

Semi-Annual Management Report of Fund Performance

**B.C. ADVANTAGE FUNDS (VCC) LTD.
ADVANTAGE STRUCTURED FUND**

Six Months Ended June 30, 2015

This semi-annual management report of fund performance contains financial highlights of the B.C. Advantage Funds (VCC) Ltd. Advantage Structured Fund (the Fund). You may contact us by calling 604-688-6877, by writing us at 410-221 West Esplanade, North Vancouver, BC V7M 3J3 or by visiting our website at www.bcadvantagefunds.com to request a copy, at no cost to you, of the Fund's financial statements, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure. You may also obtain a copy of the Fund's financial statements at www.sedar.com.

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Management Discussion of Fund Performance

Investment Objectives and Strategies

B.C. Advantage Funds (VCC) Ltd. (the “Company”) currently only has one active fund, the Advantage Structured Fund (the “Fund”), formerly the Advantage Structured Fund I. The Fund invests in a diversified portfolio of emerging clean-tech, life science, and technology companies with the objective of providing long-term capital appreciation to investors.

Up to March 1, 2011, the Fund was actively raising new capital and investing this capital in emerging clean-tech, life science, and technology companies. Investors received a 30% refundable tax credit from the province of British Columbia at the time of investment. The companies in which the Fund invests must be eligible businesses in accordance with the B.C. Small Business Venture Capital Act (“SBVCA”). In general, this means companies based in B.C. that have less than 100 employees and carry on a business activity specified in the SBVCA.

Current market conditions have made raising venture capital challenging and, as such, the Advantage Structured Fund has been closed for further subscriptions since March 2, 2011.

The Fund’s strategy for achieving its objective is to invest in early stage biotech, information technology and industrial technology companies. Portfolio companies include private and public companies, as well as companies from the start-up stage through to revenue generation. Where appropriate, the Company seeks to build and mentor management in emerging companies to enhance shareholder value.

Risk

An investment in the Fund is highly speculative and carries significant risk. An investment in the Fund is a long-term investment. Over the fiscal year, no material or significant changes occurred that affected the overall risk level associated with the Fund.

The risks of investing in the Fund include that it has a relatively large proportion of private company and early-stage investments. A significant portion of the Fund’s investments are in these private companies, for which no ready market exists. Valuation of private companies for which no published market exists is subject to inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments.

There is no market for the Fund’s shares, and no market is expected to develop. Investors will not, typically, be able to dispose of their investment other than by way of redemption. In accordance with the SBVCA, the Fund must hold its investments in portfolio companies for at least five years. An investor’s redemption of the Fund’s shares is prohibited for at least five years from the date the Fund invests his or her funds in eligible companies in accordance with the SBVCA. Practically speaking, investors will not be able to redeem their investment for at least six to seven years from the date they invested in the Fund.

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Management Discussion of Fund Performance (continued)

Impact of market conditions

The credit crisis and global economic downturn of 2008 - 2009 has impacted, and is expected to continue to impact, operating and financial market conditions for companies in all sectors and, at least in the near-term, valuations of the Fund's portfolio companies. The Fund invests in emerging clean-tech, life science, and technology companies in British Columbia. These companies are normally subject to a great degree of risk and, in order to achieve their business objectives, generally have capital requirements in excess of their available resources. They are therefore heavily reliant on receptive financial markets for their on-going capital requirements. Typically in times of market turmoil, companies with smaller capitalizations have a tendency to show greater volatility, which is also the case in market recoveries. The Fund is working closely with the majority of its portfolio investments, including both publicly-traded and privately-held investments, in an effort to maximize the likelihood of their financial viability and ultimate success so as to provide long-term capital appreciation to the investors.

Results of Operations

Investment Activity

As at June 30, 2015, the fair value of the Fund's portfolio investments represented 95% of the net assets of the Fund, while cash and other net assets represented 5% of net assets.

The following table summarizes the composition of the Fund's investment portfolio:

	Jun 30, 2015	Dec 31, 2014
Venture investments, cost	\$ 28,650,998	\$ 33,414,868
Venture investments, fair value	9,682,969	14,198,830
Number of venture investments:	10	10
Private	7	7
Public	3	3
Life Science	5	5
Technology	5	5

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Management Discussion of Fund Performance (continued)

Results of Operations (continued)

Investment Activity (continued)

Fair value of investments:

Of the fair value of the Fund's investments, \$3.40 million or 35% are life science companies and \$6.29 million or 65% are technology companies. Of the fair value of the Fund's investments, \$2.46 million or 25% are public companies and \$7.22 million or 75% are private companies.

Number of investments:

Of the number of the Fund's investments, 50% are life science companies and 50% are technology companies. Of the number of the Fund's investments, 30% are public companies and 70% are private companies.

