

# Punakaiki Fund Limited

## September 2018 Quarterly Report

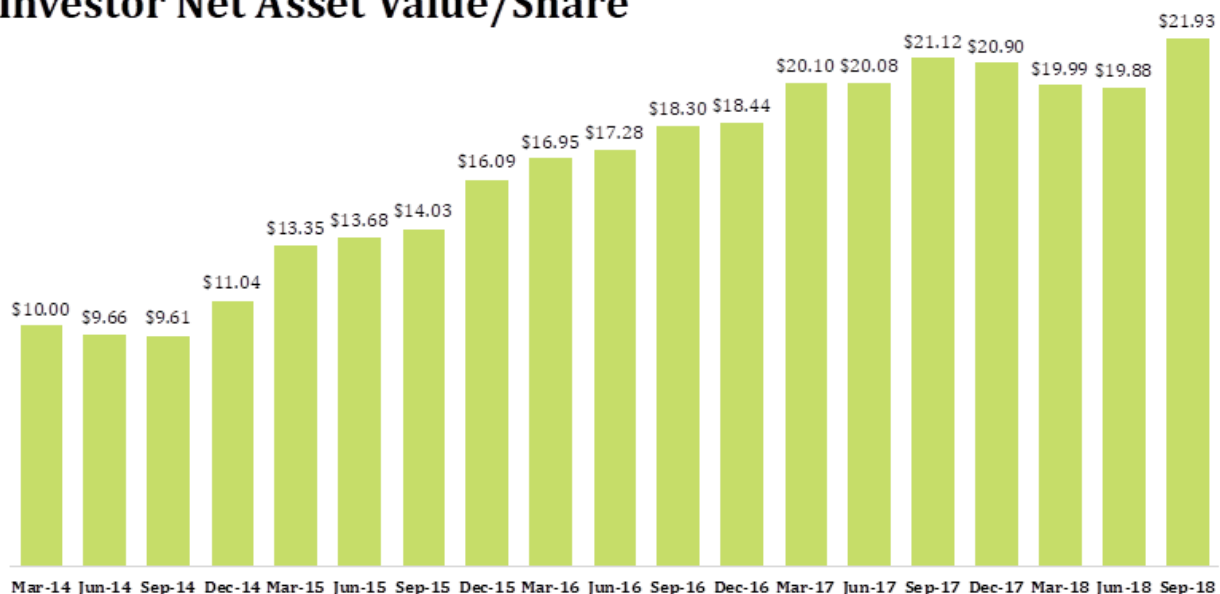
### Welcome

We are very happy to welcome to 158 new investors to Punakaiki Fund after our 2018 Retail Offer succeeded in raising \$2.54 million from 321 existing and new investors. Many thanks to all of you. We will be applying these funds, as stated in the Product Disclosure Statement, to investments in portfolio companies.

At the end of the quarter (and before the 2018 Retail Offer was complete) the portfolio was valued at \$40.70 million, and the investor net asset value per share was \$21.93, up from \$19.88 last quarter.

This was a significant jump, partially reflecting revaluations based on investments or proposed investments involving external parties, and partially reflecting increases in size and ongoing performance of investments. We only revalue investments when a material transaction in a portfolio company's shares has not completed in the last six months or when our cross checks show a difference of over 1% of overall portfolio value. With two companies close to that limit in mid-September, we knew that the possibility of change was high, and priced the retail offer accordingly.

### Investor Net Asset Value/Share



We continue to believe that the portfolio holds long term growth potential, but there is also high uncertainty about when that value will manifest. We work hard to have consistent and repeatable valuation processes, and have become increasingly grumpy (conservative) about valuations as we grow. The evidence in the chart above is clear - we have been unafraid to mark values down.



## **New Investments**

During the quarter we made substantial investments into Devoli, issuing \$1.51 million of Punakaiki Fund shares (at \$21 per share) to do so. We also invested \$0.52 million in to Weirdly, Coherent Solutions and Melon Health. After the end of the quarter, but before the 2018 Retail Offer closed, we made investments into Mobi2Go, Melon Health, and New Zealand Artesian Water. After those investments were made, we had less than \$2,000 left of funds available for investment – but significantly more in the bank thanks to our prudent cash reserves strategy.

In early November we announced that we led a large investment round of over \$3.3 million into Melon Health. We were joined, once again, by existing Melon Health investor K1W1, as well as a new fund – the Impact Enterprise Fund. When the investment is complete we will own 31.8% of Melon Health, and have options (at a higher price) to own more shares.

After the Offer closed, we also made investments in Coherent Solutions (now holding 17.7%) and Devoli (holding 43.2% now). We are working on other investments as well.

## **Continuous Wholesale Offer**

Now that the 2018 Retail Offer has closed, we are planning to launch an Investment Memorandum aimed at exempt (wholesale) investors. This Wholesale Offer will be at the same price of \$21.50 per share, and will remain open until we cancel it or replace it with a new offer at a different price. The minimum investment is \$21,500, and we can issue shares at any time. We will be marketing through advisors, directly to funds (including any Kiwisaver funds that are ready for private investing) as well as directly through our website.

