



# Pohutukawa

PRIVATE EQUITY VI LIMITED

## OFFERING MEMORANDUM TO WHOLESALE INVESTORS

For the offer of up to 100 million Shares  
at \$1.00 per Share

24 FEBRUARY 2020

Organising Broker & Administration Manager:  
Craigs Investment Partners Limited

Investment Manager:  
Direct Capital VI Management Limited

This offer is only available to Wholesale Investors. You should read the whole document before deciding whether to invest. If you are in any doubt as to any aspect of the offer, you should consult your financial, investment and/or legal advisor.

**Beca**

  
Exact Radiology  
CORPORATION LTD

**Qestral**  
CORPORATION LTD

**as**  
colour

**Scales**  
growing New Zealand

**Marvel**

 perpetual guardian

**bluestar**

 New Zealand  
King Salmon

  
RYMAN  
HEALTHCARE

**PFOLSEN** 

**EXPRESS**  
LAWRENCE

**NOBILO** 



**BAYLEYS**

 **Hiway**  
Group

**NZP**

**fishpond**  
.co.nz

*Max.*

**Robinhood**  
WE CLEAR THE AIR

**MOORE**  
NEW ZEALAND & AUSTRALIA

 **RODD & GUNN**

**eftpos**  
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# Pohutukawa

PRIVATE EQUITY VI LIMITED

## OFFERING MEMORANDUM TO WHOLESAL INVESTORS

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## 1

**LETTER FROM THE CHAIRMAN****24 February 2020****Dear Investor**

On behalf of the directors of Pohutukawa Private Equity VI we are delighted to present the next Pohutukawa Private Equity offering, Pohutukawa VI.

Pohutukawa VI is modelled on its successful predecessors, Pohutukawa I, Pohutukawa II and Pohutukawa V. Like Pohutukawa I, II and V, Pohutukawa VI will be managed by Direct Capital and will invest pro-rata alongside Direct Capital's latest institutional fund, Direct Capital VI.

Direct Capital was established in 1994 and has been at the forefront of developing the industry in New Zealand and today remains the country's leading private company investor. Its philosophy has been consistent – to partner with good people running well-managed privately owned businesses operating in good industries, and to invest in situations that create growth and a quantum change in the business that will lead to a quantum change in value.

It is a simple philosophy that has served Direct Capital well and across economic cycles has generated a consistent track record of net returns for Investors.

Direct Capital has raised more than \$1.2 billion from institutional, government, and corporate organisations. Its private equity programs have raised more than \$900 million.

Since 1994, and investing through multiple economic cycles, Direct Capital has achieved a consistent track record in generating portfolio returns for Pohutukawa Investors. Pohutukawa I achieved a net internal rate of return of 12.6% p.a., and Pohutukawa II 15.7% p.a. to date.

Direct Capital's team provides a combination of continued leadership, experience and continuity across ownership, fund management and portfolio company management.

The team includes the continued participation by long term members, and includes: Ross George (1994), Gavin Lonergan (1998), Andrew Frankham (2009), Heath Kerr and Chris Wills (2013), Johnny Wong, Chris Hickey and Freddy Greenslade in 2017, Rosalie Conroy in 2018, and more recently, Hugh Cotterill and Madeline Rogers in 2019.

Mark Hutton (1994 co-founder) will continue as non-executive director and Investment Committee member.

Direct Capital is a people-based partnership. A private equity fund is unique in that the fund is typically more than 10 years in duration and the trust placed in the stewardship of investor capital requires a corresponding commitment by its key executives. As with all such partnerships Direct Capital actively plans and manages succession over time. It achieves this through maintaining a team with depth that, combined with a flat structure and an open environment, enables continuity of its 25 year investment strategy.

The new fund will continue to focus on mid-market private equity growth investments in New Zealand and Australia that have the ability to generate positive free cash flow and dividend returns. The emphasis will remain on succession and expansion deals (particularly trans-Tasman) in both minority and majority positions alongside management.

The Direct Capital investment management team has been progressing a short-list of likely transactions for Direct Capital VI and is close to finalising, with at least one of these investments expected to settle in the second calendar quarter, and a second investment thereafter. 1 cent per share is payable on subscription with the prospect of up to 30 cents per share being required within three months of subscription.

If the Investment Manager is able to provide any details on these investments during the offer period, we will advise you of these. These early portfolio company investments provide a great start for Pohutukawa VI.

We have been delighted with the performance of Pohutukawa I, Pohutukawa II and Pohutukawa V, and I encourage you to consider Pohutukawa VI as part of your investment portfolio.

Yours sincerely  
POHUTUKAWA PRIVATE EQUITY VI LIMITED



**Neil Craig**  
Chairman

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## KEY TERMS OF THE OFFER

Legal Entities:	Pohutukawa Private Equity VI Limited ("Pohutukawa VI") plus 15 special purpose Investment Companies (each to be established Prior to the Closing Date).
Pohutukawa Objective:	Co-investing alongside Direct Capital's institutional private equity fund, Direct Capital VI, in selected unlisted businesses and special situations in New Zealand and Australia to achieve investment returns superior to those achieved by comparable listed company market indices.
Investment Manager:	Direct Capital VI Management Limited, a company owned by Direct Capital executives.
Administration Manager:	Craigs Investment Partners Limited ("Craigs").
Offer:	100 million Shares at an issue price of \$1.00 per Share.
Shares on Offer:	Each Share will comprise one ordinary voting share and 100 non-voting redeemable preference shares in Pohutukawa Private Equity VI Limited together with one non-voting preference share in each of the Investment Companies.
Initial Subscription:	An initial subscription of \$0.01 per Share subscribed is payable upon application (plus the 1.25% application fee on Committed Capital).
Further Calls:	<p>The remaining \$0.99 per Share, being the balance up to the issue price, will be payable in tranches. Calls can be for a minimum of \$0.01 per Share and will be subject to at least 10 days advance notice to the investor. The Board will make calls when the Investment Manager requests it to, in conjunction with calls it makes on Direct Capital VI.</p> <p>The proceeds of the initial tranche, and each subsequent call, will be applied to successively pay up in full the non-voting redeemable preference shares in Pohutukawa Private Equity VI Limited represented in each Share.</p>
Minimum Investment:	50,000 Shares (paid up on initial application to \$500), and thereafter in 25,000 Share increments (paid up to \$0.01 per Share), plus the Application Fee.
Application Fee:	An application fee of 1.25% of Committed Capital is payable by the investors to the Organising Broker upon application. The Application Fee will be used to pay brokerage to Craigs Investment Partners and contribute to the costs of bringing this offer to the market.
Offer Closing Date:	The Closing Date of the Offer is Friday 13 March 2020.
Management Fee:	2.00% (plus GST) per annum of Committed Capital payable quarterly in advance until all Committed Capital has been called or five calendar years from Closing Date or once a subsequent Pohutukawa fund is raised, whichever is earlier. Thereafter, the Management Fee will be 2.00% (plus GST) per annum of Invested Capital. The Management Fee will cover the cost of both the investment and administration management functions.
Earnout Distribution:	Direct Capital VI Investment Partners LP will be entitled to an earnout distribution of 20% of the returns generated by Pohutukawa VI, but distribution of earnout will not be made until investors have received preferential distributions in respect of the Shares equal to a pre-tax compound annual return of 8%

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## KEY TERMS OF THE OFFER

Eligibility & Application for Shares:	<p>Distributions from Pohutukawa VI will therefore be made as follows:</p> <ul style="list-style-type: none"> <li>• First, 100% to investors until they have received an amount equal to the paid up issue price of all Shares plus a pre-tax compound return of 8% per annum on such amount;</li> <li>• Thereafter, 50% to Investors and 50% to Direct Capital VI Investment Partners LP until Direct Capital VI Investment Partners LP has received an amount equal to a pre-tax compound annual return of 2% per annum on the paid up issue price of all Shares; and</li> <li>• Thereafter, 80% to Investors and 20% to Direct Capital VI Investment Partners LP</li> </ul> <p>For further details see Section 10 – Summary of the Management Agreement.</p> <p><i>Please note that Shares in Pohutukawa VI are only available to Craigs Investment Partners clients who are New Zealand residents and who have a Custodial Services Limited account and CIP Cash Management Nominees Limited account, and who have been certified as either a Wholesale Investor or an Eligible Investor.</i></p> <p>Application to subscribe for Shares pursuant to the Offer must be made on the Application Form in Section 16 of this Offer Document. <b>All applications must include a signed wholesale or eligible investor certificate</b>, as applicable, in the form set out in Sections 14 and 15.</p> <p>Applications must be accompanied by payment authority for the initial instalment plus the Application Fee.</p> <p>Duly completed Application Forms (which includes payment authority) must be lodged with Craigs Investment Partners prior to 5pm on the Closing Date.</p>
Allocation of Shares:	<p>Shares in the Offer have been reserved for clients of Craigs. Applications for Shares may be scaled. Scaling will be determined by the Board with recommendations from the Investment Manager and Administration Manager and may not be pro-rata.</p>
Allotment of Shares:	<p>Allotment is expected to take place by 20 March 2020 (subject to any extension of the Closing Date). The Directors of Pohutukawa VI reserve the right to reject any application, or accept any application in part only, without assigning any reason for doing so. Any interest generated on subscription monies held by Pohutukawa VI shall be for the account of Pohutukawa VI. Any surplus subscription monies will be refunded to applicants within five business days after allotment of Shares to successful applicants and will not carry interest.</p>
Liquidity Review:	<p>Distributions will be made to Investors following the receipt of cash flows from individual investments by Pohutukawa VI which may arise from dividends, interest, repayments of loans or redeemable capital, or, if and when investments made by Pohutukawa VI are liquidated. The Board will review the liquidity position of Pohutukawa VI no later than the 10<sup>th</sup> anniversary of the Closing Date.</p>
Share Transfers:	<p>Whilst there will be no formal secondary market for the Shares, Craigs Investment Partners will endeavour to match buyers and sellers of Shares on an informal basis.</p>

Reporting:	<p>Updates on the performance of companies Pohutukawa VI has invested in will be provided on a half yearly basis. Portfolio valuation and financial statements will be provided through annual reports, which will be available on the Pohutukawa website <a href="http://www.pohutukawafund.co.nz">www.pohutukawafund.co.nz</a></p>						
Failure to Pay a Call:	<p>If an investor fails to pay a call on any Share:</p> <ul style="list-style-type: none"> <li>• interest will accrue on the unpaid amount at 4% per annum above the 90 day bank bill rate</li> <li>• the Shares to which the call relates will be liable to forfeiture under the relevant Constitutions</li> <li>• Pohutukawa VI may enforce the lien provided for in the relevant Constitutions over all Shares held by that investor by disposing of such Shares and applying the proceeds towards the unpaid amount (with the Investor remaining liable for any shortfall after the sale or disposal of such Shares)</li> </ul> <p>See Section 11 - Financial Information for further details.</p>						
No Guarantee:	<p>No person referred to in this Offer Document guarantees the Offer, the Shares or the performance of Pohutukawa VI.</p>						
Withdrawal of Offer:	<p>The Board, in conjunction with the Investment Manager and Organising Broker, reserves the right to withdraw the Offer at any time on or prior to the Closing Date without notice. If the Offer is withdrawn, all subscription monies will be refunded to applicants within five business days of the date the Offer is withdrawn. No interest will be paid to applicants on any subscription monies so refunded.</p>						
Important Dates:	<table border="0" style="width: 100%;"> <tr> <td style="padding-right: 40px;"><b>Offer opens</b></td> <td><b>24 February 2020</b></td> </tr> <tr> <td><b>Closing Date</b></td> <td><b>13 March 2020</b></td> </tr> <tr> <td><b>Allocation and Allotment of Shares by</b></td> <td><b>20 March 2020</b></td> </tr> </table> <p>The Board, in conjunction with the Investment Manager and Organising Broker, reserves the right to amend the offer timetable or withdraw the Offer at any time on or prior to the Closing Date without notice (refer to “Withdrawal of Offer” above).</p>	<b>Offer opens</b>	<b>24 February 2020</b>	<b>Closing Date</b>	<b>13 March 2020</b>	<b>Allocation and Allotment of Shares by</b>	<b>20 March 2020</b>
<b>Offer opens</b>	<b>24 February 2020</b>						
<b>Closing Date</b>	<b>13 March 2020</b>						
<b>Allocation and Allotment of Shares by</b>	<b>20 March 2020</b>						

## 3

**OVERVIEW OF PRIVATE EQUITY**

Private equity is an investment class that encompasses all types of equity investment into unlisted businesses and other special situations where the investment has the character of a private equity transaction. Unlisted businesses generally require access to investment capital to fund growth or to provide liquidity for existing shareholders. More specifically, unlisted companies may require private equity to expand or grow an established business either organically or by acquisition, to facilitate existing management to buy out an existing owner, to facilitate new management to buy into a business, or to allow existing shareholders to make a partial or full sell down of their holdings.

As with all managed investments, private equity returns are influenced by the investment skills and abilities of the investment manager. One of the core skills of successful private equity managers is the ability to select unlisted companies with strong fundamentals and growth potential. By investing in companies at a time of rapid change in their life cycle, and through the manager providing strategic skill, input, and capital, private equity investments have demonstrated an ability to generate returns above listed equities.

While all businesses, listed or unlisted, operate in the same macro environment, there continue to be unique advantages in private company investment:

- the ability to complete detailed due diligence on the business and management team, including non-financial and commercial aspects normally precluded from comparable listed company analysis
- the ability to structure the investment and terms to suit the particular situation
- ensuring strong alignment of interest with company management
- securing board representation and continuous information rights
- the ability to execute strategic plans privately

When making investments private equity investors access a greater depth of information than is available to public equity investors. Access to this information, which includes detailed strategic plans, business plans, board papers, key commercial contracts, access to key personnel, and historical and forecast financial data, enables the private equity manager to thoroughly investigate potential investments (including legal and financial due diligence) and thereby reduce risk and structure investments

(shareholding, price and terms of the investment) to accommodate specific situations.

