



# PUNAKAIKI FUND

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INVESTING IN HIGH GROWTH COMPANIES

## Product Disclosure Statement

***Offering of Ordinary Shares and Non-Renounceable Rights in  
Punakaiki Fund Limited***

***3 March 2017***

*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](http://www.business.govt.nz/disclose), offer number 11875.*

*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.*

# 1. Key Information Summary

## What Is This?

*This is an **offer of ordinary shares** ("Shares") and also a **non-renounceable Rights Issue** to all Punakaiki Fund shareholders. Shares give you a stake in the ownership of Punakaiki Fund Limited ("Punakaiki Fund").*

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

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

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

## About Punakaiki Fund

Punakaiki Fund makes long-term investments into high-growth, revenue-generating New Zealand companies. The company has a diverse portfolio of investments in 19 Portfolio Companies and total assets, including cash, of \$27.0 million.

The Portfolio Companies represent a diverse range of products and services, target markets, business models and sizes. Their aggregate revenues (annualised December 2016 quarter, not weighted by our shareholding) were almost \$72 million<sup>1</sup>, while the largest individual investment represented less than 16% of the portfolio value.

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

## Purpose of this Offer

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

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



## Key Terms of the Offer

### Offer Terms

#### Description of the Securities

This is an offering of **ordinary shares** in Punakaiki Fund.

#### Price

**\$20.50 per Share**, inclusive of 3% brokerage. Once you pay for your Shares, you have no obligation to pay any further amounts

**PDS Lodged** **3 March 2017**

**Offer Opens** **13 March 2017**

**Offer Closes** **20 March 2017**

Punakaiki Fund reserves the right to amend, extend or shorten the Offer at any time before the Closing Date, and to withdraw the Offer at any time before the allotment of Shares

**Allotment Date** **21 March 2017**

Punakaiki Fund can reject any Application, or accept any Application in part only, without providing any reason for doing so

#### Minimum Investment per Shareholder

**100 Shares** (\$2,050), then in increments of 100 Shares (\$2,050)

#### Maximum Investment per Shareholder

There is **no maximum** number of Shares you can subscribe for

#### Minimum Shares Available

There is **no minimum** number of Shares being offered

#### Maximum Shares Available

There is **no maximum** number of Shares being offered

#### Entitlement to Rights Issue

Applicants who are allotted Shares in the Offer are also entitled to participate in the Rights Issue

**Current Shares on issue** **1,154,636 Shares**

### Non-renounceable Rights Issue

#### Description of Rights Issue

Every 10 Shares held on the Record Date will entitle, but not obligate, the holder of those Shares to subscribe for 1 additional Share at the Rights Issue Price. The right to subscribe for these Shares is not transferable

#### Shortfall Shares

Holders of Shares at the Record Date will also have the ability to subscribe for Shortfall Shares at the Rights Issue Price. Shortfall Shares are any Shares that other shareholders were entitled to subscribe for under the Rights Issue, but did not take up

#### Rights Issue Price

**\$15.00 per Share**, inclusive of 3% brokerage. Once you pay for your Shares, you have no obligation to pay any further amounts

**Rights Issue Opens** **13 March 2017**

**Record Date** **21 March 2017**

**Rights Issue Closes** **24 March 2017**

**Shortfall Shares Allocated** **25 March 2017**

**Payment for Shortfall Shares Due** **28 March 2017**

**Allotment Date** **30 March 2017**

### Management Agreement

**Manager** Lance Wiggs Capital Management Limited

**Manager Principals** Lance Wiggs and Chris Humphreys

**Initial Agreement Term** **10 Years**, beginning **25 March 2014**

**Removal of Management** More than **50% of the Shares** on issue voted in favour

**Management Fee** **2%** of Accounting Net Asset Value per annum plus GST, paid quarterly in advance

**Performance Fee** **20%** of any net gains, subject to a 10% return threshold and a high water mark

**Payment of Performance Fee** Initially triggered by Punakaiki Fund's **listing on a stock exchange** and certain other events. Paid 72% as Shares and 28% as cash (based on the prevailing corporate tax rate)

Additional information regarding the management of Punakaiki Fund is contained within the *Management Agreement* between Punakaiki Fund and LWCM, found in the Disclose Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose) under Punakaiki Fund's offer number (11875).



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

Under its constitution, Punakaiki Fund is structured as a company and is governed by a shareholder-elected board of directors, with the Manager appointed under the Management Agreement. The investor rights include the ability for the Manager to be removed without penalty if a majority of Shares are voted in favour of doing so. A typical MIS requires approval of 75% of its investors to remove the scheme manager.

## 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 term and there is no other established market for trading them. This means that you may not be able to sell your Shares. Punakaiki Fund does not offer the ability for Shares to be redeemed.*

Additional information regarding trading of shares through periodic matching of buyers and sellers can be found in Section 6, **Key Features of the Shares**, on page 45.

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

## Key Drivers of Returns

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

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

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

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

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

The key drivers of returns are discussed further in Section 6, **Key Features of the Shares**, on page 45.

## Key Risks Affecting This Investment

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



**Loss of value due to the poor performance or failure of one or more Portfolio Companies**, which would cause the Investor Net Asset Value of Punakaiki Fund to be revalued downwards. The Manager actively monitors performance of the Portfolio Companies and Punakaiki Fund marks the carrying value of any underperforming investments down. To date, investments representing over 20% of the value of the assets of Punakaiki Fund have, at some time, been marked down from a previous carrying valuation. The investments we currently regard as highest risk are valued at under 3% of the Investor Net Asset Value.

**Higher volatility in the valuation of Punakaiki Fund investments than in public market investments.** This reflects the heightened valuation volatility that Portfolio Companies have in response to public market valuation movements (e.g. downwards and upwards movements in the ASX, NZX and international share markets) due to their smaller size and higher growth. For clarity, a sudden 30% fall or rise in global share markets would likely result in a greater fall or rise in the valuation of Punakaiki Fund's investments. We maintain a very long term perspective on investments, which can make us less sensitive to some short-term volatility.

**Ongoing capital raisings (such as Share issues) do not meet Punakaiki Fund's needs or expectations.** Punakaiki Fund requires cash to meet its operating expenses and to make further investments. If Punakaiki Fund does not continue to raise sufficient capital it may fail, in which case the Investor Net Asset Value per Share is likely to fall significantly. We target a minimum cash holding of 2.5% of Accounting Net asset Value immediately after any investment and in addition have successfully raised \$15.0 million in cash since April 2014.

**High concentration of investments in technology businesses gives Punakaiki Fund greater exposure to technology sector volatility**, with the risk that a downwards valuation in the entire technology sector could have a more significant impact on the valuation of Punakaiki Fund's portfolio of investments than on a more diversified portfolio. We invest in companies which provide us with exposure to a diverse range of industries to help mitigate our technology and SaaS business model concentration.

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

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

*This summary does not cover all of the risks of investing in Shares. You should also read Section 8 of this PDS, **Risks to Punakaiki Fund's Business and Plans**, on page 51.*

## **Where You Can Find Punakaiki Fund's Financial Information**

*The financial position and performance of Punakaiki Fund are essential to an assessment of this Offer. You should also read Section 7 of the PDS, **Punakaiki Fund's Financial Information**, on page 47.*

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 on Punakaiki Fund's future Investor Net Asset Value.



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# Letter from the Chair

Dear Investor,

On behalf of the Board I am pleased to introduce this Offer of shares, along with a discounted rights issue for all Shareholders after the Offer is complete.

Punakaiki Fund has made good strides in its quest to address the large funding gap for investing in high quality, high growth companies in New Zealand. It's a long journey and performance so far has, in the Board's opinion, been excellent. We are therefore giving all Shareholders after this offer with the opportunity to participate in a rights issue, with the right to purchase one share at a price of just \$15.00 per share for every ten shares you hold.

We have also changed the way we price the main offer. We observed that public markets often price investment companies at or under their net asset value, so we have priced this Offer at under our own investor net asset value per share.

The Board's medium term perspective on Punakaiki Fund is to aim to increase assets from \$27.0 million today to over \$100 million at an IPO in around two years' time. Your support now helps not just to fuel the growth and increase in value of the existing portfolio of 19 companies and of new investments, but also to accelerate the growth of the value of the assets and the likelihood of reaching our two year goal.

That goal may seem tough, but in the three years of Punakaiki Fund's existence it has grown, with the support of 608 investors, from \$1.5 million in assets to \$27.0, and is one of New Zealand's most active high-growth investors.

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

The Board maintains our other priorities of minimising the chances of sudden losses, and making sure we are robust and fair in our Portfolio Company valuations.

In line with generally accepted portfolio management practices, the diversity of our investments is intended to lower the risk of our portfolio. We do expect the natural volatility of public markets to continue, for companies to have good and bad times, and for some companies to fail. We review the risks to the portfolio at every Board meeting, and mark down valuations where we see underperformance. We track the share of our assets placed with companies that will require further funding to survive and are pleased that it is currently under 3% (well under the 20% limit we set for ourselves).

The Board treats our obligation to ensure that valuations are fair to both new and existing investors very seriously. We adopted the International Private Equity and Venture Capital Valuation Guidelines ("IPEV") as our valuation standard, reappointed Ernst & Young as our auditors for the year to March 2017 and received an unqualified audit report for the year to March 2016. The Board continues to build a stronger governance foundation through the ongoing development of policies and practices, all of which are in support of a future IPO.

To ensure that an investment meets your specific objectives, we recommend that you read this document carefully and, before making a decision, consult with your financial and other professional advisers.

We invite you to invest in Punakaiki Fund. As with any investment, we cannot guarantee the outcomes, but we believe if we stick to our approach of supporting quality New Zealand high-growth companies, we have the potential to deliver attractive returns.

Yours Sincerely, Mike Bennetts

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

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## 2. Punakaiki Fund and What it Does

*An investment in Shares is by its nature relatively high risk. It will not be suitable for all investors. The Glossary on page 60 defines terms used in this Product Disclosure Statement, or “PDS”.*

### 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](http://www.business.govt.nz/disclose) under Punakaiki Fund’s offer number 11875) and the Companies Act.



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

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

LWCM is contracted under the Management Agreement to provide management of Punakaiki Fund’s assets. The terms of the Management Agreement are set out in Section 2, **Punakaiki Fund and What it Does**, on page 25.

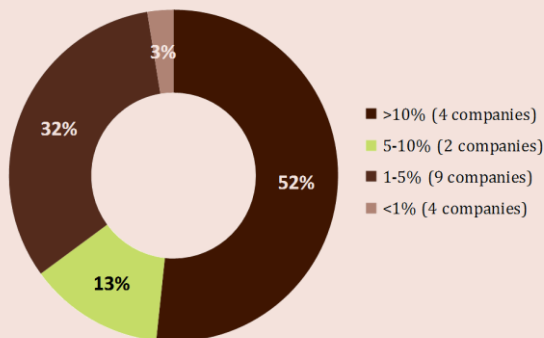




## Our Portfolio Composition

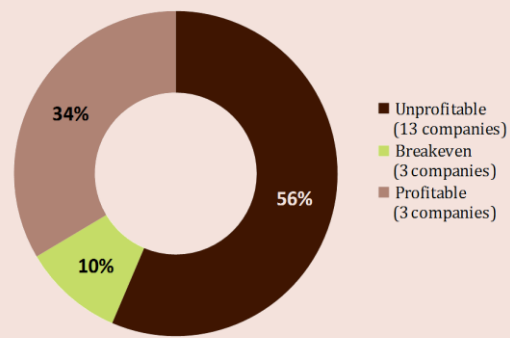
The charts below illustrate the composition of Punakaiki Fund's investment portfolio as at the date of this PDS.

### Valuation Split By Concentration



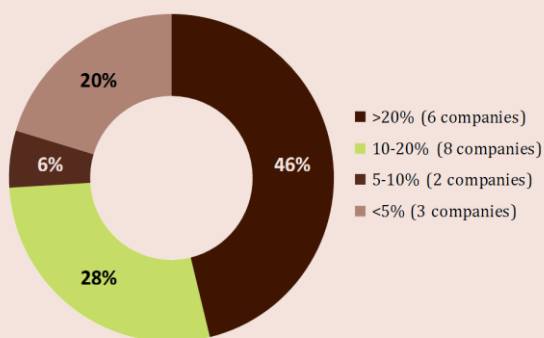
Punakaiki Fund's holdings are valued between \$0.1 and \$4.1 million, with the largest investment representing under 16% of the value of the investment portfolio.

