

Punakaiki Fund Limited

September 2016 Quarterly Report

Welcome

The PDS is out. It took a lot longer than we had expected to produce the [Product Disclosure Statement](#) and associated [IM for Australian sophisticated investors](#). We now see that we will be able to use this format for future offerings as well. The work included a vast amount of fact checking by Chris and our intern Jairaj, significant energy on valuation and pricing by the Board and working with our advisors and the FMA to ensure that we met the right level of disclosure while keeping things clear for potential investors. We are looking forward to the offer going live.

It was a busy quarter, with the Annual Report published, the AGM in Auckland and investor meetings throughout the country. It was good to meet so many of you and great to see the resounding vote of confidence in our newest director – Mandy Simpson, who is already proving her worth on the Board.

We made two investments in the quarter – Agract, which we discussed in the last quarterly report, and a small placement with Weirdly. We also received a dividend of \$██████ from Onceit – our third so far and very pleasing.

After the end of the quarter (and before the PDS was issued) we made two more investments, into Linewize and Populate, as well as receiving \$528,580 from the delayed September 2016 Option round. Many thanks to those investors who, like us, were uncertain whether the \$19 per share price would represent good value. We were very happy when the PDS numbers (as at 18 October 2016) resulted in the new Offer also being priced at \$19 per share.

The PDS gives us the ability to accept investment from all New Zealand investors – but also meant that we had to reissue our FY2016 accounts in “Tier 1” format. Those interested in the fine print can spend productive time [reading the full accounts](#).

Valuation Results

The September-end Investor Net Asset Value (“iNAV”) per share was \$18.30, up from \$17.28 per share at the end of June. The primary reasons for the uplift were investment valuation increases after our comprehensive valuation exercise for the PDS, including marking company values in-line with a rebounding market. We didn’t mark them all up though – we maintained a bias to downwards action when we are not seeing performance that meets our high expectations.

This report contains more information on the companies than you will see in the PDS, and plenty of links for you to read more. We are constantly delighted with the progress of the companies, and look forward to being able to support them after the capital raise.

Lance

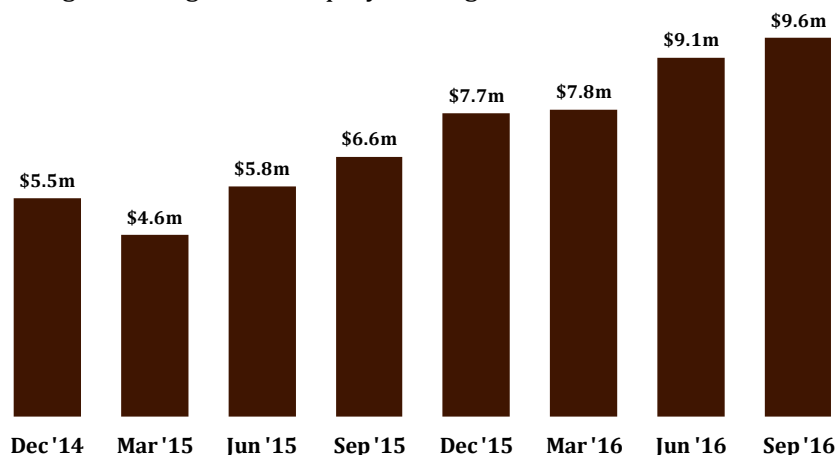


Portfolio Chart Update

Two charts that we monitor closely are the equity-weighted quarterly revenue chart and the iNAV. This equity-weighted revenue chart reflects the healthy underlying growth across the portfolio. While some of companies, generally the SaaS ones, have consistently growing month-on-month revenues, others have peaks and troughs marked by the timing of big deals. So we expect that quarterly revenues will fluctuate and therefore we will mainly look at the long-term growth trends.

