

Semi-Annual Management Report of Fund Performance

## **ADVANTAGE GROWTH FUND**

(formerly Pender NDI Life Sciences Fund (VCC) Inc. d.b.a.  
Advantage Life Science Fund II)

Six months ended June 30, 2009

This interim management report of fund performance contains financial highlights of the B.C. Advantage Funds (VCC) Ltd. Advantage Growth Fund (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](http://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](http://www.sedar.com).

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## **Management Discussion of Fund Performance**

### **Investment Objectives and Strategies**

The Fund invests in a diversified portfolio of technology, clean technology, and industrial companies.

The Fund is actively raising new capital and investing this capital in emerging life science companies. 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 BC companies that have growing revenues, are profitable or approaching profitability are likely to provide liquidity within three to five year time frame. The Fund invests in companies with superior technology and science, large market opportunities and experienced management. Portfolio companies include private and public companies, as well as companies from the start-up stage through to revenue. 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 six months ended June 30, 2009, no material or significant changes occurred that affected the overall risk level associated with the Fund.

The risks of investing in the Fund include a relatively large proportion of private company investments and early-stage concentration. A significant portion 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.

### **Impact of market conditions**

The recent 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 invests in a diversified portfolio of technology, clean technology, and industrial 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, including both publicly-traded and privately-held investments, in an effect to ensure their viability and ultimate success so as to provide long-term capital appreciation to the investors.

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## Management Discussion of Fund Performance (continued)

### Impact of market conditions (continued)

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. In June 2009, BC Advantage Funds (VCC) Ltd. ("Advantage") was advised by the administrator of the SBVCA that its tax credit allocation for 2009 and future years has been changed. Previously, Advantage had a multi-year equity authorization of \$20 million annually of which \$7 million was assigned to the Fund. The administrator of the SBVCA has now advised Advantage that it will have a multi-year allocation of \$10 million annually which is shared by all funds within Advantage. The administrator of SBVCA has also advised Advantage that it has the opportunity, along with other retail VCC funds, to access an addition \$16 million pool on a "first come, first served" basis after it has sold out its \$10 million 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.

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.

### Results of Operations

#### Investment Activity

During the six months ended June 30, 2009, the Fund did not make any investments. As at June 30, 2009, the fair value of the Fund's portfolio investments represented 55% of the net assets of the Fund, while cash and other net assets represented 45% of net assets.

The following table summarizes changes in the composition of the Fund's investment portfolio in comparison to the prior fiscal year:

	June 30 2009	December 31 2008
Venture Investments, Cost	\$ 10,774,650	\$ 10,774,650
Venture Investments, Fair Value	7,217,048	6,485,450
Number of Venture Investments:		
Private	5	5
Public	4	4

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## Management Discussion of Fund Performance (continued)

### Results of Operations (continued)

#### *Investment Activity (continued)*

Of the fair value of the Fund's investments, \$4.64 million or 64% are public companies and \$2.58 million or 36% are private companies. Of the number of the Fund's investments, 56% are private companies and 44% are public companies.

#### *Investment Performance*

During the six months ended June 30, 2009, the Fund's net asset value per share (NAVPS) increased by \$0.18. The increase in NAVPS was due to an increase in the unrealized gains on venture investments which was partially offset by operating costs incurred by the Fund in excess of investment income (see section entitled "Financial Highlights").

The Fund's management expense ratio (MER) was 6.06% for the six months ended June 30, 2009 compared to 5.82% for fiscal 2008. MER 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. The MER for the semi-annual period is an annualized amount.

### Recent Developments

The Fund is managed by Lions Capital Corp. (the Fund Manager). On November 5, 2008, the Fund's Board of Directors has passed a resolution to broaden the investment mandate of the Fund to include technology, clean technology and industrial companies as well as life science companies. Previously the Fund was limited to investing in life science companies. To reflect the broader mandate, the name of the Fund, which was Advantage Life Science Fund II, was changed to the Advantage Growth Fund. The broader investment mandate of the Fund is intended to provide its investors with greater sector and stage diversification, thereby reducing volatility and risk. As suggested by the Fund's new name, the Fund's future investments will include companies that have growing revenues, are approaching profitability or profitable and are likely to provide liquidity within a three to five year time frame.

