

Issue 20, Summer 2009

Visit us on the web:
www.bcadvantagefunds.com

WELCOME FROM THE CEO



Welcome to Issue 19 of the Investors' Advantage newsletter. Since our last newsletter in March, stock markets around the world have recovered significantly from their first quarter lows. For example, the Dow Jones Industrial Average rallied from a level of 6,547 on March 9 to 8,438 on June 26, representing an increase of 29%. Similarly, the S&P/TSX Composite Index increased from 7,567 on March 9 to 10,390 on June 26, representing an increase of 37%. This has been encouraging.

More encouraging for Advantage, however, is that the NASDAQ Composite Index (generally regarded as a measure of technology sector performance) has substantially out paced the broader US indexes. The NASDAQ index is up from 1,269 on March 9 to 1,838 on June 26, or 45% over the same period.

In this newsletter (see adjacent column), Advantage fund manager David Raffa looks at the relative performance of the technology sector and asks the question, "Why are technology stocks leading the market recovery?" The answers may surprise you. Technology companies by and large have more conservative balance sheets vis-à-vis their traditional industry counterparts and have achieved significantly greater productivity. Overall, it appears that the technology sector is well positioned to participate in the market recovery which is potentially good news for Advantage's technology focused investment funds.

Of course, what is more important to investors than past performance is the future performance of the stock market. Here, market analysts tend to fall into two camps – those that believe we are simply in the midst of a bear market rally and those that believe we are now in the early stages of a new long-term bull market. We have no crystal ball at Advantage but we firmly believe that the technology industry has strong growth prospects (especially relative to other sectors in an expected low-growth economic climate) and should not be ignored in any well diversified portfolio. After all, technology stocks represented about 17% of the value of S&P 500 Stock Index last year and include many of the fastest growing companies in the index.

That said, investing in technology stocks can be intimidating. These companies span many industries (e.g., pharmaceuticals, telecommunications, clean technology, software, etc.), their businesses evolve at a rapid pace, stock values tend to be volatile and many are small-capitalization or micro-cap stocks that are less liquid than mid-cap and large-cap stocks. So while we are strong believers in the technology sector over the longer term, we do favour a strategy of investing via a professionally managed and well diversified technology fund in order to minimize volatility and maximize the probability for good performance.

Also in this newsletter, we report on the completion of redemptions for Advantage Life Science Fund I, outline recent progress by two portfolio companies, Oncogenex Pharmaceuticals and Urodynamix Technologies, and provide a new investment update on Protox Therapeutics.

ADVANTAGE COMPLETES REDEMPTION OF ADVANTAGE LIFE SCIENCE FUND 1 (ALSFI)

Advantage announced in April 2009 that it had fulfilled all redemption requests received from shareholders of Advantage Life Science Fund I. All investors requesting redemption have received full cash consideration for their shares as they became redeemable under the provisions of the Small Business Venture Capital Act.

Redemption values averaged \$12.42 per share, with a range of \$9.82 to \$15.86 per share based on the net asset value of the fund on the date of redemption. This amount is over and above the \$10 per share special cash dividend paid by ALSFI in December 2006 and the refunded tax credit received by shareholders on purchase of their shares. Including the special dividend and the tax credit, the average investor in ALSFI received a return of well over three times their net investment.

Shares of ALSFI held by investors who did not redeem their shares were converted to shares of the Advantage Venture Fund on April 9, 2009 at an exchange ratio determined by the relative net asset values per share of the two funds on that date.

TECH MARKET LEADING RECOVERY

Stock markets continue to disappoint many investors as market corrections are clipping back some of the gains realized in the recent recovery. Whether you believe that the recovery period has started or that there is still a ways to go, pretty much everyone is looking for where next to place their investment dollars. We, at Advantage, believe that this is a very good time to be deploying venture and private equity capital, and a very good time to be doing so in technology. This belief is supported by the market as shown by the way the NASDAQ, generally considered to be a technology index, has out-performed most other indices this year.

Through the end of June, the NASDAQ Composite was up 12.3% year to date, as compared to the S&P 500 and Dow Jones which both remain in negative territory. At the same time, Morningstar reported that the Tech Fund category of investment funds was up nearly 20% outperforming all other US based stock fund categories.

So, why technology? Because technology companies are well positioned to perform as the economy turns around. First, there were the lessons learned in 2001 when the technology bubble burst. Coming out of that experience, many technology companies ran more conservative balance sheets and avoided over-leveraging themselves. Technology companies have the ability to do this better than "bricks and mortar" companies who often have significant CapEx and OpEx and very tight operating margins, making them more vulnerable to down markets and especially those where capital is constrained. When the markets started de-leveraging, technology companies were simply less at risk because they had better balance sheets and thus could weather the storm better.

(Continued next page)

2009 FUND SALES



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

UPDATES

On the performance side, technology companies often recover first coming out of a recession. Why? Because when the economy slows, demand for goods (including resources) and services drops and so does the performance of companies serving those markets. By contrast, difficult times spurs innovation; innovation drives improved productivity; and improved productivity is one factor that leads to a recovery. The ability to innovate and enhance productivity explains why technology stocks perform well, and in fact typically lead, during an economic recovery.

