TTCP Quarterly Data Newsletter – July 2022

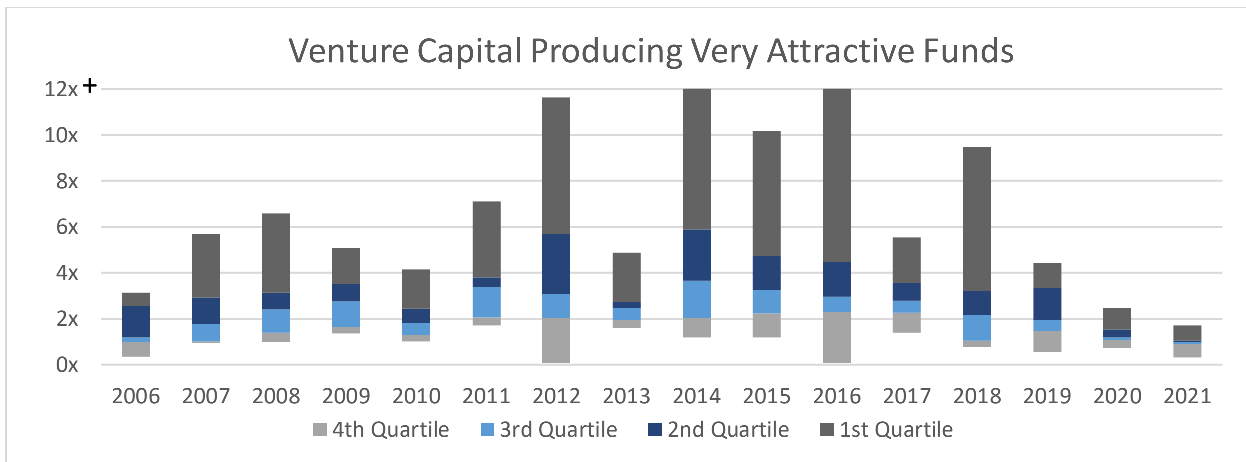
Happy Summer! With this edition, we celebrate our managers and CEOs producing strong performance and liquidity, we evaluate the pending wave (or ripple) of valuation changes, and we look to confirm the hypothesis that capital is being called faster. The data in this newsletter is from 1Q22. We are always happy to provide specific insights or blinded analysis should you find it useful.

SECTIONS

- Performance Benchmarking
- Q1 Outcomes
- Up Rounds or Down Rounds?
- Capital Call Rates
- What We Are Hearing
- Valuations & Realizations
- What's New At TTCP

But first, a word about the data. Unless otherwise noted, the fund data presented in this newsletter is for illustrative purposes, and has been sourced from our internal proprietary database, The Mine, tracking TTCP's portfolios. The performance is net of the underlying fund level but is gross of TTCP fees and expenses.

