

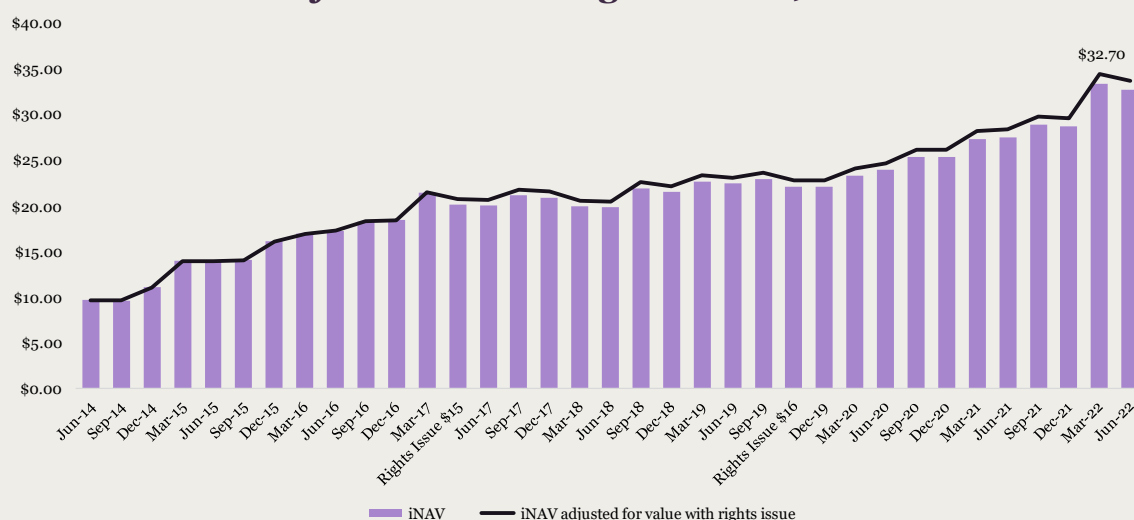
Punakaiki Fund Limited

June 2022 Quarterly Report

Key Statistics	
Total Asset Value	\$96.0 million
Investor Net Asset Value (iNAV)	\$85.9 million
Shares on issue	2,627,372
Total Asset Value / share	\$36.52
iNAV/share	\$32.70

Performance	
Annualised Share price Return – last 12 Months ¹	18.8%
Annualised Share price Return – Since Inception ¹	16.3%
Annualised Internal Investment Returns ² – All Investments	21.8%
Internal Total Value to Paid-in Capital (TVPI) ² – All Investments	2.0x

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,

We are very happy to report that our June 2022 results show remarkable resilience in the face of some torrid capital market conditions. The asset value of \$96.0 million is only slightly beneath the year-end valuation of \$98.2 million, as is the investor net asset value per share of \$32.70, down from \$33.38 at the end of March 2022.

This surprised us too – we were anticipating, and signalled, a slightly larger drop in valuations. We do try to be conservative in our guidance, and we had not accounted for continued company growth, the exact mechanics of how the market valuations had fallen (punishing certain stocks more than others), and the impact of the caps holding back overly high previous valuations. Underneath the hood we only revalue companies when the revaluation amount is significant, or if there is a capital event, and while we needed to do so for several companies the net impact was small.

Wholesale Offer

We intend to launch an offer to wholesale investors shortly. The offer will be priced at **\$30 per share, with 1-1 attached options to buy shares at \$30**. The price represents an 8% discount to the June investor net asset value of \$32.70, providing a good margin as we are concerned about perceptions of potential volatility given global market conditions.

The options will expire in late November 2023 and are likely to be tradable before expiry. That means that for every share you buy, you will have the ability to buy another share at \$30 any time before the end of November 2023, and if you can't afford or don't want to take up that right then you can sell the option to someone else who wants to do so. If Punakaiki Fund shares become more valuable, then the options will be more valuable.

The offer will be open to wholesale (eligible) investors only. However, all shareholders are likely to be able to trade in the options in 2023.

We will send out further details, including an investment memorandum, when the offer opens. If you might be considering a substantial investment, then please send us an email.

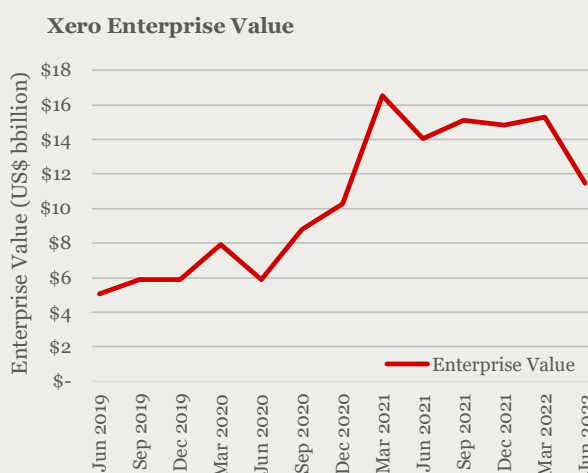
Resilience to Market Movements?

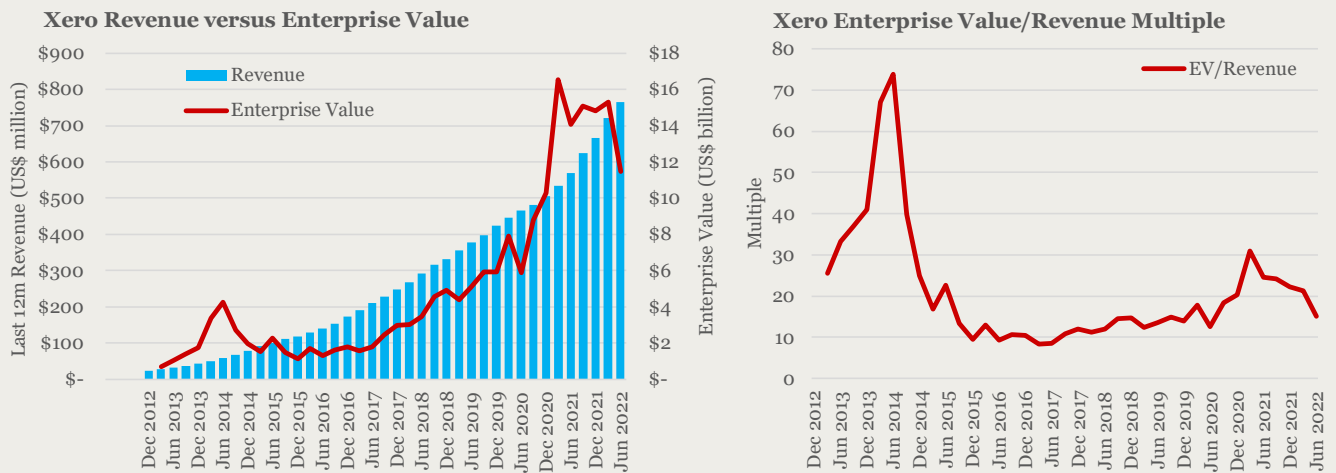
I believe that Punakaiki Fund has demonstrated, over a number of years, strong resilience to boom and subsequent bust cycles in the stock markets. The growth of the investor net asset value per share has been driven predominantly by the revenue growth and other performance metrics of the companies we have invested into. Two examples are Devoli, where the revenue has grown by over 20 times, and our initial investment has increased in value by 25 times, and Onceit where our initial investment has been paid off via dividend streams, even as the company has grown strongly.

