



Origin Capital Partners

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Origin Capital Fund 2: Capital Call I

April 2022



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Origin Capital Fund 2: Capital Call I

Overview and Confirmation of First Close



We are pleased to declare Origin Capital Fund 2 closed

- ❖ As of today, April 12th 2022, Origin Capital Fund 2 Limited Partnership – The Red, Gold & Green Fund (the “Fund”, or “Fund 2”) is live and ready to invest in the New Zealand Kiwifruit sector.
- ❖ The Fund has closed at \$37.3m, above the initial first close target of \$25.0m, and the team at OCP is thrilled with the uptake from our investors. There are currently 101 investors in the Fund. The Fund comprises of an even split of new investors, and those that are also partners in Origin Capital Fund 1.
- ❖ The equity raised will support the establishment of a portfolio diverse by location and variety. Once deployed, the Fund will have exposure to all Zespri varieties, in established kiwifruit growing locations throughout New Zealand. The Fund will also have substantial exposure to Zespri shares.
- ❖ Following the first drawing of funds by April 27th, the Fund will ‘re-open’ for investment. Our expectation is that once the second round of fundraising is complete (no later than June this year), the total fund size will be approximately \$45m - \$60m.
- ❖ This capital call is for \$5.5m, which represents 14.7% of the Fund’s capital. The capital called will be used to finance the acquisition of Zespri shares, pay the deposit for the Fund’s first orchard under contract and cover known Fund expenditures through to August of this year. More detail is provided on page 4 of this report.
- ❖ The following pages are to be read in conjunction with the Capital Call Notice you have also received. As outlined in the cover email, we will also be hosting a Zoom conference on **Wednesday April 13th at 7:00pm**, at which we will go through this presentation in more detail and answer any questions you may have. Please RSVP to either Dominic Jones (dj@ocpartners.co.nz, +64 0291237732) or Sam Wood (sw@ocpartners.co.nz, +64 0274608990). We are of course available via email or phone at any time should you not be able to make either of these sessions.
- ❖ Once again we thank you for your investment and we look forward to a long and successful relationship in the coming years with you.

Key Dates Upcoming

First funds are due no later than April 27th. Following the first call, the Fund will be re-opened for continued investment

Key Dates					
April	11	12	13	14	15
	18	19	20	21	22
	25	26	27	28	29
May	2	3	4	5	6
	9	10	11	12	13
	16	17	18	19	20
	23	24	25	26	27
June	30	31	1	2	3
	6	7	8	9	10
	13	14	15	16	17
	20	21	22	23	24
	27	28	29	30	1
July	4	5	6	7	8
	11	12	13	14	15
	18	19	20	21	22
	25	26	27	28	29

April 12th

First Capital Call: Drawdown Notice (received alongside this pack)

April 27th

First Capital Call: Funds due (payment details included in Drawdown Notice)

April 29th

Applications re-opes for further investment in Origin Capital Fund 2

May 2nd

Zespri Licence: Applicants notified of allocation of Zespri Licence. Kowhai Orchard DD condition satisfied if Vendor is successful

May 31st

End of Financial Quarter for Fund

June 30th

Applications close for further investment in Origin Capital Fund 2

July 5th

First Quarterly Report to be provided to investors

July 20th

Payment for Zespri RubyRed Licence due (if successful)

Use of Funds Called

In total \$5.5m of capital is being called for known Fund expenditure through to August 31st

First Close Capital Call			
Sources (\$NZD)		Uses (\$NZD)	
Funded through until	31-Aug	Funded through until	31-Aug
1 Fund Drawdown	5,500,000	Zespri Shares	4,000,000 2
		Deposit - Kowhai Orchard	137,250 3
		Deposit - Red Licence	220,944 4
		Fund Working Capital & Contingency	1,141,806 5
Total	5,500,000		5,500,000

1 **Fund Drawdown:** Where possible, capital calls will be made no more frequently than quarterly. As we are more than half way through the current financial quarter (ends May 31st), all known capital requirements for the Fund through to Q2 (August 31st) have been included in this drawdown. The exception to this will be capital calls *intra-quarter* as we find suitable orchards to purchase. It is likely but not certain that another property will be secured before the end of August.

2 **Zespri Shares:** It is expected that 25% - 33% of the Fund's capital will be applied to Zespri shares. A purchase order has been placed with Craigs Investment Partners and we will endeavour to apply the \$4.0m as quickly as possible.

3 **Deposit - Kowhai Orchard:** Fund 2 has its first property under contract. There are a number of conditions the Vendor needs to meet for the transaction to

become unconditional and proceed, including the successful securing of SunGold licence. In the event these conditions are not met the deposit will be refunded to the Fund Settlement is not expected to occur until September.

4 **Deposit - RubyRed Licence:** On behalf of the Fund two separate bids have been placed for Zespri RubyRed licence. We have bid for 2.0ha at \$81k/ha (plus GST) and 4.0ha at \$151k/ha (plus GST). Zespri will notify successful bidders by no later than May 2nd, at which point a 25% deposit is due.

5 **Fund Working Capital and Contingency:** We will be looking to secure further properties in the coming months. Holding approximately \$1.0m will enable the Fund to pay deposits without having to issue capital calls until the property in question actually settles.

