

**FUTURE**

**NOW**



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## Accountability Statement

Alberta Enterprise Corporation was established in December 2008 upon proclamation of the *Alberta Enterprise Corporation Act*. The Alberta Enterprise Corporation Board of Directors is accountable to the Minister of Technology and Innovation (TI).

# FUTURE NOW

The future will be made up of new technologies, new jobs and new opportunities. It will require both bold thinking, and a forward-thinking approach to economic development.

## *In Alberta, the future is now.*

It is unfolding before our eyes. Together, we are taking an active role in shaping it to our advantage – with a goal of creating highly skilled jobs and laying the groundwork for a strong, prosperous economy for the decades ahead.

As part of the ecosystem that is creating an environment for future growth, **Alberta Enterprise Corporation** (AEC) has been attracting and investing in VC funds that are committed to helping Alberta entrepreneurs and innovators compete on the world stage. It has been our mandate since we were formed by provincial legislation in 2008.

*“AEC provides the resources to help Alberta companies successfully develop new products locally – and compete internationally.”*

# A FORWARD-LOOKING MODEL

AEC does not invest directly in Alberta companies, but in VC funds that have a track record of success, strong global networks and a demonstrated commitment to the Province of Alberta.

This model supports entrepreneurs with funding in the crucial early development stages – and sets them up to thrive.

Unlike a direct investment model, the fund model leverages our capital, creating access to a bigger pool of investment dollars for companies, which multiplies and maximizes our investments. The funds add further value by providing access to markets, mentors and management expertise for Alberta companies.

We focus our investments toward key growth areas that diversify our economy, alongside many fields where Alberta has a history of excellence:



**Industrial Technology**  
Energy, Clean Tech,  
Industrial Internet  
of Things, Materials,  
Mining



**Information Technology**  
Software, Cloud  
Computing, Artificial  
Intelligence, Machine  
Learning, Blockchain



**Life Sciences** Biotechnology,  
Nutraceuticals, Advanced  
Food Manufacturing, Ag  
Tech, Health/Wellness,  
Medical Devices

**Our investment model is unique as it generates economic development in Alberta while also creating long-term financial returns for the Province on its original investment.**

## **Our Purpose is Defined by Future Now Thinking**

1. To attract Venture Capital (VC) and VC firms to Alberta
2. To invest in VC funds that invest in Alberta technology companies
3. To build and promote a viable and profitable VC industry in Alberta
4. To assist Alberta tech startups through this VC activity
5. To help create high value technology jobs in the province

*Through AEC's arm's-length Venture Capital model, the province benefits not only from the potential return on our VC fund investments, but also in the creation of a local VC industry with resident professionals who support a stronger, more diversified economy.*

### **Our Mission**

AEC's mission is to foster a thriving Venture Capital industry in Alberta, one that provides access to Venture Capital and other resources needed to create successful Alberta technology companies.

*"Through our investments in funds that support Alberta tech ventures, and our industry development activities, we provide Alberta technology companies with more than just money. We provide them with critical access to markets, mentorship and management expertise."*

**Ted Redmond,**  
Chair, AEC



# SUMMARY OF KEY RESULTS

The future will be determined by the efforts we put in today.

For AEC, that work began when we made our first investment in 2010. Just over a decade later, we have seen impressive and tangible results.

It is reflected in regional economic development, financial return on the investment, as well the growth and development of an Alberta-based VC industry. Here are some examples of the successes we have achieved.

## 1. Establishing access to smart capital.

AEC has committed \$332 million for investment in 31 funds. In turn, these funds contribute to our economy – and most importantly – provide the essential capital Alberta companies require to successfully bring their products and ideas to market. By investing strategically, we have leveraged our \$332 million capital commitments and created access to close to \$4.6 billion of investment capital (13.8:1 leverage).

## 2. Investments into Alberta companies.

Our VCs and their partners have already invested over \$1.13 billion in 76 Alberta technology companies. **Every \$1 invested by AEC has resulted in more than \$5.43 of investments back into Alberta companies.** The amount of investment in Alberta companies has increased by more than 1,300% in the last nine years<sup>1</sup> and is expected to grow significantly over the 10-year life of these funds.

## 3. Creation of jobs.

The 76 companies that have received Venture Capital from our funds have created more than 2,890 direct jobs and an estimated 13,800 indirect jobs<sup>2</sup> in Alberta.

## 4. Delivering financial return on investment for Alberta taxpayers.

Every \$1 invested by AEC is currently worth \$1.35, meaning the value of the investments plus distributions received to date exceeds the capital called for investments and fees.

**The realized gains from our investments have outpaced AEC's operating costs since inception.** By adhering to stringent budgeting and operational practices that are respectful of our role as a taxpayer-funded entity, we are delivering on our mandate in a cost-effective way.

The results of our efforts are already evident. AEC has been instrumental in providing advice, guidance and strategic support to the ecosystem, and our efforts are seen as critical to the VC industry's success.

The value of our investments is expected to grow significantly in the coming years, while also generating more investments in Alberta companies. In turn, this growth will serve to create more high value jobs and tax revenue in the province.

For complete results view the Management Discussion and Analysis section.

<sup>1</sup> Change in dollars invested into Alberta companies from 2013 to 2023, divided by dollars invested into Alberta companies in 2013. Source: Alberta Enterprise

<sup>2</sup> For every job in the technology subsector an estimated 4.8 additional jobs are created or supported. *CompTIA Cyberstates 2021 Report* and E Moretti, *The New Geography of Jobs*.



**\$332 million**

committed for investment

**31 funds**



**>\$1.13B of VC investment**

over the past 12 years into Alberta companies



**Estimated 16,700 Direct and Indirect Jobs Created**



Every \$1 invested by AEC has resulted in

**more than \$5.43 of investments back into Alberta companies**



## INVESTMENTS INTO ALBERTA COMPANIES

March 2013	<b>\$79M</b>	<b>8</b> companies
March 2014	<b>\$171M</b>	<b>21</b> companies
March 2015	<b>\$280M</b>	<b>24</b> companies
March 2016	<b>\$305M</b>	<b>28</b> companies
March 2017	<b>\$375M</b>	<b>30</b> companies
March 2018	<b>\$406M</b>	<b>35</b> companies
March 2019	<b>\$494M</b>	<b>42</b> companies
March 2020	<b>\$563M</b>	<b>50</b> companies
March 2021	<b>\$703M</b>	<b>55</b> companies
March 2022	<b>\$1.00B</b>	<b>65</b> companies
March 2023	<b>\$1.13B</b>	<b>76</b> companies

*"While Canada's Venture Capital ecosystem experienced a 30% decline in investments year-over-year, Alberta remained resilient and beat 2021 levels by 30%."*

**Kristina Williams,**  
President and CEO, AEC



*"In 2022 Alberta surpassed Venture Capital investment records set in 2019, 2020 and 2021, with \$729 million invested into 85 companies – marking the fourth consecutive year that Alberta achieved a record high in VC activity."*



## MESSAGE FROM THE BOARD OF DIRECTORS CHAIR AND THE CHIEF EXECUTIVE OFFICER

2022 was a tumultuous year for technology companies, with the rising cost of capital, and financial market slowdown delaying growth plans and causing Venture Capital investment to dip. While Canada's Venture Capital ecosystem experienced a 30% decline in investments year-over-year, **Alberta defied the trend. Our VC investment remained resilient and beat 2021 levels by 30%.**<sup>3</sup>



In fact, in 2022 **Alberta surpassed Venture Capital investment records** set in 2019, 2020 and 2021, with **\$729 million invested into 85 companies** – marking the fourth consecutive year that Alberta achieved a record high in VC activity.<sup>3</sup>

This performance signals the strength of the Alberta's technology industry and the important role it will have in building the future economy of the province.

The additional \$175 million investment capital allocated to AEC in 2020 continued to have a direct impact on the growth of Alberta companies – by creating critical access to Venture Capital funding. This year we added several new fund investments with a keen focus on creating access to smart capital for Alberta entrepreneurs. We made more investments in 2022 than in any other year in our history, and we deepened our commitment to growing a thriving local VC industry by investing in homegrown local fund managers PillarFour Capital and Sprout Fund.

Unpredictable economic conditions and the loss of consumer confidence following the collapse of technology industry financial institutions like SVB, and Signature Bank have caused investors to refocus toward capital-efficient businesses with strong fundamentals. This shift presents both challenges and opportunities for Alberta companies and highlights the increasing need for risk capital to support Alberta innovators now and in the future.

Our model of investing in VC funds rather than directly into companies allows us to amplify the government investment with private capital, which can then be accessed by Alberta-based technology startups. All of this is achieved with relatively limited government involvement. In 2022/23 we saw some incredible financing activities in our portfolio with Future Fields, Summit Nanotech, Helcim, Mercator.ai, PulseMedica, OneVest, Truffle, Woveo, and GRAFTA Nanotech to mention a few. With more than \$128 million invested by our funds and their partners this year, we have built upon last year's milestone of \$1 billion invested in Alberta technology startups – which now exceeds \$1.13 billion. Every \$1 invested by AEC has resulted in more than \$5.43 of investments back into Alberta companies.

A global cohort of investors are noticing the perseverance and resilience of Alberta entrepreneurs who are creating world-class companies. Our model enables us to attract smart capital (in the form of Venture Capital) to bring their skills and their networks here. Through our investments in funds that support Alberta tech ventures, and our industry development activities, we provide Alberta technology companies with more than just money.

We provide them with critical access to markets, mentorship and management expertise. We continue to focus on attracting investment into Alberta companies with StartAlberta.com serving as a connection point between investors and entrepreneurs, leveraging our industry partners to connect investors with close to 2,000 startups on the platform.

Our investment model is unique, as we are generating economic development in Alberta while also creating long-term financial returns for the Province on its original investment. Though the VC industry has seen a drop in fair values and a lack of exits in 2022, impacting our short-term results, on a long-term basis we are still achieving solid financial returns. Every \$1 invested by AEC is currently worth \$1.35, a value that will increase even further as our funds mature. By adding a large number of new funds this year, we expect the financial return to temporarily decline; however, this is part of the natural cycle of the VC industry called the "J-curve." Our investments that are in the latter part of the J-curve are performing very well.

As stewards of public funds, we are committed to delivering on our mandate in a cost-effective way. Distributions from our investments have far outpaced our operating costs since inception by a ratio of nearly four to one.<sup>4</sup> We are proud of the efforts of our small, uniquely diverse team of professionals who are dedicated to creating an outsized impact on the economy in our province.

As a province, we have taken great strides in creating the conditions that foster world-class technology companies right here at home. This is allowing Alberta entrepreneurs to compete globally, while maintaining strong operational ties to their home province. The Alberta technology sector has proven itself to be powerful, while demonstrating what a strategic, focused VC model can make possible!

As the theme for this year's report "Future Now" illustrates, the importance of the actions we take today to lay the foundation for a successful future. Just as a seed investment nurtures a burgeoning venture, our long-term strategy of growing Alberta's technology and Venture Capital industry is firmly rooted in our mission, mandate and proven model.

[Original Signed by Ted Redmond]  
**Ted Redmond**  
Board of Directors Chair

[Original Signed by Kristina Williams]  
**Kristina Williams**  
President and CEO

<sup>3</sup> 2022 Year in Review Canadian Venture Capital Market Overview, CVCA

<sup>4</sup> Alberta Enterprise's distributions to date divided by Alberta Enterprises operating costs to date. Source: internal AEC.

# FUTURE NOW: DIFFERENCE MAKERS

## Alberta Profiles

Alberta's technology landscape is rich with innovators, leaders and visionaries who are changing our understanding of what is possible both here at home, and around the world.

Among these forward thinkers are those who are guiding Venture Capital funds and serving as agents of change in our province. We would like to introduce you to four talented diverse individuals who share an innate ability to identify and nurture companies that are disrupting the conventional way of doing things. While they come from diverse backgrounds, all exemplify the Future Now mindset that is helping to transform the Alberta economy.



**Ha Nguyen**  
mcrockcapital.com



*Ha's journey with McRock Capital began due to a serendipitous introduction to the firm's founders at a speed networking event for newly immigrated skilled workers. Ha joined the firm in 2017. Less than six years later, she became a partner.*

*In her new role, Ha provides strategic decision-making, actively participating in shaping the firm's investment strategy and direction. She is involved in a number of portfolio companies' boards and committees and plays a key role in market identification, deal origination and fostering investor relations. We asked about her experience with McRock in Alberta.*

### **AEC: What advantages does McRock Capital bring to Alberta?**

**Ha Nguyen:** There are three areas that stand out. *First, is our Sector Focus and Industry Experience.* McRock Capital specializes in the Digital Industrial sector, with a focus and deep understanding of Industrial Internet of Things (IIoT) investments. This expertise allows us to identify and support promising Alberta-based startups – fostering growth and driving technological advancements in this area.

*Next is our Global Network of industry leaders, entrepreneurs, and strategic partners.* This provides our portfolio companies with access to a broad range of resources, expertise, and potential customers. By leveraging our extensive network, we can help Alberta-based startups expand their reach and tap into global opportunities.

*Finally, we're committed to nurturing and investing in Alberta's technology ecosystem.*

### **AEC: What makes you excited about the Alberta technology sector?**

**HN:** Alberta is home to a *highly skilled and educated workforce.* The presence of renowned universities, research institutions, and technical colleges contributes to a talent pool equipped with the expertise required to drive technological innovation, especially in important areas such as Artificial Intelligence.

The Alberta technology sector also benefits from a *collaborative ecosystem,* where industry leaders, startups,

academic institutions, and government entities work together to foster innovation and growth. This facilitates knowledge exchange, networking, and the sharing of best practices, ultimately propelling the entire sector forward. Alberta's government and key organizations have also taken proactive measures to support the technology sector's growth through grants, funding programs, and incubators.

### **AEC: What about the intangibles?**

Alberta has a culture of creativity and problem-solving, which fuels technological advancements and disruptive ideas. The spirit of entrepreneurship and the willingness to take risks are key drivers of growth in the technology sector.

### **AEC: What does your crystal ball tell you about the future of tech in Alberta?**

**HN:** I envision a promising future where technology emerges as a major catalyst for Alberta's economy, firmly establishing the province as a prominent tech hub. Alberta will take center stage in transformative industries such as AI, health tech, agtech, and climate tech. We will witness the rise of high-growth tech companies originating from our own backyard, while also attracting renowned global tech players to set up their operations in Alberta.

