



IVC-GROSS Investors Report 2021

June 2022

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METHODOLOGY

BACKGROUND

VC Funds are key players in the Israeli High-Tech ecosystem and provide an important source of funding for startup companies.

This report reviews the trends and activities of investors and venture capital funds in Israel in 2021 and details many aspects of such activity including fund raising by the VCs, number and amounts of investments and more.

Analyzing investors and Venture Capital Funds (VCs) activities is challenging. While the quantity and quality of shared information increased significantly in recent years, there is still more unknown than known about the funds' activities. Israel is uniquely positioned in this regard. In the past, most of the investment was conducted by local investors. That has changed since 2020 - In 2021, foreign investors activity was 20% higher than that of the local VC Funds.

Overall, foreign investors have increased the allocated amounts to Israel by almost 10X since 2015.

The level of complexity is growing when trying to compare and analyze funds' activities not just for size (Assets Under Management), target markets, and companies' stage, but also for origin.

This analysis takes into consideration all of the above and much more in order to create a benchmark for VC fund activity in Israel.

Since the report relates to the Funds' annual activity, the analysis is for the available data for 2021 and is not normalized for the period (in contrast to the **IVC-LeumiTech Israeli Tech Review** reports).

All information in this report is based on data collected by the IVC.
In line with its confidentiality undertakings Gross & Co. did not disclose any client information.

METHODOLOGY

The IVC – Gross Investors Report (the "Report") aims to provide a deep dive into the Israeli start-up funding eco system at the end of 2021 and mid year 2022.

The Report provides an overview of the key players who fund Israeli start ups. In particular, the report provides data and trends relating to:

1. Israeli VC funds capital raising since 2015;
2. Ranking of the top 20 venture funds in Israel by assets under management (AUM);
3. A detailed list of Israeli venture capital funds that raised funds in 2021 (including amounts raised by each fund), and in Q1/2022;
4. An overview of the most active funds in 2021. This most active fund list is divided into four categories: foreign funds, Israeli large funds, Israeli medium size funds and Israeli micro funds.

5. Presentation of the relative activity of Israeli and foreign funds comparing the total amounts invested, the number of companies in which the funds invested and a breakdown between first time investments and follow-on investments.

6. Listing of the leading technology segments in which the funds invested in.

7. Summary of activity of Israeli publicly traded R&D partnerships and activity of corporate VCs.

We believe that this review of the activity of different players in the funding eco-system will enable readers to better understand their funding options, the trends, players and potential parties to approach for funding.

DATA

This report reviews capital invested by Israeli and foreign venture capital funds in 2021.

This report does not include investments by Angel Investors and other non-VC platform investors.

Reported data presents the investments activity IVC collects from reliable media sources, and direct reports gathered by IVC's information specialists' team. The data collection

efforts for this report include in engagement with the VCs that operated during the last year in Israel.

This report examines:

- 905 Venture Capital funds that invested in Israeli or Israeli related companies during 2021.
- 2685 Investments that were made by VCs during 2021 in Israeli or Israeli related companies.
- 854 Capital Raising Rounds in 2021 with VCs (VC – Backed).
- 192 Corporate VC funds that invested in Israeli or Israeli high-tech companies during 2021.





DR. AYAL SHENHAV

Co-Managing Partner & Head of Hi Tech and Venture Capital Practice | Gross Law Firm

Q2 2022 – Status of VC Investments – Is Winter Coming?

2021 was the best year ever for Israeli Hi-Tech with record investments in startup companies (total of over 23 Billion USD), M&A activity (total of over 25 Billion USD) and numerous public offerings in Israel and abroad.

This trend continued in Q1 2022 with approximately 5.6 Billion USD invested in startup companies and 8.9 Billion USD in M&A activity (although this number is somewhat skewed since the bulk relates to the acquisition of Tower Semiconductors for over 5 Billion USD).

While the Q1/2022 numbers indicate the 2021 trend is continuing, there has been a dramatic change in Q2 of 2022 which will likely be reflected in year-end numbers for 2022.

The Pitchbook VC IPO index reflects (as of May 20, 2022) a drop of 54.1% from January 2022 (compared to a drop of 18.7% in the S&P 500). This significant drop in valuation of venture backed public companies is also true for those Israeli technology companies that concluded an IPO in 2021 and have lost 50% or more of their value.

The significant drop in valuation of publicly traded technology companies has not been fully felt in private companies. However, it is expected that the reduced public companies' valuations will trickle down to late-stage valuations and inevitably into early-stage valuations. Furthermore, while the correction takes place investors may wait for reduced valuations before making new investments.



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Q2 2022 – Status of VC Investments – Is Winter Coming?

As our report shows (see slide 26), the vast majority of investments in Israeli startups is derived from foreign venture capital funds. Therefore, any decrease in the investment activity of foreign funds will reduce the overall investment in Israel. In this respect it is noteworthy to mention that Tiger Global one of the most active investors in Israel in 2021 reported significant losses and reduced its investment pace in 2022.

In Game of Thrones, we learned the phrase "winter is coming" (this follows the story of Joseph in Egypt seven good years followed by seven bad years). After a decade of shining sun on Israeli hi-tech we may face a winter. However, the Israeli hi-tech industry has shown resilience over many downturns and crises (including worldwide recessions and Israeli domestic issues) and has continued the upward trend and overcoming any possible winters. The growth of Israeli venture capital investments has been dramatic in recent years therefore even a significant downturn from 2021 numbers will still provide overall investments which far exceed levels of years such as 2015 – 2020 which at the time were considered very good years.



HIGHLIGHTS

HIGHLIGHTS

The 2021 report shows over 4.5 Billion USD raised by Israel VCs in 2020. This Follows 3.75 Billion USD raised by Israeli VCs in 2021. Therefore, approximately 8 Billion USD are funds which are early in their investment cycle.

The significant fund raising by venture capital funds in 2021 means that there is ample "dry powder" to continue to support start ups in 2022 and beyond. Furthermore, many companies which raised significant amounts have sufficient cash to weather the storm.

Insight Capital dominated the Israeli Venture Capital investments in 2021 with 37 first investments! Our Crowd was a close second with 35 first investments. 13 other venture capital funds made 10 or more first investments in 2021.

Nine Israeli Venture Capital management companies have more than 1 Billion Dollars in Assets Under Management (AUM). The largest Venture Capital Fund in terms of AUM is Vintage (\$2.655 Billion), followed closely by Pitango (\$2.415 Billion).

Total amount invested by foreign venture capital funds in 2021 was approximately 3 times the amount invested by Israeli venture capital funds (10.771 Billion vs. 3.527 Billion). In past years (2020, 2019) the ratio was 2:1. This shows the increased involvement of non-Israeli funds in the Israeli Hi-Tech and the general tendency of non-Israeli funds to invest in later rounds and provide larger checks.

While the top vertical for VC investment from 2015 to 2020 (by number of companies) was Big Data this vertical moved to third place in 2021. The leading verticals (by number of companies in 2021) are Cyber Security (47), FinTech (45), Big Data (42), IoT (37) and Digital Health (31).

There are 14 publicly traded R&D partnerships on TASE. The total amount raised by these partnerships is approximately \$213m.

POTENTIAL TRENDS

Global economic recession is already negatively impacting the capital markets and the level of activity in the high-tech sector

It is expected that investors will focus their investments and support on growth companies with proven business model, substantial revenues, and enough cash to operate free of any financial pressures for the next 2 years.

