



# VENTURE CAPITAL OPPORTUNITIES FUND

INVESTING IN SQUARE PEG II

# Half-Year Financial Report

For the half-year ended  
31 December 2023  
(ARSN 625 636 473)

RESPONSIBLE ENTITY:  
**K2 ASSET  
MANAGEMENT LTD**

(ABN 95 085 445 094) (AFSL 244 393)

## **Venture Capital Opportunities Fund**

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**31 December 2023**

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## Venture Capital Opportunities Fund

### Directors' letter

31 December 2023

Dear Unitholders,

It is a pleasure to provide you with the Venture Capital Opportunities Fund (**Fund**) Half-Year Financial Report for the six-month period to 31 December 2023 (**HY24**).

#### *Fund structure*

Units in the Fund are fully-paid, with the final investor instalment paid in 2022. The total amount paid per unit is \$1.80.

The Fund has made total capital commitments of US\$11.2 million to Square Peg Fund II (**SPFII**), representing an interest of 4.8% in SPFII. As at the end of 2023, SPFII has called 100% of the Fund's committed capital to invest in sixteen early-stage technology businesses, having successfully exited from Puresec in 2019. Further detail on the underlying portfolio companies can be found on page 4: Portfolio positioning.

#### *Portfolio performance*

Pleasingly, during the half-year, SPFII recorded positive valuation movements in the holding value of their underlying portfolio companies. As it relates to VCOF, after factoring in foreign exchange movement due to the strengthening AUD for the period – an increase of 2.2% from 30 June 2023 to 31 December 2023 – the Fund recorded a net loss position of \$0.6 million. The key component of this was a negative fair value movement on the value of the underlying investments as a result of foreign exchange.

As at 31 December 2023, the Fund had net assets of \$34.26 million, representing \$3.36 per unit (30 June 2023: \$34.84 million and \$3.42 per unit). The movement in the fair value of the investments over the six-month period resulted in a net loss of 1.8%, or 6 cents per Unit.

Since the Fund's inception (July 2018), including fair value movement and distributions paid, the Fund has returned 18% per annum (IRR basis) or 1.8x TVPI (total value, including distributions received, to paid-in unitholder investment).

#### *Investment activity*

As noted in prior reports to Unitholders, the portfolio is now fully invested and there were no new investments made in the portfolio during the half-year. Capital called from the Fund has been used for portfolio management and will continue to be used for follow-on investment purposes where applicable. The investment management team at Square Peg Capital Pty Ltd (**Manager**) is focused on key business models and investment themes and has invested where the Manager sees potential for future value creation.

SPFII has now invested 100% of capital called following the participation in a follow-on investment in **Neara** at a small valuation uplift, which was adopted by the Fund during the period. **Amber** also completed a funding round at a slight down valuation, which was adopted by the Fund. While SPFII did not participate in Amber's funding round, it is a major achievement for the Amber team which leaves them well positioned for the next stage of their journey.

#### *Portfolio and market update*

During full-year 2023, global equities (MSCI AC World Index) posted a total return of +22.81% (in USD), with global economic conditions and market confidence reflecting underlying resilient economic data. The US economy continued to demonstrate resilience, with continued strong consumer spending amidst the restrictive monetary conditions. As it relates to private markets, during the half-year there was a rebound in public market tech valuations which should continue to support private market valuations. While there's no clear view on whether valuations will move higher or lower in 2024, the Manager believes that they sit within a fairly normal range (excluding AI-first businesses, where valuations continue to be understandably elevated).

2023 was undoubtedly the year of AI and the term dominated the mainstream tech conversation during the year. Much has been written about AI over the last year and the Manager subscribes to the view that something incredibly profound is transpiring that will change our society in fundamental ways. The rate of progress over the last few years has exceeded the expectations of even the most optimistic experts, and while there are no guarantees that this frenetic pace of progress will continue, we are very much in the early stages of the AI era.

**Venture Capital Opportunities Fund**  
**Directors' letter**  
**31 December 2023**

Across the VC market in 2023, valuations and the level of deal activity continued to drift lower for both early-stage and later-stage opportunities while markets continued to function in an orderly manner. The cumulative fall in valuations from their peak in early 2022 is now quite substantial, especially for later-stage companies.

