



Offering of Rights and Ordinary Shares in Punakaiki Fund Limited

PRODUCT DISCLOSURE STATEMENT

23 February 2023

2040 Ventures Limited is the Manager of Punakaiki Fund Limited

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.business.govt.nz/disclose. Punakaiki Fund Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advice provider to help you to make an investment decision.

OFFER NUMBER
OFR13465

01. Key Information Summary

What is this?

This is an offer of **renounceable Rights** (“Rights”) to acquire ordinary shares (“Shares”) and also an **offer of ordinary Shares**. Shares give you a stake in the ownership of Punakaiki Fund Limited (“Punakaiki Fund”).

You may receive a return if dividends are paid or Punakaiki Fund increases in value and you are able to sell your Shares at a higher price than you paid for them.

If Punakaiki Fund runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

An investment in Shares is, by its nature, relatively high risk. It will not be suitable for all investors. We recommend you seek professional financial advice before making any decision to invest.

About Punakaiki Fund

Punakaiki Fund is a venture capital investment company with total assets of \$95 million as at the end of September 2022. Punakaiki Fund is managed by 2040 Ventures Limited (“2040 Ventures”, the “Manager”).

The company raises funds to make long-term investments into high-growth, revenue-generating New Zealand-based technology companies.

Punakaiki Fund generates returns through changes in the fair value of investments, including from cash or shares received from the sale of investment assets, as well as any dividends received from investments, all net of its operating costs and any accrued Performance Fees.

We expect to continue to have negative operating cash flows for some time due to cash spent on operational expenses currently exceeding cash received from dividends. Consistent with our operating reserve policy, a small amount of the funds raised by this Rights Issue and Offer will be applied to meeting Punakaiki Fund’s operational cash requirements through until the end of FY2024.

Punakaiki Fund has material investments in technology companies Devoli, Quantifi Photonics, Orah, RedSeed and CONQA, along with 12 other Portfolio Companies.

Punakaiki Fund sold (“exited”) its investments in Vend, Timely and Moxion in 2021, and has realised total proceeds to date from those exits of \$19.9 million, with another estimated \$0.9 million yet to be received.

In FY2022, Punakaiki Fund returned a net profit after tax of \$15.8 million, driven by increase in fair value of investments, with \$1.8 million of negative operating cash flows. The September 2022 interim accounts showed a net loss after tax of \$3.1 million with \$1.3 million of negative operating cash flows.

Purpose of this Offer

Punakaiki Fund is raising new capital to make further venture capital investments into existing Portfolio Companies and, potentially, new companies, as well as meeting operating costs and setting funds aside for possible IPO-related costs.

Key terms of the Offer

Important Dates

PDS Lodged	23 February 2023
Rights Issued (Record Date)	3 March 2023
Rights Trading Period	6-10 March 2023
Offer Period	6-28 March 2023
Rights Settlement Period	15-28 March 2023
Allotment Date (on or before)	31 March 2023

Current securities on issue	2,679,333 Shares
	51,961 November 2023 \$30 Options

The Rights Issue and/or the Offer may be withdrawn by Punakaiki Fund at any time before the allotment of Shares, at Punakaiki Fund’s sole discretion.

Rights Issue Terms

Every 10 Shares held on the Record Date will entitle the holder of those Shares to subscribe for 1 additional Rights Issue Share at the Rights Issue Price.

The Right to subscribe for these Shares is transferable and may be traded during the Rights Trading Period.

Underlying Securities Ordinary Shares

Rights Issue Price \$19 per Share*

Approximately 267,731 Rights Issue Shares will be offered, with the exact amount determined on the Record Date (9.1% of the Shares on issue following this Rights Issue if all Rights Issue Shares offered are allotted, assuming no November 2023 \$30 Options are exercised).

Offer Terms

Securities	Ordinary Shares
Offer Price	\$31 per Share*
Minimum Application	100 Shares
Maximum Application	500,000 Shares
Minimum Shares offered	1,000 Shares
(0.03% of the total Shares on issue following this Offer if all offered Rights Issue Shares are allotted)	
Maximum Shares offered	no maximum

*No further payments, fees or charges relating to the Shares are payable other than the Offer Price.

How the Rights Issue and Trading Works



Punakaiki Fund Limited is not a 'managed investment scheme' (MIS) for the purposes of the Financial Markets Conduct Act and does not have an FMA-licensed manager or an FMA-licensed independent supervisor to govern its investment activities. Investor rights are set out in the constitution of the company, which has been set up in accordance with the Companies Act 1993.

Under its constitution, Punakaiki Fund is structured as a company and is governed by a Shareholder-elected board of directors, with the Manager appointed under the Management Agreement, details of which can be found on page 30. Shareholder rights include the ability for the Manager to be removed without penalty if a majority of Shares are voted in favour of doing so.

Management agreement

Highlights of the Management Agreement (which is currently being renegotiated) are set out in the table opposite and are discussed further in Section 2, on page 30.

Further details, including the Management Agreement itself, can be found in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number OFR13465.

Manager	2040 Ventures Limited
Senior Management	Lance Wiggs, Chris Humphreys, Nadine Hill, Ben Kay
Management Fee	2% up to \$50 million then 1.5% thereafter plus GST
Administration Fee	\$557,500 plus GST for FY2024. Set annually by the Board
Performance Fee	20% of uplift in Share price paid in equity and cash*
Performance Fee payment	Payable only after any listing** on a stock exchange, then annually
Brokerage Fee	3% of capital raised, excluding share-swap arrangements and Performance Fee payments
Term	10 years, with rollover rights in March 2024 <i>Manager can be removed without penalty if more than 50% of Shares are voted in favour of doing so</i>

*also subject to a 10% return hurdle and a high-water mark. Calculated on a share tranche basis, and based on the market value of shares if paid after any listing.

**and certain other events as detailed in the Management Agreement.

How you can get your money out

Punakaiki Fund does not intend to quote these Shares on a market licensed in New Zealand and there is no other established market for trading them. This means that you may not be able to sell your Shares.

Punakaiki Fund does not offer the ability for Shares to be redeemed.

Additional information regarding trading of Shares periodically via Catalyst can be found in Section 6, Key Features of the Shares, on page 42.

Key drivers of returns

An investment in Punakaiki Fund should be considered a long-term investment. Returns to investors over the long-term are driven by:

DRIVERS OF RETURNS	OUR STRATEGIES AND PLANS
Performance of Portfolio Companies The growth and profitability of our Portfolio Companies and the dividends they pay drives the changes in the value of our Assets per Share. In particular, Devoli represents over 20% of our Assets and its performance is a material driver of returns.	<ul style="list-style-type: none">Assist Portfolio Companies, as directors and shareholder-advisors, to deliver sustainable long-term growth.Lead or support Portfolio Companies to raise follow-on capital.Become deeply involved, as required, at strategic Portfolio Company moments, including funding rounds and company exit opportunities.
Valuations and External Value Events Aside from Portfolio Company performance, valuations are driven by metrics observed from public financial markets, events including investment rounds, and “exits” (when companies are sold or listed on a stock exchange).	<ul style="list-style-type: none">Set clear reporting and communication expectations with Portfolio Companies so that we understand their performance and are aware of and engaged in any related pending strategic events.Maintain our fair, robust and systematic investment valuation process with Board responsibility and annual audit oversight, acknowledging that exit events will generally be at a premium to holding value.
Shares Trading at a Discount Shares that have been traded between existing Shareholders tend to do so at a discount to the underlying value per Share.	<ul style="list-style-type: none">Provide liquidity windows to sell Shares, through 1-4 share trading windows per year. Traded Shares have historically sold at a discount.Investigate a listing of the Shares on a licensed exchange in the medium to long-term, which would provide greater liquidity for selling Shares.Prior to any potential IPO, survey Shareholders before making any deeply discounted offers for new Shares.
Net Operating Costs Versus Income The operation of Punakaiki Fund generates costs, which may be offset by dividends received from Portfolio Companies.	<ul style="list-style-type: none">Aim to have dividends received from Portfolio Companies meet the operating costs of Punakaiki Fund in the medium-term.Maintain a policy of holding cash reserves equal to one-year of operating costs following each major funding round or major exit or investment sale.Maintain low expenses, with the Management Fee based on fixed percentages of Accounting Net Asset Value.

Key risks affecting this investment

Investments in Shares are risky. You should consider if the degree of uncertainty about Punakaiki Fund’s future performance and returns is suitable for you. The price of these Shares should reflect the potential returns and the particular risks of these Shares. Punakaiki Fund considers that the most significant risk factors that could affect the value of the Shares are:

Venture Risk – the risk associated with investing in the venture capital sector.	Venture capital investments are designed to be high return, and have an associated high risk of failure. Punakaiki Fund mitigates this risk by investing only in businesses with sufficient revenue and in accordance with the diversification strategy outlined in our Statement of Investment Policies and Objectives, while also regularly marking down Portfolio Companies that do not perform to expectations.
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Investment Concentration Risk – the dependence on the performance and valuation of five key companies.	Our investments in Devoli, Quantifi Photonics, Orah, RedSeed and CONQA represent over 65% of the value of Punakaiki Fund’s total investments as at September 2022 and material changes in their performance and valuation would affect the value of the Shares. We have a policy of diversifying investments, we monitor and value these large investments carefully, and (via 2040 Ventures) we have board seats for each of these companies and assist where we can add value. We expect concentration risk to occur as companies outperform and increase in value.
Control Risk – the lack of operational control of our Portfolio Companies.	While we almost always have directorships or observation rights, as well as well-defined shareholder rights, 2040 Ventures and Punakaiki Fund are unable to control the activities of the Portfolio Companies we invest into. These are controlled by the boards of each Portfolio Company, but are also subject to high levels of control by founders and other shareholders. We work in collaboration with founders towards aligned goals, and actively work with founders and other shareholders to generate alignment on strategy and tactics.

This summary does not cover all of the risks of investing in Shares. You should also read Section 8 of this PDS, **Risks to Punakaiki Fund’s Business and Plans**, on page 48.

Punakaiki Fund’s financial information

The financial position and performance of Punakaiki Fund are essential to an assessment of this Offer. You should also read Section 7, **Punakaiki Fund’s Financial Information**, on page 44.

NZ\$ ‘000	FY2019	FY2020	FY2021	FY2022	HY2022	HY2023
Financial Position						
Investments	46,170	55,020	71,090	93,070	74,990	93,955
Total Assets	47,272	57,976	73,297	98,197	78,235	95,125
Financial Performance – Selected Information						
Change in Fair Value of Investments	7,115	4,958	14,388	21,664	5,642	(2,628)
Dividend Income	193	165	193	113	113	-
Interest & Other Operating Income	1	2	1	10	1	2
Revenues	7,309	5,125	14,582	21,787	5,756	(2,626)
Net Profit After Tax	5,005	3,699	9,714	15,785	3,793	(3,098)
Cash Flow – Selected Information						
Cash Flows from Operating Activities	(773)	(1,298)	(1,392)	(1,805)	(824)	(1,261)
Cash Flows from Investing Activities	(3,385)	(3,892)	(1,681)	(316)	1,742	(3,513)
Cash Flows from Financing Activities	4,455	7,061	2,338	5,021	151	840

The key investment metrics are prepared based on NZ GAAP. Punakaiki Fund’s accounts have been audited each year since FY2016 by EY New Zealand.

Punakaiki Fund has not included prospective financial information within this PDS. This is because of the uncertain future growth in the value of Portfolio Companies, the inability to forecast changes in public market valuations of comparable companies and the unknown amount of new capital that Punakaiki Fund will raise in the short to medium-term. These factors

(and others) will impact the future value of Punakaiki Fund’s Assets.

Valuation and revenue data provided in this PDS are as at September 2022, unless otherwise stated.

There have been no material changes in Punakaiki Fund’s financial performance and position since 30 September 2022.

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Letter from the Chair

Dear Investor,

Kia ora koutou o te whānau a Punakaiki Fund.

Our investment portfolio of New Zealand private technology companies continues to perform well.

Our September 2022 \$95 million Asset value is predominantly in companies that either are, or can easily become, financially sustainable. We expect to see strong continued underlying revenue growth this year from most businesses, and are looking to invest to support some of them.

Meanwhile, we continue our consideration of a potential IPO, with the appointment of a CFO in late 2022 to investigate and drive this process, and we are developing plans to list when the share market conditions improve, potentially in 2024.

Our historically conservative approach to valuation meant that our Asset value showed strong resilience in 2022, even in the face of drops of over 50% in some listed technology companies. Our investments are valued, based on their recent performance, using market multiples from listed comparable companies, with adjustments for size, liquidity and control.

\$19 per Share, 1 for 10 Rights Issue

We appreciate that 2022 was difficult period for many investors, so present this Rights Issue with a highly discounted price – just \$19 per Share, a 47% discount to the Asset Value per Share. Every existing shareholder will get one Right to buy a Rights Issue Share at \$19 each for every 10 Shares they hold, and we encourage every investor to exercise their Rights.

These Rights will be issued at the commencement of the offer, and can be bought and sold in a 5-day period via the Catalist platform. This will lower the dilution impact for investors who do not wish to participate in the Rights Issue.

Offer to New Investors

We also present an Offer to new investors, which is priced, at \$31 per Share, to include the dilutionary impact of the 1-10 discounted Rights Issue.

Register for Catalist

Please sign up to the Catalist platform to participate in the Rights Issue, to buy or sell Rights, or to invest in the Offer. Anyone in New Zealand can participate in the Offer, and you do not need to be an existing shareholder to buy Rights.

We intend to use funding from these offers to invest in technology companies, fund operating costs and further prepare for investigating our potential path to IPO.

Punakaiki Fund is managed by 2040 Ventures Limited, who have an experienced team led by partners Lance Wiggs, Chris Humphreys and Nadine Hill, and supported by Ben Kay as CFO. We have evolved our Board membership, proven the resilience of the portfolio, and aim to deliver continued strong results for investors over the coming years.

We aim to set the standard for investing in venture capital in New Zealand, providing access to the asset class for all investors and aiming for consistent and strong returns, no matter how other funds and asset classes perform. With this Offer we once again provide access to all New Zealand based investors, and we have priced it to be attractive.

I invite you to consider this Offer and the Rights Issue, and by doing so, invest in a wide variety of attractive New Zealand technology companies.

Nō reira, kia ora koutou.

Mike Bennetts



02. Punakaiki Fund and What it Does

An investment in Shares is by its nature relatively high risk.

It will not be suitable for all investors.

The Glossary on page 59 defines terms used in this Product Disclosure Statement.

Overview

Punakaiki Fund is a venture capital investor with a \$95 million portfolio of Assets as at 30 September 2022. The investment assets are mainly shares, and occasionally convertible debt instruments, in New Zealand-based technology companies with high-growth aspirations. We hold investments in 17 Portfolio Companies, with Punakaiki Fund's ten most valuable investments (each worth more than \$2.5 million to Punakaiki Fund) representing 85% of our investment portfolio value.

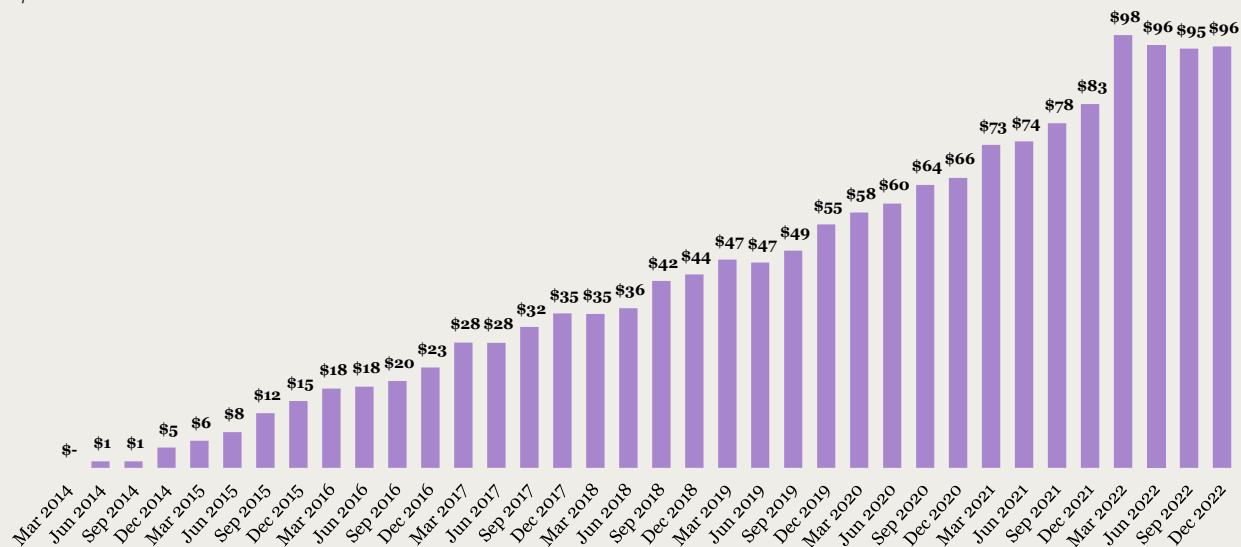
Our drivers of returns, along with strategies and plans, were discussed in the Key Information Summary on page 4.

We invest for the long-term, seeking increases in the value of our investments as they grow. We use our years of experience to assist companies through their journeys and provide follow-on investment where we see value. As at September 2022 the weighted average annual revenue growth within our Portfolio Companies of 53% helped us maintain valuation resilience in the face of declines in the market-based revenue multiples used to value most of our Portfolio Companies.

We have eight and a half years of reported results, a Board of directors providing governance, a range of investment policies, including a Statement of Investment Policies and Objectives, a Socially Responsible Investment Policy, and a timetable to commence climate exposure reporting.

Since April 2014, we have raised \$48.0 million, invested \$59.3 million and received \$22.4 million in proceeds from exits, notably Vend, Timely and Moxion, along with \$1.1 million in dividends. Our Asset value per share has risen from \$10.00 at inception to \$35.82 in September 2022.

