
FUNDING FOR NEW VENTURE CAPITAL FUNDS: ROUND 3

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 3,500+ startups in the State. In 2023, \$668 million was invested into Victorian startups. This was a reduction from 2021 and 2022 funding levels which averaged more than \$2 billion annually and reflected a global slowdown in VC investments. However, LaunchVic's data continues to show while the overall investment into Victorian startups has grown dramatically in recent years, there is a lack of early-stage venture capital.

Victoria is home to a growing number of high-quality early-stage venture capital (VC) funds, including 12 funds that were supported by LaunchVic to establish operations in the State. Together, Victoria's VC funds play an important role in growing the Victorian startup ecosystem.

LaunchVic recognises 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:

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.

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.

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. Note: If the manager has not got significant experience managing a portfolio of startup investments (e.g. through their personal portfolio or as a leader of an angel network) the application will not be viewed as competitive, and they should apply for the concurrent Angel Network Grant Round to build experience.
- **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.

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.

Startups LaunchVic defines a startup as an innovative, technology-based business that can scale rapidly and capture mass markets.

Examples of technology-based businesses include: software and application development (Artificial Intelligence (AI), blockchain, big data analytics, e-commerce or marketplaces, augmented or virtual reality, Software as a Service (SaaS)), hardware, advanced manufacturing, sensor technology, robotics, autonomous vehicles, quantum technology, deep tech, and genomics and life sciences (including biotech & medtech). Once a startup has demonstrated accelerated growth sufficiently it becomes a scaleup.

VC Funds are a type of financing for startup companies with long-term growth potential. For the purpose of this grant round, the priority focus is on early-stage (seed and Series A) startups, however exceptional applications from later stage funds (Series B+) may be considered. The VC Fund may provide equity, debt or hybrid financing directly to startups or indirectly to startups via fund of fund mechanisms. LaunchVic will consider novel fund structures in addition to those aligned with the Early Stage Venture Capital Limited Partnerships (ESVCLP) Program.

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 two years, contributing to investment decisions;
 - ii. Managing an angel network for at least two years, including participation in management / investment committees meetings; or
 - iii. Managing a significant 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 before the closing date and time to be eligible.

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, investment period and post-investment period.	Upload
2. Experience	a) Who is the Lead Partner(s)?	Name, LinkedIn, Upload CV
	b) Please provide a capability statement of the Lead Partner(s) including: <ul style="list-style-type: none"> • Capital raising experience that responds to the relevant Eligibility Criteria. • Experience in investing in early-stage startups, including methodology to assess prospective investments. If you have held a senior position at an existing VC fund, provide: <ul style="list-style-type: none"> • A list of startups investments you led / managed (including number and amount of capital allocated) • Total Funds Under Management of the Fund • Total no. investments into early-stage startups made by the Fund • Total amount of capital invested into early-stage startups made by the Fund • Fund performance (including any unrealized returns and where applicable, historic gross and net IRR and times money). 	Upload (no more than 1 page)

	<p>If you manage(d) an angel network or a personal or family office startup investment portfolio, provide:</p> <ul style="list-style-type: none"> • A list of investee startups (including no. of investments and amount of capital allocated) • Financial performance of the portfolio (including any unrealised returns and where applicable, historic gross and net IRR and times money). 	
	c) Who are the proposed members of the Investment Committee?	Names LinkedIn Upload CVs
	d) Please provide a capability statement of the Investment Committee Members.	Upload (no more than 1 page per person)
	e) Upload two letters of support for the Lead Partner, from two existing VC Fund Managers.	Upload
3. Budget	a) Budget: Outline the proposed expenditure of LaunchVic funds	Table
	<p>b) Will other cash contributions be made to support the establishment of the New VC Fund?</p> <p>If yes, please detail the amount and how these funds will be used and provide evidence of commitment.</p> <p>(Co-contributions will be viewed favourably.)</p>	100 words Upload
4. Capital Raising	<p>a) What is the size of the VC Fund?</p> <ul style="list-style-type: none"> • For a brand New VC Fund what is the targeted final close? • For a New to Victoria VC Fund what are the total Funds Under Management (FUM) and what proportion of this is expected to be available to prospective/future investments in Victoria, and what is the remaining investment period for those funds? 	50 words
	<p>b) Capital Raising Strategy:</p> <p>For a Brand New VC Fund, please describe your capital raising strategy including:</p> <ul style="list-style-type: none"> ○ Capital raising process; 	150 words

	<ul style="list-style-type: none"> ○ 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) <p>For a New to Victoria VC Fund, do you plan to undertake new capital raises in the next two years? If so, how much do you expect to raise?</p>	
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? If yes, please provide a copy of the license. If no, please articulate how you propose to meet regulatory requirements as a Fund Manager.	Upload 200 words
	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. As a result LaunchVic has required previously supported funds to repay LaunchVic Funding through long term profit sharing. Our standard contractual terms are as follows:

In the event the Recipient achieves a Qualifying Payment Event, the Recipient agrees to repay LaunchVic a sum equivalent to the Repayment Amount, paid in instalments annually of no less than 10% of annual net profit earned by the Fund Manager; or no less than 10% of the Fund Manager's proportion of carried interest from the time such carried interest is received from the Fund. The Recipient may elect to make repayments in advance.

Qualifying Payment Event means the Recipient achieves net profit earned by the Fund Manager in excess of \$200,000 (including from management fees) or receives carried interest from returns on investments, according to the Recipient's agreed terms for performance fees set out in Fund documentation.

Repayment Amount is defined as the value of the Grant plus interest equal to the RBA's cash rate, accumulated on a monthly basis.

Please confirm you are comfortable with these terms or propose an alternate repayment mechanism for LaunchVic's consideration.

ASSESSMENT AND SELECTION

Applications must be submitted via the [LaunchVic online application system](#) by the specified deadline.

Eligible applications will be assessed against the Key Assessment Criteria by an Assessment Panel comprising at least three LaunchVic personnel. LaunchVic may appoint an external expert to the Assessment Panel. Applications that do not meet the eligibility criteria will not be assessed.

Interview: Shortlisted applicants will 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), that will include a Financial Risk Assessment. 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.

LaunchVic may enter negotiations with shortlisted applicants to refine project proposals.

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.

LaunchVic is offering this grant round concurrently with an Angel Network Grant Round. The number of VC Funds applications supported will depend on the quality of applications from both grant rounds. LaunchVic is under no obligation to award any grants under this grant round if applicant quality is not sufficient. In this case funding will likely be directed to support more angel networks.

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 provide 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

Indicative timings for this Funding program are as follows:

- **Round launched:** 29 January 2025
- **Information Session:** 12 February 2025 by webinar
- **Round Closes:** 31 March 2025
- **Communications:** to unsuccessful and shortlisted applicants by 24 April 2025
- **Interviews:** 28 April 2025
- **Communications:** to successful applicants by 15 May 2025
- **Contracting:** contract execution with recipients expected mid-late May.
- **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			
---	--	--	--