

Punakaiki Fund Limited

September 2015 Quarterly Report

Welcome

It was a tough quarter for some of our founders and companies, and a great one for others.

We were, of course, delighted to be able to invest in Vend and EverEdgeIP, and to follow-on with investments in Boardingware, Weirdly, InfluxHQ and Onceit and payment of the second tranche of the investment in RedSeed.

During and after the quarter Vibe Communications engaged in serious conversations about a potential merger with another industry player, but in the end the founders decided not to go ahead. Shortly after that decision the Vibe Communications CEO, Rudi Hefer, received a compelling offer from a rival firm, and he resigned and was placed on gardening leave in late September.

The founders Barry Murphy and Davey Goode have reassumed the mantle of leadership and, after the distraction of the merger conversations, successfully refocused on growth, delivering █% growth over the previous quarter. Vibe is in a strong position to continue their journey.

Meanwhile Onceit grew quarterly revenue by █%, Raygun.io by █%, Timely by █%, Boardingware by █%, and Melon Health by █% - though that was largely non-recurring revenue. However Weirdly beat them all with very impressive revenue growth of █% - well done.

EverEdge IP almost doubled their staff after their investment, and are facilitating a large number of Callaghan Innovation's Better by IP workshops. Get in touch if your own company could benefit.

After the quarter ended we held our first Punakaiki Fund AGM, and shareholders elected our new board, Mike Bennetts, John Berry and Bryan Hutchins. We've had our first board meeting, and we are happy to announce that the board has elected Mike Bennetts as Chair. The board also determined that the Net Asset Value is \$12.3 million, or \$14.60 per share. This compares with the NAV of \$14.14 at the June fundraising.

We've also announced our investment into Mobi2go, a company that helps restaurant chains lift same-store sales by an average of █%, by providing an easy to set up and run ecommerce system that runs alongside the restaurant website. We are looking forward to their global expansion.

Lance

P.S. If you are an eligible investor who is interested in co-investment opportunities, please let us know. We generally expect minimum cheque sizes of \$100,000 for each co-investment opportunity.



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 continued to grow during the last quarter. Highlights include:

- Quarter on quarter revenue growth of █%;
- An increasing focus on Australian operations including IntelliPath bandwidth on demand and IP transit;
- Securing a new large wholesale customer and having an existing large customer migrate all circuits from a recent acquisition to Vibe;
- Picking up Australian Telco provider TPG/AAPT as a wholesale customer with their first circuit connected to the Vibe network;
- CEO Rudi Hefer departing to join Solarix Networks effective in October. Rudi's interest in Vibe is required to be sold down. Punakaiki Fund intends to slightly increase its interest in Vibe by this means; and
- Craig Spiers joining Vibe as a senior network engineer from Vocus Communications.

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.

Raygun

Raygun 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 wide range of platforms including PCs, the web and mobile devices.

What's New: Raygun.io continued to grow strongly during the quarter, although as with the end of last quarter, the US summer holiday period has slowed the securing of larger customers. Recent highlights include:

- Quarter on quarter revenue growth of █%;
- New net customer growth of █% quarter on quarter;
- The development and release of [Raygun Pulse](#) (“Project Neutron”) advanced, which is a new take on real user monitoring;
- Two members of the highly-regarded Zing Design team joined Raygun on 1 November; and
- Currently working towards their next round of capital raising.



Melon Health

Melon Health 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: Melon Health had a busy quarter as it ramps up its effort both at home and abroad.

Highlights included:

- Quarter on quarter revenue growth of █% (we told you it would be lumpy);
- Identifying a new market in care-plan compliance for post-surgery patients;
- Being selected for a partnership program at the Mayo Clinic;
- Progressing trials with 3 departments at the Mayo Clinic: Diabetes, Connected Care and Population Health; and
- Currently working towards their next round of capital raising.

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 still from a relatively small base, grew very strongly during the quarter.

