

KOREA STARTUP INVESTMENT PRACTICE
FUND OF FUNDS: PRIMER AND CATALYST

PSFI | PSOD | ADB
KOREA CREDIT GUARANTEE FUND

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00 SEPTEMBER 2024



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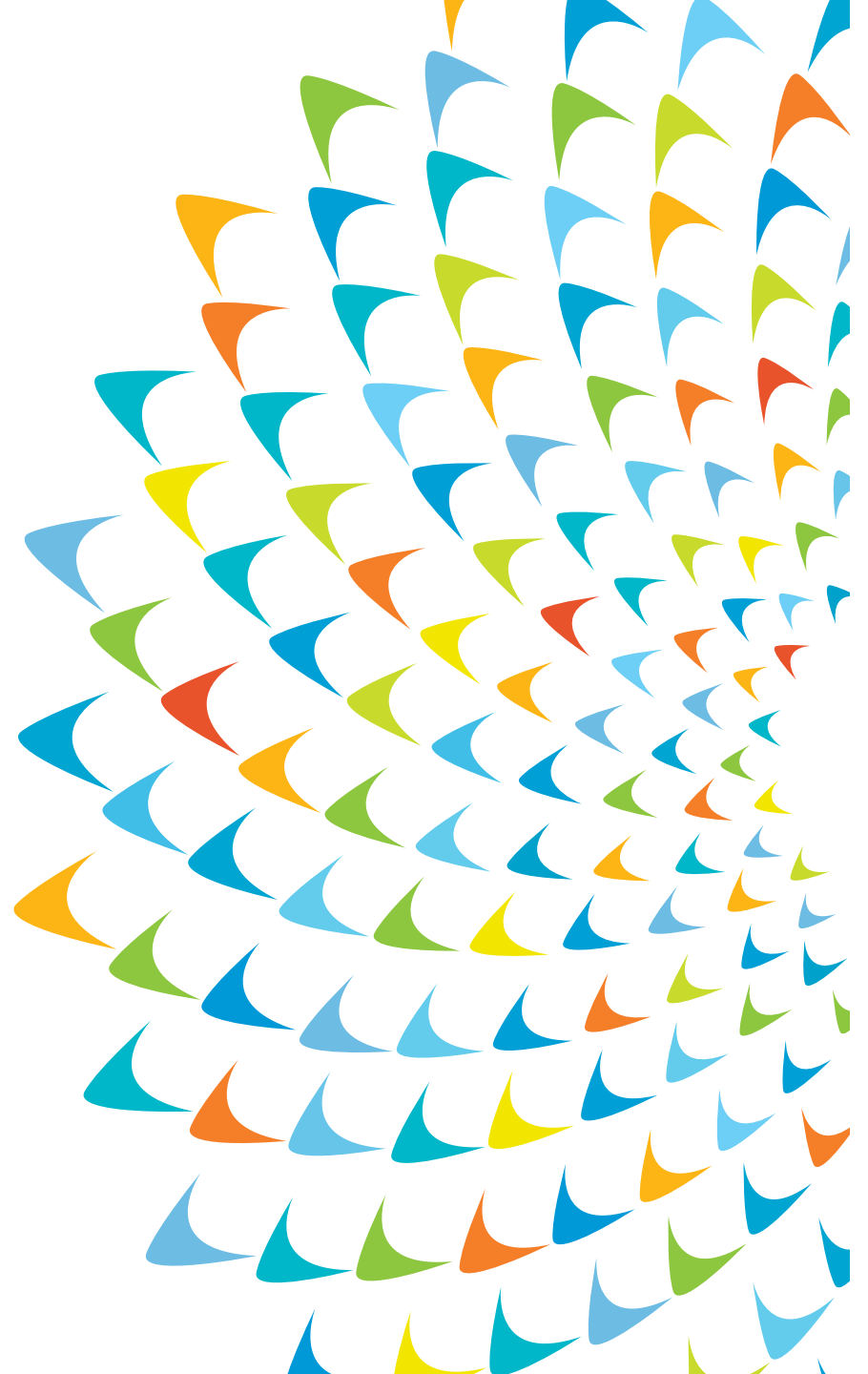
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2. DEEP DIVES

