

Punakaiki Fund Limited

March 2017 Quarterly Report

Welcome

Once again we are delighted to welcome aboard our new investors, and we now have 618 Punakaiki Fund investors. We thank you for your support.

During the first quarter we completed the \$20.50 March 2017 Offer and the \$15 Rights Issue, raising new capital of \$2.56 million.

We made investments into in Populate, Conqa, Weirdly, Hayload and Vibe Communications, and made further investments after the end of the quarter into Melon Health and ThisData. We still have over \$1 million to commit and are assessing opportunities within and outside the existing portfolio companies. As always there are far too many great options for us versus our available funding.

Valuation Results

The year-end total assets were valued by the board at \$28.4 million, giving an Investor Net Asset Value (iNAV) of \$26.4 million (\$20.10 per share). This was up from \$21.3 million (\$18.44 per share) at the end of the previous quarter.

Doubling Down

We are delighted with the two major investment commitments we have made over the last two months – to Vibe Communications and Melon Health. Both companies have performed very well over the last year. For Vibe Communications, we committed to purchase more shares from one shareholder, over the next two years, and closed on the first two tranches of this commitment. We now own 25.8% of the company and are committed to purchase another 6.7%. We have committed but not yet fully closed on our share (over half) of Melon Health’s largest funding round to date. Both companies are building out their senior executive teams, and on that note I am delighted to welcome Vibe Communications’ Acting CEO – my brother John Wiggs. When Vibe’s shareholders and board agreed to appoint John as Acting CEO I stood down from its board, and Chris took my place. I am definitely missing that role, but there is plenty else for me to do.

Inside this report we see Chris again exercise his increasingly impressive writing muscles as he covers the Conqa story – don’t miss it. We also bring you up to date on our Path to IPO, and report that the companies, excluding Vend, added a net 17 jobs in the last quarter.

Lance



Portfolio Company Update



Shareholding: **6.3%**

Raygun creates SaaS developer tools including crash and error reporting, and real user monitoring.

First Investment: **Apr 2014**

Highlights for the March quarter include:

- The seven new sales staff in the US office ramping up sales activity;
- Both custom downloadable reports and custom dashboards software updates released ; and
- Appointed high-growth company expert Serge van Dam to the Board.



Shareholding: **4.7%**

Timely provides a SaaS appointment booking service to beauty salons, hairdressers, spas, consultants and personal trainers.

First Investment: **Jun 2014**



Shareholding: **25.2%**

InfluxHQ is a provider of SaaS for gym owners and their clients to manage and self-manage their classes respectively.

First Investment: **Jun 2014**



Shareholding: **25.8%**

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

First Investment: **Jun 2014**

Highlights for the March quarter include:

- IntelliPath continuing to gain momentum in the Australian market and has now grown to be about 10% of Vibe's business;
- John Wiggs being appointed Acting CEO;
- Lance Wiggs stepping down from the Vibe Communications board, with Chris Humphreys taking his place;
- Karl Rosnell joining Vibe Communications as General Manager of New Zealand; and
- Punakaiki Fund entering into an agreement with founder Barry Murphy to purchase 520 (9.5%) existing shares over 2017 and 2018. 154 shares have been purchased to date





Shareholding: **18.4%**

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

First Investment: **Dec 2014**

Highlights for the March quarter include:

- Securing a contract with a large pharmaceutical company, Janssen (part of Johnson and Johnson) to help people with schizophrenia;
- Launching a programme funded by the Ministry of Health for osteoarthritis with the first patients signing up during the quarter;
- Expanding the number of primary care practices offering Melon Health's programmes to 59 in New Zealand;
- Hiring Doug Olsen as Vice President of Business Development in the US; and
- Commencing a smoking cessation programme with United Healthcare in the US.



Shareholding: **25.6%**

Onceit is an on-line daily deal site selling high end New Zealand designer fashion. Onceit is profitable and pays dividends.

First Investment: **Feb 2015**

Highlights for the December quarter include:

- Continuing to set revenue records over the busy lead up to Christmas period;
- Expecting their **■**th registered user to sign up in January or February 2017;
- Business development management with 6 years buying experience at Pumpkin Patch) and Greig Fitzpatrick (ex Huffer operations manager and ex Federation) have joined the Onceit team; and
- Secured well-known brands to Onceit for the first time (including Puma, Reebok and Camelbak).



Boardingware

Shareholding: **28.6%**

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

First Investment: **Feb 2015**

Highlights for the March quarter include:

- Being part-way through implementing a successful price increase for northern hemisphere customers;
- These price increases aiming to step-change Boardingware's revenues. Only a single customer churned to date because of these price increases;
- A material number of customers opting for three year renewal contracts instead of annual renewals; and
- Continued strong growth in new schools signing up.



Shareholding: **30.4%**

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

First Investment: **Feb 2015**

Highlights for the March quarter include:

- Raising a small round of capital from Punakaiki Fund and two new investors;
- Establishing an Interim Advisory Board;
- Kirsti Grant resigning from the Board; and
- Hiring Keri Henare (ex Onceit founder) as a senior engineer.





Shareholding: **12.8%**

RedSeed helps large retailers increase their sales by sales associates by 10-15% through blended proprietary and customised modules in a SaaS Learning Management System.

First Investment: **Mar 2015**

Highlights for the March quarter include:

- Now offering a fully managed Learning Management System to their customers - a new category attractive to some enterprise level clients;
- Hiring a new developer which increases the size of RedSeed's development team to three.
- Attending, speaking and exhibiting at two events in Australia to raise their brand profile and to meet potential customers; and
- A significant focus on gaining new clients in Australia, along with re-signing New Zealand customers (a number of which are switching to new pricing models, with increased offerings). Many are at Board level for sign-off and should be completed in the next month.



