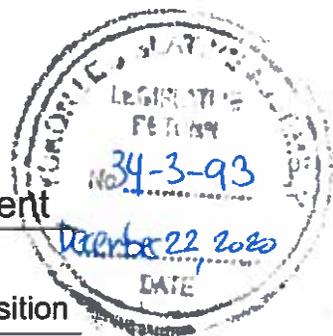


LEGISLATIVE RETURN



SUBMITTED BY: Hon. Mr. Pillai, Minister of Economic Development

1. On November 16, 2020, Mr. Hassard, Leader of the Official Opposition

asked the following question during the Oral Question Period at page(s) 1864 of *Hansard*

submitted the following written question – WQ No. _____

gave notice of the following motion for the production of papers – MPP No. _____

RE: Panache Ventures Return on Investment

OR

2. This legislative return relates to a matter outstanding from discussion with _____ on _____ related to:

Bill No. _____ Second Reading Third Reading

Committee of the Whole: _____

Motion No. _____ RE: _____

at page(s) _____ of *Hansard*.

The response is as follows:

The Department of Economic Development contracted Gilles Duruflé, an independent consultant on venture capital, for a third-party analysis of the Panache Ventures investment. However, the report may not be shared for confidentiality reasons, including Cabinet confidentiality and confidentiality of business information.

Panache has mentored nine Yukon companies through one-on-one meetings, business introductions and strategic advice. As of November 10, 2020, Panache has also met with and/or coached over 16 Yukon companies during their office-hours, demo days and other events. Panache is also tentatively looking to host its CEO Summit in September 2022 in Yukon. Details of Panache's mentoring and other activities in Yukon are found in the attached Panache Ventures 2020 Yukon First Nations Investment Corporation Report. All confidential details have been removed from this report. Specifically, amounts invested in Yukon companies. Forward-looking investment information is not being disclosed for confidentiality reasons.

Dec 16 / 2020
Date

[Signature]
Signature



Panache Ventures 2020 YFNIC REPORT



EXECUTIVE SUMMARY

Dear Yukon First Nations Investment Corporation Shareholders,

Coinciding with the release of the Q3 2020 Quarterly Report and at the one-year anniversary of your initial investment in Panache Ventures, we are pleased to provide the following supplemental report.

- As of our most recent reporting period ending September 30, 2020 (Q3 2020), YFNIC has been invested for one year, though Panache Ventures had been actively investing since March 2018. YFNIC's first investment was committed on September 30, 2019, and under approval from the Panache Ventures Limited Partner Advisory Committee (LPAC), was exempted from incurring standard interest rate charges typically levied on investments made one year after initial close.
- Through the uncertainty of COVID-19, the Panache portfolio has performed exceptionally well. Our investment thesis was to build a massively diversified portfolio across industries and geographies, so that no one single event could universally harm its economic value. While some companies have suffered because of lockdowns, most have thrived because of digital transformation.
- In our Q3 2020 quarterly report to LPs, we reported that Panache Ventures had called 55% of committed capital, and valued the portfolio at 1.113x of the capital called. If the portfolio were to be liquidated at that value as of the end of the reporting period, the net IRR would be approximately 13%.

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PANACHE VENTURES

EXECUTIVE SUMMARY

- Panache portfolio companies continue to close new financings in Q4 2020, and should they all close on reported terms within the quarter, will be the most accretive in our history to date.
- Panache has committed to assisting in the development of technology investor ecosystem in Yukon, with capacity-building activities including regular visits and the delivery of seminars and mentor advice with investors and entrepreneurs. Panache team members attended conferences and meetings prior to the YFNIC investment, and continued with frequent visits until the COVID-19 lockdown occurred.
- Prior to the COVID-19 pandemic, Panache Ventures was collaborating with key local entrepreneurial ecosystem organizations to host all of the CEOs in our portfolio at a one-week CEO summit and retreat in Yukon this past summer. Our vision is to develop the CEO summit into a recurring annual event for the benefit of everyone in the Yukon and Panache entrepreneurial ecosystems.
- Regardless of the conditions imposed by COVID-19 restrictions, Panache has maintained regular communications with YFNIC representatives, local entrepreneurs, investors, and ecosystem contributors.

