ROI Fund™

SEMI-ANNUAL REPORT 2018

As at June 30, 2018

ROI Capital™

roicapital.ca

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August 23, 2018

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
President

Return on Innovation
Advisors Ltd.

David Dundas
Chief Financial Officer

Return on Innovation
Advisors Ltd.

	June 30 2018	December 31 2017
Assets		
Current assets		
Investments		
Venture investments	–	19,180,283
Marketable securities	26,757,811	35,970,156
Other securities	1,980,870	1,907,616
Short-term investments	22,587,912	7,953,936
Cash	125,948	–
Foreign currencies	66,506	–
Interest and dividends receivable	9,345	52,383
Prepaid insurance	17,308	35,561
Receivable for investments sold	25,000	–
HST receivable	2,810	2,163
	51,573,510	65,102,098
Liabilities		
Current Liabilities		
Share redemptions payable	146,556	43,932
Accrued expenses {note 9}	447,645	1,123,869
	594,201	1,167,801
Net assets attributable to holders of redeemable shares {note 8}	50,979,309	63,934,297
Net assets attributable to holders of redeemable shares per class		
Class A, Series I shares	22,731,026	32,052,088
Class A, Series II shares	27,590,747	31,193,731
Class A, Series III shares	657,536	688,478
Net assets attributable to holders of redeemable shares per class per unit		
Class A, Series I shares	8.95	7.97
Class A, Series II shares	8.71	7.77
Class A, Series III shares	9.14	8.15

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

For the six-month periods ended June 30

	2018 $	2017 $
Income		
Foreign exchange gain (loss) on cash	70,317	(42,073)
Gain on investments		
Interest for distribution purposes – non venture investments	52,724	55,019
Dividends	313,881	519,816
Net realized gain	15,704,834	2,965,574
Change in unrealized appreciation (depreciation)	(8,467,501)	1,301,628
Net gain on investments	7,603,938	4,842,037
Total income (net)	7,674,255	4,799,964
Expenses		
Advisor fees [note 9]	310,726	362,880
Audit fees	33,410	25,295
Commission financing fees [note 8]	263,284	413,780
Custodian fees	13,540	18,768
Directors and officers fees	50,224	50,145
Independent review committee fees	10,304	10,853
Legal fees	130,965	29,391
Management fees [note 9]	776,815	907,200
Shareholder reporting costs	48,658	55,965
Sponsor fees [note 9]	77,682	90,720
Trailing commissions [note 8]	177,802	171,816
Transfer agent and fund administration	306,781	309,267
Foreign withholding taxes	6,272	12,078
	2,206,463	2,458,158
Expense recovery [note 12]	(709,179)	–
Total expenses	1,497,284	2,458,158
Increase in net assets attributable to holders of redeemable shares	6,176,971	2,341,806
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	2,878,286	1,246,214
Increase in net asset attributable to Class A, Series I shares per share	0.92	0.27
Increase in net assets attributable to Class A, Series II shares	3,221,143	1,063,043
Increase in net asset attributable to Class A, Series II shares per share	0.92	0.24
Increase in net assets attributable to Class A, Series III shares	77,542	32,549
Increase in net asset attributable to Class A, Series III shares per share	0.99	0.29

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

For the six-month periods ended June 30

	2018 $	2017 $
Net assets attributable to holders of redeemable shares at beginning of the period		
Class A, Series I shares	32,052,088	35,660,308
Class A, Series II shares	31,193,731	31,356,321
Class A, Series III shares	688,478	936,070
	63,934,297	67,952,699
Increase in net assets attributable to holders of redeemable shares		
Class A, Series I shares	2,878,286	1,246,214
Class A, Series II shares	3,221,143	1,063,043
Class A, Series III shares	77,542	32,549
	6,176,971	2,341,806
Redemption of redeemable Class A shares		
Class A, Series I shares	(12,199,348)	(5,991,408)
Class A, Series II shares	(6,824,127)	(3,106,482)
Class A, Series III shares	(108,484)	(258,457)
	(19,131,959)	(9,356,347)
Net assets attributable to holders of redeemable shares at end of the period		
Class A, Series I shares	22,731,026	30,915,114
Class A, Series II shares	27,590,747	29,312,882
Class A, Series III shares	657,536	710,162
	50,979,309	60,938,158

