



Offering of ordinary shares in Punakaiki Fund Limited

PRODUCT DISCLOSURE STATEMENT

8 NOVEMBER 2021

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

OFFER NUMBER
OFR13159

01. Key Information Summary

What is this?

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

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

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

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

About Punakaiki Fund

Punakaiki Fund is a venture capital investment company with total assets of \$78 million. Punakaiki Fund is managed by 2040 Ventures Limited (“2040 Ventures”), previously known as LWCM Limited.

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

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

We expect to continue to have negative operating cash flows for some time due to cash spent on operational expenses currently exceeding cash received from dividends. However, given current cash assets and expected cash inflows we do not expect that funds from the Offer will need to be applied to meeting the operating costs of Punakaiki Fund for the next 12 months.

Punakaiki Fund has material investments in technology companies Devoli, Quantifi Photonics, Onceit and Mobi, along with eleven other Core Portfolio Companies.

Punakaiki Fund sold (“exited”) its investments in Vend and Timely in 2021, and has realised total proceeds to date of \$14.5 million, with another estimated \$0.7 million yet to be received.

In FY2021 Punakaiki Fund returned a net profit after tax of \$9.7 million, with \$1.4 million of negative operating cash flows.

Purpose of this offer

Punakaiki Fund is raising new capital via this Offer to make further venture capital investments into existing Core Portfolio Companies and new technology businesses.

It is unlikely that we will need to allocate any funds from this Offer to meeting the operating costs of Punakaiki Fund for the next twelve months, as we have sufficient cash assets and anticipated cash flows to meet these costs. We do, however, intend to make investments during the period of the offer.

Key terms of the offer

Securities	Ordinary Shares
Offer Price	\$28.50 per Share*
PDS Lodged	8 November 2021
Offer Opens	16 November 2021
Offer Closes	9 December 2021
Allotment Date	14 December 2021
Minimum Application	100 Shares
Maximum Application	200,000 Shares
Minimum Shares offered	10,000 Shares
	(0.4% of the total Shares on issue following this Offer)
Maximum Shares offered	500,000 Shares
	(16.9% of the total Shares on issue following this Offer)
Current Shares on issue	2,451,672 Shares

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

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

Under its constitution, Punakaiki Fund is structured as a company and is governed by a Shareholder-elected board of directors, with the Manager appointed under the Management Agreement, details of which can be found on page 27. 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.

Management agreement

Highlights of the Management Agreement are set out in the table below.

Manager	2040 Ventures Limited <i>formerly LWCM Limited</i>
Principals	Lance Wiggs, Chris Humphreys
Management Fee	2% up to \$50 million then 1.5% thereafter <i>See page 27 for details</i>
Administration Fee	\$251,000 for FY2022 Set annually by the Board
Performance Fee	20% of uplift in Share price paid in equity and cash* <i>See pages 27 & 28 for details</i>
Performance Fee payment	Payable only after listing** on a stock exchange, then annually <i>See pages 27 & 28 for details</i>
Brokerage Fee	3% of capital raised, excluding share-swap arrangements and Performance Fee payments
Term	10 years, with rollover rights in March 2024 <i>Manager can be removed without penalty when more than 50% of the Shares are voted in favour of doing so</i>

* also subject to a 10% return hurdle and a high-water mark. Calculated on a share tranche basis.

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

Further details, including the Management Agreement itself, can be found in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number OFR13159.

How you can get your money out

Punakaiki Fund does not intend to quote these Shares on a market licensed in New Zealand in the short to medium-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 Punakaiki Fund shares through the quarterly matching of buyers and sellers can be found in Section 6, Key Features of the Shares, on page 37.

Key drivers of returns

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

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

Key risks affecting this investment

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

Venture Risk – the risk associated with investing in the venture capital sector.	Venture capital investments are designed to be high return, and have an associated high risk of failure. Punakaiki Fund mitigates this risk by investing only in businesses with material revenue, in accordance with the diversification strategy outlined in our Statement of Investment Policies and Objectives, and by regularly marking down Portfolio Companies that do not perform to expectations.
Investment Concentration Risk – the dependence on the performance and valuation of four key companies.	Our investments in Devoli, Onceit, Quantifi Photonics and Mobi represent over 57% of the value of Punakaiki Fund’s total investments (including recent investments into Conqa (21 October 2021) and Whip Around (27 October 2021)), and material changes in their performance and valuation would affect the value of the Shares. We have a policy of diversifying investments, we monitor and value these large investments carefully, and (via 2040 Ventures) we have board seats or observation rights for each of these companies and assist where we can add value. We expect concentration risk to occur as companies outperform and increase in value.
Control Risk – the lack of operational control of our Portfolio Companies.	While we almost always have directorships or observation rights, as well as well-defined shareholder rights, 2040 Ventures and Punakaiki Fund are unable to control the activities of the Portfolio Companies we invest into. These are controlled by the boards of each Portfolio Company, but also subject to high levels of control by founders and other shareholders. We work in collaboration with founders towards aligned goals, and actively work with founders and other shareholders to generate alignment on strategy and tactics.

This summary does not cover all of the risks of investing in Shares. You should also read Section 8 of this PDS, **Risks to Punakaiki Fund’s Business and Plans**, on page 43.

Punakaiki Fund's financial information

The financial position and performance of Punakaiki Fund are essential to an assessment of this Offer. You should also read Section 7, **Punakaiki Fund's Financial Information**, on page 39.

NZ\$ '000	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Financial Position						
Investments	16,570	25,540	34,160	46,170	55,020	71,090
Total Assets	18,017	28,424	34,953	47,272	57,976	73,297
Financial Performance – Selected Information						
Change in Fair Value of Investments	3,668	5,563	(18)	7,115	4,958	14,388
Dividend Income	86	69	344	193	165	193
Interest & Other Operating Income	19	27	3	1	2	1
Revenues	3,773	5,659	329	7,309	5,125	14,582
Net Profit After Tax	2,785	4,106	(249)	5,005	3,699	9,714
Cash Flow – Selected Information						
Cash Flows from Operating Activities	(209)	(493)	(468)	(773)	(1,298)	(1,392)
Cash Flows from Investing Activities	(6,586)	(3,407)	(6,743)	(3,385)	(3,892)	(1,681)
Cash Flows from Financing Activities	7,688	5,306	5,103	4,455	7,061	2,338

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

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

Contents

01.	Key Information Summary	2
	Letter from the Chair.....	7
02.	Punakaiki Fund & What it Does.....	8
03.	Purpose of the Offer.....	32
04.	Key Dates & Offer Process	34
05.	Terms of the Offer	35
06.	Key Features of the Shares	37
07.	Punakaiki Fund's Financial Information	39
08.	Risks to Punakaiki Fund's Business and Plans.....	43
09.	Tax	48
10.	Where You Can Find More Information	49
11.	How To Apply.....	50
12.	Contact Information	51
13.	Glossary	52

Letter from the Chair

Dear Investor,

Kia ora koutou o te whānau a Punakaiki Fund.

Thank you for considering an investment in Punakaiki Fund. This year's retail Offer comes after we have delivered two highly visible exits, Vend and Timely, which drove a record year of asset appreciation.

The value of our \$78 million of Assets is now dominated by four companies – Devoli, Quantifi Photonics, Mobi and Onceit, and you should read more about these and other companies in this Product Disclosure Statement.

The Board is responsible for the valuation of investments and setting the price of this offer, seeking to ensure it is fair to new and existing investors alike. We have a rigorous and audited annual process, including using an external valuer for one company. We gain comfort from the valuations used for Quantifi Photonics and Mobi, which are based on recent capital raises conducted by those companies that were led or supported by external investors.

Punakaiki Fund has been in operation since April 2014, and its managers, 2040 Ventures Limited (formerly LWCM Limited) have not just built a strong portfolio, but also developed an investment pipeline and process that gives them continuous access to a large population of investments. They provide a wide range of assistance to companies, almost always serving as directors. The team, led by Lance Wiggs and Chris Humphreys, and with Nadine Hill as Investment Director, has already placed or allocated over \$13.3 million this calendar year, and sees ample capacity to invest well over \$10 million more into existing and new companies. We have priced this offer at \$28.50 per share, \$0.21 cents below the Board's assessment of the Investor Net Asset Value per share. For the first time, after investor feedback, we are constraining this offer to a maximum, of \$14.25 million, with preference given to existing Shareholders if required. For this raise we are balancing minimising the effect of dilution on existing Shareholders, with giving new investors the ability to invest at a fair price.

We are ramping up our efforts towards a future IPO, though we have no immediate plans to list in the short to medium-term. We intend to evolve the Board membership after this Offer is completed, adding three new proposed directors who will likely commence early in 2022. We believe that they will bring a new level of experience and the collective ability to take the company to, and beyond, an initial public offering, if required. Candace Kinser brings a wide range of experiences in the technology sector, Nigel Scott and Tracey Jones add extensive capital markets and investment experiences. We will also bid farewell to Blake Richardson, who intends to step down to focus on other commitments.

Punakaiki Fund is the established way for all investors to access the New Zealand venture capital asset class in New Zealand. We also enable new Shareholders to invest into a portfolio of existing venture capital investments, which is very unusual. As we have seen in 2021, this portfolio can change in value very quickly. Venture capital is a high-risk asset class, and while the Board has marked down companies that did not perform to expectations, the traditionally high returns for this asset class do come with risk.

We see that Punakaiki Fund is still in its early life, with its investments promising many years of future growth. I invite you to join us on this journey, and allow us together to invest in the future of New Zealand and our technology sector.

Nō reira, kia ora koutou.

Mike Bennetts



02. Punakaiki Fund & What it Does

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

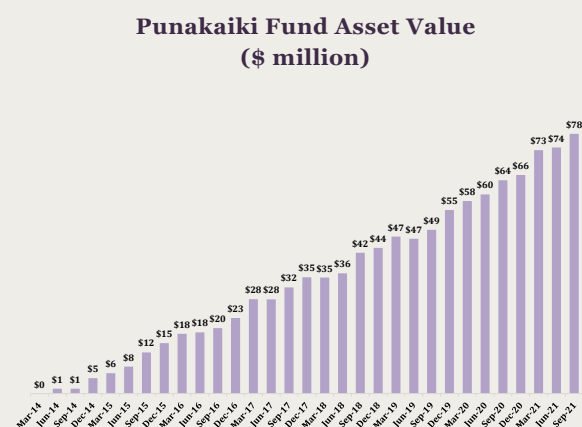
It will not be suitable for all investors.

The Glossary on page 52 defines terms used in this Product Disclosure Statement.

Overview

Punakaiki Fund is a venture capital investor with a \$78 million portfolio of Assets. The investment assets are mainly shares, and occasionally convertible debt instruments and loans, in New Zealand-based technology companies with high-growth aspirations. Our drivers of returns, along with strategies and plans, are discussed in the previous section.

Founded in April 2014, Punakaiki Fund has invested over 100 times into 24 companies, and regularly raises its own funds to make these investments. The Assets of Punakaiki Fund have grown from \$1.5 million in April 2014 to \$78 million in September 2021.



Over our seven and a half years of operation, Punakaiki Fund has raised \$41.4 million and booked gains of \$44.0 million from revaluations, sale of investments and dividends received as at 7 October 2021. These figures include the impact of investments sold and/or written down.

In 2021, before and after the 2021 financial year balance date, Punakaiki Fund's shares in Vend and Timely were sold, with combined expected returns of over \$15 million. The combined holding value of these two investments was marked up by 1.9 times compared to the holding value before the deals were announced. Punakaiki Fund has realised \$14.5

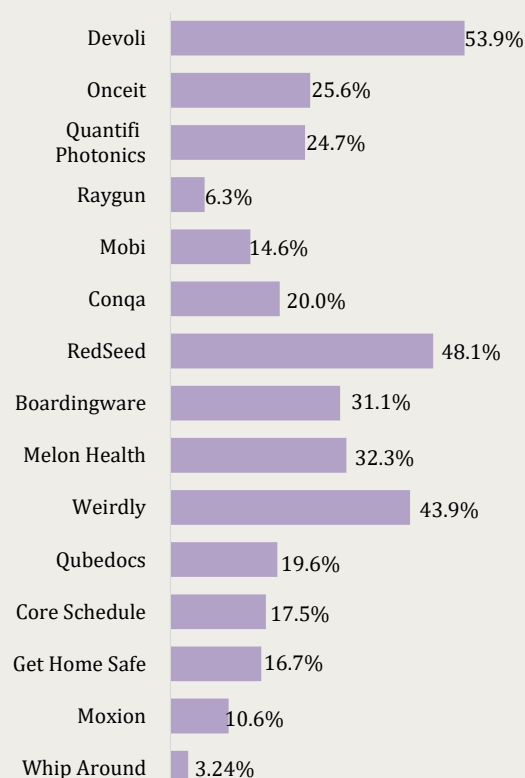
million in proceeds from the sale of these investments to date.

Diverse Technology Investments

Core Portfolio

The company has investments in 15 Core Portfolio Companies, with shareholdings ranging from 3.2% for Whip Around, to 53.9% for Devoli.

