

# Business

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## ■ RAKAIA FUND

# \$15m private fund to assist capital growth

Marta Steeman

About \$15 million is available for three to five prime mid-sized and likely exporting companies needing capital for growth or to restructure.

A new private equity fund organised by Christchurch's Murray Capital, the Rakaia Fund, has raised \$15 million from 38 investors, mainly New Zealand investors, over the past six months with a minimum investment of \$250,000 for each investor.

The fund is now focusing on identifying candidate companies with growth prospects and needing financial, strategic and management input to achieve that.

It is looking to inject equity into the companies for preferably a controlling stake and a hands-on role in strategy and governance. It intended to be a long term investor.

Murray Capital which will run the fund is owned by Christchurch investment banker Justin Murray and is one of three divisions within investment bank Murray and Company that also provides wealth management services and corporate finance.

Murray said the fund was looking at businesses throughout New Zealand that were well-established, mid-sized, and had strong prospects for growth but needed expansion capital. The fund was using its networks to identify companies and would be visiting locations over the next couple of months.

Approaches from companies were already coming in, Murray said.

The recipient companies will be selected by the fund's investment committee, comprised of Murray, wealthy Christchurch businessman and investor Humphry Rolleston and former head of accountancy firm KPMG Alan Isaac, now chairman of New Zealand Cricket and also a board member of New Zealand Trade and Enterprise, Rugby 2011 Ltd and Wakefield Health Ltd. All three are also investors in Rakaia Fund.

Murray said an investment



Decision makers: Justin Murray, left, and Humphry Rolleston are part of the three-man investment committee.

Photo: DAVID HALLETT

decision had to be unanimous by the three members of the investment committee.

Rakaia Fund had a preference for export-led businesses because the strongest growth prospects were likely to come from accessing international markets.

"Specifically we are interested in businesses that need further capital to grow, require restructuring or could act as the conduit for industry consolidation. As an investor, the Rakaia Fund will provide a business with capital, strategic guidance, financial advice, governance and access to networks both in New Zealand and offshore."

Mid-sized businesses were

those with between \$2m and \$10m earnings before interest and tax (ebit).

This was "heartland" New Zealand businesses critical to the economy.

"We consider there are some strong prospects in regional New Zealand and we think some of the provinces and regions haven't been as well supported with provision of private capital as have urban centres."

The fund would be carefully looking at the company's

development, and the skills and drive of its owners and management. The sectors it was interested in included

agribusiness, food, specialist manufacturing, tourism and health.

"We are not concerned if they require restructuring, strategic or balance sheet, or if they have gone through challenging times."

The fund had a preference for taking a controlling stake in a recipient company but was open to sub-control positions. Con-

trol was not a prerequisite for the investment. Each investment would be structured case by case and in some cases the fund might invest in debt that would convert at some stage to equity in the company. The fund did not intend to act like a banker.

The fund's investment guidelines permitted it to invest up to one third of the fund in one company. It was expecting to make three to five investments. If a company required more than a \$5m investment the fund had interest also from large-co-investors who would consider providing additional capital. Murray expected the fund to reveal who it was investing in as long as the recipient company agreed.



Alan Isaac

## ■ PRUDENTIAL MORTG

# Funds as train off the

Ben Heather

Christchurch's Prudential Mortgage solicited millions of dollars from investors to finance the Kingston Flyer without telling them the train project was already in financial difficulty.

In a statement on March 20 2006, Prudential encouraged investors to reinvest \$2.25 million in a first-ranked mortgage over Kingston Acquisitor Ltd (KAL), which owns the historic steam train, associated buildings and land.

The statement did not tell investors that KAL was already having trouble paying its debt having defaulted on a \$1.2m loan from Kingston Enterprise Ltd (KEL) as early as July 2005.

Valuation reports sent to investors show KEL held a mortgage below Prudential's mortgage, but did not mention it was in default.

KAL eventually also defaulted on its loan from Prudential in November 2008, and some investors have not received interest payments since December 2008. Prudential continued to encourage investors to rollover or increase their investment up until August 2008, just four months before KAL defaulted.

Prudential placed KAL in receivership in November last year and is now attempting to sell the train and other assets to recoup more than \$4.7m owed.

The train in Kingston, 56km south of Queenstown, has not run since early 2009 and is now embroiled in an ownership dispute between Prudential and the lessee company which used to run it as a tourist attraction.

Wayne Phillips, of Temuka, said he first invested \$5000 in Prudential Mortgage in July 2005, because he has a holiday home in Kingston and was interested in the train.

He boosted his investment to \$10,000 in August 2008, but has not received payments from Prudential for more than a year.

Inquiries about retrieving his investment, which was meant to mature in July 2009, had been "fobbed off", he said.

Phillips said he was not told at any time that KAL was in

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