



**Slingshot**

**Where tenacious entrepreneurs turn  
killer ideas into remarkable companies**



**slingshot** venture fund



**slingshot**  
investments

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## Overview:

- The Slingshot Venture Fund (**Fund**) will leverage a unique and exclusive partnership with the Newcastle based accelerator Slingshot Accelerator Pty Ltd (**Slingshot**) to invest in capital-efficient technology focused startups.
- The Fund has negotiated an exclusive arrangement through which the Fund will capitalize on Slingshot's opportunity funnel, screening and selection process, mentorship and business acceleration program to access high growth potential early stage investment opportunities.
- As an ESVCLP, the Fund will have an exclusive right to invest in every startup selected to participate in the accelerator program. The Fund will also have the right to make follow-on investments in selected key startups that receive angel or venture capital funding at the completion of the accelerator program.

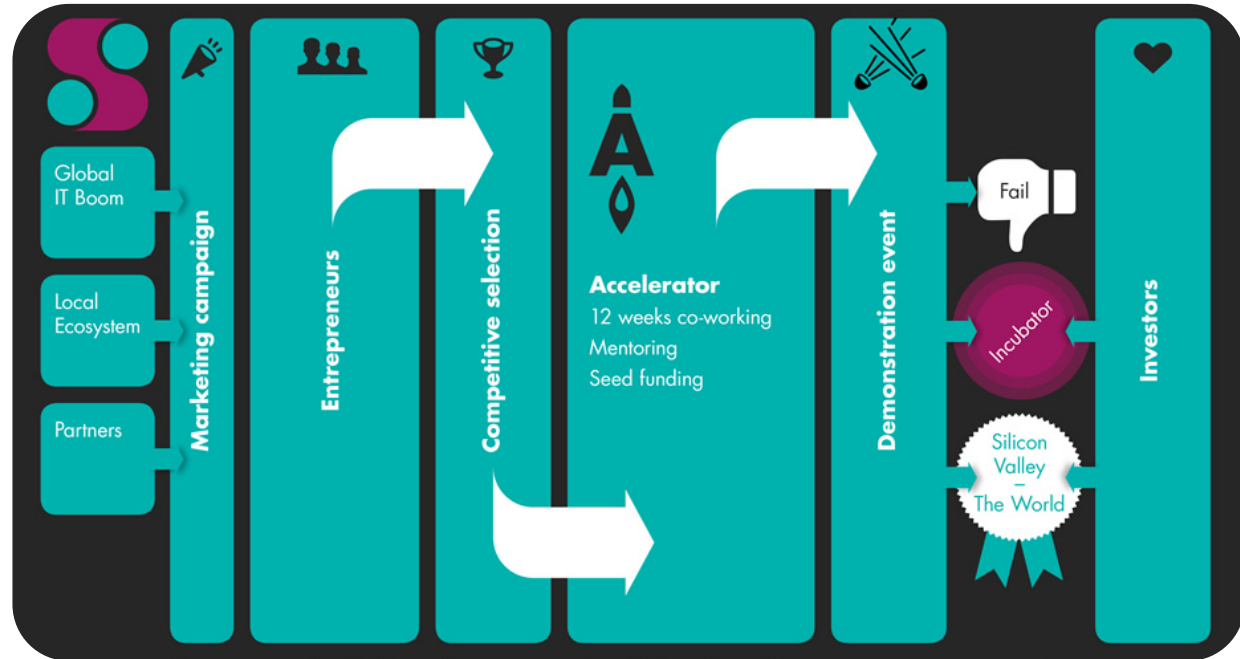
## By investing in the Fund investors will:

1	Access unique seed and early-stage exposure to ~100 high growth capital-efficient technology businesses
2	Receive income and capital gains tax-free returns (Australian investors only)
3	Achieve portfolio diversification away from traditional equity and fixed income investments
4	Support entrepreneurs, job creation, innovation, new business ventures and economic growth in the Hunter Valley

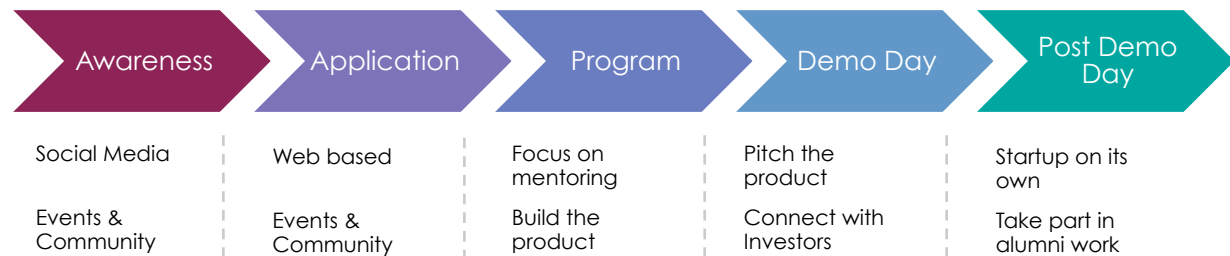
## Australian investors will have **NO** tax liability on income or capital gains received from the fund.

