



## **PRESS RELEASE**

### **European Long-term Financial Institutions Launch a Strategic Partnership on Venture Capital Funding**

*Nine leading national venture capital operators signed today a Memorandum of Understanding for the establishment of a pan-European (EU) venture capital fund of funds. The signing ceremony took place in Brussels under the high patronage of the Polish Presidency of the European Council.*

**Brussels, 15 December, 2011** – Today, Caixa Capital (Portugal), Capital for Enterprise (UK), CDC Entreprises (France), Enterprise Ireland (Ireland), Finnish Industry Investment (FII - Finland), Krajowy Fundusz Kapitałowy (KFK- Poland), PMV nv (Belgium), Société Régionale d'Investissement de Wallonie (S.R.I.W - Belgium) and TANEO (Greece), members of the European Venture Fund Investors Network (EVFIN), committed to work towards the setting up of a common investment vehicle in order to address promptly the funding crisis affecting the venture capital sector across Europe.

To that end, these members signed a Memorandum of Understanding at the Stanhope Hotel (Brussels) under the distinguished patronage of the Polish Under-Secretary for Finance, Jacek Dominik, in the presence of high-level representatives from the European Commission and Permanent Representations of Member States to the EU as well as Members of the EU Parliament.

Since the 2008 financial crisis, capital raised by venture capital funds in the EU critically dropped by 70 % while amounts invested by venture capital firms in Small and Medium Sized Enterprises decreased by 50 % (source: Dow Jones Venture Source 2011 and EVCA/PEREP Analytics 2007-2009). Moreover, the EU venture capital market has remained fragmented and dominated by small players, which often do not have the critical mass required to operate trans-nationally. This contributes to affect negatively profitability and therefore keeps private investors away.

As a consequence, in accordance with the EU 2020 Strategy and the conclusions of the European Council meeting on February 4, 2011, the nine signatory institutions have been studying the feasibility of setting up by 2013, a EU venture capital fund of funds designed to pool their respective capital and expertise in a common investment vehicle. With an aspiration of € 250 million, the fund of funds objective is to play a catalytic role in the development of a pan-EU venture market by supporting primarily venture funds having a cross-border investment strategy (cf. Schedule 1 below). Such a multi-country equity fund of funds would maximize the leverage effect of investments and increase funding for venture capital funds.

The signatory parties of this fund of funds project announced that they will seek the financial support of the European Commission. They will also endeavour to involve other national operators in the EU to be part of this project.

In this respect, Mr Pascal Lagarde, CEO of CDC Entreprises, and EVFIN Chairman stated that “*this fund of funds project could serve as a prototype for the future generation of EU financial instruments to support SMEs access to venture capital*” that will be developed in the next Multiannual Financial Framework (2014-2020).

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## About the institutions



### Caixa Capital – Portugal

Caixa Capital is the private equity and venture capital arm of Caixa Geral de Depósitos, the state owned and largest Portuguese banking group. Its mission is to promote the development of the Portuguese Small and Medium Enterprises through private equity and venture capital investments and the strengthening of the Portuguese private equity and venture capital industry. Caixa Capital investment policy covers a broad range of industries and all the companies' life cycle, though direct investments and investments in third party funds.

<https://www.cgd.pt/Site/Caixa-Empreender-Mais/Pages/Caixa-Capital.aspx>



### Capital for Enterprise – United Kingdom

Capital for Enterprise Limited ('CfEL') is the UK Government's principal centre of knowledge, expertise and information on the design, implementation and management of finance measures to support Small and Medium-sized Enterprises ('SMEs') across the UK. CfEL brings together deep knowledge, experience and expertise in investment management along with a detailed understanding of SME finance markets (debt, equity and hybrids), public policy objectives and the interaction between the two. CfEL has a detailed overview of the UK venture market and operates at arm's length from UK Government. CfEL currently manages over £1.1bn of assets and liabilities. £566m are committed to 40 venture funds. When the private sector money invested alongside CfEL is taken into account, these schemes provide up to £3bn of funding for SMEs.

