

Trepont Fund: Navigating deeptech geopolitics, B2G sales cycles, evergreen funds

Trepont invests in early-stage deeptech across South Korea, Israel and Silicon Valley



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Ely Razin, Partner & Chief Strategic Investments Officer of OurCrowd; Partner of Trepont Fund

The definition of deeptech can often be “squishy”, says Trepont Fund’s lead partner Ely Razin.

That’s partly because what was once considered “military grade tech” has now found their way into everyday devices. But like it or not, dual use technology — whether in semiconductors, AI, mobility or cybersecurity — will continue to be highly sought after in the months and years to come.

There are important distinctions to be made within deeptech, points out Razin, who also serves as chief strategic investments officer at Israeli VC OurCrowd.

There is intellectual property backed deeptech which can be monetised over 5-8 years and there is *deep* deeptech — innovations getting spun out of PhD research and university labs which can take up to decades to bring to market.

There is also deeptech which may be aimed at BigTech or corporates as customers, versus military deeptech which may be sold to governments for defensive and national security purposes.

All of it is deeptech, but not all of it carry the same level of risk. This has implications on capital allocations and exit expectations for deeptech investors like Trepont, which invests in early-stage deeptech in South Korea, Israel and Silicon Valley.

“I would say it's one that certainly occupies quite a bit of my own brain cells, because you're right, a 10-year fund cycle kind of mandates you think in 10-year chunks, and some of these technologies take longer to emerge,” said Razin over a video call.

“So the trick for us as investors is on the one hand, to find the companies that we believe have amazing technology and will be great, and to find the ways to pick the ones that we think can materialise within our fund life cycle,” he added.

The need to compress sales cycles is also key for deeptech startups, whether you're selling to businesses or governments. While governments take longer to win over as clients, Razin noted that there has been an acceleration among some nations to shorten their approval processes and speed to market.

Most of this began taking place during the Russia-Ukraine war, as well as the Israel-Gaza-Lebanon conflicts over the last 2-3 years.

“When countries are in the state that they are now, they're hyper focused on national security and they need to make sure that they've got the right technologies in place. They're more flexible (today), they move faster and adopt a mentality that's similar to what we see in the B2B world, which essentially has pilots or customers piloting the software or data system that they're interested in,” shared Razin.

The demand for defense tech isn't isolated to the above regions, but is global in nature — with South Korea and Singapore also showing openness to investing in such deeptech.

The Trepont Fund hit its \$60 million first close last September, having raised from two anchor South Korean LPs — NongHyup and K-Growth. The fund is also backed by OurCrowd as well as family offices and institutional investors.

The VC firm looks for early-stage deeptech investments in AI, mobility, semiconductors, robotics, quantum, cybersecurity. It also has a mandate to invest in startups with cross-border operations and customers targeting South Korea, Israel and the US.

Razin shared that Trepont plans to invest in 20-25 companies, writing \$1-5 million cheques into pre-seed to early Series A companies which have achieved product market fit.

The fund recently made its first investment in Kardome, an Israeli voice AI company specialising in spatial hearing technology. The firm secured a \$10 million Series A round led by Korea Investment Partners (KIP) and joined by KB Investment, Next Gear Ventures, Hyundai Motors last November.

What this interview covers:

- Trepont and OurCrowd's deeptech investment criteria
- B2G versus B2B sales cycles; why B2G sales cycles are accelerating
- Evergreen funds and time-to-exit for deeptech
- How deeptech founders should navigate geopolitical risk and exit conversations
- The impact of Wiz's \$32b cash exit in Israel's tech ecosystem

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Ely Razin's interview transcript

This interview was held with Ely Razin, Partner & Chief Strategic Investments Officer of OurCrowd. He is also the lead partner of Trepont Fund, a deeptech-focused VC investing in South Korea, Israel and Silicon Valley.

The transcript has been edited for brevity and clarity.

You invest \$1-5m in early-stage companies which have reached product market fit. Should these firms have hit a specific ARR or are you comfortable investing in pre-revenue firms? How should the monetisation chart look like for these deeptech firms?

When we talk about deeptech, we're really talking about technologies and companies that aren't just in the ecosystem, but are also companies capable of producing returns in the 10 year lifespan of the fund. So we're not looking to invest in the technology that will only manifest into a real business in 20 years. That's not our game. There are other funds that do that.

One example of a deeptech company that might fit our criteria might be a semiconductor design software. It's all about enabling brand new semiconductors, which is very much deeptech, but the software is something that can be sold on a SaaS basis and can be licensed today. That's the way we think about these deeptech businesses.

We're looking for businesses that leverage deeptech in the deeptech ecosystem, but that have the capability of being revenue-generating in a much shorter time frame.

When it comes to revenue, we don't have a specific target. We are comfortable investing very, very early in a startup's revenue generation journey. We are looking for revenue as a confirmation of product market fit, rather than looking for huge amounts of revenue in order to do the financial modeling around it.

