# Punakaiki Fund Limited

# December 2019 Quarterly Report

| Key Statistics | |
|---|---|
| Total Asset Value | $55.27 million |
| Investor Net Asset Value (iNAV) | $52.61 million |
| Shares on issue | 2,351,822 |
| Total Asset Value / share | $23.50 |
| **iNAV/share** | **$22.37** |

| Performance | |
|---|---|
| Annualised Share price Return – last 12 Months[1] | 8.13% |
| Annualised Share price Return - Since Inception[1] | 16.56% |
| | |
| Annualised Internal Investment Returns[2] – All Investments | 20.14% |
| Annualised Internal Investment Returns[2] – Investments within Mandate | 24.63% |
| | |
| Internal Total Value to Paid In Capital (TVPI)[2] – All Investments | 1.66x |
| Internal Total Value to Paid In Capital (TVPI)[2] – Investments Within Mandate | 1.89x |

**Punakaiki Fund iNAV/Share (Including Adjustments for Rights Issue)**


[1] Assumes full participation in option and rights issues.
[2] Internal performance measures are exclusive of all fund costs

## Happy New Year

Welcome to 2020, and to the lunar year of the Rat. The year started with the COVID-19 coronavirus, and as previously signalled, we have had several companies effected. Everedge reports the business mood in Singapore is subdued. Coherent Solutions, who have suppliers and customers in Wuhan, and obviously in other parts of China, notes that factories and ports in China are slow to reopen. So they are managing supply of parts and components as best they can. NZAW was lucky to have a few containers available for sale in Wuhan itself, actually helping it drive market penetration. OnceIt is seeing a few, but not material, delays in sourcing. All of these the companies are managing the situation closely and making plans to compensate for potential continued impacts.

At the end of December 2019 the Board valued PFL's assets at $55.27 million, up slightly on the $54.5 million that we saw after the offer. As always the value of our portfolio companies moved a lot more than appears on the surface, with the holding values of five companies rising, but two companies falling sharply in value, by a total $1.4 million. The falls are generally due to falling or disappointing revenue growth, while generally the reverse drives revaluations.

The next quarter marks the financial year end, and several companies, each of which operate on an annual cycle, are up for their annual valuation review. If global stock markets do not change we normally expect to see some upwards movement. We are careful not to second guess these though.

This year we are retaining an external valuation company to perform a valuation on our large shareholding in Devoli, a company that currently represents over 20% of the assets of Punakaiki Fund. We have built our shareholdings in Devoli up over the last few years, and with a strong year expected from the company your Board sees that it is important that we have an independent perspective for the year-end valuation. Given the state of change inside Devoli and the inherent uncertainty in external valuations (they do not use our own consistent internal processes) we will not be looking to close any new fund raising before the results are in. The Board has also prevented its members and LWCM staff from participating in the February share trading window.

### Government Venture Capital Fund

The time for Finance Committee submissions and feedback is past, and the $300 million government-owned Venture Capital Fund (VCF) is now (almost officially) underway. Like other funds we have met with VCF to explore the mutual process of funding and fund raising. From what we see the process is relatively straightforward, and we will work with the VCF to help them understand Punakaiki Fund. This will likely involve them learning more about the fund than other investors, under a stricter non-disclosure agreement, and we welcome the scrutiny and feedback. We may make internal changes as a result of due diligence but do not expect this to affect shareholders or shareholder value.

The VCF is set up as a co-investor, with their investment on a 1-1 basis with other investors. That could mean, for example, that every new $1 invested by shareholders would attract another $1 investment from the VCF.

### Administration fee for FY2021

The Board has set the administration fee for the next financial year at $165,000, down from $175,000 for the 2020 financial year. LWCM proposed this as we see that we will bed in efficiency gains during the financial year. We are always delighted to find opportunities to lower costs to the fund.

### New Investments

We closed investments with Weirdly, Conqa and Devoli during the December quarter of 2019. Weirdly's investment is part of what we intend to be a larger commitment before the end of March

2020, and comes after a very strong year of growth. The Conqa investment was part of a $2 million round, and we now own 20% of the company. The Devoli investment almost completes our multi-year commitment to purchase Devoli shares from founders. We own 52.9% of the company, with just 1.1% to go.

We have met and continue to meet with a number of promising companies for investment, and are committed to invest at least $2 million of the Rights Issue proceeds into companies new to Punakaiki Fund.

