



# PUNAKAIKI FUND

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INVESTING IN HIGH GROWTH COMPANIES

## Information Memorandum

*Wholesale Offering of Ordinary Shares in Punakaiki Fund Limited*

*New Zealand company number 4395942*

*30 November 2016*

## Important Notice

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### Purpose

This document has been prepared by Punakaiki Fund and not by any other person and is furnished to you by Punakaiki Fund on a confidential basis for use by you solely in connection with the offer of fully paid ordinary shares in Punakaiki Fund (**"Shares"**).

### Contents

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Financial information in this Information memorandum is presented in New Zealand dollars (NZ\$). The Australian dollar/New Zealand dollar exchange rate fluctuates over time. You should ensure that you are familiar with exchange rate movements and the impact that it may have on any investment that you may make in the Punakaiki Fund.

*Independent Investment*

You must determine the relevance of the information contained in this Information Memorandum. You must conduct your own independent investigation and assessment of the business, operations, financial conditions, prospects, creditworthiness, status and affairs of Punakaiki Fund, the Offer and the information contained in this Information Memorandum. Any decision to proceed with an investment in Punakaiki Fund must be based on such independent investigation and assessment and not on this Information Memorandum.

*No Recommendation or Advice*

It should not be considered that this Information Memorandum constitutes a recommendation or advice by any of the Parties to participate in the Offer. Neither Punakaiki Fund nor any other Party makes any recommendation (express or implied) in respect of the Offer. You should not treat the contents of this Information Memorandum as advice relating to financial, legal, taxation or investment matters and you should consult your own advisers to seek all necessary financial, legal, taxation or investment advice in respect of the Offer. This Information Memorandum does not take into account any of your personal objectives or your own personal situation.

*No Commitment*

Punakaiki Fund reserves the right to amend the process and terms of the Offer at any time. Punakaiki Fund may decide not to proceed with the Offer at any time. Contracts between Punakaiki Fund and you will come into effect only upon the execution of legally binding documentation. No contracts in relation to the Offer will arise as a result of the conduct of any party.

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Neither Punakaiki Fund nor any other Party owes any duty (whether in equity, tort or otherwise) to you in connection with this Information Memorandum nor do they have any liability (including, without limitation, in negligence) for any loss or damage arising from or in connection with this Information Memorandum, except to the extent that such liability may not be lawfully excluded.

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# 1. Key Information Summary

## What Is This?

*This is an offer of fully paid ordinary shares ("Shares"). Shares give you a stake in the ownership of Punakaiki Fund Limited, a company registered in New Zealand, number 4395942 ("Punakaiki Fund").*

*You may receive a return if Punakaiki Fund increases in value and you are able to sell your Shares at a higher price than you paid for them, or if dividends are paid (although no dividends are expected to be paid in the short or medium term).*

*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 makes long-term investments into high-growth, revenue-generating New Zealand companies. The company has a diverse portfolio of investments in 18 Portfolio Companies and total assets, including cash, of NZ\$20.3 million.

The Portfolio Companies represent a diverse range of products and services, target markets, business models and sizes. Their aggregate revenues (annualised September 2016 quarter) were approximately NZ\$69 million<sup>1</sup> with the largest individual investment representing less than 15% of the portfolio value.

Punakaiki Fund is profitable and predominantly generates returns through changes in the fair value of investments (net of accrued Performance Fees), as well as dividends received from investments. The company has negative operating cash flows, as cash spent on operational expenses exceeds cash received from dividends. Punakaiki Fund has a target asset allocation of 2.5% of its assets to be held in cash to ensure that the company can meet operational costs for 12 months without further fundraising.

## Purpose of this Offer

Punakaiki Fund intends to use funds raised to make further investments into existing and new Portfolio Companies, and to pay our operating costs.

<sup>1</sup> This is non-GAAP information



## Key Terms of the Offer

### Key Terms of the Offer

#### Offer Terms

Description of the Securities	This is an offering of <b>ordinary shares</b> in Punakaiki Fund.
Price	<b>NZ\$19.00 per Share</b> , inclusive of 3% brokerage. Once you pay for your Shares, you have no obligation to pay any further amounts
Offer Opens	<b>4 November 2016</b>
Offer Closes	<b>20 December 2016</b> Punakaiki Fund reserves the right to amend, extend or shorten the Offer at any time before the Closing Date, and to withdraw the Offer at any time before the allotment of Shares
Allotment Date	<b>31 December 2016</b> Punakaiki Fund can reject any Application, or accept any Application in part only, without providing any reason for doing so
Minimum Investment per Shareholder	<b>3,000 Shares</b> (NZ\$57,000), then in increments of 1,000 Shares (\$19,000)
Maximum Investment per Shareholder	There is <b>no maximum</b> number of Shares you can subscribe for
Minimum Shares Available	There is <b>no minimum</b> number of Shares being offered
Maximum Shares Available	There is <b>no maximum</b> number of Shares being offered Punakaiki Fund has the right to decline any applications
Current Shares on issue	<b>1,029,286</b> Shares

#### Management Agreement

Manager	<b>Lance Wiggs Capital Management Limited</b>
Manager Principals	<b>Lance Wiggs and Chris Humphreys</b>
Initial Agreement Term	<b>10 Years</b> , beginning <b>25 March 2014</b>
Removal of Management	More than <b>50% of the Shares</b> on issue voted in favour
Management Fee	<b>2%</b> of Accounting Net Asset Value per annum plus GST, paid quarterly in advance
Performance Fee	<b>20%</b> of any net gains, subject to a 10% return threshold and a high water mark
Payment of Performance Fee	Initially triggered by Punakaiki Fund's <b>listing on a stock exchange</b> and certain other events. Paid 72% as Shares and 28% as cash (based on the prevailing corporate tax rate)

The minimum investment is 3,000 Shares (NZ\$57,000). Substantial investors or those with access to distribution networks are welcome to contact [lance@lwcm.co.nz](mailto:lance@lwcm.co.nz) or [chris@lwcm.co.nz](mailto:chris@lwcm.co.nz) directly.

If you are not able to invest the minimum amount, please contact LWCM to discuss your options.

Additional information regarding the management of Punakaiki Fund is contained within the *Management Agreement* between Punakaiki Fund and LWCM, found on Punakaiki Fund's website at [www.punakaikifund.co.nz/governance/](http://www.punakaikifund.co.nz/governance/).

*Punakaiki Fund Limited is not a 'managed investment scheme' (MIS) for the purposes of the Financial Markets Conduct Act and does not have a 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. The investor rights include the ability for the Manager to be removed without penalty if a majority of Shares are voted in favour of doing so. A typical MIS requires approval of 75% of its investors to remove the scheme manager.



Punakaiki Fund is making an offer of Shares to retail investors in New Zealand which will close concurrently with the close of this Offer. The offer to New Zealand retail investors is on the same terms as the terms for this Offer, with the exception that the minimum investment per shareholder is lower and the New Zealand retail offer will open on 9 November 2016. Accordingly, if Shares are allotted to New Zealand retail investors, Punakaiki Fund's total Shares on issue will increase. This may dilute your shareholding in percentage terms but the price per Share will be unaffected.

## How You can get Your Money Out

*Punakaiki Fund does not intend to quote these Shares on a market licensed in Australia or New Zealand in the short term 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 through periodic matching of buyers and sellers can be found in Section 6, **Key Features of the Shares**, on page 41.

Punakaiki Fund has a constitutional obligation to put a vote to shareholders at the 2018 Annual Meeting of Shareholders as to whether or not to list the company's Shares.

## 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:

- changes in Punakaiki Fund's Investor Net Asset Value per Share, which affects the price per Share; and
- any dividends paid to investors by Punakaiki Fund. No dividends have yet been paid, none are currently proposed and none are expected to be paid in the short or medium term.

Our Investor Net Asset Value is primarily driven by the change in financial performance (and therefore valuation) of each of the Portfolio Companies in our portfolio, in particular their revenue growth and profitability. Our Investor Net Asset Value is also driven by any dividends paid to Punakaiki Fund by Portfolio Companies and by the costs incurred by Punakaiki Fund.

The performance and valuation of each Portfolio Company are impacted by a number of factors. These include:

- the investment selection ability and investment support provided by our Manager;
- changes in the valuations of comparable companies listed on public markets;
- the value at which new or existing investors participate in further capital raising undertaken by Portfolio Companies; and
- each Portfolio Company's ability to raise additional capital, some of which may be provided by Punakaiki Fund.

The key drivers of returns are discussed further in Section 6, **Key Features of the Shares**, on page 41.

## 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 set out below.*

**Loss of value due to the poor performance or failure of one or more Portfolio Companies**, which would cause the Investor Net Asset Value of Punakaiki Fund to be revalued downwards. The Manager actively monitors performance of the Portfolio Companies and Punakaiki Fund marks the carrying value





of any underperforming investments down. To date, investments representing over 25% of the value of the assets of Punakaiki Fund have, at any time, been marked down from a previous carrying valuation. The investments we currently regard as highest risk are valued at under 7% of the Investor Net Asset Value.

**Risk of change in valuation of investments due to public market volatility.** This reflects the heightened valuation volatility that Portfolio Companies have in response to public market valuation movements (e.g. downwards and upwards movements in the ASX, NZX and international share markets) due to their smaller size and higher growth. For clarity, a 30% fall or rise in global share markets would likely result in a greater fall or rise in the valuation of Punakaiki Fund's investments.

We invest in companies which provide us with exposure to a diverse range of industries to help mitigate our technology and SaaS business model concentration. We also maintain a very long term perspective on investments, which can make us less sensitive to some short-term volatility.

**Uncertainty about the valuation of private companies,** with the risk that the valuations could be too high (or too low) versus market values. Punakaiki Fund's auditor Ernst & Young draws attention in their Independent Auditor's Report on the FY2016 financial statements to "Note 3.1.1 to the financial statements which describes the inherent uncertainty and difficulty in measuring the fair value of early stage unlisted investments". Punakaiki Fund uses revenue, EBITDA, revenue growth rates and public market valuations of comparable companies to inform periodic valuations of the portfolio.

**The loss or the poor performance of key people,** specifically Lance Wiggs and Chris Humphreys from LWCM, the Manager. The Management Agreement can be terminated by the Board for cause, and by shareholders with a majority vote, each without penalty.

*This summary does not cover all of the risks of investing in Shares. You should also read Section 8 of this Information Memorandum, **Risks to Punakaiki Fund's Business and Plans**, on page 47.*

## **Where You can find 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 of this Information Memorandum, **Punakaiki Fund's Financial Information**, on page 43.*

Punakaiki Fund has not included prospective financial information within this Information Memorandum. 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 on Punakaiki Fund's future Investor Net Asset Value.



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# Letter from the Chair

Dear Investor,

On behalf of the Board I am pleased to present Punakaiki Fund to you.

Punakaiki Fund has rapidly grown from NZ\$1.5 million invested in four companies in 2014, to total assets of NZ\$20.3 million today (including cash) and investments with eighteen businesses. Together, based on the last few months' performance, these companies have annualised quarterly revenues of over NZ\$69 million<sup>1</sup>. They are achieving year on year revenue growth rates of over 50%<sup>1</sup> when weighted by Punakaiki Fund's ownership interest in each company.

The Manager's ability to deliver has been key to this success to date. Lance Wiggs and Chris Humphreys from LWCM have our mandate to invest in high-growth New Zealand-based private companies and to hold these investments for the long term.

We believe that New Zealand is faced with a large funding gap for investment into high quality, high-growth companies. We see that Punakaiki Fund has demonstrated an ability to invest in many of the best local opportunities, and has already helped to change the landscape here in New Zealand. We expect the capital raised from this offer to be applied to both the existing portfolio and new investments.

While the Manager's mandate is to grow the portfolio, the Board's top priorities are risk management, valuation and the path to a listing on a stock exchange in the next 24 to 36 months.

In line with generally accepted portfolio management practices, the diversity of our investments is intended to lower the risk of our portfolio. We do expect the natural volatility of public markets to continue, for companies to have good and bad times, and for some companies to fail. We review the risks to the portfolio at every Board meeting, and mark down valuations where we see underperformance. We track the share of our assets placed with companies that will require further funding to survive and are pleased that it is currently under 7% (well under the 20% limit we set for ourselves).

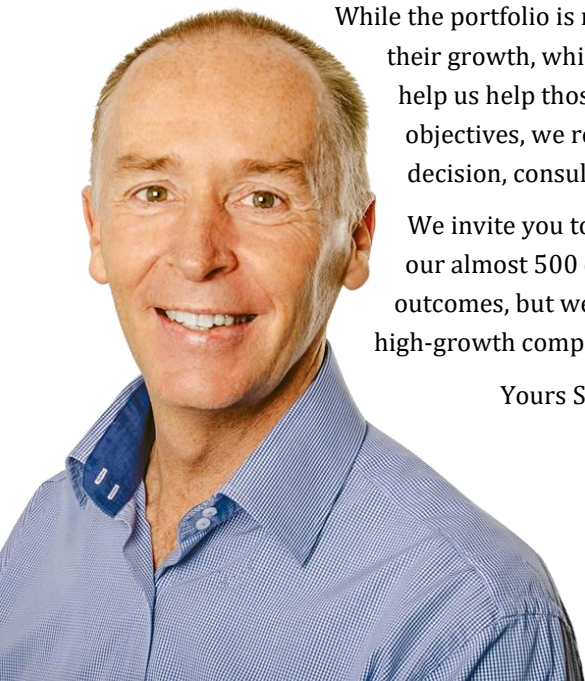
The Board treats our obligation to ensure that valuations are fair to both new and existing investors very seriously. We adopted the International Private Equity and Venture Capital Valuation Guidelines ("IPEV") as our valuation standard, appointed Ernst & Young as our auditors and received an unqualified audit report for the year to March 2016. The Board is also building a stronger governance foundation through the ongoing development of policies and practices, and recently broadened our collective skills and experience through the appointment of Mandy Simpson to the Board.

While the portfolio is resilient, many of the companies would like more funds to accelerate their growth, while other opportunities beckon. Your investment in Punakaiki Fund will help us help those companies grow. To ensure that an investment meets your specific objectives, we recommend that you read this document carefully and, before making a decision, consult with your financial and other professional advisers.

We invite you to invest in Punakaiki Fund, joining myself, the Board, Lance, Chris and our almost 500 other investors. As with any investment, we cannot guarantee the outcomes, but we believe if we stick to our approach of supporting New Zealand's best high-growth companies, we have the potential to deliver attractive returns.

Yours Sincerely, Mike Bennetts

<sup>1</sup> This is non-GAAP information

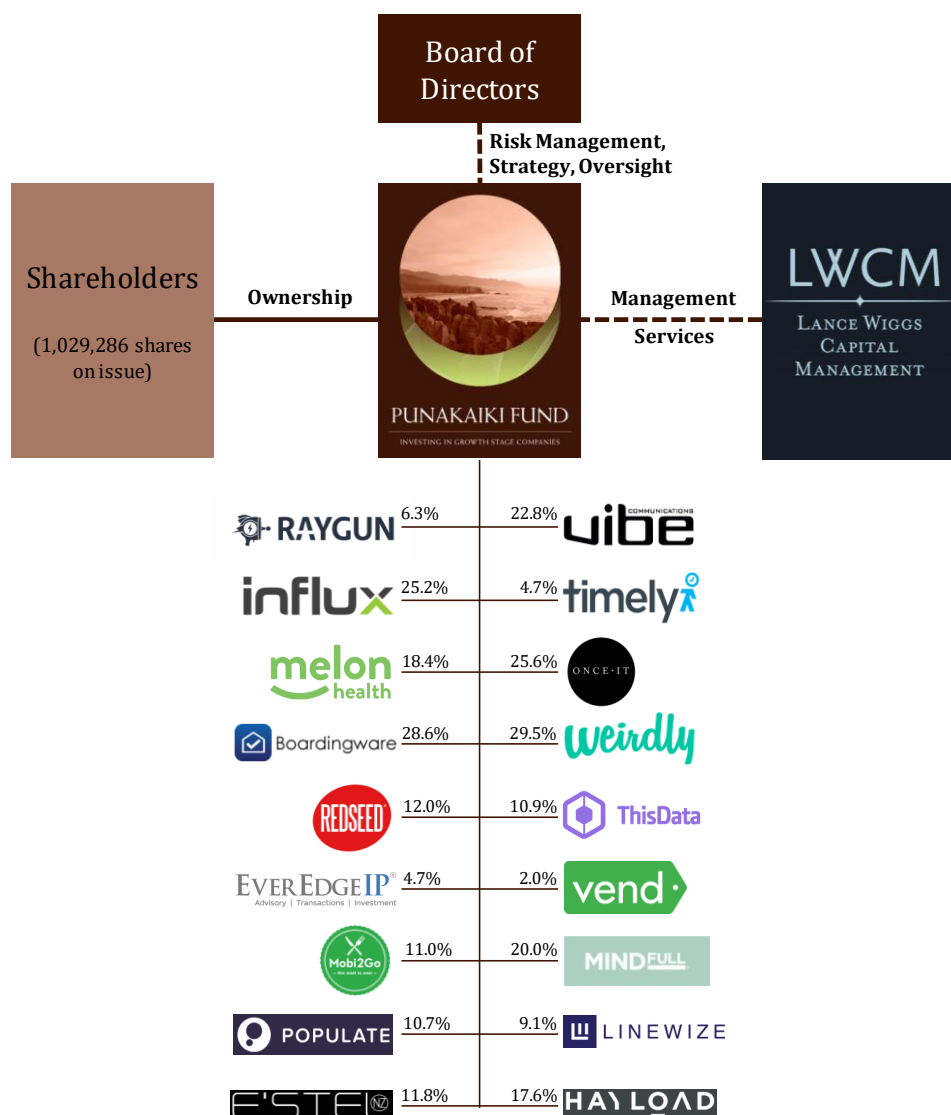


## 2. Punakaiki Fund and What it Does

*An investment in Shares is by its nature relatively high risk. It will not be suitable for all investors. The Glossary on page 56 defines terms used in this Information Memorandum, or “IM”.*

### 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 on Punakaiki Fund’s website at [www.punakaikifund.co.nz/governance/](http://www.punakaikifund.co.nz/governance/)) and the Companies Act.



