

12 December 2017

Dear Shareholder

1. The Future of Pohutukawa Private Equity
2. Distribution

Pohutukawa Private Equity (our first fund) has been operating for 13 years, since the issue of 53 million shares (at \$1.00 per share) in 2004. During that time, for every dollar invested, you have received back \$1.84 (including the distribution announced in this letter). This represents a net investment return of 12.5% per annum.

There are now only two companies left in the portfolio – Stratex and Fishpond, plus a residual investment in BioPacificVentures. The unrealised value of the portfolio is approximately 1 cent per share (cps). We currently have cash on hand of \$1.4 million. Pohutukawa Private Equity has a net asset value of approximately 2.9 cps (after allowing for earn-out) with the majority of this value being in cash.

You will recall that from 1 April this year, recognising the high cost of administration of the remaining portfolio, two Directors retired and the remaining two Directors reduced their fees by 50%. The Fund Manager, also reduced its fees by 50%.

The Manager does not anticipate realising the remaining investments in the short to medium term and therefore maintaining the current financial arrangements would just mean a reduction in the cash holdings over time.

The Directors have had extensive discussions with the Investment Manager, Direct Capital, and have agreed that the best outcome for shareholders would be to reduce cash outgoings to a minimum and distribute most of the remaining cash to shareholders now. This effectively puts Pohutukawa Private Equity 'in storage' with the potential of receiving some return in the future. Therefore, we have agreed with the Manager that effective from 1 January 2018, to further reduce management fees and defer their payment so that they are only paid from future realisations. This success-only fee if paid will be approximately \$80,000 pa. This deferred and reduced fee arrangement acknowledges that the Manager will continue to deploy resources to the remaining investments to maximise value.

We will continue to reduce overheads to a minimum. From 1 January 2018, we will "close" the share register with Computershare, which we expect will halve the Registry cost. There will be an audited Annual Report available only on the internet and no Interim Report will be prepared. We are negotiating with our auditors, their annual fee for this reduced arrangement. Your two remaining Directors (John McDonald and Neil Craig) will remain Directors, but also at no cost to Pohutukawa Private Equity shareholders.

You will receive a copy of the audited Annual Report for the year ended 31 December 2017. The Annual Shareholder Meeting for Pohutukawa Private Equity will be held in May 2018 as usual, along with the Pohutukawa Private Equity II Annual Shareholder Meeting.

You will understand that we have given this decision much thought and discussion and believe it is in the best interests of all shareholders.

Distribution

We are pleased to confirm a distribution of the available cash of 1.85 cps to you, which will occur on or about 13 December 2017.

The resulting net asset value will be approximately 1.0 cps.

Pohutukawa Private Equity invested in twelve companies, and committed capital to BioPacificVentures which invested in a further nine companies. The Manager is pleased with the performance of the fund, and continues to work with the remaining companies. The net internal rate of return of 12.5% is pleasing when considering the structure of the fund and the drawdown programme.

If you have any questions on this arrangement, please contact Peter Lalor at Craigs Investment Partners on peter.lalor@craigsip.com or phone 07 9277 927.

Yours faithfully

POHUTUKAWA PRIVATE EQUITY LIMITED



JOHN MCDONALD

Chairman