

# Punakaiki Fund Limited

## June 2015 Quarterly Report

### Welcome

Welcome to the June 2015 quarterly report, especially to the 380 new shareholders who joined the fund in June and early July. We now have 474 investors, raised \$4,741,998 from the June Offers and Options round and the net asset value of the fund, as at the closing of the offer and after accounting for fees was \$10.7 million.

We are delighted with the shareholder returns so far. The investors from the fund's inception in April 2014 have seen an unrealised annualised rate of return of at least 51%, while those from the December 2014 round have seen at least 44%.

### Example returns for an April 2014 Investor purchasing 2,000 shares:

Invested April 2014	November 2014 Options	June 2015 Options	Results
\$20,000 for 2,000 shares	\$20,000 for 2,000 shares	\$24,000 for 2,000 shares	Owens: 6,000 shares Cost: \$64,000 (\$10.67/share) Value: \$87,000 (\$14.50/share) <b>IRR: 62%</b>
\$20,000 for 2,000 shares	\$20,000 for 2,000 shares	Sold for \$2,000 (\$1 per option)	Owens: 4,000 shares + \$2,000 Cost: \$40,000 (\$10/share) Value: \$58,000 (\$14.50/share) <b>IRR: 54%</b>
\$20,000 for 2,000 shares	Sold for \$2,000 (\$1 per option)	Sold for \$2,000 (\$1 per option)	Owens: 2,000 shares + \$4,000 Cost: \$20,000 (\$10/share) Value: \$29,000 (\$14.50/share) <b>IRR: 51%</b>

*(IRR = Internal Rate of Return, which is the equivalent annual percentage return. This is unrealised as there is not a liquid market for the shares.)*

We certainly hope that future returns will be as strong, but of course can make no promises. But we will continue to invest in companies that show high revenue growth rates, sometimes far higher than these figures.

We have announced three new investments since the fund raising, including EverEdgeIP and follow-on investments with Influx and Boardingware. We've also held the shareholder vote on a proposed investment in Vend, and have a very strong pipeline. We hope to release more news soon.

Lance



## **Vibe Communications**

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

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

- Quarter on quarter revenue growth of █%;
- Continuing to push into Australia with a major new partnership being negotiated;
- Securing two large wholesale customers;
- Shaun McGuane joining the management team as Chief Infrastructure Officer following the completion of the acquisition of RackCentral;
- Completing the acquisition of RackCentral, for preference share equivalent to █% of Vibe's issued capital and a relatively small cash payment. This transaction diluted Punakaiki Fund's interest in Vibe from 24.02% to 22.82%; and
- Acquiring small retail ISP Mynx Internet for a small amount, to use as a vehicle to transition Vibe's retail customers away from the core business.

## **InfluxHQ**

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



## Timely

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

***“We are shipping more features than ever with our larger dev team now bedded in and in a slick rhythm.”*** Ryan Baker, CEO, Timely

## Raygun

Formerly Mindscape, Raygun is a Wellington based creator of developer tools. The engine of their growth is Raygun.io, a dev-ops tool that automatically tracks errors and crashes in applications across a wider range of platforms including PCs, the web and mobile devices.

**What’s New:** Raygun.io continued to grow strongly during the quarter, although the US summer holiday period has slowed the securing of larger customers. Recent highlights include:

- Quarter on quarter revenue growth of █%;
- New net customer growth of █% quarter on quarter;
- A strong pipeline of large customers in the sales pipeline;
- The development of Raygun’s “Project Neutron” is well advanced, with alpha testing beginning soon with a target release date of late August;
- Winning the Hi-Tech Start-up of the Year category at the Hi Tech Awards (beating Timely once again); and
- CEO John-Daniel Trask winning the inaugural 'New Thinking' award, presented by Massey University at the Wellington Gold Awards; and
- Changing their name to Raygun.



