

Market Analysis Fall 2014

State of the Venture Capital Industry

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Executive Summary

As part of our periodic analysis of key venture capital industry trends, this report examines fundraising, investments, valuations, exits, and net returns to limited partners. Since our last analysis in 2012, the industry has continued to evolve, yet much has remained the same in terms of trends. Notably, the consolidation of venture firms and capital in the industry, which we have reported observing since 2009, continued throughout 2013. Optimism within the industry continued to grow, and as a result, the debate over the question of another bubble intensified. In this year's analysis, we examine the debate in greater depth and ultimately conclude that while there are certain segments of the market that are frothy, the venture capital industry is not likely experiencing the same sort of bubble that it did in the late-1990s and early-2000s.

Although US venture capital fundraising decreased by 14% between 2012 and 2013 to \$16.0 billion, the level was within the range that we feel is healthy for the industry. The level also remained significantly below amounts raised in the late-1990s and early-2000s during the Internet bubble, and also well below levels reached during the mid-2000s prior to the Great Recession. We know, however, that the decline in 2013 was short-lived as the pace of fundraising accelerated meaningfully during the first half of 2014.

Venture capital investment activity, as measured by the number of companies funded, followed an upward trend starting in 2010. Following a decrease in 2012, the amount of invested capital increased in 2013, returning to a level similar to 2011. The increase in 2013 was driven by late stage activity, while seed and early stage investment activity decreased. Overall, last year's investment activity remained well below the peak of the Internet bubble, leading us to believe that a sustainable amount of capital was invested in each of the past few years.

In conjunction with the rise in late stage investment activity, we saw a 40% increase in late stage valuations in 2013. While valuations at most stages remain lower than those during the Internet bubble, late stage valuations reached an all-time high (7% higher than in 2000) and added fuel to the bubble debate fire.

The exit markets remained open in 2013, as they have since 2010. While mergers and acquisitions ("M&A") activity decreased in 2013, initial public offerings ("IPOs") made up for the shortfall. Based on M&A and IPO activity during the first part of 2014, and the pipeline of maturing private companies valued at over \$1.0 billion, the industry should deliver another strong year of exits for all of 2014.

Recent performance has clearly improved as upper quartile internal rates of returns ("IRRs") moved from approximately 5% for vintage years during the late-1990s and early-2000s, to greater than 20% for more recent vintage years. Limited partners ("LPs") who have invested with the top performing venture capital firms ("VCs") since 2007 have seen strong net performance and have been rewarded for investing in the venture capital market. Based on M&A and IPO activity during the first part of 2014, and the pipeline of maturing private companies valued at over \$1.0 billion, the industry should deliver another strong year of exits.

Fundraising

As Exhibit 1 illustrates, venture capital fundraising activity decreased in 2013 relative to 2012, but was similar to amounts raised in 2011. The totals raised in 2013 remained significantly below amounts raised during the peak of the Internet bubble in 2000, and also well below levels reached in 2006 prior to the Great Recession.

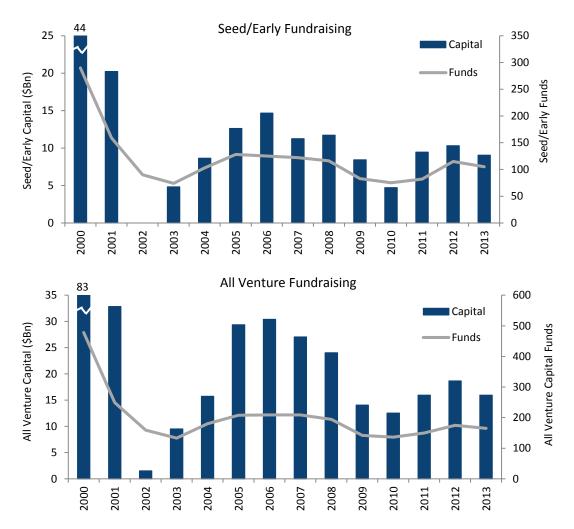


Exhibit 1 – Fundraising leveled off in 2013

Source: Thomson One as of December 31, 2013

Includes fundraising by US venture capital and venture capital-type investors (funds with limited partners)

