

Statement of Intent 2024–2028



NZ GROWTH
CAPITAL PARTNERS



—

Ko te pae tawhiti whāia kia tata, ko te pae tata whakamaua kia tina — **Seek out distant horizons and cherish those you attain.**

Presented to the House of Representatives pursuant
to section 149 of the Crown Entities Act 2004

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Contents

NZGCP Overview	01
Statement of Responsibility	06
The Outcome	09
Measuring the Performance	11
Governance and Risk Management	17
Organisational Health and Capability	19
Annex 1: NZGCP Investment Funds	22
Annex 2: Glossary	24

NZGCP Overview

Background to NZGCP

New Zealand Growth Capital Partners Limited (NZGCP) is a Crown equity investment agency working to encourage investment in New Zealand’s innovative technology-driven start-ups and to address capital and capability gaps in that ecosystem.

NZGCP invests into technology led start-ups directly via the Aspire NZ Seed Fund (Aspire) and indirectly via the Elevate NZ Venture Fund (Elevate) which it manages on behalf of the Guardians of New Zealand Superannuation (Guardians). These investment activities are supplemented with other market development activities with the combined objective of addressing the capital and investor capability gaps in the New Zealand start-up ecosystem.

NZGCP predominantly achieves its purpose by leveraging its own and Elevate’s capital to attract and crowd in private investment into early-stage high-growth start-ups. The combined investments of Aspire and Elevate cover the spectrum of start-up investments from very early (proof-of-concept stage), through to much later-stage funding rounds (Series B and beyond).

As background, NZGCP (then known-as NZVIF) was established in 2002 as a venture capital fund-of-funds manager (the VIF1.0 fund) partnering with the private sector to invest into private venture capital funds which would then support the development of innovative companies. In addition, NZVIF was also tasked with working and investing alongside the private sector, to build investor capability and put in place best practice industry infrastructure. In 2006, the Seed Co-Investment fund (SCIF) was established to passively co-invest alongside accredited partners.

In August 2017, the design of the SCIF programme was redesigned and became an actively managed seed investment fund. At the same time, VIF1.0 stopped making new investments. 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 2020, NZVIF was rebranded as NZGCP and SCIF as Aspire.

The Aspire Fund has continued to evolve as the seed market has matured and now operates on a commercial basis, albeit with an increased focus on addressing certain capital gaps in the pre-Series A investment space e.g. deep-tech and other emerging sectors.

NZGCP does not receive funding from the Government for Aspire and covers its operating costs from the fund’s existing financial resource. Further investments depend on realisations from the existing portfolio of investments. NZGCP does receive an annual appropriation of \$750,000 to support its broader market development activities.

In addition to the direct investment programme through Aspire, NZGCP manages Elevate. Elevate is a \$300m fund-of-funds programme, overseen by the Guardians – operating under the Venture Capital Fund Act 2019. Elevate was launched in March 2020 with a Government capital contribution of \$300m to cover investments, fees and costs of NZGCP and the Guardians.

The purpose of the Elevate programme is to contribute to the sustainability and productivity of the economy by investing alongside private and institutional investors into private venture capital funds, which in turn invest at the predominantly Series A and B stage into high-growth New Zealand companies. To-date, Elevate has invested in eight venture capital funds alongside private investors. These are a mix of generalist and specialist funds, across a spectrum of fund sizes and vintages. Approximately \$223m of investment commitments from Elevate sit alongside another \$500m of private capital into those funds which reflects significant success in catalysing and encouraging private capital into the sector over and above the Government’s contribution.

NZGCP's main activities and progress to-date:

As described above, NZGCP manages four primary activities. These are:

- 1. Operating Aspire** – a direct investment fund focused primarily on pre-Series A investments from proof of concept through to Seed investments.
NZGCP invested in over 260 companies and the portfolio was valued at [\$155m] (as at end of FY22). In FY23, Aspire made investments in 9 [11 FY22] new companies and follow-on investments into 19 [24 FY22] existing portfolio companies.
- 2. Management of Elevate** – a fund-of-funds invested in private venture capital funds which are focused primarily on making Series A/B stage investments.
As of March 2023, Elevate has invested \$223m into 9 funds, which have collectively raised \$750m and invested \$290m into over 100 NZ start-ups. Elevate is still seeing significant interest from both domestic and offshore funds, and generalist and an increasing number of specialist funds, in Elevate investment.
- 3. Running a market development programme** – that further supports the early-stage ecosystem predominantly through sponsorships of initiatives to increase participation in, and diversity of, start-ups and to enhance the professional development and diversity of investors.
NZGCP uses its small government appropriation to support initiatives and programmes that increase the depth, diversity and capability of the start-up ecosystem – whether that is founders or investors. Significant partners are the Angel Association, NZ Private Capital, the Ministry of Awesome, StartMate, Youth Enterprise Scheme and a number of university entrepreneurial programmes. NZGCP is also using this appropriation to develop a learning and development programme to support investor capability and launching an external data platform to provide open access ecosystem wide data.
- 4. Winding down the original Venture Investment Fund (VIF1.0) programme** – NZGCP continues to wind-down the legacy VIF portfolio which contains the remaining investments made by the venture funds invested in through VIF1.0. As at year-end 2021-22, the remaining portfolio was valued at \$16m.

NZGCP Strategic Context

NZGCP's vision is to have a vibrant and self-sustaining early-stage investment ecosystem.

NZGCP's vision is to have a vibrant and self-sustaining early-stage investment ecosystem. Significant levels of investment into innovative and globally ambitious New Zealand companies will contribute to the Government's goals of driving productive, low environmental impact economic growth and the creation of a high-skilled, technology-led workforce.