## **More regular updates of investor net asset value per share**

As part of this new approach the Board will assess the investor net asset value per share each month, which we will report to you. We will also consider changes in investor net asset value per share when material events occur or information arises. If for any reason we are unable to reflect this in the investor net asset value then we may close the Wholesale Offer until we are able to do so. We remain committed to ensuring investments are made at a price that is fair to existing and new investors.

## **Webinar and Share Trading**

Our quarterly webinar will be held at 5pm on Thursday, 6 December 2018. [Pre-register here.](#) We will present the results, talk about new investments and will answer any questions.

Our quarterly share trading window will be open from Monday 3<sup>rd</sup> December to Friday 7<sup>th</sup> of December. This time (after feedback at the ASM) we will try emailing trading details each day to all investors throughout the week. Let's see how that goes.

Once again welcome to new investors, and many thanks to everyone for your ongoing support. I encourage you to get in touch with me, and to join us at the webinar.

*Lance*



# Portfolio Company Update

Key highlights for the September quarter for each company are set out below:



Shareholding: **1.84%**

First Investment: **Aug 2015**

*[Vend](#) provides cloud-based point-of-sale software that includes ecommerce, inventory management, customer loyalty and analytics.*

- Expanded their ecommerce offerings with addition of [Woocommerce](#) integration;
- Added customisable receipts, promo codes and tiered promotions to their catalogue of features;
- Launched Rand pricing and billing in South Africa; and
- Vend were named as winner of the Westpac Auckland Business Awards - Excellence in Innovation (Central).



Shareholding: **40.4%**

First Investment: **Jun 2014**

*[Devoli](#) is an Internet Service Provider that provides wholesale and corporate telecommunication services.*

- Continued revenue growth for the quarter, including increased momentum in Australia;
- Network upgrade plan approved, with new equipment to be deployed over the next 18 months starting in the December quarter;
- Punakaiki Fund increased its shareholding to 40.4% through the acquisition of shares from founders. Punakaiki Fund also has future agreements to purchase an additional 13.5% of Devoli shares before June 2020.



Shareholding: **25.6%**

First Investment: **Feb 2015**

*[Onceit](#) is an on-line daily deal site selling mid- to high-end fashion, beauty and homewares, predominantly in New Zealand.*

- Exceeded revenue targets for all three months in the quarter;
- Hosted a successful Garage Sale promotion from their new 3,000m<sup>2</sup> dispatch centre in Albany;
- Joined an Air New Zealand promotion, where customers can go through the Air New Zealand website and earn Air Points while shopping with Onceit; and
- Continued to make progress with Ministry of Primary Industries certification to be able to receive containers on site at their warehouse.



Shareholding: **19.6%**

First Investment: **Dec 2015**

*[Mindfull](#) is a global advanced analytics practice that builds data, information management and warehousing, predictive tools and platforms.*

- Released a new version of Qubedocs to the US and European markets;
- Was selected to build a full stack data management platform for a large property and facilities management company which will lead to the use of AI in the field; and
- Held a successful graduate night, which resulted in over 200 applications to join the Mindfull team.





Shareholding: **3.8%**

First Investment: **Jun 2014**

[Timely](#) provides a software platform to beauty and wellbeing businesses to manage bookings, reminders, point of sale, reporting and analytics.

- Announced a partnership with [Afterpay](#);
- Appointed a new independent director, Tabatha Coffey, who has significant industry experience and hosts the US Cable TV show, 'Tabatha Takes Over';
- Rolled out new branding; and
- Released a number of new features including unpaid invoice reports and user experience improvements to calendar and client management.



Shareholding: **6.3%**

First Investment: **Apr 2014**

[Raygun](#) provides a software intelligence platform including crash and error reporting, real user monitoring, and deployment tracking.

- Full launch of Raygun's third product on the platform - Raygun APM (Application Performance Monitoring), following successful beta testing in the June quarter;
- Released a "What's New" feature so customers can quickly identify any new functionality that has been released since their previous login;
- Expanded Java support so Java customers now have access to all Raygun features;
- Added Crash by Device reporting, which helps mobile developers understand which devices cause the most crashes so replicating errors becomes easier to avoid; and
- Signed up a number of new customers including HBO, Red Ventures and Avis Budget Group.



Shareholding: **15.8%**

First Investment: **Nov 2017**

[Coherent Solutions](#) develops and manufactures advanced laser test equipment for the global fibre optic communications market.

- Awarded a Callaghan R&D Growth grant in September and Callaghan Grant for three student internships in August as well as an NZTE International Growth Fund grant;
- Appointed two new directors, Roy Moody and Heather Grace in August;
- Delivered record monthly revenue in September, boosted by the expanded Coherent product line;
- Punakaiki Fund purchased a small amount of shares during the quarter and has entered an agreement to purchase another 1.9% of shares in Coherent Solutions.



