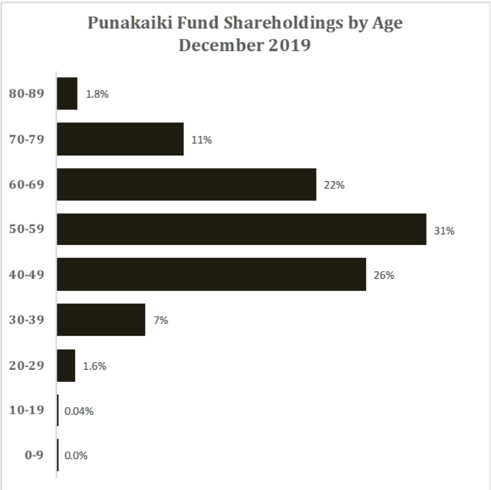
Punakaiki Fund Limited

Sep 2019 Quarterly Report

Key Statistics	
Total Asset Value	$49.3 million
Investor Net Asset Value (iNAV)	$46.5 million
Shares on issue	2,026,409
Total Asset Value / share	$24.34
iNAV/share	**$22.93**

Performance	
Annualised Share price Return – last 12 Months	4.5%
Annualised Share price Return - Since Inception[1]	17.2%
Annualised Internal Investment Returns[2] – All Investments	20.16%
Annualised Internal Investment Returns[2] – Investments within Mandate	23.99%
Internal Total Value to Paid In Capital (TVPI)[2] – All Investments	1.65x
Internal Total Value to Paid In Capital (TVPI)[2] – Investments Within Mandate	1.82x

Welcome



Welcome to 45 new investors, and thanks to them, indeed to all 591 of you who participated in the 2019 Retail Offer and Rights Issue. The offer raised $5.43 million and we issued 325,413 shares at an average price of $16.69 per share.

We are very happy with this result. The structure of the offer was in response to investor demand for a rights issue, and with 591 participants, and now 886 shareholders, Punakaiki Fund once again shows that we have the broadest support of any venture fund in New Zealand. We are happy, as always, to note the names of several founders, senior staff, active venture investors and industry leaders in our list of investors. Many thanks for your support.

Who are Punakaiki Fund's Investors?

Punakaiki Fund's investors currently range from under 5 years to over 85 years old, and it is unsurprising to us that the bulk of the shares are owned or controlled by people between 40 and 70 years old.

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[1] Assumes full participation in option and rights issues.
[2] Internal performance measures are exclusive of all fund costs

As you can see, the older investors tend to have higher amounts of shares. This is a natural effect of people accumulating wealth as they progress through life, and after retirement tend to gradually shift assets across to yield versus long-term growth. It is our ambition to pay dividends, but not until the fund is listed and at scale and we run out of good investment opportunities.

Over four-fifths, or 81%, of the shares are owned in the North Island, including 19% in Wellington and 50% in Auckland. Just 2.4% of the shares are owned offshore, and as far as we can tell almost all of these investors are related to New Zealand.

The shareholdings range in size from the 14 people who hold just 10 shares each (worth $221 at the latest iNAV/share) all the way up to the top 52 investors who collectively hold 50% of the shares, worth over $26 million at the same iNAV/share.

A Good Start

Starting with just $1.5 million in 2014, Punakaiki Fund has now raised a total of $38.8 million, at an average price of $16.51 per share. The fund has invested over $30 million, and had $5.4 million in cash after the offer closed. The total assets are $54.5 million, using the company valuations derived for the Retail Offer.

After the offer and our provisioning for operating costs, we had $4.4 million to allocate to new investments. We expect to place around half of the $4.4 million with each of existing and new investments, and have already placed over $1 million in portfolio companies Devoli, Conqa and Weirdly.

In the calendar year to date Punakaiki Fund raised $7.6 million and received an additional $0.36 million (with another $0.15 million expected before year-end) from dividends and the sale of investments. That makes of total of $8.1 million received for the year. Roughly speaking this reflects about as much capital to allocate as that of a $45-50 million traditionally structured venture capital fund. Rather than raise a second or third fund we continue to reinvest any proceeds, and to raise more funds each year. We generally expect the amount of funds we receive from all sources to grow each year, and aim to be able to invest with increasing scale.

As we grow the prospect of a listing becomes more viable, but we continue to maintain that the assets need to be over $100 million for a listing to make sense. Punakaiki Fund's approach is designed to be suitable for retail investors and for institutional funds, who will both benefit from the eventual listing of Punakaiki Fund.

Our weighted average date of investment is 900 days ago, while the average date of receiving investment (excluding the capital just raised) is 1,000 days ago. So in essence we are equivalent to a 3-year old fund, and we allocate our investments quickly to companies. We see that a 34% uplift is very good for this stage of a venture capital fund, as we have written down or off the less successful investments, sold two and and have a core portfolio of 14 companies that we are very happy with. We are looking forward to years of strong growth in revenue and value for most of those 14 core portfolio companies.

VCF Bill

During the quarter we submitted on the Venture Capital Fund Bill, and on the Policy Statement around that. The Committee inputs are on the parliament website, including all submissions as well as reports from Treasury, MBIE and the Bill itself. The submissions from ourselves and other funds on the Policy Statement are also available from MBIE.

That Bill has now passed its final reading and is waiting for Royal Assent. We have started to engage with NZVIF as we look towards the details emerging on how this will work in practice.

