

# Punakaiki Fund Limited

## September 2017 Quarterly Report

### Welcome

Another quarter, and another company sold. The company was Linewize, which was sold to Family Zone (an Australian listed company). Punakaiki Fund now been paid the main part of the consideration, with 3.81 million Family Zone shares issued on November 29. We valued the sale at \$2.5 million as at the end of the quarter, discounting the total price to allow for the likelihood (or not) of all the shares ever vesting, as many are performance linked (see page 5 below for more detail).

During the quarter we also closed the July Wholesale Offer, raising \$1.8 million from 11 investors. We thank them all and welcome those who are new Punakaiki Fund investors.

We now have 625 investors, the average investment is \$32,000 and the average price per share paid was \$14.34. We are happy to announce the investor net asset value per share at the end of the quarter was \$20.88. That's 46% up on the average share price – though more recent investors will obviously show a lower increase than that.

We like reminding people that that iNAV includes the impact of all of our paid costs such as management fees and auditors, and it also includes a provision for the performance fees, which are payable only after an IPO and based on the increase in price of each share from original issue. Chris and I have now formally agreed to delay receiving a significant amount of any performance fee until well after the IPO so that the price can settle into an equilibrium.

During the quarter we made investments into Mobi2Go and Vibe Communications as well as very small placements into Hayload and New Zealand Artesian Water. After the end of the quarter we invested into Conqa (exercising some of our options), Weirdly and Vibe Communications. We also made our first investment into a new Portfolio Company – Coherent Solutions.

Coherent Solutions are specialists in test and measurement equipment and software for the highest speed laser telecommunications equipment. They have revenues of several million from customers around the world, and are taking investment to help seize the opportunities presented by a number of larger partners and customers. The company was founded by Andy Stevens and Iannick Monfils as a spinout from Southern Photonics, who retain a shareholding. Southern Photonics itself was spun out of Auckland University, and UniServices retains a shareholding in that company. We will be joined by three or four other institutional investors for this deal, which takes place over stages, but will contribute over half of the round. I (Lance) have already been appointed as a director – timing nicely with my resignation from Linewize.

Once again there is plenty to read, including news from Aratika, employment counts reaching 300 and all the numbers. As always all shareholders – yes this means you - are always welcome to call or email me.

*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 September quarter include:

- Ongoing development work for third product to add to Raygun's platform;
- Continued to build out US sales team (including a new US-based sales manager); and
- Launched its Real User Monitoring comparison tool.



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: **27.9%**

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

First Investment: **Jun 2014**

Highlights for the September quarter include:

- Vibe receiving a number of important customer orders (which unfortunately cannot be disclosed due to confidentiality requirements);
- Starting to build out their software development team and will look to add more people in the next quarter;
- Adding the LEO automation product to their product portfolio (an AI tool designed to strengthen Vibe's network automation abilities);
- After the end of the quarter, Punakaiki Fund increased the number of Vibe shares that it is contracted to purchase such that Punakaiki Fund will increase its shareholding in Vibe Communications to 35.0% before the end of 2018; and
- After the end of the quarter Karl Rosnell was appointed as CEO of Vibe, and Lance's brother John Wiggs, who had been acting CEO, stepped down.





Shareholding: **23.4%**

*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:

- Securing a contract with Comprehensive Care (a primary healthcare organisation in north Auckland) for Melon's mental health programme for mild to moderate mental illness, with the first patients starting the programme on 4 September;
- Won the award for disrupting mental illness at PsychCongress, the largest independent education event for mental health professionals in the US, at its 30th anniversary event in New Orleans; and
- Partnering with nib NZ on a Request for Proposal in relation to health insurance and wellness for Ngati Whatua Orakei. Melon Health and nib subsequently won the contract.



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 September quarter include:

- Having their biggest month ever August 2017, beating previous record month of November 2016;
- Member users signed up reaching 450,000;
- Increasing the sales/buying team up to 8 FTE; and
- Jay Goodey nominated for best creative personality in [Idealog](#).



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:

- Making significant progress with current customers about adding tracking functionality for their students on campus, with two day schools in the US showing interest in using Boardingware for student tracking; and
- Eton College in the UK in process of setting up trial.



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 September quarter include:

- Weirdly becoming of the first integration partner on Aotal's new Talent App Store;
- Starting to aim at larger enterprise customers with at least 1000 staff;
- Billy Morgan joining the product team in September as Senior Engineer; and
- After the end of the quarter, CEO Dale Clareburt presenting at the HRTech World Congress Amsterdam.





