



INDIANA NEXT LEVEL FUND

SEMI-ANNUAL REPORT
FOR THE PERIOD ENDING
DECEMBER 31, 2020



Prepared by:
50 South Capital Advisors, LLC
Program Administrator

50 SOUTH
CAPITAL

Report No. 6

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January, 2021

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, 2020 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 2020, there was \$214.3 million invested in seventy-two Indiana-based, venture backed companies, according to Pitchbook. This is a decrease of sixty-five percent in invested capital over the same period in 2019 and twenty percent decrease in the number of venture backed companies. Despite the on-set of the Covid-19 pandemic, entrepreneurs and investors demonstrated their ability to adapt and to make new investments in a virtual setting. For the third quarter of the year, Indiana was the 18th most active state in the country by number of deals and 21st by dollars invested in venture-backed companies, according to PwC and CB Insights MoneyTree Report. For the fourth quarter, Indiana was the 21st most active state in the country by number of deals and 27th by dollars invested in venture-backed companies.

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

Company	Location	Company Description	Deal Size	Month/Year
MBX Biosciences	Carmel	Developer of endocrine therapeutic drugs to treat endocrine issues efficiently.	\$34.6M	July 2020
Scale Computing	Indianapolis	Developer of a data storage platform intended to automate data management.	\$30.0M	Dec. 2020
Scioto Biosciences	Indianapolis	Developer of innovative microbiome therapies to address erosion of the mucosal barrier.	\$26.5M	Aug. 2020
Realync	Carmel	Virtual leasing and touring platform designed to simplify the real estate touring process.	\$22.0M	Nov. 2020
Sharpen Technologies	Indianapolis	Developer of a platform for mid-size and large businesses to improve customer service.	\$12.0M	Sep. 2020
Toralgen	Indianapolis	Biopharmaceutical company focusing on the development / commercialization of therapeutics.	\$8.3M	Oct. 2020
Boardable	Indianapolis	A committee management platform designed to streamline the board management processes.	\$8.0M	Dec. 2020
MetaCX	Indianapolis	A business outcome management platform intended to offer real-time visibility into customer success.	\$7.5M	Oct. 2020
Vibonomics	Fishers	Provider of location-based audio advertising and experience services.	\$6.5M	Oct. 2020
Animated Dynamics	Indianapolis	Biodynamic imaging platform intended to deliver drug assessment in 3-D living tissue samples.	\$5.5M	Nov. 2020
Novosteo	West Lafayette	A drug discovery platform designed to reduce complications associated with bone fractures.	\$5.5M	Dec. 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 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 the second Annual Summit for the Indiana Next Level Fund.
- Sponsored Innovation Showcase hosted by the Venture Club of Indiana.



- Judge and mentor for Crossroads Pitch Competition at The Mill in Bloomington.
- Guest speaker at Demo Day for Techstars Sports Accelerator Powered by Indy.
- Hosted mentoring event for undergraduate minority students from the IU Kelley School of Business.
- Participated in mentor session for gBETA Indy and gBETA AgBioScience cohorts.

While many activities above were held virtually as a result of the pandemic, 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 December 31, 2020, NLF had made twelve fund commitments and two co-investments totaling \$109,749,959. Two new fund commitments, Avenue Venture Opportunities Fund, LP and High Alpha Capital Fund III, LP were made during the second half of the year. 50 South Capital currently serves on the limited partner advisory boards (or similarly functioning board) for seven NLF recipient funds. Additional information is provided below.

Avenue Capital Group was founded in 1995 by Marc Lasry and Sonia Gardner and today has \$10.4 billion in assets under management to pursue opportunistic credit and other special situations investments in the United States, Europe and Asia. Lasry and Gardner have spent virtually their entire careers following this investment strategy. Headquartered in New York, Avenue has offices in Silicon Valley, London, Luxembourg, Madrid, Beijing, Hong Kong, New Delhi, Singapore and Sydney. Avenue Venture Opportunities Fund will provide senior secured structured debt financing to U.S.-based, high-growth, technology and life science companies. The Firm's investments are expected to be made primarily in: (i) companies seeking growth capital to supplement equity funding; (ii) companies seeking acquisitions, investment capital and/or working capital; and (iii) companies that are in need of refinancing or liquidity to strengthen balance sheets while minimizing shareholder dilution. The AVOF team will follow an investment strategy, which is analytically intensive and relies upon individual credit analysis and industry research, with a strong focus on capital preservation and downside protection. The AVOF team is led by Dan Holman, Chad Norman and Tony Pandjiris (collectively, the "Portfolio Managers") that have a 20-year history of working with a diverse group of venture capital investors and entrepreneurs having made previous investments of over \$1 billion to more than 160 portfolio companies. Along with the Portfolio Managers, Lasry and Gardner will serve on the Fund's investment committee.

