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Catalyst 2 completed its first closing three weeks ago, securing pledges of close to $50 million. Its final goal is double that, $100 million.

The venture capital fund received pledges from European financial institutions and funds of funds.

One new investor in which Catalyst takes pride is the U.S. banking body Stanford. In principle Stanford will be underwriting the flotation of portfolio companies on Nasdaq and Europe. The aspiration is to float companies at valuations of $80-100 million.

Edouard Cukierman, manager of Catalyst and of the Cukierman investment house, says the closing was rough going. "Many investors were burned by the poor performance of venture capital funds of year 2000 vintage," he explains. "The fact that we announced the first closing does not mean that the investors who put up the money don't have scars."

Catalyst is proud of the fact that the IRR, or internal rate of return, on the first Catalyst fund is 10.2%. But it still took the company a year to wrap up its first closing. "We think we ill achieve our goal and we have a year to do it," he observed. "Some of the institutional investors waited for the first closing before joining. We assume we'll reach $100 million."

Catalyst 2 will be investing in mature technology companies. Catalyst 1 achieved exit from six of its portfolio companies: PowerDsine, Better On-Line Solutions (BOS), Omrix, and Scopus, which all went public on Nasdaq; MTI, which was floated in London; and Oryx Technologies, which Kodak bought for $62.5 million.

But it will apparently be writing off investments in Microwave Networks, in which it placed $1 million; VCON Telecom ($2 million) and MediaGate ($1.1 million).

Cukerman says the Catalyst group noticed high demand for buy-outs, in which new investors buy out old ones. "A lot of the investors in the 2000 vintage venture capital funds wanted to sell out. These were not professional investors. In 2000 there were about 100 funds and now there are 80. That means that 20 funds vanished, and they need to sell their investments."

Israeli venture capital funds tend to invest in technology startups while in

Europe the funds tend to target more mature companies, he says: Catalyst saw that as opportunity. "91% of the Israeli venture capital money is invested in early stage and seed stage companies. Through us, investors can invest at more mature stages of growth."

Floating in London rather than Wall Street has become fashionable in Israeli circles. In 2005, twenty companies preferred European exchanges, while only four went public in the U.S. He stresses that his investment house has great experience in raising money on European exchanges, not only Nasdaq.

In September the fund's investment board will be meeting and Catalyst 2 will start picking companies. "We already have three companies in our sights," says Cukierman, in each of which the fund wants to invest between $5 million to $10 million.