3. INSIGHTS

* KODIT STARTUP SUPPORT PROGRAMS

* KOREAN STARTUP POLICIES





OVERVIEW : DEFINITION

“FUND OF FUNDS” IS

**A POOLED INVESTMENT FUND THAT
INVESTS IN OTHER FUNDS.**

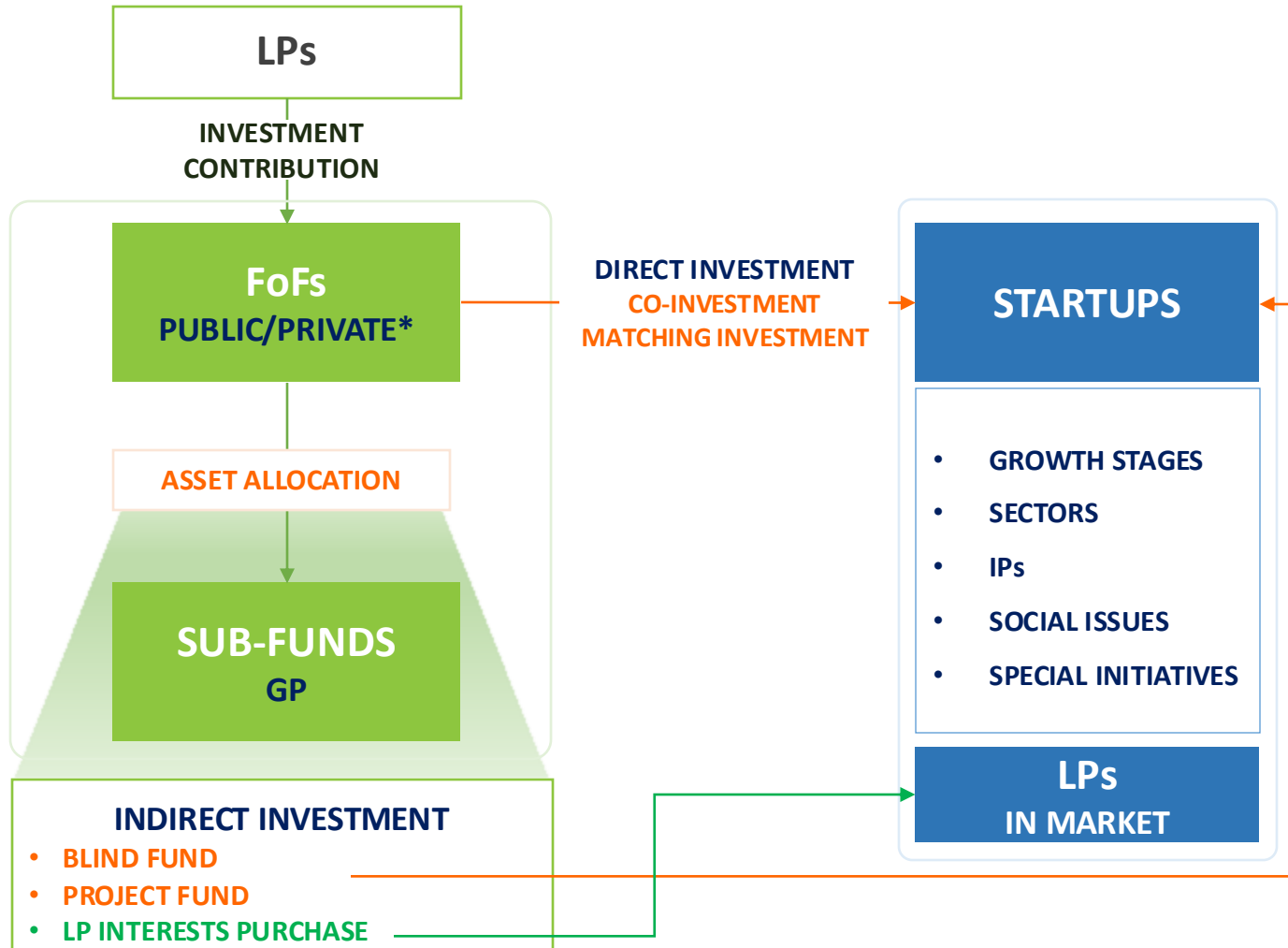
* Source: Investopedia(<https://www.investopedia.com/terms/f/fundsoffunds.asp>)