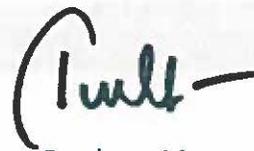
Thank you for your continued support.



Mike Cegelski



Patrick Lor



Prashant Matta



David Dufresne

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/ Q3 2020 FINANCIAL RESULTS

In our Q3 2020 quarterly report to LPs, we reported that Panache Ventures had called 55% of committed capital, and valued the portfolio at 1.113x of the capital called. If the portfolio were to be liquidated at that value as of the end of the reporting period, the net IRR would be approximately 13%.

YFNIC IRR Estimate

Description	Date	Amount	% of committed capital
Capital call	30-Sep-19	-\$2,250,000.00	45%
Capital call	05-Jun-20	-\$500,000.00	10%
Q3 2020 Valuation gains & core value	30-Sep-20	\$3,060,750.00	
Gains/Losses		\$310,750.00	
Capital invested		\$2,750,000.00	
Total value		\$3,060,750.00	
Q3 2020 IRR estimate		13%	
TVPI		1.113	

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/ Q4 2020 PROJECTION

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/ ECOSYSTEM DEVELOPMENT: TEAM VISITS

- Panache has committed to assisting in the development of technology investor ecosystem in Yukon, with capacity-building activities including regular visits and the delivery of seminars and mentor advice with investors and entrepreneurs. Panache team members attended conferences and meetings prior to the YFNIC investment, and continued with frequent visits until the COVID-19 lockdown occurred.
- Five of the eight team members of Panache have visited Whitehorse, creating the highest proportion of touchpoints outside of our three core locations in Canada.
- In the first two quarters of the YFNIC commitment, the Panache Ventures team made four trips to Whitehorse for meetings with YFNIC syndicate members, local angel investors, and various other business ecosystem contributors. In addition, we met with local entrepreneurs at Yukonstruct for office hours and business coaching sessions.
 - **September 2019: Patrick Lor & Nicolas Jacques-Bouchard**
 - **November 2019, December 2019, March 2020: Nicolas Jacques-Bouchard**
- In prior quarters, three additional team members from Panache visited Whitehorse:
 - **Mike Cegelski attended the NACO event as part of the super angels delegation**
 - **Althea Wishloff attended the Arctic Indigenous Investment Conference as a panelist**
 - **Prashant Matta met with various ecosystem contributors, entrepreneurs and investors**

/ ECOSYSTEM DEVELOPMENT: ENTREPRENEURIAL CAPACITY

- After consulting with community stakeholders investors, entrepreneurs, ecosystem support organizations, and government representatives, we continue to believe that Panache Ventures can continue to add value in Yukon's quest to develop a diversified economy. Part of that value-add is our past experience in building the entrepreneurial ecosystems that have developed in other cities over the last 20 years. In efforts to continue progressing the innovation agenda, our goals for 2021 will include:
 - Focusing on delivering online events, education, mentoring, and networking sessions, including angel & technology investor education, small business entrepreneur coaching, and guest lectures to business students. We will work with established organizations in the community to deliver these sessions in order to leverage their expertise and to coordinate, rather than compete for attention.
 - Coordinating our long-term strategy for entrepreneurial capacity building with service and support organizations in the community, in efforts to enhance the current infrastructure.
 - Identifying and evaluating entrepreneurial community development efforts that have worked other communities and adapting them for implementation in Yukon. These include volunteer efforts such as Democamp, community groups such as Rainforest Alberta, and accelerator groups such as Founder Institute.
 - Continuing development of core CEO Summit agenda and programming, as well as a series of complementary events that will encourage Yukon entrepreneurs to interact with venture-funded CEOs and venture investors for mentorship, coaching, and network development.