According to Thomson One, 105 US-based funds raised \$9.1 billion of seed and early stage capital in 2013, down from 115 funds that raised \$10.3 billion in 2012. Seed and early stage fundraising fell 12% year-over-year, while the number of firms that raised capital decreased by 9%. The average seed and early stage fund size, therefore, was \$86 million, only 4% smaller than the average in 2012 but 25% smaller than the average in 2011. Highlighting how far the industry has come since the peak of the Internet bubble, 80% less seed and early stage capital was raised in 2013 than in 2000. Similarly, the amount of seed and early stage capital raised in 2013 was 38% below the amount raised in 2006. While seed and early stage fundraising has ebbed and flowed over the last 13 years, as a broader trend, LPs are committing far less to venture

capital today compared to most periods since 2000. This trend is a net positive for the venture capital ecosystem. Thanks to the shift to cloud computing and software-as-a-service (SaaS) business models, the lower amount of capital raised can still support the same number of startups due to dramatically lower startup costs.

The story is the same for all of venture, including seed, early, late, and multi stage capital. The total amount of capital raised by US VCs across all stages in 2013 was \$16.0 billion, 14% less than the \$18.7 billion raised in 2012; the 2013 tally was also 63% below the median of \$43.6 billion raised from 1999 to 2001 and 43% below the median of \$28.2 billion raised from 2005 to 2008. One-hundred sixty five firms raised capital last year, which was only a 6% decrease from 2012 but a 65% decrease from the 478 firms that raised capital in 2000. The industry is now 13 years past the peak in venture capital fundraising, and much of the excess capital raised from 1999 to 2001 has worked through the system. The amounts raised in more recent years are within the range that we feel is healthy for the industry (\$15-20 billion annually). That said, we know fundraising picked up meaningfully in 2014 as VCs raised \$18.3 billion during the first six months of the year, suggesting that more capital will be raised in 2014 than in each of the last five years. We will continue to monitor fundraising data and assess how well the industry can absorb future amounts of capital raised.

Concentration of Capital and a Right-Sizing Industry

As we looked at the specific firms that raised capital in 2013, we reaffirmed that capital continued to concentrate in the hands of relatively few. For example, two firms – Insight Venture Partners (\$2.6 billion raised) and Greylock Partners (\$1 billion raised) – represented just 1% of the total number of firms that raised capital in 2013, but accounted for nearly a quarter of all capital raised. And in each of the last three years, the top ten firms accounted for more than 50% of total capital raised, compared to 31% in 2007 and 25% in 2000. During the first half of 2014, we continued to see fundraising dominated by a handful of large funds, with Accel Partners, Andreessen Horowitz, Founders Fund, Technology Crossover Ventures, and Norwest Venture Partners each raising over \$1 billion. Nearly 50% of the capital raised during the first six months of the year came from less than 7% of the total number of funds. This "flight to quality" is a long-term trend in the venture capital market that we have previously discussed at length. By and large, the experienced VCs with unique competitive advantages, strong track records, and excellent reputations among entrepreneurs are able to raise sizable pools of capital today.

The Concentration of Venture Capital

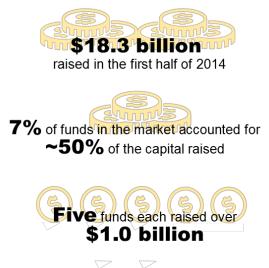
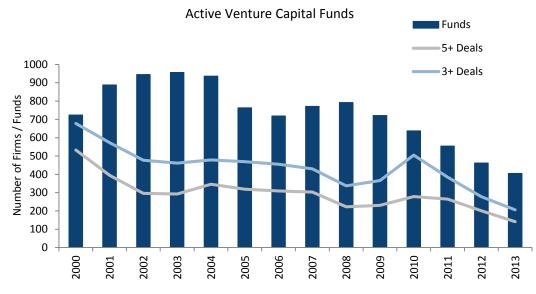