NZ Artesian Water

During the quarter we saw a lot of activity with NZ Artesian Water. While we placed the bulk of our funding there over two years ago, we were continuing to support them with small investments that generally bridged larger investment rounds. It became increasingly obvious that, despite very strong growth, the capital intensive and plastic generating nature of the business was not aligned with our strengths in technology investing or our Socially Responsible Investment Policy. The company had tight finances as it went through the quiet winter period, and this eventually resulted in a restructuring to be much leaner and the return of the founders to the business. We are not participating in the current investment round for NZ Artesian Water, which is dilutive, and have written the value of the investment down to a level that is no longer material for Punakaiki Fund. I resigned as a director just before the Retail Offer, and we expect a new Board to be in place once the current funding round is closed.

In retrospect we made a mistake with this investment, and while it's wonderful to see the founders back in control, and we expect the company will recover well, we are comfortable with the write-down and are focused on the rest of the portfolio.

We appreciate you have been subjected to a lot of information about Punakaiki Fund recently due to the Retail Offer. But do read on to learn about Belinda and Richard's adventures with Mindfull and catch the latest news on each company.

Quarterly Webinar

Our Quarterly webinar will be held on Friday 20th at 10am. Pre-register now. The webinar will be about 30 minutes long, and as always we will answer any questions you have.

Quarterly Share Trading Auction

There will be no quarterly share trading window this quarter, due to the timing of the Retail Offer and Rights Issue. The next opportunity to trade shares should be in February.

Once again thank-you for the overwhelming support during the Rights Issue. We look forward to carefully deploying the funds and building the value of your investment.

Lance

Portfolio Company Update

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

Shareholding: **1.9% (1.7%*)**

First Investment: **Aug 2015**

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

- Completed the transformation of its support operations and have subsequently seen a dramatic improvement in customer satisfaction.;
- Quickbooks online integration was enhanced to allow use of store credits;
- Implemented a tool to allow retailers to capture and report on product serial numbers;
- Realized threshold taxes, which is a key enhancement for US-based retailers; and
- Gail Hambly joined as a non-executive director and Andrew Fraser joined as Interim Chief Revenue Officer.

**Fully diluted shareholding after accounting for employee options*

Shareholding: **48.8%**

First Investment: **Jun 2014**

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

- Finalist in Broadband Compare TUANZ awards - Innovation category;
- Continued a programme of network upgrades and enhancements; and
- Continued to make strong progressed on signing up large new customers.

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.

- Strategic push for greater volume of Marketplace products and sales. Currently a quarter of products live on the Onceit site are dispatched via Marketplace, which means the products do not come into our hands, they are delivered directly to our customers by our suppliers; and
- Launched a Marketplace Supplier Portal for real time viewing of orders, cost and tracking.

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.

- Signed a large new software and services deal with the New Zealand Defence Force;
- Signed-up to become an Adaptive Insight partner;
- Launched Qubedocs on Oracle at the Oracle conference in San Francisco in September 2019; and
- Employed three new people in the USA for sales.

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.

- Continued to make significant progress on a number of projects that solve large customer problems;
- UK entry officially launched with two back-to-back industry expos in London in September and early-October, with an extremely positive reception with a number of local connections forged; and
- Hired four people in the UK to execute market expansion plans in that country.

Shareholding: **6.3%**

First Investment: **Apr 2014**

Raygun provides a software intelligence platform including crash and error reporting, real user monitoring, and deployment tracking.

- Raygun have continued to grow its large-customer based with customers like HBO;
- Raygun will soon be running on more than 125,000 Xbox's in Europe for HBO, in addition to the millions of devices that Raygun already runs on for them; and
- Raygun continues to work on code and process improvements, and is shifting to specialised individual product teams.

Shareholding: **17.7%**

First Investment: **Nov 2017**

Coherent Solutions develops and manufactures advanced laser test equipment for the global fibre optic communications market.

- In material discussions with a large potential semi-conductor customer;
- Identified large emerging opportunities outside of the telecommunications industry, including in consumer electronics, 3D sensing and LiDAR;
- Currently working through a number of defence and aerospace-related sales opportunities; and
- Discussions underway for a material capital raising.

Shareholding: **16.1%**

First Investment: **Oct 2015**

Mobi2Go is a digital ordering and engagement platform for the hospitality sector.

- Released a Kiosk product in beta to first Australian customer; and
- Success based revenue growing at 13% month-on-month.

Shareholding: **28.2%**

First Investment: **Jul 2015**

EverEdgeIP is an intangible asset valuation specialist which helps companies drive growth and create wealth from intangible assets.

- Experienced solid growth in its consultancy business;
- Appointed Marie Papageorgiou as a Senior Manager in its Singapore office; and
- Continued to seek additional consultants to add to the team.

Shareholding: **20.0%**

First Investment: **Feb 2017**

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

- Raised $2 million in a offer to investors, with strong support from the construction & property development industry; and
- Ed Costello has joined as a principal engineer. Ed is highly experienced, previously coming from Orion Health.

Shareholding: **32.8%**

First Investment: **Mar 2015**

RedSeed helps large retailers increase their sales through proprietary and customised modules in a SaaS Learning Management System.