Performance Benchmarking

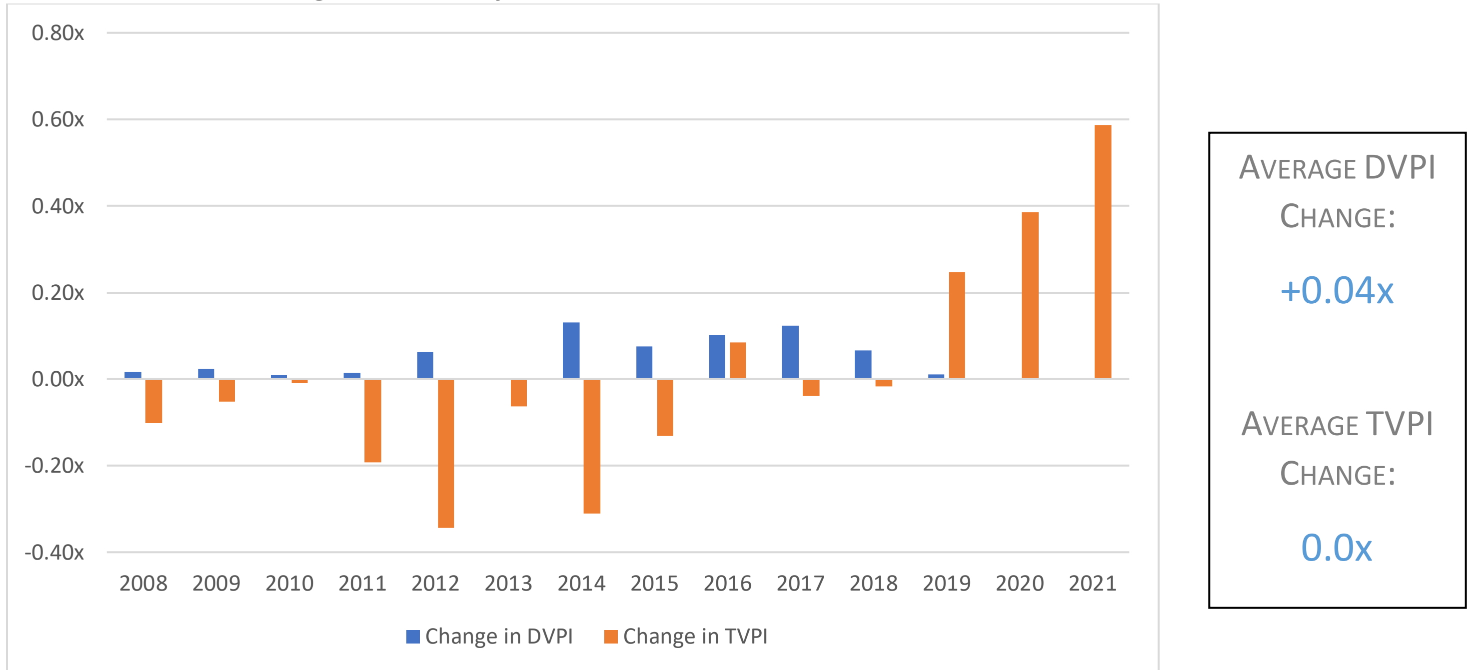


Data as of 3/31/2022

Summary: Average 2nd quartile performance is 2.5x, average 1st quartile is 3.5x with five vintages containing funds with a TVPI very close to, or above 10x. The graph above shows the performance of TTCP primary investments by vintage year. Some of our top performing funds in the 2012-2016 timeframe saw decreases of a few turns, mostly due to crypto exposure. While losing 2-3x a fund appears dramatic, the resulting 10x fund is still over three times greater than our long-term underwriting targets.

Q1 Still a Variety of Outcomes

As an industry, it seemed we were all waiting for Q1 to see how bad the correction was going to be. Now, it appears we are waiting for Q2 to be able to answer that question, as Q1 was a mixed bag. The middle vintages in our universe, e.g., 2014-2018, saw increases in distributions. Funds that are over 4-years old, and likely fully invested, saw decreases in TVPI. The latest few vintages had some compelling write-ups with 2021 seeing an average increase in TVPI of almost a full turn on the fund. Summary: Play for the long ball—that is, diversify across vintages -- because equity market movements affect funds and vintages differently.



Data from TTCP commitments as of December 31, 2021 and March 31, 2022, net of manager's fees, gross of TTCP's fees.

Up Rounds or Down Rounds?

To further analyze movement in valuations, we looked at the 416 new rounds within our portfolio. We define a new round as an investment where the ownership, cost or value changed. This should encompass rounds with and without participation by the VC. We also included investments where the value of investment changed while no movement in cost or ownership, indicating a discretionary change in valuation. The numbers above show the breakdown. More up than down rounds, but the average down round is about 20% larger than the average up round leading to the overall results we are seeing.

