**ImpactEnterprise**Fund

3 November 2017

Dear Investor

As interest in investing in the Impact Enterprise Fund has grown over the last few weeks, across a large number of potential investors, the range of questions asked and answered by all of us has grown commensurately. We therefore thought it would be useful to put together a FAQ document so that everyone can see what is being asked and how we are answering.

Interest in our Fund is strong and growing, though it has taken a little longer than we initially anticipated to secure investment decisions due to the decision-making timeframes of many of our potential investors, particularly Trusts and Foundations that only meet infrequently.

We are confident, based on the conversations we are having, that we will secure the minimum fund size in time, so we have extended the first closing of the Fund to 18 December in order to allow investors the additional time they need to ratify decisions, especially in situations where formal Board approval is needed, and we remain confident that we will be able to meet the objectives we set out when we launched this initiative.

We will make contact with investors that have registered an Expression of Interest around the revised close date, providing further documentation such as the Fund’s Limited Partnership Agreement at that time.

As always, the Board and management team of the Impact Enterprise Fund are available to answer any questions you may have that are not covered in the following document.

Yours sincerely

**David Woods**
Chairman, Impact Enterprise
Partnership GP Ltd

### Is this a concessionary return fund?

This fund's financial return objective is to achieve a full commercial return, consistent with what would be expected from other conventional funds with a similar investment focus. The Fund will therefore target minimum financial returns of 15% p.a.

### Why is the fund size capped at $15m?

We have capped the amount of capital that we will accept in this first fund to allow the management team to be highly selective in making investment decisions, only selecting the very best opportunities in the market. It is our intention to raise a second larger fund as soon as we feel comfortable that sufficient opportunities exist in the market to sustain a second fund.

### What is the GP's policy if the fund is oversubscribed?

We would prefer to close the fund early rather than have to scale back investors to any meaningful extent, so our intention is to accept all applications in full up to $250,000 and only scale applications in the event of oversubscription above the first $250,000.

### How will investment decisions be made?

All investment decisions of the Fund must be approved unanimously by the Investment Committee. The Investment Committee currently comprises; Sophie Haslem, Bruce Sheppard and Martin Stearne.

### What will the fund investment profile look like after it is fully invested?

We expect that most of the capital in the fund will be invested in companies at the growth stage of their life cycle, which is to say that these companies will have a proven revenue model and will be using the new capital to expand their existing business. The portfolio may also contain investments in some companies at an earlier stage, where they are in the process of commercialising their business model, and perhaps a limited amount of investment in more mature impact businesses.

### Will the managers be investing in the fund?

Members of the General Partner, the Investment Adviser, and their associated parties, have committed to invest at least 5% of the minimum committed capital on the same terms as other investors.

### What returns have been made by impact funds?

A study conducted by JP Morgan and the Global Impact Investing Network published in 2015 (Introducing the Impact Investing Benchmark 2015) found that a sample of 51 Impact Investing funds targeting market rate returns have performed comparably with traditional Private Equity and Venture Capital funds.

### How will impact be measured and reported?

The way in which each potential investee intends to create and measure impact will be assessed as part of our due diligence process. Ideally, the impact will be locked into the business model such that impact scales directly with the business, i.e. moves in lock-step. Where this is not the case, we will expect impact to be enshrined in the structure and strategy of the business.

There is no single methodology that fits all areas of impact. We will be flexible on the methodology but hold to the following key principles:

- We expect each investee to complete a logic model - an internationally recognised structure which shows the links from their activities to impact through a series of outputs and outcomes.
- Key indicators for the outputs, outcomes, and ultimate impact, can be identified based on international standards such as IRIS, and reporting against well understood metrics such as the UN Sustainable Development Goals.
- Organisations will set targets for the key indicators and we will report on performance against these targets alongside financial performance.

In many cases, outcomes may be directly valued based on available information of societal costs or other research data. In other cases, impact may be quantified in terms of, for example, numbers of people benefitted, or number of tonnes of waste or carbon averted.

### What are some good examples of Impact Investment?

Impact investment can be broad, but there are many examples of growth investment for commercial returns and impact. At the local level, Social Enterprises such as Conscious Consumers, Ooooby, Thought-wired and Ethique have all raised private funding for early stage growth. At a global level, prominent examples include businesses like Tesla, Solar City, M-Pesa and Tom's Shoes, and many Impact Funds are established and growing – including TPG's Rise Fund which recently closed after raising US$2.0 billion.

### How deep is the pool of investable impactful businesses in New Zealand?

A rapidly growing pool of Impact Businesses and entrepreneurs has come to the attention of the investment community in New Zealand over the past five years. The sector has been supported by increases in Government funding, a growing presence of incubators and accelerators for start-up businesses, and rising awareness of international agreements, such as the 2015 Paris Agreement and the UN's Sustainable Development Goals.