

## FUNDING LONDON

We channel funding from Europe and the UK, through appointed fund managers to sustainable and ambitious London businesses. Returns generated from the funds go straight back into the London ecosystem, making investment available to the next generation.

We recognise the significant role SMEs play in London's economy, not least being the creation of jobs and prosperity. But we also recognise the hurdles that business founders and management teams have to clear before securing growth capital. With many SMEs still struggling to access finance, we bridge the London funding gap and enable real opportunities for sustainable growth.



April 16, 2014

# *The new government-backed London Co-investment Fund*

The London Co-investment Fund (“LCIF”) has launched the process to select co-investment partners to the fund.

The LCIF has secured an initial £25m from the Mayor of London and the London Enterprise Panel’s “Growing Places Fund” to address the funding gap in London faced by tech start-ups seeking to raise seed investment.

The LCIF will co-invest alongside up to eight competitively selected players in the early stage investment community into Digital, Science and Technology businesses based in London that are ready to accelerate growth and create jobs in London. The co-investment partners will be selected on the basis of their knowledge of, focus on, and track record of investing in the three sectors.

Typically the businesses we seek to support will be emerging from accelerators,

incubators and support programmes and seeking to raise between £250,000 and £1m. According to the latest evidence, this is the largest present gap in the market for investment.

The LCIF aims to incentivise and enable:

- Venture capital funds to invest in smaller funding rounds at an earlier stage of the business growth path than their business models presently allow; and
- Business angels and other early stage investors to invest together in larger funding rounds in businesses with demonstrable growth potential

The London Co-investment Fund operates as a “side-car” fund. The selected co-investment partners will be allocated a “pool” of between £1-5m of LCIF’s money that can be drawn upon to co-invest alongside their own money in a number of

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eligible London-based businesses selected by them. The decision on whom to invest in and on what terms will be the sole responsibility of the selected co-investment partners. LCIF will pay a small fee to contribute towards the selected partners' cost of carrying out due diligence, and subject to eligibility checks and legal due diligence, LCIF will then directly invest the agreed amount in the selected businesses seed round.

In exceptional circumstances LCIF can fund up to 49% of an individual business' seed round but LCIF will be looking for co-investment partners who can demonstrate the resources and commitment to invest **significantly** more than LCIF in both total, and on a per deal basis.

The LCIF expects to begin investing towards the end of 2014 and benefit up to 210 early stage businesses over the next three years.

The London Co-Investment Fund is led and managed by Funding London (formerly known as SME Wholesale Finance (London) Limited).

This initiative was developed in partnership with Capital Enterprise (the membership body for universities, accelerators and incubators that support entrepreneurs in London) whose on-going role will be to lead on the promotion of LCIF and to develop and run a pipeline of investment-ready tech businesses that will be referred to the LCIF's selected co-investment partners.

Those wishing to express an interest to become a co-investment partner should access the Contract Notice from the [mytenders.org](http://mytenders.org) portal by searching for Notice ID JUL098268 and follow the instructions therein to obtain the pre-

qualification documentation. The deadline for submission of the Prequalification Questionnaire is 21 August at 2pm. There will be an information session hosted by Funding London and Capital Enterprise at IDEALondon, EC2A 2BB, on Thursday 24 July at 9.30am. Please contact [cora.marler@sweettgroup.com](mailto:cora.marler@sweettgroup.com) to register your interest.

Kit Malthouse, Deputy Mayor of London for Business and Enterprise said:

“London’s tech sector is booming with forecasts estimating that it will create 46,000 jobs in the next decade and generate a staggering £12 billion of economic activity. Despite this boom, we know that many budding science and tech start-ups find it difficult to raise the finance they need to grow. That is why we are delighted that we will be investing an initial £25m that will be used to leverage early stage equity investment into over 200 fledgling London businesses as they emerge from accelerators, incubators and support programmes, supporting their ability to deliver jobs and growth for the capital.”

John Spindler CEO of Capital Enterprise said:

“The London Co-Investment Fund is an important step towards enabling start-ups in London’s burgeoning Tech cluster to raise a significantly large seed round, so that they have enough resources to “prove the market” and thereby be in a position to raise follow on money that will give them the best chance to become world leading companies .

“Through LCIF we want to work with some of the best VC’s and angels to make London

the best place in Europe for talented tech start-ups to be to raise their seed round”.

Maggie Rodriguez-Piza, Chief Executive of Funding London said:

“The persistence of the ‘funding gap’ at the very early stage of a business life is well documented. Yet it is these businesses that represent the future of London’s global economic potential. We are pleased to be making the LCIF possible; thereby continuing our mission to support the Mayor’s strategy for London.

“We look forward to enabling larger round of investment into London’s start-ups by co-operating with other investors in the ecosystem.”

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## Notes:

- The London Enterprise Panel is the local enterprise partnership for London. Chaired by Mayor of London Boris Johnson, the LEP is the body through which the Mayor works with London's boroughs, business and Transport for London to take a strategic view of the regeneration, employment and skills agenda for London. Over £110m of funding from the Growing Places Fund has been allocated by the LEP for projects that support delivery of its Jobs & Growth Plan for London. It was agreed after a competitive tendering process and extensive due diligence to award £25 m to Funding London to set-up the London Co-Investment Fund. <http://www.london.gov.uk/mayor-assembly/mayor/mayoral-decisions/MD1345>
- Funding London is the trading name of SME Wholesale Finance. More information on its activities is available at [www.fundinglondon.co.uk](http://www.fundinglondon.co.uk)
- Funding London's long term mission is to support London-based small businesses that experience difficulties raising finance either due to the small amounts of investment being sought or the early stage nature of the business. Funding London delivers its mission through the design, establishment and operation of funds that are aligned with the Mayor's strategy for London. Since its establishment in 2004 by the then Mayor of London, Funding London has invested directly over £28m into nearly 400 businesses and generated more than £66m of co-investment into London's SME's via its loan and equity funds.
- Capital Enterprise is a not-for-profit association for providers of enterprise support in London. Capital Enterprise 70+ membership includes London's leading universities, incubators and accelerators. Capital Enterprise is presently leading on the delivery of a £3.8m part EU funded programme that is enabling members including UCL, Imperial, Seedcamp, Tech Stars and Startup Bootcamp to help create over 150 potentially high-growth investable start-ups each year. [www.capitalenterprise.org](http://www.capitalenterprise.org)
- Capital Enterprise also founded and runs Capital List a service that sources, vets and then introduces start-ups (predominately sourced from its members) to 20+ seed VC's and Angel syndicates. [www.capitallist.co](http://www.capitallist.co)