

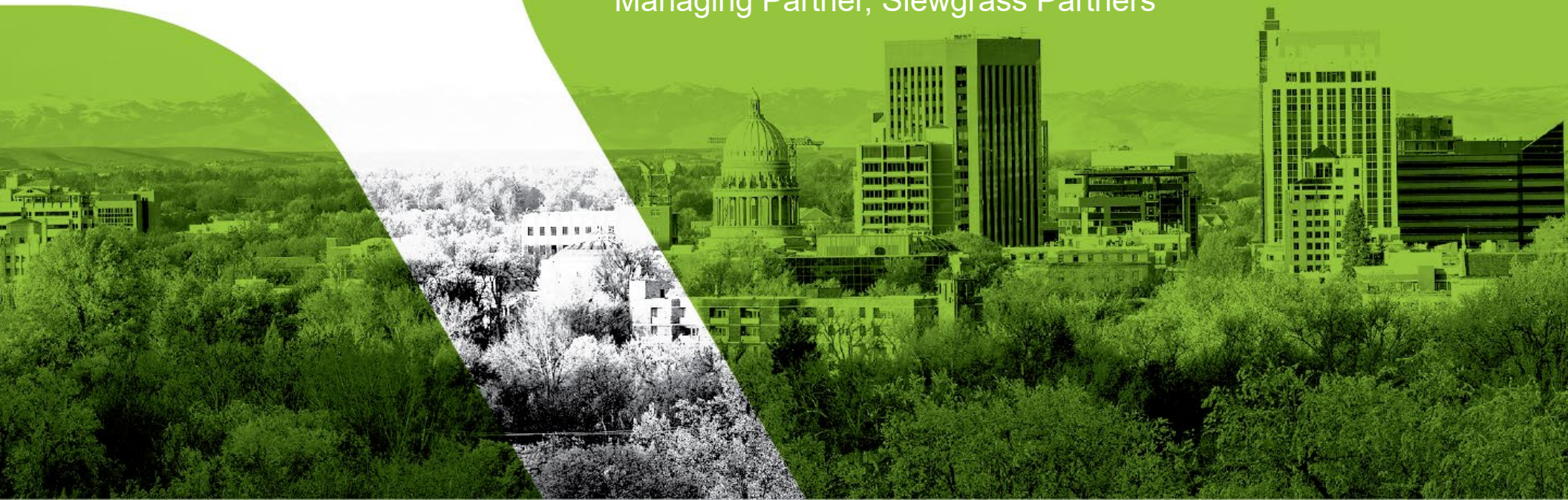


August 30, 2022

Wyoming Investment Funds Committee

Venture Capital Discussion

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What is venture capital?

Venture capital is a private equity investment strategy characterized by:

- Investments in young companies, ranging from pre-revenue to pre-initial public offering (“IPO”)
- Minority investments (rather than control of the business)
- Primarily technology and healthcare companies

