

PROJECT SUMMARY

This project aligns with IDB Lab's investment strategy for venture capital (VC) funds, focusing on one of its key verticals: "Regional Funds". Under this vertical, IDB Lab seeks VC funds with a regional strategy that include nascent or emerging ecosystems, in addition to more developed startup ecosystems, to foster regional integration and knowledge transfer.

Among the applicants to IDB Lab's *Call for Proposals for VC Funds* in 4Q23¹, [Newtopia II LP](#) ("the Fund" or "Newtopia II") was selected. Newtopia Latam VC LLC (the "Fund Manager" or "Newtopia"), a venture capital firm founded in 2020 by a multidisciplinary team with a vision of driving transformation in Latin America and the Caribbean (LAC), seeks to back outlier entrepreneurs who are transforming industries and reshaping paradigms with a long-term vision, by providing access to smart capital, knowledge, and community. With a team of five partners, complemented by a team of six professionals based in Buenos Aires, it has invested in 73 startups in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Mexico and Peru with Newtopia I, a USD45M fund launched in 2021. Its current portfolio, which includes startups as early as pre-seed stage, has a MOIC of 1.53x², having co-invested alongside several renowned global and local investors. Although the portfolio is still in its early stages, it is showing promising signs of traction. In Q2 2024, aggregate revenues increased by 45% year-over-year. Notably, 50% of the investee companies have either raised an up-round since Newtopia's first investment or are currently in the process of fundraising for an up-round or opening round within the next six months. In terms of impact, Newtopia's portfolio companies have created over 900 direct jobs and generated more than USD58M in annual revenues³. Additionally, 75% of the investees have contributed to at least one of the key drivers of change: 1) digitalization; 2) productivity, and income growth of micro, small, and medium-sized companies; 3) vulnerable populations' access to essential goods and services; and 4) environmental benefits.

Newtopia II will invest in up to 45 high-impact early-stage startups from LAC devoted to solving the most pressing challenges in the region through innovation and technology. The Fund's investment criteria will prioritize high levels of innovation, scalability and positive social, economic, and environmental impact. It will adopt an agnostic approach to sectors and verticals, focusing particularly on companies developing SaaS/Enterprise solutions, Fintech, E-commerce/Marketplace, Web3, HRtech, Sustainability/Climate tech, Healthtech, and Edtech, among others. Selected startups will receive capital and support in key areas, including product development, business development strategy, customer acquisition, regional and global expansion, and fundraising.

The proposed investment in Newtopia II is strategic and innovative for the following main reasons. First, the Fund Manager has demonstrated it is well-positioned to drive quality deal flow in the earliest stages, leveraging its team's diverse expertise and extensive network to identify and support investment opportunities. Second, the Fund Manager's ability to build a geographically diversified portfolio with investees from across the region, including companies from nascent ecosystems. Finally, the Fund Manager has demonstrated strong intentionality to transfer knowledge to nascent markets and promote greater regional integration through ecosystem building activities flow and active participation in various industry events in emerging VC markets. IDB Lab's additionality is evident in: 1) supporting the management team in enhancing the integration of impact measurement, gender and diversity considerations at both the Fund Manager level and within investees, as well as with the development of a climate strategy, 2) supporting the Fund's regionalization strategy by connecting it with deal-flow from nascent and emerging ecosystems; and 3) providing access to platforms such as fAIR LAC (ethical and responsible use of AI by investees and in the Fund's due diligence process), LACChain (global blockchain alliance), WeXchange (connection with investment opportunities co-led by women), among others.

The proposed project is aligned with gender and contributes to climate finance. The project proposes an IDB Lab investment of up to USD4M in the Fund, with an expected final capitalization of USD75M.

¹ Newtopia II was selected among 38 fund managers applying under the "Regional Funds" (out of a total of 139 applicants and 87 funds meeting the minimum requirements).

² As of Q2 2024.

³ Considering Q2'2023 to Q'2024 and based on the information provided by the portfolio.