

Management Report of Fund Performance



COVINGTON VENTURE FUND INC.

Series VII
Series VIII
Series IX

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This interim management report of fund performance contains financial highlights but does not contain either the interim financial report or annual financial statements of the Covington Venture Fund Inc., Series VII, VIII, IX (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.

CLASS A SHARES, SERIES VII, VIII, IX

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

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

Covington Venture Fund Series VII, formerly the Capital First Venture Fund Inc., was launched in February 2004 with the following investment objectives: (i) to realize long-term capital appreciation by investing in securities of community small business investment fund corporations (“CSBIFs”); and (ii) to return to investors an amount equal to the subscription price paid on or about June 1, 2016. The CSBIF portion of Series VII has matured and been wound up; however, the Fund continues to manage eligible investments in emerging and high-growth Canadian companies and intends to develop and grow investee businesses in cooperation with strategic relationships introduced by the Fund’s Manager.

On November 13, 2007, the articles of Covington Venture Fund were amended to create Class A Shares, Series VIII and Series IX respectively. These series were offered for sale until March 31, 2008 at a price of \$10 per share and again from October 16, 2008 to March 31, 2009 at the net asset value per share at date of issue. The investment objectives are: (a) to provide mezzanine investments in eligible businesses and (b) to return an amount equal to an investor’s initial subscription on or about December 31, 2016 for the first offering of the Series VIII and IX shares or December 31, 2017 for the second offering.

Given the commonality of the investment objectives for each of the Series VII, VIII, and IX respectively, the Series were consolidated in February 2009 after receiving shareholder and regulatory approvals. The asset consolidation resulted in the Fund sharing a common pool of assets.

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’s venture portfolio consists of debt and equity instruments of privately held companies for which there is no readily available exit market. The impact to the portfolio is tighter liquidity and a certain degree of 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.

Approximately 83% of the Fund’s net assets attributable to holders of redeemable units at January 31, 2015 are held in either zero-coupon or corporate bond issues. Bond valuations are subject to 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. 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% risk of the NAV of the Fund.

The Fund was closed to new subscriptions after the 2009 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 objectives of the Fund, certain of the original proceeds of sale of Class A Shares were set aside into long-term bonds set to mature in 2016. Even at maturity, there is no guarantee that the objective of returning the original subscription price can be met.

CLASS A SHARES, SERIES VII, VIII, IX

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

RESULTS OF OPERATIONS

The net asset attributable to holders of redeemable shares as at January 31, 2015 totalled \$19,233. This is further broken down to three Series: Series VII-\$2,974, Series VIII-\$3,885 and Series IX-\$12,374. Overall, net assets have decreased by \$1,109 from July 31, 2014. The Fund realized \$341 in redemptions over the six month period (as compared to \$585 for the six month period ended January 31, 2014).

Unrealized losses within the investment portfolio contributed to an overall loss before expenses of \$227 for the period ended January 31, 2015. Within the loss, the Fund took net negative fair value adjustments of \$407 against the venture investment portfolio and (\$260) against marketable securities as market and portfolio risk conditions within the portfolio have changed and/or financial results in certain of the investee companies have not met target expectations. Operating expenses for the period totalled \$541 compared to \$559 in 2014. 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. To that end, the 2015 combined Series' annualized management expense ratio is 5.43% representing an increase from the fiscal 2014 management expense ratio of 5.16%. See Ratios and Supplemental Data for an exact breakdown by Series.

No new or follow-on venture investments were completed or realized during the period.

RECENT DEVELOPMENTS

Fund Liquidity

The Fund has a strong liquidity position as at January 31, 2015 with \$16,275 or approximately 85% of total assets held in cash and marketable securities; however, \$15,485 of this value will not mature until 2016. While the strategy invest a portion on subscription proceeds to mature in 2016 will contribute toward the Fund's objectives, there is no guarantee that the objective of returning the original subscription price can be met.

