

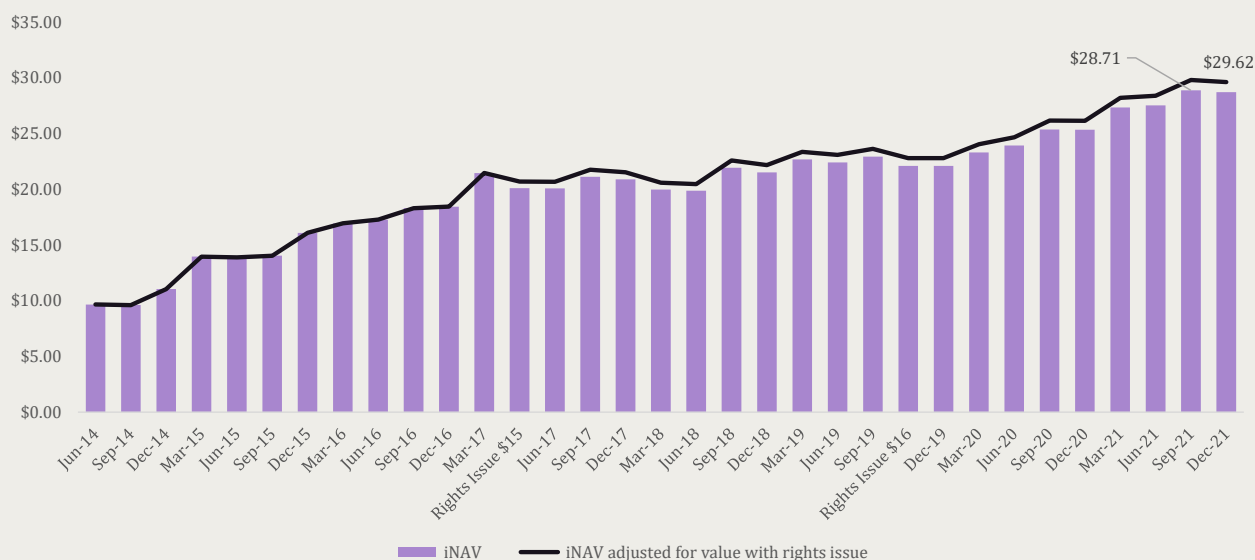
Punakaiki Fund Limited

December 2021 Quarterly Report

Key Statistics	
Total Asset Value	\$82.56 million
Investor Net Asset Value (iNAV)	\$75.38 million
Shares on issue	2,627,372
Total Asset Value / share	\$31.42
iNAV/share	\$28.69

Performance	
Annualised Share price Return – last 12 Months ¹	13.2%
Annualised Share price Return - Since Inception ¹	15.5%
Annualised Internal Investment Returns ² – All Investments	19.9%
Internal Total Value to Paid-in Capital (TVPI) ² – All Investments	1.9x

Punakaiki Fund iNAV/Share (Including Adjustments for Rights Issues)



¹ Assumes full participation in option and rights issues.

² Internal performance measures are exclusive of all fund costs.

Dear Investors,

As I write this, New Zealand is having its first encounters with the Omicron BA.2 variant of the COVID-19 virus. It's expected that the virus will rapidly spread throughout New Zealand. We wish you and your loved ones all the best at this time.

As data and science-driven people, we and almost everyone we know is vaccinated, with those under 60 or 70 waiting to be eligible for boosters. We are delighted with the very high vaccination rates across the country, acknowledging that we need to all work hard to get towards 100%. Part of that effort belongs to the technology community, as it is through platforms like Facebook where a lot of disinformation has spread. We need to be stronger and consistent voices to demand greater accountability, responsibility and regulation relating to those platforms, and ultimately the action will need to come from nations and groups of nations, just as it has with the fight against the pandemic.

Quick Exit

Last quarter we announced our investment into Moxion, a Hi-Tech Award winner that we saw had a long and prosperous future ahead of it. This quarter Moxion is no longer an investment asset, as the company was sold to Autodesk in December, with the announcement made in January. It was a nice, if intense at times, way to end the year, and we will be hard-pressed to ever beat our over 3,800% annualised rate of return. The return was that high simply because of the very short time between investment and returns, with one Moxion shareholder comparing it to day-trading. He was right – this was not at all in our playbook, but we are happy to take the returns, as the founders and other shareholders were happy.

Don't take my word for it – read our fantastic interview of co-Founder Hugh Caveley, later in this report - and don't miss the part about the fake blood and headless body.

We had been questioned just over a year ago by a prominent investor for not having enough exits. Is five enough? To be fair, only three of the exits in 2021 were substantial (Vend, Timely and Moxion), and we had relatively small returns from Mindfull Limited and ThisData. But overall, we have received close to \$20 million in cash from companies in 2021, with more to come.

New Investment – Formus Labs

While we were not able to announce it, we made an investment late in December into Formus Labs, a company that uses very clever software to help surgeons plan for orthopaedic surgery. I've watched the company for several years, helping at times, as they grew from a technology demonstration to a viable growing company. I'm delighted that we are now able to help back Ju Zhang and his co-founders and team. The round was unusually for us – we are not the lead investor, but invested behind GD1's latest venture capital fund, and alongside new funds from Icehouse Ventures (IVX) and Pacific Channel. We are also alongside Flying Kiwi Angels ("FKA"), who were early investors in 2019. This is the second time we have invested alongside FKA, and the bar is high, as the previous investment was Moxion. It's also the second time we have shared a cap table with Pacific Channel – they invested in Quantifi Photonics last year.

There is more about Formus [on our website](#). Including the delightful quote below, from Ju:

"It's really good to have Punakaiki on board with us," says Ju. "We had other options but really wanted to go with smart money. Also we feel like we've known Lance and Nadine for a long time. We know what they do for the start-up community. Actually, Punakaiki was the first fund I heard about and I have friends who have invested..."

Cashed Up

We closed the retail round in late 2021 raising \$5 million, and we welcome 124 new investors to Punakaiki Fund. We are also grateful for the further investment from 132 existing investors.

We now have well over 1,000 shareholders, with holdings ranging from 1 to 80,204 shares, and an average of 2,498 shares. At our current investor net asset value that's an average of \$71,666 per shareholder.

We ended the year with just under \$10 million in cash, and the Board valued the assets, including cash, at \$82.6 million as at 31 December 2021. That represents \$31.42 per share in asset value, and \$28.69 in investor net asset value per share.

Every shareholder has had a different journey, investing in one or more of our rounds, and perhaps also, or instead, acquiring or selling shares in one of our share trading windows. This results in a fascinating set of

returns. We measure, in the table below, the investment returns for each tranche of shares issued, before and after the provision for performance fees.

Issue Date	Offer Type	Shares issued	Shares Issue Price	Issue Amount	Tranche Asset Value Dec 2021	Investment Gains*	Investment Returns*	Tranche Net Asset Value Dec 21	iNAV Returns	Fees
Apr-13	Launch	100		\$0	\$0	\$0				
Apr-14	Wholesale	152,500	\$10.00	\$1,525,000	\$5,181,838	\$3,656,838	240%	\$4,684,346	307%	\$497,493
Nov-14	Options	150,000	\$10.00	\$1,500,000	\$5,096,890	\$3,596,890	240%	\$4,607,553	307%	\$489,337
Dec-14	Wholesale	92,400	\$12.50	\$1,155,000	\$3,139,684	\$1,984,684	172%	\$2,838,253	246%	\$301,432
Jun-15	Options	152,500	\$12.00	\$1,830,000	\$5,181,838	\$3,351,838	183%	\$4,684,346	256%	\$497,493
Jun-15	Wholesale	62,900	\$14.50	\$912,050	\$2,137,296	\$1,225,246	134%	\$1,932,101	212%	\$205,195
Jul-15	Snowball Effect Crowd Funding	137,931	\$14.50	\$2,000,000	\$4,686,794	\$2,686,795	134%	\$4,236,829	212%	\$449,965
Aug-15	Investment Shares	49,970	\$14.50	\$724,565	\$1,697,944	\$973,379	134%	\$1,534,930	212%	\$163,014
Sep-15	Options	67,315	\$14.00	\$942,410	\$2,287,314	\$1,344,904	143%	\$2,067,716	219%	\$219,598
Dec-15	Wholesale	135,850	\$16.50	\$2,241,525	\$4,616,083	\$2,374,558	106%	\$4,172,907	186%	\$443,176
Oct-16	Options	27,820	\$19.00	\$528,580	\$945,303	\$416,723	79%	\$854,548	162%	\$90,756
Dec-16	Retail PDS	125,350	\$19.00	\$2,381,650	\$4,259,301	\$1,877,651	79%	\$3,850,378	162%	\$408,923
Mar-17	Retail PDS - Shares	37,740	\$20.50	\$773,670	\$1,282,378	\$508,708	66%	\$1,159,260	150%	\$123,117
Mar-17	Retail PDS - Rights	119,065	\$15.00	\$1,785,975	\$4,045,741	\$2,259,766	127%	\$3,657,322	205%	\$388,419
Sep-17	Wholesale	90,000	\$20.00	\$1,800,000	\$3,058,134	\$1,258,134	70%	\$2,764,322	154%	\$293,602
Dec-17	Retail PDS	163,750	\$21.00	\$3,438,750	\$5,564,105	\$2,125,355	62%	\$5,029,912	146%	\$534,193
Jan-18	Investment Shares	91,045	\$21.00	\$1,911,976	\$3,093,642	\$1,181,666	62%	\$2,796,631	146%	\$297,011
May-18	Wholesale	81,530	\$21.00	\$1,712,130	\$2,770,330	\$1,058,200	62%	\$2,504,359	146%	\$265,971
Sep-18	Investment Shares	71,908	\$21.00	\$1,510,068	\$2,443,381	\$933,313	62%	\$2,208,799	146%	\$234,582
Nov-18	Retail PDS	117,977	\$21.50	\$2,536,506	\$4,008,772	\$1,472,266	58%	\$3,623,902	143%	\$384,870
Dec-18	Wholesale	3,000	\$21.50	\$64,500	\$101,938	\$37,438	58%	\$92,151	143%	\$9,787
Feb-19	Wholesale	12,000	\$21.50	\$258,000	\$407,751	\$149,751	58%	\$368,604	143%	\$39,147
Mar-19	Wholesale	1,000	\$21.50	\$21,500	\$33,979	\$12,479	58%	\$30,717	143%	\$3,262
Apr-19	Wholesale	4,651	\$21.50	\$99,997	\$158,038	\$58,041	58%	\$142,865	143%	\$15,173
Apr-19	Wholesale	9,273	\$22.00	\$204,006	\$315,090	\$111,084	54%	\$284,839	140%	\$30,251
Jun-19	Wholesale	5,500	\$22.00	\$121,000	\$186,886	\$65,886	54%	\$168,944	140%	\$17,942
Aug-19	Wholesale	63,334	\$22.50	\$1,425,015	\$2,152,043	\$727,028	51%	\$1,945,432	137%	\$206,611
Nov-19	Retail PDS - Shares	31,860	\$23.00	\$732,780	\$1,082,579	\$349,799	48%	\$978,644	134%	\$103,935
Dec-19	Retail PDS - Rights	293,553	\$16.00	\$4,696,848	\$9,974,716	\$5,277,868	112%	\$9,017,073	192%	\$957,642
Dec-20	Retail PDS	77,600	\$25.50	\$1,978,800	\$2,636,791	\$657,991	33%	\$2,383,641	120%	\$253,150
Mar-21	Wholesale	16,000	\$27.00	\$432,000	\$543,668	\$111,668	26%	\$491,472	114%	\$52,196
May-21	Wholesale	6,250	\$27.00	\$168,750	\$212,370	\$43,620	26%	\$191,981	114%	\$20,389
Dec-21	Retail PDS	175,700	\$28.50	\$5,007,450	\$5,970,157	\$962,707	19%	\$5,396,980	108%	\$573,177
Total		2,627,372	\$17.67	\$46,420,500	\$89,272,776	\$42,852,277	92%	\$80,701,967	174%	\$8,570,809