Investment Performance:

During the period ended June 30, 2015, the Fund's net assets per share decreased by 19.45%. The decrease in net assets per share was principally due to realized losses, an increase in unrealized losses and operating costs incurred by the Fund.

The Fund's management expense ratio ("MER") was 4.78% for the six months ended June 30, 2015, as compared to 3.19% for the same period in 2014. MER is based on the total expenses incurred by the Fund inclusive of all operating costs for the six months ended June 30, 2015.

Recent Developments:

The Company was managed by Lions Capital Corp. ("Lions") until December 31, 2011. As of January 1, 2012, Lions ceased to be the fund manager of the Company and the Company became directly responsible for its own operations. The Fund invests in a diversified portfolio of emerging clean-tech, life science, and technology companies with the objective of providing long-term capital appreciation to investors.

On September 20, 2011, the Fund announced that it had entered into a \$4,000,000 loan agreement ("Original Loan") with BCC Lending Services Ltd. ("BCC") dated September 16, 2011, the proceeds from which would be used to make follow-on investments in certain of the Fund's portfolio companies and for working capital purposes.

On January 31, 2013, BCC assigned the remaining balance of the Original Loan in the amount of \$3,474,110 to GrowthPoint Capital Corp. ("GrowthPoint"). The principal of the Original Loan in the amount of \$1,263,118 was repaid during the year and the outstanding balance of the Original Loan as of December 31, 2013 was \$2,210,992.

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Management Discussion of Fund Performance (continued)

Recent Developments (continued):

On January 1, 2014, a new Fund Manager, BC Advantage Fund Management Inc. ("New Fund Manager"), was retained by the Fund to provide the necessary registration requirements under National Instrument 31-103. In accordance with the new management agreement between the Fund and the New Fund Manager, the New Fund Manager can receive up to a maximum annual management fee of 2.75% based on the net asset value attributable to holders of redeemable common shares, calculated and paid monthly.

For the year ended December 31, 2014, the remaining balance of the Original Loan in the amount of \$2,210,992 was fully repaid. In March, 2014, the Fund entered into a \$800,000 loan agreement ("Contech Loan") and in November, 2014, the Fund entered into a \$1,200,000 loan agreement ("Redlen Loan") with GrowthPoint. The Contech and Redlen Loans were used to make a follow-on investment in a portfolio company. The principal of the loans in the amount of \$2,420,111 was repaid during 2014 and the outstanding balance of the loan as of December 31, 2014 was \$1,890,881.

For the six months ended June 30, 2015, the principal of the loans in the amount of \$1,440,631 was repaid during the period and the outstanding balance of the loan as of June 30, 2015 was \$450,250. Additional information regarding the loan is disclosed in note 6 of the Company's financial statements.

Related party transactions are disclosed in note 5 of the Fund's unaudited semi-annual financial statements for the six months ended June 30, 2015.

Suspension of Redemptions:

Effective May 3, 2010, the Fund temporarily suspended redemptions. Share redemptions were honoured only in the event of a death of a shareholder. Effective June 1, 2012, the Company suspended all redemptions, including share redemptions in the event of a death of a shareholder.

Effective September 24, 2014, the Company reinstated redemptions for deceased shareholders. Under the SBVCA, only monies from investment income, capital gains and the proceeds of disposition of investments held for five years or more may be used to finance redemptions. The Fund currently does not have sufficient funds allowable under the SBVCA to meet its redemptions. Upon achieving sufficient liquidity, redemptions will be reinstated and will be processed in the chronological order the shares became redeemable under the SBVCA.

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Accounting Policy Changes:

International Financial Reporting Standards:

International Financial Reporting Standards have replaced Canadian GAAP for all publicly accountable enterprises on January 1, 2011. The International Accounting Standards Board (IASB) has issued an exposure draft that proposes for investment companies to continue measuring their investments at fair value without consolidation. The IASB will be reviewing the responses to this Exposure Draft and will be making a decision on whether to adopt the proposed standard. In the meantime, the Accounting Standards Board of Canada ("AcSB") amended Canadian GAAP to allow entities that are currently applying Accounting Guidelines AcG-18, Investment Companies, to apply pre-changeover standards until fiscal years beginning on or after January 1, 2014. The impact of adopting IFRS is expected to be mainly in the presentation and additional disclosure in the financial statements of the Fund.

Related party transactions

As of January 1, 2012, Lions ceased to be the fund manager of the Company and the Company is now directly responsible for its own operations and pays for its own expenses. As such, the Fund no longer pays management fees and there are no reimbursable expenses paid to Lions. As at June 30, 2014, equity participation amounts of \$155,070 based on the realized gains and cumulative performance of the Fund payable to the shareholders of Lions have been accrued on the Fund's financial statements.

