



**B.E.S.T. Venture Opportunities Fund Inc.**

**Semi-Annual Report 2024**

# B.E.S.T. Venture Opportunities Fund Inc.

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## Management Report of Fund Performance

For the six-month period ended February 29, 2024

### Introductory Note

This annual management report of fund performance ("MRFP") for B.E.S.T. Venture Opportunities Fund Inc. (the "Fund") contains financial highlights but does not contain the complete semi-annual financial statements of the Fund. The semi-annual financial statements are included in the Fund's Semi-Annual Report for the six-month period ended February 29, 2024, of which this MRFP forms a part. You can get a copy of the semi-annual financial statements at your request, and at no cost, by calling 416-203-7331, by writing to us at email: [info@bestfunds.ca](mailto:info@bestfunds.ca) or on SEDAR at [www.sedar.com](http://www.sedar.com).

Shareholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures and its proxy voting disclosure record.

The term "net asset value" or "net asset value per share" in this document refers to the net asset value determined in accordance with Part 14 of National Instrument 81-106 – Investment Fund Continuous Disclosure ("National Instrument 81-106") while the term "net assets" or "net assets per share" refer to total equity or net assets attributable to shareholders of the Fund as determined in accordance with International Financial Reporting Standards ("IFRS")

### Caution Regarding Forward-Looking Statements

*Certain portions of this report, including, but not limited to, "Recent Developments", may contain forward-looking statements about the Fund including statements with respect to strategies, risks, expected performance events and conditions. 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", "projects" and similar forward-looking expressions or negative versions thereof.*

*In addition, any statement that may be made concerning future performance, strategies or prospects and possible future action by the Fund is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable. Accordingly, current assumptions concerning future economic and other factors may prove to be incorrect at a future date.*

*Forward-looking statements do not guarantee future performance and the actual results or events 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, such as interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government relations, unexpected judicial or regulatory proceedings and catastrophic events. We stress that the above list of important factors is not exhaustive. Some of these risks, uncertainties and other factors are described in the Fund's most recent prospectus, under the heading "Risk Factors".*

*We encourage you to consider these and other factors carefully before making any investment decisions. Forward-looking statements should not be unduly relied upon. Further, 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, and that the forward-looking statements speak only to the date of this management report of fund performance.*

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### **Investment Objective and Strategies**

The Fund seeks to achieve long-term capital appreciation by investing its assets in accordance with the requirements of the Community Small Business Investment Funds Act (Ontario) and the Income Tax Act (Canada), each as amended from time to time. The Fund utilizes a number of strategies when making investment decisions. It diversifies its portfolio by investing in a variety of industries and stages of development including: mature, expansion, acquisition, start-up, and turnaround stages.

### **Risk**

The risks associated with investing in the Fund are as described in the Fund's most recent prospectus. There are no changes to the investment risk level, investment objectives or strategies of the Fund as a result of the implementation.

### **Recent Developments**

#### ***Listing of Shares on the Canadian Securities Exchange***

On January 4, 2022, the Fund announced that the Fund's board of directors (the "Board of Directors") had approved a value preservation strategy pending approval by shareholders of the Fund. At the Fund's annual and special shareholder meeting held on February 24, 2022 shareholders approved a special resolution to take certain actions (the "Proposed Actions") to preserve the value of the Fund including (i) to amend the Fund's articles for the suspension of all redemptions of the Fund's Class A shares until at least December 31, 2024, and (ii) authorizing an application to list the Class A Shares on a Canadian stock exchange. The manager and the Board of Directors believe that Proposed Actions are in the best interest of the Fund's shareholders to take proactive steps to preserve the Fund's current liquidity position and ensure that the Fund has sufficient time and financial flexibility to pursue an exit from the Fund's remaining private investments.

On September 20, 2022, the Fund received conditional listing approval from the Canadian Securities Exchange ("CSE") to list the shares of the Fund. The expected listing date has not been determined but a further announcement will be made prior to the listing.

On October 3, 2022, the Fund filed restated articles of incorporation, substantially in the form approved by Class A shareholders at the shareholder meeting held on February 24, 2022, reflecting, among other things, the shareholder approved suspension of redemptions.