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

For the six-month periods ended June 30

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Increase in net assets attributable to holders of redeemable shares	6,176,971	2,341,806
Non-cash items		
Foreign exchange (gain) loss on cash	(70,317)	42,073
Net realized gain on sale of investments	(15,458,990)	(2,965,574)
Net change in unrealized (appreciation) depreciation on investments	8,467,501	(1,301,628)
Net change in non-cash balances related to operations	(640,580)	(30,289)
Proceeds from the sale of marketable securities	10,145,684	13,220,235
Proceeds from the sale of short-term investments	19,008,723	11,286,008
Proceeds from the sale and principal repayment of venture investments	25,150,437	350,609
Purchase of short-term investments	(33,627,957)	(13,655,468)
	19,151,472	9,287,772
Financing activities		
Redemption of redeemable units Class A shares	(19,029,335)	(9,276,032)
	(19,029,335)	(9,276,032)
Foreign exchange gain (loss) on cash	70,317	(42,073)
Increase in cash during the period	122,137	11,740
Cash and foreign currencies – beginning of period	–	197,653
Cash and foreign currencies – end of period	192,454	167,320
Supplemental cash flow information included in cash flows from operating activities		
Interest paid	7	23
Interest received	60,149	62,480
Dividends received, net of withholding taxes	357,362	580,766

The accompanying notes are an integral part of these financial statements

As at June 30, 2018

Number of shares/units		Maturity Date	Average Cost $	Fair value $
Marketable Securities				
Equities				
15,000	Apple Inc.		1,350,752	3,652,544
470,978	iShares S&P/TSX 60 Index ETF		8,764,013	11,435,347
400,000	iShares S&P/TSX Capped REIT Index ETF		6,915,161	6,888,000
176,000	iShares Core Canadian Short Term Bond Index ETF		4,992,889	4,781,920
Total Equities – 52.49%			22,022,815	26,757,811
Total Marketable Securities – 52.49%			22,022,815	26,757,811
Other Securities				
Convertible Unsecured Subordinated Debentures				
1,500,000	Dorel Industries, 5.50%	30/11/19	2,040,098	1,980,870
Total Other Securities – 3.89%			2,040,098	1,980,870

Par Value $ (or number of shares)		Maturity Date	Average Cost $	Fair Value $
Short-term Investments				
22,579,577	CIBC Mellon Trust Demand Deposit,variable rate		22,579,577	22,587,912
Total short-term Investments – 44.31%			22,579,577	22,587,912
Total Investments – 100.69%			46,642,490	51,326,593
Transaction Costs included in Securities Cost			–	–
Total Portfolio			46,642,490	51,326,593
Liabilities, net of other assets – (0.69%)				(347,284)
Net assets attributable to holders of redeemable units				**50,979,309**

	June 30 2018	December 31 2017
Assets		
Current assets		
Investments		
Other securities	24,192,226	23,845,982
Short-term investments	3,803,869	20,024,749
Cash	608,674	–
Interest and dividends receivable	32,344	469,263
Prepaid insurance	11,719	23,992
	28,648,832	44,363,986
Liabilities		
Current Liabilities		
Bank overdraft	–	4,681
Share redemptions payable	51,428	6,471
Securities purchased payable	–	1,750,000
Accrued expenses [note 9]	245,538	713,622
	296,966	2,474,774
Net assets attributable to holders of redeemable shares [note 8]	28,351,866	41,889,212
Net assets attributable to holders of redeemable shares	28,351,866	41,889,212
Net assets attributable to holders of redeemable shares per unit	8.85	8.95