The number of new startups and total amount of investment allocated to seed & early-stage companies are expected to decline sharply in 2022 and 2023.

Israeli tech and venture capital funds have proven in previous crises their resilience and ability to emerge stronger than before. The demand for Israeli innovations will continue to grow. All the success ingredients related to the Israeli tech are still in place so the sector will continue to grow and be attractive to global investors and will overcome the current slowdown.

Any economic slowdown creates its own new attractive investment opportunities, so although investors will be more disciplined and will slow down the pace and level of investments, successful companies will still be built during this period. This is a good timing for sophisticated, experienced investors, who have kept enough cash reserves to make new investments at attractive pricing.



ISRAELI VC FUNDS CAPITAL RAISING

2021

TOP 20 ACTIVE ISRAELI VC MANAGEMENT COMPANIES BY MANAGED CAPITAL - 2021



Looking at the top 20 Israeli VC management companies shows many newcomers who have firmly established themselves in the top 20.

While funds which originated in 1990s and have an history of over 25 years still hold several of the top places (Pitango, JVP, Viola, Vertex) many of the current top 20 funds (by AUM) are relatively young and were founded over the last decade or even last five years (for example Our Crowd, aMoon, Aleph, TLV Partners, Hanaco Ventures, Entrée Capital).

Many funds which historically led the Israeli VC sector have ceased to raise new funds and only maintain their current portfolio (Giza, Gemini, Genesis Evergreen, Walden and more). Many veteran VC managers have started new funds (Yahal Zilka 10D, Haim Sadger S Capital, Yuval Baharav State of Mind, Rona Segev and Eitan Bek TLV Partners). This reflects a major shift and change in Israeli venture capital.

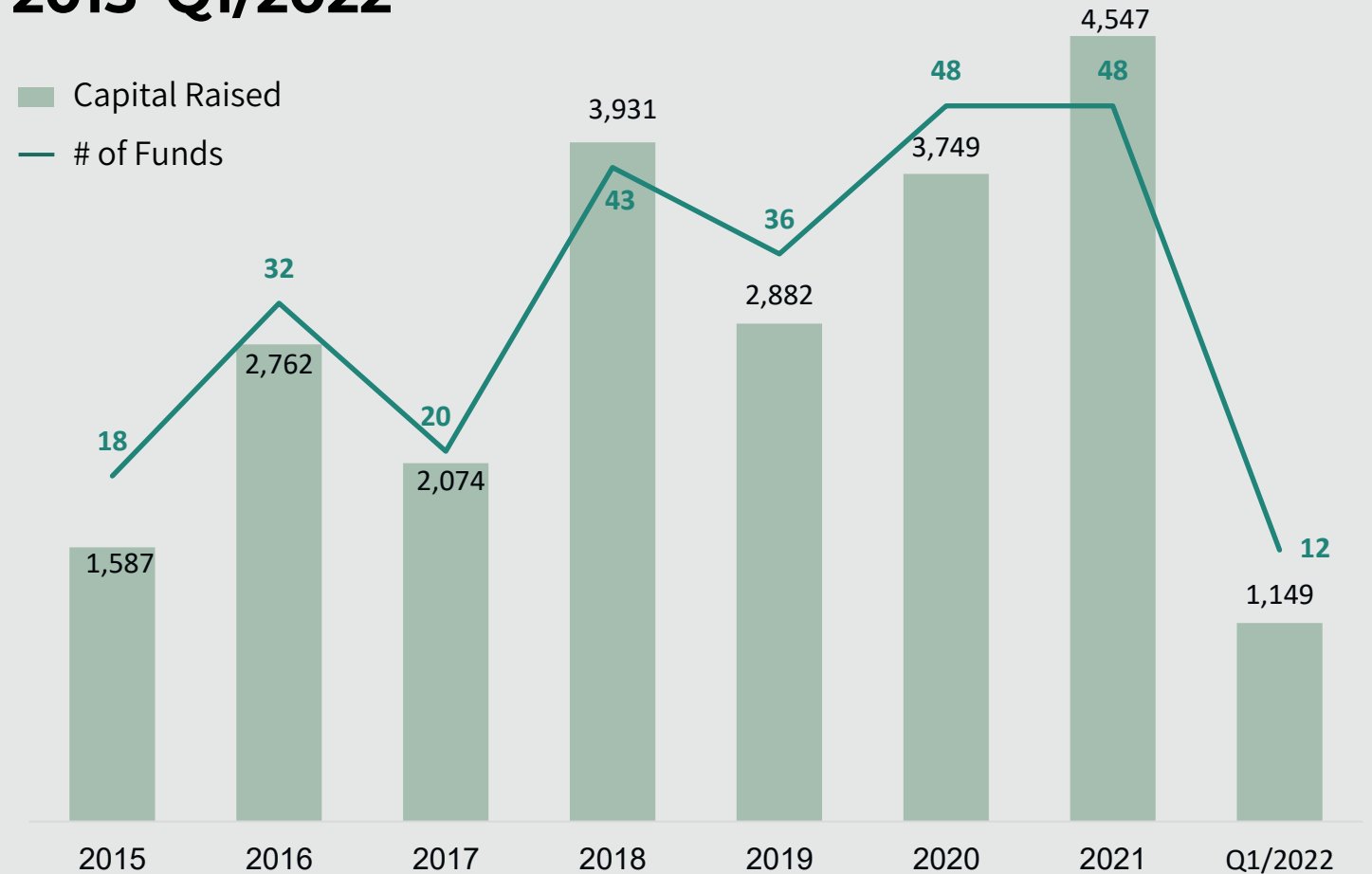
ISRAELI VC FUNDS CAPITAL RAISING 2015-2021

The 2021 fund raising by Israeli venture capital resulted in 48 funds raising over 4.5 Billion Dollars.

Importantly several **opportunity funds** (funds which follow the main fund and invest only in companies in which the main fund cannot fully utilize its preemptive rights) were formed.

As can be inferred the average size of a venture capital fund in 2020 was \$78M and in 2021 the average size was \$95M. This reflects an increase of 21%.

ISRAELI VC FUNDS CAPITAL RAISING BY VINTAGE YEAR | 2015-Q1/2022



ISRAELI VC FUNDS (INCLUDING SECONDARY FUNDS AND FUND OF FUNDS) VINTAGE YEAR 2021

Fund name	Capital Raised (\$m)
83North VI LP	550
Vintage Fund XIV	500
JVP Growth Opportunity X LP	500
Vintage Fund XIII	312
Aleph IV LP	300
Arkin Bio Capital LP	270
Qumra Capital III LP	268
StageOne Venture Capital Fund IV LP	235
Vertex Ventures Israel VI Fund	230
TLV Partners Fund IV	220

Fund name	Capital Raised (\$m)
Glilot Capital Partners Plus	170
VGames Fund II	141
FinTLV Ventures II	120
Giza V Continuation Fund	116
State of Mind Ventures (SOMV) Momentum	100
State of Mind Ventures (SOMV) III	100
TLV Partners Opportunity II	100
Angular Ventures Fund II	80
UpWest Labs Fund IV LP	70
Stardom Media Ventures LP	65

ISRAELI VC FUNDS (INCLUDING SECONDARY FUNDS AND FUND OF FUNDS) VINTAGE YEAR 2021 -(CONTINUED)