Exhibit 2 estimates the number of active firms in the market over time, which we have examined in previous State of the Venture Capital Industry reports. We analyzed both the number of firms that raised capital in the current and previous four vintage years, as well as the number of firms that invested in at least three and five companies each year. The first method – depicted by the dark blue bars – proxies the number of funds with capital available for new investments, as venture capital investment periods typically span five years. According to this metric, 405 funds were within their investment periods during 2013, 12% fewer than in 2012 and 58% fewer than in 2003, which marked the peak of the data set. To examine the number of funds we believe were truly active, we determined how many invested in three or more,

and five or more, deals in each year. Two-hundred six funds invested in three or more deals in 2013, 26% fewer than in 2012 and 70% fewer than in 2000, which marked the peak of the data set. Similarly, 141 funds invested in five or more deals in 2013, 30% fewer than in 2012 and 74% fewer than in 2000. The right-sizing of the industry continued in 2013, leading us to believe that the declining number of active firms is a positive factor in the ecosystem.

Exhibit 2 – Active VCs continued to consolidate in 2013



Source: Thomson One (funds) and VentureSource (deals); US-only independent private partnerships. Aggregate funds includes all US venture capital funds that raised capital in 2013 and the previous four vintage years.

The data above demonstrates that, across all stages, a select group of large, brand-name funds have dominated fundraising, and there were fewer active venture firms and lower fundraising totals in 2013. However, the data does not necessarily reflect seed activity in 2013. In fact, according to Pitchbook, over half of the capital raised in 2013 was done by groups targeting less than \$50 million. We will discuss the historically high levels of investment activity at both the seed and late stages in the sections below.

The experienced VCs with unique competitive advantages, strong track records, and excellent reputations among entrepreneurs are able to raise sizable pools of capital today.

Investments

Investment activity at the seed and early stages decreased in 2013 to a level on par with 2011. According to VentureSource data in Exhibit 3, \$6.2 billion was invested in seed and early stage portfolio companies in the US in 2013, 8% less than the \$6.8 billion invested in 2012, and similar to the \$6.1 billion invested in 2011. Seed and early stage investment activity remains below levels seen in 2007 and 2008, when an average of \$7.8 billion was invested annually. In 2013, 1,667 seed and early stage companies received capital, 5% less than the 1,753 companies that raised capital in 2012, but 18% more than the 1,407 companies that did so in 2011. The average amount invested into seed and early stage companies in 2013 was \$3.7 million, 3% less than the \$3.9 million average in 2012, 14% less than the \$4.4 million average in 2011, and notably 62% less than the \$10.0 million average in 2000.

When considering late stage financings in addition to those at the seed and early stages, investment activity actually increased in 2013. We view the increase as positive, as it indicates that early stage companies funded after the Great Recession are maturing, scaling quickly, and needing capital for continued growth. Given the decrease in seed and early stage financings, the increase in overall activity was thus driven by late and multi stage financings. In 2013, \$32.1 billion was invested in 3,513 companies, compared to \$30.2 billion invested in 3,495 companies in 2012. Last year was the third most active year since 2000 in terms of capital invested into companies (behind 2001 and 2011), but the most active in terms of companies funded. We believe that a sustainable amount of capital was invested in each of the past few years, and that the steady increase of companies funded since 2009 reflects a gradual improvement of the macro-economic

environment following the Great Recession, as well as the evolution and growing importance of seed funds in the startup ecosystem.