It pays not to over-analyse this, as it won't really become reality until after the shares are traded on a liquid share market. The provision for the performance fee is used to calculate the investor net asset value per share (iNAV/Share), and itself assumes that the shares would be listed at the asset value. In reality, we would expect to list at a discount to asset value, but we can make no predictions.

For even more data, the table below summarises investment and performance by the type of share issue. The main driver of overall returns is the average date (weighted by dollars invested) of the investment. Obviously, the discounted rights issues show strong returns, as do the options, as they were exercised underneath the prevailing investor net asset value per share.

Weighted Average Date	Offer Type	Shares issued	Shares Issue Price	Issue Amount	Tranche Asset Value Dec 2021	Investment Gains*	Investment Returns*	Tranche Net Asset Value Dec 21	iNAV Returns
Jul-16	Wholesale	736,188	\$16.49	\$12,140,473	\$25,015,128	\$12,874,656	106%	\$22,613,502	86%
Sep-17	Investment Shares	212,923	\$19.47	\$4,146,609	\$7,234,967	\$3,088,358	74%	\$6,540,360	58%
May-15	Options	397,635	\$12.07	\$4,800,990	\$13,511,346	\$8,710,356	181%	\$12,214,162	154%
May-16	Total Wholesale	1,346,746	\$15.66	\$21,088,072	\$45,761,442	\$24,673,370	117%	\$41,368,024	96%
Jul-15	Snowball Effect Crowd Funding	137,931	\$14.50	\$2,000,000	\$4,686,794	\$2,686,795	134%	\$4,236,829	112%
May-19	Retail PDS	660,377	\$23.23	\$15,343,156	\$22,439,126	\$7,095,971	46%	\$20,284,814	32%
Jun-18	Retail PDS - Shares	69,600	\$21.64	\$1,506,450	\$2,364,957	\$858,507	57%	\$2,137,905	42%
Feb-19	Retail PDS - Rights	412,618	\$15.71	\$6,482,823	\$14,020,457	\$7,537,634	116%	\$12,674,395	96%
Oct-18	Total Retail	1,280,526	\$19.78	\$25,332,428	\$43,511,335	\$18,178,907	72%	\$39,333,943	55%
Jul-17	Total	2,627,372	\$17.67	\$46,420,500	\$89,272,776	\$42,852,277	92%	\$80,701,967	74%

*Before performance fee provision

Valuations

We are happy with where we stand on our valuations. We added two new companies, Whip Around and Formus Labs, removed the bulk of the value for two others (Vend*, and Moxion), marked four companies up in value, and impaired two companies. The result is increased confidence in the current and future value of the portfolio.

**As explained in the last quarterly report, we have now converted our Lightspeed shares resulting from the Vend sale into cash. Our average sale price was US\$86.80 per share, and, after a market correction, the Lightspeed shares are trading recently at around or even under US\$30 per share.*

Three trends are worth noting. The first is a definite rise in pressure on valuations for high-quality companies. We have seen a lot of money arrive in the market, and domestic and offshore funds are prepared to invest. We were part of that trend, investing \$15.9 million in the last calendar year, up from just

\$3.1 million in 2020. The companies in our portfolio attracted investment of well over \$50 million and the exits paid out well over \$700 million in aggregate.

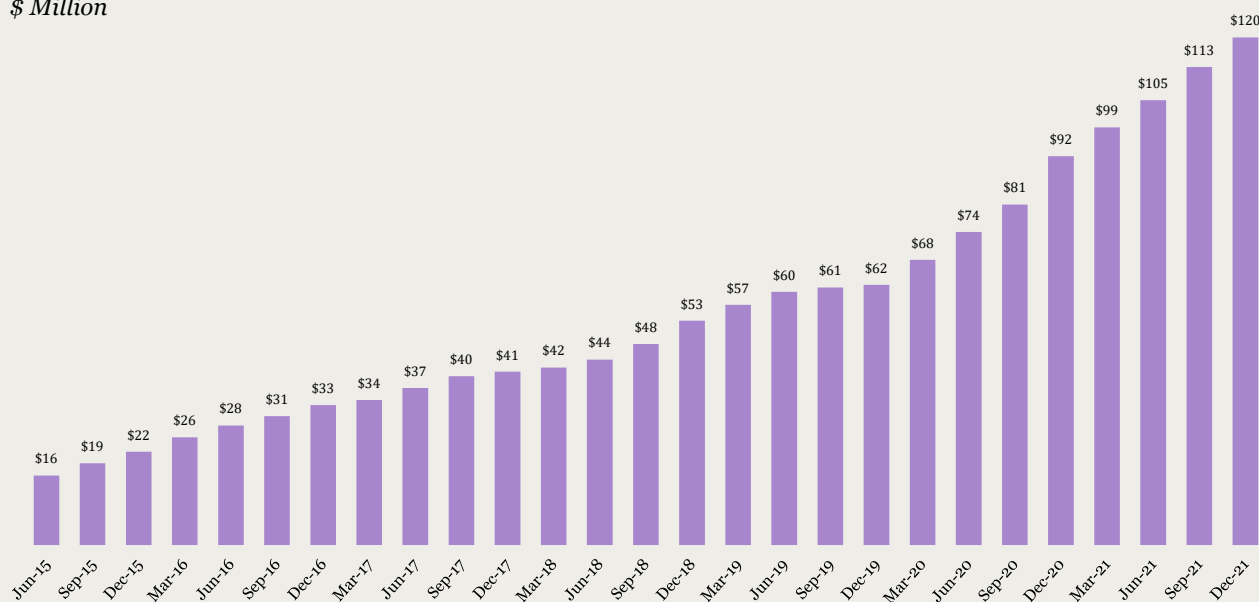
Secondly, there is nervousness about Omicron spread in Australia and New Zealand. There is not only an individual health risk, but also a business risk, with supply lines and staff in short supply during the spread. Some of the portfolio companies will be adversely affected, but we are happy that they are putting plans in place to cope as best as they can.

And thirdly, international and local share markets are seeing a correction while inflation and interest rates are rising. We are not ones to comment on market timing, but we would point out that it's smart to allocate capital to investment in real businesses, especially ones that grow and can adjust prices to keep with inflation. We are doing exactly that, and looking to make solid follow-on investments into portfolio companies over the next few weeks.

Company Revenue

With so many companies coming and going the aggregate revenue chart has been hard to keep up with. The chart below shows the aggregate revenue from our existing portfolio, excluding Moxion, Vend, Timely et al, and including Whip Around and Formus Labs. Judge us by our growth.

Trailing 12m Portfolio Revenues (aggregate)
\$ Million



The equity weighted revenue chart continues to grow, driven by Devoli. Contact Energy reported 62,000 broadband connections, powered by Devoli, for December 2021, continuing the rapid growth. We remain very positive about the partnership there.

