

# FUNDVIEW

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## Multi-billion Dollar Boutique Venture Capital Firm Launches New Fund of Funds with a Tech Focus

**The boutique investment firm, VenCap, has been investing in venture capital funds for over 30 years. To date, around US\$2.4 billion has been invested through several funds of funds. The latest flagship fund is now being launched: It has a tech focus and will be globally diversified.**

By Tim Habicht 23/06/2021



Due to persistently low interest rates and the difficult situation in the fixed income sector, investors are becoming more and more open to venture capital investments because in this area real growth can be found and generated. “Once the companies are traded on the public markets, it usually becomes more difficult because it is much more difficult to multiply the company's value than in the start-up phase of a company,” said Tim Cruttenden, CEO of VenCap, in an interview with Fundview. And Cruttenden knows what he's talking about: his company VenCap has been investing in venture capital funds from the US, Europe, China and India since 1987.

VenCap has invested around US\$2.4 billion in venture capital through several funds of funds and separate client accounts. Since its inception, VenCap has invested in funds that gave investors early exposure to many of the most important companies founded in the last 30 years, such as Facebook, Google, Netflix, NVIDIA, Spotify and Zoom. The new flagship fund of funds, VenCap 16, is currently being launched. “The fund will invest in a highly selective group of world class venture capital managers through primary and secondary transactions. This core manager approach enables investments in a focused portfolio of tried and tested venture capital funds that are difficult to access. The exposures are balanced in terms of both geographic diversification and investment stage.”

At the start, US\$350 to US\$450 million is to be raised for VenCap 16. The fund invests 60 percent in the US and around 20 percent each in Europe and Asia. The fund of funds is clearly geared towards growth: around 80 to 90 percent of the venture capital funds in which VenCap 16 will invest have an IT and tech focus. “We want to have a concentrated portfolio with around 14 core managers. A concentrated portfolio enables the best performance because only a few managers generate sustained outperformance and alpha in the venture capital asset class. We want to benefit from these consistent managers,” says Cruttenden.

When investing in venture capital, it is essential to have exposure to these top managers. In the venture capital asset class, the performance of the managers is even more important than in public markets or in private equity. Cruttenden explains: "Data and analysis show that managers in the VC space, who are more frequently in the top quartile than others, are more likely to continue their outperformance and strong performance. Thanks to our many years of expertise, we provide access to precisely these top managers."

Interest in venture capital has increased not only because of the low interest rate environment, but also because of the performance in the venture capital asset class. Especially in the crisis year 2020, the performance of venture capital funds was very good - and the market is growing and thus also offers more opportunities for investors. But doesn't the strong tech focus of VenCap 16 also involve risks? After all, many listed tech companies have reached rather high valuations. Cruttenden replies: "The situation is currently significantly different than during the dot-com bubble, in which we were already active as venture capital investors. Companies that are currently holding an IPO are much stronger than in 2000. Of course, many tech companies are already highly valued, but that is also due to the lack of growth alternatives. In addition, we are experiencing a fundamental change due to the COVID-19 crisis; a change that will persist even after COVID. Therefore, the high ratings of many tech companies are quite justified. Of course, always on the premise that inflation does not rise exorbitantly and that interest rates then rise more sharply. Market corrections due to rising interest rates would certainly not leave the venture capital market unaffected either."

### **Will you increase your China exposure in the future?**

Cruttenden is also finding opportunities in Asia and above all in China. Around 20 to 25 percent of VenCap 16 will be invested in Chinese venture capital funds. "We have had very good experiences with Chinese venture capital managers," says Cruttenden and adds: "There are more and more aspiring and high-class venture capital managers in China. But we still find the majority of our investments in the US. Nevertheless, we can further increase our China exposure and will probably do so in the future."

### **About VenCap ([www.vencap.com](http://www.vencap.com))**

VenCap is an independent investment firm focused on investing in top-tier venture capital funds in the US, Europe, China and India. Since its inception in 1987, VenCap has been an investor in funds that have offered investors early exposure to many of the most significant companies that have been formed in the last 30 years, for example Facebook, Google, Netflix, NVIDIA, Spotify and Zoom.

To find out more about us, please click [here](#). To see our latest fund offering, please click [here](#).

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