Punakaiki Fund's Asset Value \$ Million



Diverse Technology Investments

The company has 17 Portfolio Companies, including our top 10 investments that represent \$80 million, or 85%, of the investment portfolio value as at 30 September 2022. We hold an average shareholding of 32% for these top 10 investments.

Company	Description	Shareholding
Devoli	Wholesale internet service provider powering Contact Energy & Nova	53.9%
Quantifi Photonics	Optical photonics test and measurement equipment and software	17.0%
Orah	Student engagement and wellbeing software used by elite schools	28.9%
CONQA	Quality assurance and productivity software for the construction sector	20.5%
RedSeed	Coach-led off-the-shelf and customised learning for frontline staff	48.1%
Onceit	New Zealand discount ecommerce site for fashion, furniture and more	25.6%
Mobi	On and off-premise hospitality digital ordering and engagement platform	19.6%
Whip Around	Digital fleet maintenance solution	3.0%
Project Works	Software to run small technical and management consultancies	12.9%
Couchdrop	Software for moving vast amounts of data between platforms	17.9%
Top 10 Investments	Combined trailing 12 months revenue: \$133 million Equity weighted trailing 12 months revenue: \$47 million Annual revenue growth rate: 53%	\$80.0 million Valuation* 32% average shareholding**
Other Active Investments	Raygun, QUBEdocs, Core Schedule, Get Home Safe, Weirdly, Formus Labs, Friendly Manager	\$11.0 million valuation* 25% average shareholding
Held For Exit	Escrow cash and companies held for exit	\$2.9 million*
Total Portfolio		\$93.96 million*

* As at 30 September 2022

**Average revenue, growth rate and shareholdings weighted by PFL valuation

Punakaiki Fund, funded by 2040 Ventures, sponsors the Hi-Tech Startup Company of the Year category at the annual Hi-Tech Awards.



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NZ HI-TECH AWARDS 2023

Diverse Industries, Sectors and Geographies

Punakaiki Fund's investments are exposed to a broad range of sectors, including telecommunication, ecommerce, education, photonics, construction, retail and ICT. The Portfolio Companies operate in markets in Australia, New Zealand, USA, Canada, China and, to a lesser extent, the remainder of the world.

The products and services offered include software services to manage quality assurance, high volume recruitment, training, software quality, health and safety, ecommerce, as well as test and measurement equipment and software, fashion and furniture, and wholesale telecommunications services.

Venture Capital Industry

Venture capital investing aims to discover and grow disruptive companies and achieve outsized returns for investors. Internationally, venture capital firms backed successful companies such as Google, Apple, Microsoft, Facebook and Amazon. Locally connected venture capital-backed companies include Xero, Allbirds, Rocketlab, Sequent, Vend and Timely. However, the industry is well known for taking risks and accepting that not all investments will succeed.

Venture capital investors generally take minority equity stakes in companies, aiming to help them develop their products and businesses, and to rapidly scale.

Investments are typically made over a series of rounds, generally at increasing valuations as the company develops and grows. These investment "rounds", known as "Seed", "Series A", "Series B" and so on, attract an evolving mix of investors, from friends and family, to high net worth "angel" investors, and then to local and offshore venture capital and expansion funds.

Each investor in the venture investment cycle has their own mandate for risk and returns, and generally also specialises in a particular sector and/or region. Earlier stage investors typically invest smaller amounts, and aim for extraordinarily high returns, but accept a higher chance of failure. Later stage, or growth, investors generally aim for high (but lower than earlier stages) returns and are less tolerant of failure.

As an example, 2040 Ventures partner Lance Wiggs' small investment in Vend's second, Series A, round in 2011, would have delivered a 46x return and a 47% annualised return (IRR), while Punakaiki Fund's investment just four years later, in Series G, delivered a 3.6x return and a 25% IRR. Punakaiki Fund regularly makes investments in Seed, Series A

and occasionally Series B rounds. We have a history of supporting Portfolio Companies through multiple rounds.

Unlike Punakaiki Fund, venture capital funds are generally raised sequentially, with each fund set up with a certain amount of committed capital, typically \$50-500 million, which is usually invested over a five-year period. These venture capital funds call in the committed capital as investments are made, and look to sell or list their investments up to ten years after the fund is set up. Investors' capital, including any gains, are returned as each investment is sold, or "exited", with venture capital firms collecting performance fees based on overall returns.

Punakaiki Fund's Approach

Our Approach to Investing

Punakaiki Fund invests in technology companies in New Zealand, and looks for high-growth companies with strong, long-term prospects. There are, however, three key differences between us and traditional venture capital funds.

Evergreen

Punakaiki Fund is an investment company and does not use a limited partnership structure. We do not have a fixed investment term, nor do we require investors to make an up-front commitment to invest in Punakaiki Fund over several years. Any proceeds from the sale of investments are recycled and used to make investments in other businesses, and to meet the operating costs of Punakaiki Fund.

The advantage of this approach is that Punakaiki Fund invests with the intent to hold, rather than sell investments. This allows companies to grow for longer, and they are more likely to be larger if they sell, list on a licensed exchange, or pay dividends. The intent of holding for longer is to produce much larger returns for investors than early exits, which traditional funds can be incentivised to do.

The other advantage is that new investors can see what they are investing into, rather than making a commitment for five years into unknown future investments. The value to new investors is largely embedded in the existing investment portfolio, which is regularly revalued.

New Zealand Focus

Along with well-known technology companies like Xero, Pushpay and Rocket Lab, New Zealand has hundreds of high-quality technology companies that are at an earlier stage in their growth journey. However, New Zealand also has quite a small venture capital industry, and for much of Punakaiki Fund's life there were only two other active venture capital funds operating in New Zealand.

While we have seen more dollars flow into the market from new and expanded venture capital funds, we also believe that it has been a difficult time for funds to raise money over the last 6-12 months. There have also been fewer investments from funds outside of Australia and New Zealand, and in our opinion investors are still unable to provide enough local companies with the funds that they need to grow.

Generally speaking, New Zealand investment rounds are a lot smaller than for companies at similar stages in the USA and Australia. On the other hand, New Zealand companies are often able to spend a lot less to get further than their offshore peers, which is particularly valuable when the availability of global venture capital funding slows.

Retail Investor Friendly

We are very unusual in accepting investment from all investors, not just large institutions and high net worth individuals. Our ambition has always been to open up the venture capital asset class to New Zealand retail investors, so that the gains from our investments remain in New Zealand.

We are also investigating the potential listing of our Shares on a licensed exchange, and in late 2022 we appointed a Chief Financial Officer, formed an IPO Board subcommittee and are working towards a possible listing in 2024. We believe that a Punakaiki Fund listing will be increasingly attractive to investors as we grow larger. A potential future listing would provide earlier liquidity for our newer investors than a traditionally structured venture capital fund that needs to sell its investments to return capital.

Our structure also allows us more freedom to invest than many traditional venture capital firms. For example, we can more easily invest by purchasing existing shares from other shareholders in Portfolio Companies. We can, and do, use our own Shares as payment to make investments, which is a tool we sometimes use to buy shares in Portfolio Companies from their existing shareholders.

We may also raise debt to allow us to increase our ability to invest and seek higher returns for our shareholders, and may do so if terms are attractive.

What We Invest Into

We invest into New Zealand-based technology companies that have enough revenue to demonstrate that the company is on the path to financial self-sustainability. In 2019 we tightened our investment mandate after recognising that we generated superior returns when investing according to this mandate. While our overall gross returns (IRR) before fees and expenses are 20.5% per year, our returns from investments within our tightened mandate are 25.8% per year. The latter is consistent with our target of delivering 20% per annum net returns to shareholders, although returns will ultimately be driven by the trading price of our Shares.

Our mandate is tuned to lower the risk of investment failure, while providing the benefits of investing early in companies' growth life cycles. We are then able to invest again and again as companies grow, and have done so on many occasions.

We like investing into companies that sell to other businesses, and that provide products and services that are critical to the businesses of their customers. We also look for company founders who exemplify the values of New Zealand, and who have strong credentials, which may have been earned on the job.

We have invested into a lot of SaaS companies, as we like their recurring revenue model, high margins, and ability to scale quickly. We sold our shares in three of these, Timely, Vend and Moxion, in 2021, receiving over \$20 million in returns.

The chart below shows the mix between non-SaaS and SaaS companies as reflected in the September 2022 portfolio valuation.

Portfolio Company Value SaaS vs. Non-SaaS \$ Million



How We Manage Investments

After Punakaiki Fund invests into a business we almost always hold the rights to appoint a director to the company’s board, or hold the ability to have an observer present at board meetings. We may help the company to find other suitable directors, searching in particular for those who bring industry and previous high-growth company experience.

We have a number of other rights and conditions in our agreements with companies, which generally include confidentiality, the ability to provide follow-on investment into subsequent investment rounds and requiring certain levels of reporting. Each set of investment documents is different, but the industry has a number of norms that we abide by, aiming for simplicity as we do so.

We provide on-going advice and assistance to Portfolio Companies through our roles as directors and shareholders. In particular, we assist when material events occur, such as strategic changes, financing and acquisitions of other companies. We often assist when it comes to engagement with very large clients, and when companies are approached by potential investors or acquirers. Our role varies according to our relative shareholding and that of the other investors in the company. When larger investors invest in rounds subsequent to ours, then we will generally lower our involvement, in agreement with the new investors, the founders and other shareholders. If we are sufficiently small then we will generally have lesser rights, and we may lose the ability to influence key decisions, including any decision to sell the company.

Selling (Exiting) Investments

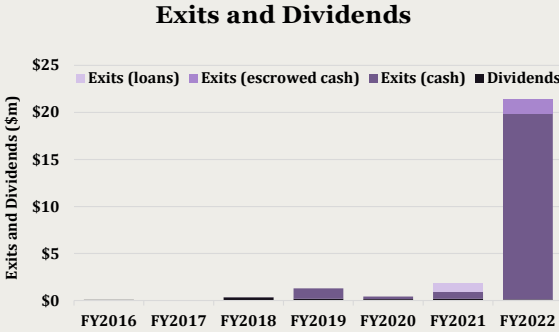
Venture capital investing is dynamic, and Portfolio Companies are regularly approached by potential acquirers. While we have a long-term hold mandate, we also balance the desires of the founders and other investors, as well as the performance of the company, with the quality of any exit offer.

To date we have sold, or “exited”, eight companies, written-off two, and another is likely to have an administrator appointed around the date of this PDS. We received a combination of cash, debt, acquirer shares and escrowed cash and shares for the exits.

While these exit events lower or remove the requirement for Punakaiki Fund to raise funds to pay for operating costs, exit timings are uncertain, as is the ability for exit proceeds to meet Punakaiki Fund’s future operating costs.

The following chart shows how the timing of our investment returns from exits and dividends was

focused, so far, in FY2022, when three companies were sold.



We also cannot anticipate when larger exits such as these will happen in the future, but there is always the possibility that a material exit might occur. For example, seven of our investments in Portfolio Companies are currently valued higher than the holding value of our investment in Vend prior to its exit. If any of these companies sold, the returns generated would likely be material to Punakaiki Fund, particularly if a market premium was paid, in the same way that the exit of Vend was material to Punakaiki Fund.

In general (but not always) the companies we invest in grow in size and value over time, and as they do, they tend to attract more investor and acquirer interest. We typically (but not always) experience a mark-up in the value of our investments when they are sold, sometimes substantially.

Since inception, we have realised a total of \$24.2 million in returns from dividends and cash from our investments.

Our three most successful exits, Vend, Timely and Moxion, represented \$5.1 million in original investment, and a current value in realised and unrealised returns of \$20.9 million.

Recycling Capital

We reinvest the proceeds from exited companies back into new investments. We invested, for example, \$5 million into Quantifi Photonics in 2021 using proceeds from the Vend and Timely exits. This recycling means that we have now invested a total of \$59.3 million into companies, which is more than the \$48.0 million that we have raised to date.

Investment Details

Our success is heavily dependent on the performance of the Portfolio Companies that we have already invested into, which are overviewed from page 14.

We are unable to disclose financial metrics for our investments, due to non-disclosure agreements. We have disclosed the investments that are material to the value of Punakaiki Fund.

There is more information in the FY2022 Annual Report, as well as the September 2022 Interim Accounts, which can be found in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number OFR13465.

Diversity, Equity and Inclusion

We believe that our commitment to diversity, equity and inclusion is a key driver of our success. We see that well run and diverse boards, management teams and companies are able to understand more about their end users and customers, make better decisions and lead to higher long-term value.

Despite a shifting culture towards diversity, equity and inclusion, there is no doubt that there is a lot of under-representation among start-up founders. We believe that Punakaiki Fund has a leadership role to play, and that inclusive investing and inclusive companies drive superior results.

Punakaiki Fund’s Top 10 Companies



Based in Auckland, Devoli is a telecommunications and software company providing wholesale and corporate telecommunication services, including virtual internet service provider services, to businesses in New Zealand and Australia.

The Devoli platform allows customers such as Contact and Nova Energy to provide broadband to their large base of retail customers and Devoli is particularly proud that they now manage over 100,000 broadband connections for their customers.

The company is growing rapidly and has not required capital investment from Punakaiki Fund to date.



Strong Results for Customers

Devoli’s software-enabled virtual Internet Service Provider service has enabled Contact Energy to acquire and grow their end-user broadband connections by over 60,000 since becoming a customer, while delivering an award-winning customer experience.

In late 2022 Devoli transitioned Nova Energy’s broadband customers to its network, and saw client Compass Communications launch an innovative climate friendly retail ISP, ZeroNet, powered by Devoli’s software automation and network.

Awarded for Growth

In November 2022, Devoli was ranked 3rd in the Deloitte Fast 50 Masters of Growth category, and 29th in the overall Fast 50, each an improvement on the previous year.



“The great thing about our business is that we built it with scalability in mind from the outset. Our software and automation first approach mean we don’t need to continuously hire new staff to grow many hundreds of new sites or connections.”

Karl Rosnell
CEO, Devoli



Founders Exit in 2023

Devoli's founders, Davey Goode and Barry Murphy, sold their shares in early 2023 to a family office investor. They showed a 39% annualised rate of return (17 times) versus the share price of Punakaiki Fund's first investment into Devoli in 2014.

Growth Plans

Devoli continues to look for opportunities to help non-traditional providers provision broadband and other internet and telecommunications services.

CEO, Karl Rosnell, says the unbundled telecommunication markets offer opportunities in Singapore, the United Kingdom, South Africa, Europe and North America. "There are plenty of geographies where we believe we can compete and win with our current stable of products, but there are also emerging technologies to consider. We're looking at mobile, fixed wireless, Starlink, Google Fibre among others. To us, the inputs don't really matter, the job of our platform is to provide the right product for the customer no matter where they might live, work or play."

Punakaiki Fund first invested in Devoli in 2014 and is the largest shareholder in the company with 53.9%.

Chris Humphreys and Rohan MacMahon from 2040 Ventures sit on the Devoli board.

"The magic in our platform is that you don't have to be technical to use it. We've stripped the telco lingo out of the market to help any business become successful."

Karl Rosnell
CEO, Devoli



QUANTIFI PHOTONICS™

Quantifi Photonics is on a mission to transform the world of photonics test and measurement.

By developing and manufacturing innovative benchtop, modular and customised turnkey fibre optic test solutions, the company has become a critical supplier to technology companies and world-leading research organisations around the world.

“Silicon photonics is a key technique in the future of the semiconductor and telecommunications industries, especially with the increasing bandwidth requirements for data center and 5G/6G applications.”

Sean Doyle

Managing Director, Intel Capital.



In 2021, Quantifi Photonics increased annual sales orders by over 70%, and established a dedicated research and development centre in Thailand following the acquisition of SmarTest Technologies.

In July 2022, Quantifi Photonics raised an impressive \$25 million series C round, led by Intel Capital.



Andy Stevens & Iannick Monfils, Co-founders, Quantifi Photonics

News of the Intel Capital-led \$25 million round has helped with both customer engagement and attracting highly qualified and experienced people around the world to join the team.

“The Quantifi Photonics team has the potential to supply critical test and measurement solutions to the market at large.”

Sean Doyle

Managing Director, Intel Capital.

Quantifi Photonics aims to help their clients develop and manufacture products that use optical technology to increase speeds and lower energy requirements, be it in subsea cables and fibre networks, data centre inter-connections, or inside computers and on silicon chips.

Punakaiki Fund is the largest shareholder in the Auckland-based hi-tech manufacturer, currently holding 17% of the company.





RedSeed is an online learning eco-system for retailers.

Their strength is helping front-line staff change behaviour to improve sales and other business outcomes, through a coach-led approach that is integrated into the RedSeed platform.

RedSeed has a proprietary Learning Management System, a video-based content library and builds bespoke learning modules.

“We’re passionate about changing behaviour.”

Anya Anderson

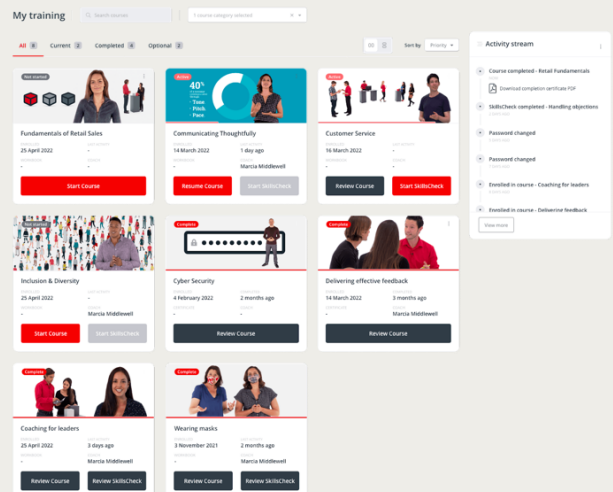
Co-founder & CEO, RedSeed

Punakaiki Fund has a 48.1% shareholding of RedSeed, largely acquired through secondary share sales. 2040 Ventures’ Lance Wiggs sits on the board.

RedSeed is based in Christchurch and has 3 staff in Australia.



