



INDIANA NEXT LEVEL FUND

SEMI-ANNUAL REPORT
FOR THE PERIOD ENDING
DECEMBER 31, 2019



Prepared by:
50 South Capital Advisors, LLC
Program Administrator

50 SOUTH
CAPITAL

Report No. 4

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January, 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 second half of 2019, there was \$607.3 million invested in ninety Indiana-based, venture backed companies, according to Pitchbook. This is an increase of 4.7 times in invested capital over the same period in 2018 and a thirty percent increase in the number of venture backed companies. Through the fourth quarter of the year, Indiana was the 18th most active state in the country by number of deals and 27th by dollars invested in venture-backed companies, according to PwC and CB Insights MoneyTree Report.

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

Company	Location	Company Description	Deal Size	Month/Year
Kenzie Academy	Indianapolis	Operator of a design and coding school	\$100.0M	Nov. 2019
Inari	West Lafayette	Developer of novel plant breeding technologies	\$89.0M	July 2019
Industrious	Indianapolis	Provider and re-inventor of the modern workplace	\$80.0M	Aug. 2019
Zunum Aero	Indianapolis	Developer of commercial hybrid-to-electric aircrafts	\$50.0M	July 2019
Lumen Bio	South Bend	Biotechnology company developing solutions for obesity	\$26.8M	Oct. 2019
Zylo	Indianapolis	Provider of a platform designed to optimize and manage cloud-based subscription	\$22.5M	Sep. 2019
Springbuk	Indianapolis	Provider of an online health analytics platform	\$17.0M	Aug. 2019
Emplify	Fishers	Provider of an employee analytics platform	\$15.0M	Oct. 2019
CGeneTech	Indianapolis	Manufacturer and seller of DNA purification kits for research and medicine	\$14.5M	July 2019
Edify Labs	Carmel	Provider of a global business communications platform	\$10.0M	Sep. 2019
Recovery Force	Fishers	Developer of a wearable, data-driven device that enhances a patient's circulation	\$10.0M	Sep. 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 second 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:

- Hosted first-annual NLF Summit in August attended by over 300 guests from around the country, Midwest and the State of Indiana. Showcased several NLF recipients and underlying portfolio companies.
- Sponsored and participated at the 10th annual Innovation Showcase hosted by the Venture Club of Indiana.
- Guest speaker and mentor at Evansville Angel Network, investor training session.
- Hosted mentoring session with gBETA cohort.
- Guest lecturer at Purdue Krannert School of Management in West Lafayette.



- Guest speaker at 4th Annual Indiana University - Kelley School of Business, Private Equity Conference.
- Sponsored holiday party on behalf of Fortitude Fund in Fort Wayne.
- Co-hosted NexGen venture capital event with Allos Ventures to mentor aspiring investors in Indianapolis.
- Attended Purdue University Business pitch event.
- Sponsor and guest speaker at 2019 Agbiosciences Innovation Summit hosted by Agrinovus in Indianapolis.
- Attended Excellence in Innovation event in Muncie.
- Participated in mentoring session with gBETA cohort.
- Attended Social Impact Accelerator Pitch Night at Launch Indy co-working space.

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 December 31, 2019, NLF had made eight fund commitments and one co-investment totaling \$73,749,995. Three new fund commitments in M25 Fund III, L.P., Frazier Life Sciences X, LP and Acre Venture Partners II, LP were made during the second half of 2019. Also, one new co-investment in Inari Agriculture was made during the third quarter. NLF currently serves on the limited partner advisory boards (or similarly functioning board) for four fund managers. Additional information on each recipient fund is provided below.

Frazier Healthcare Partners was founded in 1991 as one of the first healthcare-dedicated investment firms. Alan Frazier, who had been a senior executive at multiple successful biotechnology companies (CFO of Immunex, CFO of Affymax, Founding CFO of Affymetrix), started the firm in Seattle, Washington with a \$5M fund (Frazier Portfolio Fund). Over the next 28 years, the firm has raised eleven institutional funds, with a total of approximately \$4.2 billion in AUM. The Firm has also built an experienced team of seven general partners who have each been with the firm at least fourteen years. Life Sciences Managing General Partners Patrick Heron and Jamie Topper opened the Menlo Park office in 2003 and have led the Firm's Life Sciences investment strategy since the start of Fund V in 2005. Heron and Topper are joined by one other partner, Daniel Estes, and four other investment professionals. Beyond its capital investment, Frazier brings a team of venture partners and operating professionals with a combined 500 years total investing and operating experience. As the third fund dedicated exclusively to life sciences, the Frazier team will target investments on two ends of the spectrum: (i) company formation, which provides the opportunity for very high ownership positions and has been the source historically of many of the Firms' best performing companies, and (ii) public, many of which are trading at lower valuations than their private comps investing in and creating biopharmaceutical companies targeting liquidity in under five years. The Firm has created or seeded twenty-three companies since 2005 and continues to increase their internal capacity to start companies with the addition of several venture partners and senior advisors in the past six years.