On November 22, 2022, the Fund received final approval to list the shares of the Fund on the CSE. On November 25, 2022, the Class A Shares, Series I and the Class A Shares, Series II were listed under the symbols BVOF.A and BVOF.B respectively. Trading and other information on the shares can be found on the CSE website: [www.thecse.com](http://www.thecse.com).

#### ***Portfolio Update***

There have not been any significant changes to the portfolio investments during the period.

### **Related Party Transactions**

#### ***Management Fees***

The Manager is responsible for the day-to-day management and operations of the Fund. Each series of the Fund pays the Manager a management fee for its services as described in the "Management Fee" section later in this document. The management fee is an annualized rate based on the net asset value of each series of the Fund, accrued daily and paid monthly.

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### ***Operating Expenses***

Each series of the Fund is allocated its proportionate share of the Fund's operating expenses that are common to all series. The expenses charged to the Fund in respect to operating expenses are disclosed in the Fund's financial statements.

The Manager, at its sole discretion, may waive or absorb a portion of a series' expenses. These waivers or absorptions may be terminated at any time without notice.

### ***Performance Fees***

The Manager is entitled to an annual performance fee based on the performance of the Fund as compared to the performance of a benchmark.

### ***Service Fees***

As of April 2022, the Class A Shares, Series I shareholders have ceased paying the service fee to registered dealers which was historically paid and was equal to 0.5% of the net asset value of the Class A Shares, Series I held by such dealers. The fees for the two series of Class A Shares are now aligned, however the NAV per share for the two series will continue to reflect historical cost differences.

### ***Distribution Fees***

The Fund may pay a distribution fee of 1.25% of the net asset value of the Class A, Series II shares for marketing and arranging for the distribution of the shares. Since September 1, 2019, the Manager has discontinued the payment of the distribution fee.

### **Results of Operations**

For six-month period ended February 29, 2024, the Class A, Series I and Class A, Series II shares of the Fund reported a gain of \$0.43 (2.97%) and \$0.40 (2.93%), respectively. This compares to a minor loss of \$0.01 per share for the Class A, Series I and Series II shares during the six-month period ended February 28, 2023.

For the six-month period ended February 29, 2024 the Fund reported a net gain on investments of \$850,992 compared to a net gain of \$608,391 for the same period in the prior year. The higher net gain on investments is primarily a result of higher dividends, higher interest and the lower net loss on the fair value of investments during the six-month period ended February 28, 2024.

The Fund reported interest income of \$185,175 during the six-month period ended February 29, 2024 compared to interest income of \$176,950 reported in the same period last year. The higher interest income is due to higher interest rates on short-term interest-bearing securities held during the year. The Fund reported dividend income of \$718,978 during the six-month period ending February 29, 2024 compared to dividends of \$664,546. Most of the dividends earned during the period are from the Fund's investment in Ruby Corp.

Total expenses for the six-month period ended February 29, 2024 were \$433,904 compared to \$621,102 for the six-month period ended February 28, 2023. The lower expenses are mainly a result of lower legal fees. The majority of the legal fees for the six-month period ended February 28, 2023 resulted from the restructuring of the Fund including amending the articles of incorporation and the listing for the shares of the Fund on the CSE. The lower legal fees were somewhat offset by higher management fees, higher transfer agent and administrative cost and higher audit costs for the six-month period ended February 29, 2024.

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As at February 29, 2024, the investments in the Fund, excluding cash and marketable securities, total 13 companies: 6 public companies totaling \$1,324,999 and 7 private companies totaling \$5,987,675 for a total of \$7,312,674 at fair value. The Fund is well diversified by industry, maturity and investment structure. The Fund's asset mix now stands at 49.9% venture investments, 45.8% non-venture investments including short-term marketable securities and 5.0% cash. The Fund currently has a high level of liquidity for an LSIF Fund with approximately 54.9% of the net assets represented by publicly traded securities and cash.

The Fund's total net asset value increased by approximately 2.93% to \$14,648,960 at February 29, 2024 from \$14,231,872 at August 31, 2023. This change is due to the net gain on investments less the expenses of the Fund during the period.