NZGCP has the following strategic objectives:

- **Pipeline (seed/pre-seed and series A/B)** – assist Ministers, MBIE and Treasury to assess the need for and design of any future fund of fund programmes, whether at the Series A/B stage like Elevate and/or at the earlier pre-seed/seed stage alongside Aspire.
- **Pipeline (seed/pre-seed)** – enhance partnership with the Angel and Seed sector and the universities and research sector to build the pipeline of investable opportunities from the very early-stage companies up to the Series A/B stage.
- **Capital (series A/B)** – work with the Guardians and the venture capital sector to successfully implement the objectives of Elevate and to invest the remaining funding available.
- **Capital (ecosystem)** – monitor capital being deployed into and by the venture capital market and assist in the development of the early-stage capital markets throughout the value chain (including collaboration with other government-related entities).
 - Capital (ecosystem) – through Aspire and Elevate, look to close capital gaps in the market in line with the Government's broader objectives, policies and programmes, such as seed and pre-seed investments in “deep-tech” and innovative technology critical for addressing climate change and/or environmental sustainability.
 - Investments and support to address diversity gaps in founders and investors.
 - Building investment capability and access to investment opportunities for Iwi.
- **Capability (ecosystem)** – implement a Learning and Development platform that will improve the capability, diversity and talent pool in the venture capital sector.
- **Capability (ecosystem)** – work with other government agencies to design and implement a data collection and collaboration platform that will provide better sector-wide data and prompt insights into state of the ecosystem and to improve local and global collaboration.

Current Market Conditions and Challenges

Global political and economic factors since 2022, including the impact of the Russia-Ukraine war, rising inflation and high interest rates have caused significant volatility in public markets which has flowed through to the private capital investment space, including venture capital.

The New Zealand start-up ecosystem rebounded strongly after the Covid pandemic and the potential impact on early-stage investment was not as significant as feared. A number of sectors were actually able to take advantage of accelerated digitisation and increased use of remote meeting and working. NZGCP believes that continued investment in early-stage companies by both Aspire and the underlying Elevate funds helped avoid a significant slow-down in investment.

The last 10 years have seen venture capital outperform other asset classes globally and over recent years many venture capital markets saw record inflows of capital into funds and a significant rise in valuations of venture capital assets. However, global political and economic factors since 2022, including the impact of the Russia-Ukraine war, rising inflation and high interest rates have caused significant volatility in public markets which has flowed through to the private capital investment space, including venture capital. These economic uncertainties have resulted in a major reduction in global venture investment and a focus within venture funds on preservation of existing portfolio companies over new investments. Significantly, the amount of private capital to invest in venture capital funds appears to have dramatically reduced from the high points of 2021.

NZGCP anticipates this global economic uncertainty to continue through 2023 and beyond and interest rates are expected to remain relatively high in the short to medium-term as central banks attempt to reduce inflationary pressures. Inflation and high interest rates (coupled with significant recent weather events in New Zealand) are anticipated to significantly impact discretionary spending of individuals and corporations domestically. Whilst this may create opportunities for some early-stage start-ups, it will certainly be more challenging for a large proportion. Continued market volatility and uncertainty is also anticipated to negatively impact the amount of new / additional capital from high net-worth individuals to invest in venture capital firms and new start-ups. Given the current dependence on high net-worth investors in New Zealand due the relative lack of institutional investment (compared to other jurisdictions), this will inevitably impact investment in and valuation of start-ups.

NZGCP has also seen signs that the reduction in the number of international students and high-skilled technology workers moving to New Zealand during the Covid-19 pandemic has resulted in a temporary slow-down in start-up formation, particularly in the deep-tech space.

However, venture capital is generally a counter-cyclical asset class as tougher economic conditions drive innovation, reduce valuations and recruitment pressures ease. In New Zealand (as there is globally), there is significant undeployed capital in the venture capital funds, albeit predominantly reserved for follow-on investment and the pipeline of start-ups maturing continues to grow.

How does this impact Aspire specifically:

Aligned with its purpose of addressing capital gaps, Aspire invests in high-risk early-stage companies operating at the cutting edge of technological innovation and thus its investment risk appetite is high. Venture capital is categorised by investments that follow the Power Law concept, whereby a small number of companies generate outsized return (and the potential for greater non-financial impact), whereas the large majority of investments within a portfolio fail or realise relatively small financial outcomes. Overall, positive gains (across a fund) are made by investing sufficient capital into the most probable winners and a discipline with those unlikely to achieve exponential growth or outsized outcomes. Aspire invests at the very earliest stage of venture capital investing where the ability to assess probable outcomes is most difficult.

Current Market Conditions and Challenges (continued)

Additionally, Aspire is guided by the Minister of Economic Development's annual Letter of Expectations, and a market development mandate (i.e. investing where capital gaps exist). Overall, while Aspire is expected to generate positive returns, this will be with longer time-frames and the possibility that overall investment returns may be below those of a purely commercially-oriented fund. Also, Aspire is a Crown-entity company with specific requirements / overheads which are unique versus those of a purely commercially orientated fund.

Also see the section below that explains how the market condition impacts both the Aspire and Elevate underlying fund investments into portfolio companies.

NZGCP's financial capability for future investment via Aspire is impacted by market conditions as investments are funded out of returns from the existing portfolio. See "Cash forecasting" section below.

How does this impact the Elevate underlying funds:

Both in the funds underlying Elevate and in Aspire there was a slowdown in the number of new and follow on investments, as well as the participation of offshore venture capital funds in local funding rounds. The valuation of portfolio companies came under pressure, more bridging rounds at lower enterprise values came up and companies did not progress to Series A and beyond at the same pace as previously. This trend is expected to continue for both the portfolio companies the Elevate underlying funds and Aspire invest into.

In the short-term, this is likely to result in a reduction in the holding value of assets in some underlying funds (and Aspire) but also opportunities for investors to acquire relatively cheaper investments as investment rounds are re-priced. There will also be less capital available broadly to sustain the levels of growth previously anticipated, exacerbated by more difficult markets for companies to sell into, potentially impacting their fundamental growth. However, provided the fundamental value proposition of these companies is sound, the best companies will prosper and grow and be well positioned once capital markets reopen fully.

The same goes for fund managers, those that can maintain financial discipline, will still see great opportunities for investment and realisations once markets re-open. Realisations may take longer (as growth capital is restricted and the time to exit extended until public markets in particular reopen).