Filming in the RedSeed studio, 2022



RedSeed content library, 2022

As of January 2023, RedSeed reported over 76,000 active trainees across more than 84 organisations, with an impressive 70% training engagement rate.

RedSeed has a significant and growing footprint in both the New Zealand and Australian retail business markets. Clients include Weber, The North Face, Icebreaker, 2degrees, Rip Curl, Kathmandu, Farmers, Foodstuffs, PVH brands, and Jaycar.



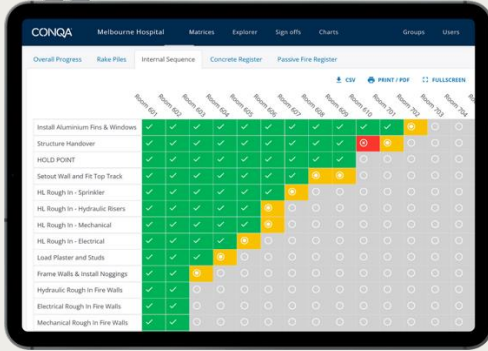
“Our team experience short, sharp nuggets of ‘what good looks like’ so they’re able to take it in, learn from it and are able to do it.”

Kirsty James

Head of Training & Development - Commercial

CONQA[®]

CONQA's software helps the building industry deliver projects on time and with significantly less rework by integrating quality assurance into sub contractors' workflows.



CONQA keeps all quality assurance documentation in one secure location while letting customers have their checklists, photos and notes at their fingertips. The software improves on-site productivity and, in some cases, accelerates the council building inspection sign-off process.

“We went from losing hundreds of thousands of dollars to defects on a single project, to virtually zero defects.”

AE Smith

CONQA customer

As an example, CONQA recently worked with a plumbing firm on an apartment project. Each apartment had multiple jobs requiring quality assurance sign-off, amounting to a 22,000-point checklist. “You can’t do that manually, it needs to be digitised and standardised. It’s all done on their phone so it’s really practical for the subbies.”



CONQA's software is used across thousands of construction sites worth billions of dollars. CONQA works with leading subcontractors on projects run by Lendlease, Multiplex, CMP, Hawkins, Downer and Fulton Hogan.

Punakaiki Fund was CONQA's first institutional shareholder and has a current shareholding of 20.5%. Our investment team are enthusiastic about CONQA's trajectory, particularly given the company's laser focus on subcontractors.



Barney Chunn, Daniel O'Donoghue & Pete Simons

Co-founders, CONQA

CONQA is based in Auckland with an office in Melbourne and Sydney.



Whip Around helps professional drivers and their firms manage recurring vehicle inspections, ensuring legal compliance and critical maintenance is completed.



CEO Noah Hickey collecting the award for Hi-Tech Start-up Company of the Year at the NZ Hi-Tech Awards 2019

In the USA, the Department of Transportation requires drivers to submit inspection reports at each shift. Whip Around has replaced the cumbersome paper-based process with a more efficient and information-rich digital alternative.

The company uses that data to provide fleet preventative maintenance, improving vehicle safety and uptime and making it easy and fast to demonstrate compliance.

“Whip Around is an incredible tech success story. Launched in 2016, it identified a clear and lucrative niche in a huge market. And then it delivered with a great product and typical Kiwi grit.”

Lance Wiggs

Punakaiki Fund

Whip Around is no stranger to success. In addition to the company’s growing list of delighted customers, they’ve also won multiple awards, including 2019 Hi-Tech Start-up Company of the Year and 2021 Hi-Tech Emerging Company of the Year at the NZ Hi-Tech Awards.

“Whip Around has made us a safer, more efficient business.”

John Abrams

Fleet Operations Director, Spartan Logistics

Whip Around now boast a senior leadership team led by CEO and former All White, Noah Hickey. The company has offices in Auckland; San Diego, California and Charlotte, North Carolina, servicing customers from coast to coast in the USA and around the world.

Punakaiki Fund is proud to be the only New Zealand-based fund to have invested in the company, leading the Series B capital raise, and taking a 3.0% shareholding.

ONCEIT

Onceit is an online retailer selling top brands in fashion, beauty and homewares at great prices, predominantly in New Zealand.

Launched in May 2010, Onceit founder Jay Goodey dreamed of the platform becoming a leading destination for online designer sales. 13 years on, Onceit has become a one-stop destination for more than 500 local & international brands keeping over 600,000 loyal members on top of the latest styles & trends.

“This is a business focused on value, and with strong supplier relationships along with continuously improving packing and shipping processes Onceit consistently delivers on low prices for high quality goods.”

Lance Wiggs

Punakaiki Fund

In 2022 the team completely replaced their plastic infill packaging with paper infill, lowering their impact on the environment. The company has also implemented an ethical sourcing policy and published an ethical sourcing and sustainability statement.



Jay Goodey

Founder & CEO, Onceit

The company is chaired by Simon West, the former Executive Director of Max Fashions and current CEO of Torpedo 7 and executive director of The Market.

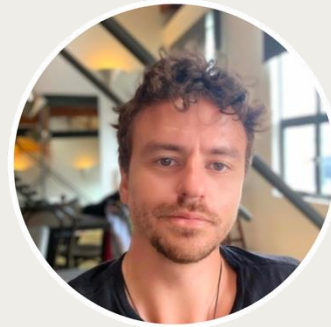
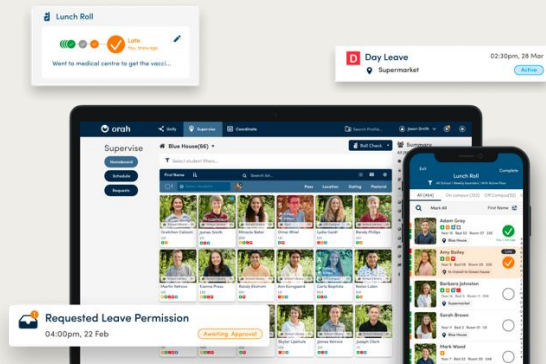
Punakaiki Fund first invested in 2015, and currently holds 25.6% of Onceit. 2040 Ventures' Lance Wiggs is a board director.

The company has paid a series of dividends to shareholders. The total dividends received by Punakaiki Fund have exceeded the amount invested by Punakaiki Fund.



orah

Orah makes elegantly simple solutions to help schools and parents understand and manage student engagement and wellbeing.



“The market is massive and growing at a rapid pace, which is rare. Spend in EdTech is \$178B and growing 10-15% a year.”

Paul Organ

Co-Founder, Orah

Orah was founded by co-CEOs Paul Organ and Kurt Meyer in 2014 as ‘Boardingware’, helping boarding schools to digitise student rollcalls and pastoral care. By 2022, their customer base included over 270 elite schools, including Eton College in the United Kingdom, Phillips-Exeter in United States, and The Kings School in Australia.

“The checkpoint kiosk has provided a professional way to manage the sign in/out of the pupils and staff, which supports the safeguarding of pupils.”

Anna Kempster

Head of IT Systems, Eton College

Orah has since expanded into the day-school market and now offers a suite of products that combine to form a category-defining ‘Student Enablement Platform’ primed to take advantage of the rapidly growing EdTech sector.

Orah’s ‘Nurture’ product focussed on student wellbeing, and helps schools and parents proactively understand how students are feeling and to address issues.

In 2022 Orah accepted investment from a group highly regarded software as a service entrepreneurs and investors. Bruce Gordon, formerly with Pushpay, joined the Orah board as chair.

Punakaiki Fund first invested in 2015, and currently holds a 28.9% shareholding in the company. 2040 Ventures’ Nadine Hill sits on Orah’s board.

“Orah ensures that you are on the top of your game when it comes to making sure that students are safe and accounted for. After using Orah, I can’t imagine operating without it now.”

John Spear

Assistant Head for School Life, Northwood School



Founded in 2019, Couchdrop specialises in moving large amounts of data between cloud platforms, and doing so at high speed, securely and at a cost-effective price.

The small and highly technical team is led by Punakaiki Fund’s first second-time founder, Michael Lawson.

Michael’s first company Linewize, an internet safety company for schools, was acquired by ASX-listed Family Zone in October 2017.

Couchdrop automates the transfer of files between businesses, bringing the Secure File Transfer Protocol (SFTP) into the cloud era, working with a very large number of cloud systems, and is able to rapidly scale to meet client demand.

Movebot, the company’s other product, helps clients migrate their data to and between cloud file storage systems. For example clients might migrate all of their enterprise data from Google Drive to Dropbox, Egnyte to Google, GCP to Wasabi and more. While this sounds simple, cloud platforms store and handle files in very different ways, and Movebot ensures that transfers are seamless.

“In the last year, our products have supported petabytes of data movement and billions of file transfers into the cloud, helping companies to accelerate the adoption of cloud technologies.”

Michael Lawson

Founder, CEO & CTO, Couchdrop

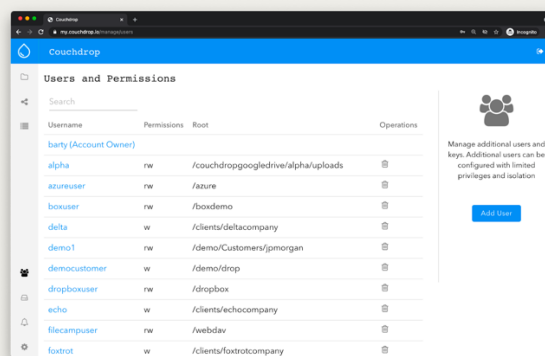
Couchdrop and Movebot serve clients across the world, including well known global enterprises.

Movebot currently shifts up to 1 Petabyte of data per month, while Couchdrop is supporting up to 200 million secure file transfers per month.

“We’ve partnered with cloud provider giants, including Dropbox, Egnyte and Backblaze, and are transferring petabytes of data into the Cloud. We are also working with a number of top managed service provider partners across the globe, and are especially excited about our opportunities in the APAC and North American markets.”

Michael Lawson

Founder, CEO, CTO, Couchdrop



Punakaiki Fund currently holds 17.9% of Couchdrop with 2040 Ventures’ Lance Wiggs sitting on the company’s board.



Projectworks offers project and business management software for mid-sized consulting firms in engineering, software and management consulting.

Launched in 2019, the Wellington-based start-up has grown quickly, and has over 170 customers with users spanning 40 countries.

“Our customers love Projectworks because it solves the problem of dealing with multiple platforms. Our products are designed to fully integrate with accounting systems like Xero and CRMs like HubSpot – much to the delight of our users.”

Matt Hayter

CEO & Co-founder, Projectworks

The software seamlessly integrates with Xero, and the company has been able to successfully leverage the Xero customer-base to grow its own following.

In 2020, Projectworks won Xero Emerging App Partner of the Year, and the Microsoft Emerge X competition for start-ups. In 2021 it was a finalist for the Xero App Partner of the Year.

In December 2022, Projectworks was accepted into the QuickBooks Solution Provider Program with the goal of strategically entering the US market.

“The introduction of Projectworks gave us a real future view of what our business will look like in terms of the revenue we generate from the projects that we have in play. That’s something we never had before.”

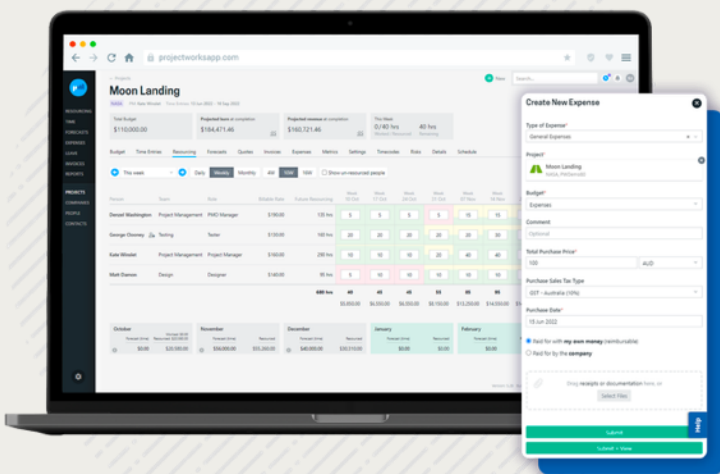
Brian

Operations Manager, iMed Consultancy



Co-founders Julian Clarke, Matthew Hayter & Doug Taylor

Punakaiki Fund currently holds 12.9% of Projectworks. 2040 Ventures’ Nadine Hill is a director of the company.



MOBI

MOBI is a digital ordering and engagement platform for the hospitality sector.

MOBI has successfully targeted well-known brands with 100+ active locations across Australasia, North America and the United Kingdom. These brands include Dunkin' Donuts, Papa John's, Red Rooster, Pita Pit and Tank.

The company headquarters are located in Wellington, with additional offices in Melbourne and Toronto.



The MOBI mobile app in action.

“Since implementing MOBI technology, we’ve been able to create better connections with our customers through our direct channels, find ways to increase revenue, and we’ve felt supported with them as our partner in hospitality.”

*Clark McKeown
CEO, Wild Wing*

The platform allows food service businesses to save time and increase revenue by accepting orders straight into the business' point of sale system, including from mobile phones, kiosks, tables, and websites, as well as routing orders from delivery providers. It enables clients to deliver branded experiences to their customers, consistent digital experiences, loyalty programs, and prevents third-party providers from owning their customer data.

The company enjoyed a strong positive effect from the COVID-19 pandemic as global attention shifted towards contactless ordering and food service solutions.

It is well positioned for further growth as it continues to attract customers looking to future-proof their offerings in an increasingly digital world.






In 2022 founder Tarik Mallett stepped down as CEO, and was replaced by Mark Raso.

2040 Ventures, Punakaiki Fund's management company, has board observation rights, along with the right to appoint an independent director.

Punakaiki's current shareholding is 19.6%.

Other Portfolio Companies

Other Portfolio Companies where the holding value is over \$1 million.

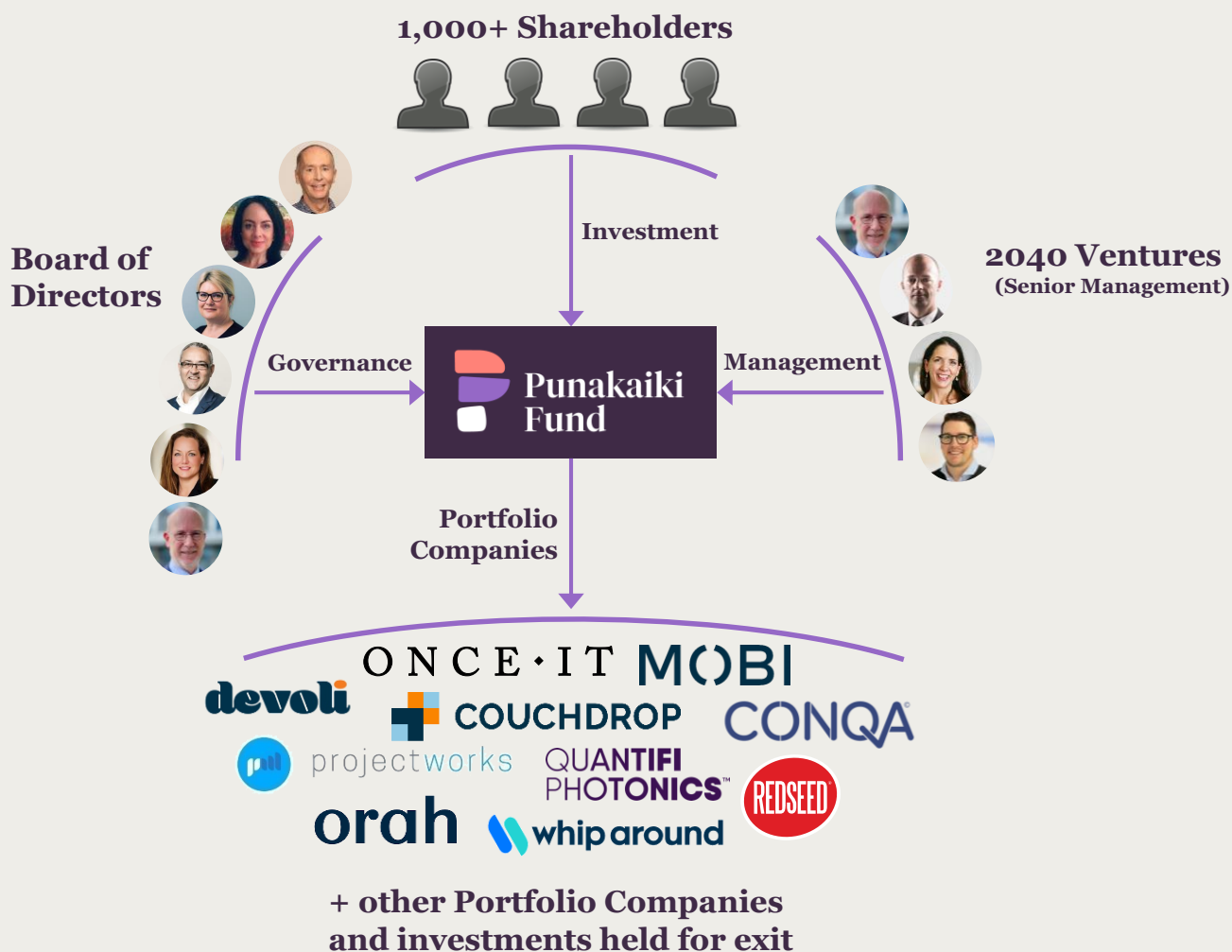
Company & Shareholding	Description	2040 Ventures' appointed Director
 <p>49.6%</p>	<p>Provides a fast way to recruit large numbers of frontline workers that is customised with layered assessments and an automated process enabling retailers to hire Gen Z candidates on the spot. Customers include Kmart, Target, Atlassian and BCF.</p>	<p>Nadine Hill</p>
 <p>26.5%</p>	<p>Enables large enterprise customers who use IBM analytics to visually map their entire data environment and change, document and audit their models rapidly and accurately.</p>	<p>Nadine Hill</p>
 <p>16.7%</p>	<p>An engagement-first digital approach to employee safety. Get Home Safe's platform brings together automated welfare check-ins, planning, approval, live GPS tracking information, and alert activations for mobile and lone workers.</p>	<p>Nadine Hill</p>
 <p>17.5%</p>	<p>Transforms how hospitals and medical service providers develop and administer staffing rosters. Core Schedule makes it easier to manage shift swaps, cancellations and leave requests, and ensures that staff scheduling is safe, compliant, up-to-date and running optimally.</p>	<p>Nadine Hill</p>
 <p>6.3%</p>	<p>Software intelligence platform giving companies instant visibility into the quality and performance of their web and mobile apps, including crash and error reporting, real user monitoring, and deployment tracking. Brands including Microsoft and Coca-Cola use Raygun to detect, replicate, and resolve issues to improve customer satisfaction.</p>	

Punakaiki Fund Structure

Punakaiki Fund is a limited liability company, registered with the Companies Office in New Zealand. We are governed by our Board, our constitution (which can be found in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number OFR13465) and the Companies Act.