### **AEC: And McRock Capital is helping to shape this future...**

**HN:** At McRock, we are thrilled and privileged to contribute our modest efforts towards realizing this vision. We recognize the tremendous potential of Alberta's tech ecosystem and are committed to playing our part in shaping its bright future.



**Andrea Drager**  
azurecap.com



*Flashback to 2016. Andrea Drager was running a Vancouver-based startup but looking for opportunities to return to her hometown of Calgary to be closer to family. She was also interested in building her career in Venture Capital, leveraging her dual experience as a founder and her decade working internationally as a strategic management consultant in Paris and London.*

*Azure Capital was seeking a Calgary-based VP, and Andrea jumped at the opportunity. Four years later she became a Partner. Alberta Enterprise sat down with Andrea to get her story, and that of Azure Capital's Alberta expansion.*

**AEC: When did you become a Partner and how did your role change?**

**Andrea Drager:** I became a partner in 2020. It provided me with more latitude to develop my own 'practice' of Venture. Azure's approach was to provide me with an 'apprenticeship' in the craft of Venture capital for the first few years, working closely and learning from Azure's three Managing Partners, Paul Ferris, Mike Kwatinetz and Paul Weinstein. Once I developed my skills working with our portfolio companies, many across rapid growth trajectories, as well as spearheading several new investments, I was made Partner and the expectations shifted. I was tasked with leading my own investments – from sourcing to exit – and participating as a thought partner to our team in all aspects of the Venture Fund; fundraising, strategy, investments, portfolio management and fund lifecycle management.

**AEC: What is it about the job that excites you?**

**AD:** I believe there's so much nuance in Venture. Each portfolio company faces its own challenges and requires its own support and creative solutions as it progresses. Not only is it critical to learn when to invest in a great opportunity, but also how to build and support that business—always with the view towards a successful exit. For a venture investor, the learning never stops.

**AEC: How is Azure Capital moving Alberta's tech sector forward?**

**AD:** Azure brings capital, experience and a collaborative mindset to support Alberta founders and investors.

We have a strong perspective on early-stage venture capital activity across North America – with on-the-ground representation in Calgary, San Francisco, Miami and Boston. Our 23+ years of experience allows us to identify the intersection of unique technologies and business models that generate high-growth investment opportunities. This has provided us with a unique viewpoint on how to navigate cycles and excel in different market conditions. More significantly, we bring to the Alberta

ecosystem a wealth of best practices, pattern recognition, learnings over time and an expansive network of founders, executives, business development relationships and investors.

**AEC: How has Alberta's technology sector changed in recent years?**

**AD:** When I graduated from McGill University, I didn't see a path to returning to Alberta to find a career outside of the oil and gas sector. Now I can't even count the number of incredible companies recruiting talent to build their careers and lives here. It's inspiring and exciting.

**AEC: What is driving this?**

**AD:** The sector has grown and matured over the last 7 years. There are more founders, more active funds and a lot more collaboration. StartAlberta has been helpful at highlighting opportunities and creating more awareness about the activity in the province. There's an active and engaged Angel and Family Office investing community lit up by Creative Destruction Labs (CDL) Rockies and helpful accelerators for early-stage founders to get exposed to essential tools that help them build. Plus, the universities are more engaged in the commercialization of technologies and putting up capital to support it through the Uceed funds.

**AEC: What stands out about Alberta?**

**AD:** There's a lot of investor collaboration, supported through organizations like the Venture Capital Association of Alberta, which is unique in Canada. Alberta's entrepreneurial "get-it-done" mindset is also very aligned with the early-stage founder mentality.

**AEC: What does the future have in store?**

**AD:** I predict Alberta's tech sector will continue to gain momentum as new technologies like AI are applied to the strong economic foundation in our province, which will continue to position Alberta as a fantastic place to start, grow and scale technology businesses, especially given all of the virtual aspects of startups in today's world.



**Mark Blackwell**  
builders.vc



*Mark met Builders Managing Partner Jim Kim while he was working in venture capital with Cenovus, and Kim was at Khosla Ventures. They have been friends ever since. Mark joined Builders in 2018 and hasn't looked back.*

**AEC: Your relationship with Kim Jim goes back years. Tell us more.**

**Mark Blackwell:** Jim served as one of my active mentors at Formation8 and helped me launch my own software firm after leaving Cenovus. The two of us remained in touch throughout the years before I sold my business in 2015.

After completing my final earn-out, I considered starting my own fund, making some local angel investments. I got in touch with Jim, who was starting Builders VC. After returning from my sabbatical in 2018, I made the decision to join the firm since the thesis was so appealing.

**AEC: When did you become a Partner and how did this change your role in the firm?**

**MB:** I joined the team as a General Partner when we introduced Fund II in December 2020 and had the opportunity to collaborate with everyone on strategy and fundraising as we introduced our second investment vehicle.

Outside of the structural changes of my role and assisting on the fundraising trial, I've continued to be an active member of the investment committee. My investment scope now spans Canada and the US.

**AEC: What are some of the unique things that your fund brings to Alberta?**

**MB:** Our overarching thesis of the modernization of antiquated industries is something that aligned 100% with the changing economy and landscape here in Alberta. We have a core focus on industrials, agriculture, construction and healthcare – which are pillars of the Alberta economy.

**AEC: What is the secret to Builders' success?**

**MB:** With a team that is spread across North America, we have access to an unrivalled network of partners and investors who can help support the growth of our firms. We understand what it takes to create hugely scalable businesses in our core industries.

Builders also has a number of operating and venture partners who work with our businesses every day, many of whom were formerly titans of the sector and now help several of our CEOs.

**AEC: What jumps out about the current state of Alberta's technology sector?**

**MB:** The ecosystem has evolved significantly since we originally launched Builders in 2018. Alberta has become known for attracting and retaining immense talent. This has been aided by a number of incredible repeat entrepreneurs, anchor tenants like Solium, Benevity, Jobber, and Symend.

**AEC: What are your predictions for the future?**

**MB:** We have never been more optimistic. We have some of the world's greatest incubators and accelerators. With the help of incredible initiatives like CDL, Thrive, 500 Startups, and Plug and Play, we are beginning to build an extraordinarily strong pipeline of businesses that are beginning to grow and exhibit real promise.



**Irfhan Rawji**  
relay.vc



*Irfhan joined Relay Ventures in 2016 as a Venture Partner. He got to know Relay's co-founder and managing partner, John Albright, serving on the board of a startup. The two recognized that they enjoyed working together, and explored the possibility of collaborating at Relay. By 2021, Irfhan was a Managing Partner of this rapidly growing fund.*

**AEC: What does your role with Relay entail?**

**Irfhan Rawji:** I'm extremely engaged in firm strategy, fundraising, portfolio oversight and – most importantly – mentorship of more junior investment professionals. I enjoy each of these elements immensely, especially the opportunity to guide the next generation of leaders.

**AEC: What are some of the unique things Relay Ventures brings to Alberta?**

**IR:** I think our depth and breadth of North American experience brings unique value to the ecosystem. We can draw upon lessons learned over two decades to benefit the local community. Additionally, we host a plethora of ecosystem events – which act as catalysts for planned and unplanned collisions. This is something we hope contributes to the success of startups in Alberta.

**AEC: What is it about Alberta's technology sector that inspires your optimism?**

**IR:** There is a lot to be excited about in the Alberta technology sector, but three things really stand out for me. Every year we witness growth in the number of companies started in Alberta. Next, we're seeing more and more innovators from across Canada moving here to grow their companies due to our growing bench of talent and availability of capital. Finally, investors from other markets are spending more time here – drawn by the growing quantum and quality of investable local companies. It's a strong signal that our ecosystem is maturing.

**AEC: And how has the ecosystem come into its own?**

**IR:** There is substantially more interest in the sector. More and more young people, especially recent graduates, see a career in technology and innovation as an exciting and viable path for them.

Additionally, there is growing interest from others outside of our ecosystem. The Banff Venture Forum and the VCAA Ski Day have both seen continually increasing attendance, especially from those located in other parts of Canada.

**AEC: What does the future hold?**

**IR:** I expect the sector's growth and success will continue to accelerate! We can't unsee the benefits that a growing and thriving innovation ecosystem bring to our communities and economy.





## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **AEC's operations focus on two key areas:**

1. Investment as a Limited Partner in technology Venture Capital funds that finance early-stage, knowledge-based companies.
2. Targeted initiatives to develop the Venture Capital ecosystem and improve the networks connecting entrepreneurs, experienced management, and investors.

As outlined in the coming sections, we utilize a number of strategies to achieve our intermediate and ultimate outcomes. There are multiple strategies tied to each outcome. AEC has developed Key Performance Indicators to measure our progress in achieving our mandate.



## OPERATIONAL OVERVIEW: INVESTMENTS

AEC was established to build a local Venture Capital industry capable of providing the capital needed to support the growth and success of knowledge-based companies in Alberta. To achieve this, AEC invests as a Limited Partner in technology Venture Capital funds that have, or will establish, **a presence** in the province, staffed with a senior level investment professional.

By investing together with other Limited Partners in VC funds that finance early-stage, technology startups in Alberta we create access to a much larger pool of capital, while also creating access to external markets and the expert resources of these funds.

Creating a portfolio that matches capital to Alberta deal flow across various sectors and stages is a core element of our fund investment strategy. With this in mind we have targeted three types of funds for investment:

- North American funds currently headquartered outside Alberta.
- Funds that are local to Alberta.
- Fit-to-purpose funds that address critical gaps.



**It is important to attract established fund managers with startup experience, industry connections and networks.**

### **Funds that bring outside expertise:**

A key strategy behind AEC's fund approach is to pull VCs from outside Alberta so that we can leverage their industry and network of experts. It is important to attract established fund managers with startup experience, investment experience, industry connections and networks – because beyond money, this is what Alberta startups lack.

### **Alberta-based funds that increase internal knowledge:**

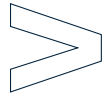
Equally important is the need to grow and develop Alberta-based funds. AEC has supported local funds, and we are developing home-grown VC talent through the local representatives of the funds headquartered outside Alberta. We continually meet with new locally-based teams, knowing that it takes time to build a strong Alberta VC fund presence. With this goal in mind, we added a new investment category: **micro funds**. These funds are smaller than typical VC funds (generally under \$30M). They tend to invest in startups in the earlier stages and must be headquartered in Alberta.

### **Fit-to-purpose funds that address critical gaps:**

It is imperative that AEC invests in funds that complement the available deal flow in the province. In 2021, AEC conducted a Deal Flow Study that showed a large portion of the technology companies in Alberta are early-stage. It is therefore vital to continue focusing on this earliest stage of investments. As a result, we have created the angel co-investment Accelerate Funds and focused on seed stage funds.

The coming sections highlight our VC funds and provide more detail on our investment strategies, expected outcomes, and key performance indicators (with targets, and results).





# VENTURING ALONGSIDE US – OUR VC PARTNERS.

**32 Degrees Diversified Energy Fund II** (Services & Technology Co-Invest) – Alberta-based fund manager focused on energy technology, with initial investments targeting Series A stage companies.

**Accelerate Funds I, II, and III** – angel co-investment funds solely focused on Alberta technology companies, with initial investments focused on seed and early-stage companies.

**Alpaca III**<sup>5</sup> – focused on seed stage software and software enabled companies.

**Amplitude Ventures Fund I** – focused on the life science sector in the Series A stage.

**Avrio Ventures II** – Alberta-based fund manager focused on innovative food and agriculture companies, with initial investments targeting Series A and beyond stage companies. This fund has reached the end of its term and is no longer active.

**Azure Capital Partners III** – focused on the information technology sector, with initial investments targeting post-seed stage companies as well as Series A and beyond.

**Azure Opportunities Fund** – focused on ICT companies operating in the seed and early-stages leading up to Series A.

**Builders VC Fund I and Fund II** – focused on Series A and later stage investments in industrial innovation.

**Chrysalix Energy III** – focused on the clean and energy technology sectors, with initial investments targeting Series A stage companies.

**EnerTech Capital Partners IV** – focused on the energy and clean technology sectors, with initial investments targeting Series A stage companies.

**Evok II**<sup>5</sup> – Series A/B investment focus into industrial decarbonization companies and energy transition.

**Flying Fish Fund II** – focused on technology companies innovating within the Artificial Intelligence vertical, with initial investments targeting pre-seed and seed stage companies.

**iNovia Funds 2011, 2018, and 2022**<sup>5</sup> – focused on the information technology sector, with initial investments targeting seed and Series A stage companies.

**Inovia Growth Fund II** – focused on growth stage software platforms that transform industries and push technology frontiers.

**McRock iNFund and Fund II** – focused on the Industrial Internet of Things, with initial investments targeting Series A stage companies.

**New Acres Capital** – focused on innovative food and agriculture companies, with initial investments targeting Series A and beyond stage companies.

**Panache Ventures Investment Fund 2018 and Fund 2022** – focused on seed stage investments in ICT and other sectors.

**PillarFour**<sup>5</sup> – Focused on oilfield services and innovation in the Series A+ stages.

**Relay Ventures Fund III** – focused on mobile technology, with initial investments targeting Series A+ stage companies.

**Relay Ventures Fund V**<sup>5</sup> – focused on mobility, property technology, sport technology, and fintech in the Seed and Series A stages.

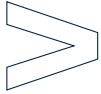
**Sprout II**<sup>5</sup> – focused on B2B and SaaS investments in the seed stage.

**Yaletown Ventures II** – focused on the information and communications technology and clean technology sectors, with initial investments targeting Series A stage companies.

**Yaletown Innovation Growth Fund I and Fund II**<sup>5</sup> – focused on Series A and later stage investments in companies enhancing sustainability and productivity for industrial and enterprise customers.



<sup>5</sup> New fund as of 2022/23.



# INVESTMENT STRATEGIES AND OUTCOMES

AEC utilizes a number of investment strategies to achieve our mandate.

## 1. Create a portfolio that provides multi-sector and multi-stage matching capital to Alberta deal flow

To maximize the value of AEC's investments, it is critical that our capital be invested in Funds that complement the available deal flow in the province. Our aim is to have VCs actively engaged in Alberta across the core knowledge sectors, including information technology, industrial technology and life sciences, and investment stages represented by Alberta startups. Accordingly, AEC aims to create a portfolio of fund investments that meets the need for capital across all sectors, including meeting the critical demand at the earliest stages.