Punakaiki Fund Structure (as at the date of this Information Memorandum), including the percentages of Portfolio Companies owned by Punakaiki Fund.

Punakaiki Fund holds all of its investments directly, rather than by way of a custodian.

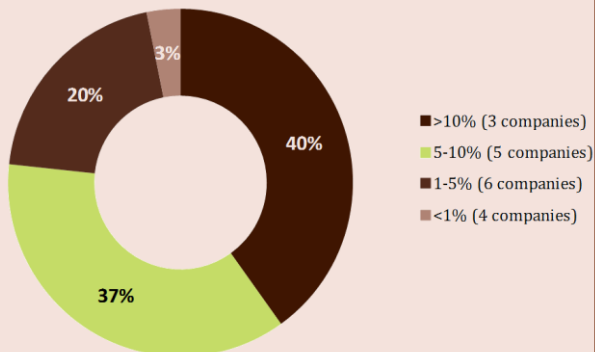
LWCM is contracted under the Management Agreement to provide management of Punakaiki Fund’s assets. The terms of the Management Agreement are set out in Section 2, **Punakaiki Fund and What it Does**, on page 24.



## Our Portfolio Composition

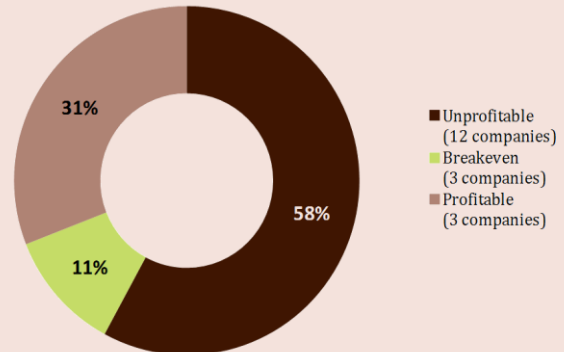
The charts below illustrate the composition of Punakaiki Fund's investment portfolio as at the date of this Information Memorandum.

### Valuation Split By Concentration



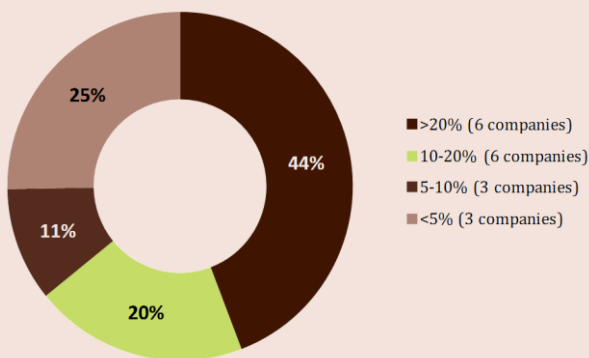
Punakaiki Fund has 40% of its investments by value in three companies. This means the remaining 15 companies represent 60% of investments by value.

### Valuation Split By Profitability



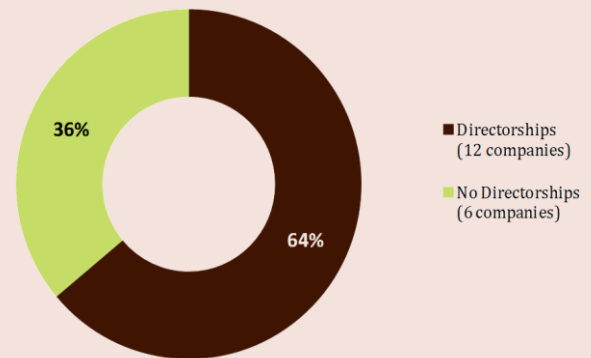
58% of Punakaiki Fund's investments by value are in unprofitable companies. 11% are in breakeven companies and 31% are in profitable companies.

### Valuation Split By Ownership %



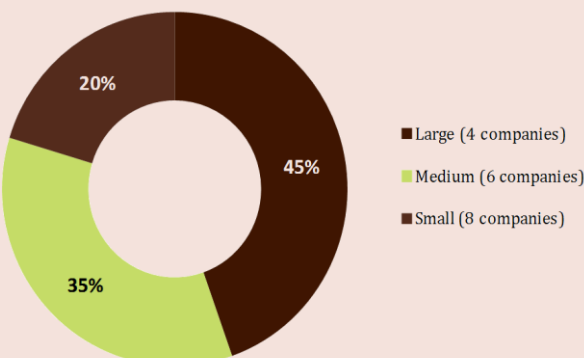
The companies in which Punakaiki Fund owns more than 20% comprise 44% of the total portfolio value. Those between 10-20% comprise 20% of the value.

### Valuation Split By Directorship



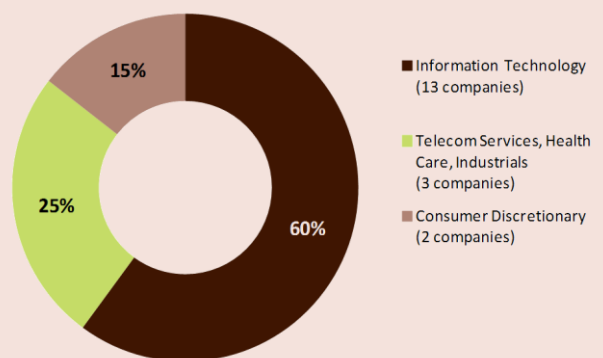
64% of Punakaiki Fund's investments by value have board representation provided by LWCM. This gives us greater influence over these investments.

### Valuation Split By Revenues



Punakaiki Fund holds 20% of its portfolio by value in Small companies (less than NZ\$1 million in revenues p.a.), 35% in Medium companies (NZ\$1-10 million) and 45% in Large companies (more than NZ\$10 million).

### Valuation Split By Industry



60% of Punakaiki Fund's portfolio value is held in the Information Technology industry, 15% in Consumer Discretionary and 25% in Telecommunication Services, Health Care and Industrials combined.



## Punakaiki Fund Overview

Punakaiki Fund holds and invests in fast-growing New Zealand-based businesses, with a portfolio of 18 businesses valued at NZ\$19.9 million and total assets of NZ\$20.3 million. Punakaiki Fund has a wide investment mandate, investing with the intent to maintain a diverse portfolio within its high growth mandate.

### History

Punakaiki Fund was first funded in April 2014 and has since raised a total of NZ\$13.4 million via three subsequent wholesale offers, four series of options, a retail crowd-funding offer and the issue of new Punakaiki Fund shares to settle an investment. Punakaiki Fund has invested NZ\$11.3 million in cash into 18 businesses, via 32 separate investment rounds or tranches, and also issued NZ\$0.7 million in Shares to Lance Wiggs to acquire his shares in Vend.

Our existing investments in 18 businesses span industries from retailing, training, boarding schools, water, intellectual property, telecommunications and agriculture. The business models used by these businesses also vary across SaaS, consultancy, products and on-line sales.

Over time, Punakaiki Fund intends to generate value from a combination of dividends received from its Portfolio Companies and the capital gains generated by those companies. So far one company, Onceit Limited, has paid dividends to Punakaiki Fund. We expect to receive dividends from other Portfolio Companies as they mature.

### About the Structure

The limited liability company structure was designed to provide investors protections, such as a predominantly non-executive Board of directors, an external auditor and the ability for Shareholders to terminate the Manager's appointment without punitive penalties. It was also designed to control the cash costs of Punakaiki Fund.

Our structure is also intended to provide the flexibility to raise new capital in the future and to facilitate a future listing of Punakaiki Fund Shares.

### Drivers of Punakaiki Fund's Performance

Punakaiki Fund's performance is primarily driven by the performance of our Portfolio Companies, including any dividends paid by them. The selection of Portfolio Companies is likely to have the most impact on our financial performance. In addition, the ability for us to provide both advice and further funding, if required, to our Portfolio Companies also has a significant impact on our performance.

The costs of operating Punakaiki Fund, including the payment of any future Performance Fee to the Manager are also material to the performance of Punakaiki Fund. These costs are generally tied to the overall performance and size of Punakaiki Fund. While Punakaiki Fund is profitable, it also has negative operating cash flow, as the cash operating costs are greater than the cash income. The *Statement of Investment Policies and Objectives* has targeted an allocation of 2.5% of Punakaiki Fund's assets to be held in cash to ensure that the company can meet operational costs for 12 months without further funding.

Our *Statement of Investment Policies and Objectives*, summarised below, outlines the philosophies, objectives and strategies we have in place to in order to make investments and deliver returns to our Shareholders. We believe these philosophies, objectives and strategies are an effective and appropriate way to maximise returns for our Shareholders.

The *Statement of Investment Policies and Objectives* and *Investment Guidance* documents can be found on Punakaiki Fund's website at [www.punakaikifund.co.nz/governance/](http://www.punakaikifund.co.nz/governance/).



## Statement of Investment Policies and Objectives Summary

### Investment Philosophy

We believe that the following philosophies provide the greatest opportunity to generate significant returns for our Shareholders.

#### ***New Zealand Focus***

We believe that there are a consistently large numbers of high quality New Zealand-based companies seeking funding, but that there is a general shortage of well-directed growth capital. We also believe that there are exploitable market inefficiencies for the supply of growth capital in the New Zealand market.

#### ***High Growth Focus***

We believe that well-selected high-growth companies can generate risk-adjusted returns for our investors that are higher than public markets.

#### ***Investor of Choice for Founders***

We believe that a founder-centric approach to investment and management attracts the best high growth investment opportunities to Punakaiki Fund.

#### ***Attractive Portfolio***

We believe that holding a highly regarded portfolio of investments attracts highly regarded companies who seek investment from Punakaiki Fund.

#### ***Long Term Investment***

We believe that holding investments for the long term delivers higher returns to our investors.

#### ***Diverse Portfolio***

We believe that portfolio diversification reduces the level of risk for a given amount of return.

### Investment Objectives

Punakaiki Fund has a primary objective of delivering Shareholders significant returns over the medium to long term.

#### ***Deliver Significant Returns to Investors***

We aim to deliver significant five-year rolling annual returns to Shareholders, measured net of all costs, fees and Punakaiki Fund-level taxes. We believe that strong returns are achievable based on the underlying growth rates of the Portfolio Companies and new companies that we invest in. We also believe that this value will manifest providing that we continue to hold those companies over the long term.

To date, total Shareholder returns, based on changes in Investor Net Asset Value per Share, have been very high. We expect total Shareholder returns to moderate as Punakaiki Fund grows in size and its investments mature.

#### ***Become Self-Sufficient***

We aim to be able to eventually meet our internal expense obligations (including the payment of the Management Fee) through dividend flows from Portfolio Companies, rather than by raising new capital.





## Investment Strategy

Punakaiki Fund aims to achieve its objectives by:

### ***Supporting High Growth Companies and their Founders***

We aim to find high-growth companies in New Zealand and support them with capital and advice (as required) and be easy to work with for founders. We do not insist on board seats, complex contracts or control when investing, but do look for appropriate governance and will take directorships when desired by both parties. We are able to act swiftly where required to agree and close investments.

### ***Having a Low Rate of Investment Failure***

We aim to invest in opportunities that have been significantly de-risked by displaying traits such as:

- a genuine end-user need and compelling products;
- existing revenue and a growing revenue curve;
- an effective and efficient company with strong people and culture; and
- a robust financial investment case that allows the company to grow or return to positive cash-flow with investment.

### ***Having a Long Life***

We are a permanent capital investor and have a patient long-term investment mandate. We aim to hold our investments for considerable periods of time in order to allow our Portfolio Companies to grow to maturity.

### ***Having a Strong and Diverse Portfolio***

We aim to lower Punakaiki Fund's market risk by having a well-diversified portfolio across company stages, industries, business models and markets.

### ***Holding for Dividends***

We aim to hold Portfolio Companies over the long-term to receive ever-increasing dividend payments.

## Management and Execution

Punakaiki Fund has contracted LWCM to source, execute and manage investments, through a Management Agreement dated 25 March 2014. The Manager is also responsible for reinvesting into the Portfolio Companies when merited and as capital allows. The Board is confident that LWCM has the skills, expertise, networks and alignment to Punakaiki Fund's philosophies and the access to high quality investment opportunities required to achieve the investment objectives.

LWCM has a wide mandate to find and execute investments, subject to certain limits imposed by the Management Agreement and the *Statement of Investment Policies and Objectives*, which is revised from time to time by the Board.

## Investing - Additional Information

Additional information regarding the management of Punakaiki Fund is contained within the *Management Agreement* between Punakaiki Fund and LWCM, which can be found on Punakaiki Fund's website at [www.punakaikifund.co.nz/governance/](http://www.punakaikifund.co.nz/governance/).



## Industries and Sectors in which Punakaiki Fund Invests

Punakaiki Fund's focus on growth investing along with a broad investment mandate means that we do not necessarily rule out investing in any particular industry or sector. The table below illustrates how Punakaiki Fund's existing investments are spread across a range of industries (using Global Industry Classification Standard (GICS) industries) and business models, with an overweight exposure to the Information Technology industry. While we expect target sector diversity to increase as we make additional investments, we also expect to have continued concentration in Information Technology.

Portfolio Companies: Industries, Target Sectors and Business Models			
Company	GICS Industry	Target Sector	Primary Business Model
Vend	Information Technology	Retailers	Software as a Service and Mobile Apps
Vibe Communications	Telecommunication Services	Telecommunications	Wholesale ISP Services
Onceit	Consumer Discretionary	Fashion Retailing	Online Retailing
Mindfull	Information Technology	ICT for enterprises	Software Sales and Consulting
Timely	Information Technology	Health & Beauty Providers	Software as a Service and Mobile Apps
Raygun	Information Technology	Software Developers	Software as a Service
EveredgeIP Global	Industrials	IP Advisory to All Businesses	Consulting, Software as a Service
Redseed	Information Technology	Large Retailer Training	Software as a Service
Mobi2go	Information Technology	Restaurants	Software as a Service
Melon Health	Health Care	Healthcare Providers	Software as a Service
Linewize	Information Technology	Education ICT	Software as a Service and Hardware
NZ Artesian Water	Consumer Discretionary	Water Exporting	Exporting Water in Bottles and Boxes
Boardingware	Information Technology	Boarding Schools	Software as a Service
Weirdly	Information Technology	Internal Recruitment	Software as a Service
Influx	Information Technology	Gyms	Software as a Service
Thisdata	Information Technology	Software Companies	Software as a Service
Populate	Information Technology	Internal Recruitment	Software as a Service
Hayload	Information Technology	Agricultural Contractors	Software as a Service and Mobile Apps





## Our Investments

Punakaiki Fund currently has shareholdings in the following businesses, which have combined annualised quarterly revenues of over NZ\$69 million as of September 2016 (this is non-GAAP information).