## Melon Health

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

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

Highlights included:

- Quarter on quarter revenue growth of █% (it should be noted that Social Code's sales are larger and relatively infrequent and as such we expect revenue volatility as the company grows);
- Completed the Sprint Mobile Health Accelerator (Techstars) programme. Watch the [Techstars demo day presentation](#) by Melon Health CEO Siobhan Bulfin.
- Beginning US pilots with the largest US health insurer for type-2 Diabetes and smoking cessation and pre-term birth prevention;
- Winning the Inaugural Healthtech Award for Best Start-up Opportunity (from CallaghanInnovation and others);
- Appointing a VP Sales and Support initially based in Denver (and then New Zealand);
- Being invited to present at StanfordMedX in September; and
- Changing their name to Melon Health.

## Weirdly

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

**What's New:** Weirdly, albeit from a small base, grew very strongly during the quarter. Highlights from the March quarter include:

- Quarter on quarter revenue growth of █% (although it should be noted that the majority of this is from customisation work rather than from recurring subscriptions. We expect this will be lumpy in the future);
- New net customer growth of █% quarter on quarter;
- Continued high profile customer growth, including two additional NZX-listed companies and performing on-going customisation work for other NZX-listed companies;
- Version 2.0 of the software being released in May; and

Integration with Trade Me occurring in June.



## Boardingware

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

**What's New:** Boardingware continued to add schools to its customer base during the last quarter.

Highlights from the June quarter include:

- Quarter on quarter revenue growth of █%;
- New net customer growth of █% quarter on quarter;
- Implementing improvements to the core Leave Request feature, based on feedback from users;
- Working of the next series of software improvement/updates; and
- Partnering with third party integration manager Clever.com to integrate Boardingware into existing school software packages.

After the end of the quarter, Punakaiki made an additional investment into Boardingware, increasing the Funds interest from 16.7% to 28.6%. Boardingware may implement an employee shareholding or option scheme, which will lower this percentage.

***“Usually Clever will only partner with a company that has at least 500 customers, but they saw the potential in working with us and the schools we deal with and lowered the minimum”***

- Kurt Meyer, Co-founder, Boardingware

## Onceit

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

**What's New:** Onceit has had a good quarter after the March quarter was impacted by the seasonal slowdown following the Christmas/New Year period. Highlights from the March quarter include:

- Quarter on quarter revenue growth of █%;
- Once again recording the best ever sales month during the quarter, and being on track to achieve record revenues and profitability for the financial year;
- The implementation of a "buy by data" model of purchasing (where Onceit buys more of the best selling styles from the best selling sales, in order to have greater access to good stock at any given time) resulting in increased sales;
- Hiring a developer to focus on logistics development, which has resulted in a 25% increase in warehouse efficiency;
- The development of an iPhone app, which is now released;
- Cash on hand steadily increasing month on month; and

The payment of a dividend to shareholders (Punakaiki share NZ\$█).

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## RedSeed

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

**What's New:** RedSeed had a relatively quiet quarter. Highlights from the March quarter include:

- Quarter on quarter revenue growth of █% - largely because one large client pays each six months and this is not amortised across the year;
- Starting to expand its Management Suite, with recruitment and on-boarding modules being developed to join the currently available coaching module;
- Entry into Australian market with the hire of a Business Development Manager based in Sydney;
- Being awarded a \$█ grant from NZTE's International Growth Fund, to match (on a 1:1 basis) Redseed's own expenditure. This will be used to fund international expansion; and
- Making the finals of the Champion Canterbury Business Awards in category: Champion Professional Service - small enterprise.

## Revert

Revert is a cloud backup company, backing up and restoring data held by SaaS products and provides the ability to search and keep track of previous versions of the backed-up data.

**What's New:** Revert focus has been developing its enterprise offering which combines both backup and SaaS data auditing. Highlights from the June quarter include:

- Quarter on quarter revenue growth of █% (average monthly revenue growth of X%), albeit from a small base (so we don't read too much into these figures);
- Continued development of new data audit features which are able to track an organisation's users and their activity with that organisation's cloud based data. This will position Revert strongly as a security and risk management service provider for SaaS data;
- The associated migration to a B2B business model is expected to significantly increase average revenue per user, with new sales expected in the October-December quarter;
- The appointment of James Stradling (ex CTO of Wellington based Show Gizmo) as Senior Engineer; and
- Completing their second fund raising round, raising NZ\$█ in new capital.