OVERVIEW : KEYWORDS

- 1 FUND OF FUNDS (FoFs)
- 2 LIMITED PARTNER (LP)
- 3 GENERAL PARTNER (GP)
- 4 STARTUPS
- 5 DIRECT/INDRECT INVESTMENT

OVERVIEW : STRUCTURE

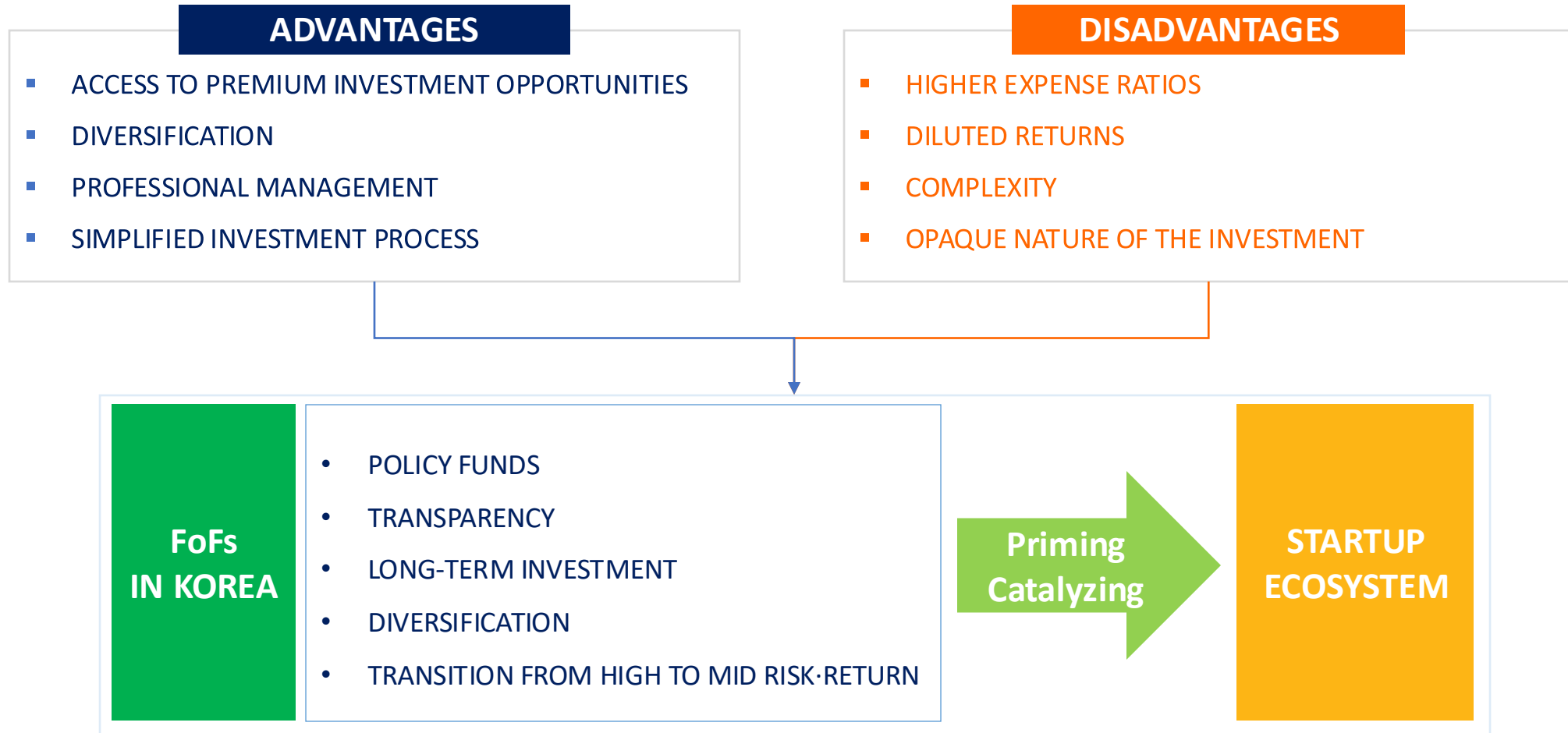


- 1 FoFs: PUBLIC/PRIVATE FUNDS
- 2 LP: (KVIC) GOV'T DEPTs/AGENCIES
(K-GROWTH, ETC.) SOEs*, PRIVATE FIs, ETC.
- 3 GP: VENTURE CAPITALS, PE, IB, HEDGE FUNDS, ETC.
- 4 STARTUPS:
(STAGES) EARLY, GROWTH, STABLE
(SECTORS) IT, AI, CULTURE, FINTECH
(SOCIAL ISSUES) CLIMATE CHANGE, ESG
(SPECIAL INITIATIVES) SEMICONDUCTOR, EV, M&C*,
RESTRUCTURING
- 5 INVESTMENT:
(DIRECT) CO-INVESTING WITH GPs
(INDIRECT) BLIND FUND-FLEXIBLE STRATEGY
PROJECT FUND-TARGET COMPANIES
LP INTERESTS PURCHASE-LIQUIDITY

- Public FoFs managing entities: KVIC (Korea Venture Investment Corporation) and K-GROWTH (Korea Growth Investment Corporation)
- Private FoFs managing entities: Hana Ventures, Shinhan Asset Management, and Woori Asset Management
- SOCs: State-Owned Enterprises
- M&C: Materials and Components



OVERVIEW : ADVANTAGES VS. DISADVANTAGES



- Source: Investopedia(<https://www.investopedia.com/terms/f/fundsoffunds.asp>).
- K-GROWTH and KVIC presentation deliverables.



DEEP DIVES: TWO PUBLIC + THREE PRIVATE FoFs

PUBLIC



KVIC
Korea Venture Investment Corp.



K-Growth
Korea Growth Investment Corp.

PRIVATE



Hana Ventures



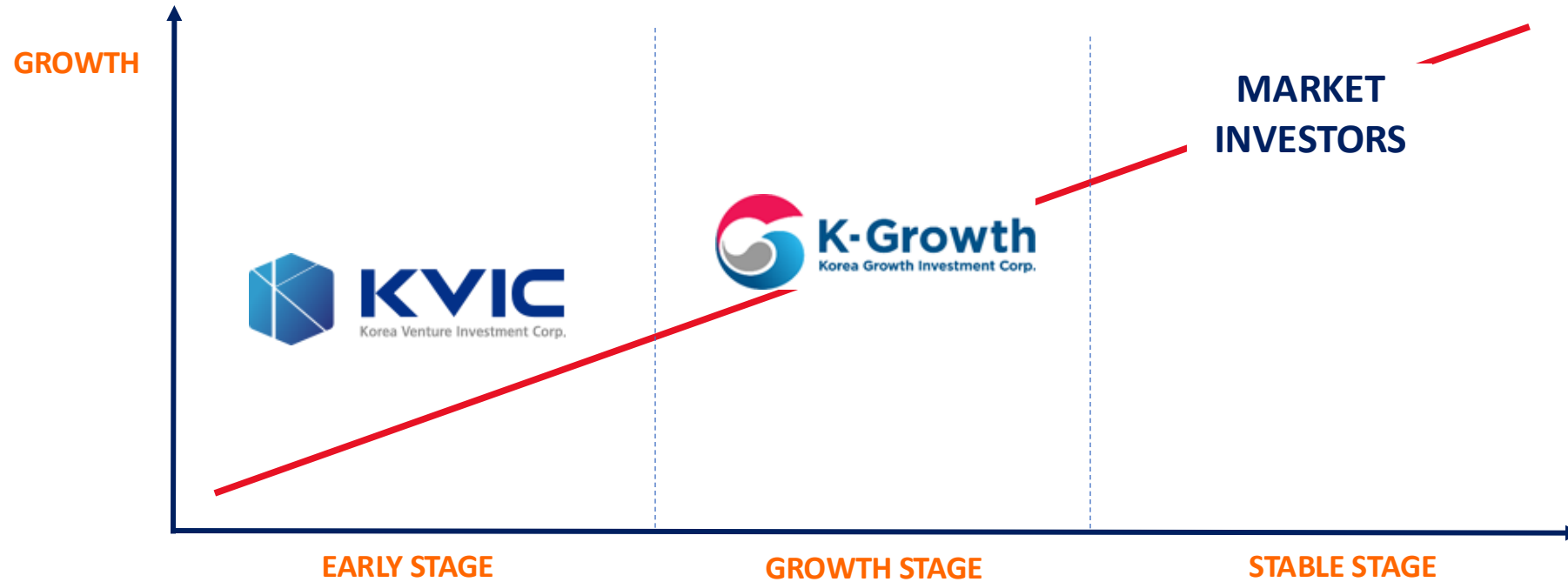
Shinhan Asset Management



WOORI ASSET MANAGEMENT



DEEP DIVES: INVESTMENT FOCUS



TWO KEY DRIVERS OF STARTUP INVESTMENT FoFs



PRIMER



CATALYST



DEEP DIVES: KVIC VS. K-GROWTH

TYPE		KVIC Korea Venture Investment Corp.		K-Growth Korea Growth Investment Corp.	
EST.		<ul style="list-style-type: none"> STATE-OWNED ENTERPRISE 		<ul style="list-style-type: none"> ASSET MANAGEMENT COMPANY 	
FoF	FUND	<ul style="list-style-type: none"> 15 JULY 2005 		<ul style="list-style-type: none"> 25 FEBRUARY 2016 	
	LP	<ul style="list-style-type: none"> SIZE: USD 6.9 BN DURATION: 30 YEARS (~2035) 		<ul style="list-style-type: none"> SIZE: USD 6.8 BN DURATION: 20 YEARS (~2033) 	
	GP	<ul style="list-style-type: none"> GOV'T DEPT. AND SOEs 		<ul style="list-style-type: none"> SOEs, FIs, AND INDUSTRIES 	
	FOCUS	<ul style="list-style-type: none"> VC, PE, ETC. 		<ul style="list-style-type: none"> VC, PE, HF, ETC. 	
		<ul style="list-style-type: none"> ANGEL AND EARLY STAGE IP COMMERCIALIZATION CULTURE, MEDIA AND FILM M&C, ETC. 		<ul style="list-style-type: none"> GROWTH AND LIQUIDATION STAGE ICT SERVICE BIO/HEALTHCARE M&C, ETC. 	

