



INDIANA NEXT LEVEL FUND

SEMI-ANNUAL REPORT
FOR THE PERIOD ENDING
DECEMBER 10, 2018



Prepared by:
50 South Capital Advisors, LLC
Program Administrator



December 10, 2018

Report No. 1



December 10, 2018

Next Level Fund Investment Board
c/o Indiana Finance Authority
One North Capital, Suite 900
Indianapolis, Indiana 46204

Dear Next Level Fund Investment Board,

50 South Capital Advisors, LLC is pleased to provide its semi-annual update to the Next Level Fund Investment Board. Since launching the program in March 2018, we have leveraged our program management expertise and deep relationships to establish the Indiana Next Level Fund, L.P. ("NLF") with Indiana venture capital fund managers. Please see below our observations for activities to date.

Background

Pursuant to Indiana Code § 8-14-15.1, as amended from time to time, the Next Level Indiana Trust Fund ("NLITF") has been established by the Indiana Finance Authority ("IFA") as a charitable trust, separate from the State of Indiana. The NLITF consist of Two Hundred Fifty Million Dollars (\$250,000,000) and, pursuant to Indiana Code § 8-14-15.1-8(a)(1), the monies may be invested in investments that include the purchase of equity or debt securities. The Indiana Next Level Fund, L.P. ("NLF") is capitalized by the NLITF. The purpose of the Next Level Fund (NLF) is to invest in venture capital firms located in Indiana or that have an Indiana 'nexus' with a goal of investing in technology businesses seeking to locate, expand or remain in Indiana. The Next Level Fund Investment Board (the "Investment Board") shall serve as trustee of the Next Level Fund. An investment board composed of State government leaders and community representatives provide governance and oversight to the NLF.

The investment board consists of seven members including:

- Elaine E. Bedel, President of the Indiana Economic Development Corp (Chairperson)
- Micah Vincent, Director of Office of Management & Budget (Vice-Chairperson)
- Kelly M. Mitchell, Indiana State Treasurer
- William M. Godfrey, Managing Director of 4G Ventures
- Cynthia L. Lucchese, Chief Financial Officer of Hulman & Company
- Dr. Timothy N. Brown, State Representative (Advisory Member)
- Howard 'Luke' A. Kenley, State Senator (Retired) (Advisory Member)

The Next Level Investment Policy is designed to ensure that the Next Level Fund Investment Board, the Program Administrator as well as any contractors the Investment Board or Program Administrator retains to provide services related to NLF, take prudent measured, effective actions while supporting the NLF. The Investment Policy is designed to allow for sufficient flexibility in the



management oversight process to take advantage of investment opportunities as they arise, while setting forth reasonable parameters to ensure prudence and care in the execution of the NLF. The policy requires a fund-of-funds approach which means that investments will be spread across multiple venture capital firms based in Indiana and/or venture capital firms with a track record of investing in Indiana companies. On March 15, 2018, the Investment Board adopted an investment policy for NLF that includes the following investment parameters:

- 1) The policy provides that money in the trust may be invested in investments that:
 - a. maximize risk appropriate returns, which may include the purchase of equity or debt securities;
 - b. make significant investments in Indiana funds and companies; and
- 2) Not more than twenty-five million dollars (\$25,000,000) may be invested in any one particular investment fund.

NLF will make targeted investments in Indiana venture capital funds and Indiana businesses in order to generate competitive investment performance as well as support increased entrepreneurship and innovation in the State. The main objectives of the program are to:

- (1) Foster a strong, vibrant ecosystem for entrepreneurs and raise the national profile of Indiana's rich healthcare, technology, agricultural and business communities.
- (2) Drive economic activity in Indiana by making investments in Indiana venture capital firms in order to attract, assist and retain quality technology businesses in Indiana.
- (3) Deliver competitive investment performance for the State by building a prudently diversified portfolio.