## Quarterly Webinar

Our Quarterly webinar will be held on Tuesday 25th February at 5pm. Pre-register now. The webinar will be about 30 minutes long, and as always we will answer any questions you have.

## Quarterly Share Trading Auction

The quarterly share trading window this quarter will be from Monday 24th February to 10am on Friday 28th of February. Please email yvonne@lwcm.co.nz for more information or to offer to buy or sell shares.

We are looking forward to a good year for Punakaiki Fund. Thank you for your support.

*Lance*

# Portfolio Company Update

Key highlights for the December quarter for each company are set out below:

Shareholding: **1.9% (1.7%*)**

First Investment: **Aug 2015**

*Vend provides cloud-based point-of-sale software that includes ecommerce, inventory management, customer loyalty and analytics.*

- The Klarna partnership went live with UK-based Vend retailers who are now able to offer "buy now pay later" through Europe's leading provider;
- Achieved >90% customer satisfaction for Vend Support (a remarkable result); and
- Over 700 Vend retailers now using loyalty integration to engage and retain their customers.

**Fully diluted shareholding after accounting for employee options*

Shareholding: **52.9%**

First Investment: **Jun 2014**

*Devoli is an Internet Service Provider that provides wholesale and corporate telecommunication services.*

- Secured a number of new material customers; and
- Hired Jonathan Hoskin - Director of Software Engineering and Ken Nicod - Director of Network Engineering.

Shareholding: **25.6%**

First Investment: **Feb 2015**

*Onceit is an on-line daily deal site selling mid- to high-end fashion, beauty and homewares, predominantly in New Zealand.*

- Marketplace Supplier Portal up and running and being used by suppliers for monthly invoicing;
- November 2019 was the biggest sales month since the company began trading;
- Positioned Number 14 on the Deloitte 2019 Master of Growth results; and
- Recruited Mark Greaves as Chief Operating Officer (ex-Briscoes group) and Nikki Young as Finance Manager (ex Max Fashions).

Shareholding: **19.6%**

First Investment: **Dec 2015**

*Mindfull is a global advanced analytics practice that builds data, information management and warehousing, predictive tools and platforms.*

- Signed up a new construction company and a new government organisation as cloud-based planning clients;
- Hosted well-received annual user group conferences in Auckland, Wellington and Hamilton;
- Sold additional cloud software to customers, with a number of Mindfull's existing on-premise customers moving to the cloud;
- Qubedocs is negotiating with a global brand name media company to become a new Qubedocs client; and
- Qubedocs will go through a capital raising process to help deliver the international growth plans.

Shareholding: **3.8%**

First Investment: **Jun 2014**

*Timely provides a software platform to beauty and wellbeing businesses to manage bookings, reminders, point of sale, reporting and analytics.*

- Achieved over $1m in monthly recurring revenue for the first time;
- Several significant projects nearing completion that solve a number of important customer problems;
- Launched a new portal for clients to manage their bookings and/or re-bookings; and
- Nominated as a finalist at this year's Stevie's International Business Awards in the "Customer service department of the year - computer software - up to 100 people" category.



Shareholding: **6.3%**

First Investment: **Apr 2014**

*Raygun provides a software intelligence platform including crash and error reporting, real user monitoring, and deployment tracking.*

- Running a Tech Leader Series in the main centres with Microsoft and Amazon Web Services targeted at senior technical leaders in the industry;
- The new internal Business Intelligence team at Raygun has a marked positive impact on the business; and
- Hired 10 Interns most of those through Summer of Tech programme.

Shareholding: **17.7%**

First Investment: **Nov 2017**

*Coherent Solutions develops and manufactures advanced laser test equipment for the global fibre optic communications market.*

- Raised substantial funds using convertible notes
- Agreed on a name change to Quantifi Photonics – from April 1, 2020
- Signed a substantial deal with a major US company

Shareholding: **16.1%**

First Investment: **Oct 2015**

*Mobi2Go is a digital ordering and engagement platform for the hospitality sector.*

- Hired their first full time employee in Canada to execute their North American go-to-market strategy;
- Continued to refine their kiosk offering as well as adding order and pay at table functionality to the platform; and
- Begun searching for a director with international market experience and scaling companies following John Holt resigning from the Mobi2Go Board.