Total Equity Weighted Last 12 month Revenue

\$ Million. Weighted at December 2021 Shareholding

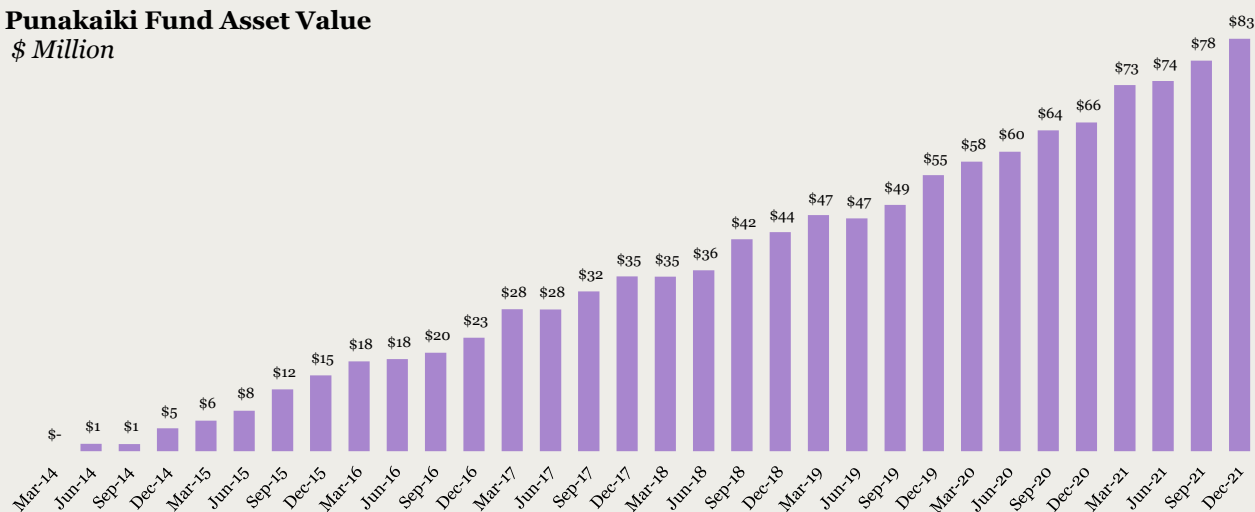


Asset size

The Board valued the assets of the company at \$82.6 million in December 2021, up from \$66 million a year previously.

Punakaiki Fund Asset Value

\$ Million



Team

In December we said goodbye to our Finance Manager Yvonne Gao, who has gone on to a role in the Corporate Finance team at Ernst & Young. We are very happy for her and are now looking for two roles to replace and extend the finance function.

We formally welcomed our three new directors – Tracey Jones, Candace Kinser and Nigel Scott, who each started on 1 January 2022. They will be presented for re-appointment by shareholders at the Annual Shareholder Meeting later in the year.

Quarterly Webinar and Quarterly Share Trading Auction

Our share trading window will look a little different this quarter, as we have outsourced our share register to Catalist Limited. We will get in touch when we have details about how that will work

We are holding our Quarterly Webinar on Friday, 25th February, at 12:30pm. [Pre-Register now.](#)

Portfolio Company Update

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



Shareholding: **53.9%**

First Investment: **Jun 2014**

[Devoli](#) is an Internet Service Provider that provides wholesale and corporate telecommunication and software services.

- Devoli has grown their annualised revenue by over 10% in the quarter, to well over \$50m.
- Devoli's Broadband Services in operation, including their core Contact relationship, has grown by 6% since the end of the last quarter.
- The company successfully launched its first mobile network-based service, Fixed Wireless Access, which is an alternative to copper and fibre-based broadband. Further mobile network-based services will be rolled out in upcoming months.



Shareholding: **25.6%**

First Investment: **Feb 2015**

[Onceit](#) is an online daily deal site selling mid-to high-end fashion, beauty and homewares, predominantly in New Zealand.

- Onceit had its biggest ever Gross Merchandise Volume month in November of 2021.
- The company has developed an Ethical Compliance and Sourcing policy and created an Ethical Compliance and Sourcing role which began in October. The policy and role formalise Onceit's commitment that merchandise isn't sourced or manufactured in ways that are unethical or cause harm to human welfare.
- Onceit is making progress on their new Purchase Order/Management system which is nearing the end of the planning stage.



Shareholding: **19.6%**

First Investment: **Dec 2015**

[QUBEdocs](#) is a software as a service business that automates documentation for IBM TM1 on-premise and Planning & Analytics in the cloud.

- Qubedocs has released a new pricing model that allows customers to purchase individual components of Qubedocs with limits to the number of times documentation can be run.
- The company released Live Object Compare functionality as well as a beta version of their Audit Log File search capability.
- Qubedocs signed a three-year contract with a new partner to provide their MiBI product as an embedded Enterprise Resource Planning (ERP) solution.



Shareholding: **25.6%**

First Investment: **Nov 2017**

[Quantifi Photonics](#) develops and manufactures advanced optical photonics test equipment for the global fibre optic communications market.

- Quantifi weathered the continuous Auckland lockdowns with skeleton staff but are now up and running with production capabilities back online and orders being completed and shipped to customers.
- The company has made progress with a key existing customer that will drive the achievement of its growth targets.
- Quantifi continues to build its team with a new USA salesperson being added in October 2021. Another salesperson and a VP of Product Engineering have been successfully recruited and both begin work in January 2022.



Shareholding: **14.6%**

First Investment: **Oct 2015**

[*MOBI*](#) is a digital ordering and engagement platform for the hospitality sector.

- MOBI trialled a new 'Group Tabs' application to December to positive reviews, with a full rollout to NZ & AU customers expected within the next few months.
- MOBI continues to onboard new clients successfully, with ~850 new locations and 450 upsell locations currently in the onboarding pipeline.
- MOBI launched a new podcast series that shares success stories and useful insights within the hospitality industry. Three episodes have been produced to date and the program has been well received.
- The company is ranked 14th in the Deloitte Fast 50 Index currently.



Shareholding: **20.0%**

First Investment: **Feb 2017**

[*Conqa*](#) provides software allowing the construction industry to do their quality assurance planning and execution online.

- Conqa successfully concluded their capital raise at \$2.5 million, noting incredible support from their existing shareholders, led by Punakaiki Fund.
- Conqa closed out 2021 with 46% year-on-year growth, with ARR growing from \$3.4 million to \$3.8 million in the last quarter and exceeding targets, despite slow end-of-year buying habits typical of the industry.
- The team won two large projects with the Scentre Group (Westfield)—one in Victoria, and one in New South Wales.
- Conqa officially welcomed Luke Janssen, founder of Tigerspike, to their board. Luke brings valuable experience as a founder to the team.



Shareholding: **6.3%**

First Investment: **Apr 2014**

[*Raygun*](#) provides a software intelligence platform including crash and error reporting, real user monitoring, and deployment tracking.

- In October, Raygun was awarded the 2021 Amazon Web Services Independent Software Vendor Partner of the Year for New Zealand and Australia.
- Raygun's Alerts functionality has gone live, enabling users to set-up alerts to monitor events and receive emails when specific conditions are met. Currently Alerts are available for Crash Reporting, Real User Monitoring enabled applications, with functionality for APM alerts coming soon.
- Raygun closed several new deals and signed expansion contracts with existing clients during the quarter with a value of over \$150K ARR.
- Raygun added to their leadership team, with James Story coming on as the new VP of Engineering.



Shareholding: **48.1%**

First Investment: **Mar 2015**

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

- Redseed closed out the calendar year with strong growth, bringing on 14 new clients so far this financial year, and is on target to meet their goal of 17. They are also on track to reach their budget for 2021/22. Seven of these customers were signed in the last two months, including Rip Curl, now their largest client.
- RedSeed is either finalising or has developed content partnerships with Kepler Analytics, True Rating, Resonate, and Active and Thriving. These partnerships will help Redseed expose their offering to more potential customers.
- The company continues to get new content development work from existing clients and now considers bespoke content development a potential area of future growth and a new revenue stream.
- Redseed is finalising work on creating language files for their platform which will allow them to sell into other markets and also work with larger, multinational customers.
- The company is working closely with Anaconda from Australia to build a level 4 sales programme.

orah

Shareholding: **31.1%**

First Investment: **Feb 2015**

[Orah](#) is a student engagement platform that helps schools and families better understand and support student needs.

- Orah's focus on company culture has paid off as evidenced by their highest eNPS score (a measure of employee satisfaction) to date.
- The team released a beta version of Nurture—a new platform application designed to monitor and promote student well-being—and updated their Unify application which collects data from multiple streams to provide a single source of truth about student engagement.
- Orah has expanded their team with the hiring of two new SDRs and a Customer Success Manager for the European and North American Market.



Shareholding: **32.3%**

First Investment: **Dec 2014**

[Melon Health](#) gives chronic disease patients online platforms with the tools, support and information to help manage their condition.

- The first patients signed up from San Joaquin Health Plan in California to Melon's Diabetes Prevention Program.
- Melon launched their sleep apnea program with ResMed, with the first patients signing up as well.
- Melon rolled out an MVP version of their new Bubble app, a parenting and teen mental health app being marketed directly to customers, rather than through health provider organisations.
- Melon welcomes Seb James as the Head of Engineering. Seb has recently returned from the UK where he brings experience gained working for a US based tech startup, growing the engineering team from 4 to 80.

weirdly

Shareholding: **37.9%***

First Investment: **Feb 2015**

[Weirdly](#) is a Human Resources technology SaaS platform, helping companies filter the best candidates from thousands of applicants.

