STUDY FOR THE SET-UP OF PAN-EUROPEAN ACCELERATOR FUND(S) FOR CREATIVE INDUSTRIES

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This report is conceived not as a research paper, but rather as a study and of the broad issues affecting the construction of a potential Creative Industries Accelerator Fund in Europe.

Neither the analysis nor the proposals are meant to cover the entirety of the different situations that are to be found in the CI landscape. These could be the objects of specific individualised research pieces. On the contrary, the elements covered in this paper are rather used as a guide for a good comprehension of the issues to be taken into account and the limitations of any public or private accelerator investment program focused exclusively on the CI sector.

The following pages cover all aspects related to the structuring, terms and conditions, funding, setting up, deal sourcing, financial performance, exits and team aspects required to launch and run an accelerator Seed-Fund. In order to deal appropriately with the above points, classical to a market venture fund cycle, this report includes the aspects related to defining the appropriate investment strategy after analysing the potential CI start-up landscape, as well as the exiting CI investor landscape. The report covers rather the technical aspects rather than the political or economic policy elements behind its formation.

The report does not intend to choose at this point for a specific fund structure, a specific investment strategy, team, etc. It consequently does not provide the detailed elements that would be an integral part of a select proposition. It intends on the contrary to guide the reader through the aspects that would need to be taken care of for each and every initiative of setting up a pan-European Accelerator Fund and Structure for Creative Industries.

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Introduction:

The Creative industries (CI) space is composed of sectors within the Creative Goods and Services. Creative Goods comprise Audio-visual, Crafts, Design, New Media, Visual and Performing Arts and increasingly Food. Creative Services include Advertising, Architecture, Culture and Leisure, Research and Development[1].

The CI space was estimated to represent 6,1% of the world economy in 2005[2], larger than the Military Expenditure or Education. In the case of Europe, the estimation was in the range of 2,6% in 2003 and employed 3,1% of the total employed population[3]. Given the strong developments and globalisation in the Performing Arts and Culture in general, Internet content and Media, among other CIs, it is a very realistic assumption that today the CI space represent a far larger percentage particularly in the USA and Europe. As a reference for this assumption, one can take just the 134% growth in exports of the CI sector during the last decade[4] reaching $646 billion in 2011[5]. Trade in Creative Services grows 70% faster than trade in Creative Goods largely due to the generalised use of internet for these transactions[6]. It is estimated today at $4,29bn and employs some 144 million people worldwide[7].

While having a sense of the activities that are covered by CI might be useful for the purpose of general understanding, and its growth over past decade an important reference point, it is however somewhat irrelevant in the case of an investment program, especially an accelerator investment program. This is because such program should exclusively focus on the best potential start-ups originated in these sectors, and it is precisely those start-ups that do not recognize the existing borders of their source activity and use both new

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1 Study for the Economy of Culture in Europe, 2006, KEA European Affairs

2 John Howkins , The Creative Economy. Allen Lane The Penguin Press, London, 2007.

3 Study for the Economy of Culture in Europe, 2006, KEA European Affairs

4 United Nations Conference on Trade and Developments (UNCTAD), period 2002-2011.

5 Oxford Economics, The Economic Impact of the Creative Industries in the Americas (2013), commissioned by the Organisation of American States, the inter-American Development Bank and the British Council.

6 United Nations Conference on Trade and Developments (UNCTAD), Creative Economy Report 2010. United Nations 2010.

7 The Orange Economy, An infinite Opportunity, Felipe Buitrago Restrepo and Iván Duque Márquez, Inter-American Development Bank

technologies, new consumer trends and market developments to propose something new and most often across several sectors.

It is noteworthy to ascertain that these sectors are undergoing a major change due to the entry of the new technologies and consumer behaviours. It enables the possibility for start-ups to challenge the existing business models, find disruptive alternatives and create new markets altogether.

Simultaneously, the public support and funding in the sector is generally being reduced due to national budget restrictions. This imposes to many CI companies the need to explore alternative ways to develop their offering, gain new sources of income and ultimately redirect their businesses.

Both trends contribute to the emergence of early stage companies and projects but also the adoption of new technologies by established cultural companies to be able to compete in those newly created or distorted markets.

The potential impact of these new companies in the shape of the CI landscape cannot be undermined, particularly in Europe, where the sector is of primary importance due to the specificity of local cultures but also and fundamentally, due to its overall impact in the economy and employment. Specific structures in support of such a nascent ecosystem seem necessary to facilitate and enhance the capacity of this part of the European economy to reach its full potential.

Executive Summary:

The goal of the accelerator fund is not to finance “any” CI company, but to finance exclusively start-ups in the CI space that have an innovative idea, a new technology or a new application for such technology, an important potential market, whose product or service is based on a identified trend, and where they have a disruptive business model and scalability. Not easy conditions to fulfil, but necessary for an equity investment in such start-ups to make sense for a financial investor. The adoption of new technologies and market models in the CI space is starting to generate an important pool of early stage companies with such potential.

The type of support required for early stage CI Companies is not fundamentally different than that required for most start-ups: Support in focusing the business idea, defining the product or service and ensure consumers want it, building a business plan and structure, etc. They do, however, require some specific treatment in as much as their founders often come from cultural backgrounds with lesser exposure to business or technology. They also require a very specific type of investor community around them to ensure that they get not just investment but an important experience contribution.

Such ecosystem does not exist today and it should be one of the goals of any CI Accelerator Program.

This report considers two distinct activities within an Accelerator Program for CIs: The Support Structure and the Investment Fund. While each could theoretically exist without the other, the report makes the case for a joint activity.

There are multiple angles to this proposal that are detailed in the following pages. Among them are the need for the support program to be strongly linked to other investors in the same space like business angels, venture capitalists and corporations in order to ensure they provide additional value to the start-ups during the support program and afterwards. Simultaneously, this report makes the case that these investors would have an interest in being involved in the investment fund prior to a formal commitment to some of the start-ups in as much as it provides an observatory point from which they can identify trends in the market and the better potential start-ups. And finally, the investment fund would require some of these investors to continue they investment and involvement in some of the start-ups in order to improve the probability of success of these companies and consequently of the Accelerator funds financial return expectations.

The critical and most difficult element of an Accelerator program would be the raising of the Investment Fund and subsequent management. The relative recent CI based start-up activity, the limited success stories available, the lack of consolidated investment teams in the CI space make it particularly challenging to raise an Accelerator Fund.