Shareholding: **28.2%**

First Investment: **Jul 2015**

*EverEdgeIP is an intangible asset valuation specialist which helps companies drive growth and create wealth from intangible assets.*

- Appointed Marie Papageorgiou as a Senior Consultant in the Singapore office. Maria as previously at the European Patent Office.
- Released a case study on w0rk performed for THL

Shareholding: **20.1%**

First Investment: **Feb 2017**

*Conqa provides software allowing the construction industry to do their quality assurance planning and execution online.*

- Conqa was accepted into the Realtechx programme run by Taronga Ventures. The programme is designed to support sustained growth in emerging RealTech businesses and better technology adoption by established real estate corporates. The programme runs from January to May 2020 and offers exciting opportunities for Conqa's growth in Australia and Asia-Pacific;
- Begun hiring for Head of Revenue as Luke Mexted moves on from his role; and
- Successfully completed a $2m fundraising effort.

Shareholding: **32.8%**

First Investment: **Mar 2015**

*RedSeed helps large retailers increase their sales through proprietary and customised modules in a SaaS Learning Management System.*

- Released the new B2B programme; and
- Hired an instructional designer.

| | | |
|---|---|---|
| Boardingware | Shareholding: **30.1%**<br>First Investment: **Feb 2015** | *Boardingware helps schools manage their students' movements and pastoral care using a SaaS product.* |

- Traded on a cashflow positive basis;
- Released automated rolls features for its software;
- Released an open API to foster deeper integrations with customers; and
- Added two new staff to the development team.

| | | |
|---|---|---|
| melon health | Shareholding: **31.8%**<br>First Investment: **Dec 2014** | *Melon Health gives chronic disease patients on-line platforms with the tools, support and information to help manage their condition.* |

- Gained preliminary status recognition for the CDC Diabetes Prevention Program. This is an advance on their previous status of "pending";
- Refreshed the brand and launched a refreshed website;
- Successfully renewed all 2019 customer contracts;
- Embedded psychometric surveys for users to complete in their mental health platform, added a 'community' for counsellors to support each other as well as added a comprehensive roster system for community manager/coaches; and
- Bridget Winstone-Knight from LWCM joined the Melon Board of Directors.

| | | |
|---|---|---|
| weirdly | Shareholding: **29.4%***<br>First Investment: **Feb 2015** | *Weirdly is a Human Resources technology SaaS platform, helping companies filter the best candidates from thousands of applicants.* |

- Launched their 6th software integration with JobAdder (which have offices in the UK and USA too) to improve Weirdly's reach in Australia;
- Defined and started selling the Weirdly Talent Platform which includes Candidate HUB, CRM, Scheduling, Assessments and Insights. Consequently, they are progressing meetings with KMART, Coles, Office Max (all in Australia), Vodafone in the UK and Uber in the USA; and
- Weirdly is starting the process of building a new Advisory Board to support them to move directly into the Australian and US/UK markets. Because of this, James Sweetbaum and Marisa Fong stepped down as advisors.

**Punakaiki Fund also holds three convertible notes in Weirdly*

# Vend it like Fala


This quarter we talk to Alex Fala, the CEO of Vend. Vend is the largest company that Punakaiki Fund has invested in, and four years ago Alex took over from founder Vaughan Fergusson, with Vaughan concentrating on product development.

**Chris**: **Tell us about Vend and what it does?**

**Alex**: Vend is retail software. We make software for retailers and the core of that is point-of-sale, but that makes us sound like a cash register and we are really the platform which small and medium sized retailers use to run their businesses - point-of-sale and all of their key in-store workflows like customer management, inventory management and product range. And then we connect them up to all of the other key piece of technology that they might need, like an e-commerce platform, accounting platform, payments – all that kind of stuff.

**Chris**: **You mentioned that your customers are small to medium-sized businesses. I wonder if you could define that a bit more. What does the average Vend customer look like and where are they based?**

**Alex**: The "where are they based" part is easy - they are all around the world. We have customers in about 130 countries. The biggest markets for us are Australia and the US, and then New Zealand. Canada and the UK are next after that. Those five markets make up about 80% to 90% of our business. Then there's a long tail.


*Vend is a big hit in Australia – for obvious reasons…*

In terms of what they look like, they are all in inventory-based retail categories. So, fashion, gift wares, home wares - those kind of verticals where you're moving physical goods around. In terms of size, our sweet spot is retailers from one to ten stores, and increasingly larger mid-market retailers as well.