- Weirdly felt the impact of Covid across both their customers and team and faced several personal challenges as well, but were buoyed with the hiring of 5 new salespeople who injected positive energy and enthusiasm into the company, providing a nice end of the quarter lift.
- The team completed 52 new demos during the quarter, tripling their pipeline. Three of these deals look likely to close in the first quarter of 2022 with an expected value of around \$250K to Weirdly's ARR.
- The company is developing a new App specifically targeting store managers.



Shareholding: **17.5%**

First Investment: **Jun 2020**

[Core Schedule](#) is SaaS-based scheduling software that allows hospitals and other medical service providers to develop and administer staffing rosters.

- Core Schedule implemented an Enterprise pricing strategy which now allows them to provide a more streamlined pricing structure for their larger clients with no limit on full-time employees.
 - The company updated their Core 360 and Core Operating Theatre features and improved the platform's Drag and Drop functionality.
 - Core Schedule had their biggest quarter to date, largely due to closing a large deal with CALHN Covid response project (600 FTE's serviced) with an ARR of approximately \$72K. The client will continue to scale with an additional 2000 FTE's estimated to be served in the future.
 - Core Schedule won their first Aged Care Client, giving them a toe-hold into the valuable sector and a platform from which to run integrated marketing campaigns to target the growth opportunities this group provides.
-



Shareholding: **16.7%**

First Investment: **Dec 2020**

[Get Home Safe](#) delivers personal safety, lone worker and journey management software solutions to everyone from individuals to small-medium businesses to large corporations, government departments and multi-national enterprises.

- GetHomeSafe has launched a completely new website to go with their new branding. This has led to increased leads and provided clarity over GHS offerings. The GHS app has also been updated to reflect the new branding.
- The company has employed a new Head of Development, Marc Espiard. Marc formerly worked for Firebrand and had been developing the GHS app for the last five years, so is a great addition to the team.
- GetHomeSafe has established a new partnership model with the goal of increasing engagement with partners and larger commercial clients.
- The Development team has several new features to their platform as a result of client feedback—a Silent Pin function that improves their Silent Alert feature, and an ‘Integration Station’, a front-end tool that facilitates easier integration between other systems and GHS’s Journey Management Software.



Shareholding: **2.6%**

First Investment: **Aug 2021**

[Whip Around](#) is a digital Driver Vehicle Inspections Reports and Maintenance platform that primarily services customers in the USA.

- Whip Around added Punakaiki Fund to its cap table as the leading investor in its Series B raise, with Punakaiki Fund being Whip Around’s first institutional investor.
- The Series B closed at \$21 million, its oversubscription and heavy participation by both new and existing shareholders a strong sign of confidence in the company’s team and strategy.
- Whip Around launched its integration with Keep Truckin’, a fleet company that specialises in Hours of Service monitoring, along with GPS tracking and dashcams. It is the first of three planned integrations aimed at extending Whip Around’s customer reach.
- Whip Around welcomed Shai Bhula as VP of engineering. Shia’s track record of innovation and prior experience as head of engineering at ezyVet mean she’s a great addition to the team.



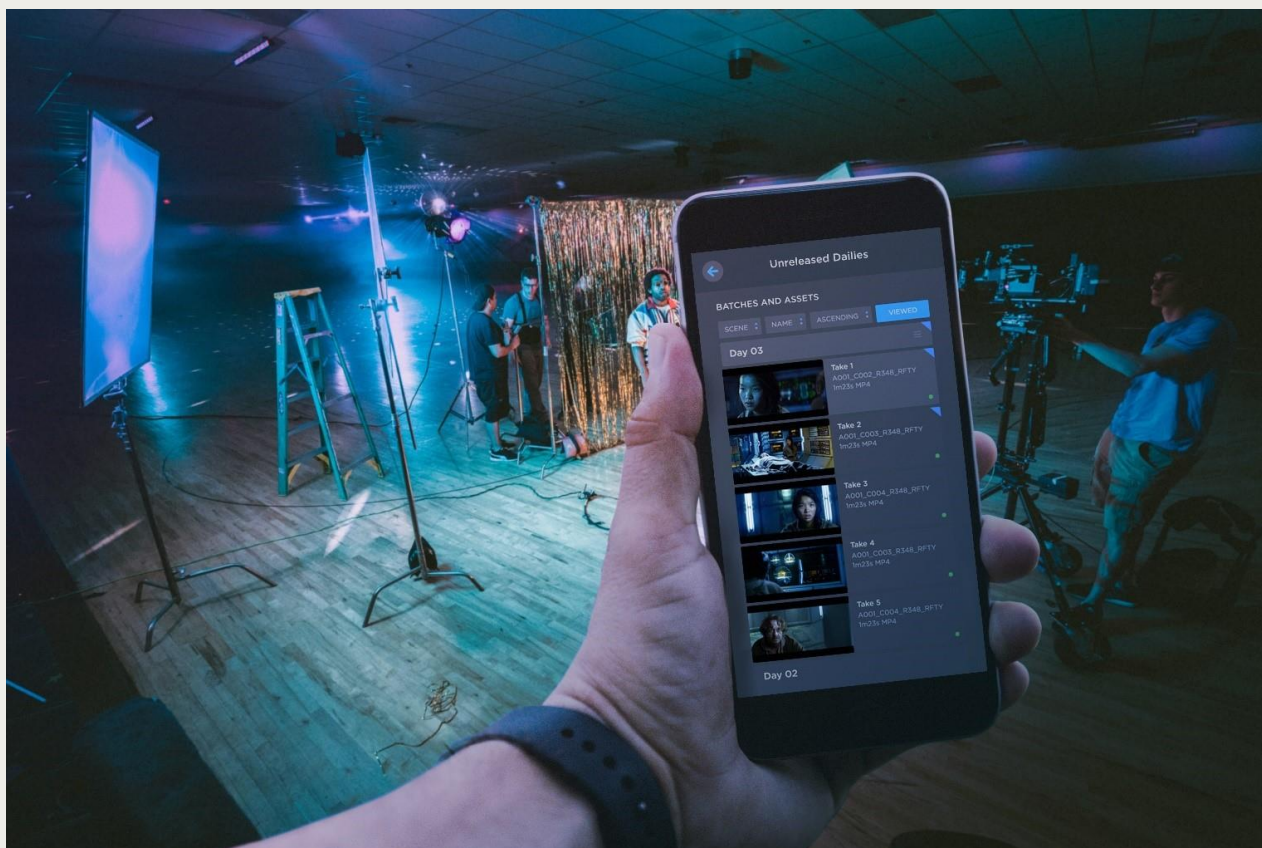
Shareholding: **2.5%**

First Investment: **Dec 2021**

[Formus Labs](#)’ platform employs cutting-edge biomechanics and machine learning to empower surgeons and improve the lives of patients worldwide.

- Formus Labs successfully closed their Pre-Series-A round, raising US\$5 million, with oversubscription interest.
- Formus Labs hit a monthly high of 73 planned surgeries using their technology in November. This is due in part to signing up 6 new surgeons and a momentary resumption of elective surgeries across Australia.
- Marketing, Product, and Sales preparations are on track for the general release of Formus Hips in both Australia and New Zealand in February of 2022.

A classic in the making: the Moxion story



For a brief moment (four months to be exact), Punakaiki Fund was a significant shareholder in Moxion, the film production startup whose technology powers blockbusters like *The Meg*, *The Queen's Gambit* and *The Matrix*. But then, just as we were settling in for the ride to infinity and beyond, founders Hugh Calveley and Michael Lonsdale announced the sale of Moxion to Autodesk, a US\$57b market cap behemoth specialising in design and production automation.

The acquisition came as a surprise to us - albeit a pleasant one as it netted Punakaiki an IRR in the thousands - but a surprise nonetheless, as our preference is to hold our shares and grow with the company,

But sometimes the facts change and so do we. Moxion received good media coverage for the sale but few have heard the story from beginning to end, and the rationale for the sale. Hugh spoke candidly to Vincent Heeringa about the journey from a blood-stained Holden to Hollywood darlings.

A star is conceived

The day I call, Hugh Calveley is supposed to be presenting the warts'n'all Moxion story to a tech conference in Christchurch. But New Zealand's just moved to traffic light red. The conference is cancelled and Hugh's presentation sits idle on his computer. Oh well, their loss, our gain.

If the Moxion story was a film, it would probably start as something slapstick, featuring Bernard Moran of *Blackbooks* fame. Or maybe it's *Goodbye Pork Pie* since it involves cops, cars and capers. The heart of the story, though, is more like *The Matrix*, involving the power of metadata to transform reality.