Portfolio Company	Punakaiki Fund Shareholding	Punakaiki Fund Option/Obligation to Invest	Revenue (Sept Quarter)	Head Office Location
<b>Vend Limited</b> <sup>2</sup>	2.0%		Large	Auckland
<b>Vibe Communications Limited</b>	22.8%		Large	Auckland
<b>Onceit Limited</b>	25.6%		Large	Auckland
<b>Mindfull Group Limited</b>	20.0%		Large	Auckland
<b>Timely Limited</b>	4.7%		Medium	Dunedin
<b>Raygun Limited</b>	6.3%		Medium	Wellington
<b>EverEdgeIP Global Limited</b>	4.7%		Medium	Auckland
<b>RedSeed Limited</b>	12.0%		Medium	Christchurch
<b>Mobi2Go Limited</b>	11.0%		Medium	Wellington
<b>Melon Health Limited</b>	18.4%		Medium	Wellington
<b>Linewize Group</b> <sup>3,4</sup>	9.1%	10.9%	Small	Christchurch
<b>New Zealand Artesian Water Limited</b>	11.8%	8.2%	Small	Nelson
<b>Boardingware International Limited</b>	28.6%		Small	Auckland
<b>Weirdly Limited</b> <sup>5</sup>	29.5%		Small	Auckland
<b>InfluxHQ Limited</b>	25.2%		Small	Wellington
<b>ThisData Limited</b>	10.9%		Small	Auckland
<b>Populate Limited</b>	10.7%		Nil	Auckland
<b>Hayload Limited</b>	17.6%	11.8%	Nil	New Plymouth

<sup>1</sup> "Small" is less than NZ\$1 million of annualised revenues, "Medium" is between NZ\$1 million and NZ\$10 million of annualised revenues and "Large" is over NZ\$10 million in annualised revenues. "Nil" is less than NZ\$20,000.

<sup>2</sup> Fully diluted shareholding after accounting for employee options

<sup>3</sup> Not an option, a commitment to invest further once a certain amount of additional capital is raised by Punakaiki Fund

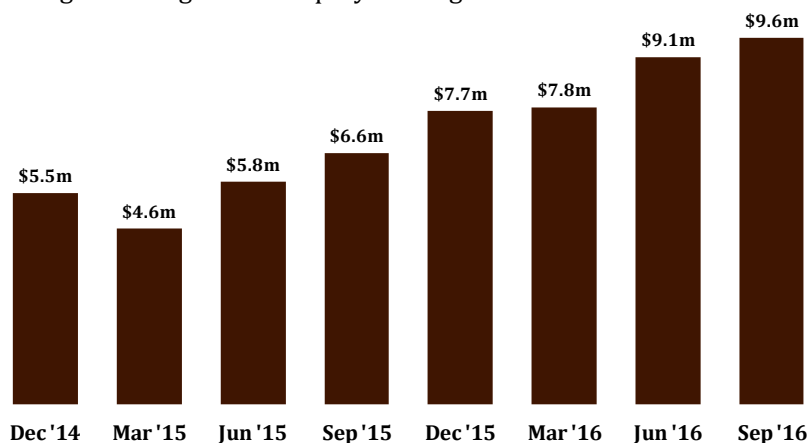
<sup>4</sup> Linewize Group comprises Linewize Limited and Linewize Services Limited

<sup>5</sup> Punakaiki Fund also holds a convertible note that is anticipated to convert at 0.6-0.8% of equity at the current level of draw down

The chart below shows the sum of the annualised quarterly revenues from all Portfolio Companies, weighted by Punakaiki Fund's current shareholding in each company. This illustrates Punakaiki Fund's exposure to the revenue growth of the Portfolio Companies.

### Equity-Weighted Revenue from Portfolio Companies

Weighted using current equity holdings



Information on each Portfolio Company is below, with further information available on their respective websites, which are linked in each description. Alternatively, links to the Portfolio Company websites can be found on our website at [www.punakaikifund.co.nz](http://www.punakaikifund.co.nz).





**Shareholding:** 2.0%\*

**First Investment:** August 2015

**Founder:** Vaughan Rowsell, **CEO:** Alex Fala

**Directors:** Vaughan Rowsell, Barry Brott, David Wilson, Sam Morgan

[Vend](#) provides retail point of sale, inventory management, ecommerce and customer loyalty software for iPad, Mac and PC. It helps retailers large and small manage and grow their businesses. It targets retailers with multiple stores by providing powerful back office, analytics and inventory functions. Vend integrates with a large number of payment providers, has partnerships with Apple and Xero and has over 15,000 stores using its software. Vend has offices in Auckland, Melbourne, the United Kingdom and Toronto.

*\*Fully diluted shareholding after accounting for employee options.*



**Shareholding:** 24.0%\*

**First Investment:** June 2014

**Founders:** Barry Murphy, Davey Goode

**Directors:** Barry Murphy, Davey Goode, **Lance Wiggs**

[Vibe Communications](#) is an Internet Service Provider that provides wholesale and corporate telecommunication services and hosting to businesses predominantly in New Zealand and Australia. Subsidiary [Intellipath](#) has built a partnership in Australia with NextGen to market bandwidth on demand between over 80 data centres and 1,600 buildings in Australia, New Zealand and the United States. Vibe Communications is growing rapidly, cash flow positive and has over NZ\$12 million in annualised revenue. Vibe Communications is based in Auckland with offices in Melbourne and Sydney and a network that extends to the United Kingdom, the United States and Asia.

**Conflict notice:** John Wiggs, Lance Wiggs' (LWCM) brother, is General Manager of Intellipath, a member of Vibe Communications' executive leadership team and has an agreement to invest in Vibe Communications.

*\*including Punakaiki Fund's interest in Vibe Communications treasury shares.*



**Shareholding:** 25.6%

**First Investment:** February 2015

**Founders:** Jay Goodey, Keri Henare, Craig Boxall

**Directors:** Jay Goodey, Craig Boxall, Simon West, **Lance Wiggs**

[Onceit](#) is an on-line daily deal site selling high-end designer fashion, predominantly in New Zealand. Onceit has grown to over NZ\$10 million in annualised revenue and has a profitable high-growth business model. Onceit has paid dividends to Punakaiki Fund on three separate occasions since the first investment in February 2015. Onceit's board includes Simon West, the former CEO EziBuy and current CEO of Max Fashions. Onceit is based in Auckland.



**Shareholding:** 20.0%

**First Investment:** December 2015

**Founders:** Belinda Johnson, Richard Johnson

**Directors:** Belinda Johnson, Richard Johnson, **Lance Wiggs**

[Mindfull](#) provides consulting services, resells software and develops its own software for data warehousing, business intelligence, financial planning and predictive analytics. They have a large number of top New Zealand firms as clients. Mindfull's QubeDocs is an auto-documentation tool for IBM's Cognos TM1 software, which gives Chief Financial Officers comfort in being able to track integrity and changes in their financial models. Mindfull have offices in Auckland, Wellington and the United States.





**Shareholding:** 4.7%

**First Investment:** June 2014

**Founders:** Ryan Baker, Andrew Schofield

**Directors:** Ryan Baker, Andrew Schofield, Rowan Simpson, Michael O'Donnell

[Timely](#) is appointment software for beauty salons, hair salons, health clinics and more. The service allows clients to book appointments from the salon's website, or even from Facebook, and reminds clients when and where their appointments are. Timely has 500 resellers and 6,000 global business customers in 82 countries. Timely has a remote working approach with staff based in several centres, including Dunedin, Auckland, Wellington and the United Kingdom.



**Shareholding:** 6.3%

**First Investment:** April 2014

**Founders:** John-Daniel Trask, Jeremy Boyd

**Directors:** John-Daniel Trask, Jeremy Boyd, Michael O'Donnell

[Raygun](#) is a creator of developer tools. The engine of their growth is Raygun Crash Reporting, a tool that automatically tracks errors and crashes in applications across a wide range of platforms; and Raygun Pulse, a tool which offers Real User Monitoring, which provides insights into the performance experience users are having on a website or application. Raygun has offices in Wellington and the USA.



**Shareholding:** 4.7%

**First Investment:** July 2015

**Founder:** Paul Adams

**Directors:** Paul Adams, Vincent Tobkin, **Lance Wiggs**

[EverEdgeIP](#) is a global intangible asset specialist. Intangible assets, including data, content, software, brands, confidential information and design, are the most important assets companies today own. However these assets are frequently left off company balance sheets, creating or hiding major risks and opportunities. EverEdge helps corporations identify and manage both intangible asset downside risks and upside value. Employing more of the world's top intellectual property strategists than any other firm globally, EverEdge has offices in Los Angeles, London, Sydney and Auckland. EverEdge's has delivered over 900 completed client engagements across the spectrum of business sizes, stages, and industries; from the Fortune 100 to ambitious start-ups.



**Shareholding:** 12.0%

**First Investment:** March 2015

**Founders:** Anya Anderson, Glen Duffield

**Directors:** Anya Anderson, Glen Duffield, Shaun Ryan, **Lance Wiggs**

[RedSeed](#) offers an end-to-end solution for large retailers who want to increase sales through their sales team. Producing a video-based training suite that is focused on behaviour change and lifting sales, gives its customers average same store growth in sales of 12%.

With over 50,000 active trainees, RedSeed has a significant footprint in the New Zealand retail business market, with clients including Hallenstein Brothers, Max Fashions, Warehouse, Foodstuffs South Island, Briscoe Group, 2 Degrees and Fletcher Building. RedSeed is based in Christchurch and has an office in Australia.





**Shareholding:** 11.0%

**First Investment:** October 2015

**Founder:** Tarik Mallett

**Directors:** Tarik Mallett, Matthew Mallett, John-Daniel Trask

[Mobi2Go](#) is a web and mobile ordering system for restaurants and cafes, used in over 300 cities around the world. It allows food service businesses to save time and increase revenue by accepting orders straight into the business' point of sale system. Customers can order and pay for menu items and even select a time to pick it up fresh from the kitchen. Mobi2Go allows restaurants to deliver a branded experience that they can control. Their system integrates with major point of sale systems, and is especially suited to restaurants with many branches. Mobi2Go have offices in Wellington and Melbourne.



**Shareholding:** 18.4%

**First Investment:** December 2014

**Founder:** Siobhan Bulfin

**Directors:** Siobhan Bulfin, Brian Leighs, **Lance Wiggs**

[Melon Health](#) gives chronic disease patients on-line platforms with the tools, support and information to help manage their condition and change behaviours. Melon's customers are health care payers, pharmaceutical companies and health care delivery organisations, and they have relationships with New Zealand, Australian and United States partners, including Mayo Clinic and UnitedHealthCare Kansas. A recent trial for Midlands Health Network saw over 80% of pre-diabetes patients using Melon Health's platform achieve a number of measurable positive outcomes. Melon Health is based in Wellington with offices in Auckland and the United States.



**Shareholding:** 9.1%\*

**First Investment:** June 2016

**Founders:** Scott Noakes, Michael Lawson

**Directors:** Scott Noakes, Michael Lawson, **Lance Wiggs**

[Linewize](#) provides a SaaS product coupled with their open source firewall software that enables teachers and schools to gain visibility and control over Internet use in the classroom. Linewize is based in Christchurch and has 20 resellers onboard and is used by over 200 New Zealand schools.

*\* Conditional on Punakaiki Fund raising NZ\$1.3 million of new capital prior to 30 November 2016, Punakaiki Fund will invest further to increase its shareholding to 20%.*



**Shareholding:** 11.8%\*

**First Investment:** June 2016

**Founders:** Andrew Strang, Wayne Herring

**Directors:** Andrew Strang, Wayne Herring, **Lance Wiggs**

[New Zealand Artesian Water](#) ("NZAW") bottles and exports water under both its own E'stel brand (for bottled water) and third party brands (for boxed water). Their products include BlueLake, a product designed for infants in China. NZAW is based in Nelson, where their factory was opened by Prime Minister John Key in 2015. E'stel water is sold in the South Island of New Zealand, but the business is mainly focused on dealing with pent up demand from China, the United States and the Middle East.

*\*Punakaiki Fund holds an option to increase its shareholding in NZAW to 20.0% prior to 27 June 2017.*



**Boardingware**

**Shareholding:** 28.6%

**First Investment:** February 2015

**Founders:** Paul Organ, Kurt Meyer

**Directors:** Paul Organ, Kurt Meyer, **Lance Wiggs**

[Boardingware](#) helps boarding schools manage their students' movements and pastoral care using a SaaS product. The product is used by over 100 elite schools across the globe, particularly in the United Kingdom, the United States, Australia and New Zealand. Boardingware has been one of our fastest growing Portfolio Companies. Boardingware is based in Auckland, with offices in the United Kingdom and the United States.





**Shareholding:** 29.5%\*

**First Investment:** February 2015

**Founders:** Dale Clareburt, Simon Martin, Keren Phillips, Hayden Raw

**Directors:** Dale Clareburt, Kirsti Grant, **Lance Wiggs**

[Weirdly](#) is an Human Resources technology SaaS platform. They help companies who receive thousands of job applications to filter the best applicants more quickly. Weirdly works with enterprises to design and deliver scientifically sound online surveys providing a better experience for applicants, and allowing recruiters to prioritise applicants based on cultural fit for their company. Weirdly is based in Auckland.

*\*Punakaiki Fund has provided a loan to Weirdly equivalent to less than 0.5% of Punakaiki Fund's Investor Net Asset Value. If Weirdly completes a material capital raising prior to the end of 2016, this loan will convert into Weirdly shares.*



**Shareholding:** 25.2%

**First Investment:** June 2014

**Founders:** Scott Mayo, Dania Mayo

**Directors:** Scott Mayo, Dania Mayo, **Lance Wiggs**

[Influx](#) provides software honed for fitness businesses. By focusing on simplicity & functionality, they provide gym owners all the tools to run their business and frees up more usable time by eliminating software frustration. Gym members can self-manage classes, appointments, memberships and workouts. Gyms can also run self-managed kiosks, embeddable bookable timetables and in-gym TVs from any device. A recent campaign by a new boxing gym using Grab Me resulted in 390 customers being pre-booked into trail classes by Influx over a two day period.



**ThisData**

**Shareholding:** 10.9%

**First Investment:** April 2015

**Founders:** Rich Chetwynd, Nicole Fougère, Nick Malcolm

**Directors:** Rich Chetwynd, Rory Cameron

[ThisData](#)'s contextual authentication SaaS software allows clients to detect when their customers are logging in to their systems in unusual ways that can indicate an attack on their systems. ThisData provides real-time detection of compromised accounts, and even continuous authentication so that users do not have to repeatedly login. ThisData is based in Auckland.



**POPULATE**

**Shareholding:** 10.7%

**First Investment:** May 2016

**Founders:** Kirsti Grant, Lance Hodges

**Directors:** Kirsti Grant, Lance Hodges

[Populate](#) creates alignment between Finance, Human Resources/Recruitment and Managers allowing them to collaboratively track their people data and scale their companies more effectively. Populate provides an easy to use solution when tracking headcount within an organisation, managing new job approvals and has comprehensive compensation management capabilities. Populate is especially useful for growing or rapidly changing companies. Populate is based in Auckland.



**Shareholding:** 17.6%\*

**First Investment:** July 2016

**Founders:** Chris West, James West

**Directors:** Chris West, James West, **Chris Humphreys**

[Hayload](#) provides a SaaS product for agricultural contractors that assists with tracking jobs and invoicing. The contractors typically have many clients (farms), pieces of equipment, drivers and job-types to manage. Hayload lets contractors and drivers get in control of the jobs, and simplifies invoicing. Hayload is based in New Plymouth.

*\*Punakaiki Fund holds an option to increase its shareholding in Hayload to 29.4% prior to 1 July 2017.*



## **Board of Directors**

### **Mike Bennetts (Chair)**

*Appointed September 2015*

Mike is the CEO of Z Energy, one of New Zealand's largest retail and wholesale fuel businesses and is a director of New Zealand Refining Company Limited. He previously worked for 25 years with BP in a variety of downstream roles in New Zealand, China, South Africa, the UK and Singapore.



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

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

### **John Berry**

*Appointed September 2015*

John is the co-founder and Executive Director of Pathfinder Asset Management, which has over NZ\$100 million in funds under management. John has over 24 years market experience, with previous roles at law firms and investment banks, including as Head of Execution at Deutsche Bank Structured Capital Markets Europe.



John has a BCom/LLB (Hons) and is on the board of the Men's Health Trust NZ.

John Berry has a less than 5% shareholding and is an independent director.

### **Bryan Hutchins**

*Appointed September 2015*

Bryan Hutchins is a director and shareholder of Real Journeys. He is also a trustee of The Leslie Hutchins Conservation Foundation.