For these reasons and on the grounds of the alignment of interest that exist among different investors with the activity of an accelerator fund, the report makes the case for focusing the fund raising in less traditional sources of long term money (pension funds, insurance companies, banks) and inviting corporations, venture capital funds and business angels, alongside public institutions to take part in the fund.

Chapter I: CI Landscape

Existing CI Landscape:

The universe of the companies composing the CCI sectors covers a relatively large number of economic activities in the fields of Design; Architecture; Content Production (e.g. Computer Games); Advertising; Books & Press; Music; Film & Video; Arts & Crafts; Radio & TV; Amusement Parks & Live Scenes; Gastronomy; Leisure Activities. A Good approach to a coherent classification of the CI space is to be found in the Study of the Economy of Culture in Europe, done by KEA European Affairs in 2006.

In the above-mentioned report, we find that the majority of the CI space is constituted by small companies, employing less that 10 employees. The total number of companies was estimated around 1,4 million for the EU in 2006.

It is nevertheless noteworthy that many new CI companies, and particularly the start-up that an accelerator Fund would be financing, are often at a very embryonic stage, regularly not incorporated yet and consequently not captured by the existing statistics.

It is also necessary to recognize that while the overwhelming majority of those 1,4 million companies are working below the thresholds of a small company definition (less than 10 employees), this does not mean that they are start-ups. And even less likely, that they are the type of start-ups that could be the object of investment by an accelerator fund.

It is broadly understood that not all companies or projects are appropriate for external financing. It is also broadly understood that it is in general difficult for SMEs to access finance. But in the case of CCI SMEs, while they have similar profitability and financial health than SMEs in general, they face greater challenge when accessing finance.[8] This important market gap needs to be addressed in order to unlock the potential of these CCIs to positively impact in jobs and growth in the EU.[9]

For all companies, independently from their sector, the type of business model pursued is the main factor that conditions to a large extend the potential type of finance and potential sources of finance that would suit the company. In a broad sense, we can identify some groups of situations that point towards a certain type of financing.

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[8] Survey on Access to Finance for Cultural and creative sectors, IDEA CONSULT for the EU Commission 2013, and CKO (2012): What do the creative industries need?

[9] EU Commission 2010 Green Paper: Unlocking the potential of cultural and creative industries and subsequent EU Commission White Paper Communication 2012: promoting Cultural and creative sectors for growth and Jobs in the EU

Companies, who are able to develop a positive and recurrent cash-flow generation, are candidates for loan financing, regardless of whether its needs are for short-term credit lines or long-term loans.

Project finance loans are most often bridge-financing tools, which enable the companies to anticipate the cash flow from existing contracts based future revenues. Examples of this are the loans granted for film production, once the distribution contracts are in place and in anticipation of the time when income kicks in.

Early stage companies tend to require an equity investment in order to develop a prototype, or a final product, establish commercial channels, and promotion. This is, in order to ensure that an adequate company, product and/or market development is in place. In general, these companies do not have positive cash flow. Whether these companies are appropriate for an equity investor will be a factor of the scalability of the business model, its disruptiveness, and the potential exit market for their investment. These companies are generally speaking apt for Business angel or Venture Capital investing.

In some cases, among these companies, the revenue generation model of the company may be programmed for a much later point in time, as is often the case with some internet companies, for example Facebook, Whatsapp, etc. This model does not prevent these companies from accessing BA and VC, but they do provide a potential exit strategy for these equity investors in as much as they anticipate there will be interest by other investors to come in at a certain point in time.

There are also early stage CCIs that require investment for their development but do not entail a disruptive and strongly scalable business model. They will most likely require some type of direct public support, ideally reimbursable, as the company starts generating revenue.

Finally, those CCI companies, who are already at a more mature stage of development, who have recurrent revenues from a product range and look for financing an expansion of their business are candidates for Development Capital. And Development Capital is broadly available in Europe via Development capital funds.

The goal of the accelerator fund is not to finance “any” CI company our of such a large pool, but to finance exclusively start-ups in the CI space that have an innovative idea, a new technology or a new application for such technology, an important potential market, their product or service is based on a identified trend, they have a disruptive business model and scalability. Not easy conditions to fulfil, but necessary for an equity investment in such start-ups to make sense for a financial investor.

There is, however, strong evidence of a thriving movement of start-ups focussed in these fields and the EU country CI specific competitions are a good observatory to confirm this trend.

For example, if we take as reference the number of companies that have taken part in the national contents in Europe, which in turn send their finalist companies to the Creative Business Cup, the results show a very important activity, taking place in Europe already. The number of worldwide participating start-up is around 3.000 per year. The European part of this number is +/-63%. And this numbers must be put in perspective in as much as these are yearly competitions, which has only very recently being started and which seem to gather growing numbers of participants and candidates.

Empirical evidence gathered while analysing the 5 runner-ups and winners of the EU Country CI competitions for 2013 and 2014 show a strong array of start-ups showing excellent ideas and disruptive business models. Furthermore, many post a potential exponential scalability model – dear to the equity investors like Business Angels or Venture Capitalists and necessary for the Accelerator Fund.

This set of companies also show an interesting pattern in as much as they are originated in the CI sector but drive their innovative business model on an underlying strong market trend.

<u>Existing CI Investor landscape</u>

Today, the scale of external financiers (excluding client funding, etc.) covers FFFs (Friends, Fools and Family), Crowdfunding (Reward Based, Lending or Investing), Direct Public Schemes (grants, subsidies, reimbursable subsidies, etc.), Business Angels, Corporate Ventures, Venture Capital and Banks.

A close look a the investor landscape, which focuses today in CI sectors, requires a distinction between Public funding and support, Business Angels, Venture Capitalists doing early stage investment, Venture Capitalist doing Development investment and possibly new and growingly active sources of investment. Specifically Crowdfunding either reward based, lending or investment.

There is however a strong case for the generation and nurturing of an ecosystem of investors to go along an acceleration program for CI Start-ups.

a. Public Support Schemes:

Among the public support schemes, grants and subsidies are frequent tools in almost all cases done on a multi-sectorial basis and not specific for CIs. There is also a growing trend towards public lending schemes, again multi-sectoral, or even specific CI guarantee schemes deployed through financial intermediaries.

While Grants and Subsidies are appropriate for early stage start-ups, it is doubtful that loans (and guarantee schemes for the same reason) would work in the case of most start-ups. The majority of the companies would not be generating sufficient revenue in the early days and consequently it is unlikely that they would have the necessary positive cash-flow generation for the payment of the principal and interests. Let aside of course the most often required collateral.