### Valuation Split By Profitability



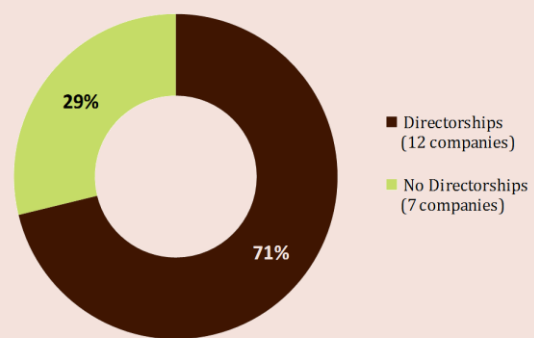
Punakaiki Fund's investments include companies that are profitable, investing to grow and those that operate at around break even.

### Valuation Split By Ownership %



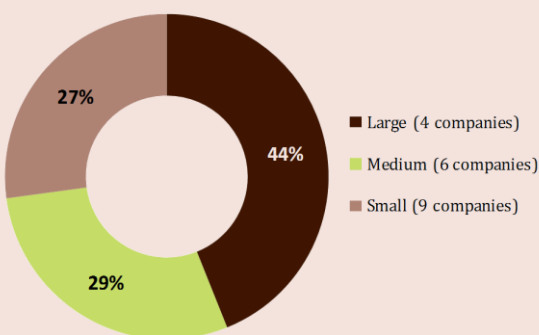
Punakaiki Fund holds a range of minority shareholdings in Portfolio Companies. A larger shareholding generally gives us greater influence over investments.

### Valuation Split By Directorship



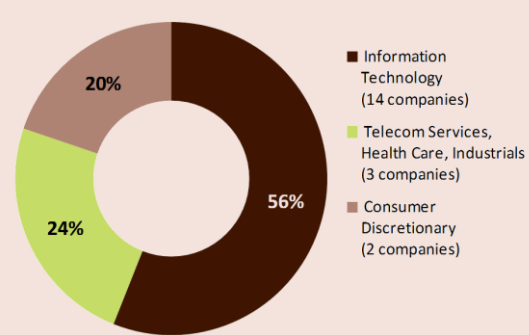
Punakaiki Fund's policy is that companies should have a board appropriate to their stage, and we place directors when invited. Directorships generally give us greater influence over investments.

### Valuation Split By Revenues



Punakaiki Fund separates assets into three revenue categories. The aim is to increase the share of medium (over \$300,000 annualised revenue) and large (over \$10 million in annualised revenue) companies.

### Valuation Split By Industry



Punakaiki Fund's portfolio is deliberately spread across several industries, aiming for greater resilience through diversity.



## Punakaiki Fund Overview

Punakaiki Fund holds and invests in fast-growing New Zealand-based businesses, with a portfolio of 19 businesses valued at \$26.2 million and total assets of \$27.0 million. Punakaiki Fund has a wide investment mandate, investing with the intent to maintain a diverse portfolio within its high growth mandate.

### History

Punakaiki Fund was first funded in April 2014 and has since raised a total of \$15.7 million via three subsequent wholesale offers, four series of options, a retail crowd-funding offer, a retail offer using a product disclosure statement and the issue of new Punakaiki Fund shares to settle an investment. Punakaiki Fund has invested \$13.0 million in cash into 19 businesses, via 39 separate investment rounds or tranches, and also issued \$0.7 million in Shares to settle an investment.

Our existing investments in 19 businesses serve industries across retailing, training, boarding schools, water, intellectual property, construction, telecommunications and agriculture. The business models used by these businesses also vary across SaaS, consultancy, products and on-line sales.

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

### About the Structure

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

The structure is also intended to provide the flexibility to raise new capital in the future and to facilitate a future listing (or IPO) of Punakaiki Fund Shares.

### Drivers of Punakaiki Fund's Performance

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

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

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

The *Statement of Investment Policies and Objectives* and *Investment Guidance* documents can be found in the Disclose Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose) under Punakaiki Fund's offer number (11875).



## Statement of Investment Policies and Objectives Summary

### Investment Philosophy

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

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

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

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

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

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

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

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

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

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

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

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

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

### Investment Objectives

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

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

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

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

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

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



## Investment Strategy

Punakaiki Fund aims to achieve its objectives by:

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

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

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

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

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

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

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

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

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

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

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

## Investment Performance

Many venture capital funds use gross internal rate of return ("Gross IRR") as a measure of their performance. Gross IRR is the annualised percentage return from each investment, based on the amount invested, the elapsed time between the investment date and today, and today's valuation. For example, if an investment of \$1 million was made in July 2015 and the value today was assessed at \$1.5 million then the valuation would have increased by 50%, but the gross IRR, which is the annualised percentage return, would be only 29% (i.e. the compounding annual return that you would need to receive to grow \$1 million to \$1.5 million over 19 months).

The table below reflects the overall gross IRR of our investments, grouped by the calendar year of each investment. This excludes all fees and other operating costs of Punakaiki Fund.

Punakaiki Fund's investments have delivered a Gross IRR of 48%<sup>1</sup> (a 91% increase in value) based on assessed changes in fair market valuation since each investment tranche.



Fiscal Year	Investment	Investment Tranches	Unrealised Returns <sup>1</sup>
2015	<b>\$3.5 million</b>	Vibe Communications (x2) Timely, Influx, Raygun, Melon Health (x2), Onceit, Weirdly, Boardingware, Redseed	\$12.5 million value Up 260% <b>71% IRR</b>
2016	<b>\$7.3 million</b>	ThisData, EverEdgeIP, Influx, Redseed, Boardingware, Vend (x2), Weirdly, Onceit, Mobi2Go (x2), Melon Health (x2), Mindfull, Raygun	\$10.6 million value Up 45% <b>29% IRR</b>
2017 to Feb 27	<b>\$3.0 million</b>	Populate (x3), Linewize (x3), NZAW (x2), Hayload (x2), Weirdly (x2), Mobi2go, Conqa	\$3.1 million value Up 5% <b>15% IRR</b>
<b>Total</b>	<b>\$13.7 million</b>	<b>40 investment tranches</b>	<b>\$26.2 million value</b> <b>Up 91%</b> <b>51% IRR</b>

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

The highest returns are from the investments made in the 2015 and 2016 financial years, while returns from the 2017 financial year are low. This is expected, with several investments in Portfolio Companies that Punakaiki Fund has held and provided advice to the longest showing the greatest returns, while the newer investments are yet to be materially revalued. The \$10.8 million invested in financial years 2015 and 2016 now has a carrying value of \$23 million, an increase of 114%, while the investments from the eleven months to 27 February 2017 show an increase of just 5%.

The strategy of Punakaiki Fund is to hold investments for the long term.

The approach to valuation is discussed in Section 5, **Terms of the Offer**, on page 42.

### Management and Execution

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

The Managers do not hold any other interest in, nor receive compensation from, any of the companies.

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

### Investing - Additional Information

Additional information regarding the management of Punakaiki Fund is contained within the *Management Agreement* between Punakaiki Fund and LWCM, which can be found in the Disclose Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose) under Punakaiki Fund's offer number (11875).





## Industries and Sectors in which Punakaiki Fund Invests

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

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



## Our Investments

Punakaiki Fund currently has shareholdings in the following businesses, which have combined annualised quarterly revenues of almost \$72 million as of December 2016 (this is non-GAAP information).

Portfolio Company	Punakaiki Fund Shareholding	Punakaiki Fund Option to Invest	FY2017 Forecast Revenue <sup>1</sup>	Head Office Location
<b>Vend Limited</b> <sup>2</sup>	1.8%		Large	Auckland
<b>Vibe Communications Limited</b> <sup>3</sup>	24.0%		Large	Auckland
<b>Onceit Limited</b>	25.6%		Large	Auckland
<b>Mindfull Group Limited</b>	19.2%		Large	Auckland
<b>Timely Limited</b>	4.7%		Medium	Dunedin
<b>Raygun Limited</b>	6.3%		Medium	Wellington
<b>EverEdgeIP Global Limited</b>	4.6%		Medium	Auckland
<b>RedSeed Limited</b>	12.8%		Medium	Christchurch
<b>Mobi2Go Limited</b>	12.6%		Medium	Wellington
<b>Melon Health Limited</b>	18.4%		Medium	Wellington
<b>Linewize Group</b> <sup>4</sup>	20.0%		Small	Christchurch
<b>New Zealand Artesian Water Limited</b>	15.8%	5.8%	Small	Nelson
<b>Boardingware International Limited</b>	28.6%		Small	Auckland
<b>Weirdly Limited</b>	30.4%		Small	Auckland
<b>QA Tech Limited (trading as Conqa)</b>	5.4%	7.6%	Small	Auckland
<b>InfluxHQ Limited</b>	25.2%		Small	Wellington
<b>ThisData Limited</b>	10.9%		Small	Auckland
<b>Populate Limited</b>	13.0%		Nil	Auckland
<b>Hayload Limited</b>	21.1%	11.3%	Nil	New Plymouth

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

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

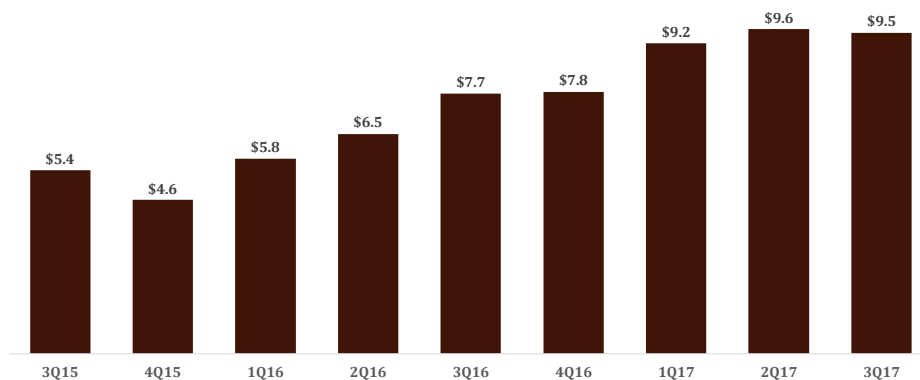
<sup>3</sup> At the date of this PDS, Punakaiki Fund is in the process of purchasing additional Vibe Communication shares equal to 9.4% of the current shares on issue, although this transaction has not yet been completed.

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

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

### Equity Weighted Quarterly Revenue from Portfolio Companies

\$ Million. Weighted using quarter-end equity holdings



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





**Shareholding:** 1.8%\*

**First Investment:** August 2015

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

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

[Vend](#) provides retail point of sale, inventory management, ecommerce and customer loyalty software for iPad, Mac and PC. It helps retailers large and small manage and grow their businesses. It targets retailers with multiple stores by providing powerful back office, analytics and inventory functions. Vend integrates with a large number of payment providers, has partnerships with Apple and Xero and has over 18,000 stores using its software. Vend has offices in Auckland, Melbourne, the United Kingdom and Toronto.

Vend last closed a fund-raising round in December 2016. LWCM provided earlier advice with governance and assistance with executive recruitment. Vend's founder and staff have been active in LWCM founder sessions.

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



**Shareholding:** 24.0%\*

**First Investment:** June 2014

**Founders:** Barry Murphy, Davey Goode

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

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

Punakaiki Fund is in the process of finalising a purchase of additional Vibe shares as of the date of this PDS.

LWCM is very active in the governance of Vibe Communications, including assistance with acquisitions, executive recruitment, key negotiations and strategic and executive advice.

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

*\*including Punakaiki Fund's interest in Vibe Communications treasury shares. At the date of this PDS, Punakaiki Fund is in the process of purchasing additional Vibe Communication shares equal to 9.4% of the current shares on issue, although this transaction has not yet been completed.*



**Shareholding:** 25.6%

**First Investment:** February 2015

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

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

[Onceit](#) is an on-line daily deal site selling high-end designer fashion, predominantly in New Zealand. Onceit has grown to over \$10 million in annualised revenue and has a profitable high-growth business model. Onceit has paid dividends to Punakaiki Fund on three separate occasions since the first investment in February 2015.