- Sources: KVIC and K-GROWTH deliverables and websites.
- USD 1 = KRW 1,288 as of Dec 2023



PERFORMANCE: KVIC VS. K-GROWTH

FoF

SUB-
FUNDS

SPECIAL
FUNDS



- NO.: 1,233
- ASSETS: USD 35 BN
- INVESTED COMPANIES: 10.2K

- **10 FUNDS**
 - OVERSEAS VC GLOBAL FUND
 - LOCAL INNOVATION
 - SMART KOREA
 - PRIVATE SECTOR FoF
 - ANGEL FoF
 - KEPCO FoF
 - TECH COMMERCIALIZATION
 - JOB CREATION
 - R&D



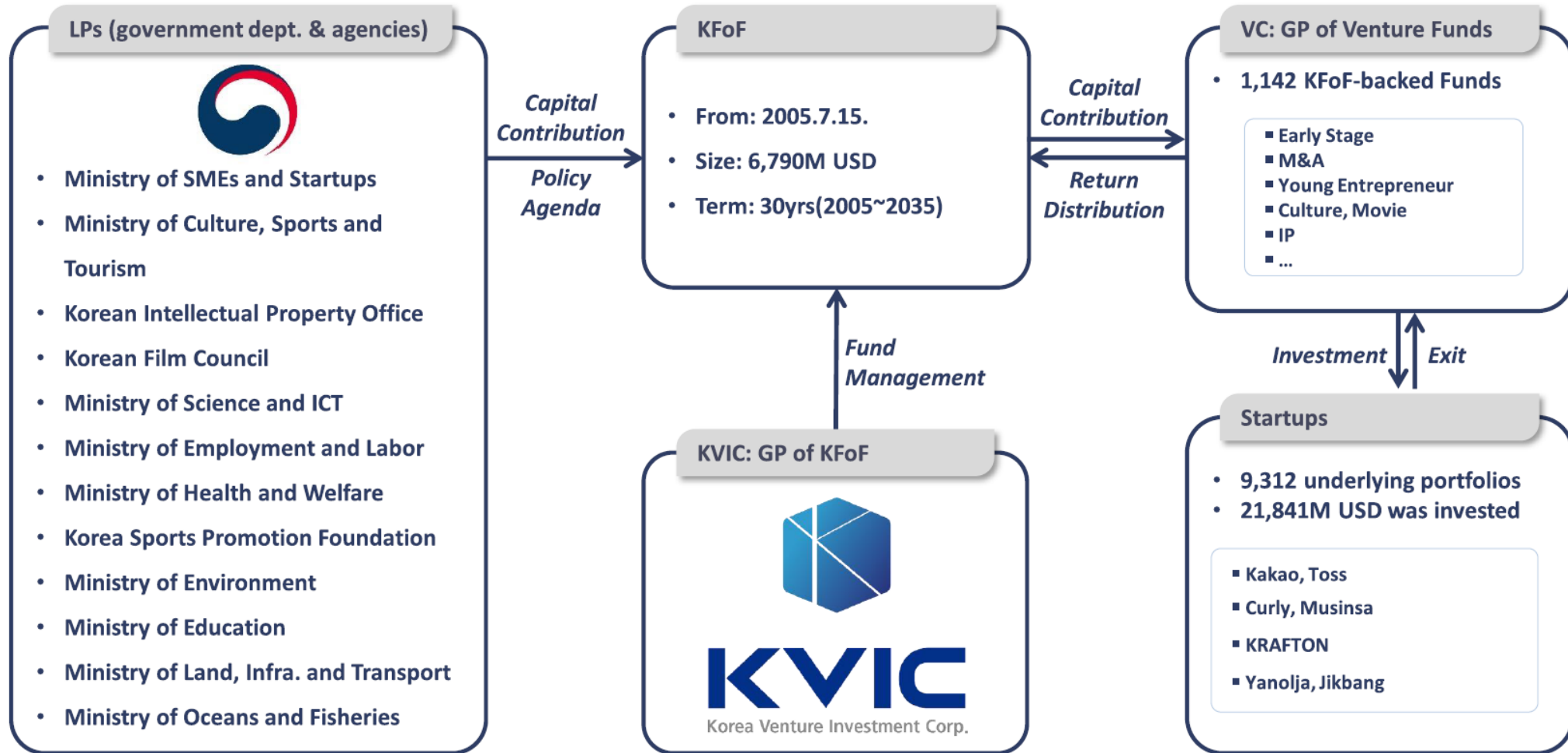
- NO.: OVER 480
- ASSETS: USD 31 BN
- INVESTED COMPANIES: OVER 3.8K

- **ABOUT 40 FUNDS**
 - INDUSTRIAL ECOSYSTEM
 - * SEMICONDUCTOR, BATTERY, FINTECH
 - POLICY-INITIATIVES
 - * M&C, NEW DEAL, RESTRUCTURING
 - INDUSTRY FUNDAMENTALS
 - * PUBLIC-PRIVATE COLLABORATION
 - CAPITAL MARKET
 - * KOSDAQ SCALEUP, ETC.
 - SOCIAL ISSUES

• Sources: KVIC and K-GROWTH deliverables and websites.