Bryan Hutchins is a non-executive director, as he indirectly holds more than 5% of the Shares in Punakaiki Fund.



### **Mandy Simpson**

*Appointed September 2016*

Mandy has accepted a role as CEO of security company Cyber Toa, commencing in late November 2016. Prior to this Mandy was COO of NZX Limited. She is a board member of the Technology Industry Association (NZTech) and an advisory board member for BraveNewCoin. Previously she was Chief Financial Officer of Fronde, Chief Financial Officer at State Services Commission and held a number of other financial, audit and accounting roles.



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

### **Lance Wiggs**

*Appointed April 2013, re-appointed September 2016*

Lance is the co-founder of Punakaiki Fund and a principal with LWCM. His biography is set out below. Lance Wiggs is an executive director, as he both holds





more than 5% of the Shares in Punakaiki Fund and is one of the principals of the Manager.

There are no other persons proposed to join the Punakaiki Fund Board as a director at this time.

## **The Manager**

Punakaiki Fund's manager is Lance Wiggs Capital Management Limited ("LWCM"), owned by Lance Wiggs and Chris Humphreys. Lance and Chris provide a combination of finance and business experience in the technology, internet and design-led sectors.

### **Lance Wiggs**

Lance combines a wide variety of global experience with helping high-growth companies in New Zealand. He is a director of 11 of Punakaiki Fund's investments.

Before founding Punakaiki Fund, Lance co-founded or invested in over 15 private companies in Australasia. His active private investments include Pocketsmith, 200 Square, Authentic Tours, Lingopal, Taggle, Define Instruments and Performance Labs. In addition, Lance's prior personal investment and founding activity include Pacific Fibre (co-founder, investor and paid consultant), Groupy Deals (co-founder), All About the Story (co-founder), SafePlus (co-founder), Valuecruncher (investor) and Powerkiwi (founder).

Lance was the investment-banking advisor for Trade Me on its sale to Fairfax Media, and has advised a large number of local early stage companies. He was an Engagement Manager with McKinsey & Company in Washington DC, contracted to the European Bank for Reconstruction and Development in London and consulted to BHP Billiton plants in South Africa, Australia and Mozambique. Lance was also an elected Councillor for InternetNZ, where he was a member of the Audit Committee.

Lance recently completed three years of contracting to New Zealand Trade and Enterprise's Better by Capital (NZTE Capital) programme, where he helped over 100 companies of all stages become more investable through intensive workshops. His involvement is expected to continue under a new contract. He was formerly a practitioner with the New Zealand Trade and Enterprise's Better by Design programme. Lance has an MBA from Yale University (Strategy, Finance), a Bachelor of Technology (Hons, Product Development) from Massey University and is a member of the Institute of Directors in New Zealand.

### **Chris Humphreys**

Chris brings significant corporate finance experience and rigour to the team. He performed financial modelling, due diligence, deal structuring and deal advisory work for clients while at PwC, where he was an Associate Director.

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.



Lance and Chris met at Pacific Fibre, a company that Lance co-founded with several notable New Zealanders to build a US\$300 million fibre optic cable between Australia, New Zealand and the United States. Following Pacific Fibre ceasing operations, Lance approached Chris about forming LWCM, with the intention of establishing a new growth orientated investment company.





## **Operation of Punakaiki Fund**

### **Board Responsibilities**

The Board's core responsibility is approving and monitoring adherence to the investment objectives, risk management, strategies, policies and philosophies of Punakaiki Fund, and to ensure Punakaiki Fund meets its statutory obligations. These are reviewed on a regular basis, with policies being added and extended as Punakaiki Fund grows.

Parts of these core responsibilities include monitoring LWCM's and Punakaiki Fund's performance. This involves monitoring and valuing Punakaiki Fund's investment portfolio, and ensuring that expenditure by Punakaiki Fund is made on a prudent and appropriate basis.

The Board is responsible for communications with Shareholders and other stakeholders. This includes approving the quarterly and annual reports, and conducting the annual meeting of Shareholders.

The Board also has the responsibility to consider any recommendations made by LWCM that are outside of the normal scope of transactions. These include proposed investments with related parties, investments that would result in more than 20% of Punakaiki Fund's value placed into one company, investments outside of New Zealand, and all divestments.

### **Valuation**

The Board is responsible for the valuation of the assets of Punakaiki Fund. This includes valuing the assets of Punakaiki Fund for the purposes of quarterly reporting, raising capital and setting the quarterly Management Fee.

LWCM currently prepares Punakaiki Fund's valuation reports, including the formal year-end report. The Board retains the right to seek independent valuation advice or to change the value of individual investments as it sees fit.

While LWCM's advice is important in assisting the Board to determine the valuation of Punakaiki Fund's investments, the final determination of these valuations is the sole responsibility of the Punakaiki Fund Board of Directors. The valuation at each financial year end is audited.

LWCM endeavours to use the same valuation approach when assessing and negotiating the price of new investments as that adopted by Punakaiki Fund for reporting purposes.

It should be noted that LWCM's involvement in the valuation process presents an underlying conflict as LWCM's Management Fee is based on Punakaiki Fund's assessed Accounting Net Asset Value, which is directly impacted by the carry values of Punakaiki Fund's investments. LWCM's Performance Fee is also based on the value of Punakaiki Fund's investments, however it is likely that first payment of the Performance Fee will be triggered by Punakaiki Fund listing its Shares on a stock exchange and at that time the Performance Fee will be based on the market value of Punakaiki Fund based on the trading price of the Shares, rather than the internal valuation of the Portfolio Companies.

These conflicts are currently addressed by the Board having the responsibility to approve all valuations, and by having the valuation and accounts audited at the end of Punakaiki Fund's financial year

Punakaiki Fund's Investment Valuation Policy can be found on Punakaiki Fund's website at [www.punakaikifund.co.nz/governance/](http://www.punakaikifund.co.nz/governance/). The Investment Valuation Policy is consistent with the International Private Equity and Venture Capital (IPEV) Valuation Guidelines.



## **Board Meetings**

The Board meets a minimum of four times each financial year. The Board may also hold additional meetings as required to consider ad hoc matters including capital raising activities.

## **Board Remuneration**

Punakaiki Fund Shareholders approved a director fee pool of NZ\$20,000 plus GST per annum at Punakaiki Fund's 2015 Annual Meeting, remaining unchanged after the 2016 Annual Meeting. The Board fixed director fees at NZ\$5,000 per year for each of Mike Bennetts, John Berry and Bryan Hutchins, and is expected to be fixed at NZ\$5,000 per year for Mandy Simpson. Lance Wiggs does not receive director fees.

All directors are also entitled to be paid for all reasonable travel, accommodation and other expenses that they incur when carrying out their Board duties.

## **Board Appointment**

Directors can be appointed or removed by a majority vote of Shareholders. The Board has authority to appoint a director to fill any vacancy or as an addition to the existing directors. Any such appointment will cease at the time of the next annual meeting of Shareholders, at which time the replacement director may also be put up for election.

The maximum number of directors is five.

## **Indemnity and Insurance**

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. LWCM has put in place Directors & Officers and Statutory Liability insurance for LWCM and Punakaiki Fund as a managed entity of LWCM. The insurance costs are split between LWCM and Punakaiki Fund based on the coverage for each entity.

## **Limitations on the Power of Directors**

Punakaiki Fund's constitution imposes the following modifications, exceptions and limitations on the powers of the directors:

- the directors cannot allow Punakaiki Fund to acquire any of its own equity securities except in accordance with the provisions of the Companies Act and the constitution;
- the directors may not vote on any matter in which he or she is interested unless the matter is one in respect of which directors are required to sign a certificate under the Companies Act, or which relates to the grant of an indemnity for a director or employee or where a majority vote of Shareholders has been obtained; and
- the directors cannot allow Punakaiki Fund to enter into any major transaction (as that term is defined in the Companies Act) without the prior approval of a special resolution of Shareholders.

## **Governance Policies**

The Board has adopted a number of policies and procedures governing Punakaiki Fund. Various policy documents are contained on Punakaiki Fund's website at [www.punakaikifund.co.nz/governance/](http://www.punakaikifund.co.nz/governance/).

## **Management Agreement**

Under the Management Agreement, LWCM is appointed by Punakaiki Fund to be the exclusive provider of investment management and certain administrative services to Punakaiki Fund for an initial period of ten years commencing on 24 March 2014. LWCM has been given broad powers to deal with and manage the assets of Punakaiki Fund, including exercising voting rights and undertaking all other things considered necessary in respect of the investee companies. However, LWCM 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.

The Management Agreement is expected to be extended for subsequent terms beyond the initial period, provided that the Board is reasonably satisfied with the performance of LWCM.

At any time either LWCM or the Board may terminate the Management Agreement for cause by giving notice when certain events occur, such as non-performance of management duties or certain default events. Normal conflict of interest rules apply in these circumstances (i.e. Lance Wiggs would not be allowed to vote as a Punakaiki Fund director). The Management Agreement may also be terminated by resolution of Shareholders if 50% or more of Shares on issue are voted in favour of replacing the Manager. In the event that the Management Agreement is terminated, LWCM will be entitled to be paid all fees (including any accrued Performance Fee) and amounts due up until the date of termination, and if the termination is by way of Shareholder vote, one additional quarter of Management Fees. There is no termination penalty fee in any termination scenario.

The Management Agreement can be found on Punakaiki Fund's website at [www.punakaikifund.co.nz/governance/](http://www.punakaikifund.co.nz/governance/).

### **Limitation of LWCM's Liability**

LWCM provides no warranty as to the performance, profitability or capital appreciation of any of the companies in which Punakaiki Fund invests. Furthermore, LWCM's liability for any loss or damage sustained by Punakaiki Fund or a Shareholder as a result of its performance is limited to loss or damage due to the gross negligence, intentional fraud, dishonesty, wilful default or any action not taken in good faith, of LWCM or that of its officers, employees, advisors or agents.

### **Managing Conflicts**

LWCM is not permitted to invest Punakaiki Fund's assets into any company in which Lance Wiggs, Chris Humphreys or any other director or employee of LWCM has an interest without the express consent of the Board. In respect of existing equity shareholdings owned by Lance Wiggs, Punakaiki Fund may acquire these shareholdings pursuant to the following conditions:

- Payment for the shareholdings will only be with new Shares;
- The value of each shareholding will be based on the valuation implied by the successful material raising of capital by those companies from third parties on an arms-length basis;
- The shareholdings may only be acquired if Punakaiki Fund also invests in new shares issued by those companies; and
- Punakaiki Fund may only consider investing in companies where shareholdings were held by Lance Wiggs prior to 31 March 2014.

Lance Wiggs, Chris Humphreys and LWCM 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, on a case-by-case basis. Any interested directors are not permitted to vote on such resolutions.

For clarity, Punakaiki Fund has priority over all new private, New Zealand-based investment opportunities presented to Lance Wiggs, Chris Humphreys and LWCM. In practice, this means that Lance Wiggs, Chris Humphreys and LWCM do not invest separately to Punakaiki Fund (including crowd funded investment opportunities), with the only exceptions being investments into publicly listed companies and when Lance Wiggs has pre-emptive investment rights from his existing personal (i.e. pre-Punakaiki Fund) holdings.



All Directors and LWCM are prohibited from making any co-investments with Punakaiki Fund unless approved by Shareholders.

### **Portfolio Company Board Appointments**

The directors of Punakaiki Fund and the directors or staff of LWCM are not restricted from becoming directors on the boards of companies in which Punakaiki Fund has invested. Where these companies pay fees to these board appointees, the appointee shall, with Punakaiki Fund Board approval, be entitled to retain these fees.

No director fees are currently being paid by Portfolio Companies to Lance Wiggs, Chris Humphreys or any Punakaiki Fund directors.

### **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 and Performance Fees to LWCM.

#### **Management Fee**

Punakaiki Fund pays LWCM a Management Fee equivalent to 2% of Punakaiki Fund's Accounting Net Asset Value per annum, plus GST. If the Accounting Net Asset Value exceeds NZ\$50 million then fees applicable to the portion of the Accounting Net Asset Value over NZ\$50 million are charged at the lower rate of 1.5%. The Management Fee is payable quarterly in advance to LWCM

#### **Performance Fee**

A Performance Fee is payable to LWCM conditional upon a predetermined level of performance and payment is triggered only when certain events occur. The most likely event that will trigger payment is the listing of Punakaiki Fund Shares. Once Punakaiki Fund is listed, a Performance Fee will also be payable at the end of each subsequent financial year. The Performance Fee is also payable if the Management Agreement is terminated or where the Board determines non-payment would be inequitable to LWCM.

The Performance Fee is calculated as 20% of the increase in the Market Value of Punakaiki Fund (excluding new capital raised) since the last Performance Fee (if any) was paid, subject to both a minimum 10% per annum increase in the Market Value (for each tranche of capital raised by Punakaiki Fund) and the Market Value being higher than when the previous Performance Fee was paid (the 'High Water Mark'). The full details of the Performance Fee calculation, including the tranche basis of this calculation, are contained within the Management Agreement, which can be found on Punakaiki Fund's website at [www.punakaikifund.co.nz/governance/](http://www.punakaikifund.co.nz/governance/).

The Performance Fee will be paid by the issue of new Shares and cash. The cash component is intended to allow LWCM to pay for any tax expense that LWCM incurs in connection with the Performance Fee. Based on the current corporate tax rate in New Zealand, we expect that the Performance Fee will initially be paid 72% in new Shares and 28% in cash. The Shares relating to the Performance Fee may not be sold for 180 days unless Board approval is obtained.



A simplified example of how the Performance Fee is calculated is set out below:

**PERFORMANCE FEE EXAMPLE, BASED ON AN INITIAL VALUE OF NZ\$20 MILLION**

<b>Punakaiki Fund Value</b>	<b>Calculation of Performance Fee</b>	<b>Gains/ Losses after Performance Fee</b>	<b>Total Performance Fee</b>
<b>NZ\$16 million after 2 years</b>	The Year 2 Market Value is beneath the initial value of NZ\$20 million.	NZ\$4 million loss (20% loss)	NZ\$0
<b>NZ\$22 million after 2 years</b>	The Year 2 Market Value is beneath the two year 10% benchmark (NZ\$24.2 million).	NZ\$2 million (10% gain)	NZ\$0
<b>NZ\$30 million after 2 years</b>	The Year 2 Market Value is above the two year 10% benchmark (NZ\$24.2 million). The 20% Performance Fee applies to the NZ\$10 million increase in value.	NZ\$8 million (40% gain)	NZ\$2 million of which NZ\$1.44 million is Shares*
<b>NZ\$30 million after 2 years then NZ\$36 million after 2 more years</b>	<p><b>End of Year 2 Performance Fee Payment</b></p> <p>The Year 2 value is above the two year 10% benchmark (NZ\$24.2 million). The 20% Performance Fee applies to the NZ\$10 million increase in value.</p> <p><b>End of Year 4 Performance Fee Payment</b></p> <p>The Year 4 Market Value is above the four-year 10% benchmark (NZ\$29.3 million) and the High Water Mark (NZ\$30 million). The 20% Performance Fee applies to the NZ\$6 million increase in value since the last Performance Fee was paid.</p>	<p>NZ\$8 million (40% gain)</p> <p>Total 4-year gain: NZ\$12.8 million (64% gain)</p>	<p>NZ\$2 million of which NZ\$1.44 million is Shares*</p> <p>NZ\$1.2 million of which NZ\$0.86 million is Shares*</p> <p>4-year total: NZ\$3.2 million</p>

*\*New Shares issued in Punakaiki Fund*

The accrued performance fee is currently calculated as NZ\$1.394 million. This is based on 20% of the difference between the capital raised to date by Punakaiki Fund (NZ\$13.360 million) and the value of Punakaiki Fund's net assets (NZ\$20.331 million – including accounts payable, but excluding any accrued performance fee). Of this NZ\$1.394 million, NZ\$0.390 million (under the current New Zealand corporate taxation rate of 28%) would be paid as cash when the payment of the Performance Fee is triggered. The remaining NZ\$1.004 million would be paid in the form of new Shares.

When paid, the cash component of the Performance Fee is likely to be paid out of Punakaiki Fund's cash holdings. If we do not hold sufficient cash to do so, Punakaiki Fund may have to raise new capital, which, in respect of the first payment, would likely be done as part of the process of listing its Shares.



### **Brokerage Fee**

Under the Management Agreement, Punakaiki Fund will pay LWCM a brokerage fee of 3% of the value of Shares issued by Punakaiki Fund. The brokerage fee is to be paid on all Shares issued for cash or other value (including this Offer) except when the Shares are issued to the Manager.

