



# HUNTLEY MANAGEMENT LIMITED

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## ALLEN & BUCKERIDGE VENTURE PARTNERS FUND

### JUNE 2008

#### Performance Summary

During the quarter the outlook for the Fund's investment portfolio, managed by Allen & Buckeridge Asset Management Limited (A&B), continued to be positive, despite the recent deterioration in global equity markets. The fair market value for investments has been adjusted to reflect the unfavourable currency movement during the quarter. The valuations for Sententia and Safari Sunday have been increased. The main focus of the Investment Manager is to realise the remaining investments during the next 2-3 years. During the quarter the Fund loaned \$695 to RBN for expenses prior to closing the sale of its assets by RBN to Sorrento Networks and made a further commitment of \$2100 to the Kennett 11 Partnership

#### Context

In reviewing the performance of the fund it is important to keep its results to date in context:

- A total of \$4m was raised in the A&B Venture Partners Fund that was applied to a \$132m co-investing pool including \$105m from the wholesale Allen & Buckeridge III Trust and \$23m from the Blue Peak Fund. A further \$200,000 was committed to the Kennett 11 fund, based in London.
- It is now 8 years since the first closing in March 2000. The Fund runs until October 2010.
- Of the original investments 3 have been sold, 2 in sale process and 2 fully written off. 8 are currently being actively managed by A&B. Of these, 2 promise potentially strong returns, 4 should return at least cost, and 2 will each partially return invested capital. Vintela Inc has been sold for a 5x return and the proceeds from the sale have been distributed; AGN International has been sold for a loss, returning 25% of capital, and Hitwise was sold for a 12x return on cost.
- RBN sold its asset to Sorrento for US\$2.5m on an earn-out basis during the last quarter. A small return to the Fund is expected if the estimated earn out is achieved.
- Netstar Group may be sold by the end of CY08. A poor return is expected for the fund (0.3 on cost).
- AGN (renamed Millennium IP) is launching a joint venture with Henry SV Group in the Philippines.
- The Australian unit of Communicator Interactive was sold to BlueFreeway Limited during the quarter. The Fund has received \$32.8k cash and 22,587 BlueFreeway shares as its share of the total consideration. The shares will be sold when the BlueFreeway share price improves with the proceeds to be returned to the Fund.
- All of the remaining uncalled capital is reserved for follow-on financing requirements and to meet operational costs.
- The Venture Partners Fund retains its limited partnership interest in the Kennett 11 LP Fund.

#### Quarter Highlights and Investment Exit Plans

- ✓ **Sententia:** Given the general economic slowdown and lack of management support for a trade sale, A&B has entered into discussions regarding the sale of the business to management which was concluded in early August 2008.
- ✓ **NextGen Gaming:** NextGen Gaming has had a busy quarter with a full order book for game development and much activity in negotiating with prospective M&A targets. The Directors have delayed their plan for a listing from late 2008 to the second half of 2009 given market conditions and also to give the company more time to be ready for an IPO.
- ✓ **eChoice:** The overall performance for FY08 has been good despite the current downturn in the mortgage business. The loan book currently stands at \$2.7bn. The Board has assessed and

continues to assess various exit opportunities following an unsolicited approach by an interested party in October 2007. A&B believe that a sale at fair market value cannot be achieved at this time so the focus for CY08 will be to increase EBITDA through a significant reduction in marketing expenditure and a greater reliance on on-line lead generation.

- ✓ **Fultec Semiconductor:** Fultec continues to meet its CY2008 shipment plan for circuit protection products and has achieved promising technical milestones for its power FET development project.
- ✓ **eKit.com:** The Company continues to grow however has been required to reforecast its results due to the global travel downturn following the weaker US\$ and rising fuel costs. The business strategy is to reposition eKit from a telecommunications reseller to a provider of online information and applications for travellers. If this can be done in 2008 then a valuable trade sale by late 2009 is a reasonable aspiration.
- ✓ **Netstar:** The Company continues to do well with each of its 3 business units (Singapore, Taiwan and Australia) exceeding budget profit targets for FY08. Ernst & Young M&A Services is part way through a process to secure a trade sale of the Group by the end of CY08.
- ✓ **Communicator (t/a Safari Sundays):** A&B and the Company CEO agree that the Company must work quickly to build value in the short to medium term with a goal of reaching a means to liquidity in the next 2-3 years. To do this the Company must grow revenue, diversify its client base and shed its dependence on its founder. While the prospects are positive much progress remains to be made.
- ✓ **Millennium IP Pty Ltd (previously AGN):** Australian Gigahertz Network has been renamed and is launching a joint venture with a prominent corporate group in the Philippines. It will offer mobile virtual network operator services to customers of more than 80 retail malls throughout the country. The JV will be operated to distribute cashflow each year to its two partners, such that AGN has a route to retrieve capital within 3 years.
- ✓ **Wishlist Holdings:** Forecast revenue for FY08 was achieved however EBITDA was below plan. Nonetheless the Company continues to perform satisfactorily. The Directors have appointed an advisor to assess acquisition opportunities to accelerate growth and to prepare the Company for a listing or trade sale by late 2009.

**Unit Valuation:** The unit price as at 30 June 2008 is **\$3.89** based on net assets of the Fund. The net capital value of a unit is now \$4.45. The units were issued at \$10 per unit. Capital of \$1.28 was returned following the sale of Vintela Inc and a further \$4.27 return of capital was made in May 2007 following the sale of Hitwise Inc.

**A copy of this report is available on our website [www.huntleygroup.com.au](http://www.huntleygroup.com.au)**

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Past performance is not a guide to future performance. Any view of the Investment Manager, Allen & Buckridge, regarding the future performance of the Trust is based on its current market assumptions and is not a guarantee of future performance. The BluePeak Venture Capital Technology Trust is closed to new investments.

Any information contained in this publication has been prepared without taking account of any person's objectives, financial situation or needs. Because of that, each person should, before acting on any such advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. We also recommend that you seek independent legal and financial advice before making any decision about your investment in the Trust. The disclosure document, provided to you prior to investing in the Trust will contain information about the Trust and will usually include the costs associated with the Trust and details of their fees and charges, which may apply, including any commissions to third parties.

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