

Difference Capital Shareholder Update

A quiet Q1, but some events worth noting

Last week we reported our Q1 results. You can read all the riveting financial details here:

<http://differencecapital.com/investors/financial-reports-filings/>.

Here's the Coles Notes version: NAV/Share fell \$0.13 from \$2.01 to \$1.88.

- \$0.05 of the fall was due to the impact of foreign exchange movements. We have about 20% of the portfolio in \$US dominated investments which were impacted by the lower \$US during the quarter.
- \$0.03 is the regular impact of the interest paid on our \$35 million of debt, down significantly from last year we have reduced the debt outstanding from \$56 to \$35 million.
- \$0.03 was regular operating expenses, also lower than last year.
- Only \$0.01 of the decline can be attributed to the portfolio itself. It was a quiet quarter for marks in the portfolio; no big M&A, no IPOs and one smallish write-down on an early stage company, which was somewhat offset by income.

We like to remind investors that we are a long-term manager of alternative assets (later-stage VC mostly) and caution investors not to use quarter-to-quarter trends to judge our performance.

While it was a quiet quarter for marks in the portfolio, there is still a lot of long-term activity going on.

Specifically:

- ***Palm Springs anyone?*** As mentioned in the Q1 press release, our last remaining real estate investment, a 21% interest in a 650 acre parcel of undeveloped land near Palm Springs California, had the major impediment to the sale of the property resolved, permitting us to actively consider our liquidity options for this investment. To see the land, look on Google maps Earth view at the intersection of Bob Hope Drive and Gerald Ford Drive in Rach Mirage (<https://www.google.ca/maps/@33.7800253,-116.3975718,2298m/data=!3m1!1e3>). It's the massive empty field surrounded by golf courses and residential communities.
- ***Thank you AT&T.*** Just this week, it was announced that a company you may have heard of, AT&T, is planning on purchasing one of our later-stage companies, Quickplay Media! Financial details have yet to be disclosed. Over the years we have invested about \$3.5 million in Quickplay, and are situated alongside a much larger investment by the well-regarded Chicago-based private equity firm, Madison Dearborn Partners. We have been saying for some time now that the M&A market for tech in Canada is quite strong and is being helped along by the weak Canadian dollar. This transaction supports that assessment.
- ***Portfolio Day.*** Investors should be aware that we are hosting our third annual "Portfolio Day" on June 1st where we will have eight of our most interesting portfolio companies present to an audience of investors, analysts and bankers. This year our presenters include Vision Critical, Blue Ant Media, Thunderbird Films, BuildDirect, Bluedrop, Brianscope and Vena Solutions. If you are a significant investor in Difference Capital or an analyst/advisor and want to attend, please let us know as soon as possible as seating is limited. Sincerely,

The Investment Team at Difference

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