Shareholding: **12.6%**

*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 September quarter include:

- Having large pieces of work in production for 2 degrees, Foodstuffs and Fletchers;
- Making their first sale through Kiwi Host, who have in turn sold to Hirepool;
- Receiving an MBA report on Best Practice Learning Methodologies, which includes good recommendations but also indicates that RedSeed is ahead of the curve in their space; and
- Moved premises to a new office which includes a purpose made filming space with natural light.



Shareholding: **11.0%**

*ThisData provides contextual login authentication services for SaaS companies.*

First Investment: **Apr 2015**

ThisData (now renamed TD Limited) is a holding company for 200,000 OneLogin shares. OneLogin is a US-based private business providing sign-on and identity management for cloud-based applications. In the June 2017 quarter, TD completed the sale of the majority of its assets including intellectual property to OneLogin. The OneLogin shares owned by TD will be held under escrow for a period of time before they are able to be either distributed to TD's shareholders or sold by TD and the proceeds returns to TD's shareholders.



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 September quarter include:

- Completing having Country Managers in place in key markets and now beginning a strong push for outbound sales;
- Making a number of product enhancements including Promotions and new Welcome Home dashboard; and

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





Shareholding: **15.9%**

*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:

- Beginning to build out a senior sales team in Australia to focus on outbound sales in the Asia-Pacific region and to refine their repeatable sales model and new deals being closed with Tank Juice and Taco Bill;
- Focusing on outbound sales and larger sale opportunities, resulting in active discussions underway with a number of 100+ location groups; and
- During the quarter, Punakaiki Fund led an interim round of funding to help Mobi2Go accelerate and grow their sales effort.

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 September quarter include:

- Mindfull being selected as the Business Intelligence vendor for one of the largest businesses in New Zealand;
- The launch of the new Qubedocs cloud product has been a great success and has already converted into sales; and
- Successfully implementing a customer Net Promoter Score and a staff engagement framework that will allow Mindfull to keep improving their customer satisfaction and staff engagement.



Shareholding: **14.6%**

*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**

After the end of the quarter (23 October 2017), 100% of the shares in Linewize were acquired by ASX-listed company Family Zone ([FZO:ASX](#)) for NZ\$200,000 in cash and 19 million Family Zone shares. Half of these shares, or 9.5 million will only be released, over five tranches, if and when certain performance milestones are met over the next five years. The issue of the Family Zone shares requires the approval of Family Zone shareholders, which is being sought at the Family Zone Annual General Meeting scheduled for 28 November 2017. If shareholder approval for the issue of Family Zone shares is not granted then Family Zone is required to settle this transaction in cash. Further details on the transaction can be found in the [Family Zone announcement](#) detailing the transaction.

Punakaiki Fund's 20% shareholding in Linewize entitles it to a \$40,000 cash payment (received after the end of the quarter), 1.9 million Family Zone shares, subject to Family Zone shareholder approval, and up to a further 1.9 million Family Zone shares subject to certain performance thresholds being met.





Shareholding: **22.1%**

*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**

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Highlights for the September quarter include:

- Being fully focused on decommissioning the old plant line and building the new infrastructure (including the new plant line);
- NZAW completing the installation and first stage of commissioning the new higher speed line, on budget and within three weeks of target timeframe;
- Employing a new production crew, along with new staff to fill key executive positions within the business;
- Refining the final product and developing full set of new packaging; and
- Receiving positive results from drilling on the business' new Motueka block, with a high flow of good quality water being recorded.



Shareholding: **23.3%**

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

First Investment: **Jul 2016**

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Highlights for the September quarter include:

- Signing up new customers during the prime selling season (winter);
- Making a number of upgrades to the core software; and
- Punakaiki Fund investing a small additional amount via the exercise of a portion of its Hayload option.



Shareholding: **5.4%**

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

First Investment: **Feb 2017**

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Highlights for the September quarter include:

- Continuing very strong revenue growth;
  - Opening an Australian office and making Australian hires;
  - Expanding their team from 11 to 20 in a single quarter; and
  - After quarter-end, Punakaiki Fund invested an additional amount via the exercise of a portion of its Conqa option.
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# You're a Long Way from Aratika



## Where They Start 'em Young

Before I went back to university in my late 20's to study finance, accounting and other dark arts, I lived in a farm house at a place called Bell Hill, which was a few kilometres north of Lake Brunner on the South Island's West Coast. At the time I occupied myself with writing, gold fossicking and a bit of tractor driving to make ends meet. It was a short, but interesting chapter of my life in a place that is relatively remote and where people are not packed particularly close together.

It is not often that I come across people from my old stomping grounds on the West Coast, so when Kirsti Grant from Populate mentioned that she originally hailed from the West Coast, my immediate question was "where?"

