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Management’s Responsibility for Financial Reporting.....	1
Statements of Financial Position – Series I, II, III .....	2
Statements of Comprehensive Income – Series I, II, III .....	3
Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares – Series I, II, III.....	4
Statements of Cash Flows – Series I, II, III .....	5
Schedule of Investment Portfolio – Series I, II, III .....	6
Statements of Financial Position – Series IV .....	7
Statements of Comprehensive Income (Loss) – Series IV .....	8
Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares – Series IV.....	9
Statements of Cash Flows – Series IV .....	10
Schedule of Investment Portfolio – Series IV.....	11
Notes to Financial Statements.....	12
Corporate & Shareholder Information.....	26

August 14, 2019

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 5 to the financial statements.

The Auditor has not reviewed the Funds' June 30, 2019 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.

**Statements of Financial Position – Series I, II, III (Unaudited)**

	June 30 2019	December 31 2018
<b>Assets</b>		
<b>Current assets</b>		
Investments		
Marketable securities	21,944,780	21,691,024
Fixed-income securities	1,971,886	1,997,483
Short-term investments	7,033,601	20,187,483
Cash	–	60,354
Foreign currencies	53,903	–
Interest and dividends receivable	12,031	53,829
Prepaid insurance	18,405	38,858
Receivable for investments sold [note 7]	275,000	125,000
HST receivable	831	1,258
	<b>31,310,437</b>	<b>44,155,289</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Share redemptions payable	19,511	74,096
Accrued expenses [note 10]	322,389	464,754
	<b>341,900</b>	<b>538,850</b>
<b>Net assets attributable to holders of redeemable shares [note 9]</b>	<b>30,968,537</b>	<b>43,616,439</b>
Net assets attributable to holders of redeemable shares per class		
Class A, Series I shares	16,153,409	18,548,800
Class A, Series II shares	14,382,008	24,548,624
Class A, Series III shares	433,120	519,015
Net assets attributable to holders of redeemable shares per class per share		
Class A, Series I shares	8.69	8.42
Class A, Series II shares	8.43	8.18
Class A, Series III shares	8.83	8.58

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

# Statements of Comprehensive Income – Series I, II, III (Unaudited)

For the six-month periods ended June 30

	2019 \$	2018 \$
<b>Income</b>		
Foreign exchange gain (loss) on cash	(1,523)	70,317
<b>Net gain on investments</b>		
Interest for distribution purposes – non venture investments	82,046	52,724
Dividends	255,204	313,881
Net realized gain	565,776	15,704,834
Change in unrealized appreciation (depreciation)	1,929,164	(8,467,501)
<b>Net gain on investments</b>	<b>2,832,190</b>	<b>7,603,938</b>
<b>Total income (net)</b>	<b>2,830,667</b>	<b>7,674,255</b>
<b>Expenses</b>		
Advisor fees [note 10]	206,255	310,726
Audit fees	16,945	33,410
Commission financing fees [note 9]	127,591	263,284
Custodian fees	13,274	13,540
Directors and officers fees	51,429	50,224
Independent review committee fees	10,970	10,304
Legal fees	–	130,965
Management fees [note 10]	515,639	776,815
Shareholder reporting costs	34,824	48,658
Sponsor fees [note 10]	51,564	77,682
Trailing commissions [note 9]	127,859	177,802
Transfer agent	268,846	306,781
Foreign withholding taxes	–	6,272
	1,425,196	2,206,463
Expense recovery [note 13]	–	(709,179)
<b>Total Expenses</b>	<b>1,425,196</b>	<b>1,497,284</b>
<b>Increase in net assets attributable to holders of redeemable shares</b>	<b>1,405,471</b>	<b>6,176,971</b>
<b>Increase in net assets attributable to holders of redeemable shares per series [note 11]</b>		
Increase in net assets attributable to Class A, Series I shares	586,453	2,878,286
Increase in net asset attributable to Class A, Series I shares per share	0.29	0.92
Increase in net assets attributable to Class A, Series II shares	803,236	3,221,143
Increase in net asset attributable to Class A, Series II shares per share	0.36	0.92
Increase in net assets attributable to Class A, Series III shares	15,782	77,542
Increase in net asset attributable to Class A, Series III shares per share	0.29	0.99

