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Exclusive: How this under-the-radar VC landed a \$27 million third fund and bets in some of the buzziest startups like Jasper and Motherduck

Stephanie Palazzolo Jun 21, 2023, 5:00 AM PDT



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Essence VC founder Tim Chen. Essence VC

Essence VC has raised its third fund of \$27 million from LPs like Cendana and Sapphire Ventures.

The fund has bet on buzzy startups like generative AI darling Jasper and a16z-backed Motherduck.

Insider chatted with founder Tim Chen about the hot infra and AI market and succeeding as a solo GP.

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"He has this crystal ball into what VCs are looking for," Liz O'Sullivan, CEO of AI compliance startup Vera, one of Chen's investments, said. "He's so well-connected that they tell him the unvarnished truth, and a lot of that feedback is hard to come by, especially in a way that you can trust."

The founder-turned-investor backs startups focused on data infrastructure, developer tools, and AI, and has made early bets on the likes of generative AI darling [Jasper](#), a16z-backed data analytics startup Motherduck, and fraud prevention and compliance company Sardine. Sardine was last valued at nearly half a billion dollars, according to PitchBook. Jasper [raised](#) a new round of funding last Fall at a \$1.5 billion valuation.

And now, his firm Essence VC has just raised its \$27 million third fund. Chen has been investing out of his third fund since December last year, backing seven companies so far, he told Insider. Typically, his check sizes range from \$250,000 to \$700,000, with a preference to lead pre-seed rounds, he added.

The latest fund, backed by VC firms and funds of funds including Cendana Capital, Vintage Investment Partners, Sapphire Ventures, Level Ventures, and Crossover, follows a \$7 million and \$1 million fund.

Founders who have worked with Chen paint a picture of an investor who flies under the radar, but whose domain expertise, business savvy, and humility make him an indispensable partner for startups.

Their conviction is so strong that it can sometimes even turn them from investees into investors. After Chen wrote a \$220,000 check for Web3 data infrastructure startup

~~ZettaBlock~~ the startup's cofounder and CTO Scott Shi invested \$250,000 back into

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come a limited partner — even more than Chen's original investment,

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under and CEO Chi Zhang told Insider.

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oh we trust him and how much we think Tim has a very bright eye"

From founder to funder

Chen first caught the startup bug in 2016, when he launched infrastructure startup Hyperpilot alongside Stanford professor Christos Kozyrakis and cofounder Michael Huang after working at a number of early-stage companies. It was there that he realized the unique challenges of supporting infrastructure founders at their earliest stages.

Infrastructure products can take longer to build and can be used to solve a variety of problems, making it harder to find product-market fit, he told Insider. They're also deeply technical, which requires domain expertise from investors, he added.

After his startup was acquired by Cloudera in 2018, Chen started advising startups and angel investing and realized he had a knack for it.

As the space has gotten increasingly frothy, it's become more difficult for investors to

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aren't also in the line of sight of big tech companies like Google and id. This means, somewhat counterintuitively, that it's better for early-less-hyped startups whose domains are less attractive for incumbents,

Equally important to a startup's mission is its team. Chen believes he has a rare willingness to back unconventional founders, like PhDs who may lack industry experience.

"Other people might think they're too raw or don't know what they want to build yet, but I'm willing to bet on them," he said.

Success as a solo capitalist

When partnering with startups, Chen aims to be as close to a cofounder as he can be while also offering a bird's eye view of the entire infrastructure space, he told Insider. And due to his own experience as a founder, he feels a unique empathy with the entrepreneurs he works with, he adds.

When Ben Van Roo, cofounder and CEO of AI startup Yurts, first met Chen, the two brainstormed together on some AI trends Van Roo had been noodling on. Much to the founder's surprise, Chen wasn't afraid to disagree with him, even as an outside investor.

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vays in 'receiving mode,' — 'you tell me, Ben, where the market is

Still, it's not easy being a solo GP, especially in a tough fundraising environment.

However, the "first-mover advantage" for startups also holds true in the land of VC, Chen says.

