



Aspire Fund

UK

2008-2014

Aspire Fund – providing equity for women’s businesses

Summary

The Aspire Fund is a £12.5 million (€15m) fund which makes equity investments to help strong women’s businesses grow. It works on a co-investment basis in which the private investment covers at least the 50% of the total. It has operated since 2008 under the aegis of Capital for Enterprise (CfEL), the UK government’s centre of expertise on finance measures to support SMEs.

In the UK women are about half as likely as men to be entrepreneurs. The fund’s objective is to increase the number of successful women-led businesses in the UK, ensuring that those with real potential to succeed are not held back through a lack of growth capital. It provides financial support of between £100,000 and £1m (€120,000-€1.2m) for the development of a number of women-led organisations.

The fund has supported such successful businesses as Altacor and Liquid Accounts. Its first investments were made in 2009-10 and by March 2010 five investments had been concluded – one more than the annual target of four investments. By September 2013 Aspire had invested £3.8m in six women-led companies, across the medical, communications and software sectors.

It monitors the position and role of women in its investees. Its success and sustainability stem from its being anchored in government SME and growth policy, from the managing organisation’s experience and wide network of contacts. However the requirement for a private-sector investor to take the lead can make it difficult for women to access support. CfEL tries to mitigate this problem by providing applicants with links to business angels and venture capital firms.

Matching private investment

The Aspire Fund is a £12.5 million (€15m) fund which makes equity investments of between £100,000 and £1 million (€120,000-€1.2m), on a co-investment basis in which private investors covers at least half of the total, in order to help strong women’s businesses grow. It has operated since 2008 under the aegis of Capital for Enterprise (CfEL), the UK government’s centre of expertise on finance measures to support SMEs. CfEL is a member of the British Venture Capital Association (BVCA), the British Business Angels Association (BBAA) and the European Venture Fund Investors Network.

The fund’s objective is to increase the number of successful women-led businesses in the UK, ensuring that those with real potential to succeed are not held back through a lack of growth capital. It will provide up to half of the funding for any one investment, alongside other private investors. This co-investment approach aims to increase the number of companies that can be supported with the capital available, while complying with the regulations on state aid.

To be eligible for investment, businesses must be incorporated in the UK, fit within the EU definition of an SME, operate entirely or substantially within the UK and not be in receipt of an equal or higher investment from a public sector fund. The ownership, board and executive committee composition (with the expectation of 30% women) and role of senior women executives in the investees will be monitored as part of the programme. Indeed, businesses with women in lead roles, as executives, investors or advisers, are Aspire’s principal target.



Encouraging more women entrepreneurs

In the UK women are about half as likely as men to be entrepreneurs (5% of women, compared with 10% of men in 2011). There have been few specific labour market measures implemented in the UK which provide direct incentives for self-employment. The small number of measures that that have been introduced have tended to focus on the unemployed and form part of wider programmes helping them to re-enter the labour market.



However in May 2003 the Department of Trade and Industry launched the UK's first national policy strategy for women's enterprise, the Strategic Framework for Women's Enterprise (SFWE). It was designed to "provide a collaborative and long-term approach to the development of women's enterprise in the UK" (DTI, 2003). Self-employment has grown significantly (by 367,000 between 2008 and 2012) and women have accounted for 80% of this increase. In recent years, financial support for women-led SMEs in the UK has

been considered of paramount importance, not least because the majority of women-led SMEs contribute approximately £75 billion to gross value added (about 16% of SMEs' total GVA).

To financially support SMEs, the UK government created Capital for Enterprise (CfEL) as its arm's-length fund of funds manager for venture capital. Specifically, CfEL is a fund management company which designs, delivers and manages venture capital and debt guarantee schemes on behalf of the public and private sectors. From 1 October 2013, Capital for Enterprise's operations and staff have been brought into the Department of Business, Innovation and Skills (BIS) to be part of the Business Bank programme. CfEL's main aims are the following:

- to be the principal centre of expertise within government on the provision of SME financial interventions. Through its market knowledge and understanding of the public sector, CfEL informs and improves the quality of government policy initiatives by providing ongoing advice and market intelligence, in particular on gaps in the SME finance market;
- to design, develop and deliver SME financial interventions which meet the objectives of the commissioning organisation, and to deliver the schemes to agreed time, cost specification and standard;
- to manage SME financial interventions efficiently, effectively and economically. CfEL uses its professional expertise to manage the schemes, delivering economic benefits in line with the government's growth agenda.