Equity-Weighted Revenue from Portfolio Companies

Weighted using current equity holdings

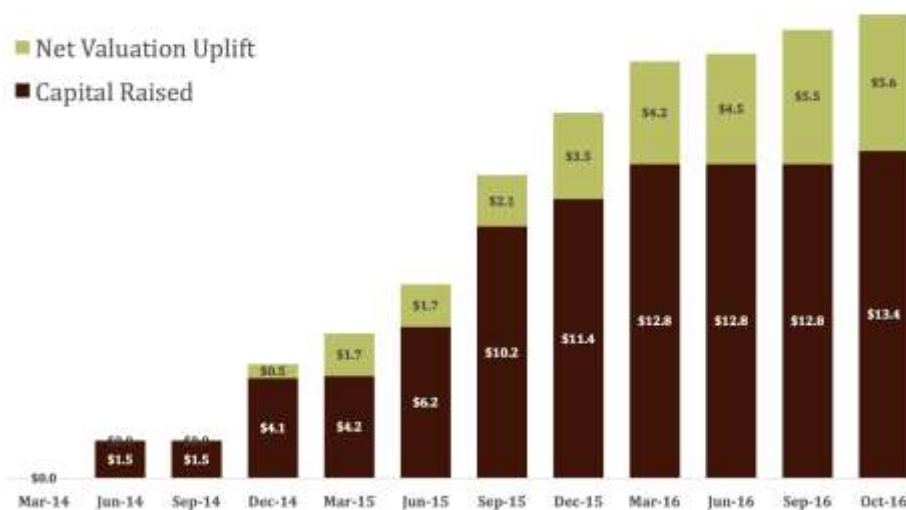


The second chart is the iNAV over time, showing the combination of increasing funds invested and the net revaluation of companies (after operating costs and accrued performance fees are deducted). It includes a bar for the valuation on 18 October 2016 used for the Product Disclosure Statement. As the chart reveals, only 29% of the latest iNAV is due to the net revaluation of companies.

What it doesn't show is that just over half of that uplift is from the 5 companies which we first invested into in CY2014, and almost all the rest is from the 9 companies we invested into in 2015. Companies take time to deliver their value, but that underlying revenue growth is good to watch.

Punakaiki Fund Investor Net Asset Value

\$ million



Portfolio Company Update



Shareholding: **6.3%**

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

First Investment: **Apr 2014**

Highlights for the September quarter include:

- A greater focus on product development during the quarter including Pulse for Mobile and Pulse Insights nearing final release after several months in beta testing (with positive feedback from users);
- Raygun Pulse now scaling to be able to monitor billions of events per hour, which will help Raygun make sales to larger companies;
- Hiring additional staff, especially in the United States, including a VP of Sales from mid-October; and
- Speaking on the SaaS panel at the Siemer Summit in Los Angeles.



Shareholding: **4.7%**

Timely provides appointment booking services to beauty salons, hairdressers, spas, consultants and personal trainers.

First Investment: **Jun 2014**



Shareholding: **25.2%**

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

First Investment: **Jun 2014**



Shareholding: **24.0*%**

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

First Investment: **Jun 2014**

Highlights for the September quarter include:

- Continued quarter on quarter revenue growth;
- Strong growth in Australia for IntelliPath;
- Intentions to significantly bolster the IntelliPath sales team in the new year; and
- Signing a wholesale agreement to work with Access4 on providing Broadsoft VoIP solutions to New Zealand.

** including Punakaiki Fund's interest in treasury shares.*





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 September quarter include:

- Increasing revenues from a significantly strengthened pipeline of the potential sales targets;
- Launching [mybc](#) for New Zealanders with breast cancer;
- Winning a contract with the Ministry of Health to deliver a self-management programme for people with Osteoarthritis; and
- The conversion of a convertible note in favour of Sprint, slightly diluting Punakaiki Fund's shareholding.



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 June quarter include:

- Solid revenue growth, despite Jay Goodey's absence for two months;
- New hires including three new people in the buying team and a new operations manager;
- The business showing increasing management critical mass after founder Jay Goodey took his well-earned break and the operations manager resigned to move to Australia.



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 September quarter include:

- Continued strong quarter on quarter revenue and customer growth;
- Strong results in the sales pipeline, including a significant chain and elite schools; and
- Releasing live rolls, which allow multiple users to record attendance in real time.



Shareholding: **29.5%**

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

First Investment: **Feb 2015**

Highlights for the September quarter include:

- Undertaking an introduction and sales visit to the United States in August and meeting with a number of large high-profile tech companies;
- Being very close to closing a couple of notable deals with large United States-based companies;
- Successfully being placed onto the Lever (San Francisco based channel partner that provides an applicant tracking system for hiring) Assessments page. Weirdly is currently the only company on this page;
- Receiving funding from Punakaiki Fund in the form of a convertible note as a funding bridge to Weirdly's next capital raise; and
- Beginning to raise a new round of capital to fund growth.