"Lake Brunner" was the answer. Hang on a minute... where exactly? "Aratika originally but my parents live in Kotuku now".

Now both Aratika and Kotuku is what I would call *localities*. This is my way of politely saying there is only a road, two houses and the dairy cows outnumber people by about a hundred to one. One interesting feature of Kotuku is a  $\frac{3}{4}$  scale bungalow that the principal of the now defunct Jack's Mill School had his 10 to 12 year pupils build for "*experiential learning*" purposes in the 1930's.

So as a teenager, Kirsti lived, as the crow flies, about 5 kilometres from our farm house and had attended the same school that my then girlfriend (now wife) taught at. In case you are wondering, no, our paths did not cross (Kirsti was already attending high school by the time we showed up in the district).



*Child labour. Not necessarily as good a solution to the Auckland housing shortage as you might think.*

## The Path

So how does a salt-of-the-earth West Coaster go from the back blocks to become one of New Zealand's most respected "People & Culture" people and CEO of her own start-up? Well, it goes a little something like this (**warning – do not attempt the following – outcomes may vary**):

1. Finish high school (but not right to the end of Form 7 – sorry - Year 13);
2. Get a job as waitress at the Cheeky Kea in Franz Josef;
3. Quickly get another job at Franz Josef Holiday Park;
4. Be whisked away for three years at Franz Josef Glacier Guides (do you see a pattern emerging here?) looking after the bookings, safety briefings and the "boot room" (and generally learning to look after operations and people);
5. Move to Queenstown to manage a backpackers;
6. Hate managing a Queenstown backpackers and move to Christchurch for a "corporate job";
7. Get a job as a receptionist with Konica Minolta;
8. Get promoted to being a photocopier sales junior with Konica Minolta;
9. Get a sales job with Sharp (more photocopiers);
10. Relocate to Wellington with Sharp (even more photocopiers – please call Kirsti if you ever have a problem with a photocopier – just tell her I sent you);
11. Work out that working for Sharp in Wellington wasn't that flash and get interviewed by a recruiter for a new job;

12. End up getting employed to work for the recruiter instead of the role that she was interviewed for;
13. Start talking to Peter Ashby, a BDM at the time, at Trade Me about advertising through their Jobs portal;
14. Five weeks on being told that she may not be getting paid that week because the recruiter is a start-up with no cash;
15. Get back in touch with Pete at Trade Me and five interviews later joins Trade Me Jobs as an Account Manager;
16. Spend two years looking after recruiters and companies all over New Zealand but starts wanting more progression and money;
17. Join the on-line directory Finda as an Online Sales Specialist (more money);
18. Get head hunted by a new jobs board – Jobs.co.nz because of work at Trade Me Jobs and a keen interest in social media;
19. Move to Auckland with Jobs.co.nz;
20. Decide to try self-employment and created SocialSauce (a social recruitment consultancy that has Jobs.co.nz as its largest initial customer);
21. Meet Mel Rowsell at Vend and do some advisory work around using LinkedIn to promote their employer brand and source talent;
22. End up at Vend as employee #37 after their 2013 capital raising;
23. At step 20.5 also happen to fall in love with and move in with Vend Employee #12 (who goes by the name of Lance Hodges);
24. Help build the Vend team up from 37 to over 200 people;
25. Work out that dealing with hiring plans, global recruitment and general people, finance & management processes in a fast growing company is far too hard using traditional spreadsheets;
26. Also work out that there really isn't any other software out there that does the headcount planning job well;
27. Leave Vend in August 2015 (19 days after Punakaiki Fund invested in Vend – a coincidence I'm sure);
28. Start looking at a number of start-up ideas (including the solution to headcount planning woes - Populate) in September 2015;
29. Spend three months (a hard limit which was decided on beforehand) talking to a lot of companies and technology people about the Populate concept; and
30. Decide that the Populate concept has got legs and go for it, subsequently raising money from Punakaiki Fund (and others) in May 2016.



*Son: "Dad, what are yellow pages"  
 Father: "It's what we had before Google, son"*

So there you have it, the road to Populate: 30 easy steps undertaken in 15 easy years.

Isn't that right Kirsti?





## Really...?

But seriously, the path to Populate is not all Monteiths and whitebait. You could be forgiven for reading the last two points above really quickly and thinking that it is easy, but in reality, there is a lot more to it than that.

The first thing to say is that Populate is not just the Kirsti show. Lance (do you remember Vend employee #12 above?) is the other co-founder of Populate. Lance's background is in product development, special projects and operations, and he has a good knowledge of SaaS. So Lance is a pretty handy person to have around when you are thinking of starting a new SaaS business.



