KK Fund – Growth strategy for VCs

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KK Fund is a Singapore based VC firm, looking to adopt innovative strategies to scale their operations. They are currently present in Singapore with new operations starting in South Korea and objective to further expand to other countries within SEA. LPs are typically corporations.

Innovation in the VC space happens both at different steps in the traditional process as well as radically new approaches to VC.

Given the current state of KK Fund and their objectives three potential practices could be adopted to help them scale – launching an Accelerator programme, growing a network for Operational Support and developing a VCaaS model.

Based on findings, we recommend gradual adoption of all three starting with an MVP for VCaaS for selected two corporate LPs, while building a network of mentors to increase the successful exits in their portfolio. The network would also support the Accelerator programme, which would enable the VCaaS offering to scale by building a pipeline of start-ups, aligned to the LP’s needs.

The gradual transition would allow to spread the costs, while developing a sustainable model replicable in other countries in the region.
Table of content

1. Project scope and goals

2. VC innovation observed today:
   - Innovation at different stages of the value chain
   - Alternative VC practices

3. Selected Deep Dives on innovative practices, closely aligned to KK Fund’s objectives:
   - Accelerators
   - Operational model for portfolio companies
   - VCaaS

4. Recommended models for consideration
Singapore start-up ecosystem will continue to be central for VC success in the region

Singapore represents ~70% of the total VC investment value in SEA...

...with the tech space demanding more funding as the ecosystem expands and matures

1. Some sectors will assume larger significance in post Covid-19 world
   - FinTech, Analytics and AI) and emerging sub-sectors (e.g. BioTech, CleanTech, AgriTech)

2. As the start-up ecosystem matures, more B, C investment will be sought
   - i.e. sectors such as Urban Solutions and Fintech will require later stage investment and support

3. Online-to-offline (“O2O”) and D2C business models are more aligned to a post-Covid-19 world
   - Focusing investment strategies and helping companies within portfolio to adapt to such models may benefit returns

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Level of impact

230 PE/VC deals in 2020

$6.6b PE/VC deals in 2020

~80% in Seed or Series A

~93% in digital tech, dominated by Urban Solutions (i.e. Grab)

Sources: Statista, S&P, Prequin, SVCA, PwC
KK Fund is looking to adopt innovative practices to scale presence in SEA

Today

**Market Position**
- Venture Capital: Seed stage to stage A
- 300k – 500k USD ticket size
- Team size 3

**Value Proposition and Focus**
- Internet and mobile
- Services:
  - Government support
  - Organizing events
  - Mentoring and board membership
  - Assistance in hiring key personal

**Geographical Presence**
- Office: SG
- Portfolio: SEA (SG, ID, MY, TH, VN, PH), HK, TW

**Success metrics**
- Increase fund raising amount
- Net multiple
- IRR: Fund I 32.0%, Fund II 58.6%
- Follow-on rate: 85%

Sources: Preqin, internal interview

KK Fund’s Vision and objectives

**Market position**
- Venture Capital: Seed stage to stage A
- 500k – 1m USD ticket size
- Team size 6

**Value proposition and Focus**
- Internet and mobile
- Services:
  - Government support
  - Organizing events
  - Mentoring and board membership
  - Assistance in hiring key personal
  - Assist Korean startups abroad

**Geographical Presence**
- Office: SG + KR
- Portfolio: SEA (SG, ID, MY, TH, VN, PH), HK, TW

**Success metrics**
- Increase fund raising amount
- Net multiple
- IRR
- Follow-on rate

Sources: Preqin, internal interview
# KK Funds Partners, portfolio & LPs today

<table>
<thead>
<tr>
<th><strong>LPs</strong></th>
<th><strong>Portfolio companies</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- LPs are mostly Japanese listed companies; looking for strategic angles</td>
<td>- Mostly tech investments in internet and software companies, they also look at fintech, transport tech and consumer services segments</td>
</tr>
<tr>
<td>- Two known investors</td>
<td>- Their investments are focused around SEA, mainly across Malaysia, Thailand, Vietnam, Indonesia</td>
</tr>
<tr>
<td>- Mistletoe – Japanese VC</td>
<td>- They prefer leading rounds and always look for a board seat</td>
</tr>
<tr>
<td>- Sega – Entertainment company</td>
<td>- Close relationships with the Korean government and aim to bring Korean start-ups outside Korea</td>
</tr>
<tr>
<td>- Partnered with a management consulting company to offer internal innovation to corporates; starting first with the Japanese companies</td>
<td></td>
</tr>
</tbody>
</table>
Innovation in VC can be observed as changed approach in the process or a new way of thinking.
# Fund Raising / LP Engagement

