

GOOD CAPITAL

Good Capital Fund I
Quarterly Investor Update
31 March, 2020

Prepared by:
Rohan Malhotra
General Partner

Dear Partners,

We made no new investments this quarter. Thus far, we have cumulatively deployed \$3.9Mn across five companies.

At an aggregate level, our TVPI on all deployed capital has increased to 1.54 this quarter. The large driver behind this is Simsim, which raised an \$8MN Series B round from Accel Partners and Shunwei Capital.

Simsim has shown impressive growth and we have seen the company achieve substantial scale over a relatively short period of time. Their work has been well covered across leading publications and I am enclosing links to articles on the business in Techcrunch¹, Economic Times² and a television interview on CNBC³ for your perusal.

The Roundup

We had sent out some communication in a previous newsletter ([linked here](#)) explaining how coronavirus has impacted business in India, especially given a fairly severe lockdown. We had shared an update on how each of our portfolio companies has been and is expected to be affected going forward. Enclosed is the [document here](#) for your reference.

At a general level, we have been quite fortunate – most of our companies have been recently and well-capitalized. As such, the businesses are in a strong position to withstand the short-term cyclic impact. As for the structural impact, it's really too early to have a definitive view. At this point, we believe the tech sector remains in relatively early stages of market penetration so while our outlook on the long-term remains the same, the path to get there is perhaps less clear.

India's lockdown, which commenced on 24th March, has now been extended until May 3rd. Containment measures in India have been especially strict and we were surprised that their severity was not meaningfully tapered when the initial lockdown was extended. The biggest short-term impact to business is on Simsim, which has been forced to stop all ecommerce deliveries and where the Fund holds approximately \$1.6mn. The erstwhile fast-growing company has cut costs but not headcount in order to regain momentum for when restrictions ease up. They're experimenting with a digital-only product in order to keep their user base engaged but we simply have to wait for the situation to subside before the core business can restart.

Coronavirus has also had an immediate impact on our fundraising efforts and capital deployment strategy.

¹ <https://techcrunch.com/2020/02/13/7-month-old-simsim-secures-16m-for-its-social-commerce-in-india/>

²

<https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/simsim-gets-8m-in-series-b-funding-round/articleshow/74128015.cms>

³ <https://twitter.com/CNBCTV18News/status/1228321696408461312>

After second close (more below), fund commitments stand at roughly \$13.5MN of a ballpark target of \$20-\$25MN. Until Q1, we were seeing potential with individual investors in the 250K-500K commitment range. This profile is less relevant now. We were also seeing high interest and advancing conversations with a few institutions that would enable us to add roughly \$8-9MN to the fund. While this was on track until a few weeks ago, we shall know if and how their plans change in the next 6-8 weeks.

We were working towards an internal deadline of final close of the fund in July 2020, but we are revising those internal deadlines to target an end-of-year close, in accordance with our PPM.

In terms of deploying capital, we had been pacing investments towards a \$20-25MN final fund size. In the short-term, the uncertainty requires that we continuously re-assess our portfolio construction strategy.

As a proactive measure, we plan to reduce our average first cheque size in order for the fund to have a targeted 15 to 18 companies in the portfolio. Given the current climate, we expect ownership targets to remain relatively unaffected as average pricing for seed rounds returns to where it was 1 to 2 years ago. Depending on how the current situation evolves, as well as the remainder of our fundraising, we will revisit and calibrate portfolio construction accordingly.

Management Updates

Fund Governance

1. Unutilized Called Capital

We had called capital to invest in a company that we briefly mentioned last quarter. Unfortunately, we decided not to proceed with the investment during its closing stages.

A portion of capital called for this investment has been reallocated towards management fees for Q1 and Q2. The general partners also incurred Organizational Expenses and Operating expenses on behalf of the fund in previous quarters which will be reallocated from this. Given that the remaining amount (\$188K) is relatively small and expected to be utilized within the quarter, it is being held by the fund.

2. Second Close

The fund added 7 new LP's in a second close of \$1.9MN in December 2020 and completed their onboarding in February 2020. This brings the total fund commitments to \$13.48MN.

3. Fund Structure

The fund has been a private limited liability company since its inception. However, based on regulatory requirements in Mauritius, if the fund were to exceed 50 LPs, it would have to be converted to a public company under the provisions of the Companies Act 2001.

The current number of LPs is 26. In Q2, the fund is expected to have 30 LPs. As such, the fund may breach the aforementioned limit in time, thus forcing a conversion. If you believe this may have implications for you, please contact us this quarter.

Capital calls

- Capital call issued in Q1-2020

A capital call was issued this quarter. However, this was issued only to second close LP's for catch-up management fees, management fees for Q1 and compensatory capital contribution which will remain as a payable to first close LP's and held by the fund for future adjustments in called capital.

- Capital call for Q2-2020

The next capital call is expected to be in June for all LP's.

Looking ahead

Investments

The pipeline includes 2 potential investments:

1. Follow-on investment in Entri Inc: The extended lockdown in India has forced users to find digital alternatives to offline learning methods. This has positively impacted Entri's growth, which has seen an uptick in customers and an increase in revenue.
2. Employment platform: A platform catering to blue-collar, cross-border migrant workers.

Beyond these, some of our pipeline includes startups doing the following:

- An online platform that caters to extra-curricular activities for students between the ages of 6-14.
- A direct selling network driving commerce through conversations. A platform where people are rewarded for recommending and promoting brands through person-to-person interactions
- A lending startup that turns blue-collar workers into lenders for their community.

Fundraising

The fund is now conducting rolling closes for prospective LP's. We will do another close in April.

