.

The valuation procedures relating to private company investments include preparation, reviewing and updating as applicable by management, on at least a quarterly basis, of a the comprehensive valuation report or analysis completed by management.

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.

Other Income

Dividends are recognized as income on the ex-dividend date and distributions from underlying funds are recorded when declared.

Cash

Cash is comprised of deposits with financial institutions.

Impairment of Financial Assets

At each reporting date, the Funds assess whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Funds recognize an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in the subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

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 Fund's underlying transactions, events and conditions taking into consideration how units 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 net asset value ('NAV') is calculated for the Funds daily. The NAV is computed by calculating the assets and liabilities of the Funds, less the liabilities of the Funds. Other expenses and net gains and losses on investments are allocated to the Funds. A valuation date is each date on which the TSX is open for business. The NAVPU of the class for the purposes of redemption or reinvestments is computed by dividing the NAV of the Funds attributable to the series of the Funds 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 period. 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.

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 Statement 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.

Interests in Investments

The Funds have determined that they meet the definition of an investment entity and as a result measure all investments at fair value through profit and loss (FVTPL). Information about the Funds' interests in subsidiaries, associates, joint ventures and structured entities as at June 30, 2017 and December 31, 2016 are as follows:

ROI Fund – Series I, II, III

								As at June 30, 2017
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**
Toronto Waterfront Studios Inc., – Class A common shares	Ontario	Canada	Equity	12,445,222	Film studio and development lands	n/a	n/a	–
iShares Core Canadian Short Term Bond Index ETF	Ontario	Canada	Equity	4,894,560	Exchange traded fund	0.22%	0.22%	–
iShares S&P/TSX Capped REIT Index ETF	Ontario	Canada	Equity	8,882,500	Exchange traded fund	0.67%	0.67%	–
iShares S&P/TSX 60 Index ETF	Ontario	Canada	Equity	10,564,036	Exchange traded fund	0.08%	0.08%	–

ROI Fund – Series I, II, III

								As at December 31, 2016
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**
Toronto Waterfront Studios Inc., – Class A common shares	Ontario	Canada	Equity	10,249,006	Film studio and development lands	n/a	n/a	–
iShares Canadian Short Term Bond Index ETF	Ontario	Canada	Equity	4,937,680	Exchange traded fund	0.21%	0.21%	–
iShares S&P/TSX Capped REIT Index ETF	Ontario	Canada	Equity	12,000,000	Exchange traded fund	0.86%	0.86%	–
iShares S&P/TSX 60 Index ETF	Ontario	Canada	Equity	15,190,942	Exchange traded fund	0.12%	0.12%	–

ROI Fund – Series IV

As at June 30, 2017 and December 31, 2016, Series IV had no interests in subsidiaries, associates, joint ventures or structured entities.

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, which are further discussed in notes 6 and 7.

The most significant judgments made in preparing the Funds' financial statements relate to the determination that the Funds are an investment entity, including that their objective and business purpose is to invest in loans or participating interests in real estate assets solely for the purpose of generating investment income and that fair value is the primary measurement attribute to measure and evaluate the performance of substantially all of their investments. Similarly, the Funds are required to make significant judgments about whether or not the business of the Funds are to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39. The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

6. FINANCIAL INSTRUMENTS

Venture investments in private companies 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 represents 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.

The Funds invest a significant portion of their 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 June 30, 2017, Series I, II, III had $1,991,881 (December 31, 2016 – $ 2,011,776) and Series IV had $38,021,759 (December 31, 2016 – $43,874,906) 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 credit risk related to interest and dividends receivable is subject to the creditworthiness of the underlying investees. As of June 30, 2017 and December 31, 2016 no allowance for doubtful accounts has been provided for.