Amalgamation with BC Advantage Funds (VCC) Ltd.:

On August 8, 2008, BC Advantage Funds (VCC) Ltd. ("Advantage") and the Fund were amalgamated into one fund company. This amalgamation was approved by the shareholders of Advantage and the Fund on June 25, 2008. The combined fund company is currently comprised of the Advantage Venture Fund and the Advantage Growth Fund. Advantage is a VCC fund company managed by the Fund Manager. The amalgamation streamlined operations and reduced or eliminated certain operating costs for both funds. This is expected to reduce the management expense ratio of all funds and increase their net asset values, thereby resulting in greater returns to investors. For additional information, please see the Joint Information Circular dated May 22, 2008.

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## Management Discussion of Fund Performance (continued)

### Recent Developments (continued)

On July 20, 2009 the Company receipted a prospectus with the British Columbia Securities Commission to qualify for distribution shares of the Advantage Venture Fund, the Advantage Growth Fund, as well as four newly created funds named the Advantage Structured Fund I, the Advantage Structured Fund II, the Advantage Structured Fund III, and the Advantage Structured Fund IV (collectively, the "Advantage Structured Funds"). To date \$273,500 of the Advantage Structured Fund I shares and \$125,300 of the Advantage Structured Fund II shares have been issued. No shares of the Advantage Structured Fund III or the Advantage Structured Fund IV have been issued.

### Accounting Policy Changes:

The Canadian Institute of Chartered Accountants ("CICA") issued Section 3862, Financial Instruments – Disclosures, Section 3863, Financial Instruments – Presentation, and Section 1535, Capital Disclosures.

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments enhance existing disclosure and presentation of the nature and scope of the risks associated with financial instruments as well as the way these risks are managed. These standards were adopted by the Fund effective January 1, 2008 and have no impact on the recognition or measurement of financial instruments.

Section 1535, Capital Disclosures, requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies, and processes for managing capital. This standard was adopted by the Fund effective January 1, 2008 and has no impact on the recognition or measurement of any financial statement items.

### Future accounting changes:

#### International Financial Reporting Standards:

In February 2008, the Canadian Accounting Standards Board announced that Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. As a publicly accountable enterprise, the Company will be required to prepare December 31, 2011 financial statements, including comparative information for 2010, in compliance with IFRS.

The Company is currently assessing the potential impact of the transition to IFRS on its financial statements, disclosures and broader financial reporting systems and controls. This includes analyzing the various elections available upon adoption and assessment of the potential impact of the conversion effort on systems, internal controls over financial reporting, disclosure controls and business activities.

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## Management Discussion of Fund Performance (continued)

### 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 amount has been earned by the Fund Manager.

Related party transactions are disclosed in note 11 of the Fund's financial statements for the six months ended June 30, 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 since its amalgamation on August 8, 2008. This information is derived from the Fund's unaudited semi-annual and audited annual financial statements.

#### The Fund's Net Asset Value per Share<sup>(3)</sup>

	June 30 2009	2008
Net asset value, upon amalgamation	\$ -	\$ 6.14
Net asset value, beginning of year	4.39	
Increase (decrease) from operations:		
Total revenue	0.01	0.02
Total expenses <sup>(2)</sup>	(0.11)	(0.11)
Realized gain (loss) for the period	-	0.01
Unrealized gain (loss) for the period	0.26	(1.67)
Total increase (decrease) from operations <sup>(1)</sup>	0.16	(1.75)
Net asset value, end of period <sup>(1)</sup>	\$ 4.57	\$ 4.39

<sup>(1)</sup> Net asset value is based on the actual number of shares outstanding as at December 31 in the year shown or June 30, 2009. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

<sup>(2)</sup> Total expenses during the six months ended June 30, 2009 include an income tax recovery of \$0.00 (fiscal 2008 - \$0.00) per share. For additional information see the Fund's interim financial statements.

