

GOOD CAPITAL

Good Capital Fund I
Quarterly Investor Update
30 June, 2020

Prepared by:
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General Partner

Dear Partners,

We made no new investments this quarter, but have made two investment commitments that we expect to close early in Q3.

The first investment is in a new company where we are leading the seed round and the second investment is a follow-on round in an existing portfolio company. Collectively, these total upto \$725,000. At an aggregate level, our TVPI at the close of this quarter is at approximately 1.51¹.

The Roundup

“There are decades where nothing happens; and there are weeks where decades happen.”

Though deal activity has slowed down considerably², in the first half of 2020, there have been two large developments this quarter which will impact the Indian technology ecosystem for the foreseeable future.

1. Jio has cemented its place as the infrastructure to bring India meaningfully online:

Over 9 weeks this quarter, Reliance Jio Platforms has raised a mammoth \$15.2 BN led by Facebook with participation from Google and some of the most well respected institutions and sovereign funds including KKR, Saudi Arabia’s PIF, Vista, Silver Lake, Mubadala, General Atlantic, ADIA, TPG, L Catterton, Intel Capital and Qualcomm Ventures.

Jio has amassed close to 400MN subscribers (more than any other telecom in India) in just under 4 years and is valued at \$65BN. We have actively been covering Jio over the years in previous editions of our newsletters and I am enclosing an interesting link [here](#) and a more recent one on unbundling the FB investment in Jio Platforms [here](#).

Jio is well on its way to create the underlying infrastructure for the next couple of hundred million users that are coming online for the first time in India. We are excited to back the companies that pave the way in educating, employing and bettering the lives of these new internet users.

2. The Government of India banned 59 Chinese apps:

Anti-China sentiment has been garnering within the Indian Government, with a huge focus on self-reliance and buying local being promoted by the Modi Government. This

¹ The change in TVPI from Q1 2020 at 1.54 to Q2 2020 at 1.51 is due to fluctuations in foreign exchange rate. See Schedule of investments Pg. 12 for breakdown on a deal by deal basis.

² Deal activity slowed 29% according to ‘India Tech Semi-Annual Fact Sheet’ published by data analytics firm Tracxn

has been driven further by celebrities on social media advocating boycotts of Chinese products and firms.

The situation escalated when 20 Indian soldiers were killed in Galwan Valley in the Himalayas, which shares a border with China. Through a [recent press release](#), the Government sought to immediately ban these 59 apps over cybersecurity concerns. Though there was no mention of China in the press release, the services that have been banned were all developed by Chinese firms so this is widely acknowledged as retaliation.

Some of these apps include TikTok (ByteDance-owned), which has over 200MN users in India, and represents its largest customer base outside China. The other prominent products are UC News, UC Browser (Alibaba Group) and WeChat (Tencent).

The move follows a previous blow indirectly aimed at China, where the Govt. of India amended its FDI (Foreign Direct Investment) policy to require approvals for any investments that a person of country neighbouring India makes.

While in the short term this may be beneficial for Indian startups that are operating in similar spaces as Chinese competitors, there are a host of Indian startups that count Chinese investors as substantial shareholders in their business including PayTM, which is India's highest valued startup. 40% of PayTM is owned by Alibaba Group. A recent [Reuters report](#) suggests that there are over 50 such investments that are currently under review by the Government of India.

To summarise, these two monumental developments will impact India's technology ecosystem for the near-future.

There have been debates around Jio's prospects for success as a telecom company trying to come downstream and compete with local telcos, technology companies and startups. Objectively, Jio have done an impressive job in bringing a global ecosystem of technology companies and financial investors to India with substantial skin in the game.

This has been further accentuated by the negative sentiment around China, which accounted for a large portion of investment dollars in emerging markets. We expect a portion of these investment dollars to now be routed to India.

Portfolio Updates

Our portfolio companies have been largely fortunate to withstand the short-term impact of coronavirus over the last quarter. In many ways, it has accelerated their focus on solidifying

their position in the industries within which they operate and given them an early focus on revenues and positive unit-economics.

I have enclosed a high-level description and overview³ of each of the businesses below:

1. **Entri:** Entri is a regional language learning app for India that provides different types of learning content (mock/adaptive tests, flashcards, video lessons) in local languages for job aspirants, that prepares them to get a government or private job.

Ed-tech has seen a huge surge in downloads, revenues and usage over the past quarter and Entri is no exception, as showcased by the metrics below.

Business & Metrics

- Monthly revenue rate: \$100,000+ (*↑50% since Q1 2020*)
- Current users on platform: 1.4mn; consistently acquiring 7,500 new users daily
- 47,000+ paid users on the platform (*↑135%*), growing at over 20% MoM

2. **SimSim:** SimSim is a video-based e-commerce platform that enables micro-influencers to create videos with the intent of driving transactions for India's new addressable internet audience.

Like with all e-commerce businesses that were delivering non-essential items, SimSim was temporarily forced to shut all revenue-generating business during the Covid-induced lockdown period from the 15th March - 21st May.

