Punakaiki Fund Limited

June 2019 Quarterly Report

Key Statistics	
Total Asset Value	$46.6 million
Investor Net Asset Value (iNAV)	$44.0 million
Shares on issue	1,963,075
Total Asset Value / share	$23.75
iNAV/share	**$22.42**

Performance	
Annualised Share price Return – last 12 Months	12.8%
Annualised Share price Return - Since Inception[1]	18.4%
Annualised Internal Investment Returns[2] – All Investments	20.4%
Annualised Internal Investment Returns[2] – Investments within Mandate	26.3%
Internal Total Value to Paid In Capital (TVPI)[2] – All Investments	1.63x
Internal Total Value to Paid In Capital (TVPI)[2] – Investments Within Mandate	1.81x

Welcome

It's report time at Punakaiki Fund, as we issue the annual financial accounts, Annual Report and this Quarterly Report.

The good news is that while the valuation of $22.41 for June 2019 is lower than the $22.67 at the end of the year, we made a substantial write-down of our shares in one company in mid-June.

Why is this good news? Because by marking companies down we limit any future losses we might have from that company, lowering the likelihood of the iNAV/Share falling. It's just not realistic for an investor like Punakaiki Fund to win every time, although we do invest with that intention.

My own work for Punakaiki Fund is often helping the companies most in peril. A turnaround is great when it works, but the process can be very painful. It often involves people losing their jobs, as well as founders and key staff, hopefully temporarily, lowering their income. This is very challenging for people and their families, although we are grateful to be in an economy where jobs are relatively easy to find and a society that puts out a gentle helping hand when times are tough.

Essentially every company in the Punakaiki Fund portfolio has been through a version of these tough times, and some have dwelt for quite some time in the fire. They generally do emerge stronger for it though. A good turnaround helps a company eliminate the costs that do not matter, identify the drivers of value and focus the product on where it can make profitable sales.

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

Now obviously we don't want to disclose to the public every twitch and change in each company, and most of the time the companies will trade through the tough times.

As investors, we are on the lookout to both preserve value by helping companies make payroll and trade through the tough times, but also for potential high quality investments at a good, perhaps distressed, price. We are not vultures, as we don't see that as a long term win-win strategy, but we do try to strike a firm and fair bargain when the risk of failure is higher. We accept that we operate in a funding-constrained environment, and the best-run companies understand that they cannot expect funding to automatically appear.

Not every company gets through, and four of the companies we invested in failed to break through to sustainability, with another, Linewize, sold before gaining global traction.

That's a depressing start to the report, but the reason is twofold. Firstly we had investor feedback that we sometimes paint a picture that is too rosy, and that surely things are not always positive. Secondly I want to acknowledge that companies do have bad news, and that many investors may have heard a different picture of a company that we have currently. Please dig past the news you have heard, which may be quite old, or relatively out of context, and if in doubt give me a call. There is always good news, and there is always bad news.

The Great

We currently have 14 core investments (out of 20 originally made), and these represent over 95% of the value of our investment assets. For this report we marked two of these companies up, after strong performance.

We do hold high percentage ownerships in some of these companies, some of which we acquired when companies were going through tough times. We are highly confident in the long term value being created by the 14 core companies shown below.

We split the companies into four groups – SaaS, Non-SaaS, out of mandate and others. Out of mandate companies are those that are no longer investable under Punakaiki Fund's Statements of Investment Policy and Objectives (SIPO). NZAW is the only out of mandate company, which as we have revealed earlier, we are looking to sell down. The others are five companies which are either sold or written down.

The SaaS companies form about 45% of the value of our investment assets. They tend to be expensive to invest into, but are sustainable at relatively low revenues. We expect to see growing recurring revenue, lowering churn and increasing discipline around running the business through metrics. Over time, typically, the products mature and the average price per customer rises.

SaaS Investments: $63m ARR, 28% growth, 79% gross margin, over 400 employees

1.7%
Vend provides cloud-based point-of-sale software which includes ecommerce, inventory, customer loyalty and analytics.

3.8%
Timely provides a software platform to beauty and wellbeing businesses to manage bookings, reminders, marketing, point of sale and reporting.

19.7%
Conqa provides software allowing the construction industry to do their quality assurance planning and execution online.

30.1%
Boardingware helps schools manage their students' movements and pastoral care using a SaaS product.

6.31%
Raygun creates SaaS developer tools including crash and error reporting, real user monitoring and application performance monitoring.

16.1%
Mobi2Go helps food service businesses sell more by adding an ordering function to their marketing website.

29.4%
Weirdly helps companies that actively recruit people to find better applicants through the use of innovative software.

32.8%
RedSeed helps large retailers increase their sales through proprietary and customised modules in a SaaS Learning Management System.

The non-SaaS companies form about 55% of our investment assets, and we have made excellent returns from this group, with Devoli and Onceit in particular growing a number of times since we first invested.

Non-SaaS Investments: $58m Revenue, 33% growth, 208 employees

ONCE·IT

25.6%
Onceit is an on-line daily deal site selling high-end New Zealand designer fashion.

devoli

45.0%
Devoli is an Internet Service Provider that provides wholesale and corporate telecommunication services.

MINDFULL

19.6%
Mindfull is a global advanced analytics practice that builds data, information management, predictive tools and platforms.

coherent solutions

17.7%
Coherent Solutions develops and manufactures test equipment for the global fibre optical communications market.

melon health

30.3%
Melon Health gives chronic disease patients on-line platforms with the tools, support and information to help manage their condition.

