

Booster Innovation Fund

of the Booster Innovation Scheme

**Statement of Investment Policy
and Objectives**

Effective Date of SIPO	19 June 2024
Version No.	24.0

Booster Innovation Fund

1. Description of the Fund

The Booster Innovation Fund (**Fund**) is a managed investment product established under the Booster Innovation Scheme (**Scheme**) which is a registered managed investment scheme under the Financial Markets Conduct Act 2013 (**Act**). The Scheme is managed by Booster Investment Management Limited (**Manager**).

The Fund provides investors with an opportunity to invest in a specialised portfolio of early-stage companies founded on intellectual property originated or developed in New Zealand that are selected on the basis that they have the potential to become commercially successful globally.

2. Investment and return objectives

- a. **Investment objective.** The Fund aims to provide investors with an exposure to a diversified portfolio of early-stage companies founded on intellectual property originated or developed in New Zealand.
- b. **Return objective.** The Fund aims to deliver a significant total rate of return (net of fees but before tax) that outperforms the NZX 50 Index over rolling 15-year periods.

3. Investment philosophy

The Manager's investment philosophy for the Fund is to invest in early-stage businesses that are founded on New Zealand originated or developed intellectual property.

Due to the rate of failure in early-stage ventures, the Fund aims to invest in many early-stage businesses across a range of business sectors and stages of development to increase its diversification and increase the likelihood of investing in ventures that ultimately succeed.

4. Investment strategy

a. Investment strategy.

The Fund will seek to invest in a diversified portfolio of investments in conjunction with a range of other specialist investors, across a range of different business sectors and stages of development to optimise the expected returns from early-stage investments.

The key elements of the Fund's strategy are:

- Partnering;
 - Diversification; and
 - Co-investing.
- **Partnering.** The Fund will seek to partner with entities that have expertise in developing and commercialising intellectual property.

- **Diversification.** The Fund will seek to diversify its portfolio by investing in many businesses, and intend for those investments to be spread across a range of business sectors and technologies and across the different stages of a company's development.
- **Co-investing.** The Fund will seek to invest alongside other investors or companies with relevant expertise in the field of each new venture to provide the Fund access to additional investment opportunities and expertise.

Investment opportunities are identified directly by the Manager or via its investment partners and co-investors. The investments are assessed against a range of investment criteria that consider the quality of the New Zealand innovation, the quality of the company leadership, market access, the commitment obtained from a specialist third party investor and the capital required to build a sustainable business.

b. **Permitted investments.** The permitted investments of the Fund are:

- Cash and cash equivalents, which will be held to invest in new investment opportunities, and may occur following the proceeds from the sale of an investment.
- Any equity security (or security convertible to equity), limited partnership interest or managed fund interest which provides exposure to early-stage businesses. It is likely that such investments will be unlisted and have extremely limited shareholder liquidity. Investments outside of New Zealand may be made where the business is commercialising New Zealand originated or developed intellectual property.
- Any loans provided to, or in connection with, a start-up business, where debt is an appropriate component of the financing strategy of the business.

c. **Benchmark asset allocation.** The benchmark asset allocation for the Fund (including benchmark asset allocation and allowable ranges) as at the date of this SIPO, are set out below:

Asset Class	Minimum %	Benchmark %	Maximum %
Cash & Cash Equivalents ¹	0	2	100
Equities ²	0	98	100
Fixed Interest	0	0	25

The Fund may obtain these investment exposures either by investing directly in these asset classes, or indirectly by investing in underlying funds such as managed investment schemes and limited partnerships.

¹ It is anticipated that the Fund may hold a large proportion of cash for a period of time following capital raising activity as it seeks to acquire interests in businesses that meet the investment criteria of the Fund, or following the sale of an investment.

² Equities includes securities that provide an equity like exposure such as convertible notes, limited partnership interests, and Simple Agreement for Future Equity (SAFE) notes.

5. Investment policies

- a. **Distributions and redemptions.** The Fund does not intend to make regular distributions to its investors and investors have no general right to redeem their units. However, in the event of a sale of an investment, the Manager may make all or a portion of the proceeds of the sale available for the redemption of units in the Fund. Once the Fund has a well-diversified portfolio (which may take up to 5 years), it is intended that the Manager will make an increasing proportion of the sale proceeds available for redemption.
- b. **Leverage.** The Fund is not permitted to borrow, either directly or via underlying funds, though this does not preclude the investee entities themselves from borrowing in the ordinary course of business.
- c. **Valuations.** For each investment held by the Fund, the valuation approach we apply is summarised as follows:

Direct Investments

Where the Fund holds the investment directly (which may include investments in conjunction with a lead co-investor), the last price at which capital was raised by the relevant business from other external investors is used as a starting reference price. We, or the lead co-investor, will also consider how recently the business last raised capital and its relevance given changes in the business, as well as any changes to its target market or its progress towards the commercialisation of its intellectual property since the last capital raise. An assessment will be made of the extent to which the business has achieved its business plan since the last capital raise, its remaining cash available, and any capital raising activity in progress, on at least a quarterly basis. Where there is uncertainty of outcomes relevant to the value of the business, we apply probability weightings to reflect the uncertainty and risk.

