

2015 Fund Highlights

British Columbia Discovery Fund (VCC) Inc.

► Portfolio Liquidity Realized

After a long drought, financial markets and potential acquirers turned their attention to the technology sector over the last two years. This has resulted in much needed liquidity for venture-backed technology companies, including the portfolio companies of the Fund. Anecdotally, there has been renewed and vigorous interest from investment bankers in many of the companies in the Fund's portfolio that the Fund Manager has not seen in several years, based largely on the later stage status of the portfolio as demonstrated by the revenue growth chart below.



Early in 2013, the business of **Vivonet Inc.** was acquired in an M&A transaction, while **Gatekeeper Systems Inc.** (TSX Venture - GSI) was able to complete a going public transaction. The shares of **Avigilon Corporation** (TSX-AVO) have performed extremely well since Avigilon went public in 2011 and the Fund was able to take advantage of liquidity opportunities since the listing date, generating \$22.1 million of net proceeds from transactions on the TSX during that period. Finally, in early 2014, **In Motion Technology Inc.** was acquired by Sierra Wireless, Inc. (TSX-SW) for an announced transaction value of US\$21 million resulting in net proceeds to the Fund of approximately \$9.3 million.

The Fund Manager is continually exploring liquidity options with all of its other portfolio companies.

► Redemptions Outlook

The Fund made a redemption offer of \$10.9 million in 2013 and a further redemption offer of \$9.6 million was announced in 2014 (for a total of \$20.5 million over that period), which was the maximum redemption target of the Fund for each of these years. The Fund Manager remains confident that the Fund will be able to achieve its maximum redemption target for 2015, currently estimated to be approximately \$7.4 million.

► Outlook & Tax Credit

With renewed financial market interest in the technology sector, the Fund Manager strongly believes that the Fund's portfolio has never been stronger and that there remains promising potential for near term liquidity, and investment returns, from the Fund's late stage investments. Investors have an opportunity to participate in this sector at a time of renewed interest at values that we believe to be attractive. Investors are also reminded that an investment in the Fund provides the individual investor with a 30% refundable tax credit, up to \$60,000 based on a maximum \$200,000 investment.



BC DISCOVERY FUND

bcdiscoveryfund.com

1-877-553-FUND

► BCDF Fund Facts

FUND CODES	DCC100, DCC101, DCC102 & DCC104
ASSET CLASS	Venture Capital Fund
INVESTMENT MANAGER	Discovery Capital Management
TAX CREDIT	30%
ELIGIBILITY	BC Residents Only
MIN. INVESTMENT	\$2,500
MAX. INVESTMENT	\$200,000
PURCHASE PRICE	Pricing NAV per Share
VALUATIONS	Weekly
ELIGIBLE ACCOUNTS	RRSP, RRIF, RESP, TFSA
REDEMPTION	Minimum 5 Year Hold

Under the rules applying to redemptions, investors should expect to hold their shares for longer than 5 years.

So happy together.



HD CAMERAS



HD STORAGE



CONTROL CENTER SOFTWARE

Complete, end-to-end surveillance system

Several years ago Avigilon recognized an unmet need in the market for a high-definition video surveillance solution that is cost-effective, easy to install, and fully integrated at the factory.



Maximum clarity with minimum bandwidth.



Seamless integration.



Scale up to fit your business.

The **Avigilon high-definition surveillance system** is a fully digital, IP-based Ethernet network solution complete with high-definition IP cameras, network video recorders (NVRs) and Network Video Management Software (NVMS) that has been designed to allow for image capture, storage, transfer and playback of high quality video surveillance footage with visually lossless compression.

Large, growing market

The worldwide market for video surveillance equipment is estimated by ABI Research to be US\$16 billion in 2011. Sales are expected to grow rapidly to US\$29 billion by 2015. Security threats, including terrorism and crime, are generating greater demand from a wide range of businesses, individuals and governments for surveillance equipment to help protect assets and people. Avigilon discovered that the market wants more sophisticated and versatile video surveillance solutions that have more features than simply recording and playing back images.

Strong momentum

Avigilon began selling its solutions in late 2007, and in just a few years, achieved significant revenue growth – despite a backdrop of global economic uncertainty. Avigilon systems are deployed in over 80 countries, at more than 10,000 customer sites. Revenues have grown from virtually nil in 2007 to over \$100 million in 2012, and Avigilon has been profitable since 2009.

Result: Significant success for the Fund!

In aggregate, the Fund invested a total of **\$4.75 million** in Avigilon, including \$2.25 million into Avigilon's \$20 million IPO on the TSX in November 2011. As a result of its investment, BC Discovery Fund President and portfolio manager Harry Jaako was appointed to the board of directors – Harry continues as Lead Director helping to guide Avigilon as a public company. BC Discovery Fund was **the only venture capital fund to invest** in Avigilon!

Since the IPO date, BC Discovery Fund has realized significant gains, and generated substantial liquidity, harvesting its position in Avigilon through transactions on the TSX. As at December 31, 2014, the Fund had realized gross proceeds of **\$23.3 million**, resulting in net gains of **\$20.2 million**. In addition, the Fund held shares with a stock market value of approximately **\$7.7 million** as at that date.

Quantum computing has arrived.



Every so often there is a chance to make a difference, to undertake a project - in the style of the Apollo moon landings - which against all odds makes a “**technology of the future**” an achievement of today.