Perhaps the strongest contributor to successful private equity investment is the alignment of interest that is established between managers of the business and the private equity shareholders. Often the management team owns a significant shareholding in the business alongside the private equity investor. Management is therefore incentivised to grow the value of the business and their personal shareholding, rather than focusing solely on personal career advancement.

Private equity managers are “active shareholders” and able to participate in the governance and strategic direction of companies in which they invest. Private equity managers will normally hold board positions in portfolio companies, allowing them to contribute on all aspects of the business and better assess the ongoing risks and opportunities involved with their investment.

For private companies, management is able to maintain focus on longer term strategic goals. In listed companies, short term issues are often visible to media and analysts, which invites scrutiny of the business in the public domain and may have an inappropriate influence on management's decision-making.

Compared to investments in listed companies, private equity investment is relatively illiquid, offers potentially higher returns and, being unlisted, does not exhibit daily volatility in value as listed companies do.

Private equity investment is now a well-established asset class for institutional investors globally and through vehicles such as Pohutukawa, is increasingly accessible for individual investors.

### **How Private Equity Funds Operate**

During the initial stages, investors in a private equity fund are called upon to provide portions of their Committed Capital as and when investments are made. These are known as drawdowns or calls. Typically, calls from investors and new investments by the fund will be made over the first five year period of the fund's life.

As portfolio companies mature and distribute earnings or redeem capital, the fund will begin to make distributions to investors. In general, this will take a few years from the date



of first investment and, as with calls, the timing and the amount of distributions to investors will be irregular. Funds generate positive net cashflows from portfolio company earnings and any liquidity events.

As distributions to investors normally commence before the whole commitment has been called, it would be unusual for an investor to have the full amount of their committed capital outstanding at any particular time. For example, in Pohutukawa I, as a result of earlier investments and distributions, the maximum net cash contribution paid by investors was \$0.57 per \$1.00 committed. In Pohutukawa II, the maximum was \$0.46 per \$0.80 committed. In Pohutukawa V the maximum to date is \$0.49 per \$1.00 committed. Pohutukawa V is expected to complete its investment portfolio with the addition of a further investment (under contract) to be signed prior to the formal commencement of Pohutukawa VI.

## 4

**WHY INVEST IN POHUTUKAWA VI?**

The global economy continues to experience moderate economic growth, low inflation, mounting central bank and corporate debt, and concerns that monetary easing policies continue to be ineffectual. There is no shortage of liquidity in the world.

New Zealand, in comparison, has continued to enjoy positive business conditions – albeit conditions that have moderated over the last two years, with continuing low interest rates, little inflation, low government debt, and a central bank with an easing bias.

The problem for investors is not liquidity, but yield (courtesy of central bank monetary policies), with investors concerned that record high equity, bond and property markets could easily reverse. At the same time, they are receiving poor returns from traditional low risk asset classes.

Direct Capital's results, over a 25 year period, have shown high returns and have been remarkably stable - irrespective of the economy and prevailing market conditions. The firm's latest fund, with which Pohutukawa VI will co-invest, will enable investors to participate in the private company market, a market that has a larger opportunity set than exists on the NZX, and one that is more reflective of the New Zealand economy. In addition, this is a market that benefits from the unique investment advantages identified on page 6 and which include the ability of the Manager to complete a deeper level of due diligence (unfiltered by management), shareholder and management alignment, and "active" board engagement by the Manager.

Direct Capital also benefits from its reputation as a "partner of choice" for private companies. This arises from a combination of its 25 year reputation, local network, fund size (ability to transact in larger opportunities), experience, and public market credibility. Direct Capital's reputation is not solely based on its successes, but also its conduct in seeking to preserve value and business continuity when difficult situations arise (an inevitable occurrence when investing over a long period).

The firm's flexibility in offering minority or majority shareholding solutions for private company owners, along with shareholder documentation that is highly regarded in the market also provides a competitive advantage, often resulting in a "last right of investment" option.

That said, the competitive environment continues to mature, with significant pools of capital available for investment, and a growing demand for private company exposure from a

broad range of investors including local and international institutions, community trusts, iwi, family offices, and individuals. Combined with continuing stable economic growth and a low interest rate environment, this continues to be a period in which valuation metrics are elevated. In this environment, discipline, proprietary origination, and experience remain highly valuable attributes.

**Focus on the New Zealand Mid-Market**

The New Zealand mid-market, in which Direct Capital invests, means companies with valuations of between \$50 million and \$350 million. There are approximately 950 companies in this category operating in New Zealand.<sup>1</sup>

In volume terms, New Zealand's mid-market continues to be dominated by companies with EBITDA of \$5 million to \$20 million. However, the mid-market has also naturally grown to now include a number of private companies that exceed this level. For example, from Direct Capital's preceding funds, each of New Zealand Pharmaceuticals, New Zealand King Salmon, Hiway Group, Bayleys Corporation, Scales Corporation, Transaction Services, Beca Group, and Complectus, now exceed \$20 million in EBITDA. During the investment period of Direct Capital V, the Manager evaluated a number of opportunities that were in the upper half of the mid-market sector.

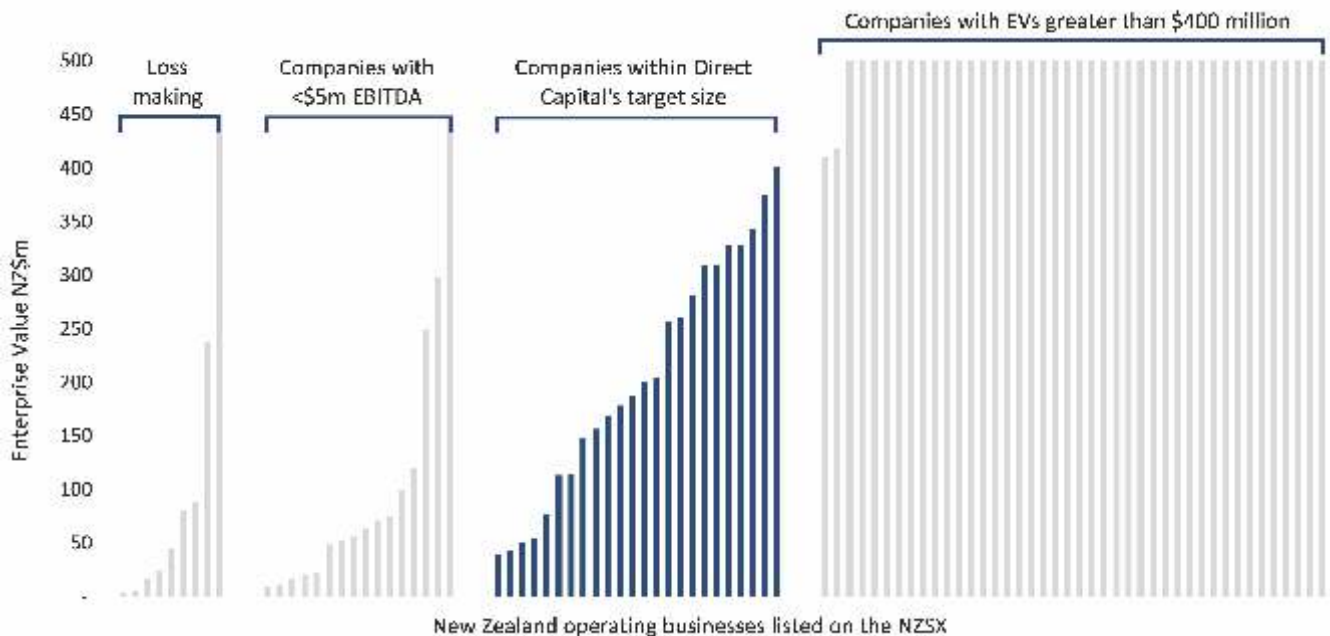
The New Zealand mid-market provides a number of attractive investment features:

- **Asset Allocation:** The NZX remains poorly reflective of the New Zealand economy. As at January 2020, the NZX Main Board had 180 issuers, of which just 92 are New Zealand operating businesses (i.e. excluding listed equity and property funds, resource stocks, dual-listed Australian securities, and financial services stocks). Of these, 9 are loss-making (typically early-stage technology companies), leaving 83 traditional operating businesses.

Within this group of 83 companies, 42 companies have enterprise values greater than \$400 million, and 16 companies have earnings below Direct Capital's investment target size, leaving just 25 companies that have enterprise values within Direct Capital's target investment range of \$50 million to \$350 million. Portfolio construction of New Zealand equities therefore benefits with exposure to New Zealand private companies.

<sup>1</sup> Direct Capital analysis

## Relevant NZSX Companies by Enterprise Value



- **Company Composition:** The mid to large company sector in New Zealand comprises around 1,200 companies of which approximately 950 companies are in the mid-market category in which Direct Capital invests.

New Zealand's economic sectors are often dominated by a small number of mid to large firms and a large number of sub-scale operators. The larger companies, backed with private equity, are well-positioned to target acquisitions within their own industries (generally at lower valuation multiples) that enhance market share and maximize synergies and earnings. These acquisitions enhance enterprise value, particularly where such acquisitions diversify revenue and expand geographic reach (e.g. into Australia). Direct Capital has been highly successful in its trans-Tasman strategy and this will continue to be a focus for Direct Capital VI.

- **Company Ownership:** Ownership of New Zealand's private companies is dominated by individuals, small groups and family organisations. Aging demographics, and the need to address succession, is a critical issue for these companies. With the ability to invest in both minority and majority shareholding situations, in partnership with existing or next generation management, the opportunity set is substantial.

- **Competition:** The smaller end of the New Zealand private company market is served by a small number of local institutional and non-institutional firms. Australian private equity managers also compete in the local market but are more typically limited to control buy-out situations. A number of Australian PE funds have now reached a fund size that precludes typical New Zealand mid-market companies.

In New Zealand mid-market companies often have a preference for their private equity partner to be locally based and available to management. Transactions in this market are usually transition periods for owners and, unlike 100% sales in the large buy-out market, private equity partner selection plays a far greater role in decision making.

Further, due to the broad definition of "sensitive land" and the target company size thresholds that apply under the Overseas Investment Act 2005, mid-market transactions involving overseas purchasers (generally any entity with 25% or more direct or indirect overseas ownership) are often subject to OIO approval, a process which can take many months to determine. This can provide a significant competitive advantage to New Zealand based purchasers.

# 4

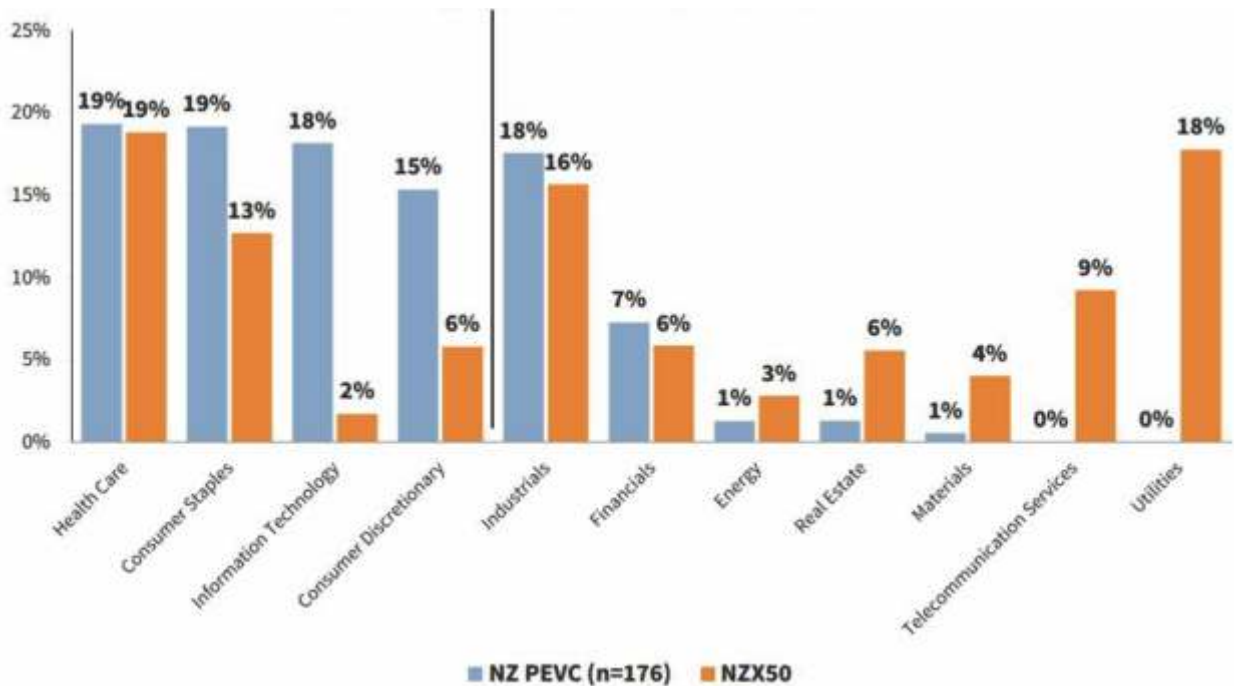
## WHY INVEST IN POHUTUKAWA VI?

- Access to the Key New Zealand Sectors:** New Zealand has a national comparative advantage in primary food production and related services. The sector is under-represented in listed markets but is a sector in which Direct Capital has achieved excellent returns. The agri sector continues to be a key target for Direct Capital VI and offers Investors exposure to this important category.

### NZ PE & VC Company Exposure: Sector Diversification Versus Listed Equities

As at 31 March 2019 - New Zealand Dollars

Sector Exposure by Current Market Value



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**Board of Directors of  
Pohutukawa Private Equity VI Limited**


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The Board will be responsible for overseeing the business and affairs of Pohutukawa VI. This role will involve all communication with shareholders in Pohutukawa VI and managing the flow of funds between the Investment Manager and the shareholders of Pohutukawa VI. The Board of Pohutukawa Private Equity VI Limited will comprise two directors: Neil Craig and Ken Phillip. The directors of Pohutukawa VI may change from time to time.

