STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES

8 November 2024

Version 4.0

1. INTRODUCTION

1.1. Punakaiki Fund Limited ("Punakaiki Fund") is an investor in high-growth New Zealand-based private SaaS and Non-SaaS Technology companies. It is structured as a company and has a contracted external manager 2040 Ventures Limited (the "Manager") to source and manage its investments.

1.2. This Statement of Investment Policies and Objectives ("SIPO") sets out the investment philosophy, strategies, objectives and policies of Punakaiki Fund. The SIPO is an integral part of Punakaiki Fund's wider model of financial governance.

1.3. For policies in relation to the committing of Punakaiki Fund's funds for ***non-investment*** purposes, reference should be made to Punakaiki Fund's Delegated Authority Policy. For guidance in respect of sourcing, making and managing investments, reference should be made to Punakaiki Fund's Investment Guidance document.

2. INVESTMENT PHILOSOPHY

2.1. Punakaiki Fund's approach to investing is based on the following philosophies. Together, Punakaiki Fund believes these philosophies provide the greatest opportunity to generate significant shareholder returns.

2.2. ***Market Opportunity.*** There is a significant opportunity in New Zealand to generate high risk-adjusted returns by investing in high-growth SaaS and Non-SaaS technology private companies. We believe this because:

a) High growth technology companies can provide very high shareholder returns over the long term;

b) New Zealand has particular strengths in producing companies that provide products, often in a niche, that are business critical for their customers, address a global market and are very capital efficient;

c) New Zealand-based founders and teams often bring a realistic, quiet and considered approach to entrepreneurship and leadership, with high quality values, which help lead to lasting success, and are evident with many of Punakaiki Fund portfolio company founders and leaders;

d) The market for high growth private technology companies in New Zealand is relatively inefficient (including the presence of information asymmetries), resulting in continued mispricing versus international markets;

e) There is a shortage of growth capital in New Zealand, and while the availability of funding is improving, the number and scale of the available investment opportunities is also increasing; and

f) Punakaiki Fund's Manager has access to and the ability to assess and assist many high-quality investment opportunities. We are recognised as one of the experienced New Zealand venture capital firms.

2.3. ***Thriving Market Vision:*** We want to help enable hundreds of millions of dollars to flow to very high-quality New Zealand companies, building a new generation of multi-billion dollar companies, and forever improving the society and economy of New Zealand.

2.4. ***Fund of Choice.*** We aim for Punakaiki Fund to be the preferred provider of capital by the founders of New Zealand's premier high-growth technology companies in our mandate. By attracting the best high-growth technology companies to Punakaiki Fund's portfolio, Punakaiki Fund will seek to generate positive risk-adjusted returns for its shareholders. We seek to attract founders who are aligned with our approach and philosophies.

2.5. ***Thoughtful Investors.*** We work hard to make very considered investment decisions, albeit as quickly as possible, and expect that founders and other investors will recognise the quality of the investment decisions. We expect to offer high quality advice and assistance to companies over the course of long relationships.

2.6. ***Lead Investors***. We prefer to lead investment rounds, in earlier rounds, in order to maximise the value we can provide to the founders at the higher-risk stages of the company's journey.

2.7. ***Long-term Investment Horizon.*** We expect to generate higher risk-adjusted returns by holding for the long-term. This means we can reduce the impact of short-term market fluctuations, have the patience to wait until companies reach scale, support founders adopt more optimal longer term strategies, capture the benefits of our Socially Responsible Investment Policy, and benefit as companies execute their growth plans.

2.8. ***Diversification.*** We believe that diversification usually reduces the level of risk incurred for a given amount of return. Punakaiki Fund has a philosophy of actively diversifying its portfolio to avoid a significant concentration to any one company, very small companies, unprofitable companies or a particular industry, product or service.

2.9. **Appropriate Governance**. We believe that high-growth technology companies are best supported by a management team and board that have the necessary range of skills and experience that can maximise the value and support provided to the founder. We see our role as an (often lead) investor is to support those appointments and ensure they include appropriate mix of technology, industry, specialist and capital capability.

