

Punakaiki Fund Limited

March 2022 Quarterly Report

Dear Investors,

Last quarter I started this letter by discussing the emergence of Omicron, and wished everyone well, expecting that the virus would spread rapidly throughout New Zealand. And indeed that is what happened.

We have seen many thousands of people, each day, report that they have caught the virus, and very sadly many hundreds of people have passed away. Our best wishes to you and your whanau during this time.

Covid hit my family and took me out of action for a couple of weeks. It also hit Chris and his family, and one other person in our team. It's important to take things relatively easy during and after suffering from COVID, and that means we have slowed a little in our 'Path to IPO' work. We did manage to be incredibly active before COVID struck though, making several new investments in existing and new companies.

Many of the businesses we have invested in have also suffered from staff and customers being away over the last months. But we have also seen some take advantage of the slowly opening borders, including a round-the-world business adventure by Andy Stevens, the CEO of Quantifi Photonics.

Valuation Guidance

We are incredibly happy and proud to relay that the companies that we have invested in, by and large, are performing extremely well, and almost all remain full of potential.

That doesn't mean every company has performed well, however, and as normal we have a mix of performance in our portfolio. We are likely to mark down two companies, but each is fundamentally strong and looking to recover well over time.

We will not release our Annual Report, with audited accounts, until July. However we are able to provide guidance on the expected range for year end results.

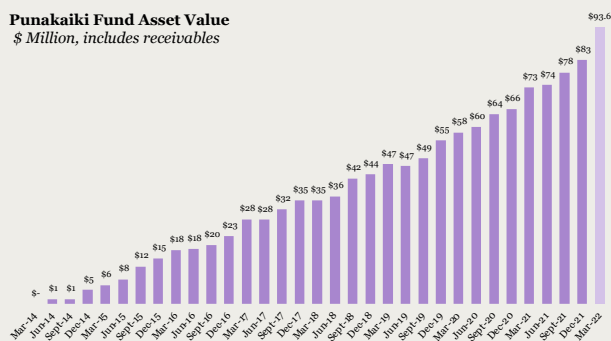
At our recent board meeting the directors agreed to the following formal guidance:

The Board is providing guidance on the financial year-end results. The indicative year-end investor net asset value is \$32.00 per share, with a likely range between \$29.00 and \$34.00 per share.

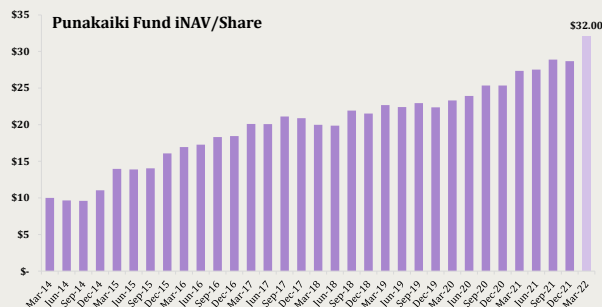
This represents total assets of \$93 million, with a likely range between \$84 million and \$100 million.

For comparison the investor net asset value per share was \$28.69 in December, with total assets of \$82.5 million. Here's what two time series charts would look like if our indicative guidance were correct. There is still plenty of uncertainty though.

Punakaiki Fund Asset Value
\$ Million, includes receivables



Punakaiki Fund iNAV/Share



And yes, there is definitely a scenario, if everything aligns, where we would meet our long-standing target of \$100 million in assets. Experience tells me we are likely to get closer to our midpoint of around \$93 million, but I admit it is nice to see \$100 million pop out of a valuation model for the first time.

As I write this the technology stock markets are in some turmoil, so naturally I tested the impact on our portfolio value. The back of the envelope result is pretty stable, with a 30% drop of every comparable company still resulting in an iNAV/Share of over \$30.00 for our base-case.

We are hard at work on the valuation, and will learn a lot more over the next two weeks, and look to have Board approval (before audit) before the end of May.

Investment News

With that out of the way let's talk about some of our recent investments, and some funding news from existing investments.

In this quarter we made two new investments. Nadine Hill led the team to invest into Projectworks and she will be joining the board of the company. Their product helps smaller consultancies such as engineers, architects and business consultants, run and grow their businesses, and is proving very popular and beneficial to their clients. The company is majority owned by a fund, Bridgewest, who sees us as able to bring external venture capital discipline to the company at this stage of its growth. We are very impressed with Projectworks' growth engine and client base and we are looking forward to the continuance of its strong growth.

We also invested into Couchdrop, which is our first second-time investment. Key founder Michael Lawson was also one of the two founders of Linewize, in which we were invested, and which was later sold for a good return. Couchdrop specialises in simple software that is elegantly constructed to complete technically difficult tasks, generally involving high volume data transfers and cloud storage. The small team, and the other founders at Couchdrop, look very familiar to us – as they were also with Linewize. Read on to see how Michael wants the company to grow quickly and become insanely profitable – but to do so without raising more funds any time soon. We'd be delighted, and not surprised, if he and the team can deliver on this. I've joined the board of Couchdrop so I won't miss out on the fun.

