

# 18 Institutional Entities in Israel to Receive \$155 Million for Investment in Venture Capital Funds for Startups

*All the largest institutional investment entities in Israel chose to participate in the Yozma 2.0 Fund and submitted applications totaling approximately \$500M*

JERUSALEM, ISRAEL, August 1, 2024 /EINPresswire.com/ -- The Israel Innovation Authority and Ministry of Finance announced today the kickoff of the Yozma Fund 2.0 designed to incentivize Institutional entities to invest in Israeli high-tech via Israeli VC funds. The program is designed to enhance capital availability for Israeli startups via investments of Institutional entities in venture capital funds through a governmental matching mechanism. Among the selected entities are Altshuler Shaham Provident, The Phoenix Insurance Company Ltd., Harel, Clal Insurance, Menora Mivtachim, More Provident Funds and Pension Ltd., Migdal Insurance Company Ltd., Meitav Dash and others.



Dror Bin, CEO, Israel Innovation Authority

The initiative was oversubscribed by approximately \$474 million, with nearly all institutional Investment entities in Israel choosing to participate. To address this over-demand, a second phase of the fund is planned for the 2025 budget year.

Bezalel Smotrich, Minister of Finance: "The high-tech sector is the engine of the economy, and we must ensure the diversification of its funding sources. The last quarter was the best for high-tech in two years, but we are not stopping. The program we are launching, which I initiated in the context of the war, will leverage state funds to invest billions in venture capital funds that invest in early-stage Israeli startups. Additionally, the program will strengthen institutional involvement

in the Israeli venture capital market and reduce volatility and financial shocks to this sector in the medium-to-long term. We are in a period where we need to plan a strategy for moving from war to growth, and a smart investment in Israeli high-tech is one of the first steps we are promoting."

Gila Gamliel, Minister of Innovation, Science, and Technology: "This is a huge vote of confidence in Israeli high-tech. The program will help increase the stability of the local venture capital market against shocks and macroeconomic fluctuations, increase funding in the early investment stages of Israeli high-tech companies, and continue building ties between institutional investment entities, and the Israeli venture capital market - all for the continued strengthening of the Israeli economy."

Yogev Gradus, Commissioner for Budgets at the Ministry of Finance: "The goal of the Yozma 2.0 Fund is to increase the share of local investment in the high-tech sector and create stability in long-term investments. We are pleased with the high demand for the program and hope that its objectives will be achieved over time."

Alon Stopel, Ph.D, Chairman of the Israel Innovation Authority: "The Institutional investors in Israel trust Israeli high-tech. Especially at times when raising capital globally is becoming more challenging, the technological and financial ecosystem in Israel is coming together to encourage the resilience of Israeli high-tech. This partnership strengthens the connections between institutional investors and Israeli venture capital funds and brings us closer to global institutional investment relationships in venture capital. The fund creates and conveys certainty and stability to foreign investors and, in the future, will temper cycles of downturns in the venture capital market. The launch of Yozma Fund 2.0 is one strategic step among a series of measures taken by the Authority since October 7th across various vectors to ensure, among other things, capital flow to the industry for continued R&D, investments in companies developing deep technology at early stages, and the creation of new incubators for nurturing startups in Venture Creation."

Dror Bin, CEO of the Israel Innovation Authority: "We are embarking on a new path in the relationship between institutional Investors and the Israeli high-tech. The Yozma Fund will incentivize the investment commitments of institutional entities in Israeli funds over the next 18 months, aiming to prevent a scenario of stagnation in early-stage investments in Israel. The fund will strengthen the partnership and accelerate collaborations between institutional entities and Israeli venture capital funds, thereby mitigating future crises in the venture capital market. This is a strategic move by the Authority, where the new Startup Fund provides direct investments in startups, and the Yozma Fund, that supports venture capital funds, complement each other, ensuring early-stage Israeli high-tech companies, especially deep-tech companies, and creating an optimal financing environment for the coming years. The state's funding for the program at this time is another testament to the confidence in the Israeli high-tech industry and the recognition of its importance to the economy and society in Israel."

The fund's goal is to support Israeli high-tech companies, expand the ties between institutional

entities and local venture capital funds as is customary in leading markets worldwide, and increase the stability of the local venture capital market against shocks and macroeconomic fluctuations. As a result of the program, the scope of institutional investments in Israeli venture capital funds is expected to grow, thereby increasing the availability of capital for Israeli high-tech companies.

The fund is intended for institutional investors such as insurance companies, pension funds, and provident funds, offering a unique yield enhancement mechanism for their investments in Israeli venture capital funds over the next 18 months. The program is a "green lane" with no intervention by the Authority in the investment considerations of the institutions or the venture capital fund managers, who will be able to invest the money according to their investment policy.

The demand for the program was very high, proving that institutional investors have confidence in Israeli high-tech and innovation. The following entities were selected: Altshuler Shaham Provident and Pension Ltd., Israel Aircraft Industry Providence Fund Ltd., Analyst, The Phoenix Insurance Company Ltd., Harel Insurance Investments and Financial Services Ltd., Engineers and Technicians - Provident Fund Management Company Ltd., Provident Fund Management Company Ltd., Yahav Education Fund & Savings for Nurses Ltd., Reut Insurance Agents and Consultants Ltd., Menora Mivtachim Insurance Ltd., Meitav Provident Funds and Pension Ltd., Mivtahim Social Insurance Institute of The Workers Ltd., More Provident Funds and Pension Ltd., Migdal Insurance Company Ltd., Continuing Education Fund for Teachers Ltd., Makefet Fund Pension and Benefits Center Cooperative Society Ltd., Clal Insurance and The Central Pension Fund of Histadrut Workers Ltd.

This yield enhancement mechanism is similar to the historical "Yozma" program from the 90s, credited with kick-starting the Israeli venture capital industry. The Authority will provide matching funding for institutional investments in Israeli venture capital funds under the program and will fully or partially waive its share of the returns from the investments in these funds, thereby increasing the returns for institutional investors from these investments. The program is state-funded and upside-oriented, because there is full confidence in the Israeli high-tech industry's ability to overcome the current crisis and continue to be the growth engine of the Israeli economy.

At the chosen time, the institutional entity can "buy out" the Authority. In the first four years from the day of the fund's investment, the institutional entity can buy the state's share at an annual compound interest rate of 1%, after the first four years, the institutional entity can buy out the Authority at a yearly compound interest rate of 5% (retroactively from the first day of the fund's investment). If the fund is loss-making, the Authority will bear the loss along with the institutional entity in proportion to its share of the investment. Additional incentives will be given to institutional entities investing in a venture capital fund that is primarily investing in deep-tech companies.

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