EVEREDGEIP

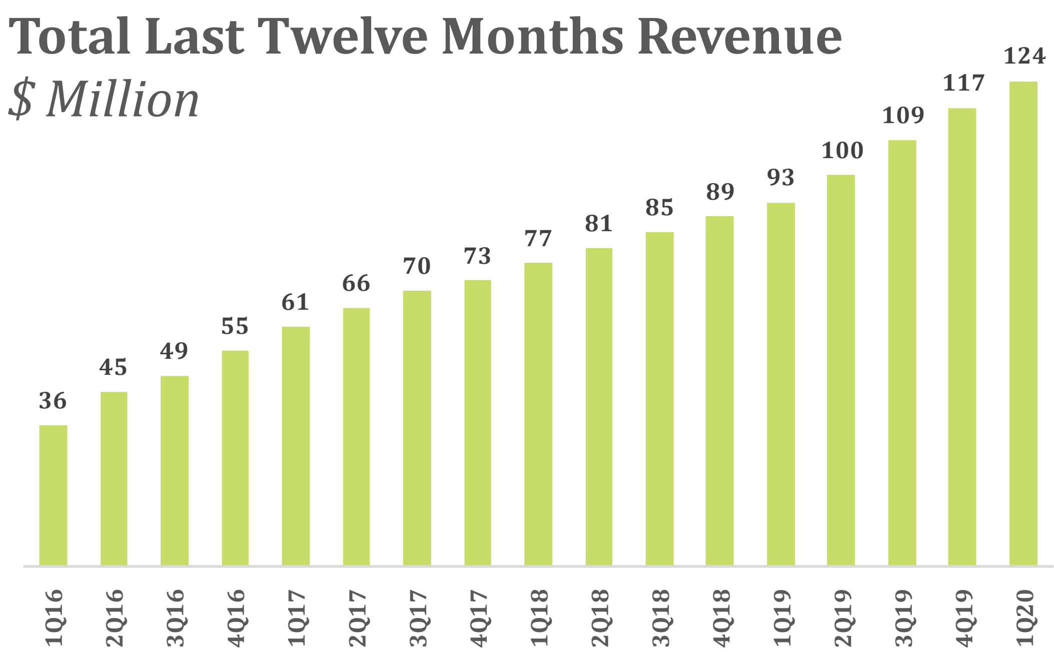
29.9%
EverEdge helps companies drive growth and create wealth from intangible assets. They are the world's premier IP strategy firm.

E'ST NZ

23.6%
New Zealand Artesian Water bottles and exports bottled and boxed water under both its own E'stel brand and third-party brands.

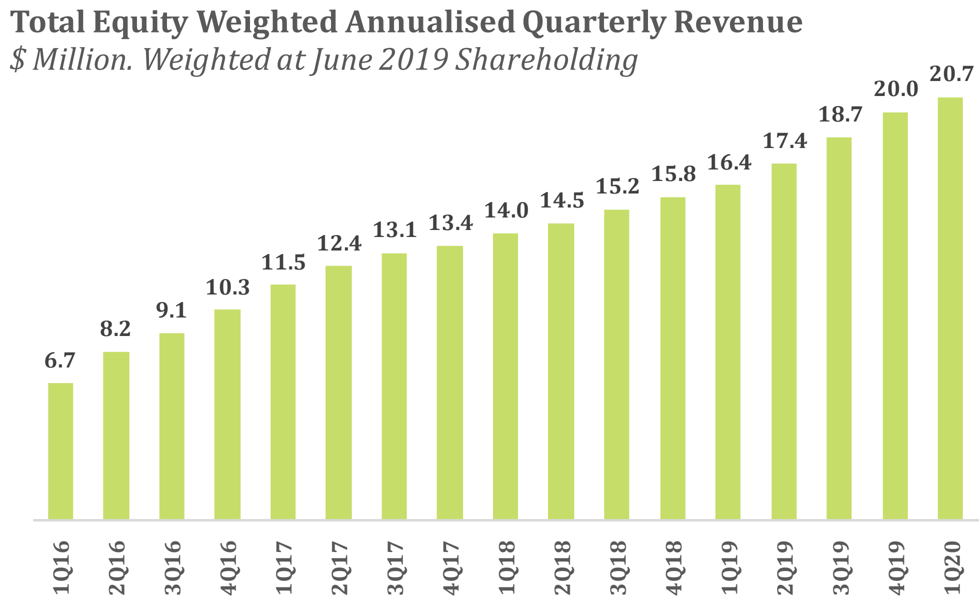
This investment is now deemed out of mandate due to our Socially Responsible Investment Policy.

I feel excited about these companies – the excitement of companies building hundreds of jobs collectively, and tremendous value overall. One of the joys of this job is communicating to you just how well things are going, and I was very happy to see the last 12 month's revenue exceed $120 million for this report.



The companies hit some great milestones too – with Vend reporting they have hired 71 people, including 23 engineers, Mindfull's QubeDocs Cloud selling to Amazon, who know a few things about cloud services, RedSeed's Australian subsidiary paying its way and driving the near term growth of the company, and Uber, one of Weirdly's string of household brand names, providing strong feedback from their initial use of the platform. Meanwhile a host of companies delivered their highest quarter revenues ever, and the arithmetic (not weighted) increase in revenue from the same quarter last year was 48%. Every single one of the core 14 companies grew versus the same quarter last year.

