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ALLEN & BUCKERIDGE VENTURE PARTNERS FUND

JUNE 2010

Performance Summary

During the quarter the Investment Manager, Allen & Buckeridge Asset Management Limited (A&B), continued to focus on developing and progressing exit strategies for the 5 remaining investments. The aim is to exit individual investments as soon as possible at fair value. The Investment Manager has initiated a process for gaining liquidity for investors in all cases, and all are expected to provide distributable cash before the termination date of 30 September 2011.

A&B will continue to monitor four sold investments to collect remaining receivables: Fultec, eChoice, RBN and Netstar.

The remaining eChoice and First Folio proceeds should be received by January 2011. A final Fultec escrow amount is expected in September 2010 and any earn-out due would be paid in March 2011. Netstar sale escrow amounts are due in January 2011.

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 10 1/4 years since the first closing in March 2000. The Fund has been extended to 30 September 2011. The Co-investment Deed between the three Funds has also been extended to 30 September 2011.
- 15 investments were made originally with all but 5 sold or being wound up.
- **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 have been sold and the proceeds have been returned to the Fund. The remaining business unit in New York, t/a Safari Sundays, continues.
- **May 2008:** RBN sold its asset to Sorrento for US\$2.5m on an earn-out basis, which is unlikely to produce any return to the Fund.
- **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 could grow with an earn-out based on sales in 2009 and 2010 but there is little prospect of a minimum sales threshold being achieved. The power FET R&D assets were sold to Fairchild Semiconductor.
- **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 and fees from licensing the eChoice technology to all the First Folio businesses.
- ✓ **January 2010:** Netstar was sold to Datatec Limited. The Fund received A\$4,887 cash and 15,142 Datatec shares as its share of the total sale amount. The shares have been sold and the proceeds, \$70,615 net of costs, were returned to the Fund.
- **April 2010:** NextGen gaming was restructured into a Guernsey holding company, (RNG) and 16% of the shares in RNG sold to another shareholder for \$2.5m.
- All of the remaining capital is called and cash is reserved to meet operational costs.

- The Venture Partners Fund retains its limited partnership interest in the Kennett 11 LP Fund. The closing date for this Fund has been extended to 30 September 2011.

Quarter Highlights and Investment Exit Plans

- ✓ **RNG Holdings Guernsey (holding company for NextGen Gaming):** A transaction closed on 20 April 2010 whereby all shares in NextGen Gaming were acquired by RNG Holdings, a Guernsey newco, in a CGT exempt rollup transaction. Subsequently, on 22 April 2010, 15.6 % of shares in RNG were purchased for cash by another shareholder at a price which valued RNG at A\$42m. The Fund received \$75,443 net of costs from this transaction. The A&B III Pool, including A&BVPF, owns 28.2% of RNG. For the Fund the route to liquidity will be by on-market sale of shares once RNG is listed. This could occur as soon as early 2011 or as late as 2012. A&B will closely monitor this process, through the appointment of a director to the RNG board, to ensure the best possible result can be achieved for the Fund.
- ✓ **eKit.com:** eKit.com directors have agreed to seek a trade buyer once the 2010 northern summer results are in and the 2010 full year result can be forecast. To this end an investment bank in London has been appointed and the CEO has relocated to the UK where a trade buyer is most likely to be found. The aim is to secure a transaction before the end of 2010.
- ✓ **Safari Sundays (remaining business of Communicator):** A&B expects that this business will be acquired during next year. The sale will complete the exit from the Communicator Interactive group which sold 3 business units in the last 3 years to recover 44% of the Fund's investment cost to date.
- ✓ **Millennium IP Pty Ltd (previously AGN):** Prospects for capital recovery of the funds invested in MIP are uncertain. Funds due for the sale of telecommunications licences in the Philippines have not been released to the company. A&B III Pool expects to receive a partial capital return of A\$574 if the funds are released. A&B has indicated that it will fully provide for this investment in the meantime, for the purposes of assessing unrealised fair value of the Fund's assets.
- ✓ **Wishlist Holdings:** The two Institutional shareholders, JP Morgan Partners and the A&B III Pool (incl. A&BVPF) each own 36% of the WLH shares and wish to sell within the next year. To this end an investment bank has been appointed and a trade sale process will commence in the next quarter. The present management has been given an incentive to achieve significant EBITDA growth in FY11 which is necessary to build the company's valuation. The prospects for delivering this rely on a trade buyer recognising the potential for further growth in revenue and profits in the Australian and NZ markets.

Unit Valuation: The unit price as at 30 June 2010 is **\$1.64** 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. This is an increase of 0.61% for the quarter.

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 & 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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