SAMPLE VENTURE CAPITAL FIRMS

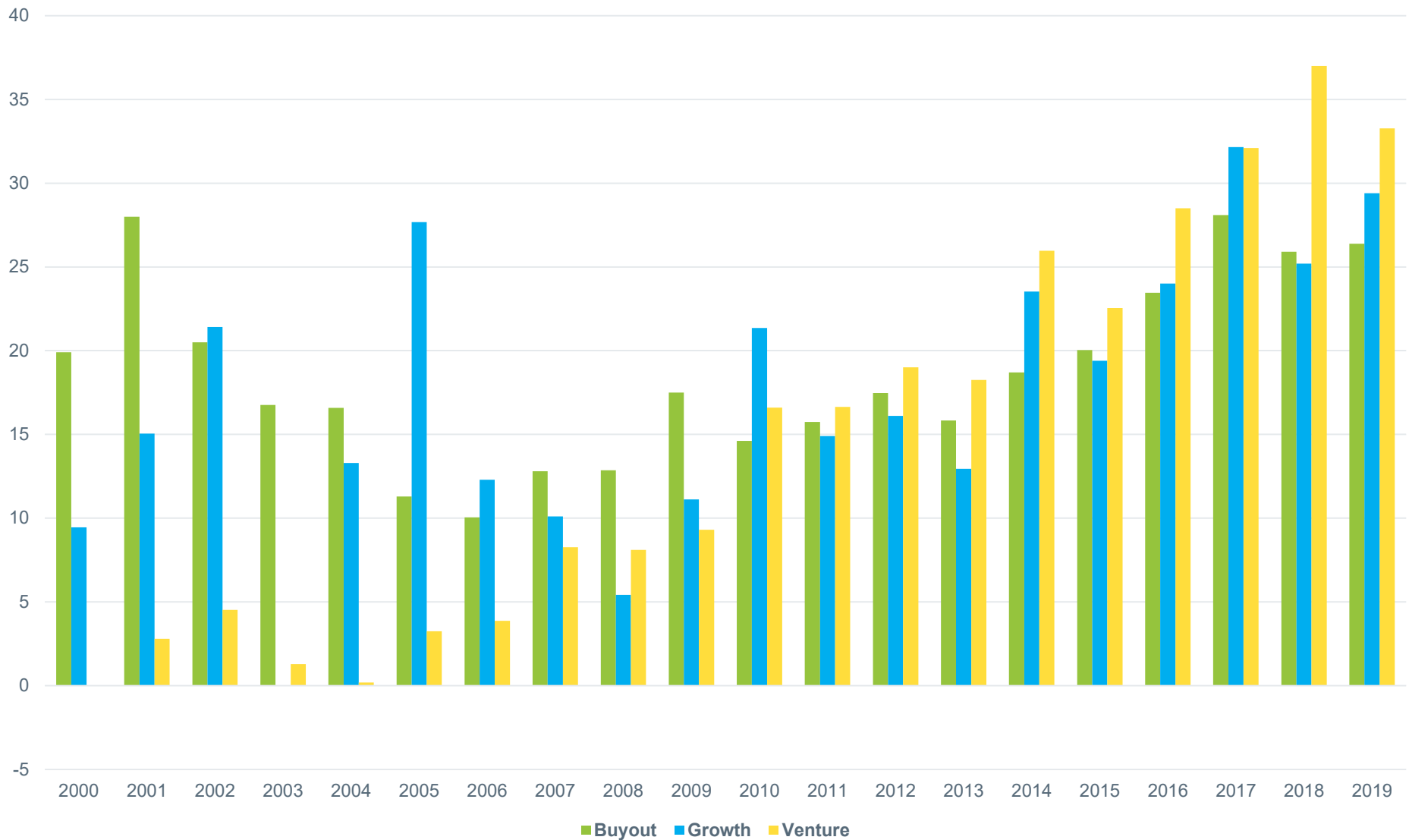


Characteristics of Venture Capital investments

- High illiquidity
- Goal of enhancing total fund returns over the long term
- Individual portfolio companies are very high-risk investments with wide distribution of outcomes

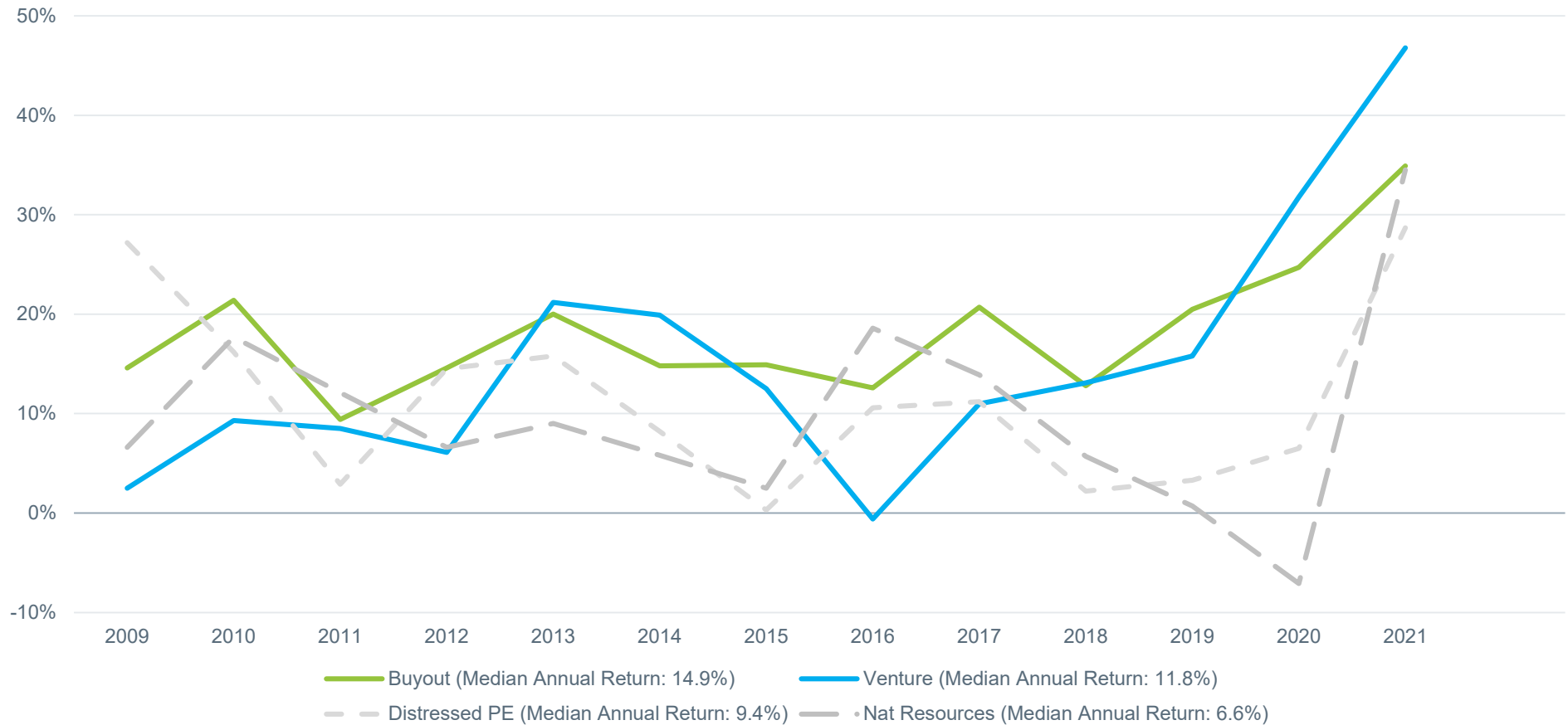
Private Equity Stage Performance by Vintage Year