It's nice to have a public scorecard, but we do tend to focus on long-term company value, and that means core product, sales, company and financial performance.

As an example of how marking-to-market can be distracting, the chart to the right shows what has happened to Xero's valuation recently. The enterprise value of Xero rose sharply from US\$6 billion at the end of June 2020 to US\$14 billion in June 2021 and back to under US\$12 billion in June 2022. Xero lost 31% of its enterprise value between March 2021 and June 2022, and saw a 25% drop just in the last quarter (this is all in US\$ as that is how our time series data was reported).

But when you dig into it, Xero's own revenue growth performance has been consistent, and it has been the market that has had different opinions on how to value the company. Below on the left is the same chart, but extended for longer and with revenue plotted, in blue, as well. It's hard to fault Xero – the company has been delivering solid results for years.





What's happening is shown in the chart on the right-hand side. The ASX has been assigning ever-changing multiples to Xero's valuation, from a high of over 70 times revenue in 2014, to lows of around 8x in 2017. More recently the multiple was briefly over 30x, and it has dropped now to "only" 15x times last years' revenue. It seems almost irrational to see the market movements given Xero's very steady, and rapid, revenue growth over the period. Eventually Xero simply out-grew the sceptics, growing by a factor of 28 times between March 2013 and June 2018 and proving out those earlier valuations.

At Punakaiki Fund we focus on the blue, revenue, lines and other financial metrics. But we do need to keep score by marking to market – the red lines. We have long seen that market multiples, which we normally analyse on a recurring revenue basis, are unsustainably high in listed markets, and we installed caps on market values a few years ago. When the share prices crashed recently, they did so badly enough that our caps were no longer as effective, so our SaaS companies are now more exposed to swings in market valuations.

But meanwhile the companies have continued to grow, some very rapidly and some more slowly, and the value of the impact is generally beneath our 1% threshold for changes. So, we are delighted with the current result, which shows great resilience in the face of general turmoil.

COVID-19 Pandemic

We are not immune to the current COVID-19 outbreak of Omicron Ba.5, which has spread very rapidly through almost all portfolio companies, and our team and even board members. As always, the individual response varies, with some people being mildly affected all the way to others affected with severe short-term and various long-term impacts. Our general recommendation is that people follow health advice, and also, when possible, go entirely offline from work to just focus on recovering, which can take anywhere from hours to weeks.

This has meant disruption both for portfolio companies and ourselves. Another source of current disruption at portfolio companies is people taking long over-due leave to take overseas trips, often to visit family. This is obvious in retrospect, but it does add to the tight staffing situation at many companies. In general, we see that companies and their clients are coping relatively well, and progress continues.

We are invested in real businesses, owned and operated by impressive people, who bring their own set of personal circumstances to their roles. We are very aware that we are in a long-term journey together, and we need to make sure it is a sustainable and enjoyable one for all.

Company Highlights

Read on to find out the news on our investments. It's been delightful to observe the early post-investment performance of both Projectworks and Couchdrop, our newest investments. They are each adding clients at a rapid rate, and as they go, proving to these clients the value of their products.

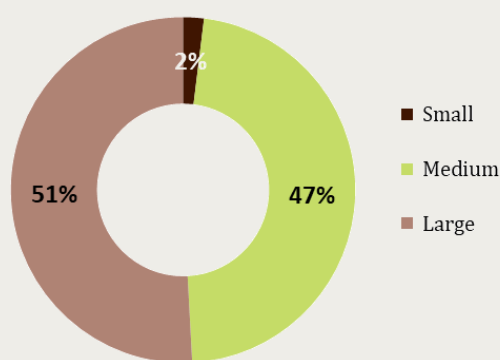
The biggest news for the quarter though is the Series C round for Quantifi Photonics, which was led by Intel Capital, and raised \$25 million for the company, and \$26.5 million overall. A year ago, Punakaiki Fund led the \$15 million (including convertible notes) round into Quantifi Photonics, with our own \$5 million investment. We were delighted when Pacific Channel, Nuance Capital and Simplicity PE all invested again in the Series C round. Less exciting was that PFL had no funds available to invest, but I did get involved acting for the company as we put the round together. Punakaiki Fund remains as the largest investor at 17%

(the three funds mentioned have 26% combined), and Intel Capital and Punakaiki Fund have investor directors on the Quantifi Photonics board. I'm very happy to see the board of Quantifi Photonics evolve, with Brent Robinson and Caroline Williams appointed as directors, along with a future Intel Capital appointed director, and with Caroline to be appointed as independent chair. The investment round has set the company up very well for the next phase of their journey, and Intel themselves seem very happy with the company as a supplier.

