

# **RADICALxCHANGE Fellowship Program**

## **Essay**

### **1. The state of PE/VC : structural problems in the European Venture Capital LP landscape**

As “The Capital Behind Venture 2020” recent report explains: “the European venture ecosystem is maturing, closing in on and now rivalling the US and Asian ecosystems. VC deal value in 2019 hit a record-breaking 110b Euros invested in European startups, across 48 countries, over the last five years. Europe was responsible for completing over 4,600 rounds in 2019 into high-growth sectors such as healthcare, artificial intelligence and financial services”.<sup>1</sup>

However, this positive outlook stands in stark contrast to the fragmented nature of LP capital allocation in Europe which is plagued with some structural problems and negative second-order ripple effects. These ripple effects stem from the primary need of capital allocators (PE/VC) to maximise returns to their LPs, thus overlooking less lucrative investments from a financial returns perspective. Both in the US And European landscapes, this mandate results in monolithic structures that leverage entrenched investment incentives and institutional structures.

The aim of my participation in the fellowship programme would be to pinpoint why this matter and, mirroring RadicalxChange values, draft an investment thesis that can spearhead a fundraising process.

### **2. An investor approach to RadicalxChange philosophy**

The existing and new challenges that have been portrayed so well in RadicalxChange mission are very relevant to the work of investors and fund managers. Your overarching commitment to a more egalitarian and democratic societies, as well as RxC’s embrace of markets, community, and decentralization should also be guiding investors and VC operators as a whole.

As a result, not only will we be benefiting from a more efficient reallocation of capital globally but also with the advent of “alternative” fund structures seeking more equitable economies. In doing so, my research and collaboration will match RxC’s interest in building a society that advances plurality and equality while also taking into consideration the importance of new technologies and well-functioning markets.

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<sup>1</sup> The Capital Behind Venture 2020 (Allocate and Mountside Ventures)

This effort will be based on a thorough intellectual research that will give form to a fundraising process with similar values to those informing RxC's movement. As such, it will also provide an interesting platform through which different visions within the community can coalesce and exchange value.

I am confident this research will be a route to advance RxC's values while envisioning new imaginative possibilities for a more "equitable" future. A very enriching combination of aligned incentives could well result in a fruitful exploration of further ventures and alliances with entrepreneurs and innovators within the program.

### **3. What and how to do it? : investment thesis and fundraising strategy**

As we've already commented in some previous communications, the fundamentals of my research will structure an investment thesis and fund-raising process that:

- Contain incentives aligned with those of web3: decentralisation and equitable allocation of resources.
- Build upon the network effects provided by existing infrastructures and protocols.
- Focus on the civic/cooperative side of applications such as those around marketplaces, self sovereign identity and community participation.

In that regard, an important point will be how to think about fundraising strategies and how to approach the market. Given the specifics of the thesis, an important aspect will be to identify the right LPs to build a long-term relationship with and get access to them. Very likely, this LPs will be investing with ESG (environmental, social and governance) criteria in mind. Another potential strategy may be finding and selecting non-traditional LPs (mimicking crowdfunding and retail investors dynamics). These criteria are an increasingly popular way for investors to evaluate companies in which they might want to invest.

Defining and properly segmenting the right target audiences is a prerequisite to forming an effective fundraising strategy. Positioning is important to both establish contact and to make the most out of it once awareness has been raised. In this case, being able to clearly communicate the added value of the thesis is key.

An investment thesis and LP deck will outline the chosen criteria and provide physical and operational structure for the subsequent fundraising process. This process is intended to be made public "live" using a social media publishing outlet or forum.

## 4. Anything similar out there?: market benchmark

As with any creative and research process, knowing what is already out there and having a grasp of the existing VCs/funds aiming for related goals could prove very useful. Emerging fund managers can increase their chances of succeeding in fundraising by transferring best practices. This requires a thorough understanding of the target market, choosing the right approach and managing an efficient investor funnel. Thus, building a graphic picture of the ESG-type VC market is required and will be instrumental to further pitching efforts later on.

This benchmark will enrich the deliverables by providing a snapshot of funds/fundraising strategies that encapsulate a similar thesis or approach to the one I'll be advocating for. Depending on the perceived value and subject to the thematic subjects to be explored within the RxC fellowship, this may be extended to an analysis of communities, stakeholders and initiatives worthy of being taken into account.

## 5. Mapping out the fellowship

To sum up and give an overview of the fellowship process, expect the following deliverables for the 10-week program:

January 25 to April 2, 2021

1. VC with a web 3.0 flavour: bridging the divide (deck) - 1st & 2nd week
2. Investment thesis (deck) - 3rd & 4th week
3. Market benchmark: mapping and allies - 5th week
4. LP deck - fundraising materials - 6th to 10th week
5. Going public: documenting the fellowship - ongoing

\* subject to change if thematic/operational needs emerge during the fellowship

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Sources:

<https://www.forbes.com/sites/haduong/2020/07/30/structural-problems-in-the-european-venture-capital-lp-landscape-and-why-it-matters/?sh=7327a2b967d4>

The Capital Behind Venture 2020 (Allocate and Mountside Ventures) - retrieved here: <https://docsend.com/view/vniucptexfc4gu4y>