Highlights from the September quarter include:

- Quarter on quarter revenue growth of █%;
- New net customer growth of █% quarter on quarter;
- Differentiating their pricing plans with added features, the most notable of which being analytics, which has assisted the sales team to up-sell;
- Also adding a lower pricing plan to help convert free users to paid users;
- Winning the Emerging New Zealand Innovator category of the 2015 New Zealand Innovators Awards, and also becoming a finalist in the Information Communications Technology and Cloud Solutions category;
- Adding a Customer Success Manager to the team and welcoming Bridget Robbins as the new Front End Dev (unfortunately their last Front End Dev went to Princeton); and
- Punakaiki Fund making an additional investment and increasing its shareholding to 29.5%.



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 at a significant clip during the last quarter. Highlights from the June quarter include:

- Quarter on quarter revenue growth of █%;
- New net customer growth of █% quarter on quarter;
- A recently completing a system upgrade;
- Now supporting multi-national data storage in three regions US (Virginia), Europe (Ireland) and Australasia (Sydney);
- Starting the Clever integration which will support data and SSO integration for most schools in the US;
- Closing a large deal with a UK school;
- Planning for the introduction of a compulsory implementation fee;
- Hiring five new staff including a UX Designer, a Customer Success Manager and positions for Content Marketing, US Sales and US Lead Generation; and
- Punakaiki Fund making an additional investment and increasing its shareholding to 28.6%.

Onceit

Onceit is an on-line daily deal site offering primarily clothing, beauty and accessories and selling high end New Zealand designer fashion at insider prices.

What's New: Onceit has had another good growth quarter. Highlights from the September quarter include:

- Quarter on quarter revenue growth of █%;
- Once again recording its best ever sales month (September), and still being on track to achieve record revenues and profitability for the financial year;
- More than doubling the number of products on the site;
- Increasing their inventory in line with their Christmas stock tactic, which is increasing order sizes and values;
- Planning to move into a larger warehouse in late October, which will allow Onceit to hold more merchandise and offer greater service to their brand partners;
- Reviewing product margins for the balance of the financial year;
- Hiring an additional buyer/account manager (starting late October);
- Punakaiki Fund receiving its first dividend of \$█; and

Punakaiki Fund exercising its option over Onceit shares, increasing its shareholding to 25.6%.



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 busy quarter. Highlights from the September quarter include:

- Quarter on quarter revenue growth of █% - the result of one large client paying once every six months (in the previous quarter);
- Closing a major sales and service training contract with a large multinational with over 100,000 staff;
- Also closing a number of new deals including with a NZX-listed company;
- Hiring Ben Sleeman to head up global sales;
- CEO Anya Anderson being named as a finalist in the Women of Influence awards;
- Redseed being named as a finalist in Champion Canterbury Awards - Small Enterprise Service Provider category;
- Attending the DevLearn conference in Las Vegas, which generated significant interest in Redseed's product/brand and the outcome/learning-centric focus of their offering. This conference generated a number of strong leads which are being pursued; and
- Punakaiki Fund completing the second tranche of its initial investment in Redseed, and now hold 12%.

ThisData

Formerly Revert, ThisData was originally a cloud backup company, backing up and restoring data held by SaaS products and provides the ability to search and keep track of previous versions of the backed-up data. ThisData is now migrating to being primarily an enterprise offering, combining audit, monitoring, security and backup for cloud-based data (Shadow IT).

What's New: This quarter ThisData released the first enterprise version of its software. Highlights from the September quarter include:

- Quarter on quarter revenue growth of █%, albeit from a small base;
- Ceasing to sell to freelancers on a month by month plan. Three new plans are now available which are all based on an annual subscription period;
- Launching ThisData with a change in focus from backup to security, specifically the discovery and management of Shadow IT;
- Now targeting companies with between 20 - 500 employees; and
- Spending 3 weeks in the US attending both the Dreamforce and Box conferences, which generated a significant number of new contacts and assisted ThisData to focus its offering on ShadowIT as a priority for marketing efforts.