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

	2019 \$	2018 \$
<b>Net assets attributable to holders of redeemable shares at beginning of the period</b>		
Class A, Series I shares	18,548,800	32,052,088
Class A, Series II shares	24,548,624	31,193,731
Class A, Series III shares	519,015	688,478
	<b>43,616,439</b>	<b>63,934,297</b>
<b>Increase in net assets attributable to holders of redeemable shares</b>		
Class A, Series I shares	586,453	2,878,286
Class A, Series II shares	803,236	3,221,143
Class A, Series III shares	15,782	77,542
	<b>1,405,471</b>	<b>6,176,971</b>
<b>Redeemable shares transactions</b>		
<b>Redemption of redeemable Class A shares</b>		
Class A, Series I shares	(2,981,844)	(12,199,348)
Class A, Series II shares	(10,969,852)	(6,824,127)
Class A, Series III shares	(101,677)	(108,484)
	<b>(14,053,373)</b>	<b>(19,131,959)</b>
<b>Net assets attributable to holders of redeemable shares at end of the period</b>		
Class A, Series I shares	16,153,409	22,731,026
Class A, Series II shares	14,382,008	27,590,747
Class A, Series III shares	433,120	657,536
	<b>30,968,537</b>	<b>50,979,309</b>

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

# Statements of Cash Flows – Series I, II, III (Unaudited)

For the six-month periods ended June 30

	2019 \$	2018 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Increase in net assets attributable to holders of redeemable shares	1,405,471	6,176,971
Non-cash items		
Foreign exchange loss (gain) on cash	1,523	(70,317)
Net realized gain on sale of investments	(565,776)	(15,458,990)
Net change in unrealized (appreciation) depreciation on investments	(1,929,164)	8,467,501
Net change in non-cash balances related to operations	(79,687)	(640,580)
Proceeds from the sale of marketable securities	2,116,782	10,145,684
Proceeds from the sale of short-term investments	15,161,498	19,008,723
Proceeds from the sale and principal repayment of venture investments	–	25,150,437
Purchase of short-term investments	(2,007,619)	(33,627,957)
	<b>14,103,028</b>	<b>19,151,472</b>
<b>Financing activities</b>		
Redemption of redeemable units Class A shares	(14,107,956)	(19,029,335)
	<b>(14,107,956)</b>	<b>(19,029,335)</b>
Foreign exchange gain (loss) on cash	(1,523)	70,317
Increase (decrease) in cash during the period	(4,928)	122,137
Cash and foreign currencies – beginning of period	60,354	–
Cash and foreign currencies – end of period	<b>53,903</b>	<b>192,454</b>
<b>Supplemental cash flow information included in cash flows from operating activities</b>		
Interest paid	–	7
Interest received	82,075	60,149
Dividends received, net of withholding taxes	255,204	357,362

