

Management Report of Fund Performance



COVINGTON VENTURE FUND INC.

Series VI

TABLE OF CONTENTS

Table of Contents	1
Forward Looking Statements.....	1
Investment Objectives and Strategies.....	1
Risk Factors.....	2
Results of Operations.....	2
Recent Developments.....	3
Related Party Transactions.....	3
Financial Highlights.....	4
Management Fees.....	5
Past Performance.....	5
Summary of Investment Portfolio.....	6
Corporate Information.....	Back Cover

This annual management report of fund performance contains financial highlights but does not contain the annual financial statements of the Covington Venture Fund Inc., Series VI (the “Fund”). You can obtain a copy of the annual financial statements at your request, and at no cost, by calling 1-866-244-4714, by writing to us at Covington Capital Corporation, 87 Front St. East, Suite 400, Toronto, Ontario M5E 1B8 or by visiting our website at www.covingtonfunds.com or on SEDAR at 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 or proxy voting disclosure record.

FORWARD LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund actions. The words “anticipate”, “could”, “should”, “may”, “expect”, “believe”, “plan”, “intends”, “estimate”, “forecast”, “objective”, “would”; and similar expressions are intended to identify forward-looking statements.

Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors. It is not possible to guarantee that future performance, predictions, forecasts, projections or other forward-looking statements will be achieved. Factors such as economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings or catastrophic events could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made by the Fund. Please consider these and other pertinent factors before making any investment decisions and do not place undue reliance on forward-looking statements. All opinions contained in forward-looking statements are subject to change without notice.

INVESTMENT OBJECTIVES AND STRATEGIES

The Fund combines the tax benefits of a Labour Sponsored Investment Fund (“LSIF”) while giving investors access to the venture capital market. The Fund was founded November 1, 2002 with the investment objective to realize long-term capital appreciation by investing in securities of community small business investment fund corporations (“CSBIFs”) which in turn will make eligible investments in a diversified portfolio of private companies. In addition the Fund’s objective is to return to investors an amount equal to the subscription price paid by the capital repayment date on or about December 31, 2015 (“Capital Repayment Date”). Covington Capital (“Covington” or the “Manager”) assumed management of the Fund in January 2006 and has since been actively managing the Fund to meet its objectives.

As the Fund’s underlying bond continues to accrete towards par value we expect the performance of the marketable security portfolio to reflect the increased value of the bond. This coupled with a number of steps undertaken by Covington will help the Fund to be better positioned to return the majority, if not all, of the Fund’s investors’ original investment capital. However, there is no guarantee that on December 31, 2015 the Fund will be able to meet its investment objectives.

CLASS A SHARES, SERIES VI

[in \$ thousands of Canadian dollars except for per share amounts, number of shares and percentages]

RISK FACTORS

The Fund is suitable for investors with a longer-term investment focus and higher risk tolerance as discussed in the Fund's Annual Information Form dated October 22, 2014.

The Fund has invested in CSBIFs which were investment vehicles contemplated by the Ontario government to stimulate investment in early stage ventures with assets of less than \$1 million, and due to size, inherently higher risk investments. While the Manager works with each CSBIF to source, screen and make investments in a diversified portfolio of companies, there is potential for having illiquid investments within the portfolio on or about the capital repayment date of the Fund.

The Fund's venture portfolio consists entirely of privately held companies within the CSBIFs for which there is no readily available exit market. The impact to the portfolio is tighter liquidity and a requirement for estimation in the valuation process. The process of valuing venture investments for which no published market exists is subject to inherent uncertainties and the resulting values may differ from values which would have been ascribed had a ready market existed for those investments. This is valuation risk as described in the Fund's financial statements.

The Fund holds a zero-coupon bond comprising over 57% of the Fund's total assets at July 31, 2015. Bond valuations are subject to liquidity, credit and interest rate risks relating to both the issuer and overall market conditions. In uncertain credit markets, valuation of these bonds may become more volatile.