## 2. Invest in VCs that establish (or maintain) an Alberta focus and presence and bring key investment skills to Alberta

It is critical that the funds we invest in view Alberta as a strong opportunity for investment that warrants the fund's focus, attention and resources. AEC therefore seeks out funds that see strong alignment between their own investment thesis and the deal flow in Alberta. To achieve this, AEC requires that each of our funds maintain a significant local presence in the province.

## 3. Attract new VCs to Alberta.

A key strategy behind AEC's fund approach is to pull VCs from outside Alberta so that we can leverage their industry and network of experts. It is important to attract established fund managers with startup experience, industry connections and networks – because beyond money, this is what Alberta startups lack. With few tech VC funds headquartered in Alberta, it is also crucial to attract outside funds to fill the immediate need for capital, while we grow Alberta's local VC fund talent.

## 4. Reinvest in high performing existing fund managers.

Once a VC fund is operating in Alberta, the expectation is that significant value will be provided to Alberta companies and to the Alberta ecosystem through each funds' investment activity, mentoring of companies, and activity in the ecosystem. Funds that can demonstrate their value-add to Alberta startups and the Alberta ecosystem are given priority for re-investment when they begin raising subsequent funds.

## 5. Find and champion fund solutions that address critical gaps.

In certain situations, there may be gaps in meeting the demand for capital in certain sectors or stages. In this situation AEC will seek out or design new and innovative programs to meet those needs. For example, to date AEC has designed and launched three innovative funds that expand the available capital for seed-stage and angel-backed start-ups in Alberta (Accelerate funds I-III). Another example is relaxing the full-time presence requirement in specific areas where there is demand for capital, but we've been unable to attract funds to match the demand.

## 6. Help build local Alberta-based funds and managers.

AEC aims to help create more home-grown technology VC talent, with the end goal of helping to establish more locally headquartered funds in the future. AEC has supported locally-based funds, and we are developing home-grown VC talent through the local representatives of the funds headquartered outside Alberta. We continually meet with new locally-based teams, knowing that it takes time to build a strong Alberta VC fund presence. To achieve this, we developed an Alberta micro fund strategy that provides added flexibility in certain of our investment criteria to expand the pool of Alberta funds.

## 7. Steward capital responsibly by preserving the capital on our investments and being an engaged LP.

AEC recognizes our role as a steward of public capital, and we ensure that the funds under our management are selected and governed responsibly. In accordance with the goals of our mission, we invest in VC funds that present a sound risk/reward case for creating benefits to Albertans as well as preserving the investment capital.

### Our strategies are driven to achieve the following outcomes:

#### Intermediate outcomes (for fiscal 2022/23):

1. Increased access to smart Venture Capital for AB companies
2. A blend of capital from managers internal and external to Alberta
3. Stimulated investment in Alberta knowledge-based industries

#### Ultimate outcomes (beyond fiscal 2022/23):

4. A thriving and self-sustaining VC industry in Alberta
5. Return to the Province its investment capital

The Ministry of Technology and Innovation has identified the following outcomes and performance measure and target specifically for AEC:

**Outcome:** Investment and trade are driving Alberta's economic recovery and growth

**Performance metric:** Cumulative value of AEC attracted Venture Capital funds (and their syndicate partners) invested in Alberta businesses (\$ millions).

<b>Target:</b> 2022/23	<b>\$856 million</b>
2023/24	\$934 million
2024/25	\$1,011 million

In addition, we measure our results by using our own Key Performance Indicators with set targets.

## Intermediate Outcomes (fiscal 2022/23)

Outcomes	KPI linked to outcome	Strategy linked to outcome
<b>1. Increased access to smart Venture Capital for Alberta companies</b>	Total AEC fund commitments to date (# funds approved and legally closed) <sup>6</sup>	<ol style="list-style-type: none"> <li>1. Create a portfolio that provides multisector and multi-stage matching capital to Alberta deal flow.</li> <li>3. Attract new VCs to Alberta.</li> <li>5. Find and champion fund solutions that address critical gaps.</li> <li>6. Help build local Alberta-based funds and managers.</li> </ol>
<b>2. A blend of capital from managers internal and external to Alberta</b>	Number of funds with headquarters in AB in AEC's portfolio <sup>7</sup>	<ol style="list-style-type: none"> <li>2. Invest in VCs that establish (or maintain) an AB focus and presence and bring key investment skills to Alberta.</li> <li>3. Attract new VCs to Alberta.</li> <li>4. Re-invest in high performing existing funds managers.</li> <li>6. Help build local Alberta-based funds and managers.</li> </ol>
<b>3. Stimulated investment in Alberta knowledge-based companies</b>	<p>Total Alberta portfolio companies in AEC portfolio that have received capital<sup>8</sup></p> <p>Total \$ invested by AEC funds and syndicate partners into AB companies<sup>9</sup></p> <p>Ratio of total invested by AEC funds and syndicate partners into AB companies<sup>10</sup></p>	<ol style="list-style-type: none"> <li>1. Create a portfolio that provides multisector and multi-stage matching capital to Alberta deal flow</li> <li>2. Invest in VCs that establish (or maintain) an AB focus and presence and bring key investment skills to Alberta.</li> <li>3. Attract new VCs to Alberta.</li> <li>4. Re-invest in high performing existing fund managers.</li> <li>5. Find and champion fund solutions that address critical gaps.</li> <li>6. Help build local Alberta-based funds and managers.</li> </ol>

<sup>6</sup> The total number of VC funds in AEC's portfolio to date and for the current fiscal year funds approved by the Board and that have been formally / legally closed. Includes all current and past active and inactive funds that meet the aforementioned criteria, including funds that have been concluded or terminated early. Source: internal AEC.

<sup>7</sup> The current number of headquartered Venture Capital funds in Alberta. A fund is considered to be headquartered in Alberta if the fund has been legally closed and the Management Company is incorporated in Alberta or if more than 50% of the GP are working in a location based in Alberta. Only the active funds in AEC's portfolio that are headquartered in AB would be counted for this metric. Source: fund activity reports

<sup>8</sup> The total number of Alberta companies that have received investment capital from funds in AEC's portfolio. For the purpose of this requirement a Portfolio Company will be considered an Alberta company if it is incorporated in Alberta or more than 50% of employees work at a location in Alberta. Source: fund activity reports and fund quarterly financials.

<sup>9</sup> Total dollars invested in Alberta companies by AEC's funds and their syndicate partners. USD investments are converted to CAD using exchange rate on the actual date of the investment. Source: fund activity reports and fund quarterly financials.

<sup>10</sup> Total dollars invested in Alberta companies by AEC's funds and their syndicate partners divided by total paid into funds by AEC (including fees). USD investments are converted to CAD using exchange rate on the actual date of the investment. Source: fund activity reports, fund quarterly financials and AEC financial statements.

## Ultimate Outcomes

Outcomes	KPI linked to outcome	Strategy linked to outcome
<b>4. A thriving and self-sustaining VC industry in Alberta</b>	Number of startup and investor profiles created on StartAlberta.com <sup>11</sup>  Total Alberta employees in AEC portfolio companies <sup>12</sup>	2. Invest in VCs that establish (or maintain) an Alberta focus and presence. 3. Attract new VCs to Alberta. 6. Help build local Alberta-based funds and managers.
<b>5. Return to the Province its investment capital</b>	Total Value to Paid In capital to AEC (TVP) <sup>13</sup>	7. Steward capital responsibly by preserving the capital on our investments and being an engaged LP.



<sup>11</sup> Total number of verified startup and investor profiles that have been created on StartAlberta.com. A startup or investor is verified manually by dealroom.co data team. The data source is from both live snapshots taken from StartAlberta.com as well as monthly reports sent from dealroom.co to AEC's Industry Development team. Source: Dealroom.co and StartAlberta.com

<sup>12</sup> Total number of Alberta employees (persons) in companies in AEC's portfolio. Includes Alberta-based employees in companies located in Alberta but headquartered outside. Source: fund activity reports and fund quarterly financials.

<sup>13</sup> Cash on cash multiple ratio with AEC's equity in funds plus distributions received divided by capital called from funds. Source: AEC financial statements.

# Results: Investments

## Intermediate Outcomes

Increased access to smart Venture Capital for Alberta companies



## Results and Discussion

**Key Performance Indicator:** *New AEC fund commitments during the fiscal year (# funds approved and legally closed)*

**Target:** *3 approved and 2 or more legally closed over 2022/23*

To measure this outcome AEC reviews a number of factors, including how many fund commitments have been made during the year. Actual investment into Alberta companies is also a strong indicator, which is discussed in the next section.

As of March 31, 2023, AEC has committed \$332 million for investment into 31 VC funds, including the three angel co-investment funds: Accelerate I, II and III. This can be compared to March 31, 2022, when we had committed \$269 million into 25 funds. During the 2022/23 fiscal year, five new fund investments were approved by the Board (two of which were legally closed after the year-end) and **six new funds were legally closed and added to the portfolio: iNovia 2022, Relay V, Alpaca III, PillarFour II, Evok II, and Sprout II**. Through the approval and legal closings of these funds, AEC has executed on the planned strategies noted above and exceeded the 2022/23 target (3 funds approved and 2 or more funds legally closed) as a result of the team effectively originating, screening, assessing and legally closing new funds.

Through our funds, Alberta knowledge-based companies have had access to close to \$4.6 billion in Venture Capital, leveraging up our capital by a factor of 13.8:1.<sup>14</sup> This can be compared to 2022/23 when our funds had created access to \$3.4 billion with a leverage ratio of 13.0:1. The variance is related to the addition of the new funds during this fiscal year.

<sup>14</sup> Total access to capital is calculated using the total fund size of all AEC's funds (in CAD), excluding capital that cannot be invested in Canada. AEC's leverage is calculated by dividing the aggregate fund size of AEC's portfolio, by AEC's fund commitments as of March 31, 2023.

A blend of capital from managers internal and external to Alberta



**Key Performance Indicator:** Number of funds with headquarters in AB in AEC's portfolio

**Target:** 3 by end of 2022/23

Alberta Startups and Alberta's technology ecosystem benefit from a mix of VC funds that are headquartered and operate across different regions. To measure this outcome Alberta Enterprise reviews a number of factors, including the number of Venture Capital funds with their headquarters in Alberta. Alberta Enterprise's portfolio now has 5 Venture Capital funds with their headquarters in Alberta, surpassing the 2022/23 target of 3 and increasing by 2 since March 2022 (**the new AB-based funds were PillarFour II and Sprout II**). Alberta resident funds bring value by understanding and focusing on local investment sectors and maintaining a sustained presence with a local workforce. On the other hand, funds located in other jurisdictions provide benefits such as access to new markets, syndicate investors, limited partners, and other resources such as a technology talent.

In addition, it is beneficial to add a mix of new managers to the portfolio, who bring new perspectives and fill gaps in the portfolio, while also continuing to support existing high-performing managers – who bring stability to the portfolio through their prior experience and networks in AB. Over 2022/23, of the six closed funds, four new managers were added and two existing managers were supported. In contrast, over 2021/22, two new managers were added, and two existing managers were supported.

Stimulated investment in Alberta knowledge-based industries



**Key Performance Indicator:** Total Alberta portfolio companies in AEC's portfolio that have received capital

**Target:** 70 companies by end of 2022/23

**Key Performance Indicator:** Total dollars invested by AEC funds and syndicate partners into Alberta companies

**Target:** \$856 million by end of 2022/23

**Key Performance Indicator:** Ratio of total invested by AEC's funds and syndicate partners

**Target:** 1:4 at end of 2022/23

To measure this outcome AEC reviews a number of factors, including the total number of Alberta companies that have received investments from our funds, dollars invested into Alberta companies, and the ratio of investments into Alberta companies compared to capital invested by AEC into funds.

As of March 31, 2023, our funds and their syndicate partners have invested \$1.13 billion into 76 Alberta technology companies. This can be compared to \$1.0 billion into 65 companies as of March 2022. That represents an increase of 11 companies and \$128 million over the year. We exceeded the 2022/23 target of \$856 million set by the Ministry of Jobs, Economy and Innovation<sup>15</sup>, doubling the target of 5 additional companies. Contributing factors to the increases include a larger number of funds in our portfolio actively investing, an increasing pool of startup Alberta investment opportunities, and the maturation of our portfolio companies: resulting in larger follow-on financing rounds.

Every \$1 invested by AEC in funds (including fees) has generated more than \$5.43 of investments into Alberta companies. This significantly exceeds the 2022/23 target of \$4 for every \$1 invested and is also slightly up from 2021/22 when the corresponding investment into Alberta companies was \$5.41. The increase reflects both investments in new companies and significant capital invested in follow-on rounds into Alberta companies. This indicates that AEC has achieved a higher efficiency with our capital compared to last year.

<sup>15</sup> Ministry Business Plan 2022-25 page 72.

## Ultimate Outcomes

A thriving and self-sustaining VC industry in Alberta



### Results and Discussion

**Key Performance Indicator:** Total direct Alberta jobs created in AEC's portfolio companies

**Target:** Increase 150 annually to 2,564 AB employees at end of 2022/23

In addition to measures discussed previously, to assess this outcome, AEC reviews a number of factors. This includes total number of employees in AEC's portfolio companies and Alberta-based investment professionals.

As of March 31, 2023, AEC's portfolio companies have 2,898 direct employees, compared to 2,419 in March 2022. This is an increase of well over 400 employees and meets our target of increasing the number of employees. The increase is both a function of new companies in our portfolio, as well as an increase in the number of employees in existing companies.

To build a sustainable VC industry in Alberta will require patience and ongoing investments from AEC. We have been investing in VC funds since 2010. A typical VC fund has a life of 10 to 13 years (sometimes longer). As such, it is still too early to predict the full impact of AEC's activities, but as detailed above, over our investment history we have achieved excellent results. That said, building a self-sustainable VC industry can take decades.

Return to the Province its initial investment capital



**Key Performance Indicator:** Total Value to Paid In capital (TVPI) of AEC's investment portfolio

**Target:**  $\geq 1$

The investment capital from the Government of Alberta is a financial investment, not a cost. We expect to return the Province's investment capital in a timeframe consistent with the life of a VC fund (approximately 10-13 years per each individual fund).

To measure this outcome AEC reviews a number of factors, including Total Value to Paid In capital (TVPI). TVPI is an important measure for assessing our ability to deliver financial results compared to the cost of the investments. A TVPI of  $>1$  means the value of the investments plus distributions exceed the combined cost of the investments and associated fees.