50 South Capital Advisors, LLC was selected as NLF's Program Administrator through a public bidding process. 50 South Capital Advisors, LLC serves as the General Partner of Indiana Next Level Fund, L.P. Primary responsibilities of the Program Administrator include but are not limited to:

- Implementation of the investment strategy,
- Selection and evaluation of the recipient funds,
- Selection and evaluation of co-investments,
- Fund monitoring,
- Benchmarking,
- Reporting,
- Quarterly meetings,
- Annual report,
- Website,
- Communication and liaison duties,
- Encouraging additional investments and investor focus in Indiana technology businesses,
- Educational resource and advisor,

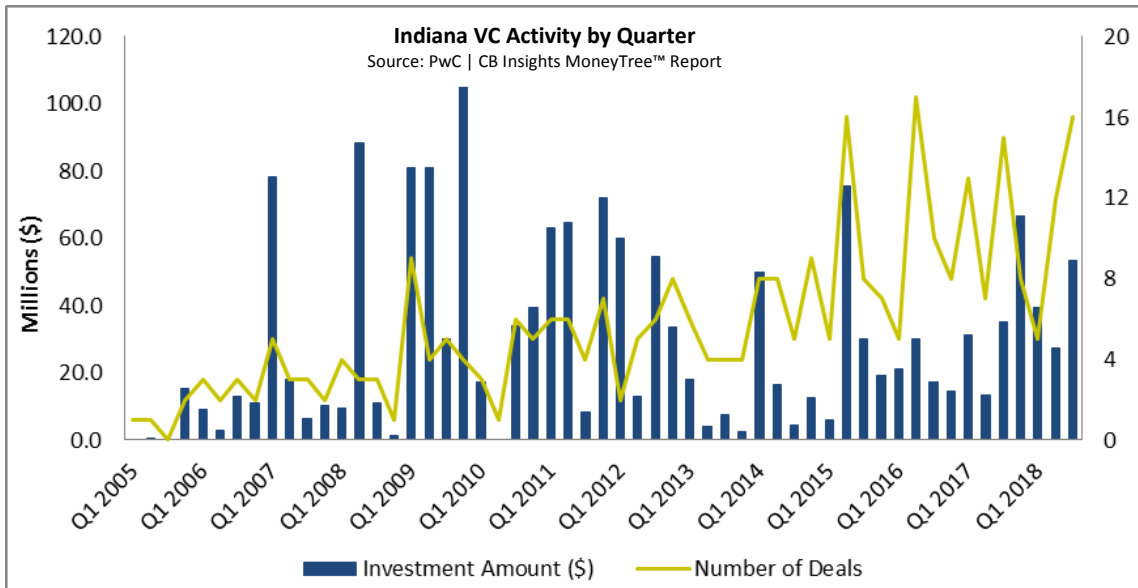


- Establish an Advisory council to assist with consultative and outreach matters.

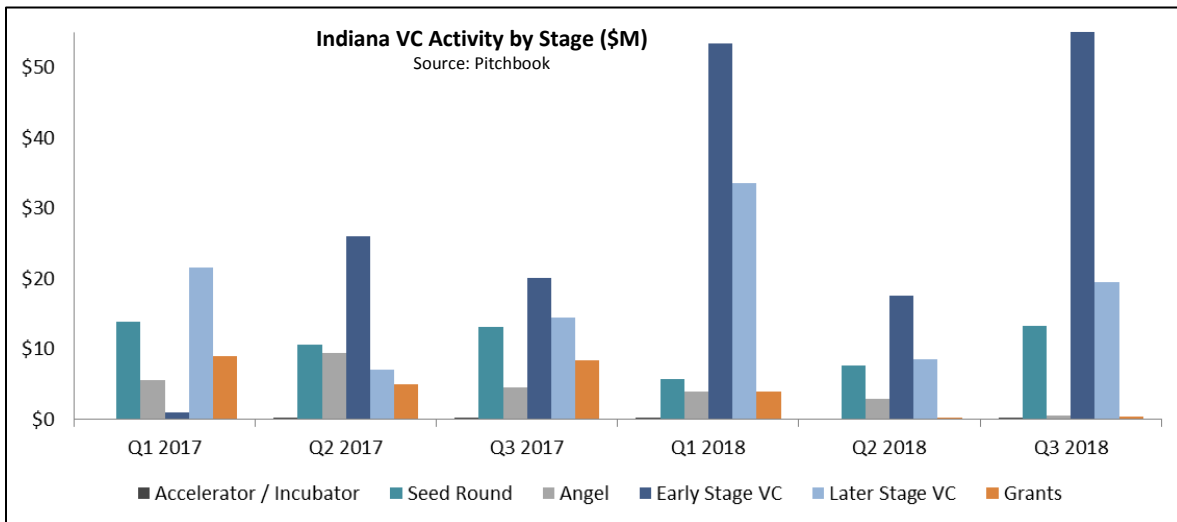
For additional information, please visit the NLF website at www.nextlevelindianafund.com.