The current market conditions are also impacting fund raising for venture capital markets as the appetite from domestic institutional investment is still relatively small and domestic private investors (i.e. high net worth individuals) have less available capital or appetite for venture capital assets. There appears also to be a slowdown in investment from institutional investors globally. A number of NZ venture funds will be raising their next vintage over the following 24 months, and we anticipate it will remain difficult to raise funds. This may result in smaller funds than anticipated or even an inability to raise an economically viable fund. This is a particular issue for the newer funds which will not yet have a proven track record.

Statement of Responsibility

This Statement of Intent is submitted by the Board of Directors of New Zealand Growth Capital Partners Limited pursuant to the Crown Entities Act 2004. It sets out the intentions and objectives of NZGCP for the period 1 July 2024 to 30 June 2028.

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.



Annabel Cotton
Chair

June 2023

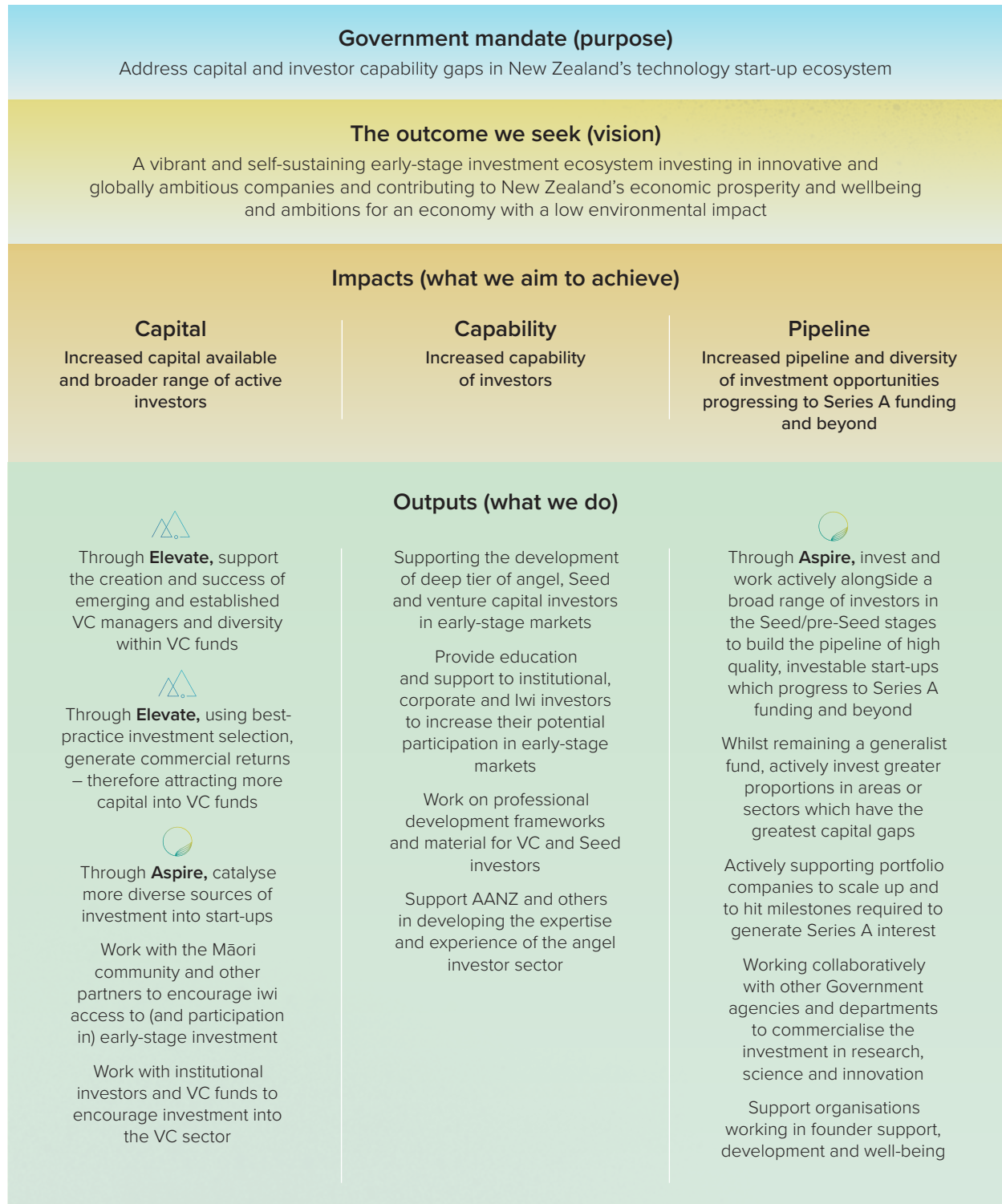


Marcel van den Assum
Director

June 2023

Strategic Framework:

What NZGCP sets out to achieve and how it plans to do so:



Inputs (what we must manage well)

- Our people retention, capacity and capability.
- Funding/cash management:
 - Aspire** – we receive a \$750,000 market development appropriation. Aspire investments and operating expenses are met out of existing portfolio returns; which are sensitive to market conditions.
 - Elevate** – has committed \$223m of the \$300m fund.
- External stakeholder relations including our collaboration with:
 - co-investors, Government partners, other ecosystem collaborators.
 - Industry associations (eg AANZ, NZPC).
- Market development partnerships – external sponsorships and other support (e.g., YES, StartMate, MoA/Electrify Aotearoa, Tupu Toa, University entrepreneurship programmes etc).

Measures (by which to assess ecosystem performance)

Capital

Number of funds <\$50m
 Number of funds >\$50m
 Number of VC funds in second or higher vintage and >\$50m
 Amount available for VCs to invest
 Diversity of funds (GP v team)
 Number [and diversity] of Angels
 Total amount invested ex-VC
 Total amount invested by VC

Capability

Commercial returns of funds
 Amount invested by institutional, iwi and corporate investment in VC and start-ups
 Number and diversity of GPs within VC firms
 Number and diversity of investment managers within VC firms

Pipeline

Number of start-ups funded
 [Diversity of start-up founding teams]
 Number of start-ups progressing to Series A and beyond

The 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 NZGCP know it achieved the outcome?