Neil Craig is currently a director of Craigs Investment Partners, and Ken Phillip is the Chief Financial Officer of Craigs Investment Partners. The directors have many years of experience in administrative roles associated with Pohutukawa I and Pohutukawa II, and are currently directors of Pohutukawa Private Equity V Limited. These are funds of \$53.0m, \$82.5m and \$50.0m respectively and were raised by Craigs Investment Partners to specifically invest alongside Direct Capital III, Direct Capital IV and Direct Capital V, being funds managed by Direct Capital.

Supporting the directors in administration of Pohutukawa VI will be Peter Lalor of Craigs Investment Partners who will act as executive officer.

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**Neil John Craig (Non Executive Chairman)**


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Neil is the founding principal and Executive Chairman of Craigs Investment Partners, a New Zealand Exchange Participant Firm, a company he has been instrumental in building from a small regionally based sharebroking business in Whakatane to its current position as a leading New Zealand investment advisory firm. Craigs Investment Partners has over 500 staff across 19 branches throughout New

Zealand. Neil has a broad experience in private equity transactions, stock exchange listings, capital raisings and corporate activity for a wide range of companies. In a personal capacity Neil has been an active private equity investor for many years.

Neil is currently a director of Pohutukawa Private Equity V Limited, Pohutukawa Private Equity II Limited, Kowhai PE Management Limited, Karaka Management Limited, Matai

Management Limited, Pilot Bay Funds Management Limited and Oriens Capital Limited, Neil is a director of Comvita Limited and is a director of a number of privately held companies.

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**Kenneth Christopher Phillip (Non Executive Director)**


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Ken is Chief Financial Officer of Craigs Investment Partners. Ken is also a director of Pohutukawa Private Equity V Limited, Pohutukawa II Management Limited, Kowhai PE Management Limited, Karaka Management Limited, Matai Management Limited, Pilot Bay Funds Management Limited and a number of Craigs Investment Partners

subsidiary and associate companies including QuayStreet Asset Management Limited, Custodial Services Limited, and Craigs Investment Partners Superannuation Management Limited.

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**Board of Directors of Investment Companies**


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The board of directors of each Investment Company will be appointed by Direct Capital VI Investment Partners LP as the holder of the ordinary shares in each Investment Company. Direct Capital VI Investment Partners LP will utilise its director appointment and voting rights in respect of Investment Companies as may be instructed from time to time by the Investment Manager.

## 6

## THE INVESTMENT MANAGER

Pohutukawa VI will engage Direct Capital VI Management Limited (the Investment Manager) to provide investment management services to Pohutukawa VI. The Investment Manager is owned by the executives of Direct Capital, and chaired by well-known public company director, John Ryder.

Direct Capital was established in 1994 and has been the leading private equity manager in New Zealand, and at the forefront of developing the industry. The firm has raised more than \$1.2 billion from institutional, Government, and corporate organisations. Its private equity programs have raised more than \$900 million.

Year	Fund	Size
1994	Direct Capital I	\$ 68m
1998	Direct Capital II	\$ 35m
2005	Direct Capital III / Pohutukawa I	\$ 130m
2009	Direct Capital IV / Pohutukawa II	\$ 325m
2016	Direct Capital V / Pohutukawa V	\$ 375m

From the outset Direct Capital has sought to provide a consistent strategy of long-term growth, making investments based on sound business fundamentals and aimed at providing its investors with above market returns. It executes this strategy in the context of achieving and supporting sustainable growth, protecting its local reputation and understanding the social licence with which it operates.

Direct Capital is proud to have been the first New Zealand private equity manager to be a signatory to the United Nations Principles of Responsible Investment (UN PRI). This includes a formal assessment of understanding environmental, social and governance factors across our portfolios and managing our investment in portfolio companies to these principles.

Understanding and evaluating business and investment risk lies at the heart of its approach to investing in private companies. This is more than simply assessing financial and industry aspects of an investment. It extends to understanding broader aspects of the business to include the people, values and culture of an organisation, understanding the real drivers of performance and the sustainability of these factors to create enduring shareholder value. Understanding these factors is key to understanding investment risk.

While large buy-outs, predominantly leverage driven, can be managed internationally, expansion and succession transactions in the growth mid-market are more reliant on the active management of private equity managers and the value this provides to business owners. Managers that are locally based are much better placed to provide this.

Direct Capital has achieved a market-leading reputation amongst business owners. Key attributes include:

- Consistent Track Record:** Direct Capital has completed five private equity programs since 1994. While it remains too early to properly assess Direct Capital V performance (at just three years into its Investment Period), earlier funds have achieved net internal rates of return of between 18.2% p.a. and 22.6% p.a.
- Disciplined Pricing:** Direct Capital has maintained a disciplined approach to pricing and focuses on its partnership and other non-financial attributes to secure opportunities.
- Conservative Use of Leverage:** Private companies within the mid-market tend to be growth focused and in our experience, aggressive use of leverage imposes unnecessary risk. Across the Direct Capital III-V portfolios, average leverage multiples are below the average leverage multiple of comparable NZX listed companies (companies that match Direct Capital's target investment size).
- Experience:** The firm has developed a unique culture over 25 years, underpinned with a partnership philosophy that has maximized outcomes in both successful and difficult situations. Direct Capital is highly regarded in the private company market and it acts to continually preserve this reputation. The team has a core level of investment experience, market knowledge and portfolio company director experience that continues to set it apart in the market.
- Mid-Market Investment Flow:** The growth mid-market is the key market in New Zealand and where Direct Capital has focused investment since its establishment in 1994. The firm has an extensive reach into the mid-market through its referral base and utilising its 25 years in the market. Direct Capital's transaction history has been largely proprietary - for example, five of the seven investments in Direct Capital IV and all investments in Direct Capital V were sourced either directly, or in a way that avoided a fully competitive tender process and timetable.

- Locally Based:** In New Zealand's mid-market, business owners place significant value on the quality of their financial partners. Business owners want effective and enjoyable working relationships. Reputation within the local business community is critical. Business owners seeking the value-add of private equity want their partners to be local and accessible. Direct Capital often achieves a "last right of refusal" on opportunities it pursues.
- Institutional Reputation:** The firm is well known within the financial community and its reputation and investment process is well-regarded. Maintaining its home market reputation is critical to Direct Capital's continuing success.
- Alumni Network:** Direct Capital maintains an active alumni network through programs such as its biennial Portfolio Company Conference in which owners, directors and chief executives of portfolio companies, past and present, are brought together to exchange ideas, experiences and networks. The event is highly successful and leverages the partnership attributes that Direct Capital promotes, with many attendees originating from the very earliest of its portfolio company relationships. This network is a significant reference base when approaching potential new portfolio company owners, provides an excellent source of non-executive directors, and a source of new investments. John Ryder, Direct Capital's Chairman, comes from this alumni through his Ryman Healthcare and Triton investments.
- Conservative Approach:** Direct Capital's investment philosophy is to invest into a portfolio of appropriately risked private company investments that each contribute to a consistent fund return with the ability to create regular dividend income for shareholders. This is in preference to an investment strategy that relies on a small number of investments achieving very high returns but the expectation of individual company losses.
- Long Term Investor Focus:** Consistent with Direct Capital IV and Direct Capital V, Direct Capital VI will be structured as an open-ended investment fund providing an ability to invest with partners across a long horizon.

The Investment Manager has an Investment Committee which is responsible for all investment decisions for Pohutukawa VI following review of detailed evaluations prepared by the wider Direct Capital team. The Investment Committee currently comprises six senior representatives

from Direct Capital: Ross George, Gavin Lonergan, Heath Kerr, Hugh Cotterill, Mark Hutton and John Ryder.

Direct Capital's team provides an excellent combination of continued leadership, experience and continuity across ownership, fund management and portfolio company management.

The team includes the continued participation by long term executives: Ross George (founder and managing director, establishing Direct Capital in 1994), Gavin Lonergan (1998), Andrew Frankham (2009), Chris Wills (2013), Heath Kerr (2013) and Jonathan Wong (2017). Hugh Cotterill joined the firm having previously been in M&A advisory for the last 16 years. Mark Hutton (co-founder) will continue on in a non-executive role and will remain on the Investment Committee.

The following provides biographies of the Direct Capital VI Board and executive team.



**John Ryder MCom (Hons),  
FCA, CMA**

Non-Executive Chairman &  
Investment Committee Member

John is Independent Chairman of Direct Capital. John was a co-founder of Ryman Healthcare (where he was co-Managing Director) at the time of Direct Capital's initial investment in Ryman and subsequently joined Direct Capital as Chairman in 2008. John is Chairman of NZ King Salmon and Chairman of the Qestral Group.



**Ross George, LLB**  
Managing Partner

Ross has been involved in the private equity and venture capital industry in Asia, Australia and New Zealand since 1987. He is a founding director and shareholder of Direct Capital. He is involved in all activities within Direct Capital, but in particular, with investor and governance issues. Ross is currently the director representative on portfolio company boards of Perpetual Guardian, Beca Group, Qestral Corporation, and Bayleys.

## 6

## THE INVESTMENT MANAGER



**Mark Hutton, BCom**  
Non-Executive Director and  
Investment Committee Member

Mark is a founding director of Direct Capital and was an executive for 20 years. He was on the investment team across each of Direct Capital I – IV, and was director on a number of portfolio companies. More recently Mark has been non-executive director on NZX-Listed companies, Scales and NZ King Salmon. Mark is a member of the Direct Capital VI Investment Committee.



**Heath Kerr, BMS, CA,  
INFIZ**  
Partner

Heath first joined Direct Capital in 2013 as its Australian representative, and re-joined the firm as partner in Direct Capital V. Heath has more than 20 years' experience in corporate finance, investment banking and private equity in Australia and New Zealand. Portfolio company directorships have included: Transaction Services, Hiway Group, Marvel Packers, and Exact Radiology.



**Gavin Lonergan, BBus, CA**  
Partner

Gavin joined Direct Capital in 1998 and has been on the investment teams of all Direct Capital funds. Gavin was involved in the formation of the New Zealand Private Capital Association, a committee member for five years and was chairman in 2005. Recent portfolio company directorships and fund representative have included Stratex, Cavalier Wool Holdings, Perpetual Guardian, and Qestral Corporation.



**Hugh Cotterill, MBA  
(Cambridge), BCom**  
Partner

Hugh joined Direct Capital in August 2019. Prior to Direct Capital, Hugh was a Partner at Cameron Partners investment bank based in Auckland, where he specialised in the growth private company sector. He has 25 years' experience in the New Zealand financial markets – with previous roles in the global markets team at Bankers Trust and Deutsche Bank.



**Andrew Frankham, BCom**  
Partner and CFO

Andrew joined Direct Capital in 2009 and has responsibility for transaction structuring, fund reporting, tax compliance, treasury, and Investor relations functions across the group. Andrew has been Direct Capital's representative on the New Zealand Private Capital Association Council since 2012 and is the current chair.



**Jonathan Wong, BCom, LLB**  
Investment Director

Jonathan (Johnny) joined Direct Capital in March 2017. Johnny has over 13 years' experience in investment banking and private equity. He spent six years in the London office of Global Infrastructure Partners (GIP) and prior to this was in the investment banking team at Jarden (previously First NZ Capital). Johnny was the Direct Capital board representative on Marvel Packers through to realisation and is currently on the board of Exact Radiology.





**Chris Wills, CFA, BCom,  
LLB**

Investment Director

Chris joined Direct Capital in 2013. He has been involved with a range of portfolio companies across Direct Capital III – V. Prior to joining Direct Capital, Chris spent three years with the M&A Tax team at KPMG. Chris is currently an observer on the board of AS Colour.



**Chris Hickey, CFA, CA,  
BCom, LLB**

Investment Manager

Chris joined Direct Capital in June 2017, after six years at Deloitte. Since joining, Chris has been involved in the investments into Perpetual Guardian, Marvel Packers and Beca, as well as the subsequent sale of Marvel in December 2018.



**Freddy Greenslade, CFA,  
Bcom**

Investment Manager

Freddy joined Direct Capital in May 2017. Prior to joining Direct Capital, Freddy spent three years with PwC in Corporate Finance and M&A. Since joining, Freddy has been involved in the investments into Marvel Packers, Exact Radiology and Qestral.



**Madeline Rogers, BCom,  
MFINC**

Investment Analyst

Madeline joined Direct Capital in 2019. Prior to Direct Capital, Madeline worked across a range of M&A, valuation, financial modelling and strategy engagements at Goldman Sachs and PwC.



**Rosalie Conroy, BBus, CA**

Finance Manager

Rosalie joined Direct Capital in January 2018 and is responsible for management of all treasury and financial reporting of funds, quarterly valuations and compliance.

## 7

## INVESTMENT TRACK RECORD

Direct Capital will continue its investment management of the Pohutukawa private equity programme including Pohutukawa VI.

Over 25 years, Direct Capital has established a track record of successfully making, managing and producing strong returns from private equity investments. The track record highlights the benefits of Direct Capital's long-term investment strategy and investing in portfolio companies which ultimately provide strong investment returns from fully imputed dividends.

While relevant to an investor's assessment of the credentials and expertise of Direct Capital, the historical data provided is no guarantee of, or an indication of, Pohutukawa VI's future financial performance.

### Investment Programmes

Direct Capital has successfully raised five private equity programmes totalling more than \$900 million for investment into private companies.

Previous private equity programmes managed by Direct Capital include:

- In 1994 Direct Capital formed Direct Capital I. Direct Capital I was raised at a time when the private equity market in New Zealand was in its infancy. Direct Capital I was initially capitalised at \$51 million primarily with institutional money from 16 Australasian financial institutions. In 1998 Direct Capital I was bought out by Emerald Capital.