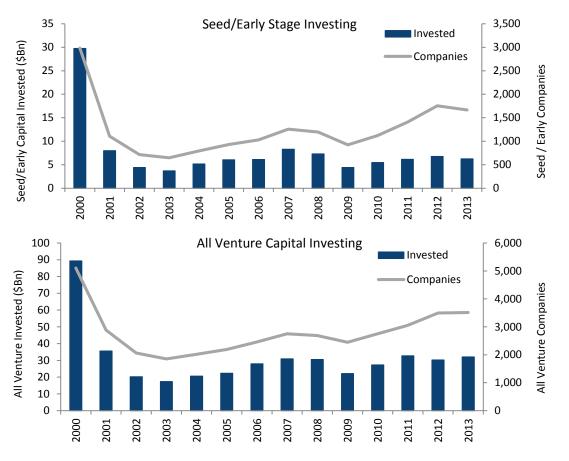


Exhibit 3 – Investment activity remained sustainable in 2013

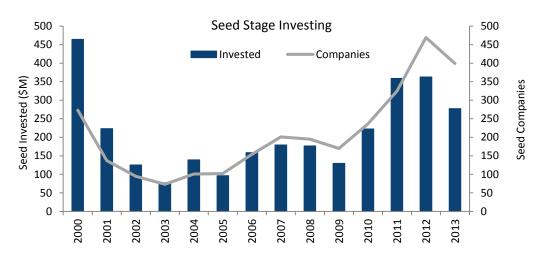
Source: Thomson One data through December 31, 2013

Seed Stage Activity

In previous State of the Venture Capital Industry reports, we profiled the seed, or "super angel," category of venture capital. This category grew out of a paradigm shift in company formation as cloud computing and its resulting efficiencies have helped reduce the cost to start an Internet technology company by more than 90% since 2000. As a result, companies can now effectively prove their products/services on small seed investments. Over the last few years, competition has grown in the seed category, and in response, many seed stage VCs have raised larger and more institutional pools of capital. The outcome has been seed rounds of financing that are larger than in the past, such that they look more like Series A rounds in terms of size and number of VCs participating. The growth of seed round sizes has led some seed managers to describe their strategy as "pre-seed" in order to differentiate themselves from other seed managers who have moved upstream or piled into many of the same financings. While the category has continued to evolve and the players within it proliferate, a subset of managers in the space have set themselves apart based on performance and pedigree. These managers become quickly oversubscribed, such that LPs who do not invest in their first or second funds may not be able to access these managers in the future. Seed managers that are in high demand today include Baseline Ventures, Felicis Ventures, First Round Capital, FLOODGATE, and Lowercase Capital, among others.

As shown in Exhibit 4, seed investment activity has been trending higher in terms of capital invested and companies funded since 2004, reaching a peak in 2012 with \$363 million invested in 469 companies. While activity in 2013 was high relative to historical periods, the \$277 million invested in 399 seed stage companies represented a pullback from 2012: 24% less capital was invested in 15% fewer companies. Despite the proliferation of seed managers and competition for

deal flow, valuations have decreased, as we discuss in the next section. As such, we continue to believe that a select group of seed managers with terrific deal flow and relevant expertise have the potential to generate attractive returns.

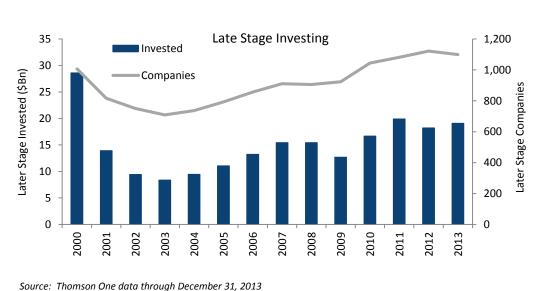


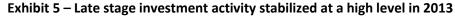


Source: Thomson One data through December 31, 2013

Late Stage Activity

In our last report, we conveyed the increased activity in late stage financings driven by several phenomena, including companies remaining private longer. Another phenomenon, as described by Scott Kupor, Managing Partner at Andreessen Horowitz, is the paradox that, while it is cheaper to *enter* the market, breakout companies need more money to *win* the market. The data in Exhibit 5 indicates that late stage activity reached a frothy level in 2011, as more capital was invested at the late stage that year (\$19.9 billion) than in any year since 2000, while the number of late stage companies financed (1,122) reached a peak in 2012. Late stage investment activity remained high in 2013 relative to historical periods, but the number of companies funded (1,099) decreased by 2% relative to 2012. Capital invested, meanwhile, increased 5% to \$19.1 billion but remained below the peak in 2011. Late stage investment activity was also reflected in the median amount raised by companies prior to IPO, which increased 135% (from \$43 million to \$101 million) between 2009 and 2013.