- The Fund (as a registered ESVCLP) receives flow through tax treatment (i.e. it is not a taxing point).
- Australian limited partners (investors) have no tax liability on income or capital gains they receive from the ESVCLP.

- Slingshot is a high tech accelerator providing seed funding, a dynamic co-working space, and a 12-week mentoring program that nurtures skills and relationships to enable entrepreneurs to build a remarkable company.
- Raising capital is an extremely important factor in the lifecycle of a startup, determining the available runway to develop products and business model.
- The Slingshot Venture Fund's ability to co-invest with angels/ VCs in follow-on rounds provides the accelerator's startups with a key competitive advantage.

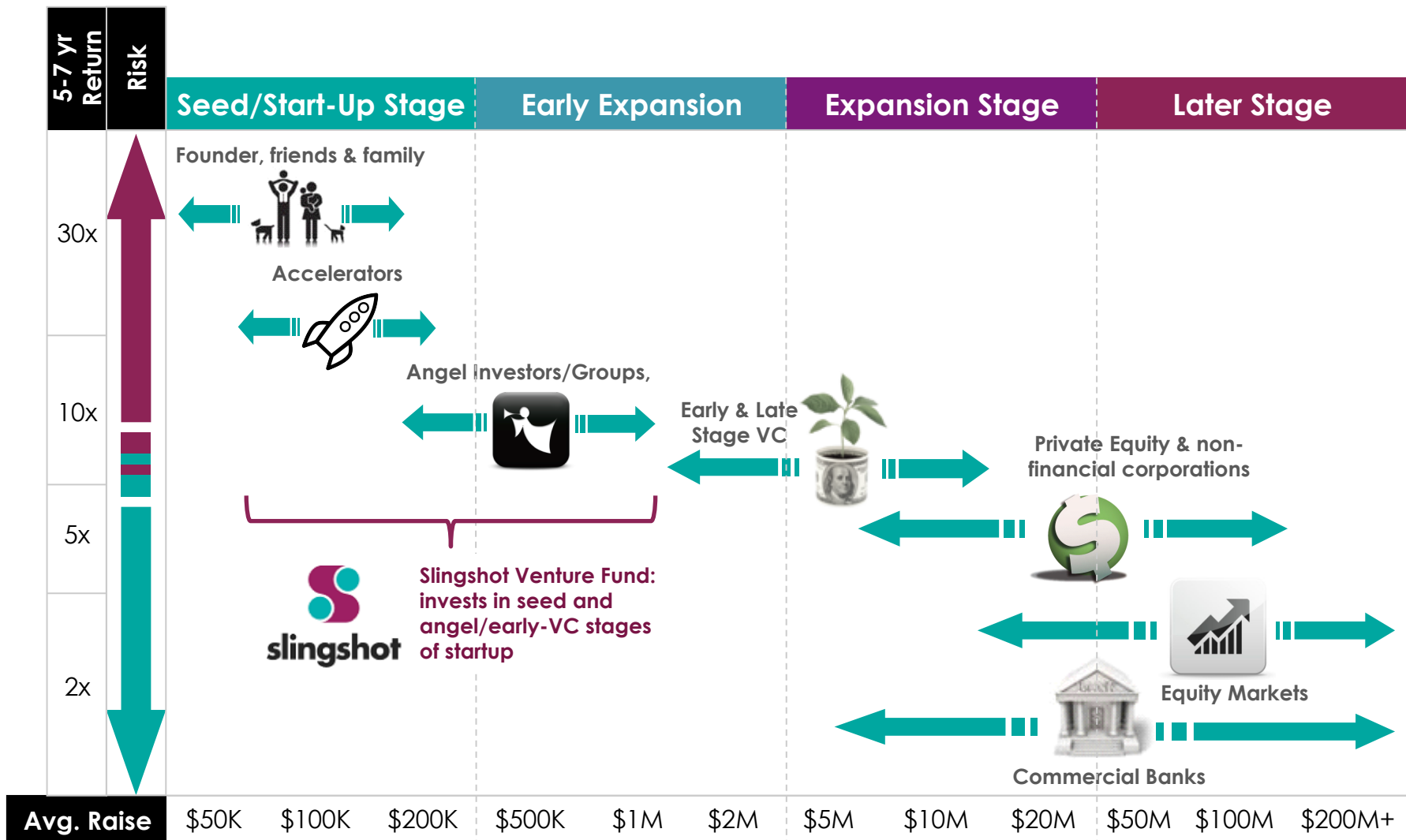


### Typical Accelerator Cycle





# Stages of Development of an Entrepreneurial Firm



- The investment strategy of the Fund is to gain exposure to high quality capital-efficient technology focused startups that have been selected, screened and mentored by Slingshot at both seed and angel stages.
- The Fund is targeting an annualised return of >20% over 7-10 years by deploying the substantial experience of its own investment management team, combined with Slingshot mentors, in making, building and realising seed and early-stage investments.
- The Fund will capitalize on Slingshot's opportunity funnel, screening and selection process, mentorship and business acceleration program to access high growth potential early stage investment opportunities.
- Once invested, the Fund will benefit from the active mentoring given to the investees by the Slingshot Accelerator mentors as well as the monitoring and strategic assistance of follow on angel and/or early stage VC investors.
- The Investment Manager, mentors and follow-on investors will collaborate to identify suitable growth strategies and exit opportunities, and will use their extensive collective investment community networks to facilitate exits.



