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EPISODE 133:

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# Strategic LP Perspectives & the Future of Emerging Managers in Venture Capital



**Robert Morier:** Welcome to the Dakota Live! Podcast. I'm your host, Robert Morier. The goal of this podcast is to help you better know the people behind investment decisions. We introduce you to chief investment officers, manager research professionals, and other important players in the industry who will help you sell in between the lines and better understand the investment sales ecosystem. If you're not familiar with Dakota and our Dakota Live! content, please check out [dakota.com](https://dakota.com) to learn more about our services. Before we get started, I need to read a brief disclosure.

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**Jamie Rhode:** Thanks for having me here. I'm super excited for this discussion.

**Rohit Yadav:** Thanks, Robert. Thanks for inviting and explaining all the details. So, thank you so much.

**Robert Morier:** Oh, no, we appreciate it. And just for our audience, Jamie is here on the East Coast in the United States and Rohit is dialing in from Munich, Germany. So, it's also very nice to have a global conversation, so thank you both for being here. Well, before we get started, I'm going to read your biographies for our audience. Rohit Yadav is a strategic investment leader with deep expertise in alternative assets and venture capital. He's led global investment strategies and driven high-impact initiatives across multi-billion-euro portfolios. He is also the author of *The Big Book of Venture Capital*, which combines a unique blend of strategic and tactical insights from the venture ecosystem. Joining us back again on the podcast is Jamie Rhode, partner at Screendoor, a leading LP platform that backs emerging venture managers and brings institutional rigor to underwriting early-stage funds. Jamie was also a contributor to the recently published "*Rethinking Venture Capital, A Strategic Lens*," which offers a refreshingly honest look at the current ecosystem condition and suggest frameworks for GPs and LPs to move ahead. For our audience, just a quick word on rethinking venture capital as we start this conversation. *Rethinking venture capital* decodes the structural and temporal misalignments currently challenging the venture model and what they mean for investors today. Drawing on insights from across the VC ecosystem-- LPs, GPs, and founders-- it offers a grounded, practical view of how venture capital can evolve to meet the demands of a more transparent, equitable, and performance-driven future. Rather than promoting a singular vision, the report elevates diverse perspectives and highlights the mismatches in expectations, timelines, and incentives that persist between GPs and LPs. The message is clear. Venture capital doesn't need a revolution, but it desperately needs introspection. We are very happy to start that process after this wonderful read. Rohit, thank you again. Jamie, welcome back to the show, round 2. I'm sorry you're not in the studio, but we're very happy to see your face again.

**Jamie Rhode:** Happy to be live with you. And it's almost the 4th of July, so hopefully we'll all come back from this weekend with a tan.

**Robert Morier:** Yeah, I think we will. Well, Jamie, let's start with your piece in the report. What inspired you to share your views with Rohit, and what message did you want to leave for GPs and LPs as part of that report?

**Jamie Rhode:** I believe that early-stage venture is where the most extraordinary returns are found. But to capture them consistently takes a lot more than just access. It really takes a strategy. And I've seen what happens when you get that strategy right and implement it. Real DPI, not just paper returns. My experience of doing this was at a multi-generational family office. So, for me, my why is to help other allocators unlock the same potential and re-imagine how they engage with

the earliest stages of VC, which to me is being part of innovation. And so that's a crucial reason as to why I joined Screendoor a couple years ago, because we really combined institutional LP rigor with the lived experiences of established GPs who've built enduring firms. So together, we're reshaping access, giving allocators a way that's disciplined, cost-effective, and deeply connected to the edge of what's next. And at Screendoor, we don't just pick managers. We actively support them, help them scale their firms, navigate challenges, and build, I would say, with longevity in mind. And so, from my perspective, being part of this, it's a way to showcase that at Screendoor, we're not just another venture product. We're a platform built for those that want early access to managers, companies, and the next cycle of innovation. And so, from my perspective, educating the ecosystem about how to capture alpha is crucial, because it really takes a strategy, not just shots on a dartboard, not just thinking you have unique access. It's really important to be taking a strategic strategy and implementing it consistently over every single vintage year to really capture that alpha in return.

**Robert Morier:** We're going to be spending a lot of this conversation talking about the future of venture capital. But Jamie, if you wouldn't mind just looking back for us, how have you seen LP expectations yourself with experience at Screendoor? And as you mentioned before, being part of a family office structure, how have you seen those expectations and responsibilities evolve over the last five years, especially when you're underwriting first time and emerging GPs?