The New Zealand Market will be:

An early-stage investment ecosystem in the globalisation phase – as characterised by increasing domestic institutional and international investment, larger amounts of funding, a focus on emerging market segments, greater access to information, and a greater emphasis on diversity.

The draft measures of success as envisioned by the Startup Advisors Council are:

- 5,000 active high-growth start-ups by 2030
- 250,000 high value knowledge intensive new jobs generated by start-ups by 2030
- 25 start-ups spun out of Public Research Organisations per year
- Every year, five start-ups reach \$100m in revenue
- Increase representation of underrepresented groups to ensure they are represented at population parity.

NZGCP as a market participant and leader will be:

- regarded as a trusted co-investment partner for early-stage investors, including but not limited to, angel groups, Seed funds, family offices, Iwi, corporates, venture capital funds and Institutional investors (both domestically and offshore). The participation of NZGCP is a catalyst to increase the number and type and capability of investors participating in early-stage investment ecosystem increases.
- maintaining its strong direct investment focus (via Aspire) into proof of concept through to Series A start-ups. With a specific focus on undercapitalised and underrepresented market segments.
- attracting a wide range of Series A/B level investors into the sector via Elevate (and otherwise) and continues to help develop the capability of those within it.
- working collaboratively with Iwi to achieve access to investment opportunities within the start-up sector and to build experience and expertise in investment.
- operating or facilitating a successful professional development framework that improves investor capability and maintains a tool that collates comprehensive data about investors and investee companies that is used by parties to collaborate and mature the ecosystem.
- regarded as setting the example for best practice as an investor and acts with integrity, fairness, and empathy in all its work.

Offshore experience suggests that it takes 20-25 years from inception to build a vibrant, resilient, and self-sustaining early-stage investment market, across the full spectrum of angel and venture capital investing. Consistent and predictable Government support for that objective is required. While angel investing may have a shorter timeframe to achieve scale and be further advanced at this point, long-term sustainability is dependent on networks and funds that can demonstrate an investment track record over successive investments.

Outcome and Measures

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

- The intended Impacts and related measures are wider ecosystem goals, that will help track ecosystem progress but are the result of many drivers, many 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 activities described under Outputs and the related 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.

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 intended Outcome. The commentary provided in this document considers longer-term plans for achieving the overall Outcome, and will incorporate effects of measures for Impact (wider ecosystem) and Output (NZGCP-specific). Please refer to the Statement of Performance Expectations for any further detail relating to the Output Measures.

External forces

NZGCP notes that the global political tensions, interest rates and inflation both at elevated levels and significant economic uncertainty are likely to have a material impact on the ability to achieve these aspirations within this reporting period to 2028.

At this point in time, NZGCP is unable to assess with any precision the likely impact on the early-stage capital markets in New Zealand, nor on NZGCP's ability to meet its qualitative and quantitative objectives. It is believed that the initiatives falling within NZGCP's remit will be significant contributors to the development of New Zealand's early-stage capital markets.

Measuring the Performance

Impact One

Increased capital available and broader range of active investors

Increased number, type and diversity of the investors base.

What success looks like:

- **Growing number of early-stage investors:** As entrepreneurship continues to gain momentum in New Zealand, there is an increase in the number of early-stage investors, including angel investors, Seed and Venture capital funds and corporate investors.
- **Diversity of the investor base** increases to include institutional funds, funds investing Iwi capital and female-led funds and sector-specific funds. This will result in more diversity across all investment groups from Angel through to venture capital. There is also greater diversity in the sector and stage focus of Seed and venture capital managers.
- **Increased capital availability** as a result of greater constitutional investment into the ecosystem and more diverse participation including Iwi, Community Trust, Corporate and offshore investors.

How is progress measured:

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

REF	MEASURES	FY21/22	FY22/23	FY24-28
1.1	Increasing number of Venture capital funds in New Zealand with a fund size less than \$50m ¹	6	11	Increasing number
1.2	Increasing number of Venture capital funds in New Zealand with a fund size more than \$50m ¹	10	18	Increasing number
1.3	Increasing number of VC funds in second or higher vintage and with a fund size more than \$50m ¹	n/a	Aim to obtain data for period ending June 2023	Increasing number
1.4	Increasing amount available for NZ VCs to invest locally ²	n/a	Aim to obtain data for period ending June 2023	Increasing amount available to invest
1.5	Increased diversity of NZ funds (GP v team) ²	n/a	Aim to obtain data for period ending June 2023	Increased diversity of GPs and VC team members
1.6	Increased number (and diversity) of NZ Angels ²	100 – 150 n/a	100 – 150 Aim to obtain data for period ending June 2023	Increased number and diversity of Angel investors
1.7	Increased amount invested by angel / seed market into New Zealand high-growth companies (p.a.) ³	\$158m	\$257m	Increased amount
1.8	Increased amount invested by the venture capital market into New Zealand high-growth companies (p.a.) ⁴	\$127m	\$321m	Increased amount

Impact One (continued)

1. These reported figures are estimated based on external information such as the Young Company Finance and NZ Private Capital annual publications, as well as NZGCP's own knowledge of and self-disclosed information received from underlying investments of the Elevate fund.
2. NZGCP sends out questionnaires on an annual basis to all the funds listed in 1.1 and 1.2 to supply the information, these are self-disclosed information and accuracy and completeness can't be verified, the numbers aim to give trend information.
3. The total amount invested by the angel/seed market into New Zealand high-growth companies as measured by *Startup Investment New Zealand* published by PwC, NZGCP and AANZ annually for period ending December.
4. The total amount invested by the venture capital market into New Zealand high-growth companies as measured by *New Zealand Private Equity and Venture Capital Monitor* published by EY annually for periods ending December.

How NZGCP contributes:

- The launch of Elevate has attracted capital from local and offshore institutional investors at a public to private ratio of 1:3.6. The original objective was to do better than 1:1 so this can be regarded as very successful to-date. In investing the remaining funding available under Elevate, NZGCP will look to continue catalysing private sector investment alongside its Crown capital.
- NZGCP will continue to work with the Government to understand how to best address future capacity and capability needs of the sector.
- NZGCP will continue to identify new sources of investment capital, including offshore investors who are seeking a credible New Zealand investment partner and lwi capital that is seeking access to quality investment opportunities in the early-stage technology sector. The number of active angel investors is expected to grow over the next five years as the profile and success of the industry continues to be raised.