**Chris: How big is Vend?**

**Alex**: 25,000 stores around the world use our product, and there's about 350 people working in the company.

**Chris: Ok, so you're not you're not an inconsequential company. Where to next for Vend? What is the five-year dream?**

**Alex**: There is a lot of talk about the end of retail with challenges like online shopping and mobile and all of us as consumers getting more demanding. The reality is though that retail is a massive market and in every country in the world, 80-90% of spend still happens in store. Humans actually love going into a store and having real world experience with products and other humans. This is a massive market and we feel that we're just getting started on our quest to help retailers be more successful and create amazing experiences in their stores.

*It's also quite popular in the USA.*

In terms of our role in that, we're trying to liberate retailers from a lot of the complexity of running their business so they can focus on doing the things they love and that drive their businesses forward. We want to get to a place where our retailers wake up in the morning, and we've given them a 'to do list' of five or ten things to help their business – run this campaign, change these prices, reorder a product – and all they need to do is push a button to make it happen. Or maybe even our technology gets smart enough, and we build enough trust, so that they trust us just to do it for them. This is how we see technology accelerating the retailer, not replacing them.

If we get this stuff right, we'll have the opportunity to build a very big business. To complement that, we've put a lot of effort into diversifying our sales channels over time so we can fully capture the opportunity in front of us.

**Chris: When you came into Vend as the CEO you were in one of these situations where the business is transitioning from a founder-led company to a professional CEO-led company. How did you find that transition and do you have any tips for companies looking to go through a similar transition?**

**Alex**: Yeah, I do. For us it was relatively easy because Vaughan and I had worked together a little bit beforehand. We had and still have a very good relationship and there was a foundation of trust as we went into that transition. From that perspective, it was pretty easy.

But in terms of what's important for other people, the first thing I'd say is that the new CEO coming in has to strive to behave like a founder. What I mean by that is having the same care and commitment to the company that the founder does.  You are going to need to make changes at some point and that's only going to work if you've earnt the right to be a cultural leader of the company. You can only become that if you show that deep level of commitment and care.

Unless the company if completely broken, the founder will have established many great things that are deeply embedded in the culture.  The CEO coming in cannot hold back on doing the things that they think are necessary to move the company forward. At the same time, you need to be careful about retaining the things which are core to the company's culture. For us here at Vend, Vaughan had established a very caring element to the culture. There was a real sense of team, which was almost like family, and that led to great work. What I wanted to do was layer on, I guess, some sharper performance elements in the way that we do business. That was super important, and I wasn't going to hold back but I needed to do it in a way that retained the caring element which is core to who we are.

**Chris: Any advice to the founder that's looking to bring a professional CEO in about some of the things they might need to think about to make their transition smooth?**

**Alex**: The worst situation is that you end up with two people who are the CEO of the company. There can only be one and you cannot allow any confusion across the company about who's ultimately responsible for making decisions. There are a few really simple things around that, one being the founder can't be a back door for anyone. I think that's really important. Vaughan was actually really deliberate about this. After we made the transition, he took some time out and that was really to give me the space to establish myself as the leader. In our case, he might have done more than we'd needed, but I think in many cases that would be absolutely necessary.

So that is the ‘how do you give space’ side. The other side is that the founder has some very special elements which can never be replaced. The more positive side is the question for the founder - how can they still continue to contribute and what are the special elements that they will bring? Sometimes a founder will step right out, but I'm assuming they'll still be involved at a board level or maybe an executive level. I think that's something we've been quite deliberate about at Vend; Vaughan is an amazing cultural beacon for us. He's got deep knowledge of retailers and he's very good at a lot of the public-facing elements; he’s the public-facing kind of persona of the company.

**Chris: Do you see a shortage of capital for businesses of Vend’s size? And how difficult is it to raise those funds now that you're addressing international markets?**

**Alex**: I don't think there's a shortage of capital. My experience is that it's very easy for me to get multiple investors on the phone. In many cases, they're reaching out to me. I think as you get larger, your name starts popping up a bit more on things like CrunchBase, and then the international capital markets become very accessible.

Having said that, there are two ‘buts’. The first is it doesn't mean it's a lay-up. You'll see lots of stories going around - there's all this capital sloshing around Silicon Valley and it's there for everyone. I think you still have to be a very good company to access those capital pools.

The other one is that there are some investors who are more used to investing internationally than others. And so I would say to anyone in New Zealand who's thinking about raising capital out of the US, have a look at the portfolios of those investors and see if they've actually invested in Australasia or anywhere outside of the US before.