*Kirsti and Lance – Populates creators (I'm not sure what is going on behind the camera, but this picture does make you wonder).*

The second thing to say is that Kirsti is the real deal – on her journey from the Coast she has become both very experienced and highly respected in the HR planning space - both here and overseas.

The third thing to say is that the genesis of Populate wasn't something that was formed in a couple of months. It was the result of a lot of first-hand pain experienced by Kirsti in her past roles and the germ of the idea for Populate was aged in the years, rather than months, before anything started to actually progress. But I won't prattle on about that here. Instead I will rely on some plagiarism:

### ***The potted history – stolen from Populate's [website](#) (go there – it's actually not too bad):***

*“Co-founder and CEO Kirsti Grant first had the idea for Populate while working for a high growth tech company as VP of Talent. The company was expanding globally and with so much happening with multiple time zones, budgets and people, the only way to keep track of everything was through very. many. spreadsheets.*

*Unsurprisingly keeping track of everything through spreadsheets was not particularly effective and often led to lots of meetings with managers and finance. Sometimes, managers and finance would have, wait for it, their own spreadsheets, that needed to be aligned with Kirsti's main spreadsheets. It was spreadsheet-a-palooza, and it was driving Kirsti crazy.*

*Another problem with the spreadsheets was there was also no way of getting a quick overview of the global headcount plan for the business, nor was it possible to quickly slice and dice the people data to see where there were gaps. Talking with other HR professionals, managers and founders, Kirsti realised many people were struggling with this problem, yet there was nothing on the market to solve it.*

*So Kirsti teamed up with Lance, the VP of Product at the same high growth tech company, and together they founded Populate. With Lance's superior product development skills and SaaS experience, and Kirsti's HR know-how, Populate rapidly evolved through design and prototyping to the product you're about to get to know and love.”*



...and there was a lot of work to do. In those first three months Kirsti talked to a host of companies about their HR planning issues, ranging from big New Zealand companies like Air New Zealand and well-known overseas tech companies like Pinterest, through to smaller, fast growing companies including a number in the Punakaiki Fund portfolio. The message was the same: HR Planning is hard, slow and painful and in desperate need of a fix.

At the end of three months it was obvious that the Populate concept had more legs than *Mailable*, a concept also being considered by Kirsti and Lance that centred around out-of-office email messages tailored to the recipient. Once the decision to pursue Populate was made in January 2016, things started to happen relatively quickly. In February 2016, a marketing site had been created and a clickable prototype had been put together, which was used to impress a variety of high growth technology companies in San Francisco after attending SaaStr. In April 2016, Populate employed senior front-end software engineer Chris Greeff and in the following month, current senior back-end software engineer Matt Evans. Populate also had (and has) the help of Mal Curtis (current Principal Engineer at Vend) with the initial architecture and build and also Jacky Lee (also an ex Vend employee – thanks Vend!) who has designed everything you see in the product today.

It was also in May 2016 that Punakaiki Fund made its first investment into Populate, taking an initial 9.2% shareholding (now 14.6% following a couple of additional smaller investments). Since our first investment, Populate has continued to record milestones, including getting its first paying customers in June 2016, continuing to onboard a variety of customers of different sizes and locations around the world. The first year was all about testing, learning and iterating their software and that's exactly what they did. In July 2017 the team looked back at that first year and with a much clearer idea of what they wanted the future to look like and with a focus on mid-market customers they decided that changes to the structure of the software would allow for faster development of higher quality features and ultimately a much stronger product in the future. Wait... what?

### #NewPopulate

Making structural changes to the software (now known as “#newpopulate”) with customers on board and others in the pipeline is never an easy decision. However, with the long-term goal of making the software an even better fit for larger companies, it is a relatively small price to pay in a longer-term game and a decision that is already starting to pay off with a number of high profile technology companies being referred to Populate by top venture capitalists in Silicon Valley – all interested in how Populate is solving a problem they know well.



*Populate – known on Sand Hill Road, home of the Silicon Valley venture capitalist.*

That said, slowing down revenue growth in the short term is always a tough call for a cash strapped start-up, so hats off to Kirsti and Lance for being brave now and avoiding a lot of additional cost and wasted time in the future. At the time of writing, the new version of Populate is nearing completion and the team expect to migrate existing customers and start on-boarding new customers in the early New Year.

### That's All Very Interesting, But What Actually Does It Do?

Ahh, good question. Again, I will rely again on some plagiarism from the Populate [website](#) to tell you how it helps different parts of a business.