Shareholding: **12.0%**

RedSeed helps large retailers train their staff by combining training videos with a SaaS Learning Management System.

First Investment: **Mar 2015**

Highlights for the September quarter include:

- Signing Farmlands as a customer, which will have over 1,000 users of RedSeed's training modules;
- The development and release of a new administration dashboard for clients;
- Booking filming of the Sales and Coaching programme in Australia, which will give RedSeed its first Australian localised product; and
- Developing a strong sales pipeline in Australia including a number of large household names.



Shareholding: **10.9%**

ThisData provides secure login services for SaaS companies.

First Investment: **Apr 2015**

Highlights for the September quarter include:

- The usage of the log-in product increasing by █████ during the quarter.
- Signing up their largest customer to date - a US public company.
- Adding risk scores to users which lets administrators find out who are the riskiest users of their app;
- Starting their Callaghan-funded machine learning project;
- Having a Data Scientist working to design and refine ThisData's machine learning algorithms; and
- Being selected as a finalist of the Best Awards for product design.



Shareholding: **4.7%**

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: **2.1*%**

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

First Investment: **Aug 2015**

Highlights for the September quarter include:

- Announcing new preferred partnerships with Xero and Square (there are more partnerships pending);
- Making a number of product updates; and
- Amanda Armstrong joining as Chief Revenue Officer (formerly from Xero).

** on an undiluted basis. 2.0% on a fully diluted basis (after accounting for employee options)*



Shareholding: **11.0%**

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

First Investment: **Oct 2015**

Highlights for the September quarter include:

- Strong revenue growth;
- Continuing to improve the product's robustness and Mobi2Go's sales engine; and
- Working on changes to pricing and the public release of Mobi2Go Payments in the December quarter.





MINDFULL

Shareholding: **20.0%**

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

First Investment: **Dec 2015**

Highlights for the September quarter include:

- Closing three large new deals;
- Completing an end-to-end internal process and quality control review and improvement, allowing Mindfull to implement projects consistently at a higher standard; and
- Launching a give back program where Mindfull will undertake two IT projects a year for companies or organisations that make a difference in the community.



POPULATE

Shareholding: **9.2%**

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

First Investment: **May 2016**



LINEWIZE

Shareholding: **8.0%**

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

First Investment: **Jun 2016**

Highlights for the September quarter include:

- A reseller agreement signed with Hapara to take the software into North American markets;
- Three African university campuses now using Linewize; and
- Receiving a highly commended in Start-up category at the ANZIA awards, being selected as a finalist in the Small Producer category in the Canterbury Champion awards and being selected as a finalist in four categories in the Innovation Awards.



E'STEL

Shareholding: **11.8%**

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 September quarter include:

- The E'stel Water contract in China has now been picked up by a state-owned enterprise that is in the top 500 companies in China;
- A contract is being prepared with a large player in the United States; and
- NZAW is investigating purchasing a new plant line to increase production to ten containers per day.



HAYLOAD

Shareholding: **17.6%**

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

First Investment: **Jul 2016**

Highlights for the September quarter include:

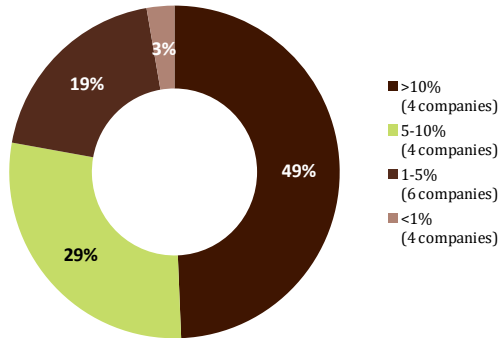
- Progressing quickly toward product launch in November;
- Significantly expanding the team;
- Experiencing very strong sales interest and positive feedback from agricultural contractors;
- Changing their name from Agtract to Hayload; and
- Receiving investment from Punakaiki Fund.