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 semi-annual financial statements as at January 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. Adoption of IFRS has had no material impact on the Fund.

RELATED PARTY TRANSACTIONS

The Manager and Sponsor are deemed to be related parties to the Fund. During the period, the Fund accrued or paid \$123 in Management fees payable to the Manager and \$5 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 interim financial statements.

During the period ended January 31, 2014, the Fund earned \$68 in interest income from a 12.75% inter-fund loan to another Series of the Fund. The loan totalled \$2,000 with terms based on commercially similar terms to a third party loan agreement entered into by another fund managed by the Manager. The loan was repaid prior to the fiscal 2014 year-end.

COVINGTON VENTURE FUND INC.

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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

SERIES VII	Period ended January 31, 2015	Year ended July 31, 2014	Year ended July 31, 2013	Year ended July 31, 2012 ⁽³⁾	Year ended July 31, 2011 ⁽³⁾	Year ended July 31, 2010 ⁽³⁾
Net assets attributable to holders of redeemable units, beginning of period ^{(1) (2)}	\$ 8.36	\$ 8.50	\$ 8.63	\$ 8.71	\$ 8.61	\$ 8.41
Increase (decrease) from operations:						
Total revenue	0.18	0.43	0.34	0.44	0.40	0.39
Total expenses	(0.17)	(0.36)	(0.30)	(0.41)	(0.45)	(0.41)
Realized gain (loss) on investments	-	0.02	0.16	0.05	-	0.02
Unrealized gain (loss) on investments	(0.32)	(0.31)	(0.32)	(0.16)	0.15	0.20
Total increase (decrease) from operations ⁽²⁾	(0.31)	(0.22)	(0.12)	(0.08)	0.10	0.20
Net assets attributable to holders of redeemable units, end of period ^{(1) (2)}	\$ 8.09	\$ 8.36	\$ 8.50	\$ 8.63	\$ 8.71	\$ 8.61
SERIES VIII						
Net assets attributable to holders of redeemable units, beginning of period ^{(1) (2)}	\$ 9.74	\$ 10.03	\$ 10.32	\$ 10.45	\$ 10.31	\$ 10.05
Increase (decrease) from operations:						
Total revenue	0.21	0.46	0.41	0.52	0.48	0.46
Total expenses	(0.26)	(0.52)	(0.49)	(0.51)	(0.52)	(0.47)
Realized gain (loss) on investments	-	0.02	0.16	0.03	-	0.02
Unrealized gain (loss) on investments	(0.32)	(0.25)	(0.36)	(0.19)	0.16	0.23
Total increase (decrease) from operations ⁽²⁾	(0.37)	(0.29)	(0.28)	(0.15)	0.12	0.24
Net assets attributable to holders of redeemable units, end of period ^{(1) (2)}	\$ 9.37	\$ 9.74	\$ 10.03	\$ 10.32	\$ 10.45	\$ 10.31
SERIES IX						
Net assets attributable to holders of redeemable units, beginning of period ^{(1) (2)}	\$ 9.57	\$ 9.89	\$ 10.21	\$ 10.37	\$ 10.27	\$ 10.04
Increase (decrease) from operations:						
Total revenue	0.21	0.45	0.38	0.51	0.48	0.46
Total expenses	(0.27)	(0.54)	(0.53)	(0.54)	(0.55)	(0.50)
Realized gain (loss) on investments	-	0.02	0.16	0.03	-	0.02
Unrealized gain (loss) on investments	(0.31)	(0.22)	(0.29)	(0.15)	0.18	0.26
Total increase (decrease) from operations ⁽²⁾	(0.37)	(0.29)	(0.28)	(0.15)	0.11	0.24
Net assets attributable to holders of redeemable units, end of period ^{(1) (2)}	\$ 9.19	\$ 9.57	\$ 9.89	\$ 10.21	\$ 10.37	\$ 10.27

(1) This information is derived from the Fund's audited annual financial statements and the most recent semi-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.

