
FUNDING FOR NEW VENTURE CAPITAL FUNDS

Supporting VC funds to establish in Victoria

BACKGROUND

Victoria's startup ecosystem has undergone phenomenal growth in the past few years. There are now over 3,200+ startups in the State, and for the past two years over \$2b has been invested annually into Victorian startups. However, LaunchVic's data shows while the overall investment into Victorian startups has grown dramatically in recent years, there is a continued lack of early-stage venture capital.

Victoria is home to a small number of high-quality early-stage venture capital (VC) funds, including some that have been established with the support from LaunchVic through accelerator grants (e.g. Skalata Ventures) or angel network grants (e.g. Archangel). Together, Victoria's VC funds play an important role in growing the Victorian startup ecosystem. However, the increase in number of quality startups, combined with the continued lack of early-stage capital, is exacerbated by the lack of Victorian-based VC funds.

There is more work to do to help grow Victoria's early VC investor landscape. By providing operational and establishment funding LaunchVic seeks to encourage the establishment of more, experienced VC funds in Victoria, providing avenues for investment for our growing early-stage startups.

OBJECTIVES

The objectives of this funding are to support new VC funds to establish in Victoria - by providing up to \$300,000 (exclusive of GST) over 2 years to cover establishment (including legal fees) and management costs.

The VC funds are expected to increase access to early-stage capital by Victorian Startups.

DEFINITIONS

The below definitions apply to this Funding Round:

New VC Fund may include “Brand New VC Funds” or “New to Victoria VC Funds”.

Brand New VC Funds where the manager has not previously raised a VC fund before, but agrees to open an office in Victoria with a Partner that permanently resides in Victoria; and

New to Victoria Funds are existing funds with a head office interstate or overseas, that have not yet established an office in Victoria, but agrees to open an office in Victoria with a Partner (or equivalent member of the Senior Management Team) that permanently resides in Victoria.

Startups are technology-based businesses with high impact potential, that use innovation and/or address scalable markets. Their product/service/platform/hardware is driven by technology. Examples of technology include software / applications, artificial intelligence (AI), blockchain, advanced manufacturing & robotics, Internet of Things (IoT), big data analytics, augmented / virtual reality, 3D printing, advanced materials, genomics & life sciences (including biotech & medtech) and autonomous vehicles.

Angel Investor is an investor with a high-risk appetite who provides seed investments into early-stage startup ventures, prior to institutional investors including venture capitalists. Typically, Angel Investors provide more than investment alone – they bring business experience, mentorship and networks that can help the invested startup accelerate its growth.

Angel Network is a formalised group of Angel Investors that collectively evaluate and invest in entrepreneurial ventures. For the purposes of this funding round, Angel Networks include:

- Angel syndicates/groups where individual Angel Investors join together with other angels to evaluate and invest in entrepreneurial ventures; and
- Angel networks that match entrepreneurs and Angel Investors, but remain neutral and generally refrain from formally evaluating business plans or angels.

Establishment Costs include legal and accounting fees related to any fund establishment, company registration, and costs associated with establishing a new office for a New to Victoria VC Fund.

Operating Costs include staff salaries, rent, event costs, insurance, accounting and legal costs, marketing and promotion costs, reasonable travel costs, and other reasonable operating costs.

Lead Partner will be a Partner of the New VC Fund (or equivalent), who will lead the activities of the New VC Fund in Victoria and will be permanently based in Victoria as their primary place of residence.

Victorian Startup means the startup must have at least 50% of its assets and employees located in Victoria and the business must be registered in Victoria.

ELIGIBILITY

Applicants must satisfy the following eligibility criteria:

1. The Lead Partner(s) for the New VC Fund must have demonstrable and significant experience in venture investments into pre-seed, seed and early-stage startups evidenced by at least one of the following:
 - i. Having held a senior position at an existing VC fund for at least three years, contributing to investment decisions;
 - ii. Managing an angel network, including participation in management / investment committees meetings; or
 - iii. Managing a personal or family office startup investment portfolio of at least 10 startup investments over three years.
2. Applicants must be seeking funding to either:
 - i. support the establishment of a Brand New VC Fund in the State of Victoria by registering a company in the State of Victoria through ASIC; or
 - ii. enable a New to Victoria VC Fund currently registered with ASIC outside of the State of Victoria to establish its first official branch/office in the State.
3. Lead Partner(s) for the New VC Fund must commit to permanently reside in Victoria.
4. Applicants must be seeking to raise a fund of at least \$10 million with a focus on investing in Victorian Startups.
5. Applicants seeking up to \$300,000 (exclusive of GST) over 2 years are eligible; and

6. Applications must be submitted via the LaunchVic online application system and will be accepted on a rolling basis until all funding has been allocated.

