

# Interim Management Report of Fund Performance ROI Fund Inc. – Series I, II, III



As at June 30, 2019

This interim Management Report of Fund Performance contains financial highlights, but does not contain either interim or annual financial statements of the investment fund ("Fund"). You may obtain a copy of the interim or annual financial statements at your request, and at no cost, by calling 1 866 764 3863, by writing to us at 43 Front Street East, Suite 301, Toronto, Ontario M5E 1B3 or by visiting our website at [www.roicapital.ca](http://www.roicapital.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Every effort has been made to ensure that the information contained in this report is accurate as of June 30, 2019; however, the Fund cannot guarantee the accuracy or the completeness of this material. Please refer to the Fund's Prospectus, interim and audited annual financial statements for more information.



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### Results of Operations

The portfolio advisor of the Fund is Return Advisors Ltd. The commentary that follows provides a summary of the results of operations for the period ended June 30, 2019.

#### *Financial Performance*

Total net assets at June 30, 2019 were \$30,968,537 down from \$43,616,439 at the prior year end.

During the six-month period ended June 30, 2019, the Fund had redemptions of \$14,053,373 and an increase in net assets from operations of \$1,405,471. The Fund is currently not accepting new subscriptions.

The decrease in net assets from operations was composed of a \$1,089,469 loss from operations and \$2,494,940 in realized and unrealized gains on investments. The realized and unrealized gains on investments are made up of \$565,776 in net realized gains on investments and \$1,929,164 in net change in unrealized appreciation on investments.

The realized and unrealized gains are made up of realized and unrealized gains on the liquid portfolio of \$1,929,164 realized and unrealized gains of \$150,000 in the receivable for venture investments sold.

Redemptions continue to be high, but not unexpected. Investors cannot redeem units without penalty for eight years. Once the eight-year hold period is finished, they may redeem units without penalty. The high levels of redemptions reflect the end of the holding periods and consequent redemptions. The Fund continues to hold ample liquid portfolio to manage the liquidity requirements relating to these redemptions.

### *Investment Activity*

On May 14, 2018 the Fund successfully exited its venture investment in Toronto Waterfront Studios. The Fund sold its shares in Toronto Waterfront Studios to Bell Media. Approximately, one third of the Fund's assets was invested in this single venture investment and the Manager was able to exit the investment at a large gain for the Fund while simultaneously creating a significant amount of liquidity for the Fund. As a result, at June 30, 2018 and 2019, the Fund had no venture investments remaining in the Fund.

The remaining investments consisting of marketable securities, fixed-income securities and short-term investments remain liquid to ensure the Fund can meet its liquidity requirements. The Fund did not take on any new investments but trimmed these investments as necessary to Fund redemptions.

In aggregate, the liquid securities portfolio is balanced and invested in large cap Canadian stocks (31.06%), Canadian Real Estate Investment Trusts (24.12%); short-term Canadian bonds (15.73%), and senior unsecured and debentures (6.37%) and short-term investments including cash and other (22.73%).

The mix in the liquid portfolio has changed materially since December 31, 2018. In aggregate, the liquid securities portfolio is balanced but the amount invested in large cap Canadian stocks has increased by 7.85%, Canadian Real Estate Investment Trusts has increased by 8.81%, the amount invested in short-term Canadian bonds has increased by 4.80%; the amount invested in senior unsecured and debentures has increased by 1.82% and the amount invested in short-term investments including cash and other has decreased by 23.28%.

During the period the Fund benefited from investing in large cap Canadian stocks as this investment had price appreciation of 14.01% followed closed by the Funds investment in Canadian Real Estate Investment Trusts that had price appreciation by 11.14%

Going forward the Fund will likely not continue to invest in the venture portfolio. The Fund will continue to invest in Canadian large cap stocks and Canadian REIT's, Canadian bonds and cash. The Manager will continue to monitor the portfolio and continue to adjust the portfolio as warranted to maintain sufficient liquidity.

The Fund currently has high levels of marketable securities and cash which will be used to Fund redemptions and will be deployed as is prudent in appropriate investments given the investment objective and strategy of the Fund.

### *Revenue and Expenses*

Investment income consists of interest on the senior unsecured and convertible debentures and dividends and distributions on the liquid portfolio. Liquid portfolio income has declined commensurate with the decreasing size of the Fund and consequently the liquid portfolio.

Total expenses for the period were \$1,425,196.

The Fund's management expense ratio ("MER") was 7.98% (annualized). The comparable MER for the year ended December 31, 2018 (excluding unusual expense recoveries) was 7.67%. The MER increase was due to fixed expenses being spread over a declining NAV. These were offset by a

decrease in commission finance fees paid by the Fund.

