WOMEN IN VENTURE CAPITAL

Expanding on data featured in Preqin’s recently released Women in Alternative Assets report, we focus on women-owned venture capital firm activity and look at the recent developments and reactions regarding initiatives to improve the gender imbalance and misconduct allegations.

Following recent allegations of discrimination within the venture capital industry, the issue of gender balance has received renewed attention. Women represent a mere 21% of all venture capital employees, with the largest proportion (36%) of women in venture capital in junior-level positions, followed by 29% in mid-level positions and 11% in senior-level positions. The proportions of female board members are even smaller: just 6% of all venture capital board representatives are women. Geographically, the ratio of total women employees in the industry lingers at around a fifth across all regions, although North America has a greater percentage (13%) of women in senior positions compared to Europe (9%). In this feature, we look at the members of the industry working to raise industry standards of conduct, the impact of women deal-makers, the relationships of institutional investors with women-owned firms and women-led fundraising activity.

DECENCY PLEDGE

In the wake of recent sexual misconduct allegations, many prominent venture capitalists have sounded a call for action. Reid Hoffman, LinkedIn co-founder and partner at Greylock Partners, suggested that those in the industry adopt a set of moral guidelines, which he has dubbed the “decency pledge”. While many firms quickly adopted the pledge, such as Sequoia Capital, Norwest Venture Partners, First Round Capital and General Catalyst Partners, some in the industry argued that moral decency should not have to be pledged, and others argued that the pledge alone is not enough to motivate change in the industry.
The pledge states that when venture capitalists are engaging with entrepreneurs, they have the same moral position to them as a manager to an employee or a college professor to a student. Moreover, once potential business relationships are underway, the pursuit of any romantic or sexual relationship must be forfeited. The pledge also maintains that industry peers have a duty to report behaviour that is not up to standard and that gender discrimination should be treated with zero tolerance; that fellow venture capitalists should not do business with peers who engage in discriminatory or predatory behaviour; and that institutional investors should not invest with those particular individuals or firms, and entrepreneurs should not consider their funding offers.

One example of this pledge in action can be found in Y Combinator’s (YC) long-standing tracking of investors with a history of poor conduct within the YC network, known by some as the “Silicon Valley Blacklist,” and its more recent anonymous submission system for YC network founders to report any misconduct they have experienced personally, observed themselves or been told as a confidant of a victim.

WOMEN DRIVING CHANGE

By incorporating gender diversity values into their business models, firms are paving the way to a more inclusive and diverse industry. XFactor Ventures, a pre-seed and seed stage fund, was created to help make a difference for the next generation of female-led businesses. The firm has eight female founders and nine female investment partners, and has raised $3mn to make pre-seed and seed investments in 30 female-led companies over the next couple of years. XFactor Ventures is one of the few firms in the industry that strives to have female representation on both the investment and founder side.

BBG Ventures is another example of a firm founded on the principles of driving and developing female talent in the industry. Founded by Susan Lyne, the early
stage fund is focused on investments in technology companies with at least one female founder. The firm is backed by AOL as a part of its #BuiltByGirls initiative; started by BBG Ventures’ partner Nisha Dua, it challenges young women to take part in the tech-enabled economy through a series of offline and online programs, to teach girls the fundamentals of venture capital and prepare them for a career in technology. The BBG Ventures portfolio currently holds over 30 investments in women-led firms.

**WOMEN DEAL-MAKERS**
Since 2010, there has been steady growth in both the number of women in lead partner positions and the aggregate size of venture capital deals led by women. Compared to 2016, this year so far has seen over 83 more deals with women acting as lead partners, with over $2.0bn more in deal value (Fig. 5).

North America is the most active region for venture capital deals completed by women-owned firms in 2017 YTD by both number and aggregate value: there have been 366 investments in the region totalling over $4.6bn, more than 2.5x more than all other regions combined (Fig. 6). Asia is the second most active region for women-owned firms in terms of the number of deals (76). Nonetheless, Europe is not far behind, with 43 venture capital financings by women-owned firms in 2017 valued at $0.7bn.

Female deal-makers are active in a wide range of industries: the largest proportions of deals completed by women-owned firms in 2017 year to date are in the software (25%), internet (22%) and telecoms (15%) sectors (Fig. 7).