Shareholding: **10.9%**

ThisData provides contextual login authentication services for SaaS companies.

First Investment: **Apr 2015**

Highlights for the March quarter include:

- Significantly increasing the performance of ThisData's software under heavy traffic load;
- Continuing work on scaling the performance and accuracy of the ThisData software; and
- Entered into negotiations with a large private login software provider to acquire ThisData's assets.



Shareholding: **4.6%**

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

First Investment: **Jul 2015**



Shareholding: **2.0*%**

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

First Investment: **Aug 2015**

Highlights for the March quarter include:

- Significant improvements to inventory management and Shopify integration, which creates unique points of difference versus Vend's competitors. Vend is positioning itself as leading cloud POS for inventory-based retailers;
- Launching a partnership with Square into the Australian market;
- Continuing to evolve and sharpen their execution in sales and marketing; and
- Being a finalist in the Hi-Tech Company of the Year category at the Hi-Tech Awards.

** on an undiluted basis. 1.8% on a fully diluted basis (after accounting for employee options)*





Shareholding: **12.6%**

Mobi2go helps food service businesses sell more by adding an ordering function to their marketing website.

First Investment: **Oct 2015**

Highlights for the March quarter include:

- Launching an integration partnership with Square in Australia to allow Square customers to receive orders directly to their Square POS and have customers pay with Square Payments;
- Partnering with NZ Post's last mile delivery service Bringit. This partnership will allow Mobi2Go's clients to seamlessly offer delivery without the need to invest in their own drivers or logistics; and
- Welcoming Sarah Knapp on-board as Mobi2Go's new Marketing Manager. Sarah is tasked with inbound lead generation, an activity which to date Mobi2Go has not focussed on.

Shareholding: **19.2%**

Mindfull resells, implements and supports IBM's TM1 business intelligence software along with its own supporting software.

First Investment: **Dec 2015**

Highlights for the March quarter include:

- Selling a Qubedocs licence to the largest IBM TM1 customer in the world (Johnson & Johnson). Mindfull has also sold a Qubedocs licence to Beiersdorf (a very large company in Germany);
- Signing a joint venture with a party with significant influence with government and the Iwi. Mindfull believes that this will lead to exciting opportunities in the future; and
- Nigel Broomhall joining as the General Manager of Predictive Analytics.



Shareholding: **13.0%**

Populate helps companies collaboratively plan and track their hiring plans using a SaaS-based platform.

First Investment: **May 2016**



Shareholding: **20.0%**

Linewize provides a firewall and SaaS product that enables teachers to gain insight and control over Internet use in the classroom.

First Investment: **Jun 2016**

Highlights for the March quarter include:

- Signing up the First US School District (Saline) in Ann Arbor Michigan, with the Linewize deployment replacing Lightspeed Systems;
- A trial agreed with Ottawa Catholic School Board (a successful trial could lead to █ students using the Linewize system);
- Visiting UK BETTS EduTech show and 4 UK schools; and
- Linewize.com website completely refreshed and marketing collateral expanded.





Shareholding: **15.8%**

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

First Investment: **Jun 2016**

Highlights for the March quarter include:

- Purchasing a new plant line which will significantly expand production capacity and lower unit costs. The plant line is expected to be operational in Q3/Q4 of calendar year 2017 in NZAW's existing, but expanded, premises;
- Signed a significant sales contract with Turners Global Marketing; and
- Raised an additional \$█ in investment from a third party following Punakaiki Fund's investment in December 2016.



Shareholding: **21.1%**

Hayload provides a SaaS product for agricultural contractors that assist with tracking jobs and invoicing.

First Investment: **Jul 2016**

Highlights for the March quarter include:

- Undertaking a significant amount of work on the software and addressing many core issues;
- CEO Chris West working (tractor driving) for contractors during the busy maize season at a time when those contractors had low interest in buying new software systems. This has resulted in a number of new sales leads;
- Preparing for their first attendance at Fieldays; and
- Punakaiki Fund investing a small additional amount via a Hayload rights issue.



Shareholding: **5.4%**

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

First Investment: **Feb 2017**

Highlights for the March quarter include:

- Closing an investment round led by Punakaiki Fund;
- Hiring two junior developers, a customer service manager and a new business development manager (growing the team to 10);
- Continuing to significantly grow sales; and
- After quarter end, landing a significant pilot with a large Australasian contraction company.



Quality Assured

Conqa is a name that needs some explaining.

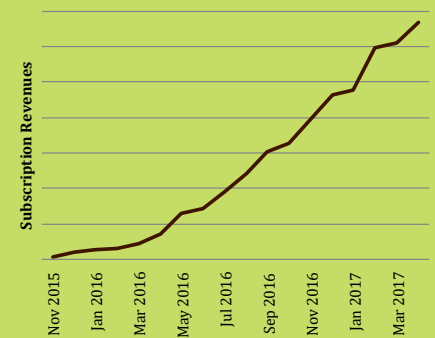
As much as we would like to think that it is a modern variant of the word “conquer”, we would be wrong. Nor is it anything to do with Horse Chestnuts or any other kind of nut that we have encountered before (tree-based or otherwise).

The name of Punakaiki Fund’s most recent investment is an abbreviation of *CONstruction Quality Assurance* - an apt name given that is exactly what Conqa does.