2.10. ***Financial Sustainability.*** We predominantly invest with the intent that companies are or will become financially sustainable without material further funding, or where there is a clear path to attracting greater amounts of capital from larger funders. We believe that companies that are not dependent upon large amounts of additional funding and that have robust business models are better positioned to survive through market corrections and earn higher investment valuations when markets are strong. We also invest with the intent that any required funding due to underperformance versus expectations is likely to be within the capacity of Punakaiki Fund and any other investors in the company to meet.

3. INVESTMENT OBJECTIVES

3.1. We aim to invest to deliver **significant gross investment returns over the medium to long term**. The current target is to deliver five year rolling annual gross (before expenses) returns from investments of at least 25%, which allows Punakaiki Fund to meet its Capital Allocation Policy ("CAP") requirement for returns.

3.2. The Board will review this return target from time to time as the profile of Punakaiki Fund's portfolio changes.

4. INVESTMENT STRATEGY

4.1. Punakaiki Fund has contracted the Manager to source, execute and manage investments, through a Management Agreement dated 22 March 2024. Punakaiki Fund aims to put its philosophies into practice via the activities of the Manager.

4.2. Punakaiki Fund aims to achieve its objectives by:

a) Investing and supporting businesses that align with Punakaiki Fund's **Targeted Characteristics**, as set out in Section 5 below.

b) **Investing smaller amounts in earlier-stage, higher-risk, companies** and, where appropriate, following on in later rounds to increase shareholding to a substantial minority share.

c) **Investing in diverse opportunities** that other venture capital firms may not invest in due to their restrictive mandates and structures.

d) **Holding a mixture of passive and active investments**, at various levels of control and ownership;

e) **Using secondary sales**, where we provide the ability for shareholders in existing or new investments to free up capital with secondary share sales, while ensuring that active founders continue to hold material percentages in those investments;

f) **Offering Punakaiki Fund shares,** particularly when Punakaiki Fund is listed, as currency for investments;

g) **Focusing on New Zealand** while acknowledging that the fund may, over time, extend into investing into companies in Australia and Pacific, particularly if the fund is listed in Australia or materially owned by investors based outside of New Zealand.

h) **Having a low rate of investment failure**: We aim to make investments that have been significantly de-risked by displaying traits such as addressing a genuine end-user need, generating levels of revenue that indicate a lower risk of failure, a growing revenue curve, providing a necessary service or product to their customers and end-users, operating as an effective and efficient company with strong people and culture, and having a strong financial investment case;

i) **Having a long life and holding for dividends**: We are a permanent capital fund and as such have a long-term investment mandate. We aim to hold our investments for considerable periods of time in order to allow our portfolio companies to grow and provide Punakaiki Fund both ever increasing dividends and capital gains over time, although we may choose to divest underperforming investments;

j) **Strong and diverse portfolio**: We aim to lower Punakaiki Fund's market risk by having a well-diversified portfolio (as outlined in paragraph 9.2);

k) **Balancing equity with small amounts of debt:** Being able to both raise and invest using debt or quasi debt, provided that there is appropriate balance between debt funding received and debt investments made; and

l) **Building the capability and capacity of the Manager**: We aim to increase the capability and capacity of the management team so that it can deliver the objectives to a very high standard over the life of the fund.

4.3. This approach has been adopted as we believe that the Manager has the skills, expertise, alignment to Punakaiki Fund's philosophies and access to high quality investment opportunities required to give effect to this SIPO.

4.4. The Manager has a wide mandate to find and execute investments, subject to certain limits imposed by the Management Agreement and the Board, including the limits, operating procedures and guidance set out in this SIPO and our Socially Responsible Investment Policy. The Board is responsible for monitoring the manager and updating this SIPO from time to time as required to reflect the evolving requirements of Punakaiki Fund.

4.5. Investment guidelines applicable to the Manager which reflect the philosophies and objectives of Punakaiki Fund are set out in Punakaiki Fund's Investment Guidance document.