EverEdgeIP

EverEdge IP is focussed on becoming the world's first intellectual property oriented investment bank, and have emerging consulting and advisory, transaction and investment arms.

Vend

Vend provides cloud-based point-of-sale and retail management software which includes ecommerce, inventory management, customer loyalty and analytics, and integrates with payments, accounting and other business applications.

What's New: Vend continued to grow strongly during the quarter. Highlights for the September quarter include:

- Revenue and cash burn both being comfortably ahead of forecast;
- Vend's restructuring is now completed and the company's teams are executing well;
- Shipping a number of important product features during the quarter (e.g. store credits, gift cards, and cash management);
- Having successful events with Apple (alongside Xero and Deputy) which are expected to ramp up over the next quarter;
- Winning the Fastest Growing Technology Business award for the Auckland and Upper North Island region in the Deloitte Fast 50 Regional Awards, and placing 7th in the Deloitte Fast 50 itself, including being the fastest growing company in the technology category; and
- Punakaiki Fund completing its investment, taking a 2.1% shareholding.



In the News

- Raygun:** [Wide range of backgrounds in candidates for entrepreneur award](#)
[Software firm Raygun sets sights on growth after zapping 10 billion bugs](#)
[Entrepreneur of the Year: Finding the right gaps to tweak](#)
[Young Guns: Youth an advantage - Raygun boss](#)
- Timely:** [Otago well represented in innovation nominations](#)
[Apps, add-ons, the cloud and empowerment](#)
[What does it mean to win Gigatown?](#)
- Vibe Communications:** [Vibe Communications partners with Nextgen Networks](#)
- Melon Health:** [Mobile Entrepreneurs Share Insight Into Building a Successful Business](#)
- Onceit:** [Ecommerce at Onceit: Repeat business](#)
- Redseed:** [Keen contest for Champion Canterbury business awards](#)
- Weirdly:** [Meet the Kiwi startup moving from strength to strength](#)
[Weirdly putting people and culture first in recruitment](#)
[Innovator Live - Dale Clareburt](#)
- Vend:** [The disrupters: Retail technology shake-up promises 'sexier' alternative](#)
[Vend raises \\$12 million, confirms cuts to local staff](#)
[Vend chief executive Vaughan Rowsell](#)
[Kiwi tech firms take on global market](#)
- Punakaiki Fund:** [Innovation: Riding the new wave of equity raising](#)
[Two of the three offers that closed in July succeeded, one fully, capping the biggest month so far for this type of equity raising](#)



Corporate Update

Governance

During the quarter Punakaiki Fund shareholders were asked to vote on a transaction whereby Punakaiki Fund would invest NZ\$2 million in cash in new Vend Limited shares and also acquire the existing Vend shares held by Lance Wiggs in exchange for new Punakaiki Fund shares. There were two reasons why this transaction was put to a shareholder vote, the first being that Lance Wiggs as manager of Punakaiki Fund was conflicted in respect of the transaction. The second was that the total size of the transaction was in excess of 20% of the Punakaiki Fund's assets and as such, LWCM did not have discretion to undertake this investment on behalf of Punakaiki Fund.

In order for the shareholder resolution relating to this transaction to pass, a least 75% of all shares on issue needed to be voted in favour and 75% of all shareholders needed to vote in favour. These thresholds were met and the investment in Vend was approved. A summary of the resolution results is set out in the table below.

Vend Investment Shareholders' Resolution - Voting Summary					
<i>Shares Voted</i>	For	Against	Abstain	No Vote	Total
Shares Voted	628,341	28,830	8,190	82,970	748,331
	84.0%	3.9%	1.1%	11.1%	100.0%
Shareholders Voted	395	21	6	52	474
	83.3%	4.4%	1.3%	11.0%	100.0%

Punakaiki Fund held its inaugural Annual General Meeting on 30 September 2015, during which five resolutions were put to shareholders for consideration which included the election of Mike Bennetts, John Berry and Bryan Hutchins to the Board of Directors of Punakaiki Fund, the fixing of directors' remuneration and the appointment and remuneration of the Ernst & Young as Punakaiki Fund's auditor. All resolutions were passed. A summary of voting results for these resolutions is set out in the table below.