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

# Schedule of Investment Portfolio – Series I, II, III (Unaudited)

As at June 30, 2019

Number of shares/units	Maturity Date	Average Cost \$	Fair Value \$
<b>Marketable Securities</b>			
<b>Equities</b>			
390,000 iShares S&P/TSX 60 Index ETF		7,421,929	9,613,500
400,000 iShares S&P/TSX Capped REIT Index ETF		7,070,362	7,464,000
176,000 iShares Canadian Short Term Bond Index ETF		4,992,621	4,867,280
<b>Total Equities – 70.86%</b>		19,484,912	21,944,780
<b>Total Marketable Securities – 70.86%</b>		19,484,912	21,944,780
<b>Fixed-Income Securities</b>			
<i>Convertible Unsecured Subordinated Debentures</i>			
1,500,000 Dorel Industries, 5.50%	30/11/19	2,040,098	1,971,886
<b>Total Fixed-Income Securities – 6.37%</b>		2,040,098	1,971,886
Par Value \$ (or number of shares)		Average Cost \$	Fair Value \$
<b>Short-Term Investment</b>			
7,033,601 CIBC Mellon Trust Demand Deposit, variable rate		7,033,601	7,033,601
<b>Total Short-Term Investments – 22.71%</b>		7,033,601	7,033,601
<b>Total Investments – 99.94%</b>		28,558,611	30,950,267
Transaction Costs included in Securities Cost		–	–
Total Portfolio		28,558,611	30,950,267
Other Asset, Net of Liabilities – 0.06%			18,270
<b>Net assets attributable to holders of redeemable shares</b>			<b>30,968,537</b>



Statements of Financial Position – Series IV (Unaudited)

	June 30 2019	December 31 2018
<b>Assets</b>		
<b>Current assets</b>		
Investments		
Fixed-income securities	14,343,361	21,522,722
Short-term investments	3,922,649	3,314,374
Cash	336,855	–
Interest and dividends receivable	7,275	8,171
Prepaid insurance	10,101	21,323
	18,620,241	24,866,590
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Share redemptions payable	18,445	15,919
Accrued expenses [note 10]	199,002	258,410
	217,447	274,329
<b>Net assets attributable to holders of redeemable shares [note 9]</b>	<b>18,402,794</b>	<b>24,592,261</b>
Net assets attributable to holders of redeemable shares	18,402,794	24,592,261
Net assets attributable to holders of redeemable shares per share	8.56	8.44

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

**Statements of Comprehensive Income (Loss) – Series IV (Unaudited)**


For the six-month periods ended June 30

	2019 \$	2018 \$
<b>Income</b>		
<b>Gain on investments</b>		
Interest for distribution purposes – non venture investments	422,593	699,962
Net realized gain (loss)	(87,216)	34,030
Change in unrealized appreciation (depreciation)	841,938	(308,391)
<b>Net gain on investments</b>	<b>1,177,315</b>	<b>425,601</b>
<b>Total income (net)</b>	<b>1,177,315</b>	<b>425,601</b>
<b>Expenses</b>		
Advisor fees [note 10]	115,692	189,804
Audit fees	16,678	20,406
Commission financing fees [note 9]	168,072	322,324
Custodian fees	11,843	11,919
Directors and officers fees	28,463	31,477
Independent review committee fees	10,970	10,322
Legal fees	–	811
Management fees [note 10]	266,089	436,546
Shareholder reporting costs	23,784	32,940
Sponsor fees [note 10]	28,923	47,451
Trailing commissions [note 9]	35,249	30,534
Transfer agent	115,748	131,602
	<b>821,511</b>	<b>1,266,136</b>
Expenses recovery [note 13]	–	(467,983)
<b>Total expenses</b>	<b>821,511</b>	<b>798,153</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	<b>355,804</b>	<b>(372,552)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares per series [note 11]</b>		
Increase (decrease) in net assets attributable to Class A, Series IV shares	355,804	(372,552)
Increase (decrease) in net asset value per Class A, Series IV share	0.15	(0.10)

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

**Statements of Changes In Net Assets Attributable to Holders of Redeemable Shares – Series IV (Unaudited)**

For the six-month periods ended June 30

	2019 \$	2018 \$
Net assets attributable to holders of redeemable shares at beginning of the period		
Class A, Series IV shares	24,592,261	41,889,212
Increase (decrease) in net assets attributable to holders of redeemable shares		
Class A, Series IV shares	355,804	(372,552)
Redeemable shares transactions		
Redemption of redeemable Class A, Series IV shares	(6,545,271)	(13,164,794)
Net assets attributable to holders of redeemable shares at end of the period		
Class A, Series IV shares	18,402,794	28,351,866