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## Financial Highlights (continued)

<sup>(3)</sup> Net asset per share is presented in accordance with Canadian generally accepted accounting principles (GAAP). Subscriptions and redemptions of common shares of the Fund are transacted at the Pricing Net Asset Value per Share of the Fund. The Pricing 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 9(d) of the Fund's financial statements for the six months ended June 30, 2009.

## Ratios and Supplemental Data

	June 30 2009	2008
Net asset value (000's) <sup>(1)</sup>	\$ 13,241	\$ 11,468
Number of shares outstanding <sup>(2)</sup>	2,897,807	2,613,281
MER <sup>(2)</sup>	6.06%	5.82%

<sup>(1)</sup> This information is provided as at December 31 of the year shown or June 30, 2009.

<sup>(2)</sup> 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 assets during the year.

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.

## 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 9(c) of the Fund's financial statements for the six months ended June 30, 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.

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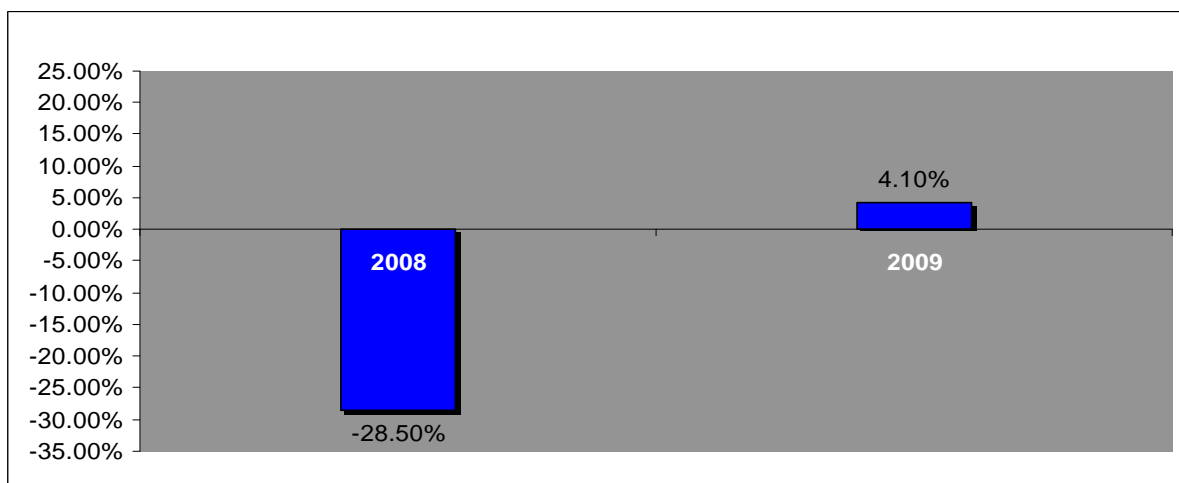
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## Past Performance (continued)

### Year by Year Returns

The chart below reflects the Fund's performance since amalgamation to December 31, 2008 and for the six months ended June 30, 2009. The chart shows in percentage terms how an investment would have increased or decreased since the date of amalgamation to December 31, 2008 and for the six months ended June 30, 2009.



## Summary of Investment Portfolio

The following tables summarize the Fund's investment portfolio as at June 30, 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
Private companies	\$ 2,578,984	35%
Public companies	4,638,064	20
Total Venture Investments	7,217,048	55
Cash and Cash Equivalents	6,102,994	46
Net Other Assets less Liabilities	(79,397)	(1)
Net Asset Value at June 30, 2009	\$ 13,240,645	100%

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## Summary of Investment Portfolio (continued)

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	Percentage of total net assets
Private:	
Aphrodite Therapeutics Inc.	-%
Chromos Investment Corp.	-
Inimex Pharmaceuticals Inc.	4
Methylation Sciences Inc.	1
Neuromed Pharmaceuticals Inc.	15
Public:	
Allon Therapeutics Inc.	12
Neovasc Inc.	-
Protox Therapeutics Inc.	13
Urodynamix Technologies Ltd.	10
<hr/> Total Venture Investments	<hr/> 55%