As at June 30, 2017 the Funds held other securities with a minimum credit rating of BB (low) (assigned by DBRS) with the exception of Morguard REIT, 4.50%, Northwest Healthcare Properties REIT, Series 'A', 6.50%, Northwest Healthcare Properties REIT, Series 'B', 7.50%, Northwest Healthcare Properties REIT, Series 'C', 7.25% Northwest Healthcare Properties REIT, Series 'F', 5.25%, ONEREIT – 5.45%, ONE REIT – 5.50% and Dorel Industries 5.50% which have not been rated. As at December 31, 2016 the Funds held other securities with a minimum credit rating of BB (low) (assigned by DBRS) with the exception of Killam Apartment REIT 5.45% debenture, Northwest Healthcare Properties REIT, Series 'A', 6.50%, Northwest Healthcare Properties REIT, Series 'B', 7.50%, Northwest Healthcare Properties REIT, Series 'C', 7.25% Northwest Healthcare Properties REIT, Series 'F', 5.250%, ONEREIT – 5.45%, ONE REIT – 5.50% and Dorel Industries 5.50% which 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 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 June 30, 2017, these Series held 20.42% (December 31, 2016 – 15.08%) of net assets attributable to holders of redeemable shares in venture investments, which are considered illiquid. They also had 77.68% (December 31, 2016 – 83.11%) of net assets attributable to holders of redeemable shares in cash, foreign currencies, marketable securities and short-term investments that are traded in active markets and/or can be readily disposed. Other securities are exchange listed securities that are thinly traded. Together, these securities represent 3.27% (December 31, 2016 – 2.96%) of net assets attributable to holders of redeemable shares.

The following table summarizes the maturity profile as at June 30, 2017 and December 31, 2016, of financial instruments by contractual maturity or expected cash flow dates for Series I, II, III.

					As at June 30, 2017	
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	No specific date	Total
Assets						
Cash	–	–	–	–	47,515	47,515
Foreign currencies	–	–	–	–	119,805	119,805
Interest and dividends receivable	9,226	–	–	–	–	9,226
Venture investments	–	–	–	–	12,445,222	12,445,222
Short-term investments	13,477,397	–	–	–	–	13,477,397
Other securities	–	1,991,881	–	–	–	1,991,881
Marketable securities	–	–	–	–	33,693,035	33,693,035
	$ 13,486,623	**$ 1,991,881**	**$ –**	**$ –**	**$ 46,305,577**	**$ 61,784,081**
Liabilities						
Accrued expenses	759,835	–	–	–	–	759,835
Share redemptions payable	104,723	–	–	–	–	104,723
	$ 864,558	**$ –**	**$ –**	**$ –**	**$ –**	**$ 864,558**

					As at December 31, 2016	
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	No specific date	Total
Assets						
Foreign currencies	–	–	–	–	197,653	197,653
Interest and dividends receivable	70,477	–	–	–	–	70,477
Venture investments	–	–	–	–	10,249,006	10,249,006
Short-term investments	11,105,399	–	–	–	–	11,105,399
Other securities	–	2,011,776	–	–	–	2,011,776
Marketable securities	–	–	–	–	45,175,536	45,175,536
	$ 11,175,876	**$ 2,011,776**	**$ –**	**$ –**	**$ 55,622,195**	**$ 68,809,847**
Liabilities						
Accrued expenses	866,354	–	–	–	–	866,354
Share redemptions payable	24,408	–	–	–	–	24,408
	$ 890,762	**$ –**	**$ –**	**$ –**	**$ –**	**$ 890,762**

ROI Fund Series IV

As at June 30, 2017 and December 31, 2016 this series held no net assets attributable to holders of redeemable shares in venture investments, which are considered illiquid. It held 15.51% (December 31, 2016 – 6.98%) of its net assets attributable to holders of redeemable shares in cash and short-term investments that are traded in active markets and/or can be readily disposed. Other Securities are exchange-listed securities that are thinly traded. These securities represent 85.22% (December 31, 2016 – 93.32%) of net assets attributable to holders of redeemable shares.

The following table summarizes the maturity profile as at June 30, 2017 and December 31, 2016, of financial instruments by contractual maturity or expected cash flow dates for Series IV.

						As at June 30, 2017
	Within 1 year $	1 to 3 years $	3 to 5 years $	Over 5 years $	No specific date $	Total $
Assets						
Cash	–	–	–	–	489,560	489,560
Interest and dividends receivable	172,522	–	–	–	–	172,522
Other securities	3,772,683	23,954,942	10,294,134	–	–	38,021,759
Short-term investments	6,430,501	–	–	–	–	6,430,501
	$ 10,375,706	$ 23,954,942	$ 10,294,134	$ –	$ 489,560	$ 45,114,342
Liabilities						
Accrued expenses	481,217	–	–	–	–	481,217
Share redemptions payable	29,881	–	–	–	–	29,881
	$ 511,098	$ –	$ –	$ –	$ –	$ 511,098