DEEP DIVES: KVIC

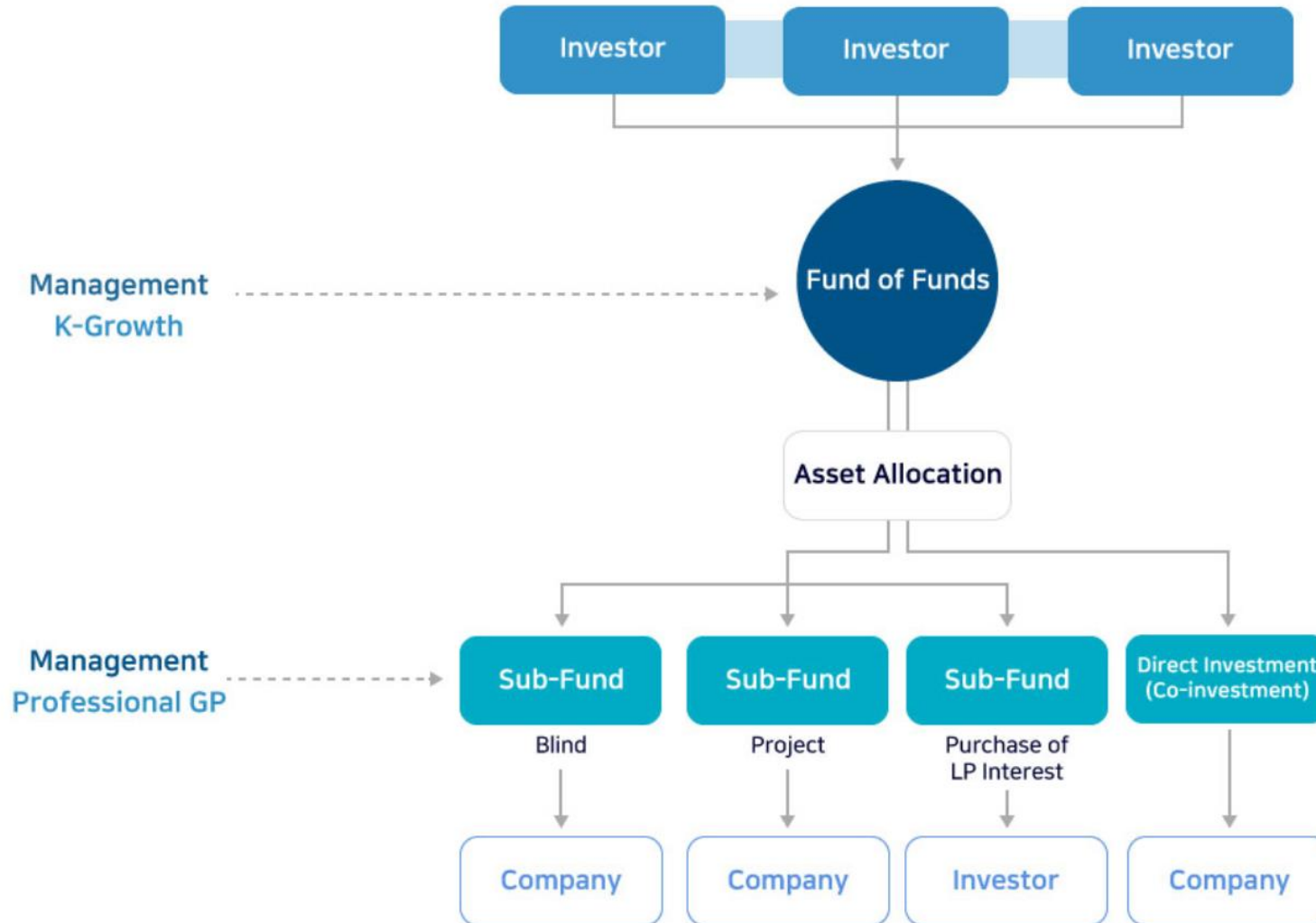


Source: KVIC, March 2023

• Sources: KVIC deliverables.



DEEP DIVES: K-GROWTH



- Sources: K-GROWTH deliverables.



INSIGHTS: BENCHMARKS

Various publicly-oriented funds are being operated not only in Korea but also in foreign countries

EIF (European Investment Fund)

- ✓ **A publicly-oriented FoFs established in 1994 to support SME within Europe**
 - To facilitate funding for SME and attract private capital into the VC market
 - Also make efforts to support ESG principles and UN Sustainable Development Goals.

VCAP, VCC (Canada)

- ✓ **For Sustainability in the Canadian VC industry and facilitate funding for innovative startups**
 - Established the fund through VCAP and invested in private FoFs
 - Also invested in outstanding private VC funds with a track record of success

Other Europe FoFs

- ✓ **Danish Growth Capital**
 - FoFs operated by the Demark government
- ✓ **Empresa Nacional de Innovacion SA(ENISA)**
 - FoFs operated by ENISA, a government agency in Spain
- ✓ **Moreover, the majority of European countries operate similar funds**

Alberta Enterprise Corporation (Canada Alberta)

- ✓ **To foster the VC industry, the Alberta provincial government made it**
- ✓ **Other provincial governments are operating their respective funds**

- Sources: KVIC presentation deliverables.



INSIGHTS: BENCHMARKS



THE YOZMA PROGRAM (ISRAEL)

- **ESTABLISHED:** 1993
- **STAKES:** PRIVATE 60% GOV'T 40%
- **INVESTING:** DIRECT/INDIRECT (CO-INVESTING)
- **FOCUSES:**
 - ALL-STAGE (PRIMARILY EARLY-STAGE)
 - COMMUNICATIONS, IT, AND MT
 - DEEP TECH, A MULTIPLE STERAM OF PRODUCTS, AND TARGETING MARKETS OUTSIDE ISRAEL
- **IMPACTS:**
 - QUICK EXPANSION OF VC MARKET
 - ATTRACTION OF FOREIGN INVESTMENT
 - SUSTAINABLE GROWTH OF VC ECOSYSTEM



SGINNOVATE·SEEDS Capital (SINGAPORE)

- **ESTABLISHED:** 2016, 2012
- **STAKES:** GOV'T 100%
- **INVESTING:** DIRECT/INDIRECT (CO-INVESTING)
- **FOCUSES:**
 - EARLY STAGE
 - DEEP TECH, FINTECH, BIOTECH, ADVANCED MANUFACTURING
 - LONG-TERM NATIONAL ECONOMIC GOALS
- **IMPACTS:**
 - SUPPORT FOR EARLY-STAGE STARTUPS
 - ATTRACTION OF FOREIGN INVESTMENT
 - GROWTH OF THE STARTUP ECOSYSTEM

• Sources: Yozuma, SGINNOVATE, AND SEEDS Capital website (www.yozuma.com, www.sginnovate.com, www.seedscapital.sg)



INSIGHTS: THE NEXT STEP FoFs TAKE

▣ Public FoFs need to shift from catalyzing private funds to addressing market failures.