Origin Capital Fund 2: Capital Call I

Under Contract – Kowhai Orchard



Fund 2 has a 6.15 canopy hectare orchard development under contract in Edgecumbe, Bay of Plenty

Background

- ❖ Kowhai Orchard is located on the Rangitaiki Plains, Edgecumbe. The property has fertile, free draining soil (Awakeri Sandy Loam) and is surrounded by other large SunGold and Green orchards. Kowhai Orchard will be a SunGold orchard.
- ❖ The Rangitaiki Plains is regarded as a favourable kiwifruit growing location. Strong yields and early harvest premiums are achievable and there is a number of high quality orchards located nearby.
- ❖ The orchard is young, with planting having occurred in August 2021. The construction is to a good standard, with overhead shelter, drainage, irrigation and frost protection all in place.
- ❖ What is unique about this transaction is that the purchase is conditional on the Vendor securing the necessary SunGold licence in this year's licence tender. Bids for the 2022 licence tender were due late March, with successful applicants to be informed by May. You will be aware from the IM that in the opinion of the OCP team, the SunGold licence release rules for 2022 make new development of SunGold overtly risky. The deal has therefore been structured in a way that puts the onus on the Vendor, and de-risks the Fund. The transaction will only proceed if the Vendor is successful in their bid.
- ❖ The property is also in the process of being sub-divided, and again the transaction will only occur once title is issued. We would expect this to occur in September this year. In the event that title takes longer to be issued, the Vendor is contractually obliged to manage the orchard at OCP instruction through to title being issued and settlement occurring. As we go into Spring there are a number of on-orchard tasks that are important to get right so the insertion of this clause is to as best as possible maximise the performance of the orchard ahead of takeover.
- ❖ The orchard's first crop will be in March 2024.



Industry Update

The kiwifruit industry is buoyant, profitable and growing fast. However, we are in uncertain times globally and this brings a number of challenges for all industries, including Kiwifruit

<p>2022 Harvest</p>	<ul style="list-style-type: none"> We are in the middle of the most challenging harvest in recent memory for the industry. Closed borders and the spread of Omicron has put significant stress on the supply chain, and the 2022 crop will be the largest in the industry's history. Going into this season's harvest, there are real concerns about the industry's ability to pick and pack 100% of the crop. The industry has seen these challenges coming and has put in place a number of steps to try and improve harvest efficiency. Primarily this is centred around 'bringing forward' supply – the industry wants to harvest as much fruit as possible before the peak of supply. There has been significant buy-in and so far the industry is where it needs to be. As at April 12th, 41% of the SunGold crop has been harvested, compared with 36% at the same point in 2021. The RubyRed crop is complete, while the Green crop is 8% complete.
<p>Geopolitical Events</p>	<p>Ukraine / Russia:</p> <ul style="list-style-type: none"> Zespri has no direct fruit sales in Russia or Ukraine. Zespri do not expect the conflict to have any material impact on fruit sales into Europe. However the conflict is disrupting supply chains and trade flows as well as driving up costs, (in particular energy) and this will have an impact on the cost of sales. <p>Shanghai Lockdown:</p> <ul style="list-style-type: none"> The first shipments have arrived in China, where discharging has gone smoothly. Zespri has a new partnership with Taizhou Port (250km south of Shanghai), put in place to shore up the supply chain in China and this has proved beneficial this year given the current lockdowns in China. The lockdown is disruptive and causing logistical difficulties, however Zespri is well placed to adapt as needed.
<p>Inflation</p>	<ul style="list-style-type: none"> You will be aware of the substantial level of inflation seen in the NZ economy recently, and this is expected to continue for some time. The kiwifruit industry is not immune and on-orchard costs continue to increase, with the cost of labour (70% of on-orchard costs) being the key driver. In general, productive land assets are considered a strong inflation hedge – that is, the price of commodities will typically match or exceed the rate of inflation. Zespri are cognisant of the increased costs faced by all growers and are focussed on passing as much of this as possible on to its customers. Early season demand is very strong however it is too early in the export window to give any further insight or guidance to this year's prices.
<p>Orchard Prices</p>	<ul style="list-style-type: none"> You may have read about SunGold orchard sales at \$2.0m/ha. There have been five sales that we are aware of at this level. In all cases these are genuinely elite orchards, with the same purchasers competing for them. We do not believe that \$2.0m/ha is an accurate reflection of orchard prices. The IM indicated a purchase price of \$1.80m/ha can be expected in the current market and our view is unchanged. We would expect to pay less for SunGold orchards that are not located in Te Puke. While orchard prices have increased sharply in recent years, given the uncertainty of this year's harvest, labour constraints and rising interest rates, it is likely that the rate of increase will slow for the foreseeable future. We remain active buyers, however a focus on quality will dictate the rate of deployment for the Fund.

Summary

We are available at any time to discuss the Fund and any questions you may have

- ❖ It is a priority at Origin Capital Partners to ensure that our communication is regular and informative and provide you frequent updates of relevant events concerning the Fund, and kiwifruit industry in general.
- ❖ We encourage you to reach out to any of the team if there are items you wish to discuss or questions you may have.
- ❖ At a minimum you will receive:
 - ❖ Quarterly updates – outlining investments made, performance of the assets and the Fund;
 - ❖ Audited Annual accounts and Tax Statements;
 - ❖ Invites to an annual AGM – likely September each year; and,
 - ❖ Invites to on-orchard field days – held annually unless more frequent.
- ❖ The Fund will be using Syndex as its registry provider. For those investors who do not have a Syndex account already, you will be assigned unique log in details to your own investor portal where you can view all relevant Fund documentation. Those investors already using Syndex will have the details of their Fund 2 investment added to their account. You will receive an email from Syndex detailing next steps later this week.
- ❖ Once again, welcome to Origin Capital Fund 2 – The Red, Gold & Green Fund, and we look forward to working with you for years to come.



Simon Botherway
Chairman



Dominic Jones
Managing Director



Lain Jager
Director



Paul Jones
Director



Craig Greenlees
Director



Kim Wallace
Director



Sam Wood
Senior Manager,
Fund Operations



Andrew Livingston
General Manager,
Kiwifruit