



INDIANA NEXT LEVEL FUND

SEMI-ANNUAL REPORT

FOR THE PERIOD ENDING
JUNE 30, 2019



Prepared by:
50 South Capital Advisors, LLC
Program Administrator



Report No. 3

August 19, 2019

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 for the period ending June 30, 2019 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:

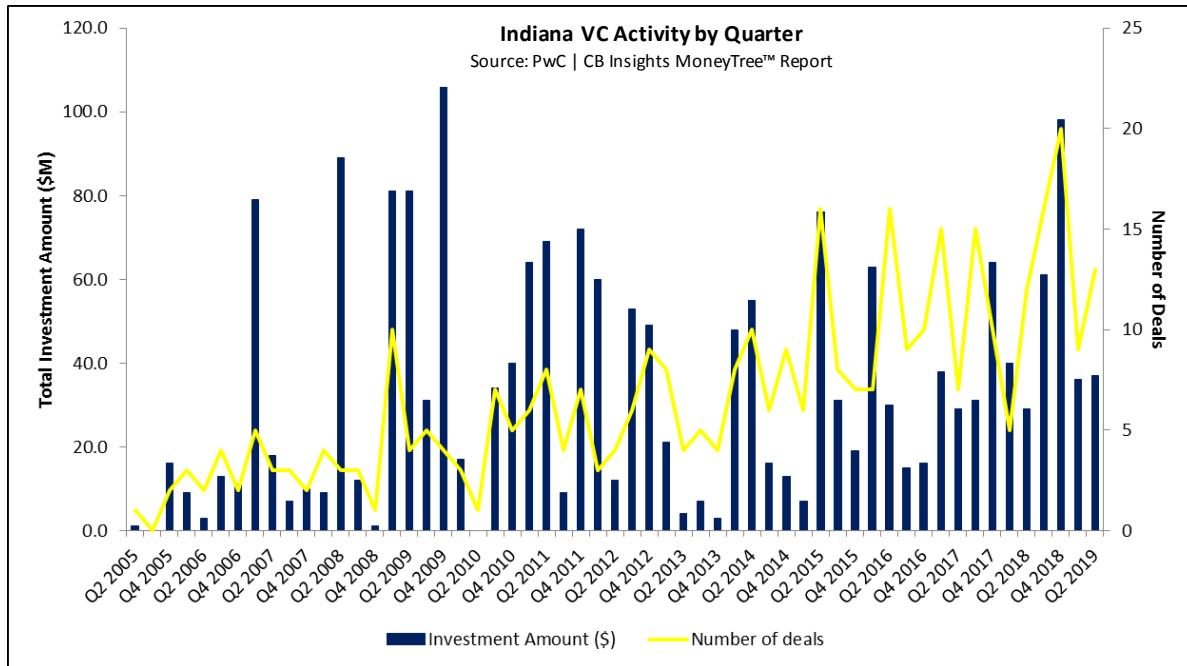
- (1) Foster a strong, vibrant ecosystem for entrepreneurs and raise the national profile of Indiana's rich healthcare, technology, agricultural and business communities.
- (2) Drive economic activity in Indiana by making investments in Indiana venture capital firms in order to attract, assist and retain 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:

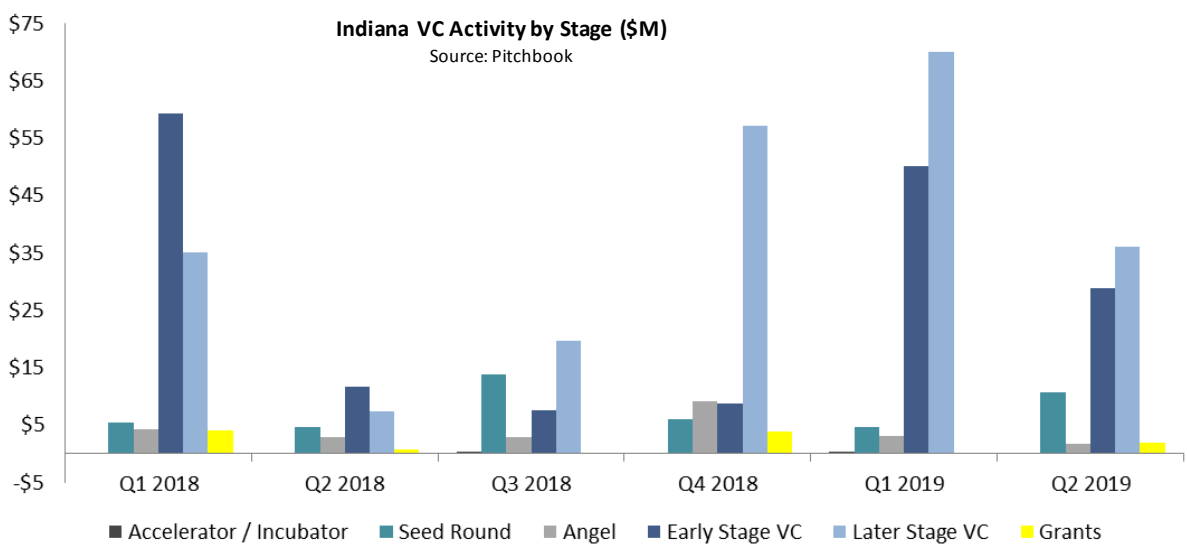
- Implementation of the investment strategy,
- Selection and evaluation of the recipient funds,
- Selection and evaluation of co-investments,
- Fund monitoring,
- Benchmarking,
- Reporting,
- Quarterly meetings,
- Annual report,
- Website,
- Communication and liaison duties,
- Encouraging additional 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.

