



Investor Update

Q1.2024

Wunala Capital Emerging Opportunities Fund

The Fund invests in late-stage growth capital, bridge/Pre-IPO financing and select listed opportunities across high growth technology, financial services, data and digital companies.

Performance Summary

| Net Returns | 3 months | 12 months | Since inception (annualised) | Since inception (total) |
|----------------------------|----------|-----------|------------------------------|-------------------------|
| Wunala Capital Fund | 0.6% | -3.8% | 4.7% | 16.9% |
| Benchmark (5% hurdle p.a.) | 1.3% | 5.0% | 5.0% | 17.1% |
| ASX All Tech Index | 14.9% | 39.9% | 6.0% | 22.2% |

Performance is reported net of all fees and expenses, and assumes reinvestment of distributions. Past performance figures may be subject to rounding and is not necessarily a reliable indicator of future returns. # Cumulative returns from inception date of 31 October 2020.

We are pleased to report that the Fund returned +0.6% for the quarter. These gains were a mix of listed share performance and interest paid on the portion of our portfolio that is more credit-like in nature - convertible notes and other credit-type instruments. Wunala takes a more active approach to structuring our investments than is typical in our industry, and we are seeing this benefit in a) being "paid to wait" but also b) knowing we have several ways to limit potential downside, receive detailed information rights and enjoy other investor protections that were typically cast aside in the boom times of 2020-2022.

Speaking of 2022, shortly after the quarter ended we also finalised the exit of one of our unlisted positions, with the company acquired by a much larger strategic operator at a premium to our holding value. This investment was made in mid-2022 with our holding period being just under 2 years, highlighting how we are able to consistently turn over the portfolio. We will report more on this in the next quarterly, but for those counting at home this represents the 13th successful exit of a private investment in ~3 years (12 from the core fund and one co-investment SPV) at a weighted IRR in excess of 50%. We hold high hopes for the performance of other investments that are yet to be revalued and/or exited in due course.

This investor update covers the following topics:

- Portfolio summary
- A baker's dozen of exits
- Evergreen is here for everlong

Portfolio summary

As of 31 March 2024, the Fund had positions in 13 unlisted positions. Full details of our portfolio are in the investor-only report mailed separately to current investors. During the quarter we sold our one remaining listed investment (a small legacy position) that benefitted from a ~400% rise in share price recently, contributing usefully to our gains for the period.

We are actively pursuing additional investments for the Fund, and are in advanced negotiations with a number of very compelling prospects. Competition in our sector is very limited, meaning we can partner with very attractive companies at highly compelling terms (increasingly retaining minimal debt-like downside protection yet also enjoying equity-like upside potential). As a reminder, eligible investors in the Fund can co-invest with us on certain transactions - if you are interested in participating in our next transaction then please let us know.

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Lucky 13

As highlighted on the previous page, Wunala has recently exited its 13th private investment since inception ~3 years ago. We have often written in these letters that one of the most important things we do is “start with the end in mind” - in other words, how are we going to get our money back.

I appreciate that for certain types of investment (and certain types of investors), celebrating making a deal is, well, a big deal. Often (in early stage VC deals in particular) a certain amount of blue-sky enthusiasm is required to be ‘all in’ on what the company could be, or it is a competitive process like an auction. My old business mentor used to snort and say “that’s because you just paid more than the next person! Show me that you can SELL an investment for more than you paid, and that will be worth celebrating”.

Our analysis has shown that for approx 75% of the investments Wunala has made, we were NOT the highest bidder, yet we were still able to partner with the investee to get the deal done. Instead, this is a reflection that the company saw the value add that we were able to bring beyond simply dollars, and were convinced that whatever theoretical paper gains they left on the table would be more than compensated by us helping them to achieve an even better result down the line. We have 13 references (and counting) now if anyone would like to hear more.

Evergreen is here for everlong*

Wunala was designed from the start to operate a fund that closely aligned to investor needs. We wanted to have the flexibility to make short and long term investments while retaining a reasonable ability to meet redemptions when needed. At the time creating an open-ended “evergreen” fund was somewhat uncommon for private late stage/growth capital investments, but since we have found some success it appears imitation is the highest form of flattery and we are seeing new funds launch that are very similar to ours. As a brief refresher:

- Closed end funds have a fixed end point, typically 8-12 years. During this time capital is called when investments are made, and distributed when they are sold. This has typically matched the illiquid nature of private investments - capital is deployed over time, gradually builds up to being fully deployed and then is gradually returned (eventually)
- Open ended funds are ‘evergreen’ meaning that an investor can retain allocation on a perpetual basis. Capital is deployed, profits are distributed and principal reinvested. An investor also benefits from investing into a diverse and seasoned portfolio at the time of investment, meaning that crucially the investor can compound their full capital immediately rather than over many years as would be the case in closed-end funds (even across a portfolio of several).

For asset allocators, investing into a portfolio like Wunala provides a diversified spread of companies across various stages - in value-creation mode all the way through to maturity and being ready to exit. This means that we maximise the chances to continually turn over the portfolio through all types of market cycles, and similarly are free to deploy when it makes sense rather than just whenever we have raised some money (we don’t suffer from the “that’s just a bad vintage” excuse).

Liquidity is also improved for an open-ended fund through this diversification. While we would love for our investors to stay with us forever, we understand that various life events may cause a reallocation away from our strategy and into cash. We work hard to ensure that the natural portfolio level liquidity is the main driver which can generate liquidity for exiting investors, supplemented by other factors like retaining a cash buffer, fund subscription inflows and the like. We will never be as liquid as, say, a large cap listed fund, but we believe even with market disruption that our liquidity availability is superior compared to closed-end funds who are extending indefinitely, or even open-ended funds that have indefinitely paused all redemptions.

The scope of this letter prevents us from digging deeper into asset allocation and efficient frontier analysis, but a number of studies have shown that to a certain point, investing more in unlisted assets generates a higher expected return for a given level of risk. Viewed another way, it minimises the risk for a certain targeted return level. The price paid for this alchemy is a reduction in liquidity vs. listed assets, so please consult your financial advisor or wealth manager to learn more (or ask us to introduce you - we know some wonderful people out there who would be happy to help).

** Hat tip to the Foo Fighters for this reference, although given the uncertain economic times we operate in, perhaps one of Dave Grohl’s other hits “No One Knows” might be more appropriate...*

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Invest with us

Wunala is open for new subscriptions. We are one of the longest running active evergreen funds in Australia focused on pre-IPO and growth capital, with positive returns and a strong track record of profitable exits. In many cases an allocation to Wunala may improve your portfolio's overall risk/return profile, and by investing now you will be well positioned to take advantage of a high performing yet underserved market. Finally, our evergreen fund structure aligns investors, our portfolio companies and us as managers to ensure we can generate attractive returns while still offering superior liquidity to the typical closed-end fund approach.

You can find out more details and [apply here](#).

Thank you again for your interest and support of Wunala Capital.



Scott Wilson
Managing Partner

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