As I've said before, the continued revenue growth will, at some stage, provide increases in value. Obviously all revenue is not alike – and we prefer the high margin, recurring revenue often associated with technology companies. On that note, our equity weighted revenue is also growing nicely:



New Investments

Over the quarter we made small investments totalling under $600,000 into Conqa, Devoli and NZAW. The Devoli investments were as part of previous agreements, and we have increased our ownership to 46.2% of the company. The Conqa investments will feed into an ongoing investment round. The NZAW investment was required as external funding was late arriving, and includes additional investor benefits. The investment is intended to be our last into the company.

After the shares are issued from the current wholesale round we intend to make investments into Melon Health, completing the commitment made last year, Devoli, where we will own just under 49% of the company, and Conqa. We may also make other commitments.

September 2019 Retail Offer

We are planning our retail offer for September this year, although that does mean a lot of work to be done before then. This will be the major funding exercise for the year, and we are working with the Board on the approach. Please get in touch early if you would like a presentation to a group of investors from Olo Brown, Chris and/or myself.

Quarterly Webinar

Our second child is due on the 12th of August, so there will be no webinar this quarter. Our ASM and retail offer will, however, provide some other occasions for in-person and webinar presentations and interaction.

Annual Shareholder Meeting

The annual shareholder meeting will be held:

On **Thursday 12th September, from 5pm,**
at Deloitte, 80 Queen Street, Auckland.

Once again we will broadcast this meeting via Zoom.

Quarterly Share Trading Auction

Our quarterly share trading window will be open from Monday, 12th August to Friday, 16th August, 2019. The last window was closed as we had a large degree of uncertainty about the value of the shares, as we went through our year-end process.

I hope you enjoy reading this report, and our Annual Report, and hope to see as many of you as I can at the Annual Shareholder Meeting. As always many thanks for your on-going support.

Lance

Portfolio Company Update

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

Shareholding: **1.7%**

First Investment: **Aug 2015**

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

- Hired 71 new roles including 23 engineers;
- North American team had its biggest ever sales month in May;
- Asia-Pacific team had its biggest sales month in June; and
- Improved cashier workflows, sales history reporting, integrations with BigCommerce and WooCommerce.

Shareholding: **46.2%**

First Investment: **Jun 2014**

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

- Devoli announced as the first company in New Zealand with a Microsoft ExpressRoute Azure link;
- Continued focus on Virtual ISP offering and developing pipeline;
- Martyn Levy and Rebekah Murphy were appointed to act on behalf of Trusts associated with company founders - Davey Goode and Barry Murphy; and
- Karl Rosnell's interview with Download published.

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.

- Onceit held an Annual Senior Management Team conference at Matakana, discussing Onceit's future planning, departmental strategies, and team building;
- Onceit hit over 550,000 members the June Quarter;
- The new array tool for the warehouse team (developed by their in-house Web Dev team) went live and has been working well; and
- The Web Dev team developed new system to allow multi-SKU bins (up to 3 SKUs per bin), with the aim to double warehouse storage capabilities.

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.

- Amazon purchased an annual SaaS subscription to Qubedocs Cloud;
- Launched Mi BI in the USA;
- Employed 4 new people for the USA business; and
- New versions of Planning and Cognos Analytics have been released.

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.

- Major updates on user interface for the application with easier sharing;
- Easier tracking feature introduced, with many bugs fixed;
- A new record was made for the highest quarterly revenue and number of customers; and
- Appointed Deborah Farnworth-Wood as a director, with CEO Ryan Baker stepping down as a director.

Shareholding: **6.3%**

First Investment: **Apr 2014**

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

- Raygun is a finalist in the Wellington Gold Awards in the category of Global Gold; and
- Supported Kapiti Startup Weekend, which helps people to collaborate, build products & launch start-ups.

Shareholding: **17.7%**

First Investment: **Nov 2017**

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

- Coherent Solutions demonstrated 100G/400G optical transceiver testing in PXI at NIWeek 2019 (NIWeek is an annual technical conference hosted by National Instruments (NI) in Austin Texas. The conference focuses on showcasing NI's roadmap for software and hardware.); and
- Quarterly revenue has grown 2.2x times year-on-year.

Shareholding: **16.1%**

First Investment: **Oct 2015**

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

- With Series A funding completed Mobi2Go has spent the last quarter scaling out its sales, customer success and engineering teams to drive growth; and
- Hired new Director of Sales Development and Director of Sales in Melbourne

Shareholding: **29.4%**

First Investment: **Jul 2015**

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

- Everedge recently scored a 'world class' net promoter score of 80;
- Sponsoring the upcoming trans-Tasman innovation & growth awards.

Shareholding: **19.7%**

First Investment: **Feb 2017**

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

- A new High Net Worth investor has committed to the business who has strong experience in the construction & property development industry;
- Erwin Hessing, the 6th member of the Conqa team, has returned to the business after a 9 month stint at Xero; and
- Further investment from Punakaiki Fund was made, with over $1 million in investments and commitments from various parties into this round of capital raising, which is expected to complete shortly.

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.

- Good levels of sales being closed, with more in the pipeline;
- Strong customer response from moving customisation to a capital expenditure payment;
- Australia reached the quarterly break-even mark and is now profitable; and
- Very positive response to the change in their offering with customers.