LWCM has agreed that in exchange for the brokerage fee it will assume the costs of each Share issue, including on-paying brokerage fees to pay for brokers, fund raising platforms, promotion and marketing, advisors and other capital raising costs.

### **Other Operating Costs**

The other main operating costs of Punakaiki Fund are directors fees (currently NZ\$20,000 per annum), insurance (currently NZ\$23,920 per annum), audit services (estimated between NZ\$30,000 and NZ\$40,000 per annum, including anti-money laundering audits every second year), accounting services (the preparation of annual financial statements and day to day accounting requirements – estimated at under NZ\$30,000 per annum) and any external due diligence services used (the professional external vetting of investment opportunities – under NZ\$5,000 per annum to date, although this is expected to increase going forward). LWCM is reimbursed by Punakaiki Fund for all costs and expenses reasonably incurred by LWCM on behalf of Punakaiki Fund which are not LWCM's costs under the Management Agreement.

If Punakaiki Fund's Shares are listed on a stock exchange in the future, there will be associated up-front and on-going fees and compliance costs.

### **GST**

All fees and expenses are exclusive of 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.

Punakaiki Fund has recently re-registered for GST and has elected into the GST Business-to-Business rules, which is expected to allow us to claim a refund on a portion of our GST inputs.

### **Cash Management**

Punakaiki Fund's structure and the Management Agreement were designed to conserve cash. The 2% Management Fee is the only regular obligation to the Manager, with the Performance Fee payable only periodically to the Manager and then mostly (72% currently) in Shares.

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.



## Equity Capital and Shareholder Information

### Equity Securities of Punakaiki Fund

Punakaiki Fund currently has on issue 1,029,286 ordinary fully paid Shares.

### Substantial Shareholders in Punakaiki Fund

As at the date of this Information Memorandum, the following Shareholders have a relevant interest in 5% or more of the Shares in Punakaiki Fund.

Punakaiki Fund Limited - Substantial Share Holders					
Name	Equity Type	Relevant Interest Held at the date of this PDS		Relevant Interest Held after Completion of Offer <sup>1</sup>	
		Shares	Percent of class	Shares	Percent of class
<b>Graeme Lance Turner Wiggs</b>	<b>Ordinary Shares</b>	<b>61,970</b>	<b>6.02%</b>	<b>61,970</b>	<b>6.02%</b>
<i>Considerations and Other Terms:</i> 4,000 Shares issued on 28 April 2014 for NZ\$10.00 each for an aggregate purchase price of NZ\$40,000; 4,000 Shares issued from exercised options on 28 November 2014 for NZ\$10.00 each for an aggregate purchase price of NZ\$40,000; 4,000 Shares issued from exercised options on 30 June 2015 for NZ\$12.00 each for an aggregate purchase price of NZ\$48,000; and 49,970 Shares issued as payment for Punakaiki Fund's acquisition of Lance Wiggs' Vend shares at a deemed price of NZ\$14.50 each on 19 August 2015 for an aggregate purchase price of NZ\$724,565.					
<b>Phaben Holdings Limited</b>	<b>Ordinary Shares</b>	<b>61,400</b>	<b>5.97%</b>	<b>61,400</b>	<b>5.97%</b>
<i>Considerations and Other Terms:</i> 61,400 Shares acquired from Bryan Simpson Hutchins on 16 February 2016 for an undisclosed amount.					

<sup>1</sup> As there is no minimum amount of Shares being offered under the Offer, the relevant interest and percentage held after completion of the Offer are shown as the same as before the Offer. 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 Offer.

The identity of the persons or entities which may be substantial equity holders following the completion of the Offer is uncertain. Existing substantial equity holders may be diluted below 5% or new substantial equity holders may emerge following their investment in the Offer.





## Relevant Interests held by Directors and Senior Managers

The table below sets out the equity securities in Punakaiki Fund that the Directors and the principals of the Manager have an interest in prior to and (indicatively) following the Offer.

Punakaiki Fund Limited - Equity Holdings held by Directors and the Manager						
Name	Holding Type	Equity Type	Relevant Interest Held at the date of this PDS		Relevant Interest Held after Completion of Offer <sup>1</sup>	
			Shares	Percent of class	Shares	Percent of class
Graeme Lance Turner Wiggs	Registered holder and beneficial owner	Ordinary Shares	61,970	6.02%	61,970	6.02%
	Shareholder and Director of Lance Wiggs Capital Management Limited	Ordinary Shares	100	0.01%	100	0.01%
Michael John Bennetts	Joint registered holder as trustee of the Kammjam Trust	Ordinary Shares	44,000	4.27%	45,000	4.37%
Bryan Simpson Hutchins	Shareholder and Director of Phaben Holdings Limited	Ordinary Shares	61,400	5.97%	61,400	5.97%
John Charles Berry	Joint registered holder and beneficial owner	Ordinary Shares	8,450	0.82%	8,450	0.82%
Amanda Rhean Simpson	Registered holder and beneficial owner	Ordinary Shares	6,000	0.58%	6,000	0.58%
Christopher Murray Humphreys	Registered holder and beneficial owner	Ordinary Shares	250	0.02%	250	0.02%
	Shareholder and Director of Lance Wiggs Capital Management Limited	Ordinary Shares	100	0.01%	100	0.01%

<sup>1</sup> As there is no minimum amount of Shares being offered under the Offer, the relevant interest and percentage held after completion of the Offer are shown as the same as before the Offer. 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 Offer.

## Interests of Directors and Managers

The table below sets out the total of the remuneration and the value of the other benefits of each director of Punakaiki Fund received in FY2016.

Punakaiki Fund Limited - Director Remuneration and Benefits			
Name	Directors Fees FY2016 (NZ\$)	Out of Pocket Costs FY2016 (NZ\$)	LWCM Fees FY2016 (NZ\$)
Graeme Lance Turner Wiggs	-	-	488,506
Michael John Bennetts	2,500	-	-
Bryan Simpson Hutchins	2,500	448	-
John Charles Berry*	2,875	-	-
Amanda Rhean Simpson	Not appointed in FY2016		

\* This amount includes GST as it was paid to an company associated with John Berry

With the exception of Lance Wiggs, all director fees are currently set at NZ\$5,000 per director per annum. The amount paid in FY2016 represents Michael Bennetts, Bryan Hutchins and John Berry being directors of Punakaiki Fund for only six months of this period. Those directors received director fees and reimbursement for expenses incurred by the directors in the performance of their duties as a Punakaiki Fund director only, and did not receive any other remuneration from Punakaiki Fund. Lance Wiggs does not receive directors' fees from Punakaiki Fund. Directors' fees for FY2017 are budgeted at NZ\$17,500, following Mandy Simpson being elected to the Punakaiki Fund Board on 22 September 2016.



No director of Punakaiki Fund, with the exception of Lance Wiggs, is a director of a Portfolio Company. In their roles as principals of the Manager, Lance Wiggs is a director of 11 Portfolio Companies and Chris Humphreys is a director of one Portfolio Company. No director fees are currently paid by any Portfolio Company to either Lance Wiggs or Chris Humphreys, although both are reimbursed for their reasonably incurred related expenses.

Lance Wiggs' LWCM Fees reflect the payment of all Management Fees and brokerage fees to the Manager (LWCM), in which Lance Wiggs is both a director and a shareholder. It does not include any unpaid Performance Fees. While LWCM's costs are not reported to Punakaiki Fund Limited, the intent of the brokerage fees are to cover the costs of fund raising, including payment to external brokers and the intent of the Management Fee is to cover the costs of LWCM's work in managing Punakaiki Fund.

The amount of these payments in FY2017 will vary with the amount of capital that Punakaiki Fund raises in FY2017, any changes in the value of the Portfolio Companies, any dividends received by Punakaiki Fund and the costs incurred to operate Punakaiki Fund. The table below gives example of the fees that would be paid to LWCM as Manager given different scenarios.

Scenario	Funds Raised	Fees
<b>Base</b>	<b>NZ\$3 million Raised</b> NZ\$23 million Accounting Net Asset Value	NZ\$90,000 Brokerage NZ\$115,000 Management Fee per quarter plus GST
<b>High</b>	<b>NZ\$15 million raised</b> NZ\$35 million Accounting Net Asset Value	NZ\$450,000 Brokerage NZ\$175,000 Management Fee per quarter plus GST

Punakaiki Fund does not have any employees.

There are no other material governance disclosures.



### 3. Purpose of the Offer

#### Planned Use of Funds

The purpose of this Offer is to raise money to enable us to:

- Invest further in companies in which Punakaiki Fund has already invested, including meeting our existing investment obligations and potentially exercising the options we hold over certain Portfolio Companies (see “Investment Obligations and Investment Options” sub-section below);
- Invest in high-growth companies in which Punakaiki Fund has not previously invested; and
- Meet the operating costs of Punakaiki Fund, including Management Fees, brokerage fees, Performance Fees (if any) and accounting, audit, insurance and director costs and other costs as incurred from time to time.

By deploying the funds raised from this Offer in this manner, we believe we will be able to:

- Improve the long term value of our holdings in existing companies with follow-on investments, which are aimed at increasing the value of our investments by improving the prospects of each company;
- Continue to increase the diversity of our portfolio by making investments into new companies; and
- Continue to position ourselves as the ‘Investor of Choice’ in New Zealand by continuing to invest in the manner in which we have to date.

Scenarios relating to the application of funds raising from the Offer are set out in the table below, reflecting the estimated use for several different amounts of capital raised by this Offer in combination with our retail New Zealand offer. We have the ability to place small yet meaningful amounts with most Portfolio Companies. We also see substantial capacity within the portfolio to reasonably invest up to and even over \$50 million, through selected larger placements. While a third or more of the Portfolio Companies were profitable in the September 2016 quarter, based on preliminary results, increased funding can accelerate growth. Funding certain larger Portfolio Companies could also, for example, provide for the ability to fund the company through to their own IPO if desired.

Punakaiki Fund Limited - Estimated Use of Funds Raised				
Amount Raised (NZ\$)	Investments into Portfolio Companies	Investments into new companies	Brokerage	PFL Operating Costs
\$0.5 million	<80%	0%	3%	<25%
\$2 million	60-80%	<30%	3%	<8%
\$5 million	60-80%	<30%	3%	<4.5%
\$10 million	50-80%	10-50%	3%	<3.5%
\$30 million	40-70%	20-60%	3%	<2.5%



## **Investments into Portfolio Companies**

Punakaiki Fund currently has the following obligations, options or arrangements to invest further in its Portfolio Companies:

- A contractual obligation to invest further in Linewize Limited and Linewize Services Limited. This obligation forms parts of the original investment conditions and is triggered if Punakaiki Fund raises more than NZ\$1.3 million in new capital prior to 30 November 2016. This second tranche investment will increase Punakaiki Fund's shareholding in both of these companies from 9.2% to 20.0%\*;
- An option over NZAW shares. Punakaiki Fund has the discretion to invest further in NZAW by exercising an option granted to it as part of its original investment NZAW. If Punakaiki Fund chooses to exercise this option, which expires on 27 June 2017, NZAW will issue Punakaiki Fund new shares which would increase Punakaiki Fund's shareholding in NZAW from 11.8% to 20.0%\*;
- An option over Hayload Limited shares. Punakaiki Fund has the discretion to invest further by exercising an option granted to it as part of its original investment in Hayload. If Punakaiki Fund chooses to exercise this option, which expires on 1 July 2017, Hayload will issue Punakaiki Fund new shares which would increase Punakaiki Fund's shareholding in Hayload from 17.6% to 29.4%\*; and
- A loan arrangement with Weirdly Limited in the form of a convertible note. This loan will convert into Weirdly shares if Weirdly completes a material capital raising prior to the end of 2016. The potential change to Punakaiki Fund's shareholding in Weirdly as a result of the conversion of this loan cannot be determined at this time due to uncertainty as to whether all of the loan will be drawn and at which price Weirdly will raise new capital, however we estimate that the currently drawn down portion of the convertible note will convert into between 0.6 to 0.8% of Weirdly's equity before allowing for any dilution from Weirdly issuing new shares as part of any capital raising activities.

Together, these obligations and options have a maximum investment cost of NZ\$1.4 million.

In addition, Punakaiki Fund usually holds pro-rata pre-emptive rights to invest in its portfolio companies should those companies seek to raise capital. As at the date of this Information Memorandum, we are aware of several Portfolio Companies which are actively considering raising capital in the next six months (four of which are raising capital as at the date of this Information Memorandum).

*\* Assuming each respective company does not issue or cancel any shares between the date of this Information Memorandum and the time at which Punakaiki Fund makes any additional investment into that company.*

## **Investments into New Companies**

As well as opportunities to further invest with the existing Portfolio Companies, Punakaiki Fund may invest in other high growth companies. We have access via LWCM to a number of new investment opportunities outside of its existing portfolio.

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

## **Minimum Amount to be Raised**

There is no minimum amount which is required to be raised under this Offer.

## **Offer Not Underwritten**

This Offer is not underwritten by any party.



## **New Zealand Retail Offer**

Punakaiki Fund is making an offer of Shares to retail (public) investors in New Zealand during the period that this Offer is open. The offer to New Zealand retail investors is on the same terms as the terms for this Offer, with the exception that the minimum investment is lower and the New Zealand retail offer will be open later than the opening of this Offer on 4 November 2016.

There is no minimum and no maximum size of the New Zealand retail offer. If Shares are allotted to New Zealand retail investors, Punakaiki Fund's total Shares on issue will increase, which may dilute your shareholding in percentage terms, although the Investor Net Asset Value per Share will be unaffected.

The opening date for the New Zealand retail offer is 9 November 2016 and the closing date of the New Zealand retail offer is the same as for this Offer (20 December 2016). Punakaiki Fund reserves the right to vary, extend or shorten the dates of the New Zealand retail offer at any time, and to withdraw the New Zealand retail offer at any time before the allotment of Shares.

Proceeds from the New Zealand retail offer will be applied in the same manner as the proceeds from this Offer. Further details on how the proceeds will be applied can be found early in this section under the title "Planned Use of Funds".



## 4. Key Dates and Offer Process

### Key Dates

The intended key dates for the Offer are:

<b>Offer Opens</b>	4 November 2016
<b>Closing Date</b>	20 December 2016
<b>Allotment of Shares</b>	On or before 31 December 2016

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 Closing Date, and to withdraw the Offer at any time before the allotment of Shares.



## 5. Terms of the Offer

### Key Terms

The table below sets out the terms of the Offer.

<b>What is the Offer?</b>	<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, <b>Key Features of the Shares</b>, on page 41 and in Punakaiki Fund's constitution, which can be found on Punakaiki Fund's website at <a href="http://www.punakaikifund.co.nz/governance/">www.punakaikifund.co.nz/governance/</a>.</p>
<b>Key Dates</b>	<p>This offer opens on 4 November 2016 and closes on 20 December 2016.</p> <p>See Section 4, <b>Key Dates and Offer Process</b>, on page 35 for information about the key dates of the Offer.</p>
<b>Price</b>	<p>The price is NZ\$19.00 per Share.</p> <p>Brokerage of 3.0% is included in the NZ\$19.00 Share price. No other brokerage or commission is payable by you under the Offer, and once you pay for your Shares you have no obligation to pay any further amounts to Punakaiki Fund.</p> <p>The price of NZ\$19.00 per Share has been set by Punakaiki Fund based on the Investor Net Asset Value of Punakaiki Fund as at 18 October 2016. The assumptions used by Punakaiki Fund to price this Offer are set out below under the title <b>Offer Price Basis</b>.</p>
<b>Applications</b>	<p>An Application is an offer by you to subscribe for Shares on the terms and conditions set out in this Information Memorandum (including any replacement of it) and the Application Form. By submitting an Application Form, you irrevocably agree to purchase the Shares on those terms, including the Price.</p> <p>The minimum number of Shares you can apply for is 3,000 Shares (NZ\$57,000). After this, you may apply for multiples of 1,000 Shares (NZ\$19,000).</p>
<b>Allotment of Shares</b>	<p>Holding statements are expected to be sent to all successful Applicants prior to 7 December 2016.</p> <p>The share registry for Punakaiki Fund is maintained by LWCM. Punakaiki Fund may choose to use a share registrar in the future.</p>
<b>Punakaiki Fund's Discretion Relating to the Offer</b>	<p>The Offer may be withdrawn by Punakaiki Fund at any time before the allotment of 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

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.

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 Shares or after an Application has been declined (as applicable). Interest will not be paid on any Application Monies refunded to Applicants.

