

Investing in Private Markets

Asset Allocation Summit 2010





Topics

Capital Markets Report

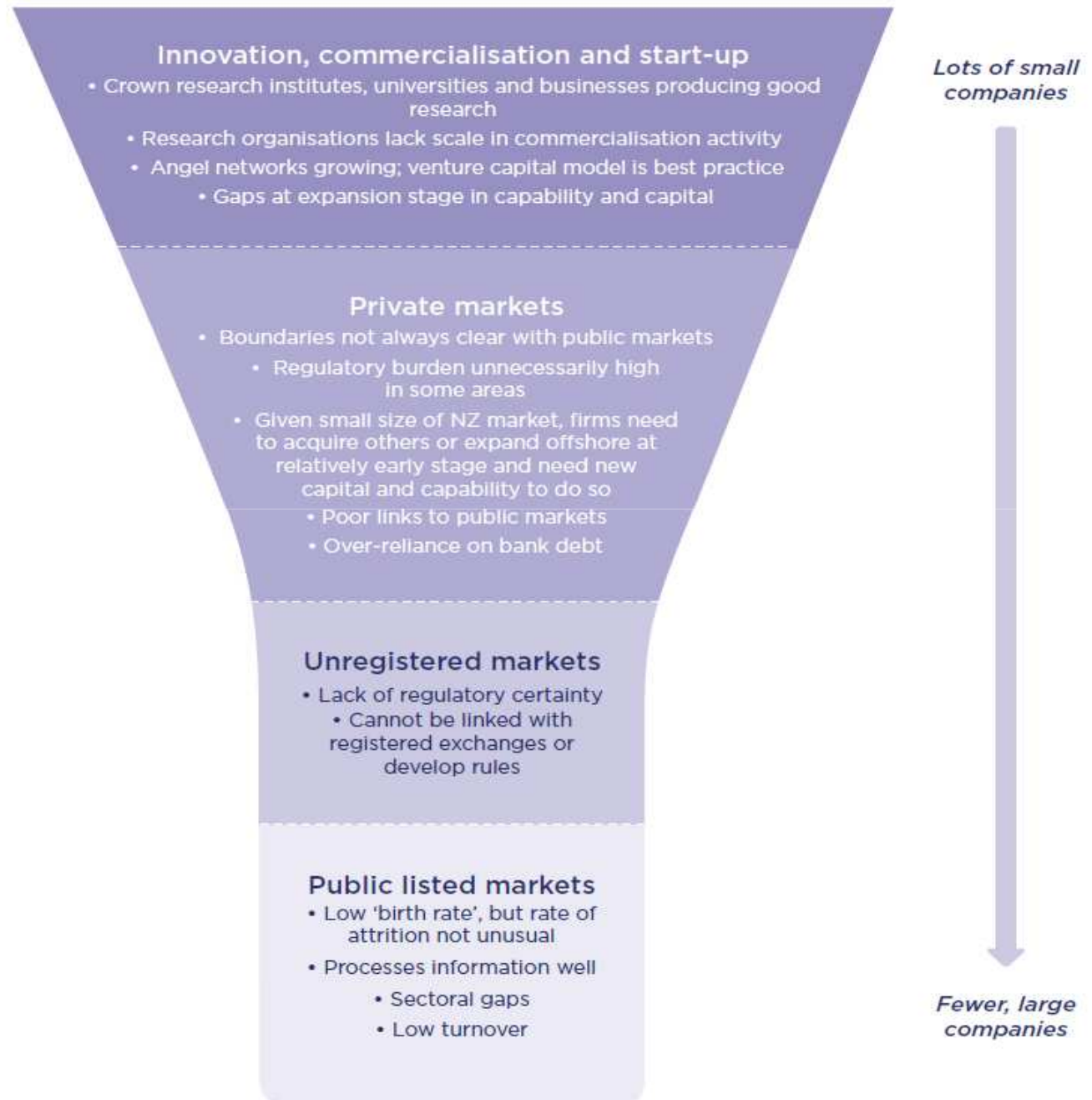
NZ Private Markets

Investment Opportunities

Kiwi Innovation Fund



Figure 3. Equity market observations





Capital Markets Report

Free up private markets!