2040 Ventures is contracted under the Management Agreement to manage Punakaiki Fund's assets. The terms of the Management Agreement are set out under the heading "Management Agreement" on page 30 of this section

Punakaiki Fund holds all of its investments directly, rather than by way of a custodian. Punakaiki Fund's structure is set out in the diagram below.



Board of Directors



Mike Bennetts

Independent Chair

Appointed September 2015

Mike is currently the CEO of Z Energy, one of New Zealand's largest retail and wholesale fuel businesses and is a director of Loyalty New Zealand Limited (with both roles ending before 1 April 2023). He previously worked for 25 years with BP in a variety of downstream roles in New Zealand, China, South Africa, the United Kingdom and Singapore.

Mike has a BBS and Postgraduate Diploma in Corporate Management; and is a member of the Institute of Directors New Zealand.

Mike Bennetts has a less than 5% shareholding and is an independent director.



Teresa Betty

Ngāti Raukawa ki te Tonga

Independent Director

Appointed September 2020

Teresa is the Chief Executive of Toitū Envirocare, which helps businesses measure, manage and reduce their carbon footprint through an internationally recognised system of robust environment programmes.

She has 20+ years of senior leadership and executive level experience in the financial services and legal sectors, including strategy, sustainability, enterprise risk management, governance and organisational conduct and culture.

Teresa is a qualified B Corp Consultant, has an LLB from Victoria University and is a Barrister and Solicitor of the High Court of New Zealand.



Tracey Jones

Independent Director

Appointed January 2022

Tracey is a professional independent director and family office advisor with a broad range of governance experience across financial services, technology and the investment sectors. She is the Chair of Nikko Asset Management NZ and a director of Partners Life and Harmony, both where she chairs the Audit and Risk committees. She is also a director of Tutanekai Investments and was previously a director of the Petal Foundation charity and New Plymouth PIF Guardians.

Tracey is a Chartered Accountant, a member of the Chartered Accountants of Australia & New Zealand, and a member of the Institute of Directors New Zealand.



Nigel Scott
Independent Director

Appointed January 2022

Nigel has investment banking, wealth management, governance and broking experience. He held a number of roles within ANZ, and before that was at Westpac.

He assisted in the transition from Macquarie Private Wealth to Hobson Wealth, and was Head of Advice there until 2020 and today remains a director. He is also a director of Kōura Wealth, Syndex, One Room and is a Board Trustee of the Auckland Foundation.

Nigel is a member of the Institute of Directors New Zealand and has Diplomas in Business from Massey University and CPIT.



Candace Kinser
Independent Director

Appointed January 2022

Candace has been a board director for over 15 years and is a Chartered Member of the Institute of Directors New Zealand and a Member of the Australian Institute of Company Directors. She has a wealth of experience in leading and governing high-growth technology companies, infrastructure and health organisations. She is currently the Chair of Helius Therapeutics, the Cancer Society for Auckland/Northland, a Director for Livestock Improvement where she is also Chair of the Tech Committee, and for Eastland Group.

While CEO of NZTech, Candace was instrumental in founding NZTechWeek and NZTech Women. Candace also served as the Country Lead for global tech company Palantir. Candace has a master’s degree in Business from Massey and advanced studies in business from Rutgers University, Cyber Policy from MIT and governance from Stanford University.



Lance Wiggs
Director

Appointed April 2013

Lance is the co-founder of Punakaiki Fund and a partner with 2040 Ventures. He is an experienced director, including previously as an elected Councillor for Internet NZ, and a former and current director of several Portfolio Companies.

He studied and wrote a paper on corporate governance at Yale School of Management, and completed the COMU Core Governance Training Programme by Massey University and Institute of Directors New Zealand Chairing the Board courses.

His biography is set out below.

Lance Wiggs is an executive director.

Board Responsibilities

The Board’s core responsibilities include monitoring 2040 Ventures’ and Punakaiki Fund’s performance, approving and monitoring adherence to the investment objectives, oversight of risk management, and to ensure Punakaiki Fund meets its statutory obligations. The Board also has the responsibility to consider any investment recommendations made by 2040 Ventures outside of 2040 Ventures’ delegated authority or mandate.

Board Operations

The Board meets a minimum of five times each financial year. The Board also holds additional meetings as required.

Directors can be appointed or removed by a majority vote of Shareholders. The maximum number of directors is seven.

Selected policy documents adopted by the Board are available on the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund’s offer number (OFR13465).

The Manager

Punakaiki Fund's manager is 2040 Ventures, owned by Lance Wiggs and Chris Humphreys. Lance and Chris are joined by Head of Investments and partner Nadine Hill and a team of seven full-time and part-time staff. The company has offices in Auckland and Te Anau.



Lance Wiggs Partner & Co- Founder

Lance is a founder of Punakaiki Fund, with over 15 years of venture capital and early-stage investing.

Lance combines a wide variety of global experience with advising, investing and founding high-growth companies in New Zealand since 2003.

Lance has previously assisted high growth companies through NZTE, has been a member of two Return on Science Investment Committees, advised on the sale of Trade Me, and advised a large number of local early-stage companies. He previously worked at McKinsey & Company, the European Bank for Reconstruction and Development and led turnarounds of large mining and refining sites.

Lance has an MBA from Yale, a Bachelor of Technology from Massey University and is based in Auckland. He is also a partner with the Climate Venture Capital Fund.



Chris Humphreys Partner & Co- Founder

Chris is a founder of Punakaiki Fund, with over 9 years of venture capital investing.

Chris brings significant corporate finance experience and rigour to the team, leading valuation and due diligence.

Chris formerly performed financial modelling, valuation, due diligence, deal structuring and deal advisory work for clients while at PwC.

Chris holds a BSc and PGDipCom (Finance) from the University of Otago and a BCom (Accounting, Finance and Information Systems) from the University of Canterbury. Chris is a CFA charterholder. He is also an Investment Committee member with the Climate Venture Capital Fund.

Chris is based in Te Anau (Southland), travelling regularly to Auckland.



Nadine Hill Partner & Head of Investments

Nadine has 15 years of experience in international capital, including with Westpac and NZTE. She has significant experience in originating, structuring and executing funding solutions for Australasian companies to support their growth, and a strong network in the start-up eco-system, helping over 35 start-ups raise capital in her time at NZTE.

Nadine has a BCom (Finance) from Massey and is based in Auckland.



Ben Kay Chief Financial Officer

Ben has extensive capital raising, corporate finance, strategy, and investor relations experience gained over a 16-year career in various finance roles covering the New Zealand, Australia, US and UK/European markets.

Most recently, Ben was General Manager Strategy & Capital Markets at SkyCity Entertainment Group Limited where he was responsible for the company's strategy and corporate development function, group financial planning & analytics, treasury and investor relations.

Ben has a BCom/LLB from Otago University, has been admitted as a Barrister and Solicitor to the High Court of New Zealand and is based in Auckland.

Management Agreement

Exclusive Agreement

Under the Management Agreement, 2040 Ventures is appointed by Punakaiki Fund to be the exclusive provider of investment management and certain administrative services to Punakaiki Fund.

Renegotiation

The Management Agreement will reach the end of its initial term in March 2024. As part of the renewal process, Punakaiki Fund and 2040 Ventures are renegotiating certain terms of the Management Agreement. Where significant changes to the Management Agreement are likely to occur, these are indicated below in *italics*. It is expected that the renegotiated Management Agreement will come into force in during 2023.

Scope

2040 Ventures has been given broad powers to deal with and manage the assets of Punakaiki Fund, including selecting and managing investments. 2040 Ventures is responsible for adhering to the various policies, objectives and directives set by the Punakaiki Fund Board from time to time, including ensuring that the Board is kept fully informed about material matters relating to investments and Punakaiki Fund itself.

Termination

At any time either 2040 Ventures or the Board may terminate the Management Agreement for cause or by a resolution of Shareholders if 50% or more of the Shares on issue are voted in favour of removing (and replacing) the Manager. The current agreement states that the Manager may resign from the management of Punakaiki Fund by giving 90-days' notice, but 2040 Ventures has agreed with the Board to extend the notice period to at least 1 year.

It is likely that the Manager will be required to provide at least one year's notice in the event that it wishes to resign as Punakaiki Fund's manager.

Managing Conflicts

In order to manage conflict between 2040 Ventures and Punakaiki Fund:

- 2040 Ventures is not permitted to invest Punakaiki Fund's assets into any company in which 2040 Ventures or its associated parties have an interest, without the express consent of the Board;

- 2040 Ventures and its associated parties are not able to make any personal investments into businesses that can be invested in by Punakaiki Fund without first receiving from the Board an exemption to do so, on a case-by-case basis, unless it relates to existing personal investments that pre-date the establishment of Punakaiki Fund;
- 2040 Ventures and its associated parties are prohibited from making any co-investments with Punakaiki Fund unless approved by the Punakaiki Fund Board; and
- Punakaiki Fund directors are prohibited from making any co-investments with Punakaiki Fund unless approved by the Chair of the Punakaiki Fund Board, or in the case of the Chair, by the balance of the Punakaiki Fund Board.

From time-to-time investments may become available that fall within the investment mandate of several funds managed by 2040 Ventures (including the Climate Venture Capital Fund Limited Partnership). As the earliest established fund, Punakaiki Fund will have priority over these investments. Punakaiki Fund may also co-invest with other funds managed by 2040 Ventures subject to Punakaiki Fund Board approval.

Portfolio Company Board Appointments

2040 Ventures and its associated parties are not restricted from becoming directors of Portfolio Companies. Any fees from these directorships may be, with Board approval, retained by the Manager.

Management Fee

Punakaiki Fund pays 2040 Ventures a Management Fee at an annual rate equivalent to 2% (plus GST) of Punakaiki Fund's Accounting Net Asset Value up to \$50 million, and 1.5% (plus GST) thereafter. The Management Fee is calculated and paid quarterly in advance to 2040 Ventures.

It is likely that the Management Fee calculation will be revised to a flat fee of \$250,000 plus 1.5% of Punakaiki Fund's Asset value (plus GST) in a renegotiated Management Agreement. This approach would exclude the effect of any provision for accrued Performance Fees, or debt raised, on the value used to calculate the Management Fee.

Performance Fee

A Performance Fee is payable to 2040 Ventures conditional upon exceeding performance thresholds. The Performance Fee is calculated as 20% of the increase in the Market Value of each tranche of shares issued by Punakaiki Fund since the last Performance Fee (if any) was paid, subject to both a minimum 10% per annum increase in the Market Value per tranche and the Market Value per tranche being higher than when the previous Performance Fee was paid.

Punakaiki Fund has yet to pay a Performance Fee, although this is provisioned in Punakaiki Fund's financial accounts. Under the current Management Agreement the most likely event that will trigger payment of the Performance Fee is the listing of Punakaiki Fund's Shares. The Performance Fee is currently calculated based on the Asset value per Share, due to Punakaiki Fund Shares not being listed.

The Performance Fee is also payable if the Management Agreement is terminated or where the Board determines non-payment would be inequitable to 2040 Ventures.

The accrued Performance Fee is currently calculated as \$9.5 million as at 30 September 2022. Of this \$9.5 million, \$2.7 million (under the current New Zealand corporate taxation rate of 28%) would be paid as cash if the payment of the Performance Fee is triggered. The remaining \$6.9 million would be paid in the form of new Shares.

Punakaiki Fund and the Manager are considering options to potentially change the valuation basis used to calculate the Performance Fee prior to any potential listing of Punakaiki Fund's Shares on a licensed exchange. This is on the basis that some listed venture capital investment companies currently trade at a discount to their asset value, which would imply that the current Performance Fee may be overstated. This change would have the effect of reducing the Performance Fee (perhaps allowing it to be settled before any potential IPO), and increasing the calculated Investor Net Asset Value per Share.

Further information on the Performance Fee, including a worked example, can be found in the **Performance Fee Overview** document in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number (OFR13465).

Brokerage Fee

Punakaiki Fund pays 2040 Ventures a Brokerage Fee of 3% of the value of Shares issued by Punakaiki Fund. The Brokerage Fee is paid on all Shares issued for cash (including this Offer and the Rights Issue), but not when Shares are issued to settle the purchase of an investment, or to settle any Performance Fee payment to the Manager.

Under the Management Agreement, in exchange for the Brokerage Fee, 2040 Ventures assumes the cost of each Share issue, including on-paying brokerage fees to brokers and fund-raising platforms, as well as marketing.

Punakaiki Fund and the Manager may agree to a different Brokerage Fee arrangement for offers leading up to and including a potential listing of Punakaiki Fund's shares on a licensed exchange.

Administration Fee

2040 Ventures performs administrative work for Punakaiki Fund which is outside of the scope of the Management Agreement, including internal valuation work, Shareholder reporting, accounting, legal and compliance work, along with activities undertaken towards investigating a potential Punakaiki Fund IPO.

An Administration Fee is paid quarterly in advance to 2040 Ventures based on an annually agreed scope of work. The fee includes 75% of the CFO's base compensation for work performed to investigate a potential Punakaiki Fund IPO. The Administration Fee was set by the Punakaiki Fund Board at \$557,500 plus GST for FY2024.

Management Agreement

The Management Agreement can be found in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number (OFR13465).

Equity Capital, Shareholder Information and Interest

Equity Securities of Punakaiki Fund

Punakaiki Fund currently has 2,679,333 ordinary fully paid Shares and 51,961 November 2023 \$30 Options on issue. Punakaiki Fund does not currently have any other types of equity securities or options over equity securities on issue.

The number of Shares on issue following the completion of the Offer and Rights Issue is uncertain. If the minimum number of Offer Shares offered are issued and all Rights Issue Shares offered are subscribed for and allotted, then Punakaiki Fund will have a minimum of 2,948,064 Shares on issue. If the minimum number of Offer Shares offered are issued and no Rights Issue Shares are subscribed for, Punakaiki Fund will then have 2,680,333 Shares on issue. Each of these estimates assumes that no November 2023 \$30 Options are exercised prior to the completion of the Offer. No November 2023 \$30 Options are being offered in the Offer or the Rights Issue.

Substantial Security Holders

No Shareholders currently have a relevant interest in 5% or more of the Shares in Punakaiki Fund. The identity of substantial equity holders, if any, following the completion of the Offer and the Rights Issue is unknown.

The following table sets out the interests of those November 2023 \$30 Option-holders with a relevant interest in 5% or more of the November 2023 \$30 Options in Punakaiki Fund.

Substantial November 2023 \$30 Option Holders

All November 2023 \$30 Options on issue would represent 1.9% of the total number of Shares on issue if they were all exercised prior to this Rights Issue and Offer.

Name	Nature of interest	Prior to the Rights Issue & Offer		Following the Rights Issue & Offer	
		Number of Options	Percent of Options	Number of Options	Percent of Options
James McCarthy	Registered holder and beneficial owner	3,333	6.41%	3,333	6.41%
Robin Gwynn	Registered holder and beneficial owner	3,000	5.77%	3,000	5.77%
David Winstone	Registered holder and beneficial owner	2,633	5.07%	2,633	5.07%

Relevant Interests held by Directors and Senior Managers

The table below sets out the equity securities in Punakaiki Fund that the existing Directors and the senior managers of the Manager have an interest in prior to and (indicatively) following the Rights Issue and the Offer. This excludes any Shares that might be issued as part of the payment of the Performance Fee to 2040 Ventures subsequent to this Rights Issue and Offer.

Name	Nature of interest	Class of Securities	Prior to the Offer		Following the Offer ¹	
			Number of Securities	Percent of Security Class	Number of Securities	Percent of Security Class
Michael Bennetts	Joint registered holder as trustee of the Kammjam Trust	Shares	58,996	2.20%	60,500	2.05%
		November 2023 \$30 Options	1,000	1.92%	1,000	1.92%
Teresa Betty	Registered holder and beneficial owner	Shares	700	0.03%	700	0.02%
Tracey Jones	Shareholder and Director of Kepa Investments Limited	Shares	1,800	0.07%	1,980	0.07%
Nigel Scott	Registered holder and beneficial owner	Shares	2,600	0.10%	2,860	0.10%
Candace Kinser	n/a	Shares	-	-	1,000	0.03%
Lance Wiggs	Registered holder and beneficial owner	Shares	63,000	2.35%	66,000	2.24%
	Shareholder and Director of 2040 Ventures Limited	Shares	6,214	0.23%	6,835	0.23%
Chris Humphreys	Registered holder and beneficial owner	Shares	366	0.01%	1,000	0.03%
	Shareholder and Director of 2040 Ventures Limited	Shares	6,214	0.23%	6,835	0.23%
Nadine Hill	n/a		-	-	-	-
Ben Kay	Registered holder and beneficial owner	Shares	500	0.02%	550	0.02%
		November 2023 \$30 Options	500	0.96%	500	0.96%

Notes

¹ Immediately following the Offer. As the minimum number of Offer Shares being offered under the Offer is 1,000 Shares, the relevant percentage interest held after completion of the Offer are based on 1,000 Offer Shares being issued under the Offer and all Rights Issue Shares being subscribed for. The percentages may change depending on whether or not the Shareholders above are issued further Shares, and on the total amount of Shares issued in the Rights Issue and Offer.