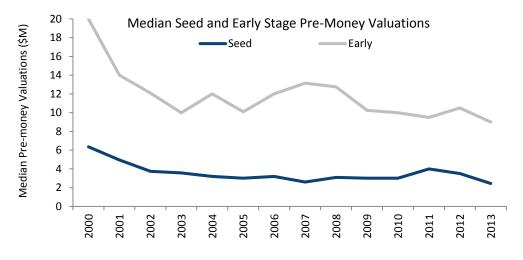




Valuations

Seed and Early Stage Valuations

At the time of our last report, seed stage valuations had reached a peak, congruent with an increase in seed capital invested and companies funded, as discussed above. Exhibit 6 indicates that in 2011, the median seed stage pre-money valuation of \$4.0 million was the highest it had been since the Internet bubble. Since 2011, seed stage valuations declined, in line with declines in seed capital invested and companies funded. In 2013, the median seed stage pre-money valuation of \$2.5 million represented a 30% decline over 2012, a 39% decline over 2011, and a decrease of 61% since 2000. Median early stage pre-money valuations likewise declined in 2013, and with the exception of 2012, have fallen steadily since a peak in 2007. In 2013, the median early stage pre-money valuation of \$9.0 million represented a 14% decline over 2012, a 32% decline over 2007, and a decrease of 55% since 2000.





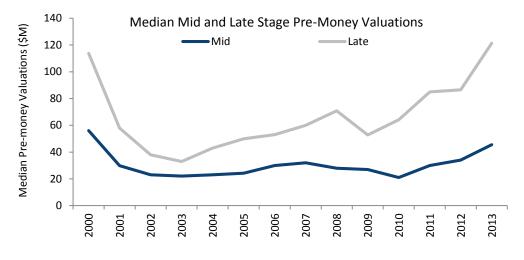
Source: VentureSource through December 31, 2013

At both the seed and early stages, valuations remain well below those of the Internet bubble and reasonably below their respective peaks since, leading us to believe that 2013 was an attractive year for VCs to invest in young companies, relative to other years when valuations were higher. That said, we perceive that seed and early stage valuations may shift course in the coming years as fundraising levels rise again, financing rounds increase in size, and competition among seed managers anecdotally intensifies.

Mid Stage Valuations

Mid stage valuations, shown in Exhibit 7 and typically represented by Series B and C financings, continued their climb in 2013. The median mid stage pre-money valuation last year was \$45.5 million, 34% greater than 2012, and 117% greater than the low point of \$21.0 million in 2010. Relative to 2000, mid stage valuations were 19% lower.





Source: VentureSource through December 31, 2013 Mid and late stage, US-based deals only