- Appointed a new account manager to look after, upsell and expand offerings to New Zealand customers;
- Signed new customer contracts including Ngahuia Group (Number One Shoes and Hannahs), Spotlight Group, Anaconda Group (Australia) and Kiwi-kitchens;
- Created a working partnership with Simon Thomas of Secure Systems (a cyber security expert) and will on-sell his courses as RedSeed aims to increase its offering of training courses in specialised areas; and
- The company is profitable so far this year and growing sustainably.

E'STEL NZ

Shareholding: **23.6%**

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).

- Restructured to sharply reduce budgeted costs, with a new investment round underway (Punakaiki Fund is not participating);
- Adrian Toft and Dave Ashcroft resigned as CEO and (part time) CFO, and subsequently sold their shares to the founders and other investors; and
- Founder Andrew Strang appointed as CEO.

Boardingware

Shareholding: **30.1%**

First Investment: **Feb 2015**

Boardingware helps schools manage their students' movements and pastoral care using a SaaS product.

- Signed a three-year contract with Eton College;
- Built the first iteration of a workflow automation feature; and
- Identified Excursions and Education Outside the Classroom as a key opportunity within the New Zealand and Australian day-school market.

melon health

Shareholding: **32.3%**

First Investment: **Dec 2014**

Melon Health gives chronic disease patients on-line platforms with the tools, support and information to help manage their condition.

- Melon Health has appointed Ron Wilderink as CFO. Ron has 30 years of experience as a CFO including preparing companies for capital raising and acquisition; and
- Fast-tracked the development of outcome measures at the request (and funding) of Tu Ora Compass Health as part of their contract to provide support for 18-25 year olds with mild to moderate mental illness.

weirdly

Shareholding: **29.4%***

First Investment: **Feb 2015**

Weirdly is a Human Resources technology SaaS platform, helping companies filter the best candidates from thousands of applicants.

- Launched Target (as Australian retailer) account with Talent Pool and Customer Relationship Management solution with very positive results and customer feedback. The results include improved interview to hire ratios, ease of scheduling and speed of hire;
- Renewed contracts with Atlassian and Bumble in the USA for a third and second year respectively; and
- Launched the integration with Greenhouse (a US-based applicant tracking system). This is Weirdly's fifth successful integration and will further contribute to future sales opportunities.

**Punakaiki Fund also holds a small convertible note in Weirdly*

Being Mindful

This quarter we talk to the founders of Mindfull, wife & husband team Belinda and Richard Johnson. And instead of me rattling on about a company, this time I'm going to let the founders speak for themselves.

Chris: So, what is Mindfull?

Belinda: I'll break that question into two because we have really become two distinct businesses. One of the businesses is a large consulting business that solely focuses on delivering three pillars of work to large customers in New Zealand. We do data management and we do all sorts of planning including enterprise planning and integrated planning. Lastly, we do optimisation, which is machine learning activity-based-costing. For very large customers like New Zealand Post and Genesis Energy, we help them with their Enterprise Resource Planning solution right through to their reporting. We also help them with data management work, planning, budgeting, reporting and understanding their costs. And then we have an international software business…

Richard: Mindfull Software is our software division. We're predominantly based out of Oregon in the U.S., and the business provides solutions in the financial performance management space. Our first product is Qubedocs, which is enterprise-level software that documents complex financial models for large organisations. With Qubedocs, we are focused predominantly on the North American market, but we do have a customer base not only across the United States, but also in Europe and in a number of locations across the globe now.

Our second product is called MiBI, which is a solution that is offered to mid-market organisations and is currently being marketed predominately in the United States. It is a complete financial forecasting planning and budgeting solution out-of-the-box. We are currently focusing on selling this software to manufacturing and industrial customers and it is designed to give the customer a complete business intelligence solution without the need for expensive consulting work.

Chris: Belinda, could you give us an overview of the consulting part of the business, its customers and the nature of the work that it does.

Belinda: Sure. The New Zealand business' revenue is close to 10 million dollars. Our oldest client is the New Zealand Defence Force, who has been a client for 25 years and continues to be a client today and they have recently purchased another large piece of software from us.

Our customers are usually entities that have hundreds of spreadsheets they use to do their budget planning and that just becomes cumbersome and unwieldy at that scale. The numbers that they are producing from spreadsheets just can't be trusted as there is so many manual entries – these are our classic customers.

Customers stay with us for a long time. They don't usually leave us, and we have a "land and expand" methodology where we start small and we'll build a small budgeting solution for them. From there we will grow this platform to also include KPI modelling, to do the cost analysis, to do their reporting and to later on do their data governance, do their data management and then a lot of businesses then restructure and then we have to change all the models and change the source systems. For example, councils get new people joining and we need to help them, train them or they want to change how they operate the business, or they've got different information requirements.

We've got over 130 large to middle sized customers in New Zealand. Our sweet spot are those customers that have a large enterprise resource planning solution but want to have a better integrated planning solution, to get off excel and to have better insights into their numbers. They also want to automate their monthly and board reporting. For example, every month Ports of

Auckland do twenty-six board packs to their shareholder, external banks and to internal people, and they use our solution to do all of the automation for all of their reporting. They said it use to take them days and days to cross-check all the reports to make sure net profit is the same through all the reports when the Chief Financial Officer has put a last- minute accounting journal through. The solution we've employed there called CDM really takes care of all of that.