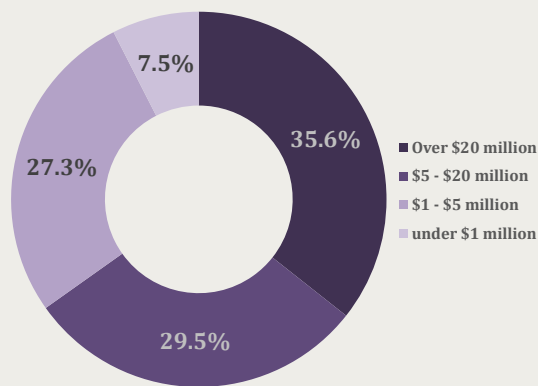
Punakaiki Fund Core Portfolio Company Shareholding (%)



Two of the investments, Onceit and Devoli, each had trailing twelve month's revenue (to June 2021) of well over \$20 million, while another four had revenues of over \$5 million. These six companies collectively represent over 65% of the investment value of the 15 Core Portfolio Companies, when

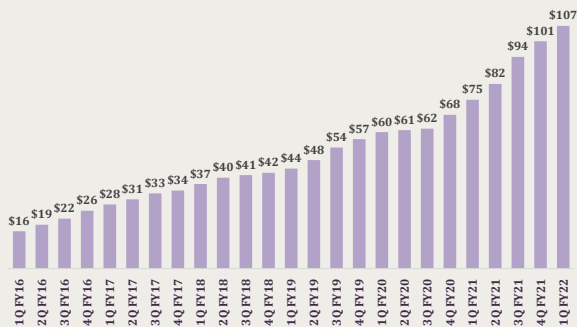
including the most recent investments made in Conqa (21 October 2021) and Whip Around (27 October 2021).

Valuation Split by Revenues



The aggregate last twelve-month revenue from the 15 Core Portfolio Companies is over \$107 million, growing from \$75 million a year ago.

Total Last 12 months Revenue – Core Companies (\$ million)



This revenue is dominated by the larger companies in the portfolio, in particular Devoli and Onceit.

Diverse Industries, Sectors and Geographies

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

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

Venture Capital Industry

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

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

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

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

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

Venture capital funds are almost always set up with a certain amount of committed capital, typically \$50-500 million, which is usually invested over a five-year period. Venture capital funds call in the commitments as investments are made, and look to sell or list their investments up to ten years after the fund is set up. Investor’s capital, including any gains, is returned as each investment is sold, or “exited”, with venture capital firms collecting performance fees based on overall returns.

Punakaiki Fund's Approach

Our Approach to Investing

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

Evergreen

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

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

The other advantage is that new investors can see what they are investing into, rather than making a commitment for five years into unknown future investments.

As the venture capital market becomes a more accepted asset class, we are starting to see funds of over \$100 million being raised. These will generally invest over five years, investing approximately 16% of the total funds committed in each year. We are on target to invest well in excess of 15% of our current asset value in FY2022, mainly through recycling funds from exits. As our Assets grow, we accordingly aim to increase the amount of funds that we invest each year.

New Zealand Focus

Along with well-known technology companies like Xero, Pushpay and Rocket Lab, New Zealand has hundreds of high-quality technology companies that are at an earlier stage in their growth journey. However, New Zealand also has a very small venture capital industry, and for much of Punakaiki Fund's life there were only two other active venture capital funds operating in New Zealand. We are now seeing more dollars flow into the market from new and expanded venture funds. Our two older rivals have raised over \$380 million in the last year, and we have seen a number of new, smaller, funds emerge. However, in our opinion the investors are still unable to provide enough local companies with the funds that they need to grow. In particular, New Zealand investment rounds are generally a lot smaller than for companies at similar stages in the USA and Australia. On the other hand, New Zealand companies are often able to spend a lot less to get further than their offshore peers, but then lack the very large amounts of capital to become giants.

Retail Investor Friendly

We are very unusual in accepting investment from all investors, not just large institutions and high net worth individuals. Our ambition has always been to open up the venture capital asset class to New Zealand retail investors, so that the gains from our investments remain in New Zealand. We are also set up to potentially list our Shares on a recognised exchange, and we regularly test the appetite to potentially list with our existing Shareholders and the equity markets. While we are not intending to list in the short to medium-term, we see that a Punakaiki Fund listing will be increasingly attractive to investors as we grow larger. A potential future listing would provide much earlier liquidity for our investors than a traditionally structured venture capital fund that needs to sell its investments to return capital.

Our structure also allows us more freedom to invest than many traditional venture capital firms. We have no large investor dictating what Punakaiki Fund can and can't do, which gives us the unusual freedom of being able to, for example, invest by purchasing existing shares from other shareholders in Portfolio Companies. We can, and do, even use our own Shares as payment to make investments, which is a tool we sometimes use to buy shares in Portfolio Companies from their existing shareholders.

What We Invest Into

We invest into New Zealand-based technology companies that have enough revenue to demonstrate that the company is on the path to self-sustainability. In 2019 we tightened our investment mandate, which was previously very broad, recognising our superior returns when investing according to this mandate. While our overall returns (IRR) before fees and expenses are 20.8% per year, our returns from investments within the tightened mandate are 24.9% per year.

The mandate is tuned to lower the risk of investment failure, but to also give the valuation benefits of investing early in companies' growth life cycle. We are then able to invest again and again as companies grow, and have done so on many occasions.

We have invested into a lot of SaaS companies, as we like their recurring revenue model, high margins, and ability to scale quickly. We sold our shares in two of these, Timely and Vend, earlier this year. The chart below reflects the 7 October portfolio valuation, but also adds subsequent investments into SaaS companies Conqa and Whip Around.

SaaS versus Non-SaaS - Core Portfolio Value (\$ million)



We often invest when companies are between \$500,000 and \$3 million in recurring revenue, as we believe this is the critical stage when companies form their optimal growth model. As these companies grow, they become increasingly valuable in the context of our portfolio.

How We Manage Investments

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

We have a number of other rights and conditions in our agreements with companies, which generally include confidentiality, the ability to provide follow-on investment into subsequent investment rounds

and requiring certain levels of reporting. Each set of investment documents is different, but the industry has a number of norms that we abide by, aiming for simplicity as we do so.

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

Selling (Exiting) Investments

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

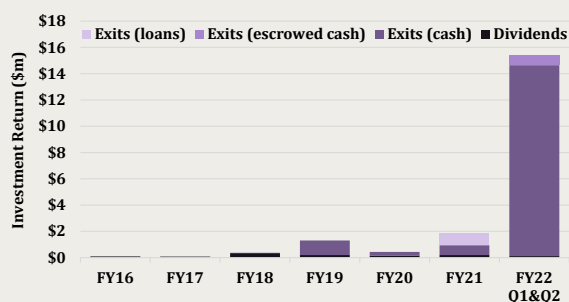
To date we have sold, or exited, seven companies, with another two written-off. We received a combination of cash, debt, acquirer shares and escrowed cash and shares for the exits. Two of the businesses sold their assets, with the proceeds from one, so far, distributed to Punakaiki Fund.

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

Over the last three financial years, however, we have received (excluding Vend and Timely) an average of \$0.9 million per year from dividends and the sale of investments.

To date in FY2022, we received a substantial part of the proceeds from the sale of Vend and Timely, with over \$14 million in cash received, along with a dividend payment received from Onceit. This is well in excess of recent returns, as seen in the chart below.

Investment Returns by Financial Year Dividends and Sale Proceeds



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

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

We have realised a total of \$17.8 million in returns from dividends and cash from our investments. This includes \$16.7 million in cash and \$1.1 million in dividends.

Our three most successful exits, Vend, Timely and Linewize, represented \$4.5 million in original investment, and a current value in realised and unrealised returns of \$16.6 million. Overall, Punakaiki Fund has invested \$7.8 million into companies that we have exited or written-off to date, for realised and unrealised returns of \$18.1 million.

Our remaining portfolio represents \$36.3 million in original investments, that have a current holding value of \$69.0 million as at 7 October 2021.

Recycling Capital

We reinvest the proceeds from exited companies back into new investments. We invested, for example, \$5 million into Quantifi Photonics in 2021 using proceeds from the Vend and Timely exits. This recycling means that we have now invested a total of \$48.6 million, which is more than the \$41.4 million that we have raised to date.

Investment Details

Our success is heavily dependent on the performance of the Core Portfolio Companies that we have already invested into, which are overviewed from page 13.

We are unable to disclose financial metrics for our investments, due to non-disclosure agreements. We hold other “non-core” Portfolio Company investments as well, but they are not material to the value of Punakaiki Fund. These are discussed in the FY2021 Annual Report, which can be found in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund’s offer number OFR13159.

Diversity, Equity and Inclusion

We believe that our commitment to diversity, equity and inclusion is a key driver of our success.

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

Punakaiki Fund's Core Portfolio Companies



Shareholding: 53.9%*

Annualised Revenue: >\$20m

First Investment: June 2014

Share of Portfolio: >10%

Founders: Barry Murphy, Davey Goode

Directors: Brooke Paterson, Sean Hannan, Chris Humphreys, Martyn Levy, Rebekah Murphy, Rohan MacMahon

“We’ve managed to solve a challenging set of problems across diverse networks, and long distances, to provide a beautiful interface for our customers.”

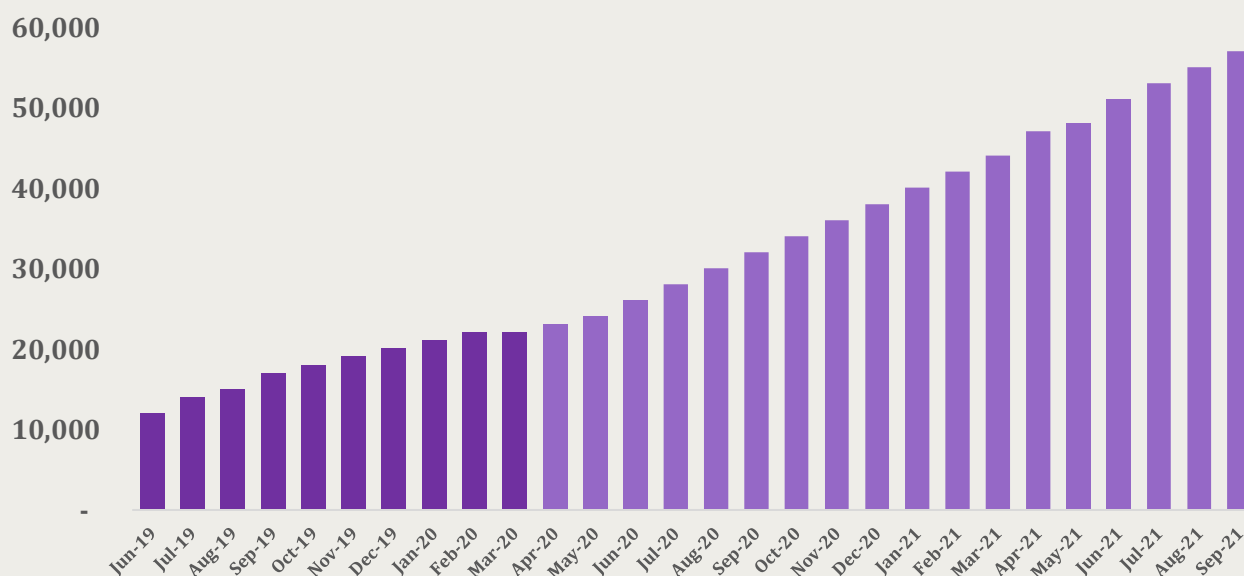
Karl Rosnell, CEO Devoli

Devoli is a telecommunications and software services provider that provides wholesale and corporate telecommunication services, network automation capabilities, and hosting to businesses predominantly in New Zealand and Australia. Devoli is growing rapidly and is cash flow positive and has not required capital investment from Punakaiki Fund to date. Devoli is based in Auckland.



Devoli’s clients include Contact Energy, for whom they provide services to Contact Energy’s retail broadband customer base. Using Devoli’s virtual ISP system, Contact Energy doubled their number of broadband customers between May 2020 and May 2021. In August 2021, Contact reported an 87% increase in broadband connections per full time customer service representative, a key metric of efficiency, and attributed this change to Devoli. As for Devoli itself, the company’s quarterly revenues were up nearly 50% year-on-year.

Contact Energy: Reported Broadband Connections



“These results really validate the Devoli model,” says Rohan MacMahon, 2040 Ventures’ telecommunications market expert and Devoli director. It also points positively to the future. “If a high-quality broadband offering can play a key part in the revenue generation of an energy company like Contact, particularly in such an intensely competitive market, then we should expect to see more players coming to the virtual ISP table. Devoli has demonstrated their ability to onboard customers quickly, increase staff productivity, and provide award winning customer service, essentially positioning themselves as the premium player in the marketplace.”

The Devoli ship has undertaken a few personnel changes recently. Notably, founders Davey Goode and Barry Murphy stepped down as company executives. The pair created a great business and leave things now in the capable hands of the new chair, Brook Paterson and the rest of the board. New members of the executive team include Blair Woodbury, who replaces Grant Wakelin as CFO, and Jan Behrens as CTO.

With the new team, Karl Rosnell, Devoli’s CEO, is looking to expand into Australia and attract more clients, particularly in the virtual ISP market space. The virtual ISP market in particular is becoming more active with companies that have large numbers of customer relationships (such as energy companies and banks) looking to add broadband services to their offerings. Devoli is well positioned to take advantage of this trend and offers potential partners superior services and a fast rollout compared to their competitors.

2040 Ventures is active in the governance of Devoli with Chris Humphreys and Rohan MacMahon on the Board of Directors. We note that John Wiggs, brother of 2040 Ventures’ Lance Wiggs, beneficially owns 4.0% of Devoli.

Our early commitment to Devoli, along with on-going investment by way of acquiring more Devoli shares and prior and recent revenue growth has resulted in strong gains in the value of Punakaiki Fund’s investment. The investment now represents over 20% of the investment assets of Punakaiki Fund.