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

## Statements of Cash Flows – Series IV (Unaudited)

For the six-month periods ended June 30

	2019 \$	2018 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares	355,804	(372,552)
Non-cash items		
Net realized loss (gain) on sale of investments	87,216	(34,030)
Net change in unrealized (appreciation) depreciation on investments	(841,938)	308,391
Net change in non-cash balances related to operations	(47,290)	(1,768,892)
Proceeds from the sale of short-term investments	5,499,343	21,340,395
Proceeds from the sale of fixed-income securities	7,934,082	5,213,950
Purchase of short-term investments	(6,107,618)	(5,112,720)
Purchase of fixed-income securities	–	(5,841,350)
	<b>6,879,599</b>	<b>13,733,192</b>
<b>Financing activities</b>		
Redemption of redeemable units Class A, Series IV shares	(6,542,744)	(13,119,837)
	<b>(6,542,744)</b>	<b>(13,119,837)</b>
<b>Increase (decrease) in cash during the period</b>	<b>336,855</b>	<b>613,355</b>
Cash (bank overdraft) – beginning of period	–	(4,681)
Cash – end of period	<b>336,855</b>	<b>608,674</b>
<b>Supplemental cash flow information:</b>		
Interest paid	–	50
Interest received	422,600	717,978

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

## Schedule of Investment Portfolio – Series IV (Unaudited)

As at June 30, 2019

Par Value \$ (or number of shares)	Maturity Date	Average Cost \$	Fair Value \$
<b>Fixed-Income Securities</b>			
<i>Convertible Unsecured Subordinated Debentures</i>			
2,136,000 Chemtrade Logistics Income Fund, 5.25%	30/06/21	2,182,817	2,123,184
3,000,000 Element Fleet Management Corp., 4.25%	30/06/20	2,982,416	3,007,500
3,000,000 Just Energy Group Inc., 6.75%	31/12/21	2,991,135	2,997,000
5,717,000 Morguard REIT, 4.50%	31/12/21	5,772,345	5,783,889
429,000 Northwest Healthcare Properties REIT, Series 'C', 7.25%	31/10/19	438,931	431,788
<b>Total Fixed-Income Securities – 77.94%</b>		<b>14,367,644</b>	<b>14,343,361</b>
<b>Short-Term Investment</b>			
3,922,649 CIBC Mellon Trust Demand Deposit, variable rate		3,922,649	3,922,649
<b>Total Short-Term Investment – 21.32%</b>		<b>3,922,649</b>	<b>3,922,649</b>
<b>Total Investments – 99.26%</b>		<b>18,290,293</b>	<b>18,266,010</b>
Transaction Costs included in Securities Cost		–	–
<b>Total Portfolio</b>		<b>18,290,293</b>	
Other Assets, Net of Liabilities – 0.74%			136,784
<b>Net assets attributable to holders of redeemable shares</b>			<b>18,402,794</b>

June 30, 2019

## 1. GENERAL INFORMATION

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

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

ROI Fund Inc. is taxable as a mutual fund corporation under the Tax Act and *Corporations Tax Act* (Ontario).

The Funds make investments in eligible Canadian businesses (“venture investments”) as defined in the Tax Act and Ontario Act.

The federal tax credit for investments in labour-sponsored venture capital corporations was phased out in 2016. 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 14, 2019.

## 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 judgement. IFRS also introduces a new expected credit loss impairment model.

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 Funds’ financial assets and financial liabilities previously designated as FVTPL under International Accounting Standards (IAS) 39 Financial Instruments continue to be measured at FVTPL. Other financial assets and liabilities will continue to be measured at amortized cost. There was no material impact on adoption from the application of the new impairment model.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Financial Instruments

The Funds' financial instruments consist primarily of cash, short term investments, marketable securities, fixed-income securities, interest and dividends receivable, receivable for investments sold, 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 fair value through profit and loss ("FVTPL").

The Funds non-derivative investments are measured at FVTPL.

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 report.