We will even look at pre-revenue (companies), but that's specific to certain sectors which are very hot. In the Israeli scene, that sector would be cybersecurity and in order to get into good companies, you have to invest even earlier. For that, what you're relying on is essentially investing on the right team.

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To the extent they've got other things around it like early design customers, that obviously helps us. That's basically the way we're looking at the pre-revenue companies, which is cyber only, and it enables us to get into the best of the best deals that are happening.

Deeptech firms tend to sell to governments or quasi-government agencies. How much slower are B2G to B2B sales cycles in your observation?

B2G is significantly slower. For B2B sales cycles, it depends on what you're selling and who your customer base is. It can be anywhere from three months to a year to get a large sized corporate to buy from you and buy something significant.

In the B2G space, depending again on your solution and where that government is at, it can be north of a year to two years. There are processes that are necessary to get approvals from governments or processes that are necessary to become an approved vendor. There are also processes of actually getting through a sales process.

However, there's a big exception, which is why we are focused on defense tech. When countries are in the state that they are now, they're hyper focused on national security and they need to make sure that they've got the right technologies in place.

They're more flexible (today) and they move faster and adopt a mentality that's similar to what we see in the B2B world, which essentially has pilots, or customers piloting the software or data system that they're interested in and are willing to move faster.

I don't want to say they would “break” their rules, but they “bend” their rules to allow vendors to come in and make things happen quickly because they're very focused on this. We already see that happening. It's part of what we consider when we look at

investing in a defense tech company, and we've now seen several of them that we've considered quite seriously.

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When did this start taking place? Or is this a newer phenomenon with Trump starting to streamline a lot of operating processes in the US?

I would say we started to see this when several conflicts started breaking out – notably the wars in Ukraine and Russia on one hand, and the wars in Israel, Gaza and Lebanon on the other, across both cases among the relevant governments.

To be clear, we're not selling anything into Russia or Ukraine, but we talk to companies that do sell to Ukraine, and we definitely talk to companies that have strong relationships with the Israeli military.

So what we've seen goes back well over a year in their (governments) quest for technologies that will help defensively in these wars. The Israeli military for example has a very open policy toward working with newer companies and startups. They've built an entire innovation centre within the army to allow it to be easier to bring these companies in and rapidly test out and pilot their technologies and then begin working with them. That's an example in Israel.

In the US, there's a similar process where the Department of Defense, which is notorious for being an extremely slow customer, has also built ways of rapid prototyping. That started happening even before Trump came in. And now with Trump in the White House, what you said is absolutely true. We're seeing more and more streamlining happening.

Do you see the same happening with South Korea, Japan, Taiwan in your conversations with them?

Each of those countries is different. In a number of significant ways, South Korea has its own very large military contractor defense complex, and has somewhat fewer startups. The big players are like Hanwha, which is a very large military contractor, or Korean Aerospace Industries (KAI) is another one.

They're all very close to their governments and are very effective producers of technology. They tend to do a lot of their innovation in-house, but they explicitly have innovation arms in those companies that are oriented toward that.

By contrast, in Singapore, we see a real openness to actually acquiring deeptech firms. Singapore has one very large military contractor, which is ST Engineering. They're huge — about \$7.5 billion of revenues. Despite ST Engineering being so big and so important in Singapore, there's an openness on the part of the Singapore Armed Forces to working with startups and to working with companies from abroad.

Both Singapore and South Korea also do a lot of exporting in Southeast Asia and in other parts of the world. South Korea, specifically Hanwha, has a very large relationship with Poland. So the countries that we're talking about are open to bringing in new technologies.

Do you think evergreen funds would be a better model for deeptech investing given the longer exit time horizons for these technologies? How open are LPs to experimenting with this with the growing amount of interest in deeptech?

It's a good question. So I would say, for the kind of really deep, deep tech that you're asking about, longer time horizons are very important. Stable capital is very important. Those two things together, if you can find the right model are probably the best way to invest for really deep, deep tech. This can be done through different mechanisms.

You asked about evergreen funds. You can (also) build out a more standard venture fund and tell your LPs upfront that there will be a continuation fund at the end of the 10-year time frame to continue with whatever you're investing in. You can partner with strategics that have much longer time horizons and are eager to look for the right new technologies and new processes that are going to be groundbreaking for the things that are important to those strategics. Those strategics might be corporates,

arms of governments, or VCs aligned to various global security or intelligence agencies, VCs that are aligned to global governments and militaries.

So you really need to make sure you're picking the right investors to work with to make deeptech happen. Evergreen is a model that we are exploring. (However), we're doing that in a non-defense tech, non-deep tech context in a more traditional VC kind of investing world and we'll see if that works for us. We'll see if we believe based on what we're learning, if that will extend to these kind of longer term investments.