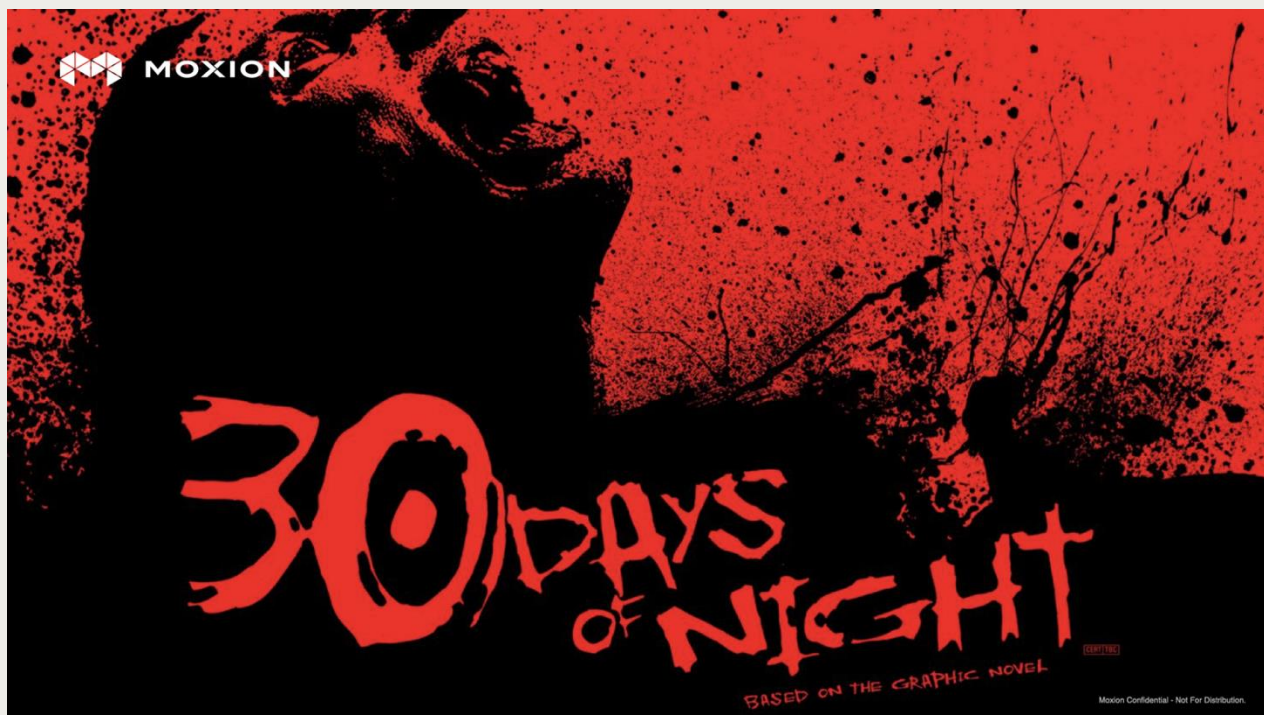
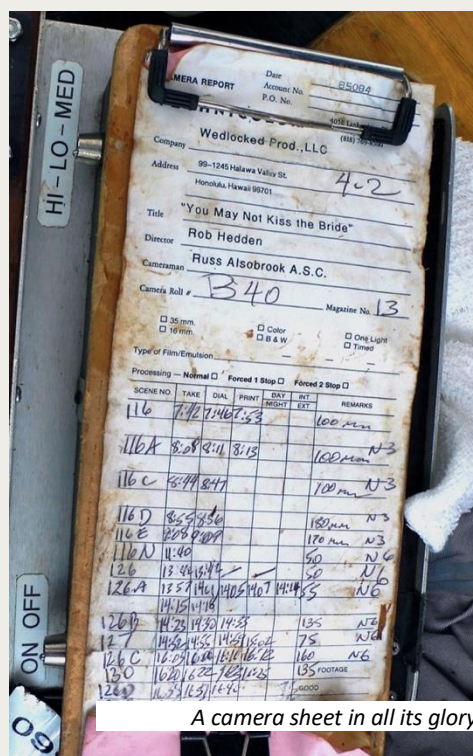
Whatever the genre, the story starts at dusk on Auckland's southern motorway, November 16, 2006. Our young hero, Hugh, is fresh out of film school and earnestly fulfilling his role as a dog's body - a 'truck b***h' as it's affectionately known in the industry.

"Now as a truck b***h the bane of my life were these things called camera sheets," he recalls. "They contain all the metadata about the shoot. You can imagine how important these sheets are. Before digital cameras, everything was shot in film. Film is really expensive and so you need to record as much information about each piece of film – where it was, who's in it, the lens used and so on. They are recorded on set, in pen, on carbon-copy triplicates and even though they're really important, they are also really messy, usually covered in coffee stains and mud, with handwriting no one can read.

Hugh was threatened with dismemberment if he got the film sheets wrong or went missing. Which is what happened that day in 2006 on the shoot for a splatter movie called 30 Days of Night. There were critical gaps and Hugh needed to get them to 'the runner', who was already on his way to the airport.

"So it's the final shot of the final day and it happened that I got too close to a squib, a device that explodes with fake blood, and I got covered in all this red stuff. I didn't have time to clean up because I had to race to the airport to chase the runner. I was driving my Holden Commodore and finally got this guy on the phone but as I did so I swerved erratically in front of a cop. He pulled me over and walked really slowly up to my car.

"What I haven't mentioned is that at the time I was also making a student film which meant I had a decapitated dummy called Steve in the back of my car. Actually, he was supposed to be a decapitated woman but we couldn't find a female dummy and figured Steve was in a nightie so no one could tell. Anyway, I'm in a real hurry clutching these film sheets, trying to talk to the runner who's now leaving the country and I'm sweating profusely and this cop shines his torch on me.



“What’s that on your face?” he asks.

At that point I said one of the most stupid things in my life: “It’s vampire blood.”

“Uh-huh,” he says and then shines the torch to the back seat. Steve’s nightie had risen up a bit too high by now and, you know, he’s decapitated with blood all over his torso. And I’m like, ‘will this take very long officer, because I really need to talk this guy ...’”

Two hours later and after a stern warning from the police Hugh is thinking, ‘man there has to be a better way to record metadata.’

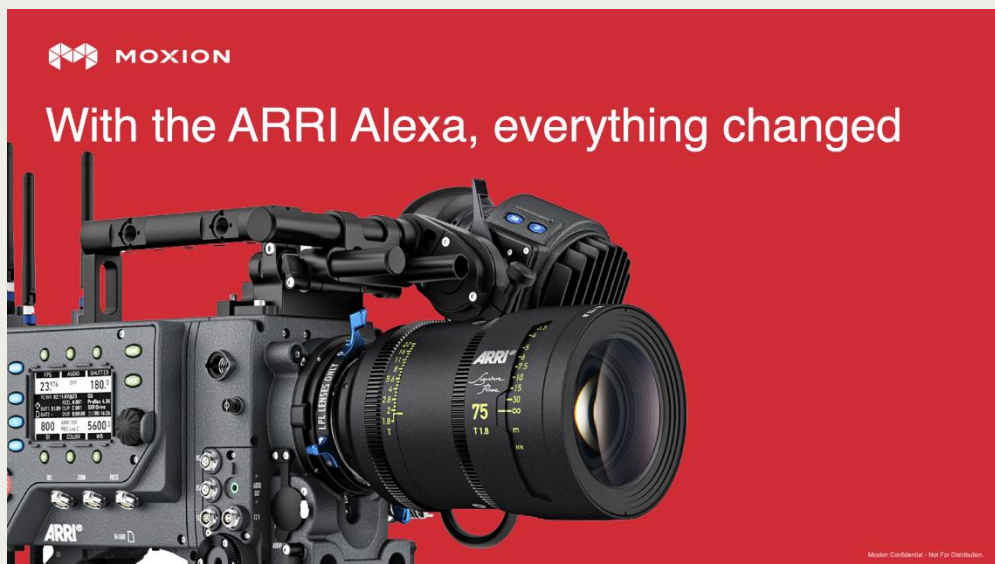
Hi, I’m Alexa

We fast-forward now to 2011. Hugh and his friend Michael Lonsdale are working full-time as techies in New Zealand’s burgeoning film sector. Hugh is still frustrated by the analogue nature of film sheets, especially since most parts of the business have been digitised, especially post-production.

Young, eager, frustrated, our protagonists need a break.

Enter Alexa.

Sexy, modern, with a swagger that could shift the world on its axis, Alexa was the world’s first film-grade digital camera. Loading Alexa into the back of a truck one day, Hugh fell instantly in love. Replete with an SDI serial digital interface, Alexa was the missing piece in the digitisation of the industry.



“The camera could transmit all the metadata we needed. All we needed was a way to store it and send it to the cloud as soon as the operator pressed record.

At this point in ‘Moxion, The Movie’, the clouds would part, shafts of sun would fall on the back of the truck, Alexa would shimmer in the light and Hugh would be transported to heavenly realms.

And that’s pretty much what happened. Inspired by their vision of a world free from mud-splattered camera sheets, Hugh and Michael convinced friends and family to throw in some cash, rented some space and set out to develop the world’s first digital camera metadata for directors and filmmakers.