**Description**

<table>
<thead>
<tr>
<th>Description</th>
<th>VC examples</th>
<th>Pros</th>
<th>Cons</th>
<th>KK Fund Feasibility and rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Evergreen funds</strong></td>
<td><img src="image" alt="LOYAL" /> <img src="image" alt="COTA CAPITAL" /></td>
<td>✓ Less need to worry about exits</td>
<td>× Valuation of ‘dividends’ are harder</td>
<td><strong>Existing LP relationships may not be flexible</strong></td>
</tr>
<tr>
<td>1</td>
<td>Funds are evergreen and do not have a set time horizon</td>
<td>✓ More liquidity for the capital invested</td>
<td>× Increasing list of portfolio firms to manage</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Funds do not follow the traditional private equity J-curve returns</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity partner model</strong></td>
<td><img src="image" alt="DC" /></td>
<td>✓ LPs have means of obtaining additional rev</td>
<td>× Additional portion of the returns to LPs</td>
<td><strong>Domain-experts could be brought on as equity partners</strong></td>
</tr>
<tr>
<td>2</td>
<td>An evolution of ‘venture partner’ model where deep tech experts and companies are brought on as equity partners to the VC</td>
<td>✓ Saves operational costs of looking for mentors and experts</td>
<td>× Higher involvement of LPs in fund operations</td>
<td></td>
</tr>
<tr>
<td><strong>Shared earnings agreement</strong></td>
<td><img src="image" alt="Earnest Capital" /> <img src="image" alt="collab" /> <img src="image" alt="CHISOS" /></td>
<td>✓ Less need to worry about exits</td>
<td>× Returns on successful companies are lower</td>
<td><strong>Regular returns might be more appealing to corporate LPs vs return on exits</strong></td>
</tr>
<tr>
<td>3</td>
<td>Flexible financial product where VCs earn a percent of founder earnings on a regular basis with optionality to convert to equity based on pre-agreed terms</td>
<td>✓ More liquidity for the capital invested</td>
<td>× Might vary drastically based on companies and stages</td>
<td></td>
</tr>
</tbody>
</table>

**Prioritised deep dives** - Economics details added to Appendix
## Deal Sourcing

### Description

1. **Accelerators**
   - Assist to accelerate growth of company
   - Focus on scaling the business

2. **Industry and trend focus**
   - Focus on a company in a particular type of industry or on a type of trend

3. **Software to spot investments**
   - VC uses software to help them spot potential investments
   - Uses software algorithms that is built by the company

### VC examples

- **KK Fund Feasibility and rationale**
  - KK Fund is actively exploring this

### Pros

<table>
<thead>
<tr>
<th>Description</th>
<th>Pros</th>
<th>Cons</th>
<th>KK Fund Feasibility and rationale</th>
</tr>
</thead>
</table>
| **Accelerators** | ✓ Time focused  
✓ Scale quickly 
✓ Bring startups to the next level | × Require large pool of mentors with various expertise  
× Need lots of resources | |
| **Industry and trend focus** | ✓ Industry specialization and expertise 
✓ Able to ride on trends | × Smaller pool of target investors | KK Fund is considering diversity and ESG focus, which are on the rise in SEA |
| **Software to spot investments** | ✓ Apply data and technology to address pain points 
✓ Use software to help portfolio companies hire talent | × Large team in engineering and data science | Current sourcing is mainly through referrals |
## Evaluation and deal execution