Investors who purchase LSIFs are required to hold their investment for eight years in order to retain the tax credit offered by the provincial and federal governments. The Fund was launched in 2002 and therefore, the eight year hold period for the initial investors has expired. If all shareholders were to redeem their shares at the same time, the Fund may need to liquidate investments at lower values than currently ascribed and shareholders may not receive the posted Net Asset Value ("NAV"). In any financial year, the fund is not obligated to redeem greater than 20% of the NAV of the Fund.

The Fund was closed to new subscriptions after the 2003 RSP season; as such the Fund is dependent upon internal growth of its portfolio in order to meet its investment objectives. In order to help meet the investment objective of the Fund, certain of the original proceeds of sale of Class A Shares were set aside into a long-term bond which will mature in 2015. Even at maturity, there is no guarantee that the investment objective of returning the original subscription price can be met.

RESULTS OF OPERATIONS

The Fund was launched in the 2002 RSP season with the expected capital repayment date to be on or about December 15, 2015.

Net assets attributable to holders of redeemable shares as at July 31, 2015 were \$2,943 representing a \$711 decrease from 2014 closing net assets of \$3,654. The fund realized \$600 in redemptions during the year which represents a slow-down in the pace of redemptions as compared to fiscal 2014 by close to 50%. As at July 31, 2015, the Fund held cash and marketable securities totaling \$4,909 to provide the Fund with on-going liquidity. Additionally, management fees in excess of \$3,303 remain accrued but uncollected in an effort to maintain liquidity within the Fund.

The Fund realized a decrease in net assets attributable to holders of redeemable shares during the year ended July 31, 2015 of (\$111) comprised: interest and gains of \$256, appreciation of venture investments of \$84 offset by depreciation of marketable security value of (\$209) and expenses from operations of (\$242). The Fund's income has increased over to \$131 as compared to a loss of \$90 for the same period in 2014. The Fund sold approximately \$1,407 of its zero-coupon bond at a gain of approximately \$55 in order to generate cash to fund operations and redemption activity. As this bond continues to be unwound, the corresponding interest income will decline.

Expenses have declined by 29% compared to 2014 as management continues efforts tighten costs. Expenses have decreased in proportion to the decrease in assets under management, however, to the extent that the net assets of the remaining Series within Covington Venture Fund may decline at a faster rate, this Fund's proportionate share of fixed costs may increase. The 2015 management expense ratio is 7.38% representing a decrease from the fiscal 2014 management expense ratio of 7.67%.

No new venture investments were completed or realized during the year.

CLASS A SHARES, SERIES VI

[in \$ thousands of Canadian dollars except for per share amounts, number of shares and percentages]

RECENT DEVELOPMENTS

Fund Liquidity

The Fund has a strong liquidity position relative to the size of the asset base as at July 31, 2015 with \$4,909 or approximately 70% of total assets held in cash and marketable securities all with maturities of less than one year. While the Fund is approaching its objective date of returning the subscription price paid by investors on or about December 31, 2015, there is no guarantee that the Fund will meet its investment objectives.

International Financial Reporting Standards

Effective August 1, 2014, as required by the Canadian Accounting Standards Board (“AcSB”) and the Ontario Securities Commission (“OSC”), the Fund has adopted International Financial Reporting Standards (“IFRS”). Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CICA Handbook (“Canadian GAAP”). Accordingly, the Fund’s financial statements as at July 31, 2015 include comparative information that has been prepared in accordance with IFRS.

The most notable change involves the valuation of marketable securities at fair value. Under IFRS, this is generally established as the last traded price for the security on the principal exchange where they are traded. Under Canadian GAAP, these securities were previously valued at the last bid price. Comparative financial statements have been restated to reflect this change and a reconciliation provided in the notes to the therein.

RELATED PARTY TRANSACTIONS

The Manager/Investment Advisor and Sponsor are deemed to be related parties to the Fund. During the year, the Fund accrued \$107 in Management/Investment Advisory fees payable to the Manager and \$7 in Sponsor fees payable to the Sponsor. No other fees were paid or payable to related parties except for reimbursement of any expenses on account of the Fund which may have been otherwise paid by the Manager on the Fund’s behalf. See Note 8 in the Fund’s 2015 financial statements.

COVINGTON VENTURE FUND INC.

CLASS A SHARES, SERIES VI

[in \$ thousands of Canadian dollars except for per share amounts, number of shares and percentages]

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.