We've also been doing some very large budgeting planning engagements. In the Genesis Energy example, which is a case study on our website, they had twelve hundred different spreadsheets connecting in to do the budgeting. We have now replaced that with an IBM planning analytics solution and they now are able to do it very, very quickly - within days to turn around a whole budget. They now have better insights into the business, understand where all of the issues are and can take action on that information.

Chris: Tell us about your team and where you're based.

Belinda: We have over 50 in our team now. We have an office in Auckland and an office in Wellington, but we service customers right down to Invercargill. We have the Invercargill City council as one of our customers.

Chris: What do you think is the secret sauce that makes the consulting business successful?

Belinda: The main feedback customers give us is we do what we said we were going to do and we stay until it gets done. And if we've made a promise, we will deliver it no matter what. Sometimes to our financial detriment because we've made commitments to customers so we don't like not delivering when we said we would. A lot of the customers really enjoy working with the team. The team are all very easy going, really talented, really clever individuals but we also like having fun and I think that fun element to the team attracts customers to work with you because you have to work with people every day.

Chris: Tell us tell me about some of those fun things you do.

Belinda: In our office there's a ping pong table and we have some very competitive ping pong competitions at our Friday night drinks to see who can be the best. We've recently been to the Caluzzi drag show and everyone had had a lot of fun. We do wine tastings. We'll go to quiz nights. We have a few drinks on a Friday night to have a bit of a laugh. There's always a bit of office banter going on. We do a lot of socially responsibility things at the moment. We've been putting some boxes together for the Auckland City Mission. We like giving back in that way. We have some sort of event on almost every single month and we try to do something different each time. In January, we're going to go axe throwing, which I'm particularly looking forward to. Last month it was a barbecue in the park - a family picnic with some sausages and hamburgers. We cooked those up and we played with the kids. We had one-legged races and, you know, all sorts of fun things with the kids. We were out at One Tree Hill and everyone thoroughly enjoyed the afternoon.

Chris: In an organisation like Mindfull, how important is the culture?

Belinda: It's absolutely paramount. Our culture was not what we wanted it to be. A few years ago, Richard and I decided to take some serious action to address a culture that was slipping. There was a little bit of not delivering on promises, over promising to customers, not training our staff as much as we could, not upskilling them or collaborating them. Richard and I restructured the business and it had a huge financial impact. That was six months of agony to restructure the business - not getting rid of people but aligning people with where their skills are and to change the culture as we have seen it. So, we believe culture is critical, absolutely critical for the team. And that change we went through, it costs us a lot of money and time, but as a result we have the culture we have today.

Every year we do a very detailed staff engagement survey. It has about fifty-three questions and our staff really give us detailed feedback in terms of what they like and don't like. And this year, the results have been the highest they've ever been. So that tells me that people are engaged with Mindfull. They like working for us. They really engage with the brand and our values.

Chris: Richard - you're over in the States at the moment with Mindfull Software. Do you see a different culture in those businesses over there?

Richard: Mindfull Software as our software division has really only come into being the last two to six months. One thing we've done is we've kept the culture of the Mindfull brand, what it stands for, our values. We carried that through and that ranges from the people that we've employed through to our messaging to our customers as well. And it's been received really well – we've got a lot of positive responses in the US. We're very keen to build on that here, not move away from it.

Chris: In respect of Qubedocs and MiBI, it sounds like you're playing with customers that are heavy hitters in the US. How do you open-up the door to talk with customers like that?

Richard: Our U.S. business from a Qubedocs perspective has been purely built up by attending large conferences where we sponsored an event. In the early years, we would sponsor a booth, we'd put up our stand and we would do a presentation during the week's show. That's basically how we built our brand. That's how we spoke to most of our current customers. We've done some supporting digital marketing in addition to that, but not a lot.

What we've done in launching MiBI there is taken a proven model that we've done in New Zealand where we've been using a telemarketing team - a call centre - where we get a targeted data base and they've been generating leads for us in that way and that's been really successful. We've got a pipeline now. We only launched in July and we're keeping our fingers crossed that we'll get some of these customers into a pilot before the end of the year. We're working hard to do that now.

So, the way we built our business here is by going to selected conferences. We know our target audiences and it's pretty much I would say 85 percent of our marketing spend has been in that regard.

Chris: So how would you contrast MiBI to the traditional business intelligence consulting business in New Zealand?

Richard: Most of the customers we have signed in New Zealand in recent years has been based on the MiBI pitch. But again, because the consulting business is focused on providing services, we view the MiBI pitch as a as a door opener in New Zealand. That's not what we're trying to do in the States. Our goal there is to do minimal consulting services as we believe that the companies that we're targeting in the U.S. will probably have less of a need for those services, but it's fair to say at the moment that we haven't really proven that thesis. We do have relationships with some U.S. consultancies, or we may even use our New Zealand business to provide some of the consulting services if that is required for MiBI sales in the States. But our intention for MiBI in the U.S. is that it's a software solution with some customisation, whereas in the New Zealand business we use MiBI to get a foot in the door. MiBI is very competitive against other solutions out there. And then Belinda's team are quite effective at generating more sales for the consulting team on top of that once the MiBI sale is made.

Chris: Looking forward, what can we expect to see from Mindfull over the next few years?