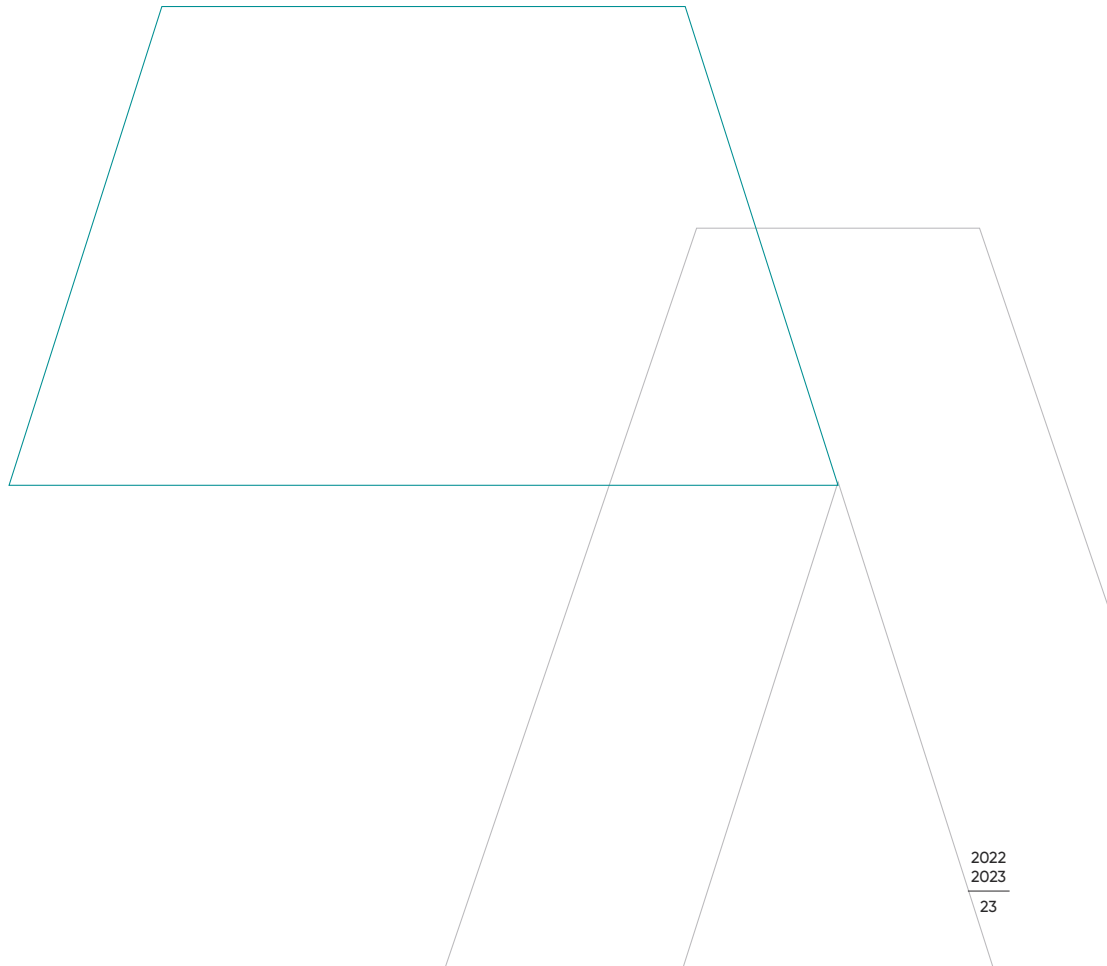
As of March 31, 2023, every \$1 invested by AEC is worth \$1.35 (a TVPI of 1.35), which is a decrease from the March 2022 TVPI of 1.45. The decrease reflects the overall downturn in market conditions over the year, but is still significantly above our target of achieving a TVPI of  $\geq 1$ . Our early investments are now maturing and are providing a higher return of capital and realized gains.



It should be noted that the TVPI for the portfolio will be affected by the addition of new funds. Due to the nature of venture investing and accounting practices for these investments, Venture Capital funds are likely to show a loss during the first half of their life. These losses normally reverse as a fund matures and as unrealized and realized gains increase over time. Therefore, as AEC continues to add new funds to our portfolio (we welcomed six this fiscal year), we are likely to see the delaying effects of new funds expressed in the portfolio's total TVPI in the following few years. The financial return to the province on our initial investment will not fully be known until all our funds mature.

As of March 31, 2023, our portfolio has distributed \$91.5 million back to AEC, versus \$84.5 million as of March 2022 (an increase of \$7 million).

During the year we closely monitored, supported, and reported on our existing investments in our portfolio, encouraging best practices in governance and transparency to maximize the probability of delivering Alberta benefits and financial returns.



# OPERATIONAL OVERVIEW: INDUSTRY DEVELOPMENT

The key aspect to developing a self-sustaining Alberta-based VC industry is cultivating the industry ecosystem surrounding technology startups, technology investors and related networks. This means bringing together and supporting investors, startups and management talent. We have seen continued revitalization and significant growth in Alberta's technology ecosystem over the past year, and AEC has been at the forefront of this success.

AEC works to fill the gaps in the ecosystem and to create meaningful connections between existing organizations. We have been successful in supporting the creation of industry-driven, grassroots organizations that play a critical role in the technology and VC ecosystems. These groups connect Alberta entrepreneurs, startups, investors and mentors within Alberta and outside the province. Our strategies to support the tech companies and the industry ecosystem are included below.

## Industry Development Strategies and Outcomes

AEC utilizes a number of strategies to achieve our mandate for industry development.

### 1. Lead and support initiatives that increase the connectivity between entrepreneurs and investors and investors to investors.

The collective ecosystem organizations are necessary to create a strong and sustainable deal flow pipeline of tech companies from Alberta. Development of organizations, events and initiatives that address the gaps in the technology ecosystem continues to be a leading strategy in increasing the quantity and improving the quality of deal flow from Alberta. Based on the learnings from last year, we expanded the language of this strategy in 2022/23 to include increasing the connectivity between investors to investors in addition to entrepreneurs and investors. The ability for investors (family offices, high-net-worth individuals, and VCs) to connect is paramount to deal syndication as well as providing ample opportunity for knowledge sharing.

### 2. Lead and support initiatives that raise AB's tech ecosystem profile and increase startup quality.

Alberta's current status as an early-stage tech ecosystem requires tech entrepreneurs and local VC's to access external contacts and resources to support the growth of strong tech companies and increase the quality of deal flow. We work

to grow Alberta's presence on the national and international stage by highlighting the unique advantages of Alberta's tech ecosystem that make it a fertile investment location with real value for investors.

### 3. Lead and support initiatives that connect Alberta's entrepreneurs and ecosystem to other ecosystems.

Deepening connections to other technology and investment ecosystems provides a springboard to propel our own startup ecosystem. By connecting with other ecosystems that are more mature than ours, we can expediate our growth and build on established frameworks that are generating tangible results in other markets. Furthermore, connecting our entrepreneurs and service providers to other ecosystems builds knowledge of pre-existing programs and niche pockets of resources and expertise available in other regions. This can accelerate a startup's growth, ability to scale, and ability to find capital. Exposure to other markets also increases the likelihood that startups will find new customers, new markets, and additional investors beyond Alberta. For 2022/23, we added the sub-strategy of connecting to other Canadian ecosystems. As other jurisdictions in Canada continue to mature, we can learn a lot about what worked and what didn't when they were at a similar stage to Alberta. Additionally, these connections to ecosystems within and outside Canada support the need to facilitate better sharing of Alberta deal flow.

#### **4. Facilitate discussions between ecosystem stakeholders to identify and address gaps, leveraging the investor perspective.**

AEC has taken on the role of facilitator in discussions between various stakeholders in the tech community – with the aim of improving the quality of deal flow. By staying active in ecosystem discussions and seeking out best practices, we can better understand the gaps which exist in the ecosystem. This helps us devise strategies to address these gaps to better foster entrepreneurial growth and encourage targeted investment in Alberta startups. For 2022/23 we expanded on this strategy to include leveraging the investor perspective. Based on learnings from last year, it was identified that AEC is uniquely positioned to identify and address gaps due to the insights we gain through deep relationships with the broader VC community.

#### **5. Collect and share data on the tech ecosystem to enable data-backed decision making and identify gaps in the technology ecosystem.**

Data provides an objective outlook on where the tech ecosystem in Alberta is, relative to where it should be. The startups, service providers and investors collectively have the data that government funders and decision makers need to guide initiatives and policies that enable ecosystem growth. The data will also be used to inform our investment team, ensuring a match between capital and available deal flow. For 2022/23 the sub-strategy of sharing/ creating better access to deal flow with funds was added. The goal of providing portfolio and external funds with easier access to quality deals through data sharing builds a tighter knit community built on trust and collaboration.

#### **6. Support initiatives for investor education.**

This strategy is new for 2022/23. With Venture Capital being the highest performing asset class within private equity funds in 2020<sup>16</sup>, many high-net-worth individuals and family offices are seeking exposure to this asset class. We heard firsthand from many individuals with deep expertise in real estate, energy, and agriculture that they didn't understand valuations, portfolio construction or how to begin with diligence or composing aligned term sheets. Organizing and supporting initiatives that promote knowledge sharing, deal sharing, mentorship and education can help unlock this relatively untapped source of early-stage or LP capital.



### **Our strategies drive toward achieving the following outcomes:**

#### **Intermediate outcomes (for fiscal 2022/23):**

1. A highly connected ecosystem (connecting investors to entrepreneurs and investors to investors)
2. Greater access to relevant resources for tech companies
3. A knowledgeable and engaged Alberta VC industry
4. A stronger Alberta VC and technology ecosystem profile in the province and beyond

#### **Ultimate outcome (beyond fiscal 2022/23):**

5. A thriving and self-sustaining VC industry in Alberta

In addition, we measure our results by using our own Key Performance Indicators with set targets.

<sup>16</sup> [Venture Capital Journal Article](#); 1 June 2021

## Intermediate Outcomes (fiscal 2022/23)

Outcomes	KPI linked to outcome	Strategy linked to outcome
<b>1. A highly connected ecosystem (connecting investors to entrepreneurs and investors to investors)</b>	Number of start-up and investor profiles created on Start Alberta <sup>17</sup>	<ol style="list-style-type: none"> <li>1. Lead and support initiatives that increase the connectivity between entrepreneurs and investors and investors to investors</li> <li>4. Facilitate discussions between ecosystem stakeholders to identify and address gaps, leveraging the investor perspective</li> <li>5. Collect and share data on the tech ecosystem to enable data-backed decision making and identify gaps in the technology ecosystem</li> </ol>
<b>2. Greater access to relevant resources for tech companies</b>	Total AEC fund commitments to date (# funds legally closed)	<ol style="list-style-type: none"> <li>2. Lead and support initiatives that raise AB's tech ecosystem profile and increase start-up quality</li> <li>4. Facilitate discussions between ecosystem stakeholders to identify and address gaps, leveraging the investor perspective</li> <li>5. Collect and share data on the tech ecosystem to enable data-backed decision making and identify gaps in the technology ecosystem</li> <li>6. Support initiatives for investor education (new)</li> </ol>
<b>3. A knowledgeable/engaged Alberta VC industry</b>	Number of startup and investor Profiles created on Start Alberta	<ol style="list-style-type: none"> <li>1. Lead and support initiatives that increase the connectivity between entrepreneurs and investors and investors to investors.</li> <li>4. Facilitate discussions between ecosystem stakeholders to identify and address gaps, leveraging the investor perspective</li> <li>5. Collect and share data on the tech ecosystem to enable data-backed decision making and identify gaps in the technology ecosystem</li> <li>6. Support initiatives for investor education (new)</li> </ol>
<b>4. A stronger Alberta VC and technology ecosystem profile in the province and beyond</b>	Total \$ invested by AEC funds and syndicate investors into AB companies	<ol style="list-style-type: none"> <li>2. Lead and support initiatives that raise AB's tech ecosystem profile and increase start-up quality</li> <li>3. Lead and support initiatives that connect Alberta's entrepreneurs and ecosystem to other ecosystems - Connect to other Canadian ecosystems</li> </ol>

2022  
2023

<sup>17</sup> The total number of verified startups and investors with profiles on StartAlberta.com. A startup or investor is verified manually by dealroom.co's data team. The data source is from both live snapshots taken from StartAlberta.com as well as monthly reports sent from dealroom.co to AEC's Industry Development team.

## Ultimate Outcomes

### Outcomes

### KPI linked to outcome

### Strategy linked to outcome

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#### 5. A thriving and self-sustaining VC industry in Alberta

Number of startup and investor Profiles created on StartAlberta.com

Total AB employees in AEC portfolio companies (# people)

1. Lead and support initiatives that increase the connectivity between entrepreneurs and investors and investors to investors
  2. Lead and support initiatives that raise AB's tech ecosystem profile and increase start-up quality
  3. Lead and support initiatives that connect Alberta's entrepreneurs and ecosystem to other ecosystems
  4. Facilitate discussions between ecosystem stakeholders to identify and address gaps, leveraging the investor perspective
  5. Collect and share data on the tech ecosystem to enable data-backed decision making and identify gaps in the technology ecosystem
  6. Support initiatives for investor education
-

# Results: Industry Development

## Intermediate Outcomes



A highly connected ecosystem (connecting investors to entrepreneurs and investors to investors)

## Results and Discussion

**Key Performance Indicator:** Number of startup and investor profiles created on StartAlberta.com

**Target:** 2,700 startups and 340 investors

To measure this outcome AEC reviews a number of factors, including the number of startup and investor profiles created on StartAlberta.com.

As of March 31, 2023, there were 1,991 startups and 361 investors with profiles on StartAlberta.com This can be compared to 2,002 startups and 302 investors as of March 31, 2022, which represents a decrease of 11 startups and an increase of 59 investors over the year. The number of investors far surpassed the target of 340; however, the number of startups fell short of the targeted 2,700. There were several factors that contributed to the variance, including but not limited to:

- After the incredible launch of StartAlberta.com 2.0 there was an influx of companies on the platform. After further investigation, many of these companies were deemed not to be technology or knowledge-based businesses, leading to their ultimate removal from the platform.
- At the conclusion of the investigation noted above, a new standard of company classification was implemented which created a more well defined yet ultimately narrower definition of technology or knowledge-based company. This resulted in a higher barrier to be added as a verified company, and thus a lower number of companies have been verified on the platform.
- There is a backlog of “unverified” companies on StartAlberta.com, which require manual verification to ensure they are Alberta-based technology companies. The backlog consists of 1,414 companies and as they become claimed and verified, we anticipate a steady increase in the number of startups on the platform.

