COVINGTON
CAPITAL CORPORATION

Management Report of Fund Performance

COVINGTON FUND II INC.

For The Year Ended August 31, 2014

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This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of Covington Fund II Inc. (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, 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 Venture Capital Corporation ("LSVCC") and a Labour Sponsored Investment Fund ("LSIF") while giving investors access to the venture capital market.

The investment objective of the Fund is to realize long-term capital appreciation on part of the investment portfolio, and current yield and early return of capital on the remainder of the investment portfolio. The strategy to accomplish this is by investing in two different types of situations. The first is in companies which the Fund anticipates will have significant growth potential in early stage or expanding markets. The second is in more established steady growth companies which the Fund anticipates will provide current yield and early return of capital to the Fund.

The Fund is now in its fifteenth year of operations. As such, some of the portfolio investments have matured from start up to expansion and later stages of their growth cycle. The Fund continues to manage these investments by working with the investee companies to grow revenues and profits while moving toward successful exits with a focus on managing liquidity to meet the currently established redemption schedules.

CLASS A SHARES

[in $000's except for per share amounts, number of shares and percentages]

RISKS AND UNCERTAINTIES

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.

As at August 31, 2014, the Fund's investment portfolio consists of 45 companies of which 6 are publicly traded and 39 are privately held. 80% of the Fund's net asset value is held within private companies. The private nature and the follow-on funding required to continue to support these companies may lead to liquidity pressures on the Fund. 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.

Exit opportunities for private companies within the portfolio continue to be uncertain. The exit strategy for venture backed companies is typically through mergers and acquisitions ("M&A") whereby strategic buyers may seek to augment their portfolios by purchasing smaller, private companies or, private companies may seek to grow themselves by accessing the public equity markets through an initial public offering ("IPO"). Slow M&A and IPO activity may add a liquidity strain on the Fund should the need to generate cash to fund redemptions outweigh the goal of optimizing the returns to the Fund.

As the portfolio matures and exits occur, the portfolio concentration may change. For example, investments in the biotechnology sector are typically longer-term holds with varying levels of economic outcomes; as such, the weighting of biotech holdings within the portfolio as a whole may increase over time. This is a concentration risk which may impact portfolio performance as different sectors experience market and economic fluctuations differently from one another. As at August 31, 2013, the biotechnology/health science sector accounted for approximately 56% of the venture portfolio's value but only 25% of the companies, whereas at August 31, 2014, that same sector accounted for 24% of the companies in the venture portfolio and 30% of the overall portfolio value. Volatility within the public markets could place additional market risk within the venture portfolio.

In September 2011, the Fund acquired the assets of the New Generation Biotech (Equity) Fund Inc. ("NGBE") and The VenGrowth Investment Fund Inc., The VenGrowth III Investment Fund Inc., The VenGrowth Advanced Life Sciences Fund Inc., and The VenGrowth Traditional Industries Fund Inc. (collectively the "Merged Funds"). Pursuant to the transaction, the Fund acquired all of the assets and assumed the liabilities of the Merged Funds in exchange for units of the Fund based on an exchange ratio established on closing.

The terms of the merger transaction place redemption restrictions on certain incoming Class A Shares allowing for a fixed percentage of redemptions over a four year period. Aimed at providing additional short-term financial flexibility, this redemption schedule is expected to allow the Manager time to manage the portfolio to generate the necessary cash to fund redemptions in an orderly manner allowing the Fund to maximize potential investment returns. Over the longer term, there is no certainty that this liquidity will hold in the face of a slow economic recovery.

In any financial year, the Fund is not obligated to redeem greater than 20% of the Net Asset Value of the Fund. If all or substantially 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 Values ("NAV").

Liquidity remains one of the largest risk factors facing the Fund. The tax credit program for purchases of LSIFs has been phased out by the Ontario government. Additionally, the Federal government announced the phase-out of the LSVCC program after 2016. The elimination of the program along with market pressures has, in recent years, restricted the ability of all Funds operating in this sector to raise significant amounts of capital. Additionally, the Fund is closed to new subscriptions; as such, the Fund is dependent upon internal growth of its portfolio in order to meet its investment objectives and provide liquidity to its shareholders.