### 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 and is recorded at amortized cost. The carrying amount of cash approximates fair value because it is short-term in nature.

#### Translation of Foreign Currencies

The Funds' functional currency, as disclosed in note 7, 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 shares are issued or redeemed and how returns are measured. Foreign currency translations are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date.

#### Valuation of Class and Shares

A NAV is calculated for 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 7 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 11 for the calculation.

#### Income Taxes

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

penalties payable under the provisions of the Tax Act that apply to the Funds. Refer to note 12.

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, 2019 and December 31, 2018 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, 2018 are as follows:



## ROI Fund – Series I, II, III

Investments	Principal place of business	Country of incorporation	Nature of Fund's interest	Carrying amount	Nature of project/development	As at June 30, 2019		
						Ownership interest %	Voting rights %	Unfurnished loan commitments
iShares Canadian Short Term Bond Index ETF	Ontario	Canada	Equity	4,867,280	Exchange traded fund	0.23%	0.23%	–
iShares S&P/TSX Capped REIT Index Fund	Ontario	Canada	Equity	7,464,000	Exchange traded fund	0.56%	0.56%	–
iShares S&P/TSX 60 Index ETF	Ontario	Canada	Equity	9,613,500	Exchange traded fund	0.11%	0.11%	–

## ROI Fund – Series I, II, III

Investments	Principal place of business	Country of incorporation	Nature of Fund's interest	Carrying amount	Nature of project/development	As at December 31, 2018		
						Ownership interest %	Voting rights %	Unfurnished loan commitments
iShares Canadian Short Term Bond Index ETF	Ontario	Canada	Equity	4,792,480	Exchange traded fund	0.22%	0.22%	–
iShares S&P/TSX Capped REIT Index Fund	Ontario	Canada	Equity	6,716,000	Exchange traded fund	0.58%	0.58%	–
iShares S&P/TSX 60 Index ETF	Ontario	Canada	Equity	10,182,544	Exchange traded fund	0.12%	0.12%	–

## 6. 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 note 7.

### Classification and Measurement of Financial Assets and Liabilities

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

## 7. 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 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 Funds invest 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, 2019, Series I, II, III had \$1,971,886 (December 31, 2018 – \$1,997,483) and Series IV had \$14,343,361 (December 31, 2018 – \$21,522,722) invested in these assets.

All transactions in listed securities are settled upon delivery using approved brokers. The risk of default is related to receivables for

investments sold and is considered minimal, as delivery of securities sold is only made once the Funds have received payment. Payment is made on a purchase once the securities have been received by the Funds. Should either party not meet its obligation, the trade will fail.

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

As at June 30, 2019 the Funds held the following fixed-income securities: Chemtrade Logistics Income Fund – 5.25%, Element Fleet Management Corp. 4.25%, Just Energy Group Inc. 6.75%, Morguard REIT – 4.50%, Northwest Healthcare Properties REIT, Series ‘C’, 7.25% and Dorel Industries 5.50%. With the exception of Element Fleet Management Corp. – 4.25% (which is rated BBB+ by DBRS) the securities have 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, 2019, these Series held nil% (December 31, 2018 – nil%) of net assets attributable to holders of redeemable shares in venture investments, which are considered illiquid. They also had 93.75% (December 31, 2018 – 96.15%) 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. Fixed-income securities are exchange listed securities that are thinly traded. Together, these securities represent 6.37% (December 31, 2018 – 4.58%) of net assets.

The following table summarizes the maturity profile as at June 30, 2019 and December 31, 2018, of financial instruments by contractual maturity or expected cash flow dates for Series I, II, III.