Fund name	Capital Raised (\$m)
The Garage Fund	60
Iool Ventures III	60
Meron Capital Fund II	55
AnD Ventures Fund	50
TAU Ventures Fund II	50
Firsttime Venture Capital III	50
Big Tech 50 R&D LP	35.3
Deep Insight Fund LP	35
Random Forest Fund II	30
Ragnar Crossover Fund	30

Fund name	Capital Raised (\$m)
IL Ventures (ILVP Fund Limited Partnership)	25
Takwin Fund II	20
Symbol Fund LP	20
Mobilitech Capital VC LP	16
Menara Ventures XL LP	14.1
iArgento High Tech Assets LP	13
FEAT Fund Investments LP	12.9



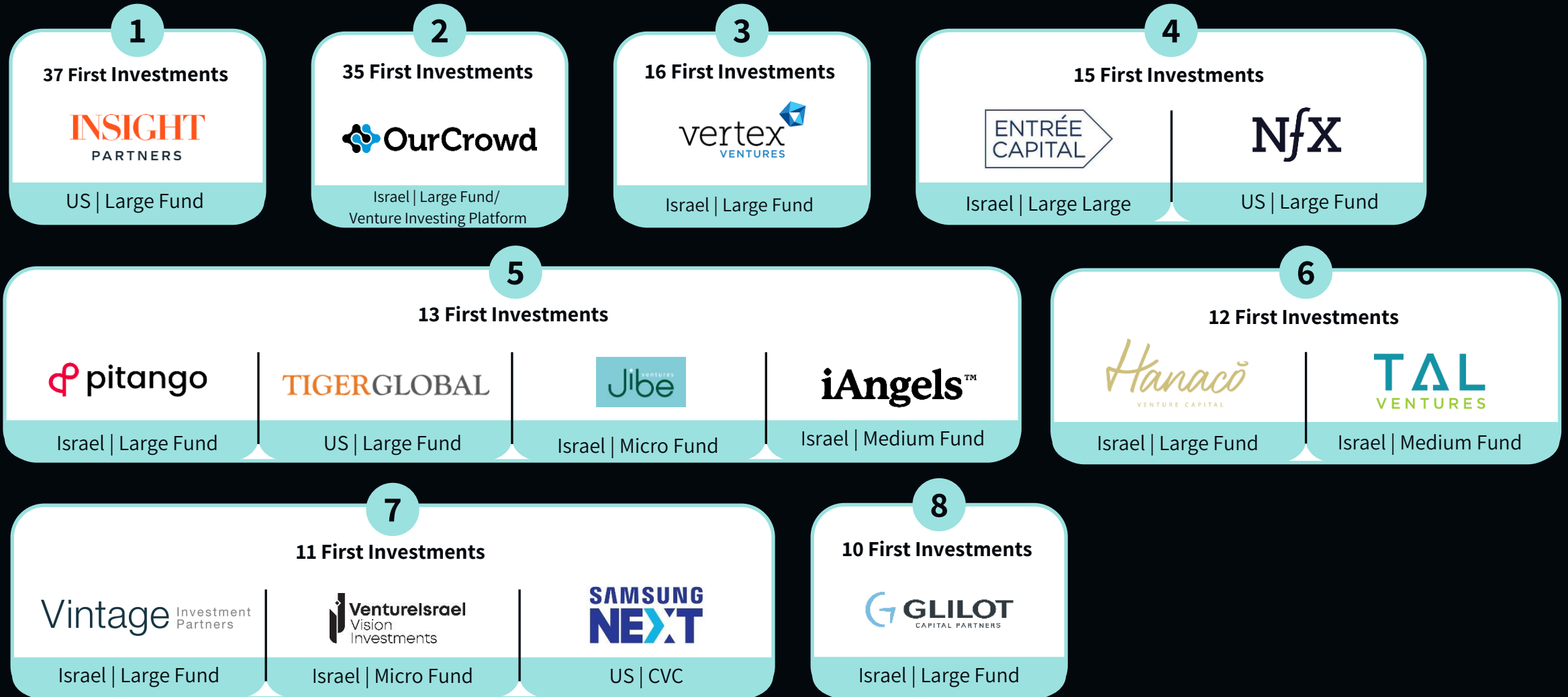
MOST ACTIVE INVESTORS IN ISRAEL BY FIRST INVESTMENTS

2021

MOST ACTIVE FUNDS

- Based on first/initial investments in private and public high-tech companies, Israeli and Israeli related.
- VC and CVC Funds only – Israeli & Foreign
- We compare fund management companies and not specific funds.
- We aggregate all funds managed by funds' specific management group and not specific funds.
- Foreign Funds are recognized by investments in Israel, regardless if they are an 'Israeli dedicated specific fund'.
- The methodology includes all kinds of equity investments: straight equity, Secondary, SAFE, Bridge loans, Convertible Debt, PIPE etc.
- The rankings include all kind of VC vehicles: Growth Funds, Early-Stage Funds, Late-Stage Funds, Specialized Funds.
- Investments in foreign companies and companies in “stealth mode” are not included.
- We are indifferent as to whether the company is Incubated/Accelerated.
- Venture Investing Platforms are included.
- Israeli VC Fund Size – defined the funds accordingly:
 - ✓ Micro Funds – 0-50 (\$m)
 - ✓ Mid-Sized Funds – 50-250 (\$m)
 - ✓ Large Funds – 250-Above (\$m)
- The rankings are based solely on public and reported data which were gathered and stored on the IVC Platform, (Data collection methodology Slide 3).