Onceit's board includes Simon West, the former CEO EziBuy and current CEO of Max Fashions. Onceit is based in Auckland.

The last investment event was the purchase of shares by Simon West in late 2015. LWCM is active in the governance of Onceit, with Lance joining the board as an independent director before the first investment and assisting with the appointment and sale of shares to Simon West.





MINDFULL

**Shareholding:** 19.2%

**First Investment:** December 2015

**Founders:** Belinda Johnson, Richard Johnson

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

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

Mindfull's last external round was with Punakaiki Fund in December 2015. LWCM is active in the governance of Mindfull, including strategic planning processes, international growth planning, organisation development and senior recruitment.



timely

**Shareholding:** 4.7%

**First Investment:** June 2014

**Founders:** Ryan Baker, Andrew Schofield

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

[Timely](#) is appointment software for beauty, wellbeing, fitness and other appointment-based businesses. The service is a full front and back office platform to roster staff, take bookings, keep client records, send reminders, book appointments online and provides reporting and analytics. Timely is used by over 25,000 practitioners in 87 countries. Timely has a remote working approach with staff based in several centres, including Dunedin, Auckland, Wellington and the United Kingdom.

The last major external investment was in June 2014. LWCM receives regular updates from Timely, and provided early advice on board membership, pricing and focus, while Timely founders and staff, as with most others, have been active in LWCM founder sessions.



RAYGUN

**Shareholding:** 6.3%

**First Investment:** April 2014

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

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

[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 reporting, real user monitoring, user and deployment tracking. Raygun is headquartered in Wellington, New Zealand and also has offices in Seattle, Washington.

The last major investment event was in February 2016, where Punakaiki Fund was one of several investors. LWCM receives regular updates from Raygun and provides occasional feedback.





**Shareholding:** 4.6%

**First Investment:** July 2015

**Founder:** Paul Adams

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

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

The last investment event was an external round with international investors closing in December 2016. LWCM is active in the governance of EverEdge, with Lance Wiggs acting as Chair of the board and providing assistance with developing and prioritising options for growth, executive recruitment and international negotiations and structuring.



**Shareholding:** 12.8%

**First Investment:** March 2015

**Founders:** Anya Anderson, Glen Duffield, Steve Williamson, Jonny Simpson

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

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

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

RedSeed's last investment event was the buyout by the company of an early investor's shares in late 2016, with further tranches likely. These are all at a discount to fair value, and LWCM was active in negotiating this arrangement. Lance Wiggs is active in the governance of RedSeed including advice on local and international strategy and growth, pricing, balance sheet management and executive recruitment negotiations.



**Shareholding:** 12.6%

**First Investment:** October 2015

**Founder:** Tarik Mallett

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

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

The last investment in Mobi2Go was in December 2016, where Punakaiki Fund participated. LWCM receives regular updates and has assisted with the elevation of JD Trask to the board, capital structuring options and product usability.







**Shareholding:** 18.4%

**First Investment:** December 2014

**Founder:** Siobhan Bulfin

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

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

The last investment was the exercising of the Sprint convertible note in mid-2016, which followed a funding round led by Punakaiki Fund in March 2016. LWCM is active in the governance of Melon Health, with monthly board meetings, and a focus on strategic sales, financial management and accelerating growth.



**Shareholding:** 20.0%

**First Investment:** June 2016

**Founders:** Scott Noakes, Michael Lawson

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

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

The last investment event was in December 2016, when Punakaiki Fund completed the payment of the second tranche from their June 2016 investment round. LWCM's assistance has focused on installing regular governance practices, negotiating a key contract, internal alignment and growth.



**Shareholding:** 15.8%\*

**First Investment:** June 2016

**Founders:** Andrew Strang, Wayne Herring

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

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

The last investment event was in January 2017. LWCM's assistance has focused on review of operations and financial plans, structuring of large sales arrangements and finance.

*\*Punakaiki Fund holds an option to increase its shareholding in NZAW to 21.6% prior to 27 June 2017.*





Boardingware

**Shareholding:** 28.6%

**First Investment:** February 2015

**Founders:** Paul Organ, Kurt Meyer

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

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

The last investment event was Punakaiki Fund's second investment in July 2015. LWCM assistance has primarily focused on international and domestic sales, financial management and responding to unsolicited merger and acquisition proposals.



**Shareholding:** 30.4%

**First Investment:** February 2015

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

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

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

The last investment was in February 2017, where Punakaiki Fund invested. LWCM has in the past provided advice on product, pricing, sales growth, founder roles and capital structuring.



**Shareholding:** 25.2%

**First Investment:** June 2014

**Founders:** Scott Mayo, Dania Mayo

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

[Influx](#) provides software honed for fitness businesses. By focusing on simplicity & functionality, they provide gym owners all the tools to run their business and frees up more usable time by eliminating software frustration. Gym members can self-manage classes, appointments, memberships and workouts. Gyms can also run self-managed kiosks, embeddable bookable timetables and in-gym TVs from any device. A 2016 campaign by a new boxing gym using Grab Me resulted in 390 customers being pre-booked into trial classes by Influx over a two day period.

The last investment event was in July 2015, when Punakaiki fund invested. LWCM has provided advice on capital structure, sales growth and company restructuring.



ThisData

**Shareholding:** 10.9%

**First Investment:** April 2015

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

**Directors:** Rich Chetwynd, Rory Cameron

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

The last investment event for ThisData was in April 2015, a round where Punakaiki Fund participated. LWCM has provided occasional advice and feedback, including on product features and strategy, pricing, options for capital structuring and customer acquisition.





**Shareholding:** 13.0%

**First Investment:** May 2016

**Founders:** Kirsti Grant, Lance Hodges

**Directors:** Kirsti Grant, Lance Hodges

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

The last investment event was in January 2017, when Punakaiki fund invested alongside others. LWCM receives regular updates and has provided advice on external investment, pricing and sales growth.



**Shareholding:** 21.1%\*

**First Investment:** July 2016

**Founders:** Chris West, James West

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

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

The last investment event was in February 2017, when Punakaiki Fund participated. LWCM provides active governance, including regular trips to Taranaki, and focuses on sales growth, product delivery and financial management.

*\*Punakaiki Fund holds an option to increase its shareholding in Hayload to 32.3% prior to 1 July 2017.*



**Shareholding:** 5.4%\*

**First Investment:** February 2017

**Founders:** Barney Chunn, Dan O'Donoghue, Peter Simons

**Directors:** Barney Chunn, Dan O'Donoghue, Peter Simons

[Conqa](#) provides software that allows multiple parties in the construction industry to do all of their quality assurance planning and execution online and on mobile. Conqa keeps all quality assurance documentation in one secure location, while letting their customers have all of their Permanent Control Points, checklists, defect flagging, 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 is based in Auckland.

The last investment event was in February 2017, when Punakaiki Fund invested alongside existing investors. LWCM will provide active governance and has in the past provided advice on product customers and pricing, capital raising and sales growth.

*\*Punakaiki Fund holds an option to increase its shareholding in Conqa to 13.0% prior to 31 March 2018.*



## Board of Directors

### Mike Bennetts (Chair)

*Appointed September 2015*

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

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

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



### John Berry

*Appointed September 2015*

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

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

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



### Bryan Hutchins

*Appointed September 2015*

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

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



### Mandy Simpson

*Appointed September 2016*

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

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



### Lance Wiggs

*Appointed April 2013, re-appointed September 2016*

Lance is the co-founder of Punakaiki Fund and a principal with LWCM. His biography is set out below. Lance Wiggs is an executive director, as he both holds more than 5% of the Shares in Punakaiki Fund and is one of the principals of the Manager.

There is no immediate plan to add another director to Punakaiki Fund.



## **The Manager**

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

### **Lance Wiggs**

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

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

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

Lance completed three years of contracting to New Zealand Trade and Enterprise's (NZTE) Better by Capital programme, where he helped over 100 companies of all stages become more investable through intensive workshops. His involvement in this programme, now named NZTE Investments, has declined significantly as NZTE has internalised much of the work, although Lance retains a contract to be hired on an ad-hoc basis. Lance was formerly a practitioner with the NZTE Better by Design programme. Lance has an MBA from Yale University (Strategy, Finance), a Bachelor of Technology (Hons, Product Development) from Massey University and is a member of the Institute of Directors in New Zealand.

### **Chris Humphreys**

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

Chris holds a BSc and PGDipCom (Finance) from the University of Otago and a BCom (Accounting, Finance and Information Systems) from the University of Canterbury. Chris is a CFA charterholder.



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





## **Operation of Punakaiki Fund**

### **Board Responsibilities**

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

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

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

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

### **Valuation**

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

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

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

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

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

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

Punakaiki Fund's Investment Valuation Policy can be found in the Disclose Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose) under Punakaiki Fund's offer number (OFR11875). The Investment Valuation Policy is consistent with the International Private Equity and Venture Capital (IPEV) Valuation Guidelines.



## **Board Meetings**

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

## **Board Remuneration**

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

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

## **Board Appointment**

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

The maximum number of directors is currently five.

## **Indemnity and Insurance**

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

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

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

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

## **Governance Policies**

The Board has adopted a number of policies and procedures governing Punakaiki Fund. Various policy documents are contained on the Disclose Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose) under Punakaiki Fund's offer number (OFR11875).

## **Management Agreement**

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



necessary in respect of the investee companies. However, LWCM is responsible for adhering to the various policies, objectives and directives set by the Punakaiki Fund Board from time to time, including ensuring that the Board is kept fully informed about material matters relating to investments and Punakaiki Fund itself.

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

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

The Management Agreement can be found in the Disclose Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose) under Punakaiki Fund's offer number (OFR11875).

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

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

### **Managing Conflicts**

LWCM is not permitted to invest Punakaiki Fund's assets into any company in which Lance Wiggs, Chris Humphreys or any other director or employee of LWCM has an interest, without the express consent of the Board. LWCM does not currently consider any investments of this nature as likely.

Lance Wiggs, Chris Humphreys and LWCM are not able to make any personal investments into businesses that can be invested in by Punakaiki Fund without first receiving from the Board an exemption, on a case-by-case basis. Any interested directors are not permitted to vote on such resolutions.

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

All Directors and LWCM are prohibited from making any co-investments with Punakaiki Fund unless approved by Shareholders. One director, Mandy Simpson, had an existing investment in one Portfolio Company that predate her becoming a director of Punakaiki Fund, and this conflict was accepted and is managed by the Board.



## **Portfolio Company Board Appointments**

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

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

## **Costs of Operating Punakaiki Fund**

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

### **Management Fee**

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

### **Performance Fee**

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

The Performance Fee is calculated as 20% of the increase in the Market Value of Punakaiki Fund (excluding new capital raised) since the last Performance Fee (if any) was paid, subject to both a minimum 10% per annum increase in the Market Value (for each tranche of capital raised by Punakaiki Fund) and the Market Value being higher than when the previous Performance Fee was paid (the 'High Water Mark'). The full details of the Performance Fee calculation, including the tranche basis of this calculation, are contained within the Management Agreement, which can be found in the Disclose Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose) under Punakaiki Fund's offer number (OFR11875).