We made a substantial investment into Mobi, as part of a round led by existing investors that is still ongoing. As part of our commitment, we have gained the right to appoint an independent director and are looking to improve industry experience on the board.

We are also very happy to report that Orah (Boardingware) raised funds from a number of individuals, as well as Punakaiki Fund. The round included entities associated with Peter Huljich, Aaron Bhatnagar, Bruce Gordon, and Vaughan Fergusson, and the external investors set the terms. For those not in the know, each of these people is very experienced and wildly successful at investing and/or leading SaaS businesses. Bruce Gordon, former Chair of PushPay, has joined the Orah Board as Chair and is already proving his worth.

I am so happy for founders and Co-CEOs Paul Organ and Kurt Meyer as they continue on their journey. This investment comes as the company makes the transition from the relatively small global boarding school market to day schools, where their systematic SaaS sales engine will create rapid growth. I've been a director of the company since 2015 – so sadly it's about time to hand over to Nadine, who is increasingly becoming our specialist SaaS company director.

Onceit experienced a challenging year, as did many others in their sector as e-commerce providers struggled to get hold of stock. However more dramatically, we saw comparative valuations for listed companies fall by over 65%. We did have multiple caps in place last year, but it seems inevitable that, despite the company itself being in good shape, we will mark it down this year. Personally, I see that the value of the company will bounce back even stronger in the future, but I must add the caveat that in this game nothing is certain and forecasting valuations is very, very difficult.

As always though we can rely on the portfolio effect where when some companies do well or badly, others have the reverse performance, and in general, when companies are growing, valuations will tend to rise over time. We've provided overall guidance above, and it's clear that the companies performing well are dominating, as we would expect.

We are very happy to report that Quantifi Photonics closed its acquisition of Thailand based Smartest, adding new current and future products to their range. Quantifi's relationship with its major customer is

increasingly strong and we are very excited about the company's prospects, and the company is on the way to securing its next capital raising round.

We are also very happy to report that Melon Health is close to closing an interim investment round and is reinvigorated with the imminent launch of a mental health product aimed at younger people.

Total Investment of \$57.5 million

We invested \$20 million in 2022, and placed another \$3 million after the end of the quarter. That means we have now invested \$57.5 million, which is almost 24% more than the \$46.4 million that we have raised from investors. We have achieved this through recycling funds from exits, and that generates fantastic impact for the high tech ecosystem – and for our investors.

Funding Pathway

With our new Board firmly in place, we are aiming to determine a path forward for Punakaiki Fund's funding over the next few years. This has taken a bit longer than we would've liked to start, not helped by the pandemic and markets. We are recruiting for a Chief Financial Officer, who will play a critical part in either a private or public offer approach. We are also working with the Board on a systematic plan that ideally leads to either an IPO or substantial private funding and we will communicate with you along the way as we also assess the market response to our plans. As always, we will also survey for your opinions, and, of course, for an IPO we would require formal shareholder approval.

In the meantime, we are going to conduct a wholesale offer over the next few months and we are working to put our investment material together, along with the structure and pricing of the deal. With investors who are not "eligible" unable to participate, we are very unlikely to provide a discounted offer, however we are looking at a number of different approaches for this offer, as we are looking to attract the interest of long-term larger investors who can take us through a sustainable private funding or IPO future.

Share Trading

One of the big changes we made during the quarter was to launch the Catalist platform for our share register, and to conduct the first share trading round. We have had a few small hiccups on this path, and Catalist is working hard to consistently improve Punakaiki Fund shareholders' experience. But overall we are very happy with the platform's ability to manage a much larger number of transactions than we were able to in-house, and to settle trades and make payments very quickly after the trading ended. We will be using this platform for our wholesale offer and existing as well as new investors will be able to participate, provided they meet the wholesale investor requirements.

The share trading round was vigorous, with over 2.4% of shares traded, and at a price representing a substantial discount from the investor net asset value per share. We are very happy for the over 100 investors who picked up shares, as well as the few who sold. While the low price does make it more difficult for us to raise at higher valuations, it is also a great way for existing retail investors, who are unable to participate in wholesale offers, to pick up shares. We expect that the value implications of our wholesale offers will flow through to retail investors in this way.

Administration Time

This tends to be a very busy administrative quarter for us, and it's going to be particularly difficult because we have not yet recruited either a CFO or a junior finance analyst, but our processes are increasingly efficient and we are well underway for the financial year-end already. In the meantime, we can take comfort that the companies we have invested in are generally growing very well and not really concerned about Punakaiki Fund's marking-to-market of their value!

Quarterly Webinar and Quarterly Share Trading Auction

We are not holding a share trading auction until after our year-end results are announced, and after our wholesale offer.

