



## Radical rethink needed for venture capital

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Some of New Zealand's fund managers are calling for more government intervention and radical new thinking to save the country's struggling venture capital (VC) industry.

"We have a crisis situation in venture," said Tony Bishop, managing partner at iGlobe Treasury Management - one of four original venture capital fund managers chosen in 2003 by the Government's Venture Investment Fund (NZVIF) to kick start the country's VC industry.

iGlobe is hoping to close its second fund this year, more than a year after it had originally hoped because of the lack of funds in the market. Bishop has abandoned the New Zealand market and is now solely focused on raising funds in Asia.

Supporting Bishop's Asian talks is NZVIF chief executive Franceska Banga. Talks with the Taiwanese government are looking "very promising", Banga told Unlimited magazine.

New Zealand needed to be more proactive on a sovereign-to-sovereign level in Asia, she said. The Government should also invest some of the \$560 million pledged to its "wealthy migrant" investment pool to high growth companies, and relax NZVIF's strict rule of \$1 of public for \$2 of private capital.

After all it is equity, she said.

Phil McCaw, director of early stage fund management company Movac - the only manager openly raising VC in New Zealand at the moment - agrees more intervention is needed.

You need a track record and proof of returns to maintain a healthy VC industry, but New Zealand's at least another decade away from being able to do that., he said. Until then, we should stop being so "puritanical" in our approach to non-market intervention.

Our two major institutions, New Zealand Super fund and ACC, should be forced to allocate a fraction of their capital to this asset class, said McCaw. "It could be very, very small but it would be very important in terms of the economic stimulus it would have and how that could drive job creation, which in turn drives wealth creation, which drives savings, which drives back into the country's capital pool."

New Zealand must be more innovative in its thinking if its fledgling VC industry is to survive and grow, said Colin McKinnon, executive director of the New Zealand Venture Capital and Private Equity Association.

"What about crowd funding - using social media to raise funds for businesses?"

The idea's being discussed seriously at US Congress level, and if they give it the thumbs up perhaps we should set up something similar, he said.

"It would certainly be more fun than venture capital at the moment - where you put your money in the hands of a manager and wait 12 years to find out if you've done any good."

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