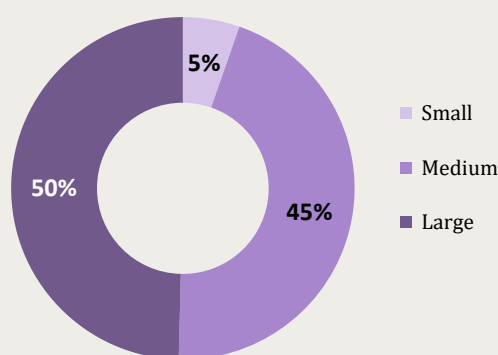
Evolution of SIPO Weightings

We routinely publish what we refer to internally as our doughnut charts, which show the breakdown of the portfolio in different ways. The charts below show the valuation of the core investment portfolio broken down by revenue – under \$1 million, between \$1 and \$10 million, and over \$10 million. The one on the left is from December 2020, and was before we knew about the exits of Vend and Timely. Back then we had over half of the portfolio value in companies with revenues of over \$10 million. After a lot of changes, including exits, new investments, growth over thresholds, and revaluations, we are back to where we started, and larger companies now represent 50% of the portfolio value. As before, we also have some strong movers in the Medium category that will, over time, reach the Large category. We have a relatively tiny percentage of the portfolio valuation invested into sub-\$1 million revenue companies.

Valuation Split By Revenues



Valuation Split By Revenues



If you'd like to dig in more to trends like this, all of our [past quarterly reports](#) are available on the website.

The Board monitors these sorts of metrics each quarter against our Statement of Investment Policies and Objectives ([SIPO](#)) diversification targets shown below, and we periodically amend the targets as well.

We are happy to report that the diversification appears to be working well, and we are almost 100% compliant on our SIPO targets. The one metric we consistently break is that one company, Devoli, is worth more than 20% of the portfolio. We think that's an obvious sign of success, but do need to be cautious about any prospects of investing more into the company, so that we can maintain diversification.

Punakaiki Fund Limited - Diversification Targets						
Stage Targets	Early	Sustainable	Emerging	Substantial	Listed	Held for Exit/Out of Mandate
Typical Revenue Range: SaaS	<\$1m	\$1-5m	\$5-20m	>\$20m		
Typical Revenue Range: Non-SaaS	<\$2m	\$2-5m	\$5-20m	>\$20m		
Range	0-15%	10-40%	20-40%	20-50%	0-40%	
Maximum for Individual Investment	10%	20%	20%	20%		
Percentage of:	Total Investments					
Profitability Targets	Unprofitable			Profitable (or near profitable)		
Range	25-75%			25-75%		
Maximum for Individual Investment	20%			20%		
Percentage of:	Total Investments					

Extract from [Statement of Investment Policies and Objectives](#)

Quarterly Webinar and Quarterly Share Trading Auction

We will not hold a share trading auction until after our wholesale offer, which is due out shortly.

We will have a Quarterly Update, which will include highlights of the offer, on Wednesday, 4th August, at 4:00pm. [Pre-Register now.](#)

Lance

Portfolio Company Update

Key highlights for the June 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's largest customer (Contact Energy) recently won Retailer of the Year at the Energy Excellence Awards. Devoli are happy to claim partial credit for Contact Energy's success at the awards.
- Contact Energy reported surpassing 69,000 broadband customers during the quarter.
- The company hired an experienced Sales and Account Executive.



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 began development of their Dropship model using the Mirakl platform.



Shareholding: **26.5%**

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 raised a new, small round of capital from Punakaiki Fund.
- The company successfully renewed its existing customers as sales contracts expired.
- The company developed a strong sales pipeline for its MiBI software product.



Shareholding: **24.4%**

First Investment: **Nov 2017**

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

- Quantifi Photonics raised \$25 million of new capital lead by strategic cornerstone investor Intel Capital and followed by New Zealand investors Pacific Channel, Nuance Connected Capital and Simplicity.
- This new raise values Quantifi Photonics at \$90 million following the capital raising round.
- The Company's acquisition of SmarTest was successfully completed during the quarter.
- Quantifi Photonics appointed a new Independent Director Brent Robinson to the Board during the quarter, and Caroline Williams, who will become Chair, after the quarter end.



Shareholding: **19.6%**

First Investment: **Oct 2015**

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

- MOBI continues to develop its new feature product, a new auto-upsell feature that automatically recommends additional products to guests, which has proven to be valuable to its customers.
- The company aims to roll out the beta auto-upsell feature to all eligible customers in the current quarter.
- Tarik Mallett has moved on from the CEO roll (but remains in a governance roll), with Chief Revenue Officer Mark Raso being appointed as his replacement.



Shareholding: **20.0%**

First Investment: **Feb 2017**

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

- CONQA is tracking well, hitting \$4.6 million in Annual Recurring Revenue (ARR) during the quarter.
- The company has hired new team members and brought new leadership into the Sales and Marketing team.
- CONQA is embedding more scalable processes across the company as they go deeper into the Australian market.
- CONQA have a newly formed product team that are focused on delivering a set of new features to both site & office-based customer teams.



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 continuously improving the quality and capability of their Crash reporting grouping logic, with the aim to help teams quickly recognise where to allocate their resources to fix bugs, resolve performance issues, and create better experiences for customers.
- The company launched their new Alerting feature to all customers in July.
- Raygun have recently hired a Customer Success Manager, a Sales Executive and a Sales Development Representative.



Shareholding: **17.9%**

First Investment: **Mar 2022**

[Couchdrop](#) changes the way SFTP works on the cloud, allowing clients to move files automatically, securely, and efficiently between platforms.

- The company signed a major contract with a large and well-known international media company.
- Following the company raising capital in the March 2022 quarter, the company has been carefully expanding its team by recruiting new roles.
- Couchdrop has now put in place formal governance structures, including establishing a formal board of directors, with Lance joining the Board.



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 have received good leverage from their association with Kathmandu, who won Best Places to Work 2022. Kathmandu acknowledged the training that RedSeed provided their team. The HR Tech Fest conference highlighted the training partnership with Redseed where further strong sales leads were gained.
- The company is seeing a slow down on training decision making in the market, both in New Zealand and across the Tasman.



Shareholding: **28.9%**

First Investment: **Feb 2015**

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

- Orah welcomed Nadine Hill as new board member, replacing Lance Wiggs.
- The company attended NZ Boarding School Association and Boarding School Association (UK) events.
- The company celebrated 1 year of their Orah rebrand (previously known as Boardingware).