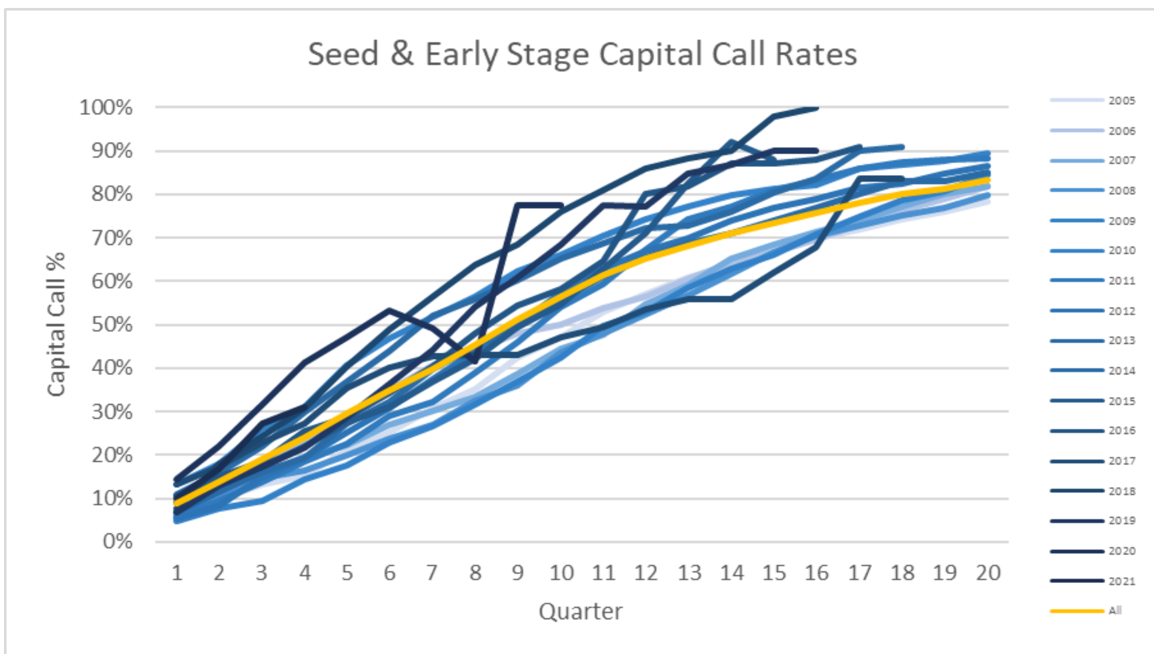
Our takeaway is that the news is not all doom and gloom. In fact, with Q2 Advisory Board meetings and quarterly reports starting to roll in, we are still seeing some very meaningful up rounds taking place.

Capital Call Rates

Limited Partners have been experiencing the pacing pinch over the last few years with the feeling that the pace of capital calls has accelerated, thereby putting pressure on LPs, especially those investors for which the timing of cash flows is important. At TTCP, we tend to focus more on commitment rates instead of capital call rates, but several pensions and endowments measure their allocations based on how much capital is still unfunded.

To test the hypothesis that funds are calling capital more quickly, we looked at 195 primary commitments to seed and early-stage venture funds from 2005 to 2021. The chart below shows the average capital call rates by quarter for each vintage (the lighter the line, the older the vintage).

Overall, the recent trend is certainly towards more frequent capital calls. A noticeable shift is observable in 2013/2014, which we believe corresponds with the increase in 'Select' funds, or funds that invest in later-stage, follow-on rounds of existing portfolio companies. Furthermore, we believe that prior to Select funds, reserves for follow-ons were higher, which meant the venture funds wouldn't call 100% of their fund early for fear of depleting capital needed for follow-on support for their winners. With the introduction of Select funds, early-stage venture managers could reserve less knowing they had other pools of capital available to support their portfolio companies through later stages. Around that time, we also saw an increase in liquidity, i.e., recycling was more predictable, so calling 100% of a fund early was still viable as the venture funds could recycle a portion of the distributions. Prior to this liquidity boom, there was no guarantee there would be distributions to recycle.