CLASS A SHARES

[in $000's except for per share amounts, number of shares and percentages]

RESULTS OF OPERATIONS

As at August 31, 2014, the total net assets of the Fund were $260,025. The comparative net assets as at August 31, 2013 were $276,701. The decrease in net assets of $16,676 is due to positive results from operations of $9,784 largely driven from realized gains on the sale of venture assets offset by net redemptions of $26,460. At August 31, 2014, the Fund held $22,735 in cash and marketable securities, and $33,975 in publicly-traded venture portfolio instruments, to provide the Fund with on-going liquidity.

The Fund's cash and marketable securities have increased by approximately $18,228 since August of 2013 as a result of exits from the venture portfolio. The use of cash has been not only to fund redemptions and operations but also to support ongoing investing within the venture portfolio.

The Fund's venture portfolio has decreased in value to $241,958 from $279,636 as at August 31, 2013 and is invested in 45 companies over a broad group of industries. By value, the technology sector has overtaken the health care/biotechnology sector in terms of cost base of invested capital and by market value as at August 31, 2014. The Fund realized gains in excess of $34,678 on exits from the venture portfolio. While the biotech/health sector remains the most volatile by nature, in prior years, underperformance of certain biotech companies within the portfolio had driven portfolio devaluation of the venture portfolio, whereas in the recent fiscal year there has been a turnaround where biotechs within the portfolio have driven large exit values which have resulted in realized gains to the Fund. In March 2013, the Fund completed its exit of Cytochroma Canada Inc. The assets of Cytochroma were acquired by Opko Health Inc. ("OPKO"), a multi-national pharmaceutical and diagnostics company with established industry-leading positions in large and rapidly growing medical markets. The Fund held over 8 million shares of OPKO as at August 31, 2013. By August 31, 2014, the Fund has sold 6.5 million shares for a realized gain of $19,000.

Also included in Fund's realized gains is a $10,960 gain on the exit of the Fund's holding in EGI Financial Holdings ("EGI"). EGI operates in the property and casualty insurance industry in Canada and Europe focusing on non-standard automobile insurance and other niche and specialty general insurance products. The Fund initially invested in EGI in February 2002 and supported the company through its various stages of growth.

The Fund completed approximately $32,247 in follow-on financings to support the venture portfolio companies in the fiscal year. Successful exits such as the Fund's investment in EGI and Cytochroma underscore the importance of venture investors continued support of portfolio companies to help their growth and maximize value and returns upon exit.

On November 16, 2013, the Fund merged with Covington Strategic Capital Fund Inc. ("SCF") Pursuant to the transaction, the Fund acquired all of the assets and assumed the liabilities of SCF at fair value of $6,559 in exchange for units of the Fund. The transaction added three new portfolio investments to the Fund.

On May 16, 2014 the Fund acquired the assets attributable to the Class A Shares, Series I, II,III, IV and V (the "CVF Series") of Covington Venture Fund Inc., another LSIF managed by Covington. The fair value of the assets acquired was $14,538. The transaction received shareholder approval by the holders of the CVF Series. Because this transaction occurred between Funds under common management, they were reviewed by the Board of Directors of each participating fund and the Independent Review Committee of the Funds. A third party valuation consultant was retained to research and provide external data on transactions in the broader marketplace.

Revenues for the year ended August 31, 2104 have declined by $1,641 compared to 2013. The single largest decline in revenue is interest from venture securities. Total expenses for the year have decreased by approximately $8,624 the prior year. The largest contributor to the decline was contingent incentive participation amounts ("IPA") which declined by $10,634 to $2,015 in 2014. IPA of $8,729 was paid out in the year as a result of realized exits within the portfolio. Also related to the IPA payments are a reversal of harmonized sales taxes which has resulted in a positive impact to the Fund's operating results. The balance of the contingent IPA accrual is not payable until a cash exit is realized and all other portfolio hurdles are exceeded.