Please join us for our Quarterly Update, on Monday, 16th May, at 4:00pm. [Pre-Register now.](#)

Lance

Portfolio Company Update

Key highlights for the March 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 launched a trans-Tasman broadband pre-qualification and ordering tool that allows businesses from anywhere to procure and manage broadband access services in both Australia and New Zealand from Devoli's industry leading platform.
- Devoli successfully and rapidly implemented a new BYOD (bring your own device) program that dramatically improves their ability to onboard new customers quickly, solving a customer challenge.



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's March end of financial year campaign showed a strong 35% year-on-year growth
- The company developed a relationship with a new apparel buyer, allowing them to increase their private label range.
- Onceit added over 400,000 products to their new Marketplace platform.



Shareholding: **19.6%**

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 signed their first government client as part of the MiBI partnership between Qubedocs and a large NZ/Aus Government Enterprise Resource Planning vendor.
- The company signed one of Germany's largest car manufacturers as a customer using the Qubedocs solution.
- The team added a new member, Eileen McGuinn, who was hired as a Growth Marketing Manager.



Shareholding: **25.6%**

First Investment: **Nov 2017**

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

- Quantifi completed the acquisition of SmarTest Thailand with the deal successfully signed just after the close of the quarter.
- The company has made progress with a key existing customer that will drive the achievement of its growth targets.
- Quantifi continues to build its team, adding a new VP of Product Engineering, Matthew Simpson, who began work in January 2022.



Shareholding: **14.6%**

First Investment: **Oct 2015**

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

- MOBI continues to develop its product, with a new auto-upsell feature that automatically recommends additional products to guests nearly ready for beta launch.
- Another feature, Tips for Groups, has been rolled out. This feature opens up new opportunities within North America where tips are typically a requirement.
- MOBI is actively sharing new success stories via their podcast channel, which continues to be well received.



Shareholding: **20.0%**

First Investment: **Feb 2017**

[Conqa](#) provides software allowing the construction industry to do their quality assurance planning and execution online.

- Conqa met its goal of breaking the \$4 million in ARR mark within 9 months of hitting the \$3 million target, despite January being a relatively flat month in the market.
- Conqa won a \$200m Festival Square project with Built in Adelaide, a leader in the Australian market, and an Enterprise agreement with Hawkins, NZ's leading construction company.
- Conqa continues to grow the team—adding 14 new staff—while simultaneously taking steps to enhance its organisational culture and structure. This latter effort has led to several new initiatives, including a Board Review process and a 4-day work week trial.



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 launched their Reserved Events feature, which gives customers the ability to self-select the number of reserved events they want per month. This gives them more control of their plan and pricing.
- Raygun released WebHooks for Alerting. This improves on the Alerting feature by giving clients greater control over where, when, and how they receive alerts.
- Raygun added approximately \$12k in Monthly Recurring Revenue through new deals or expansions of existing ones.
- The company added several new team members, including a new VP of Growth, Eliza Clulow.



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.

- Couchdrop secured a contract with a UK based media company to use Movebot, one of their two products, to migrate Petabytes of data to the cloud over the next two years.
- Dropbox signed Couchdrop as a migration partner and as a result, has started pushing Couchdrop's products globally.
- Couchdrop has secured Backblaze as a client. Backblaze is a leading player in the block storage space and is using Couchdrop as a migration partner.
- Lance Wiggs has joined Couchdrop as a director as a result of Punakaiki Fund's recent investment into the company.



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 closed out the financial year with strong growth, ending the year with \$2.6m in revenue which represents a 45% year-on-year growth.
- The company has hired two more instructional designers to increase the development of their content library and their ability to provide bespoke training for customers. They are also in the process of hiring a CFO.
- Redseed has continued to secure new clients, counting Weldclass, the Defence Force, and Aids Foundation as new customers.
- RedSeed's platform is now available in 6 languages, with 2 more coming this month.

orah

Shareholding: **31.1%**

First Investment: **Feb 2015**

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

- Orah completed a successful capital raise round this quarter, at a strong valuation. The round was participated in by entities associated with Peter Huljich, Aaron Bhatnagar, Bruce Gordon, and Vaughan Fergusson, as well as Punakaiki Fund and other external investors.
- The team launched two new products: Nurture—a platform application designed to monitor and promote student well-being, and V1 of their new self sign-up workflow.
- Orah's sales team is going strong, with over 130 opportunities curated this quarter.
- Bruce Gordon, former CEO of PushPay, joined Orah's board as its newest member.



