



# HUNTLEY MANAGEMENT LIMITED

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## BLUEPEAK VENTURE CAPITAL TECHNOLOGY FUND

### DECEMBER 2009

#### 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 – recognising that the global recession has reduced trade sale activity and pricing. The Manager has initiated a process for gaining liquidity for investors but some will not provide distributable cash before the termination date of the Fund in September 2010.

A&B will 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 a trail commission distribution from the sale of eChoice.

#### 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 nearly 10 years since the first closing in March 2000. The Fund runs until October 2010.
- Of the original investments 8 have been sold and 2 small seed investments written off. 5 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 2007. The Fund has received \$209k cash and 142,672 BlueFreeway shares as its share of the total consideration. The proceeds from the sales of these shares have been 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.
- January 2010: Netstar was sold to Datatec Limited for a consideration of Datatec Shares and cash.
- All of the remaining capital is called and cash is reserved for follow-on financing requirements and to meet operational costs.

## Quarter Highlights and Investment Exit Plans

- ✓ **NextGen Gaming:** CY09 revenue and profit growth targets were not achieved by a large margin, with cash tight. Directors have judged that market conditions will not allow recapitalisation so have sought an exit by acquisition by another gaming company. An offer has been received with a modest initial cash payment and shares in an unlisted vehicle that will list in the UK in 2-3 years, and an exclusive due diligence period is underway. If the transaction closes the fund will not receive the bulk of its consideration until 2012.
- ✓ **eKit.com:** eKit.com directors have agreed to seek a trade buyer once the 2010 northern summer results are forecastable. Present initiatives are hoped to yield a stronger earnings growth story in 2010, after a very tough 2009 recession in the travel related business. The CEO has relocated to the UK where a trade buyer is most likely to be found. The aim is to secure a transaction or be in a negotiation by not later than September 2010.
- ✓ **Netstar:** The Company was sold to Datatec Limited, a listed South African software and network management services business closing on 15 January 2010. The consideration was paid mainly in listed and tradable shares. The Blue Peak fund received A\$31,200 cash and 95,670 Datatec shares as its share of the total sale amount. The return represents 17% of the A\$ cost after an extremely unfavourable foreign exchange conversion. The shares will be sold during the Jan- Mar 2010 quarter and the proceeds returned to the Fund.
- ✓ **Safari Sundays (remaining business of Communicator):** A&B expect that this business will be acquired by a major marketing and advertising group by September 2010, provided that it can diversify its client base sufficiently. This would complete the sale and exit from Communicator Interactive Group to recover 44% of the investment cost to date.
- ✓ **Millennium IP Pty Ltd (previously AGN):** Prospects for capital recovery of the funds invested in MIP are improving with an acquisition by a consortium of large Filipino companies of 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 two Institutional shareholders, JP Morgan Partners and the A&B III Pool (incl Blue Peak) who each own 35% of the WLH shares wish to sell this year. Consequently an offer from a fund connected to one of the WLH non executive directors is being considered and progressed.

**Unit Valuation:** Based on the current valuation of the remaining investments, currency fluctuations and overheads over the last quarter a Stapled Security is valued at \$0.0797 as at 31 December 2009.

The Fund has now returned to investors in cash by way of dividend, trust distributions and return of capital a total of \$0.74 for each \$1 invested under the Prospectus made up of \$0.3845 as capital returns and \$0.3555 paid as dividends.

**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 & 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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