Portfolio Valuation Splits

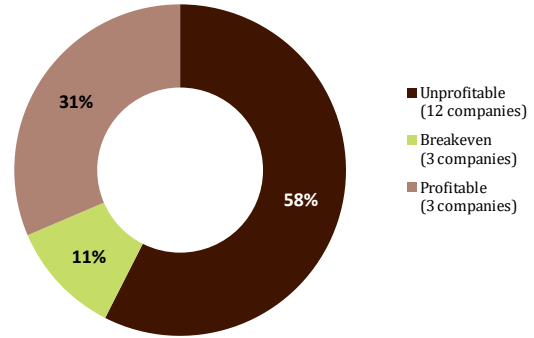
The value ascribed to Punakaiki Fund’s investments excluding cash is \$19.6 million. The diagrams below show various splits of this valuation by differing methods.

Valuation Split By Concentration



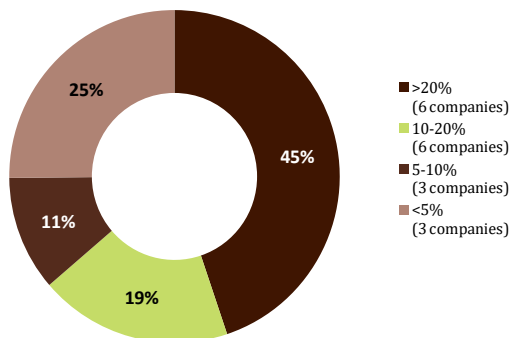
Punakaiki Fund has 49% of its investments by value in four companies which each contribute at least 10% by value to Punakaiki Fund’s total portfolio value.

Valuation Split By Profitability



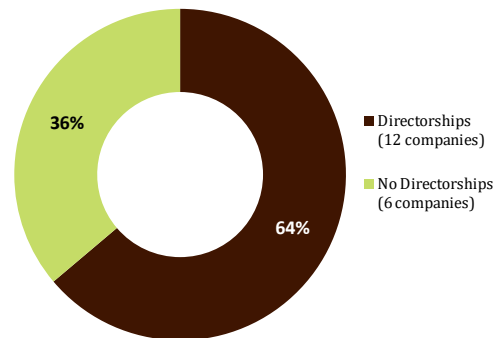
58% of Punakaiki Fund’s investments by value are in unprofitable companies. 11% are in breakeven companies and 31% are in profitable companies.

Valuation Split By Ownership %



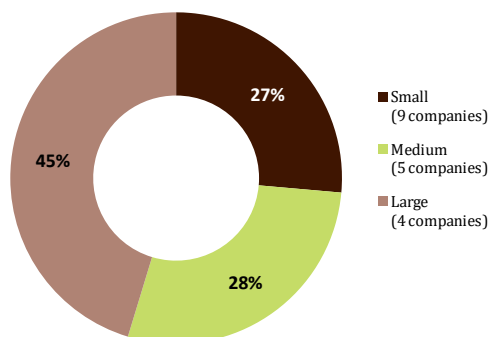
The companies in which Punakaiki Fund owns more than 20% comprise 45% of the total portfolio value. Those between 10-20% comprise 19% of the value.

Valuation Split By Directorship



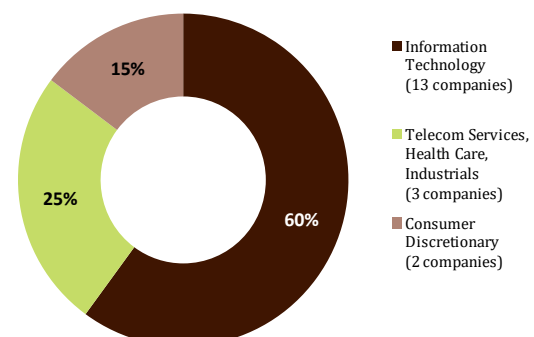
64% of Punakaiki Fund’s investments by value have Punakaiki Fund board representation provided by the manager.

Valuation Split By Revenues



Punakaiki Fund holds 27% of its portfolio in Small companies (less than \$1 million in revenues p.a.), 28% in Medium companies (\$1-10 million) and 45% in Large companies (more than \$10 million).

Valuation Split By Industry



60% of Punakaiki Fund’s portfolio is held in the Information Technology industry, 15% in Consumer Discretionary and 25% in Telecommunication Services, Health Care and Industrials combined.



