

Issue 18, March 2009

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## WELCOME FROM THE CEO



Welcome to Issue 18 of the Investors' Advantage newsletter. Undoubtedly, like most investors, you are intently watching the nightly news broadcasts and reading the newspapers to keep abreast of the global crisis in financial markets. And the news has been bad, painting a gloomy picture for the Canadian economy as well as most other economies around the world. The OECD, for example, predicts that the global economy will shrink by 4.3% this year and by 0.1% next year. As for Canada, our Gross Domestic Product or GDP shrank by 0.7% in January, marking the sixth consecutive monthly decline, and the OECD forecasts that Canadian GDP will contract by 3% this year and grow at a scant 0.3% in 2010.

It would be easy, and certainly understandable, in light of these reports and statistics to be pessimistic about investing in stocks. But here is where we need to keep our emotions in check and remember a few simple facts about financial markets. The first fact is that financial markets have always recovered. Since 1949, we have experienced 12 bear markets (including this one) and each has been followed by a significant and sustained bull market. The second fact is that stocks always recover before the economy recovers. This is because much of the bad news that we are reading about today has already been priced into the market and today's stock prices reflect investors' expectations of the economy's future performance. The third simple fact is that stocks have historically always outperformed other securities (e.g., money market, bonds, bullion) over time.

All this leads to one conclusion. Using the words of Sir John Templeton, "the time of maximum pessimism is the best time to buy... and the time of maximum optimism is the best time to sell." I believe we are now at that time of maximum pessimism. Consumer confidence has never been lower in my working career. The appetite for risk is at or near historic lows and global stock valuations as measured by price/ earnings multiples are the lowest they have been in 20 years in most jurisdictions.

Investors often go through a range of emotions which causes them to buy stocks at high prices when the markets are euphoric and sell stocks at low prices when panic sets in during declining markets. This is exactly opposite to what they should be doing. Rational investors, on the other hand, stick to a long term investment strategy and buy when others are depressed and despondent. So let's put our emotions to the side and make our decisions based on rational and proven market dynamics.

Frank Holler  
CEO, BC Advantage Funds

## 2009 TAX CREDITS SALES



2009 tax credits are now available for sale. Take Advantage of your tax refund by investing early!

## CONTECH SUCCESSFULLY DIVESTS SCATMAT

In early December 2008, Contech sold its ScatMat product business to RadioSystems for an undisclosed sum in the multiple millions of dollars. This asset sale was particularly strategic as the patent protecting ScatMat's market exclusivity had very recently expired and RadioSystems, Contech's largest buyer of ScatMat, was preparing to launch a competitive product.

The ScatMat transaction provides Contech with enough capital to seek out new, higher margin product opportunities. The Company anticipates that its aggressive acquisition strategy will lead to profitability by 2010.

Contech is currently in negotiations to acquire the rights to a number of new, environmentally friendly pest and pet products, most notable of which is a non-toxic mosquito repellent which, in initial studies, has demonstrated to be more effective than DEET.

Contech had record sales of \$8.3M in 2008 and, as a result of the ScatMat asset sale, had positive cash flow of \$1.9M.

## RED HERRING WINNERS

In September of 2008 Red Herring, a global media outlet focusing on high technology innovators, announced the top 50 most innovative and promising companies in Canada. Three Advantage Portfolio Companies won awards in their respective categories:

- Inimex Pharmaceuticals (Life Sciences) – Led by CEO John North in 2008, Inimex raised an impressive US\$22 million from an international syndicate of investors to further develop its platform of innate defense regulators towards boosting the immune system to treat infectious disease.
- Contigo Systems (Other) – Led by CEO, John Tedesco, Contigo is a leading provider of location-based services using wireless and GPS technology for asset-tracking, fleet management and personal safety applications. In late 2008, Contigo added LoJack and Telus to an already impressive and growing list of business partners. Contigo's current install base sits at approximately 9,400 accounts and is growing by more than 300 accounts monthly.
- Mobidia Technology (Communications) – Led by CEO Derek Spratt, Mobidia's .wave™ software (communication) solution provides mobile communications operators the ability to add effective capacity to existing network infrastructure, accelerate subscribers' experiences, provide unique insights into subscriber's data usage, and enhance mobile data traffic management solutions. In 2008 Mobidia moved into the advanced stages of testing and implementation with Vodafone towards an anticipated rollout in 2009.

## NEW INVESTMENTS UPDATE

**MSI METHYLATION SCIENCES** During January 2009 the Advantage Venture Fund increased its stake in MSI Methylation Sciences by investing \$1M through a top-up round to the Company's Series A financing. Pursuant to this investment, Advantage President Jim Heppell was appointed to the MSI Board.

