

Statement of Intent

2020-2024

NZ GROWTH
CAPITAL PARTNERS

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NZGCP Overview

Background to NZGCP

New Zealand Growth Capital Partners Limited (NZGCP) is a Crown equity investment agency addressing the significant capital market gap for emerging high growth New Zealand companies that require new risk capital (equity and quasi equity) for growth.

NZGCP leverages its capital to attract increased levels of private investment into early stage high growth New Zealand companies. Investments may be made from proof of concept stage, through to what is now defined as Series C+ (as defined in the Elevate NZ Venture Fund establishment documents). These investments are made through either the Aspire Fund (Seed/Angel) or Elevate NZ Venture Fund (Series A/B).

As background, NZGCP was established in 2002 as a Venture Capital Fund-of-Funds manager to partner with the private sector to invest into private New Zealand venture capital funds which would then support the development of innovative companies, initially from start-up through to Series A/B. In addition, NZGCP was also tasked with working alongside the private sector, to build investor capability and put in place best practice industry infrastructure.

In 2008, alongside the Venture Capital Fund of Funds programme (VIF), NZGCP introduced the Seed Co-Investment Fund, now renamed as the Aspire NZ Seed Fund (Aspire), to fill the Angel/Seed investment gap for entrepreneurs needing early stage capital to get their business underway. Like Venture Capital, Angel investing is a feature of vibrant start-up ecosystems across the globe. While New Zealand already had many wealthy entrepreneurs and investors willing to provide their own capital and expertise to speed to development of very young companies, achieving scale and professionalism was the next step in building a sustainable Angel investor community.

In August 2017, following consultation with a range of stakeholders in the early stage investment market, the design of the Aspire Fund programme was revised to allow it to more actively manage its investment activity. These changes were aimed at improving its investment returns while continuing its cornerstone market development role of attracting more investors and capital to the sector. In addition, to support continued investment activity without relying on further Crown capital, NZGCP is now able to re-invest investment returns. These settings for the Aspire fund were further amended again in June 2020 in response to Covid-19.

Finally, in the May 2019 budget it was announced that NZGCP was to manage a \$300m Fund of Funds programme, overseen by the NZ Superannuation Fund. The Fund of Funds programme aim is to invest alongside private and institutional investors into private venture capital funds, which will in turn invest at the predominantly Series A and B stage into high growth New Zealand companies. After passing the relevant legislation to enable this in December 2019, the programme was launched in March 2020 as the Elevate NZ Venture Fund (Elevate). It is expected that this programme will support potentially a number of Venture Funds over its five-year investment horizon. It is anticipated these funds will be a mix of generalist and specialist funds, across a spectrum of fund sizes and vintages, as well as being a mix of NZ Connected and Offshore funds. The first announced investment is expected to be in August 2020.

Going forward, NZGCP manages four primary activities. These are the:

1. Wind-down of the VIF programme established in 2002;
 - Elevate \$300m programme focused primarily on the Series A/B space;
 - Aspire Fund focused primarily on the Angel/Seed space; and
 - A Market Development programme that operates across the early stage eco-system.

NZGCP Going Forward

There is a fourfold workstream focus for the period of this SOI. This includes:

VIF

As noted above, the original VIF programme is in wind-down. NZGCP's aim is to manage this orderly wind-down and ensure we can maximise the return profile, to the extent our role as an LP in the various legacy funds VIF is invested in allows.

Aspire Fund

In August 2017, following consultation with a range of stakeholders in the early stage investment market, the design of the Aspire Fund was revised. These changes were aimed at improving its investment returns while continuing its cornerstone market development role of attracting more investors and capital to the sector. In addition, to support continued investment activity without relying on further Crown capital, NZGCP is now able to re-invest investment returns.

Following the changes to the design of Aspire in 2017 and a further mandate amendment in 2019, NZGCP could co-invest up to \$12 million p.a. into early stage investment opportunities alongside its private sector partners. As a consequence of Covid-19, and submissions by the Angel Association of New Zealand, NZGCP's mandate has been further extended on 27 May 2020 to allow it to invest up to \$20m p.a. in the year to June 30, 2021. There were additional amendments to its mandate including (i) allowing it to invest up to \$2.5m into any one company; (ii) altering the public/private investment ratio from 1:1 to up to 2:1; and (iii) allowing the Aspire fund to take a co-lead role in investment deals it was participating in.

Given what was observed in the GFC which saw up to a 45% decline in private sector investment in the Angel eco-system, these mandate changes are seen as a significant step by the Crown to alleviate this anticipated drop-off in investment as a consequence of Covid-19 and the downstream impacts it may have on the availability of private capital to support the early stage high growth entrepreneurial sector.

Elevate NZ Venture Fund

As discussed, the Government announced in the May 2019 budget a new policy to develop the venture capital markets that involves the Guardians of New Zealand Superannuation and NZGCP. This resulted in the formation and launch of the Elevate NZ Venture Fund in March 2020, which is a \$300m Fund of Funds programme. It is anticipated this programme will make its first investments by June 30 2020, and then continue through the period to allocate capital into further Venture Funds that meet its due diligence requirements, alongside its target portfolio construction framework.

This programme will also be a significant contributor to alleviating the impact of Covid-19 on the nascent Venture Capital eco-system in New Zealand. It is targeted that, alongside private matching capital and assuming an aspirational matching ratio of 1:2, the programme could see a total of up to \$900m flow into this part of the early stage capital markets eco-system over the five year investment period of the fund, which would be a significant increase in annual amounts raised over the last five years pre-Covid.