Founded in 2015 and based in Indianapolis, Indiana, High Alpha Capital is an early stage, enterprise cloud-focused venture capital firm. It was established to be the enterprise cloud venture capital firm of choice for entrepreneurs, based on its founders' deep operational and entrepreneurial experience and relationships. Prior to founding the firm, Scott Dorsey was the Co-Founder & CEO of ExactTarget, a digital marketing automation and analytics software company that went public in 2012 and was subsequently acquired by Salesforce for \$2.5 billion in 2013. The High Alpha platform has two arms, High Alpha Studio and High Alpha Capital. High Alpha Studio is a venture capital studio that conceives, launches, and scales companies that are predominately operating in the enterprise cloud space. As part of the Studio, these early stage companies benefit from more hands-on guidance with programming such as "Flight School" events wherein marketing and product leaders from the High Alpha portfolio meet with corporate executives and venture capital investors for shared learning, networking, and collaboration. High Alpha Capital is the venture capital arm that will invest in best-in-class enterprise cloud companies. It invests in Studio companies as well as external companies sourced from its strong co-investor network.



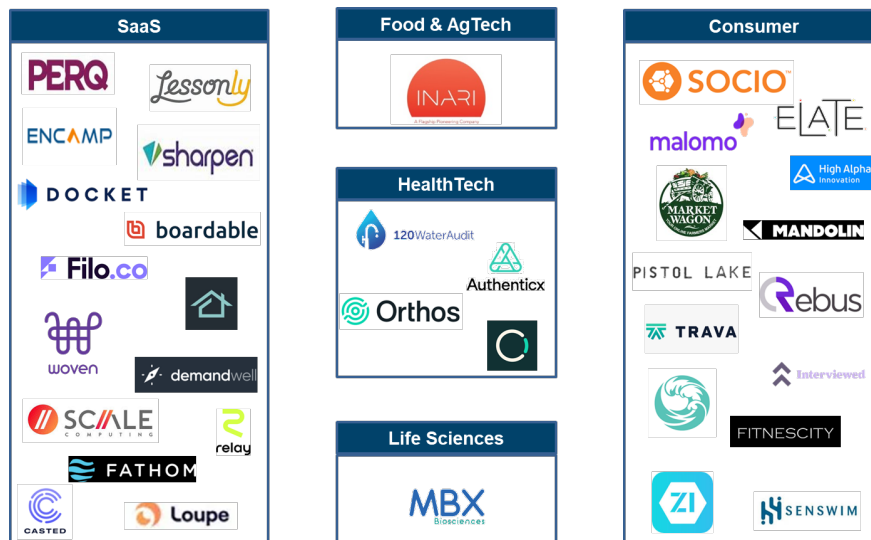
Indiana Next Level Fund Investment Portfolio			
<i>(as of December 31, 2020)</i>			
Fund Investment	Vintage	Strategy	Location
High Alpha Capital Fund II, L.P.	2018	Early stage venture capital	Indianapolis, IN
Foundry Group Next 2018, L.P.	2018	Multi-stage venture capital	Boulder, CO
Techstars SportsTech 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
GSV Ventures Fund II, L.P.	2019	Early stage venture capital	Chicago, IL & San Francisco, CA
Frazier Life Sciences X, L.P.	2020	Multi-stage venture capital	Menlo Park, CA
Data Focus Fund, L.P.	2020	Private Equity	South Bend, IN
Avenue Venture Opportunities Fund, L.P.	2020	Venture Debt	Palo Alto, CA & New York, NY
High Alpha Capital Fund III, LP	2021	Early stage venture capital	Indianapolis, IN

NLF Capital Activity	
<i>(as of December 31, 2020)</i>	
Fund Size	\$251,200,000
Committed Capital	\$109,749,959
Committed Capital (%)*	43.7%
Capital Called (\$)	\$49,356,511
Capital Called (%)*	19.7%
Capital Called to Committed (%)	45.0%
Distributed Capital (\$)	\$1,977,431
Distributed Capital (%)	0.8%
# of Fund Commitments	12
# of Co-Investments	2
# of Total Portfolio Companies	199
# of Total Investments in Indiana Companies	44
Dollars Invested in Indiana Companies	\$78,072,801
Invested in Indiana Companies to Committed	0.71x

*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

- **Scale Computing** is an Indianapolis-based company that develops and manufactures storage systems. The company offers disk-based backup and clustered data storage for virtualization and disaster recovery applications.
- **MBX Biosciences** is a preclinical-stage biotechnology company based in Carmel, Indiana using validated molecular targets to create medicines for rare endocrine diseases where current therapies are inadequate.
- **Market Wagon** is an Indianapolis-based software platform for online farmer's markets, enabling food producers to transact online with local consumers. The company's platform delivers e-commerce, inventory control, customer interactions, and last-mile logistics all so that the farmers can spend more time farming.
- **Filo** is an Indianapolis-based software platform which provide virtual meeting space for teams, workshops, programs and events.
- **Mandolin Software** is an Indianapolis-based digital platform designed to help artists, venues, and fans connect through live music. The company provides enhanced audio and video quality as well as an ability to sell tickets to generate income for acts and struggling concert venues.



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