

B.C. Immigrant Investment Fund Ltd.

2020/21 – 2022/23 SERVICE PLAN

February 2020



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Board Chair Accountability Statement



The 2020/21 – 2022/23 B.C. Immigrant Investment Fund Ltd. Service Plan was prepared under the Board’s direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of January 28, 2020 have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, the B.C. Immigrant Investment Fund Ltd. mandate and goals, and focus on aspects critical to the organization’s performance. The targets in this plan have been determined based on an assessment of B.C. Immigrant Investment Fund Ltd. operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink that reads "Jill Kot".

Jill Kot
Board Chair

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Strategic Direction and Alignment with Government Priorities

The Government of British Columbia remains focused on its three strategic priorities: making life more affordable, delivering better services, and investing in a sustainable economy. Crowns are essential to achieving these priorities by providing quality, cost-effective services to British Columbia families and businesses.

Additionally, where appropriate, the operations of Crowns will contribute to:

- The objectives outlined in the government’s newly released A Framework for Improving British Columbians’ Standard of Living,
- Implementation of the *Declaration on the Rights of Indigenous Peoples Act* and the Truth and Reconciliation Commission Calls to Action, demonstrating support for true and lasting reconciliation, and
- Putting B.C. on the path to a cleaner, better future – with a low carbon economy that creates opportunities while protecting our clean air, land and water as described in the CleanBC plan.

By adopting the Gender-Based Analysis Plus (GBA+) lens to budgeting and policy development, Crowns will ensure that equity is reflected in their budgets, policies and programs.

The B.C. Immigrant Investment Fund Ltd. (BCIIF or the Corporation) continues to manage B.C.’s allocation of funds under the now closed Federal Immigrant Investor Program (IIP). Funds have been invested in ways that support economic development and job creation in B.C. This is accomplished through strategic investments via the \$90 million B.C. Renaissance Capital Fund (BCRCF) and the \$100 million BC Tech Fund. Both funds are managed by an experienced, private sector fund manager, Kensington Capital Partners.

As outlined in its [2020/21 Mandate Letter](#) from the Minister of Jobs, Economic Development and Competitiveness, BCIIF will focus on three strategic priorities in the coming year:

- Oversee BCRCF investments and provide updates each June and December on how these investments are supporting growth for B.C. tech companies and stimulating job creation in B.C.;
- Work with the Ministry of Jobs, Economic Development and Competitiveness, the BC Tech Fund manager and other stakeholders to support the economic growth of B.C. and create a summary report of achievements by December 31, 2020; and,
- Ensure the BC Tech Fund is facilitating the availability of capital to B.C. tech companies so they can grow and stay in B.C.

The BCIIF is aligned with one of the Government’s key priorities:

Government Priority	B.C. Immigrant Investment Fund Aligns with This Priority By:
A strong, sustainable economy	<ul style="list-style-type: none"> • Continuing investment in B.C. Businesses and B.C. based Venture Capital Funds (Objective 2.1) • Growing the Amount of Venture Capital Invested in B.C. (Goal 3)

Operating Environment

In January 2020, the Honourable Michelle Mungall was appointed as Minister of Jobs, Economic Development and Competitiveness, and a new mandate letter is forthcoming. BCIIIF will support the Ministry of Jobs, Economic Development and Competitiveness's mandated priorities by supporting quality economic growth that contributes to improving the standard of living for all British Columbians.

BCIIF promotes economic development and job creation in B.C. by investing in three asset classes: 1) public sector infrastructure loans, 2) venture capital fund investments, and 3) cash and short-term investments through the Province's Central Deposit Program (CDP).