**INVESTORS IN WOMEN-OWNED FIRMS**
For the period 2000-2017 YTD, funds of funds account for the greatest proportion (29%) of investors in women-owned firms, followed by public pension funds (22%) and foundations (15%, Fig. 8). Of the 14 most active investors in women-owned firms, seven are pension funds, six are fund of funds managers and one is a foundation.

Three-quarters (74%) of investors in women-owned venture firms over the same period are North America based, more than triple the proportion based in Europe (20%, Fig. 9). North America is home to 12 of the 14 most active investors in women-owned firms, including US-based Illinois Municipal Retirement Fund and HarbourVest Partners, along with Europe-based Pantheon, which are tied for the most active global investor in women-owned venture capital firms, having each...
made seven known commitments in the 21st century.

**WOMEN-LED FUNDRAISING**

As at October 2017, annual venture capital fundraising by women-owned funds has reached a new record high of $2.4bn, with two months still to go until the end of the year. Fundraising by women-owned firms has grown steadily over the past 10 years, both in the number of funds to reach a final close and aggregate capital raised. Fundraising this year is led by **Baidu Fund Partnership**, a $1bn joint venture between China Life Insurance Company and led by Baidu’s CEO Jennifer Li, CFO Zhang Jinling and managing partner Wenjie Wu, targeting late stage internet investments in China.

The largest women-owned venture capital fund currently in market is also being raised by **Baidu Capital**; a self-named late stage technology fund targeting $2.9bn, almost half the total capital targeted by women-owned venture capital funds in market ($6.0bn). The remaining 57 funds in market are seeking an aggregate $3.1bn in capital. The majority (69%) of women-led funds on the road are early stage vehicles, followed by general venture capital (24%), expansion (5%) and growth (2%).

**Fig. 10: Top Investors in Women-Owned Venture Capital Firms by Number of Fund Commitments, 2000-2017 YTD**

<table>
<thead>
<tr>
<th>Investor</th>
<th>Type</th>
<th>Location</th>
<th>Assets under Management ($bn)</th>
<th>No. of Commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois Municipal Retirement Fund</td>
<td>Public Pension Fund</td>
<td>North America</td>
<td>38.6</td>
<td>7</td>
</tr>
<tr>
<td>Pantheon</td>
<td>PE Fund of Funds Manager</td>
<td>Europe</td>
<td>36.6</td>
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<tr>
<td>HarbourVest Partners</td>
<td>PE Fund of Funds Manager</td>
<td>North America</td>
<td>40.0</td>
<td>7</td>
</tr>
<tr>
<td>Michigan Department of Treasury</td>
<td>Public Pension Fund</td>
<td>North America</td>
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<td>6</td>
</tr>
<tr>
<td>Alcatel-Lucent Pension Fund</td>
<td>Private Sector Pension Fund</td>
<td>North America</td>
<td>30.9</td>
<td>6</td>
</tr>
<tr>
<td>Greenspring Associates</td>
<td>PE Fund of Funds Manager</td>
<td>North America</td>
<td>5.9</td>
<td>6</td>
</tr>
<tr>
<td>Los Angeles Fire and Police Pension System</td>
<td>Public Pension Fund</td>
<td>North America</td>
<td>20.6</td>
<td>6</td>
</tr>
<tr>
<td>Hamilton Lane</td>
<td>PE Fund of Funds Manager</td>
<td>North America</td>
<td>41.8</td>
<td>5</td>
</tr>
<tr>
<td>California Public Employees’ Retirement System (CalPERS)</td>
<td>Public Pension Fund</td>
<td>North America</td>
<td>339.1</td>
<td>5</td>
</tr>
<tr>
<td>Oregon State Treasury</td>
<td>Public Pension Fund</td>
<td>North America</td>
<td>73.6</td>
<td>5</td>
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<td>GCM Grosvenor Private Markets</td>
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<td>Pearl Holding</td>
<td>Listed Fund of Funds</td>
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<td>Meyer Memorial Trust</td>
<td>Foundation</td>
<td>North America</td>
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<td>Alaska Retirement Management Board</td>
<td>Public Pension Fund</td>
<td>North America</td>
<td>31.6</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Preqin Venture Capital Online

**PREQIN SPECIAL REPORT: WOMEN IN ALTERNATIVE ASSETS**

Across all private capital and hedge fund industries, women are underrepresented: just one in every five alternative assets professionals is female.

As the leading source of intelligence on alternative assets, Preqin has compiled the inaugural Women in Alternative Assets Report using a database of over 200,000 industry professionals to highlight the trends in the workforces of active fund managers and investors.

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