How it helps People Operations (HR):

*“Populate consolidates all your hiring and headcount data in one place and allows you to collaborate with all relevant stakeholders directly in the app. Populate will save you time, as well as provide insights that let you be more effective in developing or refining your hiring strategy.”*

How it helps people in Finance:

*"In many companies processes and visibility are often lacking and budgets aren't always being managed as they should. By using Populate, you'll get a clear overview of current and projected headcount costs - across department, entity and geography. You can see how budgets are being used and align that data against department/location performance to make sure it's budgets are allocated to the right places."*

How it helps Managers:

*"Based on your current headcount data and hiring plan, Populate gives you an overview of your people data, and you'll be able to collaborate directly with finance and People Operations within the app. Less emails and meetings mean more time you can spend on strategy, instead of admin."*

How it helps CEOs:

*"Populate consolidates all of your hiring plans and people data in one place. Quickly get an overview of your headcount costs and you can track to a budget. See how long it takes to fill jobs and be able to collaborate directly with your team."*

...in a few words, it takes away some of the pain associated with growing a company.

### **Kirsti's Top Tips**

For those of you out there contemplating a start-up, or maybe you already have one underway, here are some sage words straight from Kirsti that could be useful in your endeavours. Over to you Kirsti:

*"Values are important elements of your company culture. They're not just words on the wall or some random Word doc in your Dropbox folder. Hire to them, live them and if you have to - fire to them."*

*Your employer branding lives in every employee and the environment you provide. Measure employee engagement, know the likelihood of whether your people are likely to recommend working with you to their friends. The volume and quality of referrals you get is a key indicator of how well you're doing at providing a great place to work."*

*Understand what it is that will attract the talent you want. If it's technical talent - have technologies, tools and processes that are attractive. If it's sales - have great product training, competitive commission plans and proven ability to deliver absolute quality post sale."*

*Invest in your leaders at all levels. Some of your leaders will work their way into those positions along the way, others you'll hire in because you need the 'been there, done that' experience. Be clear about what leadership is for your business, invest in training, watch and listen for problems and if (inevitably when) problems occur don't ignore them."*

*Focus. As a company don't try to do everything or be everything to everyone. If you know what you're trying to achieve you can structure and hire accordingly. People are expensive even when you get it right so if you get it wrong they're REALLY expensive."*

*Reward people. Pay close to, if not at or above market rates. If you're a start-up things are hard enough as it is on your people, don't let money be another thing they have to worry about. Equity isn't a substitute to a salary, have a clear ESOP strategy and be honest with your employees about what liquidity might look like for your company."*

*Communication is often something that can be complained about in an organisation. Spend some time defining an internal communication strategy. Be smart with technology and don't ever assume that saying something once is enough."*

*Hard stuff. It's inevitable, there will hard times - it's how you deal with them that can make or break a company. Making sure that people know how to deal with conflict and stress is key."*

# Path to IPO

During the November 2017 Board meeting, Punakaiki Fund's Directors identified a number of work streams which will be pursued by the Directors and LWCM prior to the vote by shareholders on the listing of Punakaiki Fund's Shares on a recognised exchange. This process is being led by Chair Mike Bennetts, and the Board expects to take an active role in the process.

One of the primary work streams being lead by the Directors is the compilation of a recommendation paper which will be presented to shareholders prior to the shareholder vote. This recommendation paper will set out the advantages and disadvantages of listing both to shareholders and to Punakaiki Fund itself, and will make a recommendation to shareholders regarding the vote.

Another work stream is to identify and complete the policies required to be in place for a listed entity, a process which has been reinvigorated by the arrival in November of Kelsey Rioux, LWCM's first full-time employee. Kelsey is still a Masters of International Business student, but she is already making a difference.

Finally Chris and Lance are continuing to meet with brokers and other market participants in both New Zealand and Australia. Sadly for now the advantage is all with Australia, so if you want to give your New Zealand-based broker a nudge then please go ahead.

# Share Trading

Due to the pending retail Share Offer, there will be no formal Share trading facility offered immediately after the issue of this report.

The Offer will close in late December, so the next formal trading window will be arranged by LWCM in at least early February, following the publication of the December 2017 Quarterly Report. This lack of a formal market does not limit shareholders from trading their Shares among themselves in the interim, however LWCM will not be seeking buyers or sellers for those Shares.