The following applicants are ineligible to apply:

- ☐ Existing VC funds operating in Victoria that have achieved a final close of the Fund for which this application relates.
- ☐ Applicants seeking funding for another proposal unrelated to establishing a New VC Fund.

All applications will be assessed for eligibility by LaunchVic. Applications that do not meet the eligibility criteria will not be assessed.

If you are unsure about your eligibility, please contact the [LaunchVic Grants Team](#).

KEY ASSESSMENT CRITERIA

Applicants are required to address the following Key Assessment Criteria via the LaunchVic online application system. Included below are the required responses and the maximum word count for responses.

	CRITERIA	RESPONSE
1. VC Fund Overview	a) Describe the proposed VC Fund, including investment thesis, taking note of any industry (vertical), technology (horizontal) or social (diversity, inclusion, and underrepresented founders) focus.	250 words
	b) Outline why LaunchVic funding is required.	100 words
	c) Upload a Timeline of fund operations, including establishment of legal structure (if applicable), capital raising period (if applicable), investment period and post-investment period.	Upload
2. Experience	a) Who is the Lead Partner(s)?	Name, LinkedIn, Upload CV

	<p>b) Please provide a capability statement of the Lead Partner(s) including:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Capital raising experience. <input type="checkbox"/> Experience in investing in early-stage startups, including methodology to assess prospective investments. <p>If you have held a senior position at an existing VC fund, provide:</p> <ul style="list-style-type: none"> <input type="checkbox"/> A list of startups investments you led / managed (including number and amount of capital allocated) <input type="checkbox"/> Total Funds Under Management of the Fund <input type="checkbox"/> Total no. investments into early-stage startups made by the Fund <input type="checkbox"/> Total amount of capital invested into early-stage startups made by the Fund <input type="checkbox"/> Fund performance (including any unrealized returns and where applicable, historic gross and net IRR and times money). <p>If you manage(d) an angel network, provide:</p> <ul style="list-style-type: none"> <input type="checkbox"/> A list of investee startups (including no. of investments and amount of capital allocated) <input type="checkbox"/> Financial performance of the portfolio (including any unrealised returns and where applicable, historic gross and net IRR and times money). <p>If you manage(d) a personal or family office startup investment portfolio provide:</p> <ul style="list-style-type: none"> <input type="checkbox"/> A list of investee startups (including no. of investments and amount of capital allocated). <input type="checkbox"/> Financial performance of the portfolio (including any unrealised returns and where applicable, historic gross and net IRR and times money). 	Upload (no more than 1 page)
	c) Who are the proposed members of the Investment Committee?	Names LinkedIn Upload CVs
	d) Please provide a capability statement of the Investment Committee.	250 words
	e) Upload two letters of support for the Lead Partner, from two existing VC Fund Managers.	Upload

3. Budget	a) Budget: Outline the expenditure of LaunchVic funds	Table
	b) Will other cash contributions be made to support the establishment of the New VC Fund? If yes, please detail the amount and how these funds will be used and provide evidence of commitment. (Co-contributions will be viewed favourably.)	100 words Upload
4. Capital Raising	a) What is the size of the VC Fund? <input type="checkbox"/> For a brand New VC Fund what is the targeted final close? <input type="checkbox"/> For a New to Victoria VC Fund what FUM are available to prospective/future investments in Victoria (ie unallocated FUM), what is the remaining investment period for those funds?	50 words
	b) Capital Raising Strategy: For a Brand New VC Fund, please describe your capital raising strategy including: <ul style="list-style-type: none"> ○ Capital raising process; ○ Timeframe of proposed capital raising; ○ Target investors (e.g. # of investors, investor type, location); ○ Any existing committed capital that is proposed to be allocated to the New VC Fund (if applicable) For a New to Victoria VC Fund, do you plan to undertake capital raises in the next two years? If so, how much do you expect to raise?	150 words
5. Investment Strategy	a) Please describe your investment strategy including how you will support Victorian startups.	100 words
6. Operating Model and Structure	a) What is the legal and ownership structure of the New VC Fund?	100 words
	b) Upload the proposed organisational structure for the New VC Fund	Upload
	c) Do you currently have an AFSL license?	Upload