**Chris: Just switching tact a little bit - maybe tell us tell us about a couple of fun things that happen inside Vend with the staff.**

**Alex**: Oh yeah…[laughing] that's a question that I don’t get very often.

*Alex Fala – Vend CEO and proud Samoan shirt wearer.*

So, there are a few things. 1:30 p.m. in the Auckland office on a Wednesday is always Cake Wednesday which has been a tradition from way back. For anyone whose birthday it is at the office, we get a cake. Everyone comes together and sings Happy Birthday loudly and in a silly way. It's just one of those little things which enables us to connect as humans in the middle of the week. That's good fun.

Last year, we had our first ever global ‘Smashies Awards’. We literally had this global video hook up. Everyone was in black tie in every office around the world. It was where we recognised the best performances of the year. We recognised our top sales people; we recognised project teams on some projects that had really moved the needle, and then we also recognised some individuals who, at a global level, had an impact on the company. It was a break from the norm and everyone got super excited about it. We're going to repeat that this year.

A special shout out to our team in Toronto. I said it was black tie, and they wore the Canadian tuxedo of all denim. So that was good fun.

*The Canadian tuxedo!*

The other thing for me… the most fun thing about Vend, and I'll steal a little bit from Netflix here, is the exceptional colleagues.

We have hired some amazing people with experience from great companies around the world and multiple options for where they could go. They're at Vend because they really want to do something big. And in the case of the Kiwis, they really like the idea of doing that for a Kiwi company.

And, you know, it's just being in the trenches with those people. Or after a trade show day in Vegas finishes and having a drink with them. To me, that's the most fun thing about being in Vend.

**Chris: How important is culture, especially in an organisation the size of Vend?**

**Alex**: Look, it's super important, but I think a lot of the time when people talk about culture, and it's a pretty common thought now, it's not yoga and dogs in the office and stuff like that - everyone kind of gets that.

The really interesting thing for me is as I've thought about the biggest lever to improve culture is you automatically think about communications and processes and all of those things that matter. But the biggest lever has just been getting great leaders, and being great leaders begets other great leaders. We went through a period a couple of years ago where we essentially refreshed the entire executive team. And that's no disrespect to those who had been before. Part of that was putting executives into our overseas offices which previously we didn't have. We were very careful about the people we hired. They needed to be both capable and the sorts of people who we thought could be very successful at Vend and do it the way that we want to do it. And then as a result of doing that, it flowed through all of their teams.

The other thing is every executive that we hired then became part of the interview panel for the next executive we wanted to hire - they become part of the sell. It gets easier - the better your team is, the more people want to join.

**Chris: Any final words? Anybody you want to shout out to? Anything else you'd want to add? Any pearls of wisdom you want to share?**

**Alex**: A big shout out, obviously, to Vaughan and the whole executive team, because that's how stuff happens at our company.

And for companies that are going through this phase there are a few things that I would say. One is, as you're a CEO graduating into a larger company, everything happens through people. We all know that people are the most important thing but I mean, now I have a very few levers to do things. Everything happens through other people.

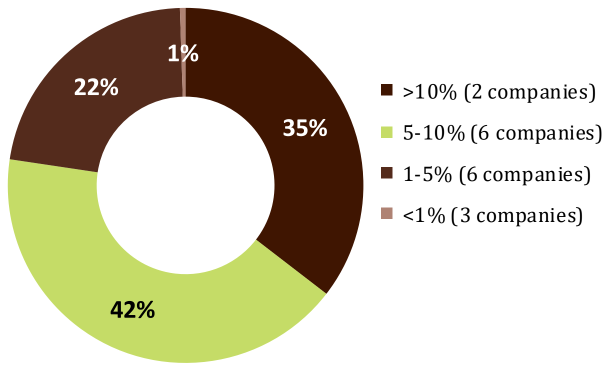
I think the second thing is, which we probably messed up at times, as you get bigger how do you maintain simplicity? Complexity is a disease in a company which just makes everything harder. And it's very easy for that to happen by accident.

The other thing I'd say is, as you get bigger, things will inherently get more complicated and take longer to do, and that means as a CEO, you need to be thinking further ahead. You need to be thinking what's the bottleneck in the business in six or 12 months time, because it might take you three, six, 12 months to solve that bottleneck. If you don't do anything about it now, you're going to have a period of underperformance.