E'STEL NZ	Shareholding: **23.6%** First Investment: **Jun 2016**	*New Zealand Artesian Water bottles and exports water under both its own E'stel brand (bottled) and third-party brands (boxed).*

- New Zealand Artesian Water (NZAW) has set up an E'stel office in Wuhan China. Great support has been received from the provincial government and provisional agreements are in place with 3 key distributers;
- Restructured to sharply reduce budgeted costs;
- A new capping machine has been installed and commissioned, reducing staff numbers by 20% and increasing speed of PET line by 100%; and
- Doubled facings (additional shelf space) in Countdown stores.

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

- Visited Eton with a view to starting an implementation for the school next year;
- Released Near Field Communications (contactless) checkpoint capability; and
- Received the first grant payments from NZTE and Callaghan Innovation.

melon health	Shareholding: **30.3%** First Investment: **Dec 2014**	*Melon Health gives chronic disease patients on-line platforms with the tools, support and information to help manage their condition.*

- The Ministry of Health funded a 2.5 year pilot supporting 18-25 year olds with mild to moderate mental health needs called "Piki". The pilot is now expanded in the Capital & Coast District Health Board area, and the tertiary institutions throughout the Wellington, Hutt and Pairarapa Areas.

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

- Continuing to move up the food chain to enterprise size deals and customers;
- Very successful attendance the Australasian Talent Conference in Sydney resulting in multiple leads including Origin Energy Australia, which is at final quote stage;
- Extremely good feedback from their UBER campaign. Weirdly is expecting to grow this account from Australia/New Zealand to Asia Pacific and North America.

It's Time

The Deep South

There's a lot to be said about the affinity you develop for a place when you were raised there. My own affinity is for northern Southland, and that's a place that I was very happy to return to, family in tow, a few years ago. Timely-founder Ryan Baker is another with a fondness for down this way, in his case a few hours east and a bit further south in the southern hub of Dunedin.

This story starts a few decades ago, when a fresh-faced Dunedin born-and-bred Ryan was enrolled in a Computer Science degree at the University of Otago. It was here that Ryan had his first foray into entrepreneurship when he and couple of friends set up "a very part-time business" developing and hosting websites for small businesses. They did this for a couple of years and ended up getting bought out by a medium sized Internet Service Provider for a small sum of money when Ryan was the tender age of 20.

In retrospect, Ryan believes that this was probably the most important business that he ever decided to start. It was eye-opening for Ryan that you could build a business and add value at such a young age. If you are willing to put the effort in and build something of your own, it can be a good outcome for you in the long run. As for growing a business from nothing and then selling it - "that's slightly addictive..."

7 Holes

After university, Ryan moved up to Wellington and had a couple of uneventful years working for big corporate Unisys. The call of the south was strong however, and after the arrival of Ryan's first son, the family shifted back to Dunedin in 2001, where Ryan took up a role as a senior developer with AgResearch. For anyone that knows Dunedin, the AgResearch facility is located out at Mosgiel near the local golf course. Ryan was often able to get seven holes in over his lunch break. Even from his early work days, work/life balance has always been important to Ryan.

After a couple more years working for someone else, Ryan was getting itchy feet as an employee and was wondering if he could repeat what he did in his first business. He kept his eyes and ears open and heard about a young chap from Manapouri doing something interesting with booking software...

Scoff

That young chap was a fellow by the name of Andrew Schofield (otherwise known as "Scoff"), who was 19 at the time. Scoff had built a website called Travel Link from his bedroom which was focused on tourism in the Fiordland region. Once it was up and running it was giving the local Regional Tourism Organisation's website a run for its money in terms of traffic. Scoff was looking to build Travel Link into a cross-regional booking solution for the New Zealand tourism industry.

Ryan recalls his first meeting with Scoff...

"Scoff seemed pretty distracted and not particularly interested in what I was showing him.. I was keen to get involved but the feeling didn't seem mutual. A few weeks later I got a call from Scoff asking me to come back in. On this second meeting he was really interested in what I had to say. We hit it off and I joined the team. I found out later that Scoff's first choice candidate for the role had fallen through between our two meetings. I didn't mind being second place."

Bookit Baby!

Taking Travel Link to the provinces was a team effort. The business had been acquired by Ian Taylor (of Taylormade/ARL fame) who had seen the potential in what Scoff was building. Often businesses start by an act of bravery, when someone takes a punt on you; and this was certainly the case here. Ian had brought Travel Link in-house and provided Scoff with the capital, connections, ideas and support to run with the idea.

Working with Ian was life-changing for Ryan, in particular learning about leadership. Ian would inspire you to be your best, while giving you trust and freedom to operate. At times it could be challenging because Ian is a visionary, who is hard to keep up with. Ryan remembers acting as the "translator" between Scoff and Ian, converting the tech details into big picture thinking and back again. It was a role that proved to be useful, so Ian and Scoff kept him on. Renamed "BookIt", the project progressed for seven years and ended up being used by 23 out of the 25 regions as the technology that drove their websites.

In 2010, the team talked to Trade Me, who had recently launched their TravelBug website and were looking for some new software to run it. The timing appeared good, Trade Me were developing TravelBug on the same tech stack (a collection of computer programming languages, programmer tools and frameworks) as BookIt, and the team felt it was the right time to sell the business. The BookIt team went to Trade Me for two years to help get the TravelBug website up and running and the experience was an eye opener for them, learning a lot from both the acquisition process and also from being part of the Trade Me team.