** Excludes the dilutionary impact of employee options.*

*** One of 2040 Ventures’ contractors (Rohan MacMahon) receives fees as a director of Devoli.*



Karl Rosnell, Devoli CEO

ONCEIT

Shareholding:	25.6%
Annualised Revenue:	>\$20m
First Investment:	February 2015
Share of Portfolio:	>10%
Founders:	Jay Goodey, Keri Henare, Craig Boxall
Directors:	Jay Goodey, Craig Boxall, Simon West, Lance Wiggs

“Have a resolute belief in your idea. If you don’t, no one else will.”

Jay Goodey

Onceit is an online retailer selling top brands in fashion, beauty and homewares at great prices, predominantly in New Zealand. Onceit continued its year-on-year trend of strong and stable performance through FY2021, with strong revenue growth, multiple record sales months, new membership milestones, and further efficiencies gained in their warehouse operations.

Onceit has benefitted from the general trend towards online retailing and is rolling out efforts to further take advantage of this shift in consumer behaviour. It is increasing the number of Onceit private label products and warehoused stock while simultaneously upgrading its Marketplace offering by signing up with Boston-based platform provider Mirakl, provider of the best-in-class technology.

The Mirakl platform provides an ideal partner ecosystem for scaling and expanding the number of third-party brands and merchants that customers can access through Onceit’s ecommerce site. Marketplace sales earn a smaller margin but require little overhead and are easily scalable at low cost, with merchandising volume growth of an order of magnitude or more possible.

The company enjoys strong leadership, including director Simon West, the former Executive Director of Max Fashions and current CEO of Torpedo 7.



Onceit co-founder, Jay Goodey

In addition, 2040 Ventures is active in the governance of Onceit, with Lance Wiggs joining the board as an independent director prior to Punakaiki Fund’s first investment.

During FY2021, Onceit again paid dividends to its shareholders, including Punakaiki Fund, which has now received total dividends in excess of the amount we originally invested in the company. This, along with strong company performance, contributed to a high annualised growth in Onceit’s investment value to Punakaiki Fund.



Onceit's Auckland offices

QUANTIFI PHOTONICS™

Shareholding: 24.7%

Annualised Revenue: \$5m to \$10m

First Investment: November 2017

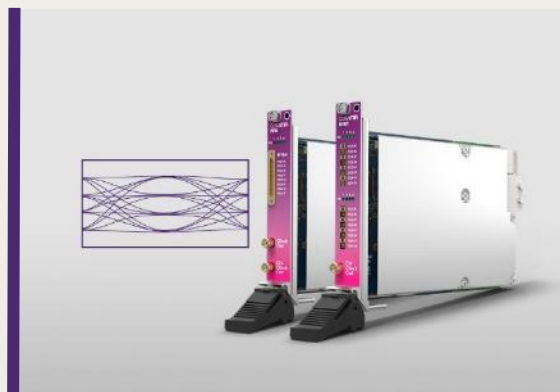
Share of Portfolio: >10%

Founders: Andrew Stevens,
Iannick Monfils

Directors: Andrew Stevens,
Iannick Monfils,
Heather Grace,
Roy Moody,
Lance Wiggs

Quantifi Photonics, previously Coherent Solutions, develops and manufactures advanced test equipment for the global fibre-optic communications market. The company continually engages in the development of new technologies which are extending its market from labs and advanced research and development facilities, into high-tech manufacturers and testers. Quantifi Photonics is headquartered in Auckland, with a USA-based office and warehouse in Austin, Texas.

Of particular importance to Quantifi Photonics' future is the rapidly developing market in optical transceivers, which turn high-speed electrical data to and from optical data. Optical equipment transmits data at far higher rates and with lower system requirements, increasing performance and lowering energy use. Hence it is in high demand. Quantifi Photonics is one of only two companies realistically able to meet the exacting requirements for the testing of very high-end optical transceivers, and they are working hard to consolidate their lead.



Quantifi Photonics' optical transceiver testing equipment

Quantifi Photonics has recently (2021) completed a Series-B capital raising round, which was extended to \$15 million due to investor demand. Punakaiki Fund led the round with an investment of \$5 million. The demand for the round indicates the quality of the business that the team are building and the health of the ecosystem in which they operate. As a result of the successful raise, Quantifi Photonics is well positioned to accelerate their growth by ramping up production, acquiring key partners to improve margins, expanding their product portfolio and investing in relationships with clients that represent significant future sales opportunities.



Andy Stevens, Quantifi Co-founder

Quantifi Photonics' leadership team has decades of experience and expertise in the field of photonics. Punakaiki Fund's Lance Wiggs is the only investor-appointed director, lending his capital raising talents to the team.

As a result of the recent investment, Punakaiki Fund's total shareholding of Quantifi Photonics has increased to 24.3%. The company is considered a core holding and represents more than 10% of the fund's worth, based on its most recent valuation.



Quantifi Photonics' new Auckland facility

MOBI

Shareholding: 14.6%

Annualised Revenue: \$5m to \$10m

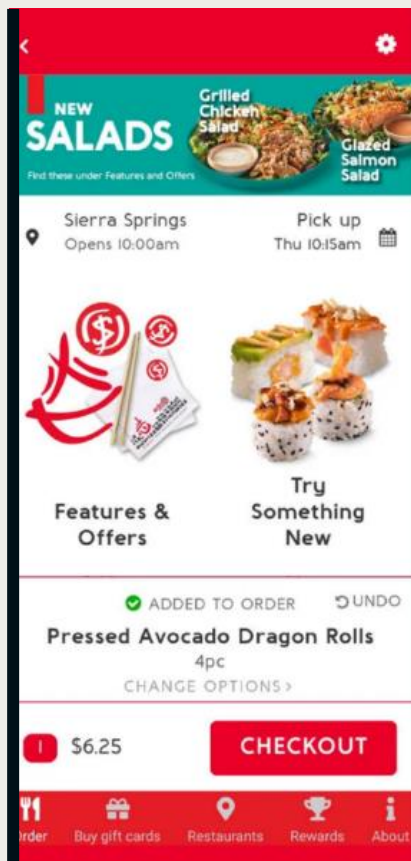
First Investment: October 2015

Share of Portfolio: >10%

Founder: Tarik Mallett

Directors: Tarik Mallett,
Matthew Mallett,
John-Daniel Trask,
Mark Vivian,
Zac Rosenburg and
Nigel Jefferies

Mobi HQ, trading as Mobi, is a digital ordering and engagement platform for the hospitality sector, currently used predominately across Australasia, North America and in the United Kingdom. Mobi has been successfully targeting customers with 100+ restaurants including Zambrero, BurgerFuel, Papa John's International and Fonda Mexican. The company has offices in Wellington, Melbourne, and Toronto.



The Mobi mobile app in action.

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

The company has enjoyed a strong positive effect from the COVID-19 pandemic as global attention shifted towards contactless ordering and food service solutions. It is well positioned for further growth as it continues to attract customers on the basis of the level of future-proofing its offerings provide.

And that growth is happening quickly, with the company more than tripling its staff over the last year. Revenue has grown by more than 200% in the last year overall, but more than 700% across North America.

2040 Ventures, Punakaiki Fund's management company, has board observation rights and receives regular updates from the company.

After leading an initial investment round, Punakaiki Fund has participated in three follow-on rounds led by other funds. As a result, Punakaiki's current shareholding is 15%. Mobi is considered a core holding and represents more than 10% of Punakaiki Fund's value based on the most recent valuation.



Tarik Mallett, CEO and founder



Shareholding:	48.1%
Annualised Revenue:	\$1m to \$5m
First Investment:	March 2015
Share of Portfolio:	1-5%
Key Founders:	Anya Anderson, Glen Duffield
Directors:	Anya Anderson, Shaun Ryan, Lance Wiggs, Jordana Clarke

RedSeed provides an end-to-end learning management system, a library of courses and reporting tools aimed at improving the performance of sales teams, adding to employee well-being, developing leadership skills and dealing with compliance issues. With over 50,000 active trainees, RedSeed has a significant footprint in both the New Zealand and Australian retail business markets. Clients include Icebreaker, 2degrees, Kathmandu, Drummond Golf, and Anaconda. RedSeed is based in Christchurch and has an office in Australia.



Anya Andersen, RedSeed's co-founder and CEO

Lance Wiggs sits on the board of RedSeed and is active in governance, providing advice on local and international strategy and growth, balance sheet management and executive recruitment negotiations. Punakaiki Fund expanded their shareholding recently after purchasing additional shares from a co-founder in FY2020 and at the start of FY2021.



Shareholding:	32.3%*
Annualised Revenue:	\$1m to \$5m
First Investment:	December 2014
Share of Portfolio:	5-10%
Founder:	Siobhan Bulfin
Directors:	Siobhan Bulfin, Brian Russell, Nadine Hill

Melon Health provides people living with long-term conditions the tools, support and information to help manage their health. Melon's digital self-management platform provides patients and providers with the tools, support and information to support behaviour change and self-efficacy resulting in better health outcomes, reduction of utilisation of health services and lowering the economic burden of chronic disease. Melon's customers include Primary Health Organisations, District Health Boards and the Ministry of Health in New Zealand, ResMed Australia, and Oscar Health in the United States. Melon Health is based in Wellington with an office in the United States.



Siobhan Bulfin, Melon Health's founder and CEO

2040 Ventures is active in the governance of Melon Health, with team member Nadine Hill serving on Melon's board. Nadine brings her considerable skills in strategic sales, financial management and accelerating growth to the Melon Board.

Punakaiki Fund has invested in Melon on several occasions, leading a \$3.3 million round in FY2019.

*Excludes the dilutionary impact of employee options.

CONQA®

Shareholding:	20.0%
Annualised Revenue:	\$1m to \$5m
First Investment:	February 2017
Share of Portfolio:	1-5%
Founders:	Barney Chunn, Dan O'Donoghue, Peter Simons
Directors:	Barney Chunn, Dan O'Donoghue, Peter Simons, Simon Wilson, Lance Wiggs

Conqa (officially QA Tech Limited) provides software that allows multiple parties in the construction industry to undertake their quality assurance planning and execution online and on mobile devices. Conqa keeps all quality assurance documentation in one secure location, while letting customers have their checklists, photos and notes at their fingertips. The software improves on-site productivity and, in some cases, accelerates the council building inspection sign-off process. Conqa's clients include Fulton Hogan, CMP Construction and Hawkins Construction in New Zealand, and Multiplex and Ganellen in Australia. Conqa's software is used across thousands of construction sites and is embedded in \$10 billion of construction projects. Conqa is based in Auckland with an office in Melbourne.

2040 Ventures is active in Conqa's governance and has provided advice on product, customers, pricing, capital raising, and sales growth.

Punakaiki Fund was Conqa's first institutional shareholder and has continued to support the company with smaller funding rounds through to FY2020 and participated in the material capital raise that year. As a result, Punakaiki Fund's shareholding increased to 20.0%. More recently, Punakaiki Fund has invested in a convertible note issued by Conqa.



Team Conqa

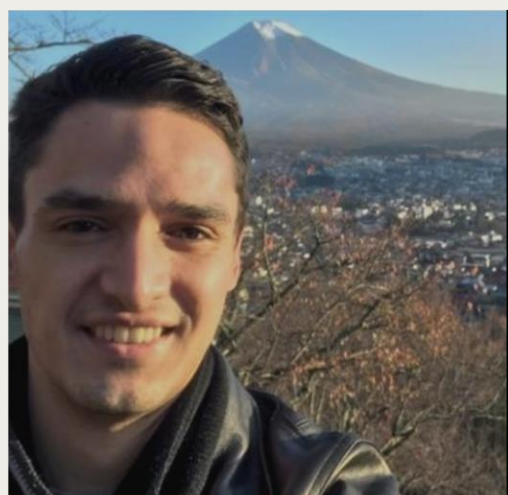
orah

Shareholding:	31.1%*
Annualised Revenue:	\$1m to \$5m
First Investment:	February 2015
Share of Portfolio:	1-5%
Founders:	Paul Organ, Kurt Meyer
Directors:	Paul Organ, Kurt Meyer, Lance Wiggs

Orah (formerly Boardingware) helps schools streamline operations and deliver the best care to their students and families using a suite of SaaS products. Originally aimed towards boarding schools, Orah has expanded into the day-school market and now offers five products that combine to form a category defining 'Student Enablement Platform.' Its products are used by over 230 elite schools across the globe, particularly in the United Kingdom, the United States, Australia and New Zealand. Boardingware is headquartered in Auckland, with offices in the United Kingdom, the United States and Australia.

2040 Ventures' Lance Wiggs is on Orah's board and has offered assistance in international and domestic sales and financial management.

Punakaiki Fund acquired a 16.7% shareholding in Boardingware in their first external round in February 2015 and followed this with an additional investment in July 2015, increasing its shareholding to 28.6%. In FY2019, Punakaiki Fund made another small investment in Boardingware, and currently holds a 31.1% shareholding in the company.



Kurt Meyer, Orah Co-founder

*Excludes the dilutionary impact of employee options.

weirdly

Shareholding: 43.9%*

Annualised Revenue: \$1m to \$5m

First Investment: February 2015

Share of Portfolio: 5-10%

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

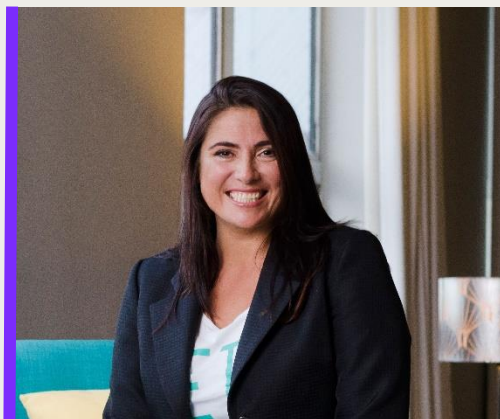
Directors: Dale Clareburt,
Lance Wiggs

Weirdly's CRM platform helps their enterprise and quick service restaurant customers speed up their front-line staff hiring process, while getting better quality hires, improving retention and providing a top-shelf candidate experience.