<u>The takeaway here is that capital call rates are certainly increasing, confirming the hypothesis</u>. Since investors are almost always asked to invest in the Select Funds, as well as the main funds, pacing is becoming a real concern. Another way to look at the data is the comparison between the two tables below. Illustrated on the left are the nearly 200 seed and early-stage funds in our portfolios and the percentage of capital called within the first two years. The table on the right includes an additional 215

funds from 2005 to 2019, inclusive of all stages of fund. Note the 2013 and 2014 timeframe when the delta between the two cohorts increases. We believe this illustrates the impact of the increased commitments to Select funds, which tend to call capital faster. Generally, we have noticed that Select Funds call capital approximately twice as quickly as early stage or even growth funds.

Seed / Early

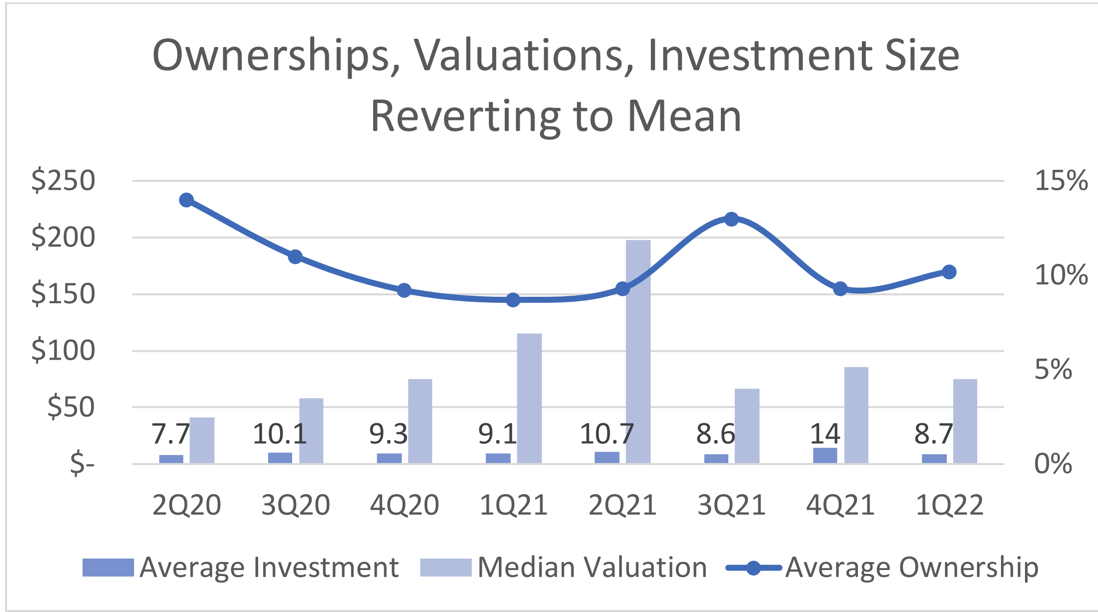
Vintage	% Called in First 8 Quarters
All	45%
2005	35%
2006	44%
2007	33%
2008	33%
2009	32%
2010	57%
2011	39%
2012	44%
2013	45%
2014	56%
2015	42%
2016	48%
2017	43%
2018	64%
2019	54%

