First Republic

Family Office Survey Report 2021

In partnership with

Oper8r

Contents

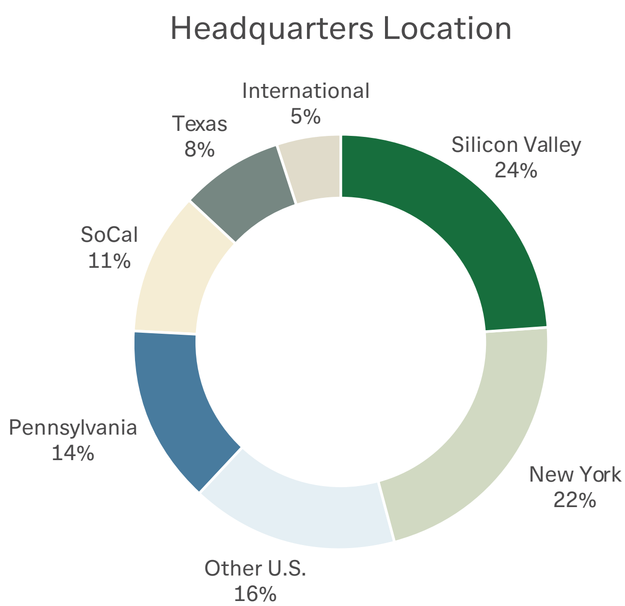
The positive trend of family offices investing in emerging VCs continues.

Family offices play a large role as limited partners (LPs) in emerging venture capital (VC) funds and also as coinvestors in direct investments alongside VC funds.

At the beginning of 2021, First Republic Bank and Oper8r surveyed family offices across the United States and globally to get a better understanding of their investment strategies, primarily how they invest in VC funds and make coinvestments.

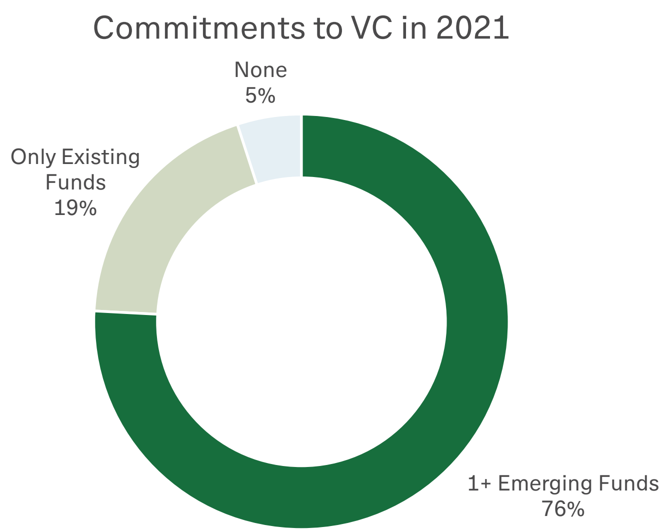
We surveyed a mix of U.S. and international family offices ...

About 95% of the participants in the survey are U.S.-based family offices ranging from $15 million in assets under management (AUM) to $2.5 billion AUM, with a median size of $200 million AUM.



… And noticed that family office allocation to VC more than doubled year over year.

Compared to the 2020 family office survey, VC allocation from family offices to emerging VCs remains strong, and the outlook remains bullish for 2021. In fact, the average family office investment allocation to VC was 10% in 2020 and has increased to 24% this year. This increase in interest may be corroborated by a recent survey by Eaton Partners, which indicates that LPs worldwide are finding alternatives more attractive.

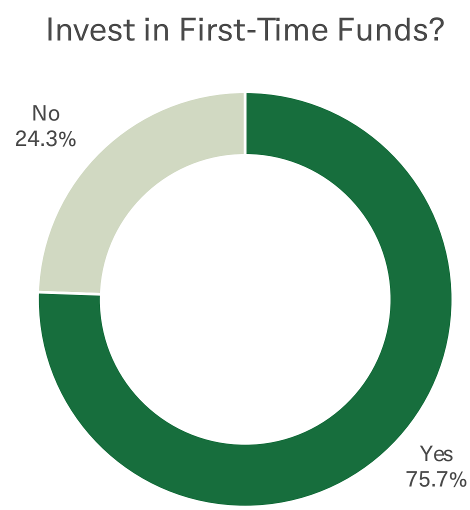


20% of family offices exclusively invest in emerging VCs (versus a mix of established and emerging).