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Market Update



Through the third quarter of 2018, investment activity has jumped year over year on a dollars invested basis in Indiana venture capital according to PricewaterhouseCoopers’ MoneyTree report. The third quarter experienced \$53.5 million of investment into sixteen venture-backed deals in the State. Through the first three quarters of the year, Indiana was the 23rd most active state in the country by number of deals and 25th by dollars invested in venture-backed companies. In the Midwest, Indiana ranked seventh in venture capital investments year to date, behind Illinois, Missouri, Ohio, Tennessee, Minnesota, and Michigan. According to Pitchbook, another source for venture capital activity, shows \$125 million of investment between July 1 and December 7, 2018.





Significant Indiana-based company financings over the second-half of 2018:

Company	Location	Company Description	Deal Size	Month/Year
Scale Computing	Indianapolis	Cloud-based data storage platform	\$34.80M	Nov. 2018
MetaCX	Indianapolis	Platform designed for collaboration and outcome management	\$14.00M	Dec. 2018
Nico	Indianapolis	Minimally invasive surgical devices designed for neurosciences	\$12.51M	Oct. 2018
Emplify	Fishers	Employee analytics; Software as a service	\$7.50M	Sept. 2018
Kenzie Academy	Indianapolis	Operator of a design and coding school	\$5.80M	July 2018
Structural	Indianapolis	Employee success management platform	\$5.73M	Aug. 2018
Nanovis	Columbia City	Developer of tissue regenerating implants	\$5.50M	Aug. 2018
PERQ	Indianapolis	Artificial intelligence for consumer and website engagement	\$5.00M	Oct. 2018
Sigstr	Indianapolis	Email signature marketing application	\$4.00M	Sept. 2018
OneCause	Indianapolis	Fundraising software to offer automated bidding	\$4.00M	Sept. 2018

(Source: Pitchbook)

NLF Updates

Community Activities

50 South Capital hosted an Open House reception in September with approximately 70 attendees at our offices in downtown Indianapolis. The event attracted fund managers, entrepreneurs, government officials, civic leaders and other friends. Our team continues to be involved in community events that foster and bring together entrepreneurs, investors and supporters of the Indiana ecosystem. To engage with the Indiana community the 50 South Capital team has made significant efforts to:

- Be a transparent, community-centric, value-added partner
- Mentor venture capitalists and entrepreneurs
- Work with universities and research parks
- Draw talent and capital into the state
- Engage with community organizations
- Have an open-door policy

During the second-half of the year, 50 South Capital continues to be highly visible in the local community and throughout the State to network, educate and explore ways to work with many of Indiana’s stakeholders including: entrepreneurs, accelerators and community groups to ensure the program’s success. Some examples of the various community activities and events include:

- Sponsored and spoke at the Indiana Innovation Showcase held in October in Indianapolis,
- Guest speaker at Evansville Tech on Tap for Investors and Raising Capital in November.
- Attended the Fail Fest in October, a conference for entrepreneurs and supporters in Wabash Valley.
- Guest speaker on investor panel at Purdue@WestGate in November.
- Attended Startup Week for Fort Wayne entrepreneurs in October.
- Guest lecturer at Purdue Krannert School of Management in West Lafayette in September.
- Sponsored the AgBioScience Innovation Summit in November.
- Guest speaker at BioCrossroads board meeting in August.
- Attended the Excellence in Innovation Awards in Muncie in November.

The 50 South Capital team has made an intentional effort to meet with and understand the needs of local scale-up companies and entrepreneurs. To this extent, the Firm has met with several dozen entrepreneurs of startup and scale-up companies across the State to better understand their specific needs and viewpoints on the capital-raise



process. These meetings should prove to be vital as the NLF program selects fund managers that will provide future capital to the State’s leading entrepreneurs and businesses.

Portfolio Updates

As of November 30, 2018, NLF had made three fund commitments totaling \$25,800,000, or approximately ten percent of the total program size of \$251,270,000. Two of the recipient funds are Indiana-domiciled venture capital firms and one has an Indiana nexus. One new fund commitment, Techstars SportsTech Powered by Indy, was made during the second half of the year. Additional information on each new recipient fund is provided below.