Challenges NZGCP needs to navigate along the way:

Achieving the stated impacts of more and more diverse capital (and subsequent outcome) within a reasonable timeframe, is impacted by:

- **Market conditions** – current local and global economic conditions place a strain on available capital in the investment ecosystem; venture funds are raising less capital and conserving capital for their existing portfolio companies. In these circumstances, it is understandable that offshore interest in local funds and companies will reduce. Increased global connectivity for domestic funds and start-ups is critical so this will pose a major short/near-term challenge.
- **Funding certainty** – a second vintage of Elevate (or similar support mechanism for the venture capital sector) to crowd in another round of private capital into the market. The current lack of certainty on this issue will start to constrain investment by venture capital firms in staff and capability and stifle investment activity within their existing funds.
- **NZGCP's financial capability** – future operations depend on the strength of NZGCP's balance sheet and realisations from existing investments. NZGCP does not receive ongoing Government funding for Aspire so the ability to invest going forward is limited to realisations from the existing investment portfolio. Current economic conditions can be expected to delay or reduce the value of liquidity events which in turn places strain on re-investment capability.
- **Market participants** – attracting new sources of private capital to the early-stage investment market will require unlocking pools of domestic institutional capital such as managed funds including 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.
- **Venture Capital as a viable asset class** – the need to demonstrate venture capital as a viable asset class requires sufficient financial returns and this take some time to demonstrate.

Impact Two

Increased capability of investors

What success looks like:

- Steady growth in the amount of capital being invested by early-stage investors into high-growth companies.
- The increased experience and diversity of senior investment personnel within the VC sector.
- Continuous professional development of the investor community.
- Availability of comprehensive data about investors and investee companies that is used by parties to collaborate and mature the ecosystem.
- Asset class shows positive net returns and upper quartile funds' returns are comparable to international benchmarks.
- Industry research and performance is regularly reported to the market.

How is progress measured:

By 2027, if NZGCP is successful there will be a more depth and breadth of investment expertise and capital available to invest in the different stages of a start-up funding cycle, an increased number of early-stage deal flow as well as follow-on investment for a number of high-growth companies achieving commercial and global success. This will be measured as follows:

REF	MEASURES ¹	FY21/22	FY22/23	FY24-28
2.1	Commercial returns of funds in line with global averages	n/a	Aim to obtain data for period ending June 2023	Returns correlating to global averages
2.2	Increased amount invested by institutional, lwi and corporate investments in VC and start-ups	n/a	Aim to obtain data for period ending June 2023	Increased amount invested and diversity of investors
2.3	Increased number and diversity of GP's within VC firms	n/a	Aim to obtain data for period ending June 2023	Increased numbers and diversity
2.4	Increased number and diversity of investment managers within VC firms	n/a	Aim to obtain data for period ending June 2023	Increased numbers and diversity

1. These are new measures and NZGCP aims to collect this data by sending out questionnaires on an annual basis to all the funds listed in 1.1 and 1.2 to supply the information, these are self-disclosed information and accuracy and completeness can't be verified, the numbers aim to provide a trend.

How NZGCP contributes:

- NZGCP will work with the market participants and the industry associations (Angel Association and NZ Private Capital) to provide development opportunities for investors at all stages of the ecosystem.
- This will include the design and implementation of a professional development framework based loosely on NZGCP's internal professional development programme for its investment team. While on-the-ground investment and investment management experience are irreplaceable, the intention is to provide a common framework for the acquisition of relevant skill-sets and to reduce barriers to entry into the investment sector. It is anticipated that this will also align with efforts to increase the ethnic and gender diversity within the sector.
- Along with MBIE and other market participants, NZGCP is working on ways to improve the collection and publication of relevant data pertaining to the start-up sector. Currently complete data is hard to find in respect of early-stage companies and investments into those companies and the demographic make-up of founder, management and investment teams. As a key player in the sector with involvement across all stages of investment, NZGCP hopes to play a role in closing that gap.

Challenges NZGCP needs to navigate along the way:

Achieving the stated impacts around capability of investors (and subsequent outcome) within a reasonable timeframe, is impacted by:

- **Increased public investment (versus private investment)** – over the next 4-5 years it is expected that the ratio of public (Government) capital invested (for instance through Aspire), relative to private capital, will increase in the Angel/Seed space as a result of an decrease in the number of private investors relative to public sector investment due to slowing forecast global growth.
However, NZGCP expects the Aspire public to private investment ratio to decrease in the short term due to Aspire's aspirations to invest earlier and into undercapitalised and underrepresented market segments. Generally, this has involved Aspire taking a larger proportion of funding rounds than has previously been the case. This does not signal a decrease in the anticipated experience or capability of angel investors and Seed/pre-Seed venture funds but rather an acceptance of the challenges for investors to apply patient capital to very early-stage and/or complex investment propositions at a time when investment capital for new start-ups has become relatively scarcer.
- **Growth into global markets** – success for start-ups depends on those companies and entrepreneurs that show the most potential for growth receiving the support (capability, networks 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 and the expertise to assist start-up companies to scale into global businesses.
- **Global connectivity** – encouraging offshore venture investors to form partnerships with funds in New Zealand and to invest into funding rounds for the most promising companies is a vital next stage for the growth and success of the market.

Impact Three

Increased pipeline and diversity of start-up investment opportunities progressing to Series A funding and beyond

What success looks like:

- More start-ups getting to bigger Series A funding rounds faster.
- Commercialisation of technology-driven research and innovation.
- An increasing and diverse pool of skilled, talented founders.
- Government policies that support angel and venture capital investing – across innovation, capital markets, savings and investment, immigration and tax.
- More start-ups receiving funding and bigger funding round sizes.
- An increased amount of successful and larger exits.