**Outlook**

Across the start-up universe, company failure rates are continuing to increase off a historically low base which is both expected and not of particular concern to the Manager. In alignment with a goal to focus on the Fund's best performing portfolio companies, the Manager is committed to creating value for Unitholders and believes that the portfolio remains high quality and incredibly resilient. That said, failures are a natural function of venture capital and while the portfolio has to date seen lower failure rates than anticipated, the Manager has advised that the number could potentially increase in 2024 while having a marginal impact on the total portfolio value. The Manager continues to be committed to do everything in their power to avoid the failure of a company that deserves to endure, and to date, they have been able to keep that commitment.

The Manager does not expect to distribute much capital over the next 12-months, which is consistent with guidance provided at 30 June 2023. The return of capital is very much dictated by market conditions, and over the last two years the market has not been particularly encouraging for exits – VC Managers in the US recorded the lowest level of distributions to Limited Partners in 14 years. In terms of exit activity, the Manager has noted that two criteria need to be present for substantial exits to occur; 1) the company needs to be appropriately ripe, and 2) markets need to be accommodative.

Ultimately, the Manager does expect exit activity to pick up somewhat in 2024, but from both a portfolio and market perspective, it is expected that 2025 and 2026 will be much more active years for exits. In the meantime, the Fund's key contributors are performing well and remain well capitalised, leaving them in a position of strength to withstand the current macroeconomic environment.

**Thank you**

We thank you for your support and look forward to updating you on the progress of the Fund through the remainder of the 2024 Financial Year and beyond.

Unitholders are encouraged to reach out to the Investor Relations team on (03) 9691 6110 or via email ([vcof@k2am.com.au](mailto:vcof@k2am.com.au)) with any questions.

Yours faithfully,



**Hollie Wight**  
*Managing Director, Head of RE & Trustee Services*  
12 March 2024

### *Portfolio positioning*

SPFII is now fully invested in sixteen early-stage technology businesses, having sold Puresec to Palo Alto Networks in FY19. Moving forward, capital of the Fund will be deployed to follow-on investments in existing portfolio companies where required.

Key portfolio company updates for the half-year can be found below:

#### **Kredivo**

Kredivo uses technology to extend credit to prime consumers in one of the most underpenetrated markets for credit, Indonesia. Its core product is a digital credit card and point-of-sale transaction engine that enables consumers to quickly and easily “buy now and pay later” (**BNPL**) on Indonesia’s leading e-commerce sites. Kredivo is a market leader in the third party BNPL segment in Indonesia, covering all major ecommerce and offline channels in the country via its open loop network.

**2023 highlights** for the company include launching a digital banking platform, completing a second tranche of Series D raise, refinancing corporate debt facilities and achieving operating profitability.

#### **Zeller**

Zeller is an Australian Fintech company which aims to provide small businesses with a complete and streamlined payment solution rather than needing to maintain a variety of relationships with a number of entities. Zeller aims to disrupt the financial services industry and take advantage of the big-four’s “failure to evolve”.

**2023 highlights** for the company include releasing a number of new products and features to better meet the needs of its business customers, rapid growth that has cemented the business as one of Australia’s most exciting fintech companies as well as having more than 40,000 businesses using Zeller to meet their business banking requirements.

#### **Aidoc**

Aidoc is an Israeli technology company developing products that support and enhance the diagnostic power of radiologists, helping them expedite patient treatment and improve quality of care. Employing deep learning AI technology that identifies physical anomalies and flags the most urgent cases, Aidoc’s products assist radiologists to better prioritise life threatening cases and accelerate patient care.

**2023 highlights** for the company include strong annual recurring revenue growth, establishing a leading position in the market due to its competitive moat of proprietary data which benefitted strongly from the tailwinds of AI, and – despite being impacted by the ongoing conflict – the company remaining well funded with a multi-year cash runway.

#### **Neuron**

Neuron is a leading rental e-scooter and micromobility technology company on a mission to partner with the smart cities of the future, connecting people and places in a safe, convenient, and fun way. Neuron operates across 33 cities in Australia, Canada, New Zealand, and the United Kingdom.

**2023 highlights** included Neuron making a number of operational decisions off the back of a subdued 12-months which are anticipated to deliver a better bottom-line result and underlying profitability, successfully launching a new N4 e-scooter in Melbourne, as well the co-founder and CTO, Harry Yu, stepping away from the business in early 2024 to pursue a new opportunity [Neuron expect to be an early client of Harry’s new business!].