There is nevertheless an array of public and private loan schemes for CIs that have emerged in the last few years[10]. Many are multi-sectoral, but there are a worth number of CI specific initiatives

[10] Tooth, J. (Angel Capital Europe) & Greater London Enterprise (GLE), Mini-Study on the Access to Finance activities of the European Creative Industry Alliance, Report to the European Commission - DG Enterprise and Industry, 2010.

A relatively large number of recent public investment funds have seen the light in recent years but most remain focussed on the Audio-visual sector, and are backed by regional governments[11]. Their investment capacity is in general very limited, with very small amounts. The value of their activity is not negligible, since they allow a first investment in many of the early stage CIs. However, they scarce funding capacity and almost inexistent capacity to make follow-on investment, often leave the early stage companies in a troublesome situation. It would be important to ensure adequate financial resources are reached and an appropriate follow-on investment policy set from the start.

It is also worth mentioning that several of these public investment funds do invest in companies that are more in a development stage, rather than early stage. The value of their investment in this case is greater in as much as they target investment tickets most often not provided by the private sector growth capital funds and in as much as these companies do not in general require further rounds of investment.

For CI companies at a more mature stage and with higher capital needs, the private growth capital funds seem to be very present is almost all EU member States and there is no scarcity of funding available, regardless of the Sector. These funds are opportunistic by nature in as much as in most cases they do not specialise in sector specific companies[12].

b. Crowdfunding:

While crowd-investing and crowd-lending remain a complex and scarce source of finance for the CIs, the reward based crowdfunding is in general terms very well positioned for the CIs. The CI products or services are most often B2C and consequently relate well to the part of the general public that invests via crowdfunding. There are numerous recent examples of companies that have successfully raised reasonable amounts.

c. Business Angels:

The activity of business angels remains as in most cases very difficult to identify at a statistical level. Empirical evidence shows, however, important and growing trend in the investment interest shown by business angels for the CI sector. Their growing participation at national CI competitions as well as at the Creative Business Cup (CBC) is a sign of this trend.

As in all other specific sectors of the start-up landscape, the business angels tend to scout for investment opportunities within their area of expertise. The fact that the CI start-ups are often in the intersection between traditional CIs and

[11] Access to Finance Study Final Report, KEA European Affairs, June 2010.
[12] Report on the EIB/EIF role in supporting Access to Finance for CCIs, Javier Echarri for the Access to Finance Working Group of ECIA (European Creative Industries Alliance), May 2014

new technology areas, make many BAs fro these technology areas join those that are more specialised in the CI sectors. The junction between these two different types of expertise is particularly helpful for the CI start-ups, both in terms of raising money and in terms of the input that they receive.

Having said this, it remains, nevertheless, a minor investment group if we compare it to the number of BAs that are identified around the IT, Web or Life Science sectors.

The investment size and personal involvement of BAs is as close as possible to that of an accelerator fund. While the accelerator may well be an earlier mover in investing in the companies the support of the BAs that the accelerator should be able to gather remains critical for the success of the start-up. We will deal with the value added proposition for the accelerator fund in a later chapter.

d. VC Early Stage:

A detailed analysis of the technical databases of the Venture Capital industry result in a negligible number of VCs focussed on the CI sectors[13]. And in the cases where there is a clear investment policy targeting CI, it appears evident that the only sectors targeted are either the digital gaming industry, or Web content. Some rare examples of Media focussed funds exist.

What seems to be a more generalised trend is that VCs structure and negotiate their fund investment strategies with their investors in a more open sectoral scope. This has the virtue of allowing the VCs to shift their investment focus as the fund matures (in general VC funds tend to have a 5 year investment period) and as the market conditions change. It also has the virtue of providing some level of investment for the CCI sectors that become “fashionable” like for example the digital gaming or the Web-based music start-ups.

The downside of this situation is the general scarcity of funding and the more passive than pro-active approach by VCs in terms of recognizing potentially very successful start-ups from less known sectors.

But as the VCs would generally invest later and larger tickets as the BAs, it would be better to focus on developing a good BA ecosystem and attracting specific VCs at a second stage. Part of the role of the accelerator fund would be to generate such ecosystem around its activities and start-ups.

e. Development Capital

A detailed analysis of the existing universe of Development Capital funds and managers in Europe provide a fundamentally different picture that for those in Early Stage.

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[13] Source: EVCA /European Private Equity and Venture Capital Association), the EU member state equivalent national associations, and the PREQIN database.

The only common element with the Early Stage environment is that there are very few specific CI focussed funds. In general terms, these specific sector Development Stage funds tend to concentrate around Film, Luxury retail, Gastronomy retail, Content production and more specifically TV content.

But in general the Growth Capital funds tend to have investment strategies that do not specifically target CIs but tend to be generalist in their choices of companies. These are called in Private Equity and Venture Capital circles Opportunistic Funds.[14]

Rather on the contrary to their own perception, they do actually often invest in CCIs without being conscious of the fact that those companies that they back belong to the broad classification of CCIs. i.e. consumer clothing, jewellery brands, engineering and architecture bureaus, restaurant chains, TV production companies, etc. Rather than a sectoral approach, these funds' criteria when deciding on each individual investment is the potential financial return they might get from those investments within an acceptable risk level for their funds as a whole. It is true that each individual fund's team expertise in specific sectors tends to influence their choices of investment. But there is no evidence of scarcity of skills in the ecosystem of European Development Capital and Low Mid-market fund managers.

In this respect, CI companies find themselves on completely equal terms in regards to investors' interest and there is no specific detected scarcity of funding.

It is important to understand that at a development stage companies tend to be already larger in terms of economic size, employment, etc. but most importantly they already have an established product, recurrent sales and a stable P&L and Balance sheet.

f. Corporations:

The presence of Corporations in the CI investment space is becoming an important trend. The corporations are nowadays seriously considering and evaluating not only market changes but also consumer behaviours and new business models. Many are perfectly aware of the need to understand these movements to avoid missing the trends that will condition their future. One appropriate way to go about this is to invest in early stage start-ups that are relevant for the specific Corporate.

There are numerous advantages to this investment: Early-stage start-ups benefit from the strong research capacity, market testing, advice and executive feedback provided by the corporation.

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[14] Source: EVCA /European Private Equity and Venture Capital Association), the EU member state equivalent national associations, and the PREQIN database.

Once again, it should be part of the goals of the Accelerator structure to liaise strong links with these corporations.