Shareholding: **32.3%**

First Investment: **Dec 2014**

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

- Melon received their first revenue from the San Joachim Health Plan in California for Melon's Diabetes Prevention Program.
- Evaluation of the Resmed Support for Sleep Apnea program showed measurable improvement in compliance and an increase in machine purchases and rentals. As a result, the pilot has been extended and commercial conversations started regarding post-trial implementation.
- Melon continues to develop their Bubble app MVP with iterative releases. The core release of the product, with promotion, is scheduled for early next quarter.

weirdly

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 undertook a small restructure in order to optimize its cost base, extend their runway, and focus on supporting sales activity. This resulted in a small reduction in FTEs, but more resources for the sales team, which has been successful in generating more top of the funnel leads. Some of these have progressed and Weirdly now has 6 deals worth \$350k ARR in the final stages of negotiation.
- The company launched and completed a brand awareness campaign, which had a reach of over 100,000 potential users. The campaign resulted in an increase in brand name searches of 38% and an increase in total website traffic of 35%.
- Weirdly is in final negotiations with a major European prospect over a paid pilot contract. The pilot would be focused on Ukrainian refugee migrants into Germany, and represents a significant land and expand opportunity if the pilot is successful.

* 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 is awaiting a final decision on a \$500k enterprise deal with a large Australian health network, expected in June, and are tendering for another substantial deal in New Zealand.
- The company won 2 new deals in New South Wales—Sydney LHD and Central Coast LHD. These deals represent a significant milestone in Core Schedule's penetration of that market.



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.

- GetHomeSafe completed version 4.0.0 of their mobile apps, ending a 14-month rebuild and future-proofing a vital company asset. They are also nearing the finish line with upgrading their web app to React.
- GetHomeSafe has also completed their implementation with Delta Utilities. This required additional integration with transport giant EROAD which allows the processing of collision and roll-over alerts using the GHS platform.
- The company has rolled out several new features, including a form builder which allows users to combine lone worker risk assessments and welfare monitoring into one platform, and a calendar integration that allows users to automatically create appointments from a GHS activity. Both features were driven by client demand and have received overwhelmingly positive feedback.



Shareholding: **2.6%**

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 launched their Samsara integration. Samsara is one of the fastest growing telematics firms in the United States. The integration provides both increased functionality for Whip Around customers and exposes Whip Around to Samsara's customer base.
- The Company welcomed a seasoned Head of Product to the team, Elizabeth Santorelly, formerly from Xero.
- The company's ongoing optimisation of their sales team and go-to-market strategy resulted in having their best new sales month in March and their second-best quarter ever.



Shareholding: **2.5%**

First Investment: **Dec 2021**

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

- Formus Hip received its full commercial launch in Australia and New Zealand in February with a joint announcement from Formus and Zimmer Biomet. The story was picked up by a dozen local and international news outlets.
- Formus Labs attended AAOS 2022 in Chicago, the premiere US orthopaedic conference. They received strong interest from the industry for their ability to automatically generate 3D surgical plans which was unique amongst the exhibitors. Conversations are ongoing between the company and leads generated from the conference.
- Meraj Khan and Lloyd McCann have joined the Formus Labs Board. The Formus team itself has grown significantly with the addition of a highly experienced product designer, a senior finance manager, and three engineers. They are also actively recruiting a chief marketing officer as their first US-based hire.



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 carried out a successful capital raise, raising \$3.5 million.
- The company continues to grow and passed both the \$1.5 million ARR and 100 customer marks.
- Projectworks doubled the size of their customer success team with the hiring of a new employee.
- Nadine Hill joined Projectworks' Board following Punakaiki Fund's investment.

Bottom line for sanity: why Couchdrop is taking the road less travelled

The usual track for start-up glory is not for Michael Lawson. The CEO of Couchdrop is as ambitious and determined as any other start-up founder but he will not be burning capital on lavish offices or high-profile recruitment campaigns. No internal slides or foosball tables for this lot.

Couchdrop is taking the road less travelled by early-stage software companies: paying careful attention to product quality, hiring only a few, handpicked, experts and aggressively chasing the bottom line.

“What really gets me motivated is making the world’s best tech and being insanely profitable,” he says. “I see lots of start-ups scaling up by hiring staff. It’s a default response to stress. But it affects culture and reduces the start-up edge. So I’m keen to keep this organisation as lean as possible and as scalable as possible so that we can become profitable as possible.”

It’s an ambition that excites investors. In March 2022, Punakaiki Fund invested, and now holds 17% of the company.

It’s the second time Punakaiki Fund has invested in one of Michael’s ventures. The first was Linewize, an internet safety company which provided a cloud-managed firewall service specifically developed for the education sector. Australian cyber safety vendor Family Zone acquired Linewize in a deal worth \$16.5 million in October 2017.

Lance sees that Couchdrop has greater potential. “Couchdrop is a pure digital product company – it makes something can be replicated at marginal additional cost. So it can be hugely profitable if its products hit the mark. I think it’s one of the most exciting companies we’ve invested in so far.”



Michael Lawson, founder and CEO of Couchdrop

Getting the band back together

The story of Couchdrop starts with a whim. While still with Linewize, Michael wondered why file sharing was so clunky and under-explored. One weekend in 2017 he wrote some code for a file sharing product more suited to the age of the cloud. “It was a minimum viable product and I put it out on Y-Combinator hacker news to see if there was any interest. I didn’t really think about it much but when I woke up the next day it had 300 requests. It was pretty simple – just a way to transfer files to Dropbox. We said it was free but you can pay \$10 if you want, and it kept being downloaded. And then we started getting bigger customers.”