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

For the six-month periods ended June 30

	2018 $	2017 $
Income		
Gain on investments		
Interest for distribution purposes – non venture investments	706,756	963,517
Net realized gain (loss)	34,030	(359,446)
Change in unrealized appreciation (depreciation)	(308,391)	486,703
Net gain on investments	425,601	1,090,774
Total income (net)	425,601	1,090,774
Expenses		
Advisor fees [note 9]	189,804	256,616
Audit fees	20,406	16,855
Commission financing fees [note 8]	322,324	514,006
Custodian fees	11,919	16,063
Directors and officers fees	31,477	34,332
Independent review committee fees	10,322	8,757
Legal fees	811	3,586
Management fees [note 9]	436,546	590,215
Shareholder reporting costs	32,940	35,989
Sponsor fees [note 9]	47,451	64,154
Trailing commissions [note 8]	30,534	4,895
Transfer agent and fund administration	131,602	90,504
	1,266,136	1,635,972
Expense recovery [note 12]	(467,983)	–
Total expenses	798,153	1,635,972
Decrease in net assets attributable to holders of redeemable shares	(372,552)	(545,198)
Decrease in net assets attributable to holders of redeemable shares per series [note 10]		
Decrease in net asset value per Class A, Series IV shares	(372,552)	(545,198)
Decrease in net asset value per Class A, Series IV share	(0.10)	(0.11)

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

For the six-month periods ended June 30

	2018 $	2017 $
Net assets attributable to holders of redeemable shares at beginning of the period		
Class A, Series IV shares	41,889,212	47,013,453
Decrease in net assets attributable to holders of redeemable shares		
Class A, Series IV shares	(372,552)	(545,198)
Redeemable shares transactions		
Redemption of redeemable Class A, Series IV shares	(13,164,794)	(1,854,466)
Net assets attributable to holders of redeemable shares at end of the period		
Class A, Series IV shares	28,351,866	44,613,789

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

For the six-month periods ended June 30

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Decrease in net assets attributable to holders of redeemable units	(372,552)	(545,198)
Non-cash items		
Net realized (gain) loss on sale of investments	(34,030)	361,307
Net change in unrealized (appreciation) depreciation on investments	308,391	(486,703)
Net change in non-cash balances related to operations	(1,768,892)	161,456
Proceeds from the sale of short-term investments	21,340,395	14,565,862
Proceeds from the sale of other securities	5,213,950	17,240,690
Proceeds from the sale and principal repayment of venture investments	–	399
Purchase of short-term investments	(5,112,720)	(17,985,206)
Purchase of other securities	(5,841,350)	(11,259,424)
	13,733,192	2,053,183
Financing activities		
Redemption of redeemable units Class A, Series IV shares	(13,119,837)	(1,829,323)
	(13,119,837)	(1,829,323)
Increase in cash during the period	613,355	223,860
Cash (bank overdraft) – beginning of period	(4,681)	265,700
Cash – end of period	608,674	489,560
Supplemental cash flow information:		
Interest paid	50	69
Interest received	717,978	1,167,949

The accompanying notes are an integral part of these financial statements

As at June 30, 2018

Par Value $ (or number of shares)		Maturity Date	Average Cost $	Fair Value $
Other Securities				
Convertible Unsecured Subordinated Debentures				
2,500,000	AG Growth International Inc., 4.50%	31/12/22	2,496,559	2,512,250
2,136,000	Chemtrade Logistics Income Fund, 5.25%	30/06/21	2,182,817	2,157,467
1,500,000	Crombie REIT, Series 'E', 5.25%	31/03/21	1,595,310	1,590,000
3,000,000	Element Fleet Management Corp., 4.25%	30/06/20	2,982,416	2,842,500
2,500,000	Exchange Income Corp., 5.25%	31/12/22	2,495,697	2,512,250
3,000,000	Just Energy Group Inc., 6.75%	31/12/21	2,991,135	2,925,000
400,000	Morguard North American Residential REIT, Convertible, 4.50%	31/03/23	400,000	404,880
8,717,000	Morguard REIT, 4.50%	31/12/21	8,801,387	8,812,015
429,000	Northwest Healthcare Properties REIT, Series 'C', 7.25%	31/10/19	438,931	435,864
Total Other Securities – 85.33%			24,384,252	24,192,226
Short-term Investment				
3,803,370	CIBC Mellon Trust Demand Deposit, variable rate		3,803,369	3,803,869
Total Short-Term Investment – 13.42%			3,803,369	3,803,869
Total Investments – 98.75%			28,187,621	27,996,095
Transaction Costs included in Securities Cost			(725)	–
Total Portfolio			28,186,896	
Other Assets, Net of Liabilities – 1.25%				355,771
Net assets attributable to holders of redeemable shares				**28,351,866**