#### **Doctor Anywhere**

Doctor Anywhere is a regional tech-led healthcare company headquartered in Singapore. The company’s mission is to improve healthcare outcomes across Southeast Asia. With a strong network of established healthcare providers and experienced doctors, Doctor Anywhere’s digital platform enables users to manage their health easily and effectively through the Doctor Anywhere mobile app. Users can consult a licensed local doctor anytime, anywhere, and get medication delivered to their doorstep within hours. Medical history, health reports, and other documents are stored in-app for easy access. Doctor Anywhere provides healthcare to more than 2.5 million users across six countries (Singapore, Malaysia, Thailand, Indonesia, Vietnam, and the Philippines), cementing its position as the leading digital health platform across Southeast Asia.

## Venture Capital Opportunities Fund

### Portfolio positioning

31 December 2023

**2023 highlights** include strong revenue growth bolstered by the Philippine and Singapore markets, the successful acquisition and smooth integration of Asian Healthcare Specialists (AHS) onto the platform, as well as the completion of a US\$40m Series-C extension round which was catalysed by Square Peg who invested via their Opportunities Fund 2 alongside existing investors.

#### **Neara**

Founded in 2016 by ex-Google software engineer Daniel Danilatos, Neara uses artificial intelligence and machine learning to create a dynamic 'digital twin' - a virtual model of an infrastructure network. Neara's software can be used to design or redesign parts of the network, analyse potential risks, and manage physical assets with a sophisticated physics and engineering engine.

During the half-year, Neara completed a US\$10m Series B extension round led by Prosus Ventures, which SPFI participated in. The extension round was completed at a small valuation uplift and the Fund revalued the holding upwards during the half. Proceeds from the raise will be used to drive expansion plans of Neara's AI-enabled digital modelling software internationally across North America and Europe, as well as further develop the company's new System of Enablement functionality which removes many constraints that prevent renewable generation from connecting to the grid.

#### **Deputy**

Deputy has developed a Software as a Service (**SaaS**) product that assists organisations of any size, across multiple sectors, to effectively manage their rostered workforce. It enables staff to simply, and even automatically be scheduled, based on stated preferences and availability. It acts as a system of engagement for rostered staff and employers to communicate and share information with each other. Deputy also links to other systems such as payroll and timesheets to automate manual processes. During 2023, the company saw co-founder Ashik Ahmed step down as CEO to remain a Director on the Board, with the new CEO Silvija Martincevic – previously Chief Commercial Officer at Affirm – step in to oversee Deputy's growth strategy across the US and other countries.

#### **Deci.AI**

Deci.AI was founded in 2019 and is based in Tel Aviv. Its team of deep learning experts are focussed on significantly reducing production-related bottlenecks across the AI lifecycle. Deci's end-to-end deep learning development platform helps AI developers build, optimize, and deploy AI models to any environment such as cloud, edge, and mobile. Over the past year, the deployment of AI models has moved into mainstream use cases across various commercial applications and Deci.AI is well placed to capitalise on this momentum. The business has made solid progress on new customers over the past 12 months and remains well capitalised.

#### **Vow**

Vow is an Australian cultivated meat start-up. Vow's strategy is underpinned by a diverse library of stem cells collected from a wide range of animals and aims to build the technology to combine these different cells into brand new foods. Their ultimate goal is to create products which have superior taste and nutritional value.

The company continues to achieve significant technical breakthroughs in both capital efficiency and scale of cultured meat production. The launch of Vow's first product, *Forged Parfait* crafted from cultured Japanese quail, is expected to be available in Singapore over coming months. The team also continue to work closely with food safety regulators in Australia and the United States.

#### **Q-CTRL**

Q-CTRL is an Australian company that provides software tools to improve the stability of quantum hardware and the company made strong progress on both revenue and partnerships during the half. Most notably, Q-CTRL signed a milestone contract to integrate Q-CTRL software into IBM Quantum Systems, representing a significant commercial contract which has the potential to become a material growth driver in future. Earlier in the year, Q-CTRL raised additional capital via an extension round to its Series B raise.

#### **HealthMatch**

HealthMatch's mission is to dramatically accelerate patient recruitment to clinical trials, allowing for faster and more efficient access to life-saving medication. By employing innovative technology, HealthMatch is able to match patients to clinical trials in a matter of minutes. The company continued to deliver strong progress in the second half of 2023 and early signs of commercial traction and monetisation are beginning to translate into revenue growth. Notwithstanding this progress, HealthMatch's revenue trajectory remains early and not yet proven.