So what is construction quality assurance (“QA”) you might ask? Simply put, it’s the process of recording that a desired design and designed level of quality occurs throughout each stage of a construction project. This is applicable to projects ranging from the construction of large commercial buildings, residential developments and infrastructure projects; right down to smaller pre-fabricated components that form part of those projects like concrete beams that are built in factories and then transported to the construction site.

Conqa’s business is based on doing away with painful paper-based QA systems and migrating these processes to the cloud. Their product allows users to record construction progress via lists and photographs, set-up and check-off Inspection and Test Plans as work is completed, and access constructions plans and record defects; all in one integrated platform.

While still at a relatively early stage, Conqa has been experiencing rapid growth as is evidenced in the chart opposite. The new funding provided in February 2017 has allowed Conqa to significantly expand its team, continue to improve the product and bolster its sales and customer service capabilities. When we invest, we look very closely at a company’s growth and its means to maintain and accelerate that growth, along with a host of other aspects. During due diligence it is also very interesting to look the stories behind the company’s creation, and Conqa is no different.



Form 1

If the Conqa story starts anywhere it starts back in 2001 when Barney Chunn and Dan O’Donoghue met and became good friends in a Form 1 class at Sacred Heart College (that’s Year 7 for any millennial readers). Oddly, during their years in secondary school neither displayed any particular affinity to construction quality assurance. This was probably a good thing because they may never have met Conqa’s third founder Pete Simons if they hadn’t allowed themselves plenty of time for “socialising” and had instead focussed their time on digitising Inspection and Test Plans or studying the nuances of the lean start-up approach.



But the Conqa story doesn’t start properly until after all three finished their university studies. Armed with various degrees in Mechanical Engineering, English and Philosophy, Dan and Barney set out to set up their own business, while Pete (sporting his own Electrical Engineering degree) was pursuing something different...

The Ferrari , the Guitar Tutor and the Tax Return

Barney and Dan both admired a Ferrari-driving friend who had achieved success with the development and later the sale of a property inspection application business so much, that they were inspired to launch their own start-up. Their friend gave them two valuable pieces of advice:



1. Look for and then fill an unmet need; and
2. Base your decisions on facts and real feedback, rather than your own pre-conceptions and opinions.

This advice set the pair in good stead as they started their search for an unmet need. Their first idea was to develop a guitar tutoring app, but it failed the simple test of whether anybody would pay \$10 per month for such a service (nobody they talked to thought that customers would). The second idea was a mobile app that could check whether you were owed a tax refund. At the time (2012), a number of tax refund businesses had sprung up and this appeared to be an interesting concept. However, Barney and Dan concluded that a mobile app provided no real convenience over the existing web-based products and the idea was shelved.

As these ideas were put aside, another potential opportunity presented itself – software-based QA for construction. This idea arose from a number of conversations Dan had with university mates who went into civil engineering and were now cadets struggling with QA-inflicted paper wars. There was an obvious opening for smart software to make the QA process quicker and simpler.

Shower Heads, Paul Henry and Susheco

The concept of the overnight success in the start-up sector is generally a myth and there are a number of excellent New Zealand examples that bear this out. Xero was started in 2006 before listing in 2007 with no revenues, product or customers. 11 years later it is a significant business, although is still only approaching breakeven. While the genesis of Conqa's idea was formed in mid-2012, it took a number of years for the idea to be formed into a tangible business. This delay didn't arise from any extended period of conceptual development, but more so that the founders were simply doing other things in the meantime.

Dan was working as a self-employed engineering contractor designing water saving technology for Felton, the New Zealand-based showerware and tapware manufacturer, which resulted in Dan designing patented water-saving wash-down nozzles. Barney had done six months with the Green Party before moving on to working with his dad at *Play it Strange*; being put in charge of the Jam Bus, a mobile recording studio for primary and intermediate students. For Barney the period was also marked by his first start-up: Susheco. Susheco developed a collapsible, reusable sushi container but failed to raise enough funding through a Kickstarter campaign to progress the product. While Susheco was subsequently closed down, Barney did meet some interesting people along the way.



The Susheco collapsible, reusable sushi container. Watch more [here](#).

Watch Barney Chunn and Paul Henry talk about Susheco

The Pivotal Point (Ooh... That Was Close)

Meanwhile Pete Simons had been working as an electrical engineer at engineering consultancy group Aurecon and then as a web developer and digital marketer. Pete had been looking for a start-up opportunity and independently developed a QA software concept that he was pursuing. By the time that Barney and Dan had heard about this, they had been mulling over their own QA concept for two and a half years.



In January 2015, the trio decided to meet at a bar to discuss their separate work to date and going into this meeting Barney and Dan had earlier decided that they would hand over their work to Pete and move on with other projects. But it became apparent during that meeting that the QA software concept had real potential, so the trio decided to work together on the project and Conqa was born (well, it was called QA Inspector to start with...). It was a crucial meeting; one that could have had a very different outcome for Barney and Dan had they then walked away from the idea.

Who Needs an Office when you have a Library

Work on Conqa then started in earnest. Working on a absolute shoestring budget, the three founders developed the concept into a mocked-up product, working out what it needed to do, how it needed to be done and what the software's first core functions would be.

These plans were shown to potential customers who unequivocally responded by saying that they "needed it".

For the first three months the University of Auckland's Engineering Library was Conqa HQ. Pete had discovered that his old library card still provided access to the building, so the guys hunkered down there to do their work.

During these three months a couple of important things happened. The founders each put \$5,000 of seed capital into the business along with a loan from friends and family, and they hired their first employee, Neftaly Hernandez – a full-stack Node.js developer (I don't know what that is either).