<http://www.capitalforenterprise.gov.uk/>

### CDC Entreprises – France

CDC Entreprises is a management company authorized by the French Financial Markets Authority (AMF), 100% controlled by the Caisse des Dépôts. CDC Entreprises is a direct and indirect investor in SMEs, on a national and regional/local level, focusing on stages of development going from technology seed investments to small-cap buy-outs. The largest investor of the funds managed by CDC Entreprises is the Caisse des Dépôts group (including, *inter alia*, the "Fonds Stratégique d'Investissement" – FSI). Other investors include public and private financial institutions and corporate firms. The mission of CDC Entreprises is to encourage the emergence of companies experiencing strong and sustainable growth by strengthening their equity capital. The aggregate underlying portfolio of CDC Entreprises is composed of more than 3,000 companies, held either directly (through funds managed by CDC Entreprises) or indirectly (through 220 venture and expansion portfolio funds).

[www.cdcentreprises.fr](http://www.cdcentreprises.fr)

The Caisse des Dépôts was founded in 1816, and is a state-held Group with 71,000 employees (including its financial and service subsidiaries). As a long-term investor, it serves the general interest, in support of public policies pursued by the French central government and local authorities.

### Enterprise Ireland – Ireland

Enterprise Ireland (EI) partners with entrepreneurs, Irish businesses, and the research and investment communities to develop Ireland's international trade, innovation, leadership and competitiveness. The ultimate objective is growth in exports, leading to increased employment and prosperity in Ireland. Supports to business include:

Direct equity funding and other financial supports provided to high potential business start-ups, business expansions and R&D business plans focusing on new product, service and process development to ensure sustainability and growth. EI has a portfolio of circa 800 direct equity investments.

Indirect equity investment through seed and venture capital funds – 11 funds are currently in their investment phases and have €635 million under management (EI has invested in over 40 seed and VC funds since the mid 1990's).

Export assistance - the provision of in-market services and local market information through the facilities of over 30 international offices providing a global network of contacts.

<http://www.enterprise-ireland.com/en/>

### Finnish Industry Investment – Finland

Finnish Industry Investment is a government-owned investment company. Its mission is to promote Finnish business, employment and economic growth through venture capital and



private equity investments. Finnish Industry Investment invests in venture capital and private equity funds and directly in growth companies. The investment focus is on growth, internationalisation, spin-offs, major industrial investments, as well as sectoral and corporate restructurings. The company invests in all industry sectors, and always together with private co-investors. The investments of Finnish Industry Investment amount to € 670m.

[www.industryinvestment.com](http://www.industryinvestment.com)

#### **Krajowy Fundusz Kapitałowy – Poland**

Krajowy Fundusz Kapitałowy (KFK), meaning, the National Capital Fund (NCF), is a Polish fund of funds that invests in venture capital funds that provide smart capital for innovative Polish small and medium size enterprises with high growth potential. NCF supplies financing to the selected funds either through equity investments or through provision of long-term debt. As a fund of funds, NCF does not commit to companies directly. NCF was established in 2005 with the mission to limit the size of equity gap that prevails on the domestic SME's market. The Company is wholly owned by Bank Gospodarstwa Krajowego (BGK). NCF's assets under management exceed €200m (EU structural funds, Swiss – Polish Cooperation Programme and other public sources) and will be used to create (together with private investors) up to 2012 approximately 20 new venture capital funds with overall capitalization of €400m. The current NCF's portfolio is consisted of 4 fully operational funds (BBI Seed Fund, Helix Ventures Partners, Skyline Venture and Asset Management Black Lion) and 3 under organization (Internet Ventures, Ventures Capital Satus and Opera Venture Capital).

<http://www.kfk.org.pl>

#### **PMV nv – Belgium, Flanders**

PMV is a “do and dare” investment company. It invests in the economic fabric of Flanders and acts as an entrepreneur and as a market producer. It provides financial leverage if the market needs support and when necessary private initiatives are not forthcoming. It provides venture capital, private equity, mezzanine financing, guarantees and it creates public private partnerships. Particular emphasis is placed on sustainable energy, biotech, clean technology, life sciences and infrastructure for the future. PMV manages a portfolio of EUR 900 million in assets. The company also undertakes commissions on behalf of the Flemish Region.

<http://www.pmv.eu/en>

#### **Société Régionale d'Investissement de Wallonie – Belgium, Wallonia**

Société Régionale d'Investissement de Wallonie (S.R.I.W) is a private equity group investing in all sectors contributing to the economic development of the Walloon Region. Its main shareholder is the Walloon Region of Belgium (98,66%), and Dexia (a Belgian Bank) is its minority shareholder (1,34%). S.R.I.W has € 700 million Equity and 175 companies in portfolio. It has invested €100m in 2010. S.R.I.W provides growth financing for midsize enterprises with strong market position, growth potential and excellent management in all sectors. S.R.I.W is also a limited partner in several funds, in particular in technology. Its direct investments are usually between €1m and €25m per company, as equity or quasi-equity, always as minority shareholder. Its investment criteria are the financial return of its investments and the economic return for the Walloon Region.