All Funds

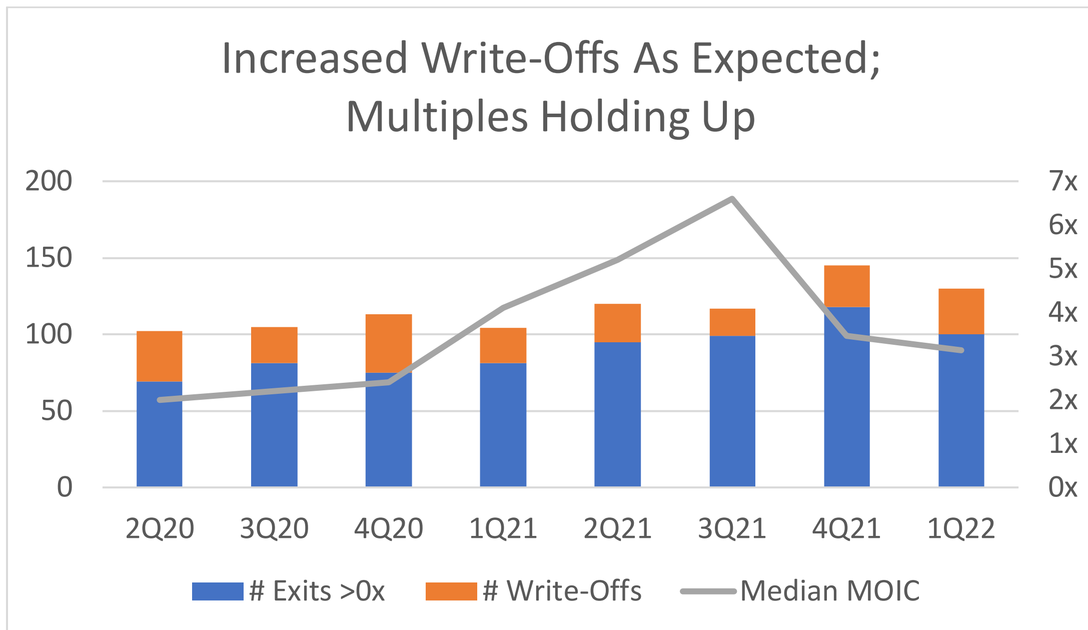
Vintage	% Called in First 8 Quarters
All	49%
2005	35%
2006	47%
2007	32%
2008	39%
2009	36%
2010	57%
2011	42%
2012	44%
2013	50%
2014	55%
2015	51%
2016	52%
2017	72%
2018	67%
2019	61%

The last trend we picked up is that the older vintages reached 100% called between years 8-10 of the fund life. This was probably due to the previously mentioned concern of not having enough capital in reserves. Since 2014, funds called 100% capital in half the time, on average, or about 4 - 5 years.

Valuations & Realizations



Data sourced from The Mine. LHS is in $Millions, RHS is % ownership by round as depicted by the solid line.



What We Are Hearing

- Q4 up rounds mitigated or countered any public declines; Q1 flat rounds didn't cover public declines; Q2 is when "Judgement Day" will come…
- Good companies (strong fundamentals and growth prospects) are still completing up rounds quickly
- Most of TTCP's underlying VC portfolios have approximately 80% of companies holding approximately three years of cash, or able to cut burn to reach that threshold

- Experienced managers who have been through downturns like the GFC or Dotcom bubble are being more cautious and erring on the side of more reserves to be able to support good companies
- Early evidence of some LPs warning of decreasing allocations or shortening their manager lists
- Secondary market is starting to see higher discount rates, but deals are getting done (i.e., the market is not frozen)
- Starting to see more aggressive structure on co-investments
- Increased M&A interest for many companies, some even talking of SPACs

What's New at TTCP?

We have a new Boston office! 101 Arch Street…come on by!

It's almost a relief that the big correction is here. Now we can wait while we determine the depth and length, and ultimately move on. Our portfolios are well positioned, either having been de-risked due to proactive secondary sales or due to the high level of distributions of late. We are flush with cash having benefitted from a good fundraising period and very supportive investors. The team is experienced, as evidenced by the grey hair earned by investing through both the dotcom bubble and Global Financial Crisis. We are long-term investors and do not expect to change much in terms of strategy. Additionally, we will remain disciplined focusing on DVPI, valuations and the ability to hit our 3.0x+ net underwriting for primary venture commitments. The secondary team is incredibly creative and able to help generate liquidity for LPs, GPs and CEOs. Our co-investments are holding their own and we feel that now is still a good time to invest in innovation through funds and companies, whether via a primary or secondary investment.

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