**Jamie Rhode:** It's a great question because when we look back five years ago, we're saying COVID. And then we're going to talk about the ZIRP era. And now we're going to talk about no liquidity. And so, I really think that being disciplined and when investing in venture, I've always taken a multi-period approach. I've always taken the long-term time horizon, because if we're investing in venture, we're investing consistently over multiple vintage years. And so, starting to invest over a decade ago, but having invested through COVID, I had to adjust and learn how to invest virtually, then learn how to invest in a very frothy market where LPs were pushing for more TVPI. I think there was a large subset of tourists. There was a large subset of LPs underwriting venture for significant returns in a much shorter time horizon, because they were just seeing the TVPI marks go up and up and up to the right really, really fast, which is very rare. And so, I think that now those LPs are realizing they had made potentially an asset allocation mistake, where if you're really looking to capture those returns in venture, you have to do it over the long term. And so, by unintentionally market timing and not being able to allocate capital in certain vintage years as of today, I think they're really missing out on the new innovation. And so, it's really been interesting to see. I think it's more LP expectations from managers in terms of returns and timeline. But additionally, now, the LPs, many of them allocate to, say, hedge funds or buyout where most managers are very institutional in nature Day 1. And so, they're requiring some of those emerging managers to know what to do, and how to create liquidity, and how

to manage a portfolio of startups in an institutional manner like they're used to in buyout and hedge fund land. But that's not always the case if you're not taking a proper underwriting approach from Day 1.

**Robert Morier:** That makes sense. You're giving us a great table of contents for Rohit, so thank you for sharing all of that. Before I do pass it over to Rohit with some of those topics that you just touched on, can you talk about kind of two parts? Talk about the importance and the evolution of fund of funds in venture capital, particularly within this emerging manager ecosystem and when you're considering something like asset allocation.

**Jamie Rhode:** When implementing a strategy to go invest in emerging managers or candidly, if you want to target the first institutional check into a startup-- so you're entering startups at a valuation of anywhere from five million posts-- maybe not as much in this market environment-- but \$25 million posts, like, you're entering at the cheapest entry point possible into a company. And when you think about the stages of exits today where something's going to exit at \$50 billion but you're entering at the earliest stages, that is significant. And so, if that's solely your focus, by nature you are likely going to tilt heavily into emerging managers, even if you don't have an emerging manager mandate. It's really the part of the ecosystem that has always been supportive of emerging managers. And so, to be able to capture the alpha that's produced there, you need to have enough shots on goal via fund managers over multiple vintage years across multiple sectors, because you don't know which sector's going to produce the biggest winner, and you need to do it consistently. So, for an LP, what does that look like? It really means, especially in this ecosystem where it's Fund Is, IIs, and IIIs, you need a high-quality top of funnel. Because if you don't have a high-quality top of funnel, then no matter what your picking skill is, doesn't matter. You have to be able to see a good representation of the underlying population and be able to sort through a lot of managers and understand, are they building an enduring firm? And so that could potentially turn into 20 managers over three to four vintage years. That's a lot of K-1s. That's a lot of capital calls. That's a lot of distributions, a lot of manager relationships, back-office headaches. And so, when you think about the time and the resources that are needed to allocate to this space, a lot of times it makes sense to outsource that part of your portfolio to fund of funds. And fund of funds has existed for many, many years. Most have evolved over time and raised significant amount of capital, which then end up getting deployed at later stages. So, it's not always focused on this core, call it pre-seed seed stage. But to properly access the alpha that's offered, a lot of times it makes sense to outsource that to a fund of funds as an extension of team. You can use them as a core and then build a satellite approach. We've seen many family offices do that. Or you leverage them as part of a strategy to be your outsourced team in the market. Know who is out there, and then you can choose and double down on top of it. But if you're only going to do a handful of managers in this ecosystem, you're going to have a high



probability of capturing the median return. And over the past 42 years, it's about a 1.7. And no one should be investing in an early-stage venture for a 1.7x. Where if you take a much more structurally diversified approach and you can capture more like the mean or top quartile returns, you're looking somewhere around a 3x net.

**Robert Morier:** Jamie, one quick follow-up question. When you think about diversification within that fund of fund structure, how does that look from a sector and industry perspective? How are you diversifying the portfolio, given the fact that you are investing in earlier stage managers?

**Jamie Rhode:** Yeah, I think it's really important to be cognizant of at the end of the day having coverage of all the sectors that exist today, but all the sectors that exist tomorrow. So, as you're building that portfolio, every single manager needs to be a creative. Every single manager needs to be adding exposure to different sectors, potentially different networks. There are some sectors-- let's call it enterprise SAS-- that you likely need a couple managers to cover that part of the market. But for an area that's specific maybe to robotics, all you need is one. And so, it's just being mindful. And we leverage the established GP advisors that are part of Screendoor to also inform us of the sectors of tomorrow, of the networks of tomorrow. Everyone knows of YC and Stanford and PayPal Mafia. But how do you stay aware and in the know of what's coming for the future? Because when you invest at the stage that we do, you're not going to see exits for eight to 10 years, so trying to market time is really hard.

**Robert Morier:** Thank you. I appreciate that. Well, Rohit, thank you so much for joining us again from Munich, Germany. You've authored The Big Book of VC since late 2023. The book was designed to democratize insight into venture investing, but what inspired its structure, and how have you seen the industry changing that really drove you to want to document and then think about and then share these thoughts with the market?