- Review Securities Act – revise exemptions – a set of clearer broader exemptions in respect to registered investors, professional investors, wealthy investors, small offers etc
- Financial Advisors Act – exclude those outside scope of Securities Act
- Reduce tax bias between different investments
Reduce tax uncertainty – for non-resident partners of NZ limited partnerships
- New investment products – innovation!



NZ Private Markets

- **The Good**
 - \$550m raised for PE over last 2 years
 - Angel is thriving - \$50m invested last year
- **The Bad**
 - Institutional investor participation still low, under 1%*
- **The Ugly**
 - Institutional investor support for high growth pipeline is absent

*6% average commitment of major Aussie super funds to PE

Why aren't you investing?



Diversification





Returns

NZ HORIZON IRR to 30/6/07

5 Year

NZ Private Equity (Net)

22.1%

NZX 50 (Gross)

16.7%

OFFSHORE RETURNS IRR

5 Year

10 Year

Australia PE

17.7%

14.9%

S&P/ASX3000 (Accumulation)

12.3%

12.8%

US Private Equity

3.6%

11.4%

S&P 500

0.7%

6.6%

!Returns update – June 2010!

Cash on cash return of 2.6x, IRR of 21%

Ave. holding period of 4.5 years



NZVIF 'J-Curve' Projected and actual returns





Value to NZ

- NZVIF VC portfolio 2003-09
- 48 companies

Capital raised	\$438m
Exports	\$564m
Revenues	\$674m
NZ Tax paid	\$63m



Food - BioVittoria – natural food ingredient company providing zero calorie natural sweetener.





Niche manufacturing – YikeBike The world's 1st superlight, fold-down bike

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The Best Inventions

The YikeBike

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DAVIES AND STARR FOR TIME



It's like getting your first Big Wheel all over again — and you don't even have to pedal. An innovative bicycle-design concept derived from the old-fashioned penny-farthing, the YikeBike is a folding electric bicycle out of New Zealand. The rider sits on the seat, holds on at the sides and zooms around at a top speed of 12 m.p.h. (20 km/h). You lean left or right to steer, and it even comes with electronic antiskid brakes. The first 100 YikeBikes will be road-ready by mid-2010 in New Zealand as well as the U.K. and selected

other countries in Europe.

The YikeBike weighs roughly 20 lb. (9 kg) and runs on a lithium phosphate battery that can be charged to 80% capacity in 20 minutes





Healthcare - Software

- **AUCKLAND – June 29, 2009** – Orion Health, a market leader in providing clinical workflow and integration technology, today announced a major milestone for the company and the adoption of its solutions around the world. Nearly 200,000 physicians in more than 500 hospitals are using Orion Health Concerto™ portal to access critical health data stored in electronic health records (EHRs).



Engineering

FlexiDRILL develops unique solutions for directional drilling products. Its products are designed to operate as an attachment “tool” for excavators and backhoes.





Healthcare

A natural pharmaceutical product targeted at immune-related conditions. Its first product addresses childhood eczema.



Before



After



Software



Zephyr Technology's products allow for remote measuring and monitoring of the vital signs of individuals and teams in training or when deployed in hazardous environments.

Creative media – Pukeko Pictures



Why aren't you investing?





- Value to NZ 
- Returns 
- Diversification 
- Product 
- Liquidity 
- Capacity 



Kiwi Venture Fund

Investment focus

- high value sectors, export focussed companies
- established plus new companies and funds
- growth companies
- NZ's best and brightest entrepreneurs

Product

- pooled product
- fully managed, fund of funds and co-investment
- some liquidity features
- diversified across managers, sectors
- best practice LP structure and governance



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