Belinda: Over the next three to five years we really want to stick to our knitting. We have no aspirations to take on ERP and CRM systems. We're very good in the planning space and we're starting to get very good in the data space. For us, the biggest attraction and growth area is data. Everyone now knows that data is the new gold and we see the data practice really evolving quickly. We have some very large customers that struggle with data. They have an I.T. team, they have an I.T. strategy, but their data is all over the place. They don't know how to fix it. So, we're in such a great spot. We've got great relationships with large businesses and their CFOs, and we see our data practice in the next three to five years really expanding quickly. We have a very large RFI that we're responding to at the moment where the customer wants to implement a $40 million piece of work around fixing that data and managing that data and getting the business ready to become a data driven business.

We see our business steadily growing as it has over the years. We're not into rapid expansion. We just want to add really good, talented people to the business so we can keep delivering those niche high-end solutions. I think the business will grow over the next three to five years to about 100, 150 consultants. We'll be very strong in the data space with the technologies we sell. Our planning practice - I see that evolving into a lot of our customers trailing machine learning to do their budgets. And I hope that we'll be there to help them with that journey, to help them implement some machine learning to say 'let's not sit here and do all the budgeting and the planning. Let's let the machines do that and then let's use the information.'

Business sentiment is mixed at the moment, but there's a few people that are really nervous. And when there's a downturn in the economy, a lot of people look at costs. The first thing everyone looks at is what else can I do to save costs? We're very strong in that space. We were well placed to help our customers with that further analysis of where they can really save those costs.

Richard: We've got quite a clear plan at the moment. We've launched MiBI into the US market, which has been really exciting and challenging. We are in the final stages of a beta version of a second Qubedocs product - the current Qubedocs product exclusively documents the IBM Financial Planning platform TM1. We're about to launch on Oracle's competing planning solution, Hyperion, and also their cloud versions. We will be releasing that as a beta version in Q1 2020. That's quite exciting. It opens up a whole new market for us, estimated to be twice the size by volume and probably as high as four times by value for us.

We have a goal to have three, maybe five customers on MiBI within the next six months. We've identified a plan that we want to execute early next year, which is targeting substantial growth, not just in North America, but globally. That plan is to build our North American sales team, increase our marketing efforts and to at least triple our development team so that we can continue to build out these new products. We also want to release QubeDocs for SAP before the end of next year as well. We're just really starting on that expansion journey. We've really just been pedalling the bike in first gear for a number of years, so it's all happening for us now. My focus is 100% on this market. I'm really focused on achieving the plans that we set out.

Chris: What's the size of the prize for Mindful Software?

Richard: We're quite confident we can get our business up to ten million dollars, maybe even 20 within three years, if we think big enough. I keep being told when I'm out in the States [American accent] 'Richard, you're thinking way too small – no, make it 'X' '.

I'm starting to think a little bit bigger. Because once you prove the product, you've got the model, then we know exactly what our sweet spot is. I think there's no reason why you don't just turn the dial up - make more phone calls, see more people, you know, add more sales people to it. That's really what we're developing, what that looks like now. So, we have the potential to build a business valued at $200 million here based on 10x of revenue – we were told that by an investor in Los Angeles three weeks ago.

Chris: How do you find running a company the size of Mindfull, which is not an insubstantial company, as a husband and wife team - or should I say a wife and husband team?

Belinda: [laughing] It doesn't work.

Richard: No, not at all.

A husband or wife team, a wife and husband team, are temporary at very best. They can be strategic in the early days, as it certainly was for Belinda and I. But when your business gets to a certain size, like I think ours has, now, you come to the point of making a decision. Are you partners in life or are you partners in business? We had to come to that decision about two years ago. It is a good question. We made the decision. Thankfully, we wanted to be partners in life.

Belinda: I think when you have two very different skills or different areas of the business, it could work. But for us, we have very strong personalities with some very strong views and Richard is very visionary. I'm very tactical and operational, so I can execute. And I think when you have two strong owners in the business, it's very, very difficult. The business gets confused even though someone has the CEO title as they should do, but the employees still give what you say as much weight as your partner. And it causes the business a lot of confusion if you're both not aligned. A lot of times Richard would do things very different from what I would do it. And that causes tension in the business – 'who's in charge now? Richard just said I should do this… and you've said that'. It almost becomes like children trying to play one parent one off the other.

The other thing is that it is just it's all consuming from the moment you get in the shower in the morning – you're trying to have a quick catch up about something. Night-time when you come home - you want to catch up about the day or things you want to share. It's the same on weekends. What ends up happening is that work just proliferates through your whole life. At the end of the day you end up going 'right - we've talked about the child and work - we've got nothing left to talk about'. Because you're so busy, you don't have time for a hobby. You have nothing else in common.

I've heard of husband and wife teams that work very harmoniously together, but for us our personalities are just too strong and hence why we've been lucky to have a local consulting business, which is driven by service and customer service, which I'm very good at. And we have an international software business. We now literally now run two different businesses and Richard travels a lot. He's also has a different focus from what the consulting business does. It's working much, much better now that we have almost two completely different businesses under one umbrella.

Chris: If you were to give one piece of advice to an entrepreneurial couple starting out with a new business, what would it be?

Richard: Don't do it.

Belinda: [laughing]

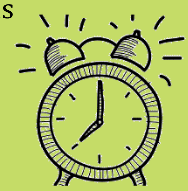
Richard: Run… Run… Run…

Go out the door… go! Don't look back.

'No, it's fine. These two idiots said it was okay' – ignore them.