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



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

**PERFORMANCE FEE EXAMPLE, BASED ON AN INITIAL VALUE OF \$30 MILLION**

<b>Punakaiki Fund Value</b>	<b>Calculation of Performance Fee</b>	<b>Gains/ Losses after Performance Fee</b>	<b>Total Performance Fee</b>
<b>\$25 million after 2 years</b>	The Year 2 Market Value is beneath the initial value of \$30 million.	\$5 million loss (17% loss)	\$0
<b>\$35 million after 2 years</b>	The Year 2 Market Value is beneath the two year 10% benchmark (\$36.3 million).	\$5 million (17% gain)	\$0
<b>\$40 million after 2 years</b>	The Year 2 Market Value is above the two year 10% benchmark (\$36.3 million). The 20% Performance Fee applies to the \$10 million increase in value.	\$8 million (27% gain)	\$2 million of which \$1.44 million is Shares*
<b>\$40 million after 2 years then \$48 million after 2 more years</b>	<p><b>End of Year 2 Performance Fee Payment</b> The Year 2 value is above the two year 10% benchmark (\$36.3 million). The 20% Performance Fee applies to the \$10 million increase in value.</p> <p><b>End of Year 4 Performance Fee Payment</b> The Year 4 Market Value is above the four-year 10% benchmark (\$43.9 million) and the High Water Mark (\$40 million). The 20% Performance Fee applies to the \$8 million increase in value since the last Performance Fee was paid.</p>	<p>\$8 million (27% gain)</p> <p>Total 4-year gain: \$14.4 million (48% gain)</p>	<p>\$2 million of which \$1.44 million is Shares*</p> <p>\$1.6 million of which \$1.15 million is Shares*</p> <p>4-year total: \$3.6 million</p>

*\*New Shares issued in Punakaiki Fund*

The accrued performance fee is currently calculated as \$2.259 million. This is based on 20% of the difference between the capital raised to date by Punakaiki Fund (\$15.741 million) and the value of Punakaiki Fund's net assets (\$27.038 million – including accounts payable, but excluding any accrued performance fee). Of this \$2.259 million, \$0.633 million (under the current New Zealand corporate taxation rate of 28%) would be paid as cash when the payment of the Performance Fee is triggered. The remaining \$1.627 million would be paid in the form of new Shares.

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

### Brokerage Fee

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





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

### **Other Operating Costs**

The other main operating costs of Punakaiki Fund are directors fees (currently \$20,000 per annum), insurance (currently \$27,570 per annum), audit services (estimated between \$25,000 and \$35,000 per annum, including anti-money laundering audits every second year), accounting services (the preparation of annual financial statements and day to day accounting requirements – estimated at under \$45,000 per annum) and any external due diligence services used (the professional external vetting of investment opportunities – under \$5,000 per annum to date, although this is expected to increase going forward). LWCM is reimbursed by Punakaiki Fund for all costs and expenses reasonably incurred by LWCM on behalf of Punakaiki Fund which are not LWCM's costs under the Management Agreement.

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

### **GST**

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

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

### **Cash Management**

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

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



## Equity Capital and Shareholder Information

### Equity Securities of Punakaiki Fund

Punakaiki Fund currently has on issue 1,154,636 ordinary fully paid Shares. The number of Shares that will be on issue following the completion of the Offer and Rights Issue is uncertain, however if all Rights Issue Shares are subscribed for and allotted, then Punakaiki Fund will have a minimum of 1,270,100 Shares on issue.

### Substantial Shareholders in Punakaiki Fund

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

Punakaiki Fund Limited - Substantial Share Holders					
Name	Equity Type	Relevant Interest Held at the date of this PDS		Relevant Interest Held after Completion of Offer and Rights Issue <sup>1</sup>	
		Shares	Percent of class	Shares	Percent of class
<b>Graeme Lance Turner Wiggs</b>	<b>Ordinary Shares</b>	<b>61,970</b>	<b>5.37%</b>	<b>63,500</b>	<b>5.00%</b>
<i>Considerations and Other Terms:</i>	4,000 Shares issued on 28 April 2014 for \$10.00 each for an aggregate purchase price of \$40,000; 4,000 Shares issued from exercised options on 28 November 2014 for \$10.00 each for an aggregate purchase price of \$40,000; 4,000 Shares issued from exercised options on 30 June 2015 for \$12.00 each for an aggregate purchase price of \$48,000; and 49,970 Shares issued as payment for Punakaiki Fund's acquisition of Lance Wiggs' Vend shares at a deemed price of \$14.50 each on 19 August 2015 for an aggregate purchase price of \$724,565.				
<b>Phaben Holdings Limited<sup>2</sup></b>	<b>Ordinary Shares</b>	<b>61,400</b>	<b>5.32%</b>	<b>67,540</b>	<b>5.32%</b>
<i>Considerations and Other Terms:</i>	61,400 Shares acquired from Bryan Simpson Hutchins on 16 February 2016 for an undisclosed amount.				

<sup>1</sup> As there is no minimum amount of Shares being offered under the Offer, the relevant interest and percentage held after completion of the Offer are based on no Shares being issued under the Offer and all Rights Issue Shares being subscribed for. The percentages may change depending on whether or not the shareholders above are issued further Shares, and on the total amount of Shares issued in the Offer and the Rights Issue.

<sup>2</sup> Phaben Holdings Limited has indicated that it may apply for Shortfall Shares, however no final decision has been made at this time.

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



## Relevant Interests held by Directors and Senior Managers

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

Punakaiki Fund Limited - Equity Holdings held by Directors and the Manager						
Name	Holding Type	Equity Type	Relevant Interest Held at the date of this PDS		Relevant Interest Held after Completion of Offer and Rights Issue <sup>1</sup>	
			Shares	Percent of class	Shares	Percent of class
<b>Graeme Lance Turner Wiggs<sup>2</sup></b>	Registered holder and beneficial owner	Ordinary Shares	61,970	5.37%	63,500	5.00%
	Shareholder and Director of Lance Wiggs Capital Management Limited	Ordinary Shares	100	0.01%	110	0.01%
<b>Michael John Bennetts</b>	Joint registered holder as trustee of the Kammjam Trust	Ordinary Shares	45,000	3.90%	49,500	3.90%
<b>Bryan Simpson Hutchins<sup>3</sup></b>	Shareholder and Director of Phaben Holdings Limited	Ordinary Shares	61,400	5.32%	67,540	5.32%
<b>John Charles Berry<sup>4</sup></b>	Joint registered holder and beneficial owner	Ordinary Shares	8,450	0.73%	9,295	0.73%
<b>Amanda Rhean Simpson</b>	Registered holder and beneficial owner	Ordinary Shares	6,000	0.52%	6,600	0.52%
<b>Christopher Murray Humphreys<sup>1,5</sup></b>	Registered holder and beneficial owner	Ordinary Shares	250	0.02%	275	0.02%
	Shareholder and Director of Lance Wiggs Capital Management Limited	Ordinary Shares	100	0.01%	110	0.01%

<sup>1</sup> As there is no minimum amount of Shares being offered under the Offer, the relevant interest and percentage held after completion of the Offer are based on no Shares being issued under the Offer and all Rights Issue Shares being subscribed for. The percentages may change depending on whether or not the shareholders above are issued further Shares, and on the total amount of Shares issued in the Offer and the Rights Issue.

<sup>2</sup> Lance Wiggs Capital Management Limited have indicated that in addition to its entitlement under the Rights Issue (10 Shares), it is likely to apply for an additional 890 Shortfall Shares.

<sup>3</sup> Phaben Holdings Limited has indicated that it may apply for Shortfall Shares, however no final decision has been made at this time.

<sup>4</sup> John Berry has indicated that in addition to his joint entitlement under the Rights Issue (845 Shares), he is likely to apply for an additional 1,660 Shortfall Shares.

<sup>5</sup> Chris Humphreys has indicated that in addition to his entitlement under the Rights Issue (845 Shares), he is likely to apply for an additional 325 Shortfall Shares.

## Interests of Directors and Managers

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

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

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

With the exception of Lance Wiggs, all director fees are currently set at \$5,000 per director per annum. The amount paid in FY2016 represents Michael Bennetts, Bryan Hutchins and John Berry being directors



of Punakaiki Fund for only six months of this period. Those directors received director fees and reimbursement for expenses incurred by the directors in the performance of their duties as a Punakaiki Fund director only, and did not receive any other remuneration from Punakaiki Fund. Lance Wiggs does not receive directors' fees from Punakaiki Fund. Directors' fees for FY2017 are budgeted at \$17,500, following Mandy Simpson being elected to the Punakaiki Fund Board on 22 September 2016.

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

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

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

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

Punakaiki Fund does not have any employees.

There are no other material governance disclosures.



### 3. Purpose of the Offer

#### Planned Use of Funds

The purpose of this Offer and the Rights Issue is to raise money to enable us to:

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

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

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

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

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

It is likely that at least 10% of the funds raised from this Offer will be used to partially settle the potential acquisition of Vibe Communication shares, unless Punakaiki Fund raises a certain, confidential, amount of new capital, in which case the proportion applied to acquiring Vibe Communication shares will be less. Further details relating to this potential transaction are set out on the following page.



## Investments into Portfolio Companies

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

- An option over NZAW shares. Punakaiki Fund has the discretion to invest further in NZAW by exercising an option granted to it as part of its original investment NZAW. If Punakaiki Fund chooses to exercise this option, which expires on 27 June 2017, NZAW will issue Punakaiki Fund new shares which would increase Punakaiki Fund's shareholding in NZAW from 15.8% to 21.6%\*;
- An option over Hayload Limited shares. Punakaiki Fund has the discretion to invest further by exercising an option granted to it as part of its original investment in Hayload. If Punakaiki Fund chooses to exercise this option, which expires on 1 July 2017, Hayload will issue Punakaiki Fund new shares which would increase Punakaiki Fund's shareholding in Hayload from 21.1% to 32.3%\*; and
- An option over QA Tech Limited (trading as Conqa) shares. Punakaiki Fund has the discretion to invest further by exercising an option granted to it as part of its original investment in Conqa. If Punakaiki Fund chooses to exercise this option, which expires on 31 March 2018, Conqa will issue Punakaiki Fund new shares which would increase Punakaiki Fund's shareholding in Conqa from 5.4% to 13.0%\*.

In addition, Punakaiki Fund is currently finalising a share sale and purchase agreement to acquire 520 of the currently issued shares in Vibe Communications, representing 9.4% of the current Vibe Communications shares on issue. The share acquisition is structured in three tranches, with the first tranche of 65 Vibe Communications shares to be acquired on completion of the agreement, the second tranche of 195 Vibe Communications shares scheduled to be acquired before the end of calendar year 2017, and the third tranche of 260 Vibe Communication shares scheduled to be acquired before the end of calendar year 2018. The second and third tranches are conditional upon sufficient funds being raised by Punakaiki Fund, with Punakaiki Fund being bound to invest at least 10% of the capital raised from any fund-raising event, including this Offer and the Rights Issue, until the total investment amount is met for each calendar year. Following the completion of the acquisition of these shares, Punakaiki Fund's shareholding in Vibe Communications will increase from 24.0% to 32.2%\*.

Together, these options and potential arrangement have a maximum investment cost of \$2.7 million. Punakaiki Fund has no obligation to invest in these options and arrangements if it is unable to raise sufficient funds to do so, with the exception of the first tranche of the Vibe Communications investment, which will become payable on the execution of that share sale and purchase agreement.

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

*\* Based on the company not issuing or cancelling any shares between the date of this PDS and the time at which Punakaiki Fund completes any additional investment into that company. Vibe Communications is also in the process of taking investment from John Wiggs and cancelling treasury shares. Assuming these transactions are completed, Punakaiki Fund's existing shareholding would be 23.0% and would increase to 32.4% after all three tranches of the share being purchased were acquired.*

## Investments into New Companies

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

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





## **Minimum Amount to be Raised**

There is no minimum amount which is required to be raised under this Offer or the Rights Issue.

## **Offer Not Underwritten**

This Offer or the Rights Issue is not underwritten by any party.



## 4. Key Dates and Offer Process

### Key Dates

The intended key dates for the Offer are:

<b>PDS lodged</b>	3 March 2017
<b>Offer Opens</b>	13 March 2017
<b><i>Rights Issue Opens</i></b>	<i>13 March, 2017</i>
<b>Offer Closes</b>	20 March 2017
<b>Allotment of Shares from Offer</b>	On or before 21 March 2017
<b><i>Record Date for Rights Issue</i></b>	<i>21 March 2017</i>
<b><i>Rights Issue Closes</i></b>	<i>24 March, 2017</i>
<b><i>Shortfall Shares Allocated</i></b>	<i>25 March 2017</i>
<b><i>Payment Shortfall Shares Due</i></b>	<i>28 March 2017</i>
<b><i>Allotment of Shares from Rights Issue</i></b>	<i>30 March 2017</i>

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 or the Rights Issue at any time before the allotment of Shares.



