

Annual Management Report of Fund Performance

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

Period from July 20, 2009 to December 31, 2009

This annual management report of fund performance contains financial highlights of the B.C. Advantage Funds (VCC) Ltd. Advantage Structured Fund II (the Fund). You may contact us by calling 604-688-6877, by writing us at 1280 - 885 West Georgia Street, Vancouver, BC, V6C 3E8 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 II

Annual Management Report of Fund Performance

Period from July 20, 2009 to December 31, 2009

Management Discussion of Fund Performance

Investment Objectives and Strategies

The Fund will invest in a diversified portfolio of emerging, clean tech, and life science technology companies with the objective of providing long-term capital appreciation to investors.

The Fund is actively raising new capital and investing this capital in emerging life science, clean tech, and technology companies. The Advantage Structured Fund I is currently open to new investors who are clients of certain selling agents who represent to the Fund that their clients will subscribe for at least \$10,000,000 in the Fund over a two year period. The Fund did not exist as of December 31, 2008. Investors receive a 30% refundable tax credit 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 as specified in the SBVCA.

The Fund's strategy for achieving its objective is to invest in early stage biotech, information technology and industrial technology companies. The Fund will invest in companies with superior technology, large market opportunities and experienced management. Portfolio companies will include private and public companies, as well as companies from the start-up stage through to revenue generation. Where appropriate, the Fund 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 period ended December 31, 2009, the Fund raised its initial capital and made these venture investments.

The risks of investing in the Fund include all private company investments and early-stage concentration. All of the Fund's investments are in 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.

The Fund relies on the allocation of tax credits provided to investors by the administrator of the SBVCA to raise new funds. Issuance of tax credits is discretionary and cannot be guaranteed. The SBVCA administrator has authorized tax credits that will allow BC Advantage Funds (VCC) Ltd ("Advantage" or the "Fund Manager" to raise up to an additional \$10 million in each of 2009, 2010 and 2011, which includes all funds managed by Advantage. Thereafter, Advantage has been provided a rolling three year allocation. If the Fund either cannot raise additional funds or contravenes the SBVCA and has to repay tax credits, it may impair the Fund's ability to carry on business and meet its investment objectives.

ADVANTAGE STRUCTURED FUND II

Annual Management Report of Fund Performance

Period from July 20, 2009 to December 31, 2009

Management Discussion of Fund Performance (continued)

Risk (continued)

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, investments in portfolio companies must be held for at least five years. As such, an investor's redemption of the Fund's shares is prohibited for at least five years from the date the Fund invests in eligible companies in accordance with the SBVCA. Practically speaking, investors will not be able to redeem their investment for six to seven years from the date they invested in the Fund.

Impact of market conditions

The credit crisis and global economic downturn had impacted and are expected to continue to impact operating conditions for companies in all sectors and, at least in the near-term, valuations of all companies. The Fund will invest in emerging clean tech, and life science 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. 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 Manager is working closely with the majority of its portfolio investments in an effort to ensure their viability and ultimate success so as to provide long-term capital appreciation to the investors.

Results of Operations

Investment Activity

During the period ending December 31, 2009, the Fund completed investment of \$0.45 million in 2 new venture investments. As at December 31, 2009 the fair value of the Fund's portfolio investments represented 59% of the net assets of the Fund, while cash and other net assets represented 41% of net assets.

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

	2009
Venture Investments, Cost	\$ 450,000
Venture Investments, Fair Value	450,000
Number of Venture Investments:	2
Private	2
Public	0
Life Science	0
Technology	2

ADVANTAGE STRUCTURED FUND II

Annual Management Report of Fund Performance

Period from July 20, 2009 to December 31, 2009

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, \$0.45 million or 100% are technology companies. Of the fair value of the Fund's investments, \$0.45 million or 100% are private companies.

Number of investments:

Of the number of the Fund's investments, 100% are technology companies. Of the number of the Fund's investments, 100% are private companies.

Investment Performance

Over the period ended December 31, 2009, the Fund's net asset value per share decreased by \$1.15. The decrease in net asset value per share was principally due to share issuance costs, operating costs incurred by the Fund in excess of investment income (see section entitled "Financial Highlights").

The Fund's management expense ratio (MER) was 40.75% for five the month period ended December 31, 2009. 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 ended December 31, 2009. The MER for the period ended December 31, 2009 is high due to Fund start up costs and the timing of Fund subscriptions.

Over the period ended December 31, 2009, the Fund underperformed the Globefund Retail Venture Capital Index (see section entitled "Past Performance").

Recent Developments

The Fund is managed by Lions Capital Corp. (the Fund Manager). The Fund invests in a diversified portfolio of emerging clean tech, and life science technology companies with the objective of providing long-term capital appreciation to investors. The Fund Manager has adopted the strategy of investing early in companies with superior technology for the Fund.

Related party transactions

In accordance with the management agreement between the Fund and the Fund Manager, the Fund Manager receives management fees equal to 2.75% of the net asset value of the Fund, calculated and paid monthly. Also in accordance with the management agreement, separate from the management fee, the Fund reimburses the Fund Manager for expenses incurred by the Fund Manager in connection with its obligations pursuant to the management agreement. The Fund Manager may also earn an equity participation amount based on the realized gains and cumulative performance of the Fund. To date, no equity participation amounts have been earned by the Fund Manager.

Related party transactions are disclosed in note 12 of the Fund's audited financial statements for the period ended December 31, 2009.