Median IRR by Stage and Vintage Year



Rolling Performance by Stage

Private Equity: 1-year Rolling Returns



Venture capital continued to outperform in 2021 while the more value-oriented segments of private equity (natural resources and distressed) began to see meaningful appreciation.

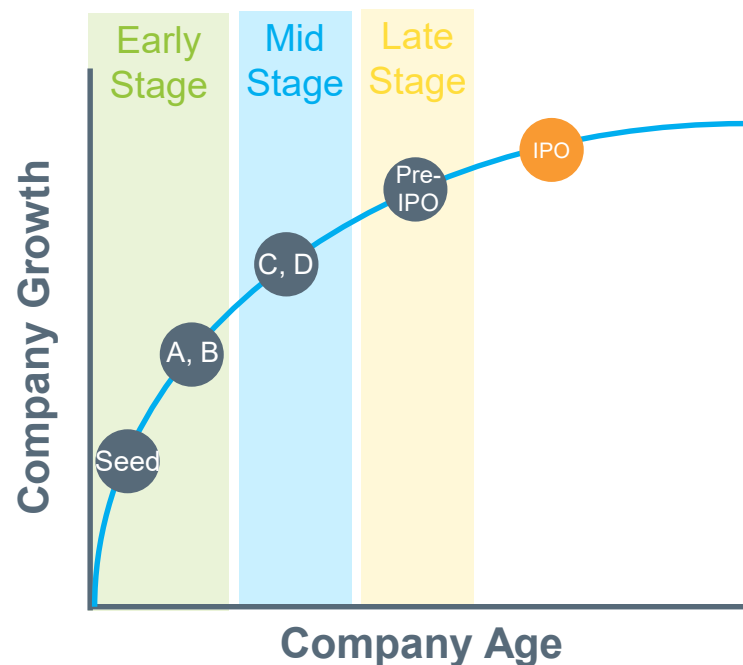
Types of Venture Capital

Venture capital investments are typically made across several stages or “series”.

Company status at each financing varies depending on the environment, maturity, and sector but common milestones are listed below.

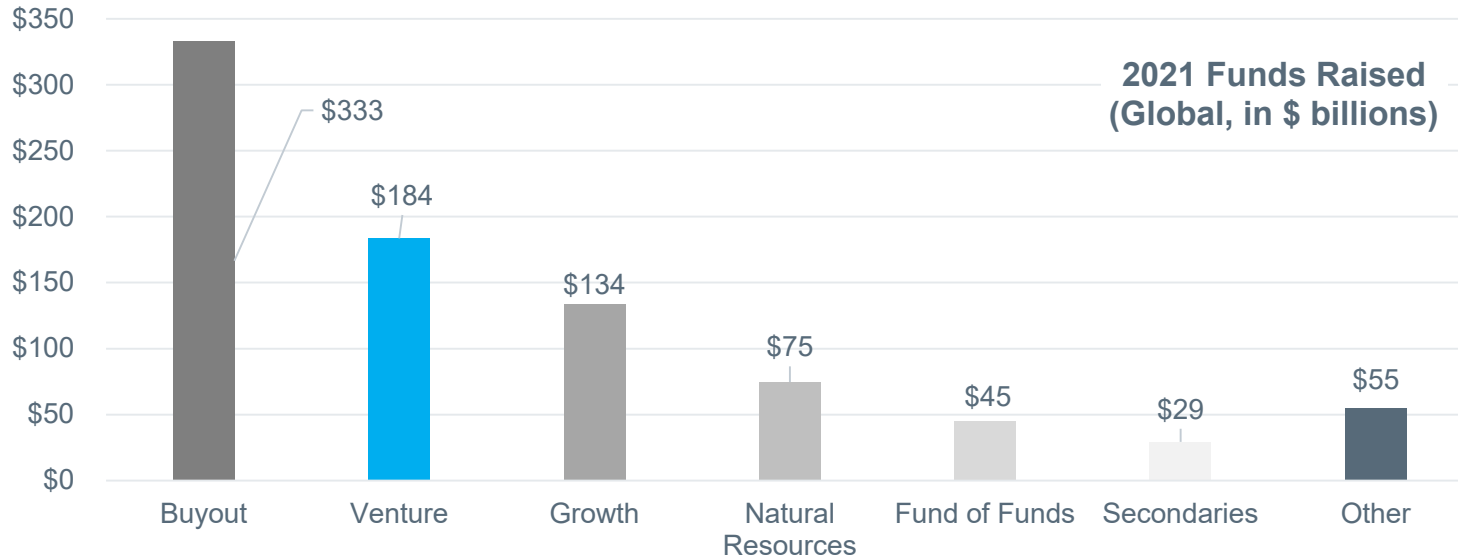
Risk and potential return typically decrease as companies mature.