Excluding the IPA and related HST amounts, overall expenses have increased by $2,702 for 2014. The increase is largely due to escrow losses of $4,764 recorded by the Fund whereby amounts receivable from previous investment exits have been written off. Capital maintenance costs have decreased by $619 due to the maturity of shares having reached their 8-year anniversary and the resultant elimination of capital maintenance charge on these units. The annualized MER of the Fund excluding contingent IPA is approximately 6.95% (see Ratios and Supplemental Data for a specific breakdown by Series). This is an increase compared to the year-ended August 31, 2013, MER before contingent IPA of 5.39%. Excluding the one-time effects of the escrow losses booked, the MER would have been 5.2% in fiscal 2014.

CLASS A SHARES

[in $000's except for per share amounts, number of shares and percentages]

RECENT DEVELOPMENTS

Geopolitical and environmental events have recently dominated the global economic landscape. Tensions in the Ukraine have the potential to unsettle European markets; unrest in the Middle East in both Iraq and Gaza has not only drawn the US into a tenuous situation but the ripple effect on oil prices affects consumer spending and China is still working at stabilizing recent economic jitters by balancing growth with financial restraints within its banking sector. In the US, the soft economic growth in the early part of 2014 appears to be picking up momentum in the consumer spending and housing sectors. The US economy continues on slow recovery with improved household balance sheets, lower consumer debt, improving employment figures and improved business finances. This improvement within the US may generate positive momentum for companies within the venture portfolio as the demand for exports strengthen and business spending increases. For a true recovery within Canada as a whole and the Fund's portfolio investments in particular, it is the export market and business growth that will be the driver as opposed to the consumer spending that is currently boosting economic performance.

While venture capital activity improved in 2013 versus 2012, the positive momentum was mainly seen in the emerging markets. Uncertainty continued in the North American M&A markets with a decline in US activity and flat activity within Canada. The outlook for the Canadian economy remains cautiously optimistic for the remainder of 2014.

Future Accounting Standards - Conversion to International Financial Reporting Standards

Investment companies that are publicly accountable enterprises or investment funds to which National Instrument 81-106 Investment Fund Continuous Disclosure is applicable, are required to adopt International Financial Reporting Standards (IFRS) for the first time for interim and annual financial statements relating to annual periods beginning on or after January 1, 2014. As a result, the Fund will adopt IFRS beginning September 1, 2014 and publish the first financial statements, prepared in accordance with IFRS, for the semi-annual period ending February 28, 2015. The 2015 semi-annual and annual financial statements will include 2014 comparative financial information and an opening Statement of Net assets as at September 1, 2014, also prepared in accordance with IFRS.

The Manager continues to execute its transition plan to complete the changeover to IFRS for the Fund in 2015 and comply with the required timetable for continuous disclosure. As at August 31, 2014, the impact to the financial statements based on the Manager's assessment of the differences between current GAAP and IFRS are as follows:

- IFRS 13 *Fair Value Measurement* permits the use of mid-market prices or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. The Fund will adopt accounting policies for the valuation of investments to utilize mid-market prices that align more closely with the calculation of NAV used to price unitholder transactions (Transaction NAV). As a result, net assets for financial reporting purposes (GAAP NAV) will be impacted and is expected to align with Transaction NAV, eliminating the need for a NAV per unit reconciliation. The impact to the Statements of Financial Position as at August 31, 2013 and 2014, respectively is disclosed in the notes to the 2014 audited financial statements.
- IFRS 10 *Consolidated Financial Statements* provides an exception to the consolidation requirements and requires an investment entity to account for its subsidiaries at fair value through profit or loss. The Manager has concluded that the Fund meet the definition of an investment entity as at September 1, 2013 and throughout the year ended August 31, 2014. Although not impacting current presentation, additional disclosure will be required relating to how the investment entity definition was met, information about each unconsolidated subsidiary, and details of financial and contractual arrangements.
- Units of the Funds are puttable instruments and are required to be presented as equity or liability depending on certain criteria. As at September 1, 2013 and throughout the year ended August 31, 2014, the units of the Fund do not meet the criteria to be classified as equity. As a result, unitholders' equity will be presented as a liability in the Statements of Financial Position.
- Certain financial statements will be renamed as follows:

Canadian GAAP	IFRS
Statements of Net Assets	Statements of Financial Position
Statements of Operations	Statements of Comprehensive Income
Statements of Changes in Net Assets	Statements of Changes in Financial Position
Statement of Investment Portfolio	Schedule of Investment Portfolio

- Other reclassifications, presentation differences and additional disclosures will also be required in the financial statements to comply with the new requirements under IFRS.