<http://www.sriw.be/fr/>

#### **TANEO – Greece**

TANEO is a Greek state-sponsored, privately funded and independently managed fund-of-venture capital funds, Greece's only institutional fund-of-funds. TANEO was initially founded by the State (May 2001), it was later privatized, upon raising €105m from the private market, through a bond issue, listed in ISE and guaranteed by the Hellenic Republic (June 2003). The Greek State contributed additionally an amount of €45m through the annual Public Investments Program.

TANEO invests exclusively in new Investment Vehicles (venture capital entity operating under the laws of European Union Member State) managed by private sector entities operating under commercial criteria. The eleven Investment Vehicles in which TANEO participates must be investing in Small or Medium Enterprises registered and based in Greece.

[www.taneo.gr](http://www.taneo.gr)



## **Schedule 1 - General Presentation of the Venture Capital Fund of funds project**

Here are some general specifications of the venture fund of funds project as currently anticipated in the Memorandum of Understanding. They are subject to modification according to future negotiations between the participating institutions and with other potential investors (notably the European Commission).

### **1. Investment strategy**

The investment objective of the fund of funds would be to provide equity or quasi equity funding to innovative and high growth Small and Medium-sized Enterprises (SMEs) by being a catalyst for the development of a pan-European venture capital industry.

This will be made through commitments in venture capital (VC) funds in the European Union (EU), having a cross-border investment strategy or likely to have a strong catalytic role in the development of venture capital markets.

Based on an aspiration of € 250 million target size, the fund of funds would aim to build up a portfolio of 15 to 20 funds. The average volume invested per fund would therefore be of € 10 million to € 15 million. The fund of funds would invest *pari passu* alongside other market-oriented investors.

#### ***a) Scope of intervention***

The fund of funds would aim to invest:

- ✓ primarily in cross-border VC funds managed by established and newly created management companies;
- ✓ but also in funds managed by new or emerging national VC management companies likely to bring a significant value added to the development of the EU VC market (for a specific technology or a specific region for example).

It would mainly target early stage funds (providing seed and start-up capital), which today face the greatest difficulties in raising capital, but would also include later stage funds (expansion capital).

#### ***b) Geographic coverage and balance***

The funds of funds will analyse investments opportunities from all EU venture funds having a cross-border investment strategy with a emphasis on venture funds with management teams located in countries of participating institutions. That means that all SMEs across the EU, as final beneficiaries, could potentially benefit from funding of the fund of funds.

To ensure a balanced geographic distribution of the selected funds, investments made in any country should not exceed 20 % of the total commitment of the fund of funds.

#### ***c) Targeted sectors***

To limit the risk exposure of the fund of funds and seize the best opportunities in domestic markets, a balanced focus across sectors would be sought. In this respect, any investment in a venture capital fund should ideally not exceed 10% of the total commitment of the fund of funds.

## **2. Governance**

The fund of funds would be collectively managed by investors and independent experts. Its governance would be consistent with the best international practices.

Precise terms of the governance are subject to forthcoming discussions with EU authorities in connection with the project and will be specified later on.

## **3. Main economic benefits of the fund of funds project**

- ✓ To increase the leverage effect on the private sector as the fund of funds will be given a critical size;
- ✓ To allow more capital to be spread in VC funds, in terms of both amounts invested per fund and number of investee funds, thus increasing volume of investment in innovative SMEs across the EU;
- ✓ To support the creation and bottom up expansion of VC funds in the EU;
- ✓ To contribute to the development of an EU seamless market by supporting funds with a cross-border investment strategy;
- ✓ To contribute to the emergence of a EU VC industry by encouraging national operators to cooperate & to share their knowledge of national markets and practices;
- ✓ To contribute to support a network of investors at the pan-EU level, giving investee funds and SME portfolios network facilities with other investors (national operators, VC funds etc.);
- ✓ To be in line with the EU 2020 strategy priorities in favor of developing innovative SMEs access to finance as a main driver of the European competitiveness.