## Investment Focus

- The investment focus for the Fund will be seed stage capital-efficient technology companies that can succeed with less than \$2 million in lifetime capital raised.
- The Fund focuses on seed stage capital-efficient startups because they have the potential to produce 10x investment returns at sub-\$50 million valuations.
- The sub-\$50 million trade sale, or mergers and acquisitions market is an active and liquid exit market, providing the investees with a great range of exit opportunities. Also, exits in the sub-\$50 million M&A exit market tend to come in 3-6 years rather than 8-12 years for >\$50 million M&A exits.

### 1 seed stage

because:

- valuation is critical
- minimal 'professional' competition
- expected return on a successful exit is very high

### 2 large portfolio

because:

- expect >50% failure
- 10% of exits => 75% of total return
- diversification - difficult to pick winners, but filter to avoid losers

### 3 capital efficient technology

because:

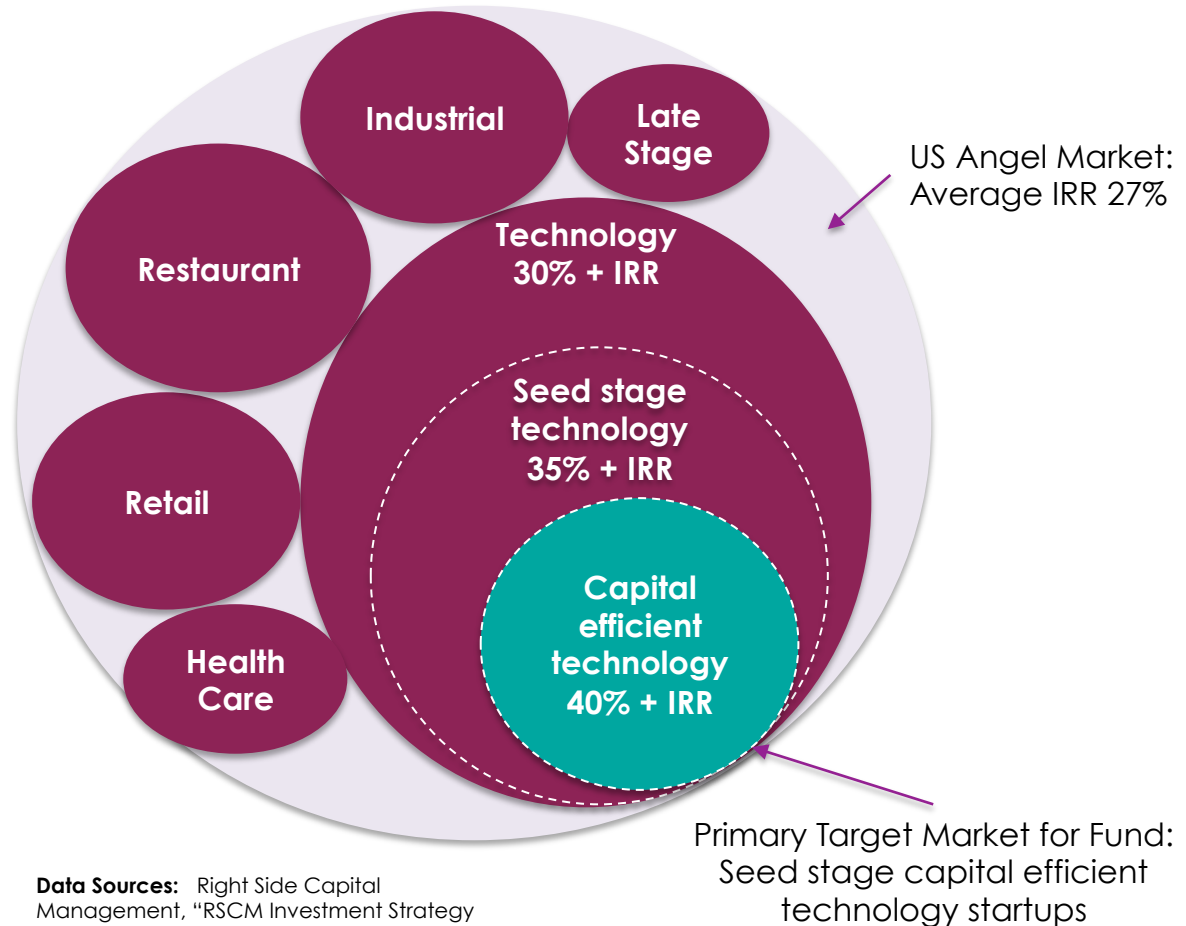
- scalable
- can produce 10x+ investment returns at sub-\$50M valuations
- greater range of exit strategies and more flexibility for founders

### 4 <\$50M M&A exit market

because:

- sub-\$50M M&A is an active and liquid exit market
- exits tend to come in 3-6 years rather than 8-12
- returns are not strongly correlated with traditional VC & PE returns

- The Fund expects to invest in approximately 100 early stage companies over the next five years.
- The Fund plans to make investments of up to \$50,000 in all startups selected for the Accelerator Program
- The Fund will also make follow-on co-investments of approximately \$200,000 in selected key startups, which qualify for follow-on investment by receiving external angel/VC funding after the Accelerator Program.