Where we assess the value of an investment may have materially changed since its purchase or last formal valuation assessment, a more comprehensive assessment of value is made including consideration of other indicators of value such as industry valuation benchmarks, similar investment company comparisons or third-party pricing events where available.

In between formal valuation assessments, any other new information received in respect of an investment that may be material to the Fund's Unit Price is considered by us when it is received and is reflected in the Unit Price and/ or notified via the NZX market announcement platform to ensure the Fund continues to meet its continuous disclosure obligations.

All valuations are performed by our in-house investment team (or in conjunction with a lead co-investor) and reviewed by the Fund's Advisor's, with final approval by the Fund's Investment Committee.

Indirect Investments

Where the Fund holds the investment indirectly, the valuation will be initially determined by the manager/ Board of the relevant underlying investment fund and reviewed by the Fund's Advisors with final approval by the Fund's Investment Committee.

We also assess the valuation approach taken by our investment partners for consistency with our valuation approach described above. For example, our valuation approach is consistent with that applied by NZIB in respect of its investments.

On a monthly basis we will consult with the manager/ Board of the underlying fund to establish if there is any other new information that may be material to the Fund's Unit Price prior to the issue or redemption of units in the Fund.

Also, consistent with the approach outlined for direct investments above, we will consider any other new information received by us at any time in between formal valuation assessments to determine if an adjustment is required to the Unit Price and/ or notified via the NZX market announcement platform to ensure the Fund continues to meet its continuous disclosure obligations.

The Fund (including the valuation of its investments held directly by the Fund) is subject to an independent audit on an annual basis. We may seek independent valuations if considered appropriate for one or more of the investments in the Fund.

- d. Hedging.** While foreign currency exposure may be hedged to New Zealand Dollars, the Fund would not ordinarily hedge the exposure from equity investments that are held in a foreign company and denominated in a foreign currency.
- e. Liquidity management.** The Fund does not intend to make regular distributions to its investors. It will aim to make a limited amount of cash available for redemptions directly with the Fund on a quarterly basis (and where redemption requests exceed cash available, may require an equitable scaling of the available cash). As noted above, where an investment has been sold, the Manager may make some or all of the proceeds available for redemption by investors. Where the Manager considers the investment opportunities exceed the cash and cash equivalent balances of the Fund, the Manager may undertake a specific capital raising by issuing more units in the Fund.
- f. Diversification.** The Manager will aim to diversify the portfolio across a range of business sectors and the different stages of a company's development. Due to the potential for extreme value appreciation of a successful business, the Manager will need to consider the value of the initial investment as well as its current assessed value when evaluating diversification.
- g. Conflicts of interest.** Any employees wishing to buy or sell units in the Fund are expected to follow the Manager's 'Personal Account Trading Policy' and associated procedures.
- h. Taxation.** The Fund is a listed Portfolio Investment Entity (Listed PIE) for tax purposes. The amount of tax that the Fund pays is calculated at the rate of 28% on its taxable income which includes interest, dividends received (if any) from its New Zealand share investments, and a deemed dividend of 5% of the market value of any overseas shares. Any capital gains made by the Fund in respect of its share interests are excluded from the calculation of taxable income.
- i. Investment exposure limitation.** The Fund will limit its investment holdings to no more than 20% of the voting interests (i.e., shareholding) of the relevant underlying investee company. This is to ensure the Fund continues to meet the eligibility criteria for Portfolio investment Entities (PIE) and Listed PIEs.

6. Investment performance monitoring

The Manager will undertake a regular review of the investment performance of the Fund relative to the Fund's stated investment and performance objectives. The Fund's objectives will be reviewed by the Manager and the Investment Committee on an annual basis.

7. Investment strategy and SIPO review

The Manager will review the Fund's investment strategy and this SIPO at least annually.

As the Fund is a long-term investment, it is not expected that the investment objectives and expectations in the SIPO will necessarily change frequently or annually. Short term changes in Fund returns should not generally lead to an adjustment in investment objectives or expectations.

The Fund's investment strategy and SIPO may be reviewed at any time should the Manager deem it necessary, for events such as where:

- New legislation affects investment requirements.
- Fundamental changes in the long term social, political or economic environment suggest a change in investment principles and expectations.
- A significant change occurs to the underlying demographics of the Fund.
- New types of investment opportunities require consideration for inclusion in the Fund.
- The Fund's competitive or market position has implications for investors' assets and/or liquidity.

Any changes to the investment strategy or this SIPO will firstly be approved by the Manager's Investment Committee in consultation with the Committee's Advisors . Once approved, the Manager will consult with the Supervisor and give them written notice of any changes before they take effect. The current version of the SIPO for the Fund is available on the scheme register **at www.disclose-register.companiesoffice.govt.nz**. Any material changes to the SIPO will be advised in the Booster Innovation Scheme annual report, which will be available on the scheme register.