How is progress measured:

NZGCP will report to Government annually and provide an update on progress, and challenges, in achieving the 2028 impacts

NZGCP will also assist Government and industry stakeholders in analysis and reporting relating to the ongoing activities to mature the early-stage investment ecosystem.

REF	MEASURES	FY21/22	FY22/23	FY24-28
3.1	Increased number of start-ups funded by angel and VCs annually ¹	200	325	Increased number of start-ups funded annually
3.2	Increased diversity of founding teams to reflect NZ demographics ²	n/a	n/a	Increased number and diversity of founders
3.3	Increased number of start-ups progressing to Series A and beyond	n/a	Aim to obtain data for period ending June 2023	Increased numbers of start-ups progressing to Series A

1. This measure reports the number of New Zealand high-growth companies receiving investment from the angel/seed market as measured by *Startup Investment New Zealand* published by PwC and AANZ, and by the venture capital market as measured by *New Zealand Private Equity and Venture Capital Monitor* published by EY, annually for years ending December.
2. This is a new measure and NZGCP aims to collect this data via a few channels such as companies self-disclosing it via Dealroom, NZGCP's own portfolio companies. This data will be more difficult to source, and the data should be used for trending purposes and not as precise data points.

How NZGCP contributes:

- NZGCP will work with market participants to improve and accelerate the path for quality start-ups from first commercialisation of R&D / technology innovations through to Series A funding and beyond. This involves both increasing the pipeline of start-up companies and improving their investability.
- NZGCP will continue to support market participants working with founders and start-ups to bring them to investability; and with investors, both domestic and offshore, angel and venture, to assist start up companies to scale-up their businesses and attract Series A funding (and beyond).
- This will also involve seeking to enable access to broader sources of capital such as offshore VC investors, domestic institutions and Iwi.

Challenges NZGCP and the ecosystem need to navigate along the way

Achieving the stated impacts around the pipeline of Investable Series A growth companies (and subsequent outcome) within a reasonable timeframe, is impacted by:

- **Government policy support** – continued Government support is needed to ensure that capital markets regulation, immigration settings and the savings environment is conducive to attracting experienced venture capital fund managers and angel investors into the industry.
- **Commercialisation of research** – 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. Alongside private investors (including university venture funds), Callaghan Innovation plays a critical role preparing R&D driven companies for commercial investment.
- **Pipeline** – NZGCP does not have control over the quality and quantity of the investment start-up pipeline.
- **Government capital support** – continued Government support is required to mitigate the risk of insufficient capital depth in the seed and pre-seed funding stages.

Governance and Risk Management

Shareholding Ministers

The Minister for Economic Development and the Minister of Finance are the shareholding Ministers for NZGCP.

Under the Crown Entities Act 2004, Ministers have responsibilities on matters of strategic direction, targets, funding, performance, reporting and reviews.

Shareholding Ministers are responsible for overseeing the public and Crown's Shareholding interests in NZGCP's including by:

- ensuring an effective Board is in place;
- influencing NZGCP's direction; and
- monitoring and reviewing NZGCP's performance strategic and impact.

Shareholding Ministers do not have visibility of NZGCP's 'investment pipeline' nor can they influence or approve any of Aspire's or Elevate's investment decisions.

MBIE acts as the monitoring agency for NZGCP on behalf of Ministers.

[Governance oversight for Elevate sits with the Guardians whose responsible Minister is the Minister of Finance and whose monitoring agency is The Treasury.]

Board of Directors

Directors are appointed by the Minister for Economic Development, on behalf of Shareholding Ministers, after approval by the Cabinet. Appointments are governed by the provisions of the Companies Act 1993, Crown Entities Act 2004 and the NZGCP Constitution.

The Board is committed to the highest standards of corporate governance. The Board establishes all strategic priorities and all decisions about operations are made under its authority.

Board level risk governance:

The Board is ultimately accountable for ensuring the key strategic risks to NZGCP meeting its stated objectives are identified, managed, and mitigated.

Committees of the Board:

The Board has established two committees to review specific areas with management and to advise the Board on specialist matters:

- The People & Culture Committee, which assists the Board in discharging its responsibilities relating to human resources, policies and processes, organisational capability and culture, remuneration policies, health and safety policies and compliance with the relevant legislation.
- The Audit & Risk Committee, which assists the Board in discharging its responsibilities relative to its oversight of enterprise-wide risk management, financial management, financial and non-financial reporting, and legislative compliance.

Chief Executive Officer (CEO)

The CEO is appointed by the Board and has delegated responsibility from the Board for the day-to-day management of NZGCP's operations. While the CEO may delegate certain authority downwards into the organisation under NZGCP's Delegation of Authority Framework, she/he remains accountable to the Board.

Beyond the Delegation of Authority Framework (which is approved by the Board), the CEO can further delegate certain responsibilities to the Chief Investment Officer (CIO), the Chief Financial Officer (CFO) or the Head of People and Culture. These roles make up the Senior Leadership Team – along with the CEO.

NZGCP Legislative Framework

Companies Act 1993: NZGCP is incorporated under the Companies Act 1993. The Board, Directors and Shareholding Ministers have the rights, powers, duties and obligations set out in the Companies Act, except to the extent they are negated or modified in accordance with the Companies Act 1993 or by NZGCP's Constitution.

Venture Capital Fund Act 2019: Elevate is incorporated under the Venture Capital Fund Act 2019 that provides for payments into and out of Elevate, provides for the Guardians to manage and administer the fund, requires the Guardians to invest the fund into the NZ venture capital markets, empowers the Minister to give certain directions in respect of the fund and provide for other matters.

Crown Entities Act 2004 (CEA): NZGCP is a Crown entity company listed in Schedule 2 of the CEA. Under the CEA, NZGCP has obligations to provide information to Shareholding Ministers, to prepare a Statement of Intent and Statement of Performance Expectations, to provide an Annual Report on its operations, to be a good employer, and to give effect to directions to support a whole of Government approach, amongst other things.

Public Audit Act 2001: Under the Public Audit Act 2001, the auditor of NZGCP is the Controller and Auditor General. The Auditor General undertook the annual audits of NZGCP from its incorporation in 2002 to 2019. Since then, the Auditor General has appointed EY as external auditor to undertake the audit of NZGCP on his behalf.