The timing was uncanny. Michael’s tenure at Linewize was coming to an end. He’d sold the company and the new owners’ hierarchical culture was starting to chafe. The lure of starting again was tickling his ankles.

So he scratched the itch, and took a gang of Linewize staff with him. Jayden Bartram, now COO, was the first to come across. “He’s been helping me from day one. We actually hired him at Linewize to remove porn from any of the content, which he thought was a laugh, but he has turned out to have a ton of skills. Jayden’s the guy who tidies up after I leave a mess and keeps the wheels spinning on the sales front. He’s been critical to our success.”

He was followed Chris Roy, now customer success and support (“Chris was our first hire at Linewize”) and then Thorsten Castor, now a senior architect.



Michael and his team

Pulling the team out of Linewize feels like a victory for Michael. “I learned quite a few things in that process. I think we sold too soon, we hadn’t finished what we started. And I want to create a culture where talented people can thrive, not be told what to do by superiors. I just want us to focus on fixing clients’ problems and giving great service. That’s all that matters. So I’ve reassembled a great team and now we’re doing it better.”

Filling the gap

Couchdrop’s niche is narrow but deep.

The company offers two products – Movebot and Couchdrop SFTP. Movebot helps companies transfer a vast volume of files between cloud platforms, while Couchdrop SFTP is for regular secure file transfers within and between organisations. Both products have seen rapid acceleration in adoption over the last 12 months, and Michael says they are cementing their place in the data-moving and cloud-adoption industry.



couchdrop.io

movebot

smooth moves between clouds

“In the last year, our products have supported petabytes of data movement and billions of file transfers into the cloud, helping companies to accelerate the adoption of cloud technologies,” says Michael.

Just in case you need a refresher, a petabyte is big. One petabyte is equal to 1000 terabytes, which itself is 1000 gigabytes. Some estimate a petabyte is the equivalent of 20 million tall filing cabinets or 500 billion pages of standard printed text.

And herein lies the opportunity. While other file sharing companies such as Dropbox and Microsoft's Sharepoint have focused on the front end, providing sharing and storage tools for millions of customers worldwide, Couchdrop operates behind scenes, buried inside the walls like an engineer doing the thankless task of joining a mess of cables with the right sockets.

"There's a lot of investment in providing synergy for the end users. Xero and Salesforce and Dropbox are great tools. But file transfer is overlooked. It's not sexy and has been sitting there for 10 years ticking away without any investment."

The client list is impressive: Dropbox, Ezynte and Backblaze are partners and customers that Michael can mention. There are many others. And Covid has accelerated demand, as businesses and consumers move to the cloud and consolidate storage platforms with Dropbox, Google Drive, Amazon AWS and Azure.



Backblaze's server room stores 150 Petrabytes of data

"We discovered that the move to cloud-based computing was far from trivial and the toolset to enable a fast and easy transition was missing."

The shift to cloud has increased security risk too. Michael says the cyber-attack of the Reserve Bank in January 2021 was a hack of a file transfer system. "It's the result of a legacy system that doesn't work with anything this century."

He says trust is a key driver of demand – banks, government agencies and the enterprise end of town simply can't afford data breaches.

Michael got a huge boost confidence when the BBC called. "They wanted to use Couchdrop to share files to a new cloud server. I listen to BBC podcasts every day. It was a really cool day when that happened."

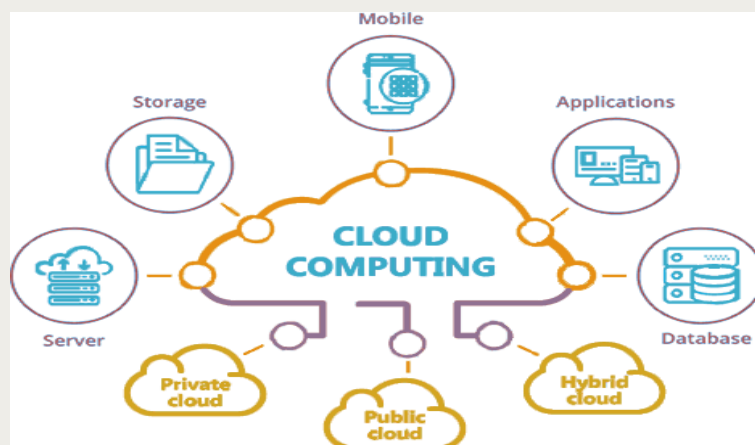
Catching competitors napping

Michael is slightly surprised by Couchdrop speedy uptake. Of the company's two products Movebot has received the most product development – yet Couchdrop SFTP is the star performer. "We're not doing a very good job of marketing and yet we're growing. Customers find us on Google."