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</tr>
</thead>
<tbody>
<tr>
<td>1. Follow-on and rolling investing</td>
<td>LOYAL</td>
<td>✓ Rationalize investment decisions based on track-record and LT relationship ✓ Validates investment opportunities through new LPs onboarding</td>
<td>✗ Risk of doubling down on “losers” ✗ Risk of not being able to raise the money needed for a specific investment ✗ Requires more heavy lifting in both cases</td>
<td>KK Fund is already supporting follow-on investments</td>
</tr>
<tr>
<td>2. Fast investing</td>
<td>FJ LABS</td>
<td>✓ Builds up great visibility ✓ Allows to build large networks in various spaces</td>
<td>✗ Requires intense deal execution processes ✗ Limits the amount of due diligence possible</td>
<td>KK Fund prefers a hands-on model which isn’t ideal in fast investing scenario</td>
</tr>
<tr>
<td>3. AI-driven investing</td>
<td>IEQT</td>
<td>✓ Apply data and technology to address pain points ✓ Use software to help portfolio companies hire talent</td>
<td>✗ Can be biased by design ✗ Requires proprietary sources of data to make it unique</td>
<td>Not sufficient enough inflow of deals to justify</td>
</tr>
</tbody>
</table>
## Value creation

<table>
<thead>
<tr>
<th>Description</th>
<th>VC examples</th>
<th>Pros</th>
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<th>KK Fund Feasibility and rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Operational support</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>• Full stack operational support</td>
<td>✓ Hands-on operational support</td>
<td>× Require pool of experts</td>
<td>Opportunities for partnerships with corporates and operational support</td>
<td></td>
</tr>
<tr>
<td>• Dedicated venture developer</td>
<td>✓ Close attention to portfolio companies</td>
<td></td>
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</tr>
<tr>
<td>2 Founders as partners in fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Every founder becomes partner in fund &amp; participate in carry</td>
<td>✓ Every founder becomes partner in fund</td>
<td>× No board seat</td>
<td>Builds strong fund community but could risk potential conflicts</td>
<td></td>
</tr>
<tr>
<td>• 70% of fund reserved for follow-on</td>
<td>✓ Stronger community amongst network</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Revenue-based financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• VC loan provider</td>
<td>✓ Flexible payments for founders</td>
<td>× No equity participation</td>
<td>Return model may not gel well with fund mandate</td>
<td></td>
</tr>
<tr>
<td>• No equity, board seat, personal guarantees</td>
<td>✓ No equity dilution for founders</td>
<td>× No board seat</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Flexible payments</td>
<td>✓ Attractive for follow-on</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>4 Investing in immigrant founders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Full US immigration support</td>
<td>✓ Immigration support</td>
<td>× Specialized skill set</td>
<td>Tight immigration conditions and lack of immigration support</td>
<td></td>
</tr>
<tr>
<td>• University Fellowship</td>
<td>✓ University fellowship program</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>• Invest in immigrant stories</td>
<td>✓ Leave room for other strategic co-investments</td>
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</tbody>
</table>

Prioritised deep dives
# Evaluation and deal execution

## Alternative Venture Capital models

<table>
<thead>
<tr>
<th>Description</th>
<th>VC examples</th>
<th>Pros</th>
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<th>KK Fund Feasibility and rationale</th>
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</thead>
</table>
| **1** VCaaS | ![Pegasus Tech Ventures](image1) ![H+](image2) ![Redstone](image3) | ✓ Fundraising simplified through corporations
✓ Access to business guidance and support model from corporations
✓ Complimentary model | ❌ Narrower view in deal sourcing
❌ Upside may be reduced if equity is replaced with management fee | KK Fund already supporting Corporate LPs on an ad-hoc basis with private investments |
| **2** Venture builder | ![Createlc](image4) ![JCS Venture Lab](image5) | ✓ Faster execution
✓ Often increased chances of success
✓ 6/10 success | ❌ More significant investment in human capital
❌ Less exposure to ‘unicorn’ type of deals | No current resources at present but LPs may express interest |
| **3** DAO | ![Neptune](image6) ![DA.O.VC](image7) | ✓ Investment based on community vote
✓ High-tech (i.e. DeFi, NFTs) focus
✓ Own ecosystem
✓ High portfolio diversification | ❌ Capped number of investors
❌ Investor sign up linked to ETH, which is volatile | KK Fund’s strategy is centralized around their corporate LPs |

Prioritised
deep dives
KK Fund’s model can be enhanced through accelerator, operational support and VCaaS

1. Fund raising
   - Evergreen funds
   - Equity partner model
   - Shared earnings agreements

2. Deal Sourcing
   - Accelerators
     - Industry and trend focus
     - Software to spot investments
   - Follow-on and rolling investment
   - Fast investing
   - AI-driven investing

3. Evaluation and deal execution
   - Operational support
     - Founders as partners in fund
     - Revenue-based financing
     - Investing in immigrant founders