So how do three founders, none of which are software developers or have connections into that industry, go about finding somebody suitably qualified to create a minimum viable QA software product? You advertise on Facebook, of course (the NZ Startups Facebook group to be precise).

Neftaly got in touch with some concept software he mocked up over the weekend; Barney, Dan and Pete liked what they saw and the rest, as they say, is history.

Barney Chunn
17 March 2015

Hi all - hoping this is the right forum for this.

I'm part of a team looking to develop a combined desktop web application and mobile native application that allows companies to create inspection checklist templates and fill out these checklists, automating the checking and filing processes.

Right now, in this industry (a multi-billion dollar international market), companies have to fill out hundreds of checklists during the life of a project. They use printed checklists and digital cameras to capture information then have to type it up back at the office.

We'd like to create a desktop web application that users can create and edit these checklists on and a mobile app for them to fill out the check lists on.

Some of the features we'd like it to have:

- Create 'inspection steps' and the accompanying checklists.
- Users must be able to navigate their way through all the 'inspection steps' get to the step of interest,
- fill out the checklists and be able to attach photos and accompanying PDFs to that inspection step.
- all checklists must be exportable (as pdf)
- each inspection step checklists could be filled out multiple times.
- This would have to be cloud based

This is the basics there is more to it.

WHAT WE NEED

A developer - someone who has the experience and expertise to create this software. We're not developers ourselves - but we do know what we want.

I have some very rough UI examples to help you understand what I'm looking for that I can send.

If you're interested or would like to talk further - email me on barney@qaInspector.com

Wily Pete, Daniel O'Donoghue and 3 others · 10 Comments

Like Comment Share

Hi Barney,

I'm a full-stack Node.js developer (formerly PHP) with a couple of startups under my belt. Regarding your post to the NZ startups Facebook group, I've put together a few concepts into a Fiverr app over the weekend.

<https://neftaly.com/qa/>

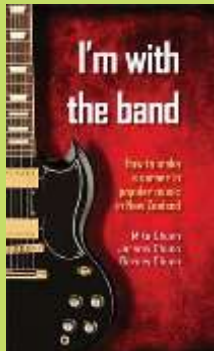
Is this the sort of thing you had in mind? I'd be interested to see your UI ideas, and perhaps meet up for a chat.

Kind regards,
Neftaly Hernandez.

And for all the budding entrepreneurs out there without any software development experience wondering how Conqa knew that they were hiring somebody good? The short answer is they didn't – they got lucky.

The Band

Did I mention the Band? Those astute readers may have guessed that Barney and Dan's earlier forays into on-line guitar lessons may have stemmed from their own interest in music: in particular their Party-starter Covers band the *Silver Bullets*. *For very astute readers wondering whether Barney Chunn has any connection to Split Enz bass player Mike Chunn, they are father and son – full marks to you.*



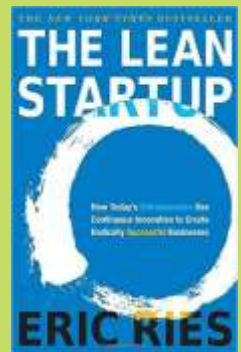
The Silver Bullets are important to the Conqa story as the Silver Bullets used to play at a number of parties hosted by project management business owner Tony Nicklin. Tony subsequently sold his business to an overseas buyer and became a mentor to the Conqa founders. Tony introduced Barney, Dan and Pete to Murray Holdaway, CEO of NZX-listed Vista Group in order to learn from Murray's experience as both a founder and as a New Zealand-based exporter of software.

Murray liked the potential he saw in Conqa, including the large, global addressable market, and became Conqa's first external investor in July 2015.

At the same time, Conqa was forging ahead with development; with well-known construction firm Naylor Love assisting with product testing. With the infusion of capital, Conqa also got its first (and current) office at the top of a nosebleed-inducing stairwell on the corner of Customs Street East and Gore Street, in the Britomart precinct of central Auckland. For those familiar with the Auckland Tiffany & Co store, Conqa is just across the street.

Minimum Viable Product

"Minimum Viable Product" is a term that was introduced in 2011 in Eric Ries' book *The Lean Startup*. A Minimum Viable Product is a "version of a new product which allows a team to collect the maximum amount of validated learning about customers with the least effort", or in more kiwi-speak: *a bare-bones product that only just does what it is supposed to, but gives its creator the ability to get feedback from the customer in order to improve the product going forward.*



Barney assures us that the first release of Conqa's software was in a form that was very "rough" and only just squeaked in the Minimum Viable Product definition. This release in November 2015 was unfortunately timed just as the construction industry goes into its summer wind-down period, especially for those executives that make the software purchasing decisions. Sales were initially slow, but did start to pick up in the New Year and Conqa has been on a steep revenue growth path ever since.

In July 2016, Conqa raised additional capital, which gave it the funds to start building out its team. This was followed in February 2017 by a larger capital raising round, which was when Punakaiki Fund invested. Demand from existing shareholders was high during the February 2017 round and it is fair to say that we didn't secure as large a piece of this round as we would have liked. We did, however, gain an option to invest further in the future, which gives us the ability to increase our shareholding in Conqa during the next year.

The Team

As mentioned previously, Conqa's second capital raising in mid-2016 allowed them to expand their team and this continued following the February 2017 round that Punakaiki Fund invested in. Including the founders, Conqa now has 10 members in its team.