Belinda: I think you have to be strict on your time. And I think when it's family time you need to be very strict in that. In the early days we implemented restrictions. Let's say it's date night or it's at night after work - if anyone said anything about work there was a penalty - it was a dollar penalty or a glass of wine or something. There was a penalty for talking about work and sometimes we would have to be specific - this weekend we not going to talk about work - and we could hold each other accountable.

Another thing we've been doing is because you're so busy you end up missing out on the time when you two meet at night and on the weekends. And that's not good, right. It's not good for your relationship, it's not good for your family and it's not actually good for the business because you're half on work, half on leave at night time. So, what we did in the early days and still do, was



book a weekly catch up between ourselves, which sounds crazy. Every week we have a catch up, a formal meeting, that's in our schedule and we catch up – 'I'll update you on this - this is where things are at' - and it's very good because it's in business hours. It's a regular meeting and it's just like any other meeting you would have with a senior manager and that's worked well because we've had these formal meetings with less need to update each other at night time or on the weekend. The business gets proper time, right. You're nice and rested, you've got full attention on the business you're not half doing family stuff after everything else. I think the one thing is to be very strict with your time. Your meetings are just as important for each other as they are for the rest of the staff that you have.

Chris: Is there anything else you'd like to add? Is there anything you'd like to tell our shareholders or anything that's interesting that you might want to share?

Richard: Punakaiki Fund is amazing.

Belinda: Richard is right. Lance came to help us at very critical time and we were expanding globally and we were quite lost as to how do we approach this? How do we start this? He's been very, very instrumental in our journey in guiding us and helping us in the right direction - giving us strategy and advice. It's been really nice to have a different person with a different perspective on our board as opposed to just the two of us. You know, he's been our sanity check and sometimes challenging us and that's been great.

And the final word:

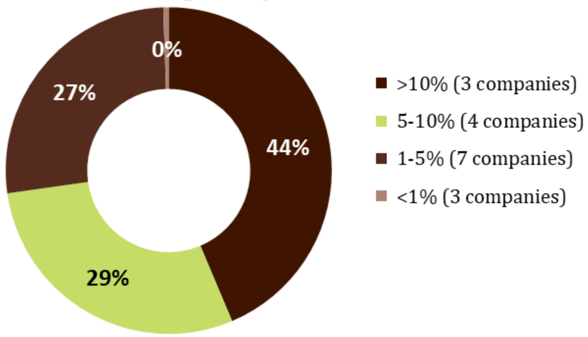
Belinda: We've got a very diverse team which I'm proud of. We have women - we have one of everything and it's awesome - it brings great collaboration within the team. In the New Zealand marketplace, we are in such an awesome spot to just keep growing into this wonderful business. I often hear customers complain about suppliers and contractors, so it's nice to have all this great customer feedback - we work hard at it - it doesn't just happen.

I also like what we stand for. I like the fact that we want to help our customers make sense of this fast-changing world. Our values: 'live it, strip it back, keep it real' still resonate today with myself and with all the people, which is just awesome to have created a brand that just seems to have legs to last for a long, long time.

Portfolio Valuation Splits (as at 30 September)

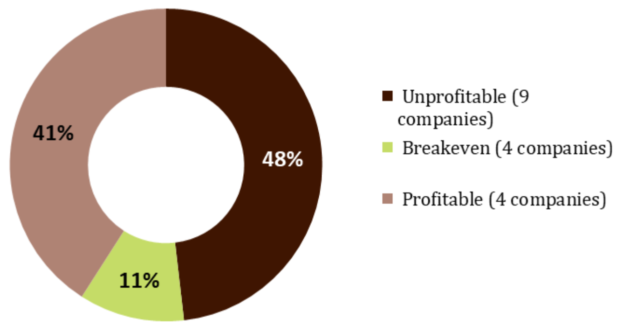
The diagrams below show various splits of portfolio valuation, excluding the value of our residual holdings in disposed-of companies (ThisData and Family Zone), by differing methods.

Valuation Split By Concentration



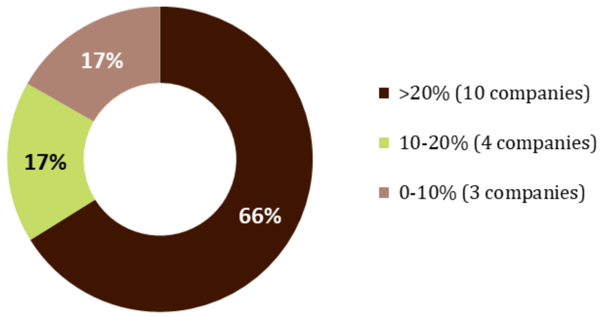
Punakaiki Fund has 27% of its investments by value in three companies, which each contribute at least 10% by value to Punakaiki Fund's total portfolio value.

Valuation Split By Profitability



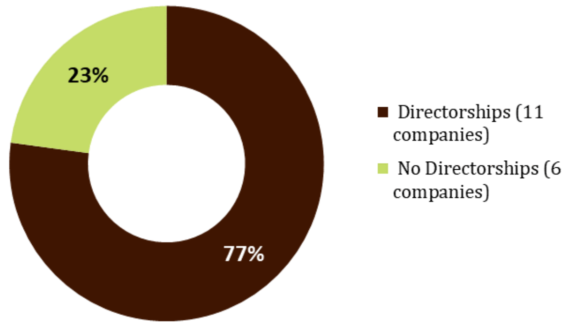
48% of Punakaiki Fund's investments by value are in unprofitable companies. 11% are in breakeven companies and 41% are in profitable companies.