/ ECOSYSTEM DEVELOPMENT: CEO SUMMIT

- Prior to the COVID-19 pandemic, Panache Ventures was collaborating with key local entrepreneurial ecosystem organizations to host Panache portfolio CEOs at a one-week CEO summit and retreat in Yukon, as early as this past summer. Our vision is to develop the CEO summit into a recurring annual event for the benefit of everyone in the Yukon and Panache entrepreneurial ecosystems. The Panache Ventures CEO Summit will bring together Canada's best startup tech entrepreneurs, angel investors and speakers to accelerate the development of billion-dollar mindsets and cultures.
 - Given the COVID-19 pandemic, this event is likely to be deferred to 2022 given the time required to produce, distribute, and vaccinate people across North America. We are considering the advantages of holding the CEO Summit immediately prior to the Canadian Chamber of Commerce Conference, currently anticipated to be September 2022, to leverage the arrangements and infrastructure that will be put into place.
 - If we are successful at expanding this concept into an annually recurring summit, the invite list of CEOs would continue to expand as the Panache portfolio grows. Currently, there are 75 companies in the portfolio, growing at a rate of 17 - 25 companies per year. Portfolio CEOs include first time entrepreneurs as well as veteran founders who have previously exited for upwards of \$400 million USD, across a variety of industries including tourism, direct-to-consumer, software, financial technologies, healthcare, and robotics.
 - In addition to CEOs, the invite list included top investors, technology advisors, and expert speakers. In total, we anticipated that up to 200 attendees would share stories and learn not only from each other, but with local entrepreneurs and investors. We would also facilitate delivery of Yukon's Economic Development messaging to all visitors through a variety of activities including seminars and meetings, as well as outdoor events highlight the Territory's natural beauty and culture.
 - Our team worked with Yukon College and Yukonstruct to develop a concept document, which contained ideas for venues, speaker topics, conference workshops, activities and events.
 - Other ecosystem organizations discussed include: NorthLight Innovation Hub, Tech Collective and Tech Yukon.

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/ ECOSYSTEM DEVELOPMENT: ENTREPRENEURIAL CAPACITY

- Regardless of the conditions imposed by COVID-19 restrictions, Panache has maintained regular communications with YFNIC representatives, local entrepreneurs, investors, and ecosystem contributors. Activities have included:
 - Meetings with entrepreneurs for business advisory sessions in-person at Yukonstruct and virtually
 - Pitch preparation and coaching for events such as Demo Day
 - Organized angel investor social and Democamp events
- Ongoing discussion of a full-time YFNIC investment analyst or associate:
 - Supporting the training of a local liaison to develop the local investor community (employee of the Investor or Government of Yukon), should there be a desire to build additional local capacity. We currently have the capacity to support the training of an individual in a hybrid virtual/in-person environment. Budget and COVID-19 are current issues.
 - Possibly train a resource within a local organization such as Yukonstruct or Yukon College
- Coaching and customer/advisor/investor introductions to technology startups including Proof and Proskida
- Participation in ecosystem infrastructure building discussions, including Yukonstruct's ecosystem building workshop

/ ECOSYSTEM DEVELOPMENT: ENTREPRENEURIAL CAPACITY

OFFICE HOURS

During these small and intimate meetings, entrepreneurs pitch their idea to Panache as they would in a business setting. However, in these informal meetings VCs are not judging entrepreneurs, but are providing candid feedback on presentations, decks, business models, and go-to-market strategies, as a way for entrepreneurs to prepare and refine their pitches prior to engaging with prospective investors.

COACHING FOR DEMO DAY

For the startups, Demo Day is the culmination of 6+ months of hard work: forming a team, developing an original idea, building a product, gaining initial customers, and getting ready for pre-seed and seed investment. One might think that the “easy part” is delivering a pithy, memorable, exciting 3-minute pitch. And yet, this is often one of the most difficult tasks. During this coaching session, every company of the cohort goes through their entire pitch and the coach/mentors **help them to create and deliver a winning pitch** (pitch deck review, slide tips, pitch technique & structure, timing & clarity, analysis of the common errors)

A partial list of ventures and entrepreneurs Panache has met and/or coached in office hours, demo days, and events

- Proof - **Panache Portfolio Company**
- Solar Air Heating
- SpinReg
- Yukon Navigation Company (no official name yet)
- Smart Solar Ventilation
- Proskida
- Baxendale Project Services
- Epic North Tours
- Pelly River Wilderness Lodge
- Wilderness Lodge
- Duteau Bioresource Contracting
- Cold Acre Food Systems
- Kryotek
- Appendo
- Yukon Solar Corporation
- Yukon Berry Farms

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/ ADDITIONAL INFORMATION AND REPORTING