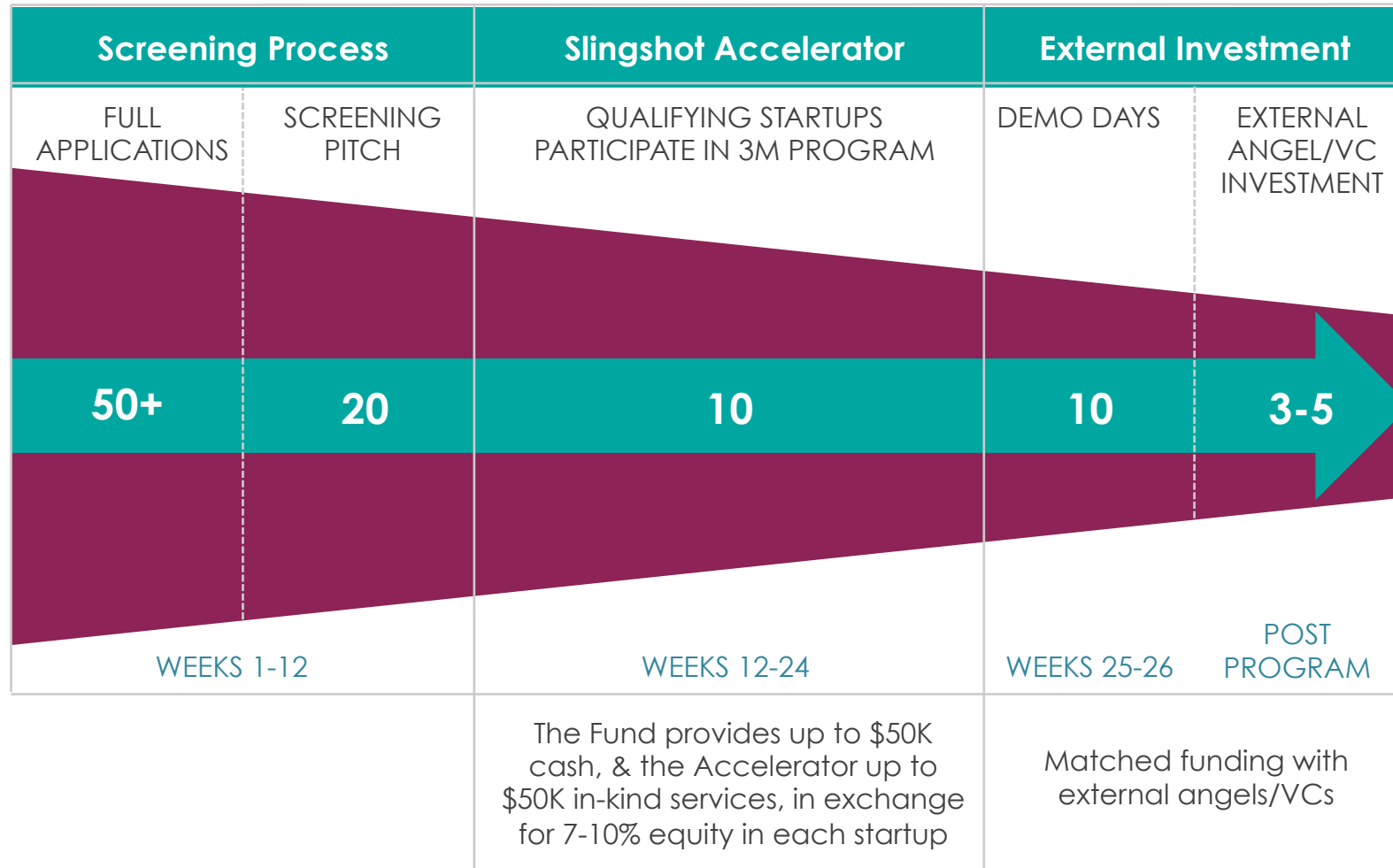
**Data Sources:** Right Side Capital Management, "RSCM Investment Strategy Backtest", January 2011, Robert Wiltbank & Warren Boeker, "Returns to Angel Investors in Groups", Kauffman Foundation, November 2007