The Fund closed the purchase of one new investment in the amount of \$500,000 with acquisition of a promissory note and common share purchase warrants of Mortgage Corporation during the year ended August 31, 2023. Mortgage Corporation has made several payments on the principal of promissory note. The balance outstanding as at February 29, 2024 was \$202,577 compared to a balance outstanding of \$302,577 at August 31, 2023.

### Financial Highlights

The following tables show selected key financial information about each series of the Fund and are intended to help you understand the Fund's financial performance for the periods indicated. The information on the following tables is based on prescribed regulations and as a result, is not expected to add down due to the increase (decrease) in net assets from operations being based on average shares outstanding during the period and all other numbers being based on actual units outstanding at the relevant point in time. Footnotes for the tables are found at the end of the Financial Highlights section.

<b>The Fund's Net Assets per Class A Share, Series I (1)</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Net Assets, beginning of the year</b>	\$14.80	\$12.59	\$13.37	\$13.25	\$13.31
<b>Increase (decrease) from operations:</b>					
Total revenues	\$0.89	\$1.99	\$1.71	\$1.34	\$0.85
Total expenses	(\$0.42)	(\$0.97)	(\$1.00)	(\$0.76)	(\$0.74)
Realized gains (losses) for the year	(\$1.69)	(\$0.13)	(\$2.86)	-	-
Unrealized gains (losses) for the year	\$1.64	\$1.32	\$1.38	(\$0.43)	(0.19)
<b>Total increase (decrease) from operations (2)</b>	<b>\$0.43</b>	<b>\$2.21</b>	<b>(\$0.78)</b>	<b>\$0.15</b>	<b>(\$0.08)</b>
<b>Total Distributions</b>					
<b>Net Assets, end of the year</b>	<b>\$15.24</b>	<b>\$14.80</b>	<b>\$12.59</b>	<b>\$13.37</b>	<b>\$13.25</b>

  

<b>The Fund's Net Assets per Class A Share, Series II (1)</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Net Assets, beginning of the year</b>	\$13.66	\$11.61	\$12.30	\$12.13	\$12.12
<b>Increase (decrease) from operations:</b>					
Total revenues	\$0.88	\$1.84	\$1.57	\$1.23	\$0.78
Total expenses	(\$0.42)	(\$0.89)	(\$0.89)	(\$0.65)	(\$0.62)
Realized gains (losses) for the year	(\$1.69)	(\$0.12)	(\$2.63)	-	-
Unrealized gains (losses) for the year	\$1.64	\$1.22	\$1.27	(\$0.34)	(0.20)
<b>Total increase (decrease) from operations (2)</b>	<b>\$0.40</b>	<b>\$2.04</b>	<b>(\$0.68)</b>	<b>\$0.24</b>	<b>(\$0.04)</b>
<b>Total Distributions</b>					
<b>Net Assets, end of the year</b>	<b>\$14.06</b>	<b>\$13.66</b>	<b>\$11.61</b>	<b>\$12.30</b>	<b>\$12.13</b>

(1) The information is provided as at and for the years ended August 31 for the years shown. The information presented is based on financial information in accordance with IFRS. The net assets per share presented in the financial statements may differ

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from the net asset value calculated for Fund pricing purposes. An explanation of these differences, if any, can be found in the notes to the Fund's financial statements.

- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of shares outstanding over the financial year. As a result, the table is not intended to and will not necessarily reconcile opening and closing net assets.

