

Punakaiki Fund Limited

March 2015 Quarterly Report

Welcome

Hello and welcome to the March 2015 quarterly report. This is just the fourth quarterly report for Punakaiki Fund, and we have had a very active quarter, completing five new investments, and with an additional investment settling post-quarter end (Revert.io) we now have ten investments in our portfolio.

The next step on our path to eventual IPO is a combined private and crowd funding round, which will kick off in the next few weeks. That will add, we hope, a significant number of people to the shareholder base, and of course give us the funds to make more investments, including follow-on investments into the companies we already own.

With ten investments, more to come, and a lot more shareholders on board we need to tighten our reporting. While we really don't like writing long (and late) reports, I also believe that shorter and frequent emails are not just easier, but are far quicker to get into your hands, and are far more likely to be read. So expect shorter quarterly reports from next quarter, and more focus on email updates.

This quarter demonstrated once again just how good the opportunities for investment are in New Zealand. We are very happy with the companies on the list of investments below, and are looking forward to years of growth from all of them.

We ended the quarter with around \$540,000 in cash, with \$500,000 of this amount subsequently invested into Revert.io. We are also working through the formal year end valuation of all investments with Deloitte Private, so the total investment value above is not final – and will almost certainly rise.

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 has had a relatively quiet quarter following the Christmas telco shutdown period and the loss of a key customer. Highlights from the last quarter include:

- Quarter on quarter revenue growth of █% (average monthly revenue growth of █%);
- The first quarter without Megatel as a customer, which was lost to Vocus, albeit at a price where Vibe were happy to walk away. Vocus priced beneath cost (we believe) to take the business from us – a sign that they are worried about our growth despite being a \$1 billion company.
- Losing a bid for a ~\$1m/year deal with a very large US social media company, once again taken by Vocus who again priced below cost.
- Closing a number of transit deals with Inspire and Sohonet;
- Taking on a sales person (contractor) to drive Wholesale and Transit business in regional cities and towns and a Senior Voice Engineer to look after voice network architecture and management, freeing founder Davey Goode to concentrate on management and strategy setting;
- Entering into an agreement to acquire another business. Further details relating to this deal will be released when the transaction is finalised. The transaction will cause minimal dilution to Punakaiki Fund's shareholding in Vibe and cause significant revaluation of our investment; and
- Vibe will partner with a very large Australian player for Intellipath services. Once again details relating to this partnership will be disclosed in due course.

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.

Mindscape

Mindscape 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: Mindscape's Raygun.io product enjoyed continued strong revenue and customer growth, despite the Christmas break. Recent highlights include:

- Quarter on quarter revenue growth of █%;
- New net customer growth of █% quarter on quarter;
- Becoming a finalist in two High Tech Awards categories: Hi-Tech Start-up of the Year & Innovative Hi Tech Software Product;
- Expansion into U.S. continuing apace with a dedicated U.S. marketing team now in place;
- Continuing software product development with Deployment Tracking being added to the offering; and
- John-Daniel Trask (CEO and founder) presenting at a Microsoft conference with 4,000 viewers on the live stream and an addition 2,000 subsequent downloads of the presentation.



Social Code

Social Code 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: Social Code has had a strong strategic quarter including raising new capital and being accepted into a highly-rated US-based accelerator. Highlights include:

- 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);
- Accepted into the Sprint Mobile Health Accelerator (Techstars) programme. As part of entering this programme, Techstars have taken a █% shareholdings in Social Code in exchange for US\$█, which can be unwound at the same price if Social Code is not satisfied with the value of their accelerator experience. Sprint has also taken a US\$█ convertible note, which converts into shares in Social Code at a █% discount to the next capital raising round.;
- Securing US pilots with the largest US health insurer;
- Starting a clinical implementation trial for the Midlands Health Network (four DHBs, operated out of Waikato);
- Becoming a finalist in the High Tech Awards: Innovative Hi-Tech Mobile Product; and Placing third in the Health 2.0 Vertex Patient Engagement challenge.

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 █%;
- New net customer growth of █% quarter on quarter;
- Adding a number of new customers including two NZX-listed companies;
- Appointing Vend's VP Talent Kirsti Grant to the Board;
- Introducing a free version of product in order to assist with the uptake of the paid product; and
- Completing its first external capital raising, receiving \$█ from Punakaiki Fund for a 18.6% shareholding.