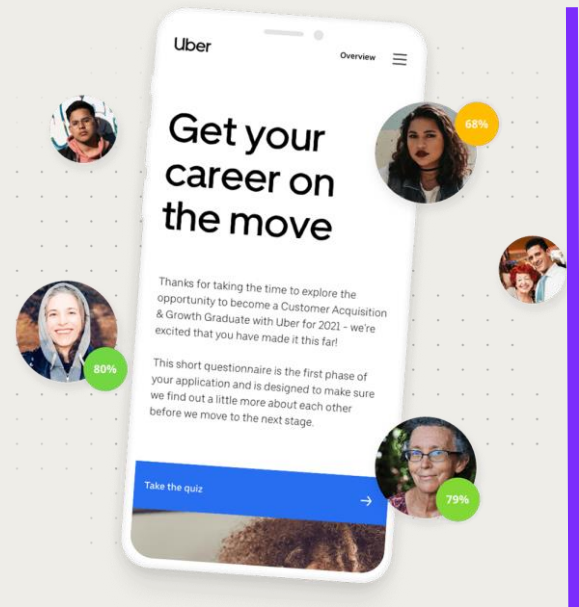
With a range of simple, fun recruitment assessments built on a sophisticated algorithm, Weirdly puts soft skills and values at the heart of the employee candidate experience.

Weirdly's customers include Target, K-mart, and the Fisher & Paykel. Weirdly has staff in Auckland, Sydney, and San Francisco.

2040 Ventures is actively engaged with Weirdly, with Lance Wiggs sitting on the board of directors and Nadine Hill likely to be appointed in his place soon. 2040 Ventures has provided advice on product, pricing, sales growth, capital structuring and more.



Dale Clareburt, co-founder and CEO of Weirdly



Punakaiki Fund lead a \$1.8 million investment round in March 2020 and a more recent round in August 2021, increasing the Fund's shareholding to 43.9%. Punakaiki Fund has also committed to an additional investment in December 2021, which will increase our shareholding to 48%, before the dilutionary impact from options.

**Excludes the dilutionary impact of employee options*



Shareholding:	6.3%
Annualised Revenue:	\$5m to \$10m
First Investment:	April 2014
Share of Portfolio:	1-5%
Founders:	John-Daniel Trask, Jeremy Boyd
Directors:	John-Daniel Trask, Jeremy Boyd, Sergio Van Dam, Robert Woodward

Raygun provides a software intelligence platform that enables customers to ensure that their software is being experienced the way they intended. The platform consists of software crash and error reporting, real user monitoring, user and deployment tracking, and application performance monitoring. Raygun is headquartered in Wellington, and has offices in Seattle, Washington. Raygun has European, North American, and APAC customers including Lightspeed, Pushpay, Radium and Hyperfish.

2040 Ventures receives regular updates from Raygun and provides occasional feedback and advice. Raygun is profitable, growing sustainably and has not raised any additional capital recently.



Shareholding:	19.6%
Annualised Revenue:	\$1m to \$5m
First Investment:	December 2015
Share of Portfolio:	1-5%
Founders:	Belinda Johnson, Richard Johnson
Directors:	Belinda Johnson, Richard Johnson

QUBEdocs integrates with IBM's Planning & Analytics to automate the generation of documentation for analytics models, which gives Chief Financial Officers comfort in being able to track integrity and changes in their financial models. QUBEdocs is a subsidiary of Mindfull Group Limited ("Mindfull").

Mindfull sold its consultancy business in FY2021 and is now a holding company, primarily for its QUBEdocs investment. QUBEdocs has been funded internally to date and as such does not have a history of share issues or independent governance in place.



Shareholding:	17.5%
Annualised Revenue:	<\$1m
First Investment:	June 2020
Share of Portfolio:	<1%
Founders:	Stephen Pool
Directors:	Stephen Pool, Nadine Hill

Core Schedule provides SaaS-based scheduling software that helps hospitals and other medical service providers be more efficient with staff scheduling. The product reduces the time to perform complex and dynamic rostering, minimising the chance of over-tired or under-certified medical professionals treating patients. The company is well positioned to help hospitals manage during COVID-19. Core Schedule serves hospitals in New Zealand, Australia and the USA.

2040 Ventures' Nadine Hill sits on Core Schedule's board and is active in company governance. Core Schedule is the smallest of Punakaiki Fund's Core Portfolio Companies, but is growing well.



Shareholding:	16.7%
Annualised Revenue:	\$1m to \$5m
First Investment:	December 2020
Share of Portfolio:	1%-5%
Founder:	Boyd Peacock
Directors:	Boyd Peacock, Scott Mason, Rebecca Twemlow, Nadine Hill

Get Home Safe is a SaaS platform designed to improve welfare monitoring for remote or lone employees. It uses smartphone technology and GPS satellite devices to revolutionise personal safety across multiple sectors. The company now provides support to over 10,000 people across nearly 250 customers in New Zealand, Australia, Trinidad & Tobago, the USA, Canada, Netherlands and the United Kingdom. Its clients include central and local government entities, health and social care operators, security firms, utilities, mining and engineering firms and more.

2040 Ventures' Nadine Hill sits on Get Home Safe's Board and is active in company governance.



MOXION

Shareholding:	10.6%
Annualised Revenue:	\$1m to \$5m
First Investment:	August 2021
Share of Portfolio:	5%-10%
Founders:	Hugh Calveley, Michael Lonsdale
Directors:	Hugh Calveley, Michael Lonsdale, Rudiger Bublitz, Garth Hinton

Moxion provides services to the movie and television series creation industry. They have a cloud based, real-time system to help create, distribute and work on “dailies”, which are the video takes that are made each day during a production. The platform can manage filmmaking workflow from on-set to post-production, and includes Dolby Vision, HDR10 playback and strong security. Participants can use secure applications on iPad, Apple TV, Mac or Windows, and also access lower quality content through normal web browsers.

Moxion’s platform has been adopted by large production studios in New Zealand, USA , Canada and Europe. Its marquee clients include Amazon, Disney and Apple TV+.

Punakaiki Fund has investments in Moxion shares and convertible notes, purchasing these from existing share and note holders in August 2021.



Shareholding:	3.2%
Annualised Revenue:	\$5m to \$10m
First Investment:	October 2021
Share of Portfolio:	1%-5%
Founders:	Richard Rosenblatt, James Colley
Directors:	Timothy Boyle, James Colley, Peter Drummond, Donald Evans, Noah Hickey

Whip Around is a digital Driver Vehicle Inspections Reports and Maintenance platform. Whip Around has replaced the cumbersome paper-based process with an efficient and information-rich digital alternative.

Most of Whip Around’s customers are from the USA, where the Department of Transportation requires drivers to submit inspection reports at each shift, and digital solutions which ensure compliance are becoming increasingly sought after. Altogether, Whip Around have 65 staff in offices in Auckland, New Zealand and Charlotte, North Carolina from which they service their customers in the US and around the world.

Whip Around is Punakaiki Fund’s newest Portfolio Company, with Punakaiki Fund leading Whip Arounds recent Series B capital raise, taking a 3.2% shareholding.

Other Investments

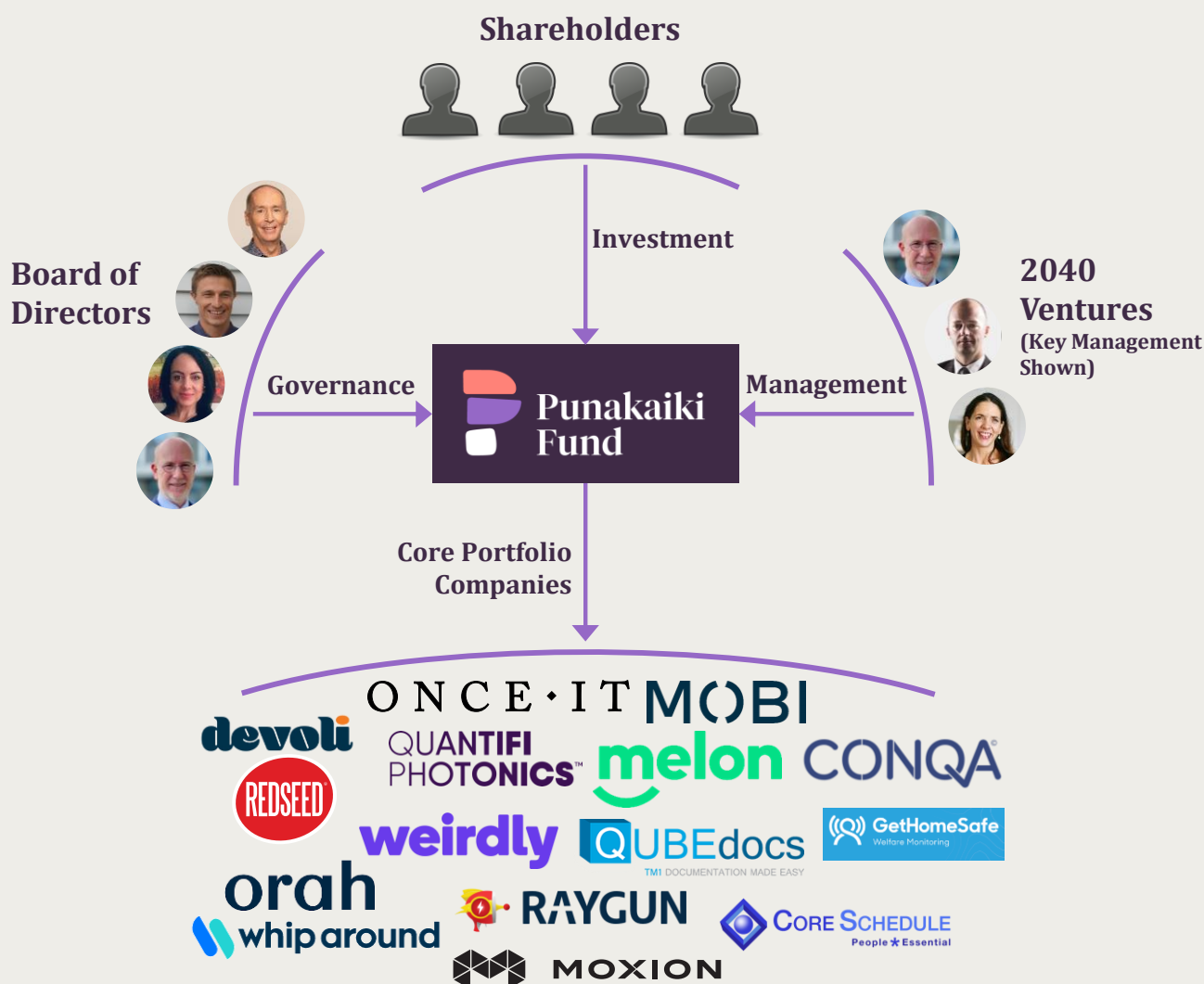
Six investments are considered non-core to Punakaiki Fund and not material to this offer, as they have been written off, their assets have been largely sold, their current valuation is very low and/or they are not technology companies. You can find out more about these companies in Punakaiki Fund’s FY2021 Annual Report (which can be found in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund’s offer number OFR13159).

Punakaiki Fund Structure

Punakaiki Fund is a limited liability company, registered with the Companies Office in New Zealand. We are governed by our Board, our constitution (which can be found in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number OFR13159) and the Companies Act.

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

2040 Ventures Limited ("2040 Ventures") is contracted under the Management Agreement to provide management of Punakaiki Fund's assets. The terms of the Management Agreement are set out under the heading "Management Agreement" on page 27 of this section.



Board of Directors



Mike Bennetts

Independent Chair

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

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

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



Blake Richardson

Independent Director

Blake is a director, investor and consultant, responsible for a range of investment activities for a Waikato based family office, including high growth and early-stage investing. Blake has experience as a tax consultant with BDO, an in-house lawyer for Imarda and founded a residential development company.

Blake has an LLB and BCom from Otago University, and MBA from Trinity College Dublin.

Entities associated with Blake Richardson have a less than 5% shareholding and Blake is an independent director.

Blake intends to resign in early 2022.



Teressa Betty
Ngāti Raukawa

Independent Director

Teressa has 20+ years of senior leadership and executive level experience in the financial services and legal sectors, including 16 years abroad. She has deep experience in strategy, sustainability, enterprise risk management, governance, and organisational conduct and culture. Teressa is currently consulting to Ngāti Whātua Ōrākei Whai Rawa.

Teressa has an LLB from Victoria University and is a Barrister and Solicitor of the High Court of New Zealand. Teressa has been an independent director with Punakaiki Fund since September 2020.



Lance Wiggs

Director

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

His biography is set out below.

Lance Wiggs is an executive director.

Proposed Directors



Candace Kinser **Independent Director** **from January 2022**

Candace has executive and technology governance experience.

Candace is a director of Livestock Improvement (LIC), NZ Health Partnerships and Eastland Group. She chairs Helius Therapeutics and a region of the Cancer Society of New Zealand. She was previously a director of WEL Networks, UltraFast Fibre, EROAD, Palintir and CEO of NZTech.

Candace has several degrees and post graduate studies, including in Anthropology, Political Science, management, and Biopharma Enterprise, from University of Hawaii, Massey University, and Rutgers University. MAICD, CMIDNZ.



