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ALLEN & BUCKERIDGE VENTURE PARTNERS FUND

MARCH 2009

Performance Summary

During the quarter the outlook for the Fund's investment portfolio, managed by Allen & Buckeridge Asset Management Limited (A&B), remained positive, despite the global recession. The objective of the Investment Manager is to develop exit strategies for the 6 remaining investments, and to exit individual investments as soon as possible at fair value. A&B will also continue to monitor four sold investments:- (Halftec (formerly Fultec), eChoice, Sententia and RBN, to ensure collection of earn out and extended payment schedules.

Key Fund developments during the quarter include the receipt of the funds first tranche of the earn out payment from Sententia according to the share sale agreement signed in August 2008 and distributions from FirstFolio from the eChoice sale.

During the quarter a short term loan of \$6,896 was made to NextGen Gaming as part of a secured loan facility set up by Allen & Buckeridge and the A&B III co-investors. This loan is due to be repaid in October 2009.

A distribution of funds recently returned to the Fund was made on 12 March 2009. Investors received \$0.90 per unit.

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 9 years since the first closing in March 2000. The Fund runs until October 2010.
- Of the original investments 7 have been sold and 2 small seed investments written off. 6 investments are currently being actively managed by A&B.
- July 2005: Vintela Inc was sold for a 5x return and the proceeds from the sale have been distributed
- June 2006: AGN International was sold for a loss, returning 25% of capital.
- June 2007: Hitwise was sold for US\$260m cash, an escrow of \$857k was released to the Fund in December 2008. These funds have been distributed to investors.
- September 2007: The Australian unit of Communicator Interactive was sold to BlueFreeway Limited in September 2008. The Fund has received \$32.8k cash and 22,587 BlueFreeway shares from the sale. The shares will be sold when the BlueFreeway share price improves with the proceeds to be returned to the Fund. The remaining business unit in New York, t/a Safari Sundays, is growing.
- May 2008: RBN sold its asset to Sorrento for US\$2.5m on an earn-out basis. A small return to the Fund is expected if the estimated earn out is achieved.
- August 2008: Sententia was sold to its management for an initial payment of \$1.5m and an additional two payments on an earn-out basis are due in March 2009 and March 2010.
- September 2008: The circuit protection assets of Fultec were sold to Bourns Inc of California. Initial consideration paid will grow with an earn-out over the next two years. The power FET R&D assets were sold to Fairchild Semiconductor for \$500k.
- October 2008: eChoice was sold to First Folio Ltd for an estimated consideration of \$5.5m to be paid over 4 years from the proceeds of the commission trail in the loan book.
- All of the remaining capital is called and cash 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

- ✓ **NextGen Gaming:** Provided that the CY09 growth targets can be achieved, the objective of the Company is to grow through acquisition as soon as mergers can be negotiated. Two potential transactions involving listed companies in the UK and Australia which would provide a route to liquidity after a couple of years of value – building are being evaluated. This would mean an exit at a value that would yield the Fund more than twice its investment cost.
- ✓ **eKit.com:** International travel is down in CY09 despite unprecedented price discounting by airlines and hotels. Consequently eKit are forecasting lower revenues and profits than for CY08. The company is however being presented with the opportunity to build share as competitors fall away. The recession will retard growth in the sales of SIMs to less than the target for CY09. A new Travel Journal service has been released with some 10,000 users interacting with the product so far. Management think that a 2-3 year period is required to achieve a trade sale at levels that would return the Fund around three times its investment.
- ✓ **Netstar:** The objective of both VC shareholders of Netstar is to sell in a trade sale as soon as possible provided fair value is achieved. Some interest has been expressed by a Japanese company but negotiations have yet to commence. Netstar is profitable in all geographies and is positioned to be a consolidator if it can be merged with a listed entity. Two potential candidates in Asia are being evaluated. A&B's objective is to secure an exit by September 2010. If the business is not sold in CY09 by its major shareholder, Baring Private Equity Asia, A&B's objective is to recover only part of the funds invested in Netstar (given the large write down after losses in China in 2002).
- ✓ **Safari Sundays (remaining business of Communicator):** A&B expect that this business will be acquired by a major marketing and advertising group by the later part of 2010, provided that it can diversify its client base sufficiently. This would complete the sale and exit from Communicator Interactive Group.
- ✓ **Millennium IP Pty Ltd (previously AGN):** Prospects for capital recovery of the funds invested in MIP are improving with a contest underway between established Filipino carriers to acquire two of the operating licences owned by MIP. Once this is completed it is expected that sale of SIM cards in malls throughout the Philippines will provide a cashflow stream that will redeem capital in 3-4 years. A trade sale of the shares held in MIP is not expected.
- ✓ **Wishlist Holdings:** The Board is evaluating the potential to sell its Accumulate business unit to one of three global consolidators in the incentives and rewards area but do not expect an attractive offer. The directors consider that the business can be built to be larger and more profitable as the Australian recession abates and the technology platform is proven in the US. They consider that the right time to sell will be after 2010 results are known. The Managers objective is to yield the Fund an amount greater than its investment cost.

Unit Valuation: The unit price as at 31 March 2009 is **\$2.23** based on net assets of the Fund. The net capital value of a unit is now \$3.55. 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 and \$0.90 in March 2009.

A copy of this report is available on our website www.huntleygroup.com.au

Past performance is not a guide to future performance. Any view of the Investment Manager, Allen & Buckeridge, 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.

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