MEDIA ADVISORY

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NZVIF Investment Report

Attached is the NZVIF Investment Report for the year to 30 June 2015. It is the second such report on the performance of NZVIF's two funds – the Venture Capital Fund and the Seed Co-Investment Fund.

KEY POINTS

- NZVIF has invested $148 million alongside $488 million raised from private partners. Another $1.23 billion was raised from private investors who have invested subsequently. The overall leverage effect is $1 of NZVIF investment to $11 of private capital.
- NZVIF had invested $148 million into the 190 companies across the VC and SCIF portfolios. The total value of those investments at 30 June 2015 was $156 million.
    - The portfolio's value is volatile. As at 31 December 2015 (post the reporting date), the total value of investments was $181.6 million.
    - The post-GFC Venture Capital funds showed returns on investment of $1.54 for every dollar invested with an IRR of 12.7 percent per annum. Across all the VC funds (which includes those impacted by the GFC), the return on investment was $1.11 for every dollar invested.
    - The Seed Co-Investment Fund had invested $38.2 million. The total value of the SCIF portfolio (including cash returned) was $39.6 million.
- SCIF backed companies averaged 55 percent annual revenue growth and VC Fund-backed companies averaged 37 percent annual revenue growth.
- Two new sharemarket listings were achieved with Orion Health joining the NZX in November 2014 and Martin Aircraft listing on the ASX in February. These IPOs take the number of NZVIF listed companies to seven. (Post 30 June 2015, Adherium has also listed, taking the total to eight.)
- The total amount invested by NZVIF to date is $147 million while the total PAYE tax paid back to the Crown by companies in which NZVIF has invested is $160 million.
- The overall VC investment in the 12 months to 30 June 2015 was down on the previous year but the capital raised from offshore increased significantly.

COMMENTARY

The investment performance to 30 June 2015 highlights both the volatility of early stage investing and the reliance on a few 'outlier' investments to generate the bulk of the returns. The overall portfolio result is positive based on a very conservative valuation assessment. While it is down on the previous year, this is due mainly to the volatility of listed portfolio companies, which now comprise over 40 percent of the value of NZVIF's portfolio. The volatility is illustrated in that - post the reporting period - the portfolio's value rebounded from $156 million to over $181 million at 31 December.

The report illustrates the positive performance of the venture capital funds post-GFC. The first cohort of funds suffered through the challenging environment of 2008 to 2010. Those venture capital funds established since have delivered much better investment returns, and benchmark well alongside venture capital funds internationally.

New Zealand's venture capital and angel investment sector are still at relatively early stages of development. In the early 2000s, we had very few angel investors and no venture capital funds. NZVIF was then established in 2002 with the goal of catalysing venture capital investment in New Zealand. At that time there was a virtual absence of risk capital available for young technology companies, as well as a lack of the formal investment structures and institutional capital required to support those companies as they grew.

The picture in 2015 is very different. Over the past year, alongside NZVIF's investment, its venture capital fund partners invested $21.5 million, and its angel investor partners invested $16.6 million. Including other private investment, a total of around $85 million was invested into start-ups during the year.

Across both funds since establishment, NZVIF has invested $147 million as part of total investment of $1.7 billion, producing an overall public/private fund leverage effect of 1:11.

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