### Ratios and Supplemental Data

Class A Share, Series I	2024	2023	2022	2021	2020
Total net asset value (1)	\$3,814,878	\$3,706,261	\$3,156,289	\$3,450,543	\$3,868,672
Number of shares outstanding (1)	250,381	250,381	250,737	258,026	292,048
Management expense ratio (2)	6.04%	7.60%	7.63%	5.66%	5.64%
Management expense ratio before waivers	6.04%	7.60%	7.63%	5.66%	5.64%
Management expense ratio before performance fee	6.04%	7.60%	7.63%	5.66%	5.64%
Trading expense ratio (3)	0.00%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover (4)	1.12%	4.77%	0.82%	0.00%	0.00%
Net asset value per share	\$15.24	\$14.80	\$12.59	\$13.37	\$13.25

Class A Share, Series II	2024	2023	2022	2021	2020
Total net asset value (1)	\$10,834,082	\$10,525,611	\$8,958,994	\$9,996,562	\$12,711,848
Number of shares outstanding (1)	770,704	770,704	771,393	812,529	1,048,266
Management expense ratio (2)	6.04%	7.60%	7.34%	5.22%	5.13%
Management expense ratio before waivers	6.04%	7.60%	7.34%	5.22%	5.13%
Management expense ratio before performance fee	6.04%	7.60%	7.34%	5.22%	5.13%
Trading expense ratio (3)	0.00%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover (4)	1.12%	4.77%	0.82%	0.00%	0.00%
Net asset value per share	\$14.06	\$13.66	\$11.61	\$12.30	\$12.13

(1) This information is provided as at and for the years ended August 31 for the years shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average net asset value during the year.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the year.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser 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 trading costs payable by the Fund, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the fund.

### Management Fee

The management fee is an annualized rate based on the net asset value of each series of the Fund, accrued daily and paid monthly. The management fees cover the costs of managing the Fund, arranging for investment analysis, recommendations and investment decision making for the Fund, arranging for

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distribution of the Fund, marketing and promotion of the Fund and providing or arranging for other services.

The breakdown of the services received in consideration of management fees for each series, as a percentage of management fees, is as follows:

	Management fees (%)	Dealer compensation (%)	Other <sup>†</sup> (%)
Class A, Series I	3.00	-	100
Class A, Series II	3.00	-	100

<sup>†</sup> Relates to all services provided by the Manager described above except dealer compensation.

### Past Performance

The following shows the past performance for each series and will not necessarily indicate how the Fund will perform in the future. In addition, the information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance.

### Year-by-Year Returns

The following charts show the performance for each series of the Fund and illustrate how performance has varied from year to year. The graph below shows, in percentage terms, how much an investment held on the first day of each fiscal year would have increased or decreased by the last day of each fiscal year for that series.



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## Summary of Investment Portfolio

<b>By Asset Type</b>	<b>Percentage of net asset value†</b>
Bonds & Debentures	1.4
Equities	48.5
Cash and Short-term Investments	50.8
Other Net Assets (Liabilities)	(0.7)

<b>Equity Holdings By Industry<sup>(1)(2)</sup></b>	<b>Percentage of net asset value†</b>
Consumer Discretionary	38.4
Industrials	6.0
Technology	2.4
Mining	0.5
Health Care	1.2

<b>Top 25 Holdings*</b>	<b>Percentage of net asset value†</b>
Ruby Corp.	38.4
High Interest Savings Account Fund	18.8
Royal Bank of Canada, Bankers Acceptance, 5.12%	13.5
Bank of Nova Scotia, Bankers Acceptance, 5.13%	13.5
Spectra Products Inc.	6.0
Cash	5.0
EQ Inc.	2.4
Mortgage Corporation, Promissory Note	1.3
Medcan Health Management Inc., Class "B", Non- Voting	1.1
Northern Graphite Corporation	0.5
StageZero Life Sciences Ltd.	0.1
SQL Diagnostics Inc.	0.1
Titan Medical Inc.**	0.0
CRS Electronics Inc.**	0.0
First Nickel Inc.**	0.0
Met-Tech Inc.**	0.0
Met-Tech Inc., 5.00% Dec. 31 18**	0.0
Rimon Therapeutics Ltd., Convertible Preferred**	0.0
Mortgage Corporation, CSPW**	0.0

(1) Excludes other net assets (liabilities) and derivatives.

(2) Excludes bonds and debentures.

† Based on the net asset value, therefore, weightings presented in the Schedule of Investments may differ from the ones disclosed above.

\* Securities legislation requires the top 25 holdings of the Fund to be presented; however, the Fund currently has less than 25 holdings.

\*\* Percentage of total net asset value is less than 0.05%.