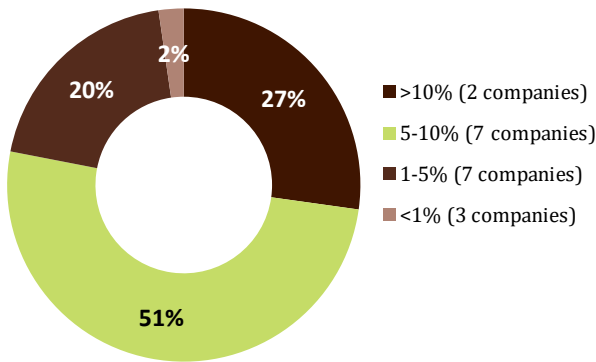
*Spotted recently in the Sunday Star Times' "Sunday" magazine. You need to go to Onceit for the "too cool" brands.*

## Portfolio Valuation Splits

The value ascribed to Punakaiki Fund's investments excluding cash is \$29.3 million. The diagrams below show various splits of this valuation by differing methods.

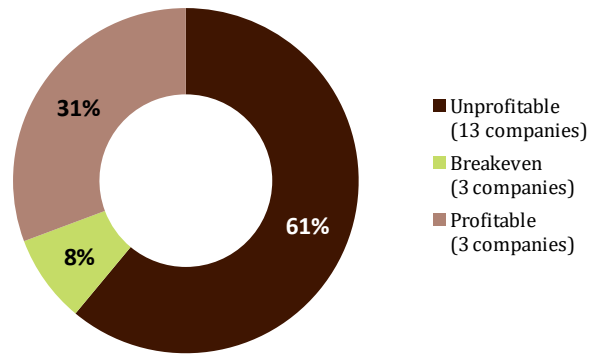


### Valuation Split By Concentration



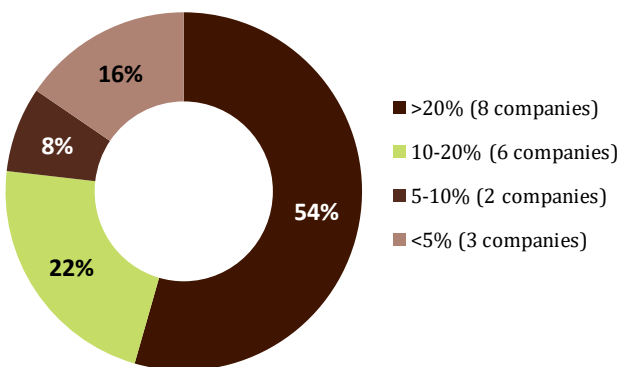
Punakaiki Fund has 27% of its investments by value in two companies which each contribute at least 10% by value to Punakaiki Fund's total portfolio value.

### Valuation Split By Profitability



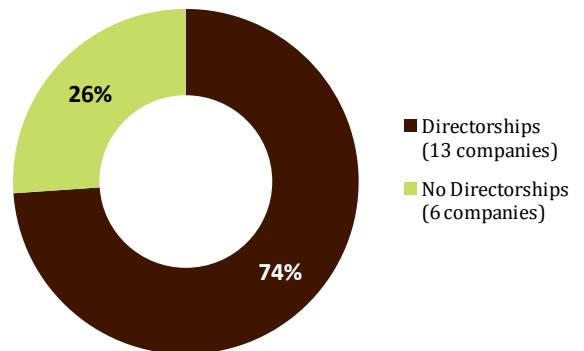
61% of Punakaiki Fund's investments by value are in unprofitable companies. 8% are in breakeven companies and 31% are in profitable companies.

### Valuation Split By Ownership %



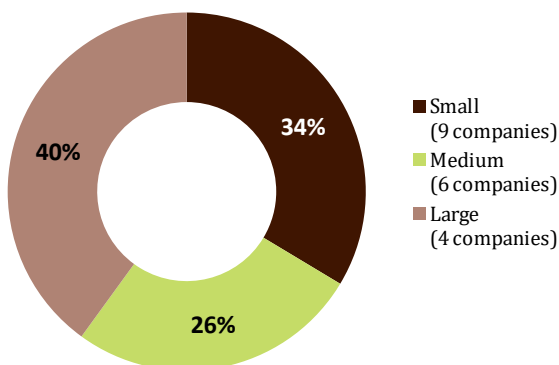
The companies in which Punakaiki Fund owns more than 20% comprise 54% of the total portfolio value. Those between 10-20% comprise 22% of the value.

