

Punakaiki Fund Limited

December 2015 Quarterly Report

Welcome

We always enjoy seeing the results for companies as they come in each quarter. Half of the 14 companies we have invested in delivered a record month in December. The stand-out for me was Onceit, which is growing steadily, but had a strong seasonal finish to the year, up almost █% on the same quarter a year before. As impressive as that is though, 7 of the 14 companies had even higher year on year growth percentages for the quarter. However Mindfull, our newest investment, saw a large decline year to year after an amazing December 2014, and as a result the aggregate year on year revenue growth for all companies the quarter was “only” █%.

Our investment in Mindfull, completed just before the end of December, boosts the later-stage part of our investment mix, with Mindfull joining Vibe Communications and Onceit as companies who are delivering over \$█ in revenue and are profitable if they choose to be. On the other side of the ledger are Weirdly, Boardingware, ThisData and Influx, all with revenues under \$█ per year and with a high growth mandate. We expect to see at least one company graduate out of that group this year.

RedSeed had a particularly pleasing end to the year, commencing work with a large multi-national company based out of New Zealand, and steadily building their recurring revenue while remaining profitable. We continue to rate their success as a company who clearly delivers fantastic results to their clients – very large retailers who want to increase sales per retail worker.

Vibe Communications skirted with the news, when their client Integr8 (an ISP selling services with a highly unusual model) went into liquidation. Vibe founders Davey and Barry’s very strict control of credit resulted in Vibe’s losses being limited. The team worked incredibly hard just before Christmas to sign up Integr8 customers who were indirectly using Vibe’s services through Intagr8 as direct customers. We took our lumps but will emerge with an overall net positive position for Vibe.

At the February 2nd Board meeting the Board determined that the Net Asset Value (used for calculating the management fee) is \$14.955 million or \$16.40 per share, and that the Net Asset Value after deduction of the equity portion of the performance fee (used for determining the price at which capital is raised) is \$14.410 million or \$15.80 per share. This compares with the \$15.68 used for the December fundraising (before brokerage and the value of the attached September 2019 option is added) that has just closed after an extension to 31 January.

In that fundraising we raised \$2.2 million and we are working hard to get this money placed into companies and working for the investors. Over our long-term holding horizon, we expect these companies to grow, become profitable and look to pay dividends back to Punakaiki Fund.

Lance.



Vend

Vend provides cloud-based point-of-sale and retail management software which includes ecommerce, inventory management, customer loyalty and analytics, and integrates with payments, accounting and other business applications.

What's New: Vend continued to grow strongly during the quarter. Highlights for the September quarter include:

- Significant new features now launched including cash management, gift cards and advances in Xero integration;
- Allowing customers in Australia and the UK to pay in their own domestic currency (previously only NZD and USD was available);
- Sam Morgan appointed to the Board following the resignation of Rowan Simpson; and
- Ranking second in the TIN 10 Hot Emerging Companies (TIN100+ companies with the largest revenue growth in 2015).

Vibe Communications

Vibe Communications (Vibe) is an Auckland based ISP (Internet Service Provider) that provides wholesale and corporate telecommunication services to businesses in New Zealand.

What's New: Vibe continued to grow during the last quarter. Highlights include:

- Quarter on quarter revenue growth of █%;
- The repurchase of ex-CEO Rudi Hefer's 4.75% holding in Vibe by Vibe, to be held in the short term as treasury stock. This has the effect of increasing Punakaiki Fund's percentage ownership in Vibe;
- Founders Barry Murphy and Davey Goode attending the PTC telecommunications conference in Hawaii in January; and
- The launch of the alliance with NextGen and Intellipath.

During the quarter one of Vibe's wholesale customers, Intagr8, was placed into liquidation. The liquidator sold the customer base of the business relatively quickly and disappointingly Vibe was not provided the opportunity to bid. The bad debt loss to Vibe as a result of Intagr8's failure was moderate, however a number of Intragr8's old customers have migrated to Vibe and the margins that they are generating will result in Vibe recovering this bad debt cost quickly. As a result, Intragr8's failure has been beneficial for Vibe in the long term, despite some short term losses.



Raygun

Raygun is a Wellington based creator of developer tools. The engine of their growth is Raygun Crash Reporting, a tool that automatically tracks errors and crashes in applications across a wide range of platforms; and Raygun Pulse, a tool which offers Real User Monitoring, which provides insights into the performance experience users are having on a website/ application.