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

RATIOS AND SUPPLEMENTAL DATA

SERIES VII	Period ended January 31, 2015	Year ended July 31, 2014	Year ended July 31, 2013	Year ended July 31, 2012	Year ended July 31, 2011	Year ended July 31, 2010
Total net assets attributable to holders of redeemable units ⁽¹⁾	\$ 2,974	\$ 3,355	\$ 4,463	\$ 6,521	\$ 11,150	\$ 11,142
Number of shares outstanding	367,465	401,356	525,122	755,056	1,279,728	1,293,214
Management expense ratio ⁽²⁾	4.06%	3.84%	3.48%	4.63%	5.25%	4.86%
Management expense ratio before IPA ⁽²⁾	4.06%	3.84%	3.63%	4.57%	5.12%	-
Portfolio turnover rate ⁽³⁾	-	-	18.99%	0.56%	-	-
Trading expense ratio ⁽⁴⁾	-	-	-	-	-	-
Net assets attributable to holders of redeemable units per unit	\$ 8.09	\$ 8.36	\$ 8.50	\$ 8.64	\$ 8.71	\$ 8.62
SERIES VIII						
Total net assets attributable to holders of redeemable units ⁽¹⁾	\$ 3,885	\$ 4,058	\$ 4,238	\$ 4,398	\$ 4,485	\$ 4,470
Number of shares outstanding	414,625	416,664	422,353	426,000	429,008	433,235
Management expense ratio ⁽²⁾	5.37%	5.18%	4.79%	4.89%	5.04%	4.64%
Management expense ratio before IPA ⁽²⁾	5.37%	5.18%	4.91%	4.80%	4.91%	-
Portfolio turnover rate ⁽³⁾	-	-	18.99%	0.56%	-	-
Trading expense ratio ⁽⁴⁾	-	-	-	-	-	-
Net assets attributable to holders of redeemable units per unit	\$ 9.37	\$ 9.74	\$ 10.03	\$ 10.32	\$ 10.46	\$ 10.32
SERIES IX						
Total net assets attributable to holders of redeemable units ⁽¹⁾	\$ 12,374	\$ 12,930	\$ 13,549	\$ 14,125	\$ 14,496	\$ 14,465
Number of shares outstanding	1,346,938	1,351,290	1,369,763	1,382,335	1,396,270	1,407,334
Management expense ratio ⁽²⁾	5.79%	5.54%	5.18%	5.22%	5.34%	4.95%
Management expense ratio before IPA ⁽²⁾	5.79%	5.54%	5.31%	5.13%	5.20%	-
Portfolio turnover rate ⁽³⁾	-	-	18.99%	0.56%	-	-
Trading expense ratio ⁽⁴⁾	-	-	-	-	-	-
Net assets attributable to holders of redeemable units per unit	\$ 9.19	\$ 9.57	\$ 9.89	\$ 10.22	\$ 10.38	\$ 10.28

(1) This information is provided as at July 31 of the years shown, except the most recent which is January 31, 2015.

(2) 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. 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.

(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.

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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 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.

The Fund pays annual fees of 1.25% of the net asset value of the Fund for these management fees.