Given the survey outreach to family offices that have historically expressed interest in VC investing, there may be sample bias, but it's interesting to see that 100% of the family offices surveyed invest in emerging VCs, and 20% invest exclusively in emerging VCs. This may be an indication that new family office entrants into VC begin by accessing emerging managers versus traditional, brand-name funds.

Risk appetite is high given that 75% of family office LPs would invest in a first-time fund.

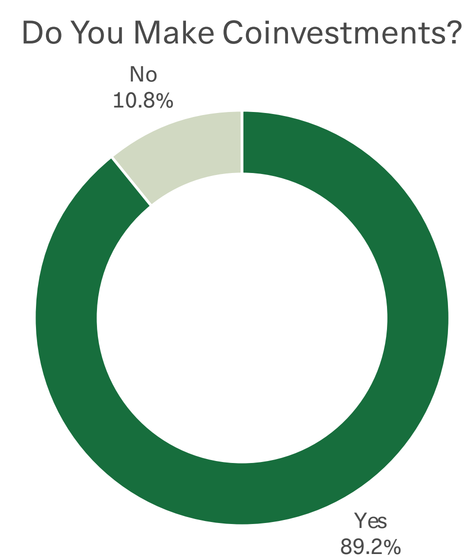
Risk appetite also appears to have increased. In addition to the interest in investing in emerging VCs (defined as Funds 1–3), three out of four family offices indicated they'd be interested in investing in a first-time fund.



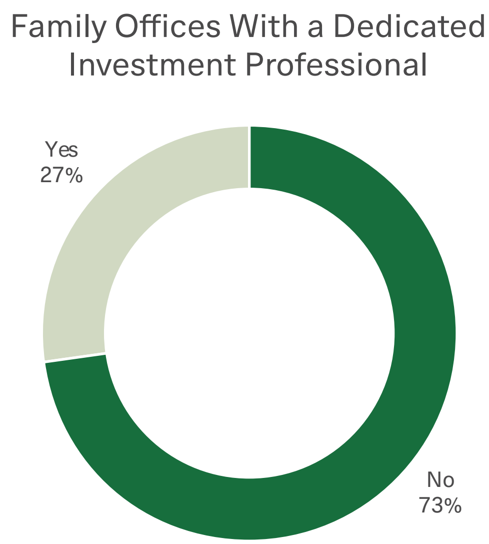
According to survey responses, the reasons behind this push into emerging VCs and first-time funds include 1) a lack of access to brand-name funds, 2) established funds getting larger, which may create a need to fill the early-stage risk/return profile that was once filled by these established funds, and 3) the ability to deploy more capital through coinvestments alongside emerging managers.

Family offices are very active coinvestors, with 9 out of 10 LPs making coinvestments ...

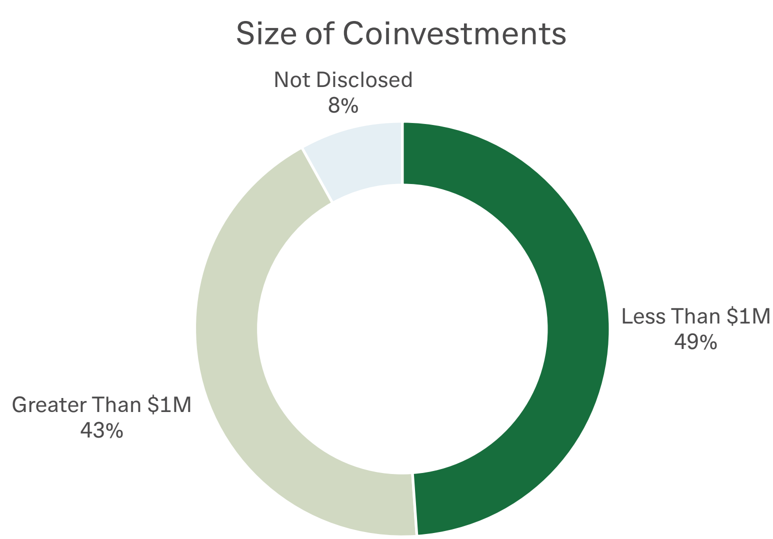
Specifically, the family offices surveyed are very active coinvestors, with about 90% of family offices making coinvestments and the most active family offices making 20 investments per year.