- Seed
Seed stage companies are typically pre-revenue and are still developing a product.
- A, B
Series A & B companies often have generated some revenue and demonstrated product market fit.
- C, D
Series C & D rounds are typically used to finance further product expansion after the firm’s initial product finds market success.
- Pre-IPO
Pre-IPO rounds are made to support growth at the firm until it achieves profitability.



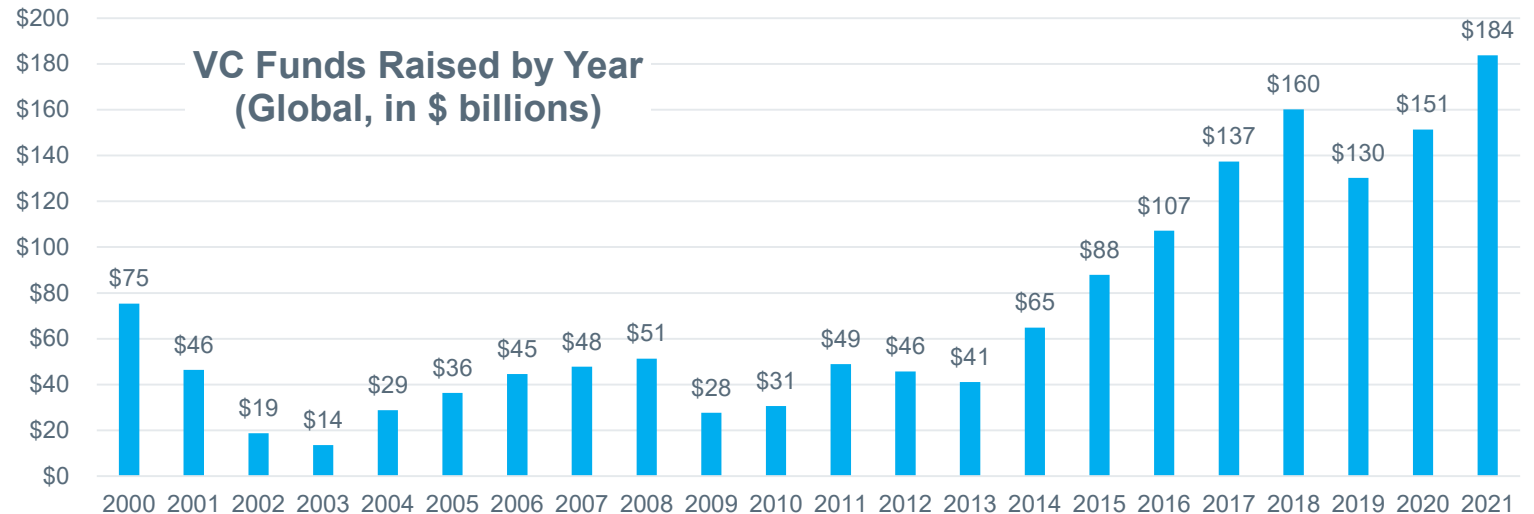
Most client portfolios invest across multiple stages however early-stage investments can be difficult to access to due small individual investment size and the limited number of highly sought-after early-stage venture capital firms.

How large is the venture capital industry?

