FUNDBASE GROUP

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ASIC
Australian Securities & Investments Commission

FundBase Group

Aviatrix and Talk2View's submission

February 2025

A discussion paper on Australia's evolving capital markets and the dynamics between public and private markets

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Executive summary

Private markets generally provide investment opportunities into innovation, whereas public markets are more heavily focussed towards providing access to stable growth and larger scale businesses.

Access to private markets has typically been unavailable to retail investors, either due to being exclusively available institutional/wholesale investors, or simply because the entry ticket size is simply out of effective reach for most investors, exceeding the ability to adequately diversify portfolios.

Typically private markets have offered a return premium over the longer term, with corresponding risk profile but have also sometimes been somewhat more opaque in respect of disclosure. This represents both an opportunity and a threat to the growing number of investors demanding access to these markets, who are not institutional or professional.

As platforms and technology continue to evolve, improve and provide greater access to these tightly held markets, retail investors will increasingly seek out the opportunities to allocate a proportion of their total portfolio to this sector.

About us

FundBase Group, Aviatrix and Talk2View have partnered to draft this cross-sector submission to ASIC's discussion paper "*Australia's evolving capital markets: A discussion paper on the dynamics between public and private markets*".

We bring a systems view combining the perspective of start-ups, retail investors and regulated licensees to a consultation that might traditionally concentrate on the views of large and established actors.

FundBase Group

We are an infrastructure provider that operates across the private market ecosystem. We work with operators, like venture capital and private equity managers, to help them launch, scale and operate their investment funds.

Aviatrix

Aviatrix works with institutions reimagining their role in a sustainable economy and founders, to scale their impact

Talk2View

Talk2View transforms sophisticated medical viewing software into an intuitive experience for users at every skill level. Our mission is to democratize access to advanced visualization tools while significantly enhancing productivity across educational settings, research environments, and clinical applications.

Startups and venture capital (VC) are powerful drivers of innovation, productivity, and job creation in Australia. However, underinvestment in VC well below levels in the U.S. and other developed countries—constrains the growth of high-impact firms. Australia ranks 25th out of 132 in the Global Innovation Index (WIPO, 2023), yet only 8% of local R&D is commercialised (CSIRO, 2021), limiting the development of domestic IP and contradicting the Future Made in Australia strategy. According to the OECD (2015), R&D delivers greater national benefits when conducted locally, yet investment in IP products (excluding R&D) fell from 1.44% to 1.11% of GDP between 2000–01 and 2022–23. In 2021–22, Gross Domestic Expenditure totalled $38.8 billion (1.68% of GDP)—well below the OECD average of 2.7%

VC funds not only provide capital but also offer mentorship, strategic guidance, and networks that help startups scale and commercialise innovation. Notable examples of Australian unicorns supported by VC include Canva, Airwallex, Culture Amp, Linktree, SafetyCulture, and Employment Hero, all of which have reached valuations above $1 billion while contributing to high-skilled job creation and technology leadership. Data from a U.S. cohort (Carta, 2025) of 4,369 startups founded in 2018 shows a clear link between venture backing and survival. Startups that progressed to Series A or beyond had significantly higher survival rates, while over 40% of those without any priced round had already shut down. This underscores how access to venture capital greatly improves a startup's chances of long-term success.

Startups play a key role in boosting productivity by reallocating resources toward more efficient, tech-driven businesses. International studies attribute over 70% of productivity growth to this reallocation effect—where innovative new firms replace outdated ones (OECD, cited in Australian Treasury Productivity Review, 2022). Research from the Department of Industry's Office of the Chief Economist shows that firms aged 0–5 years accounted for around 40% of net new job creation in Australia over a decade, despite making up just 15–20% of total employment (Department of Industry, 2020). Young startups (0–2 years old) were the primary drivers of this growth. Locally, the Victorian startup ecosystem contributed 19,000 jobs and $2.4 billion in value in 2019 (Deloitte Access Economics, LaunchVic

Report, 2020). Looking ahead, the Tech Council of Australia projects that startups could generate 30,000 new jobs and $7 billion in economic value by 2030 (Tech Council of Australia, 2022), while a PwC Australia analysis estimates that the tech startup sector could contribute up to 540,000 jobs by 2033 if properly supported (PwC Startup Economy Report, 2013).

Retail Investors as a Growing Force

Retail interest in private markets is rising globally, projected to grow from US$1.5 trillion in 2020 to nearly US$4 trillion by 2030 (PwC, 2020). Europe's ELTIF structure is aiming to triple retail access to PE by 2028. In Australia, retail investors manage AU$6.7 trillion in financial assets (ABS, 2023), with the number of investors outside super growing from 9M in 2020 to 10.2M in 2023 (+13%) (ASX, 2023). Risk appetite is also increasing: 7.7M Australians hold on-exchange assets, with highly volatile assets like crypto assets making up ~15% of portfolios while around 3–5% of investors use derivatives.