Official Information Act 1982 and the Ombudsmen Act 1975: NZGCP is required to comply with each of these acts, which require certain official information to be released on request, subject to commercial sensitivity and other withholding grounds.

Organisational Health and Capability

NZGCP funding and financial management

Alongside the launch of Elevate, the Crown restructured the funding of NZGCP in 2020. There are currently three components to the funding of operations. These are:

- All costs related to Elevate are reimbursed to NZGCP (as manager) at cost from Elevate's capital pool. The Guardians administer this process.
- The Crown provides an annual appropriation of \$750,000 for the market development programme; and
- The remainder of NZGCP's operational costs is met out of its own balance sheet – from which investments via Aspire are also met.

NZGCP works prudently to manage the multiple financial and resource demands on what is a small organisation within a reasonable budget, recognising that its operating costs reflect the additional resource demands stemming from being a Crown entity and reflecting the market development objectives.

As stated, NZGCP funds its internal operational costs and its direct investment activity from its own balance sheet. NZGCP does not receive any funding for investment by Aspire and is therefore dependent on liquidity events within its existing portfolio to generate future funding capability.

In terms of managing its cash forecasting and ensuring that ongoing investment is possible, it should be noted that the pace and size of liquidity events within existing investments are inherently uncertain and are rarely within the sole control of NZGCP. Generally, neither Aspire or the VIF 1.0 programme can initiate such an event for portfolio companies or holdings as they are typically holding small percentages of the relevant company's equity and not in a controlling position.

As the timing and number of realisations are largely outside of NZGCP's control, this creates a high level of uncertainty and NZGCP therefore manages its cashflow position actively to ensure that it does not make investment commitments above its financial capacity. Due to the uncertainty around liquidity events and the projected investment spend, it is possible that cashflow might become restrictive during FY24 and options such as restricting ongoing investment spend or moving out of existing investments at a discount might have to be considered.

Financial management policies

NZGCP's financial statements are prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

NZGCP's financial statements are prepared in accordance with Tier 2 Public Benefit Entity (PBE) accounting standards and disclosure concessions have been applied. The Company has elected to report in accordance with Tier 2 PBE accounting standards as the entity is not large and does not have public accountability as defined in the Accounting Standards Framework. Under the Companies Act 1993 (s201), NZGCP is required to complete and submit its financial statements within five months of its balance date of 30 June.

For fiscal reporting purposes, NZGCP is required only to submit its annual audited report and accounts to The Treasury and is required to provide budget forecast and quarterly reporting. NZGCP does provide quarterly updates to Shareholding Ministers.

Maintaining an effective and capable organisation

NZGCP is a small organisation with 23 permanent staff as at June 2023. Due to its specialised nature and the restrictive investment talent pool in New Zealand, NZGCP does “blind” scenario modelling tests during its recruitment process to ensure it controls for unconscious bias and recruits from a diverse pool people that are analytical, have an entrepreneurial mindset, open minded and love continuous learning.

The flexible working environment is designed to enable staff to balance work, family and other commitments and all staff are equipped to work remotely. NZGCP supports staff to develop their professional skills and become the best they can be, in a positive working culture. NZGCP’s organisational structure is outlined below.

To ensure the success of its organisational health and capability, NZGCP continues to focus on embedding the purpose, vision, values and culture as a meaningful part of the business.

Significant work has been undertaken over the last 2-3 years to ensure a positive working culture for staff and a recent staff engagement survey indicates that good progress has been made. Nonetheless, through an active Diversity and Inclusiveness working group and otherwise there are a number of programmes underway in the areas of:

- Creating a positive feedback culture where constructive feedback is welcomed.
- Bi and multi-cultural awareness and a better understanding and integration of Te Ao Māori.
- Mental wellbeing and resilience.
- Leadership development.



* Senior Leadership Team

Organisational Health and Capability (continued)

During FY23 NZGCP revisited its cornerstone beliefs (set in 2020-21) and created a new set of values by which it intends to measure how it operates both internally and externally.

We are curious	We uplift	We move the needle
<p>We seek to learn, understand and share knowledge in a world that is not black and white.</p>	<p>We are empathetic, put heart into our work and bring the best out of each other – team mates, founders and industry partners.</p>	<p>We recognise the impact we can have – we back those who strive to solve the world’s great issues, and we action change to encourage positive shifts in our early-stage investment ecosystem.</p>
<p>We embrace technology, innovation and entrepreneurship – to back bold ideas for growth.</p>	<p>We care and connect on a personal level and are constructive in helping each other up in an ever-changing environment.</p>	<p>We aspire to build a lasting positive legacy through delivering great results for all stakeholders.</p>
<p>We explore smarter ways to maximise value and to stay ahead of the game.</p>	<p>We amplify collaboration by playing to strengths, leveraging and celebrating diversity of all those we work with.</p>	<p>We help position Aotearoa on the world stage through tech investment and genuine support – creating a better tomorrow for the world.</p>

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.