						As at December 31, 2016
	Within 1 year $	1 to 3 years $	3 to 5 years $	Over 5 years $	No specific date $	Total $
Assets						
Cash	–	–	–	–	265,700	265,700
Interest and dividends receivable	374,871	–	–	–	–	374,871
Other securities	–	39,573,581	4,301,325	–	–	43,874,906
Short-term investments	3,010,868	–	–	–	–	3,010,868
Marketable securities	–	–	–	–	3,411	3,411
	$ 3,385,739	$ 39,573,581	$ 4,301,325	$ –	$ 269,111	$ 47,529,756
Liabilities						
Accrued expenses	533,264	–	–	–	–	533,264
Share redemptions payable	4,738	–	–	–	–	4,738
	$ 538,002	$ –	$ –	$ –	$ –	$ 538,002

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 its 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 funds, it is exposed to indirect interest rate risk to the extent of the interest-bearing financial instruments held by the underlying mutual funds.

ROI Fund Series I, II, III

As at June 30, 2017, had the prevailing interest rates raised or lowered by 1% for all other securities, with all other variables held constant, net assets attributable to holders of redeemable shares would have decreased or increased, respectively, by approximately $43,592 (December 31, 2016 – $53,314). In practice, the actual results may differ from this sensitivity analysis and the difference could be material. This Series held 22.12% (December 31, 2016 – 16.34%) of its assets in short-term investments that earn a variable rate of interest and 20.42% (December 31, 2016 – 15.08%) in venture investments.

ROI Fund Series IV

As at June 30, 2017, had the prevailing interest rates raised or lowered by 1% for all other securities, with all other variables held constant, net assets attributable to holders of redeemable shares would have decreased or increased, respectively, by approximately $833,036 (December 31, 2016 – $896,526). In practice, the actual results may differ from this sensitivity analysis and the difference could be material. This Series held 14.41% (December 31, 2016 – 6.40%) of its assets in short-term investments that earn a variable rate of interest. At June 30, 2017 and December 31, 2016 this Series held no investments in venture investments.

For additional disclosure regarding sensitivity analysis on equity venture investments, refer to note 7.

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 June 30, 2017, the Funds held securities which are subject to U.S. dollar currency risk as follows: Series I, II, III – $ 11,467,928 (December 31, 2016 – $15,256,343) and Series IV – $nil (December 31, 2016 – $nil). If the Funds invest in underlying funds, they are exposed to indirect currency risk in the event that the underlying funds invest in financial instruments that are denominated in a currency other than the underlying funds' functional currency.

As at June 30, 2017, 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 redeemable shares of Series I, II, III shares would have increased or decreased, respectively, by approximately $ 1,146,793 (December 31, 2016 – $1,525,634). 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 financial liabilities that are denominated in foreign currencies do not expose the Funds to significant currency risk.

As at June 30, 2017 and December 31, 2016, 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 June 30, 2017, 55.29% (December 31, 2016 – 66.49%) of Series I, II, III net assets attributable to holders of redeemable shares 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 period end, with all other factors remaining constant, Series I, II, III actively traded equities would have increased or decreased by approximately $ 3,369,304 (December 31, 2016 – $4,517,554). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Valuation of Venture Investments

The Funds invest a portion of their net assets attributable to holders of redeemable shares in venture investments. Generally, these venture investments do not have observable market prices. The process of valuing investments for which no published market exists is based on inherent uncertainties and will be influenced by the time required to assess the impact of any particular event on value from time to time. The resulting values may differ from values that would have been used had a ready market existed for these investments. This valuation process is subjective to a degree and to the extent that these valuations differ from the amount ultimately realized by the Funds, investors in the Funds may gain a benefit or suffer a loss when they purchase or redeem units.

The total amount of the change in fair value recognized in increase/decrease in net assets attributable to holders of redeemable shares during the period that was estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates are as follows: Series I, II, III – increased by $ 2,196,216 (June 30, 2016 – decreased by $363,905) and Series IV – $nil (June 30, 2016 – decreased by $220,984).

Valuation Processes

The Manager is responsible for determining the recurring fair value measurements included in the financial statements, including the fair value of the Level 3 investments. The Manager's valuations team prepares when applicable and reviews the 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. The debt securities are comprised of subordinated debentures. The equity securities are currently comprised of income producing commercial private real estate and commercial development private real estate.

The following is a summary by investment type of the valuation techniques and key inputs used by the Manager.

