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BLUEPEAK VENTURE CAPITAL TECHNOLOGY FUND

DECEMBER 2008

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 deterioration in global equity markets. The proceeds of the sales finalised in the last quarter have begun to flow back to the Fund. A distribution of these funds and the Hitwise escrow will be made in early March 2009. The fair market value for investments has been adjusted to reflect the favourable currency movement during the quarter affecting NetStar, Hitwise escrow, Fultec, Safari Sundays and eKit.

The objective of the Investment Manager is to realise 6 remaining investments during the next 18 months. A&B point out that exit prospects are difficult to forecast in the current global recession environment and that corporate Mergers and Acquisitions (trade sale) activity is severely restrained. The objective of NGG, eKit and NetStar is to grow through acquisition as soon as Mergers and Acquisitions funding is available. Wishlist operations are focussed on preserving profitability. Millenium IP will seek to retrieve capital by launching cashflow generating activities in the Philippines as soon as its JV partner is ready. Safari Sundays should be acquired by a large advertising group in the US or UK as soon as trading conditions improves.

Context

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

- A total of \$23m was raised in the BluePeak Fund that was applied to a \$132m co-investing pool including \$105m from the wholesale Allen & Buckeridge III Trust and \$4m from the Allen & Buckeridge Venture Partners Fund;
- It is now 8 3/4 years since the first closing in March 2000. The Fund runs until October 2010.
- Of the original investments 7 have been sold (as at 30 October 2008), and 2 written off. 6 are currently being actively managed by A&B.
- Vintela Inc was sold for a 5x return and the proceeds from the sale have been distributed; AGN International was sold for a loss, returning 25% of capital. Hitwise was sold for US\$260m cash, an escrow of \$857k was released to the Fund in December 2008.
- 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.
- The Australian unit of Communicator Interactive was sold to BlueFreeway Limited in September 2007. The Fund has received \$209k cash and 142,672 BlueFreeway shares as its share of the total consideration. Most of these shares were sold before the recent market collapse. The proceeds from the sales to date have been returned to the Fund. The remaining business unit in New York, t/a Safari Sundays, is growing.
- In 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.
- In 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 best judgement is that capital will be returned for this investment.
- In 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 uncalled capital is reserved for follow-on financing requirements and to meet operational costs.

Quarter Highlights and Investment Exit Plans

- ✓ **NextGen Gaming:** While NGG game development processes continue strongly CY08 revenues did not achieve budget. Nevertheless CY08 was a strong growth year with both revenues EBITDA up compared to CY07. Plans for a further increase in revenues and EBITDA in CY 09 will require focus on NGGs core clients and a key task will be to assist customer deployment of NGG products as “live games” that can generate gamer revenues. Matt Davey, NGG CEO plans to move to London during 2009 to be close to key clients and to pursue corporate development activities with partners which could become acquisitions in the future.
- ✓ **eKit.com:** CY08 has been a tough year for the travel industry and eKit has been affected with substantial declines in travel from the US. Revenue and EBITDA was significantly reforecast in May 2008 with Management cutting costs overall to preserve profitability. Actual results at December were above the reforecast figures for both revenue and EBITDA, a creditable performance in the current climate. The outlook for CY09 is also tough as all eKit markets are in recession. Consequently, the CY09 budget has been drawn conservatively. The essence of the business model strategy is to reposition eKit from being solely a telecommunications reseller to also become a provider of online information for travellers. If this can be achieved in 2009 then exit by a valuable trade sale as and when the recession abates is a reasonable aspiration.
- ✓ **Netstar:** The business is ahead on profit for the first half of FY 09 and is profitable in all geographies. First half revenues were slightly behind plan but profits were ahead. EBITDA was over plan due mainly to strong shipments of products in Australia as enterprises rushed to secure supply of Cisco product before price rises in November 2008. The pipeline for product sales in the next quarter is looking poor. Therefore downsizing may be required particularly in Australia and Taiwan if professional services demand starts to drop. Exit will be helped if NetStar consolidates with other firms so that the company can build scale during the next two years.
- ✓ **Safari Sundays (remaining business of Communicator):** CY08 has been an excellent year however the outlook for CY09 is not as good. Attempts to win new clients outside Pepsi have not been successful. Pepsi is looking for a lot more from suppliers and the whole relationship with Safari is under review by Pepsi. If Safari Sundays are to be retained it is likely that revenues and margins will be lower than current levels thereby affecting CY09 revenues and EBITDA.
- ✓ **Millennium IP Pty Ltd (previously AGN):** MIP is launching a joint venture with a prominent corporate group in the Philippines. It will offer mobile virtual network operator services to retail customers throughout the country. The JV will be operated to distribute cashflow each year to its two partners, such that MIP has a route to retrieve capital within 2 years. Operations have not commenced so there was no activity during the quarter.
- ✓ **Wishlist Holdings:** The current global financial circumstance has led to a general softening in the business incentives and rewards areas. This has affected some Wishlist Australian enterprise clients who have reduced spending in the last quarter. Accumulate has not lost any incentive and rewards clients and the company is working hard to find and develop new business. The initiative to licence the Accumulate software platform to US incentives and rewards firms is prospective and progressing.

Unit Valuation: The Fund has now returned to investors in cash by way of dividend, trust distributions and return of capital a total of \$0.65 for each \$1 invested under the Prospectus ie \$3,250 for each \$5,000 investment.

Based on this, the current valuation of the remaining investments, currency fluctuations and overheads over the last quarter a Stapled Security is valued at \$0.155 as at 30 December 2008. 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.

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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