Right Click CAPITAL

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19 September 2019

Landon McMillan
Principal Policy Advisor
Ministry of Business, Innovation and Employment
15 Stout Street
Wellington 6011
New Zealand

Dear Landon,

Right Click Capital submission on Policy Statement on the Venture Capital Fund Act 2019

Right Click Capital (RCC) appreciates the Ministry of Business, Innovation and Employment's invitation to comment on the proposed Policy Statement related to the Venture Capital Fund Act 2019.

RCC is an institutionally-backed venture capital firm, investing in technology businesses that have started their journey in Australia, New Zealand or South East Asia. The firm's partners have all founded multiple successful technology businesses, and have extensive operational and investment experience. Our status as the Australasian member of the Draper Venture Network allows us to uniquely support portfolio companies with access to key resources and new international markets.

RCC has made investments in three technology businesses that have originated from New Zealand.

RCC supports the New Zealand government's announcement as part of the May 2019 budget to bridge the venture capital gap with a $300m fund invested by the New Zealand Venture Investment Fund (NZVIF) through private sector fund managers in a fund of funds model, and recognises the government's desire to provide more capital to high-growth firms and build a sustainable venture capital market.

New Zealand connected and foreign funds

We acknowledge the rationale to make a distinction between New Zealand connected and foreign funds, and allow for up to 30% of the net committed capital of the Venture Capital Fund (VCF) to be directed to foreign fund managers with specific skill sets, industry focus or value proposition that benefits the New Zealand ecosystem. Foreign funds are able to leverage their existing portfolio, deep domain expertise and international networks for the benefit of their investee companies, accelerating their growth, particularly in international markets. Given these advantages, we recommend increasing the allocation to foreign funds from 30% to 40% (policy 2 (i) and 3) and adopting option 1 for policy 5:

> *For every Underlying Fund, the Underlying Fund must have aggregate committed capital from other investors which is at least equal to the VCF committed capital (i.e. up to half of total Committed Capital may be sourced from the VCF).*

Provide greater flexibility around stages of investment

We recognise the series A and B capital gap to be the focus of the VCF initiative and note the proposal for a minimum of 75% of the aggregate investable capital allocated to fund managers be spent on series A and B investments. A number of established venture capital firms are making investments in seed-stage rounds as part of a strategy to accelerate growth in early-stage businesses and provide opportunities for investment in series A and B rounds. There are a number of benefits for investee companies by accepting capital in seed-stage rounds from VCs such as shorter deal completion periods, introductions to new customers and planning around future capital raises. In light of this, we recommend decreasing the minimum allocation to series A and B investments from 75% to 65%. Further, we recommend this restriction be applied at a portfolio level across the whole VCF with NZVIF's oversight and not an individual fund level (policy 2 (ii) and 3).

Thank you for the opportunity to put this submission to you as part of the consultation process, and we look forward to continuing our discussions with you on these issues over the period ahead. If you have any queries in relation to this submission, please do not hesitate to contact me on s9(2)(a) or s9(2)(a).

Yours sincerely,

Benjamin Chong
Partner