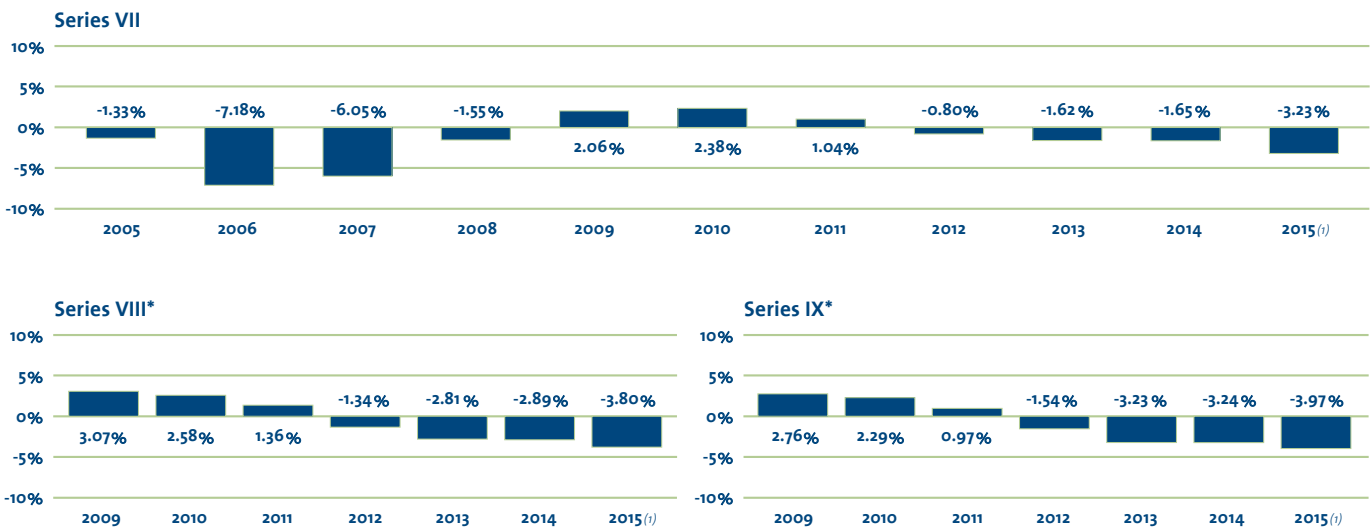
The Fund's MER consists of all of its operating expenses, including sales commissions, certain ongoing marketing costs of the Fund, audit and legal expenses, fees paid to any independent valuator, IPA (if any), and certain consultancy costs. The largest component of the MER are fees that are calculated 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 interim financial statements.

PAST PERFORMANCE

The performance information shown does not take into account sales, redemption, distribution or other optional charges that would have reduced returns on performance. The Series' past performance is no guarantee of how it will perform in the future.

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.



(1) For the six month period ended January 31, 2015.

* Series VIII and IX were closed to new subscriptions on March 31, 2008 and as such, commercial active operations on April 1, 2008. As such, annual return is unavailable since there is only a four-month return as of July 31, 2008.

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SUMMARY OF INVESTMENT PORTFOLIO

Below is a summary of the Fund's portfolio as at January 31, 2015. 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.

Stage of development	Number of companies	Cost of investments \$	% Total venture investments at cost %	Fair value of investments \$	% Total venture investments at fair value %
Expansion	4	4,035	100.0	3,362	100.0
	4	4,035	100.0	3,362	100.0
Industry class					
Distribution	1	1,200	29.7	1,200	35.7
Manufacturing	1	1,975	49.0	1,975	58.7
Technology	2	860	21.3	187	5.6
	4	4,035	100.0	3,362	100.0
Composition of net assets				Fair value of investments \$	% of net assets %
Marketable securities				15,984	83.1
Venture investments				3,362	17.5
Liabilities, net of other assets				(113)	(0.6)
Net assets				19,233	100.0

TOP HOLDINGS ⁽¹⁾

	Debt at cost \$	Equity at cost \$	Total at cost \$
Marketable securities			
Royal Bank of Canada	8,186	-	8,186
Loblaw Companies Ltd.	3,549	-	3,549
Nova Gas Transmission	3,096	-	3,096
Venture investments			
Mist Mobility Integrated Systems Technology Inc.	1,975	-	1,975
Fidelity Stainless Ltd.	1,200	-	1,200
WireI Holdings International Inc.	-	815	815
bitHeads Inc.	-	45	45

⁽¹⁾ Excluding cash and short-term investments

Fund Symbols

Series VII CIG462 - Closed
Series VIII CIG465 - Closed
Series IX CIG466 - Closed

Fund Manager and Advisor

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Canadian Federal Pilots Association

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