Market Development

An additional explicit requirement for the period is for NZGCP to develop and implement an early stage capital markets development programme. The development of this workstream is targeted to be completed by the end of Q2 2020, with the 2020/21 financial year being its first year of implementation.

This programme will focus on eight workstreams. These are:

- Build the Base – initiatives to ensure quantity and quality of Series A/B opportunity pipeline;
- Develop Capability – aim to build the number, experience, expertise and capability of investment professionals in the early stage capital markets;
- Build Networks – initiatives to build the connectivity of NZ entrepreneurs, fund managers and companies with offshore funding sources, networks and capability;
- Create Collaboration – initiatives to encourage co-operation among eco-system participants;

- Create Competition – initiatives to encourage co-opetition among domestic fund managers to both raise industry standards, but also encourage syndication and risk sharing (which is common in more established offshore jurisdictions);
- Talent Introduction – initiatives to attract talent, both domestic and offshore into the eco-system, with a focus on both diversity and inclusiveness. A particular focus on this will be on gender, as well as encouraging Maori and Pacifica participation both on the entrepreneurial side, as well as the investment professional pathways;
- Capital Introduction – initiatives to unlock domestic (for example Kiwisaver) and international capital to NZ opportunities;
- Covid-19 Recovery – initiatives to address the material impact Covid-19 has, and will have, on our early stage eco-system.

NZGCP Operationally:

Alongside the launch of the Elevate NZ Fund, the Crown has decided to re-architect the funding of NZGCP. There will now be three components to the funding of operations, these are:

- All costs related to the Elevate NZ Fund will be reimbursed to NZGCP at cost from the Elevate Fund's capital pool. NZ Super will administer this process;
- The Crown will provide a \$750,000 p.a. appropriation for the Market Development programme; and
- The balance of NZGCP's operational costs are to be met out of the entities balance sheet.

Additionally, all monies realised from the VIF 1.0 programme (up to a maximum of \$40 million) will be used to provide additional funding to the Elevate NZ Venture Fund. This funding is expected to be provided to the Elevate Fund by or before year 5 of its operation.

NZGCP will work prudently to manage the multiple demands it has on what is a small organization within a reasonable budget, recognizing that there has been a number of additional resource and operating demands placed on the organisation through the Elevate NZ Fund and Market Development mandates.

Concluding Remarks:

Ultimately the goal is to have a local venture capital and angel investor market that can be self-sustaining without government support.

The first stage of demonstrating this was to invest in building private investor capability and the pipeline of early stage high growth companies that have the potential to achieve global success. We believe this stage has been materially progressed, albeit significant work is still required on from both the public and private sectors in partnership, if we consider benchmarks of NZ against offshore jurisdictions in reports such as the annual Genome Survey which clearly shows significant progress in a relatively short timeframe by NZ Inc.

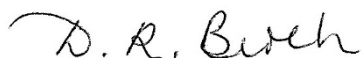
The second stage we are collectively embarking on is to generate the returns of successful investments and building private investor confidence to allocate capital at appropriate scale into this asset class, in order to build a self-sustaining, and indeed growing eco-system. We believe the Aspire Fund, Elevate NZ Fund and the NZGCP Market Development Programme will be critical pillars in this next stage.

STATEMENT OF RESPONSIBILITY

This Statement of Intent is submitted by the Board of Directors of New Zealand Growth Capital Partners Limited pursuant to section 141 of the Crown Entities Act 2004. It sets out the intentions and objectives of NZGCP for the period 1 July 2020 to 30 June 2024.

The underlying assumptions of this document have been authorised as appropriate for issue by the Board of Directors of the New Zealand Growth Capital Partners Limited in accordance with its role under the Crown Entities Act 2004.

All acquisitions of shares or investments must be approved by the Board of Directors before they occur.