1. **Loan Portfolio:** BCIIIF long-term infrastructure loans have been made to Government Reporting Entities (GREs), primarily post-secondary institutions, to support student education and knowledge-based sectors. As the federal government terminated the IIP in 2014, the BCIIIF is no longer offering new infrastructure loans.
2. **Venture Capital Investments:** Venture capital investments focus on funds and companies involved in the technology sub-sectors of: information and communications technology, digital media, clean tech, and life sciences. Through its wholly owned subsidiary, the BCRCF Ltd., the BCIIIF has two venture capital investment portfolios that are managed by an experienced private sector fund manager, Kensington Capital Partners:
 - Portfolio 1 – BCRCF is comprised of \$90 million in investment commitments made to nine funds between 2007 and 2011. Portfolio 1 investments were used to attract venture capital fund managers to B.C. and grow investment in B.C.'s venture capital system.
 - Portfolio 2 – BC Tech Fund was launched in 2016 and invests in B.C. based venture capital funds and directly into B.C.-based technology companies. The BCRCF Ltd. has committed \$100 million to the BC Tech Fund, investments are focused at the Series A¹ stage of financing.
3. **Cash and Short-Term Investments:** Cash funds are invested with the Ministry of Finance in the CDP, which deploys short-term cash primarily for financing government's Consolidated Revenue Fund.

Key Risks: Key risks faced by the Corporation, along with strategies for their management are:

- **Interest rate risk:** very modest growth has kept interest rates low, resulting in reduced interest income from liquid investments. BCIIIF manages exposure to interest rate volatility by locking in interest rates on any financing and holding liquid, short term, interest bearing investments.
- **Currency risk:** venture capital investments denominated in U.S. dollars pose a foreign currency risk. BCIIIF has sufficient liquid assets available to meet all existing U.S. dollar-based commitments.

¹ Series A is the first round of financing given to a new business once seed capital has already been provided.

- **Credit risk:** BCIF’s loan portfolio is at risk in the event of non-repayment by borrowers. All loans are made to GRE borrowers and structured with a corresponding general obligation ranking equivalent to other loans by the borrowers.
- **Liquidity risk:** timing differences exist between cash receipts from infrastructure loans and cash repayments to the federal government. BCIF manages this risk by maintaining sufficient cash balances within the CDP and has alternate financing available when required.
- **Returns risk:** venture capital is a high-risk asset class that does not afford guaranteed returns. Venture capital investments are subject to the “J-curve effect” typically over a 10-year fund lifecycle. Negative returns may occur in early years while new investments are being made. Gains occur in later years as portfolio companies mature and exit. Expected timing and distribution of venture capital returns is difficult to predict.

Performance Plan

BCIIF will continue to demonstrate accountability for strong public-sector governance including regular and recurring meetings between the Board Chair and CEO, as well as the Board Chair and sole shareholder of the BCIIF, the Minister of Jobs, Economic Development and Competitiveness. This regular engagement strategy will help ensure BCIIF continues to reflect the strategic interests of government and the best interest of British Columbians.

Goal 1: Manage Investments to Achieve Commercial Returns and Meet Repayment Obligations

Objective 1.1: Achieve Targeted Average Yields on Investments

Key Strategies:

- Maintain a balanced portfolio of investments that achieve commercial returns while aligning to BCIIF’s risk profile.
- Achieve commercial returns on low-risk infrastructure loans which mitigate the higher-risk venture capital portfolio. BCIIF’s loan portfolio is comprised of long-term loans to the Provincial Treasury, which in turn provides loan financing to GRE entities to support approved public sector infrastructure projects with loan yields equivalent to Government’s cost of borrowing.
- Deposit funds with CDP to have enough liquidity to meet five-year IIP repayment obligations to the federal government and to meet capital calls² for venture capital investments.

Performance Measures		2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
1.1a	Five Year Weighted Average BCIIF Portfolio Return	2.40%	2.71%	2.80%	2.88%	2.58%
1.1b	One Year Weighted Average BCIIF Portfolio Return ²	3.12%	2.73%	2.48%	2.53%	2.64%

Data Source: BCIIF’s forecasted cash flows and stated interest earned on the investment.