Valuation Split By Ownership %



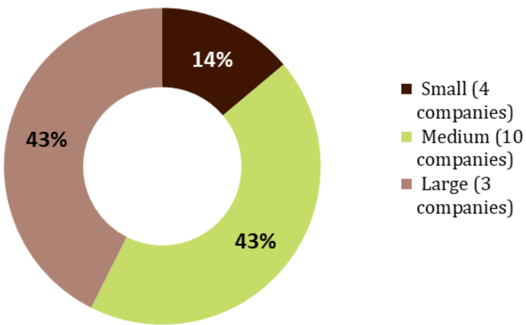
The companies in which Punakaiki Fund owns more than 20% comprise 66% of the total portfolio value. Those between 10-20% comprise 17% of the value.

Valuation Split By Directorship



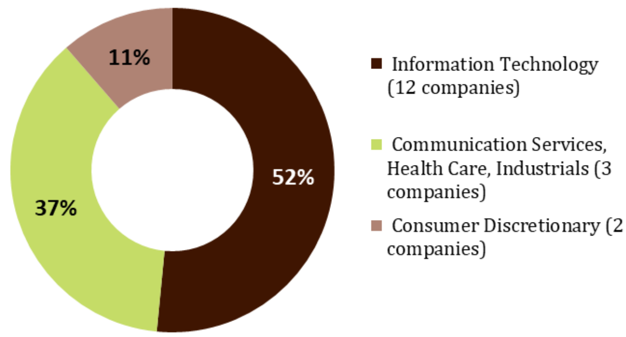
77% of Punakaiki Fund's investments by value have Punakaiki Fund board representation provided by the manager.

Valuation Split By Revenues



Punakaiki Fund holds 14% of its portfolio in Small companies (less than $1 million in revenues p.a.), 43% in Medium companies ($1-10 million) and 43% in Large companies (more than $10 million).

Valuation Split By Industry



52% of Punakaiki Fund's portfolio is held in the Information Technology industry, 11% in Consumer Discretionary and 37% in Communication Services, Health Care and Industrials combined.

In the News

Conqa	Lack of experience no problem for Conqa founders
Melon Health	Piki youth mental health launches in Hutt Valley Rural youth to benefit from expansion of mental health pilot How Kiwi women are using technology to fit their work around their lifestyles Healthcare Gamification Market Comprehensive Analysis, Growth Forecast from 2018 to 2025
Onceit	The Warehouse Group appoints Simon West as chief executive of Torpedo7 SLICE Digital announced as NZ Digital Product of the Year One in a Million: Q&A with Onceit
Raygun	Tech: NZ's Fastest Growing Employer Ben Kepes sustainably embraces old and new technology
Timely	The New Zealand companies exciting the tech gurus NZ tech firm CEO shares jilted UK job-seeker's tirade after not landing role Recruitment failures show jobseeking a fraught process ... for both sides Kiwi business owner shares staggeringly rude response to job rejection letter Jobseeker: I don't need to learn anything from descendants of convicts
Vend	Tech: NZ's Fastest Growing Employer The New Zealand companies exciting the tech gurus Take some inspiration from these Kiwis taking on the world IPO talk starts to bubble around Vend
Punakaiki Fund	Punakaiki founder Lance Wiggs: Most of govt's $300m VC funds going to foreigners Punakaiki founder sees most of Govt's $300m VC funds going to Foreigners NZ Super Fund wanted govt Venture Capital Fund siloed 'Raising money in NZ is tough,' Punakaiki Fund says Venture capital funding gap is real - David Parker Venture Capitalists Split on Govt Picking Winners Punakaiki seeks more VC capital where govt sees market failure

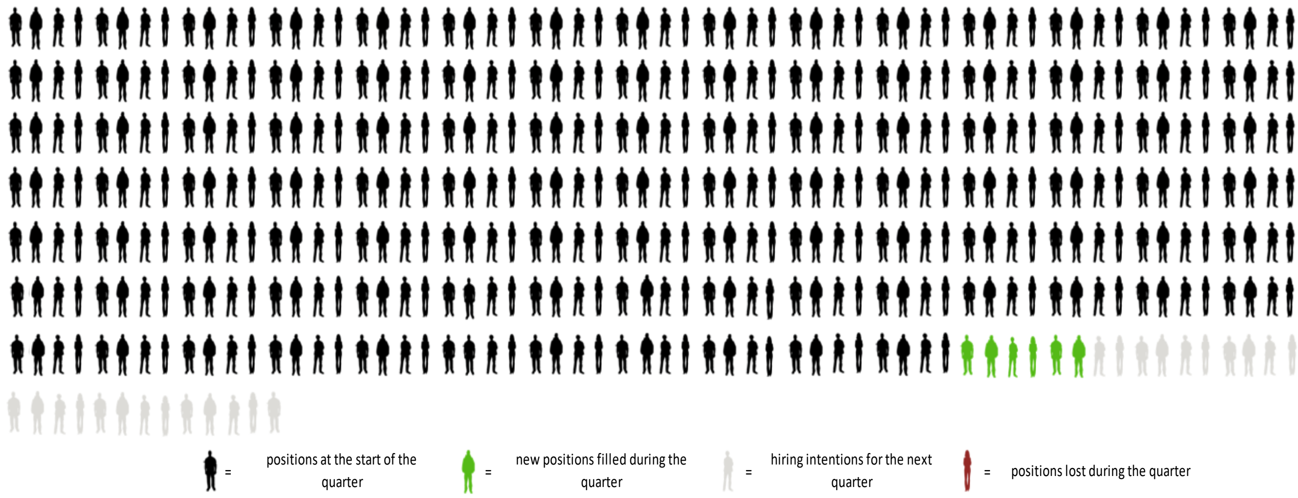
Share Trading

The next Quarterly Share Trading Window will be held in February 2020. We did not open a window this quarter due to the Retail Offer and Rights Issue.