June 30, 2018

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 federal tax credit for investments in labour-sponsored venture capital corporations was phased out in2016. 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 long-term capital gains by making debt and equity investments in a diversified portfolio of small and medium sized eligible businesses. The objectives of Series I, II and III are to realize long-term capital appreciation on part of its portfolio, and current yield and early return of capital on the remainder of its investment portfolio. The objective of Series IV is to realize a current yield and early return of capital on the 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 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 23, 2018.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

IFRS 9, "Financial Instruments"

Effective January 1, 2018 the Fund adopted IFRS 9, Financial Instruments – Classification and Measurement ("IFRS 9"). The new standard requires financial assets to be classified as amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income, based on an entity's business model for managing the financial assets and the contractual cash flow characteristics of these assets. Assessment and decision on the business model approach used is an accounting judgment.

The adoption of IFRS 9 has been applied retrospectively without the use of hindsight and did not result in a change to the measurement of financial instruments, in either the current or comparative period. The Fund's financial assets and financial liabilities previously designated as FVTPL under International Accounting Standards (IAS) 39 Financial Instruments continue to be measured as fair value through profit and loss. Other financial assets and liabilities will continue to be measured at amortized cost.

IFRS 15: "Revenue from Contracts with Customers"

On January 1, 2018, the Fund adopted IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"). IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue from contracts with customers is recognized. The adoption of IFRS 15 has not had a significant impact on the Funds' financial statements.

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, venture investments, other securities, interest and dividends receivable, securities purchased payable, 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' investments may also include associates and joint ventures which are designated at FVTPL.

The Funds non-derivative investments are designated at 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 comprehensive valuation.

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. Realized gain (loss) on investments and unrealized appreciation (depreciation) of investments are determined on an average cost basis.

Cash

Cash is comprised of deposits with financial institutions.

Impairment of Financial Assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model applies to financial assets carried at amortized cost. The adoption of the new ECL impairment model has not had a significant impact on the Funds measurement of impairment losses on its financial assets carried at amortized cost.

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 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 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 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 June 30, 2018 and December 31, 2017 are included at their fair value in the Statements of Financial Position, which represent the 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. Information about the Funds' interests in subsidiaries, associates, joint ventures and structured entities (if any), as at June 30, 2018 and December 31, 2017 are as follows:

								As at June 30, 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 Core Canadian Short Term Bond Index ETF	Ontario	Canada	Equity	4,781,920	Exchange traded fund	0.25%	0.25%	–
iShares S&P/TSX Capped REIT Index Fund	Ontario	Canada	Equity	6,888,000	Exchange traded fund	0.57%	0.57%	–
iShares S&P/TSX 60 Index ETF	Ontario	Canada	Equity	11,435,347	Exchange traded fund	0.12%	0.12%	–

ROI Fund – Series I, II, III

								As at December 31, 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	19,180,283	Film studio and development lands	46.17%	46.17%	–
iShares Core Canadian Short Term Bond Index ETF	Ontario	Canada	Equity	4,831,200	Exchange traded fund	0.25%	0.25%	–
iShares S&P/TSX Capped REIT Index Fund	Ontario	Canada	Equity	9,163,000	Exchange traded fund	0.66%	0.66%	–
iShares S&P/TSX 60 Index ETF	Ontario	Canada	Equity	11,374,120	Exchange traded fund	0.10%	0.10%	–

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.

Classification and Measurement of Financial Assets and Liabilities

The Fund classifies its investment portfolio based on the business model for managing the portfolio and the contractual cash flow characteristics. The investment portfolio is managed, and performance is evaluated on a fair value basis. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objectives. Consequently, all investments are measured at FVTPL.

The Fund's obligation for net assets attributable to holders of redeemable units 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 and derivatives 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.

The Manager attempts to mitigate that risk by completing the appropriate due diligence and credit underwriting for each debt obligation. Including but not limited to analyzing the historical financial performance of the borrower and the sustainability of the borrowers' ability to generate sufficient free cash flow in order to repay all of its financial obligations over time. In addition, the Manager attempts to identify debt obligations that make regular interest and principal payments and has a staggered maturity schedule on their debt obligations in order to avoid having to refinance or repay all their debt obligation at a single point in time.