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[in $000's except for per share amounts, number of shares and percentages]

RELATED PARTY TRANSACTIONS

The Manager and Sponsor are deemed to be related parties. Please refer to the section entitled "Management Fees" which outlines the fees paid to these related parties or Note 6 in the Fund's 2014 audited financial statements.

On November 16, 2013 the Fund completed the acquisition of the net assets of SCF, a fund under common management with the Fund. The total value of the transaction was $6,559 wherein SCF shareholders received Series I of the Fund. Because the transaction occurred between two funds under common management, it was reviewed by the Board of Directors of each fund and by the Independent Review Committee of the funds. Additionally, the transaction received the required regulatory and shareholder approvals necessary to complete the merger.

On May 16, 2014 the Fund acquired the assets attributable to the CVF Series of Covington Venture Fund Inc., another LSIF managed by Covington. The fair value of the assets acquired was $14,538. The transaction received shareholder approval by the holders of the CVF Series. Because this transaction occurred between Funds under common management, it was reviewed by the Board of Directors of each participating fund and the Independent Review Committee of the Funds. A third party valuation consultant was retained to research and provide external data on transactions in the broader marketplace.

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. This information is derived from the Fund's audited financial statements.

All references to "net assets" or "net assets per share" are determined in accordance with Canadian GAAP as presented in the audited financial statements of the Fund. All references to "net asset value" or "net asset value per share" are determined in accordance with the net asset value calculated for pricing purposes.

FUND'S NET ASSETS PER SHARE

SERIES I	**Year ended August 31, 2014**	Year ended August 31, 2013	Year ended August 31, 2012	Year ended August 31, 2011	Year ended August 31, 2010
Net assets, beginning of year *(1) (2)*	**$ 8.61**	$ 7.48	$ 7.95	$ 9.02	$ 9.29
Increase (decrease) from operations:					
Total revenue	**0.02**	0.07	0.28	0.12	0.04
Total expenses	**(0.63)**	(0.80)	(0.52)	(0.55)	(2.10)
Realized gain (loss) on investments	**1.13**	0.22	0.33	0.53	5.75
Unrealized gain (loss) on investments	**(0.19)**	1.61	(0.73)	(1.07)	(3.85)
Total increase (decrease) from operations *(2)*	**0.33**	1.10	(0.64)	(0.97)	(0.16)
Net assets, end of year *(1) (2)*	**$ 8.96**	$ 8.61	$ 7.48	$ 7.95	$ 9.02

SERIES II			
Net assets, beginning of year *(1) (2)*	**$ 8.32**	$ 7.32	$ -
Increase (decrease) from operations:			
Total revenue	**0.02**	0.07	0.20
Total expenses	**(0.66)**	(0.88)	(0.63)
Realized gain (loss) on investments	**1.15**	0.21	0.32
Unrealized gain (loss) on investments	**(0.21)**	1.64	(0.52)
Total increase (decrease) from operations *(2)*	**0.30**	1.04	(0.63)
Net assets, end of year *(1) (2)*	**$ 8.58**	$ 8.32	$ 7.32

(1) The net assets per share presented in the financial statements may differ from the net 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.

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[in $000's except for per share amounts, number of shares and percentages]

RATIOS AND SUPPLEMENTAL DATA

SERIES I	**Year ended August 31, 2014**	Year ended August 31, 2013	Year ended August 31, 2012	Year ended August 31, 2011	Year ended August 31, 2010
Net asset value	**$ 151,028**	$ 151,633	$ 145,915	$ 41,008	$ 65,916
Number of shares outstanding	**16,824,904**	17,673,307	19,463,229	5,110,790	7,262,864
Management expense ratio *(1)*	**7.13%**	10.10%	6.45%	6.25%	22.22%
Management expense ratio before IPA *(1)*	**6.68%**	4.77%	5.24%	5.88%	5.95%
Portfolio turnover rate *(2)*	**18.88%**	41.54%	28.48%	8.84%	4.10%
Trading expense ratio *(3)*	**0.17%**	-	-	0.03%	0.05%
Closing net asset value per share	**$ 8.98**	$ 8.58	$ 7.50	$ 8.02	$ 9.08