What's New: Raygun continued to grow strongly during the quarter. Recent highlights include:

- Quarter on quarter revenue growth of █%;
- New net customer growth of █% quarter on quarter;
- The release of Raygun Pulse in October/November with positive feedback to date and the first paying customers on board;
- Completing transactions with two larger customers;
- Nearly completing its next round of capital raising to fuel US expansion;
- CEO JD Trask winning the category of 'Science & Technology' in the Wellingtonian of the Year awards;
- CEO JD Trask announcing that he will re-locate to Seattle to establish the company's US sales team, with Lana Vaughan being promoted to General Manager of New Zealand; and
- Two staff members left Raygun during the quarter and although no new hires are expected in the March 2016 quarter, Raygun expects to double staff numbers over the next year.

As discussed above, Raygun has recently raised additional capital. This capital was raised at a valuation which implied a █ increase in the value of Puakaiki Fund's initial investment in Raygun. Punakaiki Fund participated in this recent capital raising by Raygun.

Onceit

Onceit is an on-line daily deal site offering primarily clothing and accessories and selling high end New Zealand designer fashion at insider prices. Onceit is profitable and pays dividends.

What's New: Onceit has had another good growth quarter. Highlights from the December quarter include:

- Quarter on quarter revenue growth of █% (significantly above its growth trend once adjusting for the Christmas period);
- Once again recording its best ever sales month (November), and already surpassing FY15 revenues with still a quarter remaining in FY16;
- Simon West, ex CEO of Ezibuy, joining the Onceit Board and becoming a █% shareholder. Simon purchased existing shares from Onceit CEO Jay Goodey and founder Craig Boxall. Punakaiki Fund's 25.6% shareholding has not been diluted as a result of this transaction;
- Successfully opened and operated a pop-up shop in Newmarket, Auckland for seven weeks prior to Christmas; and
- Continued to increase stock on hand and the number of products for sale on the site at any one time.



Timely

Timely provides appointment booking services to beauty salons, hairdressers, spas, consultants and personal trainers.

Boardingware

Boardingware helps boarding schools manage their students' movements and pastoral care using a SaaS product accessible by schools, teachers, parents and students.

What's New: Boardingware continued to add schools to its customer base at a relatively fast rate during the last quarter. Highlights from the December quarter include:

- Quarter on quarter revenue growth of █%;
- New net customer growth of █% quarter on quarter;
- Making a number of software upgrades including host (overnight) permissions, *Clever* integration, overhauling the parent and student front end web application (i.e. the user interface);
- Reducing server costs;
- Increasing pricing for New Zealand schools;
- Growing the sales pipe-line in the US and UK with proposals being sent to a number of schools based there.

Co-founder Paul Organ completed a long three month trip offshore, spending most of his time establishing a presence in the East Coast of the USA and in the UK.



Melon Health

Melon Health is a Wellington based provider of software which assists with better health outcomes for individuals by giving them on-line platforms which provides the tools, support and information to help manage their condition.

What's New: Melon Health had a busy quarter as it ramps up its effort both at home and abroad.

Highlights included:

- Quarter on quarter revenue growth of █% (again, expect the lumpiness to continue);
- Strong early results in the New Zealand pilot for pre-diabetes;
- Completion of the very complex and security and privacy focussed procurement process for a large US health care provider, unlocking the path to commencing a pilot;
- Commencing a rights issue to existing shareholders; and
- Continued work towards their next significant round of capital raising.

At the end of the quarter, Melon Health opened a relatively small rights issue to existing shareholders in order to raise working capital. Punakaiki Fund took up its full pro-rata entitlement and is awaiting the final outcome of the issue before considering taking up any short-fall rights.

EverEdgeIP

EverEdge IP is focussed on becoming the world's first intellectual property oriented investment bank, and have emerging consulting and advisory, transaction and investment arms.



ThisData

Formerly Revert, ThisData was originally a cloud backup company, backing up and restoring data held by SaaS products and provides the ability to search and keep track of previous versions of the backed-up data. ThisData is now migrating to being primarily an enterprise offering, combining audit, monitoring, security and backup for cloud-based data (Shadow IT).

What's New: This quarter ThisData released the first enterprise version of its software. Highlights from the December quarter include:

- Quarter on quarter revenue growth of █%, albeit from a relatively small but important base;
- Closing their first two business deals for its Shadow IT product;
- About to launch a new file-share tracking feature which shows a company all of the files that are shared externally and providing an assessment of the resulting total risk/exposure;
- On-going development of a feature which offers automated policies that can be used to restrict sharing of sensitive files. This will provide IT departments with the governance tools they have been missing since migrating to cloud-based applications;
- A new investment into ThisData made by Anuj Ralhan, an IT security analyst based in San Francisco;
- Development of a login product for SaaS companies; and
- Planning to add a dedicated sales position to the team.