Barney Chunn (founder)

Customer Success/Business Development

English and Philosophy major, ex Green Party, Play it Strange and former founder of Susheco. Looks after the customers and helps out with business development.



Pete Simons (founder)

Software Development

Electrical Engineer by education, ex Aurecon, web developer and digital marketer. Looks after the development team... and Barney... and Dan.



Jesse Wood (July 2016)

Software Development

Ex Pingar and freelance developer. Looks after front-end software development from his Mt Maunganui (beach) base.



Erwin Hessing (February 2017)

Software Development

Ex finance-sector analyst and researcher. Trained at Enspiral Dev Academy and is now a junior front-end dev. Worked for free until Conqa completed its March 2017 capital raise.



Amandine Perichon (March 2017)

Software Development

Ex project manager at Paymark and Auckland Transport, trained at Enspiral and ex front-end dev at 90 Seconds. Now a front-end dev and team swordsmith (see below) at Conqa.



Dan O'Donoghue (founder)

Business Development

Mechanical Engineer by education, ex Felton designer. Looks after business development at Conqa. Apparently is better than Barney at most things.



Neftaly Hernandez (March 2015)

Software Development

Conqa's first critical hire and responsible for the first iterations of Conqa's software. Likes to work 3 p.m. to 3 a.m.



Luke Mexted (November 2016)

Business Development

Ex builder and 3M sales rep. Met Dan via Yoga. Hung around for one Friday-night drinks, put a large lead list together and got the job. Apparently he is quite good.



Anna McAlister (March 2017)

Customer Success

Ex Vend and Zen Guard (Berlin). Looks after Conqa's customers. Still gets thrashed at backgammon by Barney (although she lets him win).



Blake Hill (April 2017)

Business Development

Former Conqa user at construction company Watts & Hughes. Was frustrated by paper-based QA systems and joined the Conqa sales team. The team's muscle (see below).

Going Forward

In the short period since Punakaiki Fund's investment, Conqa has been going from strength to strength. As noted above, they have significantly expanded their team and grown revenues; and are successfully setting themselves up for their next stage of growth. They have some big hairy audacious revenue targets for the year and have recently landed a pilot with a large Australasian construction business. We are excited about Conqa and we will keep you informed.

Let me introduce Conqa's last two most recent hires a bit further. As well as working in construction, Blake Hill also played provincial rugby for Auckland and Thames Valley between 2012 and 2014, with a highlight being representing New Zealand in the 2014 New Zealand Heartland 15. Belgian front-end dev Amandine (Mandy) Perichon is a cosplay regular. My eight-year-old son was suitably impressed with her sword in her depiction of a Warpriest of Lamashtu, which we understand on good authority that Mandy made herself.

Chris



Punakaiki Fund: The Path to IPO Update

What's this I hear about an IPO?

Hopefully over the last weeks, months and years you have become aware that Punakaiki Fund is on its own path to having its shares traded on a recognised exchange. It is a requirement of Punakaiki Fund's constitution that five years after the company was incorporated in 2013, all shareholders get their say on listing Punakaiki Fund's shares.

Why does Punakaiki Fund need to list?

One of our advantages over other investors when negotiating investments in high growth companies is that we do not need to agree with founders on a strategy on how we will ultimately sell our investment. This can be contrasted to the traditional private equity and venture capital limited partnership model which look to invest for five years and then to exit those investments over the next five years. They do this so that their investors can get their investment back. Punakaiki Fund will achieve a similar result by providing a market for Punakaiki Fund shareholders to sell their shares in Punakaiki Fund, while Punakaiki Fund will still be able to retain its investments indefinitely. Punakaiki Fund will also use a listing event as an opportunity to raise a meaningful amount of new capital.

When will this all happen?

Punakaiki Fund's Constitution sets out that shareholders will vote on the following resolution (or a form close to it depending on Punakaiki Fund's circumstances at the time) on the first annual meeting of shareholders following the fifth anniversary of Punakaiki Fund's incorporation:

"That the Company take such steps as are reasonable and necessary to apply for the listing and quotation of the Company's shares on a registered stock exchange."

This vote is scheduled for the 2018 annual meeting of shareholders, likely to be held in August or September 2018, and this shareholders' resolution will be passed only if more than half of all Punakaiki Fund shares **on issue** at that time are voted in favour of the resolution (compared to an ordinary resolution, which only requires half of the **votes cast** to be in favour).

After this vote, the listing process could potentially take between six and nine months, although there is no definite timeline. Timing will depend on a number of factors such as market conditions and whether Punakaiki Fund uses the listing process to raise capital. It is possible Punakaiki Fund could list between January and March 2019, or (after allowing a period for Punakaiki Fund's FY19 financial statements to be audited – a requirement for listing in New Zealand) between July and September 2019.

Is there any reason why Punakaiki Fund's shares may not be listed?

Yes. Firstly, if the shareholders do not vote to list, then Punakaiki Fund's shares may not be listed in 2019. However, the Punakaiki Fund Board of Directors have a fiduciary obligation to operate in the best interests of the company and if they decide that listing is in the best interests of Punakaiki Fund, then a listing may still occur.

Secondly, if the Punakaiki Fund Board of Directors decide that it is not in best interests of the company to list at that time, then they may delay a listing. Reasons for this may include Punakaiki Fund being too small, unfavourable trading conditions or lack of market demand for Punakaiki Fund's shares.

What have the directors being doing to prepare for listing?

