

To the Shareholders of Bailador Technology Investments

This is our first letter to the shareholders of the public company Bailador Technology Investments Ltd (Bailador). However the investment strategy followed by Bailador and the managers implementing that strategy – the two most important reasons for investing in Bailador - have been in operation and together for more than four years.

In that four-year period of private operation the Bailador Funds (as they were then called) achieved an average annual return of 24.3%pa. The investment strategy today is completely unaltered by the change of ownership structure and it is our aim to produce similar average annual returns to those achieved in the past.

It is important to stress that we are targeting *average* annual returns to shareholders of more than 20% because returns will not be smooth. We expect that the value of the underlying investments made by Bailador will not move a great deal in some periods and will move up quite quickly in others.

For these and other reasons Bailador is a *medium to long-term investment proposition*. In fact we believe investors should consider an investment in Bailador as an indefinite hold. Realisation of investments over time should see franked dividends paid to investors.

Bailador Shares and Options

Shareholders who invested at the Initial Public Offering received not only a share for each dollar they invested but also an option to buy another Bailador share on or before 31 March 2016 at the same issue price of one dollar. So long as Bailador shares are valued at more than one dollar on 31 March 2016, the options received will be 'in the money' and holders of the options will be able to buy a share in Bailador at a discount to the trading price.

Importantly the options were split from the shares when Bailador started trading on the ASX and shares and options can therefore be bought and sold separately. This means the shares and the options have separate prices as determined by trading on the ASX.

Assuming you bought at IPO and you have the same number of shares and options today, in order to calculate the combined value of your investment in Bailador you need to add together the price of the shares *and* the price of the options.

Value of the Current Portfolio

Released with this letter is our first Monthly Report. You will see that we have made one investment in the period (into portfolio company Viocorp) and have revalued our investment in SiteMinder, which has had a year of very strong growth in customer numbers and revenue.

Investments in New Companies

Since the listing of Bailador we have refined our short list of potential investments and have had detailed discussions with a number of companies.

As a practice we will not discuss any of our proposed investments prior to making them. We operate in a competitive environment and when we have a new investment idea or opportunity we will keep it to ourselves until we have acted on it.

New Staff at Bailador

We run a pretty lean operation at Bailador and for the last four years Paul and I have had just the help of Suzie, our fund and office administrator, and Helen, our accountant and financial systems support. We started with less than \$20 million to invest and three companies to work with. We now have just under \$68 million invested or sitting in cash waiting to be invested and we are going to need a bit of help as we build our portfolio to between six and eight investments in the next year.

We hope to employ another two investment staff members in the next six months. We think we will attract some very good people to help manage your money.

The Year Ahead

We are excited by the prospects for all of our current investments. SiteMinder will continue its global growth and extend its leadership from offices in Sydney, London, Dallas and Bangkok. SMI will start to see more rapid growth of customers and revenue in the United States as the patient work Sue and the team have put in building the SMI data products and client base starts to pay off. Viocorp enters a new phase with the firepower to invest in sales staff and product development to close larger 'whole-of-business' licence deals with enterprise and government clients.

The prospects for new investments are very strong. Deal flow is stronger than ever and more importantly the quality of the businesses we are seeing in the spaces we like – subscription and marketplace models in big markets – is the most encouraging we have seen in the more than four years we have been operating.

Your Help

Finally, we are always happy to have your help. So, if you see a business you think we might like or have a friend or a cousin who has a friend who has a successful information technology business at the expansion stage, please let us know.

The businesses we invest in have the following characteristics:

1. Established businesses in the information technology space, typically with \$2m-\$10m of revenue. We do not invest in start-ups or biotechnology businesses
2. A top quality management team, typically led by a founder who is in the business
3. Proven technology that is at least as good as any in the world
4. Current owners who are looking for help. We join the board and roll-up our sleeves to help the companies we invest in grow

David and Paul