

Semi-annual Management Report of Fund Performance

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

Six Months Ended June 30, 2016

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 7M 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.

ADVANTAGE STRUCTURED FUND

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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.

The Fund has now met the pacing requirement specified in the SBVCA and has no intention of making any further investments.

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, 2016, the fair value of the Fund's portfolio investments represented 86% of the net assets of the Fund, while cash and other net assets represented 14% of net assets.

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

	Jun 30, 2016	Dec 31, 2015
Venture investments, cost	\$ 12,785,280	\$ 24,268,659
Venture investments, fair value	6,845,425	7,212,049
Number of venture investments:		
Private	6	9
Public	5	7
Life Science	1	2
Technology	2	4
	4	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, \$0.40 million or 6% are life science companies and \$6.45 million or 94% are technology companies. Of the fair value of the Fund's investments, \$0.17 million or 2% are public companies and \$6.68 million or 98% are private companies.

Number of investments:

Of the number of the Fund's investments, 33% are life science companies and 67% are technology companies. Of the number of the Fund's investments, 17% are public companies and 83% are private companies.

Investment Performance:

During the period ended June 30, 2016, the Fund's net assets per share decreased by 0.68%. The decrease in net assets per share was principally due to realized losses and operating costs incurred by the Fund which are partially offset by a decrease in unrealized losses.

The Fund's annualized management expense ratio ("MER") was 14.76% for the six months ended June 30, 2016, as compared to 9.56% for the same period in 2015. MER is based on the total expenses incurred by the Fund inclusive of all operating costs for the six months ended June 30, 2016.

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)

Results of Operations (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 Loan and Redlen Loan were used to make follow-on investments in Contech Enterprises Inc. and Redlen Technologies Inc., respectively.

Both the remaining balance of the Contech Loan and Redlen Loan, \$1,890,881 in aggregate, were fully repaid in May and August 2015, respectively. The outstanding balance of the loans as of June 30, 2016 was \$nil. Additional information regarding the loans is disclosed in note 6 of the Company's financial statements.

Related party transactions are disclosed in note 5 of the Fund's audited financial statements for the six months ended June 30, 2016.

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.

Subsequent Events:

On July 29, 2016, the Company held an Annual General and Special Meeting (the "Meeting") and the shareholders voted in favour of the proposal to liquidate and dissolve the Company (collectively the "Dissolution") pursuant to the Business Corporations Act (British Columbia). Hence, the Fund will be terminated in connection with the Dissolution of the Company on such day as management may determine.

ADVANTAGE STRUCTURED FUND

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Six Months ended June 30, 2016

Management Discussion of Fund Performance (continued)

Results of Operations (continued)

Subsequent Events (continued):

Full details of the steps of the Dissolution process are described in the management information circular of the Company, dated July 7, 2016, prepared in connection with the Meeting. A copy of the Company's management information circular is available on the Company's website or SEDAR at www.sedar.com.

The Fund currently intends to wind-up operations in September 2016. The Fund's remaining assets and liabilities will be transferred to the liquidation trustee which will be incorporated solely to act as trustee of the trust on behalf of the Company's shareholders. The company and the liquidation trustee will enter into a trust agreement which will govern the terms of the trust.

Accounting Policy Changes:

International Financial Reporting Standards:

IFRS 9 deals with recognition, derecognition, classification and measurement of financial instruments and its requirements represent a significant change from the existing requirements in IAS 39, Financial Instruments: Recognition and Measurement, in respect of financial assets. This standard is effective for years beginning January 1, 2018. The Company does not intend to early adopt this standard and accordingly this standard will not impact the Fund prior to its intended wind-up.

Related party transactions

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, 2016.

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Annual Management Report of Fund Performance

Six Months ended June 30, 2016

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, 2016. 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⁾

	2016	2015	2014	2013	2012
Net assets, beginning of year or at inception	\$ 1.48	\$ 2.31	\$ 4.12	\$ 6.04	\$ 7.80
Increase (decrease) from operations:					
Total revenue	0.13	0.03	0.13	0.02	0.01
Total expenses	(0.00)	(0.22)	(0.24)	(0.29)	(0.36)
Realized gain (loss) for the year	(2.09)	(1.04)	0.02	(1.28)	(0.25)
Unrealized gain (loss) for the year	2.06	0.40	(1.72)	(0.38)	(1.16)
Total increase (decrease) from operations ⁽¹⁾	(0.09)	(0.83)	(1.81)	(1.93)	(1.76)
Net assets at the period end ⁽¹⁾	\$ 1.47	\$ 1.48	\$ 2.31	\$ 4.11	\$ 6.04

⁽¹⁾ Net assets are based on the actual number of shares outstanding as at December 31 in the year shown or June 30, 2016. 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, 2016 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 International Financial Reporting Standards ("IFRS"). 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-IFRS 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 period ended June 30, 2016.