During 2022/23, we supported several initiatives that focused on connecting Alberta entrepreneurs with investors and investors to investors:

- **Startup TNT Investment Summit(s):** Hosting several Investment Summits each year, Startup TNT brings seed stage companies looking to raise capital through structured due diligence process, preparing them for the summit where selected companies receive capital from the TNT syndicate and side deals direct from angels. AEC increased its commitment to Startup TNT in 2022/23 to continue building their momentum.
- **Banff Venture Forum (BVF):** Hosted as a two-day virtual conference, Banff Venture Forum gives founders a unique opportunity to showcase their technology and business, meet dozens of investors, listen to high-profile speakers share their journeys and learn from top industry experts on key topics related to growing and scaling companies. This year’s BVF had the highest attendance on record and included participation from AEC and many of our funds.
- **AB4F:** AEC sponsored the September 15th Alberta Female Founders Funders and Fortifiers event held at MobSquad. AB4F is an Alberta-based organization founded by McRock Capital, Azure Capital Partners, Accelerate Fund III, The A100 and BDC with the purpose of supporting females in tech through networking and curated content events. The September 15th event was on *Financial Management and Raising Capital in a Turbulent Market*. It had nearly 40 founders or finance leads from Alberta-based tech companies come together to learn from a panel of female CFO’s who recently raised a combined \$45M. The event was filled with supportive funders (angels and VC’s) and provided an ideal opportunity for entrepreneurs and investors to connect.

A highly connected ecosystem (connecting investors to entrepreneurs and investors to investors)  
Cont'd



- **The Venture Capital Association of Alberta (VCAA):** Throughout 2022/23, Alberta Enterprise supported the hiring and onboarding of a new Executive Director of the VCAA. Fostering the relationship between AEC and VCAA has led to a significantly expanded membership base, events and program offerings, and a more connected VC community.

Greater access to relevant resources for tech companies



**Key Performance Indicator:** Total AEC fund commitments to date (# funds approved and legally closed)

**Target:** 3 approved and 2 or more legally closed in 2022/23

To measure this outcome AEC reviews a number of factors, including how many fund commitments we have made during the year. This measure has been discussed in previous sections.

During 2022/23 we have led and supported initiatives that created access to relevant resources for tech companies:

- **OnRamp:** AEC sponsored the launch of OnRamp, a bootcamp designed to give early-career marketing professionals the skills and confidence needed to not only land a career in tech, but excel at it. OnRamp has partnered with G2V, Spontivly, ZayZoon, Attabotics, Symend, Goodlawyer, Virtual Gurus and others to provide pre-vetted and trained marketing talent to support them in their growth. The first 18-week Bootcamp commenced in May and the cohort was sold out. The final projects were presented to a wide audience at the September 22nd event, where real-life learnings from in-market campaigns were shared. A status report will be sent to AEC in the coming months to review the quantity and quality of placements made into tech companies through the program. The second cohort is scheduled for Jan 2023.
- **PROPEL Energy Tech Forum:** AEC sponsored the PROPEL Energy Tech forum and had AEC's VP of Investments moderating a panel on attracting Venture Capital, as well as AEC's Director of Industry Development presenting on industry trends and insights during opening remarks. Propel brought together 50+ companies to learn from industry experts on how to sell into corporates, raise capital, and grow business in international markets.
- **Inventure\$ Master Mentors:** AEC's Director of Industry Development participated on the planning committee for Master Mentors, which connects promising Alberta startups with investor mentors. The companies are primarily early-stage, many of which plan to start their fundraising journeys in the coming months. The aim of the program is to provide constructive feedback and guidance from some of the provinces leading institutional investors. AEC's Director of Industry Development also supported in registering many VC's as mentors and assisted with the matching process to ensure entrepreneurs got the support they needed.
- **Innovation Rodeo:** AEC sponsored Innovation Rodeo, hosted by 150 Startups through Bow Valley College. This year's theme was *Crossing the Chasm*. The chasm exists because after successfully selling a product to innovators and early adopters, many companies struggle with the next stage of growth – taking the product to the early majority portion of the market. The book, *Crossing the Chasm* by Geoffrey A. Moore is often referred to as the "bible" for startup founders, thus the speakers and topic were very aligned with Alberta's early-stage ecosystem.



**Key Performance Indicator:** Number of startup and investor profiles created on StartAlberta.com

**Target:** 2,700 startups and 340 investors

To measure this outcome AEC reviews a number of factors, including the number of startups and investor profiles created on StartAlberta.com. This measure has been discussed in previous sections.

During 2022/23 we lead and supported events that build a knowledgeable and engaged Alberta VC industry:

- **The Venture Capital Association of Alberta (VCAA):** The VCAA is instrumental in connecting VC investors, providing education, and advocating on behalf of the VC industry. AEC's Director of Industry Development sits on the Board of Directors, the Events Committee and the Executive Director selection committee. A concerted effort went into interviewing, hiring and onboarding Omi Velasco, VCAA's new Executive Director. Several new events are being planned for later this year which aim to increase the connectivity of investors within Alberta and beyond.
- **Investor Education Landscape Survey:** As a new strategy for 2022/23, we have dedicated considerable effort to understanding the current state of resources available to high-net-worth individuals or family offices who are interested in learning more about the opportunities to invest in the tech asset class. Sponsorship dollars have gone towards several investor education initiatives including Halo Health Alberta Launch, Startup TNT and Platform Calgary's family office initiative. These events are bringing together dozens of private individuals, teaching them about the asset class, and bringing them potential deal flow. AEC continues to collect and share data on the landscape to inform programming and partners.
- **VCAA Conference and Ski Day:** AEC's director of Industry Development was deeply involved on the planning committee for this event. The event sold out in record time (128 attendees) and was able to attract 45% of the attendees from outside Alberta, bringing incredible awareness to the burgeoning innovation and VC ecosystem in this province. AEC's investment and industry development team attended the conference, and AEC's CEO provided opening remarks. The event was extremely well reviewed by attendees and provided ample opportunity for learning and networking.
- **UofA VCPE Club + VCAA VC101:** An initiative started by two UofA students who wanted to give their post-secondary peers from across the province opportunities to learn about Venture Capital and private equity through free online sessions. The first event, hosted on November 24th, was a networking event featuring a panel of VC's including Tiffany Linke-Boyko (Flying Fish), Arden Tse (Yaletown/ Accelerate Fund), and Kristina Milke (Sprout). AEC sponsored and supported the following VC101 sessions held in early January 2023 in partnership with VCAA and post-secondaries across the province. It provided a learning opportunity for hundreds of existing investors, entrepreneurs, and students interested in becoming the next generation of VC talent in the province.
- **Platform Calgary Family Office Initiative:** We worked closely with Platform Calgary to plan an investor education event targeting Alberta based high net worth individuals and family offices. The event provided knowledge sharing and educational on the intricacies of direct investing and the importance of portfolio construction when investing in the technology asset class. Over 40 individuals attended the event. AEC continues to work with Platform Calgary on their investor initiatives.



A stronger Alberta VC and technology ecosystem profile in the province and beyond



**Key Performance Indicator:** Total \$ invested by AEC funds and syndicate investors into AB companies

**Target:** \$856 million for 2022/23

To measure this outcome AEC reviews a number of factors, including the total private syndicate capital attracted to Alberta companies by AEC funds. This measure has been discussed in previous sections.

During 2022/23 we led and supported initiatives that build a stronger Alberta VC and technology ecosystem profile in the province and beyond.

- **2022 CVCA Invest Canada Conference:** AEC's sponsorship of Canada's premier event for Venture Capital and private equity investors and stakeholders provides a rare opportunity for global exposure to Alberta's VC landscape. Held May 24th-27th, AEC had a high-profile presence with several team members in attendance. CVCA held its first-ever live podcast session organized by Venture Unlocked and hosted by Samir Kaji. The session was streamed globally and invited LP panelists (including AEC's CEO) to discuss the growing attention Canada's tech sector has been receiving, the trends currently unfolding in the market, and how they see the future as more macroeconomic conditions appear to be shifting. AEC engaged local Alberta funds and emerging managers in Canada's broader VC and PE community by inviting 6 VCs and community members to attend, including: The51, Accelerate Fund, Flying Fish, Sprout VC, and Alpaca and Thin Air Labs.
- **2022's C100 48 Hrs & Fellows Program:** The C100's flagship program is an increasingly high-profile event which has invited high caliber competition among ventures across North America to obtain a seat. This year's cohort took place on May 11th - 12th and included Calgary-based PurposeMed, which was selected out of over 200 companies nominated. Two other Alberta-based companies, ZayZoon and SmartAccess, were also in attendance. For the third year, AEC's Director of Industry Development served as a C100 Fellows Selection Committee Member, with a focus upon nominating and championing Alberta startups. The event was attended by AEC's Director of Industry Development to support the Alberta founders in attendance and foster relationships that will support Alberta's ecosystem.
- **The C100 Growth Summit:** AEC's CEO and Director of Industry Development attended the 2023 Growth Summit, building valuable connections and bringing awareness to the quantity and quality of Alberta tech companies. There were several Alberta-based family offices and corporates in attendance.
- **Calgary @ Collision:** AEC sponsored the Calgary at Collision event held in Toronto which brought hundreds of Alberta entrepreneurs together with dozens of investors from across Canada. The event was well attended, with over 700 guests, and did a wonderful job highlighting the companies and investment opportunities available in Alberta.

During 2022/23 we facilitated discussions between ecosystem stakeholders to identify and address gaps:

- **Venture Capital Industry Insight:** AEC provided subject matter expertise to municipal, provincial and federal organizations including Calgary Economic Development (CED), Opportunities Calgary Investment Fund (OCIF), Edmonton Unlimited, Prairies Economic Development Canada, Invest Alberta and others. Discussion items included the makeup of Alberta's technology companies, and the equity funding gaps that exist in the province.

## Ultimate Outcomes

A thriving and self-sustaining VC industry in Alberta.



## Results and Discussion

**Key Performance Indicator:** Number of startup and investor profiles created on Start Alberta and Direct Alberta jobs created in AEC portfolio companies

**Start Alberta Profiles Target:** 2,700 startups and 340 investors

**Alberta Jobs Target:** Increase to 2,564

To measure this outcome AEC reviews a number of factors, including the number of startup and investor profiles created on Start Alberta and Direct Alberta jobs created in AEC portfolio companies. These measures and the other strategies tied to this outcome have been discussed in previous sections.

AEC works to fill the gaps in the ecosystem and to create links between existing organizations. With a relatively small amount of capital, AEC can effectively and efficiently enhance the Alberta innovation investment ecosystem. Our approach is highly collaborative. Rather than building a large team within AEC, we take a lean partnership approach, working with many public and private organizations to fulfill our mandate. This collaborative approach allows our organization to have a very broad reach, delivering outcomes far beyond the capacity of our small team – all while keeping operating costs very low. The key to our success is the engagement of VCs, strategic investors, entrepreneurs and mentors by leveraging our investment capital.

While Alberta's tech sector is still considered in its early-stages of development, the data shows it is maturing significantly. Over the past decade the VC industry in Alberta has demonstrated encouraging growth, exhibited by record-breaking VC investment in Alberta startups, and bolstered by larger deal sizes. In 2023, Alberta saw \$729 million invested across 85 deals<sup>18</sup>, shattering all prior years on record. The efforts of various ecosystem stakeholders have built a strong, early-stage ecosystem and we are beginning to see more tech companies going from startup to scaleup. As more companies stay and grow in Alberta, it is imperative that we take a proactive approach to ensure the necessary resources are available to support the founders of these maturing companies.



# OPERATIONAL BUDGET AND CAPITAL DEPLOYMENT

## Operational Budget and Statement of Operations

AEC's 2022/23 operating budget was \$3.05 million. In July 2020, the Government of Alberta announced \$175 million of additional investment capital for AEC. \$75 million was allocated to AEC during the 2020/21 fiscal year, \$50 million allocated in 2021/2022 and \$50 million was transferred in 2022/23.

The Statement of Operations shows a revenue of \$50 million, which is the new investment allocation from the Government of Alberta.

Over the 2022/23 fiscal year, AEC's direct investment expenses were \$285,776 not including overhead in the form of salaries, office or the Board. This is on target to our budget.

During 2022/23 AEC's direct industry development expenses were \$179,835 not including overhead in the form of salaries, office or the Board. This is on target to our budget.

For fiscal 2022/23 our operating cost was \$2,056,369, 14% below the budget. The variance to the budget is due to lower salaries as a result of the new finance department joining towards the later part of the fiscal year, construction costs of the new office being capitalized and prudent management of our expenses.

During 2022/23 AEC's Board expenses were \$113,025, which is below the budget of \$148,200. Half of the Board meetings are now held virtually, which resulted in lower than budgeted travel expenses.

The net investment loss of \$4.9 million is due to a combination of realized investment gains and losses, and operational losses of the Limited Partnerships of which AEC is an investor. AEC records a proportionate share of any realized gains or losses of the Limited Partnerships. This

year's net investment loss can be compared to last year's income of \$4.7 million. The loss is mainly attributed to the general decline of the Venture Capital market amidst the backdrop of rising interest rates and record high inflation – resulting in shrinking consumer spending and reduced investment growth. In 2022, we saw a sharp decline in Venture Capital exits as market uncertainties continued. We made six additional investments in 2022/23, resulting in higher investment operational expenses for the new funds, something which is to be expected.

The total net operating surplus for fiscal 2022/23 was \$43.8 million, compared to a surplus of \$52.6 million last year. Since our operating costs are self-funded, we normally expect an annual operating deficit, offset by realized gains from our investments, resulting in a total operating surplus (operations and investments). This fiscal year the operating surplus is mainly related to the new investment allocation of \$50 million (2021/22 – \$50 million).

## Capital Deployment and Investments

AEC's financial statements show total capital committed for investment of \$326.4 million (2021/22 – \$269.3 million). Fifteen of our investments are in US dollars and the total capital committed is therefore impacted by the weaker Canadian dollar as compared to the US dollar. The main variance to last year is the addition of new fund investments, as well as capital called by our funds for investments and fees.

In fiscal year 2022/23, AEC disbursed \$29.9 million (2021/22 – \$30.9 million) to the Limited Partnerships in which we have invested.