MOST ACTIVE VC FUNDS RANKING: ISRAELI & FOREIGN | 2021



MOST ACTIVE VC FUNDS RANKING: ISRAELI & FOREIGN | CONTINUE

9

9 First Investments



Israel | Large Fund



US | Micro Fund



US | Large Fund



Israel | Medium Fund

10

8 First Investments



Israel | Medium Fund



Israel | Micro Fund



US | Large Fund



Israel | Large Large



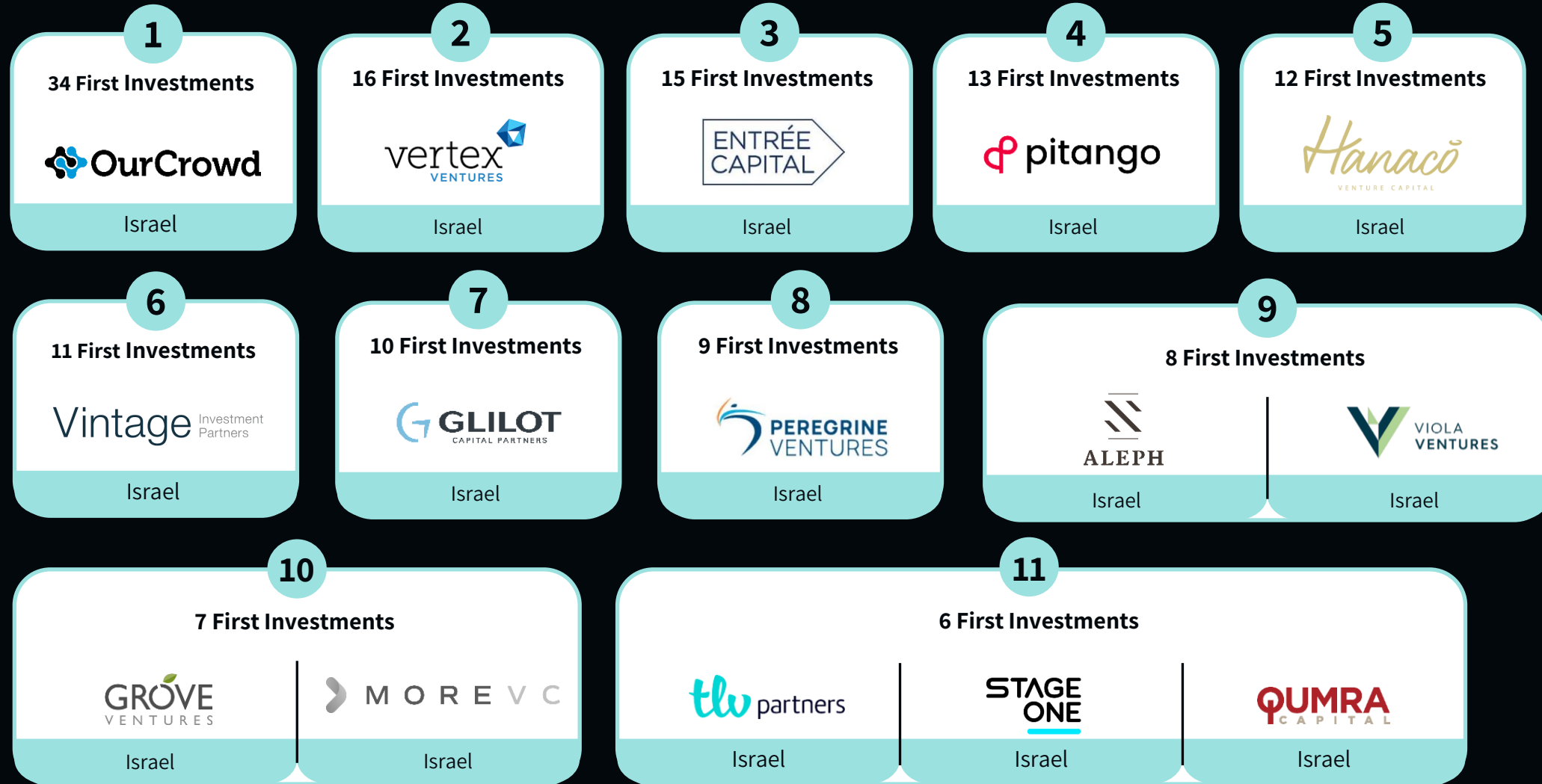
Israel | Large Large

When reviewing the most active funds we divided the funds into 4 different categories: (i) Foreign Funds (namely funds investing in Israel but having their main headquarters and operations outside of Israel), (ii) Israeli Large VCs (AUM of over 250 Million USD), (iii) Israeli Medium VC funds (AUM from 50 million to 250 Million USD) and (iv) Israeli Micro Funds (AUM of less than 50 million USD).

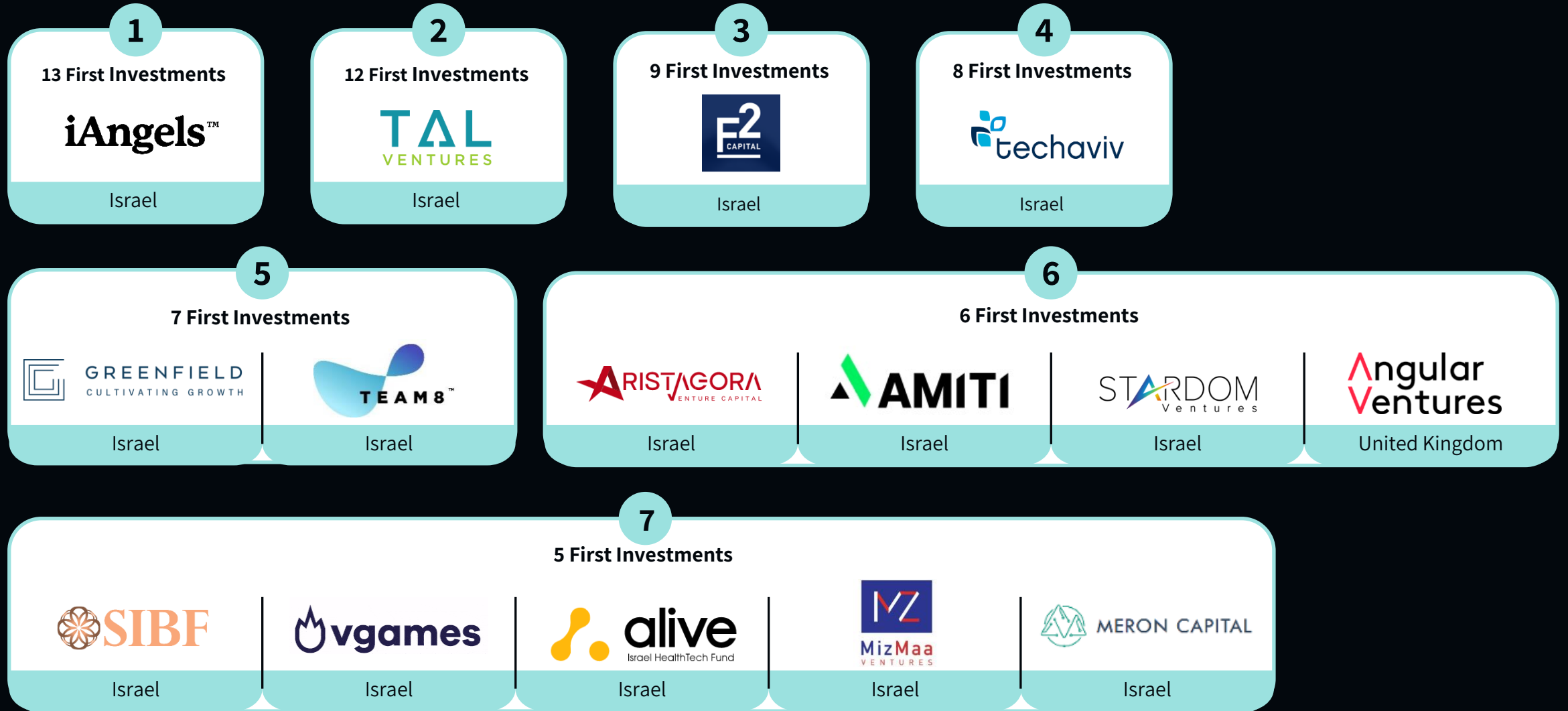
MOST ACTIVE FOREIGN VC FUNDS RANKING | 2021