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, 2018, Series I, II, III had $1,980,870 (December 31, 2017 – $ 1,907,616) and Series IV had $24,192,226 (December 31, 2017 – $23,845,982) 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, 2018, and December 31, 2017 no allowance for doubtful accounts has been provided for.

If the funds invest in underlying exchange-traded funds they are exposed to indirect credit risk in the event that the underlying funds invest in debt securities and derivatives.

As at June 30, 2018 the Funds held other securities with a minimum credit rating of BBB (low stable) (assigned by DBRS) with exception of AG Growth International Inc. 4.50%, Northwest Healthcare Properties REIT, Series 'C' 7.25%, Morguard REIT 4.50%, Exchange Income Fund 5.25%, Chemtrade Logistics Income Fund 5.25%, Just Energy Group 6.75%, Morguard North American REIT 4.50% and Dorel Industries 5.50% which has 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, 2018, these Series held nil% (December 31, 2017 – 30.00%) of net assets attributable to holders of redeemable shares in venture investments, which are considered illiquid. They also had 97.17% (December 31, 2017 – 68.70%) 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 3.89% (December 31, 2017 – 2.98%) of net assets.

The following table summarizes the maturity profile as at June 30, 2018 and December 31, 2017, of financial instruments by contractual maturity or expected cash flow dates for Series I, II, III.

						As at June 30, 2018
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	No specific date	Total
Assets						
Cash	–	–	–	–	125,948	125,948
Foreign currencies	–	–	–	–	66,506	66,506
Interest and dividends receivable	9,345	–	–	–	–	9,345
Receivable for investments sold	25,000	–	–	–	–	25,000
Short-term investments	22,587,912	–	–	–	–	22,587,912
Other securities	–	1,980,870	–	–	–	1,980,870
Marketable securities	–	–	–	–	26,757,811	26,757,811
	$ 22,622,257	**$ 1,980,870**	**$ –**	**$ –**	**$ 26,950,265**	**$ 51,553,392**
Liabilities						
Accrued expenses	447,645	–	–	–	–	447,645
Share redemptions payable	146,556	–	–	–	–	146,556
	$ 594,201	**$ –**	**$ –**	**$ –**	**$ –**	**$ 594,201**

						As at December 31, 2017
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	No specific date	Total
Assets						
Interest and dividends receivable	52,383	–	–	–	–	52,383
Venture investments	–	–	–	–	19,180,283	19,180,283
Short-term investments	7,953,936	–	–	–	–	7,953,936
Other securities	–	1,907,616	–	–	–	1,907,616
Marketable securities	–	–	–	–	35,970,156	35,970,156
	$ 8,006,319	**$ 1,907,616**	**$ –**	**$ –**	**$ 55,150,439**	**$ 65,064,374**
Liabilities						
Accrued expenses	1,123,869	–	–	–	–	1,123,869
Share redemptions payable	43,932	–	–	–	–	43,932
	$ 1,167,801	**$ –**	**$ –**	**$ –**	**$ –**	**$ 1,167,801**

ROI Fund Series IV

As at June 30, 2018 and December 31, 2017 this series held no net assets in venture investments, which are considered illiquid. It held 15.56% (December 31, 2017 – 47.79%) of its net assets 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 85.33% (December 31, 2017 – 56.93%) of net assets.

The following table summarizes the maturity profile as at June 30, 2018 and December 31, 2017, of financial instruments by contractual maturity or expected cash flow dates for Series IV.

As at June 30, 2018

	Within 1 year $	1 to 3 years $	3 to 5 years $	Over 5 years $	No specific date $	Total $
Assets						
Cash	–	–	–	–	608,674	608,674
Interest and dividends receivable	32,344	–	–	–	–	32,344
Other securities	–	7,025,831	17,166,395	–	–	24,192,226
Short-term investments	3,803,869	–	–	–	–	3,803,869
	$ 3,836,213	$ 7,025,831	$ 17,166,395	$ –	$ 608,674	$ 28,637,113
Liabilities						
Accrued expenses	245,538	–	–	–	–	245,538
Share redemptions payable	51,428	–	–	–	–	51,428
	$ 296,966	$ –	$ –	$ –	$ –	$ 296,966