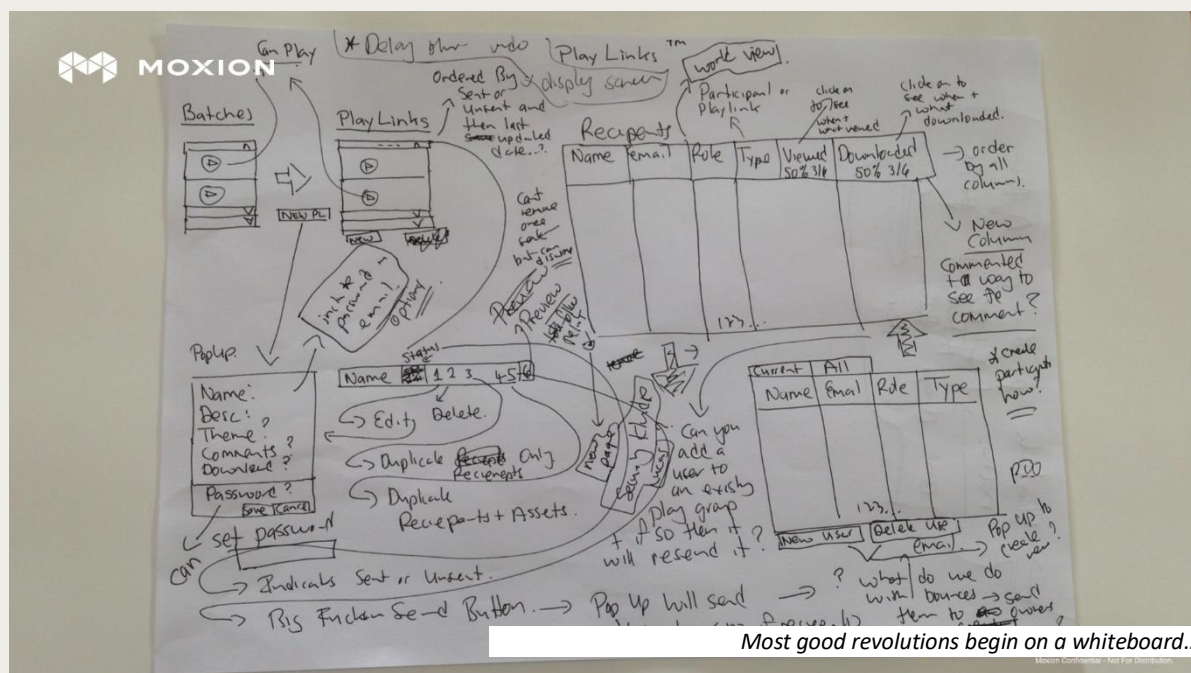
Bigger than Ben Hur

To understand the scope of the opportunity we need to take a short diversion, a subplot if you will, into the world of filmmaking. Camera sheets carry vital information for the workers who immediately follow the shoot. Think of editors, FX creators, artists. They need to know what’s in each shot, what’s in focus, where the shots fit in the story, what digital art needs to be added and so on. “These people are on \$500 an hour and so when they don’t have the information they have to guess, which creates mistakes.”

Digitisation could have a profound effect on-set too. Directors need to review their work, receiving rushes at the end of the day to see what's been captured in the can. These so-called Dailies are the lifeblood of a director, but processing the rushes takes time.

“And digital cameras, far from improving the process, made it worse. Film is expensive, so shooting on film created a discipline: ten minutes of filming for one minute on screen. Hitchcock was incredibly efficient, shooting just three to one.

“Digital cameras changed everything. You could now shoot unrestricted for no real extra cost. Directors were now hosing it down the pipeline for post-production to sort out. But that meant tons of data to process. Let's say you shot 20 terabytes of film in a day, it would still need to be downloaded, saved in triplicate, uploaded to the cloud from a shoot location with probably a poor internet connection.”



When Hugh first cradled Alexa in his arms he imagined a system that borrowed from other parts of the digital world: squishing those files into parallel data streams, encrypting them for safety, storing them in the cloud, and coding them with all the metadata the downstream workers needed.

“We could go from Dailies to Immediates. We could save the industry millions in shooting and editing costs. And we could improve the work lives of storytellers the world over.”

Alexa, Hugh and Michael. It was a menage de trois made in heaven, right? Oh no.

LA Confidential

After hiring a developer to create a prototype, Moxion, then called Tinderbox, faced its first major hurdle. “We had two things to do: one, deliver a secure streaming platform, and two, create a box that would take the signal from the camera, and upload the messages to the actual film. We raised enough money to do one but not the other.”

Hugh and Michael were not the only ones to see the future. A Slovakian firm called Qtake had developed a tech that solved the second problem. If Moxion could combine it with their own secure streaming platform then a whole new plot line could be written.

“We had just enough money for me to jump on a plane to Las Vegas to meet them and hash out a deal. It was done in Frankies Tiki Lounge and sealed over a few vodkas with my new Slovakian friends. Actually there were so many vodkas I had to tip half them into the pot plants behind me to survive the night.

“Afterwards, one of them suggested we go for a swim in the hotel pool, which sounded great. The pool was locked, but it didn’t matter because we jumped off the fire escape and had an awesome time, followed by relaxing in the spa. Which also was fine until a huge security guard discovered us and threatened to Taser the pool if we didn’t split.

“We fled, and of course we were soaking wet, so I suggested to my friend that we nip up to his room to grab some towels. ‘What room?’ he said. ‘This isn’t my hotel.’”



Scene 2: Frankies Tiki Lounge

The combined product was a success. “It blew the minds of our potential customers – they could get Dailies in 90 seconds. And the visual effects team could get the footage and the metadata in one go, almost immediately. They could see what’s in focus and out of focus, what art needed to mesh with the real world and so on.”

Moxion, renamed to avoid confusion with that other sexy start-up, was ready to roll. With a prototype in hand and the endorsement of the local film industry, Hugh and Michael raised \$1.4 million from Flying Kiwi Angels and paid themselves a handsome \$40,000 annual salary. A second round in 2017 raised another \$1.5 million and a third, \$1.9m in 2018.

In 2018 Hugh, his partner and child moved to LA to conquer the world.

Cue the obo playing a mournful tune.

“It was the most disheartening year of my life. There was real excitement from the crews who were working on New Zealand and Australia movies. They loved our product and encouraged us to keep going. But the Hollywood studios didn’t want this. They didn’t trust us. They didn’t understand our accent. They said ‘you want our entire movie in your cloud platform? Are you joking?’. I was working mental hours doing 70-80 hours a week, trying to get meetings, trying to convince producers to just give it go. At one point I had an epileptic seizure from a lack of sleep.”

Bazza

Running out of money and sanity, Hugh needed a break. It came in a roundabout way, via New Zealand.

Hugh knew some Samoan guys doing security on a film being made by a high-profile producer. “They snuck me onto the set, told me where his trailer was and turned a blind eye as I walked up to it. I knocked on the door and this producer (I can’t reveal his name) opened the door. I said: ‘Hi, I’m Hugh, I’m hustling.’ He laughed and let me in and to my eternal gratitude he listened, understood and said, ‘I’ll introduce you to Bazza’. That was a turning point for our company.”



Bazza is Barry Osbourne, the producer known for backing Peter Jackson to make Lord of the Rings. Thanks to the introduction by the aforementioned producer, Hugh presented to Osbourne who liked what he saw and took a punt with Moxion on his next movie, The Meg, to be shot in Auckland.

“Barry said, ‘I’m trusting you, don’t screw it up!’. No pressure. But it worked really well. I’ll give you an example. They were shooting this scene in the Hauraki Gulf with the hero boat supposedly out in the ocean, so the studio boat couldn’t be seen nearby. They were going to send the digital footage by microwave link via satellite at a cost of hundreds of thousands of dollars. We suggested they do it using our platform, store it in the cloud on our AWS account, then hotspot the modem to the studio boat. We had figured out how to encrypt it – visibly and invisibly – operating at scale 24/7 and then send it back watermarked and secure, within seconds.”

Moxion also allowed the team to compare what was happening above the water in the Gulf and below the water in the Kumeu "tank". "So if someone jumped into the water holding a spear gun a particular way, they could check it straight away, rather than having to wait a day or so."

Osbourne gave them other movies, including Mulan, but by now others were biting at their heels. “Some of our competitors had grown really fast, copying what we’d done. They had thirty times the funding and had 300 people. We had eight. We always invested in innovation and development but our competitors could copy us and release a year later. It reminded me of the VHS versus Betamax battle. We had a superior product and were innovating faster. They had budgets and people. We were going to lose unless something happened.”

They needed another lucky break.



International rescue

In any decent adventure film there comes a moment where everything hinges on a twist of fortune. Whether the heroes are hanging by an ever-shredding rope or surrounded by spear-carrying enemies, their fate depends on a saviour to appear, like Gandalf roaring in from the eastern sunrise to the gates of Helm's Deep.

For Moxion, Gandalf was a global pandemic. "At first we thought we were done for. We lost 90% of our revenue over night as shoots shut down around the world. Then post-production started to be hit. The editing houses were being called Houses of Plague as everyone was catching it off each other." But Moxion is a digital business, premised on the cloud, right? "It dawned on some that they could continue shooting and editing using our tech. Suddenly we got really busy."

Movies using Moxion started to pile up: Matrix, Batman Vengeance, Jurassic World, Fantastic Beasts.

So did awards. The Hollywood Professional Association award, The Lumiere Award, and the ultimate one for geek boasting rights was the coveted SMPTE workflow medal.

"The most important award is the SMPTE workflow medal. It's the Oscars for geeks. I almost wanted to cry. When Leon Silverman, who is a legend in production circles, presented the award he was wearing our branded Mox Socks. He pulled up his trousers to show me. I had the presence of mind to say that he'd just knocked mine off with the news."

How they laughed.

David and Goliath

Covid provided Moxion with a silver lining, winning big movies from big studios and gaining the big creds. But some of the fundamental problems remained. Their competitors enjoyed a similar upwards ride and were still many times bigger.