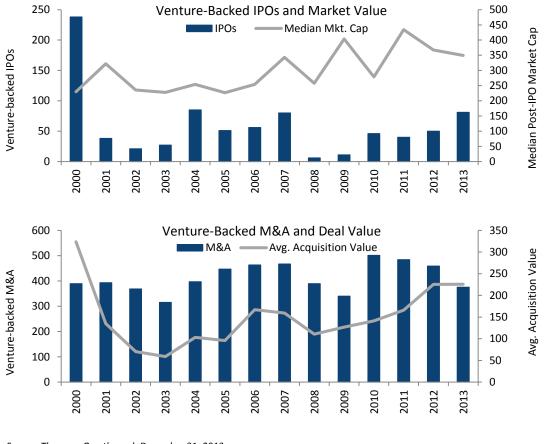
Late Stage Valuations

With the run-up in late stage capital invested and companies funded since 2009, it is not surprising that late stage valuations have also been climbing. Median late stage pre-money valuations increased 40% between 2012 and 2013 to \$121.3 million, and were 130% higher than in 2009. Most notably, however, is that late stage valuations hit an all-time high in 2013, surpassing the \$113.8 million record set in 2000 by 7%. The rise in late stage valuations is partially due to companies remaining private longer. Of the US-based venture-backed companies that went public in 2013, the average age was 12 years compared to 4 years during the Internet bubble. Many late stage companies today are larger, more mature, and stronger in terms of fundamentals, and thus merit higher valuations. If you consider a sampling of ten late stage venture-backed companies – including Palantir, Rocket Fuel, Twitter, Veeva, and Zulily – their average revenues grew by almost 120% in 2013 to nearly \$320 million. These companies, and others such as Airbnb, Box, Dropbox, Pinterest, and Uber, were studied by Aileen Lee of Cowboy Ventures in 2013 and are now commonly referred to as Unicorns (defined as private software companies started after 2003 that have reached valuations of \$1 billion or greater). As companies remain private longer, VCs have more time and opportunities to participate in the steep portion of companies' value creation curves. In recent years, we've seen VCs set up "opportunity funds" or special purpose vehicles in order to exercise their pro-rata rights and capture more private-market (pre IPO) value in their high potential-high value portfolio companies. Mark Suster, partner at Upfront Ventures, eloquently opined on this phenomenon. He noted that the average market capitalization at IPO for LinkedIn, Twitter, and Facebook was \$42 billion during this technology cycle, compared to the IPO average of \$0.5 billion for the previous cycle's Microsoft, Amazon, and Cisco. These companies have since grown their market capitalizations in the public sphere to an average of over \$200 billion. While there is tremendous optimism for today's Unicorns, we take a cautious view of the high valuations that many of them are commanding. In some cases, valuations are being driven higher by aggressive VCs who fear missing out on the next major winner, as well as by public investors (corporate VCs, hedge funds, mutual funds) who are less sensitive to price.

Exits

Initial Public Offerings

Public market appetite for venture-backed companies was strong in 2013. Exhibit 8 shows that 81 US-based venturebacked companies went public in 2013, 31 more than in 2012 and 75 more than in the low point of 2008. While 62% more companies went public in 2013 than 2012, the median post-IPO market capitalization decreased 5% over the same period to \$350 million. The most highly anticipated public offerings in 2013 were Twitter, which raised \$1.8 billion at a valuation of \$14.2 billion, and Zulily, which raised \$263 million at a valuation of \$2.7 billion. Despite some high-profile headlines, billion-dollar exits remained rare. Of the 1,824 technology companies that had IPO (or M&A) exits in 2013, just 19 (or 1%) had valuations of \$1 billion or greater, according to CB Insights. We believe, in fact, that returns (in addition to capital) are consolidating in the venture capital market. We compared two periods that had a similar number of IPOs over \$1 billion – 27 in 1999 and 28 between 2011 and 2013 – and found that there were 57 different VCs with exposure to the first cohort, but only 29 VCs with exposure to the second. These statistics reaffirm that investing with a select number of the highest-quality VCs – those who have the best deal flow, vision, ability to add value, and track record of hitting home runs – remains critical to generating good returns.





Source: Thomson One through December 31, 2013 US-based, venture-backed companies

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Mergers and Acquisitions

While the number of IPOs trended higher since 2009, the opposite was true for M&A activity. This was not surprising, as M&A levels tend to be lower during periods when the public markets are open to venture-backed companies. Three hundred seventy five US-based venture-backed companies were acquired in 2013, an 18% decrease from the 459 that were acquired in 2012, and a 25% decrease from the peak of 501 in 2010. The tally in 2013 was in line with the longer term median number of venture-backed M&As (389 over the last 19 years). Deal values remained relatively unchanged in 2013 compared to 2012, on the heels of a rising trend since 2009; the average acquisition price was \$226 million in 2013, 104% higher than the most recent trough in 2008. According to CB Insights, just three disclosed venture-backed

acquisitions were valued at over \$1 billion in 2013: Yahoo's acquisition of Tumblr, FireEye's acquisition of Mandiant, and Monsanto's acquisition of The Climate Corporation.