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 important start of the school year period. Highlights from the March quarter include:

- Quarter on quarter revenue growth of █% (average monthly revenue growth of █%);
- New net customer growth of █% quarter on quarter;
- Implementing new processes to make it easier to invite parents and students into the system, making the offering provide more value to the customers (the schools) and making them more invested in the product;
- Now focusing on training one or two administrators within each school in order to facilitate the on-boarding the other users;
- Reconfiguring pricing to reflect differing levels of user utility from the product (i.e. providing differing levels of service and product customisation and charging more for it);
- Refining its cloud architecture and API to integrate with other school software; and
- Completing an external capital raising, receiving \$████ from Punakaiki Fund for a 16.7% shareholding.

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 given the Christmas/New Year period seasonal slowdown. Highlights from the March quarter include:

- Quarter on quarter revenue growth of █%;
- Member base increasing █% on last quarter, with the highest ever number of active users recorded in March;
- The best ever sales month and the best ever sales day recorded during the quarter;
- Implementing 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;
- Undertaking some preliminary work with an apparel industry leader to establish strategies to increase product offer, activate existing members and acquire new members; and

The founding shareholders selling down a 15.6% shareholding and an option to acquire an additional 10%, for \$█ to Punakaiki Fund.

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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;
- Agreeing to target entry into Australian market before USA; and
- Completing its first external capital raising, receiving a total of \$█ from Punakaiki Fund in two tranches. The first tranche of \$█ has been paid and provided Punakaiki Fund a 4.0% shareholding. The tranche of \$█ is due for payment in early July subject to Punakaiki Fund successfully raising a minimum \$█ from the exercise of its June 2015 options. On payment of this second tranche, Punakaiki Fund's shareholding will increase to 12.0%.

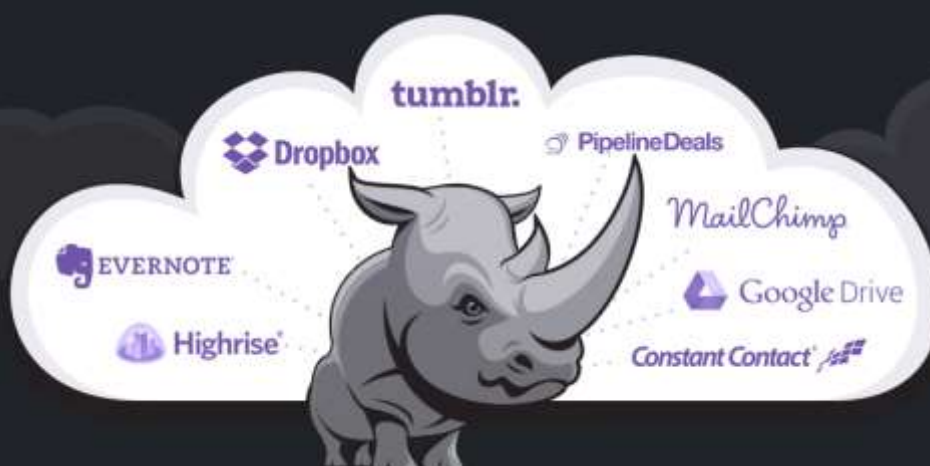
Revert.io

After the end of the quarter, we have made an investment in Revert.io. Revert.io is a cloud backup company, backing up and restoring data held by SaaS products, including Dropbox, Highrise, tumblr, Mailchimp, Google Drive, Evernote and more. Revert provides the ability to search through all of the backed-up data, and keeps track of previous versions of the data, and is adding enterprise features over the next few months.

Punakaiki Fund invested \$█ in Revert.io for a 10.6% shareholding. We will provide more information on Revert.io in the next quarterly report. <https://revert.io/>

Backup for the apps you rely on

Revert keeps a searchable daily backup of your cloud files & data.



In the News

Mindscape:	<u>Wellington companies make the cut in Hi-Tech Awards</u> <u>Bright ideas take Kiwi innovators overseas</u>
Timely:	<u>Mike O'Donnell: No pants thanks, we're working</u> <u>Five Apps That Will Change How You Run Your Small Business</u>
Vibe Communications:	<u>Vibe Communications is the most connected ISP in New Zealand and Australia</u>
Social Code:	<u>Wellington companies make the cut in Hi-Tech Awards</u> <u>Sprint and Techstars Announce Ten Mobile Health Startups</u> <u>Sprint's health incubator adds startups</u>
Weirdly:	<u>Innovation: Smart start-ups light up city's innovation scene</u> <u>Weirdly: First stop New Zealand, next stop the world</u> <u>Weirdly - Cultural Recruitment Web App</u>
Onceit:	Cover story in the latest edition of Retail NZ magazine
RedSeed:	<u>New funding fuels kiwi tech company's US expansion</u> <u>Online retail training company RedSeed secures funding to expand to the US market</u> Article in Air New Zealand's in-flight magazine, Kia Ora (February)
Punakaiki Fund:	<u>Christopher Adams: Punakaiki eyes fresh effort to raise cash</u>

Social Code was chosen to attend the Techstars' Sprint Accelerator in Kansas City.