A partnership with Dropbox has helped. It also helps that Couchdrop's competitors are multinationals whose focus is on other things. "Our main competitor is worth \$1.4 billion but it hasn't evolved its data sharing product. IBM Sterling, Help Systems and Go Anywhere - they're companies that have bought products like ours years ago and sat on them. They don't have engineering interest in evolving them and have milked the market. But the cloud has changed everything."

Couchdrop's customers are demanding greater security. They're in healthcare, banking and logistics and have high security needs and large data pools - and they say that Couchdrop is the only system that works on cloud storage.

"They're making the transition to Dropbox or Sharepoint and then they search for us. Dropbox is already selling our product and I don't think anyone in Australasia is doing that. Gives me real pride to be so small and lean and be selling to such huge companies."



Growing with care

It's at this point you'd expect Couchdrop to be hiring like mad and expanding offices across the globe. And that's happening, but far more modestly than the headline implies. With the venture capital investment, Michael hopes to expand the Christchurch-based developer team and spend money on sales. But he's wary of splashing it around.

"I'm ruthless with priorities. I say 'no' most of the time - until it completely makes sense. As the company grows the decisions about what to focus on can become more about what staff and customers want, rather than what's right for the company. You can get splintered and head in conflicting directions."

The company employs the Objective and Key Results (OKR) management practice developed by Intel's Andy Grove. "We actively reduce the things we're working on and we judge everything by those criteria. Although I say we're customer centric I also say that we don't have to respond to everything they ask for. For example, we could be doing email and calendar migrations amongst other things, but have actively chosen to say no. Most companies scale by hiring more people. But that increases burn rate and distracts, and slows the organisation. I want to be very focused."

Other interests

I ask Michael if being the 'no guy' is a tough gig. "It's not the easiest to do and kind of lonely. But it allows you to over-achieve on certain things and that gets noticed. It's why we're continuously getting bigger customers. We do a great job and scaling that is the challenge. So many start-ups are on continuous burn asking who's going to fund them next? That's not for us."

"I want to fuel this growth with sales and profitability. Our ambition is to reach \$10 million in annual recurring revenue before having to raise capital again."

Such single-minded focus could make him a one-trick Michael. But the father of two children (five and three) has interests beyond Couchdrop. Family for one thing. Space for another. Michael is curious about autonomous systems and is intrigued by the discipline that space places on redundancy.

“I’m curious about the challenge of sending a finished robot into space that you can only fix remotely. I experienced that a little bit with Linewize - we needed to make changes remotely without schools losing their data. But the redundancies in space are next level and full redundancy hasn’t been solved. The only way to solve it is to reduce complexity.”

Michael admits he’s not wealthy enough to play in the space race. But time will tell. The sale of Linewize gave him more income than most people his age could dream of. Couchdrop is bigger yet. With a laser focus and a dream team of developers who knows what’s possible?

Certainly one to watch.