Shareholding: **19.6%**

First Investment: **Oct 2015**

[Mobi2Go](#) is a digital ordering and engagement platform for the hospitality sector.

- Signed on a number of notable customers including Mad Mex (NZ and Australia), Cobs Bread (Canada), Baskin Robbins (Australia), Columbus Coffee (NZ) and Carls Junior (NZ);
- Launched the first phase of Mobi2Go Loyalty, allowing clients to better interact, know and drive repeat purchasing behaviours of their customers;
- Released a new scaled pricing model which allows Mobi2Go to benefit from the success of their customers driven by use of their product; and
- After the end of the quarter, Punakaiki Fund issued a convertible note as a pre-cursor to Mobi2Go's Series A funding round.





Shareholding: **29.9%**

First Investment: **Jul 2015**

[EverEdgeIP](#) is an intangible asset valuation specialist which helps companies drive growth and create wealth from intangible assets.

- Paul Adams (CEO) and Paul Davies (Head of Strategy) were recognised again as being among the top intellectual property strategists globally by IAM Magazine;
- The Intellectual Property Office of Singapore renewed its alliance with EverEdge in Singapore after a successful 12 month pilot; and
- EverEdge announced the appointment of Francis Milner as Chief Investment Officer (CIO) after the end of the quarter.



Shareholding: **19.1%**

First Investment: **Feb 2017**

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

- Started customer migration to a new architecture with substantial improvements in speed;
- Recorded 26% month on month growth in Australia;
- Acquired large customer Ganallen in New South Wales across four large sites with construction work valued of over AU\$1 billion; and
- Presented at the Venture Downunder event to several New Zealand and international Venture Capital funds.



Shareholding: **29.8%**

First Investment: **Mar 2015**

[RedSeed](#) helps large retailers increase their sales through proprietary and customised modules in a SaaS Learning Management System.

- Successfully completed integrations with large customers Kathmandu and Liquorland;
- Completed a document library which allows all customers to upload and manage their own documents and videos, enabling a Learning Management System; and
- Began trailing new sales strategies including a pilot with a large Australian customer and content only sales for the first time.



Shareholding: **24.6%**

First Investment: **Jun 2016**

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

- Delivered record revenue in August;
- Had their range of bottled water included in Countdown nationally and Foodstuffs in the South Island;
- Introduced a new water bladder machine which increased efficiency on the boxed water line and started to use recycled PET and glass bottles;
- Expanded into the beverage market with the acquisition of Hawkes Bay based NZ Natural Juice Company;
- Were nominated for an innovation award in the Food and Beverage sector; and
- Raised funds from existing investors in October and November, including a small amount from Punakaiki Fund.



Boardingware

Shareholding: **27.9%**

First Investment: **Feb 2015**

[Boardingware](#) helps schools manage their students' movements and pastoral care using a SaaS product.

- Developed the day school brand "Orah" with orah.com secured and trademarks in progress;
- Released Event Coordinator to help schools better plan events and activities and Gating to let schools prevent students from going on unauthorised leave; and
- Ranked top in class among student information systems globally by G2 crowd.





Shareholding: **24.9%**

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

First Investment: **Dec 2014**

- Signed contracts with Oscar Health, Georgia Accountable Care organisation and Home Physician Care (GPAC) and NIB;
- Launched COPD, hypertension and congestive heart failure monitoring; and
- Finalised a \$3.3 million investment round led by Punakaiki Fund. Punakaiki Fund are committed to contribute \$2.0 million in total, with the option to invest another \$2.4 million in mid-2020. Co-investors included K1W1 and Impact Enterprise Fund.



Shareholding: **31.5%**

[\*Weirdly\*](#) is a Human Resources technology SaaS platform, helping companies filter the best candidates from thousands of applicants.

First Investment: **Feb 2015**

- Weirdly have a fully staffed sales team for the first time with staff in Australia and USA and new sales systems and metrics;
- A new channel partnership model focus has been launched in the US and a pilot model launched for both enterprise and channel partners; and
- Exceeded performance goals, which triggered an investment tranche from Punakaiki Fund and other investors in October.



Shareholding: **14.6%**



Shareholding: **25.2%**



Shareholding: **23.3%**



Shareholding: **11.0%**



Shareholding: 1.9 million FamilyZone performance shares





# From Taranaki... in Style



## There's Something in the Water

I have a soft spot for Taranaki. It reminds me a lot of my old home down on the West Coast of the South Island: green, wet and rugged. It gives off the special vibe of a place a bit isolated; a bit frontier.

I've come to the conclusion that there is something going on in Taranaki. That indefinable-something borne of the local culture, and shaped by the land, the weather and the remoteness. It's in the people, and it has given rise to at least three entrepreneurs that have founded companies in which Punakaiki Fund has invested. The West Brothers (Hayload), Siobhan Bulfin (Melon Health) and Jay Goodey (Onceit) all hail from Taranaki, and they are just the ones that we know about. The province is certainly punching above its weight when it comes to producing entrepreneurs in our portfolio.