"If you're the only one able to bring a certain value proposition or background focusing on certain segments, that always puts you in a special spot for LP's," he said. "They either believe in that segment or not, and they can validate you very quickly."

Other than his unique pre-seed infrastructure focus and his founding experience, reputation has also been an advantage for Chen.

"It helps with fundraising," he said. "All the funds that backed me were inbound, I never reached out to them. The biggest secret is that reputation is everything in this space."

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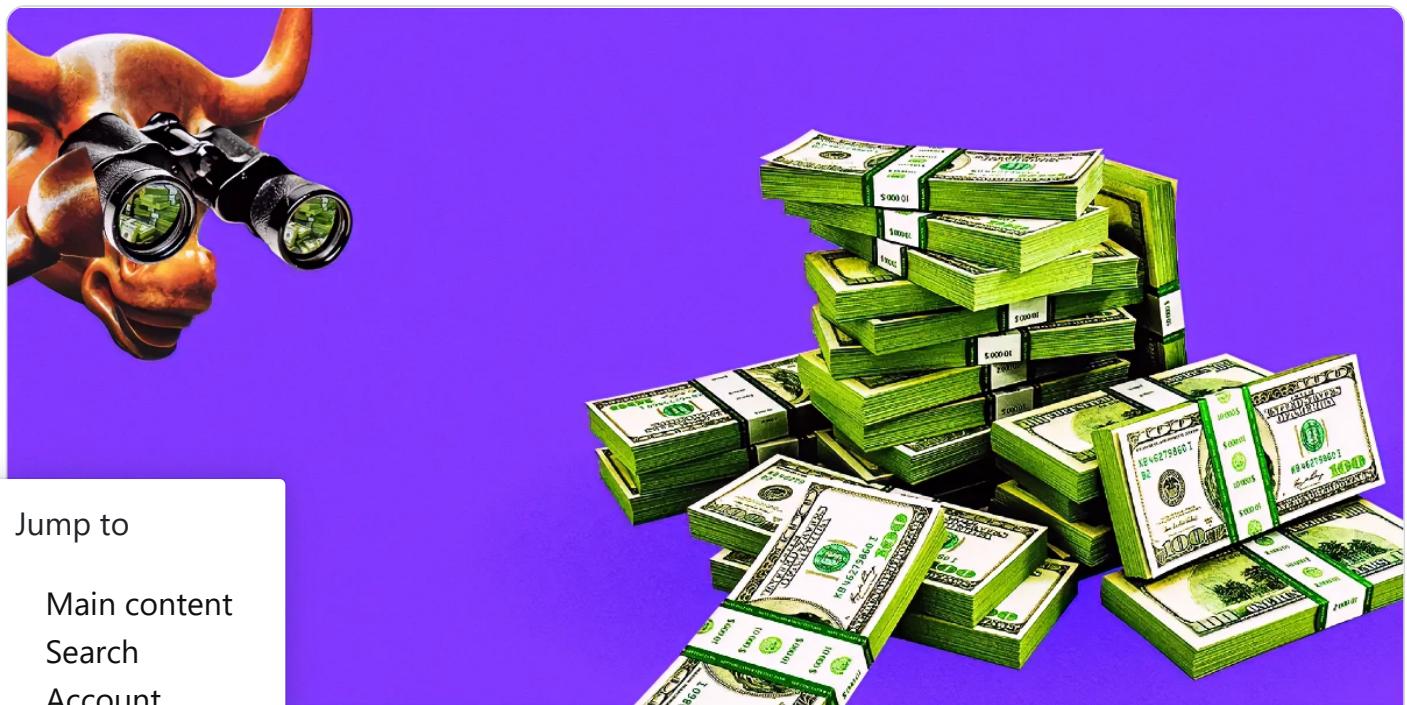
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- Of the 1.15 billion poles globally, 195 million poles exposed to climate risk.
- \$65B grant from US Federal gov't in 2021 for grid upgrades.
- \$11B approved by California regulators for utilities to spend on wildfire mitigation in 2022.

- In the last two decades, 11,000 extreme weather events, 475,000 lives lost and \$2.56T in cost, \$1.035T in the US.
- 1 fire in California cost \$16B.

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