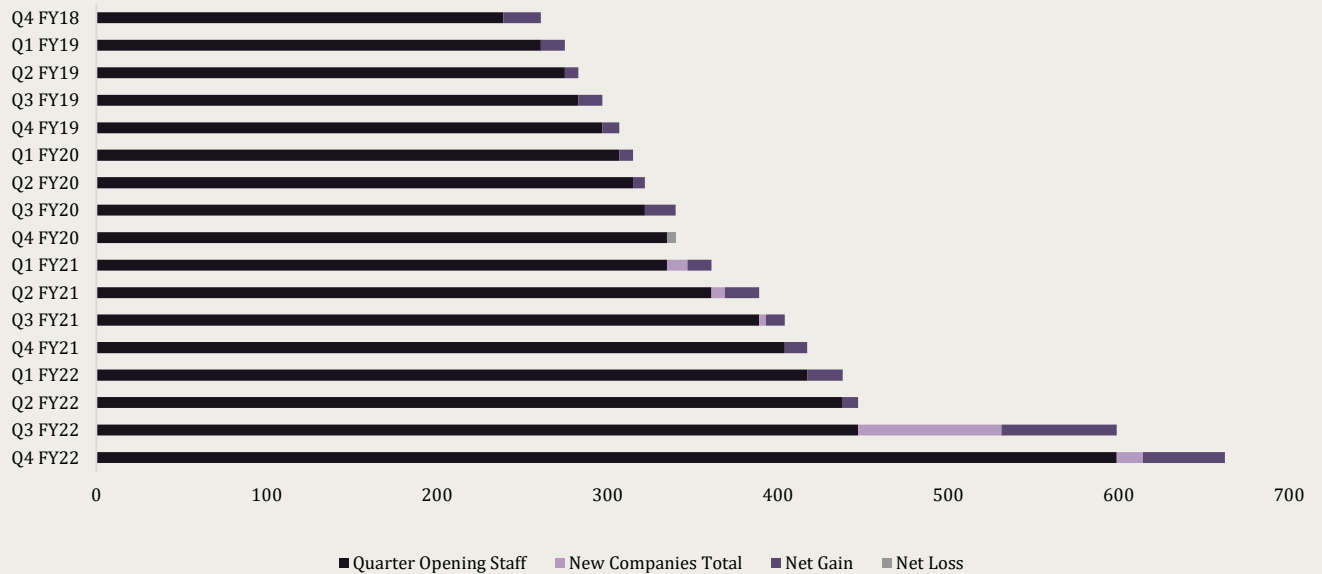
In the News

Couchdrop	<u>Kiwi Dropbox partner Couchdrop targets MSPs</u> <u>Couchdrop secures investment from Punakaiki Fund for global growth</u> <u>Data migration business intent on expansion after funding boost</u> <u>SaaS firm Couchdrop gets Punakaiki funding rocket</u>
Devoli	<u>TIN Member spotlight: Devoli</u>
Formus Labs	<u>Formus Labs Adds Seasoned Medical Technology Executives Lloyd McCann and Meraj Khan to Board of Directors</u> <u>Kiwi medtech Formus Labs raises US\$5 million to transform orthopedic surgery</u> <u>New Zealand orthopedic surgery planning startup raises \$5M and partners with Zimmer Biomet for global distribution</u> <u>Bioengineers Use Artificial Intelligence To Transform Hip Surgery</u> <u>NZ-based Formus Labs raises \$5M to automate orthopaedic surgery planning</u>
Melon Health	<u>Successful Kiwi healthcare innovators are heading overseas where big customers and investment money is plentiful</u>
Projectworks	<u>NZ Startup Projectworks raises \$3.5m in Seed Funding</u> <u>Feel the burn: Startup gets millions for new type of project management software</u>
Quantifi Photonics	<u>Quantifi Photonics Announces PAM4 BERT and 288-Channel Power Meter</u> <u>Quantifi Photonics Announces New Swept O-band and C-Band Laser Source, Available in PXIe and Compact Benchtop Form Factor</u> <u>Quantifi Photonics Acquires SmarTest Electronics to Accelerate Product Development for 800G Transceiver Test Market</u> <u>Quantifi Photonics, SmarTest Electronics acquisition expands production capability</u>
Raygun	<u>Raygun appoints Eliza Clulow new VP of Growth</u> <u>Raygun appoints GitHub's Eliza Clulow to lead A/NZ sales and channel</u>
Timely	<u>Appointee 'born for this type of work'</u>
Moxion	<u>Mo-Sys Engineering To Feature Collaborative Virtual Production Solution At HPA Tech Retreat</u> <u>Hollywood hookup: US giant Autodesk buys NZ's Moxion</u> <u>Backers happy after Moxion gets bought by Californian services giant Autodesk</u>
Punakaiki Fund	<u>2022 NZ Hi-Tech Awards – Finalists Announced Scoop News</u> <u>Farm tech growing up fast, but it's not thinking big enough</u> <u>Punakaiki Fund Moves Share Register To Catalist, Opens Share Trading To Wholesale Investors</u> <u>Catalist welcomes Punakaiki Fund aboard</u> <u>Punakaiki Fund board appoints precursor for potential IPO</u>