## The Path Isn't Always Through University

When Jay Goodey was growing up in New Plymouth, the thought of becoming one of the leading online apparel and fashion accessory retailers in New Zealand wasn't even close to being on his radar. Apart from the usual classes, Jay's time at school included a lot of rugby and cricket, and true to the province, a stint in surf lifesaving. After school, Jay steered clear of the accepted path of going straight to university that many of his mates pursued, and instead spent a year touring around New Zealand as a sound engineer for the band, Y1.



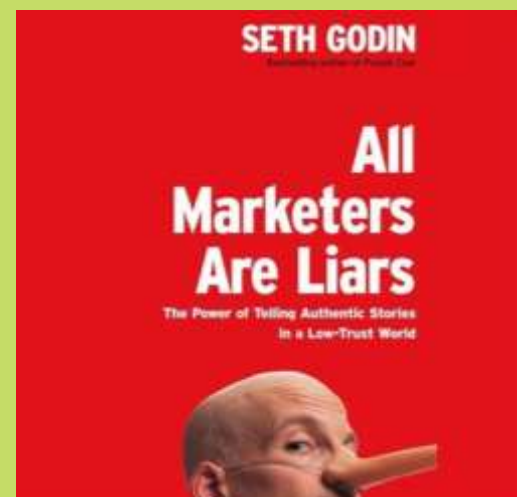
Y1 played a lot of gigs at intermediate and high schools, along with the odd performance in town halls. Before you ask, yes those school visits were in school time and no, they weren't performing songs about brushing your teeth or not talking to strangers; it was strictly a covers band. While in the band, Jay got to travel to such exotic locales as Gore, Levin, Hamilton, Westport... and even Samoa!

Once his touring days were done, Jay found himself back in the 'Naki. Next was a year doing social work, which involved making videos as part of the work he was doing with school kids. Jay found he was really good at the video editing part, so did a one-year course at film school. This led into a full-time gig editing film for a year, which gradually led in to the next big gig in Jay's life – Onceit.

## Blogs and Sample Sales

Onceit wasn't something that Jay dreamed up one day and immediately went to work on the next. It was the culmination of a lot of evening work, especially (as strange as this might sound) reading blogs. Two blogs in particular gave Jay a germ of an idea.

The first blog was by marketing and e-commerce guru Seth Godin, who wrote extensively about online retailing in a time where buying stuff online was only just starting to gain traction in the wider population. The second was a New Zealand-based blog that, from time to time, advertised after-hours sales in physical stores to its members and their family and friends.





Jay reckoned that putting this type of sale online had merit, and further evening research led Jay to a company called Gilt Groupe in the US that were doing this sort of thing for what they called “sample sales” – selling the last items from a manufacturing run, also known as end-of-lines. Brands often dispose of end-of-lines cheaply to avoid having a lot of money tied up in the few items left over after most of a product line is sold, and to avoid paying on-going storage costs. This provides an opportunity if someone is able source a number of desirable end-of-lines brands and set up a channel to sell them at cheap prices while still generating good margins.

## Onceit is Born

Jay took the plunge in early 2010 and started Onceit. At that time, there were a lot more women than men purchasing online and in order to tap into this market, Jay focused on women’s apparel and fashion accessories, and in particular, the premium brand end of the market.

Jay had \$20,000 saved up to start with. This was quickly spent on a website (\$15,000) and the lease on a premise (the rest) at which to receive goods and do product photo shoots. This was a start-up that needed to swim quickly or it would sink.

Starting from nothing was hard. Convincing brands to have their wares sold on a website that didn’t yet exist and with no subscribers was nearly impossible, but Jay persisted and persuaded twenty-seven names and Sabatini to come on board for Onceit’s first sales. With merchandise to sell, Jay started with three online sales per week.

## Start with 2,000

So how do you develop a member base (and the sales that follow)? It starts by going to friends and family over Facebook and asking them to join, and then getting those people to go to their friends and family and asking them to do the same. The initial brands that Jay brought on board also helped by introducing Onceit to their own New Zealand member bases, and an initial Onceit teaser website promising “insider prices coming soon” all helped Onceit’s initial membership base to expand.



New Zealand is not generally the type of place where you can get millions of people signed up overnight, but Jay did manage to get 2,000 people onboard before Onceit’s first offer went live in May 2010. From its small begins, Onceit grew by word of mouth and also offered credit to existing members that referred new members to the site. Within three months, membership numbers had increased to 10,000 and in under eighteen months had ballooned to over 100,000, all without spending any money on marketing.

## Onceit Today

Onceit now has 500,000 members, 300,000 of which are active users. Two weeks ago, Onceit had its largest sales day in its history and revenues (along with profit) continues to grow.