Trade Me – the Place to Be

Even though Scoff and Ryan joined relatively late in the piece in 2010 (four years after the sale of Trade Me to Fairfax), there was still a really special set of values that persisted within the Trade Me business. Ryan reckons it wasn't like joining 120 employees turning up for work every day, it was more like was having 120 founders all pulling together to achieve their goal and that there was a real sense of purpose and belonging. Trade Me had actually set a number of values and actively worked towards achieving them, which could be contrasted to some other organisations where the values were a sign on the wall that nobody pays attention too. Ryan recounts a story about his first week at Trade Me when he was given a phone and, wondering what the usage policy was, was told "don't be a dick". A classic Kiwi way of saying reasonable use is acceptable, but unreasonable use won't be tolerated. The founders have carried on these types of strong values from Trade Me into Timely.

It was a Timely Time for Timely

A year into that planned two-year stint at Trade Me, Ryan and Scoff were starting to get itchy entrepreneurial feet. Between them, they had a number of ideas but they kept coming back to one in particular - the concept which is now Timely.

William, Ryan and Andrew – Timely's founders

When they ran BookIt, they had a plenty of enquires from people outside of the tourism sector, including from salons, days spas, clinics, trades and other small business operators, asking for a booking platform for their businesses. While Google searches seem to show plenty of software solutions out there to solve their booking problems, there was still clearly a gap.

At a time, software was moving to the cloud, making it available to a wide audience. Scoff and Ryan felt there was an opportunity. They talked to Trade Me about going to part time hours (but staying for longer) so that they could start to build Timely but still pay the bills, an idea which Trade Me were supportive of.

Work started on Timely late 2011 and Ryan and Scoff were soon joined by fellow Trade Me employee William Berger. Between them, they had the first version of the software out to the market by mid-2012.

Beauty is in the Eye...

Focusing on the beauty/salon industry wasn't obvious to the team straight away. Initially the scope of Timely was much broader, however it soon became obvious that they would need to narrow their focus as they wouldn't be able to build a booking system suitable for every business in every industry that needed it. The data collected from their early customers told them quickly that businesses in the beauty/salon sector converted quicker (becoming customers faster after a trail of the software) and churned (stopped being customers) at half the rate of other types of customers. Given the size of the beauty/salon market, there was an opportunity to build a sizable business in that space.

Just Getting it Done

An early customer had noted that they wanted to use Timely, but didn't have an internet connection at their work. Instead, she would go home in the evenings and manually process the bookings before bringing them into work the next day on a piece of paper. Her barrier to using Timely was that she did not know how to set up an internet connection. Ryan told her how to order a connection, and then went over and set up the modem, plugged all the cables in and got the Timely software up and running on her computer. While she is only a small customer of Timely's, she became a very helpful supporter of Timely, both in terms of industry promotion, and also in terms of being generous with her time in giving feedback to the team on the software.

Initial sales were hard. The first 10 "real" customers took a few months to get on-board, and the first 100 took close to a year. The approach to sales at the start was just get those first customers on board and don't worry whether the sales process good for the business when it grows (Ryan notes that some founders worry about getting the sales process scalable before chasing those first customers, which can slow down the company in its early stages). Sales early on were made in traditional ways (visits to businesses, calls, advertising and self-service through their website), along with some non-traditional ways. The daily deal sites, which were quite big back then, caused headaches for salons running promotions when it came to booking those people in for their appointments – Timely could help with that.

Scaling Up

Over time, Ryan realised he was the "least useful developer" in the team, so started to turn his focus to other tasks the business needed to solve, especially sales and marketing. It was difficult with only a small team of founders and no employees, but that was as far as the small amount of money they had received from their Bookit exit would stretch. As revenue begin to grow, Timely accepted their first external funding from Trade Me alumni and early stage investor Rowan Simpson. Rowan brought not only money to Timely, but also experience, having been involved with other successful companies with similar DNA such as Xero and Vend. Having this funding in the bank gave the team the confidence to hire a couple of people, mainly in customer support, and freed up the founders to continue to develop the product.

That's not to say that they spent the money fast. Revenues continued to grow quite fast and the funds were only dipped into sparingly. It was having the funds, almost as a backup, rather than spending the funds, that allowed to business to move forward and expand.

Over time these funds were used up and Timely got use to the slower growth that comes from growing organically from its increasing revenues. In was in April 2014 following Punakaiki Fund first raising capital that Lance approached Ryan about investing in Timely. Timely wasn't thinking about raising capital at that time, but the offer made them go away and think about how constrained they were with no money in the bank. Between the founders and Rowan, they decided to take the funding

As with the money from Rowan, the next round of funding didn't really get spent fast enough. Then the business flipped into spending it too fast. Ultimately, the Punakaiki round allowed Timely to increase staff from around 20 to 40 people. Growth in revenues often lag hiring a whole lot of new people as it takes time for those people to make a difference in product or converting sales leads into customers. This is what happened at Timely, and following this period of net cash out flows, they made a plan to get back to making cash.