- In 1998, Direct Capital established Direct Capital II, its second private equity programme with an open-ended capital pool provided by institutions and high net worth individuals. This invested in excess of \$35 million.
- In 2005, Direct Capital raised its third institutional programme, Direct Capital III. Pohutukawa I, the first fund in the Pohutukawa family of funds, co-invested alongside Direct Capital III. Combined, the funds raised \$118 million and invested into twelve portfolio companies: Max Fashions, Express Logistics, New Zealand Pharmaceuticals, Gluck, Triton Hearing Clinics, Stratex, Innovair, Go Bus, Shears and Mac, Rodd & Gunn, New Zealand King Salmon, and Fishpond.
- In 2009, Direct Capital raised its fourth institutional programme, Direct Capital IV in which Pohutukawa II co-invested. Combined, the funds raised \$325 million and invested in seven portfolio companies: Transaction Services, Bayleys Real Estate, Cavalier Wool Holdings, Scales Corporation, PF Olsen, Hiway Group, and Energyworks.
- In 2017, Direct Capital raised its fifth institutional programme, Direct Capital V in which Pohutukawa V co-invested. Combined, the funds raised \$375 million and have invested in six portfolio companies to date: AS Colour, Complectus (or Perpetual Guardian), Marvel Packers Pty, Exact Radiology Pty, Beca Group and Qestral Corporation. The portfolio will be completed with one additional investment prior to formal commencement of Direct Capital VI.

### Returns for the Pohutukawa I, II and V funds

Fund	Investments		Net Multiple	Net IRR <sup>1</sup>
	Total	Remaining		
Pohutukawa I (invested alongside Direct Capital III)	12	-	1.8x	12.6%
Pohutukawa II (invested alongside Direct Capital IV)	7	3	1.9x	15.7%
Pohutukawa V (invested alongside Direct Capital V)	6	5	1.1x	Too Early

<sup>1</sup> IRR as at 30 September 2019

The corresponding net IRR returns to the institutional funds, Direct Capital III and IV are 18.2% p.a., 19.6% p.a. and respectively. Although the underlying investment returns are identical, the difference in performance for Pohutukawa shareholders has been due to the following factors:

- higher costs associated with administration of Pohutukawa (approximately 2,000 shareholders compared to 27 limited partners in the institutional fund)
- less efficient drawdowns with minimum calls of \$0.30 in Pohutukawa I and \$0.10 in Pohutukawa II, as opposed to no minimum call for Direct Capital III and IV

The terms in Pohutukawa VI reflect the terms within Pohutukawa V which more closely align performance with Direct Capital V and Direct Capital VI:

- a streamlined administration function will enable a reduction in costs so that they are consistent with Direct Capital V and Direct Capital VI
- a minimum call of \$0.01 to more closely align the timing of Pohutukawa VI's cash flows with Direct Capital VI

Direct Capital continues to manage investments for the existing programmes.

### Portfolio Commentary

The following commentary profiles each portfolio company completed in our currently active funds, Direct Capital IV and Direct Capital V.

In each of our portfolio companies we invest alongside other owners and senior management in the business. We respect the privacy of our partners in the portfolio companies and therefore limit our comments to key facts.

A positive feature across all portfolio companies has been the distribution of imputed dividends.



**Transactions Services Group**  
**Direct Capital IV**  
**Invested January 2010**  
**Realised November 2015**  
**Shareholding 48.1%**

Operating as DebitSuccess, the company provides outsourced payments management and processing services to a number of vertical markets across New Zealand and Australia, including the health and fitness sector, sports clubs, childcare services and many others.

Direct Capital was attracted to TSG with its market leading position, robust business model, sector growth opportunities, and high conversion of earnings to cash.

Transaction Services achieved significant success both organically and through two strategic acquisitions, the acquisition of DFC and Harlands in the UK, which gave TSG a market leading presence in the UK and a beachhead for expansion into Europe. Building on an increasingly global profile, TSG also established an office in San Francisco.

To support the rollout into the US market, the company sought a new cornerstone shareholder in 2015 resulting in a highly successful outcome for Direct Capital.

## 7

## INVESTMENT TRACK RECORD



**Bayley Corporation**  
**Direct Capital IV**  
**Invested June 2010**  
**Held as at 30 September 2019**  
**Shareholding 31.1%**

Bayleys is one of New Zealand's most recognised real estate brands, offering nationwide agency and valuation services across residential, commercial & industrial, lifestyle and rural sectors. Direct Capital acquired a cornerstone stake to facilitate succession, broaden the shareholder base, and fund growth.

A bold acquisition strategy combined with capital and constrained competitors saw Bayleys nearly double its residential market share during this period and take its rural offering from infancy to the #1 position in the market today. Leveraging its position in the commercial and industrial agency sector Bayleys established a property services division that is now one of the largest property managers in New Zealand. Together with a focus on valuation and professional services this division's revenues are more recurrent in nature and have become a meaningful contributor to Group results.



**Cavalier Wool Holdings**  
**Direct Capital IV**  
**Invested December 2010**  
**Realised September 2018**  
**Shareholding 25.0% (post-merger 13.8%)**

CWH is the world's largest wool scour operator servicing New Zealand's wool industry and, as a by-product of the wool scouring process, one of the largest global producers of wool grease (the primary source of lanolin and pharmaceutical cholesterol used to manufacture Vitamin D3). Direct Capital acquired a cornerstone shareholding to pursue rationalisation of the industry, and to pivot the company from an industrial processor to a pharmaceutical ingredients business.

The Company undertook a lengthy authorisation process under the Commerce Act, which was ultimately successful, resulting in the merger of CWH and the scouring assets of NZ Wool Services. Site and logistic rationalisation was highly successful and the company is well-positioned to continue providing New Zealand wool growers with high quality and efficient scouring services. The authorisation process was, however, costly in terms of resource and time and this limited further investment focused on its pharmaceutical strategy. In September 2019 Direct Capital divested its shareholding to industry interests.



**Scales Corporation**  
**Direct Capital IV**  
**Invested July 2011**  
**IPO July 2014**  
**Shareholding 84.2%**

Scales is a diversified agribusiness centred on horticulture, storage & logistics to the primary industry, and food ingredients. Direct Capital was attracted to Scales' leading segment position within each of these well-performing industries, consistency of returns generated, and the key strategic initiative of grafting new apple varieties targeting higher margin Asian markets, and expansion of 3rd party orchards.

The re-grafting initiative into premium varieties was highly successful, lifting the share of apples going into the Asian market to 53% (from 27% at the time of investment). Together with rising prices, an improved mix and an expansion of the storage and logistics footprint, Scales' EBITDA increased significantly.

Scales undertook an IPO in July 2014 to raise additional capital for growth in which Direct Capital contributed the majority of its shares into the float. The IPO has been one of New Zealand's most successful listings in recent years.



**PF Olsen**  
**Direct Capital IV**  
**Invested September 2011**  
**Held as at 30 September 2019**  
**Shareholding 40.0%**

PF Olsen is New Zealand's largest external asset manager of forestry estates providing full management services through the cycle of forestry – planting, managing, harvesting, and exporting. With forestry representing one of New Zealand's largest exports, and significant and long-term industry growth underpinned by harvestable wood volumes arising from the large plantings that occurred in the 1990's, Direct Capital was attracted to the company's leading market position and the employee ownership culture of the organisation.

Direct Capital's investment supported the company's expansion of its containerised tree stock and seedling operation, along with growth into the Australian market where it is now well-established.

The company is highly successful and Direct Capital continues to be a shareholder in the business.

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## INVESTMENT TRACK RECORD



**Hiway Group**  
**Direct Capital IV**  
**Invested December 2011**  
**Realised August 2018**  
**Shareholding 60.0%**

Direct Capital acquired a shareholding in Hiway through a buy-out of the business in partnership with John and Paul Boocock facilitating the exit of the founder (and John and Paul's father), Peter Boocock. As part of Direct Capital's investment, the company's shareholding base was also broadened to include key managers and staff.

As a provider of road maintenance and construction services, as well as soil stabilising and vertical stabilisation, the thesis was to maintain Hiway's share of road maintenance spend in New Zealand, grow its vertical stabilisation business, and expand its trans-Tasman operation into Australia via acquisition.

The company achieved excellent growth leveraging significant central and state infrastructure spend in both New Zealand and Australia (both organic and remedial work associated with earthquake damage in New Zealand and flooding damage in Queensland). In August 2018 the Company introduced a new cornerstone investor to support continued M&A initiatives in Australia.



**Energyworks**  
**Direct Capital IV**  
**Invested January 2014**  
**Realised August 2017**  
**Shareholding 66.4%**

Energyworks provides essential maintenance and brownfield services to blue chip clients in New Zealand's domestic energy sector. At the time of investment, the sector was growing rapidly on the back of advances in horizontal drilling and fracking techniques and increased oil and gas exploration.

The initial investment was ill-timed, occurring prior to a global collapse in oil prices. Whilst the vast majority of Energyworks activities were in the domestic gas market - which was expected to have defensive qualities given New Zealand's lack of LPG exports, contracted capex programmes within its client base were materially reduced and maintenance programmes deferred. Conditions in Australia were unsupportive of expansion.

Off the back of a recovering maintenance and business turnaround, Direct Capital divested its shareholding in the business in August 2017.



**AS Colour**  
**Direct Capital V**  
**Invested August 2017**  
**Held as at September 2019**  
**Shareholding 28.4%**

AS Colour is a leading global provider of premium blank apparel and other undecorated merchandise to the screen and digital garment printing industry – with a particular focus on servicing the concert tour segment.

Direct Capital acquired a minority shareholding in AS Colour alongside its founder and managing director, to support continued international expansion and facilitate a broader shareholding amongst key members of the senior management team.

AS Colour's expansion from its Australasian base has accelerated with the USA now a core market and operations established in the UK. Both revenue and earnings have grown by more than 50% since 2017, at the same time the business has invested strongly in its people and its systems.

With an unlevered balance sheet, AS Colour is well-positioned to continue its rapid expansion in international markets.



**Complectus (Perpetual Guardian)**  
**Direct Capital V**  
**Invested August 2017**  
**Held as at September 2019**  
**Shareholding 50.0%**

Perpetual Guardian operates across two main business segments, the provision of corporate trustee services as an FMA appointed supervisor to public issuers, and the provision of private client services in Wills, Trusts and Estate management. Direct Capital acquired a 50% shareholding in the business and was attracted to macro drivers that included long term growth in funds under management in the corporate sector and the growing need for professional services to private clients with increasingly complex family situations combined with growing wealth and increased trustee compliance requirements.

Since investment, the business has continued to grow both organically and through increased market share. The business has separated out its investment management business into a standalone unit 'Openly' and recently launched its Footprint business, a B2B channel for the online provision of Wills linked to the provision of third-party financial products and remuneration packages.

## 7

## INVESTMENT TRACK RECORD



**Marvel Packers**  
**Direct Capital V**  
**Invested October 2017**  
**Realised December 2018**  
**Shareholding 57.0%**

Marvel is an Australian based manufacturer of frozen French fries operating a “fresh from field” processing strategy that is unique to Australia (benefitting from year round potato harvesting). The investment by Direct Capital supported a buy-out from broad family ownership to the grandson of the founder.

The business demonstrated consistent year-on-year sales growth over the last 10 years with high cash generation and dividend distribution. The investment thesis was to provide capital and resource to: expand the production capacity at the existing plant to further penetrate the Queensland and New South Wales markets, develop a new processing plant to significantly increase production capacity and range to allow Marvel to enter new market segments, and evaluate potential acquisitions to complement the existing business.

The Company received an unsolicited approach from multinational food manufacturer, Lamb Weston, who was attracted to Marvel’s market position. Although Direct Capital’s preference was to continue with the company’s growth strategy, we supported our shareholder partners who wanted to crystallise an outstanding financial return.



## Exact Radiology

CLINICS

**Exact Radiology**  
**Direct Capital V**  
**Invested November 2018**  
**Held as at 30 September 2019**  
**Shareholding 39.2%**

Exact Radiology provides diagnostic imaging services including MRI, CT, ultrasound, x-ray and nuclear medicine across a network of clinics in suburban metro Brisbane and South East Queensland, Australia.

Direct Capital was attracted to the sector’s growth and high margin achievement, combined with the strong operational track record of Exact, and desire of the founding radiologist shareholders to continue clinic rollout in partnership with Direct Capital.

The investment is relatively recent with investment focussed on executing the strategic game plan that centres on the employment of additional radiologists, the implementation of growth opportunities at existing clinics, expansion of the clinic base via new greenfield clinics, and evaluating bolt-on acquisitions to complement the existing clinic network.





**Beca Group**  
**Direct Capital V**  
**Invested December 2018**  
**Held as at 30 September 2019**  
**Shareholding 5.0%**

Beca is New Zealand's preeminent engineering and management consultancy firm, employing more than 3,500 staff across New Zealand, Australia and Asia. The Company benefits from long term infrastructure spend in areas such as transport (roading, airports and rail), water infrastructure (storm and waste), and environmental management. Together with long-term recurring revenue streams, the New Zealand business has underpinned group results and regular dividend distributions, while pursuing growth in international markets.

Beca introduced Direct Capital as minority capital partner to provide an external perspective on both 'business as usual' activities and growth initiatives, including acquisition opportunities, and to continue growing the business.

The long-term infrastructure pipeline in both New Zealand and Australia remains strong with highly supportive central and state government investment.



**Qestral Corporation**  
**Direct Capital V**  
**Invested February 2019**  
**Held as at 30 September 2019**  
**Shareholding 15.0%**

Qestral is a Christchurch based operator of premium retirement villages in New Zealand.

Qestral's retirement village portfolio comprises four sites: Alpine View Lifestyle Village in Christchurch (completed and operational); Burlington Lifestyle Village in Christchurch (under development); Coastal View Lifestyle Village in Nelson (under development) and Broadwater, Hamilton (commencing March 2020), and two additional sites under contract.

Direct Capital invested in partnership with the existing executive and non-executive shareholders, including John Ryder, co-founder of Ryman Healthcare (a portfolio company of Direct Capital in which we invested in 1996 and subsequently listed in 1999, with the company going on to become one of New Zealand's most successful listed companies).

The investment by Direct Capital is intended to accelerate the development of the above sites and, through recycling of capital, locate additional sites for acquisition and development.

# 8 INVESTMENT STRATEGY

## Investment Objectives

The investment strategy of Pohutukawa VI will be the investment strategy of the Investment Manager.

The Investment Manager aims to provide shareholders with returns in excess of those normally earned from comparable listed market indices, by investing into businesses in New Zealand and Australia that do not have ready access to the capital markets.