One final point on how the market views technology. A&R Edman, using its latest survey the 2009 Trust Barometer, showed how the strong bond between trust in companies and how they performed in the consumer market, and thus how they performed in the stock market. Of the industry segments they surveyed, the technology industry is the only one where the major brands were trusted above the average. Overall, the technology industry has a substantially higher trust score than any other segment (imagine the data for the automobile or consumer products segments). The implication is that the technology market is best positioned to lead the recovery. At Advantage, we are counting on it!

INVESTMENT UPDATES

ONCOGENEX PHARMACEUTICALS

In December 2008, OncoGenex Pharmaceuticals (NASDAQ:OGXI) announced the results of its Phase 2 clinical trial which indicated that metastatic prostate cancer patients treated with its OGX-011 in combination with the current gold standard chemotherapy had a median survival of 27.5 months, while the patients that were treated with the gold standard chemotherapy had median survival of 16.9 months. The announcement further indicated that patients in the OGX-011 arm had a death rate approximately 40% lower than patients in the gold standard chemotherapy alone arm.

During the three days following the OncoGenex announcement, OncoGenex traded over one million shares and the price of its shares climbed from US\$2.25 to US\$7.29, ranking OncoGenex as the number one weekly percentage gainer on NASDAQ.

On May 15, 2009 OncoGenex released additional data and statistical analysis relating to its Phase 2 trial that it was preparing to present at the upcoming American Society of Clinical Oncology conference. Five days following that announcement, the life sciences analyst at Rodman & Renshaw issued an analyst report setting a target price of \$22 for shares of OncoGenex. The market responded vigorously moving the OncoGenex stock from its then price of \$13 to a high of just over \$26 in mid-June. Believing that the robust run up in the value of the OncoGenex stock had maximized its current value, we sold the Advantage Venture Fund's holdings of OncoGenex into the market in late May and June. That divestiture provided the Advantage Venture Fund with a 40% return on its invested capital and an internal rate of return of 11.28%.

PROTOX THERAPEUTICS

In May 2009, Advantage invested an additional \$750,000 into Protox Therapeutics as part of a \$2.3 million private placement. We continue to be encouraged by the progress made by Protox with its lead drug development program for BPH (benign prostatic hyperplasia or enlarged prostate) and believe it to be a very attractive investment at current market prices.

In April, Dr. Peter Pommerville, Principal Investigator for Protox's open label Phase 2 clinical trial presented detailed data from the study at the 2009 American Urological Association (AUA) meeting in Chicago. The AUA meeting is the world's largest gathering of urology professionals.

Dr. Pommerville provided details of 90 day results from the study of Protox's drug PRX302 in patients with moderate to severe BPH. In a moderated poster presentation and paper, he concluded that PRX302 is shown in the study to be safe and well tolerated by patients and provides dramatic improvements in prostate symptom and quality of life scores, along with observed reductions in prostate volume. Based on the promising results from the open label study, a double-blinded, placebo controlled BPH study called TRIUMPH is currently in progress with top line results expected by year end.

At its Annual General Meeting in June, Protox also appointed pharmaceutical industry veteran Dr. Alex Giaquinto to its board of directors. Dr. Giaquinto has more than 35 years experience in the pharmaceutical industry, including 30 years at Schering-Plough where he was most recently Senior Vice President of Worldwide Regulatory Affairs.

URODYNAMIX TECHNOLOGIES

UroDynamix Technologies received regulatory approval to market its UroNIRS 2000 Bladder Monitor System in the United States in January 2009 and in Europe in February 2009. The UroNIRS 2000 is a medical device that allows urologists to use near infrared spectroscopy to aid in the diagnosis of prostate and bladder disease through a non-invasive test carried out in the urologist's office.

In early April, UroDynamix completed its first commercial shipment of UroNIRS 2000 to Medical Measurement Systems, a distributor of medical diagnostic equipment located in the Netherlands and entered into a distribution agreement with Suntek Medical Systems, a urology product distributor in South Korea. The Company reported revenues of \$271,281 for its fiscal first quarter ending March 31, 2009.

On June 25, 2009 Clarus Securities released an analyst report providing background on UroDynamix and analyzing its value. The analyst used a discounted cash flow projection model to set the value of UroDynamix at a range of \$50-\$130 million, with the lower number relating solely to its initial bladder product and the upper number relating to a multi-product offering (including bladder, enlarged prostate, prostate cancer screening and erectile dysfunction). Either valuation represents a substantial increase from UroDynamix's current market capitalization of approximately \$8.5 million.

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

This document is neither an offer to sell securities nor a solicitation of an offer to buy securities. The securities of our VCC funds are sold only by prospectus and through registered investment advisors. Investors should consult with their own investment advisors and obtain a copy of our applicable prospectus before making a decision to invest in one of our VCC funds. An investment in one of our VCC funds is speculative and high risk. This document includes reports of past performance. There is no guarantee that past performance will be indicative of future performance. 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.