CHAPTER II: The Pan European CI Accelerator

Support Structure

Specific support for early stage CI companies to thrive is to a large extent non-existent as seen above. While there are support schemes for cultural activities and companies in all EU Member States, this support is very general and mostly aims at more traditional companies.

But the type of support required for early stage CI Companies is of a very different nature: Support in focusing the business idea, ensuring the product or technology does not already exist or that it brings a differentially better value for the price required; ensuring the product is something consumers want and are ready to pay for, establishing a business case and a business plan, setting up a business structure; polishing company and product websites for the potential client to quickly understand the proposal and product; etc. Even supporting the process until a long-term plan for the company is set.

The ICT, LifeScience or Cleantech sectors have developed over the years country or regional ecosystems in Europe. These allow the early stage companies to access a reference group, learn about competition and the latest trends, and in most cases, the best companies do also access accelerator and incubator structures, where to grow, fine tune their products and business models, be exposed to successful entrepreneurs in their own fields, and most importantly be exposed to potential investors. Additionally, there are already an important number of those structures, which also finance the companies that are selected to take part in their promotions.

The specific complexities, different markets and broad scope, require adapted support structures to the CI Start-up sector.

While there are initiatives that try to focus on specific CI sectors and provide some type of framework, but none supply all necessary aspects expected from a full-fledged CI accelerator Program.

The very bottom of a potential support pyramid seems to be timidly getting in place. This is constituted by the CCI start-up specific competitions in most member states, which in turn present their best companies to the Creative Business Cup in Copenhagen. But this is somehow only one element of the bottom of the pyramid in terms of creating a momentum for the early stage companies in these sectors, and gathering interest from public and private supporters, investors and the general public. Some modest activity is to be recognized in several member states in terms of support organisations around or close to these events, like incubators for example.

There are some fundamental elements for that situation. On one hand, the very broad scope of the CCI space makes it particularly difficult to pretend to cover all areas in a sufficiently valuable manner. On the other hand, the broad sector is to a large extent dominated by traditional forms of business, where the existence of start-ups with disruptive business models is still incipient. The music industry for example has seen some very interesting breakthroughs with companies like Spotify or SoundCloud, which has disrupted the existing markets.

However, there has not yet been a strong trend in any subsector, sufficiently strong to prompt a spontaneous generation of such ecosystem.

The exception to this statement is possibly the digital gaming industry, which has generated particularly in Europe a number of cluster type of environments and which in turn have attracted investors and support organisations alike. There are possibly some lessons to be learned from this case.

Sector specificities, incipient start-up generation in the CI space, difficulties to assess the potential of a new venture, shortage of investor appetite and lack of CI focussed investors are a very strong combination that make the case for the need of an Accelerator type support structure and CI Early Seed-stage Fund.

The CI early stage companies will not succeed without investment and very few will be able to access investment without appropriate guidance, support, network and seed investment.

Attracting and sustaining a network of investors among public institutions, corporate venturers, business angels and venture capitalist, who share an interest and a vision for the CI Early Stage space is of outmost importance for the promising early Stage CI companies.

An acceleration program should ideally take place one or several times per year, with a number of start-ups participating simultaneously, gathered in a single location per program, and with a total duration of several weeks to some 3-4 months. An appropriate and CI early stage specific support structure should have the following components:

a. A strong pipeline:

A key element in any policy oriented towards enhancing and financing the better potential CI early stage companies would have to ensure it has a very good knowledge of the underlying company landscape, covering all subsectors within the CI and capturing the early stage start-up with best potential.

While most existing accelerators do focus on a single or just a few subsectors of the technology space, a CI accelerator would have to make a decision in terms of the quality of access it has to (a) certain segment(s) and the need for a sufficiently large universe of potential companies in order to be able to select those with the best potential. May subsectors of the CCI do not necessarily have attained a sufficient depth and the pool of companies may prove too limited for an Accelerator.

The need to ensure a sufficiently large universe of potential companies may well be an important element in deciding for a multi-country focussed accelerator activity, while the remaining focussed in terms of sub-sectors. An element that comes into consideration in this case is the cultural differences between the different countries, which may impact on the capacity to implement a multi-country strategy.

The alternative being a single country Accelerator but based on the full CCI spectrum. Here the opposite is to be taken into account: Whether the specificities of each of the individual CCI subsectors allow a single accelerator to provide quality advice and support to each of them if limited to a single country.

b. A selection panel:

Taking part in the accelerator program is meant to be reserved for the very best and highest potential early stage companies. Regardless of the virtues and positive cultural impact many of the potential candidates propose, the selection process has to identify the most investable companies, on the grounds of their innovative business models, their capacity to disrupt existing business models, the quality and drive of their founders, and the scalability of the company after investment.

There are, however, other elements, independent form the company's virtues that must be taken into account. These include the potential evolution and size of the target market, the existence or not of potential competition, whether direct or indirect, the necessary time to market for the proposed product, and the existence or not of potential investors and an exit route for these investors via a sale of their share to the following level investor, be it a large corporation, a competitor or even the stock exchange.

c. A mentoring support with permanent and optional mentors.

This structure should provide 2 different values to the participating start-ups.

The first is to help them working on their concept. Helping them in defining what the product is and whether there are potential consumers for this product or product ranges. Evaluating whether it is a differential value proposal for the potential consumers and whether there is a paying market for it.

This element, as it gets settled should be followed by work oriented toward establishing a model for the company itself, the structure it should take as it follows its growth stages and having honest conversations about the quality and capacities of its founders.

The establishment of the company should ideally also be supported via a network of advisors in the chosen country of incorporation of the Start-up and the advice of the mentors in terms of the key elements that avoid future complexities and facilitate the evolution and growth of the company and the incorporation of investors.

While broad parts of these tasks can be performed by knowledgeable individuals permanently linked to the accelerator, it is very likely that specific CCI subsector require specialist help. The accelerator should be in condition to attract individuals, who can provide this support to the companies and devote a certain amount of time to them. These individuals should most likely be at hand to support the permanent mentors in assessing market potential of specific products and services and providing a view on the evolution of certain markets. Ideally, this support should be granted to the accelerator before making a decision on the start-ups that are offered the program and following that decision, to the companies themselves.

Ultimately, the mentors should also be in a condition to evaluate the involvement of potential investors and the consequences of accepting some of them versus others. And in any case, they should help ensure the start-up does not see itself imposed too investor-friendly terms at the time of signing the investment agreements.

d. A master-class program including first hand personal interaction with the speakers.