In order to meet our remaining commitments, the balance of committed capital is held as cash until such time as it is drawn down upon. Currently, the Corporation has \$64.5 million in cash on hand (2021/22 – \$38.7 million), and another \$150.2 million in accounts receivable from the Government of Alberta. The change in cash is a net result of capital disbursed to the funds and distributions received from the funds.

For the fiscal year ended 2022/23, our Partnership investments were valued at \$ 203.4 million, which is an increase of \$16.2 million from fiscal year ended 2021/22. The significant driver of this value growth is related to the increase of fair value of the underlying portfolio and new investments.

Changes in value form part of net assets and are not captured as income or losses (i.e. realized) until the investments are sold by the Limited Partnerships. Any unrealized gains or losses are captured in the Statement of Remeasurement Gains and Losses. This fiscal year we had unrealized losses amounting to \$1.9 million which can be compared to last year's unrealized gains of \$29.5 million. The largest fair value increase for 2022/23 relates to our clean tech fund Chrysalix. Yaletown

Innovation Growth Fund shows a decrease in remeasurement gains, however this is not a loss, it is a reclassification of an unrealized gain to a realized gain, as Yaletown provided us with significant distributions this fiscal year.

The Statement of Operations only captures realized gains for the current fiscal year. To assess the total performance of our fund investments, rather than looking at the results for individual years, it is important to review the total value of paid in capital (TVPI) over time. Our portfolio is currently showing a TVPI of 1.35 (2021/22 – 1.45). A TVPI of >1 means the value of the investment is above the total amount of capital invested, including management fees. Due to the general decline in the Venture Capital market as well as an increase in capital disbursed due to new fund investments, the TVPI for 2022/23 from our funds across the portfolio is lower as compared to last year.

The financial statements are consistent with Canadian Public Sector accounting standards for investments in Limited Partnerships in both the Private Equity and Venture Capital industries.

## Finance Transition

In the past, the finance/accounting function of AEC was performed by the Ministry under a Shared Services Agreement. We engaged a consultant to help plan the transition to an in-house finance function. The transition plan included the requirements for people, systems, policies and procedures. Our Chief Financial Officer was hired in November 2022, with the rest of the Finance team joining us in early 2023. The new Finance team has been working on setting up the accounting system, banking and payment functions and creating and updating policies and procedures, including internal controls framework. We ran parallel accounting system for the period of Q4 2022/23. All transactions relating to the new fiscal year 2023/24 are now being processed by the internal Finance team.



# LESSONS LEARNED AND LOOKING AHEAD

After more than a decade of experience investing in VC funds, many lessons have been learned and improvements implemented. The Canadian VC industry has matured, leading to investment terms being standardized. We have created new investment vehicles to fill gaps. We have adapted investment terms to meet changes in the market, and we continuously update our due diligence process to meet best practices.

This year we have seen a major reduction in Venture Capital investments across North America, and we experienced the failure of Silicon Valley and Signature banks. Though these events were major, Alberta weathered relatively well. In reflecting on the past year's performance, there are however a number of lessons learned. Our approach is working. We have been successfully meeting our annual KPI targets, catalyzing a Venture Capital industry in Alberta and amplifying our capital by investing in funds that match the stage and sector capital needs of startups in the province and stimulating investment in Alberta companies. Based on data from AEC and CVCA, the amount of capital and number of companies funded in 2022/23 is greater than ever. In addition, our financial metrics show that the total value of the portfolio currently exceeds the total cost of the portfolio – and that we are currently on track to return to the Province its investment capital. Based on this learning we are not suggesting any major changes to our strategies going forward; however, some minor tweaks and sub-strategies will be introduced.

We have had success in the past investing in Alberta-headquartered fund managers, however at the start of the year only one manager remained active in Alberta. It has been difficult to find Alberta-based fund managers who meet all of our investment criteria. This lesson resulted in a new sub-strategy: involving investment in Alberta-based micro funds. With two new Alberta-based funds in our portfolio this year, one being a

micro fund, we will review this strategy as these funds mature. We will also tweak and clarify the difference between the micro fund category and our regular fund investments.

The "J-curve" effect does have a real influence on AEC's financial metrics, given the greater demand for capital of funds in the earlier years of a fund's life before it achieves significant investment success. This should be factored in when reviewing AEC's KPIs and needs to be clearly communicated to our stakeholders as this may not broadly understood.

We aim to use data to drive our strategies, however there is still a lack of data, both relating to the demand and supply of capital. As a result of this learning, we have implemented a number of initiatives, including StartAlberta.com and active engagement with the CVCA data committee. In 2023/24 we will work even more closely with StartAlberta.com, continuing to refine and improv the data collection and we will conduct another deal flow study.

Diversity, Equity and Inclusion continues to grow in importance in the VC and PE industry. As a result, we have become signatories, to the ILPA Diversity in Action initiative, we have implemented changes to our due diligence questionnaire, and we have created a DEI strategy for AEC. It is important that we live by our own values, having a diverse team. At year end, our team consisted of 55% females.

During several conversations at ecosystem events, we heard firsthand from many individuals and family offices with deep expertise in non-tech sectors that they are less familiar with early-stage tech investing. However, they are keen to get exposure into the tech/startup asset class. As a result, we implemented a new ecosystem strategy focused on investor education.

Creating access to capital for some sectors, specifically life sciences, has proven challenging. Our requirement for a full-time senior level investment professional to be located in Alberta has created a gap in our portfolio. Learning from this experience, AEC's Board of Directors approved an exemption, allowing a part-time presence for a smaller investment amount for funds where there is a specific area of need. We will continuously evaluate if this is a model we want to pursue in the future.

To build a sustainable VC industry in Alberta will require patience and ongoing investments from AEC. We have been investing in VC funds since 2010. A typical VC fund has a life of 10 to 13 years. As such, it is still too early to predict the full impact of AEC's activities, but as detailed above, over our investment history we have achieved excellent results. However, building a self-sustainable VC industry can take decades

**To achieve this outcome, we need to continue to:**

1. Create a VC fund portfolio that provides multi-sector and multi-stage capital aligned with Alberta deal flow.
2. Invest in VCs that establish an Alberta focus and presence, and bring key investment skills to Alberta.
3. Attract new VCs to Alberta.
4. Reinvest in existing high performing funds.
5. Find and champion fund solutions that address critical gaps.
6. Help build local Alberta-based funds and managers.
7. Steward capital responsibly by generating returns on our investments and being an engaged Limited Partner.

There are now more Venture Capital funds active in the province than ever before. The investment ecosystem is starting to flourish. Alberta's Venture Capital performance continues to skyrocket. However, Alberta is still lagging behind other technology hubs. While Alberta's VC sector has achieved some scale, we are expecting the demand for capital will outpace the supply in the provincial supply.

With the additional capital allocated to AEC this fiscal year, we are now able to continue the momentum that has been built. Building a Venture Capital industry is a long-term project which requires patience and a continued commitment of capital. We are looking forward to building upon the success that we have already achieved, expanding our efforts and creating further return on investment for Alberta.

**Our outlook remains  
as it has been from  
day-one.**

**FUTURE  
NOW**



# CORPORATE GOVERNANCE STATEMENT

## Management of the Company

The business and affairs of the Corporation are managed by or under the direction or supervision of the Board of Directors (the Board). The Board exercises all powers of the company not required to be exercised by the shareholders.

## Board of Directors

The Board meets four to eight times per year and as required for strategic planning purposes and to progress specific decisions. The Board is accountable to the shareholder, the Minister of Technology and Innovation, in the manner set out in the Alberta Enterprise Corporation Act, Alberta Enterprise Corporation Regulation, the Alberta Enterprise Corporation Transfer Agreement and our Mandates and Roles Document.

The Board establishes strategic policy, guides and monitors the business and affairs of the Corporation on behalf of the shareholder, and is committed to a high standard of corporate governance. Responsibility for the operation and administration of the company is delegated to the President and CEO, who is accountable to the Board. In particular, the Board places emphasis on implementation of Venture Capital best practices, sound administrative systems and procedures, and regulatory compliance.

The directors are appointed by the Lieutenant Governor in Council. A director holds office for a term fixed in the order appointing the director, which term must not exceed three years. AEC's Board of Directors presently includes seven external and independent members.

## Governance Review

A governance review is undertaken annually, to ensure the effectiveness of governance structures.

## Conflict of Interest Policy and Procedures

As outlined in the AEC Code of Conduct and Ethical Standards, a conflict of interest exists when an individual's private interests interfere or conflict with, or appear to interfere or conflict with, the interests of the Corporation. A conflict situation may arise when an employee, officer, or director takes actions or has interests that may make it difficult to perform his or her professional obligations objectively and effectively, or when he or she otherwise takes action that is inconsistent with the interests of the Corporation for his or her direct or indirect benefit or for the direct or indirect benefit of a third party. A conflict of interest may also arise when an employee, officer or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Corporation, whether received from the Corporation or a third party. Loans to or guarantees of obligations of employees or any of their respective family members are likely to amount to conflicts of interest as are transactions of any kind between the Corporation and any other entity in which an employee, officer or director has a material interest.

Conflicts of interest are prohibited as a matter of corporate policy, except as specifically approved by the Corporation's Board of Directors and in accordance with applicable laws and regulations. It is not always easy to determine whether a conflict of interest exists, so any potential conflicts of interest must be reported immediately to senior management.

# FINANCIALS







# MANAGEMENT'S RESPONSIBILITY FOR REPORTING

AEC's management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the annual report, including the financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained to produce reliable information that meets reporting requirements, and to ensure that transactions are properly authorized, reliable financial records are maintained, assets are properly accounted for and safeguarded, and relevant legislation and policies are complied with. Corporate business plans, performance results and the supporting management information are also integral to both financial and performance reporting.

The annual report has been approved by the Board of Directors and is prepared in accordance with Ministerial guidelines.

The Auditor General of Alberta, the Corporation's external auditor appointed under the *Auditor General Act*, performs an annual independent audit of AEC's financial statements in accordance with Canadian generally accepted auditing standards.

[Original Signed by Kristina Williams]

**Kristina Williams**  
President and CEO

June 2, 2023

[Original Signed by Jennie Allen]

**Jennie Allen**  
Chief Financial Officer

June 2, 2023

## Independent Auditor's Report

To the Board of Directors of Alberta Enterprise Corporation

### **Report on the Financial Statements**

#### **Opinion**

I have audited the financial statements of Alberta Enterprise Corporation (the Corporation), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2023, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### **Basis for opinion**

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Other information**

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]  
Auditor General

June 2, 2023  
Edmonton, Alberta

# Statement of Operations

Year Ended March 31, 2023

<i>(in thousands)</i>	2023		2022
	Budget (Note 4)	Actual	Actual
<b>Revenues</b>			
Government transfers			
Government of Alberta grants	\$ –	\$ 50,000	\$ 50,000
Other revenue	–	1,353	–
	–	51,353	50,000
<b>Expenses (Note 2(b) and Schedule 1)</b>			
Operating costs	3,050	2,634	2,020
<b>Annual operating surplus</b>	<b>(3,050)</b>	<b>48,719</b>	<b>47,980</b>
<b>Net investment (loss) income (Note 7)</b>			
Investment income	–	1,395	10,226
Investment operational expense	–	(6,201)	(5,537)
Interest expense	–	(73)	(17)
	–	(4,879)	4,672
Foreign exchange loss	–	(6)	(71)
<b>Annual operating surplus (deficit)</b>	<b>(3,050)</b>	<b>43,834</b>	<b>52,581</b>
<b>Accumulated Surplus, Beginning of Year</b>		<b>291,704</b>	<b>239,123</b>
<b>Accumulated Surplus, End of Year</b>		<b>\$ 335,538</b>	<b>\$ 291,704</b>

The accompanying notes and schedules are part of these financial statements.

Approved by the Board of Directors

[Original Signed by Ted Redmond]  
 Ted Redmond  
 Chair of the Board of Directors  
 June 2, 2023

[Original Signed by Sharilee Fossum]  
 Sharilee Fossum  
 Audit Committee Chair  
 June 2, 2023

# Statement of Financial Position

As At March 31, 2023

<i>(in thousands)</i>	2023	2022
<b>Financial assets</b>		
Cash (Note 5)	\$ 64,489	\$ 38,695
Accounts receivable (Note 6)	150,180	150,000
Portfolio investments (Note 7)	203,405	187,164
	<b>418,074</b>	<b>375,859</b>
<b>Liabilities</b>		
Accounts payable and other accrued liabilities	1,377	404
<b>Net financial assets</b>	<b>416,697</b>	<b>375,455</b>
<b>Non-financial assets</b>		
Tangible capital asset (Note 10)	379	-
Prepaid expenses	435	117
<b>Net assets</b>	<b>\$ 417,511</b>	<b>\$ 375,572</b>
<b>Net assets</b>		
Accumulated surplus	\$ 335,538	\$ 291,704
Accumulated remeasurement gains	81,973	83,868
	<b>\$ 417,511</b>	<b>\$ 375,572</b>

Contractual rights (Note 8)

Contractual obligations (Note 9)

The accompanying notes and schedules are part of these financial statements

# Statement of Change in Net Financial Assets

Year Ended March 31, 2023

<i>(in thousands)</i>	2023		2022
	Budget	Actual	Actual
<b>Annual surplus (deficit)</b>	\$ (3,050)	\$ 43,834	\$ 52,581
Acquisition of tangible capital assets (Note 10)		(394)	–
Amortization of tangible capital assets (Note 10)		15	–
Net remeasurement (losses) gains (Note 7)		(1,895)	29,468
(Increase) decrease in prepaid expenses		(318)	522
<b>Increase in net financial assets</b>		<b>41,242</b>	<b>82,571</b>
<b>Net financial assets at beginning of year</b>		<b>375,455</b>	<b>292,884</b>
<b>Net financial assets at end of year</b>		<b>\$ 416,697</b>	<b>\$ 375,455</b>

The accompanying notes and schedules are part of these financial statements.

## Statement of Remeasurement Gains and Losses

Year Ended March 31, 2023

<i>(in thousands)</i>	2023	2022
Unrealized (losses) gains attributed to:		
Portfolio investments	\$ (10,436)	\$ 40,884
Foreign exchange	9,936	(1,190)
Amounts Reclassified to the Statement of Operations:		
Portfolio Investments – Realized Gains on Investments	(1,395)	(10,226)
<b>Net Remeasurement (Loss) Gains for the Period (Note 7)</b>	<b>(1,895)</b>	<b>29,468</b>
<b>Accumulated Remeasurement Gains at Beginning of Year</b>	<b>83,868</b>	<b>54,400</b>
<b>Accumulated Remeasurement Gains as at End of Year</b>	<b>\$ 81,973</b>	<b>\$ 83,868</b>

The accompanying notes and schedules are part of these financial statements.