Investment type	Valuation method	Inputs
Subordinated debentures	Yield to maturity	Risk premium Risk free rate Time to maturity
Equity	Discounted Cash Flow	Risk premium Risk free rate Timing of free cash flows attributable to equity holders
	Direct Comparison	Recent market sales of comparable assets

The yield to maturity method applies an appropriate discount rate to all future cash flows of a security. The discount rate is comprised of a risk-free rate plus a risk premium. The risk premium associated with a security is security specific and is determined mainly by the credit quality of the investment.

The discounted cash flow method applies an appropriate discount rate to the expected future value of the completed development (on a direct income capitalization or realizable value basis). The discount rate is determined by analyzing the risk to completion which, amongst other measures, involves analysis of the current progress, loan-to-value and time to delivery of the future development. As at June 30, 2017 and December 31, 2016, in Series I, II, III and in Series IV there were no debt investments valued using this method.

The direct comparison method involves analysis of recent similar transactions, adjusted for any differences, to determine the anticipated current net realizable value of an asset.

Investments in Equity Securities:

Series I, II, III

As at June 30, 2017 and December 31, 2016, had the inputs used in the valuation of Toronto Waterfront Studios Inc., Class A common shares increased by 1%, the value of the investment would have decreased by approximately $2,049,801 (December 31, 2016 – $1,903,387). Also, had the inputs used in the valuation of this investment decreased by 1%, the value of this investment would have increased by approximately $2,489,044 (December 31, 2016 – $2,489,044).

In practice, the actual results may differ from the above approximate amounts and the differences could be material. The input of most significance is the discount rate. The key input used in the valuation as at June 30, 2017 is a discount rate of 12.00% (December 31, 2016 – 12.00%).

Investment Portfolio Concentration (%)

Series I, II, III

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

	June 30, 2017	December 31, 2016
MARKETABLE SECURITIES		
Equities	55.29%	66.49%
OTHER SECURITIES		
Convertible Unsecured Subordinated Debentures	3.27%	2.96%
VENTURE INVESTMENTS		
Consumer Services	20.42%	15.08%
SHORT TERM INVESTMENTS	22.12%	16.34%
LIABILITIES, NET OF OTHER ASSETS	(1.10)%	(0.87)%
	100.00%	100.00%

Investment Portfolio Concentration (%)

Series IV

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

	June 30, 2017	December 31, 2016
MARKETABLE SECURITIES		
Equities	–	0.01%
OTHER SECURITIES		
Convertible Unsecured Subordinated Debentures	85.22%	93.32%
SHORT-TERM INVESTMENTS	14.41%	6.40%
OTHER ASSETS, NET OF LIABILITIES	0.37%	0.27%
	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 June 30, 2017 and December 31, 2016:

ROI Fund Series I, II, III	Assets at fair value as at June 30, 2017			
	Level 1	Level 2	Level 3	Total
Marketable securities	33,693,035	–	–	33,693,035
Other securities	–	1,991,881	–	1,991,881
Short-term investments	–	13,477,397	–	13,477,397
Venture investments	–	–	12,445,222	12,445,222
	$33,693,035	$15,469,278	$12,445,222	$61,607,535

ROI Fund Series I, II, III	Assets at fair value as at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Marketable securities	45,175,536	–	–	45,175,536
Other securities	–	2,011,776	–	2,011,776
Short-term investments	–	11,105,399	–	11,105,399
Venture investments	–	–	10,249,006	10,249,006
	$45,175,536	$13,117,175	$10,249,006	$68,541,717

ROI Fund Series IV	Assets at fair value as at June 30, 2017			
	Level 1 $	Level 2 $	Level 3 $	Total $
Short-term investments	–	6,430,501	–	6,430,501
Other securities	–	38,021,759	–	38,021,759
	$–	$44,452,260	$–	$44,452,260

ROI Fund Series IV

	Assets at fair value as at December 31, 2016			
	Level 1 $	Level 2 $	Level 3 $	Total $
Marketable securities	3,411	–	–	3,411
Short-term investments	–	3,010,868	–	3,010,868
Other securities	–	43,874,906	–	43,874,906
	$3,411	**$46,885,774**	**$–**	**$46,889,185**

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 period ended June 30, 2017.

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.

Other 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 to be equivalent to cash, measured at amortized cost.

Venture Investments

The Funds' venture investments are classified as Level 3 as the determination of fair value requires significant unobservable inputs, and the application of valuation techniques. Venture investments include investments that are not publicly traded or other assets for which no public market exists.