Tracey Jones **Independent Director** **from January 2022**

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

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



Nigel Scott **Independent Director** **from January 2022**

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

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

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

Board Responsibilities

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

Board Operations

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

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

Selected policy documents adopted by the Board are available on the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number (OFR13159).

The Manager

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

2040 Ventures manages Punakaiki Fund and the Climate Venture Capital Fund Limited Partnership, and plans to establish other funds in the future. The Climate Venture Capital Fund Limited Partnership is an investor in companies that have a positive impact on climate change while generating meaningful returns for investors.



Lance Wiggs
Principal

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

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

Lance has an MBA from Yale and a Bachelor of Technology from Massey University and is based in Auckland.



Chris Humphreys
Principal

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

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

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



Nadine Hill
Investment Director

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

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

Management Agreement

Exclusive Agreement

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

Scope

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

Termination

At any time either 2040 Ventures or the Board may terminate the Management Agreement for cause or by a resolution of Shareholders if 50% or more of Shares on issue are voted in favour of removing (and replacing) the Manager.

Managing Conflicts

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

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

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

Portfolio Company Board Appointments

2040 Ventures and its associated parties are not restricted from becoming directors of Portfolio Companies. Where these companies pay director fees to staff engaged by 2040 Ventures for the purposes of managing Punakaiki Fund's Portfolio Companies, then any Management Fees are reduced by the amount of these fees. Where the staff member is not engaged by 2040 Ventures for the purposes of managing Punakaiki Fund's Portfolio Companies, the appointee shall be entitled to retain these fees.

Management Fee

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

Performance Fee

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

Punakaiki Fund has yet to pay a Performance Fee, although this is provisioned in Punakaiki Fund's financial accounts. The most likely event that will trigger payment of the Performance Fee is the listing of Punakaiki Fund's Shares. The Performance Fee is currently calculated based on the asset backing per Share of \$31.68 as at 7 October 2021, due to Punakaiki Fund Shares not being listed.

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

The accrued Performance Fee is currently calculated as \$7.2 million as at 7 October 2021. Of this \$7.2 million, \$2.0 million (under the current New Zealand corporate taxation rate of 28%) would be paid as cash if the payment of the Performance Fee is triggered. The remaining \$5.2 million would be paid in the form of new Shares.

Further information on the Performance Fee, including a worked example, can be found in the **Performance Fee Overview** document in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number (OFR13159).

Brokerage Fee

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

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

Administration Fee

2040 Ventures performs administrative work for Punakaiki Fund which is outside of the scope of the Management Agreement, including internal valuation work, Shareholder reporting, accounting, legal and compliance work. An Administration Fee is paid quarterly in advance to 2040 Ventures based on an annually agreed scope of work. This was set by the Punakaiki Fund Board at \$251,000 plus GST for FY2022.

Management Agreement

The Management Agreement can be found in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number (OFR13159).

Equity Capital, Shareholder Information and Interest

Equity Securities of Punakaiki Fund

Punakaiki Fund currently has 2,451,672 ordinary fully paid Shares on issue. Punakaiki Fund does not currently have any other types of equity securities or options over equity securities on issue.

The number of Shares on issue following the completion of the Offer is uncertain, however if the minimum number of Shares offered are issued, Punakaiki Fund will then have 2,461,672 ordinary fully paid Shares on issue, and if the maximum number of Shares offered are issued, Punakaiki Fund will then have 2,951,672 ordinary fully paid Shares on issue.

Substantial Shareholders

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

Relevant Interests held by Directors and Senior Managers

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

Name	Nature of interest	Prior to the Offer		Following the Offer ¹	
		Number of Shares	Percent of Shares	Number of Shares	Percent of Shares
Michael Bennetts	Joint registered holder as trustee of the Kammjam Trust	56,996	2.32%	56,996	2.32%
Blake Richardson	Joint registered holder as trustee of NAR Foundation	5,714	0.24%	5,714	0.23%
	Joint registered holder as trustee of NAR Investment Trust	50,286	2.14%	50,286	2.05%
	Shareholder and Director of Tangaroa Ventures Limited	7,924	0.34%	7,924	0.32%
	Joint registered holder as trustee of Smith Business Trust	4,571	0.19%	4,571	0.19%
Teressa Betty	Registered holder and beneficial owner	200	0.01%	600	0.02%
Lance Wiggs	Registered holder and beneficial owner	63,000	2.57%	63,000	2.57%
	Shareholder and Director of 2040 Ventures Limited	6,214	0.25%	6,214	0.25%
Candace Kinser²	Joint registered holder as trustee of Champagne Trust	-	-	1,000	0.04%
Tracey Jones²	Shareholder and Director of Kepa Investments Limited	-	-	1,700	0.07%
Nigel Scott²	Joint registered holder as trustee of the MOA Family Trust	-	-	2,600	0.11%
Chris Humphreys	Registered holder and beneficial owner	366	0.02%	366	0.01%
	Shareholder and Director of 2040 Ventures Limited	6,214	0.25%	6,214	0.25%
Nadine Hill	n/a	-	-	-	-

Notes

¹ Immediately following the Offer. As the minimum number of Shares being offered under the Offer is 10,000 Shares, the relevant percentage interest held after completion of the Offer are based on 10,000 Shares being issued under 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.

² Proposed directors to be appointed in early 2022.

Interests of Directors and Managers

The table below sets out the total of the remuneration and the value of the other benefits that each director of Punakaiki Fund received in FY2021.

Name	Directors Fees	Out-of-pocket Costs	2040 Ventures Fees
Michael Bennetts	\$20,000	-	-
Blake Richardson	\$15,000 ²	-	-
Teressa Betty	\$7,175	-	-
Lance Wiggs	-	-	\$1,439,568 ^{1,2}
Candace Kinser³	-	-	-
Tracey Jones³	-	-	-
Nigel Scott³	-	-	-

Notes

¹ This amount includes Administration Fees, Management Fees and Brokerage Fees.

² This amount includes GST.

³ Candace Kinser, Tracey Jones and Nigel Scott will be appointed to the Punakaiki Fund Board in early 2022.

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

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

Lance Wiggs' 2040 Ventures fees reflect the payment of all Management Fees, Administration Fees and Brokerage Fees to the Manager (2040 Ventures), where Lance Wiggs is both a director and

a Shareholder. It does not include any accrued Performance Fees.

Expected Changes in the Interests of Directors and Managers

On 22 September 2021, Punakaiki Fund Shareholders approved an increase to the size of the Director fee pool from \$80,000 to \$350,000 per annum. Based on the number of Directors and the timing of this change, the Director fee expenses in FY2022 are expected to be approximately \$120,000.

Fees payable to 2040 Ventures in FY2022 will vary with any changes in the value of Punakaiki Fund's Assets, the amount of capital that Punakaiki Fund raises in FY2022, any dividends received by Punakaiki Fund and the costs incurred to operate Punakaiki Fund. The table below gives examples of the fees that would be paid to 2040 Ventures given different scenarios regarding the amount raised in this Offer and Punakaiki Fund's Accounting Net Asset Value.

Scenario	Funds Raised	Fees
Base	\$3 million Raised	\$90,000 Brokerage Fee
	\$79 million Accounting Net Asset Value	\$358,750 Management Fee per quarter plus GST
		\$62,750 Administration Fee per quarter plus GST
High	\$13 million raised	\$390,000 Brokerage Fee
	\$89 million Accounting Net Asset Value	\$396,250 Management Fee per quarter plus GST
		\$62,750 Administration Fee per quarter plus GST

Employee Remuneration

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

Other Material Governance Disclosures

Punakaiki Fund has granted an indemnity to each of its directors to the maximum extent permitted by the Companies Act and Punakaiki Fund's constitution. 2040 Ventures has put in place Directors & Officers and Statutory Liability insurance for 2040 Ventures and Punakaiki Fund as a managed entity of 2040 Ventures. The insurance costs are split between 2040 Ventures and Punakaiki Fund based on the coverage for each entity.

There are no other material governance disclosures.

03. Purpose of the Offer

Planned Use of Funds

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

- Investing further into Punakaiki Fund's Portfolio Companies, with the intent of increasing the value of our existing investments by improving the prospects of each Portfolio Company as the result of providing them additional growth funding; and
- Investing into new high-growth companies within our investment mandate, in order to increase the diversity and performance of our portfolio.

We are targeting placing approximately half of the funds raised into existing Portfolio Companies, and half into new companies. This may change in the future depending on the opportunities available and the performance of the Portfolio Companies. We intend to commence these investments during the offer period.

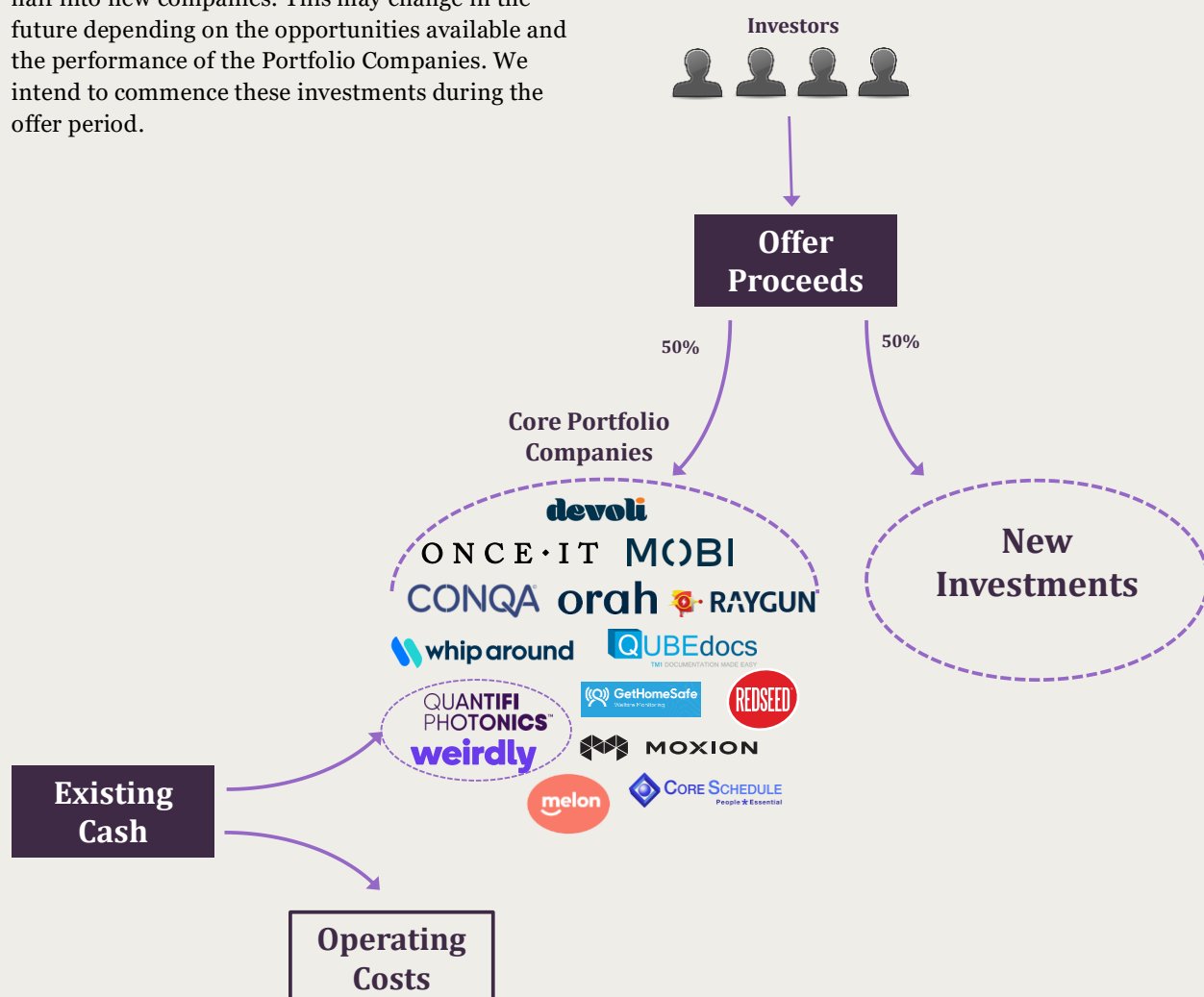
Investments into Portfolio Companies

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

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

Investments into New Companies

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



Existing Commitments

Punakaiki Fund has the following contracted commitment to invest:

- **Weirdly:** The purchase of new C Preference shares from Weirdly on or prior to 20 December 2021; and
- **Quantifi Photonics:** The purchase of ordinary shares from an existing Quantifi Photonics shareholder.

This existing commitment will cost \$1.30 million.

Punakaiki Fund intends to fund this commitment from existing cash reserves and funds raised from the Offer.

Operating Costs

We do not expect that we will need to allocate any funds from this Offer to meeting the operating costs of Punakaiki Fund for the next twelve months, as we have sufficient cash assets and anticipated cash flows to meet these costs, however this position may change in the future.

Minimum Amount to be Raised

The minimum amount which is required to be raised under this Offer is \$285,000, being the issue of 10,000 Shares.

Offer Not Underwritten

This Offer is not underwritten by any party.

04. Key Dates & Offer Process

Key Dates

The intended key dates for the Offer are:

PDS Lodged	8 November 2021
Offer Opens	16 November 2021
Offer Closes	9 December 2021
Allotment of Shares	14 December 2021

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

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

05. Terms of the Offer

Terms of the Offer

The table below sets out the terms of the Offer.