Techstars is based in Boulder, Colorado and was founded in 2007 by David Cohen, David Brown and Brad Feld as a tech startup accelerator. Techstars is currently running over forty accelerator programs annually in startup markets including New York, Boston, Boulder, Chicago, Seattle, Los Angeles, Austin, London, Berlin, Tel-Aviv and others. Each Techstars accelerator is an intensive three-month program that surrounds startup founders with experienced mentors (*e.g.*, successful entrepreneurs, investors, executives, etc.) designed to accelerate a company’s progress. Companies accepted to a program receive (i) investment capital, (ii) feedback, ideas and strategy from experienced and successful mentors, (iii) technical guidance on product development (iv) business development and (v) access to hundreds of potential investors through a demo day. Since inception, Techstars has had numerous successful companies emerge from its global accelerator programs, and Techstars Ventures (and its predecessor funds) have invested in them. These successful companies include: Uber, Twilio, ClassPass, SendGrid, Sphero, PillPack, StatMuse, Digital Ocean, FullContact, SpotHero and Placester. Over 100 Techstars companies have been acquired to date. In 2016, Techstars companies comprised over five percent of all the Series A financings in the United States (#1 among all U.S. accelerators).

As a founding limited partner and advisory board member to Techstars Ventures, 50 South Capital has enjoyed a close and rewarding relationship with Techstars. 50 South Capital was pleased to be able to continue its partnership with Techstars as the founding investor in Techstars SportsTech and bring the program to Indianapolis. The Techstars SportsTech Accelerator, Powered by Indianapolis will be based in Indiana and will partner with local and national professional/collegiate sports teams and organizations, companies and startups to help create and launch companies shaping the future of sports technology. Techstars SportsTech will make early stage investments in the following sports-related areas: fan participation, player/driver safety, ticketing, merchandising, athlete performance management, and athlete wellness. Key technologies to focus on include: software and hardware using artificial intelligence, data and analytics, machine/deep learning, blockchain, robotics, virtual and augmented reality, and messaging platforms. Techstars SportsTech will hold annual accelerator cohorts with ten companies selected from a national screening process of 500-1,000 applying companies with an annual demo day held in Indianapolis each year in May. The accelerator program will run for five years beginning in 2019.

NLF Investment Portfolio (as of December 10, 2018)			
Fund Investment	Vintage	Strategy	Location
High Alpha Capital Fund II, L.P.	2018	Early stage venture capital	Indianapolis, IN
Foundry Group Next 2018, L.P.	2018	Multi-stage venture capital	Boulder, CO
Techstars SportsTech Powered by Indy	2018	Early stage venture capital	Indianapolis, IN



Indiana Next Level Fund Capital Activity	
<i>(as of December 10, 2018)</i>	
Invested Capital	\$25,800,000.00
Committed Capital (%)*	10.3%
Capital Called (\$)	\$1,695,000.00
Capital Called (%)*	0.67%
Distributed Capital (\$)	-
Distributed Capital (%)	-
# of Fund Managers	3
# of Indiana Portfolio Companies	2
# of Total Portfolio Companies	10

**The percentage of committed capital and called capital is as of the entire NLF program size of \$250,000,000. Distributed capital is a percentage of called capital and includes recallable distributions.*

For reference, reporting in the venture capital industry generally lags by at least one quarter. Year-end statements are even further delayed as underlying fund managers have to complete their audited financial statements. For that reason, our updates will officially cover the most recent quarterly reporting period and we will try to provide more updated information where it is available. Our semi-annual updates are designed to provide an update on the venture capital markets and the activity in NLF's underlying funds, and the current value of your investment. Please keep in mind that the current value of NLF is likely to fluctuate around investment cost (1.0x) for the first several years of the Fund's life. This is due mainly to upfront fees both at the Fund and the underlying fund level. Also, fund managers generally value portfolio companies at cost until a significant investment event occurs or liquidity event. After several years though, if NLF's underlying funds and portfolio companies produce positive performance you should expect to see investment gains above your investment cost.

Thank you for your continued partnership with 50 South Capital. Please let us know if you have any questions or comments regarding this letter, and we look forward to updating you in more detail on our future activities.

Kindest regards,

50 South Capital Advisors, LLC