By this means, the Investment Manager also seeks to provide investors with access to investment opportunities not normally available to them and, thereby, increase portfolio diversification.

## Investment Strategy

Direct Capital's aim is to pursue a relatively conservative private equity investment strategy consistent with the strategy of previous funds. The investment focus will therefore be on the provision of capital to established businesses operating in the mid-market with strong growth opportunities and the ability to generate sustainable positive cash flows. This will be achieved through an emphasis on:

- acquiring shares from existing shareholders as part of a succession strategy, recapitalisation or replacement capital
- opportunities to provide expansion capital to companies with attractive growth prospects, including acquisitions that facilitate trans-Tasman expansion
- management buy-out or buy in opportunities

The Investment Manager will seek to add value through providing strategic, financial and governance expertise and will typically exert influence through representing Pohutukawa VI on the board of each investee company.

## Investment Criteria

The Investment Manager has developed the following investment criteria to guide investment and ensure that Pohutukawa VI and Direct Capital VI become a diversified portfolio of investments in terms of sector, stage of development and location. Investment attributes will focus on industry strength, market position, competitive advantage and in particular, quality of management. The Investment Manager will have the ability to modify this investment criteria from time to time with the approval of the advisory committee for Direct Capital VI. The full investment

criteria will be set out in the management agreement for Pohutukawa VI, but can be summarised as:

### *Sectors*

The Investment Manager will seek to invest in a wide range of sectors including manufacturing, services, consumer products, distribution, tourism, food, agribusiness and retail.

### *Size of Investments*

The Investment Manager will adopt prudential limits and will cap single investments into any one company or group of related companies at 17.5% of Committed Capital (or 20% where approved by Direct Capital VI's advisory committee).

The average investment size (across all Direct Capital VI funds, including Pohutukawa VI) is expected to be in the range of \$30 million to \$50 million, although initial individual investments could range from \$20 million to \$80 million. Where initial investment is at the lower end of this range, the expectation is that there is a pathway for growth over time with follow-on investments.

### *Geographic Scope*

The Investment Manager will seek to make investments in New Zealand and Australia. Businesses that have a strong growth opportunity through expansion, onshore or offshore, will also be a key focus.

### *Stage of Development*

The Investment Manager will focus on succession buy-outs, expansion capital, minority and majority shareholdings and private placement situations.

### *Investment Horizon*

The Investment Manager will invest in companies with an objective of long-term growth and maximum dividend yield, wealth creation and regular returns to Investors in Pohutukawa VI and Direct Capital VI.

### *Borrowing*

Pohutukawa VI will not use term debt to leverage its investment portfolio. However, debt can be utilised for investment purposes when a call that is at least sufficient to cover the debt has been approved by the Board. The amount of debt is restricted to the call that is approved and unpaid, and the term cannot exceed 90 days. Pohutukawa VI portfolio companies may contain debt as part of their capital structure. Pohutukawa VI may borrow to cover a prudent level of working capital requirements from time to time.

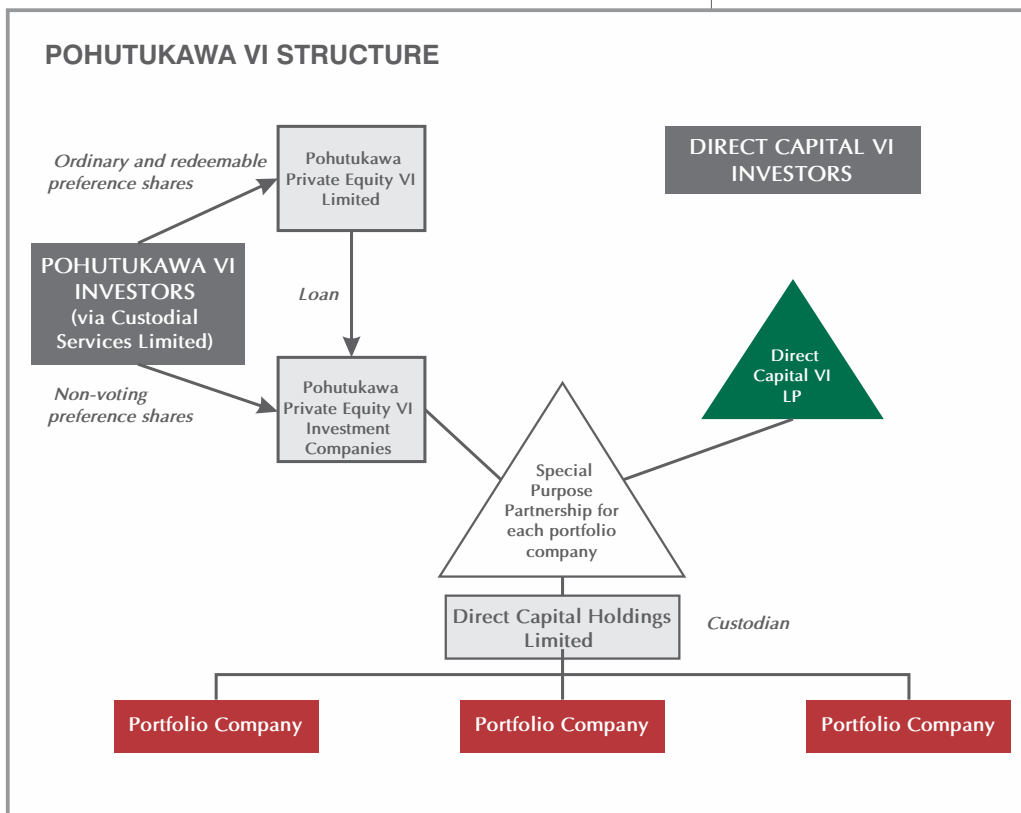
Pohutukawa VI intends to co-invest with Direct Capital VI in each investment in proportion to the level of Committed Capital of each of Pohutukawa VI and Direct Capital VI. The structure is shown schematically as follows:

investment in a portfolio business, subscription money received by Pohutukawa VI will be held in interest bearing deposits as approved by the Board.

By investing through Investment Companies Pohutukawa VI is able to provide a more effective mechanism for delivering investment returns to investors on an investment basis.

To facilitate investment alongside Direct Capital VI, a custodial vehicle acting as bare trustee, Direct Capital Holdings Limited, will hold legal title to Pohutukawa VI's investments at the direction of the Investment Manager.

As investee businesses distribute earnings, return capital or are themselves realised by the Investment Companies, proceeds will typically be returned directly to investors (subject to allowing 100% of Committed Capital to be invested in portfolio companies). The



The Pohutukawa VI structure will consist of Pohutukawa Private Equity VI Limited and 15 Investment Companies (each to be established prior to the Closing Date).

Each Share held by investors will comprise one ordinary voting share (nil issue price) and 100 non-voting redeemable preference shares of one cent each in Pohutukawa Private Equity VI Limited, together with one non-voting preference share (nil issue price) in each of the 15 Investment Companies. Pohutukawa VI will issue up to 100 million Shares in this Offer at an issue price of \$1.00 per Share.

Pohutukawa VI's investment in specific portfolio businesses will be via one of the 15 Investment Companies formed for this purpose.

To fund investments, Pohutukawa VI will provide funds as required to each Investment Company. Until it is required for

the original cost of the investment will be returned to investors by redemption of the redeemable preference shares they hold in Pohutukawa VI. Capital gains will be returned to investors who hold preference shares in the Investment Companies by way of distributions on liquidations of those Companies.

### Governance and Management

Ordinary shares to be held by investors in Pohutukawa VI will confer normal voting rights on the investors. The preference shares to be held by investors in both Pohutukawa VI and the Investment Companies will confer no voting rights.

Direct Capital VI Investment Partners LP, an entity nominated by Direct Capital, will hold all the ordinary voting shares in each of the Investment Companies and will exercise these rights on the instruction of the Investment Manager in accordance with the Management Agreement and the Pohutukawa VI investment criteria.



## STRUCTURE, GOVERNANCE AND REPORTING

Pohutukawa VI will retain a separate Board to ensure best practice corporate governance and that the shareholders' interests are held paramount.

The Board will review the performance of the Investment Manager from time to time. It will review the capital adequacy of Pohutukawa VI, be responsible for shareholder reporting and set timely shareholder meetings of Pohutukawa VI.

The Directors of each Investment Company will be capable of appointment or removal only by Direct Capital VI Investment Partners LP (as the holder of the ordinary shares in the Investment Company).

The Investment Manager is a company owned by Direct Capital executives and will provide investment management services. In addition, Craigs Investment Partners will provide services as the Administration Manager in relation to fund raising, cash management, administration, and investor relations and communication. The Investment Manager and Administration Manager will be party to a contract setting out their roles. The Investment Committee of the Investment Manager will be responsible for all investment decisions.

### Reporting

The Investment Manager will keep the Board informed of the progress of its investments.

Information regarding the performance of Pohutukawa VI and the companies Pohutukawa VI has invested including the portfolio valuation will be provided to investors on a half yearly basis. Portfolio investments and distributions will be notified to investors when these occur.

Information may be restricted by confidentiality agreements with Pohutukawa VI's portfolio businesses.

An annual report including the audited financial statements and an interim report will be made available electronically to all shareholders in Pohutukawa VI (unless a physical copy is requested by the investor) via the Pohutukawa website [www.pohutukawafund.co.nz](http://www.pohutukawafund.co.nz). Investor information on the Pohutukawa website will only be capable of access via an investor log-in and password.

### Notification and Registration of Holdings

The share registry for Pohutukawa VI will be held by Custodial Services Limited and managed by Craigs Investment Partners. Holding positions will be available on

Craigs Investment Partners client accounts no later than five business days from the date of Allotment.

### Operational and Financial Policies of Investment Companies

The Constitutions of each Investment Company will specify that the operational and financial policies of that Investment Company are those set out in this Offer Document and/or as determined by the Board of Pohutukawa VI.

### Restrictions to the Alteration of Constitution

The shareholders will have the right to alter the Constitution of Pohutukawa VI by special resolution. In addition, any alteration to the clauses of the Pohutukawa VI Constitution concerning the Board's power to make calls and to appoint the directors of that company will require the approval of 75% of Pohutukawa VI shareholders and the written approval of the Administration Manager.

### Application of the Management Agreement to the Constitutions of Investment Companies

In accordance with the Constitutions of the Investment Companies, the board of each Investment Company will only be able to issue shares and the relevant Constitution will only be able to be altered, in compliance with the applicable requirements of the Management Agreement, including the obligation on the part of Direct Capital VI Investment Partners LP to:

- Not vary or amend the terms or rights of any shares in an Investment Company;
- Not to issue any equity security, or transfer any of the shares that it holds, in any of the Investment Companies to any other party;
- Not to amend the Constitution of any Investment Company; and
- Utilise its power to appoint directors and its voting rights in respect of Investment Companies in accordance with the instructions of the Investment Manager, in a manner consistent with the Management Agreement,

unless permitted to do otherwise by way of ordinary resolution of the board of directors of Pohutukawa VI.

### The Investment Manager's Responsibilities

Pohutukawa VI will appoint the Investment Manager as sole and exclusive provider of investment management and administrative services to Pohutukawa VI pursuant to a Management Agreement under which the Investment Manager will be given broad powers to deal with and manage (including without limitation by buying and selling) the property of Pohutukawa VI as agent of Pohutukawa VI. The Investment Manager will subcontract the provision of administrative services to the Administration Manager.

The Investment Manager has agreed that it will not, without approval of the Board, provide investment management services to any other equivalent private equity fund resident in New Zealand (other than Direct Capital VI and any entities co-investing with Direct Capital VI), until Pohutukawa VI has drawn 70% of Committed Capital.

The Investment Manager will be authorised to incur reasonable costs and expenses on behalf of Pohutukawa VI in the conduct of its investment management roles, and can delegate functions outside its areas of core competency and expertise to third parties; and more generally hire advisers and other specialists to supplement its work (for example, in the context of due diligence investigations).

### Management Fee

In return for managing Pohutukawa VI and the investments it makes, the Investment Manager will be paid an annual management fee. The Investment Manager will use the annual management fee to meet its own operating expenses but is entitled to be reimbursed for third party expenses it incurs on behalf of Pohutukawa VI.

The Management Fee is considered to be in keeping with industry norms.

From the Closing Date for the Offer until all Committed Capital has been called, the date five calendar years from the date of allotment under the Offer or once a subsequent Pohutukawa fund is raised, whichever is earlier, the Investment Manager will receive an annual fee equivalent to 2.00% plus GST of Committed Capital. Thereafter the Investment Manager will receive an annual management fee based on 2.00% plus GST of Invested Capital. The annual management fee will be calculated and paid quarterly in advance to the Investment Manager on the first business day of each financial quarter of Pohutukawa VI.

### Term of the Management Agreement

The Management Agreement will continue until each of the companies comprising Pohutukawa VI is liquidated, unless terminated earlier as a consequence of the occurrence of an insolvency event, or an act of negligence, material breach or serious misconduct on the part of a party. Also, the Investment Manager will have the right to resign its appointment on 90 days written notice. In addition, if there are changes in the Investment Manager's Investment Committee, in certain circumstances this may result in the Investment Manager being unable to make new investments until replacement individuals have been approved by the Direct Capital VI Advisory Committee. If this occurs, Pohutukawa VI will also cease to make new investments (as it invests alongside Direct Capital VI).

Upon early termination of the agreement either Pohutukawa VI or Direct Capital VI Investment Partners LP will be entitled, by notice to the other, to require that Direct Capital VI Investment Partners LP sell, and Pohutukawa VI (or its nominee) purchase, the ordinary shares Direct Capital VI Investment Partners LP holds in each Investment Company. The purchase price for the ordinary shares will be 75% of fair value (if termination occurs as a result of an insolvency or default event on the part of, or resignation of, the Investment Manager), or 100% (otherwise) of fair value, of such shares. Pohutukawa VI, at its option, will be able to fund the purchase price of such ordinary shares out of unallocated funds or uncalled capital or defer payment until investments are realised or distributions on them received, or the ordinary shares are sold to a replacement manager.