Debbie Birch
Acting Chair

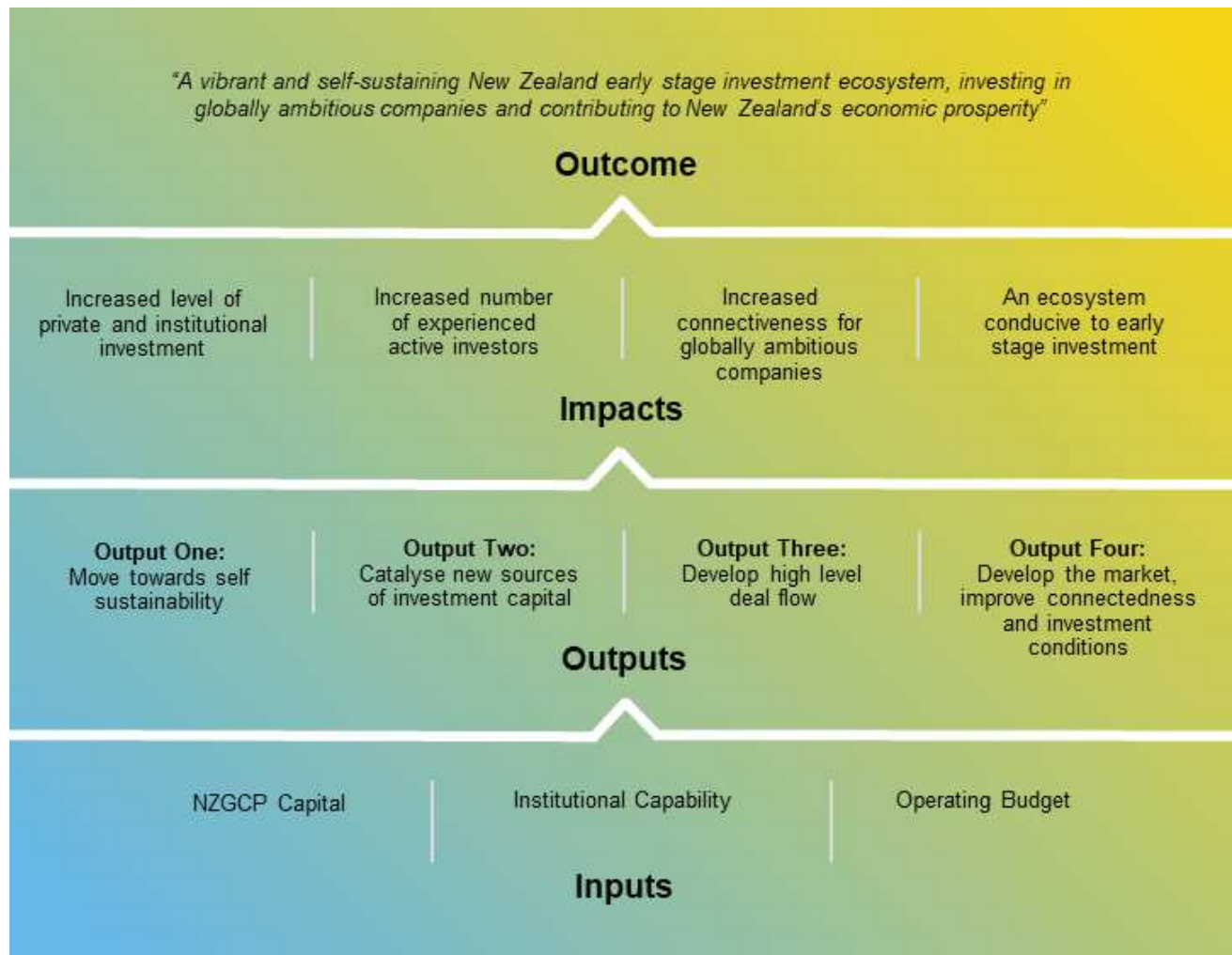
September 2020



Emma Loisel
Director

September 2020

Our Strategic Framework: What we are trying to achieve and how we plan to achieve it



OUR OUTCOME

“A vibrant and self-sustaining New Zealand early stage investment ecosystem, investing in globally ambitious companies and contributing to New Zealand’s economic prosperity “

HOW WILL WE KNOW WE HAVE ACHIEVED OUR OUTCOME?

The New Zealand Market

- New Zealand consistently ranks in the top half of OECD countries for early stage investment on a per capita basis.
- Globally connected NZ early stage high growth ecosystem that is attracting domestic and international institutional follow on capital for high growth companies.
- The New Zealand early stage ecosystem is generating at least one >\$100m exit per annum.
- The Angel and Venture Capital eco-systems are each demonstrating appropriate returns to the investment community relative to the risk of investment.
- The ecosystem has demonstrated investment success with over 200 full time professional angel investors and venture capital professionals.
- At least a quarter of companies that have raised seed investment in NZ successfully go on to raise Series A investment consistent with the OECD Average (as at 2019).

NZGCP

- NZGCP is a self-sustaining early stage evergreen fund, re-investing returns into globally ambitious companies.
- Previously supported by the Crown’s investment in NZGCP increasing, now moving to a model of self-funding from investment returns.
- NZGCP has established long standing co-investment relationships with NZ and offshore Angel and Venture Capital investors.
- Numerous NZGCP portfolio companies will have achieved revenues in excess of \$10 million per annum.
- NZGCP is a trusted co-investment partner for NZ early stage investors, including but not limited to, angel groups, seed funds, family offices, Iwi, Corporates, Community Trusts, and Institutional investors (both domestically and offshore).

Offshore experience suggests that it will take 20-25 years from inception to achieve the outcome of building a vibrant and self-sustaining early stage investment market, across the full spectrum of angel and venture capital investing. While angel investing is likely to have a shorter timeframe to achieve scale, long term sustainability is dependent on networks and funds that have developed an investment track record over successive investments.

Outcome and Measures

The Strategic Framework laid out on page 7 illustrates the linkages from the desired Outcome, the Impacts, and then down to the Outputs. We will use a variety of performance measures to assess our outputs and the progression of our impacts towards the overall outcome. These performance measures have been defined in two parts, impact measures and output measures:

- The **Impacts** and related **Impact Measures** are wider ecosystem goals, that will help track ecosystem progress but are the result of many drivers, some outside the control of NZGCP. These should be viewed in conjunction with the output measures, holistically, as several output measures will also contribute towards the impacts.
- The **Outputs** and related **Output Measures** represent more direct measures or tools that NZGCP will implement to assess and actively progress towards the outcome. These output measures are reported annually in the Statement of Performance Expectations. As above, the output measures are designed to contribute to more than one impact.