# EverEdgeIP

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

*Weirdly featured in the July/August edition of entrepreneurship and ideas magazine Idealog*



## In the News

<b>Mindscape:</b>	<a href="#"><u>Hi-Tech Awards 2015 winners named</u></a> <a href="#"><u>Kiwis cracking codes to tech world</u></a> <a href="#"><u>ID Trask's new thinking celebrated at Gold Awards</u></a>
<b>Timely:</b>	<a href="#"><u>Timely award for start up</u></a> <a href="#"><u>Waikato business wins Xero innovation award</u></a> <a href="#"><u>Hi-Tech Awards 2015 winners named</u></a>
<b>Vibe Communications:</b>	<a href="#"><u>Trans-Tasman consolidation as Vibe buys RackCentral</u></a> <a href="#"><u>Lance Wiggs-backed Vibe buys Melbourne firm RackCentral</u></a> <a href="#"><u>Vibe Communications leaps feet first into Australia with the acquisition of RackCentral</u></a> <a href="#"><u>Trans-Tasman consolidation as Vibe buys RackCentral</u></a>
<b>Social Code:</b>	<a href="#"><u>Leading health tech company winning global awards</u></a> <a href="#"><u>Melon Health Bites into Mobile Health (audio)</u></a> <a href="#"><u>Healthtech Awards to foster entrepreneurial spirit</u></a>
<b>Weirdly:</b>	<a href="#"><u>Meet the Kiwi startup moving from strength to strength</u></a> <a href="#"><u>People of GridAKL : Say hello to Weirdly</u></a> <a href="#"><u>HR startup Weirdly is helping companies find their perfect "weirdos"</u></a> <a href="#"><u>Finding Awesome Weirdos – Idealog magazine, page 73</u></a>
<b>Boardingware</b>	<a href="#"><u>Jake's Journal: Starting and selling a start-up in my teens</u></a>
<b>Revert:</b>	<a href="#"><u>Revert raises \$1.2M in second round funding</u></a> <a href="#"><u>Revert eyes cloud data security market after fundraising</u></a> <a href="#"><u>Kiwi cloud company raises \$1.2m, eyes up enterprise space</u></a> <a href="#"><u>Innovation: Smart start-ups light up city's innovation scene</u></a>
<b>EverEdgeIP:</b>	<a href="#"><u>High-profile investors join IP firm capital raise</u></a> <a href="#"><u>EverEdgeIP raises millions to fuel further expansion</u></a> <a href="#"><u>EverEdgeIP raises 'millions' for international expansion</u></a> <a href="#"><u>EverEdgeIP Forms Partnership with Mondiale Technology</u></a> <a href="#"><u>The idea behind Dancing Goat Liquid Coffee</u></a>
<b>Punakaiki Fund:</b>	<a href="#"><u>Crowdfunding taking off, but beware</u></a> <a href="#"><u>Private equity – A role for KiwiSaver</u></a> <a href="#"><u>Lance Wiggs' Punakaiki to seek funds via Snowball Effect</u></a> <a href="#"><u>Punakaiki Fund opens equity crowdfund round</u></a> <a href="#"><u>Punakaiki goes crowdfund hunting</u></a> <a href="#"><u>Punakaiki crowdfund push makes strong debut</u></a> <a href="#"><u>Punakaiki first fund to do NZ equity crowdfunding</u></a> <a href="#"><u>Punakaiki reaches \$2 million max on Snowball Effect</u></a> <a href="#"><u>Punakaiki Fund capital raising ahead of expectation</u></a> <a href="#"><u>Why Punakaiki chose Snowball over PledgeMe</u></a> <a href="#"><u>Two of the three offers that closed in July succeeded</u></a>





## Corporate Update

### Financial Reporting

The Net Asset Value of the fund at 30 June 2015 was \$8,004,228, which is a significant increase from the 31 March 2015 interim value of \$4,664,355. During the quarter, Punakaiki Fund's June 2015 options were exercised and three offers for new equity were made which closed after the end of the quarter.