### **RECENT DEVELOPMENTS**

#### *Pacing Requirements*

The Fund is required to invest a prescribed portion of its assets in eligible venture investments as defined in the Community Small Business Investment Funds Act (Ontario) and the Income Tax Act (Canada). 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 \$498,211 were accrued by the Fund, net of prior year reversals. Investment level taxes relating to the 2016 fiscal year totaling \$160,233 were paid by the Fund. The Fund returned to compliance in February of 2018. As such, the investment level taxes paid relating to 2016 were rebated to the Fund 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).

As at June 30, 2019 the Fund has met these requirements.

#### *Related Party Transactions*

The Manager, Advisor and ACTRA Toronto Performers (the "Sponsor") are deemed to be related parties. Please refer to the section titled "Advisor, Sponsor and Management Fees" which outline fees paid to these related parties.

## Financial Highlights

The following tables show selected key financial information about Series I, II, III of the Fund and are intended to help you understand the series' financial performance.

<b>Class A Series I Net assets attributable to holders of redeemable shares per share<sup>1,2,3</sup></b>	<b>June 30 2019</b>	<b>Dec 31 2018</b>	<b>Dec 31 2017</b>	<b>Dec 31 2016</b>	<b>Dec 31 2015</b>
Net assets attributable to holders of redeemable shares, beginning of period	8.42	7.97	6.92	6.76	7.31
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>					
Total revenue	0.08	0.15	0.11	0.15	0.26
Total expenses	(0.34)	(0.52)	(0.61)	(0.53)	(0.54)
Realized gains (losses) for the period	0.14	3.04	0.36	0.09	–
Unrealized gains (losses) for the period	0.41	(2.06)	1.17	0.40	(0.19)
<b>Increase (decrease) in net assets attributable to holders of redeemable shares<sup>2</sup></b>					
	0.29	0.61	1.03	0.11	(0.47)
<b>Distributions:</b>					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
<b>Total annual distributions<sup>2</sup></b>					
	–	–	–	–	–
<b>Net assets attributable to holders of redeemable shares</b>	<b>8.69</b>	8.42	7.97	6.92	6.76
<b>Ratios and Supplemental Data</b>					
Total net assets attributable to holders of redeemable shares (000's) <sup>3</sup>	16,153	18,549	32,052	35,660	45,842
Number of shares outstanding <sup>3</sup>	1,859,804	2,201,874	4,019,935	5,153,142	6,776,394
Management expense ratio <sup>4</sup>	7.95%	5.95%	8.54%	7.89%	7.46%
Management expense ratio before waivers or absorptions	7.81%	5.81%	8.39%	7.89%	7.46%
Trading expense ratio <sup>5</sup>	–	–	0.01%	–	–
Portfolio turnover rate <sup>6</sup>	–	–	25.91%	7.25%	2.62%
Net assets attributable to holders of redeemable shares per share	8.69	8.42	7.97	6.92	6.76

# Management Discussion of Fund Performance

<b>Class A Series II Net assets attributable to holders of redeemable shares per share<sup>1,2,3</sup></b>	<b>June 30 2019</b>	<b>Dec 31 2018</b>	<b>Dec 31 2017</b>	<b>Dec 31 2016</b>	<b>Dec 31 2015</b>
Net assets attributable to holders of redeemable shares, beginning of period	8.18	7.77	6.76	6.62	7.16
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>					
Total revenue	0.08	0.14	0.11	0.14	0.24
Total expenses	(0.33)	(0.56)	(0.62)	(0.53)	(0.54)
Realized gains (losses) for the period	0.13	2.96	0.34	0.09	–
Unrealized gains (losses) for the period	0.49	(2.05)	1.17	0.41	(0.19)
<b>Increase (decrease) in net assets attributable to holders of redeemable shares<sup>2</sup></b>	<b>0.36</b>	<b>0.48</b>	<b>1.00</b>	<b>0.11</b>	<b>(0.49)</b>
<b>Distributions:</b>					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
<b>Total annual distributions<sup>2</sup></b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net assets attributable to holders of redeemable shares</b>	<b>8.43</b>	<b>8.18</b>	<b>7.77</b>	<b>6.76</b>	<b>6.62</b>
<b>Ratios and Supplemental Data</b>					
Total net assets attributable to holders of redeemable shares (000's) <sup>3</sup>	14,382	24,549	31,194	31,356	37,500
Number of shares outstanding <sup>3</sup>	1,705,965	3,000,263	4,014,528	4,637,658	5,662,983
Management expense ratio <sup>4</sup>	8.00%	6.57%	8.82%	8.08%	7.57%
Management expense ratio before waivers or absorptions	7.86%	6.43%	8.67%	8.08%	7.57%
Trading expense ratio <sup>5</sup>	–	–	0.01%	–	–
Portfolio turnover rate <sup>6</sup>	–	–	25.91%	7.25%	2.62%
Net assets attributable to holders of redeemable shares per share	8.43	8.18	7.77	6.76	6.62