Linking Performance Measures to Objectives:

These performance measures are appropriate to ensure BCIIF is achieving commercial returns on its lower risk portfolio. The BCIIF’s interest generating investments are the infrastructure loans and cash balances within the CDP. As the infrastructure loans mature and cash balances fluctuate within the CDP, predicted weighted average rates of return will vary accordingly. The targets above are based on scheduled future infrastructure loan balances and the deposits in CDP based on BCIIF’s cash flow forecast.

- 1.1a Calculated based on a five-year weighted average of the expected returns on the investments in the BCIIF portfolio.

² A capital call is a request by an investee for payment of any part of a financial commitment by an investor under an existing capital agreement.

1.1b Calculated based on a one-year weighted average of the expected returns on the investments in the BCIF portfolio.

Discussion:

Targeted yields are comparable to returns that could be realized through similar investment vehicles such as Guaranteed Investment Certificates (GIC’s). BCIF must hold cash in short-term investments to meet cash calls for venture capital investments and debt obligations. Targets for this performance measure fluctuate year over year based on the expected and actual cashflow of BCIF. As a result for 2020/21, BCIF has reduced its Five Year Weighted Average BCIF Portfolio Return target from the amount published in its previous service plan. BCIF is on-track to achieving its 2019/20 targets.

Goal 2: Utilize Venture Capital Investments to Build a Stronger Venture Capital System in B.C.

Objective 2.1: Continued Investment in B.C. Businesses and B.C. Based Venture Capital Funds

Key Strategies:

- Ensure that BC Tech Fund investments are made into B.C. based venture capital (VC) funds to increase the number of funds and professional fund managers in B.C.
- Ensure that BC Tech Fund investments lead to investments in B.C. based companies.
- Collaborate with the BC Tech Fund manager to implement system building activities that will lead to more B.C. based VC funds and investments in B.C. based companies.

Performance Measures	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
2.1a Cumulative number of investment commitments made to B.C. businesses from the BC Tech Fund	13	20	22	24	26
2.1b Cumulative number of investment commitments made to B.C.-based VC Funds from the BC Tech Fund	7	9	9	9	9

Data Source: Quarterly performance reports from BC Tech Fund manager.

Linking Performance Measures to Objectives:

Performance measures 2.1a and 2.1b measure the number of investments made in B.C. to ensure the Corporation is able to assess the impact of the BC Tech Fund B.C.’s venture capital system.

2.1a Investments made in B.C. businesses ensure that companies grow and stay in B.C.

2.1b Investment commitments made to B.C. based VC funds help expand the number of venture capital funds in B.C. that provide capital and expertise to help growing B.C. technology companies.

Discussion:

BCIF will exceed the 2019/20 targets for these performance measures. Target levels were chosen based on total funds available for investing, the length of the BC Tech Fund’s

investment period, the number of funds that meet the BC Tech Fund’s investment thesis and considering the average financial commitment available per investment.

Calculations for 2.1a include underlying VC investments. Targets for 2.1b remain stable as the funds available for fund investments from the BC Tech Fund would be fully committed. For 2020/21 and 2021/22, BCIIIF has increased its targets for both performance measures compared to those published in its previous service plan. Previously established targets have been met ahead of schedule, resulting in future targets requiring upwards adjustment.

Goal 3: Grow the Amount of Venture Capital Invested in B.C.

Objective 3.1: Increasing Cumulative Capital Called by B.C. Investee Companies and Invested in B.C. Based VC Funds

Key Strategies:

- Ensure the Series A funding gap is addressed by increasing the quantity of venture capital that is available to buy B.C. companies from BCRCF investments.
- Leverage fund manager investment networks to create investment syndicates that grow the amount of investment in B.C. tech companies.