Returns

We have long emphasized that low absolute returns during the early-2000s were driven primarily by overcapitalization in the market and too many funds chasing too few compelling investments. As discussed in the fundraising section, the number of active firms has steadily declined since 2000, from 533 funds that invested in at least five deals in 2000 to just 141 in 2013. This change in competitive dynamics has begun to manifest as we thought it would: improved returns. Cambridge Associates' venture capital index increased over 27% in 2013, its best annual performance in 15 years. As highlighted in Exhibit 9, top-quartile US venture capital returns for each vintage year from 2007 to 2011 were at least 20% net to investors, following a period of lackluster returns for vintage years between 2000 and 2006. Furthermore, LPs in venture capital funds received handsome distributions in 2013, the fourth highest annual total in the history of the index, behind only 2012 and the bubble years of 1999 and 2000. Strong performance and healthy distributions have brought with it renewed enthusiasm for the venture capital asset class, which is a driver of the increased fundraising activity in 2014. However, with much of the excess capital gone from the market and a continued strong exit environment, we largely expect these returns to hold up or improve.



Exhibit 9 – Recent top-quartile vintage year IRRs looking strong

Source: Cambridge Associates as of December 31, 2013 US venture capital.

The Bubble Debate

With 2013 numbers in the rear view and early insights into 2014 activity, proponents who argue that the venture capital industry is experiencing another bubble do so armed with substantiated talking points. Various sources, including *Fortune* magazine's Dan Primack, argue that the venture industry is plagued with irrational behavior; for example, the highly publicized mobile app company, Snapchat, has reportedly secured its next round of financing, at a valuation of approximately \$10 billion. This would be the highest-ever valuation for a pre-revenue company, topping Twitter's \$8 billion round in 2011 and reflecting a trend, as many other sources have noted, of inflated valuations. Based on data compiled by VentureSource, late stage valuations hit a record high in 2013, surpassing Internet bubble levels, and according to CB Insights, there are more than 20 private consumer technology companies valued at over \$1 billion, compared to 15 such companies that exited in the last 10 years. Overall, many have argued that more new venture entrants are coming to market, particularly at the seed stage where barriers to entry are rather low. As a result, "everybody and their cousin" are becoming VCs.

Those on the other side of the debate, however, argue that this time is different, and for many good reasons. As Upfront Ventures Partner Mark Suster has said, company formation costs are 90% lower than they were 15 years ago, thanks to cloud computing and viral marketing. Because of these technological advances, startups can fail early and with less capital spent than ever before. It's widely considered, for example, that the transformation of old and new industries at the hands of software and the "Internet of Things" has created more massive opportunities than the computing industry has ever seen, even larger than those shifts created by the invention of the microprocessor and the development of the Internet. Technology is also more pervasive than it has ever been; according to the UN, the Internet population now exceeds 2.5 billion (10x what it was in 1999), to the point where there are more people worldwide with mobile phones than there are with access to clean toilets. Since the end-user markets for technology products and services are vastly bigger, many argue that tech company valuations should reflect this reality. In addition, those companies commanding the highest valuations are largely mature companies with meaningful revenue metrics—not dot.com darlings with questionable fundamentals and business models.

Are we in a bubble?

Yes, maybe

There was more capital raised during the first half of 2014 than in all of 2013. By the end of the year, it will probably be more than the capital raised over the last six years. **Thomson One**

Venture-backed IPOs in the first quarter of 2014 (35) reached the highest level since the third quarter of 2000. **CB Insights**

During the second quarter of 2014, 80% of financings in Silicon Valley were up rounds, while just 6% were down rounds--the greatest since the second quarter of 2002. **Fenwick & West**

No, probably not

The public markets are still relatively rational; companies are older, larger, and offering shares at more reasonable valuations when going public. For example, tech companies in 2013/early 2014 IPO'd at a valuation of 5.3x revenue, compared to 13.3x for those in 2000/ early 2001. **Pitchbook**