ADVANTAGE STRUCTURED FUND II

Annual Management Report of Fund Performance

Period from July 20, 2009 to December 31, 2009

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 period ended December 31, 2009. 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⁾

	2009
Net assets, at inception	\$ -
Issuance of shares (average)	9.93
Less: share issue costs (average)	(0.89)
Increase (decrease) from operations:	
Total revenue	-
Total expenses	(0.42)
Unrealized gain (loss) for the period	-
Total increase (decrease) from operations ⁽¹⁾	(0.42)
Net assets at December 31 ⁽¹⁾	\$ 8.85

⁽¹⁾ Net assets are based on the actual number of shares outstanding as at December 31 in the year shown. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period. For these reasons, net assets per share at December 31 is not represented by net assets at inception adjusted for share issuance transactions and operations 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 prospectus and is reconciled in note 10(d) of the Fund's financial statements for the period ended December 31, 2009.

Ratios and Supplemental Data

	2009
Net assets (000's) ⁽¹⁾	\$ 761
Number of shares outstanding ⁽¹⁾	86,005
MER ⁽²⁾	40.75%

⁽¹⁾ This information is provided as at December 31 of the year shown.

⁽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 year, but excluding income taxes, and is expressed as an annualized percentage of the weighted average net asset value during the period ending December 31, 2009.

Portfolio turnover information has not been provided as the Fund invests in venture stage companies which, on average, are held for five to seven 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.

ADVANTAGE STRUCTURED FUND II

Annual Management Report of Fund Performance

Period from July 20, 2009 to December 31, 2009

Financial Highlights (continued)

Management Fees

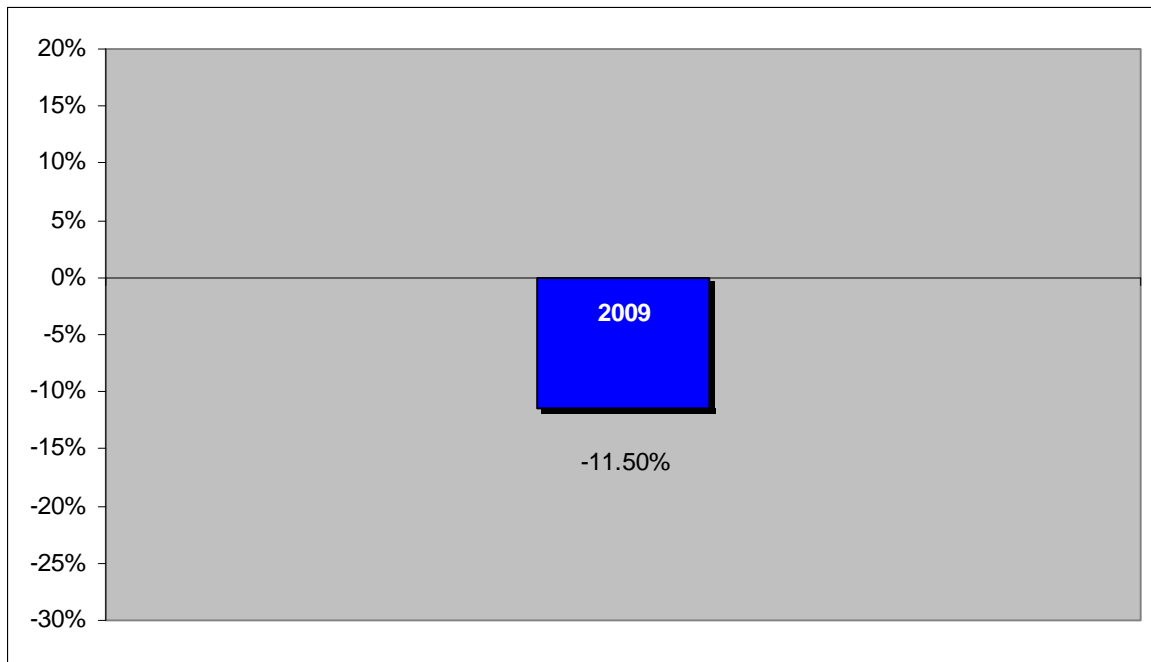
The Fund pays management fees of 2.75% of the net asset value of the Fund, calculated and paid monthly. In consideration for these management fees, the Fund Manager provides day to day management over the Fund and the Fund's venture investment portfolio, including sourcing and administration of all venture investments. The Fund Manager may also earn an equity participation amount based on realized gains and cumulative performance of the Fund. Additional information regarding equity participation is disclosed in note 10(c) of the Fund's financial statements for the period ended December 31, 2009.

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.

Year by Year Returns

The chart below reflects the Fund's performance for the period ending December 31, 2009. The chart shows in percentage terms how an investment would have increased or decreased in the last 5 months of the fiscal year.



ADVANTAGE STRUCTURED FUND II

Annual Management Report of Fund Performance

Period from July 20, 2009 to December 31, 2009

Past Performance (continued)

Annual Compound Returns

The following chart shows the Fund's return (for five months) as compared to the Globefund Retail Venture Capital Index (comprised of 127 retail venture capital investment funds), as at December 31, 2009.

	Advantage Structured Fund II	Globefund Industry Average
5 Months	(11.50)%	(0.37)%

Summary of Investment Portfolio

The following tables summarize the Fund's investment portfolio as at December 31, 2009. 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
Technology companies	\$ 450,000	59%
Life Science companies	-	-
Total Venture Investments	450,000	59
Cash and Cash Equivalents and Restricted Cash	334,525	44
Other Assets less Liabilities	(23,805)	(3)
Net Asset Value at December 31, 2009	\$ 760,720	100%

	Percentage of total net assets
Private:	
In Motion Technology Inc.	33%
Redlen Technologies Inc.	26
Total Venture Investments	59%