#### **StashAway**

StashAway is a digital wealth management platform based in Southeast Asia that personalises financial planning and portfolio management for investors. It makes investment strategies accessible to the mass affluent, leveraging technology and data, and providing consumers with access to a mobile investment platform that provides educational and wealth outcomes. The company's performance is closely correlated with broader movements in financial markets, and recently there has been an effort to diversify the business model – launching a number of more defensive cash management products.

#### **Amber**

Amber is building an energy retailer with a differentiated business model and value proposition that aligns with customer interests, reducing electricity costs and increasing the use of clean renewable energy. Amber's customer acquisition and revenue metrics have improved significantly throughout 2023. In addition, Amber's battery and automation product is delivering promising results with high levels of adoption and positive customer feedback.

Following Amber's strong recent performance, the company is finalising a funding round which will be completed at a slight down round valuation which SPFI has adopted accordingly. The funding round leaves the company well positioned for the next stage of their journey.

#### **Sternum**

Sternum was founded in 2018 by a team of highly experienced research, development, and business leaders determined to significantly improve the security around the Internet of Things (IoT). The IoT market is growing at an astounding rate and so are attacks on IoT devices. The company continues to work on improving the product's go-to-market strategy however they remain well capitalised with a strong long-term thesis.

#### **Onloop**

OnLoop is an app for teams that combines reflection, feedback and learning to help everyone grow and extend their skill sets (and overcome blindspots). They're on a mission to build a less biased and more productive world through the deliberate day-to-day development of people. Onloop is a very early-stage investment and continues to build out their product. The company has limited cash runway and the Manager is actively working with the company to employ operational mechanisms to extend their runway in 2024.

**Venture Capital Opportunities Fund**  
**Directors' report**  
**31 December 2023**

The directors of K2 Asset Management Ltd (**K2**), the Responsible Entity of Venture Capital Opportunities Fund (**Fund**), present their report together with the half-year financial report of the Fund for the half-year ended 31 December 2023.

**Directors**

Effective 4 July 2023, K2 Asset Management Ltd replaced E&P Investments Limited as Responsible Entity of the Fund pursuant to an extraordinary resolution passed on 27 June 2023.

The following persons held office as directors of the Responsible Entity during or since the end of the financial year and up to the date of this report:

**E&P Investments Limited**  
**(resigned effective 4 July 2023)**

Stuart Nisbett  
Warwick Keneally  
Peter Shear

**K2 Asset Management Ltd**  
**(appointed effective 4 July 2023)**

Campbell Neal  
Hollie Wight  
George Boubouras  
Neil Sheather

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

**Principal activities**

The Fund is an unlisted managed investment scheme registered in Australia. The registered office and principal place of business of the Responsible Entity of the Fund is located at Level 44, 101 Collins Street, Melbourne, Victoria 3000.

The principal activity of the Fund during the period was investing in technology and disruptive companies in the venture capital stage of development focused predominantly in Australia, Israel, and South-East Asia, through its interest in Square Peg Fund II (**SPFII**).

There were no significant changes in the nature of this activity during the period.

**Review and results of operations**

The loss for the Fund after providing for income tax amounted to \$572,861 (31 December 2022: profit of \$956,947).

The key components of this result included a \$494,095 fair value decrement on the Fund's investment in SPFII and a \$6,104 foreign exchange decrement during the period. As at 31 December 2023, the Fund had net assets of \$34,264,872, representing \$3.36 per unit (30 June 2023: \$3.42 per unit).

The Fund has invested in SPFII which, in turn, invests in technology and disruptive companies in the venture capital stage of development. SPFII has received total commitments of US\$234.5 million, and as at 31 December 2023, had made investments into sixteen early stage technology businesses, with one complete exit as at 31 December 2023. Net drawdown requests made by the underlying companies since inception to the end of the period totalled US\$243.8 million.

The Fund has made total capital commitments of US\$11.2 million to SPFII, representing an interest of 4.8%. The Fund's proportionate share of the total capital of US\$11.2 million (or \$16.4 million) has been called in full as at 31 December 2023.

**Distributions**

There were no distributions paid, recommended or declared during the period ended 31 December 2023 (2022: nil).

**Events subsequent to the reporting period**

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

**Venture Capital Opportunities Fund**  
**Directors' report**  
**31 December 2023**

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'Hollie Wight', written over a horizontal line.

