



INDIANA NEXT LEVEL FUND

SEMI-ANNUAL REPORT
FOR THE PERIOD ENDING
JUNE 30, 2020



Prepared by:
50 South Capital Advisors, LLC
Program Administrator

50 SOUTH
CAPITAL

Report No. 5

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July, 2020

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 December 31, 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 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 2020, there was \$223.9 million invested in seventy-eight Indiana-based, venture backed companies, according to Pitchbook. This is a decrease of three percent in invested capital over the same period in 2019 and a fifteen percent increase in the number of venture backed companies. For the first quarter of the year, Indiana was the 17th most active state in the country by number of deals and 23rd by dollars invested in venture-backed companies, according to PwC and CB Insights MoneyTree Report. For the second quarter, Indiana was the 19th most active state in the country by number of deals and 32nd by dollars invested in venture-backed companies.

There were several significant Indiana-based company financings through the first half of 2020:

Company	Location	Company Description	Deal Size	Month/Year
Solinftec	West Lafayette	Data platform that streamlines logistics for agricultural production.	\$40.0M	Feb. 2020
Lessonly	Indianapolis	Platform providing onboarding and upskilling lessons in the workforce.	\$22.0M	Mar. 2020
Innovative Health Solutions	Versailles	Developer of medical devices intended to provide better patient outcomes.	\$10.5M	Apr. 2020
Encamp	Indianapolis	Developer of software that aligns corporate and environmental goals.	\$10.2M	April 2020
Vibonomics	Fishers	Developer of customized audio experiences for end customers.	\$6.0M	Feb. 2020
ConverSight.ai	Carmel	Developer of a platform intended to better align humans and machines.	\$4.4M	Jun. 2020
BioMech	Carmel	Producer of sensors for golf equipment.	\$4.0M	Jan. 2020
Sharpen Technologies	Indianapolis	Developer of a contact platform helping agents deliver superior customer service.	\$4.0M	Apr. 2020
Woven Teams	Indianapolis	Platform used to more effectively test job candidates for tech. focused roles.	\$2.9M	Mar. 2020
Casted	Indianapolis	Podcasting service that allows creators to produce podcasts more efficiently.	\$2.4M	Jan. 2020
Pattern89	Indianapolis	Developer of a marketing platform to help digital marketers experiment at scale.	\$2.1M	May 2020

(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. Several examples of the various community activities and events include:

- Guest speaker at IUPUI Kelley School MBA business course.
- Guest speaker at Purdue undergraduate business course.
- Guest speaker at IU Kelley School undergraduate minority student event.
- Sponsored pitch event in Indianapolis at Innovate Map.
- Guest speaker/judge at PowderKeg event in Indy.



- Guest speaker at monthly event hosted by Venture Club of Indiana.
- Guest speaker at Venture Club of Indiana event to discuss venture capital and the impact of Covid-19.
- Mentored companies for gBETA Fort Wayne.
- Sponsored Techpoint Mira Awards.
- Sponsored BeNimble startup campaign for diverse founders in Central Indiana.
- Hosted mentoring event for undergraduate students from IU Kelley business school.

While many activities above were held virtually as a result of the pandemic, during the first-half of the year, 50 South Capital continues to be highly visible in the local technology community and throughout the State to network, educate and explore ways to work with many of Indiana's stakeholders including: entrepreneurs, accelerators, civic leaders and community groups to ensure the program's success.

Portfolio Updates

As of June 30, 2020, NLF had made ten fund commitments and two co-investments totaling \$81,749,959. Two new fund commitments in Graham Allen – Data Focus Fund, LP and GSV Ventures Fund II, LP were made during the first-half of the year along with a new co-investment in Lessonly, Inc. NLF currently serves on the limited partner advisory boards (or similarly functioning board) for five fund managers. Additional information is provided below.

Graham Allen Partners is an Indiana-based private equity firm that is raising its first dedicated fund, Data Focus Fund, LP. The Firm's strategy will seek to make control investments in four to seven platform companies where the Firm will leverage their technology expertise in monetizing underutilized data and data infrastructure. The Firm will acquire majority stakes in profitable but antiquated businesses in the Midwest to help monetize their data potentiality and inefficiencies. Graham Allen Partners was founded in 2008 by Tracy Graham. Prior to the Data Focus Fund, Tracy has founded and acquired several businesses proving the investment thesis as an independent sponsor, raising capital on a deal-by-deal basis.