Acre Venture Partners, based in Santa Monica, California, is an early stage venture capital firm focused on making investments in food and agriculture technology companies in the United States. Co-founded by Jeff Dunn, Gareth Asten, and Lucas Mann in 2016, Acre Venture Partners I was formed with a \$125 million commitment from Campbell Soup Company. While the Firm was founded in 2016, Asten, Mann and Dunn previously worked together in various capacities dating back to 2005. In addition to its capital, Acre has a unique ability to help its companies because of the strength of the team and their network of food and agriculture industry leaders, policy makers, and strategic platforms. Acre's investment strategy of investing across the food value chain will benefit significantly from the team's experience and network. Acre invests across the food value chain with a particular focus on agriculture, food technology and consumer verticals. More specifically within each vertical, the Firm has identified investment themes such as the future of genetics,



soil and plant microbiome, smart agriculture, input technologies, traceability, food safety, food waste reduction, food as medicine, and food-related microbiome, clean ingredients, plant-based nutrition, and differentiated nutrient-dense products. The Fund expects to make investments primarily at the seed and Series A financing rounds but will opportunistically invest in Series B through Series D stage companies. The Firm has a core focus on investing in startups with footprints in the Midwest (Indiana and Illinois specifically) given the existence of a strong pipeline of investment opportunities, leading food and agriculture research institutions and universities, and deep network of executives and strategic companies.

M25 Group was founded by Victor Gutwein in 2015 as an early stage venture capital firm focused on making investments in enterprise software, consumer and digital health technology companies headquartered in the Midwestern United States. Mike Asem joined the firm in 2016 after founding the Purdue Anvil, a co-working and incubator for startup activity at the University. While the Firm is led by two of the youngest fund managers in the industry, they have demonstrated their ability to become one of the most active venture firms in the Midwest with over 80 investments across 24 cities. They invest broadly with an index fund approach to reduce risk while still generating solid returns for the fund. The Firm has its headquarters in Chicago, IL and also maintains an office in Indianapolis, IN as they are active throughout the Midwest routinely meeting with their portfolio companies, attending pitch events, holding office hours and other community activities. Across the region, M25 has created a strong brand and reputation of providing early capital and support for their portfolio. Beyond its capital investment, M25 have developed an expansive network of syndicate partners in the region and on both coasts to provide their companies with follow-on capital, strategic connections and talent development. M25 invests broadly across industry sectors, with concentrations in digital health, fintech, enterprise SaaS, transportation & logistics, and real estate. As a result of its early stage focus and peer relationships with its founders, M25 is able to have aligned interests with its portfolio companies since it does not negotiate against them on terms. The Firm will rarely take board seats in its portfolio companies. Due to the stage of companies that M25 invests in, the Firm invests in companies that have high-quality management teams, strong product design and are well-positioned in their target market. The Firm has a core focus of investing in startups in the Midwest (Indiana and Illinois specifically) given the strong pipeline of investment opportunities, LP investors, institutions and universities, and deep network of executives and strategic companies.

Indiana Next Level Fund Investment Portfolio			
<i>(as of December 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
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



NLF Capital Activity (as of December 31, 2019)	
Fund Size	\$251,200,000
Committed Capital	\$73,749,995
Committed Capital (%)*	29.4%
Capital Called (\$)	\$20,506,511
Capital Called (%)*	8.2%
Capital Called to Committed (%)	27.8%
Distributed Capital (\$)	-
Distributed Capital (%)	-
# of Fund Commitments	8
# of Co-Investments	1
# of Total Portfolio Companies	69
# of Total Investments in Indiana Companies	18
Dollars Invested in Indiana Companies	\$28,686,983
Invested in Indiana Companies to Committed	0.39x

*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

- **Socio**, based in Indianapolis, Indiana, is a cloud-based platform technology company that helps organizations of every size optimize their events. With the focus of taking event experiences to the next level, Socio has been used in hundreds of events globally and facilitated millions of interactions.
- **120Water Audit**, based in Zionsville, Indiana, is an all-in-one solution for managing drinking water programs at scale. The digital water cloud manages drinking water programs that protect public health now and in the future.
- **Elate**, based in Indianapolis, Indiana, is a software platform simplifying how companies drive business outcomes by unifying internal technologies and disparate data. The company also provides organizational alignment and increased operations visibility to companies looking to define and measure key initiatives.
- **Loupe**, based in Indianapolis, Indiana, is a cloud-based platform creating a platform to provide sales leaders with data and analytics to manage sales representative-level performance and drive better forecasting.
- **Casted**, based in Indianapolis, Indiana, is a software platform which provides marketers with everything they need to create, manage, publish, promote, and measure their brand's show. This marketing enablement suite will transform the way that companies view their audio assets.



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