This document should therefore be read in conjunction with the Statement of Performance Expectations in order to understand the full set of performance measures that are in place to help us achieve the Outcome. The commentary provided in this document considers our longer-term plans for achieving the overall Outcome, so we will incorporate effects of both Impact Measures and Output Measures. Please refer to the Statement of Performance Expectations for any further detail relating to the Output Measures.

We do unfortunately note that the impact of Covid-19 and potential significant economic recession that may occur globally and locally is likely to have a material impact on the ability to achieve these aspirations within this reporting period to 2024. At this point in time, we are unable to assess the likely impact on the early stage capital markets in New Zealand, nor on NZGCP's ability to meet its qualitative and quantitative objectives. We do however believe that the initiatives by the Crown with regard to NZGCP's three main programmes, will be significant contributors to the rebuild of New Zealand's early stage capital markets post Covid-19.

Measuring our Performance

Impact One

Increased levels of private capital invested into high growth companies

HOW WILL WE DEMONSTRATE SUCCESS IN ACHIEVING THIS?

- Steady growth in the amount of capital being invested by early stage investors, annually, into high growth New Zealand companies.
- We will manage investments to optimize portfolio returns. We will recycle investment proceeds into new investments.
- We note the potential impact on returns of Covid-19 in this estimate.

PERFORMANCE MEASURES

To help increase levels of private investment, we will aim to demonstrate self-sustainability, as well as attracting third party capital through investing alongside private investors. To be successful in demonstrating sustainability, we will aim to have sufficient annual proceeds to reinvest into new companies. To be successful in catalysing private investment, we will make investments alongside private capital through a mixture of new and existing deals.

The main output measures for assessing this impact are listed below.

IMPACT ONE: Increased levels of private capital invested into high growth companies

Impact Measures	2018/19 Actual	2019/20 Actual	2020/21	2021/22	2022/23	2023/24
Total amount invested by the Angel/Seed market into NZ high growth companies (p.a.) ^[1]	\$117m	\$129m	\$116m	\$116m	\$127m	\$140m
Total amount invested by the Venture Capital market into NZ high growth companies (p.a.) ^[2]	\$270m ^[3]	\$112m	\$100m	\$120m	\$140m	\$180m

^[1] Seed investment sourced from PwC - Young Company Index

^[2] VC investment sourced from EY - New Zealand Private Capital Monitor

^[3] VC investment in 2018/19 higher than previous years due to Rocket Lab fundraise of US\$140m

NZGCP'S FIVE YEAR PLAN

To achieve steady growth in the amount of capital invested into high growth companies over the next five years, we will continue to invest towards our annual investment limit of \$12 million each year (noting that our mandate in the near term through to June 2021 will see NZGCP invest up to \$20m via the Aspire fund). To grow the total investments into high growth companies, NZGCP intends to catalyse the level of private investment through measures noted across multiple Impacts and Outputs, and NZGCP intends to continue to:

- Develop relationships and co-invest alongside new and existing investment partners, both in New Zealand and offshore, to increase the amount of Series A/B investment early stage, high growth companies.
- Commit capital through the Elevate fund alongside venture capital funds to attract institutional investor capital.

- Move towards a sustainable investment model such that NZGCP is generating sufficient returns to fund its ongoing investment activities. As the final proceeds from VIF 1.0 are expected across 2021 to 2023, we will increasingly rely on Aspire Fund realisations to fund further investments and move towards self-sustainability. Covid-19 related impacts are expected to negatively impact on this to a degree as portfolio realisation events are likely to decline over a period.

Over the next 4-5 years it is expected that the ratio of Government capital invested, relative to private capital, will decrease to lower levels in the Angel/Seed space as a result of an increase in the number of private investors relative to public sector investment (noting that Covid related matters may impact this aspiration). We expect the public to private invest ratio to drop in the short term due to the 2021 mandate changes and Covid impact, but then increase over time as private capital returns to the market and grows beyond historic levels.

ACHIEVING THE OUTCOME

Achieving the stated impacts (and subsequent outcome) within a reasonable timeframe comparable to offshore markets, is conditional on:

- The establishment of new venture capital co-investment relationships, particularly with offshore investors or bringing them onshore.
- The Aspire current cap of investment activity of \$12 million per annum (2020/21 at \$20 million) remains or is increased for follow-on investment, to the point NZGCP has become self-funding from investment returns. We note that this measure is an investment cap, therefore the actual level of annual investment is subject to NZGCP's investment due diligence and approval process, to ensure investing responsibly on behalf of the Crown. The actual amount invested is likely to be below these annual limits.
- The recent growth in early stage investment in the NZ market is maintained and growing throughout the full economic cycle.
- Attracting new sources of private capital to the early stage investment market, critical to achieving objective this is unlocking the pools of domestic institutional capital such as KiwiSaver. This may require innovative investment structures that are better suited to meeting the requirements of these institutional investors, such as liquidity, valuation and management fee levels.

Impact Two

Increased number of experienced active investors

HOW WILL WE DEMONSTRATE SUCCESS IN ACHIEVING THIS?

- A growing pool of active angel investors and venture capital investment professionals with skills and experience in early stage, high growth company investment.
- Evidence of sustainable investment success from early stage investments into New Zealand early stage, high growth company investment.
- We will seek to grow the number of experienced investors investing into early stage NZ companies, through demonstration of quality investment opportunities and investment returns.