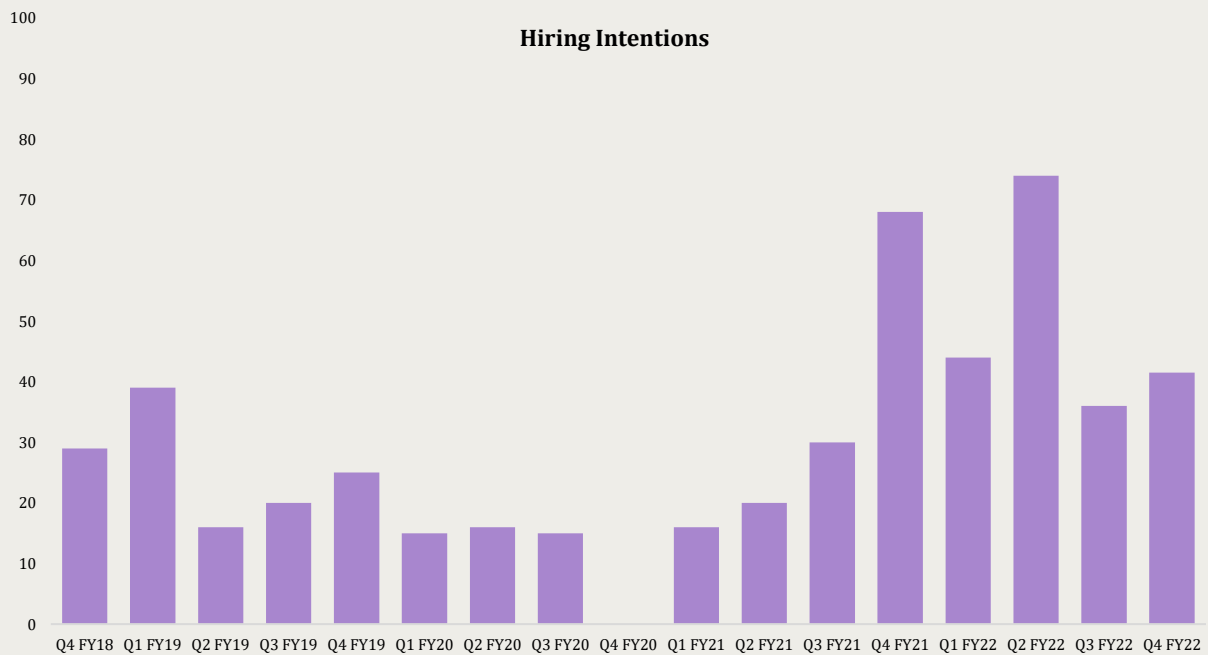
Employment Monitor

(March 2022 Quarter)

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



That's 662 jobs as at the end of the March quarter—63 more than at the end of December.



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

Corporate Update

Governance

The Board convened on 29 April 2022 for the quarterly Board meeting to consider, among other matters:

- A review of Punakaiki Fund's investment portfolio;
- The approach recommended to value the Punakaiki Fund portfolio;
- A discussion around Punakaiki Fund's pathway to IPO;
- A discussion around a short/medium term capital raising plan
- The migration of Punakaiki Fund's share register and the first externally operated quarterly share trading auction;
- An update on address issues identified in the Management Agreement Issues paper;
- Punakaiki Fund's insurance position; and
- This quarterly report.

The Board's next meeting is planned to be held in late May 2022 to consider the FY2022 year-end valuation.

Financial Reporting

The valuation of Punakaiki Fund's investments as at 31 March 2022 has not yet been determined and the financial year-end valuation process is still underway. This information will be released in the 2022 Annual Report, which is expected to be issued in July.

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 January 2022 of \$9,919,256;
- \$4,397,600 was invested in Couchdrop, Projectworks and Qubedocs;
- Management fees of \$369,899 were paid to 2040 Ventures;
- Administration fees of \$72,163 were paid to 2040 Ventures in relation to the March quarter administration services provided to Punakaiki Fund;
- \$2,898 was paid for accounting services;
- \$8,516 was paid for legal services;
- \$6,548 was paid in share register establishment and subscription fees;
- Branding and design expense of \$2,875 were paid;
- \$13,613 of withholding taxes on directors' fees were paid;
- GST refunds of \$21,525 were received; and
- A closing cash balance of \$5,067,762 as at 31 March 2022.

Punakaiki Fund Limited - Unaudited Financial Position
as at 31 March 2022

	NZ\$
Current Assets	
Cash on Deposit	5,067,762
Accounts Receivable	16,113
Prepayments	36,166
Non-current Assets	
Investments	
Total Assets	
Current Liabilities	
Accounts Payable	124,383
Non-current Liabilities	
Accrued Performance Fee	
Equity	
Retained Earnings - Operations	
Retained earnings - Accrued Performance Fee	
Share-based Payment Reserve	
Asset Revaluation	
Share Capital	46,420,279
Capital Raising Costs	(1,264,432)
Total Equity and Liabilities	
Accounting NAV	
iNAV (after deduction of the performance fee)	
iNAV per Share	

Punakaiki Fund Limited - Cash Flow Summary
for the Quarter Ending 31 March 2022

	NZ\$
Operating Cash Flows	
Gross Interest Received	1,117
Bank Fees	(26)
Payments to External Advisors	(14,289)
Management Fees	(369,899)
Administration Fee	(72,163)
Other Net Expenses	(20,161)
GST Refunds	21,525
Total Operating Cash Flows	(453,894)
Investing Cash Flows	
Investments Made	(4,397,600)
Investments Realised	-
Dividends Received from Investments	-
Total Investing Cash Flows	(4,397,600)
Financing Cash Flows	
New Capital Received	-
Brokerage Fees	-
Dividends Paid	-
Total Financing Cash Flows	-
Total Cash Movements	(4,851,494)
Opening Cash Balance	9,919,256
Closing Cash Balance	5,067,762

Expected Cash Flows for the June 2022 Quarter

Since the March 2022 quarter-end, an interim quarterly management payment of \$336,567 (including GST) has been made to 2040 Ventures. The Administration Fees for the March 2022 quarter (totalling \$70,438 including GST) and cost recovery of \$2,484 has also been paid to 2040 Ventures. Accounting fees of \$1,265, legal fees of \$1,854, recruitment fees of \$18,450, share register fees of \$1,932 and director fees (net of any withholding taxes) of \$99,825 have been paid. An income tax refund of \$128 and a brokerage payment of \$7,130 has been received.

New investments totalling \$3.075 million have been made into Orah, Mobi and Melon Health.

Capital Raising Plans

Punakaiki Fund plans to offer a shares to wholesale investors during the next few months..

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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