Pohutukawa
PRIVATE EQUITY II LIMITED

Media Release

Embargoed to 2.00pm on 27 November 2008

Direct Capital and ABN AMRO Craigs launch Pohutukawa II – new private equity fund established for retail investors

Direct Capital and ABN AMRO Craigs today announced a capital raising of up to $120 million by Pohutukawa Private Equity II Limited (Pohutukawa II), the second private equity investment company in the Pohutukawa series promoted and managed by the two companies. Pohutukawa II has been set up to enable retail investors an opportunity to invest alongside institutional investors in Direct Capital IV, the latest private equity fund established by Direct Capital. Pohutukawa II and Direct Capital IV will invest in private companies operating in New Zealand and Australia with a focus on transactions that provide capital for expansion, management buy-out or buy-in opportunities or acquiring stakes as part of a succession strategy.

Neil Craig, ABN AMRO Craigs Executive Chairman, says, “Pohutukawa II is timed to take advantage of favourable market conditions for private equity investing, as private companies require capital to fund growth and working capital needs. Pohutukawa II offers an opportune time for retail investors to gain exposure to private equity as part of a well diversified investment portfolio”.

“Of importance to investors, Pohutukawa II will be managed by one of New Zealand's most active and successful private equity fund managers, Direct Capital”, said Mr Craig. “Their investment credentials are well established, with their first three institutional funds all achieving excellent returns”. Institutional funds Direct Capital I & II achieved returns of 22.6% per annum and Direct Capital III has achieved returns of 32.6% per annum (returns calculated since inception to 30/9/08).

The investment philosophy for Pohutukawa II remains unchanged says Direct Capital Managing Director, Ross George. “The focus will be on mid-market businesses, in sound industries, with an attractive operating history, proven management, and opportunities for growth. Also, the private company market in New Zealand is much broader than the listed market. In that sense, we are able to look at companies operating across a wider range of industries, more diverse in size and stage of development. Therefore we can invest in companies and sectors that are often uncorrelated, creating a portfolio that is well diversified.”

Investors in Pohutukawa II will subscribe for shares of $1.00 per share, paying 10 cents per share at the time of application. The remaining 90 cents per share is payable in calls of 10 cents (or greater) upon 30 days notice. “The call structure adopted for Pohutukawa II is a significant advantage for investors, it puts investors on a similar footing to the institutional funds, allowing the Board to call capital over the first few years as and when the Manager finds attractive investment opportunities”, said Mr Craig. “This has a major benefit on the returns the fund can potentially achieve”. On the fifth anniversary of the fund, any uncalled capital becomes due.

The Offer by Pohutukawa II opens on 27 November 2008 and closes on 27 February 2009.

The offer is for 60 million partly paid ordinary shares at an issue price of $1.00 per share with provision to accept a further $60 million in oversubscriptions. Investors will pay 10 cents per share at the time of application along with an application fee of 2 cents per share.

The Board of Pohutukawa II comprises two independent directors, chairman John McDonald and the managing director of Pumpkin Patch Limited Maurice Prendergast, and two directors appointed by ABN AMRO Craigs, Neil Craig and Frank Aldridge.

The public roadshow will be held in the early part of February 2009 and will include venues throughout New Zealand. Details of the roadshow schedule will be made available on www.abnamrocraigs.com nearer the time.

Copies of the Prospectus and Investment Statement can be obtained by contacting any branch of ABN AMRO Craigs, certain NZX Firms or by visiting www.abnamrocraigs.com or www.pohutukawafund.co.nz.

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For further information contact:
Frank Aldridge, CEO, ABN AMRO Craigs 07 577 4734
Ross George, Managing Director, Direct Capital 09 307 2562

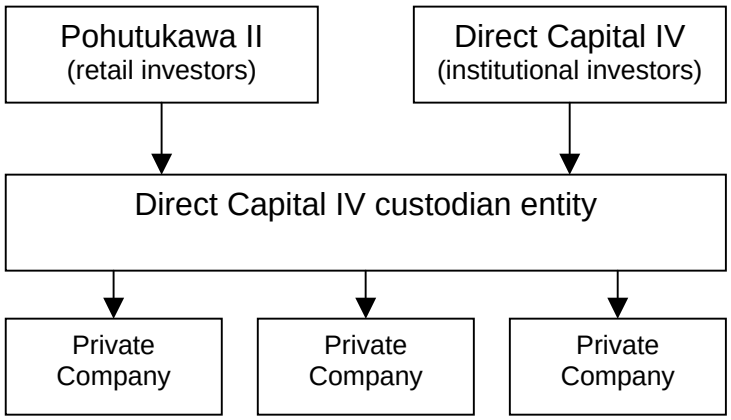
For media information or photographs contact:
Kim Martin, ABN AMRO Craigs, 07 5774 780 or email: kim.martin@abnamrocraigs.com

About ABN AMRO Craigs

ABN AMRO Craigs is one of New Zealand’s largest, full-service investment advisory firms with 17 branches and 110 Investment Advisors throughout New Zealand. They are an accredited NZX Firm, with $13 billion funds under advice, servicing over 50,000 clients.
www.abnamrocraigs.com

About Direct Capital

Direct Capital was established in 1994 by Ross George, Bill Kermode and Mark Hutton, who continue to own and manage Direct Capital. The team at Direct Capital today has 13 investment professionals. Direct Capital has raised more than $375 million to invest in private companies. Recent investments include New Zealand King Salmon, Rodd & Gunn, Go Bus, Shears & Mac4, Innovair, Paper Coaters, New Zealand Pharmaceuticals, and Express Logistics.
www.directcapital.co.nz

Note to editor

Please also refer to the associated press release for Direct Capital IV. The relationship between Pohutukawa II and Direct Capital IV is shown schematically below