# Statement of Cash Flows

Year Ended March 31, 2023

<i>(in thousands)</i>	2023	2022
<b>Operating transactions</b>		
Annual surplus	\$ 43,834	\$ 52,581
Non-cash items included in annual surplus:		
Loss (Gain) on portfolio investments (Note 7)	4,806	(4,689)
Amortization of tangible capital assets (Note 10)	15	–
	<b>48,655</b>	<b>47,892</b>
Increase in accounts receivable	(180)	(46,902)
Increase in accounts payable and other accrued liabilities	974	79
(Increase) decrease in prepaid expense	(318)	522
Cash provided by operating transactions	<b>49,131</b>	<b>1,591</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets (Note 10)	(394)	–
Cash (applied) to capital transactions	(394)	–
<b>Investing transactions</b>		
Purchase of portfolio investments (Note 7)	(29,920)	(30,866)
Distributions received from limited partnerships (Note 7)	6,977	20,929
Cash (applied to) provided by investing transactions	(22,943)	(9,937)
<b>Increase (decrease) in cash</b>	<b>25,794</b>	<b>(8,346)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>38,695</b>	<b>47,041</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 64,489</b>	<b>\$ 38,695</b>

The accompanying notes and schedules are part of these financial statements.

# Notes to the Financial Statements

March 31, 2023

## Note 1 Authority

The Alberta Enterprise Corporation (the Corporation) is a Provincial Corporation that operates under the authority of the *Alberta Enterprise Corporation Act*.

The Corporation was established on December 5, 2008 and is part of a strategy to encourage technology commercialization and promote growth in Alberta's venture capital industry.

The Corporation is exempt from income taxes under the *Income Tax Act*.

## Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

### (a) Reporting Entity

The reporting entity is the Corporation, which is part of the Ministry of Technology and Innovation (the Ministry) and for which the Minister of Technology and Innovation (the Minister) is accountable. Other entities accountable to the Minister are the Department of Technology and Innovation (the Department) and Alberta Innovates. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial positions and results of the Ministry's operations for which the Minister is accountable.

### (b) Basis of Financial Reporting

#### Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recognized as unearned revenue and recorded in accounts payable and other accrued liabilities.

#### Government transfers

Transfers from all governments are referred to as government transfers.

Government transfers and associated externally restricted investment income are recognized as deferred contributions if the eligibility criteria for use of the transfer, or the stipulations together with the Corporation's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the stipulations are met and, when applicable, the Corporation complies with its communicated use of these transfers.

All other government transfers, without stipulations for the use of the transfer, are recognized as revenue when the transfer is authorized and the Corporation meets the eligibility criteria (if any).

#### Investment income

Investment income includes dividend and interest income and realized gains or losses on the sale of portfolio investments. Unrealized gains and losses on portfolio investments that are not from restricted transfers, donations or contributions are recognized in the Statement of Remeasurement Gains and Losses until the related investments are sold. Once realized, these gains or losses are recognized in the Statement of Operations.

#### Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Grants and transfers are recognized as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

## Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

### (b) Basis of Financial Reporting (Cont'd)

#### Valuation of Financial Assets and Liabilities

The Corporation's financial assets and liabilities are generally measured as follows:

<b>Financial Statement Component</b>	<b>Measurement</b>
Cash	Cost
Accounts receivable	Lower of cost or net recoverable value
Portfolio investments	Fair value
Accounts payable and other accrued liabilities	Cost

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair values of cash, accounts payable and other accrued liabilities are estimated to approximate their carrying values, because of the short term nature of these instruments.

#### Financial Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets are the Corporation's financial claims on external organizations and individuals, as well as cash at the end of the year.

##### **Cash**

Cash comprises of cash on hand and demand deposits.

##### **Accounts receivable**

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

##### **Portfolio investments**

Portfolio investments in limited partnerships are recognized at fair value. Fair value is determined by the limited partnerships based upon valuation techniques considered appropriate by the Corporation and may include techniques such as discounted cash flows, prevailing market values for instruments with similar characteristics and other pricing models as appropriate. The Corporation relies upon the General Partner's valuation of the investments in the limited partnerships.

Unrealized gains and losses from changes in the fair value of portfolio investments are recognized in the Statement of Remeasurement Gains and Losses. Once realized, the cumulative gain or losses previously recognized in the Statement of Remeasurement Gains and Losses are recognized in net investment income.

Portfolio investments are reviewed on an annual basis for impairment. When there is a loss in the Corporation's share of investment other than a temporary decline then the loss is adjusted and recognized in the Statement of Operations.

A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

Purchases and dispositions of portfolio investments are recognized on the trade date. Management fees paid are expensed in the year.

## Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

### (b) Basis of Financial Reporting (Cont'd)

#### Liabilities

Liabilities are present obligations of the Corporation to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts.

Liabilities also include:

- all financial claims payable by the Corporation at the year end; and
- accrued employee vacation entitlements.

#### Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the Statement of Financial Position date. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses.

In the period of settlement, foreign exchange gains and losses are reclassified to the Statement of Operations, and the cumulative amount of remeasurement gains and losses are reversed in the Statement of Remeasurement Gains and Losses.

#### Non-financial Assets

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

- (a) are normally employed to deliver government services;
- (b) may be consumed in the normal course of operations; and
- (c) are not for sale in the normal course of operations.

Non-financial assets include tangible capital assets and prepaid expenses.

#### Tangible capital assets

Tangible capital assets are recognized at cost less accumulated amortization, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements      10 Years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations.

#### Prepaid expenses

Prepaid expenses is recognized at cost and amortized based on the terms of the agreement.

#### Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Portfolio investments recognized at \$203,405 (2022 – \$187,164) in the financial statements are subject to measurement uncertainty.

Measurement uncertainty exists with the determination of the fair value of the investments. The fair value of the investments is estimated by the General Partner of each fund. The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from value that would have been used had a ready market existed for the investments.

### Note 3 Future Changes in Accounting Standards

On April 1, 2023, AEC will adopt the following new accounting standards approved by the Public Sector Accounting Board:

- **PS 3400 Revenue**  
This accounting standard provides guidance on how to account for and report on revenue, and specifically, it differentiates between revenue arising from exchange and non-exchange transactions.
- **PS 3160 Public Private Partnerships**  
This accounting standard provides guidance on how to account for public private partnerships between public and private sector entities, where the public sector entity procures infrastructure using a private sector partner.

Management is currently assessing the impact of these standards on the financial statements.

### Note 4 Budget

*(in thousands)*

A preliminary business plan with budgeted deficit of \$3,050 was approved by the Board of AEC on March 18, 2022 and the full financial plan was submitted to the Minister of Technology and Innovation.

### Note 5 Cash

*(in thousands)*

	2023	2022
Cash	\$ 64,489	\$ 38,695

\$118,113 (2022 – \$84,453) (Note 7) is committed for partnership capital contributions. In addition to cash, distributions from the Limited Partnerships and the \$150,000 (2022 – \$150,000) Accounts Receivable can be used toward future cash calls.

Cash amount of \$64,489 (2022 – \$38,695) includes \$3,070 (2022 – \$586) denominated in US Dollars (USD).

### Note 6 Accounts Receivable

*(in thousands)*

Accounts receivable are unsecured and non-interest bearing.

	2023	2022
Grant receivable – Government of Alberta	\$ 150,000	\$ 150,000
Other receivable	180	–
	\$ 150,180	\$ 150,000

### Note 7 Portfolio Investments

*(in thousands)*

The Government of Alberta originally allocated \$100,000 in 2008 for investments in limited partnerships that provide venture capital in knowledge-based industries. An additional \$25,000 was allocated in 2016, \$50,000 was allocated in 2017, \$75,000 was allocated in 2021, \$50,000 was allocated in 2022, and \$50,000 was allocated in 2023 for additional investments in limited partnerships.

The Corporation is a limited partner in thirty (2022 – twenty four) limited partnerships and \$326,381 (2022 – \$269,280) has been contributed and committed to these limited partnerships. Committed funds are paid into the limited partnership in amounts and at times determined by the general partner in order to meet the limited partnerships funding requirements. Distributions from the limited partnerships can be used toward future cash calls from the fund which distributed the capital. The Corporation's contributions to date and commitments are as follows:

**Note 7 Portfolio Investments (Cont'd)**  
(in thousands)

Limited Partnerships	Funds Disbursed to Partnerships for Original Commitment <sup>(a)</sup>		Total Funds Disbursed and Committed, End of the Year	Cost of Investments
		Remaining Commitments		
32 Degrees D.E.Fund II (S&T AIV)	\$ 9,937	\$ 63	\$ 10,000	\$ 6,724
Accelerate Fund I	10,000	–	10,000	\$ 10,000
Accelerate Fund II	9,350	650	10,000	\$ 9,350
Accelerate Fund III	6,778	8,222	15,000	\$ 6,778
Alpaca VC Fund III LP <sup>(b)</sup>	3,282	6,749	10,031	\$ 3,282
Amplitude Ventures Fund I	2,412	2,588	5,000	\$ 2,412
Azure Capital Partners III <sup>(b)</sup>	11,319	–	11,319	\$ 11,319
Azure Opportunities Feeder Fund <sup>(b)</sup>	2,541	108	2,649	\$ 2,541
Builders VC Fund I <sup>(b)</sup>	8,369	1,497	9,866	\$ 8,369
Builders II Fund <sup>(b)</sup>	4,459	9,101	13,560	\$ 4,459
Chrysalix Energy III Fund <sup>(b)</sup>	16,371	552	16,923	\$ 16,371
EnerTech Capital Partners IV <sup>(b)</sup>	18,082	395	18,477	\$ 18,082
Evok Fund II <sup>(b)</sup>	1,986	11,565	13,551	\$ 1,986
Flying Fish Fund II QP LP <sup>(b)</sup>	3,079	6,899	9,978	\$ 3,079
iNovia Fund 2018 <sup>(b)</sup>	10,063	3,011	13,074	\$ 10,063
iNovia Fund III	10,000	–	10,000	\$ 10,000
iNovia Fund V <sup>(b)</sup>	–	16,240	16,240	\$ –
iNovia Growth II <sup>(b)</sup>	10,177	9,642	19,819	\$ 10,177
McRock Fund II	7,328	2,672	10,000	\$ 7,328
McRock iNfund	10,000	–	10,000	\$ 10,000
New Acres Capital Ag & Food	4,898	102	5,000	\$ 4,898
Panache Ventures Investment Fund	4,623	377	5,000	\$ 4,623
Panache Ventures Investment Fund II	2,000	8,000	10,000	\$ 2,000
PillarFour Capital Fund II <sup>(b)</sup>	1,465	2,489	3,954	\$ 1,465
Relay Ventures Fund III <sup>(b)</sup>	12,390	832	13,222	\$ 12,390
Relay Ventures Fund V <sup>(b)</sup>	2,514	11,004	13,518	\$ 2,514
Sprout II	331	2,169	2,500	\$ 331
Yaletown Innovation Growth	7,500	2,500	10,000	\$ 7,500
Yaletown Innovation Growth Fund II	3,014	10,686	13,700	\$ 3,014
Yaletown Ventures II	14,000	–	14,000	\$ 14,000
<b>Total – March 31, 2023</b>	<b>\$ 208,268</b>	<b>\$ 118,113</b>	<b>\$ 326,381</b>	<b>\$ 205,055</b>
<b>Total – March 31, 2022</b>	<b>\$ 184,827</b>	<b>\$ 84,453</b>	<b>\$ 269,280</b>	<b>\$ 181,615</b>

(a) Funds disbursed during the year include management fees of \$6,377 (2022 – \$4,813). Management fees may be recovered from limited partnerships in accordance with the limited partnership agreements. Total funds disbursed at the end of the year include management fees of \$40,553 (2022 – \$34,176).

(b) Commitments payable in USD. Remaining commitments based on the exchange rate at March 31, 2023.

(c) Avrio Ventures II was dissolved on December 31, 2021. Total fund committed was \$5,980. There are no further commitments to this fund.

**Note 7 Portfolio Investments (Cont'd)**  
(in thousands)

The changes in the fair values of the Corporation's investments in limited partnerships since April 1, 2022 are as follows:

Limited partnerships	Investments in partnerships, beginning of year	Funds disbursed to partnerships for investments	Distributions received limited partnerships	Remeasurement gain (loss)	Net investment income (loss)	Investment in partnership, end of year	Percentage share of partnership 2023	Percentage share of partnership 2022
32 Degrees D.E.Fund II (S&T AIV)	\$ 2,009	\$ 17	\$ –	\$ 1,980	\$ (2,129)	\$ 1,877	99.99%	99.99%
Accelerate Fund I	9,277	–	–	(483)	(58)	8,736	99.99%	99.99%
Accelerate Fund II	8,797	500	–	(426)	(363)	8,508	95.46%	95.46%
Accelerate Fund III	4,549	2,128	(30)	(33)	(582)	6,032	64.79%	64.79%
Alpaca VC Fund III LP <sup>(a)</sup>	–	3,282	–	874	(582)	3,574	11.07%	–
Amplitude Ventures I	1,730	739	–	(283)	(96)	2,090	2.45%	2.45%
Azure Capital Partners III <sup>(a)</sup>	12,402	–	–	(1,653)	(1,333)	9,416	12.42%	12.42%
Azure Opportunities Feeder Fund <sup>(a)</sup>	3,605	162	–	276	(158)	3,885	19.70%	19.70%
Builders VC Fund <sup>(a)</sup>	17,535	335	–	(2,070)	(163)	15,637	4.37%	4.37%
Builders II Fund <sup>(a)</sup>	2,809	1,572	–	1,192	(417)	5,156	4.00%	4.00%
Chrysalix Energy III Fund <sup>(a)</sup>	22,643	206	(4)	5,244	(106)	27,983	10.32%	10.32%
EnerTech Capital Partners IV <sup>(a)</sup>	4,436	174	(246)	142	(267)	4,239	12.66%	12.66%
Evok Fund II <sup>(a)</sup>	–	1,987	–	(27)	(361)	1,599	4.20%	–
Flying Fish Fund <sup>(a)</sup>	1,654	1,008	–	3	(179)	2,486	10.68%	10.68%
iNovia Fund 2018 <sup>(a)</sup>	10,521	1,843	(595)	(1,715)	(338)	9,716	5.01%	5.01%
iNovia Fund III	3,670	–	(450)	42	215	3,477	9.04%	9.04%
iNovia Fund V <sup>(a)</sup>	–	–	–	(252)	(195)	(447)	3.69%	–
iNovia Growth II	5,564	3,567	–	(550)	(262)	8,319	3.33%	3.33%
McRock Fund II	5,575	2,050	(1,363)	(94)	399	6,567	8.92%	8.92%
McRock iNfund	8,671	548	(123)	1,913	(198)	10,811	14.22%	14.22%
New Acres Capital Ag & Food	1,196	124	(157)	(346)	51	868	4.98%	4.98%
Panache Ventures Investment Fund	7,896	123	(123)	501	(151)	8,246	8.61%	8.61%
Panache Ventures Investment Fund II	–	2,000	–	3	(391)	1,612	10.19%	–
PillarFour Capital Fund II <sup>(a)</sup>	–	1,465	–	34	228	1,727	9.96%	–
Relay Ventures Fund III <sup>(a)</sup>	24,258	601	(54)	(972)	246	24,079	6.80%	6.80%
Relay Ventures Fund V <sup>(a)</sup>	–	2,514	–	73	(571)	2,016	12.88%	–
Sprout II	–	331	–	–	(95)	236	18.05%	–
Yaletown Innovation Growth	9,525	1,000	(3,659)	(4,367)	3,439	5,938	7.82%	7.82%
Yaletown Innovation Growth II	1,114	1,644	–	714	(362)	3,110	6.88%	7.90%
Yaletown Ventures II	17,728	–	(173)	(1,615)	(28)	15,912	15.58%	15.58%
<b>Total Portfolio Investments 2023</b>	<b>\$ 187,164</b>	<b>\$ 29,920</b>	<b>\$ (6,977)</b>	<b>\$ (1,895)</b>	<b>\$ (4,806)</b>	<b>\$ 203,405</b>		
<b>Total Portfolio Investments 2022</b>	<b>\$ 143,070</b>	<b>\$ 30,866</b>	<b>\$ (20,929)</b>	<b>\$ 29,468</b>	<b>\$ 4,689</b>	<b>\$ 187,164</b>		

(a) Investments in US limited partnerships are denominated in USD but reported in CAD.

## **Note 7 Portfolio Investments (Cont'd)** *(in thousands)*

### **Fair Value Hierarchy**

Management is responsible for estimating the relative reliability of data or inputs used by the Corporation to measure the fair value of the Corporation's investments. The measure of reliability is determined based on the following three levels:

**Level One:** Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities traded in active markets. Level one primarily includes publicly traded listed equity investments.

**Level Two:** Fair value is based on valuation methods that make use of inputs, other than quoted prices included within level one, that are observable by market participation either directly through quoted prices for similar but not identical assets or indirectly through observable market information used in valuation models. Level two primarily includes debt securities and derivative contracts not traded on a public exchange and public equities not traded in an active market. For these investments, fair values are either derived from a number of prices that are provided by independent pricing sources or from pricing models that use observable market data such as swap curves and credit spreads.

**Level Three:** Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. For these investments trading activity is infrequent and fair values are derived using valuation techniques.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Corporation. The Corporation considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Corporation's perceived risk of that investment.

The Corporation's investments have all been classified within level three as the fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on valuation. When observable prices are not available for these securities the limited partnerships use one or more valuation techniques (e.g. the market approach, the income approach) for which sufficient and reliable data is available. Within level three, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of the estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

As quoted market prices are not readily available for private investments, estimated fair values may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

### **Financial Risk Management**

The Corporation is exposed to a variety of financial risks associated with the underlying securities held in the limited partnerships. These financial risks include market risk and liquidity risk. Market risk is the risk of loss from unfavourable change in fair value or future cash flows of a financial instrument causing financial loss. Market risk is comprised of price risk and foreign currency risk.

#### **(a) Price Risk**

The Corporation's price risk is driven primarily by volatility in its venture capital investments. The Corporation generally invests in limited partnerships in the initial stages of development. Because of the inherent uncertainty of valuations, estimated fair values may differ significantly from the values that would have been used had a ready market for the securities existed, and the difference could be material.



## Note 7 Portfolio Investments (Cont'd)

(in thousands)

To manage price risk, the Corporation takes a mindful approach to diversify its investments in limited partnerships focusing on different sectors of innovation creating sectoral diversification. In addition, each limited partnership has established a target mix of investment types and the Corporation will aggregate investment types to ensure appropriate sectoral diversification within a reasonable risk tolerance and in accordance with the limited partnership's investment mandate.

Based on the financial position of the Corporation on March 31, 2023, if the value of investments decreased by five percent, with all other variables held constant, net assets decrease approximately by \$10,170 (2022 – \$9,358). In practice, actual investments results may differ from this analysis and the difference could be material.

### (b) Foreign Currency Risk

The Corporation is exposed to foreign currency risk associated with portfolio investments and cash denominated in USD. Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Investments and cash denominated in USD currencies are translated into Canadian dollars using the reporting date exchange rate.

The value of the Corporation's investments in limited partnerships denominated in USD may change due the changes in exchange rates. \$119,390, or 59% of the Corporation's investment, are denominated in US dollars (2022 – \$105,429, or 56%). The carrying amount of cash denominated in USD is \$3,070 (2022 – \$586).

If the value of the Canadian dollar increased by 10% against the U.S. dollar, and all other variables are held constant, the potential loss in carrying value to the Corporation would be approximately 6.0% of total investments and cash (2022 – 5.7%). The Corporation does not participate in any foreign currency hedging activities.

### (c) Liquidity Risk

Liquidity risk is the risk that a given investment or asset cannot be traded quickly enough in the market to prevent a loss. The Corporation's investments are long term and highly illiquid. There is no assurance that the Corporation will ultimately realize the carrying value of the investments.

To manage these risks, the Corporation has established policies around the type of limited partnerships that it invests in. Investment commitments exceed cash on hand, and management plans to use future distributions from the limited partnerships to meet the commitments.

### (d) Other Risks

The Corporation is not exposed to significant credit and interest risk.

## Note 8 Contractual Rights

(in thousands)

Contractual rights are rights of the Corporation to economic resources arising from a grant agreement from the Government of Alberta that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

	2023	2022
Contractual rights from agreement	\$ –	\$ 50,000

## Note 9 Contractual Obligations

(in thousands)

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts are met. The Corporation has committed funds to be paid into limited partnerships. The details of the commitments are listed in Note 7. Other contractual obligations are:

	2023	2022
Obligations under operating leases	\$ 1,080	\$ 36
Obligations under service contracts	71	47
	\$ 1,151	\$ 83

Estimated payments in each of the next five years and thereafter are as follows:

	Operating Leases	Service Contracts	Total
2023-24	\$ 92	\$ 54	\$ 146
2024-25	100	17	\$ 117
2025-26	100	–	\$ 100
2026-27	102	–	\$ 102
2027-28	103	–	\$ 103
Thereafter	583	–	\$ 583
	\$ 1,080	\$ 71	\$ 1,151

## Note 10 Tangible Capital Assets

(in thousands)

	Leasehold Improvement	2023	2022
Estimated Useful Life	10 Years		
Historical Cost			
Beginning of Year	\$ –	\$ –	\$ –
Additions	394	394	–
	\$ 394	\$ 394	\$ –
Accumulated Amortization			
Beginning of Year	\$ –	\$ –	\$ –
Amortization Expense	15	15	–
	\$ 15	\$ 15	\$ –
Net Book Value, March 31, 2023	\$ 379	\$ 379	\$ –
Net Book Value, March 31, 2022	\$ –	\$ –	\$ –

## Note 11 Comparative Figures

Certain 2022 figures have been reclassified to conform to the 2023 presentation.

2022  
2023

## Note 12 Approval of Financial Statements

The Board approved the financial statements of Alberta Enterprise Corporation on June 2, 2023.

### Schedules to the Financial Statements

#### Schedule 1 EXPENSES – DETAILED BY OBJECT

Year Ended March 31, 2023

(in thousands)	2023		2022
	Budget	Actual	Actual
Salaries, wages and employee benefits	\$ 1,700	\$ 1,547	\$ 1,323
Supplies, services and payments to consultants	1,170	895	516
Grants and sponsorships	180	177	181
Amortization of tangible capital assets (Note 10)	–	15	–
Total expenses	\$ 3,050	\$ 2,634	\$ 2,020

#### Schedule 2 SALARY AND BENEFITS DISCLOSURE

Year Ended March 31, 2022

(in thousands)	2023				2022
	Base Salary <sup>(1)</sup>	Other Cash Benefits <sup>(2)</sup>	Other Non-cash Benefits <sup>(3)</sup>	Total	Total
Chair of the Board	\$ –	\$ 23	\$ 1	\$ 24	\$ 25
Vice Chair of the Board	–	15	1	16	13
Board Members (five) <sup>(4)</sup>	–	65	3	68	63
Executives:					
Chief Executive Officer	280	10	34	324	306
Chief Financial Officer <sup>(5)</sup>	82	–	8	90	–
Vice President, Investments	226	–	5	231	221
Vice President, Investments <sup>(6)</sup>	183	–	5	188	181
	\$ 771	\$ 113	\$ 57	\$ 941	\$ 809

<sup>(1)</sup> Base salary includes regular salary, holiday pay, in lieu RSP, and vehicle allowances.

<sup>(2)</sup> Other cash benefits for board members include honoraria payments and per diem allowances. Other cash benefits for executives include life and disability insurance. There were no discretionary amounts paid to executives in 2023 (2022 – \$nil).

<sup>(3)</sup> Other non-cash benefits include Canada Pension Plan, Retirement Savings Plans, Employment Insurance payments, and parking benefits.

<sup>(4)</sup> At any given time, the Board of Directors consisted of no more than five members in 2023 (2022 – five) plus the chair and vice chair, whose remuneration is disclosed separately.

<sup>(5)</sup> Chief Financial Officer effective start date of November 14, 2022.

<sup>(6)</sup> This position consisted of an 0.8 full-time equivalent in the fiscal year (2022 – 0.8).

### Schedule 3 RELATED PARTY TRANSACTIONS

Year Ended March 31, 2022

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's Consolidated Financial Statements. Related parties also include key management personnel and close family members of those individuals in the Corporation. The Corporation and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

Entities in the ministry refers to entities consolidated in the Ministry of Technology and Innovation (TI). Other entities outside of the ministry relate to the remaining entities consolidated at the Provincial level.

The Corporation had a shared service arrangement with the Department of Technology and Innovation and received financial services at no charge.

The Corporation had the following transactions with related parties reported in the Statement of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties:

<i>(in thousands)</i>	Entities in the Ministry	
	2023	2022
<b>Revenues</b>		
Grants from Technology and Innovation	\$ 50,000	\$ 50,000
<b>Receivable from TI<sup>(1)</sup></b>	\$ 150,000	\$ 150,000

<sup>(1)</sup> \$150,000 (2022 - \$150,000) Receivable is from the Department of Technology and Innovation.

# CORPORATE DIRECTORY



**From Left to Right:**

Top row: Justin Ferrara, Sharilee Fossum, Ted Redmond, Tracey Scarlett

Bottom row: Derrick Hunter, Elizabeth Cannon, Neil Sadaranganey

## Board of Directors

**Ted Redmond, Chair**

EVP & COO Modular Space Solutions,  
Black Diamond Group LP

**Elizabeth Cannon, Vice Chair**

President Emerita, University of Calgary

**Sharilee Fossum, Audit Committee Chair**

Chief Operating Officer, DIALOG

**Tracey Scarlett**

Corporate director and SME Advisor,  
President of BioQuest Ventures Inc.

**Neil Sadaranganey**

Managing Director, NTT Docomo Ventures

**Derrick Hunter**

President and CEO, Bluesky Equities Ltd.

**Justin Ferrara**

Senior Partner, Norton Rose Fulbright Canada LLP

## AEC Team

**Kristina Williams**  
President and CEO

**Jennie Allen**  
Chief Financial Officer

**Rebecca Giffen**  
Vice President Investments

**Paul Godman**  
Vice President Investments

**Matthew McGrath**  
Director of Investments

**Alan Campbell**  
Director of Industry Development

**Carolina Rahikka**  
Manager of Operations and Marketing Lead

**Leon Thai**  
Investment Associate

**Deepashree Bagul**  
Accountant



## Glossary of Terms

**Dealflow:** Dealflow refers to the number of quality startup companies and opportunities – deals – available for venture capital firms to invest in. Included in this would be only those companies that have intellectual property, and/or are “product-based” companies; services firms, projects, consulting companies and the like would not be considered part of the dealflow in Alberta.

**Ecosystem:** Ecosystem refers to the connectivity within Alberta’s VC community that allows technology entrepreneurs to access the capital, operational expertise and industry networks needed to grow.

**J-curve:** A J-curve depicts a trend that starts with a sharp drop and is followed by a dramatic rise. Due to the nature of venture investing and accounting practices for these investments, Venture Capital funds are likely to show a loss during the first half of their life as new funds draw capital. These losses normally reverse as a fund matures and as unrealized and realized gains increase over time. This is called a J-curve.

**Limited Partner:** Limited Partners are investors in a fund who provide capital to venture capitalists (General Partners); their liability is limited to the money they have invested. AEC invests as a Limited Partner in VC funds.

**Pre-Seed and Seed funding:** Pre-Seed or Seed funding is the first official equity funding stage. It typically represents the first official money that a business venture or enterprise raises. There are many potential investors in a seed funding situation: founders, friends, family, incubators, venture capital companies and more. One of the most common types of investors participating in seed funding is a so-called “angel investor.”

**Series A funding:** The first round after the seed stage is normally called Series A funding. In this round, it’s important to have a plan for developing a business model that will generate long-term profit. The investors involved in the Series A rounds typically come from more traditional venture capital firms.

**Total Value to Paid In capital (TVPI):** The investment multiple is also known as the total value to paid-in (TVPI) multiple. It is calculated by dividing the fund’s cumulative distributions and residual value by the paid-in capital. It provides insight into the fund’s performance by showing the fund’s aggregate returns as a multiple of its cost basis.

**Venture Capital:** Risk capital provided by investors to startup firms with perceived growth potential. Venture Capital funds raise capital from external investors (Limited Partners) and are professionally managed by a General Partner.

**Sources:** Investopedia and AEC



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