In the News

- EverEdgeIP:** [Intangible assets hold real value](#)
- Hayload:** [Sprout Alumni Agtract secures investment](#)
[A collation of recent fundings secured, contracts inked and deals did](#)
[Agtract receives Punakaiki Fund investment](#)
- Linewize:** [Vodafone xone: Scott Noakes, Linewize \(Audio\)](#)
[Kiwi companies make strong showing in Internet awards](#)
[Silos to software among Champion Canterbury business awards finalists](#)
[Linewize's Scott Noakes on how to control internet usage at school](#)
- Melon Health:** [Kiwi-made apps to transform your life](#)
[World-first online breast cancer community developed](#)
[Online platform gives breast cancer patients 24/7 access to nurses](#)
[New mobile app aiming to help Kiwi breast cancer patients \(video\)](#)
[Second tranche of Mobility Action Teams selected](#)
- Populate:** [4 Female CEOs Crushing the HR Tech Scene](#)
[New academy launches to educate SMEs on social media](#)
- Timely:** [Timely shifts to profit, signs marquee head of finance](#)
[Timely hits major milestone and appoints new head of finance](#)
[Timely releases new native iOS app](#)
[Ryan Baker on how working from home became a competitive advantage](#)
[Timely a finalist in NZ business awards](#)
[TIN100 names 10 companies to watch](#)
[Timely recognised at TIN100 awards](#)
- Vend:** [Square Is Expanding Lending and Payment Services With Two Competitors](#)
[10 ways to grow your business today](#)
[UOB turns to integrated cloud-based solution to offer businesses smarter processes](#)
[Are you the best person to run your company?](#)
[How Integrated Cloud Apps Help Retailers Hit it for Six](#)
- Vibe:** [Access4 signs leading wholesale carrier Vibe Communications](#)
- Weirdly:** [Quest for the Kiwi innovating best ends this month](#)
[4 Female CEOs Crushing the HR Tech Scene](#)
[Blind recruitment gaining traction as way to control unconscious bias](#)
[Auckland man using Facebook ad to land his 'dream job'](#)
[Weirdly don't care about your \\$500 CV](#)
- Punakaiki Fund:** [Snowball Effect helps smaller growth companies expand](#)
[Do we still call it equity crowdfunding?](#)



Corporate Update

Governance

During the quarter Punakaiki Fund held its second Annual Meeting of Shareholders on 22 September 2016, during which three resolutions were put to shareholders for consideration. These resolutions included the election of Mandy Simpson and the re-election of Lance Wiggs to the Board of Directors of Punakaiki Fund, and the reappointment of 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 - 2016 Annual General Meeting				
<i>Shares Voted</i>	For	Against	Abstain	Total
Resolution 1: Election of Amanda Simpson	337,600 99.9%	200 0.1%	200 0.1%	338,000 100.0%
Resolution 2: Election of Lance Wiggs	338,000 100.0%	- 0.0%	- 0.0%	338,000 100.0%
Resolution 3: Auditor Appointment & Remuneration	337,900 100.0%	- 0.0%	100 0.0%	338,000 100.0%

The Board of Punakaiki Fund met and communicated several times as the Product Disclosure Statement for the current New Zealand retail offer was developed and approved. These included a number of discussions focused around valuation, which resulted in the Investor Net Asset Value being set at \$18,936,819, or \$18.40 per share. This contrasts with the slightly lower Investor Net Asset per Share of \$18.30 determined as at 30 September 2016 for this quarterly report.

The Board convened on 4 November 2016 for the quarterly Board meeting. This Board meeting focused on:

- Reviewing the performance of each company in the portfolio
- Setting Punakaiki Fund's Net Asset Value as at 30 September 2016 for disclosure in this quarterly report;
- Reviewing the approach to marketing the Product Disclosure Statement and Australian IM;
- Managing risk, including risk to valuation and AML risk (regular board meeting activities); and
- Approving this quarterly report.

The Board's next meeting is scheduled for early February 2017.