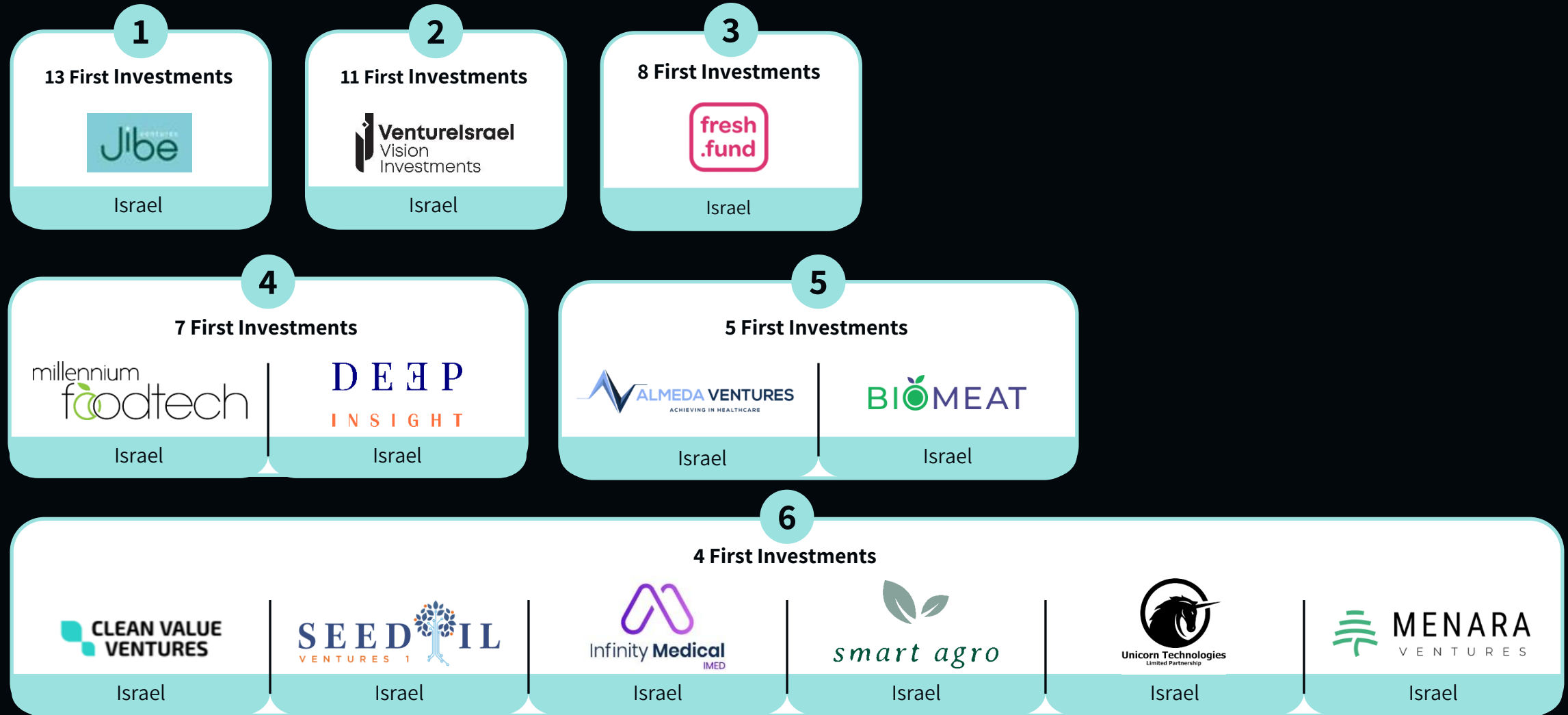
MOST ACTIVE ISRAELI LARGE-VC FUNDS (>\$250M) RANKING | 2021