The following is a reconciliation of level 3 fair value measurements for the period ended June 30, 2017 and year ended December 31, 2016:

ROI Fund Series I, II, III — *For the period ended June 30, 2017*

Fair value measurements using level 3 inputs

	Investments
Balance at December 31, 2016	10,249,006
Purchases	–
Sales and principal payments	(350,609)
Realized gain	350,609
Change in unrealized gains	2,196,216
Balance at June 30, 2017	12,445,222

The change in unrealized gains recorded in the Statement of Comprehensive Income (Loss) for the period related to private investments which continue to be held at June 30, 2017 is $2,196,216.

ROI Fund Series I, II, III — *For the year ended December 31, 2016*

Fair value measurements using level 3 inputs

	Venture Investments
Balance at December 31, 2015	35,020,201
Purchases	–
Sales and principal payments	(26,053,193)
Realized gain	281,759
Change in unrealized gains	1,000,239
Balance at December 31, 2016	10,249,006

The change in unrealized gains recorded in the Statement of Comprehensive Income (Loss) for the year related to private investments which continue to be held at December 31, 2016 is $1,464,144.

ROI Fund Series IV *For the period ended June 30, 2017*

Fair value measurements using level 3 inputs

	Investments
Balance at December 31, 2016	–
Purchases	–
Sales and principal repayments	–
Realized loss	–
Change in unrealized gains	–
Balance at June 30, 2017	–

The change in unrealized gains/losses recorded in the Statement of Comprehensive Income (Loss) for the period related to private investments which continue to be held at June 30, 2017 is $nil.

ROI Fund Series IV *For the year ended December 31, 2016*

Fair value measurements using level 3 inputs

	Venture investments
Balance at December 31, 2015	15,170,984
Purchases	–
Sales and principal repayments	(15,105,090)
Realized loss	155,090
Change in unrealized gains	(220,984)
Balance at December 31, 2016	–

The change in unrealized gains/losses recorded in the Statement of Comprehensive Income (Loss) for the year related to private investments which continue to be held at December 31, 2016 is $nil.

8. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

The net assets attributable to holders of redeemable shares of the 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 and a description of the distribution costs associated with the shares. The Fund is 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 assets attributable to holders of redeemable shares 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 may reimburse the Manager by way of commission financing fees) or the investors paid the sales commissions. The sales commissions were as follow:

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 assets attributable to holders of redeemable shares 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 period ended June 30, 2017, the Funds incurred commission financing fees in Series I, II, III – $413,780 (June 30, 2016 – $530,029,) and Series IV – $514,006 (June 30, 2016 – $547,851).

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 period ended June 30, 2017, the Fund incurred trailing commissions of: Series I, II, III – $ 171,816 (June 30, 2016 – $194,803) and Series IV – $4,895 (June 30, 2016 – $nil).

Other costs

In addition to the aforementioned distribution costs, as and when deemed appropriate, the Funds may, subject to compliance with applicable laws, reimburse dealers for a portion of the dealer's cost of producing and distributing sales communications and hosting seminars designed to provide investors with investment information.

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 attributable to holders of redeemable shares. 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 June 30, 2017	At June 30, 2016
CLASS A, SERIES I SHARES		
Balance, beginning of period	5,153,142	6,776,394
Issued during the period	–	–
Redeemed during the period	(840,612)	(1,168,241)
Balance, end of period	**4,312,530**	**5,608,153**
CLASS A, SERIES II SHARES		
Balance, beginning of period	4,637,658	5,662,983
Issued during the period	–	–
Redeemed during the period	(447,393)	(777,057)
Balance, end of period	**4,190,265**	**4,885,926**
CLASS A, SERIES III SHARES		
Balance, beginning of period	132,263	201,904
Issued during the period	–	–
Redeemed during the period	(35,380)	(50,845)
Balance, end of period	**96,883**	**151,058**
CLASS B SHARES		
Balance, beginning of period	100	100
Issued during the period	–	–
Redeemed during the period	–	–
Balance, end of period	**100**	**100**
CLASS A, SERIES IV SHARES		
Balance, beginning of period	4,960,895	5,022,602
Issued during the period	–	–
Redeemed during the period	(196,105)	(41,218)
Balance, end of period	**4,764,790**	**4,981,385**