Market Update



During the first half of 2019, there was \$73 million invested twenty-two Indiana-based, venture backed companies, according to PricewaterhouseCoopers’ MoneyTree report. This is an increase of 5.5% in invested capital over the same period in 2018 and a twenty-two percent increase in the number of venture backed companies. Through the first two quarters of the year, Indiana was the twentieth most active state in the country by number of deals and thirtieth by dollars invested in venture-backed companies. In the Midwest, Indiana ranked fifth in venture capital deals year to date, trailing only Illinois, Ohio, Michigan and Minnesota. According to Pitchbook, another source for venture capital investment activity research, there was over \$216 million of venture in Indiana between January 1 and June 30, 2019.





There were several significant Indiana-based company financings through the first half of 2019:

Company	Location	Company Description	Deal Size	Month/Year
Spectacle Entertainment	Indianapolis	Gaming technology and entertainment operator	\$40.0M	Mar. 2019
Kerauno	Indianapolis	Mobile-platform to connect people, process, & software systems	\$25.0M	Mar. 2019
Sharpen Technologies	Indianapolis	Contact center platform to improve customer experiences	\$15.0M	Mar. 2019
FormAssembly	Bloomington	Web platform to make surveys and data collection easier	\$13.0M	June 2019
Intelligent Fiber Network	Indianapolis	Telecommunications services provider	\$13.0M	Feb. 2019
Biosynthetic Technologies	Indianapolis	Technology to manufacture bio-synthetic lubricant products	\$9.5M	May 2019
Egg Innovations	Warsaw	Producer of specialty eggs	\$8.9M	Aug. 2019
Epogee	Indianapolis	Developer of fat replacement and flavor enhancement ingredients	\$8.3M	Feb. 2019
Viral Launch	Indianapolis	Software to enable private-label and major brands for Amazon	\$7.3M	Apr. 2019
Xiber	Indianapolis	Provider of high-performing network and internet services	\$6.1M	May 2019
PERQ	Indianapolis	Marketing software to assist with digital marketing and sales	\$6.0M	May 2019

(Source: Pitchbook)

NLF Updates

Community Activities

Our team continues to be involved in community events that foster and bring together capital providers, entrepreneurs, and community 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 with all constituents

During the first-half of the year, 50 South Capital continued to be highly visible 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 NLF’s success. For example, in coordination with the Venture Club of Indiana and Elevate Ventures, 50 South Capital hosted an investor-only networking event in early May for over seventy guests, many from out-of-state, to network with fellow investors. Several other examples of the various community activities and events include:

- Guest moderator at Cyber Technology Conference & Policy Summit in Indianapolis
- Conducted ten regional pitch and venture capital events throughout the State
- Guest speaker at Combine Conference in Bloomington
- Attended Founders Social in New Albany
- Hosted mentoring session with gBETA’s newest cohort in Indianapolis
- Guest speaker at IBJ Tech Breakfast
- Guest lecturer at IU Kelley MBA/MD event
- Attended IdeaWeek at Notre Dame Innovation Center
- Sponsor of Techpoint Mira Awards
- Guest lecturer at Purdue University student venture club
- Moderator for venture capital panel at Agrinovus event
- Sponsor of Christel House Open charity event



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 and continues to frequently network 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 are vital as the NLF program selects recipient fund managers that will provide future capital to the State’s leading entrepreneurs and businesses.

Portfolio Updates

As of June 30, 2019, NLF had made five fund commitments totaling \$48,250,000, or approximately nineteen percent of the total program size of \$251,270,000. Four of the recipient funds are Indiana-domiciled venture capital firms and one has an Indiana nexus. Since our last semi-annual report in December 2018, two new fund commitments have been to Allos Ventures and Hyde Park Ventures Partners. Additional information on each new recipient fund is provided below.