**Rohit Yadav:** Thanks, Robert, again, for inviting and asking this question is the origins, right? So, coming from an institutional investing background, I have insights-first approach to investing. What that means is, or what that translates into is conducting deep research into an asset class before building the thesis and investing. So back in 2021, I started crafting these decks for myself to decipher what's going on in the industry and how the industry's changing all together. And a couple of years later, I thought, why not just publish this openly for everyone to see, for everyone to benefit from it? And luckily for me, it was an instant success. It was like catching lightning in a box moment. People across the board in different geographies appreciated what the outcome was. So, there was a moment where everyone realized, there is a need for such a thing. But you asked, what changed my view on this? I would suggest that I hope more than me, it leveled up the game for everybody else in terms of how they perceive the venture ecosystem. So, I'll

give you two examples. Prior to this, if you look at any kind state of the market report, most of the times the data is coming from one or two data providers, and all the charts or all the conclusions are actually based on that data provider. So, there is something missing. That's not enough, yeah? So, it doesn't provide a complete picture of the industry. On the other hand, side, what you see is people also tend to focus on information from limited sources. For example, maybe there's an influencer in the space of venture capital, and he or she's sharing some report or sharing a post on how to make a deck, how to pitch, for example. And everyone feels like that's just one way of doing things, but actually, it's not. So, my goal was to be as comprehensive as possible in terms of coverage of data and insights from the industry. So, what you would see is at least for The Big Book, which is published on a quarterly basis, the data comes from as many data sources as possible, as many thought leaders as possible. So, it's more than curation. It's actually written in a report format. So, I try to provide analysis on what's going in the market and summarize what my take on the ecosystem is on a quarterly basis.

**Robert Morier:** As I'm listening to you speak, I feel a little bit like you're the Homer of authors in venture capital. Like, this is Ulysses in the Odyssey, and it just never ends. The journey keeps going. So, I'm grateful that you've done it, and we're certainly grateful as I think here with students in the studio with us that you've created it as an open source. So, thank you on behalf of all the audience for doing that.

I also hear why you and Jamie probably hit it off. Data diversification probably was ringing her ears. She's, I know, a data junkie herself, so something that I'm sure resonated with you, Jamie?

**Jamie Rhode:** Absolutely. I would say it's a core part of how I've made decisions in my whole life. And my husband will definitely tell you that. But I really use data to help guide my decision-making process. I think using data for predictions is really hard, but it's really important to find high-quality data sources to inform your decisions. Because to Rohit's point, if you're just getting one piece of the pie and it's actually not representative of what's happening in the ecosystem, the decision you're making off of that could lead to a very poor outcome.

**Robert Morier:** Rohit, you also incorporated conversations from your podcast into the publication. Can you talk a little bit about how you identified those guests, the conversations you had with Jamie?

**Rohit Yadav:** Jamie would be a perfect example, right? So, as you mentioned already in the podcast, we recently published a report called Rethinking Venture Capital. And I had a vision for this report. So, beyond what I do tactically on a quarterly basis with The Big Book of Venture Capital, I wanted Rethinking report to be one of its kind, to be forward-looking, to be comprehensive, to be really value adding on a very strategic level to LPs. So, this required a lot of substance and

depth. And my idea was to have one person, each specific area of the entire value chain, who would be an expert and who would capture the true essence of what's going within that area. So, I have listened to Jamie for quite some time. She's doing amazing podcasts. And what she's doing with Screendoor as a company, as a fund of fund is amazing as well. So, she was my natural choice for inviting to cover this specific topic of emerging managers. And simply because I loved her data-driven mindset, as you mentioned already, and her ability to convey the idea. So, I'm glad it worked out really well with respect to this Rethinking report. Thanks, Jamie.

**Jamie Rhode:** You guys are making me blush. I don't know if that shows up on Zoom.

**Robert Morier:** It does. Well, I mean, this conversation is really exciting for me, because I get to be in the middle, the fly on the wall between someone who's done an excellent job of documenting what has not just happened in the industry, but what you believe, Rohit, needs to happen. As you said in the report, not so much a revolution, but a rethink of everything from how you approach the GP/LP relationship, how you think about the exit, how you think about the allocation. One thing that you mentioned. You outlined these four interlocking lenses. I won't read them to the audience. But if you could just quickly cover how those lenses help the reader understand venture capital's relevance today.

**Rohit Yadav:** So, venture capital has evolved from a really high-risk niche into a strategic pillar, shaping innovation, competitiveness, wealth creation across the industries. So right now, I would say it's more than a financial instrument. It's a kind of a mechanism that transforms the imagination into scalable impact. And to grasp the true value of what's going on in venture capital, what it requires is not just to have one lens, but actually to have a combined four-lens view or four-lens approach. And those four lenses are basically innovation, investment, strategic angle, as well as the emotional angle. What the innovation angle is, basically, venture doesn't just fund technology. It just accelerates the improbable. What it means is it creates a space for experimentation, iteration, and breakthrough thinking. I would say it's where the bold ideas meet the capital, and venture provides that capital. If you look at all the examples of bigger companies make-- take Tesla, for example, NVIDIA. There are multiple examples given the report. All of them started from some angle of venture capital at the back. And by venture, I mean not just capital coming from venture capitalists, but also coming from, for example, family office, funds, and so on.