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 period ended June 30, 2017, the Series I, II, III incurred management fees of $ 907,200 (June 30, 2016 – $1,070,322) with outstanding fees for the period ended June 30, 2017 of $ 144,855 (June 30, 2016 – $163,314) included in accrued expenses in the Statements of Financial Position. Series IV incurred management fees of $ 590,215 (June 30, 2016 – $633,431) with outstanding fees for the period ended June 30, 2017 of $ 95,719 (June 30, 2016 – $103,526) 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. The Manager has retained Fiera Capital to manage the Series I, II, III liquid portfolio. Under the investment advisory agreement, all fees and expenses owed to Fiera Capital will be paid by the Manager. During the period ended June 30, 2017, the Funds incurred investment advisor fees of: Series I, II, III – $ 362,880 (June 30, 2016 – $428,129) with outstanding fees for the year ended June 30, 2017 $ 57,942 (June 30, 2016, – $65,326) and Series IV – $ 256,616 (June 30, 2016 – $275,406) with outstanding fees for the period ended June 30, 2017 $ 41,617 (June 30, 2016 – $45,011), included in accrued expenses in the Statements of Financial Position.

During the period ended June 2017 and 2016, 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 on 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 period ended June 30, 2017, the Funds incurred Sponsor fees for Series I, II, III of $90,720 (June 30,2016 – $107,032) with outstanding fees for the period ended June 30, 2017 $ 14,485 (June 30, 2016 – $16,331), included in accrued expenses in the Statements of Financial Position and Series IV of $ 64,154 (June 30, 2016 – $68,851) with outstanding fees for the period ended June 30, 2017 $ 10,404 (June 30, 2016 – $11,253), 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 six-month period ended June 30, 2017

	Series I	Series II	Series III
Increase in net assets attributable to holders of redeemable shares	1,246,214	1,063,043	32,549
Weighted average shares outstanding during the period	4,657,584	4,359,289	111,921
Increase in net assets attributable to holders of redeemable shares per share	0.27	0.24	0.29

For the six-month period ended June 30, 2016

	Series I	Series II	Series III
Decrease in net assets attributable to holders of redeemable shares	(781,052)	(670,281)	(23,160)
Weighted average shares outstanding during the period	6,174,739	5,233,059	172,944
Decrease in net assets attributable to holders of redeemable shares per share	(0.13)	(0.13)	(0.13)

For the period ended June 30, 2017

	Series IV
Decrease in net assets attributable to holders of redeemable shares	(545,198)
Weighted average shares outstanding during the period	4,848,025
Decrease in net assets attributable to holders of redeemable shares per share	(0.11)

For the period ended June 30, 2016

	Series IV
Decrease in net assets attributable to holders of redeemable shares	(784,166)
Weighted average shares outstanding during the period	5,002,764
Decrease in net assets attributable to holders of redeemable shares per share	(0.16)

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, 2016, the Funds had available for deduction against future taxable income, non-capital losses of approximately $45,447,254 and capital losses of $27,578,589. The capital losses may be deducted against future capital gains and have no expiry date. Non-capital losses carried forward will expire, if not applied, as follows: 2026 – $3,945,240; 2027 – $2,560,695; 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 and 2036 – $4,963,553.

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. As at December 31, 2016 the Fund was not in compliance with the investment pacing requirement. As a result, investment level taxes totaling $271,091 (Series I,II,III – $160,233, Series IV – $110,858 have been accrued by the Funds. These amounts are eligible to be rebated to the Funds if the Funds return to compliance by December 31, 2019.

13. GUARANTEES

Toronto Waterfront – Mortgage

Through its investment in Toronto Waterfront Studios ("Waterfront"), the Fund, with all other shareholders, have pro rata guaranteed $5,000,000 of a mortgage held in Waterfront. If Waterfront cannot meet its obligation under the mortgage, the Fund could be financially liable for its proportionate ownership of the $5,000,000 (December 31, 2016 – $5,000,000). The maximum potential amount of future payments that the Fund could be required to make under the guarantee is $2,308,500 (December 31, 2016 – $2,308,500). Currently no amount has been recorded in the Statements of Financial Position as the fair value of the guarantee is $nil as at June 30, 2017 and December 31, 2016.

14. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

IFRS 9 – The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Funds are in the process of assessing the impact of IFRS 9 and have not yet determined when it will adopt the new standard.

IFRS 15, Revenue from contracts with customers, is a new standard effective for years beginning on or after January 1, 2018, which will supersede IAS 18, Revenue, and related interpretations. The Manager is in the process of assessing the impact of IFRS 15 to the Fund.

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