# Portfolio Valuation Splits (as at 31 December)

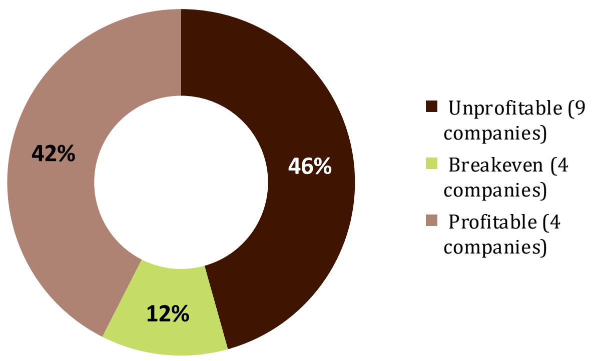
The diagrams below show various splits of portfolio valuation, excluding the value of our residual holdings in disposed-of companies (ThisData and Family Zone), by differing methods.

## Valuation Split By Concentration



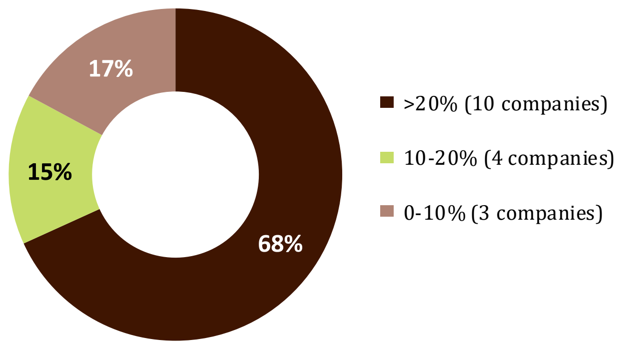

Punakaiki Fund has 35% of its investments by value in two companies, which each contribute at least 10% by value to Punakaiki Fund's total portfolio value.

## Valuation Split By Profitability



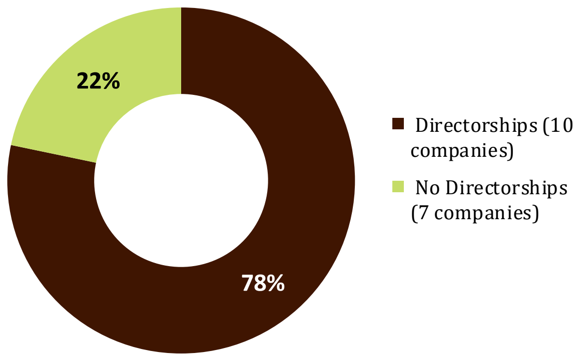

46% of Punakaiki Fund's investments by value are in unprofitable companies. 12% are in breakeven companies and 42% are in profitable companies.

## Valuation Split By Ownership %



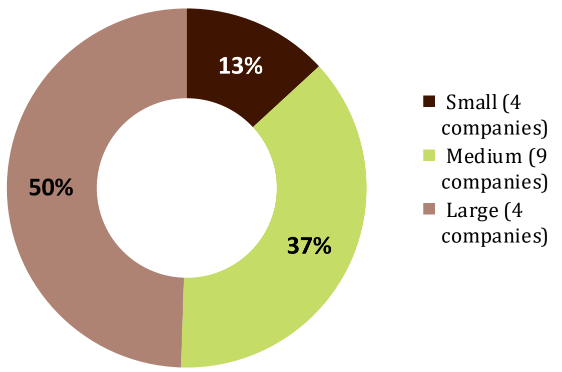

The companies in which Punakaiki Fund owns more than 20% comprise 68% of the total portfolio value. Those between 10-20% comprise 15% of the value.

## Valuation Split By Directorship



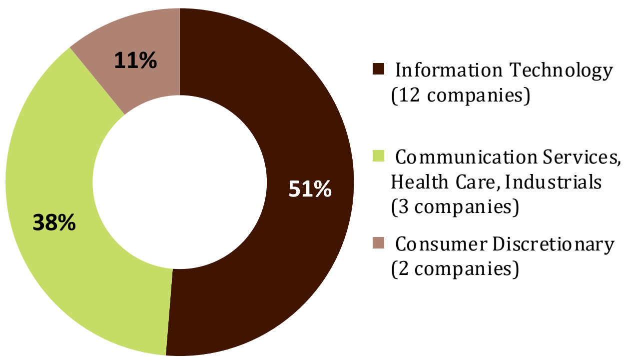

78% of Punakaiki Fund's investments by value have Punakaiki Fund board representation provided by the manager.