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Financial Highlights (continued)

Ratios and Supplemental Data

	2016	2015	2014	2013	2012
Net assets (000's) ⁽¹⁾	\$ 7,932	\$ 8,070	\$ 12,679	\$ 22,822	\$ 33,402
Number of shares outstanding ⁽¹⁾	5,408,023	5,439,641	5,490,944	5,534,118	5,534,118
MER ⁽²⁾	14.76%	10.74%	6.56%	5.06%	4.72%

(1) This information is provided as at December 31 of the year shown or June 30, 2016.

(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. The MER calculated for the period ended June 30, 2016 has been annualized.

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.

Management Fees

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.

ADVANTAGE STRUCTURED FUND

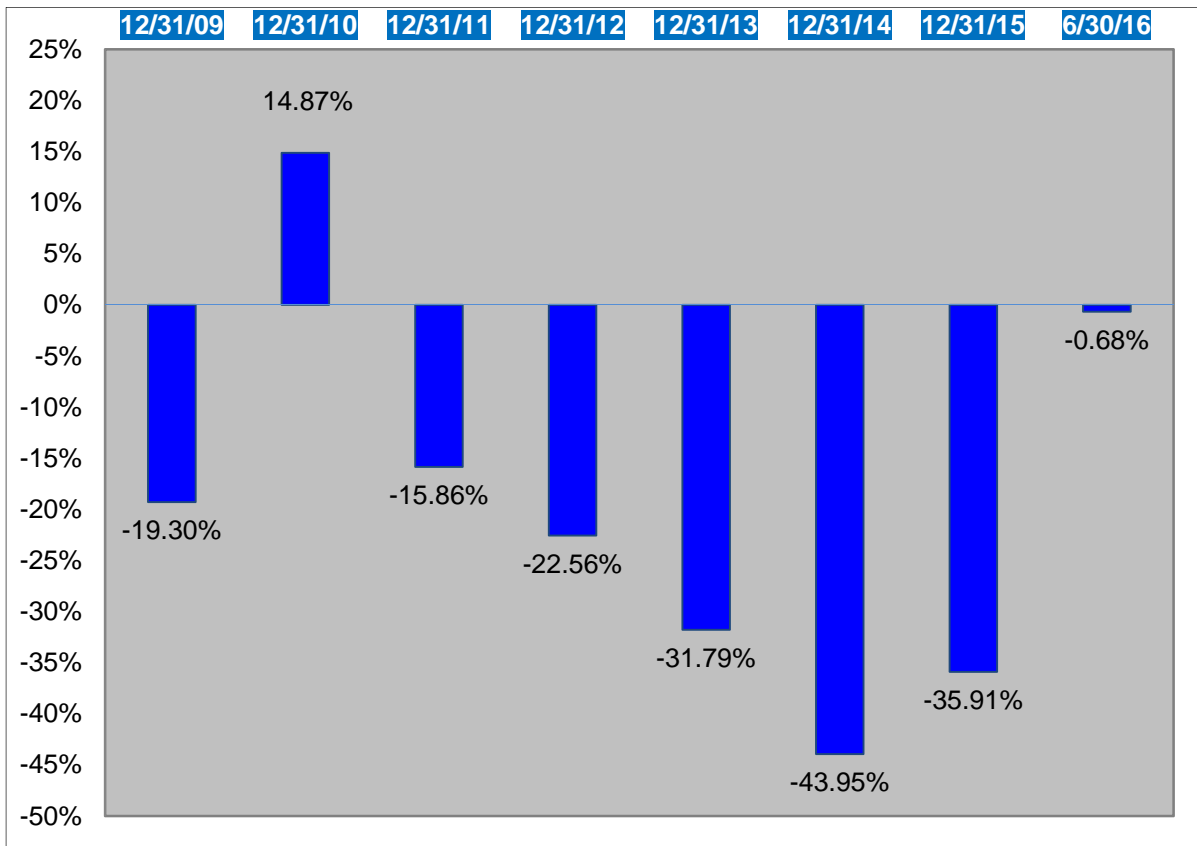
Annual Management Report of Fund Performance

Six Months ended June 30, 2016

Financial Highlights (continued)

Year by Year Returns

The chart below reflects the Fund's performance for the six months ended June 30, 2016 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.



ADVANTAGE STRUCTURED FUND

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Six Months ended June 30, 2016

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	Five-year	Since inception
B.C. Advantage Funds (VCC) Ltd.	(0.68%)	(29.07%)	(42.67%)	(24.10%)
S&P/TSX Venture Composite Index	38.96%	(7.80%)	(21.06%)	(5.94%)

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, 2016. 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	\$ 398,783	5%
Technology companies	6,446,642	81
Total venture investments	6,845,425	86
Cash and restricted cash	1,012,416	13
Other assets less liabilities	73,921	1
Net assets at June 30, 2016	\$ 7,931,762	100%

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Summary of Investment Portfolio (continued)

	Percentage of total net assets
Public:	
Venturi Ventures Inc.	2
Private:	
Agreement Express Inc.	8
Endurance Wind Power Inc.	26
MSI Methylation Sciences Inc.	3
MTI Limited Partnership.	23
Redlen Technologies Inc.	24
Total venture investments	86%