Interests of Directors and Managers

The table below sets out the total of the remuneration and the value of the other benefits that each director of Punakaiki Fund received in FY2022.

Name	Directors Fees	Out-of-pocket Costs	2040 Ventures Fees
Michael Bennetts	\$30,000	-	-
Teressa Betty²	\$25,875	-	-
Tracey Jones^{2,3}	\$12,938	-	-
Nigel Scott^{2,3}	\$12,938	-	-
Candace Kinser^{2,3}	\$12,938	-	-
Lance Wiggs	-	-	\$1,849,803 ^{1,2}
Blake Richardson⁴	\$18,750	-	-

Notes

¹ This amount includes Administration Fees, Management Fees, Brokerage Fees and the recovery of certain costs.

² This amount includes GST.

³ Candace Kinser, Tracey Jones and Nigel Scott were appointed to the Punakaiki Fund Board effective 1 January 2022.

⁴ Blake Richardson resigned as a director on 28 February 2022.

Those directors that received directors' fees and reimbursement for out-of-pocket costs in the performance of their duties as a Punakaiki Fund director did not receive any other remuneration from Punakaiki Fund. Lance Wiggs does not receive directors' fees from Punakaiki Fund.

No director of Punakaiki Fund, with the exception of Lance Wiggs, is a director of a Portfolio Company. In their roles within the Manager, Lance Wiggs is a director of five Portfolio Companies, Chris Humphreys is a director of one Portfolio Company and Nadine Hill is the director of six Portfolio Companies. No director fees are currently paid by any Portfolio Company to either Lance Wiggs, Chris Humphreys or Nadine Hill, although all are reimbursed for their reasonably incurred related expenses.

Lance Wiggs' 2040 Ventures fees reflect the payment of all Management Fees, Administration Fees and Brokerage Fees to the Manager (2040 Ventures), and the recovery or certain out-of-pocket costs by the Manager. Lance Wiggs is both a director

and a shareholder of 2040 Ventures. It does not include any accrued Performance Fees.

Expected Changes in the Interests of Directors and Managers

The total Director fee expense in FY2023 is expected to be \$240,000 (excluding GST and including PAYE deductions).

Net fees and costs payable to 2040 Ventures in FY2023 to date have been \$2,144,468 with no further material amounts expected to be paid. Fees payable to 2040 Ventures in FY2024 will vary with any changes in the value of Punakaiki Fund's Assets, the amount of capital that Punakaiki Fund raises in this Rights Issue and the Offer and any dividends received by Punakaiki Fund and costs incurred to operate Punakaiki Fund in FY2024. The table below gives examples of the fees that would be paid to 2040 Ventures given different scenarios regarding the amount raised in this Rights Issue and Offer and Punakaiki Fund's Accounting Net Asset Value.

Scenario	Funds Raised	Fees
Base	\$3 million raised	\$90,000 Brokerage Fee
	\$95 million Accounting Net Asset Value	\$418,750 Management Fee per quarter plus GST
		\$139,375 Administration Fee per quarter plus GST
High	\$8 million raised	\$240,000 Brokerage Fee
	\$100 million Accounting Net Asset Value	\$437,500 Management Fee per quarter plus GST
		\$139,375 Administration Fee per quarter plus GST

Employee Remuneration

Punakaiki Fund does not have any employees due to the management arrangements with 2040 Ventures.

Other Material Governance Disclosures

Punakaiki Fund has granted an indemnity to each of its directors to the maximum extent permitted by the Companies Act and Punakaiki Fund's constitution. 2040 Ventures has put in place Directors & Officers and Statutory Liability insurance for 2040 Ventures and both Punakaiki Fund and Climate Venture Capital Fund as managed entities of 2040 Ventures. The insurance costs are met by Punakaiki Fund and Climate Venture Capital Fund based on relative size of each entity.

There are no other material governance disclosures.

03. Purpose of the Offer

Planned Use of Funds

The purpose of this Rights Issue and the Offer is to raise money to enable us to deliver our strategy and plans by:

- Investing further into Punakaiki Fund's Portfolio Companies, with the intent of increasing the value of our existing investments by improving the prospects of each Portfolio Company as the result of providing them additional growth funding;
- Meet those operating costs of Punakaiki Fund not met by Punakaiki Fund's existing cash reserves over the next 12 months;
- Provide funds for costs relating to investigating a potential listing of Punakaiki Fund's shares on a licensed exchange; and
- Investing into new high-growth companies within our investment mandate, in order to increase the diversity and performance of our portfolio.

Investments into Portfolio Companies

We usually hold pro-rata pre-emptive rights to further invest in Portfolio Companies should those companies seek to raise capital.

Further information regarding Punakaiki Fund's existing investments can be found in Section 2 of this PDS.

Investments into New Companies

We have access via 2040 Ventures to a large number of new investment opportunities outside of the existing portfolio. The 2040 Ventures team maintains a healthy pipeline of investments and has the ability to rapidly invest more funds.

Existing Commitments

Punakaiki Fund has no existing contracted investment commitments.

Operating Costs

Consistent with our operating reserve policy, we expect that a small amount of the funds raised by this Rights Issue and Offer will be applied to meeting Punakaiki Fund's operational cash requirements through until the end of FY2024, including expenses related to the early stages investigating a potential listing of Punakaiki Fund's shares on a licensed exchange.

These funds, along with Punakaiki Fund's existing cash reserves are expected to be sufficient to meet the operating requirements of Punakaiki Fund for the next twelve months, however this position may change in the future.

Minimum Amount to be Raised

The minimum amount which is required to be raised under this Offer is \$31,000, being the issue of 1,000 Offer Shares. There is no minimum amount which is required to be raised under the Rights Issue.

Offer Not Underwritten

This Offer and the Rights Issue are not underwritten by any party.

04. Key Dates and Offer Process

Key Dates

The intended key dates for the Rights Issue and the Offer are:

PDS Lodged	23 February 2023
Rights Issue Record Date	3 March 2023
Offer Opens	6 March 2023
Rights Trading Opens	6 March 2023
Rights Trading Closes	10 March 2023
Rights Settlement Period Opens	15 March 2023
Rights Settlement Period Closes	28 March 2023
Offer Closes	28 March 2023
Allotment of Shares (on or before)	31 March 2023

This timetable is indicative only and the dates may change. Punakaiki Fund reserves the right to vary, extend or shorten these dates at any time before the Offer or the Rights Issue closes, and to withdraw the Offer and/or the Rights Issue at any time before the allotment of Shares.

For more information, see Section 5 (Terms of the Offer).

Rights Issue Process

The Rights Issue process is set out in the table below. The holders of Rights will need to register with Catalist in order to both trade their Rights or subscribe for their Rights Issue Shares. Further information can be found in Section 11 (How to Apply) on page 55.



05. Terms of the Offer

This is a **Rights Issue to all Punakaiki Fund shareholders** that hold shares on 3 March 2023, and a concurrent **Offer of Shares to all investors**. Those Shares that are allotted from the Offer do not give the holder the right to participate in the Rights Issue. The two tables below show the terms for the Rights Issue and the Offer.

Terms of the Rights Issue

Eligibility	The Rights Issue is available to all Punakaiki Fund Shareholders that hold Punakaiki Fund shares as at 3 March 2023 (the Record Date).
What is the Rights Issue?	<p>The Rights Issue is an offer of new Shares in Punakaiki Fund to existing Punakaiki Fund Shareholders. For every 10 Shares that a Punakaiki Fund shareholder holds on the Record Date, they will be issued a Right to subscribe for 1 new Rights Issue Share.</p> <p>Punakaiki Fund shareholders are under no obligation to subscribe for any or all of the Rights Issue Shares for which they are entitled to subscribe. Punakaiki Fund shareholders may transfer their Rights to a third party via Catalist, and will be given the opportunity to trade their Rights during the Rights Trading Period (see “Trading” below for more details).</p> <p>Offer Shares allotted as part of the Offer will not be able to participate in the Rights Issue.</p> <p>The Rights Issue is not dependent on any minimum amount being raised in the Offer.</p> <p>Rights Issue Shares are identical in all respects to Shares, including the voting rights that they confer.</p> <p>Further information in respect of the Shares can be found in Section 6, Key Features of the Shares, on page 42, and in Punakaiki Fund’s constitution, which can be found in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund’s offer number (OFR13465).</p>
Key Dates	<p>The Record Date (the date on which it is determined how many Shares each Punakaiki Fund shareholder owns and how many Rights to subscribe for Rights Issue Shares they will be issued) is 3 March 2023.</p> <p>Rights Issue Trading opens on 6 March 2023 and closes on 10 March 2023. Further information on Rights trading can be found in “Trading” below.</p> <p>Following the completion of the Rights Issue Trading, those investors holding Rights will be able to subscribe for new Rights Issue Shares prior to the close of the Rights Issue on 28 March 2023.</p> <p>If you hold Rights and have not subscribed for your Rights Issue Shares before 11:59p.m. on 28 March 2023, your entitlement will lapse.</p> <p>See Section 4, Key Dates and Offer Process, on page 37 for information about the key dates of the Rights Issue.</p>
Price	<p>The Rights Issue Price is \$19.00 per Rights Issue Share.</p> <p>Brokerage of 3.0% is included in the \$19.00 Rights Issue Share price. No other brokerage or commission is payable by you under the Rights Issue, and once you pay for your Rights Issue Shares you have no obligation to pay any further amounts to Punakaiki Fund.</p> <p>The price of \$19.00 per Share for the Rights Issue has been set by Punakaiki Fund based on a discount to the Investor Net Asset Value of Punakaiki Fund as at 10 February 2023. The assumptions used by Punakaiki Fund to price this Offer are set out below under the title Rights Issue Price Basis.</p>
Trading	The holders of Rights will have the ability to trade their Rights during the Rights Trading Period. Rights trading will be undertaken by way of an auction process via the Catalist platform. The Rights Trading Period will open on 6 March 2023 and close on 10 March 2023. Rights trading instructions will be sent to Punakaiki Fund shareholders on or about the Record Date on 6 March 2023. New orders must be submitted before 4p.m. on 9 March 2023. Although, existing orders can be amended within Catalist’s trading rules. No brokerage will be charged on Rights trading.
Applications	A Rights Issue Application is an offer by you to subscribe for Rights Issue Shares on the terms and conditions set out in this PDS (including any replacement of it), the Disclose Register (at www.business.govt.nz/disclose under Punakaiki Fund’s offer number OFR13465) and the Catalist Application Process. By submitting a Rights Issue Application via the Catalist Application Process, you irrevocably agree to purchase the Rights Issue Shares on those terms.
Allotment of Shares	The allotment of Rights Issue Shares to successful Applicants is expected to occur prior to or on 31 March 2023. The share registry for Punakaiki Fund is maintained by Catalist, and independently audited each year by EY New Zealand.

Discretion Relating to the Rights Issue	The Rights Issue may be withdrawn by Punakaiki Fund at any time before the allotment of Rights Issue Shares, at Punakaiki Fund's sole discretion.
Refunds	If the Rights Issue does not proceed for any reason, all Application Monies will be refunded in full without interest no later than five Business Days after announcement of the decision not to proceed.

Terms of the Offer

The table below sets out the terms of the Offer.

What is the Offer?	<p>The Offer is an offer of new ordinary Shares in Punakaiki Fund.</p> <p>Further information in respect of the Shares can be found in Section 6, Key Features of the Shares, on page 42, and in Punakaiki Fund's constitution, which can be found in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number (OFR13465).</p>
Key Dates	This Offer opens on 6 March 2023 and closes at 11:59pm on 28 March 2023. See Section 4, Key Dates and Offer Process , on page 37, for information about the key dates of the Offer.
Price	<p>The Offer price is \$31 per Share.</p> <p>Brokerage of 3.0% is included in the \$31 Share price. No other brokerage or commission is payable by you under the Offer, and once you pay for your Offer Shares you have no obligation to pay any further amounts to Punakaiki Fund.</p> <p>The price of \$31 per Share has been set by Punakaiki Fund based on the Investor Net Asset Value of Punakaiki Fund on 10 February 2023. The assumptions used by Punakaiki Fund to price this Offer are set out below under the title Offer Price Basis.</p>
Applications	<p>An Application is an offer by you to subscribe for Offer Shares on the terms and conditions set out in this PDS (including any replacement of it), the Disclose Register (at www.business.govt.nz/disclose under Punakaiki Fund's offer number OFR13465) and the Catalist Application Process. By submitting an application via the Catalist Application Process, you irrevocably agree to purchase the Offer Shares on those terms, including the Price.</p> <p>The minimum number of Offer Shares you can apply for is 100 Offer Shares (\$3,100). After this, you may apply for multiples of 100 Offer Shares (\$3,100) up to a maximum of 500,000 Offer Shares (\$15,500,000).</p>
Minimum and Maximum Offer Size	<p>This Offer will only proceed if valid Applications are accepted for a minimum of 1,000 Offer Shares prior to the Offer Close date. If valid Applications are not accepted for a minimum 1,000 Offer Shares, then all Application Monies relating to the Offer will be refunded to Applicants.</p> <p>There is no maximum number of Offer Shares to be issued under the Offer.</p>
Allotment of Shares	The allotment of Offer Shares to successful Applicants is expected to occur prior to or on 31 March 2023. The share registry for Punakaiki Fund is maintained by Catalist, and independently audited each year by EY New Zealand.
Discretion Relating to the Offer	<p>The Offer may be withdrawn by Punakaiki Fund at any time before the allotment of Offer Shares, at Punakaiki Fund's sole discretion.</p> <p>Punakaiki Fund reserves the right to close the Offer early, extend the Offer, reject any Application or accept any Application in part only, without providing any reason for doing so.</p>
Refunds	<p>If the Offer does not proceed for any other reason, all Application Monies will be refunded in full without interest no later than five Business Days after announcement of the decision not to proceed.</p> <p>Money received in respect of Applications which are declined in whole or in part will be refunded in whole or in part (as the case may be). Refunds will be paid to unsuccessful Applicants within five Business Days after the allocation of Offer Shares or after an Application has been declined (as applicable). Interest will not be paid on any Application Monies refunded to Applicants.</p>
Transfer and Sale of Shares	<p>You may cash in your investment by selling your Shares. Any sale of Shares must comply with Punakaiki Fund's constitution and all applicable laws.</p> <p>At this time, there is no developed market for selling your Shares and you may not be able to sell your Shares when you want to or for a fair price.</p> <p>Further information on trading your Shares is set out in Section 6, Key Features of the Shares, under the title Trading your Shares on page 42.</p>
New Zealand Offer	The Offer under this PDS is not available to persons outside of New Zealand.

Offer Price Basis

While this PDS reflects valuations as at 30 September 2022, the price of the Offer Shares under the Offer is based on:

- the value of Punakaiki Fund's investments on 10 February 2023; plus
- the value of Punakaiki Fund's net working capital (cash plus accounts receivable and prepayments, less accounts payable) on 10 February 2023;
- a provision for the accrued Performance Fee;
- a 3% brokerage fee payable on this Offer to 2040 Ventures; and
- A discount to reflect the dilution from the concurrent Rights Issue.

The calculation of the share price basis for this Offer is set out in the table below.

Punakaiki Fund Limited – Basis of Share Price

	Accounting Value
Value of Investments on 10 February 2023	\$95,635,000
plus – Cash, Accounts Receivable and Prepayments	\$1,225,219
Total Asset Value	\$96,860,219
less – Accounts Payable	\$(40,900)
less – accrued Performance Fee (as at 10 February) to 2040 Ventures	\$(9,767,998)
Investor Net Asset Value	\$87,051,322
Number of ordinary Shares on issue	2,679,333
Investor Net Asset Value per Share	\$32.49
Discount to reflect dilution and other adjustments from concurrent Rights Issue	\$(0.92)
Fully Diluted Investor Net Asset Value per Share	\$31.57
Offer Cost (3% Brokerage payable to 2040 Ventures)	\$0.98
Share Price Basis for Offer	\$32.55

Rights Issue Price Basis

The Rights Issue Price has been based on:

- The price of the Offer;
- Rewarding existing Punakaiki Fund shareholders for their continued support of the Punakaiki Fund;
- The limited dilution arising from the Rights Issue for those Punakaiki Fund shareholders who do not participate in the Rights Issue;
- Shareholder responses to a survey on Rights Issue pricing;
- The benefit of being able to invest additional funds into Portfolio Companies; and

Potential dilution from any future exercise of the November 2023 \$30 Options has not been reflected in these calculations. We estimate that the dilutionary impact of all of the November 2023 \$30 Options being exercised is approximately \$0.03 per Share.

Based on these calculations, the Punakaiki Fund Board has determined the Price per Share for this Offer to be \$31.00.

When determining the Price per Share for this Offer, the Punakaiki Fund Board considered the potential for an insolvency event related to a Punakaiki Fund investment. An administrator is likely to be appointed to that investment around the date of this PDS.

The price of the Offer represents a discount to the current Asset value of 14.2%, the Investor Net Asset Value of 4.6%, and to the "Share Price Basis for Offer" set out in the table below of 4.8%.

The Share price has not been set through a book build with institutional investors.

- Setting the Rights Issue Price at a level that encourages Punakaiki Fund shareholders to subscribe for their Rights Issue Shares.

Based on these aspects, the Punakaiki Fund Board has determined the Rights Issue Price to be \$19.00 per Rights Issue Share. The Punakaiki Fund Board note that the Rights Issue Price represents a discount to the share price basis set out in the table above of 41.6% and a discount to the Offer price of 38.7%.

The Rights Issue Price has not been set through a book build with institutional investors or through the use of an independent valuation.

Dilution

Both the Rights Issue and the Offer will dilute the value of your Shares. The amount of dilution will depend on whether you are an existing holder of Punakaiki Fund Shares, whether you are applying for Offer Shares in the Offer, whether you are subscribing for Rights Issue Shares and whether you sell or buy Rights during the Rights Trading Period.