### Co-Investment

Each of the Investment Manager and Craigs Investment Partners (or their nominees) will have the right to co-invest with Pohutukawa VI, on the same terms, in any investment undertaken by Pohutukawa VI, to a maximum of 10% in aggregate of the investment amount offered to Pohutukawa VI.

The Investment Manager will have the right to sell any of Pohutukawa VI's investments in Portfolio Companies in combination with other sales only on the same terms as other funds administered by Direct Capital and its associated parties, in proportions reflecting the respective amounts invested in the relevant entity by vending parties.

The board of directors of Pohutukawa VI will receive quarterly reports as to any co-investment or divestment

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## SUMMARY OF THE MANAGEMENT AGREEMENT

undertaken by the Investment Manager and Craigs Investment Partners or their nominees with Pohutukawa VI, or by Pohutukawa VI with other funds managed by Direct Capital and in this manner will monitor compliance by relevant entities with the above procedures.

### Earnout Distribution

Direct Capital VI Investment Partners LP, in its capacity as shareholder of the ordinary shares in each Investment Company, will be entitled to earnout of 20% of the returns generated by Pohutukawa VI, but distribution of the earnout will not be made until investors have received preferential distributions in respect of the Shares equal to a pre-tax compound annual return of 8%.

Distributions from Pohutukawa VI will therefore be made as follows:

- Firstly, 100% to investors until they have received an amount equal to the paid-up issue price of all Shares plus a pre-tax compound return of 8% per annum on such amount;
- Thereafter, 50% to investors and 50% to Direct Capital VI Investment Partners LP until Direct Capital VI Investment Partners LP has received an amount equal to a pre-tax compound annual return of 2% per annum on the paid up issue price of all Shares; and
- Thereafter, 80% to investors and 20% to Direct Capital VI Investment Partners LP.

To the extent that aggregate earnout distributions over the life of Pohutukawa VI exceed the payment that would have been due if a single cumulative calculation had been made on the termination date of the Management Agreement, Direct Capital VI Investment Partners LP will return the excess distributions. This could occur if, for example, Direct Capital VI Investment Partners LP receives earnout in respect of an early distribution which would not have been due if later events (for example, unsuccessful investments) had been taken into account.

### Custodian Agreement

A Custodian Agreement will be entered into appointing Direct Capital Holdings Limited to act as agent and bare trustee of Pohutukawa VI and to hold legal title to Pohutukawa VI's investments, at the direction of the Investment Manager. The purpose of the custodial structure is to facilitate investment alongside other Direct Capital VI investors.

### Indemnity

Pohutukawa VI will indemnify the Investment Manager, and its officers, employees, advisers and agents, against losses and costs incurred by reason of the Investment Manager performing its obligations under the Management Agreement except those resulting from the gross negligence, fraud, dishonesty or wilful default of an indemnified party.

## Taxation

The investment criteria for the Investment Manager is to invest in companies with an objective of long-term growth and to maximise dividend yield, wealth creation and provide regular returns to investors. The Board of Pohutukawa Private Equity VI Limited has a stated intention to invest on capital account, although it has the ability to acquire shares with a dominant purpose of resale, profits from sale of which would be separately treated as taxable income.

Pohutukawa VI expects to receive dividend payments from the businesses it invests in, and expects to distribute these payments, to the extent they are not used to meet management expenses or debt servicing, to its shareholders. Dividend payments received from companies subject to New Zealand tax may have imputation credits attached, which can be passed on to investors. No imputation credits currently arise to New Zealand investors from payment of Australian tax by investee companies. Dividends paid by Pohutukawa VI will be subject to resident withholding tax. The amount of resident withholding tax deducted will be reduced by any imputation credits attached to the dividends.

Pohutukawa VI will be managed such that any capital gains are not expected to be taxed in the hands of passive investors who did not purchase their Shares for the purpose of resale, as part of a profit-making scheme or as part of a business.

## Application Fee

An Application Fee of 1.25% of Committed Capital for the Shares is payable by investors to the Organising Broker upon application. The Application Fee will be used to pay brokerage to Craigs Investment Partners and contribute to the costs of bringing the offer to market.

## Distributions

Pohutukawa VI expects to earn interest from cash held on deposit, and receive dividends and other distributions from the businesses it invests in, as well as capital gains if and when it divests investee businesses.

Each portfolio investment made by Pohutukawa VI will be made through a separate Investment Company formed for the purpose. In the event of a realisation of its investment in a particular investee business, the Investment Company through which Pohutukawa VI invested will be liquidated and

the net proceeds will be returned to investors via their preference shareholdings in the Investment Companies and their redeemable preference shareholding in Pohutukawa VI, subject to allowing 100% of Committed Capital to be invested in portfolio companies. Any earnout will be distributed to Direct Capital VI Investment Partners LP in respect of its ordinary shares as per the Constitution. The calculation is detailed in Section 10: Summary of the Management Agreement.

Distributions by Pohutukawa VI will be lumpy and investors should not expect any significant distributions during the first three years after the Closing Date.

## Valuations

The Investment Manager may revalue an asset held by Pohutukawa VI at any time, at its discretion.

Valuations will be completed quarterly and will be completed on a prudent basis. The valuation principles adopted will be in accordance with those set out by the International Private Equity and Venture Capital Valuation Guidelines.

Until a valuation is made in accordance with the above principles the value of an asset will be taken to be at cost. Unlike many listed investment entities, revaluation of the underlying asset will not result in an increase in the management fee payable.

## Obligation to pay Subscription Monies

The subscription price of the Shares will be payable in tranches.

When investors make an application for Shares, they will subscribe for all Shares applied for, and also make a commitment to meet the total subscription price of \$1.00 per Share. The amount payable upon application represents the initial call of \$0.01 per \$1.00 on Shares applied for, plus the full application fee of \$0.0125 per Share.

Subsequent calls will be made in respect of the remaining subscription price of \$0.99 per Share allotted.

The remaining \$0.99 per Share, being the balance up to the issue price, will be payable in tranches. Calls can be for a minimum of \$0.01 per Share and will be subject to at least 10 days advance notice to the investor. The Board will make calls when the Investment Manager requests it to, in conjunction with calls it will make on Direct Capital VI.

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## FINANCIAL INFORMATION

The proceeds of the initial call, and each subsequent call, will be applied to successively pay up in full the non-voting redeemable preference shares in Pohutukawa VI represented in each Share.

#### Investor Default on a Call

If an Investor does not pay a call on committed funds on the due date the following consequences will apply:

- the Investor will be liable to pay a default rate of interest on the amount that remains unpaid, at a rate of 4% per annum above the 90-day bank bill rate;
- the Board will give the investor a further notice demanding payment after the date the notice is served;
- if the investor fails to pay within 5 working days of such notice, the Board may resolve that the Shares in respect of which payments have been called but are unpaid will be forfeited (Forfeited Shares); Pohutukawa VI may (but is not obliged to) sell the Forfeited Shares. Pohutukawa VI has no duty to the holder of the Forfeited Shares to seek a buyer for such Shares or in respect of any consideration obtained, however, any such consideration so received (less any costs of disposal) shall be returned to the holder of the Forfeited Shares; and
- alternatively, Pohutukawa VI may enforce the lien provided for in its Constitution over all Shares held by the investor and apply the proceeds towards the outstanding call and any interest on the outstanding call (with the investor remaining liable for any shortfall after the sale or disposal of such Shares and any surplus proceeds of sale, less any costs of disposal, being returned to the investor).

#### Accounts

Pohutukawa VI's annual accounts will be prepared in accordance with the Companies Act 1993 and Financial Reporting Act 2013 and will be audited.

#### Set Off

Pohutukawa VI may choose to apply sums payable to investors from income distributions or realisation of investments against outstanding capital calls rather than return capital and then make a capital call.

#### Borrowing Powers

Pohutukawa VI will not borrow for leveraged investment purposes, other than in respect of borrowings to fund an investment pending receipt of a call, with a maturity date not in excess of 90 days (provided that in no case shall such borrowings exceed unpaid calls approved by the Board).

Pohutukawa VI may borrow to cover a prudent level of working capital requirements from time to time.

Pohutukawa VI may provide guarantees or other equivalent measures of performance as credit support for the benefit of an investee business with the prior consent of the Board. Pohutukawa VI portfolio companies may contain debt as part of their capital structure.

#### Transferability of Shares

Transfers of Shares will be at the discretion of the Board. In certain circumstances, the Board may not allow the transfer of Shares; or it may reverse the transfer of Shares; for example if the transfer were to impact negatively on Pohutukawa VI's tax position.



Private equity investment offers the potential for superior returns but also carries with it inherent risks. Investors should seek independent investment and taxation advice before they invest in Pohutukawa VI.

This Offer Document does not take into account the personal circumstances, financial position or investment requirements of any one person in particular. It is therefore imperative that before making investment decisions, investors give consideration to the suitability of Pohutukawa VI in light of their investment needs, objectives and financial circumstances.

The following risk factors, as well as others described elsewhere in this Offer Document, should be carefully considered before investing in Pohutukawa VI.

### General Risks

#### *Macroeconomic Factors*

The investments made by the Investment Manager will be subject to both domestic and international economic forces which are beyond the control of the Investment Manager. Macroeconomic fluctuations will produce changes in the market prices of securities and the cost and availability of debt securities employed in private equity transactions. These fluctuations may impact on the value of the investments made through Pohutukawa VI.

#### *Country Risk*

As Pohutukawa VI will have the capacity to be exposed to businesses that have some proportion of their operations outside New Zealand, some investments will be exposed to country risk. Investors should be aware of the potential impact on asset prices of political and sovereign risk, expropriation and regulatory differences in the enforcement of contracts.

#### *Currency Risk*

Where company revenues and costs are denominated in currencies other than New Zealand dollars, and where the Investment Manager acquires assets with offshore divisions, final returns calculated in New Zealand dollars will be impacted by currency fluctuations.

#### *Legislation*

Changes in legislation or Government policy including that applying to taxation, accounting and the environment, could have an impact on the operations, earnings and performance of Pohutukawa VI or on distributions to investors.

### Specific Risks

#### *Company and Sector Risk*

The performance of businesses that the Investment Manager invests in may be less than expected as a result of unforeseen developments such as unexpected changes in technology or competition that results in product obsolescence, changes in personnel or operating systems or changes in market conditions. There is a risk that some of Pohutukawa VI's investments may not return some or all of the capital invested in them.

#### *Key Personnel Risk*

The kind of investments undertaken by the Investment Manager may place a heavy reliance on key management or operational personnel of the businesses in which the Investment Manager invests. The performance of these companies and of the investments in them may be affected by the loss of key company personnel.

#### *Dilution of Investment*

After an investment has been made by the Investment Manager, and if Pohutukawa VI does not take-up any further investment rights, an investee company may seek further funding, from a source other than Pohutukawa VI, which could dilute or devalue Pohutukawa VI's equity position in the company.

#### *Competition for Investment Opportunities*

The popularity of private equity as an investment class is increasing and there is increased competition for investee opportunities as a result. The Investment Manager may not be able to find suitable businesses to invest in and may not be able to put together the diversified portfolio of later stage investee businesses that it plans to. As a consequence, returns earned by Pohutukawa VI may be lower and risks may be higher.

#### *Rate of Investment*

The Investment Manager may take longer to invest in investee businesses than the 3—5 years anticipated. This risk is partly mitigated by staging the payment of subscription capital and adopting a minimum call size of \$0.01 per Share.

#### *Due diligence*

Some investments may be made based on limited due diligence and on publicly available information. This may increase the risks to Pohutukawa VI associated with those investments.

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## RISKS

*Leveraged Investments*

The Investment Manager may invest in businesses which have a high level of debt. If the availability of debt funding to these businesses is restricted, the Investment Manager might not be able to successfully complete a transaction or might be required to invest more equity potentially reducing the Pohutukawa VI's return on equity. Highly geared transactions involve significant risk, including risks associated with interest rate fluctuations. The obligation to make interest payments on borrowed money may reduce the businesses' ability to pay dividends and increases the chance of insolvency.

*Liquidity and Instalment Default*

Investing in Pohutukawa VI requires a long-term commitment with no certainty of return. Pohutukawa VI's investments will be highly illiquid and there can be no assurance that Pohutukawa VI will be able to realise such investments. In addition, there is no ability to withdraw capital from Pohutukawa VI and there is no formal market for the Shares. Whilst Craigs Investment Partners will endeavour to match sellers and buyers of the Pohutukawa VI Shares on an informal basis, there may not be any buyers or sellers of the Shares and/or the price of the Shares may be different to the assessed value of the underlying investments. Listing of the Shares is not currently being sought.

If a significant number of investors do not meet their irrevocable undertaking to subscribe for unpaid Shares when required to do so, Pohutukawa VI's capacity and ability to invest quickly will be adversely affected.

*Limited number of investments*

The Investment Manager will invest in a limited number of investments. Accordingly, the performance of Pohutukawa VI could be significantly adversely affected by the negative performance of any single investment.

In the event that a single investment fails, generally the losses associated with the failure will be ring-fenced to the portion of capital invested in that investment and therefore will not impact the returns of other Pohutukawa VI investments.

*Reliance on the Investment Manager*

Investors will have no opportunity to control day to day operations, including investment and disposition decisions. They must rely on the ability of the Investment Manager in identifying, structuring, managing and liquidating potential investments. Investors are reliant on the key personnel in the

management team. The performance of Pohutukawa VI could suffer if the Investment Manager ceases to be involved in the investment management of Pohutukawa VI. Similarly, the performance of Pohutukawa VI could be affected by a significant loss of key personnel or under performance by the Investment Manager.

*Inability to meet investment objective*

There is no guarantee that the Investment Manager will execute its investment strategy successfully or achieve its investment objective. Failure to do so could negatively impact Pohutukawa VI's performance. The possibility of partial or total loss of Pohutukawa VI's capital exists.