PERFORMANCE MEASURES

To assess when we have achieved a self-sustaining industry of a scale that brings New Zealand in line with similar sized OECD economies, we can expect to see:

- A core of five or more experienced local venture capital fund managers, who can demonstrate the following attributes:
 - have been successful in raising capital for multiple funds of global size and scale,
 - have produced investment returns that have exceeded institutional investors return thresholds,
 - and have actively investing and grown New Zealand companies.
- Offshore venture capital funds managers are consistently co-investing with local investors in New Zealand.
- A greater number of companies that have attracted seed investment will go onto successfully raise venture capital investment.
- VC Funds that Elevate NZ invests into, investing in 3 or more companies per fund and per year. A number of these funds then going on to successfully raise second vintage funds.
- 10+ angel investment network and seed funds, spread around New Zealand, actively leading and investing into early stage, high growth companies.
- Over 200 full time angel investors and venture capital professionals who are active and attracting capital alongside other investors. Investment professionals per VC Fund expected to grow slowly with time, as second vintages and large fund sizes are created.

The main Impact Measures for assessing this impact are listed below.

IMPACT TWO: Increased number of experienced active investors

Impact Measures	2018/19 Actual	2019/20 Actual	2020/21	2021/22	2022/23	2023/24
Total number of domestic funds >\$50m active in the market	1	3	8	10	12	12
Total number of domestic funds <\$50m (micro/seed funds) active in the market	8	8	12	15	18	20
Number of serial angel investors in the market (reported by AANZ)	n/a	100 - 150	100 - 150	100 - 150	110 - 160	120 - 170
Number of active Venture Capital investment professionals	n/a	n/a	32	40	50	60

NZGCP'S FIVE YEAR PLAN

The launch of the Elevate NZ Fund plans to attract capital from local and offshore institutional investors. NZGCP managing the additional capital commitment of \$300m over five years hopes to attract at least matching private capital from institutional investors on an average public to private ratio of 1:2.

NZGCP expects a smaller number of small micro VC (sub \$50m) and seed funds will be raised over the next five years. These funds still form an important link in the ecosystem between angel investors and local and offshore venture capital funds.

The number of active angel investors is expected to grow steadily over the next five years as the profile and success of the industry continues to be raised. In addition, NZGCP will also co-invest with qualified investors, who are not current angel network partners as it has since July 2017. The number of domestic VC investors is expected to increase with the Elevate Fund attracting first time fund managers, managers moving to establish bigger funds and overseas fund managers to be established in New Zealand.

ACHIEVING THE OUTCOME

Achieving the outcome of increased number of active investors is interdependent with the increased amount of private capital invested into high growth companies, as we expect the ecosystem to grow in terms of both number and size. Therefore attracting private capital is a pre-condition for achieving this impact – refer Impact One.

Impact Three

Increased Investor Connectivity for globally ambitious companies

HOW WILL WE DEMONSTRATE SUCCESS IN ACHIEVING THIS?

- We will develop deep trusted partnerships with experienced early stage investors and identify credible lead investors to represent us.
- An increased number of companies:
 - Fundraising and being considered for investment by Aspire.
 - Have received investment from seed funds, venture capital funds or corporate investors.

PERFORMANCE MEASURES

By 2025, if we are successful there will be a consistent early stage deal flow as well as follow-on investment for a number of high growth New Zealand companies achieving commercial and global success. This will be evidenced by:

- A core base of investment partners investing alongside Aspire and Elevate in investment rounds.
- A greater number of companies fundraising and being considered for and receiving investment.
- A greater number of companies that have attracted seed investment will go onto successfully raise Series A/B capital.

The main Impact Measures for assessing this impact are listed below.

IMPACT THREE: Increased Investor Connectivity for globally ambitious companies

Impact Measures	2018/19 Actual	2019/20 Actual	2020/21	2021/22	2022/23	2023/24
Total number of NZ high growth companies receiving investment from ecosystem p.a. (Angel & VC)	157	175	156	160	174	192
Total number of syndicated institutional funding rounds (VC)	n/a	n/a	6	7	7	8
Syndication levels in the Angel/Seed ecosystem (Angel)	60%	73%	75%	77%	79%	80%

NZGCP'S FIVE YEAR PLAN

NZGCP will continue to invest into developing deeper relationships with domestic and offshore investors who have expressed an interest in investing into New Zealand high growth companies. NZGCP will work with Government agencies, industry associations and private sector on accelerating the connectivity of the New Zealand early stage ecosystem.

Increased investment as the Series A and B stages will lead to a larger number of expansion stage companies with a focus on revenue. The impact of the Elevate NZ Fund is expected to be larger towards 2025 rather than initially, as the portfolio is deployed and has time to grow.

ACHIEVING THE OUTCOME

A sustainable early stage investment market requires a pipeline of intellectual property and innovative ideas from entrepreneurs, universities and research institutes that can be successfully commercialised on a global scale. Callaghan Innovation plays a critical role preparing companies for commercial investment.

Success also depends on those companies and entrepreneurs that show the most potential for growth receiving the support (capability and capital) they need to grow internationally. NZTE's role in supporting high growth companies to enter offshore markets is highly complementary to the role of private investors providing capital for growth.

Impact Four

An ecosystem conducive to early stage investment

HOW WILL WE DEMONSTRATE SUCCESS IN ACHIEVING THIS?

- Increased industry capability and professionalism.
- International standard limited liability partnerships used as the preferred investment structure and standard investor protections included in shareholder agreements.
- Government policies that support angel and venture capital investing – across innovation, capital markets, savings and investment, immigration and tax.
- Integration with broader capital markets.
- Industry research and performance is regularly reported to the market.