Most successful accelerators propose regular and frequent speeches by relevant people in the sectors they cover who tend to provide sufficient time for Q&A sessions and one to one interaction with the start-ups. The capacity to attract this type of individuals is the key to the success of the program, since not only it is a label of quality of the program and the companies selected but it also attracts investors' attention.

e. A group dynamic

There is a clear element that stands out in the perception of the start-ups that have taken part in accelerator programs and it is the fact that they are integrated in a group of similar minded individuals. This group supports the entrepreneurs with ideas and acts as sounding wall, often help with services and knowledge to solve problems and ultimately become a strong network for the rest of the life of the company and its founders.

The impact of this group dynamic is a key to the success of the Start-ups in as much as it generates a creative environment, very productive in terms of ideas and execution. There is an important positive difference in the results obtained by groups that actually spend the program-time together versus those that take part from their own locations and only get together for specific events.

This element clearly advocates for a single location group dynamic to be established for the duration of each acceleration program. And on the same grounds, it advocates for these acceleration programs to take place on a pan-European basis, allowing the participating start-up to benefit from cultural differences that in turn will help streamline their offerings to a broader public, and an international network of mentors, investors, and work partners.

f. A network of large companies in relevant sectors

The involvement or large corporations in the activities of an accelerator is a welcome plus for the Start-ups. The capacity to test technologies, product and services, use their client base for small or large markets tests as the proposal matures, and the capacity to learn about the market structure from the management of these corporations is a very strong plus for the start-ups. In some cases, the corporations may become a first client for the company or even a reference investor.

g. A network of formal investors focussed on CI early stage

One of the most relevant and important positive contributions of an accelerator is to put in contact the start-ups taking part in their programs with relevant quality investors. These may range from corporations, business angels, venture capitalists, public institutions or even crowdfunding platforms and the more recent investor clubs. The key element here is to provide a reputation for good start-ups selection, ensure investors play a fair game with the start-ups, and above all, ensuring the CCI specific investors in Europe have a platform where to look at potential investments, exchange views, provide feed-back to the start-ups and ultimately generate a momentum about investing in CI Start-ups.

At this stage of early development of the CI innovative businesses, it is paramount that the accelerator itself is a cornerstone in generating interest in the sector among investors. Early successes among the start-ups taking part in the programs would be key to this success.

h. An investment Fund

This point will be the object of the following chapter.

An Accelerator Fund

The following chapter intends to give an overview of the necessary elements that must be in place in order to set up an accelerator investment fund. Within the existing market conditions at the date of publication of this report, a number of elements have been considered as essential. Should the market evolve, amendments to some or all elements may be necessary.

The reason behind this approach is that given the current market structure and the very limited investment activity in early stage CIs, together with the specificities of the different sub-sectors, several accelerators might a better option than a single pan-European accelerator. The specific angle that each of these accelerators would decide to take, would in turn require an in-depth analysis and definition for each of the elements described in regards to the geographical markets covered, or the specific subsectors or a combination of both.

a. Does it make sense to have an Accelerator Fund?

The question of whether there is a need for a seed-fund alongside a support structure, is important and deserves some realistic considerations.

i. Costs Associated with the Acceleration Program itself:

In general terms, the experience gained from the existing Accelerator programs around the globe show that to the largest part, the money raised from an Accelerator Fund tends to finance the expenses associated to the company's participation in the Acceleration Program.

An Acceleration Program would require the start-ups to take part in a camp-type course for a number of weeks or months. The company founders (most often this means the entirety of the work-force) would be working in the development of the company during that period, but most likely this would be done from a specific location, rather than their own hometown. The rationale for this is past experience of several accelerators in the USA, that show distinctively better results from those companies being concentrated in single location rather than participating from distance. This means costs for the company that in many cases they cannot afford.

Additionally, the development of the CI companies, in spite of the current trend towards lean, often require material, equipment, IT infrastructures, etc. It is very often the case that CI start-ups due to their very nature tend to require more physical elements to work with as compared to their ICT counterparts. To some extent this may be equivalent to the situation experienced by life-science companies or clean-tech companies.

And alongside the above, Start-ups would ideally need to pay their founders a modest income while launching the company.

ii. The positive effect on other investors:

A key consideration to the need or not of a seed fund is whether it would give a positive sign to other investors. Evidence from existing accelerator organisation in the USA and Europe clearly show this is the case, and it has several elements that impact this appreciation.

The positive reputation of the accelerator structure and the investors in the seed-fund are paramount to the attractiveness of the companies already financed by the Accelerator vis a vis other investors. Often the Accelerators are set up for successful early stage entrepreneurs, who are investing their time and money to set up such structures. These structures tend to be focussed on the same spaces as their own original companies. Their differential value added in such sectors makes the case for this setting, but also because they often do call upon investors in their own former companies and for whom they generated an important gain. The trust already exists and this is a cornerstone in setting up the accelerator structures and funds.

Once the structure is set up, the visibility the Acceleration Program raises for its participants is very important. The very activities organized to introduce their portfolio companies to investors, organising frequent presentations by successful entrepreneurs and investors but also large corporations, and networking events, benefit participants and simultaneously generate visibility and interest among the necessary stakeholders.

iii. Why is an Accelerator Fund better suited for these companies than a VC Fund?

There are some more technical considerations to take into account when considering this aspect.

Most VCs would avoid too early stages:

If a large Venture Fund would enter into a company at a very early stage, and even if the company is very successful ultimately, it would disrupt the economics of the fund. A small investment of, let say 1 million out of a 100 million VC fund, even when it would have an extremely good success of let say 20 times the money, would produce a 20% return of the original capital of the fund, and just about 8% of the expected return goal for the fund (goal of some 2,5 times the money over a 10 year period). This means the fund would have to spot at least 13 extremely successful companies for the investment logic to make sense. This is very unlikely for the standards of any venture fund or early stage investor, who in general would be very happy if spotting 2 very successful companies out of a pool of 15-20.

This space would then be reserved for seed-financing VC fund of a size possibly not larger then €30-50 million. The good news is that there is a certain number of these to be found in most EU member states. The bad news is that they are not many and they are in general not focussed on CIs but rather generalists.