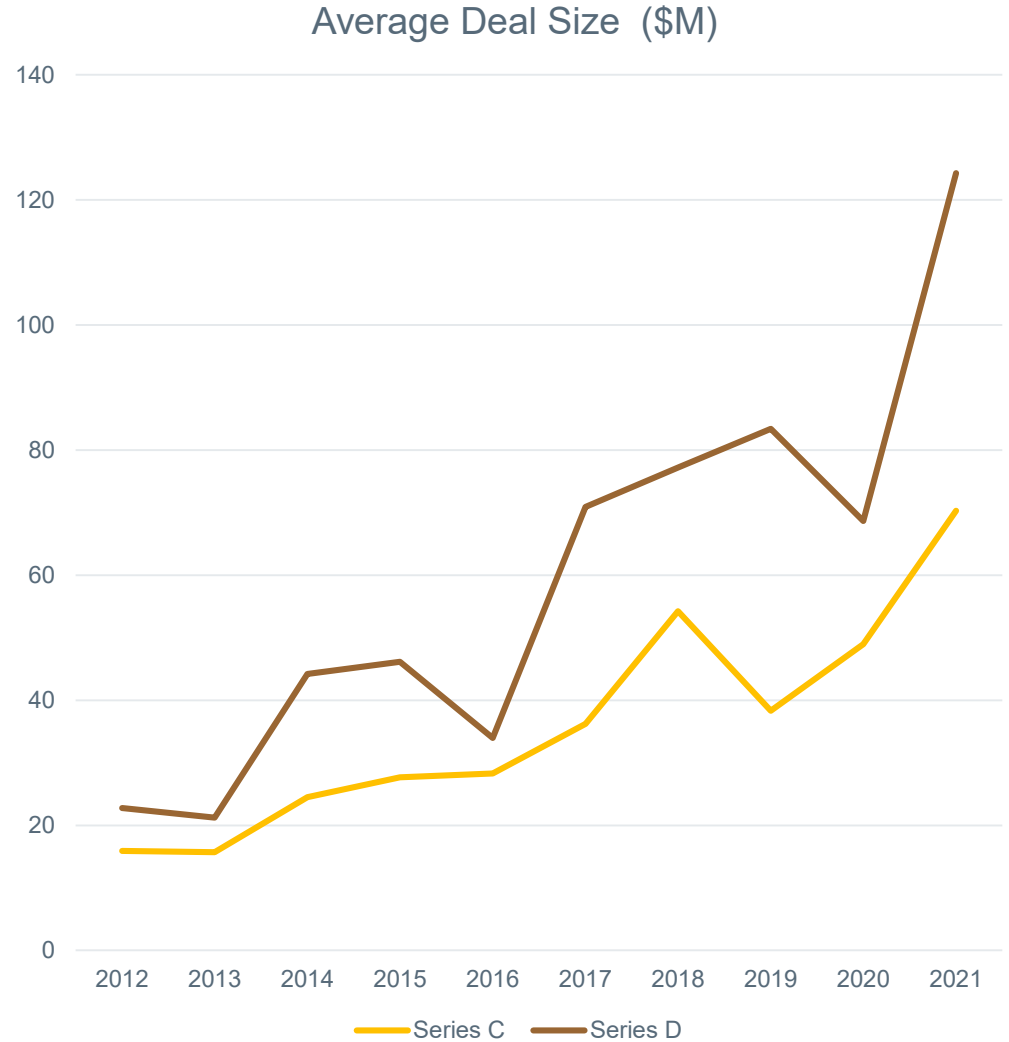
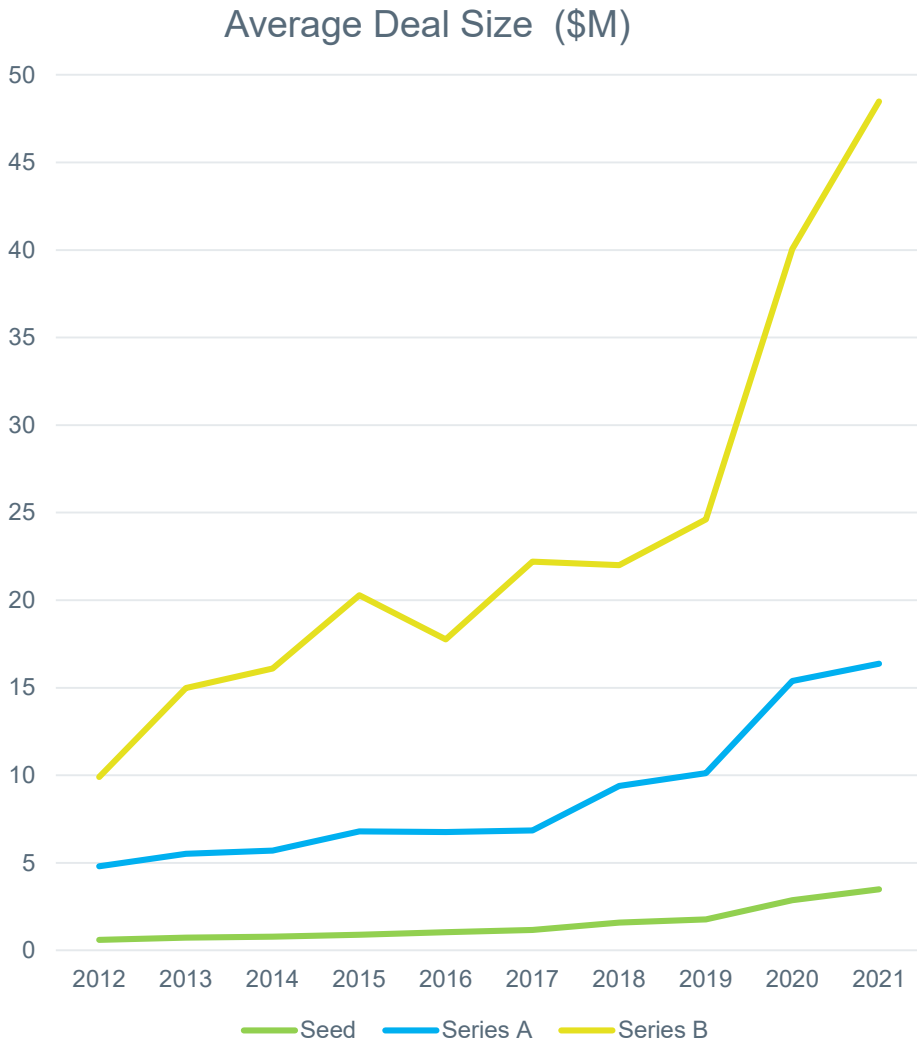