What is the Offer?	<p>The Offer is an offer of new ordinary Shares in Punakaiki Fund.</p> <p>Further information in respect of the Shares can be found in Section 6, Key Features of the Shares, on page 37, and in Punakaiki Fund's constitution, which can be found in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number (OFR13159).</p>
Key Dates	<p>This Offer opens on 16 November 2021 and closes on 9 December 2021. See Section 4, Key Dates and Offer Process, on page 34, for information about the key dates of the Offer.</p>
Price	<p>The Offer price is \$28.50 per Share.</p> <p>Brokerage of 3.0% is included in the \$28.50 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 \$28.50 per Share has been set by Punakaiki Fund based on the Investor Net Asset Value of Punakaiki Fund on 7 October 2021. The assumptions used by Punakaiki Fund to price this Offer are set out below under the title Offer Price Basis.</p>
Applications	<p>An Application is an offer by you to subscribe for Shares on the terms and conditions set out in this PDS (including any replacement of it), the Disclose Register (at www.business.govt.nz/disclose under Punakaiki Fund's offer number OFR13159) 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 100 Shares (\$2,850). After this, you may apply for multiples of 100 Shares (\$2,850) up to a maximum of 200,000 Shares (\$5,700,000).</p>
Minimum and Maximum Offer Size	<p>This Offer will only proceed if valid Applications are accepted for a minimum of 10,000 Shares prior to the Closing Date. If valid Applications are not accepted for a minimum 10,000 Shares then all Application Monies will be refunded to Applicants.</p> <p>The maximum number of Shares that can be issued under this Offer is 500,000 Shares.</p>
Allotment of Shares	<p>Holding statements are expected to be sent to all successful Applicants prior to or on 14 December 2021. The share registry for Punakaiki Fund is maintained by 2040 Ventures, and independently audited each year by EY New Zealand. Punakaiki Fund may choose to use an external share registrar in the future.</p>
Discretion Relating to the Offer	<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	<p>If the Offer does not proceed for any other reason, all Application Monies will be refunded in full without interest no later than five Business Days after announcement of the decision not to proceed.</p> <p>Money received in respect of Applications which are declined in whole or in part will be refunded in whole or in part (as the case may be). Refunds will be paid to unsuccessful Applicants within five Business Days after the allocation of Shares or after an Application has been declined (as applicable). Interest will not be paid on any Application Monies refunded to Applicants.</p>
Transfer and Sale of Shares	<p>You may cash in your investment by selling your Shares. Any sale of Shares must comply with Punakaiki Fund's constitution and all applicable laws.</p> <p>At this time, there is no developed market for selling your Shares and you may not be able to sell your Shares when you want to or for a fair price.</p> <p>Further information on trading your Shares is set out in Section 6, Key Features of the Shares, under the title Trading your Shares on page 37.</p>
New Zealand Offer	<p>The Offer under this PDS is not available to persons outside of New Zealand.</p>

Offer Price Basis

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

- the value of Punakaiki Fund's investments on 7 October 2021;
- the value of Punakaiki Fund's net working capital (cash plus accounts receivable and prepayments, less accounts payable);
- a provision for the accrued Performance Fee liability to 2040 Ventures (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 2040 Ventures.

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

Based on these calculations the Punakaiki Fund Board has determined the Price per Share for this Offer to be \$28.50.

The price of the Offer represents a discount to the "Share Price Basis for Offer" set out in the table below of 3.7% and a discount to the "Fully Diluted Investor Net Asset Value per Share" set out in the table below of 0.7%.

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

Fund Valuation

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

The unaudited book value of Punakaiki Fund's investments as at 7 October 2021 as set out in the table below is a Directors' valuation based on the fair value approach set out in the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines.

2040 Ventures currently prepares valuations of Punakaiki Fund's investments, including the formal year-end valuation report. The Board retains the right to seek independent valuation advice or to change the value of individual investments as it sees fit. The Board has had two Portfolio Companies independently valued previously. Devoli, which represents over 20% of the value of Punakaiki Funds' investment assets, has been independently valued on a number of occasions, most recently for the FY2021 financial statement. Other than Devoli, no other independent valuations for Portfolio Companies are reflected in this valuation.

An overview of Punakaiki Fund's valuation approach can be found in the **Valuation Approach Overview** document, and in Punakaiki Fund's **Investment Valuation Policy**, which can both be found in the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number (OFR13159).

Punakaiki Fund Limited – Basis of Share Price

Value of Investments on 7 October 2021	\$74,450,000
plus – Net Working Capital	\$3,192,702
less – accrued Performance Fee to 2040 Ventures	\$(7,245,931)
Investor Net Asset Value on 7 October 2021	\$70,396,772
Number of ordinary Shares on issue	2,451,672
Fully Diluted Investor Net Asset Value per Share	\$28.71
Offer Cost (3% Brokerage payable to 2040 Ventures)	\$0.89
Share Price Basis for Offer	\$29.60

06. Key Features of the Shares

Key Features of the Shares

Classes of Shares

Punakaiki Fund only has one class of securities on issue – ordinary Shares.

Manager Removal Rights

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

Potential Returns from Shares

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

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

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

Dividend Policy

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

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

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.

Trading Your Shares

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

Punakaiki Fund has established an informal internal order matching facility for matching buyers with sellers of Shares that is scheduled to occur once per quarter following the release of Punakaiki Fund's quarterly report. 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. Punakaiki Fund cannot guarantee that this facility will always be available to Shareholders.

To date we have facilitated a number of trades between Shareholders.

Trading Prices

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

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

In our opinion our Shares, if listed (and there are no plans to list the Shares in the short to medium-term), would be 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, the Shares are not likely to be as volatile as the shares of our individual Portfolio Companies (or similar companies) if the shares of those individual Portfolio Companies were listed. This relationship is likely to arise due to Punakaiki Fund holding a portfolio diversified across 15 different Core Portfolio Companies as opposed to being exposed to a single business.

Prior to any potential 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 investments (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 potential listing of the Shares.

Other Matters

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

07. Punakaiki Fund's Financial Information

Selected Financial Information

Selected statutory financial information as reported in our audited financial statements from FY2016 through to FY2021 is presented in this section and the table below. This information is disclosed in New Zealand dollars and is rounded to the nearest thousand dollars.

The table below provides key financial information about Punakaiki Fund. Full financial statements are available on the offer register at www.business.govt.nz/disclose, offer number OFR13159. If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

Selected Financial Information (NZ\$ '000)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Financial Performance – Selected Information						
Change in Fair Value of Investments	3,668	5,563	(18)	7,115	4,958	14,388
Dividend Income	86	69	344	193	165	193
Interest & Other Operating Income	19	27	3	1	2	1
Revenues	3,773	5,659	329	7,309	5,125	14,582
Accrued Performance Fees	(644)	(978)	214	(1,294)	31	(3,259)
Management Fees	(251)	(420)	(635)	(810)	(991)	(1,167)
Administration Fees	-	-	-	-	(271)	(171)
Insurance	(24)	(13)	(35)	(42)	(46)	(51)
Consulting, Accounting & Legal Expenses	(31)	(83)	(54)	(70)	(32)	(103)
Audit Fees	(28)	(36)	(42)	(48)	(51)	(49)
Other	(10)	(23)	(26)	(40)	(66)	(68)
EBITDA	2,785	4,106	(249)	5,005	3,699	9,714
Income Tax Expense	-	-	-	-	-	-
Net Profit After Tax	2,785	4,106	(249)	5,005	3,699	9,714
Dividends Paid on Ordinary Shares	-	-	-	-	-	-
Financial Position – Selected Information						
<i>Current Assets</i>						
Cash and Cash Equivalents	1,437	2,843	735	1,032	2,903	2,168
Prepayments & Receivables	10	41	58	70	53	39
<i>Non-current Assets</i>						
Investments	16,570	25,540	34,160	46,170	55,020	71,090
Total Assets	18,017	28,424	34,953	47,272	57,976	73,297
<i>Current Liabilities</i>						
Accounts Payable	40	57	52	106	81	91
<i>Non-current Liabilities</i>						
Performance Fee Payable	290	564	504	866	857	1,770
Debt	-	-	-	-	-	-
Total Liabilities	330	621	556	972	938	1,861
Cash Flow – Selected Information						
Cash Flows from Operating Activities	(209)	(493)	(468)	(773)	(1,298)	(1,392)
Cash Flows from Investing Activities	(6,586)	(3,407)	(6,743)	(3,385)	(3,892)	(1,681)
Cash Flows from Financing Activities	7,688	5,306	5,103	4,455	7,061	2,338

Financial Performance

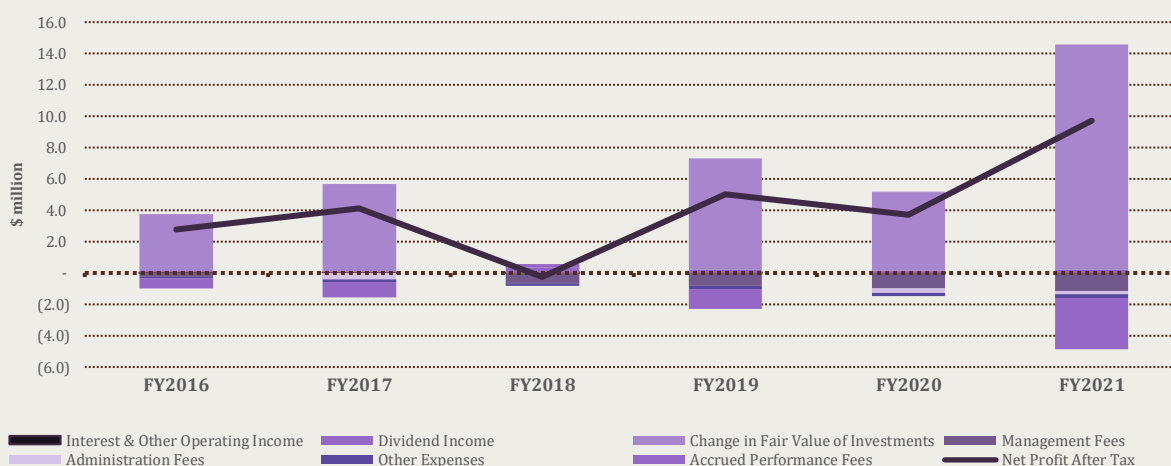
Punakaiki Fund derives the majority of its revenues from the change in the recorded fair value of its investments.

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

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

Additional Management Fee and Performance Fee information can be found in Section 2, **Management Agreement**, on page 27.

Punakaiki Fund Profitability



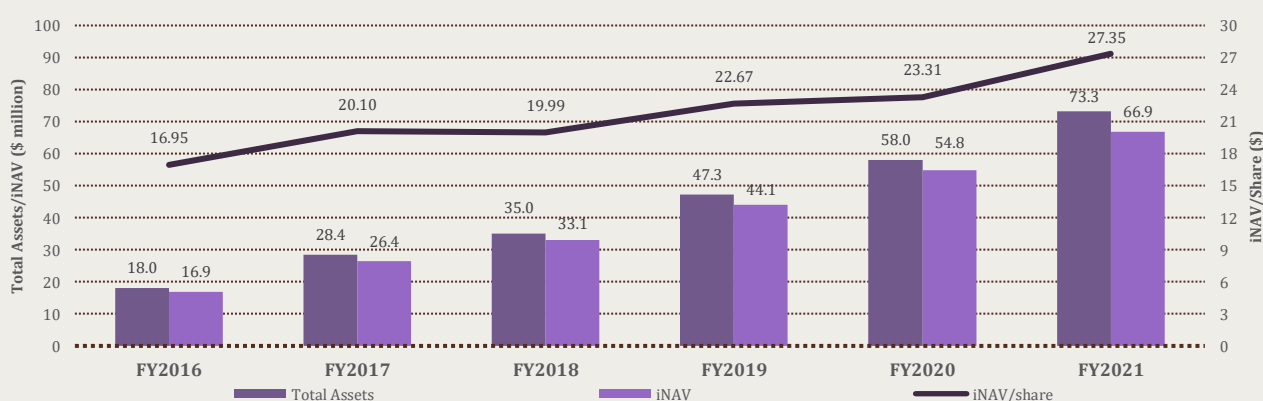
Financial Position

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

Punakaiki Fund's main liability is the accrued Performance Fee payable to 2040 Ventures.

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

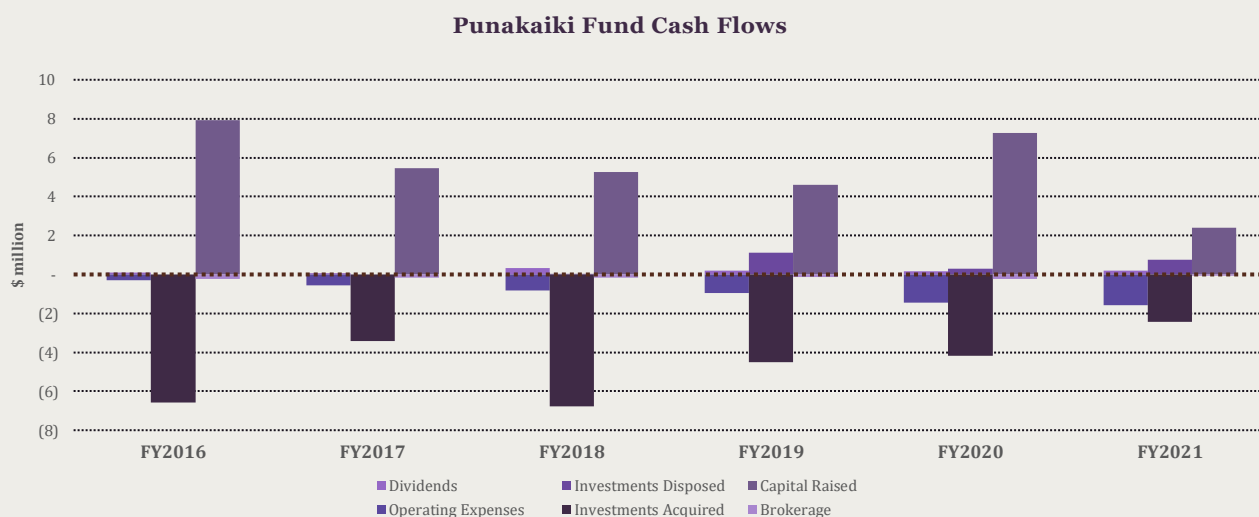
Punakaiki Fund Asset and Share Backing



Cash Flow

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

Cash received from dividends is expected, in the next year, to remain insufficient to cover operating costs.