The Punakaiki Fund Board of Directors has a work programme in place to ensure that Punakaiki Fund is ready to be listed when the time comes. To date, this work programme has included:

- Putting in place governance policies and processes appropriate for a listed company;
- Establishing a "Path to Listing" reporting and discussion framework which to date has considered:
 - Listing costs;
 - How big Punakaiki Fund should/needs to be at the time of listing and approaches to meet those targets;
 - The types and size of large shareholders Punakaiki Fund should be targeting prior to a listing;
 - Migration to an appropriate Board composition, including considering the appropriate number of directors, those directors' listed company experience and Board independence;
 - A pre-listing capital raising programme;
 - Establishing broker relationships;
 - The potential internalisation of the management agreement with LWCM;
 - The preferred listing platform (NZX vs. ASX etc.); and
 - Setting 12 month goals along the path to listing.
- Making sure that shareholders are kept informed on the path to listing.

The Board's intention is to place an increasing focus on listing as the time of the constitution-mandated listing vote approaches.

What will Punakaiki Fund look like when it IPOs?

Due to uncertainty around the growth of Punakaiki Fund's investments and the amount of capital that Punakaiki Fund raises before it lists, what Punakaiki Fund might look like at the time of listing is uncertain. However, if we have an educated guess, we believe that Punakaiki Fund is likely to:

- Have total assets of between \$60 million and \$100 million;
- Have investments in between 20 and 30 different businesses;
- Have a Board comprising some of the existing directors and some new directors;
- Have a manager (LWCM) with a larger team; and
- Have a number of larger (possibly institutional) investors on the share register.

On which market will Punakaiki Fund be listed?

We don't know at this time. NZX is our local bourse and for most of Punakaiki Fund's shareholders it would be easier to sell their shares locally via the NZX. The NZX would also offer Punakaiki Fund better investor recognition as a local company and Punakaiki Fund would be a relatively more important company on the exchange compared to being listed in an overseas market. The NZX does, however, have limited brokerage research coverage, a lack of institutional investors, a lack of liquidity and few 'second tier' brokers operating in that market. Other markets such as the ASX may provide a better listing opportunity for Punakaiki Fund. The Punakaiki Fund Board will make a decision on this matter following the shareholder vote in 2018.

What does this mean for me as a shareholder?

The listing of Punakaiki Fund's shares will provide two main benefits to shareholders. The first is that it will be easier to sell your shares than it is presently. As a listed company, shareholders may generally expect to sell their shares on-market in a relatively short period and in some cases immediately if the market is open and the number of shares being sold is not too large. Presently it is difficult to sell your shares as no formal market for Punakaiki Fund shares exists and there are a limited number of buyers.

The second main benefit is that Punakaiki Fund is likely to have better access to new capital. This will allow Punakaiki Fund to make more investments with the result that Punakaiki Fund's portfolio of investments should become larger both by number (i.e. more diversified) and by individual investment size (i.e. more of the portfolio is likely to be invested in larger and generally less risky companies). This transition is likely to happen over time regardless of whether Punakaiki Fund lists, but may be accelerated if Punakaiki Fund is able to raise larger amounts of capital at the time of listing and from the market from time to time after it has listed.

What's Next?

The Punakaiki Fund Board will continue its programme of listing preparation work as we approach the listing vote in the second half of 2018. We will also continue to update you with increasing frequency over the next 15 months up to the vote and beyond, if the vote is in favour of listing.



The Conqa team – just because we couldn't fit this picture in above

Timely Wins Hi-Tech Emerging Company of the Year Award



Congratulations to Timely for winning the Hi-Tech Emerging Company of the Year Award at the 2017 Hi-Tech Awards held on 12 May. Lance and Chris had the pleasure of hosting Timely and a number of founders and their team members at the awards.

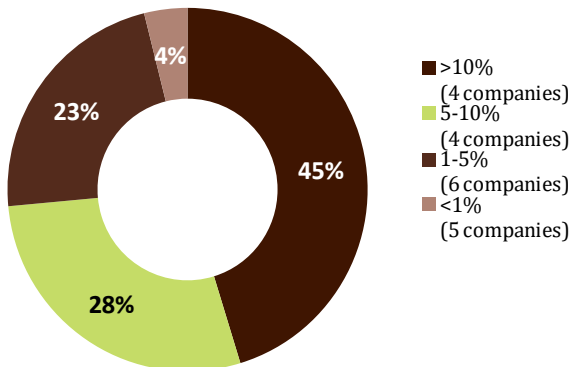
Pictured below (top) is co-founder Will Berger accepting the awards from award sponsor Coretex's Ben Martel and (bottom) Timely's Will Berger, Jen Corbett (Social Media and Engagement Manager) and Angus Weir (Head of Finance) pose with the award. Well done team!



Portfolio Valuation Splits

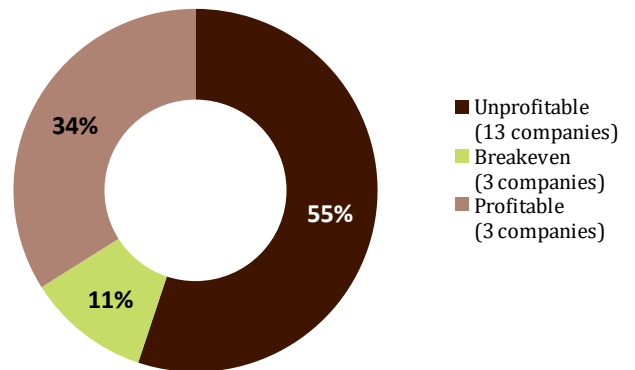
The value ascribed to Punakaiki Fund's investments excluding cash is \$25.5 million. The diagrams below show various splits of this valuation by differing methods.