- For example, the FoF should concentrate on areas where policy failures occur, such as:
 - Underdeveloped regions, overseas ventures, and ESG sectors,
 - And hand over its role and functions to private FoFs in areas where they can perform effectively.
- The U.S. Small Business Investment Companies (SBIC) program, established in 1958 through SBA:
 - Initially played a catalytic role by investing large amounts of capital in the venture market.
 - However, most of its functions have now been transferred to private FoFs.

- Sources: NATIONAL ASSEMBLY BUDGET OFFICE, REPUBLIC OF KOREA ([국회예산정책처 > 보고서 > 정책연구용역 보고서 > 모태펀드의 적정 규모 운영에 관한 연구 민간투자에 미치는 영향을 중심으로 \(nabo.go.kr\)](#))



* KODIT STARTUP SUPPORTS: FINANCIAL

CREDIT GUARANTEE (BUSINESS CYCLE)



INVESTMENT (BUSINESS CYCLE)

Overview

Investment combined with credit guarantees aim to facilitate direct fund-raising and to improve the value of SMEs with Future Growth Potential

☑ The Scale of Investments : 44.1 USD Million (55.7 KRW Billion) as of 2022

Targets

Unlisted SMEs with promising business prospects and technological potentials

General Rules for Investment



Investment Limits

- Up to 2.4 USD Million per a single enterprise
- Not Exceeding two times of the guaranteed amount
- Applied in accordance with Credit Ratings





Holding Period

- For Equity, from 3 to 10 years
- For Bonds, within 5 years Holding Periods depend on the potentials of enterprises for IPO

• Sources: KODIT presentation materials



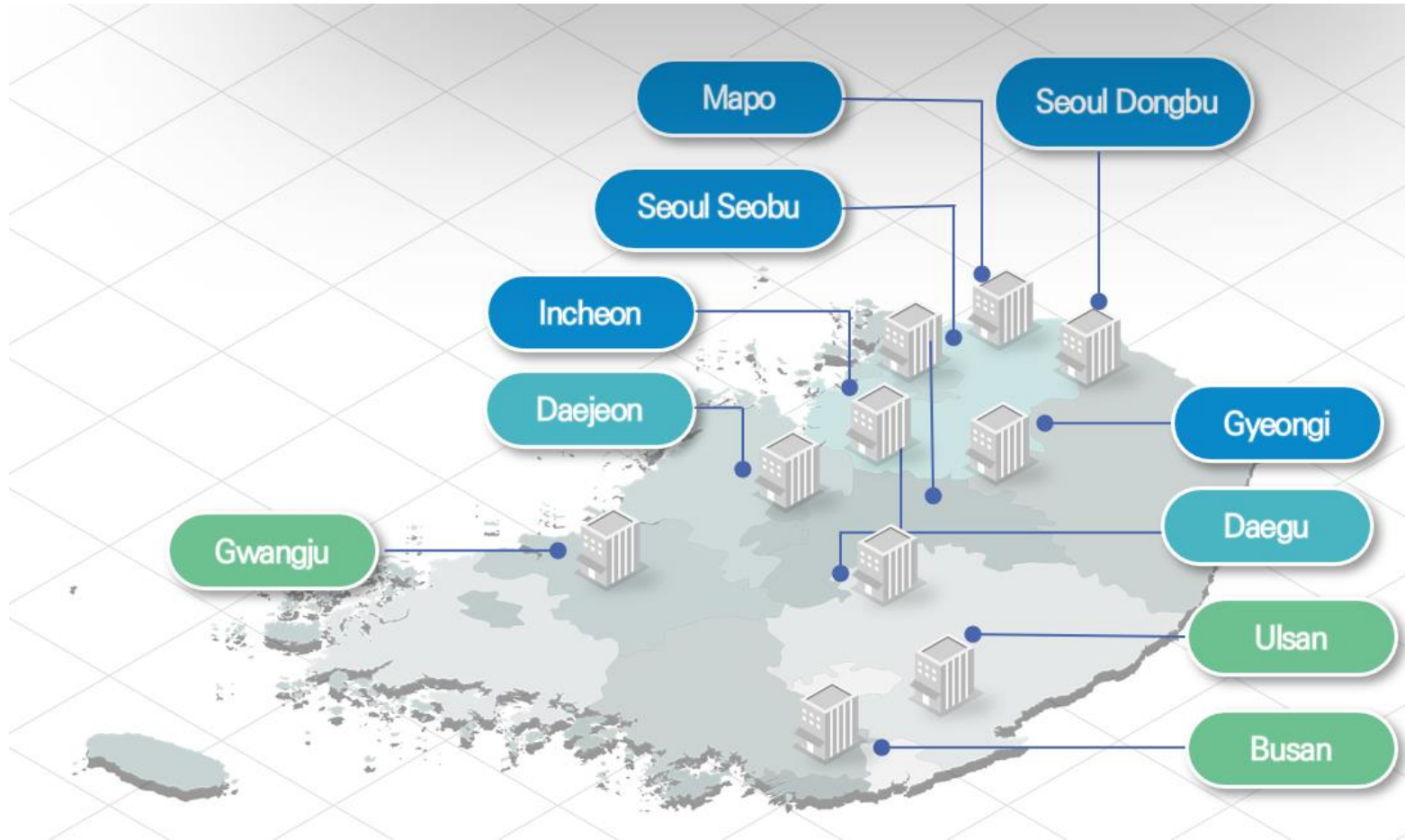
* KODIT STARTUP SUPPORTS: NON-FINANCIAL

	<p>▷ Start-up NEST</p> <ul style="list-style-type: none">· Korea's leading start-up incubation program which provides a package of accelerator and financial/non-financial support for early-stage start-ups
	<p>▷ U-CONNECT</p> <ul style="list-style-type: none">· Startup investing platform that matches excellent start-ups with private investors through online/ in-person IR Demo days
<p>More Supports</p>	<ul style="list-style-type: none">· Support for startups hoping to expand overseas· Startups supporting consulting

• Sources: KODIT presentation materials



* KODIT STARTUP SUPPORTS: BUSINESS NETWORK



- Sources: KODIT presentation materials



* STARTUP KOREA: VISION AND STRATEGIES

Comprehensive Plan For Startup Korea (30 Sep 2023)

■ VISION

Through "Startup Korea," be a global entrepreneurial powerhouse where ventures and startups lead the digital economy.