Globally, venture capital funds raised \$184 billion in 2021, representing 21.5% of total private equity capital raised.

2021's capital raise of \$184 represents a high-water mark for the asset class, similar to other alternative asset classes.



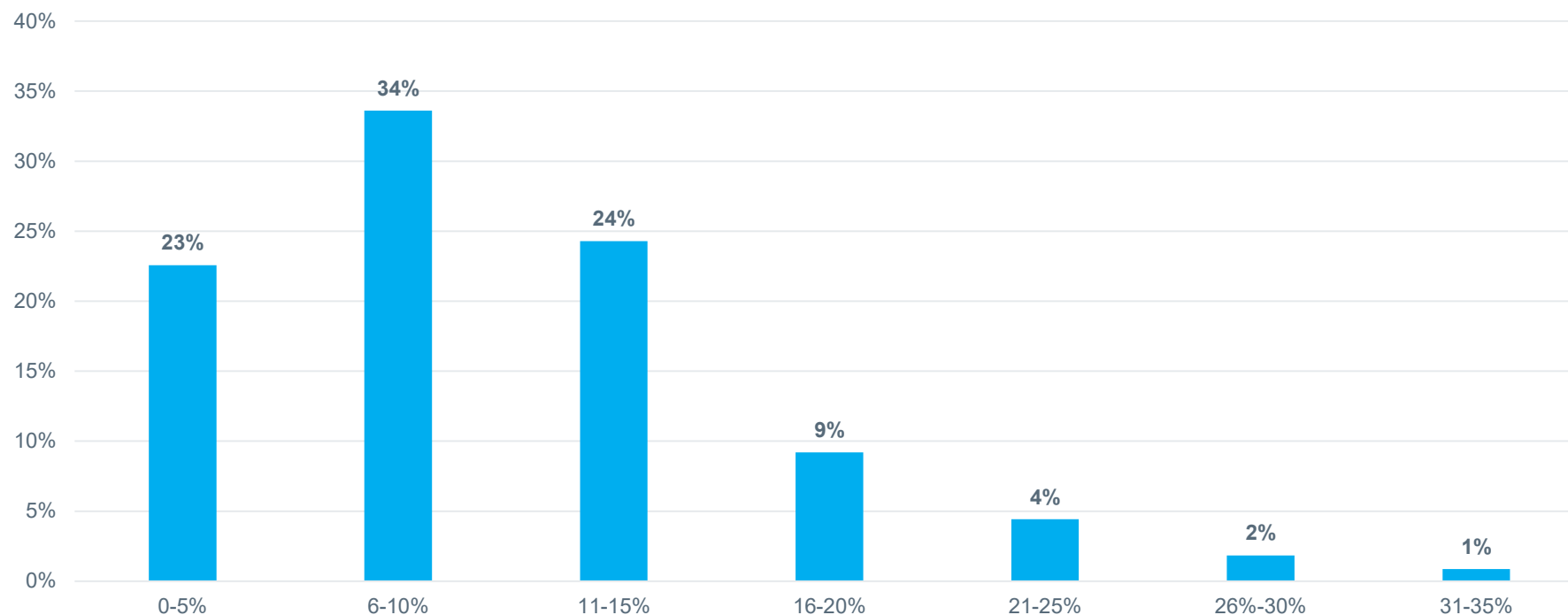
Venture Capital Average Deal Sizes



Deal sizes in venture capital have increase as fundraising has grown.