### Valuation Split By Directorship



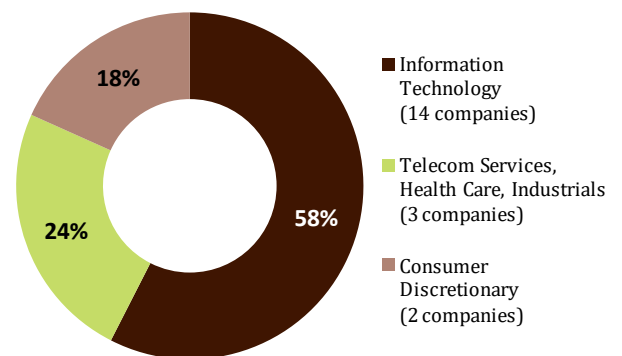
74% of Punakaiki Fund's investments by value have Punakaiki Fund board representation provided by the manager.

### Valuation Split By Revenues



Punakaiki Fund holds 34% of its portfolio in Small companies (less than \$1 million in revenues p.a.), 26% in Medium companies (\$1-10 million) and 40% in Large companies (more than \$10 million).

### Valuation Split By Industry



58% of Punakaiki Fund's portfolio is held in the Information Technology industry, 18% in Consumer Discretionary and 24% in Telecommunication Services, Health Care and Industrials combined.

## In the News



**Boardingware:** [Startup event set to help founders find their market](#)

**EverEdgeIP:** [Understanding how to sell things that don't exist](#)  
[What lies beneath](#)  
[Entering and expanding in the US: Big opportunity, big risk](#)

**Linewize:** [Schools hire private company to stop students bypassing internet filters](#)  
[Family Zone buys Linewize](#)  
[Family Zone acquires NZ kid-friendly firewall provider Linewize](#)  
[Family Zone Cyber Safety Signs Share Sale Agreement to Acquire 100% of Linewize](#)  
[Innovation awards for Sumner residents](#)  
[Kiwi school internet filtering startup sells to Aussie outfit in \\$20m deal](#)  
[Big future in little cousin of education exports - edtech](#)

**Melon Health:** [Melon Health Wins International Mental Health Award](#)  
['Panic button' mental health app to help youths struggling with bullying, depression](#)

**Mobi2Go:** [Online payment service Stripe launches in NZ](#)

**Populate:** [50+ Unstoppable Women in HR Tech](#)

**Timely:** [City's innovation and nous impress](#)  
[Growing businesses support NZ economy](#)  
[Timely lands \\$7m investment](#)  
[Meet the fastest growing Kiwi tech firms](#)  
[A Timely recycling of the Trade Me bounty](#)

**Vend:** [Vend appoints ex-Yelp director to lead A/NZ](#)  
[Vend launches free retail stock scanning app](#)  
[ASB's mobile app combines Xero, Vend and Shopify access](#)  
[9 Action Steps That Helped This Retailer Grow 250% in Three Years](#)  
[Leading Kiwi companies tell potential recruits that not having qualification is no barrier to employment \(video\)](#)  
[Serial dropout Vend founder shows his company's 'no qualifications' commitment](#)

**Weirdly:** [Start up owners stressed, anxious, depressed, and not seeking help](#)  
[Show and Tell: How do you attract and retain top talent?](#)  
[Reality Check: Weirdly's Dale Clareburt](#)  
[Weirdly Founder & CEO Dale Clareburt on Getting to the Heart of Cultural Fit](#)

**Punakaiki Fund:** [Punakaiki Fund targets mid-2019 listing with at least \\$100m of assets](#)  
[Snowball Effect records first profit](#)  
[Lance Wiggs: Portfolio valuations are 'really painful'](#)  
[Wholesale investors tip venture fund above \\$30m](#)



# Corporate Update

## Governance

The Board convened on 3 November 2017 for the quarterly Board meeting to consider, among other matters:

- Reviewing, discussing and approving Punakaiki Fund's revised [Investment Valuation Policy](#);
- Considering the capital raising option for the balance of the December 2017 quarter;
- Considering Punakaiki Fund Path to IPO (as discussed above);
- Reviewing Punakaiki Fund's risks, including risk to valuation, AML and SIPO compliance risk (all regular board meeting activities);
- Reviewing the performance of companies in the portfolio; and
- Reviewing this quarterly report.

The Board's next meeting is scheduled for 2 February 2018.

## Financial Reporting

The Investor Net Asset Value of the fund after all contingent performance fees at 30 September 2017 was \$29,265,319 (or \$20.88 per share), a material increase from the 30 June 2017 Net Asset Value of \$26,329,205. The Accounting Net Asset Value (which includes only the cash component of the performance fee and is used to calculate the management fee) was \$30,915,000, also materially up from \$27,774,385 in June.