		2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
Performance Measures (\$m)						
Portfolio 1 - BCRCF						
3.1a	Cumulative capital called on BCRCF’s commitments to fund managers	\$84.6	\$85.0	\$85.5	\$85.5	\$85.5
3.1b	Cumulative investment by BCRCF fund managers and syndicate partners in B.C. companies	\$669.3	\$713.1	\$720.0	\$720.0	\$720.0
Portfolio 2 – BC Tech Fund						
3.1c	Cumulative capital called on BC Tech Fund commitment	\$25.2	\$37.0	\$62.0	\$68.0	\$75.0
3.1d	Cumulative investment by fund managers and syndicate partners in B.C. companies	\$100.6	\$460.0	\$550.0	\$650.0	\$750.0

Data Source: Capital calls and investment amounts are based on invoices, audited financial statements and quarterly performance reports from the BCRCF and BC Tech Fund managers.

Linking Performance Measures to Objectives:

3.1a – 3.1d Measuring cumulative capital called and cumulative investments demonstrate that Portfolios 1 and 2 are increasing the amount of venture capital available to support B.C. tech companies. These investments help to address the Series A funding gap and assist companies in commercializing new ideas. These measures support the Ministry mandate of increasing venture capital investment in B.C. start-ups and growing domestic B.C. tech companies to help them commercialize technologies and grow innovation.

Discussion:

BCIIIF is on-track to achieving its 2019/20 Portfolio 1 targets. For forecast and target purposes, Portfolio 1 has used an approximate leverage multiple of 8.0 times the capital called on BCRCF’s

commitments to fund managers for performance measures 3.1a and 3.1b, respectively. Funds in Portfolio 1 are nearing maturity and are not anticipated to call the full \$90m committed as investments have reached maturity. Target 3.1b has been adjusted up to reflect the effect of minor follow-on investments in existing companies at the syndicate level.

BCIIF is on-track to achieving its 2019/20 Portfolio 2 targets. Future targets for Portfolio 2 were developed considering the investment period of the BC Tech Fund, past investment patterns of similar fund-of-funds, and the impact that the BC Tech Fund investment restrictions would have on fund managers. These performance measures contain elements that are not within the direct control of the BCRCF or its fund manager. An example is capital being invested by investee funds based on their investment strategy and capital being invested by the other syndicate partners. Compared to the previous service plan, BCIIF has decreased its 2020/21 and 2021/22 target for 3.1c as fund managers are applying extensive due diligence processes to identify companies that have the greatest potential, which has slowed their pace of investment. As a result, the deployment of capital to Portfolio 2 investments has taken longer than initially forecast. Compared to the previous service plan, BCIIF has increased its targets for 3.1d because the cumulative total investment made by syndicate partners grew faster than anticipated. This measure is dependent on the size of the financing rounds during the year and may grow unpredictably as a result.

Goal 4: Enhance Operational Oversight

Objective 4.1: Ensure Operational Effectiveness

Key Strategies:

- Continued annual refinement and updating of the Board-approved Performance and Accountability Framework to optimize BCIIF’s effectiveness and ensure alignment with Government’s direction and the *Budget Transparency and Accountability Act*.

Performance Measure	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
4.1a Annual Review of Performance and Accountability Framework	Annual Review Complete	Annual Review Complete	Annual Review Completed	Annual Review Completed	Annual Review Completed

Data Source: BCIIF Performance and Accountability Framework

Linking Performance Measures to Objectives:

This performance measure ensures that BCIIF is regularly reviewing key performance metrics and accountabilities. The Board will annually review and validate the performance and accountability framework.

Discussion:

BCIIF’s Performance and Accountability Framework includes a clear set of performance and accountability metrics with a set of outcomes that align with BCIIF’s and Government’s shared goals. Over the duration of this service plan, the framework will continue to be updated and refined to ensure BCIIF is adapting to environmental changes while achieving all goals set by the Corporation and mandated by the Ministry.