FUND'S NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

	Year ended July 31, 2015	Year ended July 31, 2014	Year ended July 31, 2013	Year ended July 31, 2012 (3)	Year ended July 31, 2011 (3)
Net assets attributable to holders of redeemable units, beginning of year (1) (2)	\$ 7.37	\$ 8.14	\$ 8.57	\$ 8.99	\$ 8.82
Increase (decrease) from operations:					
Total revenue	0.44	0.47	0.45	0.43	0.49
Total expenses	(0.53)	(0.60)	(0.57)	(0.59)	(0.55)
Realized gain (loss) on investments	0.12	0.19	0.27	0.39	0.41
Unrealized gain (loss) on investments	(0.27)	(0.82)	(0.61)	(0.63)	(0.26)
Total increase (decrease) from operations (2)	(0.24)	(0.76)	(0.46)	(0.40)	0.09
Net assets attributable to holders of redeemable units, end of year (1) (2)	\$ 7.14	\$ 7.37	\$ 8.14	\$ 8.57	\$ 8.99

(1) This information is derived from the Series' audited annual financial statements. The net assets per security presented in the financial statements may differ from the asset value calculated for fund pricing purposes.

(2) Net assets are based on the actual number of shares outstanding as at the stated dates. The increase/(decrease) from operations is based on the weighted average number of shares outstanding over the fiscal period.

(3) Historical figures are based on Canadian GAAP.

RATIOS AND SUPPLEMENTAL DATA

	Year ended July 31, 2015	Year ended July 31, 2014	Year ended July 31, 2013	Year ended July 31, 2012	Year ended July 31, 2011
Total net assets attributable to holders of redeemable units (1)	\$ 2,943	\$ 3,654	\$ 5,347	\$ 7,783	\$ 12,082
Number of shares outstanding	412,380	495,861	656,865	908,245	1,344,164
Management expense ratio (2)	7.38%	7.67%	6.92%	6.62%	6.16%
Portfolio turnover rate (3)	-	-	-	-	-
Trading expense ratio (4)	-	-	-	-	-
Net assets attributable to holders of redeemable units per unit	\$ 7.14	\$ 7.37	\$ 8.14	\$ 8.57	\$ 8.99

(1) This information is provided as at July 31 of the years shown.

(2) Management expense ratio includes all fees, expenses, capital taxes, and HST and is expressed as an annualized percentage of the average net assets administered during the period.

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

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

CLASS A SHARES, SERIES VI

[in \$ thousands of Canadian dollars except for per share amounts, number of shares and percentages]

MANAGEMENT FEES

The Manager is responsible for directing the business, operations and affairs of the Fund and for implementing the investment strategy, monitoring the Fund's investments and providing management assistance to portfolio companies. Because the portfolio companies of the Fund are generally small in size and at an earlier stage of development relative to conventional mutual funds, the Fund requires a greater level of management involvement in the analysis, monitoring support and development activities.

The Manager/Advisor uses its management fees to finance its operations as follows: 91% for general administration over the affairs of the Fund including implementation of the Fund's investment strategy, portfolio management and monitoring, retaining and supervising service providers and managing the overall business affairs of the Fund and the Manager; and 9% for the implementation of communications, sales, marketing, and distribution strategies of the Fund and the Manager. Over time, the allocation of management resources has increased for Fund investment and portfolio management relative to sales, markets, and distribution given that the Fund closed to new subscriptions in 2003.

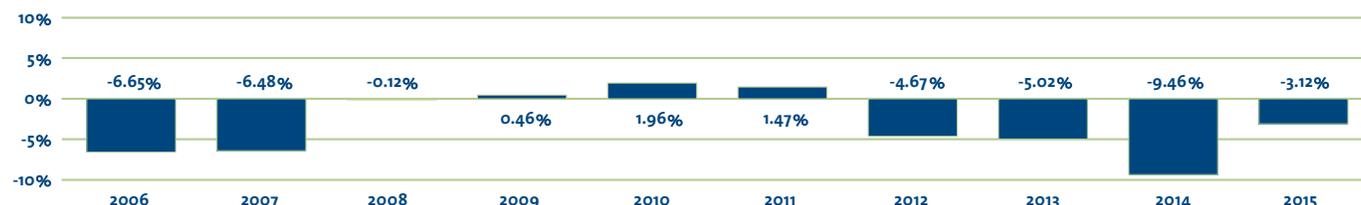
The Fund pays annual fees of 1.25% and 2.00% of the net asset value of the Fund for these management and advisory services respectively.