Financial Reporting

The Net Asset Value of the fund after all contingent performance fees at 30 September 2016 was \$18,330,646 (or \$18.30 per share), an increase from the 30 June 2016 Net Asset Value of \$17,307,151. The Accounting Net Asset Value (which includes only the cash component of the performance fee and is used to calculate the management fee) was \$19,320,663, up from \$18,112,939 in June.

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 2016 of \$304,254;
- No new capital raised during the quarter;
- \$■ was invested in Hayload (formerly Agtract) and Weirdly;
- \$64,063 was received as a dividend from Onceit;
- \$1,320,000 was recognised as an increase in the value of Punakaiki Fund's investments at the end of the September 2016 quarter compared to those values set on the June 2016 quarterly report. This change in valuation relates to the changes in valuations (both up and down) across a number of investments;
- Management fees of \$104,149 including GST were paid to LWCM;
- \$30,542 was paid for audit and accounting fees; and
- A closing cash balance of \$63,644.

Punakaiki Fund Limited - Unaudited Financial Position	
as at 30 September 2016	NZ\$
Current Assets	
Cash on deposit	63,644
Accounts Receivable	15,279
Non-current Assets	
Investments	19,628,000
Total Assets	19,706,923
Current Liabilities	
Accounts payable	1,254
Non-current Liabilities	
Accrued Performance Fee	385,007
Equity	
Retained earnings - Operations	(802,570)
Retained earnings - Accrued Performance Fee	(1,375,024)
Share-based Payment Reserve	990,017
Asset revaluation	7,677,848
Share capital	12,830,392
Total Equity and Liabilities	19,706,923
Accounting NAV	19,320,663
NAV (after deduction of the performance fee)	18,330,646
NAV per Share	\$18.30

Punakaiki Fund Limited - Cash Flow Summary	
for the quarter ending 30 September 2016	NZ\$
Operating Cash Flows	
Net Interest received	66
Bank fees	(48)
Payments to external advisors	(30,541)
Payments to LWCM (Management Fee)	(104,149)
Payments to LWCM (Brokerage)	-
Other Expenses	-
Share sale receipts received from buyers	-
Share sale receipts paid to sellers	-
Total Operating Cash Flows	(134,672)
Investing Cash Flows	
Investments made	(170,000)
Investments realised	-
Dividends received from investments	64,063
Total Investing Cash Flows	(105,938)
Financing Cash Flows	
New capital received	-
Dividends paid	-
Total Financing Cash Flows	-
Total Cash Movements	(240,609)
Opening cash balance	304,254
Closing cash balance	63,644

Expected Cash Flows for the December Quarter



Following the end of the September quarter, Punakaiki Fund has completed an investment in Populate and Linewize. Further investments are likely to be undertaken before the end of the current December quarter after Punakaiki Fund's has completed its current capital raising.

27,820 September 2016 options were exercised after the end of the quarter, raising \$528,580. Brokerage of \$15,857 was paid to LWCM after the end of the quarter.

Punakaiki Fund is currently raising capital via a retail New Zealand offer and a wholesale Australia offer. Indirect costs of approximately \$20,000 (not incorporated in the brokerage fee that will be paid to LWCM) have been incurred in relation to the offer, specifically accounting, audit and legal costs. A brokerage fee of 3% of the final amount raised will be paid to LWCM to meet the other direct costs of the offers.

The payment of the interim December Quarterly Management Fee to LWCM of \$101,898.02 including GST was made and the final December Quarterly Management Fee payment of \$9,196 was approved by the Board.

The payment of approximately \$30,000 (yet to be finalised) to renew Punakaiki Fund insurances is also due.

Capital Raising Plans

Punakaiki Fund is currently raising capital via a retail New Zealand offer and a wholesale Australia offer. If you would like to receive a Product Disclosure Statement for the New Zealand retail offer or an Information Memorandum for the Australian Wholesale offer, please contact Lance (lance@lwcm.co.nz) or Chris (chris@lwcm.co.nz).

Additional Disclosures / Conflicts

With the exception of 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.

Contact

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

Lance Wiggs

Lance Wiggs Capital Management Limited

lance@lwcm.co.nz

+64 21 526 239

Chris Humphreys

Lance Wiggs Capital Management Limited

chris@lwcm.co.nz

+64 27 622 7803

For Governance queries, please contact:



Mike Bennetts

Mike.Bennetts@z.co.nz