## 5. Terms of the Offer

### Key Terms of the Offer

The table below sets out the terms of the Offer.

<b>What is the Offer?</b>	<p>The Offer is an offer of new ordinary Shares in Punakaiki Fund.</p> <p>Further information in respect of the Shares can be found in Section 6, <b>Key Features of the Shares</b>, on page 45 and in Punakaiki Fund's constitution, which can be found in the Disclose Register at <a href="http://www.business.govt.nz/disclose">www.business.govt.nz/disclose</a> under Punakaiki Fund's offer number (OFR11875).</p>
<b>Key Dates</b>	<p>This Offer opens on 13 March 2017 and closes on 20 March 2017.</p> <p>See Section 4, <b>Key Dates and Offer Process</b>, on page 36 for information about the key dates of the Offer.</p>
<b>Price</b>	<p>The Offer price is \$20.50 per Share.</p> <p>Brokerage of 3.0% is included in the \$20.50 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 \$20.50 per Share has been set by Punakaiki Fund based on the Investor Net Asset Value of Punakaiki Fund as at 27 February 2017. The assumptions used by Punakaiki Fund to price this Offer are set out below under the title <b>Offer Price Basis</b>.</p>
<b>Applications</b>	<p>An Application is an offer by you to subscribe for Shares on the terms and conditions set out in this PDS (including any replacement of it), the Disclose Register (at <a href="http://www.business.govt.nz/disclose">www.business.govt.nz/disclose</a> under Punakaiki Fund's offer number OFR11875) 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 (\$2,050). After this, you may apply for multiples of 100 Shares (\$2,050).</p>
<b>Allotment of Shares</b>	<p>Holding statements are expected to be sent to all successful Applicants prior to or on the 21 March 2017.</p> <p>The share registry for Punakaiki Fund is maintained by LWCM. Punakaiki Fund may choose to use a share registrar in the future.</p>
<b>Punakaiki Fund's Discretion Relating to the Offer</b>	<p>The Offer may be withdrawn by Punakaiki Fund at any time before the allotment of Shares, at Punakaiki Fund's sole discretion.</p> <p>Punakaiki Fund reserves the right to close the Offer early, extend the Offer, reject any Application or accept any Application in part only, without providing any reason for doing so.</p>



<b>Refunds</b>	<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>
<b>Transfer and Sale of Shares</b>	<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, <b>Key Features of the Shares</b>, under the title <b>Trading your Shares</b> on page 39.</p>
<b>New Zealand Offer</b>	<p>The Offer under this PDS is not available to persons outside of New Zealand.</p>

## Key Terms of the Rights Issue

The table below sets out the terms of the Rights Issue.

<b>Eligibility</b>	<p>The Rights Issue is available to all Punakaiki Fund Shareholders, including all new and existing Shareholders that have been allotted Shares in the Offer set out in this PDS.</p>
<b>What is the Rights Issue?</b>	<p>The Rights Issue is an offer of new ordinary Shares in Punakaiki Fund to existing Punakaiki Fund Shareholders.</p> <p>For every 10 Shares that a Punakaiki Fund shareholder holds on the Record Date, they will be entitled to subscribe for 1 new Rights Issue Share under the Rights Issue. If a Punakaiki Fund shareholder does not own a number of Shares which is divisible by 10, then for the purposes of calculating their entitlement to subscribe for new shares the number of Shares that they own will be rounded up to the nearest 10.</p> <p>Punakaiki Fund shareholders are under no obligation to subscribe for any or all of the Rights Issue Shares which they are entitled to subscribe for. Punakaiki Fund shareholders may not transfer their entitlement to subscribe for Rights Issue Shares.</p> <p>Shares allotted as part of the Offer will be able to participate in the Rights Issue. The Rights Issue is not dependent on any minimum amount being raised in the Offer.</p> <p>Rights Issue Shares are identical in all respects to Shares, including the voting rights that they confer.</p> <p>Further information in respect of the Shares can be found in Section 6, <b>Key Features of the Shares</b>, on page 45 and in Punakaiki Fund’s constitution, which can be found in the Disclose Register at <a href="http://www.business.govt.nz/disclose">www.business.govt.nz/disclose</a> under Punakaiki Fund’s offer number (OFR11875).</p>



<b>Key Dates</b>	<p>The record date (the date on which it is determined how many Shares each Punakaiki Fund shareholder owns and how many new Rights Issue Shares they are able to subscribe for) is 21 March 2017.</p> <p>The Rights Issue opens on 13 March 2017 and closes on 24 March 2017.</p> <p>You may commit to invest before the Record Date, and this commitment will be accepted by Punakaiki Fund providing you do not dispose of your Shares prior to the Record Date. If you dispose of some or all of your Shares prior to the Record Date, your entitlement to Rights Issue Shares will be reduced to reflect the number of Shares you hold on the Record Date. Any commitment you have made to invest based on your previous shareholding will also be reduced on a pro-rata basis to reflect the reduced number of Shares you hold on the Record Date.</p> <p>If you have not subscribed for your Rights Issue Shares entitlement before 5 p.m. on 24 March 2017, your entitlement will lapse.</p> <p>See Section 4, <b>Key Dates and Offer Process</b>, on page 36 for information about the key dates of the Offer.</p>
<b>Price</b>	<p>The Rights Issue price is \$15.00 per Rights Issue Share.</p> <p>Brokerage of 3.0% is included in the \$15.00 Rights Issue 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 \$15.00 per Share for the Rights Issue has been set by Punakaiki Fund based on a discount to the Investor Net Asset Value of Punakaiki Fund as at 27 February 2017. The assumptions used by Punakaiki Fund to price this Offer are set out below under the title <b>Rights Issue Price Basis</b>.</p>
<b>Shortfall Shares</b>	<p>Any Rights Issue Shares that an individual Punakaiki Fund shareholder is entitled to subscribe for, but does not do so by 5pm on 24 March 2017, become Shortfall Shares. All Punakaiki Fund shareholders will be entitled to individually subscribe for these Shortfall Shares.</p> <p>Punakaiki Fund shareholders will be asked to nominate the number of Shortfall Shares that they wish to apply for when they apply for Rights Issue Shares. There is no cap of the number of Shortfall Shares that you can apply for, however Shortfall Shares will be allocated on a pro-rata basis depending on the number of Shares you own at the Record Date. This means that if not many of the Rights Issue Shares are subscribed for by other Shareholders, you may be allotted many or all of the Shortfall Shares that you have applied for. However, if most of the Rights Issue Shares are subscribed for by other Shareholders, you may be allotted only a small fraction of the Shortfall Shares that you have applied for.</p> <p>Rights Issue Applicants will be informed as to how many (if any) Shortfall Shares they have been successful in applying for on 25 March 2017.</p> <p>Payment for Shortfall Shares is due by 28 March 2017.</p>
<b>Applications</b>	<p>A Rights Issue Application is an offer by you to subscribe for Rights Issue Shares on the terms and conditions set out in this PDS (including any replacement of it),</p>



	the Disclose Register (at <a href="http://www.business.govt.nz/disclose">www.business.govt.nz/disclose</a> under Punakaiki Fund's offer number OFR11875) and the Rights Issue Application Form. By submitting a Rights Issue Application Form, you irrevocably agree to purchase the Rights Issue Shares and any Shortfall Shares on those terms.
<b>Allotment of Shares</b>	Holding statements are expected to be sent to all successful Rights Issue Applicants prior to or on the 30 March 2017.  The share registry for Punakaiki Fund is maintained by LWCM. Punakaiki Fund may choose to use a share registrar in the future.
<b>Discretion Relating to the Rights Issue</b>	The Rights Issue may be withdrawn by Punakaiki Fund at any time before the allotment of Rights Issue Shares, at Punakaiki Fund's sole discretion.
<b>Refunds</b>	If the Rights Issue does not proceed for any reason, all Rights Issue Application Monies will be refunded in full without interest no later than five Business Days after announcement of the decision not to proceed.

## Offer Price Basis

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

- the value of Punakaiki Fund's investments as at 27 February 2017;
- the value of Punakaiki Fund's net working capital (cash plus accounts receivable less accounts payable);
- a provision for the accrued Performance Fee liability to LWCM (but not yet payable), including both the cash component recorded as a liability and the Share component recorded as share based payment reserve; and
- a 3% brokerage fee payable on this Offer to LWCM.

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

### Punakaiki Fund Limited - Basis of Share Price

Value of Investments at 27 February 2017	\$26,187,458
plus - Net Working Capital	\$850,449
less – accrued Performance Fee to LWCM	\$(2,259,425)
<b>Investor Net Asset Value as at 27 February 2017</b>	<b>\$24,778,481</b>
Number of ordinary shares on issue	1,154,636
Fully Diluted Investor Net Asset Value per Share	\$21.46
Offer Cost (3% Brokerage payable to LWCM)	\$0.66
<b>Share Price Basis for Offer</b>	<b>\$22.12</b>

Based on these calculations the Punakaiki Fund Board has determined the Price per Share for this Offer to be \$20.50.

**The price of the Offer represents a discount to the share price basis set out in the table above of 7% and a 4% discount to the iNAV.**

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

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





## Rights Issue Price Basis

The Rights Issue Price has been based on:

- The price of the Offer;
- Rewarding existing Punakaiki Fund shareholders for both their continued support of the Punakaiki Fund and the performance of Punakaiki Fund to date;
- The limited dilution arising from the Rights Issue for those Punakaiki Fund shareholders who do not participate in the Rights Issue;
- The benefit of being able to invest additional funds into Portfolio Companies and
- Pricing the Rights Issue at a level that encourages Punakaiki Fund shareholders to subscribe for their Rights Issue entitlements.

Based on these aspects, the Punakaiki Fund Board has determined the price per Share for the Rights Issue to be \$15.00. The Punakaiki Fund Board note that the price of the Rights Issue represents a discount to the share price basis set out in the table above of 32% and a discount to the Offer price of 27%.

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

## Rights Issue Dilution

The Rights Issue will dilute the value of your Shares. The amount of dilution will depend on whether you are an existing holder of Punakaiki Fund Shares or whether you are applying for Shares in the Offer (or both).

### *For Existing Shareholders*

The Rights Issue Price (\$15.00 per Share) is materially lower than Punakaiki Fund's Investor Net Asset Value per Share, so the Rights Issue will decrease the Investor Net Asset Value per Share following the completion of the Rights Issue. The dilution effect of the Rights Issue for non-participating Shareholders is a maximum of 2.7% fall in Investor Net Asset Value per Share. This may lead to a decrease in the price per Share that is able to be realised if those shares are sold.

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

### *For Applicants Participating in the Offer*

If you apply for and are issued Shares from this offer then you will have the rights to participate in the Rights Issue.

If you subscribe for shares in this offer then you should subscribe for shares in the Rights Issue as it will lower your effective average Share purchase price.

### *For All Rights Issue Participants*

If applications for purchasing Shortfall Shares exceed the amount of Shares available, then the allocation of Shortfall Shares will be pro-rated based on the number Shares held by an individual Shareholder after the close of the Offer. Smaller Shareholders that request proportionally larger amounts of Shortfall Shares will be at the greatest risk of not being allocated all of the Shortfall Shares that they seek.

You are not guaranteed to receive any of the Shortfall Shares you apply for.



## Fund Valuation Approach

The unaudited book value of Punakaiki Fund's investments as at 27 February 2017 as set out in the table above is a Director's valuation based on the fair value approach set out in the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines. The following factors have been used to form this view on fair value:

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

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

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



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

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

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

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

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

## **Fund Valuation**

The Punakaiki Fund Board assessed the valuation of all of Punakaiki Fund's non-cash investments as at 27 February 2017 for the purposes of raising capital to be \$26.2 million. The Accounting Net Asset Value of Punakaiki Fund (the value of investments and convertible loan assets plus the cash holdings less liabilities, including the cash component of the Performance Fee) is \$26.41 million and the Investor Net Asset Value (the value of investments and convertible loan assets plus the cash holdings less liabilities including all of the Performance Fee) is \$24.78 million. Based on 1,154,636 ordinary Shares on issue at 27 February 2017, the Investor Net Asset Value per ordinary Share is \$21.46.