5. TARGETED CHARACTERISTICS

5.1. Punakaiki Fund considers that its Portfolio Companies and potential investee companies will typically (but not necessarily always) display the following characteristics:

a) Can dominate or lead a global niche, extending to larger market as they grow

b) Sell to other businesses, especially where the product or service being sold is critical to the customer's business and where the client is a small to medium enterprise, and as such, their customers are or will be willing to pay a premium;

c) Focusing on creating value or meeting an unmet need for the end users of their products and services;

d) Generating early but material revenues

e) Implementing a sustainable and compelling business model;

f) Are evidence-based and use data to support their decisions:

g) Show a strong and sustainable rate of growth, including following an attractive revenue (and/or profit) growth curve;

h) Can deliver high internal rates of return over a long period;

i) Have an inspiring mission combined with an approach to business that improves the world;

j) Having strong leadership, culture and organisation structures; and

k) Are led by founders with values and approaches aligned to those of Punakaiki Fund and the other founders associated with Punakaiki Fund.

5.2. While the characteristics set out above are relatively broad, they do not preclude investment into companies which otherwise follow Punakaiki Fund's primary growth philosophy.

6. TARGETED STAGE

6.1. Punakaiki Fund believes that its high growth investment philosophy is best put into practice by investing the majority of its capital into Sustainable, Emerging and Substantial-stage investments. A small allocation has been made within Punakaiki Fund's asset allocation (refer to Section 8 below) to Early-stage investments to allow for investment for businesses with best-in-class potential.

6.2. In order to avoid the heightened risk associated earlier stage seed-type investments, Punakaiki Fund has a preference to only invest in SaaS or technology businesses with revenues above the following thresholds:

a) SaaS Businesses: Minimum annual recurring revenues of $300,000; and

b) Technology Businesses: Minimum trailing twelve-month revenues of $3 million.

Notwithstanding these minima, investments may be made in businesses with revenues below $300,000 for SaaS businesses and $3 million for Non-SaaS businesses with Punakaiki Fund Board approval.

7. TARGETED PROFITABILITY

7.1. We intend that a proportion of the business in which Punakaiki Fund invests in will be profitable or near profitable with the expectation that dividends will be paid to Punakaiki Fund over the medium term (this can be contrasted with non-profitable companies where dividend payments to Punakaiki Fund are only expected in the long-term).

8. INVESTMENT MANAGEMENT

Size of Shareholding

8.1. Punakaiki Fund believes that it is primarily in the business of investing in, rather than operating or controlling, growth businesses.

8.2. Punakaiki Fund's first investment in a company will typically be for a small minority stake, but over time our shareholding may increase through follow-on rounds and secondary share sales.

8.3. Punakaiki Fund generally has a longer investment horizon than other investors and even founders, so in some cases we may increase our shareholdings to be substantial, or even majority shareholdings, typically accompanied by very high shareholding(s) or incentives for the founder(s) and senior management.

8.4. We may also contemplate investments where we have full control or ownership of a company, and a path to establishing an executive team, who would act as founders for the next stage of a company's journey.

8.5. We ensure that the companies have appropriate governance, generally including independent directors and chairs, though we may, at times, use shareholder control to help make major strategic changes to businesses.

Degree of Funding

8.6. For loss-making early-stage Portfolio Companies, Punakaiki Fund believes that it is preferable to invest small amounts of money in the earlier investment rounds, with investment amounts increasing only as the Portfolio Company grows and its business approach receives an increasing level of validation.

8.7. These amounts should generally be enough to fund the Portfolio Company through to a cash flow break-even position. Investing too much money at earlier stages can result in wasteful overspending on unnecessary technology, products, development or marketing.

Margin of Safety

8.8. While the nature of the Portfolio Companies which Punakaiki Fund invests in is such that failures resulting in total or partial loss of Punakaiki Fund's investment can be expected from time to time, Punakaiki Fund has adopted a "margin of safety" philosophy so that these types of losses are minimised. A margin of safety approach can be implemented in a number of ways:

a) Investing in companies where future growth prospects are strong;

b) Investing in companies at reasonable valuations;

c) Investing in companies with a profitable core business (i.e. excluding expenditure on future growth) that delivers strong benefits to end-users;

d) Investing in companies with a proven track record of revenue generation (i.e. have a minimum viable product which customer are paying for) that meet the minimum revenue levels set out in paragraph 6.2; or

e) Seeking contractual investing terms that protect Punakaiki Fund's investments.

