

Newsletter Q4 2021

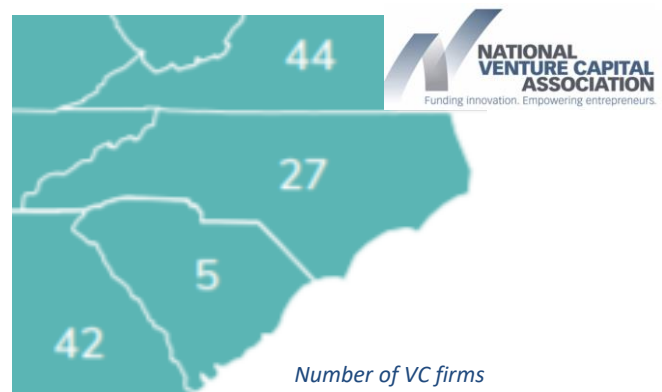
Investors, entrepreneurs and all who share at least a moderate interest in innovation and entrepreneurship in North Carolina and the Southeast:

And then, there was 2021... This year is wrapping up to be one for the record books! According to [Pitchbook last week](#), venture capital funds posted what it called an “eye popping” average horizon IRR of 52.5% in Q1 of 2021. That may be unusually high for all types of VC funds in general but not so much for *early-stage* VC funds which according to [Cambridge Associates Benchmarking](#), have almost always outperformed all other asset classes and other VC fund stages.

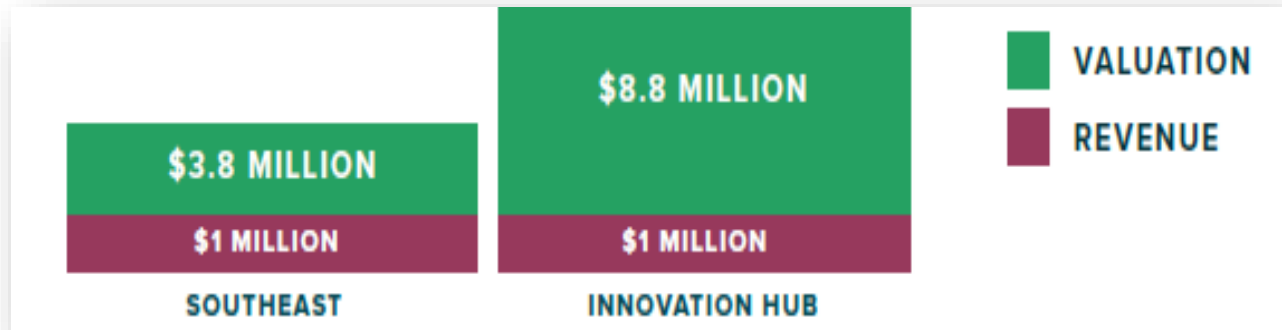
Early-Stage Venture Funds Outperform All Other Asset Classes and Fund Stages