The business conducts around 80 sales campaigns per week and has sold hundreds of different product lines over the last 12 months. Alongside apparel and fashion accessories, Onceit also offers beauty products, furniture and homewares.

For Punakaiki Fund, Onceit has been a great investment. In addition to a significant increase in the value of our shareholding, we have also received nearly \$300,000 in cash dividends so far in calendar year 2018. Good on you Jay!





## Tips and Quips from the Coal Face

Jay has been there and done that. Here he shares his wisdom with the budding entrepreneurs amongst you:

- Make sure your concept is solid
- Persevere and put in a good performance – you need to have the backbone to see through the tough times
- Reach out for advice early. Jay did a lot of graft in the early days and until he had other people working with him, he didn't realise what his shortcomings were
- Being a solo founder works for some people and doesn't for others. Jay was happy enough as a solo founder, but probably wouldn't look to start up a company again
- If you are young, it definitely helps if you can be frugal. While Onceit was generating profit from day one, Jay was only kept fed by his girlfriend (now wife) in the early days



## Rewards

When I was flying up to Auckland last week, I noticed on one of the screens on the plane that you can earn Air New Zealand airpoint dollars when you shop on Onceit. So now you don't have an excuse. If you haven't signed up to Onceit, you can do that [here](#).

## Negative Working Capital - Naturally

For those of you not business minded, working capital is the funding a business needs to meet its day to day operating costs. Think investing in inventory to sell, paying for things before you've used them (like rent in advance) and generally having the funds available to meet your costs as they need to be paid. Most businesses have what is known as positive working capital requirements, which means when they are starting out, they need a chunk of money to meet these costs (just to be clear, working capital doesn't include big, capital intensive items like land, buildings and machinery). It also means that as they grow, they need to invest more into their working capital – think about stocking a new or expanded shop if you are a retail business.

There are a few ways that you can fund working capital. The first is the most common – cash. But you can also play with the way customers pay the business and the way the business pays its suppliers. When dealing with customers, businesses can deliver the goods and services and charge later (like your power bill), require payment at the time of sale (like your local supermarket) or, if you are able to wrangle it, require payment in advance (like a ticket for a concert or a flight).

As a business, when you require payment before the business itself has to pay for the goods or services that it is providing to its customers, you get a situation where you don't have to put money aside to fund the purchase of your inventory with cash, because you get the cash for the inventory from your customer before you ever have to pay for it. This is called having negative working capital, and it is a great situation for a business to be in if that is the natural way that it operates (but do note that this is slightly different from businesses that have a positive working capital structure, but have negative working capital because the business isn't doing well enough to pay its bills on time – gulp).

A large amount of the merchandise that Onceit sells is sold like this. Onceit's sells apparel, fashion accessories and other items on-line, takes the cash immediately, sends the orders to the brands to ship, and then pays the brand for the merchandise 30 days after the sale. For this reason, Onceit always has a large chunk of money sitting in its bank account, and it doesn't have to seek out new funding for working capital as it grows. Beautiful!

# ASM Results

The Punakaiki Fund 2018 Annual Shareholders Meeting was held in Auckland on 27 September 2018. During the meeting, the following four resolutions were put to shareholders:

**Resolution 1:** That the Company take such steps as are reasonable and necessary to apply for the listing and quotation of the Company's shares on a registered stock exchange.

**Resolution 2:** That Graeme Lance Turner Wiggs (Lance Wiggs), who retires by rotation in accordance with clause 14.3(d) of Punakaiki Fund's Constitution and being eligible, be appointed as a director of Punakaiki Fund with effect from the close of the ASM.

**Resolution 3:** That the total aggregate maximum remuneration payable to all directors of Punakaiki Fund by Punakaiki Fund be increased by \$60,000, from \$20,000 per annum to \$80,000 per annum, plus GST (if applicable). Such aggregate amount may be divided amongst the non-executive directors of Punakaiki Fund as the Board of Directors of Punakaiki Fund ("Board") deems appropriate.

**Resolution 4:** Auditor's appointment and remuneration: That Ernst & Young be re-appointed as Auditors of Punakaiki Fund under section 207 of the Companies Act 1993, and that the Board of Directors of Punakaiki Fund be authorised to fix the Auditors remuneration for the forthcoming financial year.