8.9. The implementation of this philosophy is not intended to exclude investments in companies which do not have any of these characteristics, however it is expected that the majority of new investments made by Punakaiki Fund will adhere to this philosophy.

Passive Holdings

8.10. The provision of advice and assistance by the Manager to certain Portfolio Companies is not always required. The Manager is permitted to hold certain Portfolio Companies on a passive basis where the on-going monitoring of the Portfolio Company is the only activity in which the Manager is involved.

9. ASSET ALLOCATION

9.1. The asset allocation requirements set out below are in respect of Punakaiki Fund's investments in Portfolio Companies. The management of Punakaiki Fund's other assets and liabilities, including cash holdings and cash allocations to meet Punakaiki Fund's operating costs, are set out in Punakaiki Fund's CAP.

9.2. Punakaiki Fund aims to have a diversified portfolio when measured by the stage and size of companies in which Punakaiki Fund invests. Table 1 below sets out Punakaiki Fund's target diversification allocations for SaaS and Non-SaaS Technology businesses. There is no allocation for investing in other types of businesses. These targets are for the benefit of the Manager when making investments. If an investment will cause or exacerbate the breaching of these targets, Punakaiki Fund's Board approval will be required before making that investment. The definition of Target Stage categories and Target Profitability categories are contained within Appendix 2. The percentages stated are in reference to the total value of Punakaiki Fund's investments (excluding cash).

Table 1:

Punakaiki Fund Limited – Diversification Targets

Stage Targets	Early	Sustainable	Emerging	Substantial	Listed	Held for Exit/Out of Mandate
Typical Revenue Range: SaaS	*<$1m*	*$1-5m*	*$5-20m*	*>$20m*		
Typical Revenue Range: Non-SaaS	*<$2m*	*$2-5m*	*$5-20m*	*>$20m*		
Range	**0-10%**	**10-40%**	**20-40%**	**20-50%**	**0-40%**	
Maximum for Individual Investment	5%	15%	20%	20%		
Percentage of:	*Total Investments*					

Profitability Targets	Unprofitable	Profitable (or near profitable)
Range	**25-75%**	**25-75%**
Maximum for Individual Investment	20%	20%
Percentage of:	*Total Investments*	

9.3. While Punakaiki Fund has an overall philosophy of diversification; targets or limits in respect of exposure to individual industries (based on the GICS definitions), individual business models or in companies that require additional rounds of funding before becoming cash flow positive (at the time of initial investment) do not form part of this document. Instead, these exposures will be monitored by Punakaiki Fund's Board.

9.4. Notwithstanding the previous paragraph, any investment which results in or exacerbates an individual company comprising more than 20% of the total value of Punakaiki Fund's investments (excluding cash) shall require the approval of the Punakaiki Fund Board.

New Zealand Investments

9.5. The Manager may not invest in a business where that business is not primarily associated with or carrying on its business in New Zealand without Punakaiki Fund Board approval.

9.6. For those Portfolio Companies that have relocated their head office and/or incorporation to a foreign jurisdiction after Punakaiki Fund's initial investment, the Manager may continue to invest in those business.

Rebalancing

9.7. From time to time increases or decreases in one or a number of Punakaiki Fund's Portfolio Companies' carrying values arising from revaluations may result in minimum or maximum thresholds for certain asset allocation categories being exceeded. In this situation, Punakaiki Fund is not required to rebalance its portfolio to be in-line with the asset allocations or diversification targets set out in this SIPO, however the Manager will need to ensure that subsequent investments are tailored to bring the actual asset allocation and diversification targets back into line with the SIPO unless otherwise approved by the Board.

9.8. Tactical Asset Allocation (relaxing the SIPO asset allocation to take advantage of short-term market conditions) and Dynamic Asset Allocation (relaxing the SIPO asset allocation to take advantage of medium-term market conditions) are not permitted without the prior approval of the Board.

Reporting

9.9. The Manager shall report the actual asset allocation of Punakaiki Fund's investments to the Board on a quarterly basis. The Manager shall also immediately report to the Board in the event (to the best knowledge of the Manager) that any asset allocation thresholds have been breached.

