



Investor Update

Q3.2020

Wunala Capital Pre-IPO Investments

Key Updates

- Wunala Capital exited a number of SPV positions in the month of September, returning capital to investors
- Our return for the 9 months year to date is now **+71.1%**
- All existing investors have committed to roll their capital into Wunala's new fund which launches on 1 October

This quarter marks a milestone with the first tranches of capital being returned to investors. We sold out of a number of positions in the month of September, including fully exiting our positions in Laybuy after its successful IPO.

Early investors in Wunala's SPV that participated in Laybuy's initial pre-IPO round in February benefited from the valuation cap at conversion, with a return of 125% on this one transaction alone. (See more about valuation caps on the next page).

Wunala has also identified a number of promising investments to seed the new fund and we are excited about them. Likewise we also spend plenty of time saying no as we are very selective in what opportunities we back. You have to kiss a lot of frogs to find your Prince/Princess Charming after all...

Notable Transactions

Wunala Capital has agreed terms to invest in Clarity Pharmaceuticals, a leading Australian biotech company developing innovative cancer diagnostic and therapy treatments.

It also has a unique value proposition with two Priority Review Vouchers to be issued by the USA's Federal Drug Administration (FDA) that have significant value of c. US\$100m each - which if awarded as expected, would alone materially exceed the valuation of Clarity today.

Clarity is the first company worldwide to create a 'perfect pair' of copper isotopes (Cu-64 and Cu-67) as a diagnostic and therapy platform to treat cancers.

In simple terms, compared to its competitors these isotopes are cleaner and longer lasting. This allows more precise scans (diagnostic) as well as more precise delivery of cancer-fighting drugs (therapeutic). The isotopes can also be centrally manufactured rather than on-site at a hospital, eliminating hazardous or radioactive waste.

Clarity is led by an extremely high quality management and board, and has strong support from leading research institutions. The company is currently anticipating to IPO in Q2 2021.

In Depth - What's a Valuation Cap?

The previous investor updates have covered why we like pre-IPO investments, and why we seek to invest in a convertible note/CN. The conversion formula can be complex including the concept of a 'valuation cap'.

At its simplest, a valuation cap imposes a maximum value on the company at conversion - no matter what happens you (the proud CN holder) will never be deemed to pay more than this amount.

As ever, an example will show this better. Consider the two scenarios in the table (right): one conversion with a cap, and one without.

A valuation cap can often be the most contentious negotiation point in a pre-IPO round (or any private fundraising for that matter) due to conflicting priorities. An investor wants as low a cap as possible, and the company/founder wants the highest cap or even no cap at all.

| Illustrative example | Cap | No Cap |
|----------------------------|---------|---------|
| Original investment | \$10m | \$10m |
| Valuation Cap | \$150m | - |
| Company value @ conversion | \$250m | |
| Discount | Capped | 20% |
| Discounted company value | \$150m | \$200m |
| Ownership @ conversion | 6.7% | 5.0% |
| Investment proceeds | \$16.7m | \$12.5m |
| Return | 67% | 25% |

Wunala takes a balanced and holistic approach to caps as we consider all aspects of the company and investment structure. A low cap doesn't make up for poor protections or value leakage elsewhere, but we will sometimes agree to no cap in exceptional circumstances.

Next time - fund performance updates

Commentary

We are thrilled with how our portfolio has performed since inception - had we been set up as a typical unit trust fund rather than a series of single asset SPVs, delivering a return of 70% for a full year (let alone for the 9 months year to date) would place us amongst the best performing funds in Australia.

It is therefore with great excitement that we announce the Wunala Capital Emerging Opportunities Fund is now open for subscriptions through to the end of December. Subscriptions will then be closed until the next window, which we anticipate will be June/July 2021.

The fund is open to 'wholesale' investors with a minimum subscription amount of A\$100k. There will be a short lockup period but we will endeavour to satisfy redemptions after this period quarterly to provide liquidity.

To receive a copy of the Information Memorandum, please contact us on the details below.

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

Regards,



Scott Wilson
Managing Partner