The first resolution was not passed (which was the desired outcome at this point in time, see 'Path to IPO' below), and the remaining resolutions were passed in the proportions as set out in the table below:

Punakaiki Fund Limited - Voting Summary - 2018 Annual Shareholders Meeting				
Shares Voted	For	Against	Abstain	Total
Resolution 1: Listing	32,050	575,992	-	<b>608,042</b>
Percentage of shares voted	5.3%	<b>94.7%</b>	0.0%	100.0%
Percentage of all shares	1.8%	<b>31.8%</b>	0.0%	33.6%
Resolution 2: Re-election of Lance Wiggs	544,542	-	63,500	<b>608,042</b>
	<b>89.6%</b>	0.0%	10.4%	100.0%
Resolution 3: Director Fee Pool	562,273	14,324	31,445	<b>608,042</b>
	<b>92.5%</b>	2.4%	5.2%	100.0%
Resolution 4: Auditor Appointment & Remuneration	595,739	9,903	2,400	<b>608,042</b>
	<b>98.0%</b>	1.6%	0.4%	100.0%

## Path to IPO

At Punakaiki Fund's 2018 Annual Shareholders Meeting, shareholders voted not to support Punakaiki Fund listing its shares on a recognised exchange (see Resolution 1 above). It is the Punakaiki Fund Board's and LWCM's view that Punakaiki Fund will be better placed to seek a listing once it reaches size of least \$100 million when measured by assets. The Punakaiki Fund Board and LWCM will maintain a watching brief on Punakaiki Fund's path to IPO in the interim, and we will discontinue this section for now.

## Share Trading

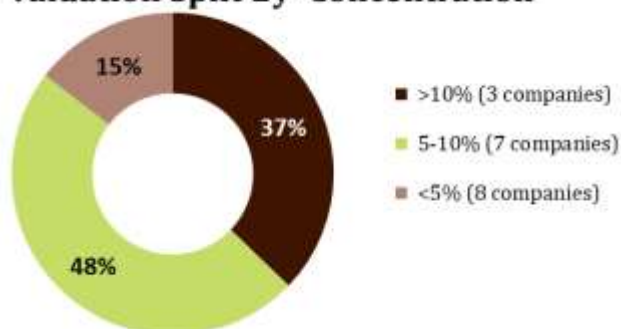
The Quarterly Share Trading Window will open on Monday, 3 December 2018 and close on Friday, 7 December 2018. We will email a reminder closer to the time. If you would like to either buy or sell Punakaiki Fund shares, please email James at [james@lwcm.co.nz](mailto:james@lwcm.co.nz) and we will run an auction process to determine a 'clearing' price that shares will trade at. Those who bid at or above the clearing price will buy shares at the clearing price, and those who offer to sell at or below the clearing price will sell shares at the clearing price. The auctions have multiple rounds so buyers and sellers have the ability to change their bids or offers as the action progresses.



# Portfolio Valuation Splits (as at 30 September)

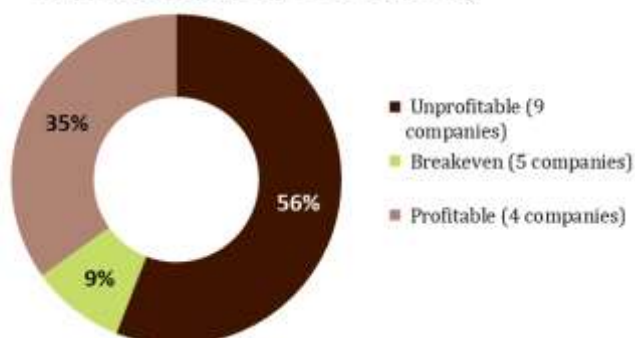
The value ascribed to Punakaiki Fund's investments excluding cash is \$40.70 million. The diagrams below show various splits of this valuation by differing methods.

## Valuation Split By Concentration



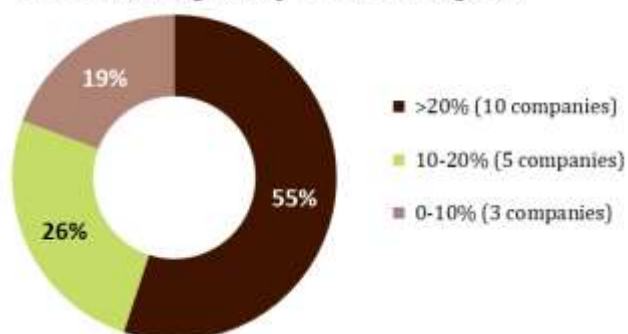
Punakaiki Fund has 37% of its investments by value in three companies which each contribute at least 10% by value to Punakaiki Fund's total portfolio value.

## Valuation Split By Profitability



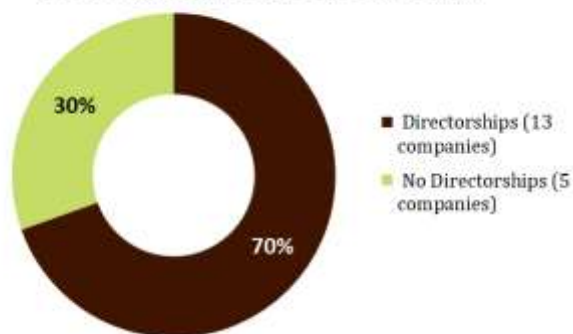
56% of Punakaiki Fund's investments by value are in unprofitable companies. 9% are in breakeven companies and 35% are in profitable companies.