10. GENERAL INVESTMENT POLICIES

10.1. The following sets out general investment policies of Punakaiki Fund not previously discussed in this SIPO.

Performance Measurement

10.2. Investor Net Asset Value (iNAV) is defined as Total Assets less both the Total Liabilities and the Share-based Payment Reserve (i.e. the equity portion of the accrued performance fee payable to the Manager).

10.3. The change in Punakaiki Fund's share price (or if Punakaiki Fund is not listed on a recognised market, its iNAV per share) will be used as our return measure, which reflects the performance of Punakaiki Fund's portfolio after the deduction of all fees and other costs.

Divestments

10.4. One of Punakaiki Fund's philosophies is to hold Portfolio Companies over the long-term to receive ever increasing dividend payments. It is possible that the divestment of a Portfolio Company may occur, generally to follow the Founders position on the sale, unless that position would result in the destruction of value in relation to Punakaiki Fund's investment.

10.5. In the event that a divestment is proposed and the Manager supports the divestment, the Manager shall seek approval for the divestment from the Board.

Socially Responsible Investing

10.6. Punakaiki Fund will invest in accordance with its Socially Responsible Investment Policy document, as updated from time to time.

Investing in Listed Companies

10.7. The Manager may not invest in a publicly listed company without the approval of Punakaiki Fund's Board.

10.8. For investments in publicly listed companies that have resulted from one of Punakaiki Fund's Portfolio Companies undertaking an Initial Public Offering, Punakaiki Fund may continue to hold that Portfolio Company with approval from the Board.

10.9. For investments in publicly listed companies that have resulted from an unrelated publicly listed company acquiring a Portfolio Companies for scrip (or for scrip and cash), then the scrip investment in the acquiring company needs to be considered as an investment on its own merits. Continued holding of these types of investments requires the approval of Punakaiki Fund's Board.

Investments

10.10. Punakaiki Fund will not directly invest in the following investment classes without prior Board approval:

a) Real estate;

b) Speculative derivatives;

c) Hedge funds;

d) Speculative currencies, crypto coins, tokens, or non-fungible tokens;

e) Bonds and other debt types (e.g. mortgages); and

f) Commodities.

10.11. For clarity, Punakaiki Fund is permitted to invest in a Portfolio Company which has investments in 10.12 a) to 10.12 f), provided that Portfolio Companies are not in the business of investing in those types of investments (i.e. those investments are either only minor, or are not essential in undertaking the Portfolio Company's primary business).

10.12. Punakaiki Fund will not invest in the following structures:

a) Unincorporated Joint Ventures;

b) Partnerships (limited or otherwise);

c) Trusts; and

d) Unit Trusts.

10.13. Punakaiki Fund will not invest using loans without Punakaiki Fund Board approval, unless these are quasi-equity such as convertible notes, however there is a strong bias to invest in ordinary or simple preference shares only.

Management of Cash Investments

10.14. Punakaiki Fund's cash balances are to be held in major New Zealand-registered trading bank accounts (or their wholly owned subsidiaries), either on call or as investments in short-term term deposits. The bank(s) at which Punakaiki Fund's cash balances are held should have a minimum investment rating of "AA-" or "A1" or higher as issued by Standard & Poors or Moody's respectively.

10.15. Punakaiki Fund's maximum exposure to any single bank or bank group shall not, without Board approval, exceed the larger of $NZ25 million or 25% of the asset value held by the fund.

Hedging and Derivatives

10.16. With the exception of options and convertible notes held in respect of Portfolio Companies, Punakaiki Fund will not enter into any other type of derivative contract or undertaking, including interest rate or currency hedging, without prior Board approval. The hedging (if any) of Portfolio Companies interest rate or currency risk is the responsibility of those individual companies.

Leverage

10.17. Punakaiki Fund may not incur borrowing if, immediately after the borrowing is incurred, the aggregate principal amount of all borrowing of Punakaiki Fund would exceed an amount equal to 25% of Punakaiki Fund's Net Asset Value.