Hollie Wight  
Director of K2 Asset Management Ltd

12 March 2024

12 March 2024

The Board of Directors  
K2 Asset Management Ltd  
As Responsible Entity for:  
Venture Capital Opportunities Fund  
Level 44, 101 Collins Street,  
Melbourne VIC 3000

Dear Board Members

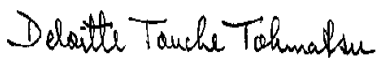
## Auditor's Independence Declaration to Venture Capital Opportunities Fund

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of the Responsible Entity for Venture Capital Opportunities Fund.

As lead audit partner for the review of the half year financial report of Venture Capital Opportunities Fund for the half year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Weng W Ching  
Partner  
Chartered Accountants

**Venture Capital Opportunities Fund**  
**Condensed statement of profit or loss and other comprehensive income**  
**For the period ended 31 December 2023**

|  | <b>Note</b> | <b>31 December 2023</b> | <b>31 December 2022</b> |
|--|-------------|-------------------------|-------------------------|
|  |             | <b>\$</b>               | <b>\$</b>               |
| <b>Investment income</b>                                     |             |                         |                         |
| Interest income  |             | 34,526                  | 21,498                  |
| Foreign exchange (loss)/gain                                 |             | (6,104)                 | 18,311                  |
| Fair value movements of equity investments                   | 4           | (494,095)               | 1,020,355               |
| <b>Expenses</b>  |             |                         |                         |
| Management and administration fees                           |             | (106,972)               | (103,217)               |
| Other expenses   |             | (216)                   | -                       |
| <b>(Loss)/Profit before income tax expense</b>               |             | (572,861)               | 956,947                 |
| Income tax expense   |             | -                       | -                       |
| <b>(Loss)/Profit after income tax expense for the period</b> |             | (572,861)               | 956,947                 |
| Other comprehensive income for the period, net of tax        |             | -                       | -                       |
| <b>Total comprehensive (loss)/income for the period</b>      |             | <u>(572,861)</u>        | <u>956,947</u>          |
|  |             | <b>Cents</b>            | <b>Cents</b>            |
| Basic earnings per unit                                      |             | (5.62)                  | 9.39                    |
| Diluted earnings per unit                                    |             | (5.62)                  | 9.39                    |

*The above condensed statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Venture Capital Opportunities Fund**  
**Condensed statement of financial position**  
**As at 31 December 2023**

|                           |             | <b>31 December</b> |                     |
|---------------------------|-------------|--------------------|---------------------|
|                           | <b>Note</b> | <b>2023</b>        | <b>30 June 2023</b> |
|                           |             | <b>\$</b>          | <b>\$</b>           |
| <b>Assets</b>             |             |                    |                     |
| Cash and cash equivalents |             | 1,602,668          | 2,131,121           |
| Receivables               |             | 8,979              | 9,851               |
| Other financial assets    | 4           | 32,669,856         | 32,732,938          |
| <b>Total assets</b>       |             | <u>34,281,503</u>  | <u>34,873,910</u>   |
| <b>Liabilities</b>        |             |                    |                     |
| Trade and other payables  |             | 16,631             | 36,177              |
| <b>Total liabilities</b>  |             | <u>16,631</u>      | <u>36,177</u>       |
| <b>Net assets</b>         |             | <u>34,264,872</u>  | <u>34,837,733</u>   |
| <b>Equity</b>             |             |                    |                     |
| Issued capital            | 5           | 18,043,870         | 18,043,870          |
| Retained earnings         |             | 16,221,002         | 16,793,863          |
| <b>Total equity</b>       |             | <u>34,264,872</u>  | <u>34,837,733</u>   |

*The above condensed statement of financial position should be read in conjunction with the accompanying notes*

**Venture Capital Opportunities Fund**  
**Condensed statement of changes in equity**  
**For the period ended 31 December 2023**

|   | <b>Issued<br/>capital<br/>\$</b> | <b>Retained<br/>earnings<br/>\$</b> | <b>Total equity<br/>\$</b> |
|---|----------------------------------|-------------------------------------|----------------------------|
| Balance at 1 July 2022                                | 18,043,870                       | 15,340,950                          | 33,384,820                 |
| Profit after income tax expense for the period        | -                                | 956,947                             | 956,947                    |
| Other comprehensive income for the period, net of tax | -                                | -                                   | -                          |
| Total comprehensive income for the period             | -                                | 956,947                             | 956,947                    |
| Balance at 31 December 2022                           | <u>18,043,870</u>                | <u>16,297,897</u>                   | <u>34,341,767</u>          |
|   | <b>Issued<br/>capital<br/>\$</b> | <b>Retained<br/>earnings<br/>\$</b> | <b>Total equity<br/>\$</b> |
| Balance at 1 July 2023                                | 18,043,870                       | 16,793,863                          | 34,837,733                 |
| Loss after income tax expense for the period          | -                                | (572,861)                           | (572,861)                  |
| Other comprehensive income for the period, net of tax | -                                | -                                   | -                          |
| Total comprehensive loss for the period               | -                                | (572,861)                           | (572,861)                  |
| Balance at 31 December 2023                           | <u>18,043,870</u>                | <u>16,221,002</u>                   | <u>34,264,872</u>          |