■ STRATEGIES

① Take bold challenges globally and Build a leading startup hub locally.

- Support Korea startups abroad and attract global talents to Korea.

② Address public-private joint investment initiative and new support initiatives.

- Launch Startup Korea Fund and provide tailored financial support for entrepreneurial small businesses

③ Revitalize regional startup clusters and the local venture investment environment.

- Build local startup clusters called 'Local Space-K' and Launch local startup funds

④ Adopt open innovation and regulatory reforms to support deep tech startups.

- Catalyze startup-large company open innovation and build global CVC ecosystem

⑤ Foster a bold entrepreneurial climate using accumulated experience.

- Introduce an 'Entrepreneurship' textbook in secondary schools and promote a second-chance environment for entrepreneurs

- Sources: <https://www.mss.go.kr/site/smba/ex/bbs/View.do?cbIdx=86&bclIdx=1044049&parentSeq=1044049>



* K-STARTUP PORTAL: ULTIMATE SUPPORT NETWORK

Ministry of SMEs and Startups Startup Promotion Agency

K-STARTUP Business Introduction Business Announcement Notification Customer Support

Select your start-up stage and area of interest to easily find start-up support projects.

Start-up Navigation Start-up infrastructure map

Startup Navigation

Set the start-up stage, start-up age, and areas of interest, and check the start-up announcement!

Start-up stage: Reserve (0 years), Founding (1-3 years), Growth (4-7 years)

New industry (within 10 years)

Founding age: Under 20 years of age, 20-39 years old, 40 years of age or older

Areas of Interest: Commercialization, Facility, space, childcare, Global, gravitation

We provide necessary business services for (preliminary) entrepreneurs.

whole	Commercialization	Technology	Facility, space, childcare	Mentoring, consulting,	Global	gravitation	Loans	Event, network
Maritime & Fisheries En...	Agri-food Entrepreneur...	Agri-food Venture Start...	Event Network	Event Network	Mentoring Consulting Training	Agri-food venture start...	Agri-food crowdfundin...	Licensing and Licensin...
Event Network	Event Network	Mentoring Consulting Training	Agri-food venture start...	Agri-food crowdfundin...	Mentoring Consulting Training	Mentoring Consulting Training	Mentoring Consulting Training	Mentoring Consulting Training

Maritime & Fisheries En... Eligibility: Companies within 7 years establishment, all citizens

Budget and Scale: (Budget Status) KRW 250 of support) Minister's Award

Support Details: Dualize into commercialize (companies within 7 years)

Features: Investigating the demand use and commercialization

View Details

Business Introduction

2024 Integrated Announcement of Start-up Support Project

Commercialization
Technology Development (R&D)

FacilitySpaceChildcare

Mentoring Consulting Training

Global

gravitation

Loans

Event Network

Legal Assistance

Business Announcement

Recruiting

Application Deadline

Notification

Announcements

K-Startup Issue & Trend

Card News

Establishment Information

- Founding News
- Entrepreneurship Guide
- Start-up Success Stories
- Entrepreneurship Statistics Research Data

Innovative Startup Ecosystem

- Environmental Factors
- Activity Competencies
- Achievement Creation

Customer Support

Talk to us

- General Consultation

Report Center

- Regulatory Improvement Q&A
- Report of unfair acts in venture investment

Archives

FAQ

Online Manuals

- General Manuals
- Start-up Business Manual

Schedule for Founders

September 2024

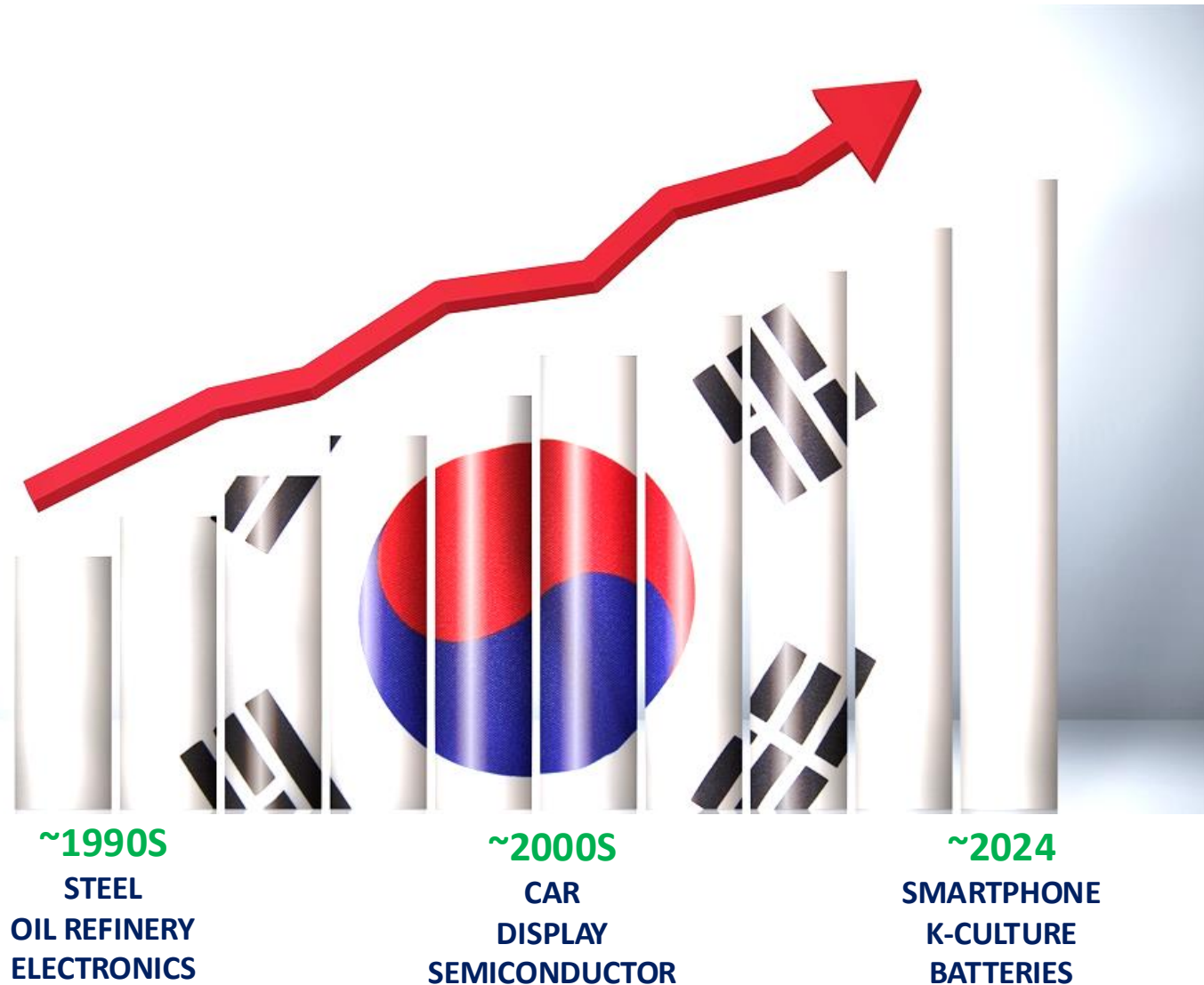
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	+11 See more					