## Transfer and Sale of Shares

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.

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.

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 41.

## Offer Price Basis

The Price of the Shares under the Offer is based on:

- the value of Punakaiki Fund's investments and a convertible loan to a Portfolio Company as at 18 October 2016;
- the value of Punakaiki Fund's net working capital (cash plus accounts receivable less accounts payable);
- a provision for the accrued Performance Fee liability to LWCM (but not yet payable), including both the cash component recorded as a liability and the Share component recorded as share based payment reserve; and
- a 3% brokerage fee payable on this Offer to LWCM.

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

### Punakaiki Fund Limited - Basis of Share Price

	NZ\$
Value of Investments at 18 October 2016	\$19,922,000
plus - Net Working Capital	\$409,242
less - Performance Fee payable to LWCM	\$(1,394,422)
<b>Notional Value Attributable to Shareholders as at 18 October 2016</b>	<b>\$18,936,819</b>
Number of ordinary shares on issue	1,029,286
Fully Diluted Notional Value Attributable to Shareholders per Share	\$18.40
Offer Cost (3% Brokerage payable to LWCM)	\$0.57
<b>Share Price Basis for Offer</b>	<b>\$18.97</b>

Based on these calculations the Punakaiki Fund Board has determined the Price per Share for this Offer to be NZ\$19.00.

The approach taken to value Punakaiki Fund's Portfolio Companies is set out in the following section.

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



## Fund Valuation Approach

The unaudited book value of Punakaiki Fund's investments as at 18 October 2016 as set out in the table above is a Director's valuation based on the fair value approach set out in the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines. The following factors have been used to form this view on fair value:

- **Fair Value on Acquisition:** Where, in the directors' opinion, there has been no material movement in an investment's value, or where the investment has been made recently, the value at which Punakaiki Fund invested is the basis for the fair value. This is primarily due to the investment being negotiated between two unrelated parties (Punakaiki Fund and the entity in which Punakaiki Fund invested). The investments that have been valued in this manner are Hayload, Linewize, Mobi2Go and NZAW.
- **Observed Transactions:** Where there has been a recent transaction with an informed and unrelated investor subsequent to Punakaiki Fund's initial investment, the value implied from this transaction will be applied to or at least inform the value of the investment. The investments that have been valued in this manner are Vend, Populate and EverEdgeIP.
- **Based on Comparable Companies:** Where, in the directors' opinion, there has been a material change in the value of an investment as a result of changes to that investment's financial operating metrics or movements in valuations of comparable companies listed on public markets. The valuations arising from these observed metrics may be adjusted as the directors see fit to reflect impairment of performance, a pending transaction or any other cause. The investments that have been primarily valued in this manner are Boardingware, Influx, Mindfull, Onceit, Raygun, RedSeed, Timely, Melon Health, Weirdly and Vibe Communications. For certain companies the valuation was reduced to account for the Board's perception of the potential for under performance.
- **Modified Net Asset:** ThisData was valued based on a conservative value of their assets.

For valuations based on or informed by comparable companies the Board used the following steps:

- **Observing the valuation metrics from comparable companies:** Identifying listed companies that are comparable to each of the Portfolio Companies (by industry, sector and business model) and then observing key valuation metrics such as enterprise value, revenues, EBITDA and growth rates for those comparable companies;
- **Deriving appropriate multiples on a case by case basis:** Valuation metrics for comparable companies more closely related to the Portfolio Company being valued receiving a greater weighting in respect of deriving appropriate multiples to value each Portfolio Company. When valuing Punakaiki Fund's SaaS Portfolio Companies, metrics from a large population (>50) of listed SaaS companies are statistically analysed in order to derive a base-line relationship between revenue multiples and growth rates which can be applied to all of Punakaiki Fund's SaaS investments;
- **Multiples are adjusted:** Multiples applied to individual Portfolio Companies may then be adjusted to reflect the particular circumstances of the Portfolio Company (e.g. higher than average growth or a small addressable market);
- **Unadjusted Enterprise and Equity Values are derived:** Enterprise Values are derived by applying the derived multiple to the revenues or EBITDA (as the case may be) of the subject Portfolio Company. An unadjusted equity value is then derived by adding the Portfolio Company's cash and the value of its non-operating (surplus) assets, and then deducting its debt from the Enterprise Value.
- **The Unadjusted Equity Value is then adjusted:** A discount (offset by a control premium if applicable) totalling between 20% to 30% is then applied to the unadjusted equity value in order to reflect the following:
  - **Illiquidity Discount:** Punakaiki Fund's investments are considered illiquid (compared to the listed comparable companies that multiples were observed from) which means they take a longer time to



sell and there is greater uncertainty as to the price received as there may not be many purchasers for those investments;

- **Control Premium:** Observed share prices (and multiples) for comparable companies reflect the trading of minority interests in those companies. Where Punakaiki Fund holds a larger shareholding in a Portfolio Company, a premium is added to reflect the additional control Punakaiki Fund has to influence decisions which may impact the value of a Portfolio Company; and
- **Small Company Discount:** Smaller companies are considered riskier than larger comparable companies as they may have limited financial resource to survive shocks, and may rely on or be exposed to a small number of key staff, suppliers, customers or products that it offers to the market.
- **Carrying Value is determined:** For each Portfolio Company, their adjusted Equity Value is then multiplied by Punakaiki Fund's respective shareholding to calculate the prospective carrying value within Punakaiki Fund's portfolio. Prior to this carrying value being finalised, it is reviewed by Punakaiki Fund's Board along with other information presented to the Board for each Portfolio Company. The final determination of the valuation for each Portfolio Company is the responsibility of the Punakaiki Fund Board.

When using comparable company multiples, the resulting valuations will be influenced by prevailing market conditions, including the performance and valuation of the comparable companies, and by the growth, revenue, and EBITDA performance of each Portfolio Company. This means that over the short-term, valuations based on comparable company multiples may be more volatile than when using other valuation approaches.

When using Fair Value on Acquisition or Observed Transaction valuation approaches, these valuations are crosschecked using the comparable companies approach to ensure that each valuation is reasonable.

It should be noted that Punakaiki Fund does not attempt to value the intangible assets of its Portfolio Companies when determining their valuations.

## **Fund Valuation**

The Punakaiki Fund Board assessed the valuation of all of Punakaiki Fund's non-cash investments as at 18 October 2016 for the purposes of raising capital to be NZ\$19.922 million. The Accounting Net Asset Value of Punakaiki Fund (the value of investments and convertible loan assets plus the cash holdings less liabilities, including the cash component of the Performance Fee) is NZ\$19.941 million and the Investor Net Asset Value (the value of investments and convertible loan assets plus the cash holdings less liabilities including all of the Performance Fee) is NZ\$18.937 million. Based on 1,029,286 ordinary Shares on issue at 18 October 2016, the Investor Net Asset Value per ordinary Share is NZ\$18.40.

Individual valuations of investments are not disclosed due to the commercially sensitive nature of these valuations. Punakaiki Fund is also contracted to non-disclosure agreements with each company it has invested into, and is limited in the ability to distribute investment-specific information to shareholders. The Punakaiki Fund Board receives at least quarterly overviews on the performance of each company in the portfolio. This includes overviews for quarterly Board meetings, the year end valuation process and this Offer.

The assessed valuation of Punakaiki Fund's non-cash investment as at 18 October 2016 represents a NZ\$3.352 million increase from that assessed on 31 March 2016 (Punakaiki Fund's financial year end). This change comprises new investments of NZ\$1.250 million, net revaluations due to observed transactions NZ\$0.034 million and comparable company multiples revaluations of NZ\$2.068 million. The table below sets out the approaches used to value the Portfolio Companies for this Offer and as at 31 March 2016 (Punakaiki Fund's financial year end).



Portfolio Company	31 March 2016 Approach <sup>1</sup>	Offer Approach <sup>1</sup>
<b>Vend</b> Limited	Comparable Revenue Multiples	Observable Transaction
<b>Vibe Communications</b> Limited	Comparable Revenue/EBITDA Multiples	Comparable Revenue/EBITDA Multiples
<b>Onceit</b> Limited	Multiples/Observable Transaction	Comparable Revenue/EBITDA Multiples
<b>Mindfull</b> Group Limited	Fair Value on Acquisition	Comparable Revenue Multiples
<b>Timely</b> Limited	Comparable Revenue Multiples	Comparable Revenue Multiples
<b>Raygun</b> Limited	Fair Value on Acquisition	Comparable Revenue Multiples
<b>EverEdge</b> IP Global Limited	Fair Value on Acquisition	Observable Transaction
<b>RedSeed</b> Limited	Comparable Revenue Multiples	Comparable Revenue Multiples
<b>Mobi2Go</b> Limited	Fair Value on Acquisition	Fair Value on Acquisition
<b>Melon Health</b> Limited	Fair Value on Acquisition	Comparable Revenue Multiples
<b>Linewize</b> Group <sup>2</sup>		Fair Value on Acquisition
<b>New Zealand Artesian Water</b> Limited <sup>2</sup>		Fair Value on Acquisition
<b>Boardingware</b> International Limited	Comparable Revenue Multiples	Comparable Revenue Multiples
<b>Weirdly</b> Limited	Comparable Revenue Multiples	Multiples/Observable Transaction
<b>InfluxHQ</b> Limited	Comparable Revenue Multiples	Comparable Revenue Multiples
<b>ThisData</b> Limited	Modified Net Asset	Modified Net Asset
<b>Populate</b> Limited <sup>2</sup>		Observable Transaction
<b>Hayload</b> Limited <sup>2</sup>		Fair Value on Acquisition

<sup>1</sup> Certain companies have been further discounted as a result of their operating metrics/performance

<sup>2</sup> Punakaiki Fund invested in these companies after 31 March 2016

LWCM assisted the Board undertake these valuations. Further information regarding valuations can be found in Section 2, **Punakaiki Fund and What it Does**, in the subsection titled **Valuation** on page 23.



## 6. Key Features of the Shares

### Key Features of the Shares

Punakaiki Fund has only one class of Shares, ordinary Shares. Shareholders have two special rights. These are the right to remove the Manager, without penalty, and the right to vote on a resolution, in 2018, on whether the company should list its 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.

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 raising 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 Information Memorandum. Neither LWCM, 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.

It should be noted that any future dividends are not guaranteed, will be declared at the discretion of the 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. 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.

### Trading Your Shares

As of the date of this Information Memorandum, Punakaiki Fund has not applied for quotation of the Shares on a stock exchange, and nor do we have a sponsor to facilitate this. While we intend to seek a listing in due course, if this has not happened before April 2018 (and it is unlikely to) then under Punakaiki Fund's constitution, Shareholders will be given an opportunity at the following annual meeting of Shareholders to vote on requiring Punakaiki Fund to seek a listing on a stock exchange. Despite this vote, the ability of the Shares to, in future, be quoted or traded cannot be guaranteed.

Punakaiki Fund has established an informal internal order matching facility for matching buyers with sellers of Shares. This facility is not a licensed financial product market, is not an authorised securities exchange and is not regulated under the Financial Markets Conduct Act 2013. Investors will trade at their



own risk, as the facility is not accompanied by the investor protections that accompany a stock exchange such as the NZX or ASX. Such protections relate to insider trading, continuous disclosure, directors' and officers' relevant interest disclosure, and substantial security holder disclosure.

To date we have facilitated a number of trades between Shareholders. Factors that may affect the price at which Shares are traded include the demand for Shares versus supply, the buyers' opinion that the Investor Net Asset Value per share is fair (or otherwise) and the investment horizon of the buyer.

In our opinion our Shares, if listed, are likely to be more volatile than the overall market (as measured by indices such as the S&P 500/ASX 200/NZX 50 indices) due to the types of investments we hold. This means that for any given movement in the market, the price of the Shares is likely to move by a greater amount. However in our opinion, our Shares are not likely to be as volatile as the shares of our individual Portfolio 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 18 different businesses as opposed to being exposed to a single business.

Prior to any listing of the Shares, the volatility relationship between the price of the Shares and the overall market is likely to be reflected periodically each time we revalue our Portfolio Companies (formally once each year and informally each quarter or when we raise capital). As the Shares are not revalued more frequently and generally trade infrequently, the volatility of the price of the unlisted Shares may appear lower than listed markets prior to any listing of the Shares.

While we believe that our Shares are likely to demonstrate higher volatility than the market if the Shares are listed, we do not expect the Shares will necessarily be highly correlated with the market (i.e. move in the same direction as the market most of the time).

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.

## **Insolvency**

You will not be liable to pay any money to any person as a result of the insolvency of Punakaiki Fund, while all creditors (secured and unsecured) of Punakaiki Fund will rank ahead of Shareholder claims if Punakaiki Fund is liquidated. After all such creditors have been paid, any remaining assets will be available for distribution between all Shareholders who will rank equally among themselves. In the case of liquidation, there may not be sufficient surplus assets to enable you to recover all or any of your investment.





## 7. Punakaiki Fund's Financial Information

### Selected Financial Information

The following financial information is presented in this section and the table below:

- Selected statutory financial information as reported in our audited financial statements for FY2016; and
- Selected statutory financial information as reported in our unaudited financial statements for FY2014 and FY2015 as contained in Punakaiki Fund's FY2014 and FY2015 annual reports.

This information is disclosed in New Zealand dollars and rounded to the nearest thousand.

<b>Selected Financial Information</b>			
<b>NZ\$ '000</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
<b>Financial Performance - Selected Information</b>			
Interest Income	-	11	19
Change in Fair Value of Investments	-	2,122	3,668
Dividend Income	-	-	86
<i>Revenues</i>	-	<b>2,133</b>	<b>3,773</b>
Accrued Performance Fees	-	(391)	(644)
Management Fees	-	(50)	(251)
Insurance	-	-	(24)
Consulting and Accounting Expenses	-	-	(19)
Audit Fees	-	-	(28)
Legal Expenses	-	(2)	(12)
Other	-	-	(10)
<i>EBITDA<sup>1</sup></i>	-	<b>1,690</b>	<b>2,785</b>
Income Tax Expense	-	-	-
<i>Net Profit After Tax</i>	-	<b>1,690</b>	<b>2,785</b>
<i>Dividends Paid by Punakaiki Fund- Ordinary Shares</i>	-	-	-
<b>Financial Position - Selected Information</b>			
<i>Current Assets</i>			
Cash and Cash Equivalents	-	544	1,437
Accounts Receivable	-	-	10
<i>Non-current Assets</i>			
Investments	-	5,592	16,570
<i>Total Assets</i>	-	<b>6,136</b>	<b>18,017</b>
<i>Current Liabilities</i>			
Accounts Payable	-	-	40
<i>Non-current Liabilities</i>			
Performance Fee Payable	-	110	290
Debt	-	-	-
<i>Total Liabilities</i>	-	<b>110</b>	<b>330</b>
<b>Cash Flow - Selected Information</b>			
Cash Flows from Operating Activities	-	(41)	(209)
Cash Flows from Investing Activities	-	(3,469)	(6,586)
Cash Flows from Financing Activities	-	4,054	7,688

<sup>1</sup> Earnings Before Interest Expense, Taxation, Depreciation and Amortisation



The table above provides key financial information about Punakaiki Fund. Punakaiki Fund's FY2015 and FY2016 annual reports are available on Punakaiki Fund's website at [www.punakaikifund.co.nz/governance/](http://www.punakaikifund.co.nz/governance/). If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

### **Financial Performance**

Punakaiki Fund derives the majority of its revenues from the change in the recorded fair value of its investments in Portfolio Companies. Punakaiki Fund's policy and approach in respect of the valuation of its shareholdings in Portfolio Companies is set out in Section 5, **Terms of the Offer**, on page 36.

The majority of Punakaiki Fund's expenses relate to payments (both paid and accrued) to the LWCM for management services. Management Fees are paid quarterly in advance and Performance Fees are accrued and will be paid when one of a number of triggering events occurs. Additional Management Fee and the Performance Fee information can be found in Section 2, **Punakaiki Fund and What it Does**, on page 26.

### **Financial Position**

Punakaiki Fund's main assets are its investments in Portfolio Companies and its cash holdings. The increase in Punakaiki Fund's investments in Portfolio Companies is caused by Punakaiki Fund's additional investment in Portfolio Companies and in new businesses, and also from the revaluation of existing Portfolio Companies.

Punakaiki Fund's main liability is the accrued Performance Fee payable to LWCM. The Performance Fee is expected to be paid 28% as cash (which is recorded as a Performance Fee Payable) and 72% in new Punakaiki Fund Shares (which is recorded as a Share Based Payment Reserve). Based on the valuation as at 18 October 2016, the accrued cash component of the Performance Fee is NZ\$0.39 million and the accrued share component is NZ\$1.00 million. Additional Performance Fee and brokerage fee information can be found in Section 2, **Punakaiki Fund and What it Does**, on page 26.