Timely has since achieved this, which put them in a strong position to take a much larger round of capital from venture capital funders Movac in late 2017. Since then they have once again successfully got through the challenges of adding new people (from 40 to 80 people in under a year), building new teams and having a lot of change occur all at once. Six months after the Movac investment, Timely started to see the benefits of having additional new people in the business. In the second half of 2018, Timely started hitting record customer numbers, had got churn down, and increased the size of its new customers (one of its biggest focuses has been addressing its developing reputation as only being good software for smaller customers).

Meeting Lance

Ryan knew of Lance, initially from Twitter, and figured that he would probably be a good person to know. When Ryan found out that Lance was coming to Dunedin for a lecturing gig at the university, Ryan contacted Lance and offered pick him up from the Airport and have a 45 minute meeting/car-ride back to the city. At that time, they had just launched a rebuilt version of TravelBug and on the trip into Dunedin. In the car, Lance produced a number of pages that he had printed from the Travel bug website and had drawn red circles around all of the things that he thought were a bit rubbish. That was Ryan's first experience of meeting Lance, who basically told him all the things that were wrong with Travelbug for the next 45 minutes.

Going Forward

So, what does the future hold for Timely? Number one on the list is getting the business back to generating cash again. That gives you options.

More broadly, the business will be focusing on hair and beauty in particular, and on continuing to win market share in Australia. Timely is also looking to the UK market, as Ryan believes that they have a good chance of replicating the success that they have had in the Australasian market in the UK. This will mean moving some of their team there along with recruiting a country manager and new staff members in the UK that are familiar with that market.

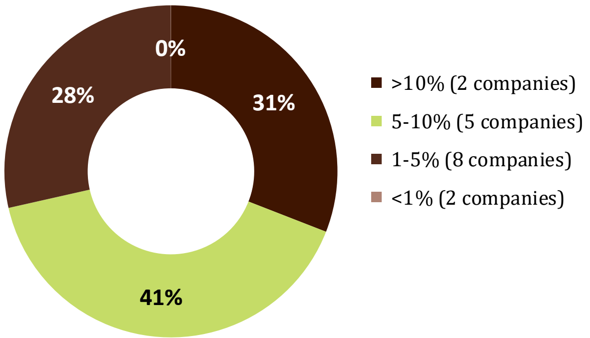
Longer term they are concentrating on having very happy customers and to get to profitability as quickly as possible. The founders believe that "Good businesses are bought, not sold", and as such are not dwelling on an exit opportunities (the sale of the business) too much, although over time options tend to present themselves for well performing businesses.

"The capital... doesn't fund the business for two or three years, it brings it forward by six months" - Timely co-founder Ryan Baker on how new capital allows for the accelerated the roll-out of new features which would otherwise have to wait for growing revenues to fund them.

Portfolio Valuation Splits (as at 30 June)

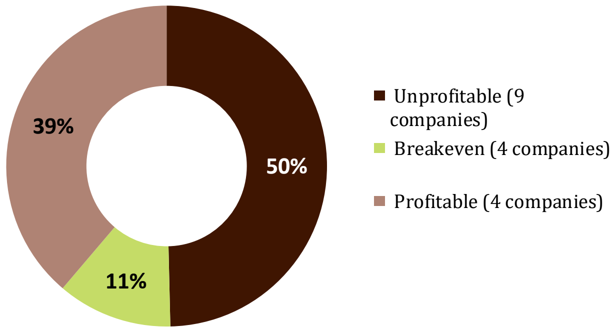
The diagrams below show various splits of portfolio valuation, excluding the value of our residual holdings in disposed-of companies (ThisData and Family Zone), by differing methods.

Valuation Split By Concentration



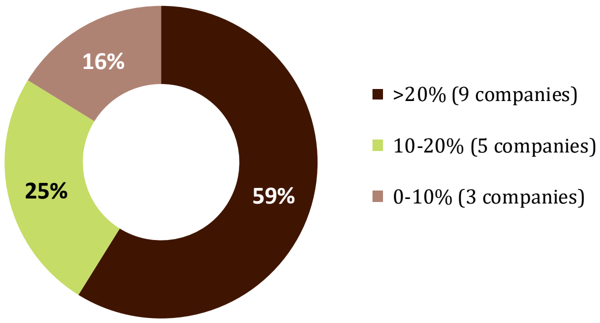
Punakaiki Fund has 28% of its investments by value in two companies, which each contribute at least 10% by value to Punakaiki Fund's total portfolio value.

Valuation Split By Profitability



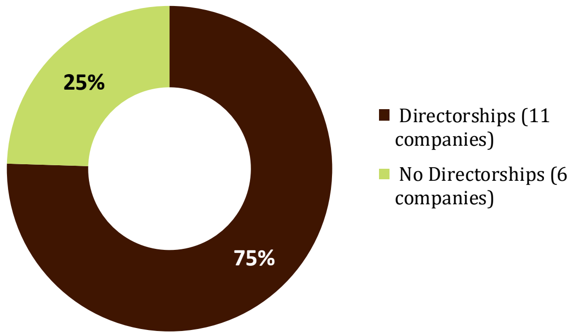
50% of Punakaiki Fund's investments by value are in unprofitable companies. 11% are in breakeven companies and 39% are in profitable companies.