Financial Plan

Summary Financial Outlook

(\$000)	2019/20 Forecast	2020/21 Budget	2021/22 Plan	2022/23 Plan
Total Revenue				
Venture Capital Investment Revenue	34	-	-	-
Realized Investment Gains	38	-	-	-
Interest Revenue	1,507	939	772	394
Total Revenue	1,579	939	772	394
Total Expenses				
Amortization of Promissory Note Discount	217	43	12	5
Investment Fees	293	261	232	212
Debt Service Costs	635	632	372	117
Total Expenses	1,145	936	616	334
Annual Surplus (Deficit)	434	3	156	60
Total Liabilities/Debt	45,368	30,248	10,383	2,704
Accumulated Surpluses	57,608	57,611	57,767	57,827

Key Forecast Assumptions, Risks and Sensitivities

The above financial information and forecasts are prepared based on Public Sector Accounting Standards in Canada. This Service Plan incorporates “forward-looking statements” including information related to future anticipated investment performance and related revenues, along with expected expense levels.

Actual results may differ materially from those in the forward-looking estimates. This is a result of various factors, some of which are beyond BCIF’s control, including, but not limited to, the risks discussed under the Operating Environment section of this Service Plan. Review and interpretation of forecasts should take into consideration the following:

1. Revenue assumes that all available funds, other than those required to meet near-term commitments which includes repayments to the federal government, will be invested in liquid financial instruments with CDP, earning returns reflecting short-term, low-risk investments.

2. Venture capital investment income is reported as it is realized due to the high-risk and unpredictable nature of venture capital investments.
3. Loans received through the IIP are received net of commission costs. BCIIIF amortizes those commission costs over the term of the loan (five years). The debt to Canada is supported by a Provincial guarantee.
4. Investment fees are fees paid to manage BCRCF's Portfolio 1.
5. Debt service costs are due to BCIIIF accessing a Fiscal Agency Loan from the Ministry of Finance due to a cash shortfall from a timing mismatch between cash inflows from investments and repayment obligations.
6. Responsibility for the management and governance of the BCIIIF and BCRCF resides with the Ministry of Jobs, Economic Development and Competitiveness (the Ministry) and all operating expenses other than amortization are borne by the Ministry.

Management's Perspective on the Financial Outlook

BCIIIF's revenue budgets for investment income is decreasing over the next three years due to declining cash balances and the absence of new IIP allocations. Cash balances available to generate interest revenue will decrease as cash is used to repay the federal IIP obligation, fund capital calls from the BC Tech fund and repay the fiscal agency loan. BCIIIF's two venture capital portfolios have entered opposing phases in the venture capital fund lifecycle. Portfolio 1 is in the wind down phase where funds are at or near maturity and will be disbursing funds back to the crown. The corresponding venture capital asset will decrease over the next 4 years. For Portfolio 2, BC Tech Fund investments are entering the investment phase where the corresponding venture capital asset will increase over the next 4 years meeting BC Tech Fund's objective to ensure the Series A funding gap is addressed.

BCIIIF does not include revenue or losses from venture capital investments when forecasting, due to the variable and unpredictable nature of the investments. Actual results may be significantly different as a result.

As noted above, BCIIIF accessed a fiscal agency loan from the Ministry of Finance to meet its IIP repayment obligations and capital calls in the BC Tech Fund. The financing requirement is a result of a timing mismatch between cash inflows from investments and repayment requirements. Future debt servicing costs may change in proportion to the amount of new financing needed and amount of venture capital distributions that may be received.

Appendix A: Hyperlinks to Additional Information

Corporate Governance

BC Immigrant Investment Fund Ltd. (BCIIF)

An organizational overview of BCIIF, mission and values, leadership, and corporate governance information (includes all information and disclosure requirements of the Crown Agencies and Board Resourcing Office) can be found starting here: <http://bciif.ca/bciif/overview/> and by examining subsequent drop-down menu links.