As at December 31, 2017

	Within 1 year $	1 to 3 years $	3 to 5 years $	Over 5 years $	No specific date $	Total $
Assets						
Interest and dividends receivable	469,263	–	–	–	–	469,263
Other securities	–	5,864,996	17,980,986	–	–	23,845,982
Short-term investments	20,024,749	–	–	–	–	20,024,749
	$ 20,494,012	$ 5,864,996	$ 17,980,986	$ –	$ –	$ 44,339,994
Liabilities						
Bank overdraft	–	–	–	–	4,681	4,681
Accrued expenses	713,622	–	–	–	–	713,622
Payable for investment purchased	1,750,000					1,750,000
Share redemptions payable	6,471	–	–	–	–	6,471
	$ 2,470,093	$ –	$ –	$ –	$ 4,681	$ 2,474,774

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

The Manager attempts to manage the interest rate risk within the Fund by having a shorter weighted average time to maturity and weighted average modified duration of the interest-bearing investments. A interest-bearing investment with a short maturity and low modified duration is less susceptible to changes in price due to fluctuations in the prevailing level of market interest rates.

ROI Fund Series I, II, III

As at June 30, 2018, had the prevailing interest rates raised or lowered by 1% for all other securities, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $26,610 (December 31, 2017 – $34,237). In practice, the actual results may differ from this sensitivity analysis and the difference could be material. This Series held 44.31% (December 31, 2017 – 12.44%) of its assets in short-term investments that earn a variable rate of interest and nil% (December 31, 2017 – 30.00%) in venture investments.

ROI Fund Series IV

As at June 30, 2018, had the prevailing interest rates raised or lowered by 1% for all other securities, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $ 847,103 (December 31, 2017 – $768,842). In practice, the actual results may differ from this sensitivity analysis and the difference could be material. This Series held 13.42% (December 31, 2017 – 47.80%) of its assets in short-term investments that earn a variable rate of interest. At June 30, 2018 and December 31, 2017 this Series held no investments in venture investments.

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.

The Manager attempts to manage the currency risk within the Funds by limiting the Funds' investments in securities that are denominated in a foreign currency as deemed appropriate.

At June 30, 2018, the Funds held securities which are subject to U.S. dollar currency risk as follows: Series I, II, III – $ 5,699,920 (December 31, 2017 – $12,509,452) and Series IV – $nil (December 31, 2017 – $nil). If the Funds invest in underlying exchange-traded funds, they are exposed to indirect currency risk in the event that the underlying exchange-traded funds invest in financial instruments that are denominated in a currency other than the underlying funds' functional currency.

As at June 30, 2018, if the Canadian dollar had strengthened or weakened by 10% in relation to all currencies, with all other variables held constant, net assets of Series I, II, III shares would have increased or decreased, respectively, by approximately $569,992 (December 31, 2017 – $1,250,945). 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, 2018 and December 31, 2017, 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.

The Manager attempts to manage the other price risk within the Fund by investing in a variety of different assets classes including but not limited to cash, bonds and equities. These asset classes are not perfectly correlated and in turn, will provide some diversification for the Fund. Within the equity asset class the Manager will invest in multiple Exchange Traded Funds ("ETF") which replicate a large basket of individual stocks. With multiple ETFs the Fund gains exposure to a large number of individual stocks without incurring a significant concentration in one stock. In the event that the Fund does have a larger exposure to a single stock the Manager will favour a company that has a low debt to equity ratio and a low price to earnings ratio. A company with strong fundamentals tends to exhibit less price fluctuation than a company that exhibits a higher valuation.

As at June 30, 2018, 52.49% (December 31, 2017 – 56.26%) 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 period end, with all other factors remaining constant, Series I, II, III actively traded equities would have increased or decreased by approximately $2,675,781 (December 31, 2017 – $3,597,016). 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 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.

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

The Fund and the buyer may be subject to post-closing working capital adjustments within 90 days of the closing date of the transaction. Depending on the adjustment, the Fund may either receive higher proceeds from or be required to rebate some proceeds. This may impact the value of the Fund.

In addition, a portion of the proceeds from the sale of this investment will be held in escrow for fifteen months as recourse for indemnity claims that may arise under the sale agreement. Amounts held in escrow are held at estimated realizable value and are reflected in the Statements of Financial Position. As of June 30, 2018, the carrying amount of Receivable for investments sold is $25,000.