PERFORMANCE MEASURES

The New Zealand venture capital and angel investment environment is well advanced in its adoption of practices that are consistent with international best practice. All the major apparatus expected of a professional industry are now in place including:

- Standard investor reporting guidelines;
- Standard investment valuation guidelines;
- Standard investment performance reporting; and
- A venture capital and private equity industry code of conduct.

Similarly, Government tax and regulatory settings are currently broadly conducive to early stage investing. There is an opportunity however to consider how New Zealand's wealthy migrant policy can assist in attracting new venture capital and angel investment.

The next stage of industry development is demonstrating investment track record and building industry scale. In addition, attracting a broader base of investor support is required for long term industry sustainability. It is also the case that if there is to be a conducive environment, there needs to good integration with broader capital markets, including institutional investors and NZX.

NZGCP will continue to work alongside the industry in four major areas of market development:

- Profiling the New Zealand early stage investment market, both to broaden understanding and attract wider investor interest, both locally and internationally. This includes the Young Company Finance data now published by PWC, in conjunction with AANZ, through the publication – STARTUP, and the NZGCP Annual Performance Report.
- Co-sponsor visits by venture capital and angel investor "gurus" who can assist in local capability building.
- Identifying new sources of investment capital, including offshore investors, who are seeking a credible New Zealand investment partner.
- Working with other NZ capital market participants to deepen understanding of early stage capital markets and ensure strong linkages that enable growth companies to attract follow-on capital, including that from listing.

The main Impact Measures for assessing this impact are listed below.

IMPACT FOUR: An ecosystem conducive to early stage investment						
Impact Measures	2018/19 Actual	2019/20 Actual	2020/21	2021/22	2022/23	2023/24
Industry development initiatives undertaken in conjunction with NZPCA and AANZ.	4	4	4	4	4	4
Advice provided to Government to assist market development.	2	2	2	2	2	2

NZGCP'S FIVE YEAR PLAN

Over the next five years, in conjunction with the industry, NZGCP will sponsor and support at least two specific market development initiatives each year, focused on building industry capability and attracting wider investor interest.

NZGCP will also report to Government annually and provide an update on progress, and challenges, in achieving the 2025 outcomes.

NZGCP will also assist Government and industry stakeholders in analysis and reporting relating to the ongoing impact of Covid-19 on the industry.

ACHIEVING THE OUTCOME

Continued Government support to ensure that capital markets regulation and the savings environment is conducive to attracting experienced venture capital fund managers and angel investors into the industry.

NZGCP five year performance forecast

Measures	2019/20 Actual	2020/21	2021/22	2022/23	2023/24
NZGCP revenue (incl. interest)	\$4.7m	\$3.7m	\$3.7m	\$3.7m	\$3.7m
Less NZGCP operating expenses (excl. management fees)	\$4.1m	\$5.7m	\$5.7m	\$5.7m	\$5.7m
NZGCP net operating surplus/(deficit)	\$0.6m	-\$2.0m	-\$2.0m	-\$2.0m	-\$2.0m
NZGCP investments p.a.	\$12.6m	\$15m	\$12m	\$12m	\$12m
Value of NZGCP investments ¹	\$118m	\$131m	\$130m	\$147m	\$167m
Net asset value (\$ per share) ²	1.10	1.16	1.21	1.27	1.34
Return on Crown investment (five-year rolling)	2.0%	2.5%	4.0%	5.0%	8.0%
Distributions received from realisation of investments	\$2.9m	\$3.0m	\$19.6m	\$5.7m	\$4.5m

The overarching imperative for NZGCP over the next five years is to demonstrate that the entity is moving towards becoming a self-sustaining investment fund. The key indicators that will demonstrate that NZGCP is becoming sustainability is continuing to make sound new investment decisions, generating sufficient returns from existing investments and ultimately growing the value of the Crown's investment in NZGCP. This will be made more difficult due to impacts on Covid-19, but we expect this to be a temporary delay on our route to becoming a self-sustaining investment fund.

NZGCP will continue to prudently allocate the \$0.75 million p.a. revenue received from the Crown (reduced from \$2.33 million p.a.).

Fund forecast assumptions are set out in full in Annex 2.

¹Value of investments represents the fair value of NZGCP investment portfolio – both VIF1.0 and Aspire (as per IFRS and NZGCP forecast financial statements accounting policies) excluding cash at financial year end and is net of reported impairments, realisation of investments and forecast impairments. This excludes the Elevate NZ Venture Fund as managed, but investments not held by NZGCP.

²NAV is calculated by dividing the Crown's investment in NZGCP VC fund by the value of the investment.

ORGANISATIONAL HEALTH AND CAPABILITY

ENSURING NZGCP IS A GOOD EMPLOYER

NZGCP is a small organisation with 19 permanent staff as at June 2020. Our flexible working environment enables staff to balance work, family and other commitments. NZGCP supports staff to develop their leadership skills and become the best they can be, in a positive working culture.

The values of the organisation ensure that all staff have the opportunity to engage and participate in organisational decisions.

Our good employer and personnel policies are formally recorded and include a commitment to equal employment opportunities. We do not tolerate harassment or discrimination of any type. We recognise the value of attracting employees of diverse backgrounds and talents, and the positive impact this has on our organisation.