	Terms
<b>Committed Capital</b>	Targeted total committed capital for the Fund is \$10 million. This will be raised from institutional and high net worth investors. The Fund may accept over-subscriptions in an amount of up to \$5 million.
<b>Min. Subscription</b>	A\$100K (~\$20K will be drawn down each year for 5 years)
<b>Eligible Investors</b>	Wholesale Investors only.
<b>Management Fee</b>	2% p.a. on committed capital
<b>Performance Fee</b>	20% payable only after committed capital is returned
<b>Capital Calls</b>	The initial paid up proportion on the committed capital of each limited partner will be 20%. The General Partner will increase the paid up proportion on the committed capital of each limited partner from time to time so that a 10% buffer is maintained at all times during the investment period until such time as the paid up proportion of each partner is 100%.
<b>Term</b>	10 years from the Final Closing (or as extended by resolution of Limited Partners holding at least 75% of the voting rights).
<b>Investment Period</b>	New investing activity will cease on the fifth anniversary of the Final Closing. The only investments permitted after that date are follow-on investments, investments that the Fund has contingent obligations to make and investments that are at term sheet stage or which have otherwise been approved but not yet completed.
<b>Investment Limits</b>	The Fund may not invest more than 20% of Total Capital Commitments in any one Investee Company (or its associated companies).
<b>Investment Eligibility</b>	The Fund (as a registered ESVCLP) is required to assess the eligibility of potential investees against the criteria prescribed by the legislation governing eligible ESVCLP investment.