They used the period to focus on shifting towards better economics in their core business and launching Rubaru, a high-margin business model that enables customers to request personalised messages and 'shoutouts' from celebrities.

Business Plan after lockdown

- The company has prioritised a shift towards better unit economics. The internal target is to increase average order value on the platform; this is being enabled through curation of high quality products being sold on the platform, which in turn result in positive contribution margins for the business.
- The team wants to enable increased trust between the COLs and end users; the platform will focus on providing high-quality content created by subject experts (plan to reduce long-tail content). This activity further helps to achieve higher repeat usage and transactions by users.
- The product catalogue offered on the platform is being curated with higher standards of quality. Selection of COLs on the platform, and their content output is being monitored to ensure a quality threshold.

³ All portfolio metrics are reported by the company management, please note that these are unaudited figures.

3. **Metamorphosys:** Metamorphosys is an insurance technology platform focused on building innovative B2B software products that address the business & technology challenges of the global insurance industry and transform the entire insurance value chain from customer acquisition to engagements.

There was a surge in demand for cloud-based insurance services as a lot of global insurance businesses were unable to reconcile claims in real-time given the on-premise legacy systems that they currently operate on.

Metamorphosys closed two new customers over the last quarter and we believe that this is an opportunity for their product suite as incumbent insurance companies need to adapt to cloud-hosting & remote work.

An increased demand from insurance companies towards digitization has been observed, especially to process claims and to enable customer acquisition in times when on-ground salesforce is limited. Legacy incumbents have only worked with on-premise solutions thus far, however, a shift to move from to cloud deployment has also been noticed.

4. **Wealthy:** Technology-led wealth management platform that empowers finance professionals with customer leads, digital advisory tools and data driven insights enabling them to become entrepreneurs.

One of the big learnings at Wealthy this quarter was that the financial product-mix on the platform needs to be dynamic and will change based on market sentiment and external factors. The quality of asset advisory on the platform was of high quality as customers did not lose money during the market dip and there were no significant redemptions or withdrawals.

In addition, Wealthy clocked a big shift in sales from investment products to insurance products, largely owing to consumer sentiment shift towards fear of uncertainty in April. The business focus past quarter was on sustainability and to generate higher revenue at a lower spend, with the same number of advisors.

Business & Metrics

- Number of advisors onboard (started in April '19): 20
- AUM through platform: \$47Mn
- Average increase in revenue: 30% month-on-month
- Reduced burn by 70%

Management Updates

Team Updates

We are continuing to grow our team and are pleased to have added Maanav Sagar and Rohit Manchanda to our team who will be helping us source potential deals and manage investment pipeline.

Maanav was previously co-founder and COO of TabOn, a SaaS platform for digitizing invoices, and led the startup's business development efforts for 2 years. Prior to that, Maanav was a Navigating Officer at Sea in the Merchant Navy for 8 years. He graduated with a degree in Nautical Sciences from BITS Pilani.

Rohit joins us from Drip Capital, where he was a business analyst. Prior to that, Rohit worked at Goldman Sachs in their Securities team, covering risk management in equity investments. We have had the chance to work with Rohit before; in 2017, while he was studying Chemical Engineering at BITS Pilani, he spent a summer interning with us!

Fund Governance

1. GCFI Audit

KPMG Mauritius has completed the audit of Good Capital Management Limited (the Fund's investment manager) and is in concluding phases of The Good Capital Fund I. Unfortunately, there were delays in the audit due to Covid-19 and we expect to issue audited financial statements to our LP's as early as mid-August 2020 when this is completed and an opinion is issued.

2. Third and Forth close

The Fund added 4 more LP's this quarter and stands at a total committed capital of \$14MN as of 30th of June 2020

Capital Call

We did not issue any capital calls in Q2-2020 since no new investments were made by the Fund. The existing funds from previously issued capital calls were utilised towards management fees for this quarter.

● Capital call for Q3-2020

The next capital call is expected to be in early August. However, this capital call will include investment amounts, catch-up management fees, compensatory capital contribution from newer committing LP's to bring them at par with our existing investors.

Looking Ahead

Investments in Q3

We are closing two transactions:

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:

- Empowering physical retail: A platform that empowers physical retail establishments with virtual inventory and consolidated supply chain, enabling technology driven modern consumer durable stores.
- Microfinance lending: A fintech platform that turns blue-collar workers into lenders for their community.
- Enabling merchants to become their own Amazon Prime: a plug and play subscription service that makes it simple for brick and mortar businesses to start selling subscriptions from their website.
- B2B healthcare supply chain: technology driven solution that eliminates inefficiencies in the material flow formed due to extreme fragmentation in the healthcare & pharma sector.
- Vernacular short-video platform: a creation, discovery and discussions platform that enables users to create and consume informative videos of maximum duration of 120 seconds.

Fundraising

The Fund is now conducting rolling closes for prospective LP's. We added 4 more LP's this quarter and plan on doing another two closes in Q3 for LP's we have currently been in conversation with.

In Closing

Apart from the impact of coronavirus on the world, this has been an eventful quarter with two key events taking place that are poised to shape the way in which India will operate in time to come.