Punakaiki Fund Limited - Voting Summary				
<i>Shares Voted</i>	For	Against	Abstain	Total
Resolution 1: Election of Michael Bennetts	355,435	-	-	355,435
	100.0%	0.0%	0.0%	100.0%
Resolution 2: Election of John Berry	350,535	210	690	351,435
	99.7%	0.1%	0.2%	100.0%
Resolution 3: Election of Bryan Hutchins	338,025	6,450	960	345,435
	97.9%	1.9%	0.3%	100.0%
Resolution 4: Directors' Remuneration	349,235	-	200	349,435
	99.9%	0.0%	0.1%	100.0%
Resolution 5: Auditor Appointment	355,235	-	200	355,435
	99.9%	0.0%	0.1%	100.0%



The first meeting of the expanded Board of Punakaiki Fund was held on 3 November to consider among other matters, the setting of Punakaiki Fund's Net Asset Value and the approval of this quarterly report.

The board was inducted into the business, and agreed on a number of steps to deliver policies and procedures that will allow the board to systematically and effectively manage the fund, with a focus on management of risk for shareholders. The board also elected Mike Bennetts as chair, and we welcome his leadership on behalf of shareholders.

Financial Reporting

The Net Asset Value of the fund at 30 September 2015 was \$12,411,986, which is a significant increase from the 30 June 2015 Net Asset Value of \$8,004,228. During the quarter final payments were received from the exercise of June 2015 options, the June 2015 private offer and the June 2015 Snowball Effect crowd funding offer, and a significant number of payments were also received from the exercise of September 2015 options. During the quarter the Net Asset Value of Punakaiki Fund was also increased by the issue of 49,970 new Punakaiki Fund shares as consideration for the acquisition of Lance Wiggs' shares in Vend Limited.

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 July 2015 of \$2,034,129;
- The following capital amounts were raised during the quarter
 - \$2,000,000 was received from the Snowball Effect crowd funding offer;
 - \$121,800 was received from the balance of the June 2015 Private Offer;
 - \$616,800 was received from the balance of the exercise of the June 2015 options;
 - \$602,560 was received from the initial proceeds from the exercise of the September 2015 Options;
- \$38,600 was received on behalf of shareholders who sold their June 2015 options, which together with the \$14,100 received in the June quarter for the same purpose, was paid to those shareholders during quarter (\$52,700);
- \$4,345 was received on behalf of shareholders who sold their September 2015 options, which was paid to those shareholders after the end of the September quarter;
- \$[REDACTED] was invested in Redseed (tranche 2 of the initial investment), Boardingware International, EverEdgeIP Global, Vend, Weirdly, Onceit and InfluxHQ;
- \$423,114 was recognised as an increase in value of Punakaiki Fund's investments at the end of the September 2015 quarter compared to those values recorded in Punakaiki Fund's 2015 financial statements (i.e. as at 31 March 2015);
- A fully imputed dividend of \$15,625 was received from Onceit;
- Management fees of \$67,270 including GST were paid to LWCM for the September 2015 quarter;
- Brokerage fees of \$142,260 was paid to LWCM in relation to the exercise of the June 2015 options, the Snowball Effect crowd funding offer and the June 2015 Private Offer; and
- A closing cash balance of \$1,284,377.



