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BLUEPEAK VENTURE CAPITAL TECHNOLOGY FUND

SEPTEMBER 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. Several asset sales have been completed since June. The fair market value for investments has been adjusted to reflect the unfavourable currency movement during the quarter. This has affected the valuations for NetStar, Hitwise escrow, Fultec, Safari Sunday and eKit. The objective of the Investment Manager is to realise 6 remaining investments during the next 2 years.

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 ½ 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. Of these, 2 promise potentially strong returns, 3 should return at least cost, and one should return at least 30% of invested capital.
- 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, 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.
- 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 quickly and profitably.
- 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 a share sale agreement was announced whereby First Folio Ltd will acquire all shares in eChoice. A profitable return is expected for the Fund.
- 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:** NGG has had another busy quarter with a full order book for game development and much activity in negotiating with prospective M&A targets. Although delays in customer deployments of games after delivery from NGG will result in below plan financial performance in CY08, the Company has achieved strong growth in revenues and profits compared to 2007 and is expecting stronger growth in 2008. The Directors have delayed their plan for a listing until market conditions permit.

- ✓ **eKit.com:** CY08 has been a flat year with substantial declines in travel from the US. Management have adjusted by cutting costs overall to preserve profitability. The business strategy is to reposition eKit from being solely a telecommunications reseller to also become a provider of online information for travellers (with faster growth, higher ARPU and margins and a better valuation model). This value should be realised after the 2009 and 2010 US/EU summer travel season. If this can be achieved in 2009 then a valuable trade sale by mid 2010 is a reasonable aspiration.
- ✓ **Netstar:** Given the turmoil in the macro economy the shareholders have postponed the process of seeking a trade sale as it is considered unlikely that fair value could be achieved. The business will be on plan for the first half of FY09 and is profitable in all areas. However profit for the second half of FY 09 is expected to be down. Exit will be helped if NetStar can consolidate with other firms that can build scale during the next two years.
- ✓ **Safari Sundays (remaining business of Communicator):** Management have made good progress and are recruiting a strong team for this digital advertising agency. Exit by 2010 is expected by trade sale to a larger global marketing firm.
- ✓ **Millennium IP Pty Ltd (previously AGN):** MIP is launching a joint venture with a prominent corporate group in the Philippines in November 2008. 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 MIP has a route to retrieve capital within 2 years.
- ✓ **Wishlist Holdings:** The Company is on plan for the first half of FY09, although the mix has changed towards loyalty and gift cards. Incentives and rewards are slightly behind plan. The initiative to licence the Accumulate software platform to US providers of incentives and rewards is progressing well, with first orders expected during the second half of FY09. This would help maintain profitability as the domestic market slows in 2009. A reforecast during October after taking cost reduction actions will underpin growth in EBIT for FY09 versus FY08. The Company will be managed to maintain profitability so that a listing or trade sale would be feasible if markets return to growth by mid 2010.

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 \$0.185 as at 30 September 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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