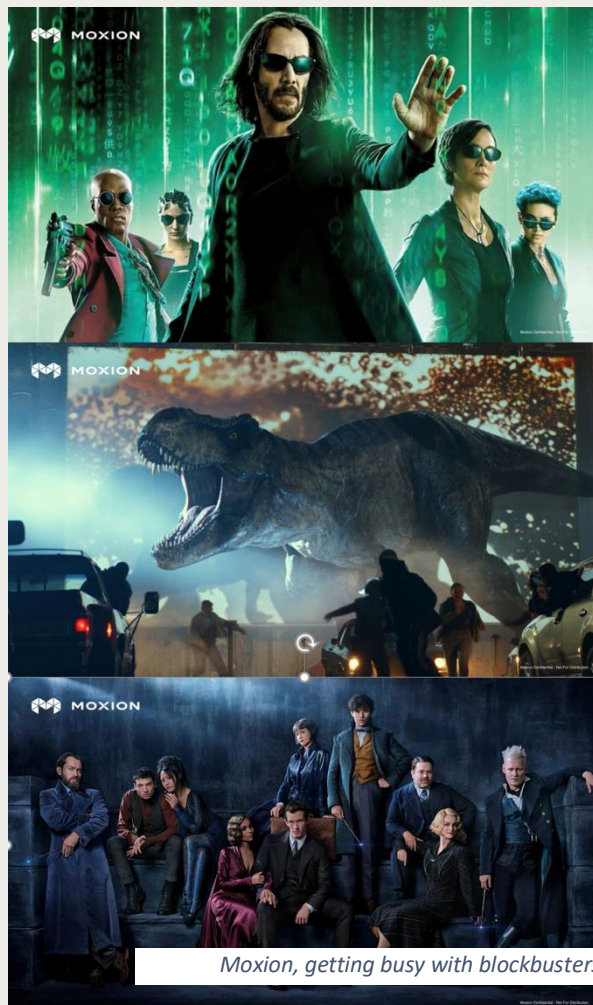
"We needed to raise a lot of money quickly. One of our competitors had raised US\$100m. We needed to at least get US\$30m. We needed scale. If we failed to raise the money we'd be the last girl at the dance."

It was a daunting prospect, not helped by the nature of Moxion's shareholding. Having secured funding through rounds of angel investors, Hugh and Michael had diluted their holdings extensively. "It was hard for the bigger VCs to meet their criteria. We had four VCs strongly interested but they couldn't make it pass their own rules."

By contrast, Punakaiki Fund got lucky. Hugh and Lance had met a few years before. "I'd spoken to Lance a few times prior and knew he was well respected. Back then we were a bit too small. But last year it just happened that some of our investors wanted to exit and so Punakaiki took the opportunity to jump in."

Lucky us.

Punakaiki's investment was welcome but still not enough to solve the global challenge.



In 2021 Moxion was working closely with Autodesk on an international production based in Auckland. “We were integrating our product with one of theirs called ShotGrid - scheduling software for the Visual Effects Artists (VFX) artists. The client was asking for additional mods to ShotGrid which by combining our products we were able to help Autodesk do. As a team we worked really well together.”

There were other synergies. Autodesk didn’t have a cloud native solution. Moxion does. Moxion provides on-set tools. Autodesk is focused on post-production. And they shared a vision.



“I’ve long had a vision called the Fabric of Filmmaking. It’s about creating a seamless tech platform that allows the creators to focus on the story-telling. As we talked with Autodesk guys we realised they had a similar idea to create. a platform for creativity.

“From the get go, our vision is to help people tell better stories. I would rave on to people about how to manage change. When you’re shooting it’s all about managing change. It’s similar to a construction site. And it’s interesting that a lot of Autodesk’s business comes from the construction sector.”

So when Autodesk proposed to acquire Moxion, the final scene wrote itself. Picture a family home, kids on a swing beneath a giant oak. Alexa and Hugh sitting on the front porch, each holding a cooling glass of lemonade.

“Our whole team has gone to become a branch of their tree. They want to learn from us. They don’t want to move us. They’ve promised to not touch us for six months. I even think the brand stays - which is less important. What matters is that we now have the ability to grow and compete.”

The denouement

I ask Hugh what he feels like today. “About 90% of the stress has lifted from my shoulders. I carried a lot of responsibility to my investors. It’s been a hell of a ride.

So would you do it again? And if so, differently?

“Yes absolutely, I’d do it again. As for doing it differently I have to answer this carefully because I want to acknowledge all the help that we have got over the years from very patient and trusting investors. But as I move from a start-up founder to an investor, I will make sure that the founders are not diluted out of the business. Also, I would raise money differently. I would raise seed money from great investors and go straight to the US - just skip New Zealand and go directly to where the action is.”

Hugh is staying to see Moxion integrated inside Autodesk. “I’ve got golden handcuffs for a few years. I can already feel the benefits of scale. I told them I was writing this presentation and within an hour I had people emailing me saying ‘we can write it for you, just send it over.’ After years of doing everything myself it feels almost indulgent.”

And what exactly is his new job title?

“Oh, it’s something marketing. Senior something marketing. I’ve got it here I think ...”

And so we close, the light fading on a smiling man, older, more lines on his face, his once bouffant hair thinner, rifling through papers on his desk in search of something important. What that thing is you’ll need to wait and see in ‘Moxion 2, The Return’, out soon.

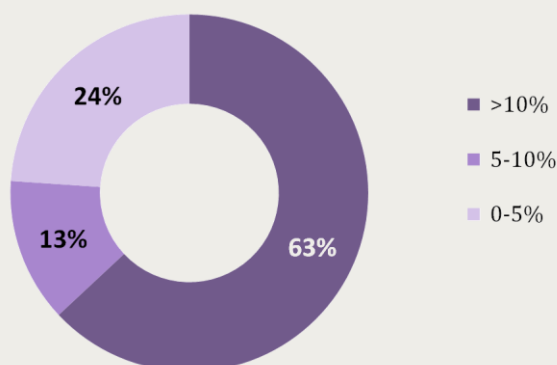


Portfolio Valuation Splits

(as at 31 December 2021)

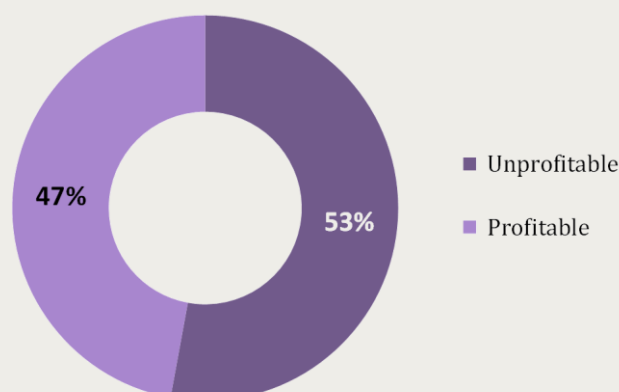
The diagrams below show various splits of the valuation of our 15 core portfolio companies.

Valuation Split By Concentration



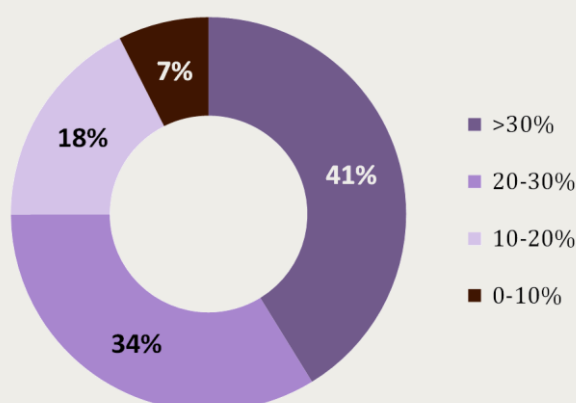
Investments in eight companies represent 75% of the value of Punakaiki Fund's portfolio.

Valuation Split By Profitability



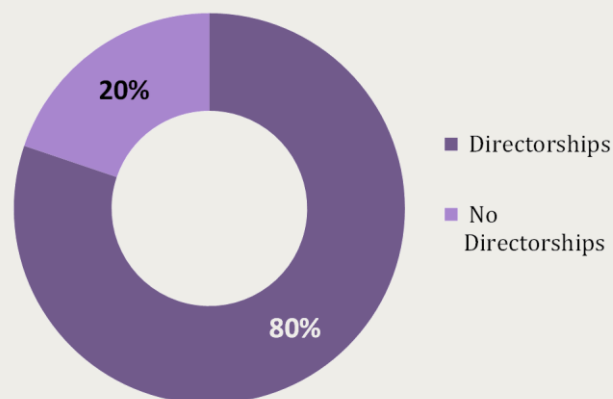
There is a good mix of profitable and unprofitable (investing for growth) companies. We are comfortable with the sustainability of the companies for now, given each's cash reserves.

Valuation Split By Ownership %



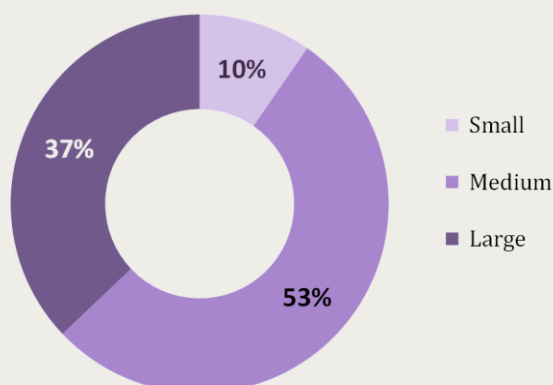
Unusually for a venture capital firm, we have large shareholdings in a number of companies – and that is where the value is increasingly concentrated.

Valuation Split By Directorship



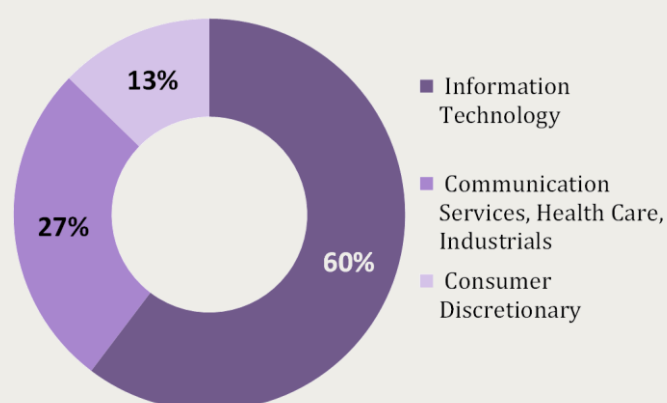
Directorships reflect that we are able to contribute where we have larger shareholdings, and thus have more visibility of and influence on company performance.