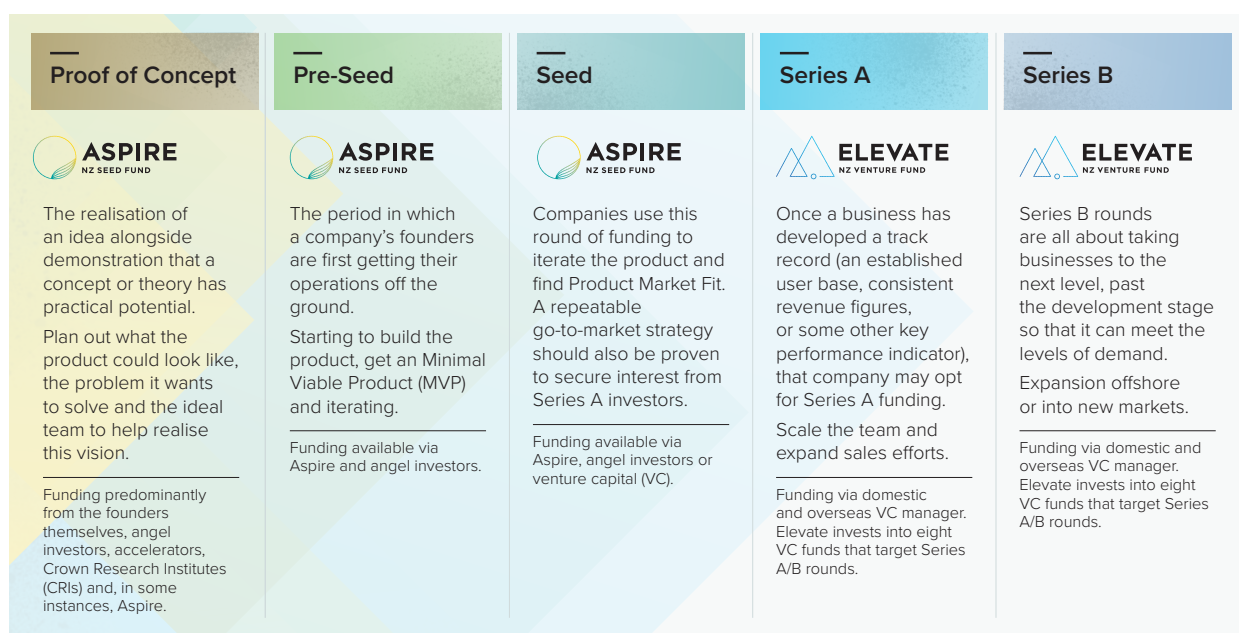
Venture Capital Fund (VIF 1.0)	
Net Asset Value	\$16m as at 30 June 2022.
Type of Fund	No further active investments – the fund is winding down. NZGCP invested through privately managed venture capital funds or co-invested alongside venture capital funds.
Investment Size	Outstanding commitments of ~\$0.8m as at 30 June 2022. \$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).

Aspire NZ Seed Fund (Aspire)	
Net Asset Value	\$155m as at 30 June 2022.
Type of Fund	A co-investment fund. NZGCP invests directly into tech-driven start-up companies (alongside private investment partners).
Investment Size	Varies.
Investment Stage	Proof of concept up to Series A.
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 technological innovation within these industries).

Elevate NZ Venture Fund (Elevate)	
Size of Fund	\$300m
Type of Fund	A venture capital fund-of-funds programme. NZGCP invests alongside private sector investors through privately managed venture capital funds. Overseen by the Guardians of the NZ Superannuation Fund which operates as Limited Partner.
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 both directly and through venture capital funds 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.



ANNEX 2: Glossary

AANZ	The Angel Association of New Zealand, a non-profit organisation established to increase the quantity, quality and success of angel investment in New Zealand.
Angel investor	A wealthy individual or professionally organised firm or group that invests in entrepreneurial funds. 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 stage	An investee company is at the angel 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. This stage is generally the stage prior to, or the same as, the Seed stage.
Aspire	The angel and Seed stage co-investment mandate and related investment activities undertaken by Aspire NZ Seed Fund Limited, a wholly owned subsidiary of NZGCP.
Board	The board of directors of NZGCP.
Crown entity	An organisation that forms part of New Zealand's public sector, as defined within section 7(1) of the Crown Entities Act 2004. Crown entities are legal entities in their own right.
Deep-tech companies	These are start-ups with the expressed objective of providing technology solutions based on substantial scientific or engineering challenges.
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.
Elevate	Elevate NZ Venture Fund, the \$300 million venture capital fund established under the Venture Capital Fund Act 2019 and managed by NZGCP on behalf of the Guardians.
Elevate NZ Venture Fund LP	The fund-of-funds vehicle formed to invest the \$300 million venture capital fund established under the Venture Capital Fund Act 2019 and managed by NZGCP on behalf of the Guardians.
Expansion stage	An investee company is at the mid-expansion stage of its development if the investment provides capital to expand commercial production and marketing, and where the company is normally breaking even or trading profitably.
Fair value	The amount paid in a transaction between participants if an asset were expected to be sold in the open between a willing buyer and a willing seller.
Fund-of-funds	A fund that invests primarily in other externally managed funds as opposed to individual investee companies.
Guardians	The Guardians of New Zealand Superannuation, an autonomous Crown agency which invests and manages the New Zealand Superannuation Fund and Elevate. The Guardians has delegated management of Elevate to NZGCP.

Liquidity	The degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price.
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.
Mandate	An official order or commission to undertake something.
MBIE	The New Zealand Ministry of Business, Innovation and Employment.
NZGCP	New Zealand Growth Capital Partners Limited, a New Zealand Crown agency and the entity to which this Statement of Intent relates to.
Portfolio	A portfolio can be thought of as a pie that is divided into pieces of varying sizes, representing a variety of asset classes and/or types of investments to achieve an appropriate risk-return portfolio allocation.
Private markets	Investments not traded on a public exchange or market.
Seed stage	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.
Series A and B capital	Capital provided, usually by institutional venture capital funds, into investment rounds in the \$2 million to \$20 million range.
Start-up	An investee company is at the start-up stage of its development if the investment will enable actual business operations to commence. This includes further development of the company's product(s) and initial production and marketing
Statement of Intent (SOI)	A document that identifies, for the medium term, the main features of intentions regarding strategy, capability and performance. SOIs are developed after discussion between an entity and its Minister(s). Once finalised, the SOI is tabled in Parliament.
Statement of Performance Expectations (SPE)	Enables the responsible Minister to participate in setting the annual performance expectations of the Crown entity. The SPE reports on the Crown entity's performance against expectations set out in the SPE, prepared before the start of the year.
Underlying Fund	A venture capital fund that Elevate has invested in.
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 fund or firm. Funds typically have a five-year investment period and a ten-year life.
Venture capital manager	The management team and/or entity (usually a dedicated entity made of investment professionals) that is contracted to manage a venture capital fund.
VIF 1.0 fund	The legacy Venture Investment Fund, a venture capital fund-of-funds established in 2002 and managed by NZGCP. This is a closed mandate i.e. it is not making any new investments.

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