## Valuation Split By Ownership %



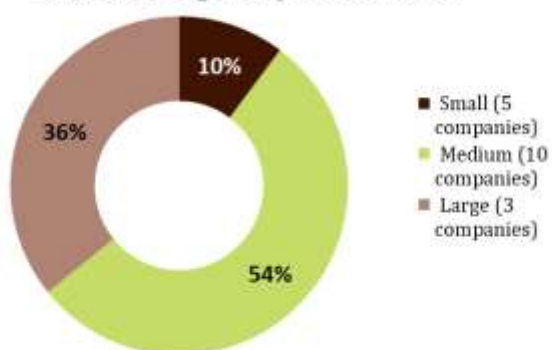
The companies in which Punakaiki Fund owns more than 20% comprise 55% of the total portfolio value. Those between 10-20% comprise 26% of the value.

## Valuation Split By Directorship



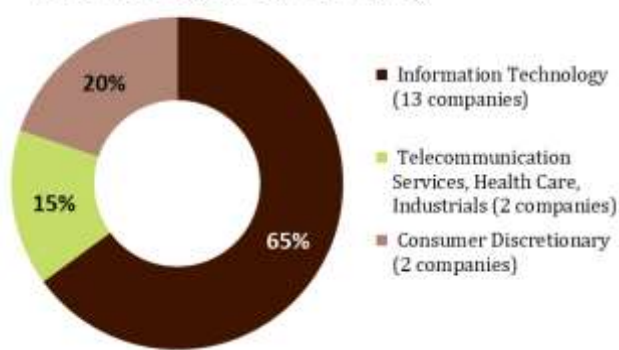
70% of Punakaiki Fund's investments by value have Punakaiki Fund board representation provided by the manager.

## Valuation Split By Revenues



Punakaiki Fund holds 10% of its portfolio in Small companies (less than \$1 million in revenues p.a.), 54% in Medium companies (\$1-10 million) and 36% in Large companies (more than \$10 million).

## Valuation Split By Industry



65% of Punakaiki Fund's portfolio is held in the Information Technology industry, 20% in Consumer Discretionary and 15% in Communication Services, Health Care and Industrials combined.



# In the News

Coherent Solutions	<a href="#"><u>Coherent Solutions, MultiLane, National Instruments show optical transceiver test on PXI platform at ECOC 2018</u></a> <a href="#"><u>Coherent Solutions focused on international growth with new directors and product expansion</u></a>
Linewize	<a href="#"><u>Family Zone signs deal with Woolworths to sell child-friendly secure mobile phone</u></a>
Melon Health	<a href="#"><u>Auckland hapu signs up half of members for free health insurance in first 12 weeks of scheme's offering</u></a>
Mindfull	<a href="#"><u>Auckland's Mindfull named as first Kiwi Anaplan reseller</u></a> <a href="#"><u>Anaplan partners with Mindfull to boost NZ expansion</u></a>
Raygun	<a href="#"><u>Webinar with Raygun: Building Better, Faster, Stronger Software as a Team</u></a> <a href="#"><u>How Raygun Processes Millions of Error Events Per Second</u></a> <a href="#"><u>Failing to succeed: Why anything is possible if you're just willing to try</u></a>
Timely	<a href="#"><u>Celebrity stylist a Timely acquisition</u></a> <a href="#"><u>Reality TV star Tabatha Coffey joins board of Kiwi software company</u></a> <a href="#"><u>Tabatha Coffey Takes Over Dunedin business Timely</u></a>
Vend	<a href="#"><u>Vend &amp; Xero sign brand insight deal with Perceptive</u></a> <a href="#"><u>Fast Moving (SA): SA retailers buck global trends: Vend reveals the best retail businesses to be in</u></a> <a href="#"><u>National Business Review (NZ): NBR Radar: Vend's bout of new growth and shift to AI</u></a>
Weirdly	<a href="#"><u>Kiwi startup leaps over the ditch.</u></a> <a href="#"><u>Another Kiwi startup making the leap over the ditch</u></a> <a href="#"><u>'Move over Xero, there's another Kiwi startup making the leap'</u></a> <a href="#"><u>Meet the Kiwi software recruitment firm eyeing up the Aussie market</u></a>
Punakaiki Fund	<a href="#"><u>Callaghan silent on Powerhouse's poor performance</u></a> <a href="#"><u>Punakaiki launches 'private equity for the people' funding round, updates on NZX plans</u></a> <a href="#"><u>Taking kiwi investment to the next level</u></a>



# Corporate Update

## Governance

The Board convened on 9 November 2018 for the quarterly Board meeting to consider, among other matters:

- To set the value of Punakaiki Fund's investment portfolio as at 30 September 2018;
- To review Punakaiki Fund's investment portfolio;
- To consider updates to the Statement of Investment Policies and Objectives;
- To consider the proposed continuous disclosure wholesale offer information memorandum and update approach;
- To consider Punakaiki Fund's future proposed mix and concentration of investments; and
- To receive and consider this quarterly report.

The Board's next meeting is planned to be held in early- to mid-February 2019.