*The above condensed statement of changes in equity should be read in conjunction with the accompanying notes*

**Venture Capital Opportunities Fund**  
**Condensed statement of cash flows**  
**For the period ended 31 December 2023**

|  | <b>31 December<br/>2023</b> | <b>31 December<br/>2022</b> |
|--|-----------------------------|-----------------------------|
|  | <b>\$</b>                   | <b>\$</b>                   |
| <b>Cash flows from operating activities</b>                        |                             |                             |
| Interest income received   | 34,474                      | 19,670                      |
| Net payments to suppliers  | <u>(125,811)</u>            | <u>(86,545)</u>             |
| Net cash used in operating activities                              | <u>(91,337)</u>             | <u>(66,875)</u>             |
| <b>Cash flows from investing activities</b>                        |                             |                             |
| Payments for investments   | <u>(431,013)</u>            | <u>(1,305,264)</u>          |
| Net cash used in investing activities                              | <u>(431,013)</u>            | <u>(1,305,264)</u>          |
| <b>Cash flows from financing activities</b>                        |                             |                             |
| Net cash from financing activities                                 | <u>-</u>                    | <u>-</u>                    |
| Net decrease in cash and cash equivalents                          | (522,350)                   | (1,372,139)                 |
| Cash and cash equivalents at the beginning of the financial period | 2,131,121                   | 3,575,259                   |
| Effects of exchange rate changes on cash and cash equivalents      | <u>(6,103)</u>              | <u>11,327</u>               |
| Cash and cash equivalents at the end of the financial period       | <u><u>1,602,668</u></u>     | <u><u>2,214,447</u></u>     |

*The above condensed statement of cash flows should be read in conjunction with the accompanying notes*

**Venture Capital Opportunities Fund**  
**Notes to the condensed financial statements**  
**31 December 2023**

**1. General information**

Venture Capital Opportunities Fund (**Fund**) is a managed investment scheme registered and domiciled in Australia. The investment objective of the Fund is to invest in technology and disruptive companies in the venture capital stage of development predominantly in Australia, Israel and South-East Asia, through its interest in Square Peg Fund II (**SPFII**), which comprises of interest in Square Peg 2018, L.P. (**LP**) as a limited partner and Square Peg Global 2018 Trust (**Trust**) as an ordinary unitholder (together, **Square Peg Fund II** or **SPFII**).

This half-year financial report is intended to provide users with an update on the latest financial statements of the Fund.

The condensed financial statements were authorised for issue by the board of directors of the Responsible Entity of the Fund on 12 March 2024.

**2. Significant accounting policies**

**Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards Board (**AASB**) 134: 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'.

The half-year report does not include all the notes of the type normally included in the annual financial report and should be read in conjunction with the most recent annual financial report.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**Basis of preparation**

The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial report.

**New Accounting Standards and Interpretations**

The Fund has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to their operations and effective for the current half-year. The impact of the adoption is not material to the Fund's financial report in the current or future reporting periods and on foreseeable future transactions.

**3. Operating segment**

The Fund operates a single reportable segment, that being the business of investing in technology and disruptive companies in the venture capital stage of development through its interest in Square Peg Fund II.

The Responsible Entity of the Fund is the Chief Operating Decision Maker (**CODM**) for the purpose of resource allocation and assessing performance of the operating segment.

Revenue, profit or loss, assets, liabilities and other financial information reported and monitored by the CODM of the single identified segment are reflected in the condensed financial statements and notes to the condensed financial statements of the Fund.