As a result of the sale, the total amount of the change in fair value recognized in increase 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 were $nil (June 30, 2017 – increased by $2,196,216).

As at June 30, 2018 and 2017, Series IV 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. As at June 30, 2018 there were no Level 3 investments remaining in the Funds.

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

Investment type	Valuation method	Inputs
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 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.

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, 2018 and December 31, 2017, 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 $nil (December 31, 2017 – $2,196,216). Also, had the inputs used in the valuation of this investment decreased by 1%, the value of this investment would have increased by approximately $nil (December 31, 2017 – $2,781,873).

The input of most significance is the discount rate. The key input used in the valuation as at December 31, 2017 was 12.00%). The risk-free rate used is based on the government of Canada 5-year bond yield. As at December 31, 2017 this rate was 1.86%.

Investment Portfolio Concentration (%)

Series I, II, III

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

	June 30, 2018	December 31, 2017
MARKETABLE SECURITIES		
Equities	52.49%	56.26%
OTHER SECURITIES		
Convertible Unsecured Subordinated Debentures	3.89%	2.98%
VENTURE INVESTMENTS		
Consumer Services	–	30.00%
SHORT TERM INVESTMENTS	44.31%	12.44%
LIABILITIES, NET OF OTHER ASSETS	(0.69)%	(1.68)%
	100.00%	100.00%

Investment Portfolio Concentration (%)

Series IV

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

	June 30, 2018	December 31, 2017
MARKETABLE SECURITIES		
Equities	–	–
OTHER SECURITIES		
Convertible Unsecured Subordinated Debentures	85.33%	56.93%
SHORT-TERM INVESTMENTS	13.42%	47.80%
LIABILITIES, NET OF OTHER ASSETS	1.25%	(4.73)%
	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, 2018 and December 31, 2017:

ROI Fund Series I, II, III

	Assets at fair value as at June 30, 2018			
	Level 1	Level 2	Level 3	Total
Marketable securities	26,757,811	–	–	26,757,811
Other securities	–	1,980,870	–	1,980,870
Short-term investments	–	22,587,912	–	22,587,912
	$26,757,811	$24,568,782	$–	$51,326,593

ROI Fund Series I, II, III

	Assets at fair value as at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Marketable securities	35,970,156	–	–	35,970,156
Other securities	–	1,907,616	–	1,907,616
Short-term investments	–	7,953,936	–	7,953,936
Venture investments	–	–	19,180,283	19,180,283
	$35,970,156	**$9,861,552**	**$19,180,283**	**$65,011,991**

ROI Fund Series IV

	Assets at fair value as at June 30, 2018			
	Level 1 $	Level 2 $	Level 3 $	Total $
Short-term investments	–	3,803,869	–	3,803,869
Other securities	–	24,192,226	–	24,192,226
	$–	**$27,996,095**	**$–**	**$27,996,095**

ROI Fund Series IV

	Assets at fair value as at December 31, 2017			
	Level 1 $	Level 2 $	Level 3 $	Total $
Short-term investments	–	20,024,749	–	20,024,749
Other securities	–	23,845,982	–	23,845,982
	$–	**$43,870,731**	**$–**	**$43,870,731**

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, 2018.

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 exchange-traded funds.

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, 2018 and year ended December 31, 2017:

ROI Fund Series I, II, III — *For the six-month period ended June 30, 2018*

Fair value measurements using level 3 inputs

	Investments
Balance at December 31, 2017	19,180,283
Purchases	–
Sales and principal payments	(25,150,437)
Realized gain	11,116,897
Change in unrealized losses	(5,146,743)
Balance at June 30, 2018	–

The change in unrealized losses recorded in the statement of comprehensive income (loss) for the period related to private investments which continue to be held at June 30, 2018 is nil.

ROI Fund Series I, II, III *For the year ended December 31, 2017*

Fair value measurements using level 3 inputs

	Venture Investments
Balance at December 31, 2016	10,249,006
Purchases	–
Sales and principal payments	(350,609)
Realized gain	350,609
Change in unrealized gains	8,931,277
Balance at December 31, 2017	19,180,283

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, 2017 is $8.931,277.

ROI Fund Series IV

There were no level 3 investments in the Fund during the period ended June 30, 2018, or the year ended December 31, 2017.