4. Value creation

5. Exit
   - Deprioritized

2. Alternative Venture Capital models
   - VCaaS
   - Venture Builder
   - DAO
Accelerators: Deep dive

Key elements

- Accelerators help ventures define and build their initial products, identifying promising customer segments and secure resources, including capital and employees
- Provide programs of limited duration that help startups with the new venture process
- These programs typically last around there months
- Usually provide a small amount of seed capital and working space

VC examples in SEA

Impactech helps to support startups that create social, environmental and economic impact through programs, workshops and mentorships

True Incube invests in early stage B2B startups across many sectors and provide support for them to launch a successful product

IdeaSpace is a non-profit organization running founder-focused programs for early-stage tech startup founders solving emerging market issues

Implications for KK Fund

Benefits
- Increase access to many different types of startups in the early stage
- Able to choose between various startups on which firms to fund
- Short term training and more time focus

Costs
- High cost in training and mentorship programs
- Potential software investment that might have a high upfront cost
- High upfront cost in the form of seed capital and working space and hosting of events

Risks and considerations
- Requires strong relationships with investors
- Potential software issues and algorithm that does not shortlist the right startup companies
- Reputation not as strong as other accelerators

Steps to implement
- Establish strong relationships with investors
- Develop a software that allows KK Fund to sift through companies and select high potential ones
- Test the model in a small scale and see if it works

Sources: MIT edu
Geographies
HQ: Singapore
Portfolio: Present in SEA, Estonia and Australia

Focus
Sector Agnostic

Key stats
3 investments
1 exits
$50k-$500k seed funding

Portfolio examples
Spaze Ventures showcases a successful implementation of accelerator and operational support for portfolio companies

Summary
- Spaze Ventures is a startup incubator based in Singapore providing seed funding and intensive hands-on mentorship for pre-launch ideas to seed stage startups.
- The company engages and invests in entrepreneurs and startups in the earliest stage possible, and works with the team to launch and grow
- Typically provide $50K - $500K for the initial tranche for a small equity stake before topping up along the way

Value proposition
- Provide mentorship-driven startup incubator and community that provides seed funding, mentorship and training for entrepreneurs in Singapore
- Engages and invests in startups at the earliest stage possible
- Strong network of mentors, senior industry representatives and investors to help build the companies and scale up
- Focuses on high growth and disruptive tech startups with a focus on financial services, education, healthcare services, e-commerce, mobile and enterprise technology
Operational Support: Deep dive

Key elements

- VC generally have a **pyramid structure** with partners supported by various experts focusing on filling operational needs of portfolio companies, usually with dedicated venture developer
- Internally house **functional or industry experts** that work with portfolio companies on a project basis
- Externally have a strong **network** of mentors, entrepreneurs-in-residence, experts; or discounted **access to venture partners**

VC examples in SEA

- East Ventures provides non-capital support such as EV Hive co-working space that provide desk and discussion space for their founder community
- Antler brings together experienced operators, great technologists, and entrepreneurs to start their company
- Venture builder with patient capital and team of functional leads to help founders grow their business

Implications for KK Fund

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Useful and standout value proposition to pick KK Fund as a preferred VC for portfolio companies</td>
<td>- Hiring of functional or industry experts that are most in demand for targeted portfolio companies</td>
</tr>
<tr>
<td>- Increase execution success rate within portfolio companies and forms better working relationship</td>
<td>- Partnership costs for working with selected venture partners</td>
</tr>
<tr>
<td>- Complements VCaaS offering and other corporate partnership programs</td>
<td>- New cost center for fund</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risks and consideratio ns</th>
<th>Steps to implement</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Conflicts between founders and experts on direction of company, culture, objectives, pace, etc.</td>
<td>- Identify top operational support needs among target portfolio companies</td>
</tr>
<tr>
<td>- Inhouse experts may not be fully aligned with long-term objectives of VC fund</td>
<td>- Define staffing plan for delivering operational support</td>
</tr>
<tr>
<td>- Misalignment between needs of portfolio companies and skillset of experts</td>
<td>- Hire required experts or collaborate with relevant venture partners</td>
</tr>
</tbody>
</table>
Operational Support: VC spotlight