Shareholding: **29.2%**

First Investment: **Dec 2014**

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

- Melon closed a capital raising round this quarter, supported by Punakaiki Fund.
- The ResMed Sleep Apnea pilot exceeded expectations and was extended to include Northland District Health Board, which was oversubscribed.
- Capital Coast and Hutt Valley district health boards have requested a pulmonary rehab programme after using the Melon Cardiac Rehab programme for two years.



Shareholding: **49.6%***

First Investment: **Feb 2015**

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

- Weirdly have launched the Weirdly Managers App (WMA). This has been well received and has created an increase from 60 users up to 404 users to the end of June. The expectation is that this will double within the next month.
- The team held a companywide event in New Zealand with the Australian staff travelling over to New Zealand to meet the New Zealand team after 2.5 years of remote operation. They were pleased with the successful way it reenergised the team as they head into the second half of 2022.
- They received a positive response to a new use case for Sky City where Weirdly's software is used to nurture and grow a talent pool independent of their recruitment process.

* Shareholding prior to dilution by a material number of founder options on issue.



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 have won two major contracts in Western Australia and South Australia.
- They recently appointed Kade Murphy as their new Chief Technology Officer.
- Core Schedule have partnered with Celo Health to provide an integrated cloud communication and workforce platform to healthcare providers. This partnership allows employees to make real time requests and improve worker productivity.



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.

- Get Home Safe saw a continuation of strong growth in lead generation in the UK, with a highlight being attendance at the Safety and Health Expo 2022 (a three-day tradeshow in London).
- The company has seen renewed enthusiasm in New Zealand and Australia this quarter from existing sales leads wanting to move forward with implementing Get Home Safe's platform. While COVID is no longer a sole focus, it has become apparent that the company has been competing directly with COVID for the attention of its potential customers' Health & Safety teams.
- The company have a new Risk Assessment feature which is creating quite a buzz with existing and new clients, with active conversations with several existing customers about switching from their existing providers to Get Home Safe.



Shareholding: **3.0%**

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 have seen ongoing strong revenue growth, which has been supported by new sales momentum and product price increases.
- The company has released new dashboard insights feature enabling better visibility on inspection and fleet data, which is driving customer engagement.



Shareholding: **3.0%**

First Investment: **Dec 2021**

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

- Polly Teevan has been appointed Chief Marketing Officer, who is based in the US, to help drive commercialisation in the US and globally.
- Dr Atul Kamath, a world-renowned orthopedic surgeon at the Cleveland Clinic, has joined Formus as a key opinion leader. Dr Kamath is highly influential within the industry and will help shape their clinical and technology strategy in the US and globally.
- Formus Hip has received Investigational Testing Authorisation from Health Canada to begin a clinical study lead by Dr George Grammatopoulos at the Hospital of Ottawa. This project will validate the outcome improvements of Formus Hip in a rigorous randomised longitudinal study.



Shareholding: **12.9%**

First Investment: **Mar 2022**

[Projectworks](#) is a whole company optimisation platform that utilizes intelligent business management software to improve a company's performance and bottom line.

- Projectworks' greater focus on inbound sales has assisted the company growing its revenues 27% over the quarter.
- Punakaiki Fund partner Nadine Hill has joined the company's board of directors.
- Blair Pedersen has been recruited as the company's Head of Marketing.

From skunkworks to success: how Projectworks turned a moment of truth into a love affair



Scaling an idea formed over a few beers: (l to r) Julian, Doug, Matt

Sometimes, true love is right in front of us – if only we chose to see it.

For years, Doug Taylor worked on an internal software tool to help his own consulting company manage the business better and, especially, to improve client management. For his colleagues at Provoke Solutions, the software was a much-loved friend.

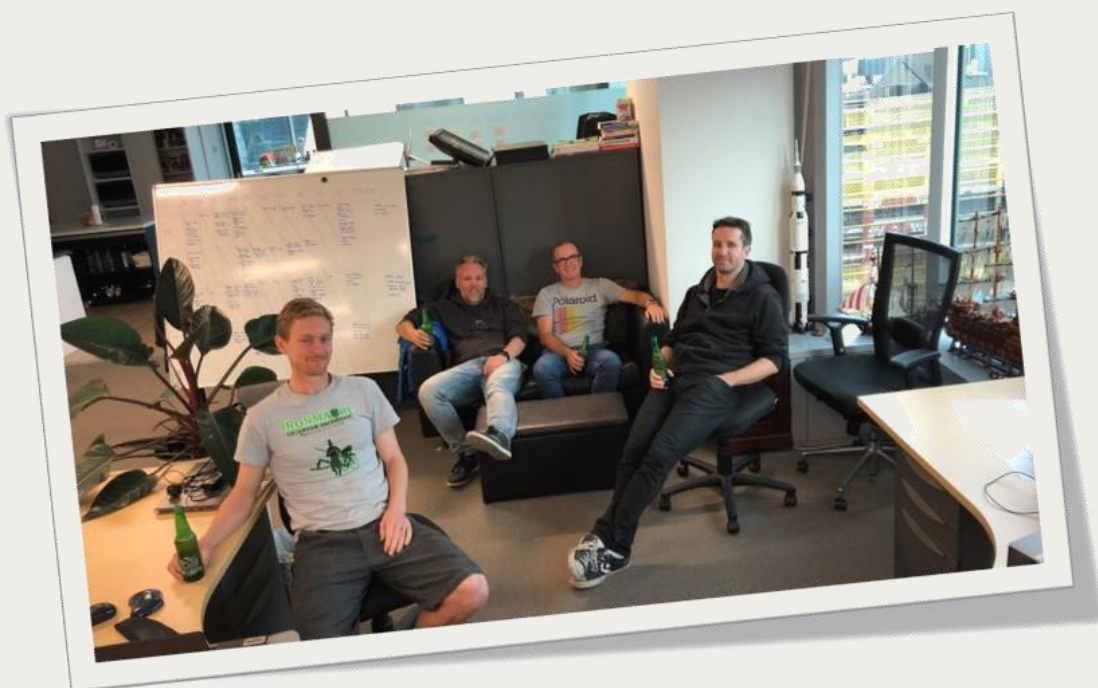
“New staff would see the internal tool and say ‘wow, that really gives us an advantage over the other guys’ so I knew that it was good. And every time I’d add a new feature we could see the transformation of the business.”