| US VENTURE CAPITAL | | | | | | | | | |
|---|-----------|--------|--------|--------|--------|---------|---------|---------|---------|
| US VENTURE CAPITAL | | | | | | | | | |
| FUND INDEX SUMMARY: HORIZON POOLED RETURN | | | | | | | | | |
| Net to Limited Partners | | | | | | | | | |
| INDEX | 1-QUARTER | YTD | 1-YEAR | 3-YEAR | 5-YEAR | 10-YEAR | 15-YEAR | 20-YEAR | 25-YEAR |
| CAMBRIDGE ASSOCIATES LLC US VENTURE CAPITAL INDEX®¹ | 9.31 | 6.17 | 11.61 | 16.68 | 10.74 | 15.15 | 11.23 | 5.06 | 36.22 |
| US VENTURE CAPITAL – EARLY STAGE INDEX¹ | 9.00 | 7.65 | 10.96 | 17.91 | 11.11 | 16.33 | 11.29 | 4.38 | 59.89 |
| US VENTURE CAPITAL – LATE & EXPANSION STAGE INDEX¹ | 9.73 | 7.88 | 17.14 | 18.72 | 12.24 | 14.29 | 13.14 | 7.28 | 11.12 |
| US VENTURE CAPITAL – MULTI-STAGE INDEX¹ | 9.67 | 2.83 | 10.27 | 13.76 | 9.54 | 13.57 | 10.50 | 5.78 | 12.91 |
| Bloomberg Barclays Capital Government/Credit Bond Index | 3.71 | 7.21 | 10.02 | 5.87 | 4.74 | 4.13 | 4.50 | 5.30 | 5.46 |
| Dow Jones Industrial Average Index | 18.51 | -8.43 | -0.54 | 9.08 | 10.62 | 12.99 | 9.08 | 7.19 | 9.69 |
| Dow Jones US Small Cap Index | 25.61 | -12.61 | -6.87 | 3.08 | 4.14 | 10.75 | 7.75 | 7.59 | 9.38 |
| Dow Jones US TopCap Index | 21.42 | -2.09 | 8.56 | 11.13 | 10.87 | 14.14 | 9.07 | 6.11 | 9.36 |
| Nasdaq Composite Index* | 30.63 | 12.11 | 25.64 | 17.88 | 15.07 | 16.91 | 11.16 | 4.76 | 9.98 |
| Russell 1000® Index | 21.82 | -2.81 | 7.48 | 10.64 | 10.47 | 13.97 | 8.91 | 6.10 | 9.41 |
| Russell 2000® Index | 25.42 | -12.98 | -6.63 | 2.01 | 4.29 | 10.50 | 7.01 | 6.69 | 8.16 |
| S&P 500 Index | 20.54 | -3.08 | 7.51 | 10.73 | 10.73 | 13.99 | 8.83 | 5.91 | 9.27 |
| Wilshire 5000 Total Market Index | 21.94 | -3.30 | 6.78 | 10.13 | 10.27 | 13.74 | 8.86 | 6.23 | 9.30 |

North Carolina is both cursed and blessed by a lack of early-stage capital. According to the [NCVA](#), there are 32 VC firms in the Carolinas including early, middle and late-stage investment firms. For comparison, California alone has 1043! There are over twice the opportunities per VC in NC. **The silver lining here, is that our investment dollar in NC buys us twice as much equity as other geographies.** According to a report published by [Embar Collective](#), the average early-stage valuation in our geography is less than half that other typical markets such as New York, Boston and Silicon Valley.



Average Early-Stage Company Valuation Here vs Typical US Markets



Statistically, the larger the fund, the lower the average return. With stats like these you'd think investors and venture funds would be clamoring to North Carolina to write early-stage checks but such is not the case. In fact, across all geographies, early-stage investing continues to decline. According to [BIP Capital](#) and my own reporting in [WRAL Techwire](#), dramatically less money is going into early-stage funds and companies every year since 2015.

High Returns On A Small Fund Challenge Low Returns On A Big Fund

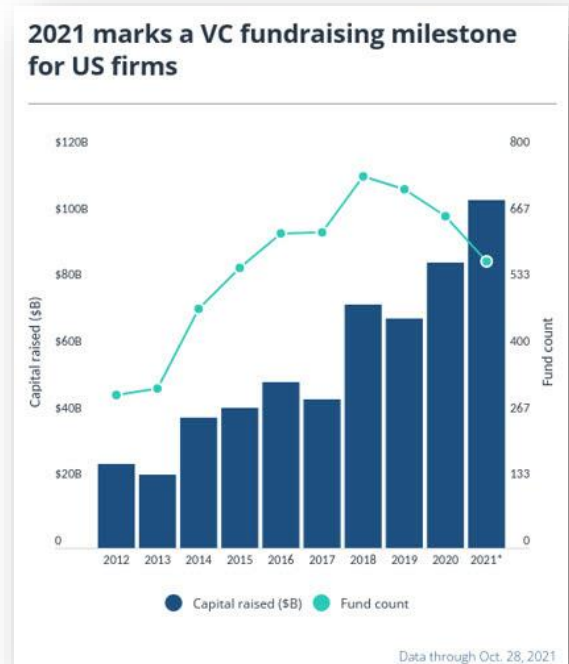
Contributor 3:00 PM EST • March 2, 2013 [Comment](#)

Within the VC asset class, early...