SERIES II			
Net asset value	**$ 109,562**	$ 123,972	$ 123,583
Number of shares outstanding	**12,747,483**	14,966,676	16,845,039
Management expense ratio *(1)*	**7.79%**	11.49%	8.00%
Management expense ratio before IPA *(1)*	**7.31%**	6.14%	6.79%
Portfolio turnover rate *(2)*	**18.88%**	41.54%	28.48%
Trading expense ratio *(3)*	**0.17%**	-	-
Closing net asset value per share	**$ 8.59**	$ 8.28	$ 7.34

(1) Management expense ratio includes all fees, expenses, capital taxes, Goods and Services Tax, HST and the Manager's contingent IPA and is expressed as an annualized percentage of the average net assets administered during the period. Contingent IPA is the determination of the bonus that would be payable to the Manager if the Fund were to dispose of its venture investment at its carrying value as at the dates shown. The Manager is entitled to this bonus only upon realization of certain conditions as outlined in the Fund's prospectus and/or annual information form.

(2) 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.

(3) 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.

MANAGEMENT FEES

Covington, as 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.

Covington uses its management fees to finance its operations as follows: approximately 92% for general administration over the affairs of the Fund including implementation of the Fund's investment strategy, portfolio management and financial monitoring, retaining and supervising service providers and managing its overall business affairs and 8% for the implementation of communications, sales, marketing, and distribution strategies. Over time, the allocation of management resources has increased for investment and portfolio management relative to sales, marketing, and distribution.

The Fund pays annual fees of 1.35% of the net asset value of the Fund for management services. The Fund's management expense ratio ("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, Vengrowth contract amount, the capital maintenance fees, the Co-Sponsor's fees and the Transfer Agent's fees. For a summary of these fees, please see Note 6 to the Fund's annual financial statements.

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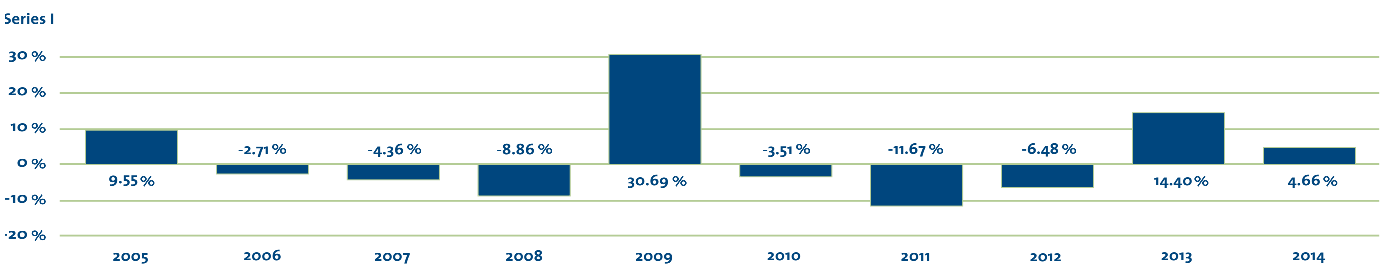
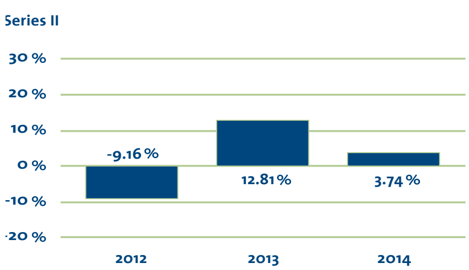
[in $000's except for per share amounts, number of shares and percentages]

PAST PERFORMANCE

Year by Year Non-Cumulative Returns

The graph below indicates the Fund's annual performance for each of the years shown and how the Fund's performance has changed from year to year. It also shows, in percentage terms, how an investment made on the first day of each financial year should have increased or decreased by the last day of each financial year. 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 August 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 August 31, 2014 and the BMO Nesbitt Burns Cdn Small Cap Index as at August 31, 2014.

The Retail Venture Capital Index is the most representative broad-based securities market index as it accumulates all the Ontario based LSIFs. The inclusion of the BMO Nesbitt Burns Cdn Small Cap Index is only intended to give perspective to general market activity.