GSV Ventures is an early-stage venture capital firm founded in 2016 by Deborah Quazzo, one of the leading strategic advisors, investment bankers and angel investors in the education industry. Prior to founding the Firm, Quazzo ran GSV Advisors, a preeminent boutique investment banking firm and strategic advisor in the education industry. Quazzo is joined by her partners Michael Cohn and Julia Stiglitz. Previously, Cohn was a director at GSV Advisors, working alongside Quazzo and co-managing her angel portfolio of forty-nine learning and talent technology companies. Stiglitz was previously a Vice President at Coursera, a portfolio company of GSV Ventures I. Quazzo and the GSV team also co-founded and run the Arizona State University GSV (ASU + GSV) Summit, the seminal innovation conference in the education industry that brings together over 5,000 of the world's most important education and talent innovators every year. The Firm will pursue early stage investment opportunities in the U.S. education space that are driven by producing the greatest "Return on Education", a phrase the Partners coined reflecting their belief that the entrepreneurs whose companies have the greatest measurable impact on outcomes – learning, career advancement and business results – will have the greatest investment results. The Firm is based in Chicago, Illinois with an additional office in San Francisco, California.

Lessonly is an employee training software that allows managers to customize training programs to assign to their team, individual employees, or a whole company. The Company was founded in Indianapolis, Indiana in 2012 and maintains its headquarters and largest office north of downtown in a rehabbed public school building. The Company currently has 165 full-time employees. Lessonly gives employees an opportunity to practice what they have learned and receive feedback from their manager or the module creator. Lessonly's software is used by over 2,800,000 learners at 925 companies. Companies that use Lessonly have consistently experienced improved retention, faster ramp time, and superior performance.



Indiana Next Level Fund Investment Portfolio			
<i>(as of June 30, 2020)</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
Acre Ventures Partners II, L.P.	2019	Early stage venture capital	Santa Monica, CA
M25 Fund III, L.P.	2019	Early stage venture capital	Indianapolis, IN & Chicago, IL
Frazier Life Sciences X, L.P.	2020	Multi-stage venture capital	Menlo Park, CA
GSV Ventures Fund II, L.P.	2019	Early stage venture capital	Chicago, IL & San Francisco, CA
Data Focus Fund, L.P.	2020	Private Equity	South Bend, IN

NLF Capital Activity	
<i>(as of June 30, 2020)</i>	
Fund Size	\$251,200,000
Committed Capital	\$81,749,959
Committed Capital (%)*	32.5%
Capital Called (\$)	\$30,431,511
Capital Called (%)*	12.1%
Capital Called to Committed (%)	37.2%
Distributed Capital (\$)	\$ -
Distributed Capital (%)	-%
# of Fund Commitments	10
# of Co-Investments	2
# of Total Portfolio Companies	103
# of Total Investments in Indiana Companies	22
Dollars Invested in Indiana Companies	\$40,388,305
Invested in Indiana Companies to Committed	0.49x

*The percentage of committed capital and called capital is as of the entire NLF program size of \$251,200,000. Distributed capital is a percentage of called capital and includes recallable distributions.



Featured Indiana Portfolio Companies

- **Orthos** is a technology company based in South Bend focused on the back office functions of orthopedic practices and ambulatory surgery centers. Orthos will focus on automating the high volume of manual, rules-based tasks while leveraging the use of data and technology to modernize antiquated processes.
- **High Alpha Innovation**, based in Indianapolis, Indiana, is a High Alpha Studio company that deploys a blend of innovation consulting and startup expertise to help large corporations innovate through the creation of startups and venture studios. Early corporate customers include; Indianapolis-based diesel engine maker Cummins; Dublin based security products maker Allegion Plc, which has its North American headquarters in Carmel; and Santa Clara, California-based Silicon Valley Bank.
- **AuthentiCx**, based in Carmel, Indiana, is a software company that leverages customer interactions to provide transformative insights for healthcare organizations. The platform combines existing customer interactions from recorded calls, texts, chats, and emails into a single source of information that healthcare companies, including pharmaceutical and health insurance firms, can organize to make better decisions.



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