Despite his promptings though, no one at Provoke Solutions saw the software as a business in itself – just as a tool to help the real business, which was consulting.

No one falls in love with the boy next door, do they?

Except for Matt Hayter and Julian Clarke.

“I started as a grad developer at Provoke in 2008,” says Matt, “and after six years Julian and I felt like we’d done our thing. We were in our mid-to-late 20s and had been chatting with Doug over a few beers to do something more together. His software was the thing we kept coming back to. We got to talking about doing a JV with Provoke to take the product to market.”



Early days: Crack squad working hard on the strategic plan

The plan initially got some push back. The GFC was only just in the rear mirror and the idea of a thirsty new start-up seemed hasty.

But true stirrings are hard to shake and the trio wore down their colleagues and hatched a plan to spin out a joint venture to be worked on afterhours and the weekends while they remained in the business. It helped that they were critical to a major client, ANZ, and Doug was a founder.

“So we started a skunkworks, which is kind of where Projectworks got its name,” says Matt.

Fast forward to now and the finished product is flying off the shelf with 170% annual growth and awards from Xero and Microsoft. Projectworks' software is aimed at mid-sized consulting firms in architecture, software, and management consulting and solves integration challenges faced when these firms have multiple CRM, finance, billing and time-management tools. It seamlessly integrates with Xero, and it's no surprise to us that it's able to leverage the Xero customer-base to grow its own following.



A weekend MBA

Back in 2018 all that was just a dream as the three beavered away afterhours, rewriting code and testing ideas on friends and potential clients.

Then it just about turned into a nightmare when the plot took a twist.

In 2019 Provoke Solutions sold to American private equity company Bridgewest. The US PE was hungry for acquisitions in the consulting space and liked Provokes customer base. No one noticed there was a software product being developed in the back yard.

"It was a bit of concern," says Matt. "They didn't really know our skunkworks existed. We got a call to meet the founder and chair of the PE firm Masood Tayebi who was visiting Auckland. We didn't know at that stage if we were going to be fired or funded! It was pretty daunting to be honest. Masood had his first major success back in the 90s, and now owns large companies all over the world."

There are pivotal moments in any romance and the weekend with Tayebi turned out to be transformative.

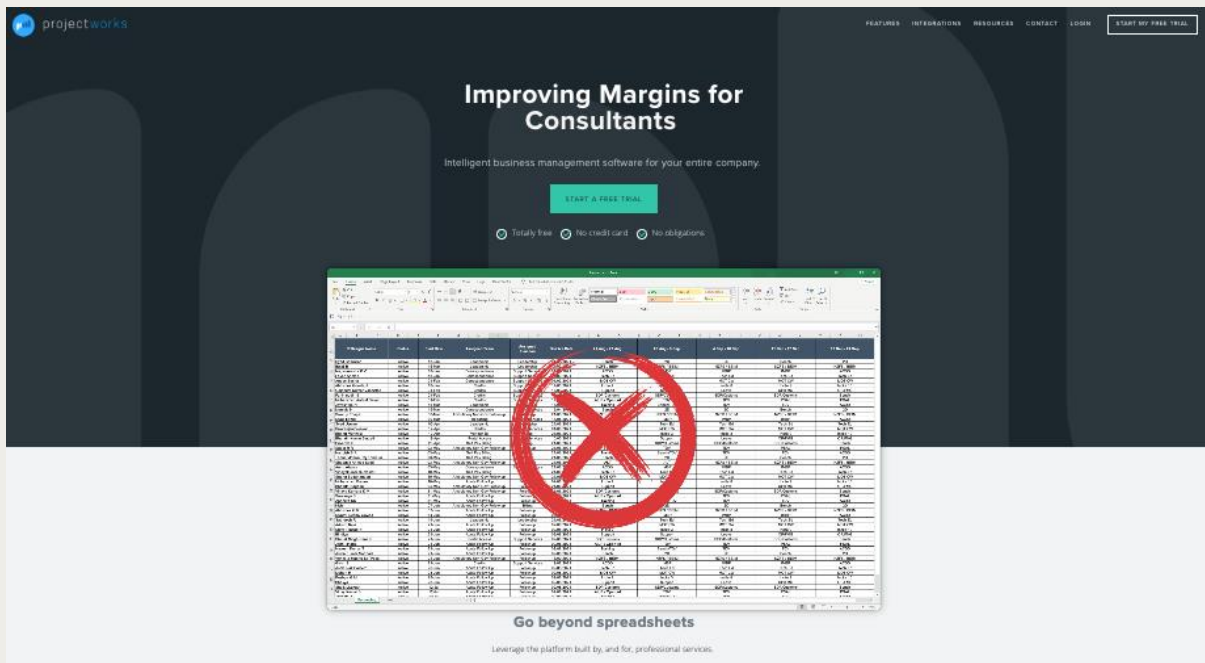
"We sat in a room with Masood and he gave us an MBA in a weekend. He helped us refine our plan, asked us lots of questions, made us do a heap of work, then he'd come back and ask more questions. When we'd finally finished the plan he said, 'great, now do it faster.'

Iranian-born and UK-trained, the US-based entrepreneur is whip-smart and a natural with numbers. He made his first fortune installing wireless infrastructure in 60 countries and his second as an early biotech and hi-tech investor.

No easy touch.

"But we were lucky. His first big business was a professional services firm, so he could immediately see the value, as well as having a bit of nostalgia for it. And I guess he liked the cut of our gib. We were really lucky to get the time with him," says Matt.





Bridgewest has not only stayed as a joint venture partner – it invested more, based on the valuation hashed out that weekend. “They put in their share to reflect the fair value and we put in money ourselves – well, we salary sacrificed to put in equity. It was outside the usual story for a PE to invest in a start-up like us but I guess they liked what they saw.”

Clearly Bridgewest has no regrets. The company invested more in 2020 and 2021, and even after this year’s \$3.5 million raise, which included Punakaiki Fund, it remains the majority owner.

“We’ve got a good relationship with them. They’ve introduced us to many experts with experience in building SaaS capability and providing advice, despite not having the day-to-day experience of scaling a SaaS business in house” says Matt.

For that they turned elsewhere.

Scale, scale, scale!

Following the launch in 2019, the team doubled down on product development. They hired former mates from Provoke and got down and dirty.