These numbers could indicate that up to 1 million Australians could be open to higher risks also using private equity investments as an instrument to build wealth and diversify their portfolios. At a AU$5,000 investment entry point, this represents a market size of AU$5B. Superannuation funds dominate, with 15–20% of private market AUM, but offer no transparency or control for individual members. Enabling regulated, opt-in access to curated private market funds could improve transparency and investor choice, and boost diversification, aligning with broader financial inclusion objectives.

Australia's innovation ecosystem faces two persistent capital "death zones" that hinder the growth and commercialisation of early-stage ventures:

1. Death Zone 1: The Pre-Seed to Series A Gap

Most startups in Australia struggle to progress beyond the ideation or early development phase without access to capital from the "friends, family, and fools" round. These informal funding sources are often the only lifeline available to founders at this critical stage.

With appropriate regulatory safeguards and risk management frameworks in place, **retail investors** could play a meaningful role in bridging this gap. A well-designed retail investment framework would:

- Enable broader access to capital for high-potential startups,
- Allow informed retail investors (currently excluded under the sophisticated investor threshold) to participate in early-stage innovation,
- Increase overall capital mobilisation across the venture ecosystem.

2. Death Zone 2: The Series B to IPO Gap

While Australia has developed some capacity to support startups through Series A and, in some cases, Series B funding, there remains a significant shortfall in capital and risk appetite for ventures approaching commercial maturity. The absence of strong pathways to IPO or other late-stage liquidity events creates a systemic bottleneck for scale.

Again, with the **right risk-management structures**, informed retail investors could contribute to bridging this gap by:

- Providing growth-stage capital to companies beyond Series B,
- Supporting a more vibrant pre-IPO pipeline,
- Reducing dependency on offshore markets for late-stage funding.

Question 3.
In what ways are public and private markets likely to converge?

Both of the capital death zones discussed above suffer from a similar root cause.

Whilst Australia has a very large ($4.1 Trillion) superannuation pool, their minimum size 'deal-lens' is simply too large to partake in any but the very largest end of the venture capital and private equity ecosystem, and there are simply not sufficient high & ultra-high, net worth individuals (HNWI & UHNWI) to provide the capital needed for the rest of the ecosystem.

With innovative new approaches being trialled, we see that retail investors will access this market in increasing numbers, which will have the effect of blurring the division between the two market ecosystems.

This will bring some of the private market liquidity constraints to more public markets and, vice versa, some of the retail/public disclosure to private markets.

Question 8.
Are Australian regulatory settings and oversight fit for purpose to support efficient capital raising and confidence in private markets? If not, what could be improved?

Generally we would say – yes.

There are always areas of regulation that could be improved and simplified but generally we see the regulatory settings and oversight are appropriate for each of retail and wholesale investors. Retail protections and disclosures are there for a reason and are robust, wholesale regulation is, appropriately, a lighter touch. The regulatory framework is robust enough to ensure that investors are categorised appropriately.

We do believe that there is one small change that could be implemented that would make more efficient an already good piece of the regulatory framework.

Minor CSF regulation reform

Crowd-Sourced Funding (CSF) is a smart regulatory framework that allows retail investors to access what are effectively private markets but in a public market way.

It's a thoughtfully designed carve-out in the Corporations Act that provides early-stage companies with a safe and regulated way to raise capital without discriminating investor groups.

There is one, presumably, unintended consequence which, we believe, has led to CSF not being used as effectively as it could.

A successful CSF raise often leaves a small start-up company having to manage a share register of 200–1,200 individual retail investors. For a start-up with limited time and resources, this becomes an immediate and ongoing distraction from their main goal, to scale the business.

For the investor shareholders, this can lead to a lack of timely information or access to up to date detail on the company.

Many start-ups do this well and there is a plethora of software tools to help manage large cap-tables but the anecdotal evidence is that many start-ups struggle to manage the load and, worse, when they try to scale, institutional investors are hesitant to invest as their cap-table has become too 'messy'.

Accordingly, many small companies avoid using CSF, preferring to stick to a small cohort of wholesale investors.

We propose a minor but powerful adjustment to the current legislative framework for CSF which has the ability to remove this hurdle.

We believe that the legislation should be amended to allow CSF shares to be held via a bare nominee structure using incidental custody powers under a licensed AFSL holder.