Summary

- Full stack operational support covering Hiring, Sales, Marketing, Engineering, Product, Design Data, Business Intelligence and Communications
- Operational support come in the form of projects
  - Projects range from 1 hour to 3 months
  - Available to portfolio companies at cost
  - Occasional backlog of projects; there is some prioritization
- Partner compensation capped to fund operational support
- LPs acknowledge the value proposition
- Reserve $30m of follow-on capital

Value proposition

- Operational VC
- Dedicated venture developer for portfolio companies and a team of 90+ full time operational experts

Project A's total number of exits prove the value of the additional cost for developing the operational support network

Geographies
HQ: DE
Portfolio: DE, SE, US, GB, NL, DK, BR, Others

Focus
Digital Businesses

Key stats
4 funds
440m EUR raised
27 exits

Portfolio examples
Windstar Medical
InteliPost
Contorion
voi.
VCaaS: Deep dive

Key elements

- Emerging service in San Francisco and Europe
- VC firm helps the corporate client define their investment strategy, followed by targeted deal sourcing, DD and portfolio management support
- Some differentiate themselves with giving access to software or resources to support clients with portfolio management
- **Economics:** Some VCs co-invest with their clients, which provides 'skin in the game', while others earn a management fee or find co-investors

VC examples in SEA

Acting as a VC arm for corporates in Singapore for a flat monthly rate with no long-term commitment

Implications for KK Fund

<table>
<thead>
<tr>
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<th>Risks and considerations</th>
<th>Steps to implement</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strong relationship with corporate LPs</td>
<td>• Need for a large database of potential companies and move away from 'referral mainly' deal sourcing</td>
<td>• Conflict of interests between own fund investments and corporate targeted investments (potentially mitigated through co-investment)</td>
<td>• MVP with one-two existing corporate clients – defining bespoke strategies and investments for them. Test most appropriate economics model</td>
</tr>
<tr>
<td>• Not yet a popular strategy in SEA, which could help KK Fund gain competitive advantage</td>
<td>• Specialized talent may be required for sector specific investments</td>
<td>• Database management software investment and data scientist considerations as the function grows</td>
<td></td>
</tr>
<tr>
<td>• Potential for differentiated revenue model if flat fee model applied</td>
<td>• Economics: Some VCs co-invest with their clients, which provides 'skin in the game', while others earn a management fee or find co-investors</td>
<td>• Conflict of interests between own fund investments and corporate targeted investments (potentially mitigated through co-investment)</td>
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</tbody>
</table>
**Summary**

- Combient Foundry has 30 corporate clients in the Nordics for which it designs investment strategies.
- They combine *Accelerator* and *VCaaS* approach to venture capital.
- Three times a year they publish a newsletter of ‘needs’, which attracts specific startup ideas to respond to these needs.
- Combient Foundry performs initial screening (~500 companies) and organizes pitch days for the selected start-ups and corporate clients.
- ~50% of the 20 invited companies get funded, with deals worth 50k-200k.

**Value proposition**

- Providing a targeted Dragon’s Den approach to CVC, which does not feel like ‘waste of time’ for corporate clients.
- Supporting the corporate clients through the full VC journey.
- Limited number of clients ensures focused strategies are delivered and ‘needs’ are fulfilled.

Combient Foundry’s strategy is concentrated around their corporate clients, which has similarities with KK Fund’s LPs. They have successfully implemented an accelerator and VCaaS model, which could enhance KK Fund’s relationships with their LPs.
Key Takeaways

1. VCaaS is most closely aligned with KK Funds’ direction of travel. However, it may create conflict of interest with other fund and would require an increase in scouting activities.

2. Developing an operational support network would enhance the portfolio success of KK Fund. It would also augment a VCaaS strategy if adopted.

3. Building an accelerator would require some elements of operational support network development (i.e. mentors, judges). Thus, the two should be considered hand in hand.