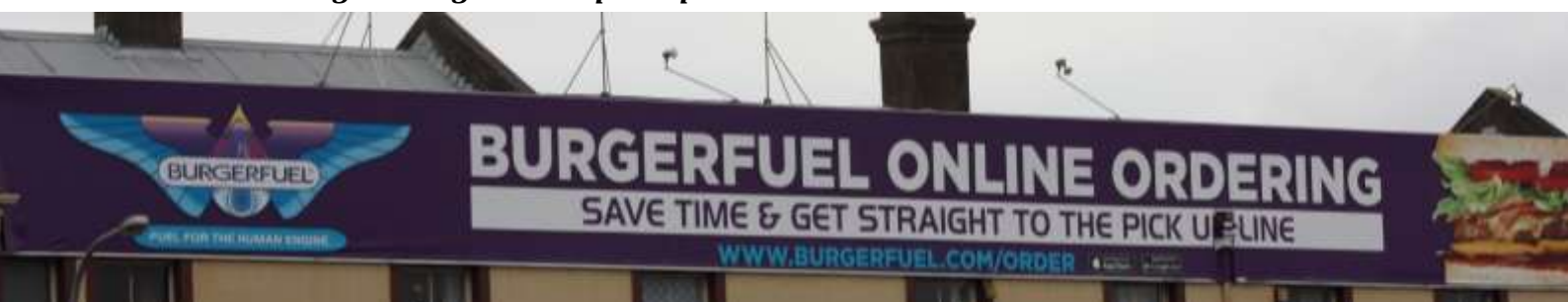
Mobi2Go

Mobi2go helps food service businesses sell more by adding an ordering function to their marketing website which is able to collect payments and route orders through to the kitchen.

What's New: Mobi2Go continued to grow during the quarter and began a period of significantly building up their team. Highlights for the recent quarter include:

- Quarter on quarter revenue growth of █%;
- New net customer growth of █% over the quarter;
- Adding improved functionality including putting in place their own payment gateway technology for Australasian customer and integrating third party delivery services (effectively allowing customers to offer a delivery service where there was none before);
- Raising NZ\$█ of new funding, including NZ\$█ from Punakaiki Fund in two tranches (the second of which was conditional on Punakaiki Fund raising NZ\$█m, which will now be satisfied);
- Appointing JD Trask (Raygun's founder and CEO) to the Board as independent director;
- Appointing Tristan Scott to head Android-based development; and
- Appointing Kirsti Grant part-time to build out Mobi2Go's recruitment process. The company plans to nearly double its team by adding 10 new staff.

"Save time & get straight to the pick up line"



Weirdly

Weirdly helps companies that actively recruit people to find better applicants, and also reduce the effort required to manage applicants through the use of innovative software.

What's New: Weirdly, albeit still from a relatively small base, continued to grow revenues during the quarter, although customer numbers were flat going into the low recruitment activity Christmas period. Highlights from the December quarter include:

- Quarter on quarter revenue growth of █%;
- Nil net customer growth quarter on quarter on the run into the Christmas close down period;
- Redesigning their customer on-boarding process;
- Creating and launching an annual pricing plan; and
- CEO Dale Clareburt speaking at HRTechFest in Sydney.

RedSeed

RedSeed helps large retailers and suppliers train their staff by combining professionally created training videos with a SaaS Learning Management System.

What's New: RedSeed had a busy quarter. Highlights from the December quarter include:

- Quarter on quarter revenue growth of █% - in part the result of one large client paying once every six months (in the current quarter), but also from solid revenue growth and the signing of a major new client;
- Made a number of improvements to the RedSeed software, including custom course ordering, updated energy reports, new email templates and course enrolment notifications; and

Having a sales person resign in Auckland, who will be replaced in Christchurch



InfluxHQ

InfluxHQ Limited (Influx) is a Wellington based provider of software for gym owners and their clients to manage and self-manage their classes respectively. They aim to provide the simplest fitness business software.