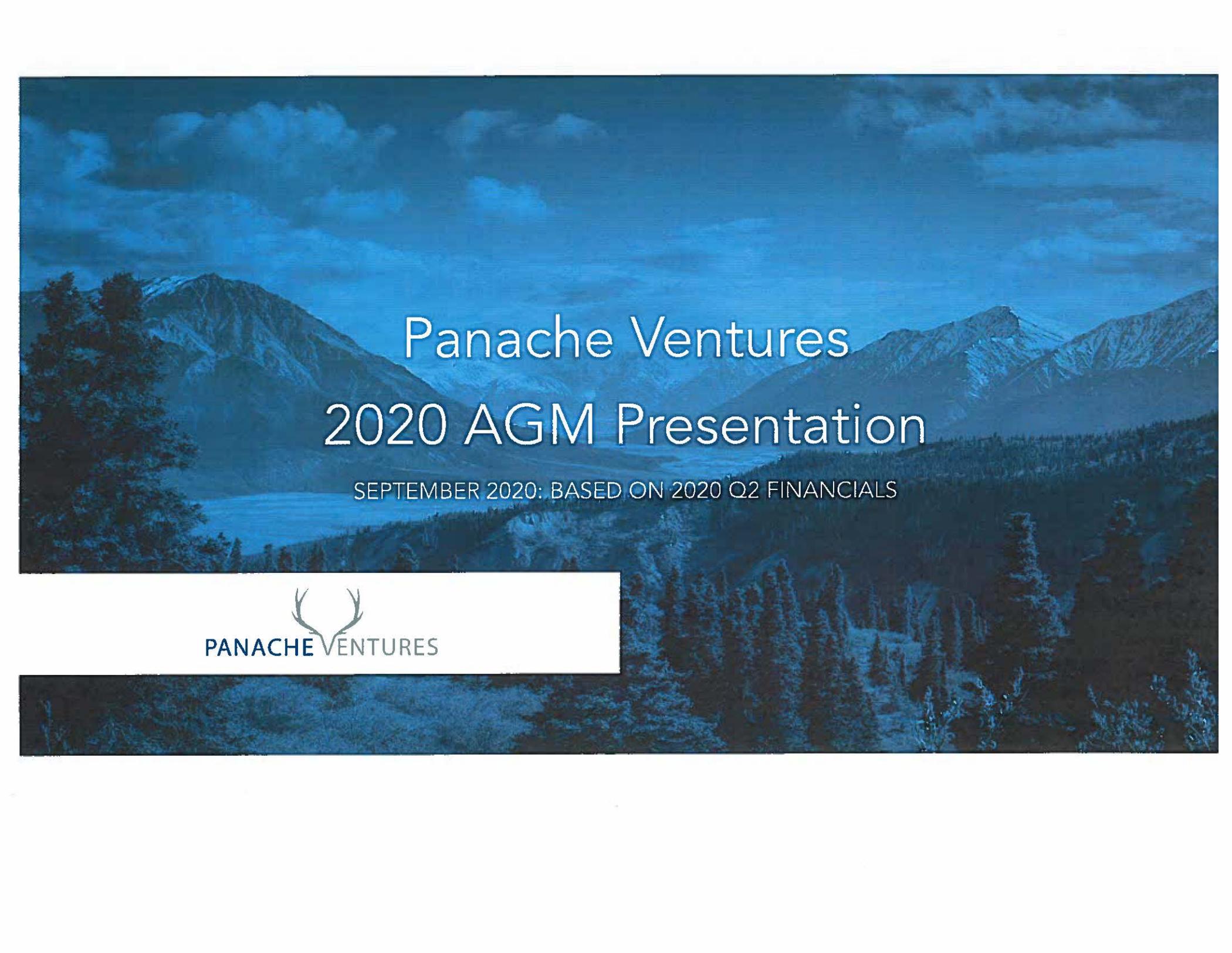
This document is intended to supplement the regular reporting as mandated by the terms of the LPA.

Our regular reporting includes:

- Quarterly reports including financial statements, issued within 45 days after the close of each quarter.
- An AGM and update report, annually in Q3 (2020 AGM report has been added to this report).
- Audited financial statements, based on calendar year end and issued annually.
- LPAC meetings once per quarter to review governance and management issues. YFNIC is a major investor and is a voting member of LPAC along with Alberta Enterprise Corporation, Investissement Québec, and Fonds de solidarité FTQ.

