

Conclusions

Usaldusfond Trind Ventures Fund II

INVEU-ICR-0022-2022 – RID & SME window

Short description of the financing or investment operation and its objectives

Name of the promoter or financial intermediary	Usaldusfond Trind Ventures Fund II
Countr(ies) of implementation	Baltics (Estonia, Latvia, Lithuania) and Finland
Implementing partner	EIF

The Fund is expected to contribute in particular to the development of SMEs deploying innovative services in the areas of B2C and B2B focused business models, using emerging digital technologies, including not limited to technologies for the connection and exchange of data with other devices and systems, financial technologies, software enhancing digitalisation etc.

The operation is in line with the InvestEU objective to develop, deploy and scale-up digital technologies and services, and the InvestEU objective of financial support to entities employing up to 499 employees, with a particular focus on SMEs and small mid-cap companies.

Global Assessment and rationale for approval

The Investment Committee approved the coverage of the EU guarantee on 12 May 2022 for the above-mentioned operation.

The operation addresses the market failures of information asymmetries, in particular in case of SMEs and small mid-cap companies, including higher risk levels related to early stage firms, by targeting research and innovation policy priorities in moderate and emerging innovator countries and dedicating more than 50% of the operation to vulnerable/constrained segments of the SME ecosystem, i.e. mainly startups.

Furthermore, the operation addresses the market failure of exposure to higher levels of risks in certain sectors, countries or regions beyond levels that private financial actors are able or willing to accept, including where the investment would not have been undertaken or would not have been undertaken to the same extent because of its novelty or because of risks associated with innovation or unproven technology.

Whilst the Baltic ecosystem matures further, there is still a limited number of seed investors in the market. Business angels will remain important to identify and foster the earliest stage of businesses, where the Fund manager will continue to play an important role as one of the links between business angels and institutional investing. The graduation rate from business angels to institutional fund managers remains limited, whereas the link between both form the backbone of a startup ecosystem. At the same time, the Fund will take a higher financial

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exposure to the startup companies, thereby shouldering financial risks that individual business angels and family offices could not or would not want to take (alone), but which is necessary to scale the underlying business.

The investment will provide additionality by providing support in a form of equity, which in turn will allow the Fund to promote equity and quasi-equity investments at the level of each underlying portfolio company and provide the Baltic start-up ecosystem with the necessary support enabling further build-up of the local institutional venture capital landscape. Whereas the Baltic has developed positive dynamics over the recent past, business angels and business angel communities will remain important to identify and foster the earliest stages of businesses, where the Fund manager will continue to play an important role as one of the links between business angels and institutional investing.

The implementing partner's support will significantly crowd in additional private or public financing and is complementary to other private and commercial sources, as a result of the signalling effect of the support from the InvestEU Fund.

In addition, the investment will provide support through financial products not available or not offered to a sufficient level in the targeted countries or regions due to missing, underdeveloped or incomplete markets. The Fund will pursue investments, inter alia, in two countries classified as MEIC, i.e. Latvia and Lithuania. The Fund also generates deal flow from the Central and Eastern Europe.

The Investment Committee acknowledged the Fund's significant exposure to local business angel networks, high-net-worth individuals and founders due to the prominent roles played by the Fund's partners in the local ecosystems.