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Private equity boosts start-ups

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A BOOMING private equity sector has helped fill the boots of Australia's biggest ever, early-stage venture fund, a market languishing since the dotcom boom.

- [Graphic: Super share funds](#)

Southern Cross yesterday said it had grabbed \$170 million, signaling the potential for a new golden era for local technology-related businesses that have been shunned as investors chased more established companies.

The funds manager, Southern Cross Venture Partners (SXVP) headed by venture capital industry veteran Bob Christiansen, has garnered investment support from Macquarie Bank - \$60 million for funds it represents - as well as substantial commitments from Industry Funds Management (IFM) and SunSuper.

The Southern Cross Fund, which launched in August last year, focuses on early-stage investments in electronics, technology, telecommunications, nanotechnology and environmental science including clean energy.

The raising marks a return for early-stage investment, which has been overshadowed by private equity funds prowling the share market for under-gearred and underperforming businesses.

Investors are continuing to diversify their investments, with the venture funds holding the promise of huge returns from successful companies, but over a longer period than the share market and even private equity funds.

"People are realising we have a more complete eco-system (for early-stage investment) than we ever had before," Mr Christiansen said. "It's a very positive time."

On the board as well as Mr Christiansen, who was a partner in local technology venture pioneer Allen & Buckeridge, are former Uniseed CEO Gareth Dandoformer and Macquarie Bank executive Bill Barte, who led early-stage investments in online jobs site Seek and one-time internet search success Looksmart.

Southern Cross is using a tested strategy where it takes its investee funds to the US as early as possible to tap in to the wealthy venture system of experienced tech industry individuals that has powered California's Silicon Valley for decades. Former Apple executive John Scoll is the fund's Silicon Valley-based director.

The fund aims to complete its capital raising at \$200 million and plans to make investment in each of its projects of \$10-\$12 million over the life of the investment.

"Lack of scale has been a problem for early-stage funds in Australia and New Zealand, particularly when they have had to step up to investing beside larger international venture capital funds," Mr Christiansen said.

The Australian market is undergoing a boom in private equity as a growing pile of superannuation funds seeks places to invest. A number a later-stage private equity players such as Archer, CHAMP and Ironbrige are seeking investment for increasingly big funds. The biggest now under way is Pacific Equity Partners trying to raise \$4

billion, which would easily be the biggest fund ever.

Early-stage funds have traditionally been under-represented in Australia, which has had no shortage of so-called "deal flow". The fallout from the technology sector's collapse in 2000-01 saw investors move to more conservative, later-stage investments. But Southern Cross believes the time is ripe for early-stage investing.

"The fund is now of a scale that represents critical mass for a credible venture capital investor in the global market," Mr Christiansen said. "We just want to get on and invest now."

The fund has already made two investments: the first in mobile phone software and application design and development company uiActive and in Brisbane's Microwave & Materials Design (M&MD), which develops super-conducting microwave filters for the global wireless industry.

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