If you need a lot of information in the business announcement, you can check more information by selecting "All Business Postings".

Sources: <https://www.mss.go.kr/site/smba/ex/bbs/View.do?cbIdx=86&bclDx=1044049&parentSeq=1044049>



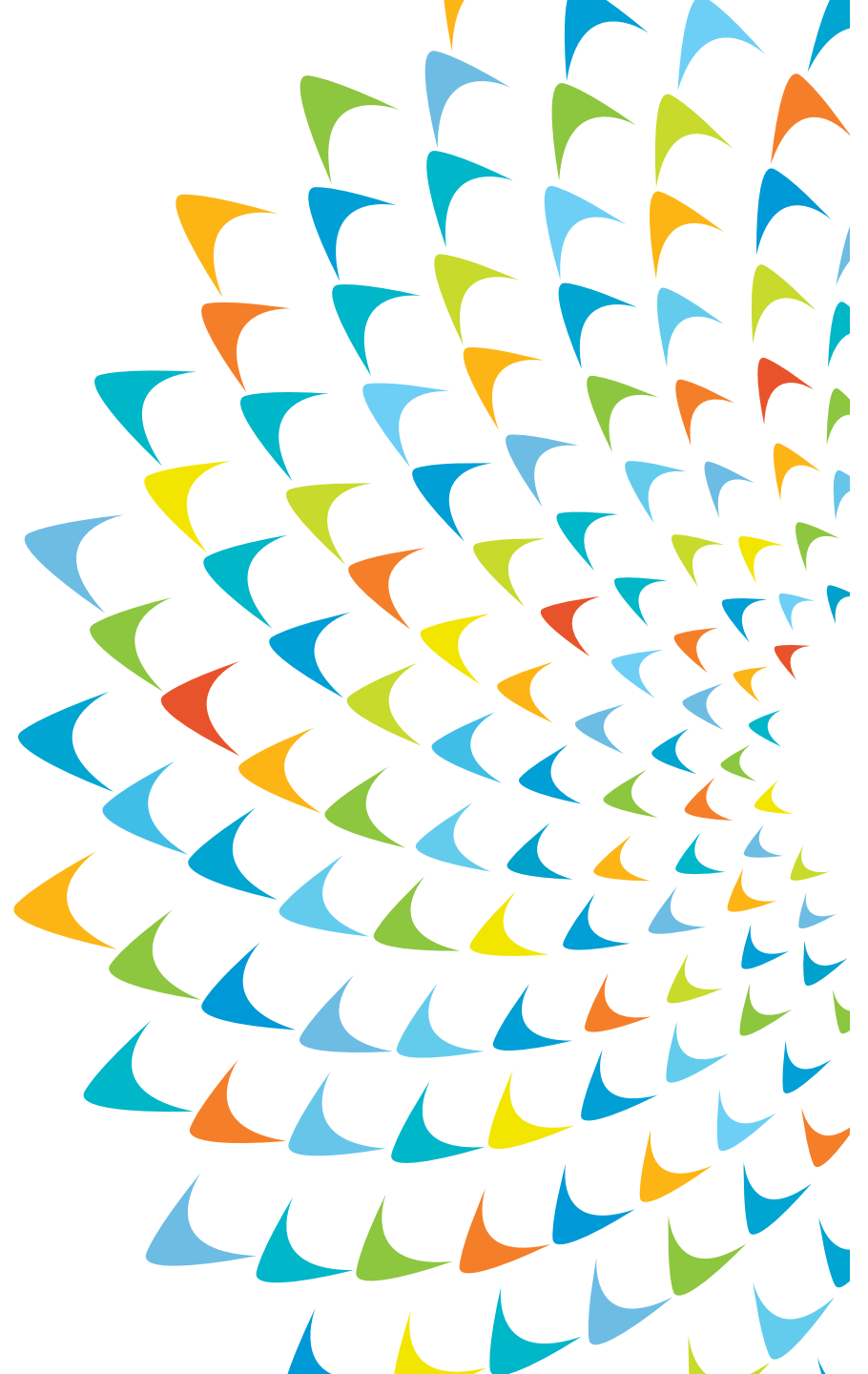
* NEXT GAMECHANGER: FROM STARTUPS?



• Sources: https://www.koreatimes.co.kr/www/biz/2021/12/488_321192.html



Thank You



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