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Punakaiki Fund Limited - Unaudited Financial Position		Punakaiki Fund Limited - Cash Flow Summary	
as at 30 September 2015	NZ\$	for the quarter ending 30 September 2015	NZ\$
Current Assets		Operating Cash Flows	
Cash on deposit	1,284,377	Net Interest received	4,177
Non-current Assets		Bank fees	(55)
Investments	<u>11,127,609</u>	Payments to external advisors	(3,373)
Total Assets	12,411,986	Payments to LWCM (Management Fee)	(67,270)
Current Liabilities		Payments to LWCM (Brokerage)	(142,260)
Accounts payable	4,345	Option sale receipts received from buyers	42,945
Non-current Liabilities		Option sale receipts paid to sellers	<u>(52,700)</u>
Accrued Performance Fee	120,883	Total Operating Cash Flows	(218,537)
Equity		Investing Cash Flows	
Retained earnings - Operations	(386,420)	Investments made	(3,888,000)
Retained earnings - Accrued Performance Fee	(431,724)	Investments realised	-
Share-based Payment Reserve	310,842	Dividends received from investments	<u>15,625</u>
Asset revaluation	2,545,043	Total Investing Cash Flows	(3,872,375)
Share capital	<u>10,249,019</u>	Financing Cash Flows	
Total Equity and Liabilities	12,411,986	New capital received	3,341,160
		Dividends paid	-
		Total Financing Cash Flows	3,341,160
		Total Cash Movements	
			(749,752)
		Opening cash balance	2,034,129
		Closing cash balance	1,284,377

Expected Cash Flows for the December Quarter

An additional \$339,848 was received from the exercise of the September 2015 options after the end of the September quarter.

Onceit declared a fully imputed dividend on 22 October 2015, of which Punakaiki Fund's net cash share is \$64,062.

Following the end of the September quarter, Punakaiki Fund has completed an investment in Mobi2Go and is in the final stages of making an investment into an additional business. These two investments total \$█. There are likely to be further investments undertaken before the end of the current December quarter.

The final payment of the December quarterly Management Fee to LWCM of \$11,209 including GST is about to be made following the Boards' determination of the Net Asset Value as at 30 September 2015. This final payment follows an interim December quarterly Management Fee payment of \$59,440 made in mid-October. A brokerage payment of \$28,272 will also be made to LWCM in relation to the September 2015 options capital raising activities.

Payments to Deloitte (\$11,500) and Charis Accounting (\$1,876) associated with the preparation of Punakaiki Fund's annual financial accounts were made, and the costs of Punakaiki Fund's 2015 Annual General Meeting (\$1,374) were also paid after the end of the quarter.

It is also expected that Director and Statutory Liability insurance costs of approximately \$24,000 will be incurred during the quarter.



Capital Raising Plans

Punakaiki Fund is examining raising capital either in the December 2015 or March 2016 quarters via a private offer to exempt investors. Further details regarding this round will be issued in due course.

Additional Disclosures / Conflicts

With the exception of the following and those conflicts which have been previously disclosed, none of the directors of Punakaiki Fund or the managers of LWCM has any additional disclosures or conflicts of interest to declare :

- Lance Wiggs sold 178,578 shares in Vend Limited consideration for the issue 49,970 new Punakaiki Fund shares. This transaction was approved by Punakaiki Fund’s shareholders;
- Lance Wiggs is an NZTE Better by Capital provider, Chair of the (MBIE-funded) Return on Science ICT committee and a member of the Physical Sciences Return on Science committee. In each of these roles Lance as worked with and will likely in future work with clients of EverEdge IP;
- Lance Wiggs’ wife, Su Yin Khoo, provides design and front end development services through her company Extra Bold, which is occasionally retained by Melon Health for design work; and
- Lance Wiggs’ wife, Su Yin Khoo, is a shareholder and director of Gather Workshops and Gather Conference Limited and Gather Workshops Limited, which have in the past (and may in the future) obtained sponsorship and performed work for Vend Limited.

Contact

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

Lance Wiggs

Lance Wiggs Capital Management Limited

lance@lwcm.co.nz

+64 21 526 239