Editor's note: David Teten is a partner with ff Venture Capital and founder and chairman of Harvard Business School Alumni Angels of Greater New York. Follow him on Twitter @dteten.

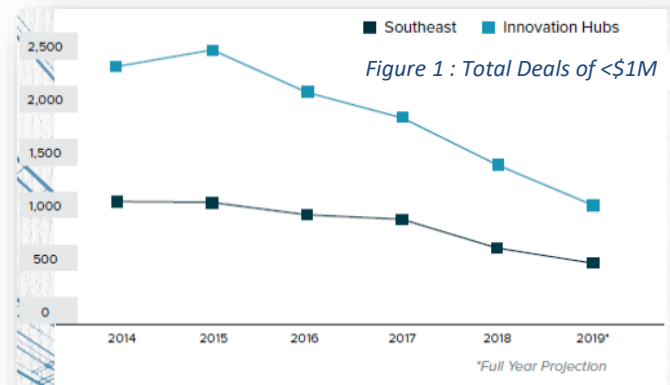
Why? Fund size. Most VC fund investors are large institutions such as Fund of Funds, University Endowments and Annuities. The amount of money these investors have to deploy has become massive so they need to write very large checks. Only large VC funds can absorb and invest that much money and they need to find later stage companies that can also absorb the large checks they write. Since you can't invest \$20M in a startup with a \$1.5M valuation, this leaves out early-stage companies seeking smaller startup-size checks.

As we have raised our NC-focused seed funds, we have heard repeated from institutional investors, "We love what you are doing but our minimum check size is almost as large as your entire fund... You will have to find investors who can write small checks."



The problem persists. Since 2013, the amount of money flowing into large VC funds has increased at an unprecedented rate. Last week, [PCMag](#) reporting on a Pitchbook study, showed that as of this October, large VC funding has once again already surpassed all other year's totals.

Investors are not going to fly to NC to write small checks in early-stage funds/companies. We have to do that ourselves. If we can't support our own startups, where will the later stage companies come from in the future? With most US innovation originating from early-stage ventures, it is not crazy to think that innovation itself could be at stake here.



Our New Investments



We closed an investment in [ViewStub](#), investing \$1.3M in the company and Tim has joined the board. The company offers a hybrid events platform for venues, event agencies, and corporates. We are betting that the live and virtual event as well as event content will all happen simultaneously in the future and the market will need technology to help it orchestrate, manage and monetize such events. Read more at [Yahoo Finance: ViewStub Raise Proving Hybrid and Virtual Events are here to Stay](#)

Entrepreneur Spotlight



[Rich Brancaccio](#) spent nearly a decade working in the Wake County School System as a school psychologist before founding his Wake Forest startup, [Revibe](#). He wanted to help the hundreds of young students he worked with struggling with attention deficit disorder (ADD).

On an investment from Cofounders Fund I and a grant from the Keenan Institute, he built his first wearable watch-like device to monitor and “revive” children, helping them to focus and stay on task. Thousands of parents now have an effective alternative to

ADD prescription drugs and their unwanted side effects. Rich serves today as the chief innovation officer for Revibe and continues to champion his proven product in schools and to parents everywhere. Rich’s mantra has not changed since we first met him, “Make money and make the world better”. That’s why Rich is in our Q4 entrepreneur spotlight.

Previous Entrepreneurs: “Where are they now?”



