

## “EQUITY INVESTMENT IN THE ANGEL VENTURES MEXICO FUND I”

In many developing countries, venture capital (VC) investing remains a nascent industry. However, investment in private equity has been growing in Mexico and throughout Latin America over the past year as investors regain confidence in the region. A vibrant venture capital industry requires more than simply establishing the right structure for investments. As with any country, Mexico needs investors willing to fund the deals, plausible exit strategies for those investors, and quality investment opportunities, or deal flow, from a large cadre of risk-taking entrepreneurs.

Early stage companies operating in a variety of sectors in Mexico are in their majority unable to grow and develop to their full potential, due to several factors: (i) lack of access to financing; (ii) lack of a conducive ecosystem that fosters entrepreneurship and offers strategic, managerial and operational guidance to entrepreneurs; and (iii) lack of active angel investors’ networks, which have proven to be a fundamental source of smart financing in countries like the United States and Canada.

Through this project, the MIF in partnership with Angel Ventures Mexico, L.P. will contribute to the development of a conducive ecosystem for financing innovative projects and early stage companies in Mexico. The AVM-I Fund will be the first seed fund to operate in Mexico, and will provide access to seed financing by matching qualified angels’ investments in innovative projects as well as start-up companies with high growth potential.

In addition to increasing the capital accessibility by means of co-investing with individual angel investors, the Fund will stimulate innovation, entrepreneurship and a business culture in the country, ultimately strengthening the investment ecosystem that will lead to sound economic development.

The Fund will target projects and companies with a capital requirement of USD 100,000 up to USD 2 million, and which present high growth potential and a scalable model. The Fund will operate as a “matching fund”, only co-investing in companies where a qualified angel investor has committed his own money first. The capital contributed by the Fund will represent between 20 to 50% of the total size of each project.

The MIF’s investment in the Fund, an equity investment of USD 4 million, will play a catalytic role in supporting the development of the local VC industry, building local management capabilities, demonstrating the financial viability of these vehicles and mobilizing critical investors and other players. It will be also be an important source of learning and knowledge creation for the seed industry in Latin America and the Caribbean, and for future MIF operations in Mexico.

To contribute to building local capacity in the region’s venture capital industry, the MIF will disseminate the Fund’s operational experience and relevant lessons through knowledge and

communications activities that will involve the publication of case studies and the participation in local and international events reaching a wide variety of target stakeholders, including local and international investors, fund managers and government institutions.