Now if you switch to the investment angle-- this is the most interesting part-- if you look at the public markets, they are contracting. What that means is investor cannot just ignore private markets. Let's take, for example, AI. If we have to invest in AI right now, that will mean on a public market side, we go with the top seven-- the Mag 7, it's called. NVIDIA, for example, the CHIPS, and so on. But that's the



public side of it. Where there's a lot of innovation happening is on the private side. And private capital has expanded 2.5 times that of the public market cap growth. So, I would say actually, if any investor wants to capture trends like AI from an investment perspective and they are not looking at both public as well as private, actually, they are not fulfilling the fiduciary duty assigned to them. So that's kind of my hot take on it. And if you look on the other hand side, nearly 80% of the US companies generating more than \$100 million in annual revenue, they are still private. And if you come across the Atlantic to this side of the world, the ratio's even higher for the EU and UK itself. So, there's a lot of value generation happening in the private markets. If you come to the third lens, which is the strategic part of the puzzle, we would see what is happening all around us. Geopolitically, the world is in a flux, macro flux. Deglobalization, natural interest taking over investments into areas like robotics, defense tech, and so on. If you look on the corporate side, corporates want to gain access to technology. What's happening latest in the AI, and so on? So, this kind of strategic angle of investments actually can be achieved via venture model. And the fourth and the final one is basically emotional one, which is actually well known. A lot of those investments are into people that we know. Let's say I was recently invited to my MBA school on a homecoming, and they're trying to push for, let's say, angel fund. So, this would be more on the emotional investing side, trying to support the alumni who are coming from the business school itself.

**Jamie Rhode:** Hearing that, it really resonates because coming from a multi-asset class background from an allocator standpoint, I think the challenge with investing in early-stage venture is that innovation cycle is becoming extended, and so companies are staying private for longer. And so, when thinking about your asset allocation and making investment decisions, when you look over the past 42 years at buyout, at real estate, the DPI starts to level off around Year 7 or 8. But in venture, it continues to compound into Year 12 through 15. So, if you are properly allocated and properly investing in the right managers that are investing in the right startups, you will capture those returns. But the challenge is the last 20% of time is going to produce between 40% and 50% of your return. So, you need patience to see that innovation cycle shows up when you're investing at the earliest stages, but you will be properly compensated for it as long as you're accessing those top quartile managers. And so being part of that journey is really important, not only from an emotional angle or having the joy of, I funded that amazing startup that's now changed the world, but from compounding capital for your asset allocation and making a world of a difference because you can't find those returns anywhere else.

**Robert Morier:** Staying with that point that companies are staying private longer, Rohit, in the report you argued that IPOs shouldn't remain the default exit expectation. You highlight how secondaries and M&A are legitimate strategic outcomes as well. How do you think LPs should be shifting their frameworks when

evaluating what Jamie's covering here, DPI and fund performance under this new reality?

**Rohit Yadav:** Excellent question. I think everyone's suffering from low DPI, but there are multiple angles to it. Let's first capture from the LP side how they are trying to evaluate venture. So, if they were assuming that DPI would automatically come and looking just at the exceptional years of 2020 and 2021, I think that's the wrong way to look at any asset class. So, the role of an LP should be to do an adequate cash flow analysis, scenario analysis, stress testing across the portfolio, which also means preparing for an era of 2023 and 2024 where, let's say, everything on the venture went on the downside. And so, if they haven't done that job properly and they're just simply putting, let's say, the blame, for the lack of a better word over there, on the venture side of not producing the DPI, I would rather say that the LPs haven't done a really good job. Having said that, I seriously think that LPs and even GPs should push themselves, nudge themselves and each other towards creating a more vibrant ecosystem for exit. What that means is if you look through past-- not one, two, but at least three decades, IPOs have been going down, at least in numbers. IPO is the biggest creator of value in terms of returns, in terms of the capital which is coming back is actually decreasing. So, the two other options remaining is actually M&A and secondaries. And I personally feel that M&A hasn't been utilized effectively. And if you look in-depth into the data in the M&A sector, especially in the early stages of a startup cycle, at the pre-seed and seed stage, most of the M&A are actually loss-making. So, where the value really occurs is actually on the series A, B, and so on. So, we need to flip the equation and make M&A cool again, somehow. We need to nudge the corporates. We need to nudge the private equity firms. We need to nudge other startups to start doing M&A, to start buying other startups. And this we have seen in the data in the last two years, although we can argue that the returns over there are, let's say, not the best as an IPO. But I would say that if you go a couple of years down the line and if you have a much more functioning M&A market, we will see returns, we will see a lot of exits, and we will see value coming out of the market. Secondaries has seen a phenomenal growth, although I would say there are two sides of the market there. On the bigger side, let's say there are some names, some startups which are traded on premiums, while others are traded on discounts. This is on pure retail basis if you want to buy secondaries. But even within, let's say, portfolio sales of GP, we are seeing-- there's some discount element or some premium element. In the market there's a lot of friction happening, because secondaries is a negotiated deal. What we want to see is that everything smooths out and secondary becomes one of the key components of how you get liquidity, because IPOs might take 12, 15 years. But with secondaries, with the proper functioning market of secondaries, we can see liquidity much before. And probably that's what venture is needing right now.