MOST ACTIVE ISRAELI MEDIUM-VC FUNDS (\$50M-\$250M) RANKING | 2021



MOST ACTIVE ISRAELI MICRO-VC FUNDS (<\$50M) RANKING | 2021



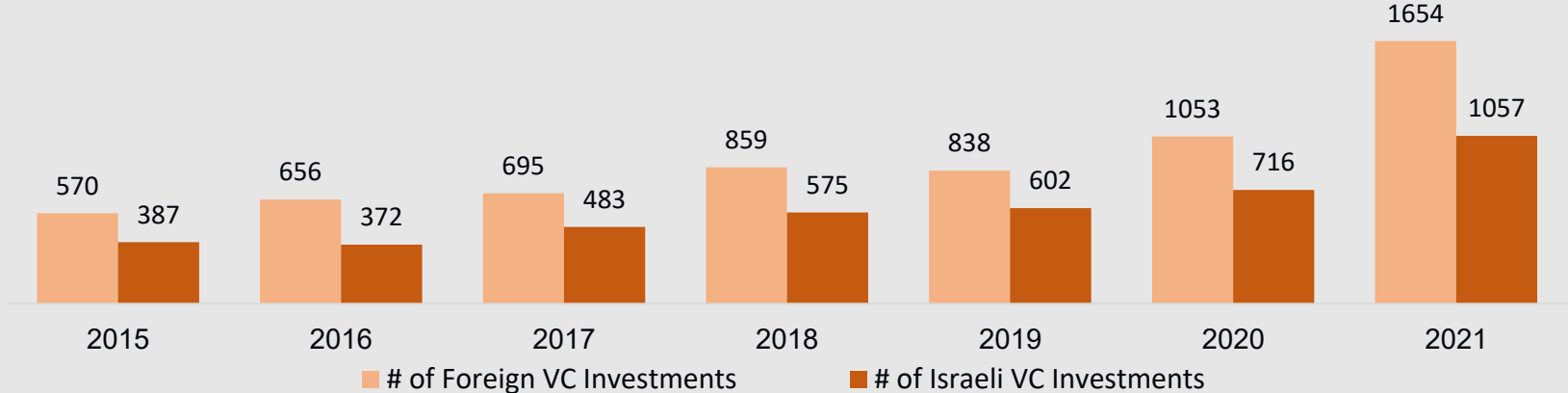


FOREIGN VS. ISRAELI VC FUNDS ACTIVITY IN ISRAEL

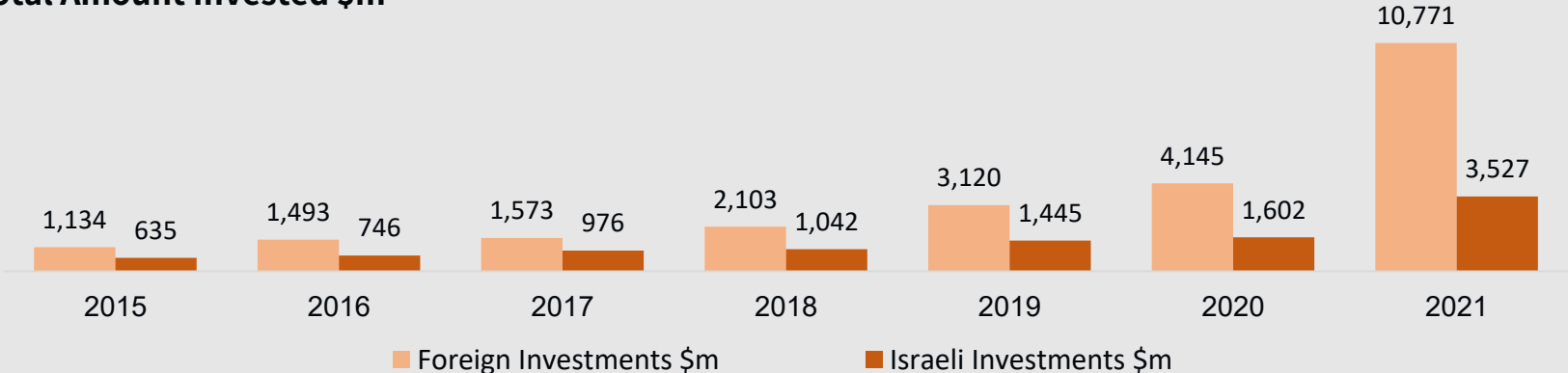
2021

FOREIGN VS. ISRAELI VC FUNDS INVESTMENTS TOTAL IN ISRAELI HIGH-TECH | 2015 –2021

of Investments



Total Amount Invested \$m

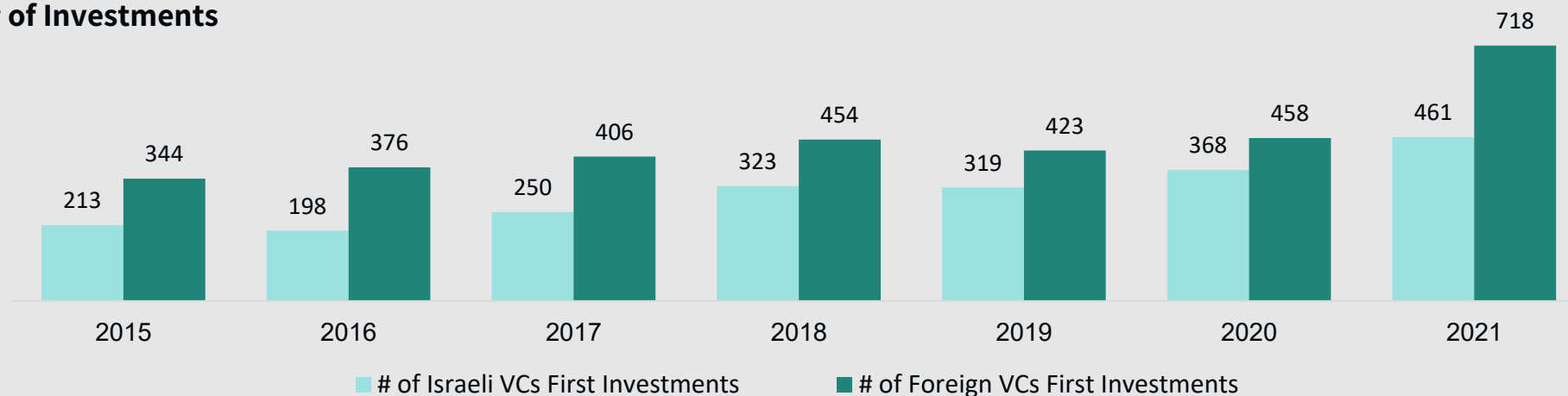


In 2020, foreign investors made 1053 investments in Israeli tech companies (each funding round contains several investors).

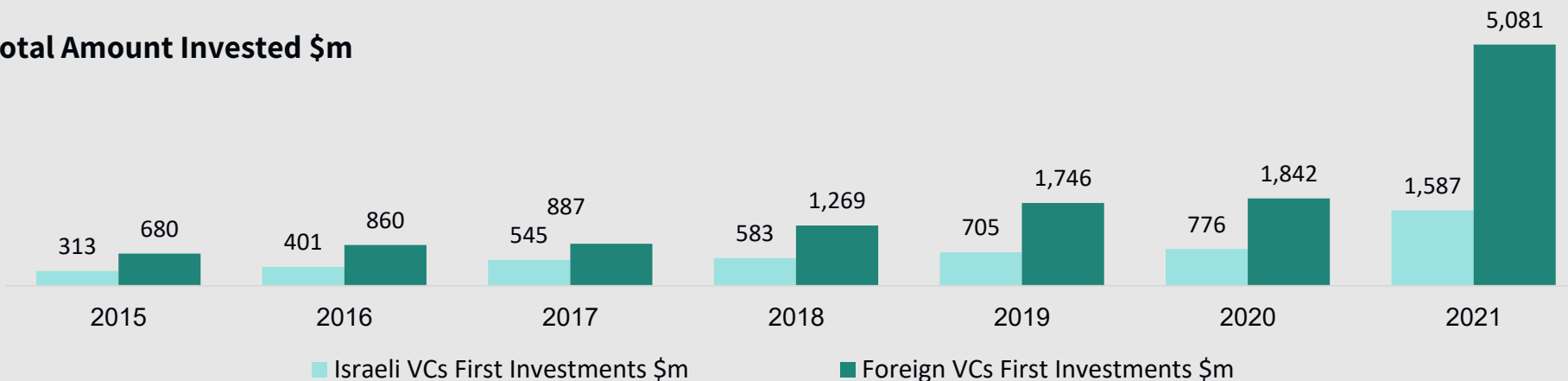
In 2021, foreign investors made 1654 investments. This reflects an increase of approximately 57%. In 2020, Israeli investors made 716 investments, while in 2021 Israeli investors made 1057 investments, this reflects an increase of approximately 47%.