Valuation Split By Ownership %



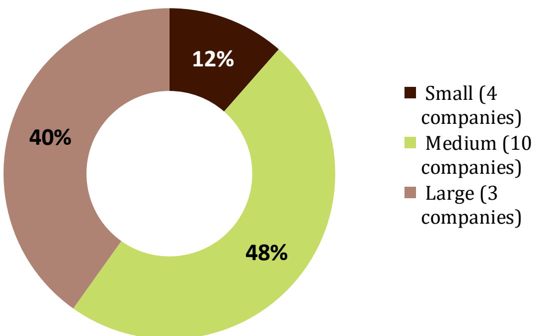
The companies in which Punakaiki Fund owns more than 20% comprise 59% of the total portfolio value. Those between 10-20% comprise 25% of the value.

Valuation Split By Directorship



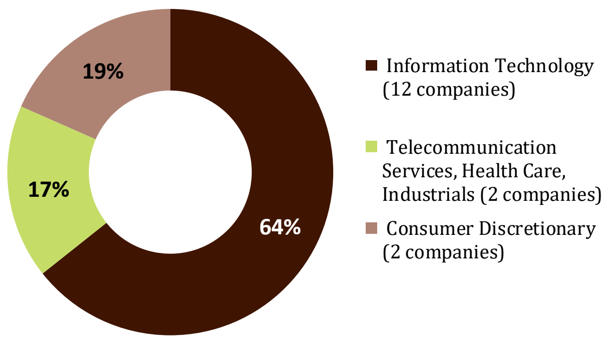
75% of Punakaiki Fund's investments by value have Punakaiki Fund board representation provided by the manager.

Valuation Split By Revenues



Punakaiki Fund holds 12% of its portfolio in Small companies (less than $1 million in revenues p.a.), 48% in Medium companies ($1-10 million) and 40% in Large companies (more than $10 million).

Valuation Split By Industry



64% of Punakaiki Fund's portfolio is held in the Information Technology industry, 19% in Consumer Discretionary and 17% in Communication Services, Health Care and Industrials combined.

In the News

Coherent Solutions	Coherent Solutions, ficonTEC Service to Collaborate
Devoli	Microsoft launches ExpressRoute to Azure from NZ
Melon Health	Free youth mental health pilot expands coverage Compass expands Piki trial for youth mental health with wellness app Marcher back on track after 'shock' insulin diagnosis
Mobi2Go	Kiwi Start-Ups Help Make 4 Million Pizzas
Raygun	Finalists announced for the 2019 Wellington Export Awards 'Diverse and innovative' companies make it to final round of Wellington Gold Awards Raygun Announced as Wellington Gold Award Finalist
Timely	Confidence in Startup Dunedin Trust attracts funds
Vend	New Vend partnership expands capabilities to cloud A 'hard' lesson for business NZ tech companies built to be global Vend eyes untapped US channel, will add 50% new staff Cloud software firm Vend goes on hiring spree as US business booms Kiwi tech star Vend on hiring spree, targets $1b valuation Huge strides for Kiwi tech star Vend as it looks to take US by storm Physical stores still 'crucial' in e-commerce age, report shows Independent Kiwi stores selling goods for about double what they pay for them
Punakaiki Fund	Entrepreneur cheers death of capital gains tax, speculates on replacement

Share Trading

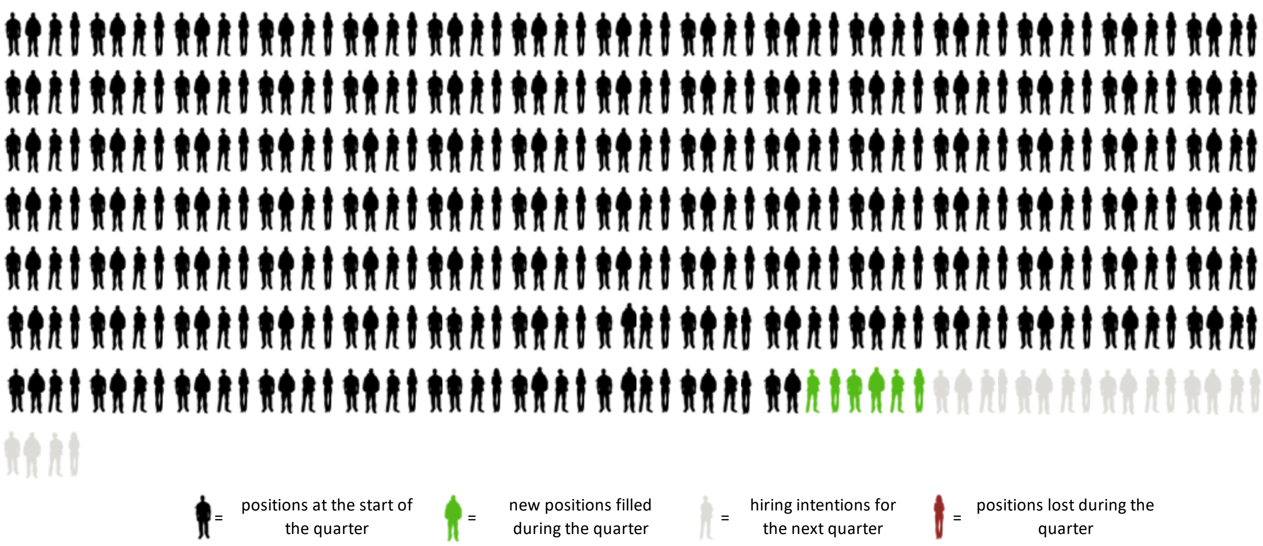
The last Quarterly Share Trading window was interrupted and postponed due to uncertainty around the investor net asset value per share during our year-end valuation process.