Valuation Split By Revenues



As companies grow in revenue, so, in general, does their value and the amount we can invest. We expect that over time the portfolio value held by medium and large companies will increase, unless those investments are sold.

Valuation Split By Industry



We have a deliberate strategy of diversifying across industries, and that provides resilience to external shocks, such as the COVID-19 pandemic.

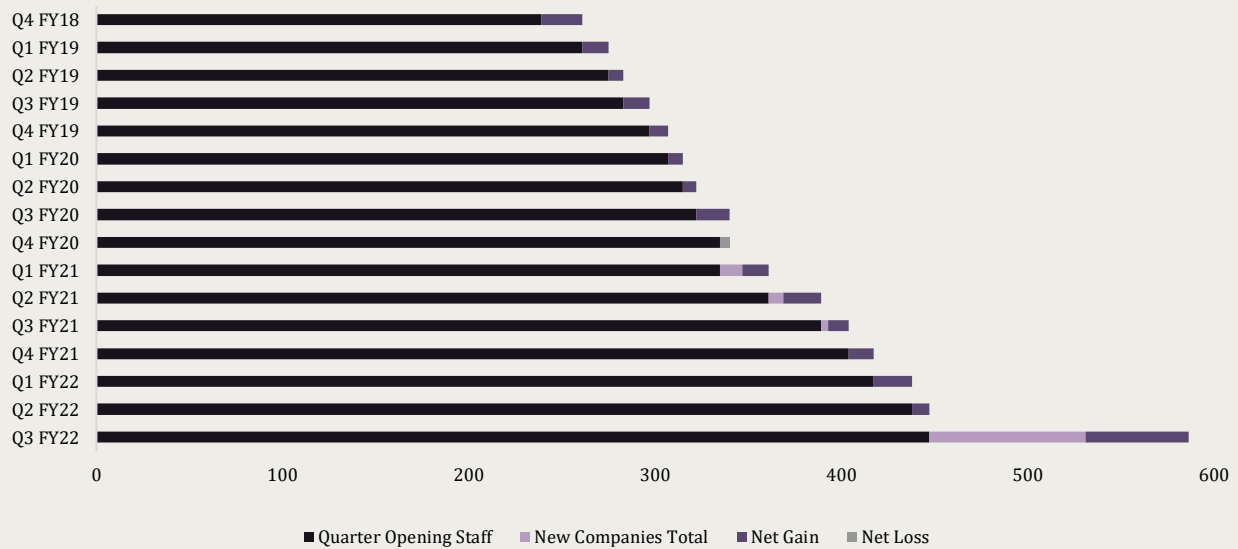
In the News

MOBI	<u>Hospitality tech in the money as restaurants learn lockdown lessons</u> <u>Technology predictions for 2022 and beyond</u>
Moxion	<u>Autodesk Acquires Moxion Cloud Solution for Digital Dailies</u> <u>Autodesk Stock Rises on Moxion Acquisition</u> <u>Hollywood hookup: US giant Autodesk buys NZ's Moxion in deal worth tens of millions</u>
Once-it	<u>How Two Leading Online Marketplaces are Maximising Growth</u>
Quantifi Photonics	<u>Electro Rent Announces New OEM Rental Partner, Quantifi Photonics</u>
Qubedocs	<u>The 100 most disruptive companies to watch in 2022</u>
Raygun	<u>Covid 19 Delta outbreak: Govt blames cyber defences gone haywire for Vaccine Pass problems</u>
Timely	<u>Advocating for a more equitable, diverse, inclusive world</u> <u>Transgender Awareness Week: Fight for inclusion still ongoing, advocate says</u> <u>Timely's SVP of culture reflects on first year in new role</u>
Whip Around	<u>'The next Xero': Whip Around, headed by ex-All White Noah Hickey and advised by Sir John Key, raises US\$14m</u> <u>Kiwi transport maintenance tech startup Whip Around bags NZ\$21 million Series B</u> <u>Whip Around: Making Fleet Inspection and Maintenance a Thing of the Past</u> <u>New Zealand-based Whip Around wants to make fleet inspection and maintenance less painful</u> <u>Ignition Lane's Weekly Wrap: The 2021 Great Wrap</u>
Punakaiki Fund	<u>Deals of the year: Kiwis make hay with mega deals in 2021</u>

Employment Monitor

(December 2021 Quarter)

Here is a snapshot of our portfolio companies' employment situation at the end of December 2021.*



That's 586 jobs as at the end of the Dec. quarter – 111 more than at the end of September.



**Employment figures are not included for companies that are sold or inactive (non-core portfolio companies).*

Corporate Update

Governance

The Board convened on 3 February 2022 for the quarterly Board meeting to consider, among other matters:

- The value of Punakaiki Fund's investment portfolio as at 31 December 2021;
- A review of Punakaiki Fund's investment portfolio;
- Punakaiki Fund's 2022 strategy and Objectives and Key Results
- The proposed FY2023 Administration Fee;
- The proposed FY2023 operating budget;
- The Management Agreement Issues paper;
- Updates to the Board Charter and Investment Valuation Policy; and
- This quarterly report.

Punakaiki Fund welcomed its three new directors, Nigel Scott, Candance Kinser and Tracey Jones, at the meeting. The Board's next meeting is planned to be held in late April 2022.

Financial Reporting

The Investor Net Asset Value ("iNAV") of the fund after all contingent performance fees at 31 December 2021 was \$75,377,106 (or \$28.69 per share), an increase from the 30 September 2021 iNAV of \$70,828,772. This change is mainly from the \$5.0 million of new capital raised in November 2021. The Accounting Net Asset Value (which includes only the cash component of the performance fee and is used to calculate the management fee) was \$80,515,213 at the end of the quarter, compared to \$76,123,602 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 2021 of \$3,236,535;
- A net revaluation loss of \$70,935 across the portfolio;
- \$7,013,713 was invested in Conqa, Whip Around, Quantifi Photonics, Weirdly, Formus Labs and Get Home Safe;
- \$9,352,778 was received from the Vend (Lightspeed shares), EverEdge, Moxion and ThisData transactions;
- New capital of \$5,007,450 was raised in the November 2021 retail offer;
- Brokerage Fees of \$150,224 were paid to 2040 Ventures;
- Management fees of \$353,183 were paid to 2040 Ventures;
- Administration fees of \$72,163 were paid to 2040 Ventures in relation to the December quarter administration services provided to Punakaiki Fund;
- \$5,175 was paid for accounting services;
- \$13,710 was paid for legal services;
- \$73,538 in insurance costs were incurred;
- Branding and design expense of \$8,499 were paid;
- GST refunds of \$12,256 were received; and
- A closing cash balance of \$9,919,256 as at 31 December 2021.

Punakaiki Fund Limited - Unaudited Financial Position		Punakaiki Fund Limited - Cash Flow Summary	
as at 31 December 2021	NZ\$	for the Quarter Ending 31 December 2021	NZ\$
Current Assets		Operating Cash Flows	
Cash on Deposit	9,919,256	Gross Interest Received	472
Accounts Receivable	10,973	Bank Fees	(31)
Prepayments	53,716	Payments to External Advisors	(27,384)
Non-current Assets		Management Fees	(353,183)
Investments	72,580,000	Administration Fee	(72,163)
Total Assets	82,563,945	Other Net Expenses	(73,538)
		GST Refunds	12,256
Current Liabilities		Total Operating Cash Flows	(513,571)
Accounts Payable	50,578		
Non-current Liabilities		Investing Cash Flows	
Accrued Performance Fee	1,998,153	Investments Made	(7,013,713)
Equity		Investments Realised	9,352,778
Retained Earnings - Operations	(6,009,054)	Dividends Received from Investments	-
Retained earnings - Accrued Performance Fee	(7,136,260)	Total Investing Cash Flows	2,339,065
Share-based Payment Reserve	5,138,107		
Asset Revaluation	43,366,573	Financing Cash Flows	
Share Capital	46,420,279	New Capital Received	5,007,450
Capital Raising Costs	(1,264,432)	Brokerage Fees	(150,224)
Total Equity and Liabilities	82,563,945	Dividends Paid	-
		Total Financing Cash Flows	4,857,227
Accounting NAV	80,515,213	Total Cash Movements	6,682,721
iNAV (after deduction of the performance fee)	75,377,106	Opening Cash Balance	3,236,535
iNAV per Share	28.69	Closing Cash Balance	9,919,256

Expected Cash Flows for the December 2021 Quarter

Since the December 2021 quarter-end, an interim quarterly management payment of \$360,685 (including GST) has been made to 2040 Ventures. The Administration Fees for the March 2022 quarter (totalling \$72,163 including GST) have been paid to 2040 Ventures. Legal fees of \$8,516 and design costs of \$2,875 have been paid, and a GST refund of \$7,991 has been received.

Capital Raising Plans

Punakaiki Fund has not yet scheduled its next capital raising round.

Additional Disclosures / Conflicts

With the exception of the conflicts which have been previously disclosed, the directors of Punakaiki Fund or the managers of 2040 Ventures do not have any other additional disclosures or conflicts of interest to declare.

Contact

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