The D-Wave Quantum Computer

Despite the incredible power of today’s supercomputers, there are many complex computing problems that can’t be addressed by conventional systems. The huge growth of data (“Big Data”) and the need to better understand everything from the universe to human DNA drives the development of new tools that can help provide answers.

Quantum computing has the potential to help solve some of the most complex technical, commercial and national defense problems that organizations and humanity face. It is expected that quantum computing will lead to breakthroughs in science, engineering, modeling and simulation, financial analysis, optimization, logistics and national defense applications.

D-Wave’s flagship product, the 512-qubit D-Wave Two™ quantum computer, is the most advanced quantum computer in the world. It is based on a novel type of superconducting processor that uses quantum mechanics to massively accelerate computation.



Result: Significant opportunity for the Fund!

BC Discovery Fund played a key role in the D-Wave’s \$36 million equity financing closed in 2012/2013 by providing a \$2 million lead order and setting the terms that resulted in one of the largest venture financing rounds in Canada during that period. The Fund identified D-Wave as one of the most exciting later-stage venture investment opportunities in BC. Based on its recent commercial successes, market-leading intellectual property and the tremendous market opportunity ahead of it, the Fund considers that D-Wave is positioned to be another highly successful investment.

Recent Success

Burnaby-based D-Wave has recently entered the commercialization phase of the product cycle after 14 years of research and development. The Company holds more than 100 granted US patents in quantum computing systems, ranking it #1 in this class amongst all patent holders world-wide. Recent successes include sales to Lockheed Martin, Google and NASA Ames Supercomputing Center.

D-Wave is working with many other universities and government agencies to evaluate performance against a wide range of very computationally-intensive applications that could lead to breakthroughs in diverse fields such as healthcare, financial analysis, logistics and intelligence. This will lead to a whole new ecosystem of application development and support organizations that build on the capabilities of the quantum hardware.

“We actually think quantum machine learning may provide the most creative problem-solving process under the known laws of physics.”

Hartmut Neven, Director of Engineering, Google

► The Fund

British Columbia Discovery Fund (VCC) Inc. is a diversified venture capital investment fund, which provides investors the opportunity to participate in the emerging technology industry in British Columbia. The Fund issues its shares under the Venture Capital Corporation (VCC) program, a B.C. government initiative to promote economic diversification and investment in small businesses, including technology ventures. In addition to enabling participation in innovative, local companies, BC Discovery Fund provides retail investors access to private venture capital investment opportunities, which are often only accessible to institutional shareholders.

Eligible individual investors in the Fund receive a tax credit equal to 30% of the amount invested, to a maximum of a \$60,000 tax credit per annum. The tax credit on investments into the Fund during the first 60 days of the year can be carried back and applied against the prior year's taxes payable. To the extent that the amount of the tax credit exceeds an individual's British Columbia taxes otherwise payable, the individual is entitled to a refund of the difference.

► Portfolio Insight

Total Active Investments	9
Private Investments	6
Public Investments	3
Late Stage	9
Early Stage	-
Seed Stage	-
Investments Since Inception	21
Exits/Discontinued Since Inception	12
Companies with BCDF on the Board	6

► Portfolio as at December 31, 2014

Mobile Technology	PUBLIC/PRIVATE	WEBSITE	INVESTMENT COST
Mobidia Technology Inc.	Private	mobidia.com	\$ 5,262,500
Rx Networks Inc.	Private	rxnetworks.com	4,514,725
			\$10,277,225
Information Technology			
Avigilon Corp.	AVO-TSX	avigilon.com	\$ 750,000
D-Wave	Private	dwavesys.com	2,150,000
Gatekeeper Systems Inc.	GSI-TSX Venture	gatekeeper-systems.com	1,951,530
Navarik Corp.	Private	navarik.com	1,000,000
Vigil Health Solutions Inc.	VGL-TSX Venture	vigil.com	867,452
			\$ 6,718,982
Clean Technology			
Tantalus Systems Corp.	Private	tantalus.com	\$ 4,582,639
Paradigm Environmental Technologies Inc.	Private	microsludge.com	3,616,615
			\$ 8,199,254



► Available Tax Savings (2014 Tax Rates in BC)

Each individual situation should be reviewed by an independent tax specialist

example: \$10,000 Gross Investment

	\$ 43,953	\$ 75,213	\$ 86,354	\$ 87,907	\$104,858	\$136,270	\$150,000
Your Taxable Income	\$ 43,953	\$ 75,213	\$ 86,354	\$ 87,907	\$104,858	\$136,270	\$150,000
Combined Marginal Tax Rate in BC	29.70%	32.50%	34.29%	38.29%	40.70%	43.70%	45.80%
Investment Amount	10,000	10,000	10,000	10,000	10,000	10,000	10,000
BC Tax Credit	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Tax Savings from RRSP Contribution	2,970	3,250	3,429	3,829	4,070	4,370	4,580
Tax Savings - non RRSP accounts	3,000						
Tax Savings - RRSP accounts after contribution	5,970	6,250	6,429	6,829	7,070	7,370	7,580
Net Investment after Tax Savings - non RRSP accounts	7,000						
Net Investment after Tax Savings - RRSP accounts	4,030	3,750	3,571	3,171	2,930	2,630	2,420

This Fund Highlights is not intended as an offering of securities. The current prospectus of BC Discovery Fund contains important information pertaining to an investment in the Fund, including management fees, expenses, commissions and trailing commissions associated with the Fund, as well as risk factors. Please read the prospectus before investing. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. To obtain further information and a copy of the prospectus, please contact a registered investment advisor.