### **Cash Flow**

It should be noted that Punakaiki Fund has negative operating cash flows at this time, and relies on the upward revaluation of its investments to generate profits. This situation is not expected to reverse until enough Portfolio Companies pay Punakaiki Fund sufficient dividends to meet our operating costs. It is not known if or when this may occur.

### **No Prospective Financial Information**

There is no prospective financial information in this Information Memorandum. The Board has, following careful consideration and after due enquiry, concluded that the provision of prospective financial statements for the accounting period to 31 March 2017, and the subsequent accounting period to 31 March 2018, would be likely to mislead or deceive potential investors with regard to particulars that are material to the Offer. The Board believes that it is not practicable to formulate reasonable assumptions on which to base prospective financial statements.

The principal issue facing the Board in respect of forecast prospective financial information relates to not being able to accurately forecast the value of the investments in Portfolio Companies over a one or two year time frame. The values of several of the Portfolio Companies were reassessed (both up and down) for the purposes of pricing this Offer. However as the Portfolio Companies are generally growing relatively quickly, and as public market valuations of comparable companies can change rapidly, we cannot reasonably forecast the value of our Portfolio Companies over the short and medium-term.



Several of the Portfolio Companies have received and 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.

In addition, Punakaiki Fund does not know the identity of new investments that Punakaiki Fund may make in the future, the amount and timing of Punakaiki Fund capital raising events is uncertain, and the ability of Punakaiki Fund to make additional investments into its Portfolio Companies is uncertain. All of these may result in altered performance of the Portfolio Companies, impacting valuation.

Given the inability to reliably determine reasonable assumptions for the periods covered by prospective financial information, the Board is of the view that any prospective financial statements would be likely to mislead or deceive potential investors in a material manner because actual revenues (including revaluation gains) or expenditure for that period could be materially different from that forecast.

## **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 confidentiality.

## **Previous Investment Rounds**

Prior to this offer, Punakaiki Fund has received investment from eight different capital raising events:

- In April 2014, Punakaiki Fund raised NZ\$1.525m by issuing 152,500 ordinary Shares at NZ\$10.00 each. Attached to each Share issued was one option with a strike price of NZ\$10.00 and an expiry date of 28 November 2014 and one option with a strike price of NZ\$12.00 and an expiry date of 30 June 2015;
- In November 2014, Punakaiki Fund received NZ\$1.500m from the exercise of 150,000 November 2014 options, representing a 98.4% exercise rate;
- In December 2014, Punakaiki Fund raised NZ\$1.155m by issuing 92,400 ordinary Shares at NZ\$12.50 each. Attached to each Share issued was one option with a strike price of NZ\$14.00 and an expiry date of 30 September 2015;
- In June 2015, Punakaiki Fund received NZ\$1.830m from the exercise of 152,500 June 2015 options, representing a 100% exercise rate;
- In June 2015, Punakaiki Fund raised NZ\$2.912m by issuing 200,831 ordinary Shares at NZ\$14.50 each. 62,900 of these Shares were issued to investors in a private offer to wholesale investors and 137,931 of these Shares were issued to investors in a crowd funding offer;
- In September 2015, Punakaiki Fund received NZ\$0.942m from the exercise of 67,315 September 2015 options, representing a 72.9% exercise rate;
- In December 2015 and January 2016, Punakaiki Fund raised NZ\$2.242m by issuing 135,850 ordinary Shares at NZ\$16.50 each. Attached to each Share issued was one option with a strike price of NZ\$19.00 and an expiry date of 16 September 2016;
- In October 2016, Punakaiki Fund received NZ\$0.529m from the exercise of 27,820 September 2016 options, representing a 20.5% exercise rate.

In addition to the capital raising events detailed above, Punakaiki Fund also issued 100 ordinary Shares at no cost to LWCM when Punakaiki Fund was incorporated in 2013 and issued 49,970 ordinary Shares to Lance Wiggs to settle the acquisition of Lance Wiggs' Vend shares in August 2015.



## **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 companies in Punakaiki Fund's investment portfolio. New capital will also be used to meet the on-going costs of Punakaiki Fund. The frequency and size of these capital raising events will depend on the following factors:

- The size of Punakaiki Fund;
- The size and number of investment opportunities available to Punakaiki Fund;
- The amount which Punakaiki Fund is able to raise in any single capital raising event;
- The price at which Punakaiki Fund is able to raise capital;
- The composition of Punakaiki Fund's shareholder base;
- The sentiment of the market, both in general and towards venture capital/private equity-type investment; and
- The sentiment of the market towards Punakaiki Fund.

Based on existing market conditions, the size of Punakaiki Fund and the number of opportunities currently available to Punakaiki Fund, Punakaiki Fund is likely to continue to seek additional capital between one and two times per annum.



## 8. 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. The directors expect that an investment in Punakaiki Fund is likely to exhibit different volatility (a measure of risk) compared to an investment in a diversified portfolio of listed securities. The individual early-stage and growth investments we make carry higher risks than most other investment types. 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, we note that 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

<b>Risk</b>	<b>Loss of value due to the poor performance or failure of one or more Portfolio Companies</b>
<b>Nature of risk</b>	Punakaiki Fund holds its investments in individual Portfolio Companies at certain values. If one or more Portfolio Companies performs poorly or fails, then the value of the respective investment may be partially or completely lost. This will lower the Investor Net Asset Value per Share and is likely to negatively impact the Share value.
<b>Magnitude and Likelihood</b>	<p>Punakaiki Fund maintains a target of holding less than 20% of the value of the assets with companies that are required to raise additional capital before reaching a positive cash flow position. While the exact situation for each company varies over time, when selecting investments for Punakaiki Fund, LWCM generally focuses on companies that LWCM believes should have enough funds to reach positive cash-flow before requiring new funds.</p> <p>The situation within each company, however, can change, and sometimes very quickly, so Punakaiki Fund's Board reviews, at least each quarter, the sustainability and performance of all of Portfolio Companies. The Board regularly writes down the value of Portfolio Companies which have performed below expectation or where there is a short to medium-term risk of failure, especially when this failure is tied to a Portfolio Company not being able to raise additional capital. Writing down, or impairing, the value of the investments lowers the risk of a sudden loss of value.</p>
<b>Mitigation</b>	The valuation exercise performed by the Board for this Offer included writing-down of values for 5 out of the 18 investments since the last investment into each Portfolio Company, of which 4, collectively representing under 13% of the portfolio, were due to underperformance versus expectations and one due to a company accepting external investment at a lower price than expected. These write-downs pre-emptively incorporate the impact of most or all external events that could trigger a write-down, with the highest risk investments representing under 7% of the portfolio value.



Risk	Risk of change in valuation of investments due to public market volatility
<b>Nature of Risk</b>	<p>Punakaiki Fund invests in relatively small and high growth companies, and those companies typically have valuations that are more volatile than a portfolio of companies traded on public markets. For example, if public equity markets drop by a certain percentage, then the value of many of the investments held by Punakaiki Fund may drop by a larger percentage. Volatility of this nature would mean a share market correction (fall) could lower the Investor Net Asset Value per share for shareholders by a greater proportion than that by which the market fell. This also works in the reverse case, with greater reaction to share market valuations rising.</p> <p>Punakaiki Fund also holds a high proportion of its portfolio in technology-based businesses and especially companies with a SaaS business model. This means that Punakaiki Fund is more heavily exposed to the volatility in public markets for these types of businesses.</p>
<b>Magnitude and Likelihood</b>	<p>One indicator we track is the Bessemer Venture Partners' "BVP Cloud Index". At 31 March 2016 the index was 19% down on the 31 December 2015 result, during a period where the S&amp;P 500 index, which reflects a much greater diversity of companies, was essentially static. Punakaiki Fund uses a large basket of comparable SaaS companies (using market value versus revenue and revenue growth in particular) to inform and perform valuations, and so the portfolio valuations for investments in SaaS companies were marked down accordingly. However the year-end impact on the overall fund value was mitigated by the very high revenue growth of many of the SaaS companies in the portfolio.</p> <p>We consider that the public market valuations for many of the listed companies comparable to Portfolio Companies will continue to be volatile, and the portfolio valuation, when periodically marked to market, will reflect these changes.</p>
<b>Mitigation</b>	<p>Punakaiki Fund has a deliberate strategy to invest in a range of companies which provide exposure to a diverse range of industries and business models. This portfolio approach helps mitigate the technology and SaaS business model concentration and reduce the overall volatility of Punakaiki Fund's valuation.</p> <p>By investing in companies that grow quickly the effect of a share market falls that lower revenue multiples on the Investor Net Asset Value is lessened.</p> <p>For example when, as mentioned above, the BVP Cloud Index fell by 19% this did not have the full 19% valuation drop impact on all of the SaaS investments in the portfolio, as some of those companies had grown their revenue significantly (e.g. by over 19%) since their previous valuation.</p> <p>Finally, we note that volatility operates in both directions – and the value of the underlying assets will generally rise (as well as fall) at a higher rate than the market. Punakaiki Fund maintains a very long term perspective on investments, and while valuations are periodically marked to market, over the long-run the short-term market gyrations are less material.</p>





Risk	Uncertainty about the valuation of private companies
<b>Nature of Risk</b>	<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, and risk that this value is not able to be realised quickly through sale of shares.</p> <p>The importance of this risk is illustrated by Ernst &amp; Young drawing attention to “Note 3.1.1 to the financial statements which describes the inherent uncertainty and difficulty in measuring the fair value of early stage unlisted investments” in their independent Auditor’s Report on Punakaiki Fund’s FY2016 financial statements. This uncertainty and difficulty in valuing our Portfolio Companies is acknowledged in similar language by the Board in Note 3.1.1 to Punakaiki Fund’s FY2016 financial statements.</p>
<b>Magnitude and Likelihood</b>	<p>The first risk is that Punakaiki Fund overpays for investments by valuing them too highly at the time of investment, which would later lead to writing-down the value of the investment and thus the value of the portfolio. The level of risk is related to the size of the investment, and LWCM applies a level of due diligence appropriate to the investment size.</p> <p>The second risk is that the Board materially over-values an investment, due either to inadequate or incorrect information provided to or from LWCM, or from incorrectly assessing the value versus comparable companies.</p> <p>The third risk is that of systematic overvaluing of some or all of the portfolio, which would be due to incorrect application of the comparable company valuations or under-estimation of the discounts applied for liquidity or control.</p> <p>Overvaluation of one of either of the two highest valuation investments (each of which is under 15% of the portfolio value) by 20% would cause the overall portfolio to be overvalued by under 3%, which is a relatively low risk. A systematic overvaluation approach would be difficult to achieve given the checks required by the Board.</p>
<b>Mitigation</b>	<p>Punakaiki Fund generally values its investments by using the valuation in the last funding round, or by using revenue, revenue growth or EBITDA metrics versus publicly traded companies. We adjust these publicly traded metrics for relative growth rates, addressable market and overall performance and 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).</p> <p>The valuations are prepared and proposed by LWCM, 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 selected individual valuations. The auditors work with LWCM through this process, but also meet independently with Punakaiki Fund’s independent and non-executive directors.</p> <p>Punakaiki Fund generally avoids investing in companies that are not able to be valued using revenue or EBITDA multiples, and in general revalues companies (including for follow-on investment) only based on known changes in core metrics such as revenue, revenue growth and profitability; as well as valuation changes in comparable public market companies.</p>



<b>Risk</b>	<b>The loss or the poor performance of key people</b>
<b>Explanation</b>	Punakaiki Fund relies on LWCM, and specifically the abilities of Lance Wiggs and Chris Humphreys, to (1) make good investments on its behalf and (2) to help many of the companies to increase their value. The loss or poor performance of these people may have a long-term negative impact on Punakaiki Fund's Investor Net Asset Value.
<b>Magnitude and Likelihood</b>	<p>The primary effect on Punakaiki Fund of either Lance or Chris being incapacitated would be a lower ability to find and make new investments, lower rigour in the investment process, lower ability to provide assistance to companies and higher administration burden on the remaining person.</p> <p>The Investor Net Asset Value per Share, which is based on investments in companies, would be largely unaffected, although the price a willing buyer is prepared to pay for Punakaiki Fund Shares may fall. Punakaiki Fund would have the option to stop raising funds and derive value for shareholders based on the long term increase in value from investments already made.</p>
<b>Mitigation</b>	<p>As the size of Punakaiki Fund grows LWCM should be able to increase the size of their team, which will lower the impact of either Lance or Chris being unable to perform their duties.</p> <p>LWCM believes that it has the ability to maintain the Management Agreement and to retain new staff to step up into the senior roles. For example, Lance could be replaced by Chris, and Chris (in either case) replaced by a seasoned finance professional.</p> <p>In the event of poor performance of LWCM's principals, including due to the inability to perform duties through poor performance or for cause, the Board has the ability to remove LWCM (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 (at least) manage the on-going holding of Punakaiki Fund's existing investments.</p>

## 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 Information Memorandum 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 adviser.



## 9. 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.





## 10. Where You Can Find More Information

### 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](http://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](http://www.punakaikifund.co.nz).

### Shareholder Communications

Each year an annual report is produced to disclose the investments made during the year, the status of all of the companies we have invested in and assessments of 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 meeting, which is held before the end of September each year. Along with the more formal activities at each annual meeting, we review of our current investments and may invite selected investee companies to present to Shareholders attending the meeting. Representatives from these companies may also be available to discuss any queries you might have.

Each quarter, if not more frequently, 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.



# 11. How to Apply

## Before You Apply

If you are considering purchasing Shares in Punakaiki Fund as outlined in this Information Memorandum, we believe it will be prudent for you to undertake the following steps prior to submitting your Application.

- Read this Information Memorandum;
- Read the additional information available on Punakaiki Fund's website ([www.punakaikifund.co.nz/governance/](http://www.punakaikifund.co.nz/governance/)); and
- Take financial and other advice from an expert.

**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 the Shares.**

## How to Apply for Shares

You can apply for Shares by filling in the Application Form and returning it to Punakaiki Fund. You must also make full payment for the Shares and provide any necessary documents required by us under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (if required) prior to the Closing Date.

The Application Form can found at the end of this Information Memorandum or downloaded from [www.punakaikifund.co.nz/files/PFLIMAPP2016AU.PDF](http://www.punakaikifund.co.nz/files/PFLIMAPP2016AU.PDF).

Your Application must be accompanied by full payment for the total number of Shares applied for. This can be paid by one-time direct credit, bank draft or by a cheque drawn on a New Zealand branch of a New Zealand registered bank (made out in favour of "Punakaiki Fund Limited" and crossed "Not Transferable").

Completed Application Forms must be received by Punakaiki Fund no later than 9 p.m. on the Closing Date. More information on the application process can be found accompanying the Application Form on page 60 of this Information Memorandum.

If you require any further information or assistance with the application process, please contact LWCM: Chris Humphreys ([chris@lwcm.co.nz](mailto:chris@lwcm.co.nz)) or Lance Wiggs ([lance@lwcm.co.nz](mailto:lance@lwcm.co.nz)).

## Application Charges

You are not required to pay any charges or fees to LWCM or Punakaiki Fund in relation to the Offer other than brokerage, which is included in the Price for each Share you subscribe for.

The costs of the Offer will be assumed by LWCM, who will be paid, as brokerage, 3% of all capital raised under the Offer. This brokerage fee arrangement between Punakaiki Fund and LWCM is an on-going arrangement and applies to all capital raising events undertaken by Punakaiki Fund. Further information regarding the brokerage fee can be found in Section 2, **Punakaiki Fund and What it Does**, on page 28.



## **Anti-money Laundering Requirements**

Punakaiki Fund is required to comply with the Anti-Money Laundering and Countering Financing of Terrorism Act 2009. Punakaiki Fund will use certified identification documents as our primary means of vetting new investors in the Offer.

If we are unable to satisfactorily complete our verification process, we will not be able to allot you the Shares which you have applied for.





## 12. Contact Information

### **Punakaiki Fund**

Punakaiki Fund Limited  
Level 5  
2 Kitchener Street  
Auckland  
New Zealand 1010

Lance Wiggs  
[lance@lwcm.co.nz](mailto:lance@lwcm.co.nz)  
+64 (0)21 526 239

### **LWCM**

Lance Wiggs Capital Management Limited  
Level 5  
2 Kitchener Street  
Auckland  
New Zealand 1010

Lance Wiggs  
[lance@lwcm.co.nz](mailto:lance@lwcm.co.nz)  
+64 (0)21 526 239

Chris Humphreys  
[chris@lwcm.co.nz](mailto:chris@lwcm.co.nz)  
+64 (0)27 622 7803

### **Share Registrar**

Punakaiki Fund's Share Registrar administered by LWCM.