In Closing

As the world comes to a grinding halt, we have seen governments take substantial measures to control the spread of the pandemic. Amidst the chaos, organisations and individuals have tried to innovate where they can to continue operating their businesses, in whatever capacity they may be able. There remains uncertainty around what the new normal will look like.

A lot of these gaps are being filled by technology companies that have seen mass adoption in a small time frame. For instance, Zoom has grown from 10MN to 200MN users. We have seen this happen in our portfolio with Entri, which is seeing a huge uptick in downloads, usage and revenue spike in the short-term.

While opportunities are being created for some companies and difficulties for others during this period, we remained focussed on two things. First, to best assist existing portfolio companies in navigating through the uncertainty. Second, the nature of the lockdown is forcing digital behaviours to change rapidly and catalyse demand for certain opportunities - we expect innovative founders that are thinking bottoms-up may present us with promising opportunities suited to this new world.

GOOD CAPITAL

GOOD CAPITAL FUND I

UNAUDITED FINANCIAL STATEMENTS

March 31, 2020

GOOD CAPITAL FUND I**SUMMARY OF CAPITAL ACTIVITY PERIOD ENDING March 31st 2020**

Committed capital of the fund	\$13,480,000.00
Summary of aggregate calls and distributions including the GP	\$4,573,663.04
- Capital Called in FY 2019	\$4,532,670.03
- Capital Called in January 2020 ⁴	\$40,993.01

⁴ The capital called in January 2020 was only called from new onboarded LP's, the above figure consists of catch-up management fees, management fees for Q1-2020.

Please note that in addition to the above amount of USD 40,993.01, the fund called for compensatory capital contribution of the amount USD 16,494. The compensatory capital contribution is listed as a payable from the fund to first close LP's (onboarded in July 2019) and will be adjusted with their future capital calls

GOOD CAPITAL FUND I**PROFIT & LOSS STATEMENT FOR THE PERIOD January 1st 2020 to March 31st 2020**

Income:	Nil
Expenses:	
Management fee Expense	
Management fee from (January-March 2020)	\$(101,100.00)
Organizational Expenses	
Reimbursements to GP's ⁵	\$(62,729.00)
Operational Expenses	
Legal Fees for investment	\$(18,520.50)
Administration and general operating expenses	\$(8,073.00)
Total Profit/ (Loss)	\$(190,422.50)

⁵ The Reimbursements to GP's mentioned above include setup and fund marketing costs since and before inception of the fund

GOOD CAPITAL FUND I

BALANCE SHEET AS OF MARCH 31st, 2020

Cash	\$ 444,872.13
Cost of investment	\$ 3,921,763.43
Prepaid fees	\$ 13,713.00
Receivable from shareholders	\$ 41,093.01
Compensating capital contribution Receivable from new LP's	\$ 16,494.00
Other receivables	\$ ---
Total Assets	\$ 4,437,935.07
Subscriptions received in advance	\$ 91,306.66
Audit fee payable	\$ 12,500.00
Subscriptions pending	\$ 41,093.01
Management fee Payable	\$ 101,100.00
Compensating capital contribution Payable to existing LP's	\$ 16,494.00
Payable to GP's	\$ 62,729.00
Payable for legal fees (investment)	\$ 18,520.50
Total Liabilities	\$ 343,743.17
Par value	\$ 4,532.72
Share premium book value	\$ 4,528,137.31
Retained Earnings (accumulated deficit)	\$(248,056.13)
Current Year Q1 2020 Net Profit/(Loss)	\$ (190,422.00)
Total Shareholder Capital	\$ 4,094,191.90
Total Liabilities and Shareholder Capital	\$ 4,437,935.07

GOOD CAPITAL FUND I

SCHEDULE OF INVESTMENTS AS OF MARCH 31st 2020

Company Name	Date	Round	Shares	% of company held	Cost/Share	FMV/Share	FMV/Share	Cost	Fair Value
Spatial Systems Inc	5th Aug 2019	Series A Preferred	18,561	0.08%	\$2.69	\$2.69	\$2.69	\$49,999.26	\$49,999.26
Buildwealth Technologies Private Limited	9th Aug	Series A Preferred	21,700	11.82%	\$39.48	\$39.48	\$39.48	\$856,790.60	\$856,790.60
SZS Tech Private Limited	27th Aug	Series Seed Preferred	6,040	9.40%	\$95.08	\$371.04	\$328.27	\$574,293.70	\$1,982,711.54 ⁶
Entri Inc.	2nd Oct	Convertible Note Seed	1,389,787	9.87%	\$0.33	\$0.50	\$0.50	\$460,000.00	\$690,986.77 ⁷
Entri Inc.	21st Oct	Convertible Note Pre-Series A	502,827	3.42%	\$0.50	\$0.50	\$0.50	\$250,000.00	\$250,000.00
SZS Tech Private Limited	9th Dec	Series A Preferred	4,611	11.55%	\$220.48	\$371.04	\$328.27	\$1,016,645.42	\$1,513,623.00 ⁶
Metamorphosys	26th Dec	Series Seed Preferred	2,985	18.52%	\$239.21	\$239.21	\$239.21	\$714,034.09	\$714,034.09
TOTAL								\$3,921,763.07	\$6,058,145.26

⁶ The fair value of SZS Tech is calculated based on the valuation of the Series B round and adjusted for USD conversion as of March 31st 2020

⁷ Since the investment in Entri Inc. is a convertible note round, the stated profit is based on the assumption the convertible note is converted into equity based on the last convertible round's Cap amount