The next Quarterly Share Trading Window will open on Monday, 12 August 2019 and close on Friday, 16 August, 2019. We will email a reminder closer to the time. If you would like to either buy or sell Punakaiki Fund shares, please email James at james@lwcm.co.nz and we will run an auction process to determine a 'clearing' price that shares will trade at. Those who bid at or above the clearing price will buy shares at the clearing price, and those who offer to sell at or below the clearing price will sell shares at the clearing price. The auctions have multiple rounds so buyers and sellers have the ability to change their bids or offers as the action progresses.

Employment Monitor (June Quarter)

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

That's 404 jobs as at the end of the June quarter – a net 6 more than at the end of March.



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

Corporate Update

Governance

The Board has convened twice since the last quarterly report was issued, firstly on 7 June 2019 (an out of cycle meeting) to consider, among other matters:

- The financial year-end valuation of Punakaiki Fund's investment portfolio.

The Board meet a second time on 26 July 2019 to consider, among other matters:

- To review the 2019 Annual Report;
- To receive the Audit Close report from Ernst & Young;
- A review of Punakaiki Fund's investment portfolio; and
- Consider Punakaiki Fund's capital raising strategy for the upcoming year.

The Board's next meeting is planned for 8 November 2019, primarily to consider the strategy and work programme for 2020, along with its standard review of Punakaiki Fund's investments.

Financial Reporting

The Investor Net Asset Value of the fund after all contingent performance fees at 30 June 2019 was $44,003,272 (or $22.42 per share), an increase from the 31 March 2019 Net Asset Value of $44,071,817 (or $22.67 per share). This change is partly from decreased portfolio company valuations (downward impact) and partly from issuing new capital (upward impact). The Accounting Net Asset Value (which includes only the cash component of the performance fee and is used to calculate the management fee) was $45,831,703, compared to $46,299,469 in March.

Punakaiki Fund'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 2019 of $998,305;
- A net $598,139 was invested in Conqa, NZAW (all new shares) and Devoli (existing shares);
- $30,000 was raised from the sale of Punakaiki Fund's sale of Influx shares to the Influx founders;
- $425,003 was raised from investors via continuous wholesale capital raising rounds open during the quarter;
- Management fees of $249,504 including GST were paid to LWCM;
- An administration fee of $99,997 was paid to LWCM in relation to prior years administration services provided to Punakaiki Fund;
- Brokerage Fees of $3,000 were paid to LWCM;
- $1,150 was paid for accounting services;
- An interim payment of $26,522 including GST was made for audit services;
- Payments of $3,804 was made to other financial and legal service providers;
- $4,950 in PAYE was paid relating to Punakaiki Fund's directors' fees;
- GST refunds of $27,449 and Income Tax refunds of $24,738 were received; and
- A closing cash balance of $518,946.

Punakaiki Fund Limited - Unaudited Financial Position	
as at 30 June 2019	NZ$
Current Assets	
Cash on deposit	518,946
Accounts Receivable	23,810
Prepayments	14,950
Non-current Assets	
Investments	46,060,000
Total Assets	**46,617,705**
Current Liabilities	
Accounts payable	74,945
Non-current Liabilities	
Accrued Performance Fee	711,057
Equity	
Retained earnings - Operations	(2,385,347)
Retained earnings - Accrued Performance Fee	(2,539,488)
Share-based Payment Reserve	1,828,432
Asset revaluation	17,770,935
Share capital	31,978,605
Capital Raising Costs	(821,433)
Total Equity and Liabilities	**46,617,705**
Accounting NAV	45,831,703
iNAV (after deduction of the performance fee)	44,003,272
iNAV per Share	$22.42

Punakaiki Fund Limited - Cash Flow Summary	
for the quarter ending 30 June 2019	NZ$
Operating Cash Flows	
Gross Interest received	157
Withholding Tax on Interest	(52)
Bank Fees	(111)
Payments to External Advisors	(31,476)
Management Fees	(249,504)
Other Net Expenses	(104,425)
GST Refunds	52,187
Total Operating Cash Flows	**(333,223)**
Investing Cash Flows	
Investments made	(598,139)
Investments realised	30,000
Dividends received from investments	-
Total Investing Cash Flows	**(568,139)**
Financing Cash Flows	
New capital received	425,003
Brokerage Fees	(3,000)
Dividends paid	-
Total Financing Cash Flows	**422,003**
Total Cash Movements	**(479,359)**
Opening cash balance	998,305
Closing cash balance	518,946

Expected Cash Flows for the September 2019 Quarter

Following the end of the June quarter, Punakaiki Fund has not raised any additional capital or made any additional investments, although there is an on-going wholesale offer. We intend to make investments during the quarter into Melon Health, Devoli and Conqa (at least) after shares are issued from the offer.

The payment of the interim September Quarterly Management Fees to LWCM of $275,281 including GST occurred in early July 2019.

Accounting fees of $6,940 and final audit fees of $26,522 have been paid, and a GST refund of $9,922 has been received to date in the September quarter.

Capital Raising Plans

Punakaiki Fund is currently finalising the wholesale capital raise which closed on 31 July 2019, which is expected to raise approximately $1.4 million.

We are planning to raise capital via a retail capital raising round, and a regulated product disclosure statement, in or about September.

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

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