## Financial Reporting

The Investor Net Asset Value of the fund after all contingent performance fees at 30 September 2018 was \$39,690,456 (or \$21.93 per share), an increase from the 30 June 2018 Net Asset Value of \$34,541,143. This increase is partly from increased portfolio company valuations and partly from issuing new capital. The Accounting Net Asset Value (which includes only the cash component of the performance fee and is used to calculate the management fee) was \$41,653,575, also up from \$35,710,014 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 2018 of \$2,353,852;
- \$524,898 was invested in Weirdly (new shares), Coherent Solutions and Devoli (all existing shares) and Melon Health (convertible note);
- \$4,846,000 was recognised as a net increase in the value of Punakaiki Fund's investments at the end of the September 2018 quarter compared to those values set out in the June 2018 quarterly report;
- \$1,510,068 of Punakaiki Fund shares were issued to settle the acquisition of Devoli shares (no brokerage was paid to LWCM on the issue of these shares);
- Net dividends of \$102,500 were received from Onceit;
- Management fees of \$191,015 including GST were paid to LWCM;
- \$2,820 was paid for accounting services;
- \$27,807 was paid for independent valuations;
- \$43,189 was paid for audit services;
- GST refunds of \$24,431 were received
- Sundry costs of \$256 were incurred; and
- A closing cash balance of \$1,691,071.





<b>Punakaiki Fund Limited - Unaudited Financial Position</b>	
<b>as at 30 September 2018</b>	<b>NZ\$</b>
<b>Current Assets</b>	
Cash on deposit	1,691,071
Accounts Receivable	32,671
Prepayments	3,295
<b>Non-current Assets</b>	
Investments	40,700,000
<b>Total Assets</b>	<b>42,427,038</b>
<b>Current Liabilities</b>	
Accounts payable	10,027
<b>Non-current Liabilities</b>	
Accrued Performance Fee	763,435
<b>Equity</b>	
Retained earnings - Operations	(1,533,524)
Retained earnings - Accrued Performance Fee	(2,726,555)
Share-based Payment Reserve	1,963,119
Asset revaluation	16,009,455
Share capital	28,673,097
Capital Raising Costs	(732,018)
<b>Total Equity and Liabilities</b>	<b>42,427,038</b>
<b>Accounting NAV</b>	<b>41,653,575</b>
<b>iNAV (after deduction of the performance fee)</b>	<b>39,690,456</b>
<b>iNAV per Share</b>	<b>\$21.93</b>

<b>Punakaiki Fund Limited - Cash Flow Summary</b>	
<b>for the quarter ending 30 September 2018</b>	<b>NZ\$</b>
<b>Operating Cash Flows</b>	
Gross Interest received	471
Withholding Tax on Interest	(156)
Bank Fees	(41)
Payments to External Advisors	(73,817)
Management Fees	(191,015)
Other Net Expenses	(256)
GST Refunds	24,431
<b>Total Operating Cash Flows</b>	<b>(240,383)</b>
<b>Investing Cash Flows</b>	
Investments made	(524,898)
Investments realised	-
Dividends received from investments	102,500
<b>Total Investing Cash Flows</b>	<b>(422,398)</b>
<b>Financing Cash Flows</b>	
New capital received	-
Brokerage Fees	-
Dividends paid	-
<b>Total Financing Cash Flows</b>	<b>-</b>
<b>Total Cash Movements</b>	<b>(662,781)</b>
Opening cash balance	2,353,852
Closing cash balance	1,691,071

### Expected Cash Flows for the December 2018 Quarter

Following the end of the September quarter, Punakaiki Fund has made additional investments in Weirdly, Melon Heath, New Zealand Artesian Water, Mobi2Go, Devoli and Coherent Solutions totalling \$2.294 million. Further investments are likely to be undertaken before the end of the quarter.

The payment of the interim December Quarterly Management Fees to LWCM of \$211,870 including GST occurred in early October 2018 and the payment of the final December Quarterly Management Fees to LWCM of \$27,638.19 including GST occurred in the middle of November 2018.

Insurance fees of \$46,790 including GST, accounting fees of \$660 and valuation fees of \$3,450 have been paid to date in the December quarter.

A brokerage payment of \$76,095 is due (but not yet paid) to LWCM relating to the October 2018 retail offer which closed on 14 November 2018. Punakaiki Fund is raising capital in the December 2018 quarter under a continuous wholesale offer. Any funds raised will incur a brokerage fee of 3%, which is payable to LWCM.

### Capital Raising Plans

Punakaiki Fund has recently closed a retail offer to New Zealand residents on 14 November 2018, raising \$2.536 million. A continuous wholesale offer is planned to be launched in late November 2018 or early December 2018. This offer allows wholesale investors to invest in Punakaiki Fund at any time.

It is expected that the Punakaiki Fund's next retail offer will occur within the September to November period in 2019.



**Additional Disclosures / Conflicts**

With the exception of the 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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