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Panache Ventures 2020 AGM Presentation

SEPTEMBER 2020: BASED ON 2020 Q2 FINANCIALS



Economic Overview

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/ COVID-19 FEARS: MARCH 25, 2020

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CIO JOURNAL

Startup Funding Dwindles Due to Coronavirus Slowdown

Big companies that count on startup acquisitions as a form of R&D face smaller pipeline of promising technology ventures

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/ JULY 2020: OPTIMISM DRIVING VALUATIONS

PWC Private equity deals insights: Midyear 2020

- In the second quarter, **virtually every private equity firm stopped** what they were doing and focused inward on their portfolio.
- Dry powder: Private equity funds (PE) had over **\$1.7 trillion of dry-powder** as of July 2020 (Preqin)

Pitchbook VC Valuations Report Q2 2020

- Europe: Angel & seed valuations have been **surprisingly strong in Q2** and will create optimism heading into H2 2020. In Q2 2020, angel & seed deal sizes remained flat QoQ.
- US Seed: Angel & **seed-stage valuations have been largely insulated from volatility.**
- Early-stage VC: **pre-money valuations for completed deals have thus far shown no signs of weakness.**

/ AUGUST 2020: OPTIMISM DRIVING VALUATIONS

*Airbnb's proposed public debut this fall, in the middle of a pandemic, is incomparable in many ways. For a travel company to time an IPO so soon after laying off a quarter of its staff, and **watching its private valuation drop from \$31 billion to \$18 billion** seems like capturing the bubble of irrational investing in a champagne bottle and spraying it all over the time-tested touchstones of logic.*

*Meanwhile, Wall Street's tech **stock analysts are predicting Airbnb will not only clear \$30 billion, it will dominate the sector.** Firstly, the public markets are trading at record highs. And Airbnb's IPO is another watershed moment.*

/Forbes: August 28, 2020

/ MIXED SIGNALS

- A record number of companies have sought creditor protection under COVID-19 — and more are on the way. CBC: August 5, 2020
- Record low interest rates have driven a strong residential real estate market.
- The US economy added another 1.8 million jobs in July, a sharp slowdown from June and a small step for an economy that's still down 12.9 million jobs during the pandemic. CNN Business: August 7, 2020
- Vaccine could be developed by end of the year.

POLITICAL AND SOCIAL

- Borders still restricted, making it difficult for our companies to physically meet customers and teams in the USA
- BLM protests highlighting system racism in our economies
- US election is shaping up to be the most divisive ever

/ HOW WE'RE ADAPTING

PORTFOLIO Continue working with our founders to ensure that they're getting all the assistance they need in fundraising and scaling.

DOUBLING DOWN We're re-investing our top performing pre-seed and seed investments.

DEALFLOW Develop a wider reach into the ecosystem to expand dealflow. Efforts including virtual office hours and local socially-distanced coffee meetings.

DEEPER DUE DILIGENCE, BIGGER CHEQUES To adjust for the higher valuations, we're taking more time to research the companies we're serious about, and adjust allocations upwards.

OPTIMIZING FOR OWNERSHIP We continue to look for investment opportunities where our value-add gives us an opportunity to negotiate investor-friendly terms; Also, valuation sensitive to USD-denominated cap tables.

SECTORS New investments are focused on companies that are seeing strength in the COVID-19 economy - health, e-commerce, digital transformation, fintech;

MAKING THE WORLD A BETTER PLACE Also exploring companies with an ESG/DEI focus.

/ BEYOND COVID-19 LIES A NEW NORMAL

COVID has exposed political, economic, social, technological and financial imbalances. **What do that following observations mean for founders/startups/VCs?**

- Acceleration of the digitalization of the U.S. and global economies
- New ways of working, learning, and providing healthcare
- Partial reversal of globalization and the development of an American industrial policy. Countries have become more inward looking which could result in protectionism.
- Real Estate becomes more challenged as an asset class with deteriorating fundamentals for retail, hotel, and possibly office properties
- “The Fauci Effect” – renewed confidence in experts, science, and truth, and a desire to serve society
- Lack of tech in certain sectors (e.g. health, education, small businesses, govt. departments) + influence of big tech companies
- Massive stimulus + business/consumer spending compression (e.g. students deferring loans) + increasing financing/trading activities (e.g. crypto makes a come back?)

