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Seed Fund hits maiden ton

The New Zealand Venture Investment Fund's Seed Fund is now investing \$5 million a year into start-ups alongside angel investors, and recently invested into its one hundredth company.

NZVIF established the Seed Co-Investment Fund (SCIF) in 2006 to support the development of angel investment in New Zealand. Angel groups apply to partner with SCIF. When an angel partner invests with a start-up company, NZVIF is able to match the private capital invested on a 1:1 basis.

Year to 30 June	Angel Partners	Investee Companies	Amount Invested (\$m annual)	Amount Invested (\$m cumulative)
2006	2	1	\$0.2m	\$0.20m
2007	4	4	\$0.70m	\$0.90m
2008	8	18	\$2.54m	\$3.44m
2009	9	27	\$3.27m	\$6.71m
2010	11	41	\$3.26m	\$9.97m
2011	12	61	\$4.99m	\$14.95m
2012	14	77	\$4.38m	\$19.33m
2013	14	96	\$5.20m	\$24.53m
2014	14	115	\$5.40m	\$29.93m

A decade ago, angel investing was minimal in New Zealand. In the last year, SCIF invested over \$5 million as angel investment (as measured by the Young Company Finance Index) hit a record level of over \$50 million.

The fund has now invested into over 100 companies, and its portfolio ranges from hi-tech robotics to healthcare, agri-tech to paint tinting technology, and a range of software companies. They include Invert Robotics, Puteko, D'Arcy Polychrome, Booktrack, Nexus6, Mesynthes, Hydroxsys and Rokit Apples. GreenButton, which was recently bought by Microsoft, was part of the portfolio.

NZVIF chief executive Franceska Banga said the Seed Fund portfolio showed the diverse depth and breadth of technology emerging New Zealand companies.

"Puteko, which we invested in alongside Sparkbox Ventures when it was an idea being commercialised by young developers in Christchurch, is developing unique animation software which creates 3D images from 2D. There is huge interest in it in Japan and the USA, and the company recently raised over \$1 million in new capital.

"Rokit Apples is a Hawkes Bay company backed by angel investors from Tauranga. It has taken unique miniature apple technology developed by scientists at Crop and Food which it has transformed into a healthy snack food available in retail chains like Starbucks and Marks and Spencers across Asia, Europe and the USA. It hopes to be the next Zespri.



“Companies like Mesynthes, Hydroxsys and Rokit Apples illustrate the range of applications emerging from New Zealand’s traditional strengths in the primary sector.

“The major area of investment is in software and services. Trademe and Xero demonstrated the potential of creating world-class software companies in New Zealand. Angel investors are now backing a lot of new start-ups in the sector. Over 40 percent of the SCIF portfolio companies are software related.”

Franceska Banga said it is too early to be able to predict the fund’s overall investment performance, as most of the companies are still at a very early stage.

“We have, however, seen some healthy returns from exits from Halo IPT and GreenButton. The rule of thumb is that most companies will fail but a few very good performers will bring positive returns overall across a portfolio.

“Since the fund’s establishment, NZVIF has entered into 15 partnerships with angel groups and New Zealand has seen considerable growth in angel investing. But it is still in its infancy. In the USA, angels invest around US\$20 billion a year – six times the level of angel investment we have here in New Zealand.

“While it is good to see new angel investment networks establishing – such as Flying Kiwi Angels and Arc Angels - some established angel groups have, over the past couple of years, closed down or reduced investment activity. We need a stream of new groups and new capital entering the market, adding to and complementing a range of existing angel networks and funds to build the market to a sustainable level.”

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