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 would pay 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, 2018, the Funds incurred commission financing fees in Series I, II, III – $ 263,284 (June 30, 2017 – $413,780,) and Series IV – $ 322,324 (June 30, 2017 – $514,006).

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, 2018, the Fund incurred trailing commissions of: Series I, II, III – $ 177,802 (June 30, 2017 – $171,816) and Series IV – $30,534 (June 30, 2017 – $4,895).

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, 2018	At June 30, 2017
CLASS A, SERIES I SHARES		
Balance, beginning of period	4,019,935	5,153,142
Issued during the period	–	–
Redeemed during the period	(1,480,350)	(840,612)
Balance, end of period	**2,539,585**	**4,312,530**
CLASS A, SERIES II SHARES		
Balance, beginning of period	4,014,528	4,637,658
Issued during the period	–	–
Redeemed during the period	(848,595)	(447,393)
Balance, end of period	**3,165,933**	**4,190,265**
CLASS A, SERIES III SHARES		
Balance, beginning of period	84,457	132,263
Issued during the period	–	–
Redeemed during the period	(12,494)	(35,380)
Balance, end of period	**71,963**	**96,883**
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	4,680,054	4,960,895
Issued during the period	–	–
Redeemed during the period	(1,475,576)	(196,105)
Balance, end of period	**3,204,478**	**4,764,790**

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 by the shareholder.

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, 2018, the Series I, II, III incurred management fees of $ 776,815 (June 30, 2017 – $907,200) with outstanding fees for the period ended June 30, 2018 of $ 120,101 (June 30, 2017 – $144,855) included in accrued expenses in the Statements of Financial Position. Series IV incurred management fees of $ 436,546 (June 30, 2017 – $590,215) with outstanding fees for the period ended June 30, 2018 of $ 61,241 (June 30, 2017 – $95,719) 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 period ended June 30, 2018, the Funds incurred investment advisor fees of: Series I, II, III – $ 310,726 (June 30, 2017 – $362,880) with outstanding fees for the year ended June 30, 2018 $ 48,041 (June 30, 2017 – $57,942) and Series IV – $ 189,804 (June 30, 2017 – $256,616) with outstanding fees for the period ended June 30, 2018 $ 26,627 (June 30, 2017 – $41,617), included in accrued expenses in the Statements of Financial Position.

During the period ended June 2018 and 2017, 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, 2018, the Funds incurred Sponsor fees for Series I, II, III of $77,682 (June 30,2017 – $90,720) with outstanding fees for the period ended June 30, 2018 $ 12,010 (June 30, 2017 – $14,485), included in accrued expenses in the Statements of Financial Position and Series IV of $ 47,451 (June 30, 2017 – $64,154) with outstanding fees for the period ended June 30, 2018 $ 6,657 (June 30, 2017 – $10,404), 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, 2018

	Series I	Series II	Series III
Increase in net assets attributable to holders of redeemable shares	2,878,286	3,221,143	77,542
Weighted average shares outstanding during the period	3,125,905	3,515,389	78,347
Increase in net assets attributable to holders of redeemable shares per share	0.92	0.92	0.99

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, 2018

	Series IV
Increase in net assets attributable to holders of redeemable shares	(372,552)
Weighted average shares outstanding during the period	3,791,903
Increase in net assets attributable to holders of redeemable shares per share	(0.10)

For the six-month 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)

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, 2017, the Funds had available for deduction against future taxable income, non-capital losses of approximately $50,396,862 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;2036 – $4,963,553 and 2037 – $4,949,608.

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, 2017 and 2016, the Fund was not in compliance with the investment pacing requirement. As a result, during 2017 net investment level taxes totaling $817,160 (Series I, II, III – $498,211, Series IV – $318,949) were accrued by the Funds, net of prior year reversals. Investment level taxes relating to the 2016 fiscal year totaling $271,091 (Series I, II, III – $160,233, Series IV – $110,858) were paid by the Funds. The Fund returned to compliance in February of 2018. As such, the investment level taxes paid relating to 2016 were rebated to the Funds by the Ministry of Finance. The amounts relating to 2016 and 2017 were recognized as an expense recovery in 2018 in the Statements of Comprehensive Income (Loss).

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