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

- An opening cash balance on 1 April 2015 of \$543,518;
- \$2,003,398 received from a combination of the exercise of June 2015 options and applications to subscribe for new shares under Punakaiki Fund's private offer. No cash was received from Punakaiki Fund's Snowball offer until after the end of the quarter. A total of \$4,741,998 was raised from the offers and the exercise of June 2015 options;
- \$14,100 was received on behalf of shareholders who sold their options, which was paid to those shareholders after the end of the quarter;
- \$500,000 invested;
- A recorded uplift in the value of Punakaiki Fund's investments at the end of the March 2015 quarter (not reflected in the March 2015 Quarterly Report) of \$1.471m based on the financial year-end revaluation process; and
- Management fees of \$26,820 including GST paid to LWCM for the June 2015 quarter; and
- A closing cash balance of \$2,034,129.

Punakaiki Fund Limited - Unaudited Financial Position	
as at 30 June 2015	NZ\$
<b>Current Assets</b>	
Cash on deposit	2,034,129
<b>Non-current Assets</b>	
Investments	6,092,220
<b>Total Assets</b>	<b>8,126,349</b>
<b>Current Liabilities</b>	
Accounts payable	14,100
<b>Non-current Liabilities</b>	
Accrued Performance Fee	108,021
<b>Equity</b>	
Retained earnings - Operations	(193,264)
Retained earnings - Accrued Performance Fee	(385,791)
Share -based Payment Reserve	277,770
Asset revaluation	2,122,219
Share capital	6,183,294
<b>Total Equity and Liabilities</b>	<b>8,126,349</b>

Punakaiki Fund Limited - Cash Flow Summary	
for the quarter ending 30 June 2015	NZ\$
<b>Operating Cash Flows</b>	
Net Interest received	612
Bank fees	(46)
Payments to external advisors	(633)
Payments to LWCM (Management Fee)	(26,820)
Payments to LWCM (Brokerage)	-
Option sale receipts received from buyers	14,100
<b>Total Operating Cash Flows</b>	<b>(12,787)</b>
<b>Investing Cash Flows</b>	
Investments made	(500,000)
Investments realised	-
Dividends received from investments	-
<b>Total Investing Cash Flows</b>	<b>(500,000)</b>
<b>Financing Cash Flows</b>	
New capital received (but not yet issued)	2,003,398
Dividends paid	-
<b>Total Financing Cash Flows</b>	<b>2,003,398</b>
<b>Total Cash Movements</b>	<b>1,490,611</b>
Opening cash balance	543,518
Closing cash balance	2,034,129



*Punakaiki Fund Quarterly Report – June 2015*

The table above does not reflect any change in the value of assets since the financial year-end revaluation process.

In order to show Punakaiki's finance position following the completion of all recent capital raising activities, Punakaiki's pro-forma unaudited financial summary metrics for the period ending 30 June 2015 are shown below. These metrics incorporate all fund raising proceeds, the payment by Punakaiki of all June Option sale proceeds collected on behalf of option sellers and the payment of brokerage to LWCM, as if all of these transactions were completed by 30 June 2015.