Investor Allocations to Venture Capital

US Investor Private Equity Targets



Given that venture represents around 20% of the overall private equity market (with growth representing around 15%), most client portfolios implement:

- 5% to 15% targets to private equity (inclusive of venture / growth) depending on client type
- 2% to 5% targets to venture / growth

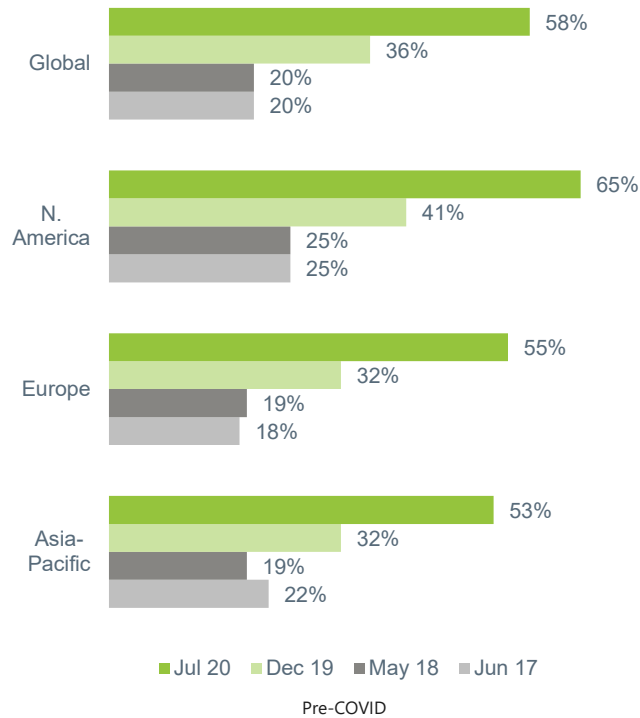
RVK typically recommends a single target to private equity rather than separate stage targets due to the difficulty of pacing sub-stage allocations within a portfolio.



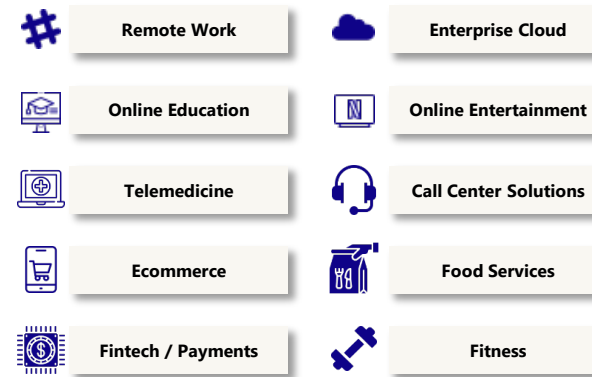
Why Invest in Venture Capital and Tech Buyout?

DIGITAL ADOPTION ACCELERATED¹

Avg. share of consumer interactions that are digital, % (McKinsey, 2020)