... But only one out of four family offices employs a dedicated coinvestment professional.



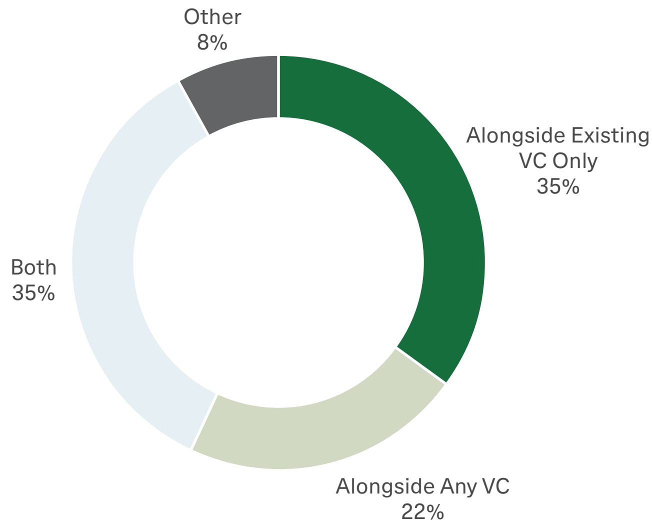
It's also interesting to note that over 40% of family offices write checks greater than $1 million at a time into coinvestments.



Family offices seem to rely heavily on VCs for diligence given high coinvestment activity with minimal staffing.

To make up for minimal investment staff, however, family offices seem to collaborate closely with emerging VCs, with over 90% of respondents investing alongside VCs.

How Family Offices Invest



We see an uptick in international family offices investing in emerging managers.

The results show a year-over-year increase in international family office investing in emerging managers. As the world opens up and innovation hubs are created across the globe, it's not surprising to see more family offices participating in the venture industry. This benefits the underlying innovation ecosystem because the family offices that have been investing in venture in the past are now doubling down by investing in local funds and/or the underlying portfolio companies.

The survey results are insightful, indicating that family offices remain a strong source of capital for the VC ecosystem and, in particular, for emerging VCs. While market data and headlines suggest emerging managers struggled with fundraising in 2020 during the pandemic, family offices in 2021 remain bullish on the fund and coinvestment prospects some emerging managers offer. While there are encouraging signs that family offices are more active, it also appears true from the survey results that family offices are leaning on early-stage VCs for sourcing and information.

About the Authors

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Sam Heshmati leads the banking team managing private equity, venture capital (VC) and startup company relationships. He has nearly 20 years of experience in the technology ecosystem, serving clients not only as a banker, but also as someone who can guide clients as they make important decisions within this space. He leads the programs to serve the VC and tech community, cultivating and managing relationships with some of the nation's top micro-VCs, accelerators and entrepreneurs. Over his career, Sam has worked with more than 500 early-stage VC firms and several thousand venture-backed startups. Prior to joining First Republic in 2012, he spent 10 years as a tech banker at Silicon Valley Bank and Square 1 Bank. He earned a bachelor's degree from San Jose State University.

Winter Mead, Co-founder, Oper8r | @wintmead

Winter Mead has worked in financial services for a decade, investing approximately $900 million across 80 private equity and venture capital (VC) firms as a limited partner, specializing in VC. Currently he is CEO and Co-founder at Oper8r, a cohort-based training program for emerging VCs. Before becoming an investor, Winter worked in the technology world at three angel and VC-financed startups. Winter has also been involved with two leading industry organizations, National Venture Capital Association (NVCA) and Institutional Limited Partners Association (ILPA), and in his spare time helps teach a course at Stanford University focused on entrepreneurship and VC. He is also a Chartered Alternative Investment Analyst, which is a professional designation for those specializing in alternative investments, such as VC. Winter is the author of *How to Raise A Venture Capital Fund: The Essential Guide on Fundraising and Understanding Limited Partners.*

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