Yes – this is a big deal!



Focus On: Social Code

Punakaiki Fund first invested in Social Code in late December 2014 by way of a \$X convertible note, however our interest in investing in the company predates the formation of the Fund to 2012, when Lance entered negotiations to invest personally and join the Social Code Board. Luckily for us he was unsuccessful at that time, and we were very interested when Social Code let us know that they were looking to raise capital late last year. While Punakaiki Fund came into this capital raising round relatively late in the piece (negotiations with an angel investment group, which were ultimately unsuccessful, had been on-going for the six month period up to December), we ended up leading the round and investing a total of \$X for a fully diluted 13.86% equity interest (comprising the \$X convertible note and an additional \$X cash investment).

So what do they do? Social Code is a software as a service business, providing patients (the end users), medical professionals and supporters with web and mobile applications. The software, which is able to integrate with other patient care applications, helps with tracking, remote monitoring, behaviour change and provides peer and professional support to patients. In particular, the service helps patients with chronic diseases, which can be controlled but not cured. This means that a patient can access their doctor, information and an on-line community of supporters (often others with the same disease) from a very accessible and very mobile platform.



Siobhan Bulfin, Social Code's CEO and founder

The types of diseases and conditions which Social Code is addressing account for 75% of dollars spent on healthcare, so reducing costs and improving patient outcomes is the challenge Social Code is taking on and delivering. The paying customers are very large businesses and government organisations that operate in the medical/health/life science sector. These are large sales that take significant time, professionalism and credibility to land. Social Code's customers so far include two of the world's largest pharmaceutical companies, an insurance company, health promotion agencies, a medical research institute and a cancer diagnostic company. As such, this is a much lumpier revenue business than some of the others we have invested in (and you will see this in Social Code's quarterly and monthly growth rates), but the larger deal sizes which Social Code is targeting make it worthwhile.



The Social Code approach

So are they good? We think so, and they have won a slew of awards and nominations include being the Grand Prize Winner of the 2014 Mobileys Awards for its mobile application Code Blue, being selected as a finalist in the Health Technologies category for the first-ever SXSWV2V Venture competition (based in the US), being named among Entrepreneur Magazine's 100 brilliant companies of 2013, making the final of the Hi Tech Awards this year (watch for the results after the 15 May gala dinner) and being invited to join Techstars' Sprint Accelerator.

The invitation to Techstars' in particular is a big deal. Techstars is considered to be one the best accelerator operators in the world and receives thousands of applications each year to join its various accelerators which it has created in partnership with industry leaders. Examples of these partnerships include Qualcomm (robotics – San Diego), Disney (media and entertainment – Los Angeles), Barclays (finance technology – New York), Nike+ (active lives - Portland) and Sprint (mobile health – Kansas City). Social Code are currently in Kansas City being 'accelerated' until their three month stint ends, at which time they will pitch to 200+ US investors including large US venture capital funds. We wish Siobhan and her team the best of luck with this.

If you would like to understand a bit more about the company, please visit Social Code's website: www.socialcode.io

Just a quick note regarding our shareholding. We have stated that our headline ownership percentage is 13.86%, although some of our shareholders may have noted that our shareholding according to the Companies Office is 15.30%. When we completed our investment in Social Code, Punakaiki Fund held an undiluted 16.28% in Social Code, however the subscription agreement provided for the following issues of shares and options:

- The issue of shares to Techstars (6.05% - diluting to 6.00% after the director options and 5.48% after the Employee Share Ownership Scheme);
- The issue of director options to Brian Leighs (0.89% - diluting to 0.81% after the Employee Share Ownership Scheme); and
- The establishment of an Employee Share Ownership Scheme (8.59%).

At the time of writing only the Techstars share issue had been completed (diluting Punakaiki Fund to 15.30%) with the director options and shares for the Employee Share Ownership Scheme still to be issued. Once these issues of shares and options are completed, Punakaiki Fund's shareholding will be fully diluted (assuming all options are exercised) to 13.86%, with founder Siobhan Bulfin diluted to 52.49% and Stephen Tindall's K1W1 to 9.13% (K1W1 are the third largest shareholders in Social Code).