<b>Punakaiki Fund Limited - Unaudited Financial Position (pro-forma) as at 30 June 2015</b>		<b>Punakaiki Fund Limited - Cash Flow Summary (pro-forma) for the quarter ending 30 June 2015</b>	
	<b>NZ\$</b>		<b>NZ\$</b>
<b>Current Assets</b>		<b>Operating Cash Flows</b>	
Cash on deposit	4,616,369	Net Interest received	612
<b>Non-current Assets</b>		Bank fees	(46)
Investments	<u>6,092,220</u>	Payments to external advisors	(633)
<b>Total Assets</b>	<b>10,708,589</b>	Payments to LWCM (Management Fee)	(26,820)
<b>Current Liabilities</b>		Payments to LWCM (Brokerage)	(142,260)
Accounts payable	-	Option sale receipts received from buyers	-
<b>Non-current Liabilities</b>		<b>Total Operating Cash Flows</b>	<b>(169,147)</b>
Accrued Performance Fee	100,055	<b>Investing Cash Flows</b>	
<b>Equity</b>		Investments made	(500,000)
Retained earnings - Operations	(335,524)	Investments realised	-
Retained earnings - Accrued Performance Fee	(357,339)	Dividends received from investments	-
Share -based Payment Reserve	257,284	<b>Total Investing Cash Flows</b>	<b>(500,000)</b>
Asset revaluation	2,122,219	<b>Financing Cash Flows</b>	
Share capital	<u>8,921,894</u>	New capital received (but not yet issued)	4,741,998
<b>Total Equity and Liabilities</b>	<b>10,708,589</b>	Dividends paid	-
		<b>Total Financing Cash Flows</b>	<b>4,741,998</b>
		<b>Total Cash Movements</b>	
		Opening cash balance	543,518
		Closing cash balance	4,616,369

### **Expected Outflows for the September Quarter**

We have made investments totalling \$3.3 million to date since the end of the June quarter, and are likely to make more investments before the end of the current September quarter.

The final payment of the June quarterly Management Fee to LWCM was incurred following the revaluation of Punakaiki Fund investments as at 31 March 2015. A final payment of \$7,830.67 including GST was made in addition to the interim amount of \$26,820.04 including GST which was paid during the June 2015 quarter. Payments of the September 2015 quarter management fee of \$67,270.34 including GST to LWCM and brokerage of \$142,259.94 to LWCM in relation to recent capital raising activities were also made.

Costs associated with the preparation of Punakaiki Fund's annual financial accounts (Deloitte, Charis Accounting) will also be incurred. The appointment of a third-party share register (and the cost associated with that appointment) has been deferred following our decision to continue to manage our own register, as we did not see value in any of the alternatives in the market.



### **Capital Raising Plans**

Punakaiki Fund does not intend to raise additional capital in the September quarter. However, the tranche of options issued as part of the December 2014 capital raising will expire on 30 September 2015 and could raise up to \$1.294 million of new capital.

### **Disclosures / Conflicts**

With the exception of the following, none of the directors of Punakaiki Fund or the managers of LWCM has any additional disclosures or conflicts of interest to declare:

- Lance Wiggs is a broadband customer of Vibe Communications;
- Lance Wiggs has been previously paid fees for role as a director of Onceit (prior to Punakaiki Fund's investment);
- Lance Wiggs Consulting (100% owned by Lance Wiggs) sold a MacBook Air laptop to Talent Magnet, a company part-owned by Dale Clareburt (CEO and co-founder of Weirdly). We note that Lance Wiggs is a director of Weirdly, a director and owner of LWCM, (which is the manager of Punakaiki Fund), and as such exerts control over Punakaiki Fund's investment in Weirdly. Lance Wiggs and Dale Clareburt believe that this transaction has been conducted on an arms-length basis (the sale price was equal to depreciated book value) and that it is not material for either party; and
- Lance Wiggs performed paid work via NZTE's Better by Capital program for EverEdgeIP and for Invisishield, a company affiliated with EverEdgeIP. This work was greater than three months before our recent investment and will not continue. Lane is now an unpaid board member of EverEdgeIP.