For Existing Shareholders

The Rights Issue Price (\$19.00 per Rights Issue Share) is materially lower than Punakaiki Fund's Investor Net Asset Value per Share prior to the Offer, so the Rights Issue will decrease the Investor Net Asset Value per Share following the completion of the Rights Issue. The dilution effect of the Rights Issue for existing Shareholders that do not subscribe for the Rights that they are issued is a 2.8% decrease in Investor Net Asset Value per Share based on a 31 March 2023 calculation date.

This impact may lead to a decrease in the price per Share that is able to be achieved when Shares are sold.

Shareholders that fully participate in the Rights Issue will be compensated for this loss in value by purchasing Rights Issue Shares at a price that is below the Investor Net Asset Value per Share.

There may be some compensation for the dilution impact of the Rights Issue if shareholders sell their Rights during the Rights Trading Period, however the degree to which dilution may be offset will depend on the sale price achieved for Rights.

The Offer Price (\$31.00 per Share) is also lower than Punakaiki Fund's Investor Net Asset Value per Share. However, if \$2.5 million or \$5 million is raised in the Offer, the incremental dilution impact of the Offer for existing Shareholders that do not participate in the Rights Issue and the Offer, above that caused by the Rights Issue alone, is less than 0.1% of the Investor Net Asset Value per Share in each case.

For New Shareholders

If you apply for and are issued Offer Shares from this Offer, then the dilution impact of the Rights Issue has already been incorporated into the Price that you pay for Shares. This is discussed in the Offer Price Basis section on the previous page.

Fund Valuation

The Board is responsible for the valuation of the assets of Punakaiki Fund for offers and financial reports. Valuations are assessed at fair value, reflecting our minority holdings of securities in Portfolio Companies. We generally expect that exits will be at a premium to current holding values, as they often convey control and strategic premiums to buyers.

The unaudited book value of Punakaiki Fund's investments as at 10 February 2023 as set out in the table on the previous page is a Directors' valuation based on the fair value approach set out in the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines.

2040 Ventures currently prepares valuations of Punakaiki Fund's investments, including the formal year-end valuation report. The Board retains the right to seek independent valuation advice or to change the value of individual investments as it sees fit. Devoli, which represents over 20% of the value of Punakaiki Funds' investment assets, has been independently valued on a number of occasions, most recently for the FY2022 financial statements. Other than Devoli, no other independent valuations for Portfolio Companies are reflected in this valuation.

An overview of Punakaiki Fund's valuation approach can be found in the **Valuation Approach Overview** document, and in Punakaiki Fund's **Investment Valuation Policy**, which can both be found in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number (OFR13465).

07. Key Features of the Shares

Key Features of the Shares

Classes of Shares

Punakaiki Fund has two classes of securities on issue:

- 2,679,333 ordinary Shares; and
- 51,961 November 2023 \$30 Options.

Manager Removal Rights

Shareholders have the right to remove the Manager without penalty, by resolution, providing more than 50% of all Shares on issue are voted in favour of doing so.

Potential Returns from Shares

Any gains you receive from the sale of Shares are dependent on the price you receive for the Shares, rather than the Investor Net Asset Value per Share of Punakaiki Fund. These two values may not be the same for prolonged periods of time (e.g. the Shares may trade at a discount to the Investor Net Asset Value per Share) and this may affect your returns. In addition, there is no established market for trading your Shares and you may not be able to find a buyer when you want to sell (see “**Trading your Shares**” opposite).

The value of Portfolio Companies can also quickly change through major financial transactions, such as fund raising, an IPO or a trade sale. Portfolio Companies may also run out of funds, conduct fund raisings at lower-than-expected valuations or cease business, resulting in lower or nil valuations to Punakaiki Fund.

You are not promised any returns. The amount of returns payable to you cannot be quantified as at the date of this PDS. Neither 2040 Ventures, Punakaiki Fund, nor any other person guarantees the Shares or any returns.

Dividend Policy

The Board of Punakaiki Fund has adopted a policy that there will not be any dividend payments or other distributions made for the foreseeable future. Any surplus funds will be retained and applied to future investment opportunities available to Punakaiki Fund and/or to operational costs.

Accordingly, until that policy changes, returns on Shares will be limited to any gains you make if you sell or dispose of your Shares.

Any future dividends are not guaranteed, will be declared at the discretion of Punakaiki Fund’s directors, and will be declared only after Punakaiki Fund meets appropriate solvency requirements. Punakaiki Fund has not declared any dividends since it commenced operations.

Punakaiki Fund is the entity legally liable to pay you any dividends or other distributions declared on your Shares.

Trading Your Shares

As of the date of this PDS, Punakaiki Fund has not applied for quotation of the Shares on a licensed exchange and does not intend to quote these Shares or Rights on a market licensed in New Zealand in the short-term.

Punakaiki Fund has established a periodic Share auction process that is hosted by Catalist. Trading generally happens after the release of Punakaiki Fund’s quarterly report. Although Catalist operates a licensed financial product market under the Financial Markets Conduct Act 2013, Punakaiki Fund’s Share auctions are not part of that licensed financial product market, however we use the same trading systems and benefit from Catalist’s approved electronic transfer system. Investors will trade at their own risk, as certain investor protections do not apply that accompany a licensed stock exchange such as the Catalist Public Market, NZX or ASX. Such protections relate to insider trading, ongoing disclosure, directors’ and officers’ relevant interest disclosure and substantial security holder disclosure. Punakaiki Fund cannot guarantee that this facility will always be available to Shareholders.

To date, Catalist has facilitated two periodic Share auctions between Shareholders.

Trading Prices

Factors that may affect the price at which Shares are traded include the demand for Shares versus supply, the buyers' opinion on whether the Asset Value or Investor Net Asset Value per share is fair (or otherwise), the pricing of recent offers of Shares by Punakaiki Fund and their assessment of any discount or premium that should be applied to the Investor Net Asset Value per Share.

If you sell any of your Shares, the purchaser of those Shares will be legally liable to pay you the sale price of those Shares.

Perhaps counter-intuitively our research, S&P Global Capital IQ data shows that the comparable listed venture capital funds that we track generally record lower volatility (as measured by the financial measure "beta") versus their associated share markets.

This means that for any given movement in the market, the price of comparable listed venture capital companies is likely to move by a smaller amount, and the same may apply to our Shares, if listed.

However, in our opinion, the Shares are not likely to be as volatile as the shares of our individual Portfolio Companies (or similar companies) if the shares of those individual Portfolio Companies were listed. This relationship is likely to arise due to Punakaiki Fund holding a portfolio diversified across 17 different Portfolio Companies as opposed to being exposed to a single business.

Currently the Shares are revalued and trade infrequently, so the volatility of the price of the unlisted Shares may increase after any potential listing of the Shares on a licensed exchange.

Other Matters

Under the Companies Act, your Shares could be cancelled by Punakaiki Fund through a reduction of capital, share buy-back or other form of capital reconstruction. Under certain circumstances, if your rights are affected by an action approved by a special resolution of Shareholders, you may require Punakaiki Fund to purchase your Shares.

November 2023 \$30 Options

Punakaiki Fund has 51,961 November 2023 \$30 Options on issue. Each November 2023 \$30 Option has a strike price of \$30, and upon payment of the strike price, converts into one Share. If not exercised/converted beforehand, the November 2023 \$30 Options will expire on 30 November 2023. November 2023 \$30 Options may be exercised/converted at any time up to their expiration date.

A November 2023 \$30 Options trading auction on Catalist is expected to be held on Catalist closer to the November 2023 \$30 Options expiration date.

08. Punakaiki Fund's Financial Information

Selected Financial Information

Selected statutory financial information as reported in our audited financial statements from FY2016 through to FY2022, along with our unaudited interim financial statements for the six-month periods to 30 September 2021 and 30 September 2022, are presented in this section and the table below. This information is disclosed in New Zealand dollars and is rounded to the nearest thousand dollars.

The table below provides key financial information about Punakaiki Fund. Full financial statements are available on the offer register at www.business.govt.nz/disclose, offer number OFR13465. If you do not understand this financial information, you can seek advice from a financial advice provider or an accountant.

Selected Financial Information (NZ\$ '000)	FY2019	FY2020	FY2021	FY2022	HY2022	HY2023
Financial Performance – Selected Information						
Change in Fair Value of Investments	7,115	4,958	14,388	21,664	5,642	(2,628)
Dividend Income	193	165	193	113	113	-
Interest & Other Operating Income	1	2	1	10	1	2
Revenues	7,309	5,125	14,582	21,787	5,756	(2,626)
Accrued Performance Fees	(1,294)	31	(3,259)	(3,996)	(1,036)	781
Management Fees	(810)	(991)	(1,167)	(1,378)	(663)	(833)
Administration Fees	-	(271)	(171)	(260)	(130)	(126)
Insurance	(42)	(46)	(51)	(60)	(27)	(33)
Consulting, Accounting & Legal	(70)	(32)	(103)	(145)	(80)	(124)
Audit Fees	(48)	(51)	(49)	(55)	(2)	(1)
Other	(40)	(66)	(68)	(108)	(25)	(135)
EBITDA	5,005	3,699	9,714	15,785	3,793	(3,098)
Income Tax Expense	-	-	-	-	-	-
Net Profit After Tax	5,005	3,699	9,714	15,785	3,793	(3,098)
Dividends Paid on Ordinary Shares	-	-	-	-	-	-
Financial Position – Selected Information						
<i>Current Assets</i>						
Cash and Cash Equivalents	1,032	2,903	2,168	5,068	3,237	1,134
Prepayments & Receivables	70	53	39	59	8	36
<i>Non-current Assets</i>						
Investments	46,170	55,020	71,090	93,070	74,990	93,955
Total Assets	47,272	57,976	73,297	98,197	78,235	95,125
<i>Current Liabilities</i>						
Accounts Payable	106	81	91	189	36	181
<i>Non-current Liabilities</i>						
Performance Fee Payable	866	857	1,770	2,889	2,060	2,670
Debt	-	-	-	-	-	-
Total Liabilities	972	938	1,861	3,078	2,096	2,851
Cash Flow – Selected Information						
Cash Flows from Operating Activities	(773)	(1,298)	(1,392)	(1,805)	(824)	(1,261)
Cash Flows from Investing Activities	(3,385)	(3,892)	(1,681)	(316)	1,742	(3,513)
Cash Flows from Financing Activities	4,455	7,061	2,338	5,021	151	840

Financial Performance

Punakaiki Fund derives the majority of its revenues from the change in the recorded fair value of its investments.

The majority of Punakaiki Fund's expenses relate to payments (both paid and accrued) to 2040 Ventures for management services.

Management Fees and Administration Fees are paid quarterly in advance and Performance Fees are accrued and are paid in shares and cash when one of a number of triggering events occurs.

Additional Management Fee and Performance Fee information can be found in Section 2, **Management Agreement**, on page 30.

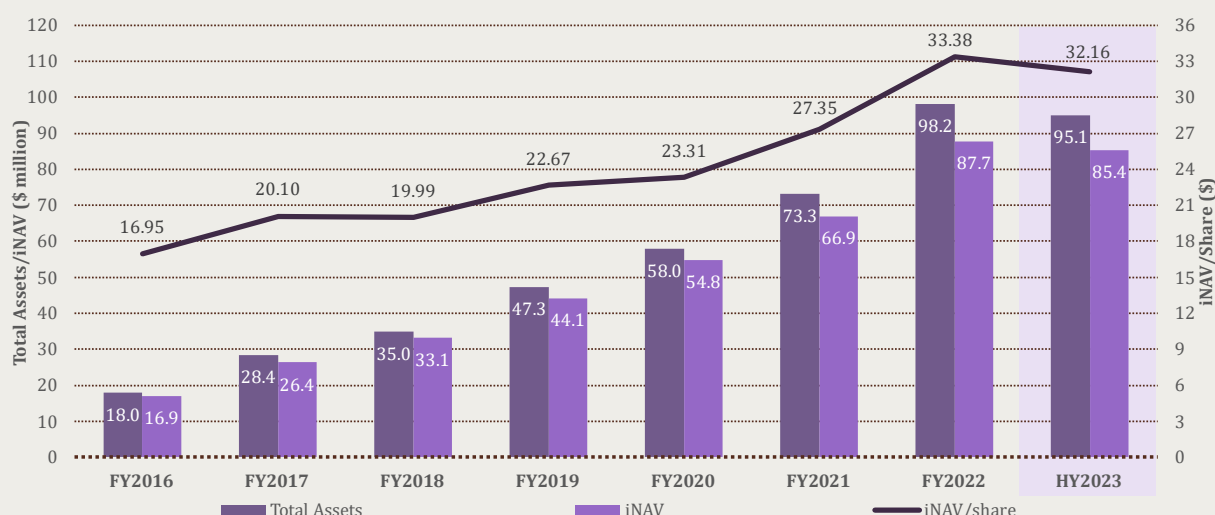
Financial Position

Punakaiki Fund's main assets are its investments in Portfolio Companies and its cash holdings. The increase in the value of these assets is the result of the revaluation of existing investments as well as funds raised from offers to Shareholders, which are then used to make additional investment into Portfolio Companies and new businesses. The Asset Value per Share is driven by these revaluations, and, in general, negatively impacted by share issues to new Shareholders.

Punakaiki Fund's main liability is the accrued Performance Fee payable to 2040 Ventures. The calculation of the Performance Fee is based on the accounting value of Punakaiki Fund's Assets prior to being listed on a licensed exchange. If such a listing were to occur, the Performance Fee would become based on the traded value of Punakaiki Fund's shares.

Investor Net Asset Value is a measure of Shareholder value that is derived by deducting the accrued Performance Fee from Punakaiki Fund's Net Asset Value. This is not a GAAP measure.

Punakaiki Fund Asset and Share Backing



Cash Flow

Punakaiki Fund has had negative operating cash flows to date, relying primarily on the upward revaluation of its investments as well as dividends from its investments to generate GAAP profits.

In FY2022, Punakaiki Fund received \$20.0 million from the sale of three investments and the receipt of a dividend. Exits and dividends are expected, during FY2023 or FY2024, to be insufficient to cover Punakaiki Funds cash operating costs.

Costs of Operating Punakaiki Fund

Punakaiki Fund has been designed to minimise operating costs as a percentage of assets. The main operating costs relate to the payment of Management Fees (dependent on the future Net Asset Value of Punakaiki Fund), Administration Fees (set at \$557,500 plus GST for FY2024) and Performance Fees (dependent on the share price performance of Punakaiki Fund) to 2040 Ventures.

Other Operating Costs

The other main operating costs of Punakaiki Fund are set out in the table below.

	Annual Estimate
Director Fees	\$240,000
Insurance	\$90,000 - \$110,000
Audit Services ¹	\$70,000 - \$80,000
Valuation Services	\$30,000 - \$45,000
Legal Expenses	\$30,000 - \$40,000
Accounting Services	\$20,000 - \$30,000
Due Diligence Services	Up to \$10,000

¹Including anti-money laundering audits every 2-3 years.

2040 Ventures is reimbursed by Punakaiki Fund for all costs and expenses reasonably incurred by 2040 Ventures on behalf of Punakaiki Fund which are not 2040 Ventures' costs under the Management Agreement.

In FY2024, additional expenses are expected to be incurred in relation to the early investigation of a potential listing of Punakaiki Fund on a licensed exchange.

GST

Under current law, some fees are wholly or partially exempt from GST. If GST is payable on any of the fees or expenses, then the GST component would be payable in addition to the fee or expense stated.

2040 Ventures applies GST at a rate of 1.5% for the Management Fee.

Punakaiki Fund has elected into the GST Business-to-Business rules, which allows us to claim a refund on a substantial portion (but not all) of our GST inputs.

Cash Management

The Board aims to maintain a prudent approach to cash management to ensure that Punakaiki Fund retains enough cash to pay for short-term operating costs, including Management Fees. Beyond this, Punakaiki Fund expects to meet its operating costs from the periodic raising of new capital and well as dividends received and proceeds from the sale of investments.

No Prospective Financial Information

There is no prospective financial information in this PDS. The Board has, following careful consideration and after due enquiry, concluded that the provision of prospective financial statements would be likely to mislead or deceive potential investors with regard to particulars that are material to the Offer. The reasons for this opinion include:

- not being able to accurately forecast the value of the investments in Portfolio Companies or listed shareholdings (if any). Portfolio Companies are generally growing relatively quickly, and public market valuations of comparable companies can change rapidly. As such, we cannot reasonably forecast the value of our Portfolio Companies over the short and medium-term;
- several of the Portfolio Companies are likely to continue to receive offers for investment or acquisition. These events can happen relatively quickly and can change the value of a Portfolio Company significantly; and
- the identity of new investments that Punakaiki Fund may make in the future, the amount and timing of Punakaiki Fund capital raising events, and the ability of Punakaiki Fund to make additional investments into its Portfolio Companies are not known. Any of these factors may result in altered performance of the Portfolio Companies, impacting valuation.

Financial Information of Portfolio Companies

Punakaiki Fund is bound by confidentiality agreements and may not disclose valuations or key financial metrics for individual Portfolio Companies, except for selected metrics reported in aggregate. It should be noted that if some Portfolio Companies did allow us to disclose metrics, this could indirectly reveal the metrics for other Portfolio Companies, and Punakaiki Fund would be in breach of one or more of its confidentiality agreements.

Previous Investment Rounds

Prior to this Rights Issue and Offer, Punakaiki Fund has received investment from a series of capital raising events, including \$25.3 million from offers to retail investors, \$18.5 million from offers to wholesale-only investors and \$4.1 million from share swap arrangements.

Future Capital Raising Intentions

Punakaiki Fund intends to raise additional capital from time-to-time to allow for the continued investment in both new companies and existing Portfolio Companies. New capital may also be used to meet the on-going costs of Punakaiki Fund. New capital may be raised at discounts to the Investor Net Asset Value per Share, and this may lower the Investor Net Asset Value for existing Shares.

IPO

The Punakaiki Fund Board are considering a potential IPO of Punakaiki Fund in the medium to long-term, possibly in 2024. This may include a pre-IPO offer. If an IPO were to occur, then it is likely that any listing of Shares will occur on the NZX, the ASX, or both exchanges.