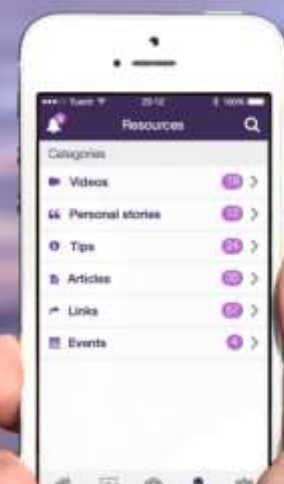


Some of the Social Code team at Techstars, Kansas City

In respect of the Techstars shareholding, Techstars received a 6% investment in the company in return for a US\$X investment and for a place in the Sprint Techstars accelerator. While prima facie this significantly under-values Social Code, the primary value which Techstars provides is not the cash investment, but the advice and networking into the large US-based customers of the services which Social Code sells. As such, Techstars' investment into Social Code should not be valued simply on its cash investment.

Everything we do, we do
to help people lead
healthier, happier lives.

Improve care. Reduce costs. White label web and mobile platform for the prevention and management of chronic disease.



Focus On: Boardingware

At its core, Boardingware is a software as a service package which helps boarding schools manage their students' movements and pastoral care. Being based in the cloud, it does away with paper-based systems, email trails and other systems which do not integrate with each other. While the school (through the boarding master) is the Boardingware customer, the users are also students and their parents. The software allows students, boarding masters and parents to easily request, approve and track absences, such as weekend leave and it records events, discipline issues and positive feedback on students, making those reports a lot easier to compile.

The business was created by then new university graduates Paul Organ and Kurt Meyer in 2014 based on their own experiences of school administration systems and how they thought it could be done better (Kurt was a boarder at an Auckland school). The pair are the youngest entrepreneurs backed by Punakaiki Fund to date.

Boardingware's SaaS application is narrowly targeted at a global niche. Paul and Kurt understand the boarding master, student and parent requirements very well, and are seen as the authentic insiders when they call on schools. While the global niche for boarding schools is reasonably narrow, it's certainly large enough for Boardingware to build a significant business.

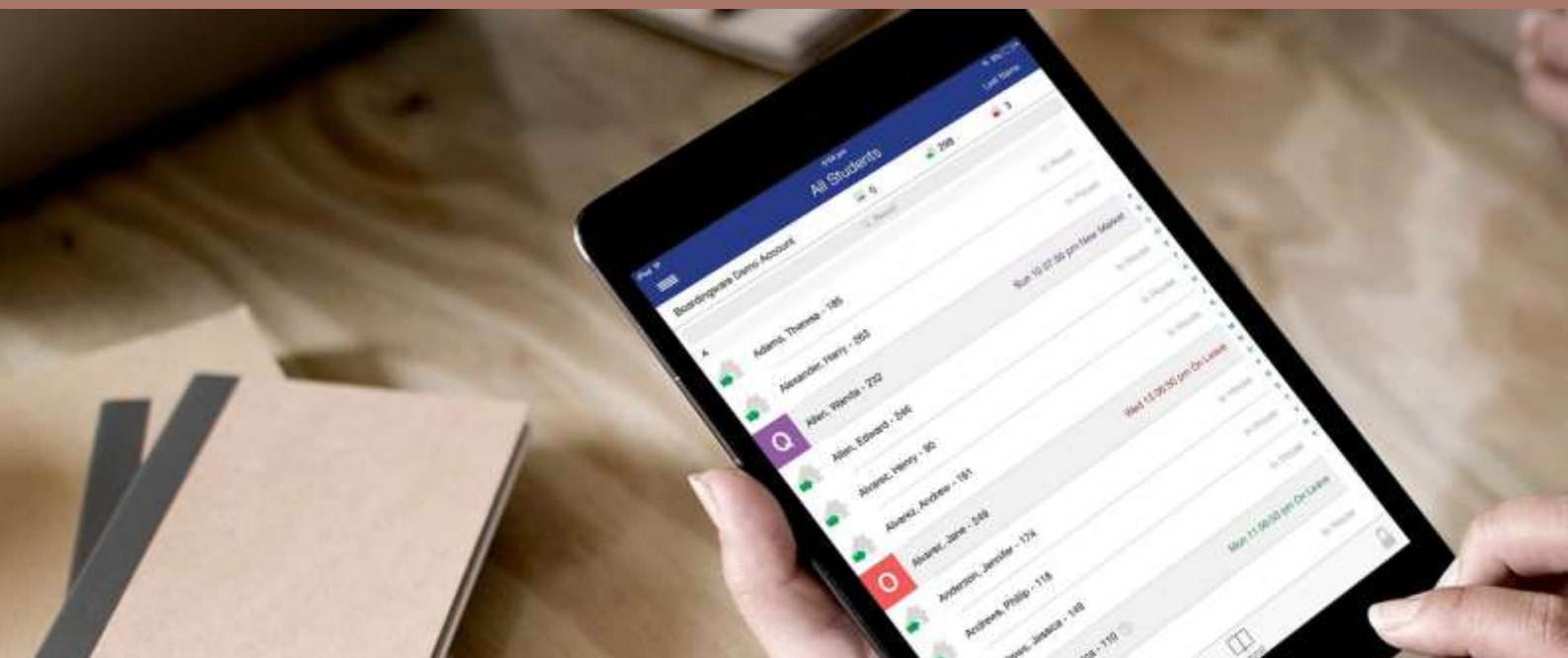
While Boardingware are initially focused on their core Boarding School market, two other opportunities are waiting. The first relates to applying the application to looking after day students. Some schools have already asked to use the application for this purpose and one is already doing so. Boardingware charges a lower amount per student per month for this service, but the number of students is generally a lot larger than the number of boarders. There are also significantly more non-boarding schools than boarding schools so the market is significantly larger than for boarders alone.