## Valuation Split By Revenues




Punakaiki Fund holds 13% of its portfolio in Small companies (less than $1 million in revenues p.a.), 37% in Medium companies ($1-10 million) and 50% in Large companies (more than $10 million).

## Valuation Split By Industry




51% of Punakaiki Fund's portfolio is held in the Information Technology industry, 11% in Consumer Discretionary and 38% in Communication Services, Health Care and Industrials combined.

# In the News

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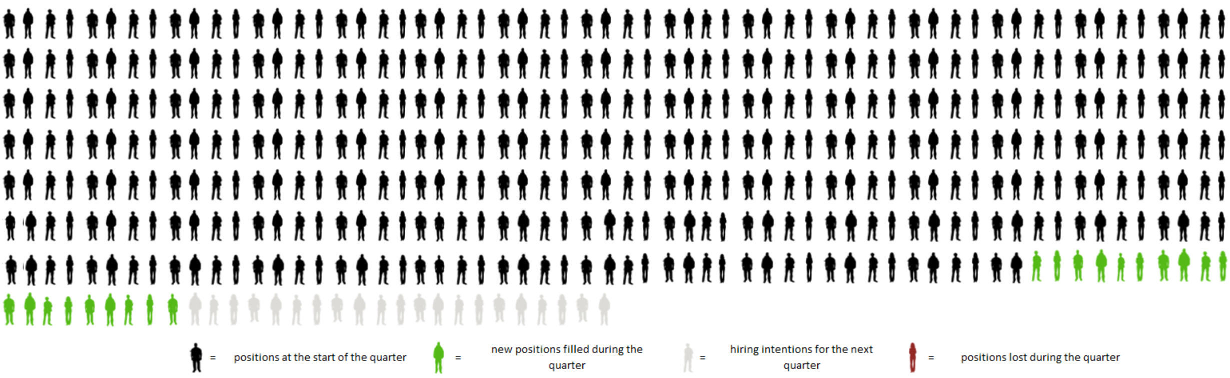
|---|---|
| **Conqa** | RealTechX reveals first cohort of companies set to change Asia's real estate sector<br>Kiwi tech company on a growth path in the Australasian construction industry |
| **EverEdgeIP** | Singapore: Knowing The True Value Of Your Intangible Assets |
| **Melon Health** | Melon Health offers digital platforms for the ill |
| **Onceit** | Online shopping to reach tipping point this Christmas |
| **Raygun** | Raygun Launches Global Tech Leaders Tour |
| **Weirdly** | Weirdly quizzes candidates to ensure they fit jobs (+video) |
| **Vend** | Vend fights off well-known 'patent troll' in US<br>Reviews site names A/NZ's top 25 software houses<br>Spark appoints Future Director |

*Mobi2Go's new kiosks are now powering in-store ordering Zambrero Featherston Street, Wellington. Be sure to check them out.*


# Employment Monitor (December Quarter)

Here is a snapshot of our portfolio companies' employment situation at the end of December 2019:


**That's 429 jobs as at the end of the December quarter – a net 19 more than at the end of September.**




*Vend's employment figures are not included. ThisData, Linewize, Hayload and Influx staffs have been removed*

# Corporate Update

**Governance**

The Board convened on 13 February 2020 for the quarterly Board meeting to consider, among other matters:

- To set the value of Punakaiki Fund's investment portfolio as at 31 December 2019;
- To review Punakaiki Fund's investment portfolio;
- To consider the new Compliance Assurance Programme;
- To consider the Share Register Procedures;
- To consider the proposed Objectives and Key Results for the FY2021 year;
- To consider the Cost of Listing paper;
- To receive and consider this quarterly report.

The Board's next meeting is planned to be held on 1 May 2020.

**Financial Reporting**

The Investor Net Asset Value ("iNAV") of the fund after all contingent performance fees at 31 December 2019 was $52,610,443 (or $22.37 per share), an increase from the 30 September 2019 iNAV of $46,471,176, but a decrease from the 30 September 2019 iNAV per Share of $22.93, reflecting the dilution from the October 2019 rights issue. This change is mainly from a net increase in portfolio company valuations (an upward impact on both the iNAV and iNAV per Share), offset by issuing new capital (an upward impact on the iNAV and a downward impact on the iNAV per Share). The Accounting Net Asset Value (which includes only the cash component of the performance fee and is used to calculate the management fee) was $54,493,741 at the end of the quarter, compared to $48,498,236 at the end of the September quarter.