10.18. All borrowing arrangements must be approved by the Punakaiki Fund Board.

Valuation Policies

10.19. Punakaiki Fund's portfolio valuation policies are contained within its Investment Valuation Policy.

11. BENCHMARKS

11.1. Punakaiki Fund targets a total shareholder return net of all taxes, fees and other charges of 20% per annum, over a rolling five-year period. These return levels are absolute in basis and, in the long run, are expected to be largely independent of general market movements. Given Punakaiki Fund's absolute return model, it does not compare itself to a benchmark or a reference portfolio.

12. CONFLICTS OF INTEREST

12.1. Conflicts can arise when the interests of the Manager or any officer (including directors and managers) or employees of the Manager are inconsistent with, or diverge from, some or all of the interests of Punakaiki Fund.

12.2. The Manager is prohibited from engaging in the following activities:

a) The Manager may not make any investment on behalf of Punakaiki Fund in which the Manager has an ownership interest; and

b) The Manager will not undertake their own investments into businesses which fall within the investment mandate of Punakaiki Fund without Punakaiki Fund having the first opportunity to invest.

In both of these cases, the Manager may apply to the Board for an exemption to these prohibitions on a case-by-case basis.

12.3. It is the responsibility of the Manager to disclose any potential conflict of interest to the Board prior to an investment, or if the conflict arises after an investment is made, as soon as is practical. The Board may require the Manager to undertake certain action(s) if it deems that improved conflict management is required.

12.4. Notwithstanding these requirements, the Manager may perform investment activities for other persons in accordance with clause 2.3 of the Management Agreement.

13. MONITORING & COMPLIANCE

13.1. It is the responsibility of the Manager to comply with the policies and objectives set out within this SIPO. It is the responsibility of the Board to monitor the Manager's compliance with this SIPO on a quarterly basis or more frequently if warranted.

13.2. Should the Manager be found to be in breach of this SIPO or not adhering to the SIPO philosophies as a result of investment or divestment activity or other behaviours (or lack there-of as the case may be), the Board has a wide range of tools to caution or discipline the Manager including, but not limited to, the termination of the Management Agreement under clause 9.2 of the Management Agreement.

14. CONFLICTS BETWEEN DOCUMENTS

14.1. Should any clause in this SIPO conflict with any clause in Punakaiki Fund's Constitution or the Management Agreement, then Punakaiki Fund's Constitution or the Management Agreement (as the case may be) shall take precedence.

14.2. Should any clause in this SIPO conflict with any clause in Punakaiki Fund's CAP, then the CAP shall take precedence.

14.3. Should any clause in this SIPO conflict with any clause in Punakaiki Fund's Socially Responsible Investment Policy, then the Socially Responsible Investment Policy shall take precedence.

15. REVIEW

15.1. As the size of Punakaiki Fund grows we expect that companies will graduate to different stages and that the size of both our new and existing investments will become larger. These effects will see the portfolio gradually change to have more emphasis on later stage and larger companies. The requirements will also change after listing on a public exchange, including the need to provision for any cash component of a performance fee. As a result of this, this SIPO will require periodic review, particularly in respect of asset allocations.

15.2. This SIPO:

a) will be reviewed at least every year;

b) may be reviewed more frequently as considered appropriate by the Board; and

c) may only be amended as agreed by the PFL Board and the Manager under the terms of clauses 14.2 and 14.3 of the Management Agreement between PFL and the Manager dated 22 March 2024.

APPENDIX 1 – WHY WE ARE A LONG-TERM INVESTOR

1.1. Punakaiki Fund believes that there are many benefits from holding its investments over the long term. In relation to Punakaiki Fund's investments in both portfolio companies and companies in which it may invest in the future, these benefits include:

a) Receiving increasing streams of dividends from maturing portfolio companies;

b) Sending signals supporting the growing of sustainable, long-term businesses;

c) Preventing forced business exits which can lower value;

d) Avoiding short-term investment horizons that can force founders to sub-optimally accelerate the growth of their business and hence avoid wastage; and

e) Over time, capturing the full value of investments as they grow to maturity.