On January 1, 2014, the New Fund Manager was retained by the Fund to provide the necessary registration requirements under National Instrument 31-103. In accordance with the new management agreement between the Fund and the New Fund Manager the New Fund Manager can receive up to a maximum annual management fee of 2.75% based on the net asset value attributable to holders of redeemable common shares calculated and paid monthly.

Related party transactions are disclosed in note 5 of the Fund's unaudited semi-annual financial statements for the six months ended June 30, 2015.

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Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the six months ended June 30, 2015. This information is derived from the Fund's audited annual financial statements. The Fund commenced operations on July 20, 2009.

The Fund's Net Assets per Share⁽²⁾

	2015	2014	2013	2012	2011	2010	2009
Net assets, beginning of year or at inception	\$ 2.31	\$ 4.12	\$ 6.04	\$ 7.80	\$ 9.27	\$ 8.07	\$ 10.00
Increase (decrease) from operations:							
Total revenue	0.00	0.13	0.02	0.01	0.03	0.02	0.00
Total expenses	(0.12)	(0.24)	(0.29)	(0.36)	(0.39)	(0.72)	(0.28)
Realized gain (loss) for the year	(0.37)	0.02	(1.28)	(0.25)	0.02	-	-
Unrealized gain (loss) for the year	(0.05)	(1.72)	(0.38)	(1.16)	(0.75)	1.33	(1.45)
Total increase (decrease) from operations ⁽¹⁾	(0.45)	(1.81)	(1.93)	(1.76)	(1.09)	0.63	(1.73)
Net assets at the period end ⁽¹⁾	\$ 1.86	\$ 2.31	\$ 4.11	\$ 6.04	\$ 7.80	\$ 9.27	\$ 8.07

⁽¹⁾ Net assets are based on the actual number of shares outstanding as at December 31 in the year shown or June 30, 2015. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period. For these reasons, net asset per share at December 31 or June 30, 2015 is not represented by net assets, at inception or beginning of year adjusted for share issuance transactions and operating results.

⁽²⁾ Net assets per share are presented in accordance with Canadian generally accepted accounting principles (GAAP). Subscriptions and redemptions of common shares of the Fund are transacted at the Net Asset Value per Share of the Fund. The Net Asset Value per Share, which is a non-GAAP measure, is described in detail in the Fund's Annual Information Form and is reconciled in note 7 of the Fund's financial statements for the year ended December 31, 2014

Ratios and Supplemental Data

	2015	2014	2013	2012	2011	2010	2009
Net assets (000's) ⁽¹⁾	\$ 10,161	\$ 12,679	\$ 22,822	\$ 33,402	\$ 43,268	\$ 4,215	\$ 1,180
Number of shares outstanding ⁽¹⁾	5,464,898	5,490,944	5,534,118	5,534,118	5,552,401	454,834	146,206
MER ⁽²⁾	4.78%	6.56%	5.06%	4.72%	5.67%	7.18%	25.04%

⁽¹⁾ This information is provided as at December 31 of the year shown or June 30, 2015.

⁽²⁾ Management expense ratio is based on the total expenses incurred by the Fund inclusive of management fees, all operating costs and share issuance costs related to marketing and subscription of shares for the stated period, but excluding income taxes and commission.

Portfolio turnover information has not been provided as the Fund invests in venture stage companies which, on average, are held for five to ten years. Similarly, a trading expense ratio has not been provided as the Fund neither engages in active trading, nor purchases securities in the secondary market.

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Management Fees

As of January 1, 2012, Lions ceased to be the fund manager of the Company and the Company provided day to day management over the Fund and the Fund's venture investment portfolio, including sourcing and administration of all venture investments until December 31, 2013. As such, the Fund did not pay any management fees in the year of 2013. The accrued equity participation amount payable to Lions was accrued based on historical realized gains and cumulative performance of the Fund. Additional information regarding equity participation is disclosed in note 5 of the Fund's financial statements for the six months ended June 30, 2015.

On January 1, 2014, the New Fund Manager was retained by the Fund to provide the necessary registration requirements under National Instrument 31-103. In accordance with the new management agreement between the Fund and the New Fund Manager the New Fund Manager can receive up to a maximum annual management fee of 2.75% based on the net asset value attributable to holders of redeemable common shares, calculated and paid monthly.

Past Performance

The Fund's returns are not guaranteed, the values of its shares change frequently and past performance may not be repeated nor can it be used as an indicator of future performance.