Employment Monitor (September Quarter)

Here is a snapshot of our portfolio companies' employment situation at the end of September 2019:

That's 410 jobs as at the end of the September quarter – a net 6 more than at the end of June.



Vend's employment figures are not included. ThisData, Linewize, Hayload and Influx staffs have been removed

Corporate Update

Governance

The Board convened on 29 November 2019 for the quarterly Board meeting to consider, among other matters:

- To set the value of Punakaiki Fund's investment portfolio as at 30 September 2019;
- To review Punakaiki Fund's investment portfolio;
- To consider the new Taxation Compliance Policy;
- To discuss Punakaiki Fund's strategy for the year ahead; and
- To receive and consider this quarterly report.

The Board's next meeting is planned to be held in early- to mid-February 2020.

Financial Reporting

The Investor Net Asset Value of the fund after all contingent performance fees at 30 September 2019 was $46,471,176 (or $22.93 per share), an increase from the 30 June 2019 Net Asset Value of $44,003,272 (or $22.42 per share). This change is mainly from increased portfolio company valuations (upward impact) and partly from issuing new capital (upward impact). The Accounting Net Asset Value (which includes only the cash component of the performance fee and is used to calculate the management fee) was $48,498,236, compared to $45,831,703 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 2019 of $518,946;
- A net $1,249,184 was invested in Vend, Devoli, Conqa, and Melon Health;
- $252,187 was raised from the sale of Punakaiki Fund's sale of Family Zone shares;
- $1,425,015 was raised from investors via a wholesale capital raising round open during July and August;
- Management fees of $290,000 including GST were paid to LWCM;
- An administration fee of $100,625 was paid to LWCM in relation to June and September quarter administration services provided to Punakaiki Fund;
- Brokerage Fees of $52,500 were paid to LWCM;
- $9,208 was paid for accounting services;
- A payment of $26,522 including GST was made for audit services;
- $8,873 was paid relating to Punakaiki Fund's directors' fees;
- GST refunds of $39,783 were received; and
- A closing cash balance of $508,532.

Punakaiki Fund Limited - Unaudited Financial Position as at 30 September 2019	NZ$
Current Assets	
Cash on Deposit	508,532
Accounts Receivable	28,018
Prepayments	3,596
Non-current Assets	
Investments	48,780,000
Total Assets	**49,320,146**
Current Liabilities	
Accounts Payable	33,608
Non-current Liabilities	
Accrued Performance Fee	788,301
Equity	
Retained Earnings - Operations	(2,737,103)
Retained earnings - Accrued Performance Fee	(2,815,361)
Share-based Payment Reserve	2,027,060
Asset Revaluation	19,493,954
Share Capital	33,403,620
Capital Raising Costs	(873,933)
Total Equity and Liabilities	**49,320,146**
Accounting NAV	48,498,236
iNAV (after deduction of the performance fee)	46,471,176
iNAV per Share	$22.93

Punakaiki Fund Limited - Cash Flow Summary for the Quarter Ending 30 September 2019	NZ$
Operating Cash Flows	
Gross Interest Received	150
Withholding Tax on Interest	(50)
Bank Fees	(56)
Payments to External Advisors	(35,731)
Management Fees	(280,250)
Administration Fee	(100,625)
Other Net Expenses	(9,170)
GST Refunds	39,783
Total Operating Cash Flows	**(385,947)**
Investing Cash Flows	
Investments Made	(1,249,184)
Investments Realised	252,203
Dividends Received from Investments	-
Total Investing Cash Flows	**(996,981)**
Financing Cash Flows	
New Capital Received	1,425,015
Brokerage Fees	(52,500)
Dividends Paid	-
Total Financing Cash Flows	**1,372,515**
Total Cash Movements	**(10,414)**
Opening Cash Balance	518,946
Closing Cash Balance	508,532

Expected Cash Flows for the December 2019 Quarter

Following the end of the September quarter, Punakaiki Fund raised $5.4 million in additional capital via a Retail Offer and Rights Issue and made additional investments in Weirdly, Conqa and Devoli totalling $1.1 million

The payment of the interim December Quarterly Management Fees and December quarterly Administration Fee to LWCM of $296,292 including GST occurred in October 2019.

Accounting fees of $7,546, insurance costs of $55,544 and legal fees of $10,350 have been paid, and GST and Income Tax refunds of $12,647 has been received to date in the December quarter.

Capital Raising Plans

Punakaiki Fund is recently closed the 2019 Retail Offer and Rights Issues.

We are not planning to raise capital in the balance of the December 2019 quarter or in the March 2020 quarter.

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

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