The Fund's MER consists of all of its operating expenses, including sales commissions, certain ongoing marketing costs of the Fund, audit and legal expenses, fees paid to any independent valuator, IPA (if any), and certain consultancy costs. The largest component of the MER are fees that are calculated as a percentage of the NAV of the Fund and these fees are the Management fees, the Dealer Service fees, the Sponsor's fees and the Transfer Agent's fees. For a summary of these fees, please see Note 7 to the Fund's financial statements.

PAST PERFORMANCE

Year by Year Non-Cumulative Returns

The following chart shows how the performance of the Fund has varied year to year. It also shows, in percentage terms, how an investment made in the Fund would have increased or decreased over the Fund's reporting period. The Fund's past performance is no guarantee of how it will perform in the future.



Annual Compound Returns

The table below summarizes the Fund's past performance for the five, three and one year periods ended July 31 of the periods indicated. As a basis of comparison, we have provided the Retail Venture Capital Index as posted on www.globefund.com as of July 31, 2015.

The retail Venture Capital Index is the most representative broad-based securities market index as it accumulates all the Ontario based LSIFs.

Compound Returns	Series VI	Retail Venture Capital Peer Index*	BMO Nesbitt Burns Cdn Small Cap Index**
1 Year	-3.12%	-0.38%	-18.98%
3 Years	-5.90%	-0.42%	2.34%
5 Years	-4.22%	-0.08%	3.18%
10 Years	-3.23%	0.21%	4.28%
Since Inception	-2.63%	***	***

* Source: globefund.com

** The inclusion of the BMO Nesbitt Burns Cdn Small Cap Index is only intended to give perspective to general market activity.

*** This has not been included because there is no comparable index quotation for the same period.

CLASS A SHARES, SERIES VI

[in \$ thousands of Canadian dollars except for per share amounts, number of shares and percentages]

SUMMARY OF INVESTMENT PORTFOLIO

Below is a summary of the Fund's portfolio as at July 31, 2015. This is a summary only and may change due to ongoing portfolio activity in the Fund. An update is available quarterly on Covington's website at www.covingtonfunds.com.

Composition of net assets	Fair value of Investments \$	% of net assets %
Marketable securities	4,712	160.1
Venture investments	2,118	72.0
Liabilities, net of other assets	(3,887)	(132.1)
Net assets	2,943	100.0

TOP HOLDINGS ⁽¹⁾

	Debt at cost \$	Equity at cost \$	Total at cost \$
Marketable securities			
Farm Credit Canada	3,945	-	3,945
Venture investments*			
Ivey CSBIF I Inc., Class A	-	1,500	1,500
Ivey CSBIF II Inc., Class A	-	1,500	1,500

(1) Excluding cash and short-term investments

* Series VI has invested solely in CSBIFs. These companies are all in the expansion stage of their development.

Fund Symbols

Series VI CIG461 - Closed

**Fund Manager
and Advisor**

Covington Capital Corporation
87 Front Street East, Suite 400
Toronto, ON M5E 1B8

Sponsor

Canadian Federal Pilots Association
350 Sparks Street, Suite 400
Ottawa, ON K1R 7S8

Auditor

Ernst & Young LLP
Ernst & Young Tower
P.O. Box 251
Toronto-Dominion Centre
Toronto, ON M5K 1J7

**Transfer Agent
and Registrar**

CI Investments Inc.
15 York Street, 2nd Floor
Toronto, ON M5J 0A3
Customer Service: 1 888 746 4751

87 Front Street East
Suite 400
Toronto, ON M5E 1B8
Telephone: 416 365 0060
Facsimile: 416 365 9822
Email: info@covingtonfunds.com
Website: www.covingtonfunds.com