1.2. From the perspective of Punakaiki Fund and its shareholders, long-term investment horizons avoid the crystallisation of short-term fluctuation in value or the decoupling of value and price during periods of market instability. In particular, Punakaiki Fund believes that:

a) The power of compounding growth over the long-term is a powerful value creation mechanism;

b) Risk and return are strongly and positively correlated over the long term;

c) Short-term returns may be significantly different to the long-term average returns for any particular period;

d) Fair value is driven over the long-term by business fundamentals, rather than by periods of extreme market optimism or pessimism; and

e) The value of an asset will return to its fair value over time.

1.3. We believe that, for the same reasons, holding for the long term generates greater financial returns for founders and other investors. We also observe that:

a) Founders in particular, as well as early investors, would like to, and deserve to, liquidate some of their returns prior to a final investment exit;

b) The process of building a company can be exhausting and stressful, and founders may want or need to step away from leadership roles or the business itself;

c) Every person and investor have other factors, especially family and health, that need to be balanced with their business commitments. These are subject to rapid change; and

d) We work with founders to ensure that their journey is sustainable, from day-to-day commitments and up to the ability to change roles, step out of the business or even sell the business itself.

APPENDIX 2 – INVESTMENT TARGET DEFINITIONS

1.1. Definitions of each of the Targeted Stage categories which Punakaiki Fund will seek to invest in are set out below. Punakaiki Fund typically makes investments in Early and Sustainable stage.

a) ***Early*** investments are made in to or held in businesses that are not yet sustainable. This category generally includes any Software as a Service business with under $1 million in maintainable annualised last quarter recurring revenues. Other businesses will be assessed on a case-by-case basis, with the last twelve month's revenue likely to be under $5 million, but more likely under $2 million, and maintainable gross profit is not yet able to cover non-growth related costs.

b) ***Sustainable*** investments are made into or held in businesses with sufficient maintainable revenue so as to be sustainable. This generally, but not necessarily, includes any Software as a Service business with between $1 million and $5 million in annualised last quarter recurring revenues. Other businesses will be assessed on a case-by-case basis, with revenues likely to be between $2 and $5 million and gross profits able to cover non-growth related costs.

c) ***Emerging*** investments are made to or held in businesses that have a successful product, who know how to sell it but need to build capability and capacity across the range of functions including sales, operations and product development. Any business with revenues over $5 million over the last 12 months (or over $5 million in annualised last quarter recurring revenues for Software as a Service businesses) will generally, but not necessarily, be considered Growth investments.

d) ***Substantial*** investments are made to or held in businesses that are very large. This usually includes any business with revenues over $20 million over the last 12 months or in annualised last quarter recurring revenues for Software as a Service businesses.

e) ***Listed*** investments are securities that are listed on recognised share-markets, and include direct listings of investments and shares held after the acquisition of an investment.

f) ***Held For Exit/Out of Mandate*** investments are those where Punakaiki Fund is waiting for a managed exit of non-listed assets after, for example, sale of the company's assets or a write down. Held for Exit investments do not have diversification targets and their valuations are not considered in the calculation of the diversification targets of the other categories noted above.

1.2. Definitions of each of the Targeted Profitability categories in which Punakaiki Fund will seek to invest in include:

a) ***Unprofitable*** businesses are those which operate at a loss in pursuit of growth, and which typically have raised sufficient capital to grow revenues to a level which makes the business cash flow neutral. When this occurs, these businesses will typically raise additional capital in order to increase sales, marketing or product development in order to pursue additional growth, and will fall back into unprofitability as a result;

b) ***Profitable (or near profitable)*** businesses can be classified as being in one of the three following categories:

i. Dividend Paying: The business is profitable and can meet all of its sustainable growth costs from free cash flow, with the surplus distributed as dividends to shareholders;

ii. Profitable (non-dividend paying): The business is profitable but is investing all profits into growth and/or the repayment of debt; and

iii. Near Profitable: The business has the ability to be profitable (and pay dividends) if it foregoes investment in growth. These businesses are expected to move into the Profitable and Dividend Paying categories over the medium term (1 to 4 years).

Version	**Date Adopted**
V1.0	18 August 2016
V2.0	29 November 2017
V2.1	15 February 2019
V2.2	16 October 2019
V2.3	13 November 2020
V2.4	4 November 2021
V3.0	2 December 2022
V3.1	22 November 2023
V4.0	[xx] November 2024