4. VCaaS and Accelerator strategies should be supported with investment in software to manage pipeline effectively.

KK Fund should align approach with existing LPs. All strategies in isolation could benefit these relationships but may require significant investment.
We recommend an MVP with VCaaS while simultaneously building the Op Support network

<table>
<thead>
<tr>
<th>Accelerator + Operational support</th>
<th>Operational Support + VCaaS</th>
<th>Accelerator, Operational Support + VCaaS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rationale:</strong> Can enable a quick entry in South Korea market</td>
<td><strong>Rationale:</strong> Will enhance existing LP engagement</td>
<td><strong>Rationale:</strong> Provides long term competitive advantage and aligned to KK Fund's LP engagement model</td>
</tr>
<tr>
<td><strong>Benefits:</strong></td>
<td><strong>Benefits:</strong></td>
<td><strong>Benefits:</strong></td>
</tr>
<tr>
<td>• Larger pool of companies to choose from</td>
<td>• Deeper relationships with LPs</td>
<td>• Scalable and easily replicable geographically model</td>
</tr>
<tr>
<td>• Potential increase in successful exits</td>
<td>• Scalable entry to new markets</td>
<td></td>
</tr>
<tr>
<td><strong>Costs:</strong></td>
<td><strong>Costs:</strong></td>
<td><strong>Costs:</strong></td>
</tr>
<tr>
<td>• Software</td>
<td>• Deal scouting increase</td>
<td>• Deal scouting increase</td>
</tr>
<tr>
<td>• Resource for network engagement and management</td>
<td>• Network building</td>
<td>• Network building</td>
</tr>
<tr>
<td></td>
<td>• Software</td>
<td>• Software</td>
</tr>
<tr>
<td><strong>Risks:</strong></td>
<td><strong>Risks:</strong></td>
<td><strong>Risks:</strong></td>
</tr>
<tr>
<td>• Competitors are already active in the space. May require time to build reputation</td>
<td>• Conflict of interest with existing fund</td>
<td>• Revenue model may need to be adjusted to avoid conflict of interest</td>
</tr>
<tr>
<td></td>
<td>• Likely limited model to fixed amount of firms</td>
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</tbody>
</table>
# Deep Dive - Equity Partner Model

<table>
<thead>
<tr>
<th>Description</th>
<th>VC examples</th>
<th>How it works / Economic Details</th>
<th>Specific Example Details</th>
</tr>
</thead>
</table>
| • An evolution of ‘venture partner’ model where deep tech experts and companies are brought on as equity partners to the VC | ![DCVC Logo](DCVC.png) | • These partners help with  
  • deal flow  
  • vetting process  
  • due diligence and evaluating startups  
  • provide ongoing assistance to the portfolio when it comes to large data problems and challenges.  
  • They own a pre-agreed carry percent in the fund | • DCVC’s equity partners include Jawbone’s VP of Data Monica Rogati, Facebook’s head of analytics Ken Rudin, Splunk’s CTO Todd Papaioannou and Factual founder Gil Elbaz. |
Deep Dive – Shared Earnings Agreement

Description

- Flexible financial product where VCs earn a percent of founder earnings on a regular basis with optionality to convert to equity based on pre-agreed terms

VC examples

Earnest Capital

collab

CHISOS

How it works / Economic Details

Short-term Earnings
- Investors get an agreed upon percentage of earnings, called Shared Earnings
- A Founder Earnings Threshold is agreed to and the investor percentage only kicks in once Founder Earnings exceed the threshold.
- A Shared Earnings Cap that is a multiple of the initial investment is also defined. Once the Shared Earnings Cap is paid back, Shared Earnings stop, and no payments are made back to investors.

Long-term Earnings
- This agreement also includes an Equity Basis (the numerator) and a Valuation Cap (denominator) which defines a percentage of the company that investors are entitled to if the founders decide to either a) sell the company or b) raise a priced round of equity like a Series A from a traditional VC.
- That Equity Basis is reduced over time as Shared Earnings payments are made, but there is a residual Equity Basis that remains after the Shared Earnings Cap is fully repaid, so investors are still incentivized to help founders keep building the company.

LP Engagement
- LPs subscribe to a flexible quarterly commitment to Earnest funds, rather than committing a large amount of money upfront and having randomly timed capital calls for years. This helps with predictability, flexibility and expectation management.

Specific Example Details

- In Earnest Capital deals a Shared Earnings Cap can be anywhere from 2-5x the initial investment.
- Earnest subscriptions will charge a one-time 12.5% subscription fee, once, on each quarter’s commitment as it comes in. This lets them run their operations.
- Earnest still charges a standard 20% “carry” on the profits of the fund once investors get their full investment amount back.
- Chisos is also similar where they invest in a combination of short-term and long-term benefits.
Who we are?