MSI is developing a new formulation of a widely used nutraceutical (SAmE) as a pharmaceutical for the treatment of depression. There is a large body of academic studies showing the safety of SAmE and that it has efficacy equal to that of the current pharmaceuticals being used to treat depression. The currently available form of SAmE is approved as a pharmaceutical in Europe to treat a number of conditions, including depression.

The historical use of SAmE significantly decreases the development risk of reformulated SAmE as the compound has already proven to be safe and effective in humans. MSI is taking the steps necessary to have its reformulated SAmE approved as a pharmaceutical as doctors are not willing to prescribe a nutraceutical to treat depression (partly because of the lack of consistency in the amount of active ingredient in nutraceuticals) and as insurers are generally willing to pay for pharmaceuticals for the treatment of depression, but will not pay for nutraceuticals.

As the patents protecting the current anti-depressant pharmaceuticals have recently ended, or will end within the next two years, MSI's reformulated SAmE could provide a pharmaceutical company with a proprietary compound capable of replacing the multi-billion dollar market it has lost. MSI is currently carrying out pharmacokinetics studies of its lead formulations in healthy human subjects in preparation for its Phase I trial, scheduled to begin in Q2 2009.

**URODYNAMIX TECHNOLOGIES LTD** During November 2008, Advantage invested an additional \$2.5M into Urodynamix Technologies. Urodynamix is working with two industry leading distribution partners - Laborie Medical and Medical Measurement Systems, to market its non-invasive bladder monitor devices based on near infrared spectroscopy (UroNIRS).

Urodynamix's Tetra Bladder monitor was approved for sale in 2008 and has been integrated with Laborie's own urodynamics equipment for use in hospital settings. In January 2009, Urodynamix announced US approval of UroNIRS 2000 - its second, stand-alone device for sale to primary care physicians and urologists for use in their offices and clinics.

Urodynamix is currently conducting marketing trials to demonstrate the performance and advantages of its UroNIRS for diagnosing

urinary conditions, including obstruction, incontinence and enlarged prostate.

In late November 2008, Urodynamix announced that it had teamed up with Pfizer to launch a series of promotional programs aimed at increasing awareness of UroNIRS technology. Urodynamix is looking to expand on the application of its UroNIRS technology, with product development programs underway in the areas of erectile dysfunction, abdominal compartment syndrome and the enhanced treatment of prostate cancer through assisted transurethral microwave therapy. Urodynamix is held in both the Advantage Venture Fund and the Advantage Growth Fund.

## AQUINOX PHARMACEUTICALS

In February 2009, Advantage completed its second tranche, Series A investment in Aquinox Pharmaceuticals with an additional \$500,000 invested. Aquinox is an emerging therapeutics company founded in 2004 as a spin-off from the University of British Columbia, the BC Cancer Agency and the Vancouver Coastal Health Research Institute.

Aquinox is targeting an enzyme named SHIP, which has been shown to be an important negative regulator of the PI3 kinase pathway. The PI3 kinase pathway is known to contribute to the uncontrolled activity and growth of hematopoietic cells, specifically in processes of inflammation and certain blood cancers. Aquinox has demonstrated, in several in-vitro and animal models, that increasing SHIP activity suppresses the PI3 kinase pathway and leads to a reduction in inflammation or cancer growth.

Having secured a 7,500 sq. ft. research facility in Richmond to support its 14 employees, Aquinox is now working to optimize its lead compound in preparation for human clinical trials. Aquinox is well supported by a strong syndicate of investors including BC Advantage Funds, Ventures West, Baker Brothers and Johnson & Johnson Development.

## ABOUT ADVANTAGE

Advantage offers everyone in BC the opportunity to invest in some of the Province's most promising life science, technology and clean-technology companies. Advantage investors receive a 30% refundable tax credit from the BC government on investments of up to \$200,000 per year.

## FOR MORE INFORMATION

For more information about BC Advantage Funds, contact your Investment Advisor or:

**Ray Matthews**

Vice President of Sales and Marketing  
rmatthews@lionscapital.com | (604) 818-7778

Please read our Prospectus and consult with your investment and other advisors before investing.

**PLEASE VISIT OUR WEBSITE AT [WWW.BCADVANTAGEFUNDS.COM](http://WWW.BCADVANTAGEFUNDS.COM)**

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There is no market for our securities and liquidity may depend upon our ability to redeem our shares after the required hold period which is five years following the date we have invested our investors' funds. There is no guarantee that we will be able to redeem our shares if, as and when requested to by an investor. Investors should consider this investment a long-term investment.

An investment in our securities includes a tax credit in prescribed circumstances. Investors should review our prospectus for a full discussion on the tax aspects of an investment in our securities.