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If you compare to some of the other sort of moonshot technologies that are out there, some are able to get investments and not just get investments, but to go public. It's a special kind of investor that can appreciate those sort of big bets that have the capacity to change humanity, but are harder to think about financially.

We're also in that cycle of the market where people are comparing private returns to public returns. The whole 2 and 20, 10-year model hasn't really evolved much in a really long time, so as much as we want to be putting dollars into top-notch tech, I wonder if there is even any real appetite among LPs to try something different? LPs usually gravitate to the industry standard even though sometimes there could be room for flexibility towards certain models and new ways of investing. What are your thoughts on that?

There's a mindset for us that if it ain't broke, don't fix it. So I think the 2 and 20 model works for both LPs and GPs. But with that said, we are still exploring the evergreen model because we do think it makes sense to explore whether we can bring in new investors into this kind of investing through a publicly traded evergreen fund, which is why we're piloting that.

Geopolitics tends to play a pretty big part when it comes to deeptech exits. What is your advice for deeptech founders when it comes to navigating the exit environment? Are there particular principles that

you stand by, given that geopolitics will continue to be a key risk factor moving forward?

I'm going to draw a distinction between different areas within deeptech, because the definition of deeptech tends to get a little bit squishy.

Some deeptech is heavily related to the private sector, like semiconductor development. It has important implications for governments, but it's very aligned to the private sector, as opposed to manufacturing brand new physical materials that might only be useful in a military context.

If you're in the first camp which is things like semiconductors, you'd be very wise to, first of all, align yourself with the right strategic investors who can help see your business through. Properly aligning to the right strategic partners from the beginning as investors and partners is critical, and not on the private sector side. That tends to be less tied to geopolitics.

When you're talking about the other camp, which are things that are more tied to military defense uses, and therefore more tied to geopolitics, you have to be careful about that. You have to take a stance in a few ways. Some of the cyber companies that come out of Israel, including a couple that we're seriously looking at now, have to make a decision upfront that they're only working with stable democracies, and that becomes part of their sales pitch.

First of all, they won't sell to other places. And second, they reassure the stable democracies that they'll only work with other democracies so that they can rest assured that the technology won't end up in the wrong hands.

That makes it something that they can feel comfortable working with or investing in. And so you have to be more mindful in those sorts of scenarios about geopolitics.

But with the rise of dualtech, even semiconductors and AI companies are having a harder time finding an IPO exit. Depending on the administration or the policies of the day, some of these exits can suddenly become a question mark. Do you think that's a major hurdle? I'm sure most of your portfolio have to consider these areas carefully.

Yes, IPO markets are always fickle. IPO windows open and close and you have to get your timing right, and that's been true for a very long time. So every company would be wise to have a thought process that's tied to M&A, not just IPOs. The thought

process around M&A should start very early on in the life of the company when they start to build out their strategic relationships and their strategic investors.

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First of all, we encourage our companies to just build great companies. But we also encourage them to be mindful about M&A possibilities and develop good, strong strategic relationships.

Don't just focus on your product. Focus on your product, but also focus on your partners and customers because ultimately that's what's going to get you a successful exit.

My last question is on the Wiz's acquisition by Google. This isn't just major news globally but also for the Israeli tech ecosystem. You're based in Tel Aviv. What has the reaction been like on the ground?

I think that in a number of ways, there's a tremendous amount of excitement here in Israel and globally about the Wiz acquisition. It's not just giant for Israel at \$32 billion. It's also giant for Google. What it really does is it points to the return of M&A markets in a really big way.

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From an Israeli perspective, that's exciting because there's a lot of companies here in the tech world that would love to be involved in M&A from either direction, buyer or seller. It's a resounding affirmation of the strength of Israel in cyber technology and that's huge.

It's huge for lots of companies that exist and it's huge for companies that people are going to go out and create now because they recognise that Israeli cybertech is

acknowledged in the halls of every BigTech company in the world. That's an awesome thing to think about if you're a young entrepreneur who has a great idea for a cyber company and you recognize that your audience is the whole globe.

It's also happening in the context of the war that's been playing out here over the last 18 months to be a reassurance that Israel is back. For a very long time, Israel has been a major centre for investing in tech and a major destination for companies to be acquired.

There are 400 multinational corporations with R&D centers on the ground in Israel, because there are such deep believers in the Israeli tech scene. This is a milestone event that really encourages not just cyber companies, but all companies to be thinking about Israel as a place to build and buy a business, etc.

So it's a huge thing on the Israeli front on multiple levels. I'll also mention that it raises the bar for people. At one point, Israel's biggest acquisition in the tech scene was the acquisition of Mobileye by Intel at around \$15 billion. This is obviously much larger, and it raises the bar for everybody to say, wow, we can build really massive companies here and the world will notice.

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