Mindfull

At the end of the December 2015 quarter, Punakaiki Fund invested in MindFull Group for a ■% shareholding. Mindful is an IBM Premier Business Partner who resell, implement and support IBM's Cognos TM1 business intelligence, financial performance, strategy management and analytics application software. It has also developed a number of pieces of supporting software which it requires funding to sell globally, including Qubedocs, an automated documentation tool and Mi Bi, a cloud based Business Intelligence tool that allows smaller and mid-sized businesses to budget, forecast, report and do cashflow modelling on the IBM toolset. Mindfull also provide local sales and consulting services for WhereScape, a New Zealand-developed and created data warehouse automation tool that is gaining global traction. In the context of Punakaiki Fund's portfolio, MindFull generates significant revenues, although a material portion of this is remitted to IBM.



In the News

- Raygun:** [Raygun software business expands into United States but HQ stays in Wellington](#)
- Timely:** [Entrepreneur takes on the 'next thing'](#)
[Expansion, global; Dunedin, priceless](#)
- Vibe:** [Voyager considers legal action over Intagr8 sale](#)
[Intagr8 mess: liquidator speaks out](#)
- Melon Health:** [The Moxie Sessions: What's the difference between early stage investing and a ponzi scheme?](#)
[These Mobile Apps Help With Epilepsy, Depression, Autism](#)
- Onceit:** [Kiwi ecommerce outfit Onceit to open a pop-up store](#)
[Online retailer Onceit to open its first bricks and mortar shop in Auckland](#)
[Winning online store Beauty Bliss meets traditional retail](#)
[The top 10 retail movers and shakers of 2015](#)
- Redseed:** [Women of Influence 2015 finalists: Business Enterprise](#)
[From temporary refuge to laboratory for Gen Y business: the Epic story](#)
- Weirdly:** [Weirdly gears up for a Series A round](#)
[People more likely to email colleagues than talk - study](#)
[The best of the best Kiwi innovations have been recognised with a disease-fighting treatment in first place](#)
- EverEdgeIP:** [2nd Annual IP Dealmakers Forum, Dec 7-8 in NYC, to Bridge Investment and Intellectual Property Communities](#)
- Vend:** [Trade Me founder Sam Morgan brings tech experience to Vend board](#)
[Trade Me founder joins Vend board of directors](#)
[Apps, add-ons, the cloud and empowerment](#)
[TIN100 list reveals New Zealand's largest, fastest growing high-tech exporters](#)
[Wellington craft brewery wins Deloitte Fast 50](#)
[Top Retail Software For Mac: Run Your Store In Style](#)
[The Moxie Sessions: How to make more women tech founders and CEOs](#)
[How a Mac reseller was reborn as a cloud provider for SMBs](#)
[5 Retail Tech Trends in 2016](#)
[Former Google exec raises \\$28M to start shipping his smart payment terminals](#)
[Seamless customer journeys in retail: Number Six](#)
- Mobi2Go:** [Investors back Mobi2Go with \\$1.1m](#)
[6 Tools & Tactics to Stay On Top of Holiday Small Business Trends This Year](#)
- Punakaiki Fund:** [Z boss joins Punakaiki board](#)
[Berry appointed Punakaiki director](#)
[Crowd-funding's first year more than meets expectations](#)
[Snowball Effect raises \\$10 million in just 15 months](#)
[Status Report: Snowball Effect Provides Update on Funded Companies](#)



Corporate Update

Governance

The second meeting of the expanded Board of Punakaiki Fund was held on 2 February to consider among other matters, the setting of Punakaiki Fund's Net Asset Value and the approval of this quarterly report.

The Board also considered a range of draft governance documents for adoption. The Board's next meeting is scheduled for early May 2016.

Financial Reporting

The Net Asset Value of the fund at 31 December 2015 was \$14,953,538, which is a material increase from the 30 June 2015 Net Asset Value of \$12,286,759. During the quarter, final payments were received from the exercise of September 2015 options and initial payments were received from the December 2015 private offer.

Punakaiki's unaudited financial summary metrics are set out in the tables below. Financial highlights from the quarter include:

- An opening cash balance on 1 July 2015 of \$1,284,377;
- The following capital amounts were raised during the quarter
 - \$792,000 received from initial investments in the December 2015 Private Offer, of which \$750,000 was reflected by shares issued and the remainder was held pending approved applications; and
 - \$339,848 was received from exercise of the September 2015 Options.
- \$11,213 was received on behalf of shareholders who sold their September 2015 options, which together with the \$4,345 received in the September quarter for the same purpose, was paid to those shareholders during quarter (\$15,558);
- \$1 was invested in Mobi2Go, Mindfull and Melon Health;
- \$1,729,224 was recognised as an increase in the value of Punakaiki Fund's investments at the end of the December 2015 quarter compared to those values recorded in Punakaiki Fund's September 2015 quarterly report (i.e. as at 30 September 2015). This change in valuation related to Raygun (based on its recent capital raising, accounting for more than half of the increase in value), Vibe, Onceit (based on a new investment by an external investor) and Melon Health (based on the valuation of the recent rights issue);
- A fully imputed dividend of \$64,063 was received from Onceit;
- Management fees of \$70,649 including GST were paid to LWCM;
- Brokerage fees of \$28,272 were paid to LWCM in relation to the exercise of the September 2015 options;
- \$17,664 was paid for accounting and legal services;
- \$23,920 was paid to establish D&O and Statutory insurance for the Board of Punakaiki Fund;
- \$1,374 was paid in relation to hosting Punakaiki Fund's Annual General Meeting; and



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- A closing cash balance of \$1,260,097.

Punakaiki Fund Limited - Unaudited Financial Position		Punakaiki Fund Limited - Cash Flow Summary	
as at 31 December 2015		for the quarter ending 31 December 2015	
	NZ\$		NZ\$
Current Assets		Operating Cash Flows	
Cash on deposit	1,260,097	Net Interest received	2,564
Non-current Assets		Bank fees	(50)
Investments	13,933,314	Payments to external advisors	(17,664)
Total Assets	15,193,411	Payments to LWCM (Management Fee)	(70,649)
Current Liabilities		Payments to LWCM (Brokerage)	(28,272)
Accounts payable	27,043	Other Expenses	(25,294)
Non-current Liabilities		Option sale receipts received from buyers	11,213
Accrued Performance Fee	211,745	Option sale receipts paid to sellers	(15,558)
Equity		Total Operating Cash Flows	(143,710)
Retained earnings - Operations	(493,110)	Investing Cash Flows	
Retained earnings - Accrued Performance Fee	(756,231)	Investments made	(1,076,480)
Share-based Payment Reserve	544,487	Investments realised	-
Asset revaluation	4,274,267	Dividends received from investments	64,063
Share capital	11,385,212	Total Investing Cash Flows	(1,012,418)
Total Equity and Liabilities	15,193,411	Financing Cash Flows	
		New capital received	1,131,848
		Dividends paid	-
		Total Financing Cash Flows	1,131,848
		Total Cash Movements	
		Opening cash balance	1,284,377
		Closing cash balance	1,260,097

Expected Cash Flows for the March Quarter

An additional \$1.4 million was received from December 2015 capital raise after the end of the December quarter. In total, \$2.2 million was raised from the December 2015 capital raise.

Following the end of the December quarter, Punakaiki Fund has completed an additional investment in Raygun and is also committed to doubling its investment in Mobi2Go following raising more than the requisite \$X in the December capital raise. Punakaiki Fund is also considering subscribing for shortfall shares in Melon Health's recent rights issue. These three investments may total up to \$X. There are likely to be further investments undertaken before the end of the current March quarter.

The payment of the March quarterly Management Fee to LWCM of \$85,989.09 including GST has been made and a brokerage payment of \$67,246 will be made to LWCM in relation to the December 2015 capital raise.

It is also expected that cost associated with Punakaiki Fund's Anti-money Laundering and Countering Financing of Terrorism audit and the payment of accrued Director fees and out of pocket costs will be incurred during the quarter.

Capital Raising Plans

Following the completion of the December 2015 capital raise on 31 January 2016, Punakaiki Fund has, at this time, no plans to raise further capital in the March or June 2016 quarters.



Additional Disclosures / Conflicts

With the exception of the following and those conflicts which have been previously disclosed, none of the directors of Punakaiki Fund or the managers of LWCM has any additional disclosures or conflicts of interest to declare :

- Lance Wiggs is an NZTE Better by Capital provider, Chair of the (MBIE-funded) Return on Science ICT committee and a member of the Physical Sciences Return on Science committee. In each of these roles Lance as worked with and will likely in future work with clients of EverEdge IP;
- Lance Wiggs' wife, Su Yin Khoo, provides design and front end development services through her company Extra Bold, which is occasionally retained by Melon Health for design work; and
- Lance Wiggs' wife, Su Yin Khoo, is a shareholder and director of Gather Workshops and Gather Conference Limited and Gather Workshops Limited, which have in the past (and may in the future) obtained sponsorship and performed work for Vend Limited.