“We brute-forced it with outbound, just phoning people, which is difficult when you have no brand recognition or track record to point to. The only thing we have is that we know consulting businesses,” says Doug.

Brutalism worked. In the next three years Projectworks rocketed to success, with 170% annual revenue growth, with hundreds of customers, whose users span 40 countries.

In 2020, it won Xero Emerging App Partner of the Year, and the Microsoft Emerge X competition for start-ups. In 2021 it was a finalist for the highly coveted Xero App Partner of the Year award.

The success attracted investor interest. In May this year Punakaiki Fund contributed \$2 million to a funding round, with an additional \$1.5 million brokered by Snowball Effect. The \$1.5 million includes a significant contribution from the founders, staff, and high-net worth individuals with experience in the

SaaS space. The round values the company at over \$15 million, with majority shareholder Bridgewater Group sitting the round out to allow for VC, staff and client funding.



All their Christmases have come at once. Doug (Santa), Matt (happy child)

The months since then haven't disappointed. June doubled monthly sales and July shows no sign of slowing.

What's going on?

A few factors, says Matt. "The PR following the capital raise has helped. We had quite a few people contact us.

"We made a big investment in digital marketing, bringing it in-house, hired a marketing manager and built a digital team. It takes a month or two to come through but we're seeing a shift now – getting more leads and improving the quality of leads.

"Word of mouth is growing. Other customers are referring us. The product does a lot of the sales because it's so well loved.

"And finally, I think we're getting more comfortable selling to bigger customers. They see that we're a serious outfit which gives them comfort that we'll be around for five to ten years. In June we landed our biggest individual contract, \$250k over five years."

A deeper connection

Clients really do love Projectworks, as these testimonials suggest:

"Projectworks has been instrumental in improving our business processes by having our vital information in one place. The program is user friendly and a time saver with the smooth and live

integration with Xero. The customer support team is fantastic, efficient and open to suggestions to further meet our business needs.”

“Migrating our data to Projectworks was a breeze and the service from the Product Support team was second to none. Projectworks has all the project management, resourcing, budgeting and reporting features we need and these are nicely configured. I look forward to opening Projectworks every day.”

“We are saving so much time for the head of our PMO by having myself (PMO coordinator) and the project managers able to add resourcing to our projects and invoice. This is a huge time saving for us!”

Matt says the secret sauce is in the team. “The founding team all have technical experience and a strong track record in professional services, which gives us a deep understanding of the challenges our customers face.”



The growth engine has been boosted by two critical appointments: Head of Sales Madeline Bakewell, who helped global payment giant PayScale to a \$300+ million exit in 2019, and a Head of Product, Kathryn Taylor, who spent five years as a senior designer at Atlassian during its explosive growth phase.

The team is one of the main reasons Punakaiki Fund invested. Following the last investment round Punakaiki Fund’s Investment Director Nadine Hill said that Projectworks, “has everything we like in a company: global market, strong technical ability, founder-led, a SaaS product that’s core to customers success, and most importantly, a healthy culture.

“Matt and his team are hardworking and technically brilliant but they’re also humble and good-humoured. They’re creating the kind of workplace that attracts and retains great talent.”

Bring on the future

So, what does the future look like for Projectworks?

Matt’s answer is unequivocal. “My first check point is to build a company with a valuation of \$100 million. Based on the current valuation that would imply \$12-\$15 million in annual recurring revenue. And were on track to reach that by the end of 2024.

“And then we go get some serious fundraising to go from \$100m to a \$1billion.”

Right, simple then.

“Actually, it’s not as crazy as it sounds,” responds Doug. “Today we’ve got around 150 customers. We only need 600-800 customers to hit the goal of \$12-\$15 million in ARR, which at the current growth rate we’ll expect to hit by 2024.

“But that is still only a fraction of the 1% of the total addressable market in the UK, Australia, the US and SA.”

Indeed, Projectworks calculates the total addressable market of mid-sized consulting firms to be more than US\$100 billion, with a combined annual growth of 13.4% a year.

“There’s enough fish in the sea for us,” says Doug.

And what does a non-financial success look like?

“We want to be an example of how to build a SaaS company. We want people to say, ‘how would Projectworks do it?’”

On the shoulders of giants

The success of Projectworks has not come from nowhere. The dedication of the founders, and the intervention of Masood are key components. So is the SaaS ecosystem that it thrives in. Projectworks follows in the footsteps of Xero, flourishing wherever Xero has established a foothold.

“The pioneers of SaaS like Xero have normalised it for clients. To have your data and apps in the cloud is now normal business practice. That wasn’t true 10 years ago. We are the beneficiaries of that,” says Matt.

“Plus, the QuickBooks and Xero’s have their own ecosystem which creates an environment that we can sell in. It’s how a lot of people look for applications – if it’s trusted and promoted by Xero, it must be a good kind of thing.”

That sounds like good advice.

“Absolutely. Hitch your wagon to a train that’s already started. A lot of products have been built out of Shopify. Xero are building a new marketplace. The rise of the cloud and the systems to support it have created incredible opportunities. There’s a low barrier to entry.”

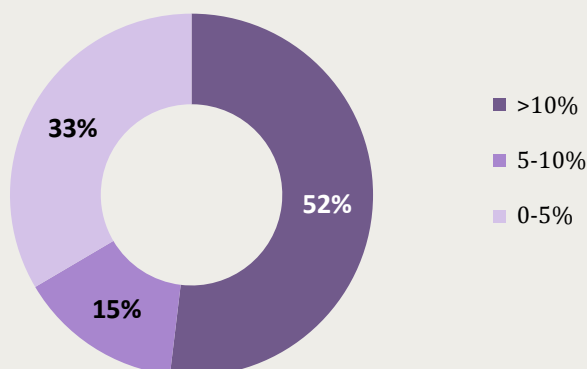
Like we said at the start sometimes love can be found right here in our very own backyard.