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

The assessed valuation of Punakaiki Fund's non-cash investment as at 27 February 2017 represents a \$9.617 million increase from that assessed on 31 March 2016 (Punakaiki Fund's financial year end). This change comprises new investments of \$2.963 million, net revaluations due to observed transactions \$1.719 million and comparable company multiples revaluations of \$4.935 million. The table below sets out the approaches used to value the Portfolio Companies for this Offer and as at 31 March 2016 (Punakaiki Fund's financial year end).



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

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

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

LWCM assisted the Board undertake these valuations. Further information regarding valuations can be found in Section 2, **Punakaiki Fund and What it Does**, in the subsection titled **Valuation** on page 24.



## 6. Key Features of the Shares

### Key Features of the Shares

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

Any gains you receive from the sale of Shares are dependent on the price you receive for the Shares, rather than the Investor Net Asset Value per Share of Punakaiki Fund. These two values may not be the same for prolonged periods of time (e.g. the Shares may trade at a discount to the Investor Net Asset Value per Share) and this may affect your returns.

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

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

### Dividend Policy

The Board of Punakaiki Fund has adopted a policy that there will not be any dividend payments or other distributions made for the foreseeable future. Any surplus funds will be retained and applied to future investment opportunities available to Punakaiki Fund and/or to operational costs. Accordingly, until that policy changes, returns on Shares will be limited to any gains you make if you sell or dispose of your Shares.

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

Punakaiki Fund is the entity legally liable to pay you any dividends or other distributions declared on your Shares. If you sell any of your Shares, the purchaser of those Shares will be legally liable to pay you the sale price of those Shares.

### Trading Your Shares

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

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



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

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

In our opinion our Shares, if listed, are likely to be more volatile than the overall market (as measured by indices such as the S&P 500/ASX 200/NZX 50 indices) due to the types of investments we hold. This means that for any given movement in the market, the price of the Shares is likely to move by a greater amount. However in our opinion, our Shares are not likely to be as volatile as the shares of our individual Portfolio Companies if the shares of those individual Portfolio Companies were listed. This relationship is likely to arise due to Punakaiki Fund holding a portfolio diversified across 19 different businesses as opposed to being exposed to a single business.

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

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

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

## **Insolvency**

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





## 7. Punakaiki Fund's Financial Information

### Selected Financial Information

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

- Selected statutory financial information as reported in our audited financial statements for FY2016;
- Selected statutory financial information as reported in our unaudited financial statements for FY2014 and FY2015 as contained in Punakaiki Fund's FY2014 and FY2015 annual reports; and
- Selected statutory financial information as reported in our unaudited financial statements for the six month period to 30 September 2015 and 30 September 2016 as contained in Punakaiki Fund's interim financial statement to 30 September 2016.

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

<b>Selected Financial Information</b>					
<b>NZ\$ '000</b>	<b>FY2014<sup>1</sup></b>	<b>FY2015</b>	<b>FY2016</b>	<b>1HY2016</b>	<b>1HY2017</b>
<b>Financial Performance - Selected Information</b>					
Interest Income	-	11	19	13	2
Change in Fair Value of Investments	-	2,122	3,668	423	1,888
Dividend Income	-	-	86	16	69
<i>Revenues</i>	-	<b>2,133</b>	<b>3,773</b>	<b>452</b>	<b>1,959</b>
Accrued Performance Fees	-	(391)	(644)	(40)	(340)
Management Fees	-	(50)	(251)	(94)	(198)
Insurance	-	-	(24)	-	-
Consulting and Accounting Expenses	-	-	(19)	(1)	(27)
Audit Fees	-	-	(28)	-	(14)
Legal Expenses	-	(2)	(12)	(7)	-
Other	-	-	(10)	-	-
<i>EBITDA<sup>2</sup></i>	-	<b>1,690</b>	<b>2,785</b>	<b>310</b>	<b>1,380</b>
Income Tax Expense	-	-	-	-	-
<i>Net Profit After Tax</i>	-	<b>1,690</b>	<b>2,785</b>	<b>310</b>	<b>1,380</b>
<i>Dividends Paid by Punakaiki Fund- Ordinary Shares</i>	-	-	-	-	-
<b>Financial Position - Selected Information</b>					
<i>Current Assets</i>					
Cash and Cash Equivalents	-	544	1,437		64
Prepayments	-	-	-		1
Receivables	-	-	10		28
<i>Non-current Assets</i>					
Investments	-	5,592	16,570		19,628
<i>Total Assets</i>	-	<b>6,136</b>	<b>18,017</b>		<b>19,721</b>
<i>Current Liabilities</i>					
Accounts Payable	-	-	40		24
<i>Non-current Liabilities</i>					
Performance Fee Payable	-	110	290		385
Debt	-	-	-		-
<i>Total Liabilities</i>	-	<b>110</b>	<b>330</b>		<b>409</b>
<b>Cash Flow - Selected Information</b>					
Cash Flows from Operating Activities	-	(41)	(209)	(77)	(203)
Cash Flows from Investing Activities	-	(3,469)	(6,586)	(4,388)	(1,170)
Cash Flows from Financing Activities	-	4,054	7,688	5,207	-

<sup>1</sup> While incorporated in April 2013, Punakaiki Fund did not start operations until April 2014

<sup>2</sup> Earnings Before Interest Expense, Taxation, Depreciation and Amortisation



The table above provides key financial information about Punakaiki Fund. Full financial statements are available on the offer register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose), offer number OFR11875. If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

### **Financial Performance**

Punakaiki Fund derives the majority of its revenues from the change in the recorded fair value of its investments in Portfolio Companies. Punakaiki Fund's policy and approach in respect of the valuation of its shareholdings in Portfolio Companies is set out in Section 5, **Terms of the Offer**, on page 37.

The majority of Punakaiki Fund's expenses relate to payments (both paid and accrued) to the LWCM for management services. Management Fees are paid quarterly in advance and Performance Fees are accrued and will be paid when one of a number of triggering events occurs. Additional Management Fee and the Performance Fee information can be found in Section 2, **Punakaiki Fund and What it Does**, on pages 27-28.

### **Financial Position**

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

Punakaiki Fund's main liability is the accrued Performance Fee payable to LWCM. The Performance Fee is expected to be paid 28% as cash (which is recorded as a Performance Fee Payable) and 72% in new Punakaiki Fund Shares (which is recorded as a Share Based Payment Reserve). Based on the valuation as at 27 February 2017, the accrued cash component of the Performance Fee is \$0.633 million and the accrued share component is \$1.627 million. Additional Performance Fee and brokerage fee information can be found in Section 2, **Punakaiki Fund and What it Does**, on pages 27-29.

### **Cash Flow**

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

### **No Prospective Financial Information**

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

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



Several of the Portfolio Companies have received and are likely to continue to receive offers for investment or acquisition. These events can happen relatively quickly and can change the value of a Portfolio Company significantly.

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

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

## **Financial Information of Portfolio Companies**

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

## **Previous Investment Rounds**

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

- In April 2014, Punakaiki Fund raised \$1.525m by issuing 152,500 ordinary Shares at \$10.00 each. Attached to each Share issued was one option with a strike price of \$10.00 and an expiry date of 28 November 2014 and one option with a strike price of \$12.00 and an expiry date of 30 June 2015;
- In November 2014, Punakaiki Fund received \$1.500m from the exercise of 150,000 November 2014 options, representing a 98.4% exercise rate;
- In December 2014, Punakaiki Fund raised \$1.155m by issuing 92,400 ordinary Shares at \$12.50 each. Attached to each Share issued was one option with a strike price of \$14.00 and an expiry date of 30 September 2015;
- In June 2015, Punakaiki Fund received \$1.830m from the exercise of 152,500 June 2015 options, representing a 100% exercise rate;
- In June 2015, Punakaiki Fund raised \$2.912m by issuing 200,831 ordinary Shares at \$14.50 each. 62,900 of these Shares were issued to investors in a private offer to wholesale investors and 137,931 of these Shares were issued to investors in a crowd funding offer;
- In September 2015, Punakaiki Fund received \$0.942m from the exercise of 67,315 September 2015 options, representing a 72.9% exercise rate;
- In December 2015 and January 2016, Punakaiki Fund raised \$2.242m by issuing 135,850 ordinary Shares at \$16.50 each. Attached to each Share issued was one option with a strike price of \$19.00 and an expiry date of 16 September 2016;
- In October 2016, Punakaiki Fund received \$0.529m from the exercise of 27,820 September 2016 options, representing a 20.5% exercise rate; and
- In November 2016 and December 2016, Punakaiki Fund raised \$2.382m by issuing 125,350 ordinary Shares at \$19.00 each.

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



## **Future Capital Raising Intentions**

Punakaiki Fund intends to raise additional capital from time to time to allow for the continued investment in both new companies and existing companies in Punakaiki Fund's investment portfolio. New capital will also be used to meet the on-going costs of Punakaiki Fund. The frequency and size of these capital raising events will depend on the following factors:

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

Based on Punakaiki Fund's on-going expenses such as management fees, and the number of opportunities currently available, Punakaiki Fund is likely to continue to seek additional capital between one and two times per annum.



## 8. Risks to Punakaiki Fund's Business and Plans

### Risk Overview

You should regard your investment in Punakaiki Fund as a long-term commitment with no guarantee of any return or liquidity. The directors expect that an investment in Punakaiki Fund is likely to exhibit 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

Risk	Loss of value due to the poor performance or failure of one or more Portfolio Companies
Nature of risk	Punakaiki Fund invests in early-stage and growth investments which carry higher risks than most other investment types. If one or more Portfolio Companies performs poorly or fails, then the value of the respective investment may be partially or completely lost. This will lower the Investor Net Asset Value per Share and will negatively impact the Share value.
Magnitude and Likelihood	The Portfolio Companies currently comprise 97% of the value of the assets Punakaiki Fund. Punakaiki Fund estimates that 3% of the value of the fund is held in companies that are required to raise additional capital before reaching a positive cash flow position. This is made up of 3 Portfolio Companies, and if the largest of these were to fail, the impact on Investor Net Asset Value per Share would be less than \$0.24 per Share.
Mitigation	<p>When selecting investments for Punakaiki Fund, LWCM generally focuses on companies that LWCM believes should have enough funds to reach positive cash-flow before requiring new funds. However each Portfolio Company's situation can change over time.</p> <p>Punakaiki Fund's Board reviews, at least each quarter, the sustainability and performance of all of Portfolio Companies. The Board regularly writes down the value of Portfolio Companies which have performed below expectation or where there is a short to medium-term risk of failure, especially when this failure is tied to a Portfolio Company not being able to raise additional capital. Writing down, or impairing, the value of the investments lowers (but cannot eliminate) the risk of a sudden loss of value.</p>



<b>Risk</b>	<b>Higher volatility in the valuation of Punakaiki Fund investments than in public market investments</b>
<b>Nature of Risk</b>	Punakaiki Fund invests in relatively small and high growth companies, and such companies typically have valuations that are more volatile than a portfolio of companies traded on public markets. If public equity markets drop by a certain percentage, then the value of many of the investments held by Punakaiki Fund may drop by a larger percentage. Volatility of this nature would mean a share market fall could lower the Investor Net Asset Value per Share by a greater proportion than that by which the share market fell. This also works in the reverse case, with potentially greater increases in Investor Net Asset Value per Share in reaction to share market valuations rising.
<b>Magnitude and Likelihood</b>	As an example in the two month period from 1 September 2016 to 30 October 2016 the S&P 500 Index fell 2.1%, but the S&P Smallcap 600 Growth Index fell 4.1%. This demonstrates how smaller and earlier stage companies can be more volatile than larger and more mature companies.
<b>Mitigation</b>	By investing in companies that grow quickly the effect of share market falls that lower revenue multiples on the Investor Net Asset Value is lessened. In addition, we note that volatility operates in both directions – and the value of the underlying assets will generally rise (as well as fall) at a higher rate than the market. Punakaiki Fund maintains a very long term perspective on investments, and while valuations are periodically marked to market, over the long-run the short-term market gyrations are less material.
<b>Risk</b>	<b>Ongoing capital raisings (such as Share issues) do not meet Punakaiki Fund's needs or expectations.</b>
<b>Nature of Risk</b>	Punakaiki Fund requires cash to meet its operating expenses and to make further investments. Punakaiki Fund relies almost solely on periodic issues of shares to raise this cash. There are virtually no other sources of funds because (a) to date only one of the 19 Portfolio Companies has paid dividends and (b) the Portfolio Companies are unlisted long term investments and cannot be relied on to be sold quickly at a price reflecting their fair value.
<b>Magnitude and likelihood</b>	If Punakaiki Fund does not have sufficient cash it cannot meet its operating expenses such as Management Fees. This may mean Punakaiki Fund fails and the Investor Net Asset Value per Share falls significantly.
<b>Mitigation</b>	Punakaiki Fund has a record of successfully raising new capital periodically and has raised \$15.0 million in cash to date and intends to continue to raise new funds as conditions allow. Punakaiki Fund has also implemented a policy to retain a minimum of 2.5% of its Accounting Net Asset Value as cash immediately following any investment into a Portfolio Company. This is to provide Punakaiki Fund operating funding for period of time (approximately one year) if market conditions do not allow new capital to be raised. Over time, Punakaiki Fund expects that as some of the Portfolio Companies grow and mature they should pay dividends to Punakaiki Fund, which will assist in meeting the costs of the fund.