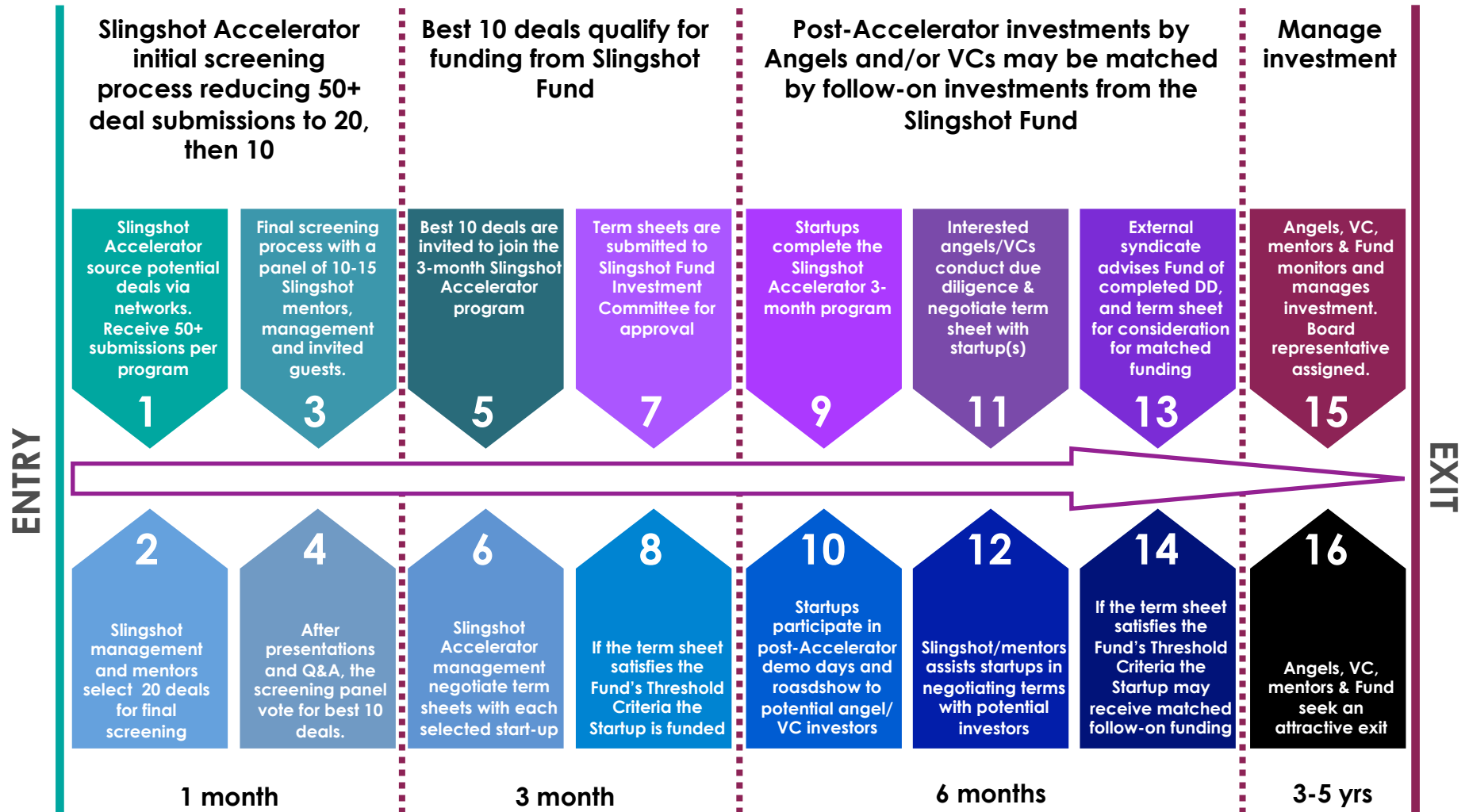


## Deal Funnel per Accelerator Program

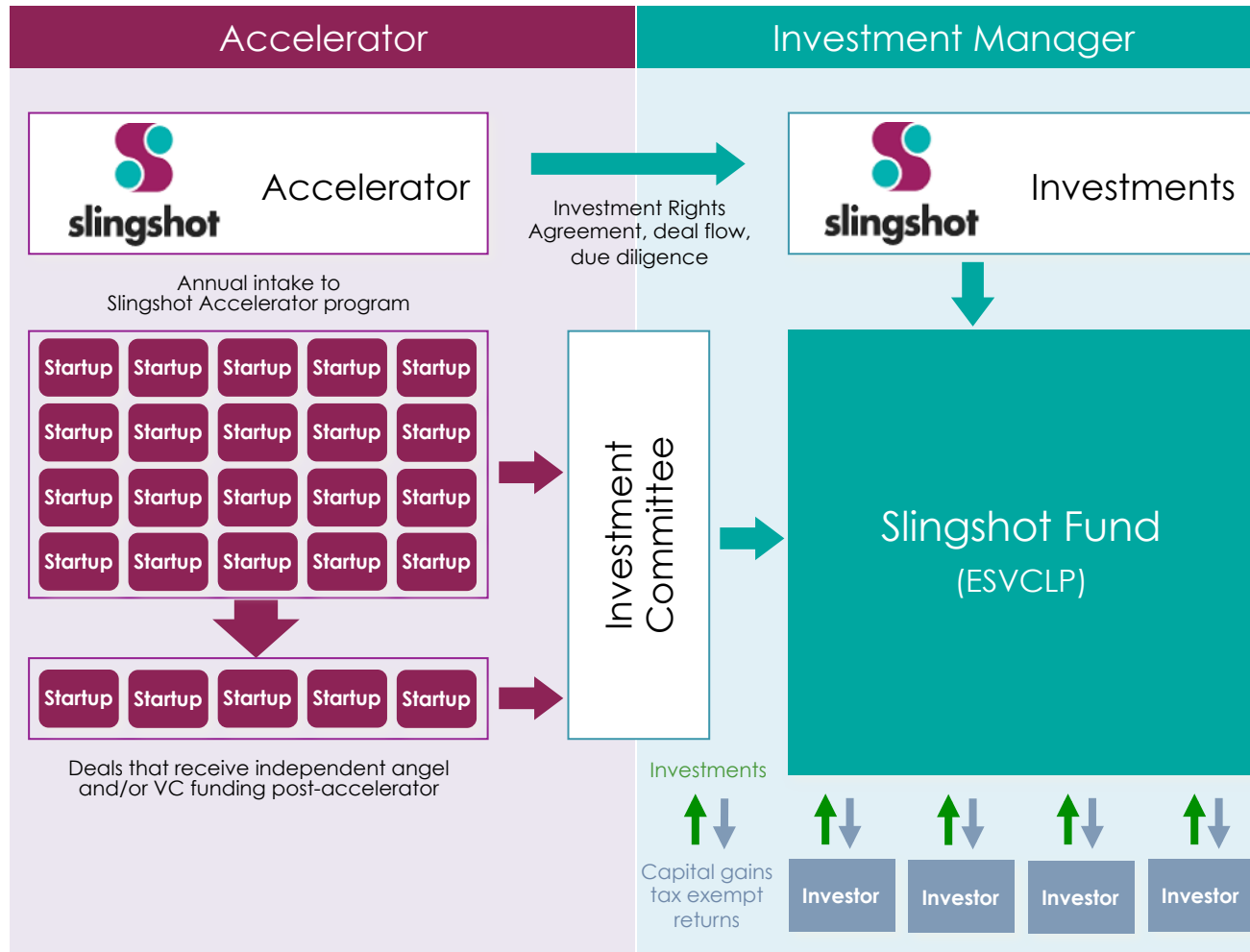




# Deal Screening, Investment, Management and Exit Process

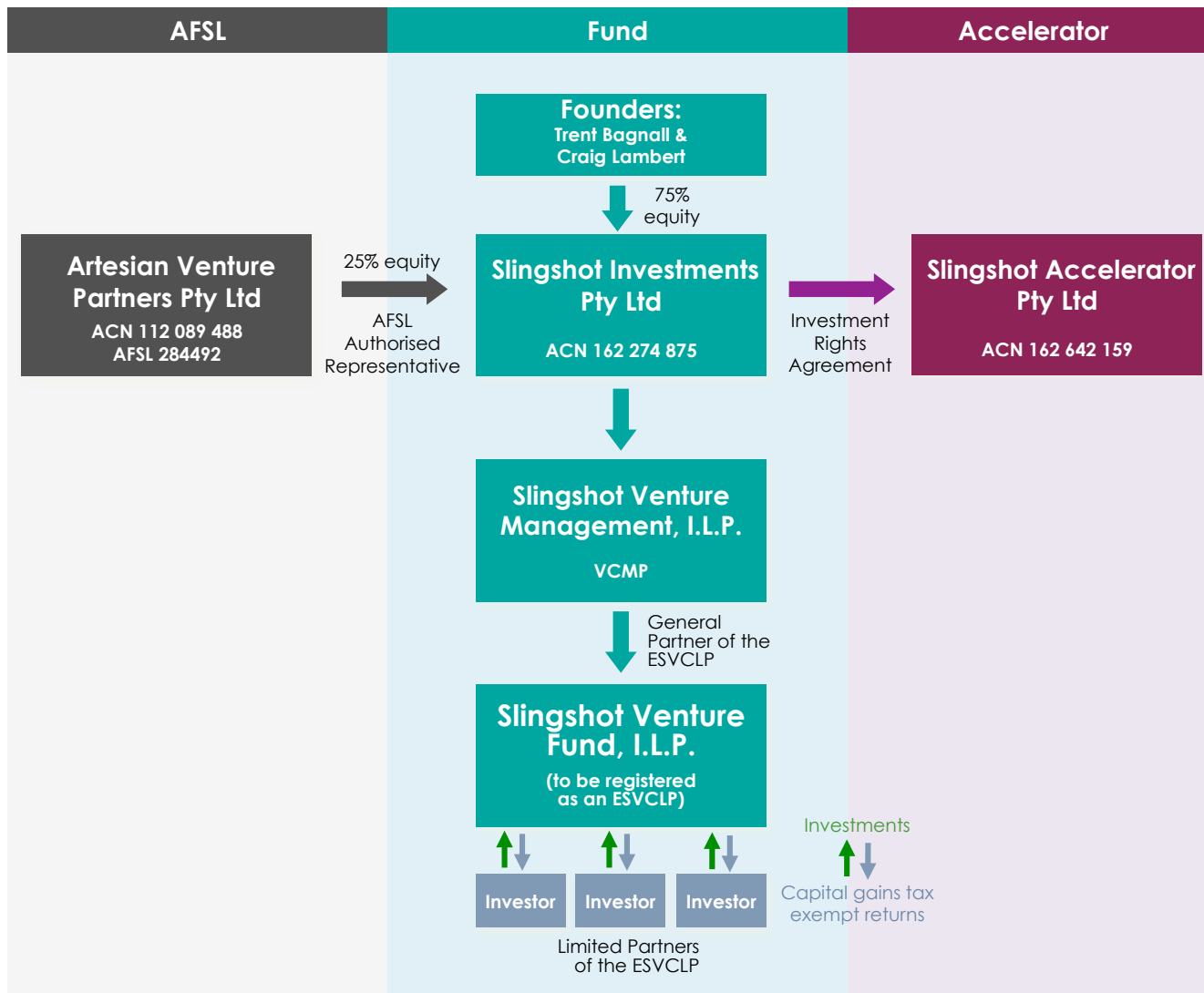


# Investment Manager and Committee





# Fund Structure





## Key Staff

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### Jeremy Colless

Jeremy is Managing Partner of Artesian Capital Management an alternative investment fund manager spun out of ANZ in 2004. As well as being a principal investor in early stage ventures in Australia and China, Artesian partners with accelerators, incubators, angel groups and universities to create early stage venture capital co-investment funds such as the \$10M Sydney Angels Sidecar Fund. Prior to founding Artesian in 2004, Jeremy spent 18 years trading global bond/credit markets for investment banks including SG Warburg and Lehman Brothers in New York and Hong Kong.

### Tim Heasley

Tim is the COO of Artesian Capital Management. Before joining Artesian in 2004, Tim ran ANZ's Alternative Asset Management business and was Head of Legal & Compliance for ANZ Investment Bank focusing on financial markets and alternative asset funds management. Tim has 24 years' experience working as a banking and finance lawyer in Australia and New Zealand.

### Stuart Fox

Prior to joining Artesian in 2012, Stuart spent 14 years at UBS, primarily in London and Asia. His final role at UBS was Managing Director, Head of Commodities Asia. Before this he was the Head of European and Asian FICC Hedge Fund Distribution. Stuart is an active angel investor and member of the Sydney Angels Investment Committee.

### Trent Bagnall

Prior to co-founding Slingshot, Trent was Managing Director of ASX Listed QMASTOR Ltd (QML) a technology, software and service company. He was involved with the company from its listing via an IPO in 2001 to its acquisition by Triple Point Technologies Inc. in late 2011. During that time the business grew from 1 office with 3 employees to 110 employees with offices in 4 Australian locations and offices in the USA, Canada, South Africa and Brazil.