Portfolio Valuation Splits

(as at 30 June 2022)

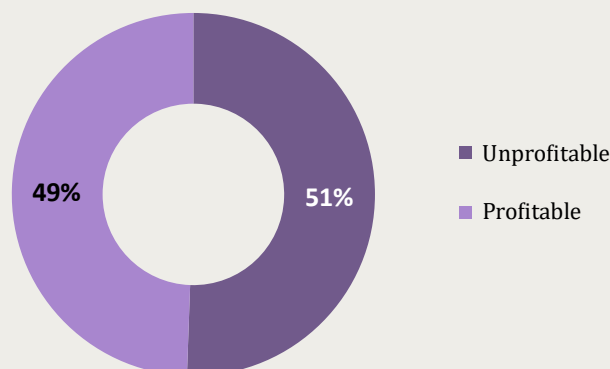
The diagrams below show various splits of the valuation of our 17 core portfolio companies.

Valuation Split By Concentration



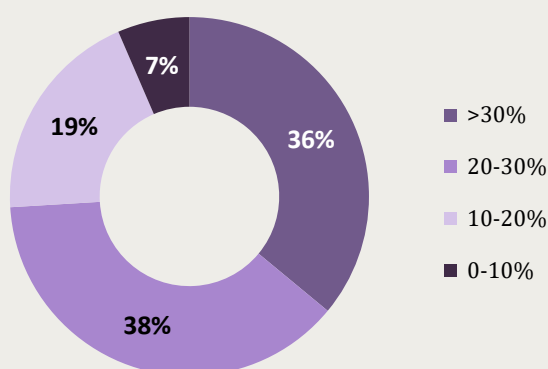
Investments in three companies represent 52% of the value of Punakaiki Fund's portfolio.

Valuation Split By Profitability



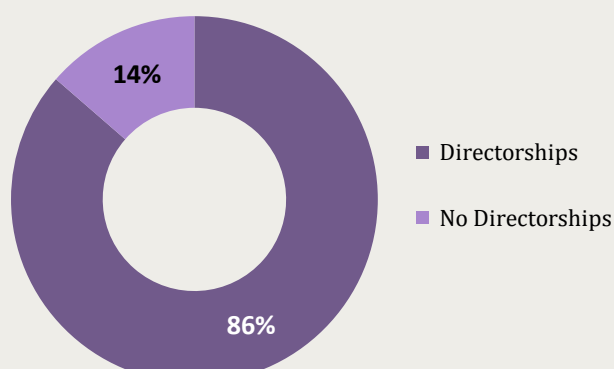
There is a good mix of profitable and unprofitable (investing for growth) companies. We are comfortable with the sustainability of the companies for now, given each's cash reserves.

Valuation Split By Ownership %



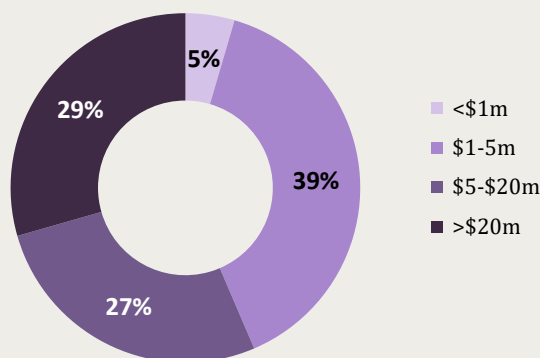
Unusually for a venture capital firm, we have large shareholdings in a number of companies – and that is where the value is increasingly concentrated.

Valuation Split By Directorship



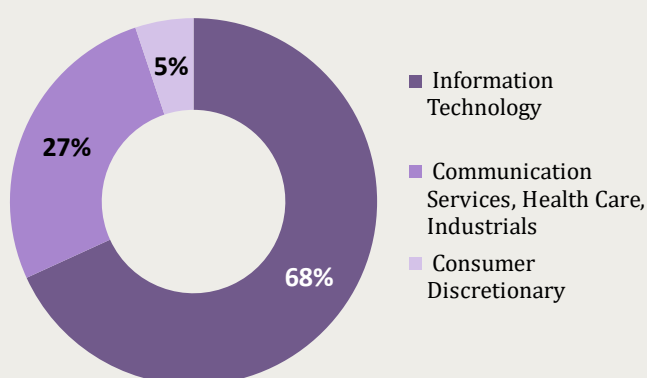
Directorships reflect that we are able to contribute where we have larger shareholdings, and thus have more visibility of and influence on company performance.

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.