Mission and values: <http://bciif.ca/bciif/missions-values/>

Leadership and governance including Board information: <http://bciif.ca/bciif/leadership/>

Organizational Overview

Portfolio 1 - B.C. Renaissance Capital Fund Ltd. (BCRCF)

Additional information on investment strategy, venture capital fund managers and investee companies of BCRCF, a wholly-owned subsidiary of BCIIF, can be found at: <http://bciif.ca/BCRCF/>

Fund manager profiles and B.C. investment details can be found at: <http://bciif.ca/bcrf-fund-managers/>

Portfolio 2 - BC Tech Fund

Additional information on investment strategy, manager of the BC Tech Fund, and portfolio investments can be found at: <http://bciif.ca/bcrf/fund-manager/>

Appendix B: Subsidiaries and Operating Segments

Active Subsidiaries

The B.C. Renaissance Capital Fund Ltd. is a Crown corporation wholly-owned by the BCIIIF. The Board of Directors and management are the same as the BCIIIF. Like the BCIIIF, the BCRCF aligns its activities with the Corporation’s strategic priorities and fiscal plan.

In August 2007, the provincial Treasury Board approved an allocation of \$90.2 million from the BCIIIF to the BCRCF for venture capital investments in key technology sectors of information technology, digital media, clean technology and life sciences.

In 2016 a further \$100 million was approved to support the BC Tech Fund, bringing BCRCF’s total allocation of venture capital investments to \$190.2 million. The objectives of the BCRCF’s venture capital investments are to:

- Generate positive returns for the capital committed
- Increase the probability that innovative new goods and services in B.C. gain full-scale commercialization
- Increase the depth of the venture capital market and increase the quantity of venture capital available in B.C.
- Enhance the visibility of B.C. as an attractive market for venture capital opportunities in North America and globally

The BCRCF is the venture capital component of the larger BCIIIF investment portfolio. Financial and operational risks or opportunities facing BCRCF are reflected in the BCIIIF Service Plan.

Summary Financial Outlook Table for Each Active Subsidiary

(\$000)	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget
Total Revenue²	82	-	-	-
Total Expenses	(276)	(249)	(225)	(210)
Net Income/Excess of Revenue over Expenses/Annual Surplus (Deficit)	(194)	(249)	(225)	(210)

² BCRCF financial accounts are consolidated into the parent company statements of BCIIIF. Given the high-risk and unpredictable nature of venture capital investments, venture capital revenue is not budgeted and is reported as it is realized.

Summary of BCIIF's Active Investments

Portfolio 1	Year	Fund Manager	Investment
BCRCF	2007	ARCH Venture Partners VantagePoint Capital Partners	ARCH Venture Fund VII VantagePoint CleanTech II VantagePoint Venture 2006
	2009	Tandem Expansion Vanedge Capital Yaletown Venture Partners	Tandem Expansion Fund I Vanedge Capital I Yaletown Ventures II
	2011	Azure Capital iNovia Capital	Azure Capital Partners III iNovia Investment Fund III
Portfolio 2	Year	Fund Manager	Investment
BC Tech Fund Investments in B.C.- based funds	2016	Vanedge Capital	Vanedge Capital Fund II
	2017	Lumira Ventures	Lumira Capital IV
		ScaleUp Ventures	ScaleUp Venture Fund I
		Yaletown Venture Partners	Yaletown Innovation Growth Fund
	2018	Pangaea Ventures Ltd	Pangaea Ventures IV
		Versant Ventures	Versant Voyageurs I
		Framework Venture Partners	Framework Venture Partners Fund I
	2019	Panache	Panache Ventures Investment Fund 2018
Voyageur Capital		Voyager Capital Fund V	
Portfolio 2	Year	Fund Manager	Investment
BC Tech Fund direct Investments in B.C.- based companies	2016	Kensington Capital Partners	Mojio Inc.
	2017	Kensington Capital Partners	Foodee Media Inc.
	2018	Kensington Capital Partners	Eventbase Technology Inc.
	2019	Kensington Capital Partners	Procurify
		Kensington Capital Partners	D-Wave
		Kensington Capital Partners	TaskTop