Lance Wiggs Capital Management Limited  
Level 5  
2 Kitchener Street  
Auckland  
New Zealand 1010

Chris Humphreys  
[chris@lwcm.co.nz](mailto:chris@lwcm.co.nz)  
+64 (0)27 622 7803



# Glossary of Terms

Term	Definition
<b>\$ or NZ\$</b>	New Zealand dollar
<b>Accounting Net Asset Value</b>	The fair market value of the assets less the liabilities of Punakaiki Fund as determined by the Board after consultation with LWCM and in some instances, other external parties. The Accounting Net Asset Value incorporates only the cash component of the contingent Performance Fee and not the full Performance Fee. The Accounting Net Asset Value is used to calculate the quarterly Management Fee. It is not a GAAP measure.
<b>Applicant(s)</b>	A person(s) who submits an Application Form(s) under the Offer
<b>Application Form</b>	The form required to apply for Shares in Punakaiki Fund as set out in this Information Memorandum. A copy of the Application Form can be obtained by emailing <a href="mailto:chris@lwcm.co.nz">chris@lwcm.co.nz</a> or <a href="mailto:lance@lwcm.co.nz">lance@lwcm.co.nz</a>
<b>Application Monies</b>	The funds required to accompany an Application in order for Shares to be purchased
<b>Application(s)</b>	Completed Application Forms returned to Punakaiki Fund along with full payment
<b>ASIC</b>	Australian Securities and Investments Commission
<b>Board</b>	The board of directors of Punakaiki Fund
<b>Closing Date</b>	20 December 2016 or such other date as determined by Punakaiki Fund
<b>Companies Act</b>	Companies Act 1993 (New Zealand)
<b>Corporations Act</b>	Corporations Act 2001 (Cth)
<b>EBITDA</b>	Earnings before Interest, Tax, Depreciation and Amortisation
<b>FY2014, FY2015, FY2016</b>	Financial Years ending 31 March 2014, 31 March 2015 and 31 March 2016 respectively
<b>GICS Industries</b>	The Global Industry Classification Standard (GICS) is a standardised classification system for equities. The GICS hierarchy begins with 11 sectors and is followed by 24 industry groups, 68 industries and 157 sub-industries.



<b>Term</b>	<b>Definition</b>
<b>GST</b>	Goods and Services Tax
<b>High Water Mark</b>	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 LWCM is not paid a Performance Fee for gains that make up for previous periods of poor performance
<b>Information Memorandum</b>	This document
<b>Investor Net Asset Value</b>	The fair market value of the assets less both the liabilities of Punakaiki Fund and the share-based component of the Performance Fee, as determined by the Board after consultation with LWCM and in some instances, other external parties. The Investor Net Asset Value is used to determine the pricing of this Offer. It is not a GAAP measure.
<b>IPEV</b>	International Private Equity and Venture Capital Valuation Guidelines (December 2015 edition)
<b>IPO</b>	Initial Public Offering
<b>LWCM or Manager</b>	Lance Wiggs Capital Management Limited, the investment manager of Punakaiki Fund
<b>m</b>	Million
<b>Management Agreement</b>	The agreement dated 25 March 2014 between Punakaiki Fund and LWCM relating to sourcing and managing investments for Punakaiki Fund
<b>Management Fee</b>	The management fee paid to LWCM under the Management Agreement



<b>Term</b>	<b>Definition</b>
<b>Market Value</b>	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 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 capital return 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.
<b>NZAW</b>	New Zealand Artesian Water Limited – one of Punakaiki Fund’s Portfolio Companies
<b>NZX</b>	NZX Limited, the operator of the New Zealand Stock Exchange
<b>Offer</b>	The offer of Shares under this Information Memorandum
<b>Party or Parties</b>	Punakaiki Fund or any of its agents, representatives, consultants, or advisers or any of their respective directors, officers or employees, including those associated with LWCM
<b>Performance Fee</b>	Amounts payable to LWCM tied to the positive performance of Punakaiki Fund as set out in the Management Agreement and on page 26 of this Information Memorandum
<b>Portfolio Company(s)</b>	A business in which Punakaiki Fund has invested. There are 18 Portfolio Companies as at the date of this Information Memorandum. These are generally investments in a single company, which may or may not have subsidiaries. The exception is that our investment in Linewize is via two companies; Linewize Limited and Linewize Services Limited.
<b>Preparation Date</b>	30 November 2016
<b>Price</b>	NZ\$19.00 — the price at which Shares may be bought under the Offer
<b>Prospective Information</b>	Any forecasts, forward-looking statements, financial or other projections, estimates and opinions contained in this Information Memorandum
<b>Punakaiki Fund</b>	Punakaiki Fund Limited



<b>Term</b>	<b>Definition</b>
<b>SaaS</b>	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)
<b>Share</b>	One fully paid ordinary share in Punakaiki Fund which ranks equally with each other and all existing shares in Punakaiki Fund
<b>Shareholder</b>	Holder of one or more Shares in Punakaiki Fund
<b>Sophisticated Investors</b>	“Sophisticated investors”, “financial services licensees” or “professional investors” within the meaning of subsections 708(8), (10) or (11) respectively of the Corporations Act



# Punakaiki Fund Application Form

This Application Form is to apply for fully paid ordinary Shares in Punakaiki Fund Limited, New Zealand company number 4395942 ("Punakaiki Fund"). Before completing this Application Form, you should read the Punakaiki Fund Information Memorandum dated 30 November 2016; along with the Application Instructions and Terms which follow this Application Form. This Application Form constitutes an offer to purchase the Shares described in the Information Memorandum. The full amount of the purchase price for the Shares is due upon application. The Closing Date for the Offer is 9.00 p.m., 20 December 2016 (or such earlier or later date as Punakaiki Fund may determine). For instructions on how to complete and deliver this form, see the accompanying Application Instructions and Terms.

## A: APPLICATION DETAILS AND INFORMATION – PLEASE PRINT IN BLOCK LETTERS

**Individuals should fill out this section if applying as an individual(s). Company directors, trustees, any person who has effective control if the applicant is a company or a trust, and any person who owns more than 25% if the applicant is a company/trust should fill out this section and sign this Application Form.**

### Applicant Details

First Name(s): \_\_\_\_\_ Family Name: \_\_\_\_\_ Date of Birth: \_\_\_\_/\_\_\_\_/\_\_\_\_  
Email Address: \_\_\_\_\_ Telephone: \_\_\_\_\_  
Residential Address: \_\_\_\_\_  
(Must not be a P.O. Box and Private Bag address)

I have included the identity verification documents required to satisfy Punakaiki Fund's Anti-money laundering customer due diligence requirements ☐  
(refer to Punakaiki Fund Application Instructions and Terms for further information)

### Applicant 2 Details

First Name(s): \_\_\_\_\_ Family Name: \_\_\_\_\_ Date of Birth: \_\_\_\_/\_\_\_\_/\_\_\_\_  
Email Address: \_\_\_\_\_ Telephone: \_\_\_\_\_  
Residential Address: \_\_\_\_\_  
(Must not be a P.O. Box and Private Bag address)

I have included the identity verification documents required to satisfy Punakaiki Fund's Anti-money laundering customer due diligence requirements ☐  
(refer to Punakaiki Fund Application Instructions and Terms for further information)

### Applicant 3 Details

First Name(s): \_\_\_\_\_ Family Name: \_\_\_\_\_ Date of Birth: \_\_\_\_/\_\_\_\_/\_\_\_\_  
Email Address: \_\_\_\_\_ Telephone: \_\_\_\_\_  
Residential Address: \_\_\_\_\_  
(Must not be a P.O. Box and Private Bag address)

I have included the identity verification documents required to satisfy Punakaiki Fund's Anti-money laundering customer due diligence requirements ☐  
(refer to Punakaiki Fund Application Instructions and Terms for further information)





## For Companies

Complete this section if you are applying on behalf of a Company. All company directors, any person who has effective control of the company and any company shareholder who owns more than 25% if the applicant is a company (either directly or indirectly) will need to complete the applicant details on the previous page and sign this Application Form.

Company Name: \_\_\_\_\_ Trading Name (if different): \_\_\_\_\_ Company Number: \_\_\_\_\_

Registered Office Address: \_\_\_\_\_  
(Must not be a P.O. Box and Private Bag address)

Jurisdiction of Incorporation: \_\_\_\_\_ Business or Industry: \_\_\_\_\_

Company Extract: ☐ A certified copy of the Company's Extract has been attached to this Application Form. **(this must be provided)**

Source of wealth: ☐ Income/savings ☐ Proceeds from sale of property/properties ☐ Proceeds from sale of business ☐ Inheritance/gift  
☐ Other (please specify) \_\_\_\_\_

## For Trusts

Complete this section if you are applying on behalf of a Trust. All trustees, any person who has effective control of the trust (such as settlors and appointors) and any beneficiary or other person who has more than a 25% interest in the trust (either directly or indirectly) will need to complete the applicant details on the previous page and sign this Application Form.

Trust Name: \_\_\_\_\_ Country of Establishment: \_\_\_\_\_ Date of Establishment: \_\_\_\_/\_\_\_\_/\_\_\_\_

Trust Address: \_\_\_\_\_ Type of Trust: \_\_\_\_\_  
(Must not be a P.O. Box and Private Bag address) (e.g. family, charitable)

Source of wealth: ☐ Income/savings ☐ Proceeds from sale of property/properties ☐ Proceeds from sale of business ☐ Inheritance/gift  
☐ Other (please specify) \_\_\_\_\_

Trust Deed: ☐ A copy of the Trust's deed has been attached to this Application Form. **(this must be provided)**

## B: SUBSCRIPTION AMOUNT

The price is NZ\$19.00 per Share. Applications must be for a minimum of 3,000 Shares (NZ\$57,000) and, thereafter, in multiples of 1,000 Shares (NZ\$ 19,000). Punakaiki Fund Limited may accept or reject all or part of this application without giving reason.

Number of Shares applied for: \_\_\_\_\_ × NZ\$19.00 Price per Share = NZ\$ \_\_\_\_\_

You may choose only ONE of the PAYMENT options below. Please tick the box next to your selected option.

- ☐ **OPTION 1:** I will make a bank transfer of funds to Punakaiki Fund Limited's New Zealand bank account: 02-1257-0039394-002
- ☐ **OPTION 2:** Please find attached my payment by New Zealand-dollar bank draft made out to Punakaiki Fund Limited

## C: COMMON SHAREHOLDER NUMBER (CSN)

If you currently have a Common Shareholder Number (CSN), please enter it here: \_\_\_\_\_

## D: OFFER TO SOPHISTICATED INVESTORS ONLY

By signing this Application Form you represent and warrant to Punakaiki Fund that if you are resident in Australia you are a "sophisticated investor", "financial services licensee" or "professional investor" within the meaning of subsections 708(8), (10) or (11) respectively of the Corporations Act.

## E: SIGNATURE(S) OF APPLICANT(S)

I/We hereby acknowledge that I/we have received and read the Information memorandum, the Application Instructions and Terms and this Application Form and apply for the number of fully paid ordinary Shares as set out above and agree to accept such Shares (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the Information Memorandum, the Application Instructions and Terms and this Application Form.

Signature 1 \_\_\_\_\_ Signature 2 \_\_\_\_\_ Signature 3 \_\_\_\_\_



# Punakaiki Fund Application Instructions and Terms

*You should read the Punakaiki Fund Limited Information Memorandum and take financial advice before applying for Shares in Punakaiki Fund.*

## General

Applications for Shares may be lodged until 9 p.m. on the Closing Date, being 20 December 2016 or such other date as Punakaiki Fund may determine at its sole discretion. Applications must be for a minimum amount of 3,000 Shares (\$57,000) and in multiples of 1,000 Shares (\$19,000) thereafter.

The return of this Application Form will constitute your offer to purchase or subscribe for Shares. By submitting this Application Form you represent and warrant to Punakaiki Fund that if you are resident in Australia you are a “sophisticated investor”, “financial services licensee” or “professional investor” within the meaning of subsections 708(8), (10) or (11) respectively of the Corporations Act.

Applications must be completed in full and presented with all necessary documents. An Application may be rejected if any details are not entered, is otherwise incorrectly completed or is not accompanied by all necessary documents. Punakaiki Fund reserves the right to treat any Application as valid or to decline any Application, in whole or in part, at its sole discretion and without giving any reasons. Our decision as to whether to reject the Application, or to treat it as valid (and then how to construe, amend or complete the Application Form) will be final. The decision on the number of Shares to be allocated to you shall also be final. You will not, however, be treated as having agreed to purchase a greater number of Shares than which you have applied for.

By submitting an Application Form, you agree:

- to purchase and subscribe for the number of Shares you specify; and
- to become a Shareholder of Punakaiki Fund and to be bound by Punakaiki Fund’s constitution (as applicable from time to time).

No person accepts any liability or responsibility if you attempt to sell or otherwise deal with the Shares before you receive confirmation of the number of Shares you have been allotted.

Personal information provided by you will be held by Punakaiki Fund or at such other place as is notified upon request. This information will be used for the purpose of managing your investment. You have the right to access and correct any personal information about you under the Privacy Act 1993 (New Zealand).

## No Guarantee

No person guarantees the Shares offered under this Information Memorandum.



## **Anti-money Laundering and Counter Financing of Terrorism**

Punakaiki Fund is required to comply with the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 and is required to verify the identities of investors.

Punakaiki Fund will require copies of the following documents (certified by an appropriate person):

- A. Evidence of your identity and date of birth, by providing a certified copy of one of the following:
  - i. Your Passport; or
  - ii. Your driver licence (or 18+ card) and a certified copy of a birth certificate or citizenship certificate.
- B. Evidence of your residential address, by providing an original or certified copy of one of the following (which is less than 3 months old):
  - i. bank statement
  - ii. power bill;
  - iii. home phone bill; or
  - iv. Inland Revenue statement.

### ***Companies***

If the Applicant is a **Company**, then all directors, anyone who has effective control of the company and anyone who directly or indirectly owns 25% or more of the shares of the company will need to complete and sign the Application Form (as if an individual). You will also need to provide a certified copy of the company's extract.

Depending on the nature and jurisdiction of the Company, we may also require additional information including evidence of the Company's source of wealth beyond what is required in the Application Form.

### ***Trusts***

If the Applicant is a **Trust**, then all trustees, anyone who has effective control of the trust (such as settlers or any person with the power to appoint trustees) and anyone who directly or indirectly owns or benefits from 25% or more of the trust will need to complete and sign the Application Form (as if an individual). You will also need to provide Punakaiki Fund with the following documents:

- A. A copy of the trust deed; and
- B. Copies of any deeds of amendment.

Depending on the nature and jurisdiction of the Trust, we may also require additional information including evidence of the Trust's source of wealth beyond what is required in the Application Form.

**If Punakaiki Fund is unable to adequately complete its customer due diligence processes for your application, we will not be able to allot the Shares for which you have applied.**



## **Applications**

You can apply for Shares by using the Application Form attached within this Information Memorandum. The Application Form must be received by Punakaiki Fund no later than 9 p.m. on 20 December 2016.

Completed Application Form should be delivered to Punakaiki Fund using one of the following methods:

**Scanned via Email:**      chris@lwcm.co.nz

or

**Printed by Post:**      Punakaiki Fund Limited  
P.O. Box 106655  
Auckland City 1143

or

**Printed in Person:**      Delivered in person to Lance Wiggs or Chris Humphreys at:  
Level 5  
2 Kitchener Street  
Auckland

## **Application Payment**

Space is provided on the form for Applicants to elect to make payment by cheque or bank draft payable to “Punakaiki Fund Limited” and crossed “Not Transferable”, OR by direct credit to Punakaiki Fund’s New Zealand bank account: 02-1257-0039394-002

Payment must be in New Zealand currency based on NZ\$19.00 per Share.

Applications must be for a minimum of 3,000 Shares (NZ\$57,000) and, thereafter, in multiples of 1,000 Shares (NZ\$19,000). Punakaiki Fund may accept or reject all or part of any Application without giving reason.

All application monies received by Punakaiki Fund will be held in a separate account and on trust by Punakaiki Fund until such time as either Shares are allotted or the application monies are returned to the Applicant.

