



Difference Capital Shareholder Update

Private Portfolio performance in a tough environment

We reported our full year 2015 results recently. For those of you who don't have time to pour over the detailed documents, here's a few things we'd like to highlight for you:

- **Portfolio Returned 12%** - Our portfolio of mostly private late-stage positions provided a gross return of 11.7% in 2015. This compares favourably to a TSX decline of 11% during the same period. We believe this performance supports the difficult restructuring we did in 2014 and indicates the stability in the portfolio post this.
- **NAV/share increases from \$1.73 to \$2.01** - A gain of 16%. This was driven by the performance of the portfolio and by our debt and share buybacks – partially offset by operating costs, interest on our debt and a one-time charge to internalize the manager.
- **Discount to NAV drops** – in addition to the NAV/share going up, our recent stock price discount to NAV/share has also decreased. This is a double positive for shareholders. Throughout much of 2015 our discount was around 50% or more. Recently this discount has fallen to about 35%, which we believe reflects more confidence in the NAV and its ability to sustain or grow, but clearly with some room for further improvement.
- **Balance Sheet Improvements** – Our successes in 2015 enabled us to pay down \$16.7 million of debt and since inception have paid down almost \$21 million. This leaves us with \$13 million in cash and \$35 million in debt that is not due until July 2018. We note the debt has about 2.5x asset coverage. Overall we believe our liquidity is in good shape.
- **Major exits** – In our business, the cold hard cash is only realized when you exit a position. And prior to 2015, we had achieved few exits as the portfolio was still quite young. But that changed in 2015 as we exited Lignol, WorldGaming, Infraredx, Chieftain (real estate), and most of our Aurinia along with a few other small positions. We believe Difference was one of the leading venture funds in Canada in terms of exits in 2015. And we continue to work on exits in 2016, helped by the strong US dollar.
- **Looking forward** – We believe we have started 2016 with a stronger portfolio, improved balance sheet, leaned-out operations and the capacity to handle more assets. While the public capital markets are currently in a bit of a funk (a highly technical term) we remain very excited about the medium term outlook for our current investments.
- For a more detailed update, please see our March 2016 Investor Presentation on our website at <http://differencecapital.com/investors/events-presentations/>

Sincerely,

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