	As at June 30, 2019					
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	No specific date	Total
<b>Assets</b>						
Foreign currencies	–	–	–	–	53,903	53,903
Interest and dividends receivable	12,031	–	–	–	–	12,031
Receivable for investments sold	275,000	–	–	–	–	275,000
Short-term investments	7,033,601	–	–	–	–	7,033,601
Fixed-income securities	1,971,886	–	–	–	–	1,971,886
Marketable securities	–	–	–	–	21,944,780	21,944,780
	<b>\$ 9,292,518</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 21,998,683</b>	<b>\$ 31,291,201</b>
<b>Liabilities</b>						
Accrued expenses	322,389	–	–	–	–	322,389
Share redemptions payable	19,511	–	–	–	–	19,511
	<b>\$ 341,900</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 341,900</b>

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

#### ROI Fund Series IV

As at June 30, 2019 and December 31, 2018 this series held no net assets in venture investments, which are considered illiquid. It held 23.15% (December 31, 2018 – 13.48%) of its net assets in

cash and short-term investments that are traded in active markets and/or can be readily disposed. Fixed-income securities are exchange-listed securities that are thinly traded. These securities represent 77.94% (December 31, 2018 – 87.52%) of net assets.

The following table summarizes the maturity profile as at June 30, 2019 and December 31, 2018, of financial instruments by contractual maturity or expected cash flow dates for Series IV.

	Within 1 year \$	1 to 3 years \$	3 to 5 years \$	Over 5 years \$	As at June 30, 2019	
					No specific date \$	Total \$
<b>Assets</b>						
Cash	–	–	–	–	336,855	336,855
Interest and dividends receivable	7,275	–	–	–	–	7,275
Fixed-income securities	3,439,288	10,904,073	–	–	–	14,343,361
Short-term investments	3,922,649	–	–	–	–	3,922,649
	\$ 7,369,212	\$ 10,904,073	\$ –	\$ –	\$ 336,855	\$ 18,610,140
<b>Liabilities</b>						
Accrued expenses	199,002	–	–	–	–	199,002
Share redemptions payable	18,445	–	–	–	–	18,445
	\$ 217,447	\$ –	\$ –	\$ –	\$ –	\$ 217,447

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

### Market Risk

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

#### Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or the fair values of interest-bearing investments. The Funds' exposure to interest rate risk is concentrated in 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.

#### ROI Fund Series I, II, III

As at June 30, 2019, had the prevailing interest rates raised or lowered by 1% for all fixed-income securities, with all other

variables held constant, net assets would have decreased or increased, respectively, by approximately \$8,081 (December 31, 2018 – \$17,278). In practice, the actual results may differ from this sensitivity analysis and the difference could be material. This Series held 22.71% (December 31, 2018 – 46.29%) of its assets in short-term investments that earn a variable rate of interest and nil% (December 31, 2018 – nil%) in venture investments.

#### ROI Fund Series IV

As at June 30, 2019, had the prevailing interest rates raised or lowered by 1% for all fixed-income securities, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$273,915 (December 31, 2018 – \$537,759). In practice, the actual results may differ from this sensitivity analysis and the difference could be material. This Series held 21.32% (December 31, 2018 – 13.48%) of its assets in short-term investments that earn a variable rate of interest. At June 30, 2019 and December 31, 2018 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.

At June 30, 2019, the Funds held cash and securities which are subject to U.S. dollar currency risk as follows: Series I, II, III – \$2,025,789 (December 31, 2018 – \$1,997,483) and Series IV – \$nil (December 31, 2018 – \$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, 2019, 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 decreased or increased, respectively, by approximately \$202,579 (December 31, 2018 – \$199,748). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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

As at June 30, 2019 and December 31, 2018, Series IV is not subject to significant currency risk.

**Other Price Risk**

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

As at June 30, 2019, 70.86% (December 31, 2018 – 49.76%) 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 \$2,194,478 (December 31, 2018 – \$2,169,102). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

**Valuation of Venture Investments**

Generally, 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 shares.

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.

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 shown as receivable for investments sold in the Statements of Financial Position. As at June 30, 2019, the carrying amount of Receivable for investments sold was \$275,000 (December 31, 2018 – \$125,000).

As at June 30, 2019 and 2018, Series IV did not hold any venture investments.