**Jamie Rhode:** For the M&A market, Rohit, do you think that that responsibility is on the venture capitalist to start that movement? Or do you think that falls more on the LPs or the startups?

**Rohit Yadav:** I would say-- Jamie, excellent question-- it rests on both sides. LPs need to nudge for liquidity, whether that liquidity is coming from IPO, secondaries, whichever way. But they can push the VCs to act on, what are the right opportunities for a sale? Venture capitalists by default might not be super motivated, because they would always be looking at, hey, you know the valuation might increase. The value might occur, and we might get a better return, like many of them did within the 2020 and 2021 era. And afterwards on record, on past podcasts, many of them had said openly that they waited too long. They should have done an M&A. They should have pushed their founders to sell upfront in the market when the market was on a high. So, venture capitalists actually tend to miss this boat. And LPs are on a much better position to judge on a macroeconomic level, because they are seeing the data not just for venture, but equities, bonds, what's happening geopolitically, and so on. So, the nudge probably can come from the LP side, but VCs also need to be prepared.

**Robert Morier:** Jamie, how are you seeing M&A and secondaries come up in your portfolio?

**Jamie Rhode:** The benefit of investing at the stages we do where, when I look at the median entry valuation of our first portfolio, it tends to be around a \$13 to \$15 million entry. That gives us the flexibility and the optionality to leverage secondaries, but different than I would say that a lot of the market thinks about it where we actually have this real-life discussion right now happening with one of our portfolio GPs is engaging with one of their portfolio GP advisors. There's a unicorn in the portfolio sitting at \$3 billion for them. And they are trying to decide, do I take some points off the table? And you have to think about the opportunity cost, because your entry valuation, typically at the stages that we play, tend to be pretty low. But is holding for another three to five years going to give me a significant amount of turn on my capital and worth keeping? Or do I take some points off the table, return DPI? You could potentially return your whole fund. And so those are real live discussions where I think that emerging managers today need to have the right resources and people around the table to execute on the proper decision, like Rohit is talking about. And it really comes down to gathering all the information that you have available today. You know that company well enough, and so you have to do the upside downside case and say, yes, it is worth taking a third off the table and returning money to my LPs, or no it's not, because actually, its latest valuation is undervalued, and I see insights down the road to holding. Then comes the last piece, communicating with your LPs. Because some LPs actually may not want the money back. Are they taxable? Do they have to go pay taxes on that distribution, then go find another venture investment that

compounds capital at 20% to 25% per year? That's not easy to do. So, I think these are discussions that emerging managers don't always know how to have with LPs. But if they have the right support around the table, they can leverage their LPAC properly and engage with the LP base and say, I'm deciding between selling or keeping some in the ground. How do you feel? What do you need? Because you are a fiduciary of capital to your LPs, and you need to engage with them properly.

**Rohit Yadav:** Jamie, excellent points. I was talking to one of the founding members of a billion-plus AUM VC firm, and they have three people specifically sitting there and working on exits. Their job is nothing else but exits. And one of the key components they are looking at is secondaries. And what Jamie said, emerging managers need to be better prepared, because it's kind of a competition in a way.

So, a bigger seed fund is also working on exits, but they have much more support, much more education, much more communication that they have had in the past with the LPs on different exit scenarios, but emerging managers might not have had before that. So, this is where what Screendoor is doing through their advisory board of other GPs and established VCs and so on, it's much more beneficial, because you can share such points within that ecosystem and get the right answers.

**Robert Morier:** Thank you for that, Rohit. I appreciate that. We're going to talk more about the power dynamics between GPs and LPs. But before we do, Rohit, you mentioned something that sparked a memory in your conversation on your podcast. You mentioned that the number of IPOs is going down. But Jamie, the number of managers has gone up demonstrably. So how do you think about that dynamic where you've got arguably more people that are dedicated to exits, as Rohit mentioned? So, there's clearly this need for liquidity in some areas of the market. And you also have this high volume of managers coming online. You actually related it to the hedge fund industry, which I thought was so interesting. Would you mind sharing a little bit about that parallel and how you see that dynamic between the number of managers coming online versus the number of exit opportunities?

**Jamie Rhode:** For me, it's really, really interesting when people like to home in on specific vintage years or specific market dynamics in the 2021 and even 2020 vintage, yet Wiz is mid M&A exit for \$32 billion yet got their first check in 2020. So, if you skip that vintage, you missed out on that return. But it's really interesting because it ebbs and flows, and managers shut down, and then people forget. They have short-term memories. The GFC wasn't that long ago yet. The strategies that became out of favor post GFC are now back in favor. And so, I think for me, it goes back to being then grounded in that data and understanding that over time, 2% of startups, no matter what vintage year since 2004, turn into an outlier. So, you may

have more startups in 2020 and 2021, but 2% of them will turn into the outliers. Just like when you look at managers, 20% of the managers in early-stage venture produce 80% of the returns.