Costs of Operating Punakaiki Fund

Punakaiki Fund has been designed to minimise operating costs as a percentage of assets. The main operating costs relate to the payment of Management Fees, Administration Fees and Performance Fees to 2040 Ventures.

Other Operating Costs

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

	Annual Estimate
Director Fees	Up to \$350,000
Insurance	\$40,000 - \$50,000
Audit Services ¹	\$40,000 - \$50,000
Valuation Services	\$30,000 - \$45,000
Legal Expenses	\$30,000 - \$40,000
Accounting Services	Up to \$25,000
Due Diligence Services	Up to \$10,000

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

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

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.

In FY2017, Punakaiki Fund re-registered for GST and elected into the GST Business-to-Business rules, which allows us to claim a refund on a portion (but not all) of our GST inputs.

Cash Management

Punakaiki Fund and the Management Agreement are structured to conserve cash. The Management Fee and the Administration Fee are the only regular obligation to the Manager, with the Performance Fee payable only periodically (but not to date) 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 and well as dividends received and the proceeds of the sale of investments.

No Prospective Financial Information

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

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

Financial Information of Portfolio Companies

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

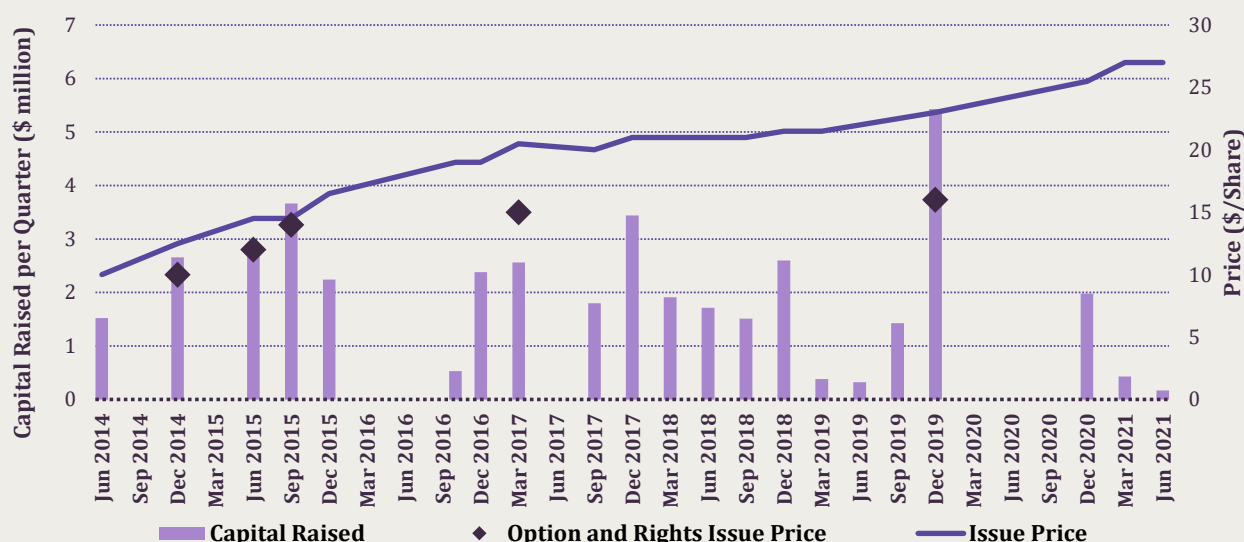
Previous Investment Rounds

Prior to this offer, Punakaiki Fund has received investment from twenty-three different capital raising events, including \$32.7 million from offers to Retail investors, \$4.6 million from offers to wholesale-only investors and \$4.1 million from share swap arrangements. The chart below summarises the capital raising events by quarter.

Future Capital Raising Intentions

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

Punakaiki Fund Capital Raising History



08. Risks to Punakaiki Fund's Business and Plans

Risk Overview

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

The directors of Punakaiki Fund expect that an investment in Punakaiki Fund is likely to exhibit higher 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, individual Portfolio Companies also have the potential to provide rapid gains to Punakaiki Fund from outperformance or a business sale event.

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

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

Material Risks

Key Risks

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

with an established diversification strategy, seeking to limit the amount of exposure to the very earliest stage investments.

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

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

Risk	Investment Concentration Risk – the dependence by Punakaiki Fund on the performance of our largest investments, which at the moment are in four key companies (Devoli, Onceit, Quantifi Photonics and Mobi).
Nature of Risk	<p>The top four companies when measured by value to Punakaiki Fund currently represent over 57% of the value of Punakaiki Fund's total investments (including recent investments into Conqa (21 October 2021) and Whip Around (27 October 2021)), and material changes in their performance are highly likely to affect Punakaiki's asset value per share.</p> <p>We do generally expect that some of our investments may grow to be very large in value, and therefore represent a very large part of our investment assets. This is part of the nature of venture investing, where some investments may become extraordinarily valuable.</p>
Magnitude and Likelihood	<p>If the value of our current top four companies fell by 20% then the value of Punakaiki Fund's assets would fall by approximately 12%. If any individual company's value fell by 20% then the maximum impact on the value of Punakaiki Fund's investments would be well under 5%.</p> <p>We believe the likelihood of a common fall in value of these four Portfolio Companies is low, as the companies operate in different sectors – ecommerce, telecommunications, high end photonics test & measurement, and digital ordering for meals. The sectors and businesses have varying exposure to COVID-19 impacts, with Mobi and Onceit, in particular, experiencing positive benefits. Devoli, as an essential service provider, has also experienced positive benefits as a result of COVID-19, while Quantifi Photonics, which supports essential services offshore, has been negatively impacted.</p>
Mitigation	<p>We mitigate this risk in three main ways - through a policy of diversification, through board and manager oversight, and a strong focus on valuation for the largest investments. We accept that we are likely to always have concentration risk, and it is a sign that investments are performing very strongly. Our Statement of Investment Policy and Objectives requires that we diversify our investments, and that Board approval is required before making any investment that would result in over 20% of Punakaiki Fund's investment assets being held in one company.</p> <p>When we have concentration risk relating to certain companies, the Board is especially attentive to the performance and valuations of these companies, which are reviewed each quarter. The valuations are also formally reassessed each year as part of our audited accounts. The Board also periodically meets with founders and CEOs of Portfolio Companies.</p> <p>The value of Devoli is assessed by an external valuer periodically, with this valuation reviewed by our auditors. The valuations of Mobi and Quantifi Photonics were assessed not just against industry peers, but also against recent investment rounds with significant involvement from other venture capital firms.</p> <p>2040 Ventures has board seats or observation rights for each of these companies, assists when we can add value, and monitors their performance closely. We expect the companies to focus on growth and performance, but we do pay attention to, and act where we can, on any negative performance reports that we receive.</p> <p>We may also become involved in events where the value of the company has the potential to suddenly rise, including approaches from potential acquirers or investors, and negotiations with business partners.</p>
Risk	Control Risk – The lack of operational control of our Portfolio Companies.
Nature of Risk	While we almost always have directorships or observations rights and well-defined shareholder rights for our Portfolio Companies, 2040 Ventures and Punakaiki Fund are unable to control the activities of the Portfolio Companies that we invest in.
Magnitude and Likelihood	<p>Each company that we invest in is controlled by a board of directors. These boards work with their respective CEOs and founders to drive the performance and strategy of the company. As with any company, the goals of investors, directors and the founder may be misaligned. This misalignment can cause the company to underperform versus expectations, lowering the overall asset value.</p> <p>We recognise that everyone involved in a company, shareholders included, can go through challenging times, and this can cause tension. In some cases, a founder or board may become</p>

	inappropriate for a rapidly changing company, and at other times, the founders or senior managers may no longer have the motivation, ability to work together, or required capability for a fast-growing company. All of these aspects can cause poor performance.
Mitigation	<p>We recognise that investing in high-growth companies is a journey, and we look to build long-term trust and respect-based relationships. We seek to make investments into companies where we see alignment in values and long-term vision between founders and key investors.</p> <p>We expect and observe that founders, directors and other shareholders will have a constantly evolving set of circumstances. We seek to help founders, managers and directors understand and learn their changing roles. We also seek to maintain alignment between ourselves and founders, and to assist them to achieve their goals.</p> <p>We encourage appointment of senior management executives to help take on the increasing burden as companies grow, so that the company, founders and boards can operate more effectively and with less dependence on key individuals.</p> <p>We help to steadily improve the composition and behaviour of boards, including adjusting our own roles and membership. We may, generally with other investors, and only if required, help boards and founders transition a Portfolio Company from being founder-led to having independent leadership.</p> <p>We can play a variety of roles with other shareholders, boards of directors and founders, and these tend to evolve over time. Where we do not have a large shareholding, or even sometimes when we do, we are often only able to provide suggestions and advice. Our goal is that every Portfolio Company has highly effective governance and management.</p>

Other Material Risks

Risk	Key Person Risk – associated with the loss, or poor performance, of key people.
Nature of Risk	2040 Ventures is a boutique venture capital manager with a relatively small team. The two founders, Lance Wiggs and Chris Humphreys, along with Investment Director Nadine Hill are all key to the ongoing success of Punakaiki Fund. The company relies on the abilities of Lance, Chris and Nadine to both make good investments on its behalf and to help many of the Portfolio Companies to increase their value. The loss or poor performance of these people may have a long-term negative impact on the value of Punakaiki Fund's investments.
Magnitude and Likelihood	<p>If Lance, Chris or Nadine are incapacitated then Punakaiki Fund will have a significantly reduced ability to find and make new investments, as well as lower rigour in the investment process, a lesser ability to provide assistance to Portfolio Companies, and a higher administration burden will be placed on the remaining staff.</p> <p>The value of Punakaiki Fund's Assets, which is based on existing investments in companies, should be largely unaffected, although the price a willing buyer is prepared to pay for Punakaiki Fund Shares may fall.</p>
Mitigation	<p>2040 Ventures has increased the size of its team, with the addition of Nadine Hill removing substantial burden from Lance in particular, while also adding a number of junior roles to the team.</p> <p>We continue to develop systems and procedures to enhance our operational practices, ensuring documentation of key processes and procedures to minimise the risk of disruption in the event of key person failure.</p> <p>2040 Ventures is currently fund raising for its second fund, the Climate Venture Capital Fund. If successful, the new fund will add two new partner-level roles to 2040 Ventures, which will further increase the senior capability of the 2040 Ventures team. We anticipate that 2040 Ventures will also potentially have the ability to add further staff, depending on the final size of the Climate Venture Fund.</p> <p>We continuously seek to ensure that 2040 Ventures is staffed appropriately in order to fulfil our role not just as Manager of Punakaiki Fund, but to provide the requisite degree of support to our Portfolio Companies, based on need at any given time.</p> <p>In the event of poor performance of 2040 Ventures principals, including due to the inability to perform duties or for cause, the Board has the ability to remove 2040 Ventures (either via the Management Agreement (for cause) or by way of Shareholder vote, in both cases without penalty) and could appoint a new manager to manage and monitor Punakaiki Fund's existing investments.</p>