The pitfalls of the composition of the early investors in a company:

There is the downside of VCs deciding not to re-up in the company at the next round. Should a VC fund invest in an early round of investment in a company but decide not to follow-on the next round, it would give a strong bad signal to the market about the company. The reasons may be completely independent from the company. For example that the fund has finalised its investment period, or that the metrics of the investment do not allow the fund to continue putting additional capital in the company. But the impact on the company can be devastating and prevent it from raising money from other sources. That is why it is often advisable that the seed funding comes from other sources and not formal VC funds. Even if the vehicle is managed by the same management company that leads the VC fund, it should nevertheless be a separate entity in terms of market perception.

Accepting VC money too early can be an issue:

The VCs may want to invest under the logic of ensuring access to good companies at the time when these companies reach a certain size and valuation. But the reality is that while on the one hand it exposes the company to the above-mentioned pitfall. In the case of no re-up, and on the other hand, it does not guarantee the VC fund a complete access. This is simply because any company would certainly favour a large very well established and recognized VC fund that would want to invest at a later stage, rather than grant investment rights to an existing small VC investor. This is simply on the grounds that the network, connections and visibility provided are not the same. The true is that a good proposal from a large VC fund would always take priority and, therefore, the VCs normally would not want to commit too early.

That is precisely why it could be interesting for VC funds to be investors in the CBC Fund. It would give them access to the deals without getting tagged while still allowing them early negotiation of the A round terms.

The conclusions of the points described above, advocate for an Accelerator structure that encompasses both the Support structure and the Investment Fund. And this fund as a vehicle that is distinct from the other potential investors in the companies the accelerator backs. These investors could in turn be investors in the distinct seed fund.

b. Investment Strategy:

i. Number of Deals and Ticket Sizes:

It is one of the key elements in the financial success of the fund and consequently in the capacity of the fund managers to be able to raise a successor fund to keep investing in early stage CCIs.

Most accelerator funds tend to invest relatively small amounts of money in relatively large number of very early stage companies in exchange of a certain percentage of the equity.

Different accelerators should evaluate their selection, advise and mentoring capacity when deciding on the number of companies they accept in each program, they should also consider the financial capacity of their fund. The number of companies in general tend to be somewhere between 10 and 30 companies per batch/program.

The amounts invested by the accelerators range somewhere from €20.000 to €100.000 in exchange of 2 to 8% of the equity of the company. Some accelerators do not invest money in the companies and do not manage a fund, but still require a certain equity percentage in exchange of the program provided to the Start-ups. There is no formal rule for this element, nor for the relationship between the actual money and the percentage of equity required, other than the valuation of the company that is considered appropriate at this very early stage of development and the quality of the services provided.

An investment in such early stage, companies would have extremely limited chances of success, unless it is accompanied by a formal support structure. It is very rare that founders of early stage companies have not only the idea of a product but also the skills, market network, market anticipation, and investor access capacity. Without the above mentioned, chances for a start-up company are severely reduced to close to zero. That is why it is strongly advisable to condition the participation in the acceleration programs to the investment of equity.

Even in the situation where only the companies selected to take part in the acceleration program would be invested by the fund, the failure ratio remains particularly high. There is plenty of research available on the topic with slightly differing results. But the common conclusion of all of them is that a seed investment program would generally only see a very small percentage of the companies reach financial success for its investors. This proportion can be anywhere between 3 to 10 out of 100 investments.

This report strongly suggests linking the initial investment to the right to invest additional money at a later round(s), once the company has raised interest from business angels or venture capital firms. This follow-on investment should be done at a certain discount on valuation agreed with investors. The low success ratio is maintained, but the additional investment in those companies most likely to reach success, has an important financial impact in the total return of the fund.

With these parameters in mind, it is important for an accelerator fund to take a very thorough approach in company selection and in the quality of the program proposed.

ii. Target Company selection strategy:

Given the very low success ratio of any seed investment program, a very particular attention should be paid to the selection of the companies that take part in acceleration programs and consequently receive investment.

While some CCI subsectors have managed to generate some level of ecosystem around their activity (Film, digital gaming, web-music) for the majority of the CCI space, access to the best companies is not necessarily an easy task and should be considered carefully. The existence of sufficiently broad market reach coupled with a structured filtering mechanism seems to be key elements in ensuring selection quality.

For those potential accelerators having made sure that they can access a broad enough early stage CCIs, establishing a selection process is paramount. This process should evaluate for each company:

- The disruptiveness of the product/service proposed,
- The non-existence of same technology or product, or alternatively where the technology exists, that the proposal is comparably better.
- The size of the potential target market
- The scalability of the business
- The execution capacity of the founders, their energy and drive

Ultimately, it is often said that this is a people's business and that those who have the drive and skills offer a better success probability that teams with a better product but a lesser personal capacity. It remains nevertheless true that without a thorough analysis of the market conditions and the potential of the product, the founders' capacity is not at all the unique element that would bring success.

iii. Exit Strategy

An investment fund in early stage companies is meant to finance the growth of such companies and exit its investment once a certain value has been generated. This gain in value is drawn from the growth of the company, its market success, etc. But for the investor fund, the value is materialized once its shares in the company are sold at a higher price than invested, reaching a certain multiple on invested capital and a certain yearly return. In other words, the funds invest for a capital gain and not for a yearly dividend.

This fundamental element is often misunderstood. A few elements may be helpful to understand the dynamics that such investment mechanism implies:

For the fund to succeed, there needs to be an exit. A company that creates a new product or service and after a number of years is still in the market is good for the economy, for its employees, and for its clients. While it is a necessary condition it is not a sufficient condition for the investment fun to produce a positive return.

An investment fund exits a company when:
- the company is sold to another company or to anonymous investors via listing on a stock exchange
- the shares of the fund are sold to another investor
- the shares of the fund are sold to the founders of the company
- the company goes bankrupt

It is because of this reason that an investment fund will always try to understand the potential exit strategy before making a commitment to a new company. In the case of CI early stage companies, this element is not any different than that expected for any early company. In some cases it might be more complicated to understand the potential acquirer in the case of a take over by a corporation.

iv. Value Added Strategy

A regular Early Stage fund would ensure that they could add value to the companies in many different ways. An important time dedication is scheduled by one of the partners in the fund. The unwritten rule speaks of a day per week during the whole life of the investment, and this is made possible on the ground that the fund would invest in some 10 to 15 companies.

In the case of an Accelerator model, the mechanisms are different. A very important dedication is scheduled for each of the companies during their "camp" weeks in which different mentors with different skills devote their time and work to specific aspect in the company development. These aspects have been dealt with earlier in this report.