# Management Discussion of Fund Performance

<b>Class A Series III Net assets attributable to holders of redeemable shares per share<sup>1,2,3</sup></b>	<b>June 30 2019</b>	<b>Dec 31 2018</b>	<b>Dec 31 2017</b>	<b>Dec 31 2016</b>	<b>Dec 31 2015</b>
Net assets attributable to holders of redeemable shares, beginning of period	8.58	8.15	7.08	6.91	7.45
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>					
Total revenue	0.08	0.15	0.11	0.15	0.26
Total expenses	(0.36)	(0.58)	(0.62)	(0.53)	(0.55)
Realized gains (losses) for the period	0.14	3.17	0.40	0.09	0.03
Unrealized gains (losses) for the period	0.43	(2.16)	1.15	0.39	(0.18)
<b>Increase (decrease) in net assets attributable to holders of redeemable shares<sup>2</sup></b>	<b>0.29</b>	<b>0.59</b>	<b>1.04</b>	<b>0.10</b>	<b>(0.43)</b>
<b>Distributions:</b>					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions<sup>2</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets attributable to holders of redeemable shares</b>	<b>8.83</b>	<b>8.58</b>	<b>8.15</b>	<b>7.08</b>	<b>6.91</b>
<b>Ratios and Supplemental Data</b>					
Total net assets attributable to holders of redeemable shares (000's) <sup>3</sup>	433	519	688	936	1,395
Number of shares outstanding <sup>3</sup>	49,047	60,478	84,457	132,263	201,904
Management expense ratio <sup>4</sup>	8.32%	6.54%	8.50%	7.77%	7.32%
Management expense ratio before waivers or absorptions	8.18%	6.40%	8.36%	7.77%	7.32%
Trading expense ratio <sup>5</sup>	-	-	0.01%	-	-
Portfolio turnover rate <sup>6</sup>	-	-	25.91%	7.25%	2.62%
Net assets attributable to holders of redeemable shares per share	8.83	8.58	8.15	7.08	6.91

1. This information is derived from the Fund's audited annual financial statements (except for the interim period ended June 30, 2018 which is unaudited) prepared in accordance with International Financial Reporting Standards ("IFRS").
2. The increase (decrease) from operations is based on the weighted average number of shares outstanding during the financial year. Distributions per share are based on the actual number of shares outstanding at the relevant time. This table is not intended to be a reconciliation of beginning to ending net assets per share. Distributions are paid in cash and either received in cash by the unitholder shareholder or reinvested in additional shares of the Fund.
3. This information is provided as at December 31 of the year shown except for the most recent which is the six-month period ended June 30, 2018.
4. The management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the year.
5. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
6. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

## Advisor, Sponsor and Management Fees

The Manager has been retained by the Fund to manage the Fund's investment portfolio. As compensation for the services to be provided for and on behalf of the Fund by the Manager, the Fund has agreed to pay to the Manager an annual advisor fee of 1.0% of the NAV of the Fund.

ACTRA Toronto Performers has agreed to be Sponsor of the Fund. The Sponsor owns all of the Class B Shares of the capital of the Fund and is required under the Ontario Act to elect a majority of the Board of Directors. The Fund pays the Sponsor an annual fee of 0.25% of the NAV of the Fund, calculated and paid monthly in arrears.

The Manager has been retained by the Fund to develop and implement all aspects of the Fund's sales, marketing, distribution and communications strategies; organize the retention and supervision of service providers; develop and refine the investment strategy; and to manage the ongoing business and administrative affairs of the Fund. As compensation for the services, the Fund has agreed to pay to the Manager an annual management fee of 2.5% of the NAV of the Fund. The major services paid by the management fees by series expressed as an approximate percentage of the management fees are summarized as follows:

Series	I	II	III
Dealer Costs	0.00%	0.00%	0.00%
Other Fees*	100.00%	100.00%	100.00%

\* Includes general and administration fees, marketing fees, and profit.

To the extent that management fees did not fully cover the cost of services provided to the Fund, the difference was funded directly by the Manager.

The Manager has also been retained by the ROI Fund to pay sales commissions on behalf of the Fund and provide services in connection therewith. As compensation for these services, the Fund has agreed to pay to the Manager an annual financing fee of 0.4% of the NAV of the Fund, as well as an annual base financing fee equal to the aggregate of 1.25% of the original purchase price of Class A Shares, Series I and 0.75% of the original purchase price of Class A Shares, Series II (issued after January 1, 2004 that remain issued and unredeemed, provided that such fee ceases for any such shares retained for more than eight years).