SECTORS IMPACTED



BY THE NUMBERS

36.2M

Projected **remote workers** in the US by 2025²

+39%

YoY **ecommerce growth**, Q1 2021³

38x

Increase in **telehealth utilization** since March 2020⁴

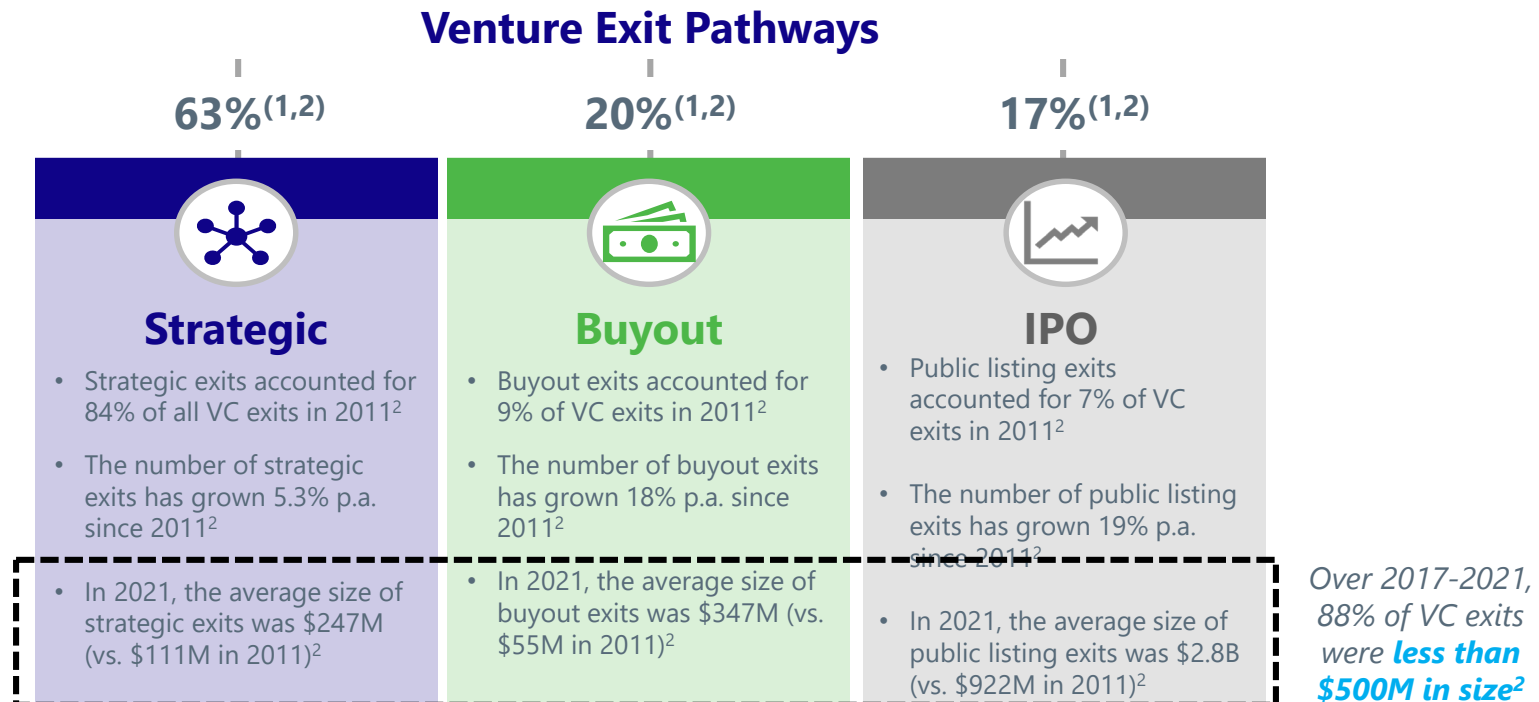
1. Source: McKinsey, October 2020.

2. Source: Upwork, Dr. Adam Ozimek, "Future Workforce Report 2021: How Remote Work is Changing Businesses Forever".

3. Source: Forbes, Joan Verdon, 4/27/2021 Article "Global E-Commerce Sales To Hit \$4.2 Trillion As Online Surge Continues".

4. Source: McKinsey & Company, Oleg Bestsennyy, Greg Gilbert, Alex Harris, and Jennifer Rost, 7/9/2021 Article: "Telehealth: A quarter-trillion-dollar post-COVID-19 reality?".

Understanding the Changing Venture Exit Landscape



Given the **current macro environment** and **muted public market appetite for technology IPOs**, we believe the number of secondary and venture buyout opportunities **will continue to grow**

1. Based on 2021 U.S. VC exit activity by count.
2. Source: Q1 2022 PitchBook-NVCA Venture Monitor.

University Endowments Are Posting Blockbuster Gains. How Venture Capital Played a Part.

After years of mediocre gains, university endowments are finally earning A's in investing, aided by stellar results from venture capital and stock holdings.

A few examples: The [Massachusetts Institute of Technology](#) says that, through June 30, the end of most colleges' and universities' fiscal year, its fund gained 55.5%, or \$9 billion, boosting it to \$27.4 billion. [Brown University](#)'s 51.5% rise pushed its endowment to \$6.9 billion, with its private-equity holdings up 86.8% and its stocks up 58.9%. [Washington University in St. Louis](#) gained 65%, or \$5 billion. Its endowment is now \$15.3 billion.

By Mary Romano, Wall Street Journal

Updated Oct. 14, 2021 7:00 pm ET / Original Oct. 14, 2021 1:05 pm ET

Venture Capital Benefits and Risks

Benefits

- Potential for outsize returns, in some cases dramatically so
- Access to young, high growth companies that are increasingly difficult to access through public markets
- Only vehicle to invest in cutting edge technologies

Risks

- Among the most illiquid private asset classes
- High manager dispersion means sourcing and manager selection are critical
- Access to best-in-class managers can be difficult
- Small investment sizes in early stage make access difficult as investor size increases
- Fund sizes/position sizes have grown dramatically, possibly diluting future returns

Venture capital offers investors the potential for outsize returns with significant risk and illiquidity.