Risk	Valuation Uncertainty Risk – our investment valuations are estimates of fair value, but have inherent uncertainty.
Nature of Risk	<p>Punakaiki Fund invests in privately held, illiquid companies which are not traded on public markets. There is risk that the investments in those companies are valued incorrectly or with high levels of uncertainty, given the risk from volatility in private market valuations and difficulty in providing meaningful forecasts.</p> <p>The importance of this risk is illustrated by EY New Zealand reporting that “Note 3.1.1 to the financial statements describes the inherent uncertainty and difficulty in measuring the fair value of early-stage unlisted investments” in the Key Audit Matters section of their Independent Auditor’s Report on Punakaiki Fund’s FY2021 financial statements.</p> <p>This uncertainty causes three different types of risk:</p> <ul style="list-style-type: none"> ■ The first is that Punakaiki Fund overpays for investments by valuing them too highly at the time of investment, leading to a later write-down in the value of the investment and thus the value of Punakaiki Fund’s Assets; ■ The second is that the Board materially over-values an investment, due either to inadequate or incorrect information provided to or from 2040 Ventures or an independent valuer, or from incorrectly assessing the investment’s value versus comparable companies; and ■ The third is that of systematic overvaluing of some or all of the portfolio, due to incorrect application of the comparable company valuations or under-estimation of the adjustments or discounts applied for performance, liquidity, company size or control.
Magnitude and Likelihood	<p>Overvaluation of the investment with the highest value by 20% would cause the total investment assets to be overvalued by approximately 5%.</p> <p>A systematic overvaluation approach would result in a much higher valuation of Punakaiki Fund’s Assets, however this should be difficult to achieve given the checks required by the Board, and Punakaiki’s strict governance in respect of valuations.</p>
Mitigation	<p>Punakaiki Fund has an Investment Valuation Policy with a valuation approach consistent with the International Private Equity and Venture Capital Valuation (“IPEV”) Guidelines and uses revenue, revenue growth or EBITDA metrics versus comparable publicly traded companies in our valuations. We apply an adjustment factor to adjust these comparable companies’ metrics to reflect differences in relative growth rates, any limit to the size of a market a Portfolio Company addresses and differences in overall performance.</p> <p>We also apply a range of discounts and premiums to valuations to reflect (if applicable) a degree of control (premium), illiquidity (discount) or the small size of the business being valued (discount). In the FY2021 year-end valuation and for the valuation used for this Offer we also applied adjustments reflecting the impact of the COVID-19 pandemic on individual Portfolio Companies. We also calibrate valuations to the last funding round undertaken by that Portfolio Company, noting that under the IPEV Guidelines it is not acceptable to simply accept the last-round valuation as fair value.</p> <p>The valuations are prepared and proposed by 2040 Ventures, reviewed by the Board (in which the directors have an active role in the process), and, for annual accounts, subjected to the audit process. The audit process would typically include a rigorous review of the valuation methodologies applied as well as a review of individual valuations. The auditors work with 2040 Ventures through this process, but also meet independently with Punakaiki Fund’s independent directors and any external valuers.</p> <p>The Board can and does commission independent valuations for material investments, and did so for one Portfolio Company for the FY2021 year-end valuation. The Board is likely to continue to arrange independent valuations of Portfolio Companies in the future.</p>
Risk	Liquidity Risk – the inability to easily sell your Shares, and when doing so, that the value is likely to be at a discount to the Investor Net Asset Value per Share.
Nature of Risk	Our Shares are not listed on a stock exchange, and while we do offer periodic share trading windows, the Shares generally trade at a discount to the Investor Net Asset Value per Share. It is also not unusual to see shares from listed investment companies trade at a discount to their net asset value.
Magnitude and Likelihood	<p>The two most recent share trading rounds resulted in Shares trading at discounts to the Investment Net Asset Value per Share of 14% and 16%, with an average of 1% of Punakaiki Fund’s Shares trading over the two events.</p> <p>One example of a listed investment venture capital company is Bailador (ASX:BTI) which recently traded at a 17% to 18% discount to its reported net asset value.</p>
Mitigation	There is currently limited mitigation against the inability to sell your Shares in a timely manner. In the medium to long-term, it is Punakaiki Fund’s current intention to potentially list its Shares on a recognised exchange. We expect that should this occur, Shareholders will have a greater ability to sell their Shares, potentially at a price closer to the Investor Net Asset Value per Share.

In the interim, Punakaiki Fund will continue to operate its periodic share trading windows. In order to assist in reducing the potential discount that Shares trade at during share trading windows, Punakaiki Fund regularly surveys investors before deciding whether or not to hold a discounted Share issue, and maintains robust valuation and reporting activities to Shareholders in order to provide confidence in the true value of Shares.

Materiality

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

Personal Circumstances

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

09. 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

Disclose Register

Further information relating to Punakaiki Fund and the Shares (for example, Punakaiki Fund's constitution and financial statements) is available on the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number (OFR13159). A copy of the information on the Disclose Register is available on request to the Registrar of Financial Service Providers.

Companies Office

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

Website

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

Shareholder Communications

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

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

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

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

Information Charges

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

11. How To Apply

Before You Apply

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

- Read this PDS;
- Read the additional information available on the Disclose Register at www.business.govt.nz/disclose under Punakaiki Fund's offer number (OFR13159); and
- Take financial, taxation and other advice from an expert.

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

How To Apply For Shares In The Offer

Apply on-line using the link below:

punakaikifund.co.nz/Invest2021

This is available from 16 November 2021 until 11:59pm on 9 December 2021. Existing investors will receive a unique link.

New investors will need to provide Drivers' License or Passport details for identity and address verification, along with undertaking online biometric testing to prove their identity. Please complete the application even if the system is unable to verify these details (for example it may not work well if you have recently changed address) and we will then get in touch to assist with the completion of the application process.

Apply using the Application Form

A PDF Application Form will be sent to you on request to either:

- **Yvonne Gao**
yvonne@204Oventures.com
021 088 70826
- **Chris Humphreys**
chris@204Oventures.com
027 622 7803

Application Forms must be dated and arrive between 16 November 2021 and 11:59pm on 9 December 2021.

Email to:

- Yvonne Gao
yvonne@204Oventures.com
021 088 70826

Mail to:

- P.O Box 106655,
Auckland City, 1143

Deliver to:

- Level 6, 2 Kitchener Street,
Auckland. (COVID Alert Level 1 or 2 only)

Payment

Punakaiki Fund's BNZ Account:

02-1257-0039394-002

Please make payment for the full number of shares you have applied for by one-time direct credit.

Applications can only be accepted after full payment is received, and you have provided any necessary documents required by us under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 and the Common Reporting Standards/FATCA (if required). Where we cannot verify your details, including in the online process, we will get in touch to assist.

If you require any further information or assistance with the application process, please contact 2040 Ventures:

- **Yvonne Gao**
yvonne@204Oventures.com
021 088 70826
- **Chris Humphreys**
chris@204Oventures.com
027 622 7803
- **Lance Wiggs**
lance@204Oventures.com
021 526 239

12. Contact Information

Punakaiki Fund

Punakaiki Fund Limited

Level 6
2 Kitchener Street
Auckland
New Zealand 1010

Lance Wiggs

lance@punakaikifund.co.nz
021 526 239

Mike Bennetts

chair@punakakifund.co.nz

2040 Ventures

2040 Venture Limited

Level 6, 2 Kitchener Street
Auckland
New Zealand 1010

Lance Wiggs

lance@2040ventures.com
021 526 239

Chris Humphreys

chris@2040ventures.com
027 622 7803

Share Registrar

Punakaiki Fund's Share Register is administered by 2040 Ventures.

2040 Ventures Limited

Level 6
2 Kitchener Street
Auckland
New Zealand 1010

Yvonne Gao

yvonne@2040ventures.com
021 088 70826

Chris Humphreys

chris@2040ventures.com
027 622 7803

13. Glossary

TERM	DEFINITION
\$	New Zealand dollar
2040 Ventures or Manager	2040 Ventures Limited, the investment manager of Punakaiki Fund
Accounting Net Asset Value	The fair market value of the assets less the liabilities of Punakaiki Fund as determined by the Board after consultation with 2040 Ventures and in some instances, other external parties. The Accounting Net Asset Value incorporates only the cash component of the 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
Administration Fee	A quarterly payment to 2040 Ventures to compensate it for additional administrative work that it undertakes on behalf of Punakaiki Fund outside of the scope of the Management Agreement
Applicant(s)	A person(s) who submits an Application Form(s) under the Offer
Application Form	The form required to apply for Shares in Punakaiki Fund as set out in this Product Disclosure Statement. A copy of the Application Form can be obtained by emailing chris@2040ventures.com or lance@2040ventures.com or online at punakaikifund.co.nz/Invest2021
Application Monies	The funds required to accompany an Application in order for Shares to be purchased
Application(s)	Completed Application Forms returned to Punakaiki Fund along with full payment
Assets	All of Punakaiki Fund's assets, before the deduction of any liabilities
ASX	Australian Stock Exchange
Board	The board of directors of Punakaiki Fund
Brokerage Fee	A payment to 2040 Ventures to compensate it for assuming the costs associated with raising capital for Punakaiki Fund, including payments to third-party brokers, paid under the terms of the Management Agreement. Brokerage Fees are calculated as 3% of the funds raised for Punakaiki Fund, but excluded Shares issued as part of agreements to purchase Portfolio Company shares in exchange for Shares, and the issue of Shares to settle to share-based portion of the Performance Fee
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Closing Date	9 December 2021 or such other date as determined by Punakaiki Fund
Companies Act	Companies Act 1993
Conqa	The trading name of one of Punakaiki Fund's Portfolio Companies. Conqa's registered name is QA Tech Limited
Core Portfolio Companies	15 Portfolio Companies that represent 97% of the value of the investment assets. These are Devoli, Onceit, Quantifi Photonics, Raygun, Mobi HQ, Conqa, RedSeed, Boardingware, Melon Health, Weirdly, QUBEdocs, Core Schedule, Get Home Safe, Moxion and Whip Around. Excluded are investment assets that are sold, held for sale, impaired to zero and/or are not technology companies (such as New Zealand Artesian Water)
Core Schedule	Core Schedule NZ Limited, a Portfolio Company
CTO	Chief Technology Officer

TERM	DEFINITION
COVID-19	Coronavirus Disease 2019
Devoli	Devoli Limited, a Portfolio Company
Disclose Register	The register that contains information about the Offer. This information can be found at www.business.govt.nz/disclose under Punakaiki Fund's offer number OFR13159
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
EY New Zealand	Punakaiki Fund's financial and share register auditor. Formerly known as Ernst & Young
Exit	The sale of Punakaiki Fund's shareholding in a Portfolio Company
FATCA	Foreign Account Tax Compliance Act – a United States law requiring the reporting of taxation information for United States account holders to the Internal Revenue Service
FMA	Financial Markets Authority
FY2016, FY2017, FY2018, FY2019, FY2020, FY2021, FY2022	Financial Years ending 31 March 2016, 31 March 2017, 31 March 2018, 31 March 2019, 31 March 2020, 31 March 2021 and 31 March 2022 respectively
GAAP	Generally Accepted Accounting Principles
Get Home Safe	Get Home Safe Limited, a Portfolio Company
GST	Goods and Services Tax
High-Water Mark	The highest Investor Net Asset Value per Share for which a Performance Fee has been previously paid. No subsequent Performance Fee is payable until the Investor Net Asset Value per Share exceeds the High-Water Mark and the Performance Fee will only be paid in relation to increases above the previous High-Water Mark. This ensures that 2040 Ventures is not paid a Performance Fee for gains that make up for previous periods of poor performance
ICT	Information and Communication Technologies
Investor Net Asset Value	The fair market value of the assets less both the liabilities of Punakaiki Fund and the share-based component of the accrued Performance Fee, as determined by the Board after consultation with 2040 Ventures and in some instances, other external parties. The Investor Net Asset Value is used to determine the pricing of this Offer. It is not a GAAP measure
IPEV	International Private Equity and Venture Capital Valuation Guidelines (December 2018 edition)
IPO	Initial Public Offering
IRR	Internal Rate of Return
ISP	Internet Service Provider
Linewize	The group of Portfolio Companies comprising Linewize Limited and Linewize Services Limited, which have been sold to Family Zone Limited
Management Agreement	The agreement dated 25 March 2014 between Punakaiki Fund and 2040 Ventures relating to sourcing and managing investments for Punakaiki Fund
Management Fee	The management fee paid to 2040 Ventures under the Management Agreement
Manager	2040 Ventures Limited, the investment manager of Punakaiki Fund

TERM	DEFINITION
Market Value	The fair market value of the equity of Punakaiki Fund. If Punakaiki Fund is not listed on a stock exchange (which is currently the case), then the Market Value is the Investor Net Asset Value. Should (in the future) Punakaiki Fund become listed on a stock exchange, the Market Value will then be based on the Share offer price when initially quoted on that exchange, and after that on the volume weighted average Share price for the 30 days prior to the end of the financial year; or immediately following a return of capital to Shareholders, the value of the capital return together with the Investor Net Asset Value. On termination of the Management Agreement, the Market Value is the higher of the market capitalisation based on the volume weighted average Share price for the 30 days prior to the end of the financial year and the Investor Net Asset Value
Melon Health	Melon Health Limited, a Portfolio Company
Mobi	Mobi HQ Limited, formerly Mobi2Go Limited, a Portfolio Company
Moxion	The trading name of one of Punakaiki Fund's Portfolio Companies. Moxion's registered name is Tinderbox Media Limited
New Zealand Artesian Water	New Zealand Artesian Water Limited, a non-core Portfolio Company
NZX	NZX Limited, the operator of the New Zealand Stock Exchange
Offer	The offer of Shares under this Product Disclosure Statement
Onceit	Onceit Limited, a Portfolio Company
Orah	The trading name of one of Punakaiki Fund's Portfolio Companies. Orah's registered name is Boardingware International Limited
PDS	This Product Disclosure Statement dated 8 November 2021
Performance Fee	Amounts payable to 2040 Ventures tied to the positive performance of Punakaiki Fund as set out in the Management Agreement and on page 27 of this Product Disclosure Statement
Portfolio Company(s)	The 15 active businesses in which Punakaiki Fund holds an investment, excluding companies where the investment is held for exit, and including New Zealand Artesian Water, which is considered out of mandate
Price	\$28.50 — the price at which Shares may be bought under the Offer
Punakaiki Fund	Punakaiki Fund Limited
Quantifi Photonics	Quantifi Photonics Limited, a Portfolio Company formerly known as Coherent Solutions Limited
QUBEdocs	Qubedocs Limited, a 100%-owned subsidiary of Portfolio Company Mindfull Group Limited
Raygun	Raygun Limited, a Portfolio Company
RedSeed	Redseed Limited, a Portfolio Company
SaaS	Software as a service, a software delivery model in which software and data are hosted by a vendor or service provider and made available over a network (typically the Internet)
Seed	Seed financing typically refers to the first formal investment that a business venture or enterprise receives
Series A	Series A financing refers to an investment in a privately held, start-up company after it has shown progress in building its business model and demonstrates the potential to grow and generate revenue. Initially, start-up companies rely on small investors for seed capital to begin operations
Series B	Series B financing is the second round of funding for a business through investment including private equity investors and venture capitalists

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