**Venture Capital Opportunities Fund**  
**Notes to the condensed financial statements**  
**31 December 2023**

**4. Other financial assets**

(i) Equity investment constituting interest in Square Peg Fund II - at fair value:

|                              | <b>31 December<br/>2023</b> | <b>30 June 2023</b> |
|------------------------------|-----------------------------|---------------------|
|                              | <b>\$</b>                   | <b>\$</b>           |
| Square Peg Global 2018 Trust | 27,778,519                  | 27,865,632          |
| Square Peg Australia 2018 LP | 4,891,337                   | 4,867,306           |
| Square Peg Fund II           | <u>32,669,856</u>           | <u>32,732,938</u>   |

(ii) Reconciliation

|  | Square Peg<br>Global 2018<br>Trust<br>\$ | Square Peg<br>Australia<br>2018 LP<br>\$ | Total<br>\$       |
|--|--|--|-------------------|
| Balance at 1 July 2023                         | 27,865,632                               | 4,867,306                                | 32,732,938        |
| Capital invested - at cost                     | 332,116                                  | 98,897                                   | 431,013           |
| Movement in fair value through profit or loss* | <u>(419,229)</u>                         | <u>(74,866)</u>                          | <u>(494,095)</u>  |
| Balance at 31 December 2023                    | <u>27,778,519</u>                        | <u>4,891,337</u>                         | <u>32,669,856</u> |

\* Included in the 'movement in fair value' amount of \$494,095 loss is an unrealised foreign exchange translation loss component of \$724,133. This amount is also net of the Fund's 4.8% share of management fees paid by SPFII to Square Peg Capital (manager of SPFII), totalling US\$115,507, and the estimated performance fee of US\$2,763,676 payable by the Fund to Square Peg Capital.

(iii) Fund's interest in assets and liabilities of Square Peg Fund II

The 4.8% economic interest held by the Fund is not represented by voting rights or other power vested in the Fund to make decisions relating to the assets and liabilities of Square Peg Fund II, which comprises of investments in Square Peg 2018, L.P. (**LP**) as a limited partner and Square Peg Global 2018 Trust (**Trust**) as an ordinary unitholder. The General Partner of the LP and Trustee of the Trust have delegated all management functions of SPFII to the manager of SPFII, including selecting and managing the investments of SPFII.

(iv) Valuation

*Valuation technique adopted*

The fair value of the Fund's interest in the SPFII is determined using a 'proportionate' value method based on the Fund's 4.8% interest held in the total net asset value of SPFII.

SPFII holds investments predominantly in early stage venture capital companies which are recognised on an ongoing basis at fair value. The fair value of the Fund's interest in SPFII is therefore ultimately based on the market valuation techniques adopted by SPFII in the measurement of their underlying unlisted equity investments. The fair value is also subject to foreign exchange translation impacts arising from translating the USD denominated interest in SPFII to AUD at each balance date.

(v) Capital commitments

As at 31 December 2023, the Fund has made capital commitments totalling US\$11.2 million to SPFII, the Fund has called capital in full and no uncalled capital commitments outstanding to SPFII.

**Venture Capital Opportunities Fund**  
**Notes to the condensed financial statements**  
**31 December 2023**

**5. Issued capital**

|                             | <b>31 December<br/>2023<br/>Units</b> | <b>30 June 2023<br/>Units</b> | <b>31 December<br/>2023<br/>\$</b> | <b>30 June 2023<br/>\$</b> |
|-----------------------------|---------------------------------------|-------------------------------|------------------------------------|----------------------------|
| Ordinary units - fully paid | <u>10,186,723</u>                     | <u>10,186,723</u>             | <u>18,043,870</u>                  | <u>18,043,870</u>          |

All issued units are fully paid. The holders of ordinary units are entitled to one vote per unit at meetings of the Fund and are entitled to receive distributions declared from time to time by the Responsible Entity.

There were no movements in issued capital during the half-year.

**6. Fair value measurement**

*Fair value*

The fair value of financial assets and financial liabilities approximate their carrying values at the reporting date.

The table below analyses recurring fair value measurements for financial assets and financial liabilities. The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation techniques used. The different levels are defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

|  | <b>Level 1<br/>\$</b> | <b>Level 2<br/>\$</b> | <b>Level 3<br/>\$</b> | <b>Total<br/>\$</b> |
|--|-----------------------|-----------------------|-----------------------|---------------------|
| <b>31 December 2023</b>  |                       |                       |                       |                     |
| <i>Financial assets carried at fair value</i>  |                       |                       |                       |                     |
| Other financial assets - equity investment constituting interest in Square Peg Fund II | -                     | -                     | 32,669,856            | 32,669,856          |
| Total assets   | -                     | -                     | 32,669,856            | 32,669,856          |

|  | <b>Level 1<br/>\$</b> | <b>Level 2<br/>\$</b> | <b>Level 3<br/>\$</b> | <b>Total<br/>\$</b> |
|--|-----------------------|-----------------------|-----------------------|---------------------|
| <b>30 June 2023</b>  |                       |                       |                       |                     |
| <i>Financial assets carried at fair value</i>  |                       |                       |                       |                     |
| Other financial assets - equity investment constituting interest in Square Peg Fund II | -                     | -                     | 32,732,938            | 32,732,938          |
| Total assets   | -                     | -                     | 32,732,938            | 32,732,938          |

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between levels during the period ended 31 December 2023.