Equal employment opportunity principles are incorporated in staff selection and management within the limits of our small size.

Measure

- EEO principles included in all relevant documents and practices.

CAPABILITY DEVELOPMENT

During the period covered by this SOI, NZGCP will continue to work on developing its capability.

NZGCP will:

- Maintain and increase the capability of its people and quality of its systems.
- Manage the risks that could prevent it from delivering its objectives and work programme.
- Aim to achieve reliable and cost-effective operating systems.
- Maintain sound financial and governance systems.

To continue enhancing our capability, we will maintain and develop policies that ensure:

- Recruitment, training and remuneration policies focus on attracting and retaining skilled, flexible, efficient and knowledgeable team players.

Measures

- Individual staff training needs are assessed and supported.
- External salary comparisons and individual role assessments are conducted regularly.

HEALTH AND SAFETY

NZGCP is committed to being a zero harm employer. Regular observations will be undertaken to identify hazards and unsafe workplace practices and any training required will be provided as appropriate. Any serious event will be notified to the CEO and Board Chair immediately.

Our office environment and equipment are safe and well maintained.

Measures

- Zero tolerance of harassment, bullying and discrimination.
- Each employee has an ergonomically suitable workspace.

ANNEX 1: NZGCP Investment Funds

NZGCP is responsible for managing three early stage investment funds on behalf of the New Zealand Government, the Venture Capital Fund (VIF1.0), the Aspire NZ Seed Fund (Aspire) and the Elevate NZ Venture Capital Fund (Elevate). The features of these three funds are set out below.

NZGCP Venture Capital Fund (VIF 1.0)

Size of Fund (NAV)	\$32m
Type of Fund	A venture capital fund. NZGCP invested through privately managed venture capital funds, or co-invests alongside venture capital funds.
Investment Size	\$25m maximum into any single fund. \$5m maximum co-investment into any single company
Investment Stage	Early stage venture capital.
Investment Type	Equity investment, alongside private investors and venture capital funds.
Eligible Industries	New Zealand companies, technology and innovation.
Not Eligible Industries	Property, financial services, mining and retail (except where a company is applying innovation within these industries).

NZGCP Aspire NZ Seed Fund

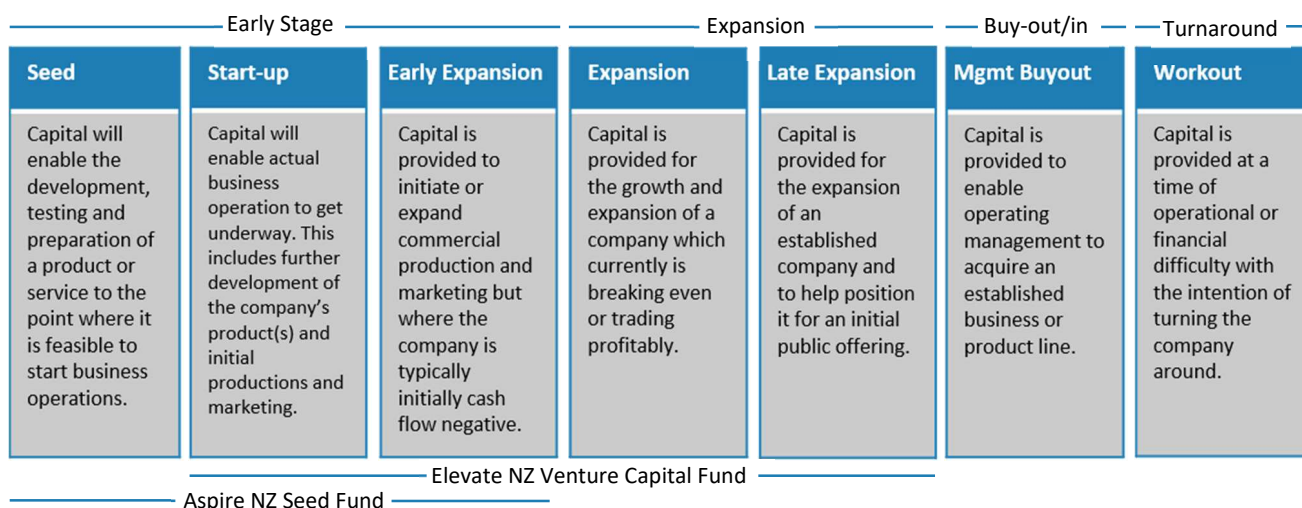
Size of Fund (NAV)	\$86m
Type of Fund	A co-investment fund. NZGCP invests directly into portfolio companies (alongside private investment partners).
Investment Size	\$1.5 million maximum (\$2.5m through to June 30 2021)
Investment Stage	Seed and start-up.
Investment Type	Equity or quasi-equity investment directly into companies.
Eligible Industries	New Zealand companies, technology and innovation.
Not Eligible Industries	Property, financial services, mining and retail (except where a company is applying innovation within these industries).

NZGCP Elevate NZ Venture Capital Fund

Size of Fund (NAV)	\$300m
Type of Fund	A venture capital fund of funds programme. NZGCP invests through privately managed venture capital funds.
Investment Size	After the initial investment period (i.e. to 30 June 2024) 35% maximum allocation into any single fund manager. 20% maximum allocation into an initial investment in any single fund. 20% maximum allocation in total, to first time fund managers.
Investment Stage	Early stage venture capital – Predominantly Series A/B
Investment Type	Equity investment, through venture capital funds.
Eligible Industries	New Zealand companies, technology and innovation.
Not Eligible Industries	Property, financial services, mining and retail (except where a company is applying innovation within these industries).