FOREIGN VS. ISRAELI VC FUNDS FIRST INVESTMENTS IN ISRAELI HIGH-TECH | 2015 –2021

of Investments

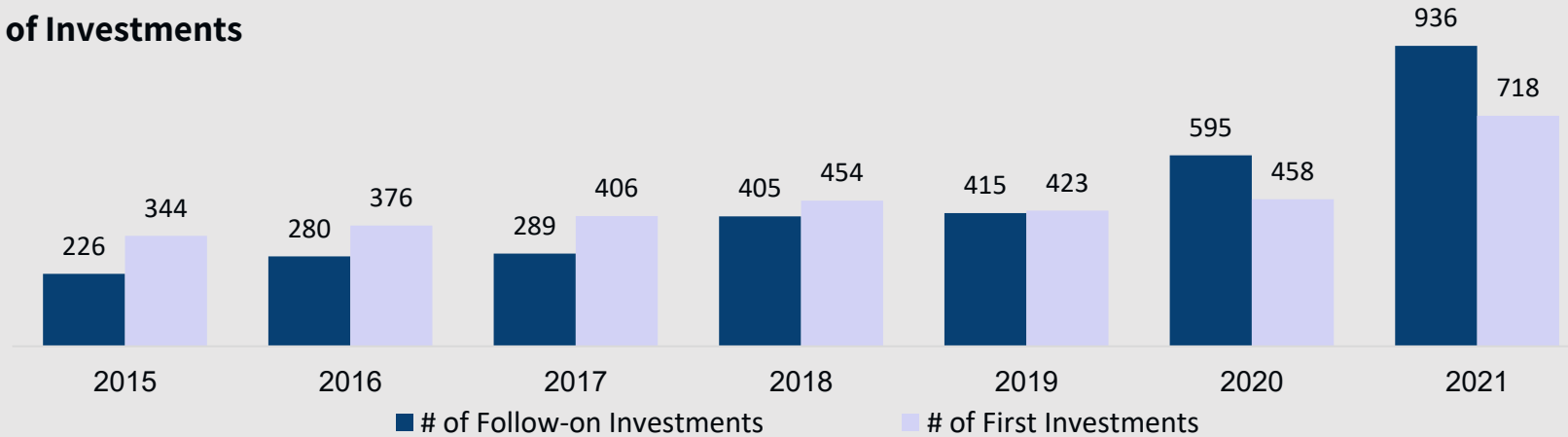


Total Amount Invested \$m

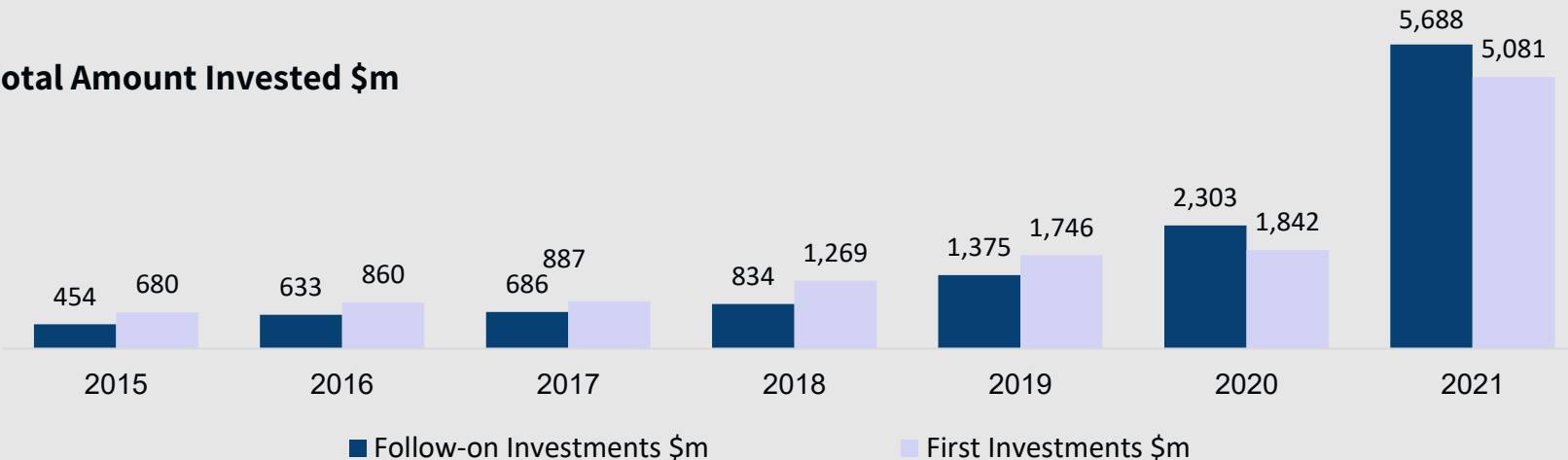


FOREIGN VC FUNDS INVESTMENTS IN ISRAELI HIGH-TECH, FIRST VS FOLLOW-ON | 2015 –2021

of Investments



Total Amount Invested \$m



Looking at the initial investment vs. follow on investments by foreign investors reflects an important trend. While historically the total amount invested in first investment exceeded the follow-on investment the 2020 and 2021 numbers indicate that follow on investments exceeded the first time investment.

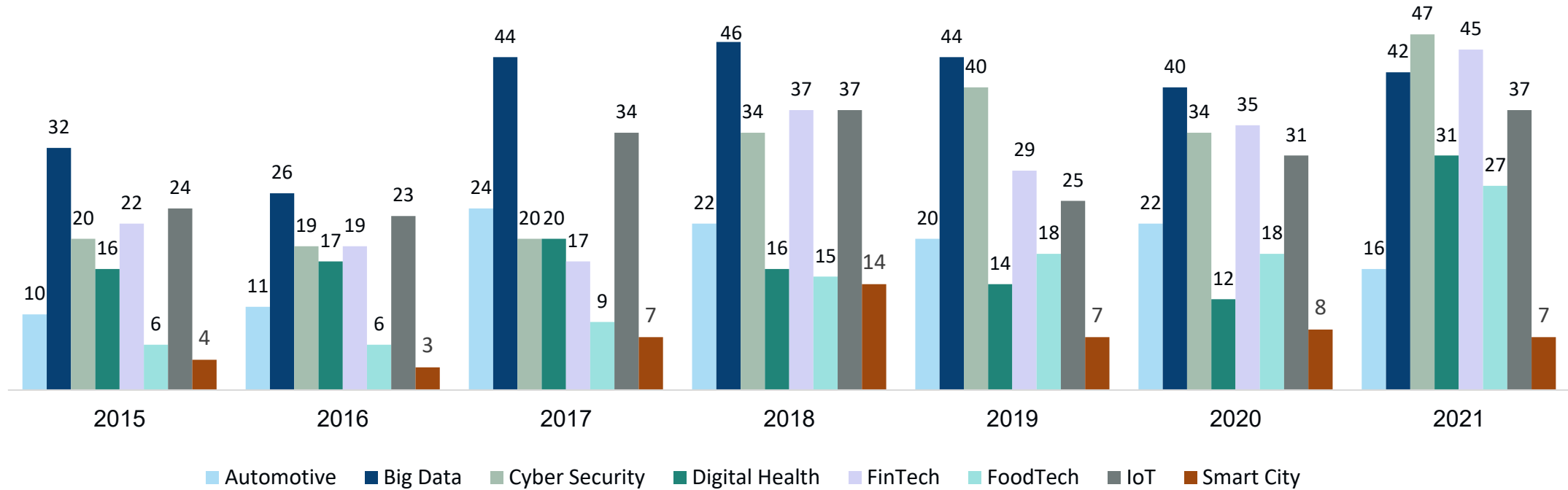


ISRAELI VC FUNDS TECH VERTICALS

2021

ISRAELI VC FUNDS: # OF NEW PORTFOLIO COMPANIES | 2015 – 2021

of Israeli High-Tech Companies Added to Israeli VCs Portfolios: Leading Technology Clusters



While the top vertical for VC investment from 2015 to 2020 (by number of companies) was Big Data this vertical moved to third place in 2021. The leading verticals by number of companies in 2021 were Cyber Security (47), FinTech (45), Big Data (42), IoT (37) and Digital Health (31).



ISRAELI R&D PARTNERSHIP FUNDS

2021

ISRAELI R&D PARTNERSHIP FUNDS | 2021

	Managed Capital \$35.3m		Managed Capital \$28.5m		Managed Capital \$28.4m		Managed Capital \$20.5m
	Managed Capital \$14.1m		Managed Capital \$13m		Managed Capital \$12.9m		Managed Capital \$12.5m
	Managed Capital \$12.2m		Managed Capital \$10m		Managed Capital \$9.5m		Managed Capital \$8.6m
	Managed Capital \$8.2m		Managed Capital \$7.6m		In Process		In Process

In 2020 the Tel Aviv Stock Exchange (TASE) changed its listing rules and allowed the registration of publicly traded partnerships which invest in start up companies (R&D Partnerships). This change was intended to allow the public at large to have access to venture capital investments and benefit from the success of the Israeli start up sector.

While the change in regulation prompted the public offering of 14 R&D partnerships the overall performance of these funds has not met the initial expectations and most R&D funds are traded far below their initial offering price. The market reception of R&D partnerships has not been positive, and we expect the number of R&D Partnerships will not change significantly in 2022.

