This is the first in a series of posts exploring key concepts from our investment thesis and strategy. At the heart of our approach are captive and non-captive vehicles, two complementary strategies that work together to drive growth. Strategically using both approaches in unison builds a strong foundation for sustainable ecosystem development.

Definitions

Captive Programs are investment initiatives created and operated within a DAO's ecosystem. These programs leverage the DAO's internal resources, such as contributor expertise, networks, and strategic tools, to drive growth and alignment with the DAO's overarching goals (eg. an arbitrum specific accelerator program). Since these vehicles require the DAO to establish a custodianship solution, a "Fund-in-a-Box" (FiB) framework is often used to streamline their implementation—a topic we'll explore further in the next post. Captive programs enable the DAO to retain control and strategic oversight.

In contrast, Non-Captive LP Investments refer to contributions made to external funds or decentralized investment structures, such as venture capital funds or investment DAOs. These programs operate independently of the DAO but provide opportunities for diversification and access to external expertise. They require less administrative overhead compared to captive programs, as they rely on already established management teams. Non-captive investments offer a way to tap into broader market opportunities while maintaining a lower internal resource commitment.

Key Considerations

Captive Programs:

Pros:

- Ensured Alignment and Control:

Captive programs allow DAOs to design investment vehicles tailored to specific verticals and characteristics of the mother entity, ensuring investments align with strategic objectives of the DAO. * Flexibility:

They enable rapid experimentation and adaptation, allowing DAOs to pivot based on performance and market dynamics.

- Risk and Return Profile:

You can even run programs that may not generate direct returns themselves but create unique value elsewhere in the ecosystem—value that the market would otherwise fail to fund.

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- Returns and Management Costs:

When pre-conditions are met, fees support ecosystem-aligned resources, enabling us to claim a larger share of the returns generated. We can also use some of the carried interest to reward ecosystem contributions rather than purely profitability outcomes.

- Expertise Utilization:

By leveraging internal networks, such as contributor expertise or a scout network, these programs can identify and act on early on high-potential opportunities ahead of the market with localized knowledge.

Cons:

- Setup Complexity and Resources:

Establishing captive programs requires more effort, A FiB framework helps mitigate these challenges.

- Accountability and Risk Management:

Compared to LPing in non-captive, where there are other LPs, track record and parties managing the strategy and risks, here we take the full responsibility and impact of potential downsides. * Time to Implement:

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Non-Captive LP Investments:

Pros:

- Existing Management:

These programs leverage external infrastructure and expertise, reducing the need for internal management.

- Scalability:

They allow DAOs to access diverse investment opportunities with lower administrative burden.

- Market Access:

By partnering with established funds or DAOs, they can benefit from broader market insights, networks, pipelines, and investment decision making capacity.

Cons:

- Limited Control:

Non-captive investments are driven by external objectives, with a primary focus on maximizing profits for their LPs. As a result, these structures often allocate resources and make decisions that overlook, and sometimes conflict with, broader ecosystem objectives.

- Overhead Costs:

Management fees will still support profit optimization efforts, but these resources are dedicated to ecosystem benefits in a much more limited manner.

Leveraging Both Vehicles in Unison: Value Beyond the Sum of Their Parts

Using captive and non-captive programs together, creates a complementary strategy that enables a balance between ownership, efficiency, and diversification. For example, a DAO might use its captive programs to drive liquidity into liquid funds within its ecosystem, but only for strategies that are specifically beneficial to its internal goals. These strategies are tightly controlled and aligned with the DAO’s mission. At the same time, they can leverage non-captive investments to collaborate with external funds for access to wider opportunities with minimal internal effort. This dual approach creates a synergy that ensures DAOs maintain strategic oversight while efficiently accessing broader market opportunities, driving greater returns and promoting ecosystem growth. Together, these approaches mitigate the downsides of each while enhancing overall impact and scalability.