Compound Returns	Series I	Series II	Retail Venture Capital Index*	BMO Nesbitt Burns Cdn Small Cap Index
1 Year	4.66%	3.74%	-4.72%	26.88%
3 Years	3.84%	N/A	-6.40%	6.70%
5 Years	-0.93%	N/A	-1.75%	14.16%
Since Inception	-0.77%	2.06%	**	**

** Source: globefund.com*

*** No comparable index available for the same period.*

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[in $000's except for number of companies and percentages]

SUMMARY OF INVESTMENT PORTFOLIO

Below is a summary of the Fund's portfolio as at August 31, 2014. This is a summary only and may change due to ongoing portfolio activity in the Fund. See the Statement of Investment Portfolio in the financial statements for a complete listing. An update is available quarterly on Covington's website at www.covingtonfunds.com.

TOP HOLDINGS *(1)*

	Debt at cost $	Equity at cost $	Total at cost $
Axela Inc.	22,778	-	22,778
Greenfield Ethanol Inc.	-	17,087	17,087
Interface Biologics Inc.	-	17,473	17,473
Mist Mobility Integrated Systems Technology Inc.	13,900	2,250	16,150
BTI Systems Inc.	-	15,403	15,403
PowerBand Global Inc.	11,252	2,968	14,220
WireIE Holdings International Inc.	4,750	8,061	12,811
Aegera Oncology Inc.	-	12,605	12,605
Nakina Systems Inc.*	6,706	5,089	11,795
OPKO Health Inc.*†	-	10,375	10,375
Resolver Inc.	7,020	3,294	10,314
CounterPath Corporation†	-	9,376	9,376
OTYC Holdings Inc.	-	7,497	7,497
Embotics Corporation	750	6,079	6,829
Sandvine Corporation†	-	4,601	4,601
Clek Inc.	534	3,559	4,093
2210961 Ontario Limited	3,310	-	3,310
VG Mezzanine I Limited Partnership	-	3,177	3,177
AppZero Corporation	-	3,091	3,091
Active Exhaust Corporation	2,000	822	2,822
BTE Technologies Inc.*	-	2,715	2,715
Ivey CSBIF I Inc.	-	2,500	2,500
Ivey CSBIF II Inc.	-	2,500	2,500
Aimetis Corporation	-	2,500	2,500
Fidelity PAC Metals Ltd.	286	2,060	2,346

* *Indicates a foreign property.*

† *Indicates a publicly traded security.*

(1) Excluding cash and short-term investments.

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[in $000's except for number of companies and percentages]

SUMMARY OF INVESTMENT PORTFOLIO - ***Continued***

Stage of development	Number of companies	Cost of investments $	% Total venture investments at cost %	Fair value of investments $	% Total venture investments at fair value %
Start-Up/Early	6	52,558	22.5	49,236	20.3
Expansion	30	160,430	68.6	184,343	76.2
Later	9	20,867	8.9	8,379	3.5
	45	233,855	100.0	241,958	100.0
Industry class					
Biotechnology/Health Sciences	11	75,125	32.1	72,256	29.9
Retail	2	4,506	1.9	4,707	1.9
Financial Services	7	20,123	8.6	17,292	7.2
Technology	19	95,538	40.9	105,731	43.7
Manufacturing	6	38,563	16.5	41,972	17.3
	45	233,855	100.0	241,958	100.0

Composition of net assets	Fair value of investments $	% of Net asset value %
Cash and marketable securities	22,735	8.7
Venture investments	241,958	93.0
Liabilities, net of other assets	(4,668)	(1.8)
Net assets	260,025	100.0

Fund Symbols

CIG912 - Closed
CIG961 - Closed

Investment and Fund Advisor

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

Co-Sponsors

Canadian Police Association
141 Catherine Street, Suite 100, Ottawa, ON K2P 1C3

Association of Canadian Financial Officers
400-2725 Queensview Drive, Ottawa, ON K2B 0A1

Auditor

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

Administrator, Transfer Agent and Registrar

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

Legal Counsel

Gowling Lafleur Henderson LLP
Suite 1600, 1 First Canadian Place, 100 King Street West, Toronto, ON M5X 1G5

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

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