We find our portfolio companies in a fortunate position, with runways varying between 18-36 months and a focus on scaling with healthy unit-economics as their focus.

Though fundraising activity has been slow this quarter, we are hopeful that we may be able to pick up some momentum in the next two quarters, before our January deadline.

We are in advanced conversations with a few institutions, whose support would get us up to our Fund target size. Until Q1, we were seeing a healthy amount of interest from individual investors, but this profile is less relevant for now.

As a proactive measure, we have readjusted our first-cheque size to ensure the appropriate portfolio construction of a target 15-18 companies, with a core portfolio of 4-5 companies. To reiterate from our Q2 report, 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. This is a top priority for us up until we close the Fund, and we shall revisit it & keep you updated on it in further reports.

GOOD CAPITAL

GOOD CAPITAL FUND I

UNAUDITED FINANCIAL STATEMENTS

June 30th, 2020

GOOD CAPITAL FUND I
SUMMARY OF CAPITAL ACTIVITY PERIOD ENDING June 30th 2020

Committed capital of the Fund	\$ 14,000,000 ⁴
Summary of aggregate calls till date, split as follows:-	\$ 4,573,663
• Capital Called in FY 2019	\$ 4,532,670
• Capital Called in Q1 -2020 (Jan to Mar 2020)	\$ 40,993 ⁵

⁴ The total committed capital to the Fund is including third, fourth close investors and total number of LP's is 30.

⁵ Please note that in addition to the above amount of USD 40,993, 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 April 1st 2020 to June 30th 2020**

Income:	Nil
Management fee Expense	
Management fees ⁶	\$(101,100)
Organizational Expense	Nil
Operational Expenses	
Legal Fees for investment	\$(4,896)
Administration and general operating expenses	\$(8,735)
Total Profit/(Loss)	\$(114,732)

⁶ The management fees for this quarter does not include catch up fees and management fees from third, fourth close LP's. These will be adjusted in following quarters once we issue capital calls to bring new LP's at par with older committed LP's to the Fund.

GOOD CAPITAL FUND I
BALANCE SHEET AS OF JUNE 30th 2020

Cash	\$208,073
Fair Value of investment	\$5,932,732
<i>(Including Cost of investment - USD \$ 3,921,763)</i>	
Prepaid fees	\$12,600
Compensating capital contribution Receivable from new LP's	\$918
Total Assets	\$6,154,323
Subscriptions received in advance	\$91,307
Audit fee payable	\$15,000
Compensating capital contribution Payable to existing LP's	\$16,494
Total Liabilities	\$122,801
Par value	\$4,674
Share premium book value	\$4,569,089
Retained Earnings (accumulated deficit) as of 31st March 2020	(\$438,478)
Current Year Net Profit/(Loss) as of quarter ended June 30th 2020	(\$114,732)
Unrealized Gain/(Loss) on on account of fair value of investment	\$2,010,969 ⁷
Total Shareholder Capital	\$6,031,522
Total Liabilities and Shareholder Capital	\$6,154,323

⁷ We are including the unrealized profit/gain from this quarter in the balance sheet and will be reporting this incrementally each quarter.

GOOD CAPITAL FUND I

SCHEDULE OF INVESTMENTS AS OF June 30th 2020

Company Name	Date	Round	Shares	% of company held ⁸	Cost/Share ⁹	FMV/Share ¹⁰	FMV/Share -FX Adjusted ¹¹	Cost	Fair Value
Spatial Systems Inc.	5th Aug 2019	Series A Preferred	18,561	0.08%	\$2.69	\$2.69	\$2.69	\$49,999	\$49,999
Buildwealth Technologies Private Limited	16th Aug 2019	Series A Preferred	21,700	11.82%	\$39.48	\$39.48	\$37.02	\$856,791	\$803,258
SZS Tech Private Limited	28th Aug 2019	Series Seed Preferred	6,040	-	\$95.08	\$346.00	\$326.62	\$574,294	\$1,972,765
Entri Inc.	2nd Oct 2019	Convertible Note Seed	1,389,728	-	\$0.33	\$0.50	\$0.50	\$460,000	\$690,958
Entri Inc.	21st Oct 2019	Convertible Note Pre-Series A	502,827	12.86%	\$0.50	\$0.50	\$0.50	\$250,000	\$250,000
SZS Tech Private Limited	18th Dec 2019	Series A Preferred	4,611	11.55%	\$220.48	\$346.00	\$326.62	\$1,016,645	\$1,506,030
Metamorphosys Technologies Private Limited	Jan 6th 2020	Series Seed Preferred	2,985	18.52%	\$239.21	\$239.21	\$221.01	\$714,034	\$659,722
TOTAL								\$3,921,763	\$5,932,732

⁸ % of company held is updated to show the latest diluted holding in the most recent round of financing

⁹ The Cost/Share for investments in currency other than USD is determined on the basis of the foreign exchange rate as of the date of the transaction.

¹⁰ FMV/Share: Value per share basis the latest round of financing, wherever applicable

¹¹ FMV/Share-FX adjusted: Value per share basis the INR/USD exchange rate as of June 30th 2020, wherever applicable