The Navy Seals of venture capital - who work in teams and are utterly committed to founder success - are here

These single GP funds are often ex-entrepreneurs and increasingly ex-GPs, hands-on lone investors. I count myself among them, and our MO is to work tactically and speedily, to bring our deep experience to support the companies we back and put their success before everything else, including internal fund economics.

Temps de lecture : minute

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As huge sums pour into Europe in search of the next big global companies, the landscape of venture capital is changing. While headlines have focussed on the arrival of US and international investors with deep pockets and a voracious appetite for deals, a less remarked on trend is the emergence of single GP funds in Europe. Many of the single GPs are Valley Veterans - people who have worked in the Valley, both in big tech and VC, and are returning to bring their deep experience to help accelerate Europe’s best startups and scaleups. Invariably, they also have seen the best and worst of structured investing experience as partners within large venture funds.

Mega funds seek mega deals

VC investment in Europe hit €49B in the first half of 2021 and is likely to reach a new record by the end of December. One notable feature of this year has been the mega-funding deals, often completed by US VCs with deep pockets. Tiger Global Management, the New York-based firm known for its aggressive, splash-the-cash approach, has so far invested in 22 European companies, with a total estimated value of €72.7B. Some of the most recent European companies to receive Tiger's backing are the Danish platform *The Org* and UK-founded hybrid events platform *Hopin*. (Disclaimer: I have also invested in both these companies.)

VC is a relationship business and the most successful investors want to get a foot in the door as early as possible. For example, in the case of *Tajir*, a Y Combinator marketplace connecting mom and pop shops with retailers, I invested $100K in the pre YC Demo Day round and subsequently built a relationship with the founders. When Tajir went looking for their series A round of $15M it was 3x oversubscribed. Kleiner Perkins came in to lead the round and the founders rewarded early investors who had helped them with super pro rata. In a world of excessive VC competition, you could think of this as a new freemium VC model.

VC fundamentals are rapidly changing

VC investment is transforming before our eyes. Investment decisions are made at a pace not previously dreamt of. Now investors recognise that founders do not have time to waste on fundraising. Funding rounds are made faster and in shorter cycles, often without the copious paperwork that went before.

The competition among VCs in Europe has never been higher. The old rules of engagement no longer apply. Founders with momentum behind them can now choose which investors they want to go with and big funds aren't automatically their first choice. They increasingly want to work with specific partners who can add value, not institutions who are playing hardball about ownership and terms. Time and again, single GP funds are getting a seat at the table because they can move faster and actively demonstrate their value by bringing a network of supportive investors to the table.

Over the past years A16Z invested heavily and executed flawlessly in their inhouse support platform but single GPs have now expanded that model by creating cost efficient cross fund alliances. Whereas more traditional VCs use scout networks to source companies and build relationships, single GP funds are effectively decentralising the middle manager.

Single GP funds are also working together in a way which may surprise, including by sharing pro ratas and pipelines with each other. In fact the forward-looking larger funds have also started sharing their own pro ratas with single GPs, because the funds recognise how helpful single GPs are to founders.

Founders are raising the bar

Sometimes we look back in time and recognise a pivotal moment when everything changed. In venture capital itself there are examples of innovative moments like the creation of Sequoia's scout fund, A16Z's service platform and even Tiger's founder-friendly late stage terms and no board seats. However, as far as I am aware, no VC has ever filed a patent and founders are rightly now asking for more alignment with investors.

Founders are raising the bar and single GPs are responding in kind, while at the same time challenging the very foundations of VC. Single GP funds are challenging the cornerstone of VC economics, which may not be able to withstand this pressure.

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