The second opportunity relates to providing a similar solution for residents of retirement homes. Boardingware has been fielding numerous requests to adjust their application for this space, which is large and growing strongly, but the team is focused on addressing the school markets first.

Punakaiki Fund acquired a 16.67% shareholding in the company in Boardingware's first external round in February 2015 when we invested \$X. As part of this investment, Lance Wiggs joined the Boardingware Board.

If you would to understand more about the company, please visit Boardingware's website:

www.boardingware.com



Corporate Update

Financial Reporting

The interim Net Asset Value of the fund at 31 March 2015 was \$4,664,355, which is a slight increase from the 31 December 2014 balance of \$4,622,611. This small increase occurred as the result of the receipt of the final subscription payments from the December capital raising round, offset by management and brokerage fees paid to LWCM.

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 January 2015 of \$2,121,974;
- \$90,000 received as the final subscription payments from the December capital raising round;
- A further \$█ invested into Social Code following the \$█ convertible note investment in December 2014;
- \$█ invested in Onceit, which includes an option to acquire another \$█ of shares in one year's time;
- \$█ invested in Weirdly;
- \$█ invested in Boardingware;
- \$█ invested in RedSeed as the first tranche of a total \$█ investment;
- Management fees of \$26,580 including GST paid to LWCM for the March 2015 quarter;
- Brokerage of \$34,650 paid to LWCM in relation to the December capital raising round; and
- A closing cash balance of \$543,518.

The interim Net Asset Value (NAV) set out in the previous table is calculated strictly on the basis of the value as at the last round invested in each particular investee company unless we see that there is impairment, or if after external validation, there is a significant uplift. During the quarter there were no events of this nature which gave rise to a change in the Fund's interim NAV.

Important Note

As part of the preparation of Punakaiki Fund's financial statements for inclusion in the 2015 Annual Report, all of Punakaiki Fund's investments will be reviewed and where the current carrying value is materially different to its fair market value, they will be revalued in accordance with New Zealand Generally Accepted Accounting Principles (NZ IFRS). As such, the Statement of Financial Position and the NAV in Punakaiki Fund's 2015 Annual Report will almost certainly be different to the interim NAV set out in the table above. We expect the NAV in our externally prepared accounts to be a lot higher. When this final NAV has been finalised, the final Management Fee for the June quarter will be calculated and the outstanding balance paid to LWCM (see below for more details).

Expected Outflows for the June Quarter



We invested \$■ investment into Revert.io post-quarter end. Additional investments may be made before the end of the June quarter, depending on the results of any capital raising activities.

The payment of the June quarterly Management Fee to LWCM be incurred. An interim payment of \$26,820.04 including GST has been made to LWCM based on the interim NAV as set out above, with the balance to be paid once the final NAV has been established. Costs associated with the preparation of Punakaiki Fund's annual financial accounts (Deloitte, Charis Accounting) and migration to a third-party share register will also be incurred.

Capital Raising Plans

Punakaiki Fund intends to raise additional capital in May-June using a combined crowd funding and private offer. Further details regarding this round will be issued shortly.

The final tranche of options issued in April 2014 are due to expire on 30 June 2015, and their exercise may raise up to \$1.8m in 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; and
- Lance Wiggs has been previously paid fees for role as a director of Onceit.



Contact

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

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Founder Demographics

**50% of the ten companies
have at least one female
founder**

**40% have a
female CEO**

**30% have at least one Maori
founder**