Portfolio Update

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/ PORTFOLIO STATS

Overview

73

portfolio companies

10

Series A

\$15.3M

first checks

\$5.6M

follow-on checks

23

markups

5

markdown/writeoffs

Aggregate Portfolio Stats

920

jobs created

16

months of runway on average

21%

at least one female exec

\$250M

total money raised

\$1.1B

total market cap

Some of our co-investors



BUILDERS

FJ LABS



MAVRIK



versionone



LEFT LANE



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/ GRADUATED TO SERIES A (1/2)

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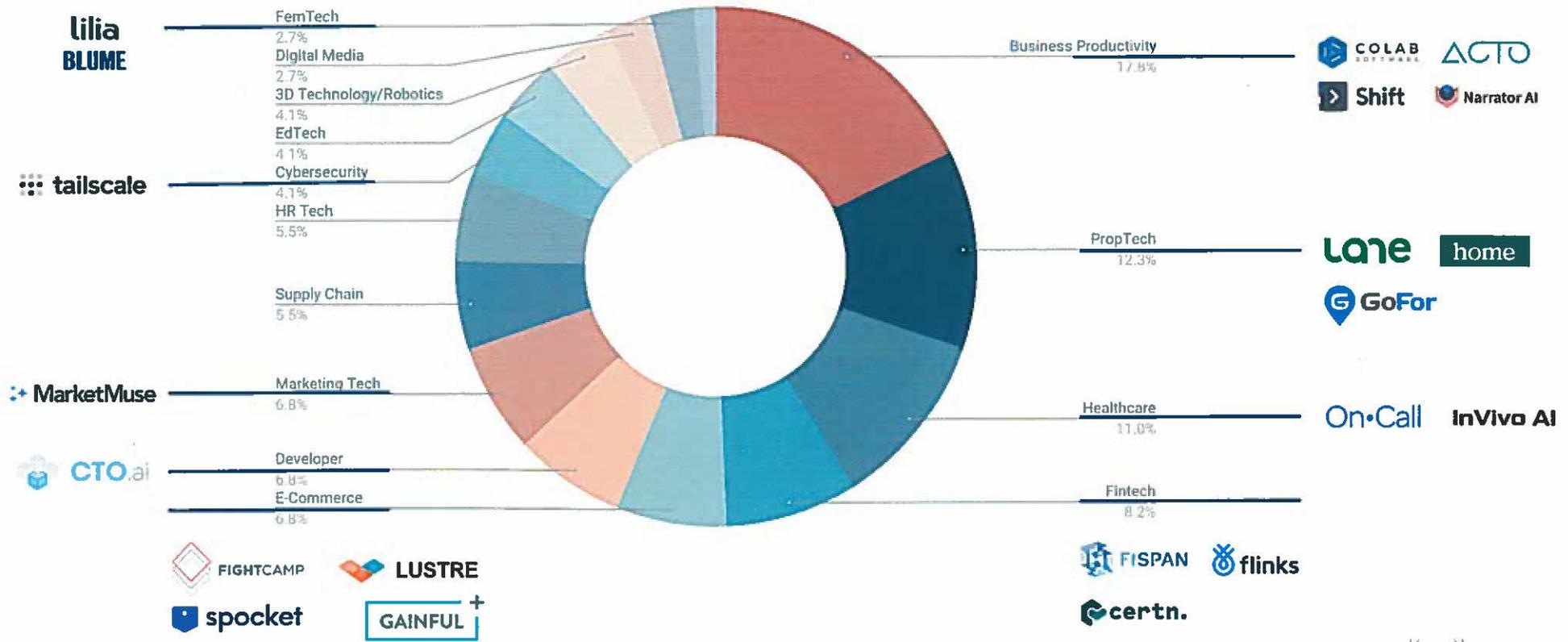
/ GRADUATED TO SERIES A (2/2)



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/ SECTOR ANALYSIS- Exposure as of August 2020



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/ COVID IMPACT ANALYSIS

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/ GEOGRAPHIC ANALYSIS

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/ CONTENDERS FOR SERIES A IN H2 2020

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