However, once the camp weeks are finalised, the input is less frequent and in most cases is limited to the network provided and specific mentoring hours. Since the Accelerator fund would be an investor in those firms at this stage, it is important to figure out whether the Accelerator continues functioning as a regular VC fund or not. The answer is negative. It is simply unrealistic to pretend such dedication to a large number of start-ups as an Accelerator program would entail.

This report argues that it is important to ensure a mechanism by means of which the Accelerator Fund would hand over this dedication to the Business Angels or VC fund that would later invest in the companies. A possible mechanism is to limit the follow-on investments by the Accelerator Fund to only those graduated start-ups that see investment from relevant Business Angels or Venture Funds.

The combination of these two stages in the investment cycle per company allow for a strong hands-on approach by the relevant investors. It also facilitates the functioning of the Accelerator Fund and Support Mechanism on a Pan-European basis, while allowing for the setting of CI sub-sector specific camps.

v. Fund Returns and Financial Modelling

While the fundamentals are no different than any other early stage invest accelerator fund, the CI space poses a complex challenge to its investors.

One element of this challenge is to visualize the possibility of an exit, as described above, and the potential valuations at which such exit could happen if the company is successful it building its business model and gaining value and traction.

The other element of this additional complexity, is whether the number of years necessary for the company to reach this successful development and ultimately sale.

These two elements, alongside the number of first round investments and follow-on investments expected in a fund and their sizes condition the financial profitability of the fund itself.

The costs associated with managing the fund are to be taken into account as well. Market terms tend to indicated that a minimum of an annual 2% on the total size of the fund is required for small funds to be able to employ the appropriate investment professionals, scout and select the investments, work to help them grow and develop, as well as help with the potential exit.

A number of simulations can be performed to assess the complexities associated with these parameters and the impact of deviations – more the rue than the exception in early stage investing – in the expected return of the fund.

Without entering the technicalities associated with these models, it is nevertheless clear that the investment strategy of the fund and the company selection will be heavily conditioned by the financial return expectations.

c. Fund Type and Structure

Although throughout this report we speak about an investment fund, there is no specific structure, which would favour a better success ratio in early-stage companies nor in the financial returns of the vehicle. The investment vehicle can very well be established as a close-ended fund, very much in the style of the regular VC funds, or an evergreen fund, an investment company structure or a foundation, for example.

To a large extend it tends to be the legal, regulatory and fiscal considerations of the country or countries involved that condition what can be done or not.

There is however a decision to be made in terms of whether the structure is closed-ended or open-ended.

i. Closed ended funds:

Closed ended fund are generally 10 year-life funds, in which the investment period covers the first 5 of them. The money is invested in each company in a completely separate account basis. That is, as the investments mature and some stakes in the companies are sold, the product of the sale is returned to the investors of the fund. It is not reinvested in new companies nor it is invested in reinforcing existing investments. Each investment in independent and there is a complete separation of assets and liabilities.

Each investment tends to take 4 to 9 years to mature and succeed in getting an exit for the fund's investment. While in general, these funds' life can be extended by 1 or 2 years, it seems likely that in the specific case of CI companies some of the investments may require more than those 4 to 9 years maturity.

It is also necessary to consider that for a permanent accelerator program, which would launch 1, 2 or 3 batches of programs per year, it would be necessary to raise an additional fund every 4-5 years in order to ensure investment capacity. The success of the past investment might be difficult to demonstrate in the first years and therefore may make it difficult to raise the follower fund.

The funds success is easily measured both during the life of the fund based on the returned cash and the valuations of the remaining underlying assets (participations in the early stage companies) and later at liquidation, once all companies invested-in have been sold.

ii. Open ended funds:

These funds do not transfer to the investors in the fund the proceeds of the sale of the stakes in the companies they invest in. The proceeds are partially used to invest in new companies and to a lesser extend to finance the management costs of the fund.

The success of the fund is measured exclusively in terms of net asset value growth of the entirety of the underlying assets.

This model may be very convenient for a pool of companies that do require longer maturity years that those entitled by the close-ended funds. But it is an “uncomfortable” model for the investors in as much as should they need liquidity at some point, they can only manage it by finding a buyer for their positions in the fund. Such secondary market is hardly existent in the case of early stage investment funds. The very low visibility of the CI landscape in the investment fund industry makes this secondary sale very difficult to accomplish. In other words, the investor may well find himself captive in a fund that he/she no longer wants to hold.

For the above reasons, this type of open-ended vehicle is better suited for public investors who might have an allocation to invest in early stage CIs and who do not expect a liquid return, but rather an increase in value of the investment and consequently an increased investment capacity of the fund.

iii. Investment Company structures:

The legal formulation of the investment pool is most often conditioned by legal, fiscal and/or regulatory restrictions or constrains.

The functioning of the investment company can mirror either that of a close-ended fund or that of an open-ended fund. Such choice tends to be described in the articles of association of the company. In all other respects, the vehicle has the same considerations to be taken into account as described in this report.

iv. Foundations:

The case of a foundation stems form the origin of the money invested and fiscal, regulatory and legal conditions.

In general terms it tends to function as an open-ended vehicle described above and it does not condition the impact on the invested companies. It does however tend to entail a focussed investment strategy with the possibility of longer maturity periods for the investments. The returns are not necessarily or exclusively financial.

d. Terms and Conditions

This is the name traditionally used to list the key elements that mark the financial conditions associated with the fund as well as the key terminology used in the fun raising and fund establishment documentation.

The following elements are not the entirety of terms and conditions used by the investment funds, but rather a selection of the most relevant ones. The explanation given is not meant to be a legal terminology as used in fund documentation, but rather the author's attempt to explain the concepts.

The other vehicles described above would see a slight variation of these terms on the grounds of their specificities.

Duration and investment period: In the case of the close-ended funds, it tends to be a total life of 10 years, extendable by another 2 additional years with the consent of the investors. The investment period tends to be 5 years. After the investment period, only the amounts engaged in follow-on investments in the deals already done will be allowed.

Closings: The fund is formally established once a certain proportion of its total target size is reached. This tends to be around half of its final expected size. From that moment onwards the fund can start investing. The investments made should encourage other investors to enter the fund. As they do, other closings are established. These later investors pay a penalty to the earlier investors, in as much as those have taken additional risk and have provided the funding for the first investments.

Capital calls: The investors commit a certain amount of money to the fund, but they only disburse that money as the new investments are made. The fund managers will progressively call capital in order to make such investments.

Management Fee: Usually at a level of and annual 2% of the funds-size during the investment period and of the remaining assets valued at cost of investment thereafter. It is meant to cover the costs of running the fund, renting offices, paying salaries, etc.