Details of the determination of level 3 fair value measurements including the valuation technique adopted and the key underlying unobservable inputs used are set out in note 4.

## **7. Related party disclosures**

### *Responsible entity services*

#### *a) Responsible Entity and Administration fees*

The Responsible Entity's duties include establishing the compliance plan and procedures and monitoring against regulatory and legislative requirements, the issuance of disclosure documents, the appointment and monitoring of external service providers to the Fund and overall administration of the Fund. Effective 4 July 2023, K2 Asset Management Ltd replaced E&P Investments Limited as Responsible Entity of the Fund.

E&P Investments Limited, as former Responsible Entity of the Fund, charged a fee of 0.58% per annum (exclusive of GST) on the gross asset value of the Fund, plus uncalled amounts on the Units, representing a Responsible Entity fee of 0.08% (exclusive of GST) per annum and an Administration fee of 0.50% per annum (exclusive of GST). The total management fees paid to the former Responsible Entity for the half-year ended 31 December 2023 was \$2,198 (2022: \$99,489), exclusive of GST. There were no outstanding management fees to the former Responsible Entity as at 31 December 2023.

The current Responsible Entity, K2 Asset Management Ltd charges a fee of 0.575% per annum (exclusive of GST) on the gross asset value of the Fund, plus uncalled amounts on the Units, representing a Responsible Entity fee of 0.075% (exclusive of GST) per annum and an Administration fee of 0.50% per annum (exclusive of GST). Total Responsible Entity and Administration fees paid or payable to the Responsible Entity for the half-year ended 31 December 2023 was \$100,232 (2022: nil), exclusive of GST, and included in management and administration fees in profit or loss.

#### *b) Fund administration fee*

Australian Fund Accounting Services Pty Limited, a related party of the former Responsible Entity, provided fund administration services to the Fund under an agreement with the former Responsible Entity. These services included net asset valuation, management accounting, statutory reporting, capital management and taxation. This service agreement ceased on 3 July 2023. The former Responsible Entity bore the cost of the fund administration services and, as such, there were no fund administration fees paid out of the assets of the Fund for the half-year ended 31 December 2023.

From 3 July 2023, K2 Asset Management Ltd commenced provision of fund administration services to the Fund. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation. The Responsible Entity bears the cost of the fund administration services and, as such, there were no fund administration fees paid out of the assets of the Fund.

## **8. Events after the reporting period**

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

**Venture Capital Opportunities Fund**  
**Directors' declaration**  
**31 December 2023**

In the opinion of the directors of the Responsible Entity:

- the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with the Accounting Standards;
- the attached financial statements and notes give a true and fair view of the Fund's financial position as at 31 December 2023 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors of the Responsible Entity made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors



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Hollie Wight  
Director of K2 Asset Management Ltd

12 March 2024

## Independent Auditor's Review Report to the unitholders of Venture Capital Opportunities Fund

### *Conclusion*

We have reviewed the half-year financial report of Venture Capital Opportunities Fund (the "Fund") which comprises the condensed statement of financial position as at 31 December 2023, and the condensed statement of profit of loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Fund does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Fund's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

### *Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of K2 Asset Management Ltd, the Responsible Entity of the Fund ("the directors"), would be in the same terms if given to the directors as at the time of this auditor's review report.

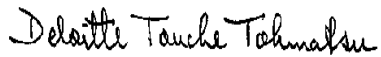
### *Directors' Responsibilities for the Half-year Financial Report*

The directors are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibilities for the Review of the Half-year Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



DELOITTE TOUCHE TOHMATSU



Weng W Ching

Partner

Chartered Accountants

Sydney, 12 March 2024

**Venture Capital Opportunities Fund  
Directory  
31 December 2023**

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# VENTURE CAPITAL OPPORTUNITIES FUND

INVESTING IN SQUARE PEG II