



Fund aims to 'crash start' investment

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A group of original Trade Me investors is seeding a new venture capital fund to help more early-stage companies.

Wellington investment firm Movac, which consists of several of the first Trade Me shareholders, has announced a new growth capital fund in conjunction with the New Zealand Venture Investment Fund.

The fund, of between \$25 million and \$50m, aims to crash-start New Zealand's high-risk venture capital industry, which has been struggling to find financiers following the financial crisis.

Movac managing partner Phil McCaw said a growing number of angel-funded companies had no access to critical "follow-on" capital for expansion.

"The new fund represents a shift in focus for Movac from start-up angel investment to early expansion," he said.

Mr McCaw, who has described the developing pipeline of cash-strapped angel firms as "a train wreck coming", said the fund hoped to invest in eight to 10 young technology companies with a focus on overseas expansion.

Movac is aiming to close off the fund initially by late May.

The former Trade Me shareholders will commit \$10m and NZVIF will contribute between \$10m and \$20m – up to \$1 for every \$1.50 Movac raises from private and institutional investors.

Mr McCaw acknowledged it would not be easy in the current climate. "We think we've done the work to get there, and we're in the process of seeing whether that will convert over the line."

One of the Movac fund's first investments will be PowerByProxi, which has commercialised world-leading technology developed at Auckland University to transmit electricity wirelessly.

"PowerByProxi is expanding into North America and Europe and has excellent prospects. It would be great to see the company access the investment it needs to expand while remaining a New Zealand company," Mr McCaw said.

The Movac fund will invest \$2m in PowerByProxi.

Angel funding has been growing strongly in New Zealand, with more than \$50m invested in the past year. But venture capital funds, which occupy the space between angels and private equity, have virtually ground to a halt because of a flight from risk.

NZVIF chief executive Franceska Banga said venture capital had already helped several Kiwi companies make their mark overseas, including BioVittoria, Orion Health and Zephyr Technology.

However, new funds were needed to help other companies get through the start-up and expansionary periods to the point where they were profitable and could access the sharemarket or private equity funding.

If successful, the new Movac fund will be the first to be established since NZVIF backed six venture capital fund managers in 2002, all of which have finished investing.

Mr McCaw said he knew of five groups trying to get venture capital funds off the ground.

Wellington entrepreneur Neville Jordan recently announced plans to list a \$50m investment fund on Germany's Deutsche bourse, which would be open to retail and institutional investors in New Zealand and overseas.

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