### Craig Lambert

Prior to co-founding Slingshot Craig was the General Manager Sales & Marketing for the Hunter Sports Group, which is the owner of the Newcastle Knights and Newcastle Jets giving him a strong profile in the Hunter Region. Before returning home to the Hunter Craig has held senior roles in global web businesses Yahoo! and Monster.com as well as working as a management consultant for RogenSI. Craig is an experienced investor in start-ups and has an MBA from Bond University.



# Premium & Supporting Partners

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## Premium Partners



PwC



Sparke Helmore



The Newcastle Herald



Hunter Business Chamber



The Village of Useful



Trade & Investment



University of Newcastle



Hunter TAFE



Newcastle Innovation



AusIndustry



Renew Newcastle



DIGIT





## Risk Factors & Mitigation

### Early Stage VC Investing is Risky

- Early stage VC investing is risky. A US academic study of Angel investments in November, 2007 (“Returns to Angel Investors in Groups” - Wiltbank & Boeker) found that Angels lose some or all of their money in 52 % of their investments because the companies go out of business.
- The most sophisticated early stage investors make at least 15 investments in order to make a return on their investment, counting on one or two to provide nearly all of their return. This structure of portfolio returns is similar to that experienced by venture capital funds.
- Early stage VC investments bear high risk and are usually subject to dilution from future investment rounds. As such, they require a high return on investment.
- Since a large percentage of early stage VC investments are lost completely when early stage companies fail, experienced investors seek investments that have the potential to return at least >10x their original investment within 5 years, through a defined exit strategy, such as plans for an initial public offering or an acquisition.