VENTURE CAPITAL AND PRIVATE EQUITY INVESTMENT CONTINUUM – WHERE NZGCP FITS

NZGCP invests alongside private investors through venture capital funds and angel investors into companies that are at the early stage of development. The following diagram provides an overview of the venture capital/private equity investment continuum and identifies where NZGCP's investment funds fit within this.



COMPANY STAGE OF DEVELOPMENT

Aspire NZ Seed Fund classifies its direct investments through the following stages. New investments to expansion stage companies would usually be defined as Series A/B investments and fall under the Elevate NZ Venture Capital Fund unless the Aspire fund has been able to invest in them respecting the Mandate Management Policy.

Seed: An investee company is at the seed stage of its development if the investment will enable development, testing and preparation of a product or service to the point where it is feasible to start business operations.

Start-up: An investee company is at the start-up stage of its development if the investment will enable actual business operations to get underway. This includes further development of the company's product(s) and initial production and marketing.

Early expansion: An investee company is at the early expansion stage of its development if the investment provides capital to initiate or expand commercial production and marketing but where the company is normally still cash flow negative.

ANNEX 2: Forecast Assumptions for NZGCP Investment Funds

The assumptions are based on the experience of the NZGCP to date, as well as feedback from the NZGCP investment partners on expected future investment activity. Any substantial deviation from the assumptions underpinning these forecasts may result in actual performance being significantly different from these indicative forecasts.

The forecasts and modeling included in this Statement of Intent are based on the following assumptions:

- A funding cap of \$1.5 million per company for Aspire (\$2.5m for the year to June 30, 2021)
- Maximum investment rate of \$12 million per annum, with at least \$2 million allocated to new initial investments for Aspire (noting that cap increases to \$20m for the year to June 30, 2021)
- 10 - 20 new investments per annum. The balance of the investment activity will be follow-on investments up to a cap of \$1.5 million per investment for Aspire (\$2.5 million for the year to June 30, 2021). We note new investments as a percentage of total investments may increase marginally due to the mandate change and introduction of the Elevate Venture Fund investing from Series A/B stages.
- A target end portfolio of between 140 to 160 portfolio companies.
- Material successful distributions are forecast to commence in the 2020/2021 financial year, likely delayed to 2021/2022 largely due to Covid-19 impact.
- Average range of capital raised by companies by stage:
 - a) Seed/Start up: 0.5 to \$2 million;
 - b) Series A (early expansion): \$5 -10 million; and
 - c) Series B (expansion): >\$10 million.
- Forecast distributions resulting from the realisation of investments are re-invested.
- Series A/B investments with offshore VC investment being at around 35%, taking into account the growth in domestic VC investment.
- Change in value of investments:
 - a) Forecast impairments are based on the experience of the NZGCP where the level of impairments to date average 5-10% of annual investment;
 - b) Unrealised increase in value of investments is based on 10% of portfolio companies achieving on average a 25% increase in value. On average an 8% annual return has been used as indicative market returns.
- Deals sourced or linkages with CRIs and Universities – one out of three of all seed and start up investments.
- All investments valued in accordance with IPEV guidelines.

These assumptions are based on the experience of NZGCP over the past 18 years of investing into the NZ early stage market taking into account current conditions for early stage investment globally.

ANNEX 3: Glossary

Angel fund: A professionally managed investment vehicle that evaluates and invests in entrepreneurial companies.

Angel investor: A wealthy individual who invests in entrepreneurial firms. Although angels perform many of the same functions as venture capitalists, they usually invest their own capital rather than that of institutional or other individual investors.

Angel network: A group of individual angel investors who join together to evaluate and invest in entrepreneurial companies.

Committed capital: Capital pledges made by investors, to a venture capital fund. This capital is drawn down progressively over the life of the fund for investments or to meet management fees.

Crown entity companies: One of the five categories of Crown entity. A company incorporated under the Companies Act 1993 that is wholly-owned by the Crown and named in Schedule 2 to the Crown Entities Act 2004.

Drawn down capital: The actual amount drawn down from the Crown for investment.

High growth company: a company that has the potential to offer products which are attractive to a wide international market.

Management fee: The fee, typically a percentage of committed capital that is paid by investors in a venture capital fund to the fund manager to cover salaries and expenses.

Fund of funds: A fund that invests primarily in other venture capital funds as opposed to individual investee companies.

Private equity: Private equity includes organisations devoted to venture capital, leveraged buyouts, mezzanine and distressed debt investments.

Risk equity: The financial risk involved in holding equity in a particular investment.

Self-sustaining: Fully integrated in capital markets and largely independent of Government equity investment assistance.

Successful realisation: When a company is either sold or listed at a price that exceeds the initial cost of investment.

Venture capital: Professionally managed, dedicated pools of capital that focus on equity or equity-linked investments in privately held, high-growth companies.

Venture capital fund: A pool of capital raised periodically by a venture capital or private equity firm. Funds typically have a ten-year life.

Young Company Finance Index: A joint initiative launched by NZGCP and angel groups in 2006. The collection of YCFI data enables regular collation, analysis and dissemination of accurate information on the size and structure of the angel investment market in New Zealand.



NZ GROWTH
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