It should be noted that the timing of any IPO, and the ability to undertake an IPO at all, is uncertain and is only being investigated at present.

The final details of any potential IPO are subject to a number of uncertainties, including market conditions, investor appetite and the performance of Punakaiki Fund itself. Investors should not rely on a future IPO of Shares on a licensed exchange when making any decision to invest in the Offer or the Rights Issue.

09. Risks to Punakaiki Fund's Business and Plans

Risk Overview

You should regard your investment in Punakaiki Fund as a long-term commitment with no guarantee of any return or liquidity. This means you may not be able to sell your Shares when you want to, or you may be able to sell, but not at a price you regard as fair. It also means you may not receive any dividends.

These risks drive the potential for rapid losses in the value of individual Portfolio Companies and in Punakaiki Fund itself. However, in addition to substantial losses, individual Portfolio Companies

also have the potential to provide rapid gains to Punakaiki Fund from outperformance or a business sale event.

Investment in Punakaiki Fund is by its nature not suitable for all investors. We recommend you seek professional financial advice before making any investment decision.

Punakaiki Fund will endeavour to manage investment risk for each of its investments, but we do expect cases of partial and absolute loss affecting the overall value of Punakaiki Fund.

Material Risks

Key Risks

Risk	Venture Risk – the risk associated with investing in the venture capital sector.
Nature of Risk	Venture capital investments are designed to be high return, and have an associated high risk of partial or complete failure. This means that some of the companies we invest in may fail to perform to expectations, and may even be liquidated. These write-downs mean that the value of Punakaiki Fund's Assets, and hence your Shares, may fall.
Magnitude and Likelihood	<p>We regularly review the performance and value of all investments, and often write the value of companies down, as well as up. The likelihood of venture risk occurring is therefore high.</p> <p>Downside Risk: Over time we have written-down (and in some cases written-off) several of our investments. These include investments in some companies that failed and have a nil holding value today. At the 30 September 2022 valuation, we had two then active investments that were significantly marked down to under 25% of their original investment cost, representing under 1% of the total investment assets, and therefore representing low material risk. Subsequently, one of these investments is likely to appoint an administrator, but prior mark downs meant that the valuation impact of such an event is not material. Any material future risk would come from Portfolio Companies or new investments. The magnitude of any mark down is limited to the then holding value of each investment. In general, investments that are not performing are marked down steadily over time, so the magnitude of a sudden drop is limited.</p> <p>Upside Risk: There is also the risk of unexpected increases in value, which are also common. These can be driven by one-off events, including Portfolio Company investment rounds and exits, as well as above expectation operating performance between valuations. While this is generally beneficial to investors, if large upward revaluations occur soon after Punakaiki Fund issues Shares or investors trade their Shares, then investors may be disadvantaged. Each of these events is associated with valuation risk, which is discussed below.</p> <p>In the future, we may be exposed to listed shares if any of our Portfolio Companies list or are acquired using another company's listed shares as payment.</p> <p>Venture risk is most applicable to our larger investment holdings.</p>
Mitigation	Punakaiki Fund mitigates this risk by investing only in companies with material revenue, which lowers the risk of complete failure. We balance our investments across the stages of growth and in accordance with an established diversification strategy, seeking to limit the amount of exposure to the very earliest stage investments.

We generally observe deteriorating performance before complete failure of a company, and regularly mark down companies that do not perform to expectations. This lowers the impact if a complete failure does occur at a later date.

Our strategy of holding a diversified portfolio means that we often, but not always, see sudden falls in the value of some investments mitigated by increases in value from other investments.

Risk	Investment Concentration Risk – the dependence by Punakaiki Fund on the performance of our largest investments, which at the moment are in five key companies (Devoli, Quantifi Photonics, Orah, RedSeed and CONQA).
Nature of Risk	<p>The top five companies when measured by value to Punakaiki Fund currently represent over 65% of the value of Punakaiki Fund’s total investments, and material changes in their performance are highly likely to affect Punakaiki Fund’s Asset value per Share.</p> <p>We do generally expect that some of our investments may grow to be very large in value, and therefore represent a very large part of our investment assets. This is part of the nature of venture investing, where some investments may become extraordinarily valuable.</p>
Magnitude and Likelihood	<p>If the value of our current top five companies fell by 20% then the value of Punakaiki Fund’s assets would fall by approximately 13%. If any individual company’s value fell by 20% then the maximum impact on the value of Punakaiki Fund’s investments would be approximately 5%.</p> <p>While global stock market conditions affect valuation multiples for almost all companies, we maintain that the likelihood of a common fall in value of these Portfolio Companies due to performance, rather than valuation multiples, is low, as the companies operate in different sectors – telecommunications, high-end photonics test & measurement, ed-tech, retail training and construction quality assurance.</p>
Mitigation	<p>We mitigate this risk in three main ways – through a policy of diversification, through Board and Manager oversight, and a strong focus on valuation for the largest investments. We accept that we are likely to always have concentration risk, and it is a sign that investments are performing very strongly.</p> <p>Our Statement of Investment Policy and Objectives requires that we diversify our investments, and that Board approval is required before making any investment that would result in over 20% of Punakaiki Fund’s investment assets being held in one company.</p> <p>When we have concentration risk relating to certain companies, the Board is especially attentive to the performance and valuations of these companies, which are reviewed each quarter. The valuations are also formally reassessed each year as part of our audited financial accounts. The Board also periodically meets with founders and CEOs of Portfolio Companies.</p> <p>The value of Devoli is assessed by an external valuer periodically, with this valuation reviewed by our auditors. The valuations of Orah and Quantifi Photonics were calibrated to recent investment rounds with significant involvement from other venture capital firms or similarly highly regarded professional investors.</p> <p>2040 Ventures has board seats or observation rights for each of these companies, assists when we can to add value, and monitors their performance closely. We expect the companies to focus on growth and performance, but we do pay attention to, and act where we can, on any negative performance reports that we receive.</p> <p>We may also become involved in events where the value of the company has the potential to suddenly rise, including approaches from potential acquirers or investors, and negotiations with business partners.</p>

Risk	Control Risk – The lack of operational control of our Portfolio Companies.
Nature of Risk	While we almost always have directorships or observations rights and well-defined shareholder rights for our Portfolio Companies, 2040 Ventures and Punakaiki Fund are unable to control the activities of the Portfolio Companies that we invest in.
Magnitude and Likelihood	<p>Each company that we invest in is controlled by a board of directors. These boards work with their respective CEOs and founders to drive the performance and strategy of the company. As with any company, the goals of investors, directors and the founder may be misaligned. This misalignment can cause the company to underperform versus expectations, lowering the overall company value.</p> <p>We recognise that everyone involved in a company, shareholders included, can go through challenging times, and this can cause tension. In some cases, a founder or board may become inappropriate for a rapidly changing company, and at other times, the founders or senior managers may no longer have the motivation, ability to work together, or required capability for a fast-growing company. We are also cognizant of the significant pressure and stress placed on the founders of our portfolio companies and the challenge balancing their health & wellbeing with ensuring their company is successful and delivers on its strategy and vision. All of these aspects can cause poor performance that needs to be actively managed.</p>
Mitigation	<p>We recognise that investing in high-growth companies is a journey, and we look to build long-term trust and respect-based relationships. We seek to make investments into companies where we see alignment in values and long-term vision between founders and key investors.</p> <p>We expect and observe that founders, directors and other shareholders will have a constantly evolving set of circumstances. We seek to help founders, managers and directors understand and learn their changing roles. We also seek to maintain alignment between ourselves and founders, and to assist them to achieve their goals.</p> <p>We encourage appointment of senior management executives to help take on the increasing burden as companies grow, so that the company, founders and boards can operate more effectively and with less dependence on key individuals.</p> <p>We help to steadily improve the composition and behaviour of boards, including adjusting our own roles and membership. We may, generally with other investors, and only if required, help boards and founders transition a Portfolio Company from being founder-led to having independent leadership.</p> <p>We can play a variety of roles with other shareholders, boards of directors and founders, and these tend to evolve over time. Where we do not have a large shareholding, or even sometimes when we do, we are often only able to provide suggestions and advice. Our goal is that every Portfolio Company has highly effective governance and management.</p>

Other Material Risks

Risk	Key Person Risk – associated with the loss, or poor performance, of key people.
Nature of Risk	2040 Ventures is a boutique venture capital manager with a relatively small team. The two founders, Lance Wiggs and Chris Humphreys, along with partner Nadine Hill are all key to the ongoing success of Punakaiki Fund. The company relies on the abilities of Lance, Chris and Nadine to both make good investments on its behalf and to help many of the Portfolio Companies to increase their value. The loss or poor performance of these people may have a long-term negative impact on the value of Punakaiki Fund's investments.
Magnitude and Likelihood	<p>If Lance, Chris or Nadine are incapacitated then Punakaiki Fund will have a reduced ability to find and make new investments, as well as lower rigour in the investment process, a reduced ability to provide assistance to Portfolio Companies, and a higher administration burden will be placed on the remaining staff.</p> <p>The value of Punakaiki Fund's Assets, which is based on existing investments in companies, should be largely unaffected, although the price a willing buyer is prepared to pay for Shares may fall.</p>
Mitigation	2040 Ventures has five partners, with Chris Humphreys and Lance Wiggs joined by Nadine Hill, a Punakaiki Fund partner, as well as Climate Venture Capital Fund partners Jez Weston and Rohan MacMahon. The team also includes Anum Malik, a senior analyst on the investments team, Ben Kay, our CFO, and Tom Culley, our marketing director. The team has expanded in seniority and has and will significantly lower the burden from and dependence on Lance and Chris.

We continue to develop systems and procedures to enhance our operational practices, ensuring documentation of key processes and procedures to minimise the risk of disruption in the event of key person failure.

We continuously seek to ensure that 2040 Ventures is staffed appropriately in order to fulfil our role not just as Manager of Punakaiki Fund, but to provide the requisite degree of support to our Portfolio Companies, based on their need at any given time.

In the event of poor performance of 2040 Ventures principals, including due to the inability to perform duties or for cause, the Board has the ability to remove 2040 Ventures (either via the Management Agreement (for cause) or by way of Shareholder vote, in both cases without penalty) and could appoint a new manager to manage and monitor Punakaiki Fund's existing investments.

Risk	Valuation Uncertainty Risk – our investment valuations are estimates of fair value, but have inherent uncertainty.
Nature of Risk	<p>Punakaiki Fund invests in privately held, illiquid companies which are not traded on public markets. There is risk that the investments in those companies are valued incorrectly or with high levels of uncertainty, given the risk from changes in comparable company valuations and difficulty in providing meaningful forecasts.</p> <p>The importance of this risk is illustrated by EY New Zealand reporting that “Note 3.1.1 to the financial statements describes the inherent uncertainty and difficulty in measuring the fair value of early-stage unlisted investments” in the Key Audit Matters section of their Independent Auditor’s Report on Punakaiki Fund’s FY2022 financial statements.</p> <p>This uncertainty causes three different types of risk:</p> <ul style="list-style-type: none">▪ The first is that Punakaiki Fund overpays for investments by valuing them too highly at the time of investment, leading to a later write-down in the value of the investment and thus the value of Punakaiki Fund’s Assets;▪ The second is that the Board materially over-values an investment, due either to inadequate or incorrect information provided to or from 2040 Ventures or an independent valuer, or from incorrectly assessing the investment’s value versus comparable companies; and▪ The third is that of systematic overvaluing of some or all of the portfolio, due to incorrect application of the comparable company valuations or under-estimation of the adjustments or discounts applied for performance, liquidity, company size or control. <p>Venture capital investments are also exposed to external factors outside the control of Punakaiki Fund and 2040 Ventures which may be unpredictable and impact on economic conditions and therefore the value of our portfolio companies, including but not limited to, economic or market-related shocks, industry disruption, volatility in financial markets and geopolitical risks both in New Zealand and overseas.</p>
Magnitude and Likelihood	<p>Overvaluation of the investment with the highest value by 20% would cause the total investment assets to be overvalued by approximately 5%.</p> <p>A systematic overvaluation approach would result in a much higher valuation of Punakaiki Fund’s Assets, however this should be difficult to achieve given the checks required by the Board, and Punakaiki Fund’s strict governance in respect of valuations.</p>
Mitigation	<p>Punakaiki Fund has an Investment Valuation Policy with a valuation approach consistent with the International Private Equity and Venture Capital Valuation (“IPEV”) Guidelines and uses revenue, revenue growth or EBITDA metrics versus comparable publicly traded companies in our valuations. We apply an adjustment factor to adjust these comparable companies’ metrics to reflect differences in relative growth rates, any limit to the size of a market a Portfolio Company addresses and differences in overall performance.</p> <p>We also apply a range of discounts and premiums to valuations to reflect (if applicable) a degree of control (premium), illiquidity (discount) or the small size of the business being valued (discount). We also calibrate valuations to the last funding round undertaken by that Portfolio Company, noting that under the IPEV Guidelines it is not acceptable to simply accept the last-round valuation as fair value. The valuations are prepared and proposed by 2040 Ventures, reviewed by the Board (in which the directors have an active role in the process), and, for annual accounts, subjected to the audit process. The audit process would typically include a rigorous review of the valuation methodologies applied as well as a review of individual valuations. The auditors work with 2040 Ventures through this process, but also meet independently with Punakaiki Fund’s independent directors and any external valuers.</p> <p>The Board can and does commission independent valuations for material investments, and did so for one Portfolio Company for the FY2022 year-end valuation, and consulted with the valuer when setting the September 2022 valuation for that Portfolio Company. The Board is likely to continue to arrange independent valuations of Portfolio Companies in the future.</p>

Risk	Liquidity Risk – the inability to easily sell your Shares, and when doing so, that the value is likely to be at a discount to the Investor Net Asset Value per Share.
Nature of Risk	Our Shares are not listed on a stock exchange, and while we do offer periodic share trading windows through the Catalist platform, the Shares generally trade at a discount to the Investor Net Asset Value per Share. It is also not unusual to see shares from listed investment companies trade at a discount to their net asset value, and this discount may be larger when general stock market conditions are poor.
Magnitude and Likelihood	The two most recent share trading rounds resulted in Shares trading at discounts to the Investment Net Asset Value per Share of 22% and 25%, driven in part by market conditions and, for the earlier trading, by a very large seller. One example of a listed investment venture capital company is Bailador Technology Investments (ASX:BTI) whose share price during the period 2019 to 2022 has traded at times, at a c.20% discount to its reported net asset value.
Mitigation	Punakaiki Fund intends in the short-term to continue to offer periodic share trading via the Catalist platform. In the medium to long-term, it is Punakaiki Fund’s current intention to potentially list its Shares on a licensed exchange. We expect that should this occur, Shareholders will have a greater ability to sell their Shares, potentially at a price closer to the net asset value per Share. In order to assist in reducing the potential discount that Shares trade at during share trading windows, Punakaiki Fund regularly surveys investors before deciding whether or not to hold a discounted Share issue, and maintains robust valuation and reporting activities to Shareholders in order to provide confidence in the true value of Shares.

Materiality

The risks set out in this section are not exhaustive and only reflect the risks which the Board considers to be material, and those that are likely to significantly increase the risk to Punakaiki Fund’s financial position, financial performance and plans.

Personal Circumstances

These risks and this PDS in general do not take into account your own personal circumstances, financial position or investment requirements. Before making a decision to apply for Shares, you should consult your financial advice provider.

10. Tax

Tax

Tax can have significant consequences for investments and can affect your return from the Shares.

If you have any queries relating to the tax consequences of the investment, you should obtain professional advice on those consequences.

11. Where You Can Find More Information

Disclose Register

Further information relating to Punakaiki Fund and the Shares (for example, Punakaiki Fund's constitution and financial statements) is available on the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number (OFR13465). A copy of the information on the Disclose Register is available on request to the Registrar of Financial Service Providers.

Companies Office

Further information relating to Punakaiki Fund is also available on the public register of the Companies Office. This information can be accessed on the Companies Office website at www.business.govt.nz/companies under Punakaiki Fund's company number (4395942).

Website

Various policy documents and other information on Punakaiki Fund can be found on Punakaiki Fund's website at www.punakaikifund.co.nz.

Shareholder Communications

Each year an annual report is produced to disclose the investments made during the year, the status of our existing investments, assessments of the value of our Assets, the Investor Net Asset Value and the Accounting Net Asset Value of Punakaiki Fund. The annual report will be delivered to Shareholders electronically at least four weeks before each annual Shareholders' meeting, which is held before the end of September each year.

Along with the more formal activities at each annual meeting, we review our current investments and may invite selected investee companies to present to Shareholders attending the meeting (either in person or by video link). Representatives from these companies may also be available to discuss any queries you might have.

Each quarter we report to Shareholders on the investment portfolio and provide a general update on progress. Specifically, we report, where possible, on new investments that have been made during the period and on any major changes in the status of investee companies that have impacted the overall value of Punakaiki Fund. Ad hoc updates are also issued when we make significant investments, or when investments achieve significant milestones.

While we will endeavour to keep costs down and efficiency high by using electronic means to communicate, we also provide written copies of material to any investors who request this service.

Information Charges

The information that Punakaiki Fund provides as noted above will be supplied electronically at no charge.

12. How To Apply

1: Read the PDS

If you are considering purchasing Shares in Punakaiki Fund under the Rights Issue and Offer outlined in this PDS, we believe it will be prudent for you to undertake the following steps prior to submitting your Application:

- Read this PDS;
- Read the additional information available on the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number (OFR13465); and
- Take financial, taxation and other advice from an expert.

An investment in Punakaiki Fund is by its nature not suitable for all investors. We recommend you seek professional financial advice before making any decision to invest in Shares.

2: Sign up to Catalist

The Rights Issue, Rights Trading and the Offer are all hosted on the Catalist platform (catalist.co.nz).

Ensure you have a Catalist Account

If you do not have a Catalist account, sign-up on the Catalist website using the link below:

[Sign up to Catalist](#)

Complete your details in the fields provided, and create an account. As part of this process, you will be sent an email with a link to verify your email address.