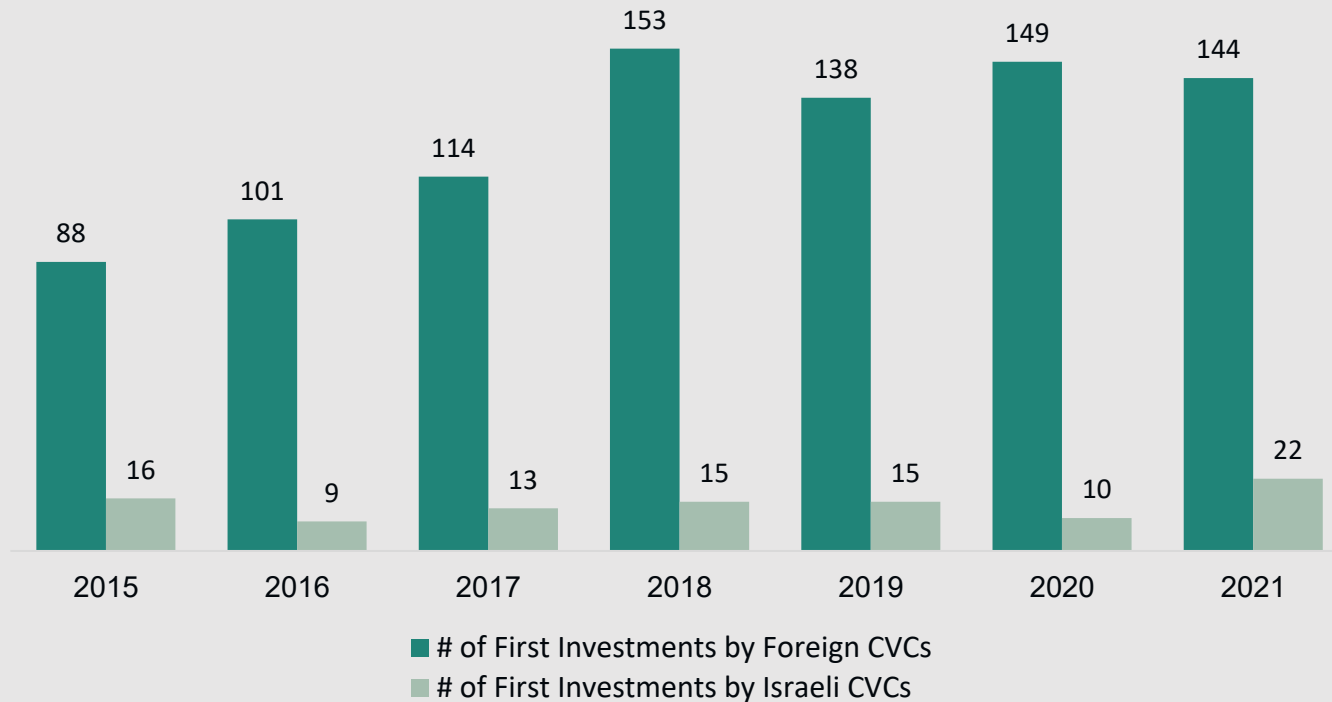


CORPORATE VC FUNDS ACTIVITY

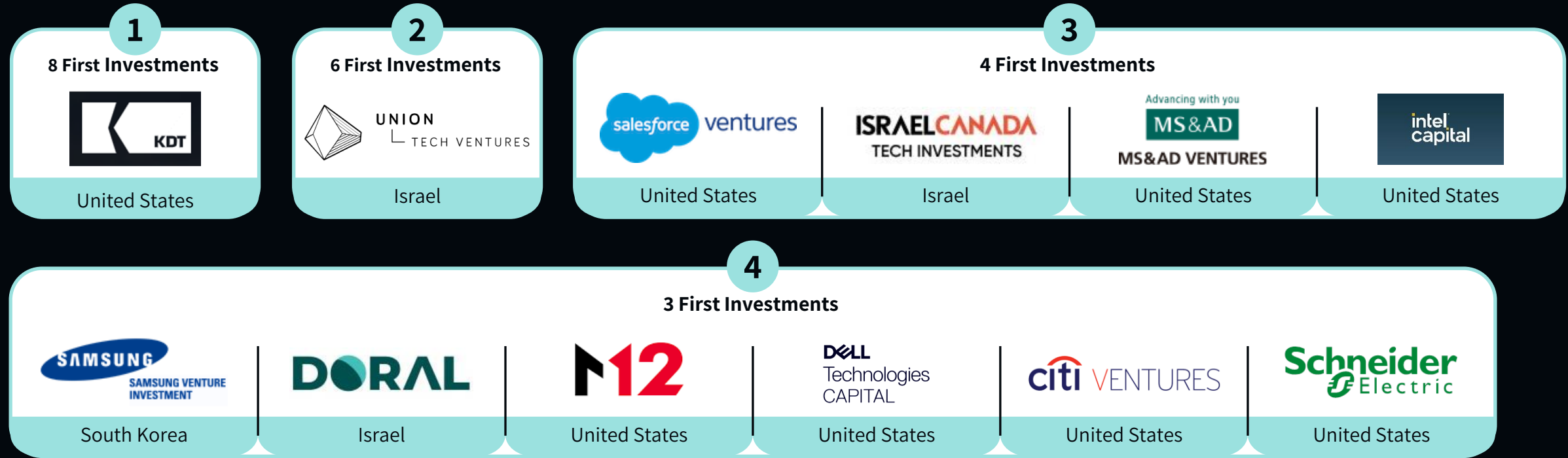
2021

CORPORATE VC FUNDS: # OF FIRST INVESTMENTS | 2015 – 2021

First Investments by Israeli vs. Foreign CVCs in Israeli High-Tech 2015 - 2021



MOST ACTIVE CORPORATE VC FUNDS RANKING | 2021





— LAW FIRM —

Gross & Co. is one of Israel's leading and most influential law firms. Our firm provides its clients with comprehensive services and creative legal solutions in a variety of areas.

Our professional team consists of more than 220 lawyers, among them more than 70 partners, many of whom have practiced in international firms in the US, the UK and Brazil, among others.

Our local and international reputation is built on innovation, creativity and a deep legal understanding that is based on the unique legacy that characterizes the firm and reflects ideals of ethics and commitment to providing professional, uncompromising, courteous, and innovative service. Our practice is recognized for its excellence by international ranking guides such as Chambers & Partners and Legal500.

The heritage of our firm established the legal foundation that benefits our clients – a comprehensive, one-stop-shop that provides professional services and legal solutions tailored to our clients' specific needs in a wide range of legal areas: corporate law, mergers & acquisitions, capital markets, hi-tech and venture capital, intellectual property, banking & insurance, finance & tax,

real estate, litigation, antitrust, energy & infrastructure, environmental law, labor law, and administrative law, among others. In the dynamic world in which we live, quick response time is critical.

We provide multidisciplinary, comprehensive, and uncompromising service in multiple languages and operate in the local and global arenas. We are here to enable you to reach your goals quickly, efficiently and successfully.

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Founded in 1997, IVC Research Center is the leading data source and business information company in Israel's high-tech industry.

We help our clients understand the market, make connections and identify opportunities with access to the latest news, trends and developments.

From venture capital and private equity funds to industry leading companies and emerging startups across Israel's varied high-tech sectors, we cater to the varied business information needs that make up the Israeli high-tech ecosystem. We bring more than 25 years of experience of gathering and analyzing data, serving the IVC community. Our dedicated team of industry researchers and analysts has deep knowledge and hands-on experience working with Israel's high-tech sector.

Our management, professional sales and marketing teams drive IVC's commitment to excellence and client service. We enable a wide range of local and global clients, including entrepreneurs, local and foreign investors of all types and service providers such as lawyers and accountants, to get to know the Israeli high-tech ecosystem better.

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