So, there may be more managers out there, but also, the dynamics of funding at the earliest stages are changing. 20 years ago, to be able to raise a \$5 to \$10 million fund and be able to write certain checks and get certain ownership thresholds and get access didn't really exist. Now, some of the brand name funds we see today did start out with small little funds like that. And so, it's just really interesting when you stay grounded in long-term perspectives when it comes to venture, but being mindful that you can take in information that's happening day to day, quarter to quarter, year to year, and just always adjust your thinking. But being grounded in knowing that these market dynamics, whether it's venture, whether it's private credit, whether it's hedge funds, whether it's buyout, they all end up looking the same when you step back from a 50,000-foot view. But you just leverage those parallels and leverage those experiences to inform your decision making and realize that over the long term, the trends from a return perspective, from a power dynamic perspective, they tend to stay the same. It's the details of them that look different, and you need to be informed on that to always evolve your strategy.

**Robert Morier:** Well, getting back to those power dynamics between GPs and LPs, that ended up being a consistent thread, Rohit, throughout the report. So how do you see that relationship evolving, and how did your writing reflect those changes? So, what did you learn through gathering that information about that dynamic?

**Rohit Yadav:** Most of those power dynamics is more about information flows. It's about transparency and collaboration between LPs and GPs, yeah? So, if you look in context, I will say, to the GPs, there's no more hiding behind the power law. [LAUGHS] What that means is GPs need to start owning every bit, and it comes to information flows to some respect. Top-performing GPs, they don't just need to celebrate their winners, which means that maybe 1% to 10% of their portfolio is doing really well, and they keep on shining light on this part of the portfolio. But they are somehow kind of hide behind that, oh, rest of the portfolio might not be doing so well. So, what I'm saying is they need to take the full accountability for the entire portfolio. LPs need increasingly more transparency. They need more post-investment strategies for both the stars and the strugglers. And they want to have the full-cycle mindset of what the GPs want to do with their entire portfolio. So, there is the element of being more open with respect to information flows on how the portfolio's going. Second is the transparency part, and this is what is captured in the Venture 3.0 section of the report, is that trust is earned through precision, through visibility. And GPs must deliver on this institutional grade reporting. What that means is, as Jamie rightly said, venture is just following the path of other asset classes. So, in private equity, in real estate, we would already see there are best



practices being made on how to value the portfolio, how to report all the data, how to integrate topics like ESG, and so on. In terms of European context, it's much more relevant. And just how to communicate.

So, there's a disciplined way of doing everything, and venture is just maturing and following that path. And there needs to be much more transparency. So, it's not just a bonus. It's kind of becoming the minimum standard for winning and keeping the top-tier LPs in the base of their investors. And the third one I would like to highlight is the collaboration between the LPs and the GP. The whole ecosystem of LPs is expanding. So, when it comes to dynamics between GPs and LPs, GPs need to realize that the past subset of the LPs is expanding. The venture capital as an asset class is democratizing. It's modernizing.

So, the GPs can modernize their investor relationship functions from a more segmenting approach to more tech-enabled engine. Everything is available online. Let's say tailored communication, educating the LPs on, what are venture investments? How they are done. What does DPI and XYZ looks like? And specifically, the onboarding part from family offices, high-net-worth individual, and so on, which is covered well in detail in the report that they are expanding quite a lot across the wealth channels. So, for me, all this power dynamics is between, what are LPs expecting from GPs, and how much GPs are prepared to becoming institutionalized in a way.

**Jamie Rhode:** I would absolutely agree with everything Rohit said. I just think because for early-stage venture, being that it is uncorrelated to the public markets, it's a great value add to your asset allocation, not only from a return perspective, from a diversification perspective. But it requires a lot of education for any LP base that is new to the venture landscape and so trust and transparency is very key. Whenever I ask an emerging manager when they're raising Fund II and Fund III and I say, how much time did you spend investing, they tend to say about half, because they don't realize that running an institutional venture fund is not just about investing in the best startups and helping your founders. There's a whole other part of the job that a lot of them don't actually realize. Some do. And that's really the purpose of Screendoor's value add is to help you go from investor to fund manager. You have to be a great picker, great investor yourself. But there's a lot of this job that is challenging and creates so much friction that LPs don't want to spend the time to even invest here, because of the operational and legal complexity of just investing in one manager, when to adequately build a portfolio, you need to invest in multiple.

**Robert Morier:** How can a GP earn your trust? What do you think about when you're evaluating a manager, particularly early stage in that Fund II, Fund III? What are some of the characteristics that you specifically look for when you're trying to gauge both the transparency, but more importantly, the trust?

**Jamie Rhode:** I really appreciate when the manager is very honest about the good and the bad throughout Day 0 to day to day of when I've made that investment, or when I've started to build that relationship. We've candidly passed on managers just because we haven't felt like they've had the institutional chops to back them at a Fund I, although I've seen the investing muscle and I've seen the network, and I really want to invest in you. But it just takes another level up to receive our capital. And so, it's being very transparent about lessons learned. It's talking about how your sourcing strategy has evolved, how what you thought you knew was totally wrong. Everyone talks about being up and to the right. Everyone in a deck is top quartile. I mean, top decile. I mean, it's very interesting investing in the venture world, which has a lot less regulation to it from a direct VC fund investor versus looking at a hedge fund manager. And I'm just like, you're very regulated, and I get daily transparency. And so, for those GPs, they also need to be as transparent as they can be. Obviously, protect anything that you feel is confidential about the startups that you're investing in. But talk to the LP. Tell them what your long-term vision is for your firm and your brand, how you're thinking about DPI, how you're thinking about the companies that you're investing in in terms of capital efficiency, in terms of hold times. That can be very scary to be that transparent with an LP. But then at the same time, the LP can quickly know if this is a marriage that is worth potentially getting into. Are you having the right relationships around the table? Because I've seen GPs just take as much capital as they can in their Fund I and Fund II, and it leads to significant challenges down the road when they want to raise future funds, because they didn't have the right LPs around the table, and that leads to a lot of challenges that no one really thinks about in the early days.