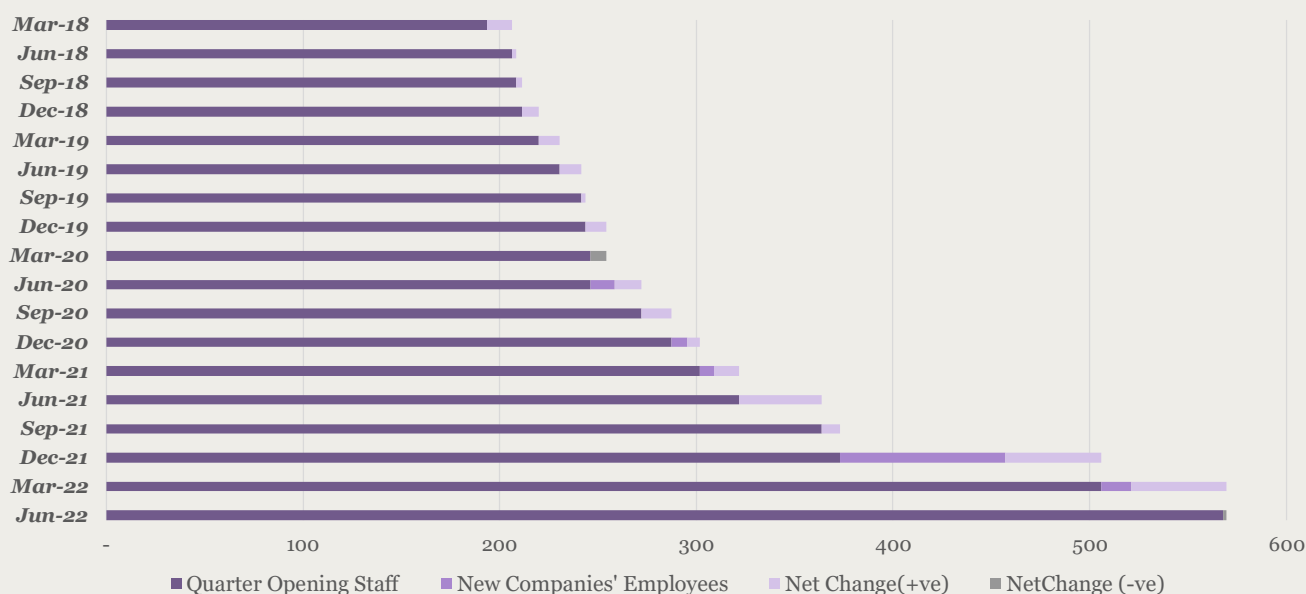
In the News

Conqa	The Project 4-day work week
Core Schedule	Celo and Core Schedule announce strategic partnership
Couchdrop	Couchdrop releases file automation and workflows
Formus Labs	Former J&J exec joins orthopedic medtech company Alumni venture FormusLabs raises \$5m towards AI powered orthopaedic surgery software.
MOBI	Online Hospitality ordering biz Mobi raising \$NZ15m
Projectworks	Feel the burn: Startup gets millions for new type of project management software Exporting software: Gisbornites urged to join the 'gold rush'
Quantifi Photonics	Independent director joins Quantifi Photonics board New Zealand tech company acquires SmarTest Electronics
Raygun	Businesses urged to take online presence seriously NZ businesses should consider 'Core Web Vitals' to gain competitive advantage
Whip Around	Samsara and Whip Around Partner to Reduce Fleet Emissions and Improve Fuel Efficiency
Punakaiki Fund	2022 NZ Hi-Tech Awards – Finalists Announced Scoop News

Employment Monitor

(June 2022 Quarter)

Here is a snapshot of our portfolio companies' employment situation at the end of June 2022:*



That's 568 jobs as at the end of the June quarter— 2 less than at the end of March 2022**.

Hiring Intentions



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

** The quarterly periods prior to June 2022 have been restated following the reconciliation of quarterly employee numbers for these periods.

Corporate Update

Governance

The Board convened on 22 July 2022 for the quarterly Board meeting to consider, among other matters:

- A review of Punakaiki Fund's investment portfolio;
- The value of Punakaiki Fund's investment portfolio as at 30 June 2022;
- The Punakaiki Fund 2022 Annual Report;
- The Audit Close report presented by EY New Zealand;
- The Punakaiki Fund IPO and Structuring papers;
- The timing of Punakaiki Fund's 2022 Annual Shareholders' Meeting; and
- This quarterly report.

The Board's next meeting is planned to be held in mid-November.

Financial Reporting

The Investor Net Asset Value ("iNAV") of the fund after all contingent performance fees at 30 June 2022 were accounted for was \$85,905,021 (or \$32.70 per share), a decrease from the 31 March 2022 iNAV of \$87,689,667 (or \$33.38 per share). This change is mainly from a net downward revaluation due to valuation multiples derived from listed markets falling. The Accounting Net Asset Value (which includes only the cash component of the performance fee and is used to calculate the management fee) was \$93,012,235 at the end of the quarter, compared to \$95,118,118 at the end of the March 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 April 2022 of \$5,067,762;
- \$3,348,077 was invested in Orah (Boardingware), Melon Health, Mobi and QUBEdocs;
- Management fees of \$425,481 were paid to 2040 Ventures;
- Administration fees of \$70,438 were paid to 2040 Ventures in relation to the June quarter administration services provided to Punakaiki Fund;
- Cost recovery of \$2,484 was paid to 2040 Ventures in relation to year-end regulation filings and BoardPro subscription charges;
- \$30,949 was paid for independent valuation services;
- \$37,375 was paid for CFO recruitment services;
- \$1,265 was paid for accounting services;
- \$3,097 was paid for legal services;
- A net amount of \$3,567 was received from share register activities (brokerage received from share trading offset by establishment and subscription fees);
- Branding and design expenses of \$3,938 were paid;
- Directors' Fees of \$89,925 were paid;
- \$9,900 of withholding taxes on directors' fees were paid;
- GST refunds of \$20,130 were received; and
- A closing cash balance of \$1,067,000 as at 30 June 2022.

Punakaiki Fund Limited - Unaudited Financial Position		Punakaiki Fund Limited - Cash Flow Summary	
as at 30 June 2022	NZ\$	for the Quarter Ending 30 June 2022	NZ\$
Current Assets		Operating Cash Flows	
Cash on Deposit	1,067,000	Gross Interest Received	708
Accounts Receivable	17,136	Bank Fees	(71)
Prepayments	38,350	Payments to External Advisors	(79,155)
Non-current Assets		Management Fees	(425,481)
Investments	94,830,000	Administration Fee	(70,438)
Total Assets	95,952,486	Other Net Expenses	(98,379)
		GST Refunds	20,130
Current Liabilities		Total Operating Cash Flows	(652,685)
Accounts Payable	176,334		
Non-current Liabilities		Investing Cash Flows	
Accrued Performance Fee	2,763,917	Investments Made	(3,348,077)
Equity		Investments Realised	-
Retained Earnings - Operations	(7,250,592)	Dividends Received from Investments	-
Retained Earnings - Accrued Performance Fee	(9,871,130)	Total Investing Cash Flows	(3,348,077)
Share-based Payment Reserve	7,107,214		
Asset Revaluation	57,870,897	Financing Cash Flows	
Share Capital	46,420,279	New Capital Received	-
Capital Raising Costs	(1,264,432)	Brokerage Fees	-
Total Equity and Liabilities	95,952,486	Dividends Paid	-
		Total Financing Cash Flows	-
Accounting NAV	93,012,235	Total Cash Movements	(4,000,762)
iNAV (after deduction of the performance fee)	85,905,021	Opening Cash Balance	5,067,762
iNAV per Share	32.70	Closing Cash Balance	1,067,000

Cash Flows for the September 2022 Quarter

Since the June 2022 quarter-end, a final quarterly management payment of \$417,465 (including GST) has been made to 2040 Ventures. The Administration Fees for the September 2022 quarter (totalling \$70,438 including GST) has also been paid to 2040 Ventures. Accounting fees of \$9,798, legal fees of \$2,990, recruitment fees of \$18,688, share register fees of \$399 and audit fees of \$58,251 have been paid.

A new investment of \$0.025 million have been made into Melon Health.

Capital Raising Plans

Punakaiki Fund plans to offer shares to wholesale investors during the September quarter.

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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