Sustained policy support



Within this context, the Aspire Fund is of particular relevance as it was specifically designed and established in 2008 to support women-led businesses across the UK. As for sustainability, at the moment the Aspire Fund can rely on a £12.5m investment. Being part of the Department of Business, Innovation and Skills means that Aspire is embedded in the UK's wider approach to SMEs, and contributes strongly to the initiative's future sustainability and effectiveness. The initiative has proved its impact, by exceeding its annual investment target. Its efficiency is supported by CfEL's wide network. Moreover, it seeks to address the issue of gender-based inequality and discrimination in business finance. While they are as successful as men-led businesses in raising finance, and just as likely to have growth plans, women-led businesses tend to seek significantly lower amounts of finance. They are less likely to consider using equity finance, and less likely to know how to do this. The Aspire Fund addresses these challenges, thus helping to achieve the objectives of the Europe 2020 strategy and the EU's Strategy for Equality between Women and Men 2010-2015.

Other features that make it a good practice are that it caters to women's businesses of all sizes, develops diversified and specific financial services for women entrepreneurs and promotes women entrepreneurs in sectors where they are under-represented.

Off to a good start

The fund provides financial support of between £100,000 and £1m for the development of female-led organisations. It considers start-ups where the product and market are proven, but does not rescue failing businesses. The fund does not make grants and any investment it makes needs to be backed by an equity stake (although the deal may also include preference shares or debt). Finally, the co-investor has to lead the investment.

To monitor the impact of its investment, the fund tracks a number of key indicators for each investment:

- whether the board and executive team have more than 30% representation by women;
- who owns the equity in the business (apart from third-party investors such as venture capital funds and business angels);
- the role of senior female executives within the business.

Aspire has supported such successful businesses as Altacor¹ and Liquid Accounts.² Its first investments were made in 2009-10 and by March 2010 five investments had been concluded – one more than the annual target of four investments. By September 2013 Aspire had invested £3.8 million (€4.5m) in six women-led companies, across the medical, communications and software sectors.

Wool and The Gang, an online fashion knitwear boutique selling ready-to-wear items and kits for customers to knit their own unique versions, raised £200,000 (€240,000) from Aspire. It was set up in 2008 by Aurelie Popper and Jade Harwood, two graduates of Central St Martins College of Art and Design, and is now looking to expand. Chief Executive Lisa Rodwell, formerly of Moo.com, said: "We're incredibly excited to have backing for our quest to build a worldwide movement around sustainable fashion that's handcrafted and made uniquely by our team of artisans around the world."

¹ <http://www.altacor-pharma.com/>

² <http://www.liquidaccounts.com/>



The success factors are several and relate mainly to CfEL's wide network, which covers different areas and sectors of activities, to its embeddedness in the UK government's SME strategy, and to its vast experience in helping SMEs to overcome gaps in financing. However its co-investment model constitutes a possible obstacle. Aspire requires that an experienced investor is in place to lead each deal, and finding someone with the experience needed to lead a syndicate of investors can be difficult, especially for women entrepreneurs. To overcome this, CfEL provides information on relevant business angels and venture capital firms. Moreover, although the fund requires an experienced lead investor, other small investors can also be brought in.

Contact:

Jason Raj
Press Officer
Department for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET
UK
+44 20 7215 5978
jason.raj@bis.gsi.gov.uk

Further information:

Website: <http://www.capitalforenterprise.gov.uk/>

Brochure:

[http://www.capitalforenterprise.gov.uk/files/Aspire%20Information%20Leaflet%20\(v%202\)%20Flyer%20brochure.pdf](http://www.capitalforenterprise.gov.uk/files/Aspire%20Information%20Leaflet%20(v%202)%20Flyer%20brochure.pdf)

UK government press release: <https://www.gov.uk/government/news/women-entrepreneurs-secure-2-million-investment-with-government-backing>

Client case studies:

Liquid Accounts: <http://www.thenextwomen.com/2010/04/23/investment-deal-between-the-aspire-fund-and-female-entrepreneur-and-co-founder-of-liquid-accounts>

Playmob: <http://british-business-bank.co.uk/market-failures-and-how-we-address-them/aspire-fund/aspire-case-study-playmob-london/>

Wool and the Gang: <http://british-business-bank.co.uk/market-failures-and-how-we-address-them/aspire-fund/wool-and-the-gang-london/>

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