## Investment Portfolio Concentration (%)

## Series I, II, III

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

	June 30, 2019	December 31, 2018
<b>MARKETABLE SECURITIES</b>		
Equities	70.86%	49.73%
<b>FIXED-INCOME SECURITIES</b>		
Convertible Unsecured Subordinated Debentures	6.37%	4.58%
<b>SHORT-TERM INVESTMENTS</b>	22.71%	46.29%
<b>OTHER ASSETS, NET OF LIABILITIES</b>	0.06%	(0.60)%
	100.00%	100.00%

## Investment Portfolio Concentration (%)

## Series IV

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

	June 30, 2019	December 31, 2018
<b>FIXED-INCOME SECURITIES</b>		
Convertible Unsecured Subordinated Debentures	77.94%	87.52%
<b>SHORT-TERM INVESTMENTS</b>	21.32%	13.48%
<b>OTHER ASSETS, NET OF LIABILITIES</b>	0.74%	(1.00)%
	100.00%	100.00%

## 8. 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 1 that 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, 2019 and December 31, 2018:

## ROI Fund Series I, II, III

	Assets at fair value as at June 30, 2019			
	Level 1	Level 2	Level 3	Total
Marketable securities	21,944,780	–	–	21,944,780
Fixed-income securities	–	1,971,886	–	1,971,886
Short-term investments	–	7,033,601	–	7,033,601
	\$21,944,780	\$9,005,487	\$–	\$30,950,267

*ROI Fund Series I, II, III*

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

*ROI Fund Series IV*

	Assets at fair value as at June 30, 2019			
	Level 1	Level 2	Level 3	Total
Short-term investments	–	3,922,649	–	3,922,649
Fixed-income securities	–	14,343,361	–	14,343,361
	\$–	\$18,266,010	\$–	\$18,266,010

*ROI Fund Series IV*

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

All fair value measurements above are recurring. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3. The Funds' policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer. There were no transfers between levels during the period ended June 30, 2019.

**Marketable Securities**

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

**Fixed-income Securities**

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

**Short-term Investments**

The Funds' short-term investments are classified as Level 2 as they represent overnight cash deposits and are considered 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.

There were no Level 3 investments remaining at June 30, 2019.

The following is a reconciliation of Level 3 fair value measurements for the period ended December 31, 2018:

*ROI Fund Series I, II, III*

*For the year ended December 31, 2018*

**Fair value measurements using Level 3 inputs**

	<i>Venture Investments</i>
<b>Balance at December 31, 2017</b>	19,180,283
Sales and principal payments	(25,125,436)
Transfer out to receivable for investment sold	(125,000)
Realized gain	11,216,897
Change in unrealized losses	(5,146,744)
<b>Balance at December 31, 2018</b>	–

The change in unrealized losses recorded in the statement of comprehensive income (loss) for the year related to private investments which continue to be held at December 31, 2018 is \$nil.

**9. 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 Funds are no longer accepting new subscriptions.

**Authorized share capital**

Unlimited number of Class A Shares, discretionary dividend entitlement, voting, restrictions on transfer and redemption, redeemable at the net 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, 2019, the Funds incurred commission financing fees in Series I, II, III – \$127,591 (June 30, 2018 – \$263,284,) and Series IV – \$168,072 (June 30, 2018 – \$322,324).

#### *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, 2019, the Fund incurred trailing commissions of: Series I, II, III – \$127,859 (June 30, 2018 – \$177,802) and Series IV – \$35,249 (June 30, 2017 – \$30,534).