*Termination of Management Agreement*

In certain circumstances the Management Agreement will be capable of termination (see Section 10). In addition, the Investment Manager may resign. In either circumstance, an alternative manager will need to be appointed by Pohutukawa VI. There is no guarantee that a replacement manager with equivalent credentials and expertise will be appointed in that circumstance. In addition, if the Management Agreement is terminated the Investment Manager will be able to require Pohutukawa VI to purchase the Management's ordinary shares in the Investment Companies at fair value (or a discount to that where the Management Agreement is terminated for cause). Pohutukawa VI will need to fund this purchase (from uncalled capital and/or available cash or distributions, as and when received) or by selling such shares to a replacement manager. There is no guarantee that the price at which such shares are sold to a replacement manager will be equal to (or greater than) the purchase price of such shares paid by Pohutukawa VI.

*Past Performance*

The Investment Manager is a new company and has no operating history. The past performance of funds managed by persons associated with the Investment Manager is not necessarily a guide to the future performance of Pohutukawa VI. Similarly, the past performance of companies in which the Investment Manager invests is not necessarily a guide as to the future performance of these companies or any future investments by the Investment Manager.

*Performance of the Underlying Investee Companies*

The returns to investors in Pohutukawa VI will be influenced by the performance of the underlying investments and hence the factors influencing the financial position of those entities.

*Consequences of Insolvency*

Investors will not be obliged to pay any additional money in excess of the Offer Price to any person in the event of insolvency of Pohutukawa VI or any of the Investment Companies. All claims of creditors or other parties against Pohutukawa VI or any of the Investment Companies will rank ahead of the claim of investors in the event of any liquidation or winding up of Pohutukawa VI or any of the Investment Companies. All investors will rank equally upon a winding up or liquidation of Pohutukawa VI or an Investment Company, in each case for an equal share per Share of any surplus assets of Pohutukawa VI or the Investment Company, after payment or discharge of other claims (and distribution of any earn out – see Section 10). No other persons currently rank equally with, or behind, such claims.

*General*

No guarantee can be given in respect of the future earnings of Pohutukawa VI or the earnings and capital appreciation of Pohutukawa VI's investments.

This list is not exhaustive and potential investors should read this Offer Document in full and, if they require further information on material risks, seek professional advice.

Investors are strongly advised to regard any investment in Pohutukawa VI as a long-term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur.

**Risk Mitigation**

While the above risks cannot be fully mitigated, the Investment Manager, benefiting from the experience with Pohutukawa I, II and V, will utilise processes and techniques to minimise the risks inherent in private equity investment.

Where appropriate the Investment Manager will seek to mitigate the risks involved in Pohutukawa VI through:

- **Diversification:** The Investment Manager will aim to invest in a portfolio of investments which are across a range of sectors and in businesses at different stages in their development.
- **Due Diligence:** The Investment Manager, to the extent possible, will perform due diligence on the investee company. Further the Investment Manager will aim to negotiate and document terms with investee companies which reduce the risks of investment, which may include warranties and indemnities, insurance, earnout provisions, or clawbacks.
- **Borrowing:** Pohutukawa VI will have no power to borrow for leveraged investment purposes, other than in respect of borrowings to fund an investment pending receipt of a call with a maturity date not in excess of 90 days (provided that in no case shall such borrowings exceed unpaid calls approved by the Board).
- **Governance:** Where possible the Investment Manager will seek board representation on its portfolio companies, allowing the Investment Manager to actively monitor its investments and seek to take a role in the strategic direction of a portfolio company.

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**ELIGIBILITY**

As this is not a regulated (or “public”) offer, we are obliged to establish that you are legally eligible to invest in the fund. The Shares will not be “regulated products” or form part of a “registered scheme” for the purposes of Financial Markets Conduct Act 2013. **All investors must complete and return either a Wholesale Investor Certificate or an Eligible Investor Certificate.**

This offer is available only to Craigs clients who are wholesale investors or eligible investors and who have provided Craigs with a current Wholesale Investor Certificate or Eligible Investor Certificate. If Craigs already holds an appropriate certificate given in the last two years and which is otherwise acceptable to Craigs (your Investment Adviser will confirm this for you) you do not need to complete another certificate, otherwise you will need to complete a new certificate.

You must select which of the two categories of Wholesale Investor or Eligible Investor outlined below that best suits your investor profile and complete the appropriate certificate.

1) You are a **Wholesale Investor** if:

- You qualify under the “investment activity” criteria as described in the FMCA (e.g. you have \$1 million or more of investment assets) - refer to clause 3(2)(b) and clause 38 of Schedule 1 of the FMCA, or;
- You are a “large” investor as described in the FMCA (i.e. you have net assets or turnover of more than \$5 million as at the end of each of your last 2 financial years) – refer to clause 3(2)(c) and clause 39 of Schedule 1 of the FMCA.);
- You are an “investment business” as described in the FMCA - refer to clause 3(2)(a) and clause 37 of Schedule 1 of the FMCA.
- You are a “government agency” as described in the FMCA - refer to clause 3(2)(d) and clause 40 of Schedule 1 of the FMCA

**If you fit within one of these categories, please complete the Wholesale Investor Certificate (section 14).**

Your Investment Adviser will provide guidance on completion.

If this category does not apply, you may qualify as an Eligible Investor.

2) You are an **Eligible Investor** if:

- Under clause 3(3)(a) of Schedule 1 of the Financial Markets Conduct Act 2013 you certify that you have previous experience in acquiring or disposing of financial products that allows you to assess the merits of the offer, your information needs in relation to the offer and the adequacy of the information provided by any person involved in the offer.;

**If you fit within this category, please complete the Eligible Investor Certificate (section 15).**

**Please note that the Eligible Investor certificate must also be signed by a lawyer, an authorised financial adviser or qualified statutory accountant.**

## POHUTUKAWA VI OFFER

**Certification by Wholesale Investor**

Date: \_\_\_\_\_

This certificate is given by the Investor named below for the purpose of confirming the Investor's status as a wholesale investor under the Financial Markets Conduct Act 2013 (FMCA).

**Warning**

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors make an informed decision.

If you are a wholesale investor, the usual rules do not apply to offers of financial products made to you. As a result, you may not receive a complete and balanced set of information. You will also have fewer other legal protections for these investments.

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

**Offence**

**It is an offence to give a certificate knowing that it is false or misleading in a material particular. The offence has a penalty of a fine not exceeding \$50,000.**

**Certification (Please tick the Option that applies to you)****Option A - Investment Activity Criteria** 

I/we hereby certify that I/we am/are Wholesale Investor(s) by reason of satisfying the investment activity criteria falling within clause 3(2)(b) and clause 38 of Schedule 1 of the FMCA on the grounds that I/we: (tick the category which applies).

- own, or at any time during last two 2-year period before the date I/we give this certification have owned, a portfolio of specified financial products of a value of at least \$NZ1 million in aggregate (Note for the purposes of this calculation specified financial products owned by an entity controlled by you may be treated as being owned by you); or
- have, during the last 2-year period before the date I/we give this certification, carried out 1 or more transactions to acquire specified financial products where the amount payable under those transactions (in aggregate) is at least \$NZ1 million and the other parties to the transactions are not associated persons (for the purposes of this calculation transactions carried out by an entity controlled by you may be treated as carried out by you).
- am an individual who has, within the last 10 years before the date I give this certification, been employed or engaged in an investment business and have, for at least 2 years during that 10-year period, participated to a material extent in the investment decisions made by the investment business.

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## WHOLESALERS INVESTOR CERTIFICATE

**Option B - Large**

I/we hereby certify that I/we am/are Wholesale Investor(s) by reason of being large falling within clause 3(2)(c) and clause 39 of Schedule 1 of the FMCA on the grounds that: (tick the category which applies)

as at the last day of each of the 2 most recently completed financial years of the before the date I/we give this certification, my/our net assets and those of the entities controlled by me/us exceeded \$NZ5 million; or

in each of the 2 most recently completed financial years before the date I/we give this certification, my/our total consolidated turnover and that of the entities controlled<sup>1</sup> by me/us exceeded \$NZ5 million.

**Option C - Investment Business**

I/we hereby certify that I/we am/are Wholesale Investor(s) by reason of being an investment business falling within clause 3(2)(a) and clause 37 of Schedule 1 of the FMCA on the grounds that I/we am/are (tick the category which applies):

an entity whose principal business consists of 1 or more of the following:

- investing in financial products; or
- acting as an underwriter; or
- providing a financial adviser service in relation to financial products; or
- providing a broking service (within the meaning of the Financial Advisers Act 2008) in relation to financial products; or
- trading in financial products on behalf of other persons; or
- a registered bank; or
- a deposit taker (within the meaning of section 157C of the Reserve Bank of New Zealand Act 1989); or
- a licensed insurer (within the meaning of section 6(1) of the Insurance (Prudential Supervision) Act 2010); or
- a manager of a registered scheme, or a discretionary investment management service, that holds a market services licence; or
- a derivatives issuer that holds a market services licence (within the meaning of the Financial Markets Conduct Act 2013); or
- a QFE or an authorised financial adviser (within the meaning of the Financial Advisers Act 2008).

**Option D - Government Agency**

We hereby certify that we are a Wholesale Investor by reason of being a government agency falling within clause 3(2)(d) and clause 40 of Schedule 1 of the FMCA on the grounds that we are: (tick the category which applies)

- a government department named in Schedule 1 of the State Sector Act 1988; or
- a Crown entity under section 7 of the Crown Entities Act 2004; or
- a local authority; or
- a State enterprise (within the meaning of section 2 of the State-Owned Enterprises Act 1986) ; or
- the Reserve Bank of New Zealand; or
- the Board of Trustees of the National Provident Fund.

**Client Acknowledgement and Authorisation**

I/we hereby certify that I/we understand the consequences of certifying myself/ourselves to be a "Wholesale Investor", including (without limitation) that:

- I/we will be treated as a "Wholesale Investor" for the purposes of the FMCA and as a "Wholesale Client" for the purposes of the Financial Advisers Act 2008 (FAA);
- Disclosure under the FMCA will not need to be made to me/us in relation to any financial products I/we acquire and I/we may not have access to all of the legal protections which would apply if I/we were (a) Retail Investor(s);
- Certain competency standards and requirements of the New Zealand Code of Professional Conduct for Authorised Financial Advisers will not be applicable

The Investor acknowledges that this certificate is provided for the purposes of confirming the Investor's status as a wholesale investor under clause 3(2) and clause 44 of Schedule 1 of the FMCA and may be provided to, and relied on by, any person that makes an offer of financial products to the Investor.

**Name of Investor:**

\_\_\_\_\_

**Signed by (Authorised Signatory/Signatories):**

\_\_\_\_\_

Print Name(s):

\_\_\_\_\_

Craigs Account No.

\_\_\_\_\_

Craigs Investment Partners Adviser:

\_\_\_\_\_

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## ELIGIBLE INVESTOR CERTIFICATE

Name of investor:	<i>(Investor)</i>	
Date of certificate:		
<p><b>Certification and confirmation</b> By signing this certificate, the Investor gives the <b>Certification</b> set out in Section A on the following page on the <b>Grounds</b> set out in Section B on the following page.</p> <p>By signing this certificate, the Authorised Financial Advisor / Qualified Statutory Accountant / Lawyer gives the <b>Confirmation</b> set out in Section C on the following page.</p>		
<b>SIGNED by the Investor:</b>		
<p><b>If Investor is a body corporate:</b></p> <p>_____</p> <p>Signature of authorised signatory</p> <p>_____</p> <p>Name and position of signatory</p>	<p><b>If Investor is an individual:</b></p> <p>_____</p> <p>Signature</p> <p>_____</p> <p>Print name</p>	
<b>If Investor is a trust/partnership/joint:</b>		
_____	_____	_____
Signature	Signature	Signature
_____	_____	_____
Print name	Print name	Print name
<b>WARNING</b>		
<p>New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors make an informed decision.</p> <p>If you give this certificate, the usual rules do not apply to offers of financial products made to you. As a result, you may not receive a complete and balanced set of information. You will also have fewer other legal protections for these investments.</p> <p>Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.</p> <p><b>Offence</b> <b><i>It is an offence to give a certificate knowing that it is false or misleading in a material particular. The offence has a penalty of a fine not exceeding \$50,000.</i></b></p> <p>This certificate is given by the Investor named on the previous page for the purpose of confirming the Investor's status as an eligible investor under clause 3(3)(a) of Schedule 1 of the Financial Markets Conduct Act 2013 (FMCA) in relation to the offer of Shares in Pohutukawa VI (as those terms are defined in the Offering Memorandum dated 24 February 2020).</p>		



**A. CERTIFICATION BY ELIGIBLE INVESTOR (INVESTOR)**

By signing this certificate, the Investor certifies that, in relation to the offer of Shares in Pohutukawa VI, the Investor:

- 1 has previous experience in acquiring or disposing of financial products that allows the Investor to assess:
  - the merits of the offer of Shares in Pohutukawa VI (including assessing the value and the risks of the Shares in Pohutukawa VI);
  - the Investor's own information needs in relation to the offer of Shares in Pohutukawa VI; and
  - the adequacy of the information provided by any person involved in the offer of Shares in Pohutukawa VI; and
- 2 understands the consequences of certifying myself/ourselves to be an eligible investor, including that I/we will be treated as a "Wholesale Investor" for the purposes of the FMCA and that disclosure under the FMCA will not need to be made to me/us in relation to any financial products I/we acquire and I/we may not have access to all of the legal protections which would apply if I/we were retail investors.

**B. GROUNDS FOR CERTIFICATION (INVESTOR)**

The Investor has given the above certification on the following grounds:

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**C. CONFIRMATION OF CERTIFICATION (AUTHORISED FINANCIAL ADVISOR / QUALIFIED STATUTORY ACCOUNTANT / LAWYER)**

After considering the certification given by the Investor, and in particular the Investor's grounds for the certification, I confirm the certification and that:

- 1 I am satisfied that the Investor has been sufficiently advised of the consequences of giving that certification; and
- 2 I have no reason to believe that the certification is incorrect or that further information or investigation is required as to whether or not the certification is correct.