### General Risks

- No assurance of investment return can be given to Investors. The return on investment will depend on the success of the Fund’s investments and there can be no assurance that any or all of the Fund’s investments will be successful in generating the target returns.
- The Fund will invest in early-stage and expanding companies that may not have consistent sales or income. They may also have difficulty attracting management and employees with the right mix of skills and expertise, especially at the various stages in their life cycles when different abilities are required.
- General economic conditions (including interest rates, exchange rates and underlying inflation in Australia and internationally) may affect the Fund’s activities. These may impact on financing costs (both in respect of the operation of companies and to potential purchasers of the companies) and the state of the market for stock exchange floats.
- Investments should be considered only by sophisticated or professional investors who understand the nature and extent of the risk.

### Risk Mitigation

- The Fund employs a number of risk mitigation techniques including:
  - Leveraging the deal screening and processing capabilities and broad industry experience of Slingshot management/mentors.
  - Standardising term sheets
  - Board representation on investee companies or observer rights.
  - Process driven investment process.
  - Investment committee investment review and potential veto.
  - Pro-rata rights for future investment rounds
  - Portfolio diversification with 25-30 investee companies ranging across size and sector.
  - Spreading investment timing of deals over 5 year period.



# Tax Benefit of ESVCLP Structure

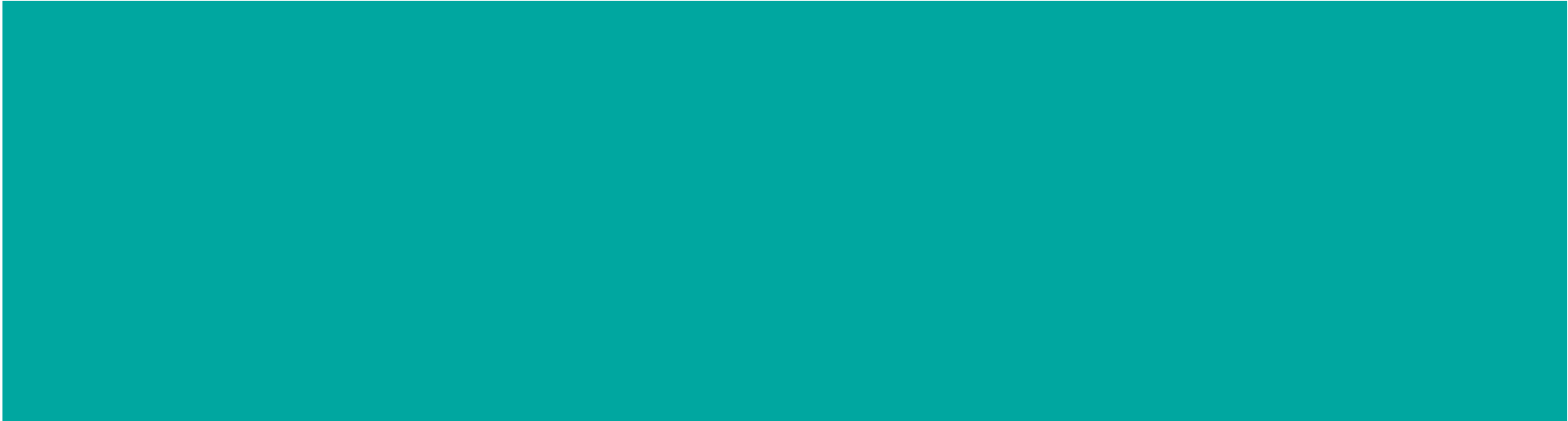
## Fund Structure

- The Fund is structured as a limited partnership that will be registered as an ESVCLP with Innovation Australia.
- The ESVCLP program is a federal government initiative designed to stimulate investment into Australia's early stage venture capital sector by allowing generous tax concessions to investors in funds that meet the registration and investment criteria set out in the Venture Capital Act 2002
- Australian limited partners (investors) have no tax liability on income or capital gains they receive from the ESVCLP.

Capital Invested		\$100,000						
Investment period		5 years						
Fund IRR	Untaxed Amount after 5 years	Profit	CGT Amount	Non tax free fund post-tax profit	Non tax free fund post-tax Amount	ESVCLP fund post-tax return	Non tax free fund post-tax return	Additional return on investment through ESVCLP fund
15%	\$201,136	\$101,136	-\$23,514	\$77,622	\$177,622	101%	78%	24%
20%	\$248,832	\$148,832	-\$34,603	\$114,229	\$214,229	149%	114%	35%
25%	\$305,176	\$205,176	-\$47,703	\$157,472	\$257,472	205%	157%	48%
50%	\$759,375	\$659,375	-\$153,305	\$506,070	\$606,070	659%	506%	153%

**Return Comparison: ESVCLP Fund versus non tax free Fund**





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