Valuation Split By Concentration



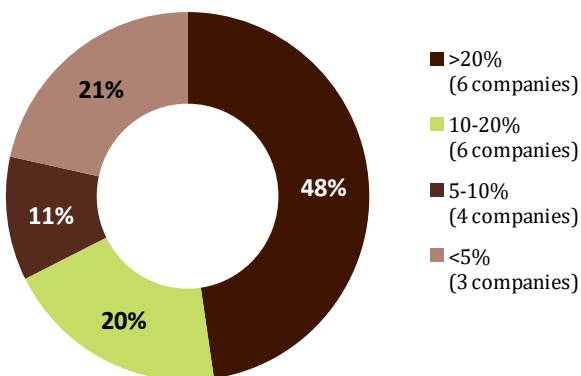
Punakaiki Fund has 45% of its investments by value in four companies which each contribute at least 10% by value to Punakaiki Fund's total portfolio value.

Valuation Split By Profitability



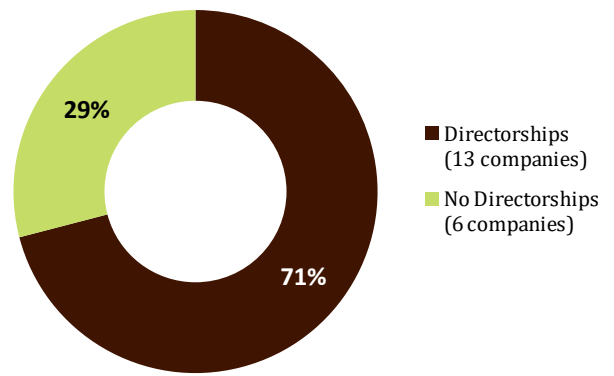
55% of Punakaiki Fund's investments by value are in unprofitable companies. 11% are in breakeven companies and 34% are in profitable companies.

Valuation Split By Ownership %



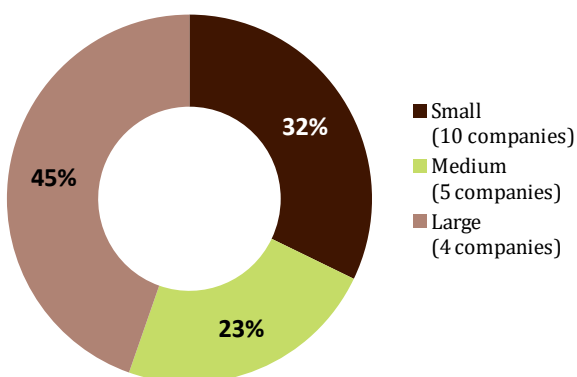
The companies in which Punakaiki Fund owns more than 20% comprise 48% of the total portfolio value. Those between 10-20% comprise 20% of the value.

Valuation Split By Directorship



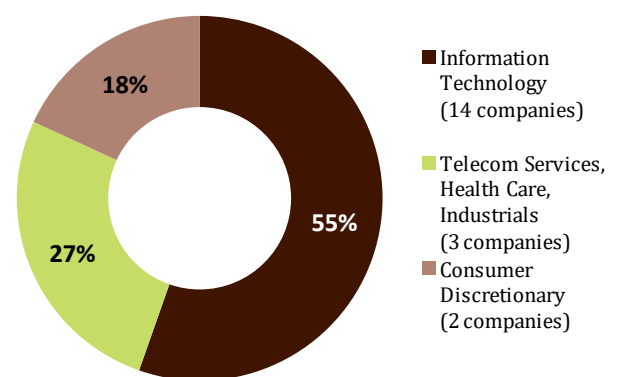
71% of Punakaiki Fund's investments by value have Punakaiki Fund board representation provided by the manager.

Valuation Split By Revenues



Punakaiki Fund holds 32% of its portfolio in Small companies (less than \$1 million in revenues p.a.), 23% in Medium companies (\$1-10 million) and 45% in Large companies (more than \$10 million).

Valuation Split By Industry



55% of Punakaiki Fund's portfolio is held in the Information Technology industry, 18% in Consumer Discretionary and 27% in Telecommunication Services, Health Care and Industrials combined.



In the News

- Conqa:** [Auckland start-up rides construction boom coat tails](#)
- Linewize:** [Applications closing: business growth programme not to be missed](#)
- Melon Health:** [Key to tackling diabetes could lie in our gut](#)
[Uni of Otago wins \\$1.6m to test Melon Health digital platform for diabetes](#)
[\\$1.6 million boost for diabetes study](#)
[Research funding paves way for rigorous trial of diabetes programme](#)
- Mindfull:** [QUBEdocs Launches First-Ever IBM Cognos TM1 Documentation Software as a Service](#)
- Mobi2Go:** [Square teams up with leading POS and order management platforms](#)
[GetSwift signs partnership agreement with Mobi2go](#)
- Onceit:** [How online shopping works: From click to courier](#)
- Populate:** [Populate CEO Kirsti Grant on why start-ups shouldn't be afraid to ask for help](#)
[Populate CEO Kirsti Grant on why start-ups shouldn't be afraid to ask for help \(audio\)](#)
- Raygun:** [DeveloperOnFire - John Daniel Trask \(audio\)](#)
- Timely:** [Snowball Effect, Vend and Auror among finalists of 2017 Hi-Tech Awards](#)
[7 Productivity-Boosting Apps for Busy Entrepreneurs](#)
[2017 NZ Hi-Tech Awards: Pushpay big winner, Valintine enters Hall of Fame](#)
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- Punakaiki Fund:** [Lance Wiggs on how TradeMe was worth even more than its \\$750m sale price](#)
[Lance Wiggs on how TradeMe was worth even more than its \\$750m sale price \(audio\)](#)
[Tech startups held back by lack of wealthy investment funders](#)



Corporate Update

Governance

The Board convened on 5 May 2017 for the quarterly Board meeting. This Board meeting primarily focused on the valuation of Punakaiki Fund's investments as at 31 March 2017 for the purposes of reporting in Punakaiki Fund's year-end financial statements. In addition to the year-end valuation, the Board also:

- Reviewed the performance of companies in the portfolio;
- Agreed on a programme of policy additions and reviews; and
- Reviewed Punakaiki Fund's risks, including risk to valuation, AML and SIPO compliance risk (all regular board meeting activities).