Contact

If you require any further information regarding Punakaiki Fund, please contact Lance or Chris at LWCM in the first instance:

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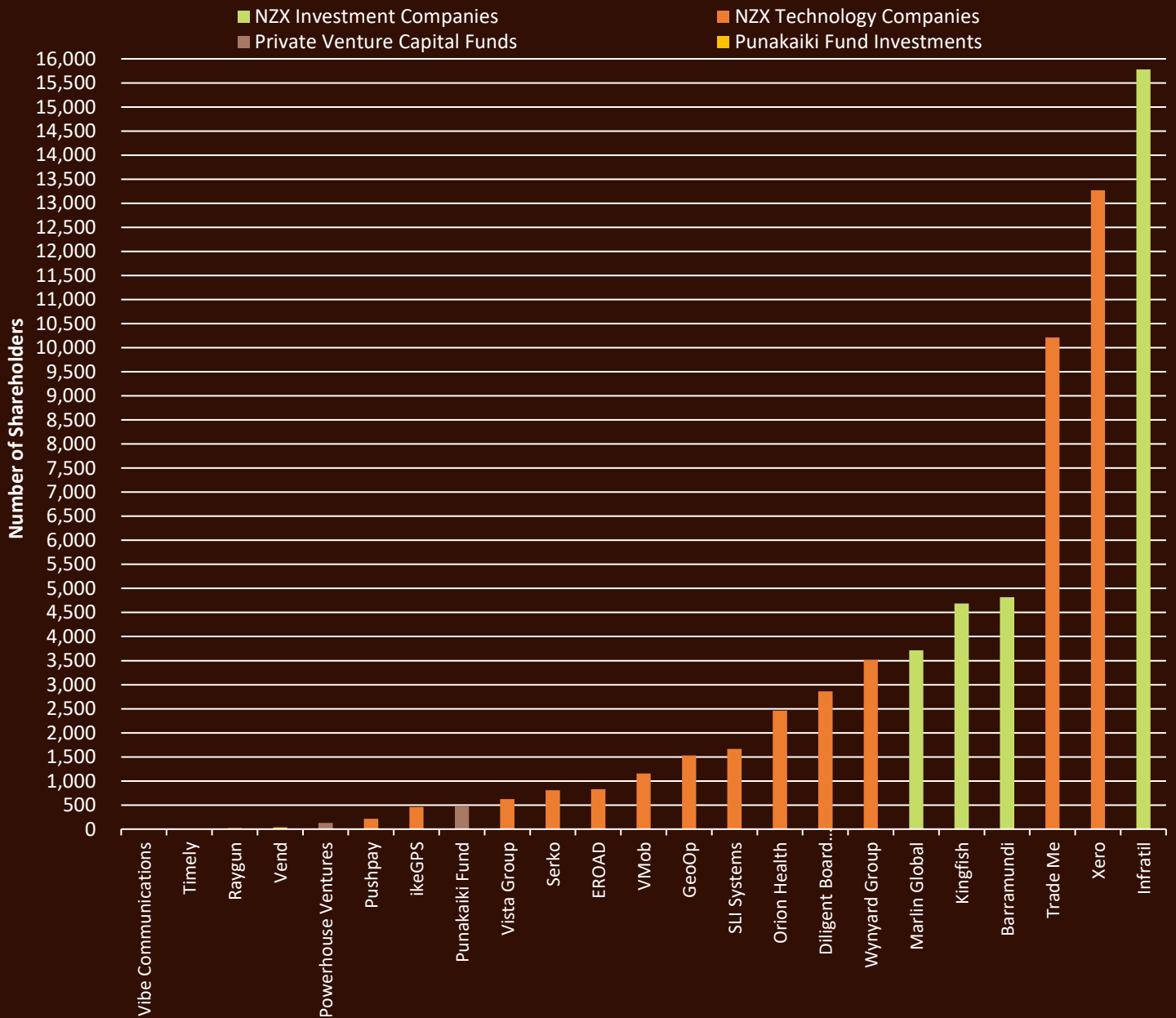
For Governance queries

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Our Shareholder Base is Growing



** based on Companies Office information and recent Annual Reports*

Punakaiki Fund now has 485 shareholders...

...which is more than NZX-listed companies Pushpay and ikeGPS.

NZX 'tech' companies' shareholder bases range in size from 215 (Pushpay) to over 13,000 (Xero)...

...while NZX investment companies range from 3,715 (Marlin Global) to 15,000 (Infratil).

Our most widely held investment is Vend, although it only has 34 shareholders...

...and Powerhouse Ventures (also raising capital) has only 130 shareholders.