This simple amendment preserves retail investor protections while introducing the addition of a professional AFSL holder to ensure timely communications and streamline administration.

This minor change would deliver four key benefits:

I. Retail investors will receive identical disclosure and crowd support during the raise, whilst also gaining professional reporting and administrative support through the nominee AFSL holder.
II. The issuing company only sees one line on its registry, avoiding the distraction and inefficiencies of managing hundreds of shareholders.
III. Transparency is increased across the process, with a professional intermediary providing oversight and reporting.
IV. The issuing company has both more time to dedicate to business growth and their cap-table is cleaner for future capital raise rounds

The custody service needs to be incidental custody (as per ASIC RG166) as otherwise the cost burden of providing stand-alone custody would preclude this from working on a cost basis (it would likely to exceed 10% of the total capital raise every year – which is uneconomic). The nominee trustee acts on behalf of the investors, but the underlying investment is still held in their names. This is a professional layer of administration that offloads the start-up and brings transparency and protection for all stakeholders.

This is not a comprehensive shift but a targeted refinement to combat a burden that was likely unintentional when the CSF legislation was passed. Companies that currently avoid CSF due to register management issues would have a renewed reason to consider it as a legitimate source of capital. For retail investors, it retains all of their protections and benefits of the CSF regime.

Question 12.
What additional benefits and risks arise from retail investor participation in private markets?

Benefits

The benefits of retail investor participation cannot be understated.

From the investor perspective, access to a pool of higher performing assets should be considered as part of a well-diversified portfolio. It may not necessarily be a large portion of most investors' portfolios but the precepts of modern portfolio theory have always suggested that a well-diversified portfolio will outperform less-diversified options, with the added benefit of smoothing and reducing risk.

Retail investors have effectively been denied access to much of the private marketplace. Whilst the private market ecosystem is growing rapidly, and replacing parts of the public marketplace, denying retail investors access would increasingly reduce their ability to diversify.

From the investee perspective, allowing retail investors access will substantially increase the pools of available capital. This is of benefit, not only to the company/deal being funded, but to the broader Australian economy as a whole.

As we have canvassed above, there are well known capital death zones in the Australian capital markets, which tend to lead to companies needing to relocate offshore with the accompanying brain-drain.

Silicon Valley, in the US, is not just successful because that is 'where tech is'. It is very successful because, the tech is there, the VCs are there, the brains are there, the resources and support networks are there, the staff are there, but every bit as importantly, the money is there.

Australia could, and should, do the same.

Risks

We see that the risks of retail investors accessing private markets can be categorised into two key areas:

- **Misclassification** – the risk is that these investors will be misclassified as 'sophisticated' to try and access investments that they simply cannot gain access to otherwise. There has been a noticeable discussion around how to access these markets and ASIC has had some early success in prosecuting companies for crossing that line.
- **Disclosure** – retail investors must get full retail disclosure. The risk is that wholesale-grade private market disclosure (whilst <u>entirely</u> suitable for its intended market) is presented to retail

investors, who may not have the depth of knowledge or technical expertise to fully comprehend it is high otherwise.

We believe that both of these risks can be mitigated by ensuring access to retail investors is made via a retail investment vehicle or structure offered via a responsible entity. That bring full retail protections and disclosure into pre-existing regulatory framework. The issue of misclassification falls away as the vehicle is already designed for, and complies with all of the obligations to and for, retail investors.

Question 13.

Do current financial services laws provide sufficient protections for retail investors investing in private assets (for example, general licensee obligations, design and distribution obligations, disclosure obligations, prohibitions against misleading or deceptive conduct, and superannuation trustee obligations)?

Provided, as we outline above, the offering to retail investors is made via a retail structure, then yes.

The current financial services laws provide a high level of protection to retail investors across all markets.

In our view, there is simply no need to design different laws simply for private market access.

If we don't create regulatory conditions that promote safe retail participation in private markets, the longer term consequences for Australia and trust in financial markets are significant:

- **Brain Drain:** Founders and skilled teams relocate to the US, Asia, or Europe to secure funding, taking talent and innovation offshore.
- **Missed Economic Opportunity** Australia ranks 25th out of 132 in the Global Innovation Index (WIPO, 2023), yet only 8% of local R&D is commercialised (CSIRO, 2021), limiting the development of domestic IP and contradicting the *Future Made in Australia* strategy. According to the OECD (2015), R&D delivers greater national benefits when conducted locally, yet investment in IP products (excluding R&D) fell from 1.44% to 1.11% of GDP between 2000–01 and 2022–23. In 2021–22, GERD totalled $38.8 billion (1.68% of GDP)—well below the OECD average of 2.7%
- **Higher Costs:** Products and services originally developed in Australia are imported back at a premium, creating unnecessary economic leakage, highlighted by Canva's comments that an IPO would happen in America because Australian investors "don't understand tech as well [compared to] higher multiples, more sophisticated investors in the US" (Startup Daily, 2024).
- **Startup Windups:** High-potential ventures in Australia often fail to survive due to a lack of local funding, stifling innovation and reducing problem-solving capacity in critical sectors. According to the *State of Australian Startup Funding – Annual Report 2024*, more than half of venture funds (55%) surveyed reported at least one portfolio company failure in the previous year—a 25% increase from 2023's 42% (Australian Startup Funding, 2024). This rising failure rate highlights the increasing vulnerability of startups in a tightening funding environment and underscores the urgent need for stronger capital support to preserve Australia's innovation pipeline.

Data from a U.S. cohort of 4,369 startups founded in 2018 (Carta, 2025) shows a clear link between venture backing and survival. Startups that progressed to Series A or beyond had significantly higher survival rates, while over 40%

of those without any priced round had already shut down. This underscores how access to venture capital greatly improves a startup's chances of long-term success.

- **Scarce Investment Access:** Retail investors miss out on wealth-building opportunities in high-growth sectors, reinforcing economic disparity. According to The Australia Institute (2023), the top 10% of income earners have disproportionately benefited from economic growth following the global financial crisis, capturing 93% of income gains between 2009 and 2019.

[redacted] – Co-Founder FundBase Group [redacted]

[redacted] brings 15+ years of experience in financial management, fund administration, and compliance oversight, with a strong focus on venture capital fund operations and investments. She has played a key role in structuring and managing VC funds, ensuring financial oversight, compliance, and due diligence for emerging fund managers. Her expertise includes capital planning, fund administration, and M&A structuring, guiding fund managers through growth phases, fundraising rounds, and strategic scale. [redacted] is a Chartered Accountant (CPA Australia) and holds a Graduate Certificate from Harvard Business School in Strategic CFO Leadership.

[redacted] – Co-Founder FundBase Group [redacted]

[redacted] brings 30+ years of experience in financial services, fund management, and investment advisory, with extensive expertise in venture capital fund structuring and early-stage startup investments. He has led fund administration, strategic planning, and regulatory compliance, ensuring seamless fund operations for VC firms and private equity investors. He has run his own institutional global equity fund and currently sits on the compliance committee of four AFS Licensees, three of which are independent.

[redacted] – Senior Portfolio Manager FundBase Group [redacted]

[redacted] is an investment professional with 15+ years of experience in global public and private markets, as well as direct startup investment and advisory experience. He has successfully raised and managed over AUD 1.5 billion in high-yield credit, private equity, and venture capital investments. As Director of Investments at Rinburg Family Office (AUD 540M AUM), he led direct early-stage investments and developed quantitative and qualitative models for VC fund valuation. Previously, at VTB Capital Asset Management (AUD 1.5B AUM), he drove tenfold AUM growth and consistently delivered alpha-generating portfolios. Additionally, [redacted] has worked closely with startups in business strategy, fundraising, and financial modelling, helping early-stage companies navigate capital raising and scaling strategies. He holds an Executive MBA from AGSM @ UNSW Business School, Australia's #1 business school, specialising in leadership, strategy, and innovation

[redacted] – Product Manager FundBase Group [redacted]

[redacted] has international law experience, specializing in Investment law and Technology, Media and Telecommunications law (TMT), with a primary focus on commercial contract management. [redacted] holds a master's degree from the University of Bergen, where he wrote about legitimate interest as legal basis for personalized marketing, and an LL.M from the University of Sydney, where he discussed the concept of Impact Investing. He has also authored published articles in Brazil and Norway on digital security, crypto assets as securities and defamation over media.

[redacted] – Co-founder Talk2View, Principal Aviatrix SDG [redacted]

[redacted] started her career at Clayton Utz as an M&A and banking & financial services lawyer and is the former CEO of Grameen Australia—the local replication of Nobel Peace Prize winning microfinance program. She was a senior manager within the Perpetual Corporate Trust Regulated Fiduciary Services business who led over $3b worth of deals and Chaired the internal working group for the 2014 Financial System Inquiry. [redacted] was an early industry designer of the Australian Corporate Collective Investment Vehicle regime. She sits on the board of food systems think tank, Food Frontier, and community services non-profit, Chorus Australia. She is the founder of impact consulting firm, Aviatrix SDG, and is the Co-founder of Perth AI-medtech software, Talk2View – the medical viewer you can talk to.