The Board's next meeting is scheduled for 4 August 2017.

Financial Reporting

The Investor Net Asset Value of the fund after all contingent performance fees at 31 March 2017 was \$26,353,988 (or \$20.10 per share), an increase from the 31 December 2016 Net Asset Value of \$21,296,926. The Accounting Net Asset Value (which includes only the cash component of the performance fee and is used to calculate the management fee) was \$27,803,630, up from \$22,297,032 in December.

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 January 2017 of \$1,453,373;
- New capital of \$2,559,594 raised during the quarter, all from the March retail capital raising offer and rights issue;
- \$X was invested in Populate, Conqa, Weirdly, Hayload (all new shares) and Vibe Communications (existing shares);
- \$3,390,674 was recognised as an increase in the value of Punakaiki Fund's investments at the end of the March 2017 quarter compared to those values set out in the December 2016 quarterly report;
- Management fees of \$128,208 including GST were paid to LWCM;
- Brokerage fees of \$148,237 were paid to LWCM;
- \$21,518 was paid for audit, accounting and legal fees;
- Directors Fees and out of pocket costs of \$15,671 were paid;
- GST and Withholding Tax refunds of \$37,312 were received; and
- A closing cash balance of \$2,843,003.



Punakaiki Fund Limited - Unaudited Financial Position

as at 31 March 2017

NZ\$

Current Assets	
Cash on deposit	2,843,003
Accounts Receivable	25,119
Prepayments (Insurance)	15,976
Non-current Assets	
Investments	25,540,000
Total Assets	28,424,098
Current Liabilities	
Accounts payable	56,719
Non-current Liabilities	
Accrued Performance Fee	563,749
Equity	
Retained earnings - Operations	(758,045)
Retained earnings - Accrued Performance Fee	(2,013,391)
Share-based Payment Reserve	1,449,641
Asset revaluation	11,352,492
Share capital	18,300,204
Capital Raising Costs	(527,271)
Total Equity and Liabilities	28,424,098
Accounting NAV	27,803,630
iNAV (after deduction of the performance fee)	26,353,988
iNAV per Share	\$20.10

Punakaiki Fund Limited - Cash Flow Summary

for the quarter ending 31 March 2017

NZ\$

Operating Cash Flows	
Gross Interest received	1,095
Withholding Tax on Interest	10,137
Bank Fees	(115)
Payments to External Advisors	(21,518)
Management Fees	(128,208)
Other Expenses	(16,127)
GST Refunds	16,813
Total Operating Cash Flows	(137,923)
Investing Cash Flows	
Investments made	(883,804)
Investments realised	-
Dividends received from investments	-
Total Investing Cash Flows	(883,804)
Financing Cash Flows	
New capital received	2,559,594
Brokerage Fees	(148,237)
Dividends paid	-
Total Financing Cash Flows	2,411,357
Total Cash Movements	1,389,631
Opening cash balance	1,453,373
Closing cash balance	2,843,003

**We have slightly changed the format of this financial information. Compared to last quarter, we have moved brokerage fees from operating cash flows into financing cash flows. We have also separated out capital raising costs (i.e. brokerage) into its own equity line in the balance sheet. It was formerly part of "Retained Earnings - Operations". These changes bring these statements more into line with the format of Punakaiki Fund's audited financial statements.*

Expected Cash Flows for the June Quarter

Following the end of the March quarter, Punakaiki Fund has completed a small investment in ThisData and committed to a larger investment in Melon Health via a rights issue. Further investments are likely to be undertaken before the end of the current June quarter with a number of investments in new and existing portfolio companies currently in process.

The payment of both the interim and the final June Quarterly Management Fees to LWCM of \$159,897 including GST were made.

Payment of \$440 has been made to Punakaiki Fund's accountant and \$4,125 in Director Fee PAYE was paid to the IRD.

A dividend of \$128,125 (net of withholding tax) was received from Onceit.

Punakaiki Fund is considering raising capital via a wholesale offer in June or July 2017. If this goes ahead then indirect costs of less than \$5,000 are likely to be incurred in relation to the offer, along with a brokerage fee of 3% of the final amount raised which is payable to LWCM.

Capital Raising Plans

Punakaiki Fund is considering raising capital via a wholesale offer in June or July 2017 subject to demand. Further details will be communicated to shareholders closer to the time of any offer.



Additional Disclosures / Conflicts

With the exception of those conflicts which have been previously disclosed, the directors of Punakaiki Fund or the managers of LWCM have the additional disclosures or conflicts of interest to declare:

- Lance Wiggs' brother John Wiggs was appointed as Acting CEO of Vibe Communications. Lance has stood down from the Vibe Communications Board of Directors and LWCM has appointed Chris Humphreys in his place.

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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