

What Caught Our Eye

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Product Launch

SPV 1: a curated private investment product backing five Australian “physical layer of AI” technologies

On Monday we launched [SPV 1](#), a curated private investment product featuring 5 of Australia’s best technologies playing in the “physical layer of AI” layer. Generally, there’s massive tailwinds with these companies as dual use technologies in the development of new asymmetric capability for middle powers and as the physical layer of Sovereign AI. We think deeply about the key global thematics and write about them in our [Around the Corners series](#). We called the neo-cloud bubble ahead of time, for example. Conviction is different to commentary (and is different to those catalyst-chasing fund managers who just live in the next 3 months’ worth of momentum).

Specifically, we have set ourselves up to push our SPV companies along for long term transformation. SPV 1 is hopefully the first of a few SPVs we can issue over the next decade and thereby help build for Australia the new industrial ecosystems it so desperately needs. It also features two of our long-held, great companies within our Treasury balance sheet (this is the start of the corporate strategy to leverage balance sheet to slowly build annuity revenue).

A New Approach

This product launch is a small step for me, but a large step for PVL Group. Why?

1. Late stage venture investing will become a new asset class under the new CGT Tax laws (we made a [government submission](#) about this)¹
2. Our approach (internally, we call it our: “Pet Peves”.....picking pet projects and applying a private equity approach to venture equity) is unique in the marketplace as a way to help advance Australia
3. All the structuring and ground work has been done in a different shopfront. Last year, with the help of law firm HWLE and our good friends at Polar 993, a large foreign investment was structured into a “National Security Interest” under the SOCI² and FATA Acts³. The entity structuring and regulatory approvals were under the new, underutilized (but brilliant) Australian [CCIV structure](#) (legally a corporate, taxed at individual sub-fund levels as a trust for pass through).
4. It is work that no VC or PE or Bank will do (but, nevertheless, work that we are game enough to take on):
 - o The work is tricky to scale (only works on a 3-5 year view with real conviction on the new addressable markets and real courage in backing one’s ability to access those markets and accelerate penetration to them).
 - o The work requires experience and agility to manage structuring, tax, compliance, venture investing, commercialization.

¹ It is easy to whine like an old man shouting at clouds, and I also think it is non-strategic to just assume any potential new government will simply unwind new tax receipts.

² <https://www.cisc.gov.au/legislation-regulation-and-compliance/soci-act-2018>

³ <https://foreigninvestment.gov.au/compliance/fi-laws>

- It is also a hard task to match deal supply with investment demand while structuring for a flywheel that lifts the portfolio into commercial transformation.
- One has to be indefatigable, mission-focussed and determined to actively work in (not just occasionally bump into at conferences) the industrial ecosystems. You need to have worked in global roles.

Our general Merchant Capital approach is already proven in the listed resources space. And PVL's already has an active network approach to how we roll. Aliwa Funds Management and Powerhouse Advisory, for example, are on the phones all day, every day to investors and corporates and within their expert networks, particularly those in resources.

International Networks

We have been working on the networks relevant for Venture Partner's technology supply:

- We already have Korea and Japan links with our Macquarie alumni friends based there who work closely with the chaebols (we provide an AFSL CAR to [New Electric Partners](#)).
- We already had defence and space resulting from my policy work on the development of the [Australian Strategic Capability Accelerator](#) and relationship with the [Sirius beta folks](#).
- We just had a massive boost of that with our [recruitment of Michael Datta and deal with Noosa Partners](#) (chaired by Arthur Sinodinos). Michael and Arthur have been in Washington and the US for the last 2 weeks having very in-depth commercial and strategic discussions with customers of our technologies and all the relevant department people.
- And we also have our dear friend Jim Bancroft actively helping as senior advisor. Jim commanded a multinational Brigade in East Timor. He was Director of Strategy and Business Development for Northrop Grumman Australia and Director Strategy, Hanwha Defence Australia.

To give a flavour, the engagements we had just this week in the network:

- Chatham House dinner with one of Australia's most experienced leaders in Data Centres
- Speaking engagement at the Australian British Chamber of Commerce Resilience Summit on "Sovereign AI".
- Asset tours with a multi-billion dollar listed infrastructure engineering firm.
- Discussion with leading players in the new Canberra strategy to unify the operational support for physical air and sea ports as [national security assets](#). (we see this as massive opportunity for a new testbed and commercial pull through aligned to, but separate from, the CASG folks in Defence).
- Day long engagements with all the portfolio companies at annual conference of [Advance Materials and Battery Conference](#) and the [Semiconductor Conference](#)

We're excited for the future of our portfolio companies.

James, Michael, Ben, Doron