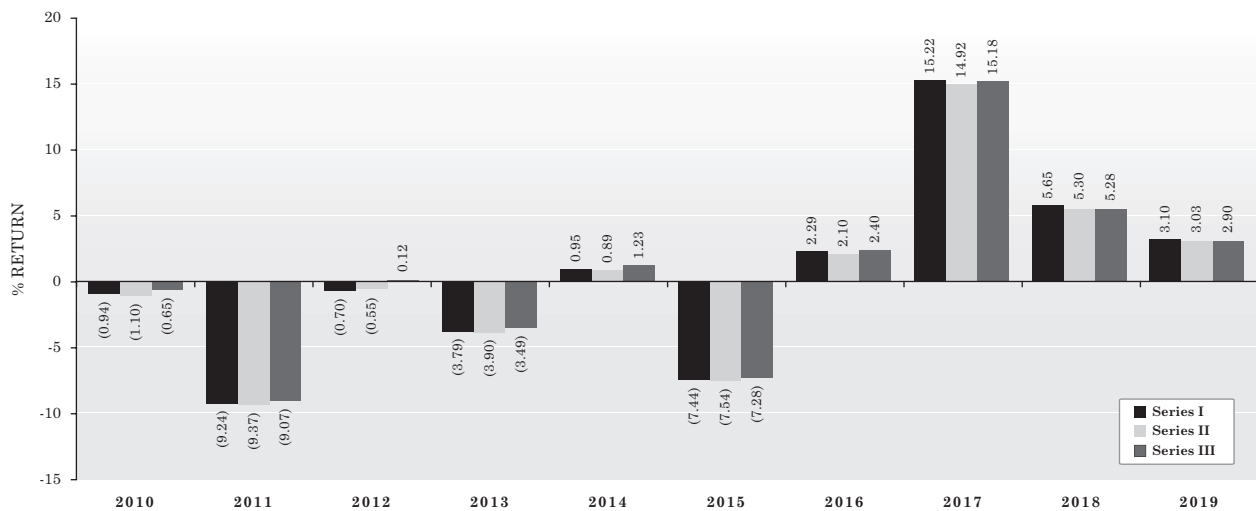
## Past Performance

The following performance presented is historical. The past performance information shown includes changes in security value; assumes the reinvestment of all dividends in the periods shown in additional units of the Fund; and does not take into account sales, redemptions, dividend or optional charges, or income taxes payable by any investor, which would have reduced returns. It is important to note that past performance of the Fund does not represent how well the Fund will perform in the future.

### Year-By-Year Returns

The following bar chart shows the Fund's annual performance for each of the years shown and illustrates how the Fund's performance changes year to year. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year. For 2019, the information presented is for the six-month period ended June 30, 2019.

**ANNUAL RETURNS**





## Summary of Investment Portfolio as at June 30, 2019

The summary of investment portfolio will change due to ongoing portfolio transactions of the Fund.

<b>Asset Mix</b>	<b>% of Series I, II, III Net Asset Value</b>
Marketable securities	70.86%
Short-term investments	22.71%
Fixed-income securities	6.37%
Other assets, net of liabilities	0.06%
<b>Total</b>	<b>100.00%</b>

<b>TOP 25 HOLDINGS</b> <b>(Note: Fund only has 5 holdings)</b>	<b>% of Series I, II, III Net Asset Value</b>
iShares S&P/TSX 60 Index ETF	31.04%
iShares S&P/TSX Capped REIT Index ETF	24.10%
CIBC Mellon Trust Demand Deposit, variable rate	22.71%
iShares Canadian Short Term Bond Index ETF	15.72%
Dorel Industries, 5.50%	6.37%
<b>Total holdings as a percentage of net assets attributable to holders of redeemable shares</b>	<b>99.94%</b>
<b>Total Fund Net Asset Value</b>	<b>\$30,968,537</b>

The most recent interim report, annual report or quarterly portfolio disclosure is available at no cost by calling 1 866 764 3863, by writing to us at 43 Front Street East, Suite 301, Toronto, Ontario M5E 1B3 or by visiting our website at [www.roicapital.ca](http://www.roicapital.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).

### Caution Regarding Forward-looking Statements

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates,” “intends,” “plans,” “believes,” “estimates” or negative versions thereof. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors. Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in government regulations, unexpected judicial or regulatory proceedings and catastrophic events. It should be noted that the above-mentioned list of important factors is not exhaustive. You are encouraged to consider these and other factors carefully before making any investment decisions and you are urged to avoid placing undue reliance on forward-looking statements. Furthermore, the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.



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