### **Contact**

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

#### **Lance Wiggs**

Lance Wiggs Capital Management Limited

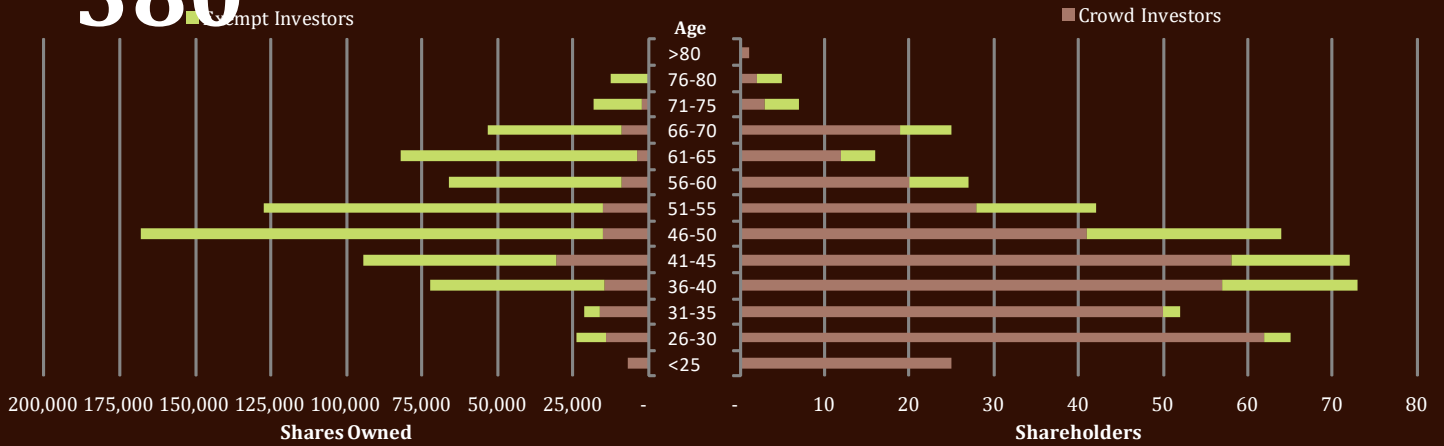
[lance@lwcm.co.nz](mailto:lance@lwcm.co.nz)

+64 21 526 239

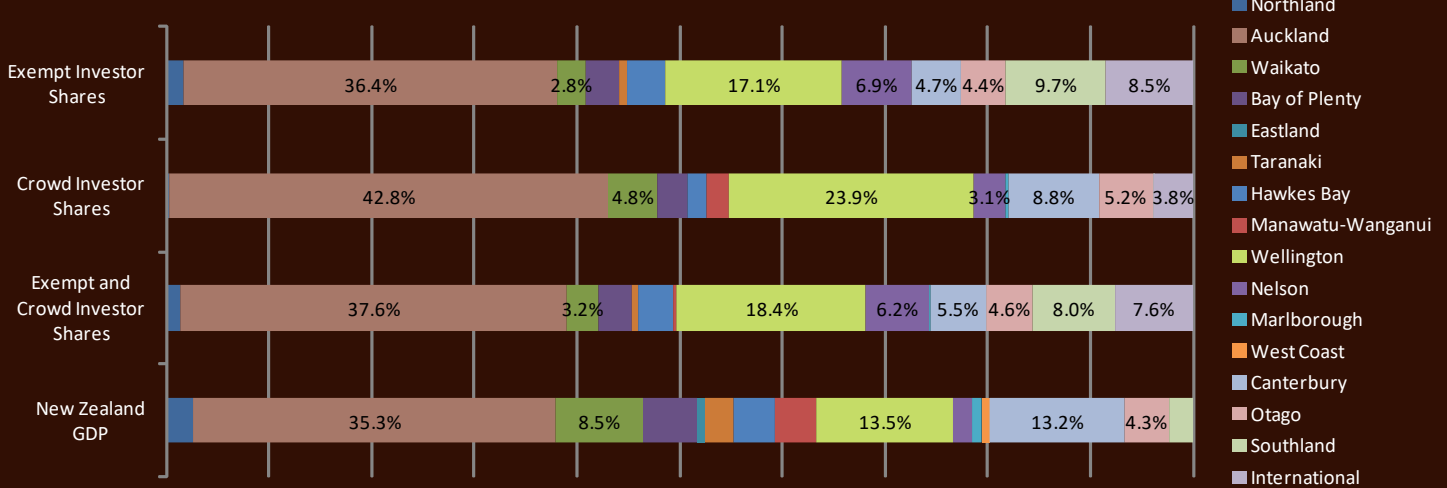


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## Punakaiki Fund Shareholders by Age



## Punakaiki Fund - Shares Held by Region



## Punakaiki Fund - Shareholders by Region