Max SUMARGO
- Has 6+ years of experience as a forex and fixed income product specialist for Bank of Singapore.
- Holds a B.S. Operations Research from Columbia University and B.A. Management Engineering from Pitzer College

Ivanina STOYANOVA
- 5 years in payments in an in-house consulting role with focus growth strategies and innovation.
- Holds a BSc in Economics from Aston University.
- Ran a family business prior to University

Charles BERNARD
- 6+ years experience of product management and strategy in high growth ventures in the UK and US
- Angel Investor and Advisor for 5 companies ranging from Mobility and AI to Food Tech (exited 2 of them)
- Holds an MSc in Risk and Investment Management from EDHEC Business School

Jacob John KUTTISSERIL
- 5 years in driving innovation and partnerships in tech and corporate VC
- Experienced in growing partnerships and go-to-market strategies to achieve business growth
- Holds a BEng in Electrical Engineering from National University of Singapore

Grace THAM
- Has 6+ years of experience in Supply Chain within the Oil and Gas industry
- Holds a B.S. Industrial Engineering from the University of Washington

Sky SONG
- 4 years of startup experience and 3 years of Fortune 500 energy and technology experience
- Holds a B.A. in Political Science at University of Rochester
We understand that KK Fund wants to explore best practices across successful VC firms to adopt

Key question:
How should a smaller VC firm scale and what are the best practices globally by VC firms that KK fund can model after?

Objective:
Deliver a presentation and report that describes actionable steps KK Fund can take based on feasibility study and expected results

Approach:
• Develop a detailed understanding of KK Fund’s current state and objectives
• Conduct in-depth analysis on VC successes and best practices through desk research and interviews with VCs and VC-backed firms
• Develop proposal based on applicability of identified models to KK Fund’s specificities
• Play back analysis and findings regularly and incorporate feedback on a weekly basis

Resources required
• Key databases: Preqin, Tracxn, Crunchbase
• Internal data: access to data to assess portfolio driven successes; KK Fund’s practices and structure
• Interviews: support in scheduling interviews with portfolio companies and other VCs

Suggested engagement model
• Weekly meetings (Thursday or Friday) of core INSEAD team and Kuan Hsu (project champion). KK Fund members to be invited as relevant
• Ad-hoc meetings wherever necessary
• INSEAD team point of contact: Jacob John Kuttisseril
We suggest the following project plan and timeline (1)

<table>
<thead>
<tr>
<th>Sprint theme</th>
<th>Activity</th>
<th>Key output/meeting</th>
</tr>
</thead>
</table>
| Kick-off engagement and initiate fact finding and internal analysis | - Initial kick-off meeting and introductions  
- Confirm timelines, definitions, deliverables and resources  
- Interview KK Fund representatives and collate internal data  
- Conduct interviews with firms backed by KK Fund | Kick off meeting (date TBC) |
| VC Industry analysis (1) | - Deep-dive into the VC industries in developed countries  
- Identify success stories of smaller VCs  
- Highlight best practices that led to their successes  
- Conduct interviews with VCs and VC-backed firms | Present success stories and best practices in SEA & seek feedback |
| VC industry analysis (2) | - Deep-dive into the VC industries in developing countries  
- Identify success stories of smaller VCs  
- Highlight best practices that led to their successes  
- Conduct interviews with VCs and VC-backed firms | Present success stories and best practices in China & seek feedback. If time allows it |

March 15th – March 19th (week 1)  
March 22nd – March 26th (week 2)  
March 29th – April 2nd (week 3)
We suggest the following project plan and timeline (2)

<table>
<thead>
<tr>
<th>Sprint theme</th>
<th>Options development and feasibility analysis</th>
<th>Deep dive into selected option &amp; feedback</th>
<th>Final report</th>
</tr>
</thead>
</table>
| Activity     | o Develop scenarios for adopting best practices based on industry analysis and feedback  
               o Assess KK Fund's current position relative to these and feasibility | o Present detailed approach to adopting selecting option  
               o Develop high level implementation plan for KK Fund  
               o Highlight potential risks and considerations  
               o Highlight benefits of adoption and expected outcome | o Incorporate feedback from previous meeting and update plan |
| Key output/ meeting | Present 3-4 options and their applicability to KK Fund  
                       Select 1 or 2 options to deep dive | Present deep dive and preliminary action plan for implementation | Submit final presentation |