<b>Risk</b>	<b>High concentration of investments in technology businesses gives greater exposure to technology sector volatility.</b>
<b>Nature of Risk</b>	Punakaiki Fund holds a high proportion of its portfolio in technology-based businesses and especially companies with a SaaS business model. This means that Punakaiki Fund is more heavily exposed to the volatility of these types of businesses.
<b>Magnitude and likelihood</b>	<p>One indicator we track is the Bessemer Venture Partners' "BVP Cloud Index". As an example, at 31 March 2016 the index was 19% down on the 31 December 2015 result, during a period where the S&amp;P 500 index, which reflects a much greater diversity of companies, was essentially static.</p> <p>Punakaiki Fund uses a large basket of comparable SaaS companies to inform and perform valuations, and so the portfolio valuations for investments in SaaS companies were marked down accordingly at 31 March 2016. However the impact on the overall fund value was mitigated by the very high revenue growth of many of the SaaS companies in the portfolio.</p>
<b>Mitigation</b>	Punakaiki Fund has a deliberate strategy to invest in a range of companies which provide exposure to a diverse range of industries and business models. This portfolio approach helps mitigate the technology and SaaS business model concentration and reduce the overall volatility of Punakaiki Fund's valuation.
<b>Risk</b>	<b>Uncertainty about the valuation of private companies</b>
<b>Nature of Risk</b>	<p>Punakaiki Fund invests in privately held, illiquid companies which are not traded on public markets. There is risk that the investments in those companies are valued incorrectly, and risk that, should the need arise, this value is not able to be realised quickly through sale of shares.</p> <p>The importance of this risk is illustrated by Ernst &amp; Young drawing attention to "Note 3.1.1 to the financial statements which describes the inherent uncertainty and difficulty in measuring the fair value of early stage unlisted investments" in their independent Auditor's Report on Punakaiki Fund's FY2016 financial statements.</p> <p>This uncertainty causes three different types of risk:</p> <ul style="list-style-type: none"> <li>• 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 the portfolio;</li> <li>• The second is that the Board materially over-values an investment, due either to inadequate or incorrect information provided to or from LWCM, or from incorrectly assessing the value versus comparable companies; and</li> <li>• The third risk 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.</li> </ul>
<b>Magnitude and Likelihood</b>	<p>Overvaluation of one of either of the two highest valuation investments (each of which is under 16% of the portfolio value) by 20% would cause the overall portfolio to be overvalued by under 3%.</p> <p>A systematic overvaluation approach would result in a much higher overvaluation of the portfolio. However this should be difficult to achieve given the checks required by the Board.</p>



<b>Mitigation</b>	<p>Punakaiki Fund generally values its investments by using the valuation in the last funding round, or by using revenue, revenue growth or EBITDA metrics versus publicly traded companies. We apply a performance adjustment factor to adjust these publicly traded metrics, almost always downwards, for relative growth rates, addressable market and overall performance and we also apply a range of discounts and premiums to valuations to reflect (if applicable) a degree of control (premium), illiquidity (discount) or the small size of the business being valued (discount). The valuations are prepared and proposed by LWCM, reviewed by the Board (in which the directors have an active role in the process), and, for annual accounts, subjected to the audit process. The audit process would typically include a rigorous review of the valuation methodologies applied as well as selected individual valuations. The auditors work with LWCM through this process, but also meet independently with Punakaiki Fund's independent and non-executive directors.</p> <p>The level of risk is related to the size of the investment, and when investing, LWCM applies a level of due diligence which reflects the relative investment size.</p>
<b>Risk</b>	<b>The loss or the poor performance of key people</b>
<b>Explanation</b>	<p>LWCM is a boutique manager meaning it has a small team (comprising Lance Wiggs and Chris Humphreys). Punakaiki Fund relies on LWCM, and specifically the abilities of Lance and Chris, to (1) make good investments on its behalf and (2) to help many of the companies to increase their value. The loss or poor performance of these people may have a long-term negative impact on Punakaiki Fund's Investor Net Asset Value.</p>
<b>Magnitude and Likelihood</b>	<p>The key effects on Punakaiki Fund of either Lance or Chris being incapacitated are a significantly reduced ability to find and make new investments, lower rigour in the investment process, lower ability to provide assistance to companies and higher administration burden on the remaining person.</p> <p>The Investor Net Asset Value per Share, which is based on investments in companies, should be largely unaffected, although the price a willing buyer is prepared to pay for Punakaiki Fund Shares may fall.</p>
<b>Mitigation</b>	<p>In the event of poor performance of LWCM's principals, including due to the inability to perform duties through poor performance or for cause, the Board has the ability to remove LWCM (either via the Management Agreement (for cause) or by way of shareholder vote, in both cases without penalty) and could appoint a new manager to (as a minimum) manage the on-going holding of Punakaiki Fund's existing investments.</p>

## Materiality

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

## Personal Circumstances

These risks and this 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.



## 9. Tax

### **Tax**

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

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





## 10. Where You Can Find More Information

### 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](http://www.business.govt.nz/disclose) under Punakaiki Fund's offer number (OFR11875). 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](http://www.business.govt.nz/companies) under Punakaiki Fund's company number (4395942).

### Website

Various policy documents and other information on Punakaiki Fund can be found on Punakaiki Fund's website at [www.punakaikifund.co.nz](http://www.punakaikifund.co.nz).

### Shareholder Communications

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

Each quarter, if not more frequently, we report to Shareholders on the investment portfolio and provide a general update on progress. Specifically we report, where possible, on new investments that have been made during the period and on any major changes in the status of investee companies that have impacted the overall value of Punakaiki Fund. Ad hoc updates are also issued when we make significant investments, or when investments achieve significant milestones.

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



# 11. How to Apply

## Before You Apply

If you are considering purchasing Shares in Punakaiki Fund under the Offer or the Rights Issue 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](http://www.business.govt.nz/disclose) under Punakaiki Fund's offer number (OFR11875); and
- Take financial and other advice from an expert.

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

## How to Apply for Shares in the Offer

You can apply for Shares in the Offer as follows:

- You may apply on-line at [punakaikifund.co.nz/InvestNow](http://punakaikifund.co.nz/InvestNow); or
- You may fill in the Application Form at the end of this PDS and return it to Punakaiki Fund.

For both of the application methods outlined previously, you must also make full payment for the Shares and provide any necessary documents required by us under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (if required) prior to the Closing Date.

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

Completed Application Forms must be received by Punakaiki Fund no later than 5 p.m. on the Closing Date. More information on the application process can be found accompanying the Application Form on page 64 of this PDS.

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



## **How to Apply for Shares in the Rights Issue**

On or before the completion of the Offer, all Punakaiki Fund shareholders will be sent an email outlining their entitlement to subscribe for Rights Issue Shares as at the Record Date, along with a unique link to Punakaiki Fund's on-line Rights Issue Application Form, which is pre-populated with individual shareholders' details. In order to complete an Rights Issue Application to subscribe for Rights Issue Shares, the Rights Issue Application Form will require Punakaiki Fund shareholders to:

- Download and read this PDS;
- Confirm that the individual Punakaiki Fund shareholder's detail contained on the Rights Issue Application Form are correct;
- Specify the number of Rights Issue Shares they wish to apply for, up to their maximum entitlement;
- Specify the number (if any) of Shortfall Shares they wish to apply for.

Punakaiki Fund Shareholders that do not wish to take up any of their entitlement to Rights Issue shares need not take any action and may ignore the Rights Issue Application Form.

## **Application Charges**

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

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

## **Anti-money Laundering Requirements**

Punakaiki Fund is required to comply with the Anti-Money Laundering and Countering Financing of Terrorism Act 2009. Punakaiki Fund will use electronic verification as our primary means of vetting new investors in the Offer and will seek the permission of new investors to undertake verification of certain personal information as part of the application process. LWCM will contact you if we cannot verify your identity by electronic means in order to obtain certified identification documents that meet our compliance requirements.

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





## 12. Contact Information

### **Punakaiki Fund**

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

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

### **LWCM**

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

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

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

### **Share Registrar**

Punakaiki Fund's Share Registrar administered by LWCM.

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

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



# Glossary of Terms

Term	Definition
\$	New Zealand dollar
<b>Accounting Net Asset Value</b>	The fair market value of the assets less the liabilities of Punakaiki Fund as determined by the Board after consultation with LWCM and in some instances, other external parties. The Accounting Net Asset Value incorporates only the cash component of the contingent Performance Fee and not the full Performance Fee. The Accounting Net Asset Value is used to calculate the quarterly Management Fee. It is not a GAAP measure.
<b>Applicant(s)</b>	A person(s) who submits an Application Form(s) under the Offer
<b>Application Form</b>	The form required to apply for Shares in Punakaiki Fund as set out in this Product Disclosure Statement. A copy of the Application Form can be obtained by emailing <a href="mailto:chris@lwcm.co.nz">chris@lwcm.co.nz</a> or <a href="mailto:lance@lwcm.co.nz">lance@lwcm.co.nz</a>
<b>Application Monies</b>	The funds required to accompany an Application in order for Shares to be purchased
<b>Application(s)</b>	Completed Application Forms returned to Punakaiki Fund along with full payment
<b>Board</b>	The board of directors of Punakaiki Fund
<b>Closing Date</b>	20 March 2017 or such other date as determined by Punakaiki Fund
<b>Companies Act</b>	Companies Act 1993
<b>Conqa</b>	The trading name of one of Punakaiki Fund's Portfolio Companies. Conqa's registered name is QA Tech Limited
<b>Disclose Register</b>	The register that contains information about the Offer. This information can be found at <a href="http://www.business.govt.nz/disclose">www.business.govt.nz/disclose</a> under Punakaiki Fund's offer number (OFR11875)
<b>EBITDA</b>	Earnings before Interest, Tax, Depreciation and Amortisation
<b>FY2014, FY2015, FY2016, FY2017</b>	Financial Years ending 31 March 2014, 31 March 2015, 31 March 2016 and 31 March 2017 respectively



<b>Term</b>	<b>Definition</b>
<b>GICS Industries</b>	The Global Industry Classification Standard (GICS) is a standardised classification system for equities. The GICS hierarchy begins with 11 sectors and is followed by 24 industry groups, 68 industries and 157 sub-industries
<b>Gross IRR</b>	The internal rate of return generated by investments in Portfolio Companies. It excludes Punakaiki Fund operating costs such as Management Fees
<b>GST</b>	Goods and Services Tax
<b>High Water Mark</b>	The highest Investor Net Asset Value per Share for which a Performance Fee has been previously paid. No subsequent Performance Fee is payable until the Investor Net Asset Value per Share exceeds the High Water Mark and the Performance Fee will only be paid in relation to increases above the previous High Water Mark. This ensures that LWCM is not paid a Performance Fee for gains that make up for previous periods of poor performance
<b>Investor Net Asset Value</b>	The fair market value of the assets less both the liabilities of Punakaiki Fund and the share-based component of the Performance Fee, as determined by the Board after consultation with LWCM and in some instances, other external parties. The Investor Net Asset Value is used to determine the pricing of this Offer. It is not a GAAP measure.
<b>IPEV</b>	International Private Equity and Venture Capital Valuation Guidelines (December 2015 edition)
<b>IPO</b>	Initial Public Offering
<b>Linewize</b>	The group of Portfolio Companies comprising Linewize Limited and Linewize Services Limited
<b>LWCM or Manager</b>	Lance Wiggs Capital Management Limited, the investment manager of Punakaiki Fund
<b>m</b>	Million
<b>Management Agreement</b>	The agreement dated 25 March 2014 between Punakaiki Fund and LWCM relating to sourcing and managing investments for Punakaiki Fund
<b>Management Fee</b>	The management fee paid to LWCM under the Management Agreement