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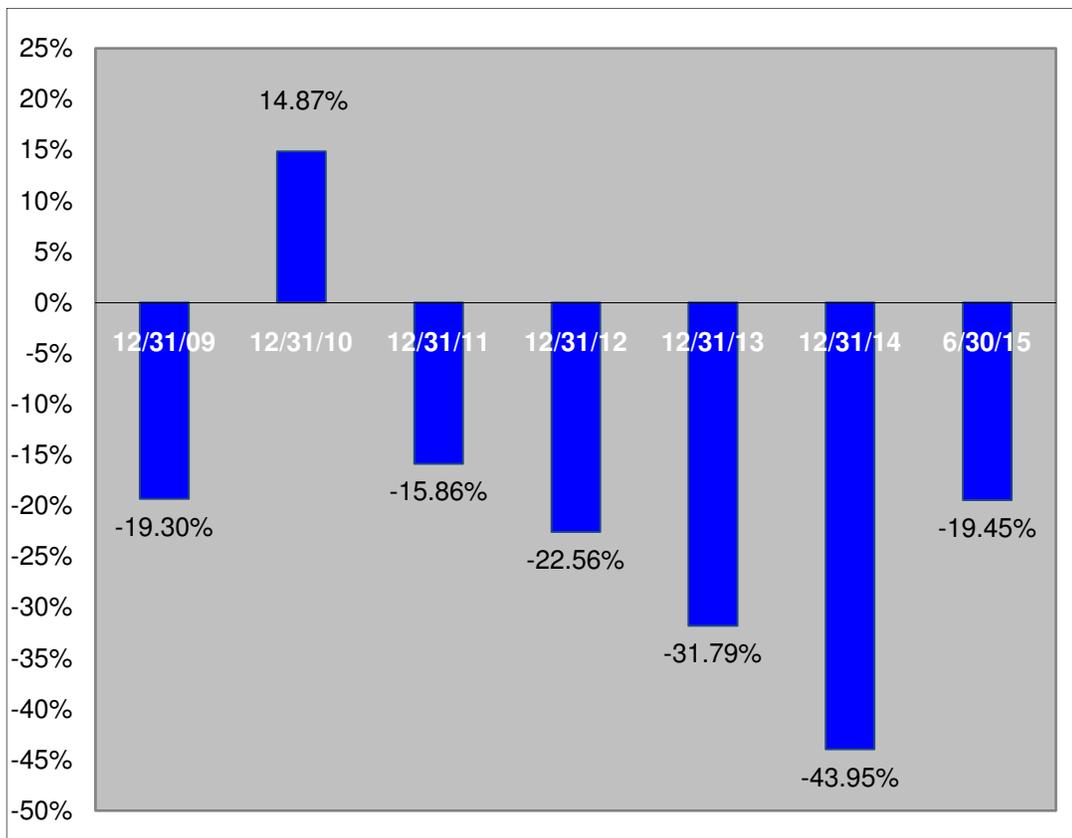
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Financial Highlights (continued)

Year by Year Returns

The chart below reflects the Fund's performance for the six months ended June 30, 2015 and for each of the completed financial years since inception. The chart shows in percentage terms how an investment made on the first day of each fiscal year would have increased or decreased if held through to the last day of each period.



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Financial Highlights (continued)

Annual Compound Returns

The table below compares the investment portfolio's annualized compound return for each period to S&P/TSX Venture Composite Index for the same period.

	One-year	Three-year	Since inception
B.C. Advantage Funds (VCC) Ltd.	(19.45%)	(32.47%)	(24.62%)
S&P/TSX Venture Composite Index	(2.80%)	(18.08%)	(8.21%)

S&P/TSX Venture Composite Index is a broad-based market indices that reflect the market sectors in which the Fund invests. The performance of the index is typically viewed as a broad indicator of the direction of the economy. Since inception, the Fund has underperformed as compared to the S&P/TSX Venture Composite Index.

Summary of Investment Portfolio

The following tables summarize the Fund's investment portfolio as at June 30, 2015. This is a summary only and may change due to portfolio activity in the Fund. A quarterly update is available on request.

	Fair value	Percentage of total net assets
Life Science companies	\$ 3,396,828	33%
Technology companies	6,286,141	62
Total venture investments	9,682,969	95
Cash	864,295	8
Other assets less liabilities	63,882	1
Financing loan	(450,250)	(4)
Net assets at June 30, 2015	\$ 10,160,896	100%

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Summary of Investment Portfolio (continued)

	Percentage of total net assets
Public:	
Aquinox Pharmaceuticals Inc.	18%
Sophiris Bio Inc.	2
Venturi Ventures Inc.	4
Private:	
Contech Inc.	-
Endurance Wind Power Inc.	21
Methylation Sciences Inc.	9
MTI Limited Partnership.	18
Paradigm Environmental Technology Inc.	-
Recombo Inc.	6
Redlen Technologies Inc.	17
Total venture investments	95%