**Robert Morier:** Jamie, what's an insight you've learned from backing a GP that didn't necessarily have the most polished story or the most polished presentation? We talk about this marriage of data and storytelling, particularly in emerging managers and early-stage venture. But what have you learned from coming across a manager who maybe didn't necessarily have that marketing touch, but they had the long-term promise?

**Jamie Rhode:** I'm grateful for my multi-asset class experience, because I've realized that some of the best investors in other asset classes-- and I'm referencing this because the feedback loops are a lot faster, so I can talk about this in terms of seeing the actual returns, because venture takes so long-- is that just because they're socially awkward, and they can't look you in the eyes, or they can't properly articulate a certain part of their strategy doesn't mean that they're bad investors. You have to check your own behavioral biases at the table and be willing to pull the curtain behind you and say, OK, is there more to this person? Maybe because they are uncomfortable engaging in social cues with LPs-- because maybe they're really technical and they're really good at finding high-quality engineering talent, are really good at spotting the best CTOs that co-found a company doesn't necessarily mean they're really bad investors because they can't talk to an

allocator that has a CFA mindset, or has a buyout mindset, that has a private credit mindset with a short duration IRR, and this is the first time they're engaging. It's being mindful of my own behavioral biases and willing to be patient and listen, especially in emerging manager land where sometimes I may be their first meeting and the first institutional LP they're ever engaging with. So, it's threading that needle between, are they at the ideation stage, or is this the final version of their pitch?

**Robert Morier:** Rohit, what's your message to emerging managers, particularly based on your research and writing?

**Rohit Yadav:** I would say be prepared for institutionalization of venture capital. So, everyone is trying to level up in terms of the fundamental transformation, in terms of the asset class, in terms of maturity of LPs, GPs, and founders themselves. So, venture, what is happening is it's being systematically integrated into the whole machinery of capital markets. And venture is going through the same arc of institutionalization that was reflected in the public equities in the 1980s and the real estate in the 1990s, right? And followed up by private equity in 2000s. So, if we just follow the same path and assume that the same institutionalization wave is going to hit venture capital, then I would just urge emerging managers to be prepared for it for much more operational due diligence than before, especially after 2023 and 2024. What that means is LPs would need to check much more beyond their ideas. They would want to check, what's their ideology, how much they are deviating from their thought processes. How are they making their own investing processes repetitive? So, when I used to do, in my institutional investor lifetime, due diligence on managers, one of the core points that I used to look was repeatability. Can you repeat the success that you have showcased in the past? And that repeatability concept can come in many different forms and shapes. And specifically, to what Jamie said, it's true for the Fund IIs and Fund IIIs, but it's the adaptation that you even start from the Fund I itself and how you present, and so on. So, the shift is no longer a matter of if it will happen, but actually how fast and how well.

**Jamie Rhode:** I'd say some of it is as simple as having the basic requirements in a data room. In the ZIRP errors, asking for a fund model, GPs would be like, why? And I was-- this is a baseline requirement, and we're going to go through a stress testing exercise of the market environment changing midway through your investment period and how you will adapt your portfolio construction to still produce venture-like returns. Some of it is so simple and basic, and other parts of it are very complex, especially to Rohit's point around the operational due diligence complexities. And you don't have to have everything prepared from Day 0 when you're a Fund I, but you need the frameworks in place to showcase that curve, that by the time you get to Fund II and Fund III, you are very institutional in nature.

**Robert Morier:** Jamie, do GPs equally need to be prepared for the democratization of venture capital and portfolios? So, the institutionalization makes a lot of sense, particularly on the operational side. When you think about the democratization of alternatives, private markets, getting into VC, how should GPs be preparing themselves for that shift?

**Jamie Rhode:** The RAA and the wealth channel, the amount of capital that has entered that space is significant. In terms of seeing them go directly into early-stage managers, I think that's a little bit of a ways away, just because a lot of those channels don't have the capacity, don't have the resources to really go directly there. We've seen them engage a lot with fund of funds or other style platforms that can provide them access. I think a lot of the larger brand names, they've become RAAs themselves, so they're in the game with them. I think you can see the larger firms or more established firms have the relationship and capacity to engage with that channel, because their funds are so big that they can intake a \$75 million check that's aggregated from a \$10 to \$50 billion RAA. But I think being mindful around that space, especially as the typical LP capital resource has decreased when we think about endowments or even sometimes foundations. But it goes back to the same thing, education. If you want the capital, no matter who the LP is, you need to educate them properly on the opportunity and the way you're thinking about deploying that capital and returning that capital, whether that be in a more short-term time frame and you're looking to exit within eight to 10 years, or if you're looking to hold till that IPO and exit the 15-year mark at a significant valuation.