Allos Ventures, headquartered in Indianapolis, Indiana, is a venture capital firm investing in early-stage technology companies. The team operates out of two offices in Indianapolis, Indiana and Cincinnati, Ohio. The Firm was founded by Don Aquilano and John McIlwraith in 2009, recognizing a shortage of early stage capital in the Midwest ecosystem and a shortage of professional capital after the angel round for many companies. In the spring of 2018, David Kerr joined the team as the third partner of the Firm and joined Aquilano in the Indiana office. The Firm identifies investment opportunities with a shortage of capital, requiring financial support to accelerate growth past the startup stage. The Firm invests in disruptive software businesses, partnering with high-conviction entrepreneurs to accelerate growth to build value. Allos Ventures invests in high potential technology companies particularly in the B2B software, Health IT, consumer applications and agricultural technology sectors. The Firm will take advantage of the partners’ deep ties to the local community including; angel investors, incubators/accelerators, universities and other venture capital firms.

Hyde Park Venture Partners (HPVP) is a venture capital firm investing in early-stage technology companies. The Firm maintains offices in Chicago and Indianapolis and invests broadly throughout the Midwest through a unique hub and spoke sourcing strategy to identify the leading seed and early stage software businesses in the Midwest. Beyond its capital investment, HPVP equips entrepreneurs through the partners’ expertise in sales and marketing, talent development, go-to market strategy and commercial connections. The Firm was founded in 2011 by Ira Weiss and Guy Turner to expand on their angel investment activity through Hyde Park Angels, a group that Weiss helped found in 2006. Tim Kopp joined Weiss and Turner in 2013 as an advisor to HPVP and became a partner in 2015. Previously, Kopp was the Chief Marketing Officer of ExactTarget and is widely recognized as one of the industry’s leading sales enablement and marketing technology executives and brings a unique operating background to the Firm, which already had deep roots investing in the sectors. The Firm seeks to make early stage, Series A and seed, investments in technology companies throughout the Midwest. The Fund will have a particular focus on investing in B2B software companies and B2C companies with transactional models. The Firm has a strong track record and deep operational expertise in sales enablement and marketing technologies.

Indiana Next Level Fund Investment Portfolio			
<i>(as of June 30, 2019)</i>			
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
Allos III-Q, L.P.	2018	Early stage venture capital	Indianapolis, IN
Hyde Park Venture Partners Fund III, L.P.	2019	Early stage venture capital	Indianapolis, IN & Chicago, IL

Indiana Next Level Fund Capital Activity	
<i>(as of June 30, 2019)</i>	
Fund Size	\$251,270,000.00
Invested Capital	\$48,250,000.00
Committed Capital (%)*	19.2%
Capital Called (\$)	\$5,377,621.00
Capital Called (%)*	2.14%
# of Fund Managers	5
# of Indiana Portfolio Companies**	8
# of Total Portfolio Companies	31

**The percentage of committed capital and called capital is as of the entire NLF program size of \$251,270,000. Distributed capital is a percentage of called capital and includes recallable distributions. **Does not include Techstars SportsTech portfolio companies whose office locations in Indiana are still pending.*

Featured Indiana Portfolio Companies

- **PERQ Software**, based in Indianapolis, Indiana, is an artificial intelligence online shopping software solution for high considered-purchase items, offered via a cloud based SaaS platform. The company's software solutions and its technology helps brands to engage their website traffic with a guided online shopping experience, enabling clients to help their customers online in their shopping journey for the multifamily, auto and home furnishings industries.
- **Sharpen Technologies**, based in Indianapolis, Indiana is a developer of a cloud-based omni-channel contact center platform designed to help agents deliver superior customer experiences. The company's platform provides omni-channel routing, holistic measurement of agent performance and well-being, deep data analytics, flexible and intuitive reporting and more, enabling mid-size to large organizations to address decades-old agent issues responsible for poor customer service.
- **Malomo**, based in Indianapolis, Indiana, is a developer of an ecommerce marketing platform, designed to help brands to build authentic relationships with their customers. The company's platform helps ecommerce brands to turn their shipment tracking into a marketing channel by creating powerful email and tracking page experiences with zero hassle, enabling brands to generate more revenue and loyalty and improve customer retention is an artificial intelligence-driven healthcare software platform created to help people make smarter healthcare decisions.
- **Woven Teams**, based in Indianapolis, Indiana, is an evidence-based developer hiring platform designed to improve the hiring process. The company's platform helps high-growth teams find more qualified developers by permitting candidates to show off with real-world engineering scenarios tailored for the team, provides hiring managers with a rigorous recommendation and every candidate with an actionable feedback, enabling companies to get high-potential candidates easily.



Featured Indiana Portfolio Companies



Thank you for your continued partnership with 50 South Capital and we look forward to providing additional details on the development of the Indiana Next Level Fund in the quarters to come.

Kindest regards,

50 South Capital Advisors, LLC