Once this is completed, you will need to log into Catalist and complete Catalist's Anti-money Laundering/Countering Financing of Terrorism customer due diligence checks before being able to use your Catalist account. You will need your full name, date of birth, physical address, ID document details (driver licence or passport), tax details and banking details. Catalist uses your bank account to help confirm your identity, but you do not need to, **and should not**, give them your banking password or login details.

The Anti-money Laundering/Countering Financing of Terrorism customer due diligence checks usually only take a few minutes for individual investors.

We recommend creating a Catalist account as early as possible as the required checks may take longer than expected to complete, especially for investors that are trusts or companies.

Once you have created a Catalist account (or if you already have a Catalist account) and have completed the Anti-money Laundering/Countering Financing of Terrorism customer due diligence checks, you will be able to participate in the trading of Rights, subscribing for any Rights you own after the Rights Trading Period, and/or apply for Offer Shares in the Offer.

Link your Punakaiki Fund Security Holdings

Catalist will link existing shareholders' Punakaiki Fund security holdings to their Catalist account. Please contact Catalist (hello@catalist.co.nz) if this does not happen within one business day after signing up using the link proved to existing shareholders.

3: Rights are Issued

On or after 3 March 2023, all Punakaiki Fund shareholders will be sent an email stating the number of Rights that they have been issued on the Rights Issue Record Date (3 March 2023).

Shareholders will also be able to log in to their Catalist account to see the number of Rights that they hold.

Shareholders who wish to exercise their rights can do so from 15 March 2023.

4: Trading Rights

Shareholders who wish to sell, and any investor who wishes to buy, Rights can do so via the Catalist platform during the Rights Trading Period.

Bid or Offer before 4p.m. Thursday 9 March 2023

The Rights Trading Period opens on 6 March 2023 for a four-day "open period". You can only create bids to buy and offers to sell Rights during the open period, which closes 4p.m. Thursday 9 March 2023.

Trade Rights on Catalist

Trade Rights by using the link below to reach the Catalist Punakaiki Fund Rights page:

[Catalist Punakaiki Fund Rights Page](#)

The top section of this page will be highlighted in green during the Rights Trading Period and will give you access to the Rights Trading form. You will need to download and read a copy of this PDS from the "Key documents" tab on the righthand side of this page prior to continuing with Rights Trading.

The form will prompt you to either “bid” to buy more Rights, or “offer” to sell Rights. You will be asked to enter the number of Rights that you wish to buy or sell, and your nominated best Rights purchase or sale price, before clicking on the submit button to submit your Rights Trading Application. If you are offering to purchase Rights, Catalist will email you the payment details relating to your Application Monies. Payments must be received within 24 hours of you submitting a bid to purchase Rights, regardless of whether that offer to purchase Rights is ultimately successful. This approach is undertaken so that Catalist can settle all Rights Trading in a timely manner and the timetable for the Rights Settlement Period can be maintained. Your bid to purchase Rights may be cancelled if you don't pay the amount due within 24 hours.

During the Rights Trading Period, Catalist operates a four day ‘open’ period, where bids and offers for Rights can be placed into the auction order book. Once the open period has been completed, there is a further 24-hour pre-close period where bidders can increase their bid price by up to 10% and offerors can decrease their offer price by up to 10%, but no new bids or offers will be accepted. At the end of the pre-close period, a clearing price will be determined to maximise the number of Rights traded and all successful bids (at prices at and/or above the clearing price) and offers (at prices at and/or below the clearing price) will be traded at the clearing price.

The Rights Trading Period closes at 4p.m. on 10 March 2023.

5: Subscribe for Rights Issue Shares

15 March 2023 to 28 March 2023

On or before 15 March 2023, all Rights holders will be sent an email stating the number of Rights that they own.

Rights holders will also be able to log in to their Catalist account to see the number of Rights that they hold.

You will be able to subscribe for your Rights Issue Shares from when the Rights Settlement Period opens on 15 March 2023 until when the Rights Settlement Period closes at 11:59pm on 28 March 2023 by using the link below to reach the Catalist Punakaiki Fund Rights page:

[Catalist Punakaiki Fund Rights Page](#)

The top section of this page will be highlighted in green during the Rights Settlement Period and will give you access to the Rights settlement form. You will need to download and read a copy of this PDS from the “Key documents” tab on the righthand side of this

page prior to continuing with your Rights settlement Application. The form displays the number of Rights that you hold and will prompt you to enter the how many Rights Issue Shares that you wish to subscribe for (up to the maximum number of Rights that you hold) and then you can click on the “Subscribe” button to submit your Application. Catalist will then email you the payment details relating to the payment of your Application Monies. Payments must be received within 24 hours of the Rights Settlement Period closing on 28 March 2023.

6: Apply for Offer Shares

6 March 2023 to 28 March 2023

Apply for Offer Shares in the Offer from when the Offer opens on 6 March 2023, until when the Offer closes at 11:59pm on 28 March 2023 by using the link below to reach the Catalist Punakaiki Fund Offer page:

[Catalist Punakaiki Fund Offer Page](#)

The top section of this page will be highlighted in green during the Offer and will give you access to the Application form for the Offer. You will need to download and read a copy of this PDS from the “Key documents” tab on the righthand side of this page prior to continuing with your Application.

The form will prompt you to enter the number of Offer Shares that you wish to subscribe for and then you can click on the submit button to submit your Application. Catalist will then email you the payment details relating to the payment of your Application Monies. Payments must be received within 24 hours of the Offer Close date of 28 March 2023.

Assistance with the Catalist Application Process

Catalist has a variety of resources on its website to assist investors with the Catalist Application Process, including its [Frequently Asked Questions](#) page. This page contains the following short explanatory videos:

- How to [navigate](#) around your Catalist account.
- How to [submit](#) a bid or offer.
- An [explanation](#) of the live orderbook.

If you have any questions regarding the Catalist platform or the applications processes, please contact Catalist in the first instance:

020 4009 6929 hello@catalist.co.nz

If you would like to talk to Punakaiki Fund about the application process or any aspect of the Offer or the Rights Issue, please contact 2040 Ventures:

- **Angela James**
angela@2040ventures.com
027 331 8030
- **Chris Humphreys**
chris@2040ventures.com
027 622 7803
- **Lance Wiggs**
lance@2040ventures.com
021 526 239

13. Contact Information

Punakaiki Fund

Punakaiki Fund Limited

Level 6
2 Kitchener Street
Auckland
New Zealand 1010

Lance Wiggs

lance@punakaikifund.co.nz
021 526 239

Mike Bennetts

chair@punakaikifund.co.nz

Share Registrar

Punakaiki Fund's Share Register is administered by Catalist Markets Limited.

Catalist Markets Limited

8 York Street
Parnell
Auckland
New Zealand 1052

020 4009 6929

hello@catalist.co.nz

2040 Ventures

2040 Venture Limited

Level 6, 2 Kitchener Street
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027 622 7803

Ben Kay

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021 512 657

Glossary

TERM	DEFINITION
\$	New Zealand dollar
2040 Ventures or Manager	2040 Ventures Limited, the contracted investment manager of Punakaiki Fund
Accounting Net Asset Value	The fair market value of the Assets less the liabilities of Punakaiki Fund as determined by the Board after consultation with 2040 Ventures and in some instances, other external parties. The Accounting Net Asset Value incorporates only the cash component of the accrued Performance Fee and not the full Performance Fee. The Accounting Net Asset Value is used to calculate the quarterly Management Fee, although this aspect of the Management Agreement is currently under renegotiation. It is not a GAAP measure
Administration Fee	A quarterly payment to 2040 Ventures to compensate it for additional administrative work that it undertakes on behalf of Punakaiki Fund outside of the scope of the Management Agreement, including 75% of CFO costs. The Administration Fee is discussed on page 31
Allotment Date	On for before 31 March 2023. The date on which Shares are allotted to investors that have successfully applied for (and paid for) Rights Issue Shares in the Rights Issue and Offer Shares in the Offer
Applicant(s)	A person(s) who submits an application to subscribe for either Rights Issue Shares in the Rights Issue, or Offer Shares in the Offer
Application	An application to invest in the Rights Issue or the Offer. Catalist is managing all applications for the Rights Issue and the Offer via its platform
Application Monies	The funds required to accompany an Application in order for Rights Issue Shares to be purchased in the Rights Issue and Offer Shares to be purchased in the Offer
Assets	All of Punakaiki Fund's assets, before the deduction of any liabilities
ASX	Australian Stock Exchange
Board	The board of directors of Punakaiki Fund
Brokerage Fee	A payment to 2040 Ventures to compensate it for assuming the costs associated with raising capital for Punakaiki Fund, including payments to third-party brokers, paid under the terms of the Management Agreement. Brokerage Fees are calculated as 3% of the funds raised for Punakaiki Fund, but excluded Shares issued as part of agreements to purchase Portfolio Company shares in exchange for Shares, and the issue of Shares to settle the share-based portion of the Performance Fee. Brokerage Fees are discussed on page 31
Catalist	Catalist Markets Limited, the administrator of Punakaiki Fund's share and option registers, the facilitator of Punakaiki Fund's period share auctions and the operator of the Catalist Application Process – the Application process to subscribe for Rights Issue Shares in the Rights Issue, the Application process to subscribe for Offer Shares in the Offer, and the Rights Trading process to trade Rights in the Rights Trading Period
Catalist Application Process	The various processes management via Catalist to apply for Rights Issue Shares in the Rights Issue and Offer Shares in the Offer. These processes are discussed on pages 55, 56 and 57
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Climate Venture Capital Fund	The Climate Venture Capital Fund Limited Partnership fund, a climate-focused venture capital fund managed by 2040 Ventures
Companies Act	Companies Act 1993

TERM	DEFINITION
CONQA	The trading name of one of Punakaiki Fund's Portfolio Companies. CONQA's registered name is QA Tech Limited
Core Schedule	Core Schedule NZ Limited, a Portfolio Company
Couchdrop	Couchdrop Limited, a Portfolio Company
COVID-19	Coronavirus Disease 2019
Devoli	Devoli Limited, a Portfolio Company
Disclose Register	The register that contains information about the Rights Issue and the Offer. This information can be found at www.business.govt.nz/disclose under Punakaiki Fund's offer number OFR13465
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
EY New Zealand	Punakaiki Fund's financial and share register auditor. Formerly known as Ernst & Young
Exit	The sale of a shareholding or other securities in a company
FMA	Financial Markets Authority
Formus Labs	Formus Labs Limited, a Portfolio Company
Friendly Manager	Friendly Limited, a Portfolio Company
FY2016, FY2019, FY2020, FY2021, FY2022, FY2023, FY2024	Financial Years ending 31 March 2016, 31 March 2019, 31 March 2020, 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024 respectively
GAAP	Generally Accepted Accounting Principles
Get Home Safe	Get Home Safe Limited, a Portfolio Company
GST	Goods and Services Tax
High-Water Mark	The highest Investor Net Asset Value per Share for which a Performance Fee has been previously paid. No subsequent Performance Fee is payable until the Investor Net Asset Value per Share exceeds the High-Water Mark and the Performance Fee will only be paid in relation to increases above the previous High-Water Mark. This ensures that 2040 Ventures is not paid a Performance Fee for gains that make up for previous periods of poor performance
HY2022, HY2023	The financial Half Year period (six months) ending 30 September 2021 and 30 September 2022 respectively
ICT	Information and Communication Technologies
Investor Net Asset Value	The fair market value of the Assets less both the liabilities of Punakaiki Fund and the share-based component of the accrued Performance Fee, as determined by the Board after consultation with 2040 Ventures and in some instances, other external parties. The Investor Net Asset Value is used to determine the pricing of the Rights Issue and the Offer. It is not a GAAP measure
IPEV	International Private Equity and Venture Capital Valuation Guidelines (December 2018 edition)
IPO	Initial Public Offering
IRR	Internal Rate of Return
ISP	Internet Service Provider

TERM	DEFINITION
Linewize	The group of companies comprising Linewize Limited and Linewize Services Limited, which were sold to Family Zone Limited
Management Agreement	The agreement dated 25 March 2014 between Punakaiki Fund and 2040 Ventures relating to sourcing and managing investments for Punakaiki Fund. Several aspects of the Management Agreement are currently being renegotiated by Punakaiki Fund and 2040 Ventures. The Management Agreement is discussed on page 30
Management Fee	The management fee paid to 2040 Ventures under the Management Agreement. The Management Fee is discussed on page 30
Manager	2040 Ventures Limited, the investment manager of Punakaiki Fund
Market Value	The fair market value of the equity of Punakaiki Fund. If Punakaiki Fund is not listed on a stock exchange (which is currently the case), then the Market Value is the Investor Net Asset Value. Should (in the future) Punakaiki Fund become listed on a stock exchange, the Market Value will then be based on the Share offer price when initially quoted on that exchange, and after that on the volume weighted average Share price for the 30 days prior to the end of the financial year; or immediately following a return of capital to Shareholders, the value of the capital return together with the Investor Net Asset Value. On termination of the Management Agreement, the Market Value is the higher of the market capitalisation based on the volume weighted average Share price for the 30 days prior to the end of the financial year and the Investor Net Asset Value
Maximum Application	500,000 Offer Shares - the highest number of Offer Shares that can be applied for in the Offer by a single investor
Minimum Application	100 Offer Shares - the smallest number of Offer Shares that can be applied for in the Offer
MOBI	Mobi HQ Limited, formerly Mobi2Go Limited, a Portfolio Company
Moxion	Tinderbox Media Limited, a former Portfolio Company that Punakaiki Fund exited in 2021 that traded as Moxion
November 2023 \$30 Options	American-style options issued by Punakaiki Fund with an exercise price of \$30 and an expiry date of 30 November 2023. Punakaiki Fund has 51,961 November 2023 \$30 Options on issue
NZTE	New Zealand Trade and Enterprise, a New Zealand Government agency
NZX	NZX Limited, the operator of the New Zealand Stock Exchange
Offer	The offer of Offer Shares under this Product Disclosure Statement
Offer Close	28 March 2023 – the last date on which investors are able to apply for Offer Shares under the Offer
Offer Open	6 March 2023 – the date on which investors are able to apply for Offer Shares under the Offer
Offer Price	\$31.00 – the price at which Offer Shares may be bought under the Offer
Offer Shares	Shares subscribed for via the Offer
Onceit	Onceit Limited, a Portfolio Company
Orah	The trading name of one of Punakaiki Fund's Portfolio Companies. Orah's registered name is Boardingware International Limited
PDS	This Product Disclosure Statement dated 23 February 2023
Performance Fee	Amounts payable to 2040 Ventures tied to the positive performance of Punakaiki Fund as set out in the Management Agreement. The Performance Fee is discussed on page 31

TERM	DEFINITION
Portfolio Company(s)	The 17 active businesses in which Punakaiki Fund holds an investment, excluding companies where the investment is held for exit, where an administrator is likely to be appointed or which are considered out of mandate (including New Zealand Artesian Water)
Projectworks	The trading name of one of Punakaiki Fund's Portfolio Companies. Projectworks's registered name is Spiderworks Limited
Punakaiki Fund	Punakaiki Fund Limited
Quantifi Photonics	Quantifi Photonics Limited, a Portfolio Company formerly known as Coherent Solutions Limited
QUBEdocs	Qubedocs Limited, a 100%-owned subsidiary of Portfolio Company Mindfull Group Limited
Raygun	Raygun Limited, a Portfolio Company
Record Date	3 March 2023. The date on which holders of Punakaiki Fund Shares are issued 1 Right for every 10 Shares held. Investors participating in the Offer are not eligible to receive Rights
RedSeed	Redseed Limited, a Portfolio Company
Renounceable	The ability to trade Rights
Rights	The right to subscribe for 1 Rights Issue Share at the Rights Issue Price during the Rights Settlement Period
Right Issue	The issue of Rights to existing Punakaiki Fund shareholders to raise capital for Punakaiki Fund
Rights Issue Application	An application by a holder of Rights, via the Catalist Application Process, to subscribe for Rights Issue Shares as part of the Rights Issue
Rights Issue Price	\$19.00 — the price at which Rights Issue Shares may be bought under the Rights Issue
Rights Issue Shares	Shares that can be subscribed for by the holders of Rights as part of the Rights Issue. Rights Issue Shares are fully paid ordinary shares in Punakaiki Fund. Shares issued in the Rights Issue rank equally with each other and also equally with all existing Shares in Punakaiki Fund and those Offer Shares issued in the Offer
Rights Settlement Period	The period beginning on 15 March 2023 and ending on 28 March 2023, during which holders of Rights can apply to subscribe for Rights Issue Shares and pay the applicable Application Monies
Rights Trading	The trading of Rights undertaken via Catalist during the Rights Trading Period that provides the holders of Rights the opportunity to sell their Rights and the opportunities for any investor to acquire Rights
Rights Trading Period	The period beginning on 6 March 2023 and ending on 10 March 2023 during which Rights Trading takes place
SaaS	Software as a service, a software delivery model in which software and data are hosted by a vendor or service provider and made available over a network (typically the Internet)
Seed	Seed financing typically refers to the first formal investment that a business venture or enterprise receives
Series A	Series A financing refers to an investment in a privately held, start-up company after it has shown progress in building its business model and demonstrates the potential to grow and generate revenue. Initially, start-up companies rely on small investors for seed capital to begin operations
Series B	Series B financing is the second round of funding for a business through investment including private equity investors and venture capital investors

TERM	DEFINITION
Share	A fully paid ordinary share in Punakaiki Fund. Shares issued under the Rights Issue and the Offer rank equally with each other and also equally with all existing Shares in Punakaiki Fund
Shareholder	Holder of one or more Shares in Punakaiki Fund
Timely	Timely Limited, a former Portfolio Company that Punakaiki Fund exited in 2021
Vend	Vend Limited, a former Portfolio Company that Punakaiki Fund exited in 2021
Weirdly	Weirdly Limited, a Portfolio Company
Whip Around	Whip Around (NZ) Limited, a Portfolio Company