Hurdle rate: Rate of return to the investors in the fund, net of all costs that needs to be achieved before the fund managers are entitled to the carried interest. The market standard is 8% and there is very little variation across funds in any jurisdiction or strategy. It is meant to recognize the risk premium that the investors are incurring when investing in VC funds.

Carried interest: A proportion of the total net return to the investors that the management of the fund is entitled to keep once the investors have reached the hurdle rate. Market standard tends to be 20% although important variations are observed.

Establishment costs: Costs associated with the establishment of the fund (legal fees, registry fees, etc.) and paid by the fund as soon as it is constituted and a first capital call has taken place.

Distributions: Money returned to the investors as the fund exits its investments in the companies as they are sold. The fund cannot retain this money for further investments in the case of close-ended funds.

e. Fund Team

The investment in an early stage fund happens exclusively on the grounds of the investment strategy proposed and the credibility and quality of the management team of the fund. Investors commit to a fund without previously knowing in which specific companies such fund will be invested-in. This is called a blind-pool investment. Because of such uncertainty alongside the risk involved in early stage investing, the requirements imposed on the management team and the expected qualities are very important.

In general, investors would back teams that have proven early stage investment experience, demonstrated by an identified and verifiable track record. Investors would expect that the team be also specialised in the specific type of companies that the fund will invest in and have the capacity to help make them grow. They would also expect the team to have worked together as a team in similar investment funds beforehand.

All these conditions are extremely difficult to fulfil in the case of CI early stage investing. Firstly, because historically there has only been a very modest level of investment activity in early stage CIs. And secondly, because there are hardly any professionals who can simultaneously demonstrate early stage investment experience, CI experience and having worked together and all this with positive and demonstrable results.

One of the most challenging aspects of setting-up CI early stage funds and an accelerator fund is precisely to gather a team that can demonstrate that if not all the conditions are met in a perfect manner, all of them are met in some way and that the team can make those professional skills work for the benefit of the investor.

f. Fund Raising activity

Raising the necessary funding to set up an accelerator fund is the ultimate test that would demonstrate if the mix of fund investment strategy, team composition, and interest in the underlying CI sectors is strong enough.

i. Fund Raising expected timeframe:

The fund raising activity may well take between 18 and 24 months. It is an exhausting process during which most potential investor are met in different meeting rounds and where the team will have to try to convince them about the positive investment prospects and well structured strategy.

ii. Fund raising resources:

It is also a period during which the management team would have to rely on their savings in the case of first time funds, to finance not only their living but also all the expenses associated to the fund raising (travelling, documentation, secretariat, legal fees, etc.). For the successor funds, the management fees drawn from the earlier fund would entitle this fund raising activity without revenue disruption for management.

There is a case for possibly devoting public money to the formation of and first fund raising by teams. The complexity and the additional hurdles that need to be overcome in the case of a CI Accelerator Fund would justify such support.

iii. Fund raising documentation:

In general, the fund raising activity is organized in rounds of investor proposals. Initially, investor interest is gathered via a information document, often called a teaser, in which the key elements of the fund strategy, team and financial return prospects are detailed and defended.

It is followed by a Private Placement Memorandum, specific for raising funds among professional institutional investors, not private individuals, in which all the details of the fund are laid out and explained, as well as all terms and conditions.

Through rounds of meetings, some terms and conditions are negotiated in a specific manner to suit the group of investors that have shown interest. Once this process is concluded, the fund would be established through a first closing, a first capital call made, and the fund can start investing in select companies.

Further rounds of closings will take place until the fund reaches its total fund size.

iv. Investor types:

The traditional investors in early stage funds tend to be pension funds, insurance companies, the public sector, family offices, and more rarely banks. The lesser profile raised by the CI sector, alongside its complexity, would surely not facilitate approaching such investors. The author would expect that the strength of the team and the network they bring would be paramount in bringing investors to consider the CI space. A strong support by the public sector as early adopter investors in the fund would be necessary too in most cases.

The author also recommends considering the possibility of involving Venture Funds as investors in the Accelerator Fund. While this is not a generalized practice, it does nevertheless allow these funds to keep an eye on the market trends and incipient companies before they eventually reach the development and size required for their regular funds to invest in them.

For similar reasons, the author would recommend to approach Corporations that are operating in the underlying relevant CI sectors. It allows them to monitor the markets and trends as described earlier in this report, without having to take the full risk of making company investments on their own.

Business Angels could constitute the core of the investors in a fund. While normally, they would tend to invest directly in the companies, a smaller contribution to the fund would entitle them to monitor a larger set of companies, decide to co-invest in those that they prefer and in any case contribute their time, networks and experience to those companies.

Conclusions:

The development of CI companies in recent years into new products and services and business models, has been facilitated by the adoption of new technologies and new consumer behaviours. The CIs themselves drive changes to these consumer behaviours and create new markets with their activity. This capacity is precisely what makes the case for investment in this mostly untapped space.

For these companies to be investment ready, there is often a substantial amount of guidance required. This guidance and a first investment is what drive any accelerator program, regardless of the sectors.

The CI space is no different to these fundamentals and shows an even greater need for such support. Its early stage companies are often promoted and funded by individuals, whose professional origin is to be found most often in the cultural and creative sectors rather than in the business or technology sectors. Supporting and mentoring them towards successful growth of their companies is a welcome goal from the perspective of public policy.

This report makes the case for Accelerator programs that include both the Support Structure and the Investment Funds. The technical elements imbedded in early stage investment advocate for such complete support and investment mechanisms.

Setting up an appropriate Support Structure seems reasonably feasible and a pan-European structure is clearly preferred. The big difference in quality separating one structure from another would be the quality of the teams involved, and company selection processes.

The report also advocates for a pan-European conception to be followed, in as much as the value added proposition for the companies is far better, and the capacity to attract relevant investors like Business Angels and Venture Funds enhanced.

The report however highlights the very important difficulties that the raising of a CI specific accelerator fund implies. Constructing a team that would encompass all the necessary skills, alongside the relevant experience, capacity to select the best companies, capacity to support them via the Support Structure and that would present a robust investment strategy, would not be easy. And all the above would be necessary to convince investors about the investment proposal.

The report recommends including alongside the traditional fund investors for an accelerator fund, Corporations, Venture Capital Funds, the Public Sector and Business Angels. Their affinity to the specific sectors, their vested interest in monitoring trends and companies and their capacity to positively help the companies are all strong arguments in their favour.