Pohutukawa

6 November 2009

Dear Shareholder

Pohutukawa II Shareholder Update

We are pleased to provide to you the first shareholder update for PPE II.

Capital Raising & Structure

Following a successful capital raising of $82.5 million for Pohutukawa Private Equity II Limited (Pohutukawa), the shares were allotted on 3 March 2009.

Pohutukawa is structured as a stapled security so that each share comprises one ordinary voting share and one hundred non-redeemable preference shares in Pohutukawa, together with one non-voting redeemable preference share in each of the 25 investment companies (these are the investment vehicles through which the investment into a portfolio company is made). The $1 shares are currently paid to 10 cents.

Pohutukawa joins with the Direct Capital IV private equity fund (DCIV), a collective of institutional investors including the New Zealand Superannuation Fund. Together with Pohutukawa, this pool of over $300 million is managed as one by Direct Capital and is the largest private equity fund in New Zealand. This positions the fund as a significant investment source in New Zealand and Australia.

The Private Equity Landscape

No doubt you will have seen a number of offshore media reports on the financial difficulties faced by businesses with high levels of debt, including many backed by private equity investors. This model uses high gearing (debt) to generate high returns but it relies on positive economic conditions that, as we know, can change markedly.

We are now seeing a return to what we regard as a traditional private equity investment model, one that works through the full economic cycle by investing capital into businesses to fund growth, increase earnings and create shareholder value.

This growth model has been the basis of Direct Capital's investment approach since it began investing in private companies 15 years ago. Our investment portfolio tends to be conservatively geared so that the portfolio companies can carry out their growth strategies. This is reflected in the solid growth performance enjoyed by Pohutukawa I portfolio companies.

Investment Opportunities & Progress

As a direct result of the tough economic environment generally, the investment management team has been busy assessing a large number and an interesting range of investments. The Investment Committee is currently looking at a number of tangible investment opportunities. We are in advanced discussions with the business owners and would hope to see some of these progressing through due diligence over the coming months.

Pohutukawa Private Equity II Limited

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Although we are not able to announce an investment at this time, the Board is encouraged by the current investment opportunities being reviewed and we are confident that we will see some investment announcements in the near future.

The Pohutukawa Board endorse the well proven approach of Direct Capital with their patience and attention to detail in due diligence, which is a feature of the conservative Direct Capital methodology that has been successful over many years.

We will continue to keep you up to date via our website, www.pohutukawafund.co.nz, and through press releases, or by writing to you directly.

If you have any queries regarding your investment in Pohutukawa, please call your investment advisor or Peter Lalor at Pohutukawa Management on 07-5774 727.

Yours sincerely
POHUTUKAWA PRIVATE EQUITY II LIMITED

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