Punakaiki Fund's unaudited financial summary metrics are set out in the tables below. Financial highlights from the quarter include (all including GST where applicable):

- An opening cash balance on 1 October 2019 of $508,532;
- $1,382,812 was invested in Devoli, Conqa and Weirdly;
- $5,429,628 was raised from investors via a retail capital raising round and rights issue during October, November and December;
- An net upward revaluation of $837,188;
- Management fees of $245,980 were paid to LWCM;
- An administration fee of $50,313 was paid to LWCM in relation to the December quarter administration services provided to Punakaiki Fund;
- Brokerage Fees of $162,889 were paid to LWCM;
- Insurance costs of $55,544 were paid;
- $7,546 was paid for accounting services;
- Legal costs of $4,600 were incurred in relation to the Retail Offer and Rights Issue;
- Other consulting costs of $6,208 were incurred;
- Dividends of $153,750 were received;
- GST refunds of $27,057 were received; and
- A closing cash balance of $4,203,417.

| Punakaiki Fund Limited - Unaudited Financial Position as at 31 December 2019 | NZ$ |
|---|---|
| ***Current Assets*** | |
| Cash on Deposit | 4,203,417 |
| Accounts Receivable | 27,588 |
| Prepayments | 40,561 |
| ***Non-current Assets*** | |
| Investments | 51,000,000 |
| **Total Assets** | **55,271,566** |
| | |
| ***Current Liabilities*** | |
| Accounts Payable | 45,431 |
| ***Non-current Liabilities*** | |
| Accrued Performance Fee | 732,394 |
| ***Equity*** | |
| Retained Earnings - Operations | (2,901,433) |
| Retained earnings - Accrued Performance Fee | (2,615,692) |
| Share-based Payment Reserve | 1,883,298 |
| Asset Revaluation | 20,331,143 |
| Share Capital | 38,833,248 |
| Capital Raising Costs | (1,036,822) |
| **Total Equity and Liabilities** | **55,271,566** |
| | |
| **Accounting NAV** | 54,493,741 |
| **iNAV (after deduction of the performance fee)** | 52,610,443 |
| **iNAV per Share** | $22.37 |

| Punakaiki Fund Limited - Cash Flow Summary for the Quarter Ending 31 December 2019 | NZ$ |
|---|---|
| **Operating Cash Flows** | |
| Gross Interest Received | 547 |
| Withholding Tax on Interest | (180) |
| Bank Fees | (27) |
| Payments to External Advisors | (18,354) |
| Management Fees | (245,980) |
| Administration Fee | (50,313) |
| Other Net Expenses | (55,544) |
| GST Refunds | 27,057 |
| ***Total Operating Cash Flows*** | **(342,792)** |
| | |
| **Investing Cash Flows** | |
| Investments Made | (1,382,812) |
| Investments Realised | - |
| Dividends Received from Investments | 153,750 |
| ***Total Investing Cash Flows*** | **(1,229,062)** |
| | |
| **Financing Cash Flows** | |
| New Capital Received | 5,429,628 |
| Brokerage Fees | (162,889) |
| Dividends Paid | - |
| ***Total Financing Cash Flows*** | **5,266,739** |
| | |
| **Total Cash Movements** | **3,694,885** |
| Opening Cash Balance | 508,532 |
| Closing Cash Balance | 4,203,417 |

## Expected Cash Flows for the March 2020 Quarter

Following the end of the December quarter, Punakaiki Fund has not raised any new funds or yet made any new investments.

The payment of the interim March Quarterly Management Fees and March quarterly Administration Fee to LWCM of $317,141 including GST occurred in January 2020.

Accounting fees of $1,694 have been paid, and GST refunds of $401 has been received to date in the March quarter.

## Capital Raising Plans

Punakaiki Fund is closed the 2019 Retail Offer and Rights Issues in December 2019.

We are not planning to raise capital in the balance of the March 2020 quarter, but are seeking to undertake a wholesale capital raising round in the June 2020 quarter.

## Additional Disclosures / Conflicts

With the exception of the conflicts which have been previously disclosed, the directors of Punakaiki Fund or the managers of LWCM do not have any other additional disclosures or conflicts of interest to declare.

**Contact**

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