	If yes, please provide a copy of the license.	200 words
	If no, please articulate how you propose to meet regulatory requirements as a Fund Manager.	
	d) What is your proposed fee structure (including management fees and carried interest)?	50 words
7. Risks	Identify key risks and mitigants for the New VC Fund.	Table
8. Diversity and Inclusion	Outline how the applicant (organisation) addresses diversity and inclusion in its organisation and investments.	200 words

In addition to the Key Assessment Criteria you will be asked to provide a response to the following:

Return of LaunchVic Funding: LaunchVic recognises that VC funds struggle with cash flow in the early years, hence the provision of funding to support early-stage VC Funds. However, we also expect VC Funds to create a significant monetary return over the life of the fund. LaunchVic requests VC Funds to provide a proposal for how they would repay LaunchVic Funding upon achieving returns, carried interest, management fees or other mechanism.

ASSESSMENT AND SELECTION

Eligible applications will be assessed against the Key Assessment Criteria by an Assessment Panel (comprising at least two LaunchVic staff and one external expert). Applications will be accepted on a rolling basis, until funds allocated to the VC Support Program are fully allocated.

Interview: Shortlisted applicants may be required to attend an interview with the Assessment Panel. Applicants may be required to provide additional information as part of the application process. Funding outcomes are ultimately determined by the LaunchVic Board (or delegate), and their decision is final.

Due Diligence: shortlisted applicants will undergo due diligence by LaunchVic (or approved third parties), who will conduct a Financial Risk Assessment where applicable. For New to Victoria VC Funds or Existing Angel Networks Financial reports (up to 3 years) may be

required for a Financial Risk Assessment. The Reports required include (but are not limited to):

- ☐ Profit and loss statements;
- ☐ Balance sheets; and
- ☐ Cash flows

For new entities, information on the Company and Directors for the newly established organisation will be required including (but not limited to), the following information on the Company Directors:

- ☐ Full Name;
- ☐ Date of Birth;
- ☐ Address; and
- ☐ List of other Company Director Positions

Information provided will be kept strictly confidential.

Applicants may be required to provide additional information as part of the application process. This may include a recommendation to negotiate program outcomes with applicants. LaunchVic may enter negotiations with shortlisted applicants to refine project proposals. We will discuss sustainability with shortlisted applicants. Funding outcomes are ultimately determined by the LaunchVic Board and their decision is final.

All applications are made at the applicants' own cost and will not be reimbursed, whether the application is successful or unsuccessful.

CONTRACT

Successful applicants will be required to enter a legal contract (Funding Agreement) with LaunchVic and provide project reporting and evidence of project progress against KPIs to receive payments under agreed milestones. Approximately 15 percent of the total funding is allocated to milestone 1 and contracts typically include approximately five to seven milestones. The number of milestones, and amounts, are dependent on factors such as the funding amount, scope and length of project.

APPLICATION FORM

To preview and start an application form please go to the LaunchVic online application system.

Applicants will be required to address Eligibility Criteria and Applicant Information including: Organisational Details, Key Contact and Secondary Contact. Applicants will also need to provide Project Details as outlined above. Applicants will also need to address Key Assessment Criteria and complete the Declaration before submission.

TIMINGS

Applications will be assessed on a rolling basis. Indicative timings for this Funding program include:

Round 1

- ☐ **Round launched:** 30 October 2023
- ☐ **Information Session:** Wednesday 15 November 2023 12pm – 1pm by Zoom webinar
- ☐ **Round Closes:** Monday 27 November 10am (AEDT)
- ☐ **Communications:** to unsuccessful and applicants recommended for funding 11 December 2023.
- ☐ **Contracting:** contract execution with recipients expected December 2023/January 2024.
- ☐ **Announcement:** an announcement will follow once contracts are executed.

Round 2

- ☐ **Round opened:** 28 November 2023
- ☐ **Round Closes:** Friday 29 March 2024 10am (AEDT)
- ☐ **Communications:** to unsuccessful and applicants recommended for funding by 13 May 2024.
- ☐ **Contracting:** contract execution with recipients expected May/June 2024.
- ☐ **Announcement:** an announcement will follow once contracts are executed.

QUESTIONS?

If you have a question regarding this program, please email grants@launchvic.org. Relevant questions will be posted on the Funding Round **FAQs**.

CHANGE REGISTER

Number	Section	Change description summary	Date change issued
1	Key Assessment Criteria 3b	Removal of 'by other third parties'	22 November 2023
2	Timings	<u>Round 2 Changed:</u> Close date from February 16 to March 29 Communications to unsuccessful applicants from March to by 13 May 2024 Contract execution from March/April to May/June 2024 <u>Round 3</u> Removed	February 16 2024