

PROJECT SUMMARY

IMPACT INVESTING FUND FOR TECH-DRIVEN SOCIAL ENTERPRISES (RG-Q0040/ RG-T3013)

An emerging cadre of socially conscious and dynamic entrepreneurs is increasingly focusing on solving big pressing societal problems that affect a significant part of the population, leveraging the power of technology. These are tech-driven social enterprises that pursue both financial and social returns, by developing commercially viable and rapidly scalable models that also generate a positive impact in underserved populations and the environment. Despite positive trends in the region towards tech-driven social enterprises and impact investing, entrepreneurs continue to face a key hurdle to starting and growing their companies: lack of continuation in funding after initial seed rounds.

In March 2016, the Impact Investment Task Force for Argentina, Paraguay, and Uruguay [“Target Countries”] was created as part of an effort led by Acrux Partners, an impact investment advisory firm. One of the goals set by this Task Force was the creation of an Impact Investment Fund for the Target Countries. The MIF, a key partner in the promotion of this initiative, launched a competitive process to select the Fund Manager. A selection committee composed of independent experts on impact investing from Argentina, Uruguay and the United Kingdom, as well MIF representatives, analyzed the 15 proposals received from fund managers and selected two finalists for a full due diligence process. After conducting the due diligence with both finalists in February 2017, the committee unanimously selected NXTP, a management firm based in Argentina but with regional reach.

The Impact Investing Fund for Tech-driven Social Enterprises’ target capitalization is USD 120 MM, focused on Latin American tech-driven social enterprises, but with a set allocation between USD 30-50 MM to go to the Target Countries, depending on the Fund’s final capitalization. The Fund will invest in up to 32 tech-driven social enterprises that are operating in technology verticals that are attractive for the region, and combine both social impact and commercial returns: FinTech, AgTech, EdTech, CleanTech, Marketplace, SaaS for SMEs, Collaborative Economy, Disruptive technologies, among others. Investments will range between USD 500,000 and USD 5 MM. This Fund builds on NXTP Fund I¹, a USD 38.5 MM fund that has been actively investing in technology companies in Latin America for the past five years. So far, it has invested in 183 companies and successfully exited 12 investments (exit multiples ranged from 1.3x to 60x invested capital). Fund I’s current performance multiple (TVPI) is 1.8x.

It is relevant to note that although NXTP started as a traditional Seed/VC Fund with an acceleration program, they realized that many of their companies were having clear social and economic impacts. NXTP then reached out to ACRUX Partners –an advisory firm focused on responsible and impact investment in Latin America-- and began to explore and gain in-depth understanding of how they could leverage on the expertise they had, to scale the impact of NXTP’s companies. The Impact Investing Fund for Tech-driven Social Enterprises presents the opportunity to “re-set” the venture capital industry in the region by mainstreaming the triple bottom line approach, moving away from the concept of “impact first” or “impact only” investments to the idea of “investing with impact”, with a catalytic effect for similar investments in the future within the region.

To support the Fund, the MIF will provide USD 5 MM in equity investment and USD 70,000 in non-reimbursable funding.

¹ The MIF has made an equity investment in NXTP Fund I for USD 5 MM (RG-M1229) in 2013.