Signed by the Authorised Financial Advisor /  
Qualified Statutory Accountant / Lawyer \_\_\_\_\_

Craigs Account No. \_\_\_\_\_

Craigs Investment Partners Adviser: \_\_\_\_\_



**APPLICATION FORM**

Please complete and sign the application form including payment authority and client acknowledgements that follow, and scan through to your Craigs Investment Partners Adviser prior to 13 March 2020, together with the appropriate wholesale investor or eligible investor certificate (shown on the prior pages):

**Name of investor:** *(if a Trust/Partnership include names of all Trustees/Partners)*

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**Legal name of investor** (if different):

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**Contact Person:**

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**Type of investor:**

Individual/Trust/Fund/Partnership/Company

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**Address (physical):**

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**Address (mailing including post code):**

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**Phone:**

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**Email:**

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**IRD number:**

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<b>Total subscription amount @ \$0.01 per share:</b> Note: minimum Committed Capital is \$50,000 and multiples of \$25,000 thereafter	
<b>Application fee 1.25%</b>	
<b>Total payment amount</b>	

*Example for 50,000 shares or \$50,000 Committed Capital calculated @ \$0.01 per share plus application fee 1.25% of Committed Capital:*

<b>Total subscription amount @ \$0.01 per share on 50,000 shares:</b>	\$500
<b>Application fee 1.25% on \$50,000</b>	\$625
<b>Total payment amount</b>	\$1,125

**PAYMENT INSTRUCTIONS**

Please debit my Craigs Cash Management account/Custodial Services account to meet my total subscription obligation. My account details are:

Craigs Cash Management and Custodial Services Account Number

Any other comments or instructions:

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**DISTRIBUTIONS**

Distributions will be paid to your nominated Craigs Cash Management account or you can choose to credit distributions to your bank account.

**OPTION 1** - My Craigs Investment Partners Cash Management Account Details:

I confirm my/our Cash Management Account (see my payment instructions for account details)

**OR**

**OPTION 2** - My New Zealand Bank Account Details:

Account Name(s):

Account Number  -  -  -

Bank                      Branch                      Account Number                      Suffix

**Important Disclaimer**

*This document has been prepared by Pohutukawa VI. It is a presentation of general background information current as at the date of this memorandum, which may be subject to change. The information is in a summary form and does not purport to be complete, comprehensive or to comprise all the information which a potential Investor in Pohutukawa VI may require, nor does it contain all the information which would be required in a disclosure document prepared in accordance with New Zealand's Financial Markets Conduct Act 2013.*

*Nothing contained in this memorandum constitutes financial product, investment, legal, tax or other advice or any recommendation. This memorandum does not take into account the investment objectives, financial situation or needs of any particular potential Investor. The appropriateness of the information in this memorandum should be considered by recipients having regard to their own investment objectives, financial situation and needs and with their own professional advice, when deciding if investing is appropriate.*

*No person or entity referred to in this offering memorandum warrants or guarantees or accepts any other responsibility for the performance or the returns on the securities offered. No person has been authorised in connection with this offering to give any information or make representations other than those contained in this memorandum.*

*Investors should be aware that this document contains historical financial information for illustrative purposes only. Historical performance is however no guarantee of future performance, which may be less than or exceed historical financial performance.*

*No person or entity referred to in this offering memorandum warrants or guarantees or accepts any other responsibility for the performance or the returns on the securities offered. No person has been authorised in connection with this offering to give any information or make representations other than contained in the memorandum.*

*This memorandum does not constitute an offer or solicitation to anyone in any state or other jurisdiction in which it is unlawful to make such solicitation or in which would require regulated disclosure.*

**Investor Acknowledgements**

By signing this application form I/We:

- acknowledge that I/we have read and retained a copy of the Pohutukawa VI Offering Memorandum dated 24 February 2020.
- understand and acknowledge that my/our interest in Pohutukawa VI is as a beneficiary under the bare trust nominee structure established through Custodial Services Limited;
- agree to pay any further calls on the unpaid amount of my/our Shares made by Pohutukawa VI without set-off or deduction and in the time specified in the call notice;
- understand and acknowledge that, in the event that I/we default in meeting a call on the unpaid amount of my/our Shares, the rights attaching to the Shares which I/we have an interest in may be suspended, those Shares may be subject to forfeiture and Craigs Investment Partners may exercise any other rights it has to fund the call (including, if applicable, to sell any other investments it holds on my/our behalf);
- understand and acknowledge that I/we cannot sell, transfer or otherwise dispose of my/our interest in the Shares without the prior approval of the Board;
- confirm that I/we am/are a New Zealand resident(s) and New Zealand tax payer(s) for the purposes of this Offer;
- agree to provide any such information, and take any such reasonable steps and actions, as required by Craigs Investment Partners to assist any entity meet their obligations under the terms of this Offer, or any other agreement entered into in connection with Pohutukawa VI's investment in special purpose partnerships with Direct Capital VI, the management agreement, and the terms of any arrangements in relation to the custodian or nominee structure;
- without limitation to the item above, agree to provide any such information as may be requested from me/us by the Administration Manager, in order to allow the Administration Manager to provide that information to the Investment Manager, or any other person or entity involved in the management of Pohutukawa VI if required;
- acknowledge that the Manager may disclose such information to a relevant person or New Zealand Government authority, and they may use or disclose such information as provided for under the terms of the Offer (including in relation to any tax related or anti money laundering obligations applicable to Pohutukawa VI or its investors);
- confirm that, without limiting any other terms and conditions between me/us and Craigs Investment Partners (or any associated entity), all statements, answers, representations and information that I/we have provided to Craigs Investment Partners (or any associated entity) are true and correct, and not misleading (including by omission), as at the date they were provided and I/we agree to provide updated or corrected information to Craigs Investment Partners should I/we become aware that any such statements, answers, representations and information are not true and correct or are misleading (including by omission);
- confirm my/our subscription payment instructions;
- understand the manner in which fees are charged in connection with Pohutukawa VI;
- understand the manner in which fees are charged by Custodial Services Limited;
- understand the manner in which distributions are made;
- understand and acknowledge that there is no opportunity to participate in any decision in relation to the operations and investments of Pohutukawa VI or Direct Capital VI;
- understand that the nature of private equity investing means the value of my/our investment is liable to fluctuations and may rise and fall from time to time;
- understand that, acknowledging (and subject to) above, Pohutukawa VI will respect and ensure the confidentiality of my/our information and ensure its use is limited to the purposes for which it is provided;

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## APPLICATION FORM

- confirm that I/we are not subject to any law, statute, governmental rule or regulation, or judicial or governmental order, judgement or decrees that require me/us to disclose information that I/we receive in relation to Pohutukawa VI, and that I/we will not use any such information for any purpose other than monitoring and evaluating my/our investment in Pohutukawa VI;
- authorise us to collect, hold, use and disclose personal information about you and any authorised persons or beneficial owners for the purpose of carrying out your instructions, and administering your Account and as set out in our privacy clauses in the Craigs Investment Partners Terms and Conditions at [www.craigsip.com/terms-and-conditions](http://www.craigsip.com/terms-and-conditions);
- acknowledge that any failure to comply with these acknowledgments, authorisations and agreements could result in liability to, or losses being suffered or expenses being incurred by, Pohutukawa VI or Craigs, and I/we hereby indemnify Pohutukawa VI, Custodial Services Limited and Craigs, if and to the extent any such liability, losses or expenses arises, directly or indirectly, due to my/our failure;
- agree that these acknowledgments, authorisations and agreements are given to Pohutukawa VI, and Craigs Investment Partners, but may also be relied upon and enforced by Custodial Services Limited

**Custodial Obligations acknowledgement:**

- agree and acknowledge (in accordance with the Custodial Obligations Agreement that I/we have previously signed) that Craigs Investment Partners and Custodial Services Limited may hold “Custodial Obligations” (as defined below) as my/our agent and on my/our behalf, together with similar obligations and investments for other clients on terms which require or authorise Craigs Investment Partners and Custodial Services Limited to act in accordance with the instructions of all, or some proportion, of all the clients for whom Craigs Investment Partners and Custodial Services Limited hold the Custodial Obligations. Accordingly, Craigs Investment Partners and Custodial Services Limited may be unable to accept or act on my/our instructions alone; and

- agree and acknowledge that Craigs Investment Partners and Custodial Services Limited will act in what they believe to be the best interests of the investors collectively and Craigs Investment Partners and Custodial Services Limited are not required to act on our/my instructions in respect of a Custodial Obligation where the terms of any document or security relating to the Custodial Obligation prevent them from doing so.

(“Custodial Obligations” means commitments and obligations which Craigs Investment Partners, Custodial Services Limited or their agents, acting on my/our behalf, have entered into and may from time to time in the future enter into in relation to Custody Investments including (without limitation) shareholder agreements, subscription agreements, partnership agreements, and provisions in constitutions binding on Craigs Investment Partners, Custodial Services Limited and their agents, by virtue of their holding of securities).

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**Signed for and on behalf of the Investors**

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**Authorised Signatory/Signatories**

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**If you would like further information or have any questions please contact: your Craigs Investment Partners Adviser or Peter Lalor –**  
**[enquiries@pohutukawafund.co.nz](mailto:enquiries@pohutukawafund.co.nz)**  
**phone 07 927 7927**

“Administration Manager”	means Craigs Investment Partners
“Board”	means the board of directors of Pohutukawa Private Equity VI Limited
“Closing Date”	means 5pm on 13 March 2020
“Committed Capital”	means the product of the total issue price of \$1.00 per Share and the number of Shares issued
“Constitution”	means the constitution of Pohutukawa Private Equity VI Limited and/or the constitution of each Investment Company from time to time (as applicable)
“Craigs” or “Craigs Investment Partners”	means Craigs Investment Partners Limited
“Direct Capital”	means Direct Capital VI Management Limited and where applicable includes reference to its associated entities and investment and to its predecessor entities and investment team
“Direct Capital I”	means Direct Capital Partners Limited, established in 1994
“Direct Capital II”	means the private equity fund managed by Direct Capital for institutional investors known as Direct Capital II, established in 1998
“Direct Capital III”	means the private equity fund managed by Direct Capital for institutional investors known as Direct Capital III, established in 2005
“Direct Capital IV”	means the private equity fund managed by Direct Capital for institutional investors known as Direct Capital IV, established in 2009
“Direct Capital V”	means the private equity fund managed by Direct Capital for institutional investors known as Direct Capital V, established in 2016
“Direct Capital VI”	means the private equity fund managed by Direct Capital for institutional investors known as Direct Capital VI
“Directors”	means the directors of Pohutukawa Private Equity VI Limited
“Eligible Investor”	means an eligible investor within the meaning of clause 3(3)(a) of Schedule 1 of the Financial Markets Conduct Act 2013
“FMCA”	means the Financial Markets Conduct Act 2013
“Invested Capital”	has the meaning given to that term in the Pohutukawa VI management agreement to be entered into, but broadly means, on the date of calculation, the aggregate Committed Capital less any capital that has not been called up or that has been invested and returned to investors (other than through a genuine refinancing), any capital that has been called up and used for operating costs, as well as taking into account certain other factors
“Investment Companies”	means the 15 companies (each to be established prior to the Closing Date) whose ordinary shares will be held by Direct Capital VI Investment Partners LP and which will invest in specific portfolio businesses

## GLOSSARY OF TERMS

“Investment Manager”	means Direct Capital VI Management Limited
“IPO”	means initial public offer of securities and, typically, listing the securities on a recognised stock exchange
“IRR”	means internal rate of return – the discount rate, expressed as an annual percentage, which, when applied to a series of cash flows, results in a net present value of zero as at the date of the calculation
“NZSX”	means the NZX Main Board
“Offer Document”	means this Offering Memorandum
“Organising Broker”	means Craigs Investment Partners
“Pohutukawa I”	means Pohutukawa Private Equity Limited and its associated investment companies, the first Pohutukawa private equity fund established in 2004
“Pohutukawa II”	means Pohutukawa Private Equity II Limited and its associated investment companies, the second Pohutukawa private equity fund established in 2009
“Pohutukawa V”	means Pohutukawa Private Equity V Limited and, where applicable, its associated Investment Companies, the third Pohutukawa private equity fund established in 2016
“Pohutukawa VI”	means Pohutukawa Private Equity VI Limited (to be established prior to the Closing Date) and, where applicable, its associated Investment Companies
“Realised Investments”	means investments where a liquidity event has occurred, and returns are measurable. This includes both sold and listed investments
“Share”	means a stapled set of shares that will comprise one ordinary voting share and 100 non-voting redeemable preference shares in Pohutukawa Private Equity VI Limited together with one non-voting preference share in each of the Investment Companies
“Wholesale Investor”	means a wholesale investor within the meaning of clause 3(2) or clause 3(3)(a) of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand)



**Board of Directors of****Pohutukawa Private Equity VI Limited**

Neil Craig  
Ken Phillip

The Directors can be contacted at Pohutukawa Private Equity VI Limited's office address set out below.

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**Office of Pohutukawa Private Equity VI Limited**

Craigs Investment Partners House  
158 Cameron Road  
PO Box 13155  
Tauranga 3141

Phone : (07) 927 7927  
Email : enquiries@pohutukawafund.co.nz

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**Auditors**

KPMG  
247 Cameron Road  
Tauranga 3140

Phone:(07) 578 5179

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**Investment Manager**

Direct Capital VI Management Limited  
Level 4, 2 Kitchener Street  
PO Box 6466, Wellesley Street  
Auckland 1010

Phone:(09) 307 2562

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**Organising Broker**

Craigs Investment Partners Limited  
Craigs Investment Partners House  
158 Cameron Road  
PO Box 13155  
Tauranga 3141

Phone: (07) 927 7927  
Email: enquiries@pohutukawafund.co.nz

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**Administration Manager**

Craigs Investment Partners Limited  
Craigs Investment Partners House  
158 Cameron Road  
PO Box 13155  
Tauranga 3141

Phone : (07) 927 7927  
Email : enquiries@pohutukawafund.co.nz

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**Share Registry**

Custodial Services Limited  
Craigs Investment Partners House  
158 Cameron Road  
PO Box 13155  
Tauranga 3141  
E-mail: custodial@craigsip.com

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**Solicitors**

Chapman Tripp  
Level 35, 23-29 Albert Street  
PO Box 2206  
Auckland 1140

Phone(09) 357 9000

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Pohutukawa  
PRIVATE EQUITY VI LIMITED