Bubbles are a very specific phenomenon involving mass psychology, and today's bubble argument revolves around a fairly small number of companies. Marc Andreessen

We're not simply riding the coattails of hot consumer companies; enterprise companies, which generally have more well-defined revenue paths compared to their consumer counterparts, are back in favor. CB Insights

Overall, we are inclined to agree with Fred Wilson, a partner at Union Square Ventures, who explained in a blog post that while the word "bubble" is inexorably linked to what happened to the Internet sector in 1999 and 2000, today it is not the most accurate term. Instead, Wilson describes the current state as a "glass is half full" part of the cycle, where VCs may be driven by greed (versus fear) and focused on the upside (while ignoring the downside). Consequently, Wilson and his colleagues are investing with their "eyes wide open."

We believe both sides in the bubble debate have valid arguments, and we will continue to monitor all the data and trends to assess where we likely are in the cycle. But while there are certain segments of the market that indeed feel frothy, the venture capital industry is not likely experiencing the same sort of bubble that it did in the late-1990s and early-2000s.

Conclusion

As the number of active venture firms contracted again in 2013, fundraising activity also decreased and remained below amounts raised during peaks in 2000 and 2006; fundraising was dominated by a growing number of smaller seed funds and larger, well-regarded VCs, creating a barbell effect. Scott Kupor, Managing Partner at Andreessen Horowitz, aptly described this phenomenon as the "death of the middle": over time, he said, the venture industry (like other service industries) will "bifurcate into a smaller number of large, fully integrated, full-service institutions on one end and a larger number of smaller, niche-oriented institutions (with a focus on stage, industry, or specialized skillset) on the other."

On the heels of a strong IPO market, hefty distributions, and improved asset class returns, LPs are re-engaged in and upbeat about venture capital. As a result, more capital will likely be raised in 2014 than in each of the last five years. While we think the amounts raised in recent years were sustainable for the industry, we will monitor the fundraising pivot in 2014 and beyond, as fundraising levels have historically impacted returns.

Investment activity levels were also sustainable in 2013, with moderate increases in both the number of companies funded and capital invested. The increase in capital invested was driven by late stage activity, a segment of the industry where valuations reached a record level, and where we see reason for discipline and restraint. Fundraising levels and late stage valuations added fuel to the debate over whether the industry is riding a bubble. However, given the reality that companies are remaining private longer, and in many cases, the higher valuations are substantiated by operating metrics, growth rates, and market opportunity, we do not think the venture capital industry is likely reliving the bubble of the late-1990s and early-2000s.

While there are certain segments of the industry that should be viewed with caution, we continue to believe that the industry is right-sizing and that key metrics such as fundraising and investment activity are reasonable and sustainable. We remain deeply committed to evaluating and understanding the entire venture capital landscape, from high-level industry trends down to specific fund managers, and thus believe we are well positioned to capitalize on exciting transformations in the technology sector. We are optimistic that these transformations will result in strong returns for us and our limited partners, given our insights and access that enable us to make sound and informed investment decisions.

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A note about the data referenced throughout this report: We acknowledge that there are numerous sources of industry data that may differ materially in methodology, breadth, and statistics. For consistency, we primarily reference two sources throughout this report. Thomson One tends to capture a greater percentage of fundraising activity, and VentureSource typically captures a greater share of investment activity. We therefore leveraged Thomson One's platform to analyze venture capital fundraising, and VentureSource to analyze venture capital investments. Two distinct databases were used in favor of data integrity and at the expense of direct comparisons between fundraising and investment activity. Readers will notice that venture capital investing actually exceeds fundraising for most years; the reason is that investment data includes activities by corporate, government, and other entities, while fundraising data enables analysis of purely institutional venture capital fundraising. True capital invested by institutional venture capital firms is likely lower than the statistics referenced in these analyses, but we believe the data to be directionally accurate. In addition, the data we present has not been adjusted for inflation, so many of the comparisons made between 2013 and 2000 data are even more pronounced.