**Rohit Yadav:** So, the way I see democratization, it's part of the two big trends, which are included within the Venture 3.0 era. And previously, there was a concentrated group of sophisticated institutions, like endowments and pension-- I'm specifically talking about the US-- as well as family offices, which used to invest within the venture space. And this structure allowed for a more low-frequency and high-touch engagement. By high touch, I mean regular face-to-face meetings and so on, and relatively more standardized communication via emails and so on. But if you look at what's happening right now in the democratization, there are two layers where democratization is happening, one from the institutional side to the wealth management or the wealth segment side. So, family offices, ultra-high-net individuals, they're all part of the wealth segment. They're embracing alternatives, alternatives being the parent of venture capital with much greater intent and sophistication. And many are now actually building direct investments capability into venture and other areas and seeking more access to these private deals, right? And the second layer is from within this wealth segment to the retail segment, so typical mom-and-pop kind of investors. And this layer of [? realization?] actually will bring even much larger number of people within the bucket of being an LP for the venture funds. And I would love to give a couple of numbers to it. So, the individual wealth buckets, which comprise of ultra-high-net-

worth individual, high-net-worth and accredited investors in the US, they comprise more than 50% of the global AUM. So that's kind of substantial capital that rests in that individual wealth bucket. And if you look at how they are investing, institutional investors have invested up to 80% in the alternative's investment asset classes, which also contains venture capital. So, if you look at Harvard and the real big funds, they have up to 80%. But if you look at the retail side, they just have around 1%. So, there's a massive difference and massive amount of gap and capital that actually can come to venture as an asset class. We just need to unlock it through some structures or through democratization methodologies, whether it's online tech platforms, whether it's new fund structure, whether there are evergreen models, whether they are new IR functions that needs to be established, and so on.

**Robert Morier:** It's conversations like this that I regret we only made this show one hour. I wish we could have more time. I do have one more question for you, Rohit, before we say goodbye. You're sitting in the European market. US investors are increasingly looking at Europe again, whether it's public equities or corporate credit. Could you give us a quick overview of the venture landscape in Europe today? And then as a follow up, Jamie, if you wouldn't mind just touching on what you're seeing from a GDP perspective out of the European markets, we'd greatly appreciate it.

**Rohit Yadav:** Europe is maturing at a much faster rate than before. Has Europe cashed up with the US? Definitely not. So, there's still a lag of, I would say, five, 10, maybe even more than that, maybe two decades gap. But it's catching up on. When you compare on the very tactical aspects like valuations and deal sizes, you would see a growing curve and catching up with the US numbers. When you look at with terms of deploy ability of capital, I would say there used to exist a lot of gaps in series A within European ecosystem. Now that has disappeared. Now the gap exists in the series B and beyond. So, you would see a lot of startups actually trying to move to the US to get the funding, which is required at those stages. And also, because there's a lot of AI boom within the US. So yes, everything is expanding. There's talent. There are a whole lot of universities. Everything is on the positive side from public market and private market perspectives, but there's still a lot of catching up to do. And that's not a negative thing in itself. That's, I would say, an opportunity.

**Jamie Rhode:** We've come across a lot of managers. And as of today, we focus on North America. We have some managers that have some exposure to Europe. In specific sectors, it makes a lot more sense. But we've come across a lot of managers that pitch us as the bridge, that they have networks in Europe. They have networks in the US. And they can be the bridge venture investor to help take that startup and get them exposure to the US market, help them move to the US, help them get venture funded from the US. Because ultimately, many of those European startups want to exit in the US. And so, it's an interesting play that we've



been seeing that they're the bridge investor between the two continents, or they're the person that can be that key part of their journey that gets them the customer base in the US or gets them the key hires that they need in the US to expand into that market. So, it's been really interesting. We've seen Europe evolve. But as of today, we're not investing there.

**Robert Morier:** Jamie, Rohit, thank you so much for sharing your insights today, being with us on the Dakota Live! Podcast, talking about the evolution of the venture capital industry. We want to thank you again. We want to congratulate you both on all of your success. Rohit, keep writing. We love everything that you're putting together. We really enjoy highlighting it, and we're proud to have highlighted it today on the show. And Jamie, it's always a pleasure to see you, and congratulations on all the success that Screendoor is having. We wish for nothing but continued. If you'd like to learn more about Rohit and his work, visit [www.bigbook.vc](http://www.bigbook.vc) or [www.rethink.bigbook.vc](http://www.rethink.bigbook.vc). If you want to learn more about Screendoor, please visit their website at [www.screendoor.co](http://www.screendoor.co). You can find this episode and past episodes on Spotify, Apple, or your favorite podcast platform. We're also available on YouTube if you prefer to watch while you listen. And to catch up on all of the Dakota Live! Content, please visit our website at [dakota.com](http://dakota.com). Jamie, Rohit, thank you again for being here. And to our audience, thank you for investing your time with Dakota.