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 July 2017 of \$1,407,704;
- \$679,749 was invested in Hayload, New Zealand Artesian Water, Mobi2Go (all new shares) and Vibe Communications (existing shares);
- \$1,640,251 was recognised as a net increase in the value of Punakaiki Fund's investments at the end of the September 2017 quarter compared to those values set out in the June 2017 quarterly report;
- \$1,800,000 in new capital was raised in the July/August 2017 wholesale capital raise;
- Management fees of \$159,703 including GST were paid to LWCM;
- Brokerage fees of \$54,000 were paid to LWCM in relation to the July/August 2017;
- Audit fees of \$36,541 were paid to Ernst & Young;
- \$1,294 were paid for accounting fees;
- Directors Fees of \$2,050 (including GST) were paid;
- Directors' out-of-pocket costs of \$1,393 were paid;
- Due diligence cost of \$863 were settled;
- GST refunds of \$21,456 were received; and
- A closing cash balance of \$2,293,505.





**Punakaiki Fund Limited - Unaudited Financial Position**  
as at 30 September 2017

	NZ\$
<b>Current Assets</b>	
Cash on deposit	2,293,505
Accounts Receivable	20,106
Prepayments	1,285
<b>Non-current Assets</b>	
Investments	29,250,000
<b>Total Assets</b>	<b>31,564,895</b>
<b>Current Liabilities</b>	
Accounts payable	8,352
<b>Non-current Liabilities</b>	
Accrued Performance Fee	641,543
<b>Equity</b>	
Retained earnings - Operations	(943,233)
Retained earnings - Accrued Performance Fee	(2,291,224)
Share-based Payment Reserve	1,649,681
Asset revaluation	12,980,843
Share capital	20,100,204
Capital Raising Costs	(581,271)
<b>Total Equity and Liabilities</b>	<b>31,564,895</b>
Accounting NAV	30,915,000
iNAV (after deduction of the performance fee)	29,265,319
iNAV per Share	\$20.88

**Punakaiki Fund Limited - Cash Flow Summary**  
for the quarter ending 30 September 2017

	NZ\$
<b>Operating Cash Flows</b>	
Gross Interest received	433
Withholding Tax on Interest	(143)
Bank Fees	(47)
Payments to External Advisors	(38,698)
Management Fees	(159,703)
Other Expenses	(3,749)
GST Refunds	21,456
<b>Total Operating Cash Flows</b>	<b>(180,450)</b>
<b>Investing Cash Flows</b>	
Investments made	(679,749)
Investments realised	-
Dividends received from investments	-
<b>Total Investing Cash Flows</b>	<b>(679,749)</b>
<b>Financing Cash Flows</b>	
New capital received	1,800,000
Brokerage Fees	(54,000)
Dividends paid	-
<b>Total Financing Cash Flows</b>	<b>1,746,000</b>
<b>Total Cash Movements</b>	<b>885,801</b>
Opening cash balance	1,407,704
Closing cash balance	2,293,505

### Expected Cash Flows for the December Quarter

Following the end of the September quarter, Punakaiki Fund has completed a small investment in Conqa by way of a partial exercise of Punakaiki Fund's option over Conqa shares and has also made investments in Vibe Communications, Weirdly and Coherent Solutions shares. These investments total \$1.512 million. Punakaiki Fund has committed to a second partial exercise of the Conqa option prior to the end of the current December quarter. Further investments may be undertaken before the end of the quarter.

The payment of the interim December Quarterly Management Fees to LWCM of \$164,067 including GST were made.

Payment of \$825 was made to the IRD in respect of PAYE on director fees and \$1,670 of AGM costs was also settled.

Punakaiki Fund's share of the Linewize transaction deposit, totalling \$40,000, was also received. It is expected that Punakaiki Fund will invest some of this amount into Linewize by way of a rights issues in order for Linewize to meet its working capital balance requirements under the Family Zone transaction terms.

Punakaiki Fund is planning to raise capital in the December 2017 quarter. Any funds raised will incur a brokerage fee of 3%, which is payable to LWCM.

### Capital Raising Plans

Punakaiki Fund is planning to raise capital via a retail offer, which is scheduled to be completed prior to the end of December 2017.



### **Additional Disclosures / Conflicts**

Grant Wakelin, who is the founder of 200 Square, an online real estate agency, was appointed as Finance Director for Vibe Communications. Lance Wiggs is a director and shareholder of 200 Square.

We note from previous disclosures that Lance Wiggs' brother John Wiggs was appointed as Acting CEO of Vibe Communications in March 2017. At that time Lance stood down from the Vibe Communications Board of Directors and LWCM appointed Chris Humphreys in his place. Subsequent to the end of the September 2017 quarter, John Wiggs has left Vibe Communications.

With the exception of the above and conflicts which have been previously disclosed, the directors of Punakaiki Fund or the managers of LWCM do not have any other 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:

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