<b>Term</b>	<b>Definition</b>
<b>Market Value</b>	The fair market value of the equity of Punakaiki Fund. If Punakaiki Fund is not listed on a stock exchange (which is currently the case), then the Market Value is the Investor Net Asset Value. Should (in the future) Punakaiki Fund become listed on a stock exchange, the Market Value will then be based on the offer price when initially quoted on that exchange, and after that on the volume weighted average share price for the 30 days prior to the end of the financial year; or immediately following a capital return to Shareholders the value of the capital return together with the Investor Net Asset Value. On termination of the Management Agreement, the Market Value is the higher of the market capitalisation based on the volume weighted average share price for the 30 days prior to the end of the financial year and the Investor Net Asset Value.
<b>Non-renounceable</b>	Not transferable - cannot be bought or sold. The entitlement to Rights Issue Shares cannot be transferred to the third party.
<b>NZAW</b>	New Zealand Artesian Water Limited – one of Punakaiki Fund’s Portfolio Companies
<b>NZX</b>	NZX Limited, the operator of the New Zealand Stock Exchange
<b>Offer</b>	The offer of Shares under this Product Disclosure Statement
<b>PDS</b>	This Product Disclosure Statement
<b>Performance Fee</b>	Amounts payable to LWCM tied to the positive performance of Punakaiki Fund as set out in the Management Agreement and on pages 27-28 of this Product Disclosure Statement.
<b>Portfolio Company(s)</b>	A business in which Punakaiki Fund has invested. There are 19 Portfolio Companies as at the date of this Product Disclosure Statement. These are generally investments in a single company, which may or may not have subsidiaries. The exception is that our investment in Linewize is via two companies; Linewize Limited and Linewize Services Limited.
<b>Price</b>	\$20.50 — the price at which Shares may be bought under the Offer
<b>Punakaiki Fund</b>	Punakaiki Fund Limited
<b>Record Date</b>	21 March 2017 - the date on which the number of Rights Issue Shares that individual Punakaiki Fund’s shareholders may subscribe for is determined



<b>Term</b>	<b>Definition</b>
<b>Rights Issue</b>	The offer of Rights Issue Shares to all Punakaiki Fund shareholders. Punakaiki Fund shareholders are entitled to subscribe for 1 Rights Issue Share for every 10 Shares they hold on the Record Date
<b>Rights Issue Applicant</b>	A person submitting a Rights Issue Application Form. All Rights Issue Applicants must be Punakaiki Fund shareholder on the Record Date
<b>Rights Issue Application Form</b>	The on-line form used to submit an application for Rights Issue Shares. A unique link leading to the Rights Issue Application Form will be emailed to each Punakaiki Fund shareholder on the Record Date
<b>Rights Issue Application Monies</b>	The funds required to accompany an Rights Issue Application in order for Rights Issue Shares to be purchased
<b>Rights Issue Applications</b>	Completed Rights Issue Application Forms along with full payment
<b>Rights Issue Closing Date</b>	24 March 2017 or such other date as determined by Punakaiki Fund
<b>Rights Issue Opening Date</b>	13 March 2017 or such other date as determined by Punakaiki Fund
<b>Rights Issue Price</b>	\$15.00 — the price at which Rights Issue Shares may be bought under the Rights Issue
<b>Rights Issue Shares</b>	Shares allotted under the Rights Issues. Rights Issue Shares rank equally and carry the same rights as all other Shares issued by Punakaiki Fund
<b>Shortfall Shares</b>	The entitlement to Rights Issue Shares which are not taken up by Punakaiki Fund Shareholders. Shortfall Shares are offered for subscription to all Punakaiki Fund shareholders on a first come first served basis.
<b>SaaS</b>	Software as a service, a software delivery model in which software and data are hosted by a vendor or service provider and made available over a network (typically the Internet)
<b>Share</b>	One fully paid ordinary share in Punakaiki Fund which ranks equally with each other and all existing shares in Punakaiki Fund
<b>Shareholder</b>	Holder of one or more Shares in Punakaiki Fund



# Punakaiki Fund Application Form

This Application Form is to apply for fully paid ordinary Shares in Punakaiki Fund Limited. Before completing this Application Form, you should read the Punakaiki Fund Product Disclosure Statement ("PDS") dated 3 March 2017 and the Application Instructions and Terms which follow this Application Form. This Application Form constitutes an offer to purchase the Shares described in the PDS. The full amount of the purchase price for the Shares is due upon application. The Closing Date for the Offer is 5.00 p.m., 20 March 2017 (or such earlier or later date as Punakaiki Fund may determine). For instructions on how to complete and deliver this form, see the accompanying Application Instructions and Terms.

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

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

### Applicant Details

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

#### New Zealand Drivers Licence

Number (5a)

Card Version (5b)

OR

#### New Zealand Passport

Number

Expiry Date

### Applicant 2 Details

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

#### New Zealand Drivers Licence

Number (5a)

Card Version (5b)

OR

#### New Zealand Passport

Number

Expiry Date

### Applicant 3 Details

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

#### New Zealand Drivers Licence

Number (5a)

Card Version (5b)

OR

#### New Zealand Passport

Number

Expiry Date

### For Companies

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

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

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

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

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





## For Trusts

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

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

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

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

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

## B: SUBSCRIPTION AMOUNT

The price is NZ\$20.50 per Share. Applications must be for a minimum of 100 Shares (NZ\$2,050) and, thereafter, in multiples of 100 Shares (NZ\$2,050). Punakaiki Fund Limited may accept or reject all or part of this application without giving reason.

Number of Shares applied for: \_\_\_\_\_ × \$20.50 Price per Share = NZ\$ \_\_\_\_\_ (please make this payment as set out in Section D)

## C: RIGHTS ISSUE

The price is NZ\$15.00 per Rights Issue Share. If your application is accepted, you will have an entitlement to subscribe for Rights Issue Shares at the rate of one Rights Issue Share for every 10 Shares you hold, including any that you successfully apply for using this Application.

Entitlement to Rights Issue Shares: \_\_\_\_\_ ( 1/10<sup>th</sup> of the number of Shares you hold and/or have applied for)

Number of Rights Issue Shares applied for: \_\_\_\_\_ (not more than your Entitlement to Rights Issue Shares)

× \$15.00 Price per Rights Issue Share = NZ\$ \_\_\_\_\_ (please make this payment as set out in Section D)

You also have the ability to apply for Shortfall Shares at a price of NZ\$15.00 per Share.

Number of Shortfall Shares applied for: \_\_\_\_\_ **(please do not make payment for any Shortfall Shares until notified)**

## D: PAYMENT

At the time of submitting this application, you must make payment of the Subscription Amount and for your Rights Issue Shares (but only if you are taking up your Rights Issue Shares. **DO NOT** make payment for any Shortfall Shares at this time. Punakaiki will contact you after the Rights Issue closes with information regarding how many Shortfall Shares you have been successful in applying for and the payment for those Shortfall Shares.

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

☐ **OPTION 1:** I will make a bank transfer of funds to Punakaiki Fund Limited's bank account: 02-1257-0039394-002

☐ **OPTION 2:** Please find attached my payment by cheque or bank draft made out to Punakaiki Fund Limited

## E: COMMON SHAREHOLDER NUMBER (CSN)

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

## F: ANTI-MONEY LAUNDERING AND COUNTERING FINANCING OF TERRORISM

Punakaiki Fund will undertake electronic verification of applicants' names, addresses and dates of birth in order to meet the customer due diligence requirements of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009. For the purpose of verifying your identity, by signing this application form you consent to the personal information that you have provided being used with and, where necessary, being disclosed to Centrix Group Limited (and you authorise Centrix to use any information that they hold in their credit reporting bureau about you to compare the information that you have provided), the Companies Office, Land Information New Zealand, the NZTA (for the purpose of checking the Driver Licence record and/or MOTO database), the Department of Internal Affairs (for the purpose of checking the Passport Office and/or Births, Deaths and Marriages and/or the Citizenship Office ) and the White Pages.

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

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

Signature 1 \_\_\_\_\_

Signature 2 \_\_\_\_\_

Signature 3 \_\_\_\_\_



# Punakaiki Fund Application Instructions and Terms

*You should read the Punakaiki Fund Limited Product Disclosure Statement and take financial advice before applying for Shares in Punakaiki Fund.*

## General

Applications for Shares may be lodged until 5 p.m. on the Closing Date, being 20 March 2017 or such other date as Punakaiki Fund may determine at its sole discretion. Applications must be for a minimum amount of 100 Shares (\$2,050) and in multiples of 100 Shares (\$2,050) thereafter. Applications for Rights Issue Shares must be limited to 1/10<sup>th</sup> of the number of Shares that you currently own, and/or which you are applying for in the Application Form. Applications for Shortfall Shares may be for any amount, but may be scaled to your shareholding in Punakaiki Fund after the date of Allotment.

The return of this Application Form will constitute your offer to purchase or subscribe for Shares and/or Rights Issue Shares and/or Shortfall Shares.

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

By submitting an Application Form, you agree:

- to purchase and subscribe for the number of Shares or Rights Issue Shares you specify (providing that you are entitled to those Rights Issue Shares), and up to the number of Shortfall Shares that you specify; and
- to become a Shareholder of Punakaiki Fund and to be bound by Punakaiki Fund's constitution (as applicable from time to time).

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

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

## No Guarantee

No person guarantees the Shares offered under this Product Disclosure Document.



## Anti-money Laundering and Counter Financing of Terrorism

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

Punakaiki Fund will use electronic identity verification to verify the identity of individuals applying for Shares in order to meet its customer due diligence requirements under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009. In order to undertake this electronic identity verification process, Punakaiki Fund requires details from either your New Zealand Drivers Licence or your New Zealand Passport, and will query databases held by some or all of the following entities to confirm these details:

- Centrix Group Limited;
- The Companies Office;
- Land Information New Zealand;
- The NZTA;
- The Department of Internal Affairs; and/or
- The White Pages.

Applicants must provide Punakaiki Fund permission to query these databases. By signing the Application Form, Applicants will be deemed to have provided these permissions.

If electronic identity verification is unable to verify the identity of an individual, then Punakaiki Fund will require copies of the following documents (certified by an appropriate person):

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

### ***Companies***

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

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

### ***Trusts***

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

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

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



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

## **Applications**

You can apply for Shares by using the Application Form attached within this PDS. The Application Form must be received by Punakaiki Fund no later than 5 p.m. on 20 March 2017.

You can also apply for Rights Issue Shares or Shortfall Shares by using the Application Form attached within this PDS. For applications for Rights Issue Shares or Shortfall Shares only (i.e. not for Shares), the Application Form must be received by Punakaiki Fund no later than 5 p.m. on 24 March 2017.

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

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

or

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

or

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

## **Application Payment**

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

Payment must be in New Zealand currency based on NZ\$20.50 per Share, or NZ\$15.00 per Rights Issue Share, as applicable. No payment for Shortfall Shares should be made until Punakaiki Fund has informed you how many Shortfall Shares you have been successful in applying for.

Applications for Share must be for a minimum of 100 Shares (NZ\$2,050) and, thereafter, in multiples of 100 Shares (NZ\$2,050). Punakaiki Fund may accept or reject all or part of any Application without giving reason. Applications for Rights Issue Shares must not be for more than 1/10<sup>th</sup> of the number of Shares that you already own and/or for which you have applied for in this Offer.

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