#### **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.

	At June 30, 2019	At June 30, 2018
<b>ISSUED AND OUTSTANDING</b>		
<b>CLASS A, SERIES I SHARES</b>		
Balance, beginning of period	2,201,874	4,019,935
Redeemed during the period	(342,070)	(1,480,350)
<b>Balance, end of period</b>	<b>1,859,804</b>	<b>2,539,585</b>
<b>CLASS A, SERIES II SHARES</b>		
Balance, beginning of period	3,000,263	4,014,528
Redeemed during the period	(1,294,298)	(848,595)
<b>Balance, end of period</b>	<b>1,705,965</b>	<b>3,165,933</b>
<b>CLASS A, SERIES III SHARES</b>		
Balance, beginning of period	60,478	84,457
Redeemed during the period	(11,431)	(12,494)
<b>Balance, end of period</b>	<b>49,047</b>	<b>71,963</b>
<b>CLASS B SHARES</b>		
Balance, beginning of period	100	100
<b>Balance, end of period</b>	<b>100</b>	<b>100</b>
<b>ISSUED AND OUTSTANDING</b>		
<b>CLASS A, SERIES IV SHARES</b>		
Balance, beginning of period	2,912,907	4,680,054
Redeemed during the period	(763,918)	(1,475,576)
<b>Balance, end of period</b>	<b>2,148,988</b>	<b>3,204,478</b>

### *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.

### **10. FEES**

The Funds' investment activities are managed by Return On Innovation Advisors Ltd., with administration delegated to CIBC Mellon Global Security Services Company (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, 2019, the Series I, II, III incurred management fees of \$515,639 (June 30, 2018 – \$776,815) with outstanding fees for the period ended June 30, 2019 of \$73,288 (June 30, 2018 – \$120,101) included in accrued expenses in the Statements of Financial Position. Series IV incurred management fees of \$266,089 (June 30, 2018 – \$436,546) with outstanding fees for the period ended June 30, 2019 of \$39,745 (June 30, 2018 – \$61,241) 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, 2019, the Funds incurred investment advisor fees of: Series I, II, III – \$206,255 (June 30, 2018 – \$310,726) with outstanding fees for the period ended June 30, 2019 \$29,315 (June 30, 2018 – \$48,041) and Series IV – \$115,692 (June 30, 2018 – \$189,804) with outstanding fees for the period ended June 30, 2019 \$17,280 (June 30, 2018 – \$26,627), included in accrued expenses in the Statements of Financial Position.

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

Commencing 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,

2019, the Funds incurred Sponsor fees for Series I, II, III of \$51,564 (June 30, 2018 – \$77,682) with outstanding fees for the period ended June 30, 2019 \$7,329 (June 30, 2018 – \$12,010), included in accrued expenses in the Statements of Financial

Position and Series IV of \$28,923 (June 30, 2018 – \$47,451) with outstanding fees for the period ended June 30, 2019 \$4,320 (June 30, 2018 – \$6,657), included in accrued expenses in the Statements of Financial Position.

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

For the six-month period ended June 30, 2019	Series I	Series II	Series III
Increase in net assets attributable to holders of redeemable shares	586,453	803,236	15,782
Weighted average shares outstanding during the period	2,001,455	2,219,629	54,390
Increase in net assets attributable to holders of redeemable shares per share	0.29	0.36	0.29

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, 2019	Series IV
Increase in net assets attributable to holders of redeemable shares	355,804
Weighted average shares outstanding during the period	2,400,090
Increase in net assets attributable to holders of redeemable shares per share	0.15

For the six-month period ended June 30, 2018	Series IV
Decrease in net assets attributable to holders of redeemable shares	(372,552)
Weighted average shares outstanding during the period	3,791,903
Decrease in net assets attributable to holders of redeemable shares per share	(0.10)

#### 12. 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, 2018, the Funds had available for deduction against future taxable income, non-capital losses of approximately

\$45,685,008 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: 2027 – \$1,827,632; 2028 – \$2,824,103; 2029 – \$3,194,490; 2030 – \$5,433,646; 2031 – \$6,232,809; 2032 – \$5,127,161; 2033 – \$3,556,103; 2034 – \$2,421,372; 2035 – \$5,188,082; 2036 – \$4,963,553 and 2037 – \$4,916,057.

#### 13. 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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