[Thomas Jepsen's](#) LinkedIn profile states, “American Entrepreneur”. After earning an MBA from Copenhagen Business School, like many other immigrant entrepreneurs, Thomas wanted to bring his technology and innovation to the US. While he was working out of Cofounders Free Lab in Cary, I took this picture of him the day he got his permanent US green card. His first venture did not work out as well as he had hoped but he still managed to make a small return for his investors. Undeterred, Thomas has recently started his second venture. Thomas’s LinkedIn banner reads, “Remember that guy who gave up? Neither does anybody else!” Thomas embodies the heart and spirit of an American entrepreneur.

Cofounders Capital in the News

We work hard to keep our name out there as a “must stop” for all early-stage entrepreneurs in North Carolina. You can read all of the past news about Cofounders Capital on the news page of our [website](#). Here are a few of the articles that included us since our last newsletter.

CB Insights: [The United States of Venture Capital](#)

Once again, this quarter, Cofounders was recognized as the most active investor in NC.

WRAL Techwire: [NC valuations heating up – Interview Tim McLoughlin](#)

Digital Journal: [Automation Intellect Closes \\$1.3M Round](#)

CED Blog: [Tim McLoughlin Joins CED Executive Committee](#)

WRAL Techwire: [WAAM, Started by NCSU Student, Acquired](#)

NBC News: [Myrtle Beach Entrepreneurs Attend Beyond Shark Tank Event](#)

Yahoo Finance: [ViewStub Raises Seven Figures Proving Virtual Events are Here to Stay](#)

WRAL Techwire: [How Early-Stage Investing Changed after Covid](#)

TBJ: [Paternity Leave at a Startup Depends on Who you Ask](#)

Florida Journal: [Cofounders Plots Florida Deal](#)

WRAL Techwire: [Startup Curemint Lands \\$2.2M for Dental Space Offering](#)



Our Publications and Podcasts this Quarter

We try to contribute regularly via articles and podcasts on topics that we feel are important to our NC entrepreneurial ecosystem. We spend all day everyday working with entrepreneurs and startup companies and feel that we have our finger on the pulse of NC innovation. You can see many of our previous publications and podcasts on our [website](#).

WRAL Techwire: [Some proposed changes to tax code could hurt innovation/startups - Gardner](#)

TBJ Inno: [What we don't invest in crypto currencies - Gardner](#)

[First Check Podcast](#): Tim continues to host new episodes of his 5-star rated podcast, *First Check* some of which are recorded in front of a live audience like this one at the Chapel Hill botanical gardens for the UNC MBA program with entrepreneur Alex Lassiter, CEO/founder of Green Places



TBJ Inno: [Slowing Sales Cycles Killing Innovation in Healthcare - Gardner](#)

WRAL Techwire: [Virtual Meetings Market Continues to Grow but with Pros and Cons - Gardner](#)

[Launch Chapel Hill - Financing Startups](#) In collaboration with Launch Chapel Hill, Tobi has developed a basic overview of startup financing, funding options, common structures, terms and the like that is now part of Launch CH's semi-annual curriculum.

Our Events

We host, attend, judge, moderate or speak at several events each month. Our goals are to promote entrepreneurship and innovation, encourage local investing and to ensure that we see every startup company in NC that might be a fit for our fund and expertise. We are doing smaller live events today as well as virtual ones.

[Startup Summit](#): Tobi moderated a panel at this year's Summit

[Leading Entrepreneurs of the World](#) All of David's 1BusinessWorld VIDEOS are now online

VC RoundTable: David participated in a new roundtable event where top venture capitalists from around the Southeast discuss current best practices, obstacles and opportunities in venture.

[CED Investor Fly In:](#) Every year, CED brings the best out of state investors in for a day or two to meet the most promising NC startups and the local investors. This year, three of our companies were picked for the coveted 12 presentation spots (Pattern Health, MapMyCustomers and Revibe).

Tim made for a great shark in Myrtle Beach at **eMYRge Beyond Shark Tank** event.

Intelligent Giving Annual Dinner: After missing last year it was awesome to be able to host even a scaled back charity talk/dinner focusing on the types of giving that are most impactful and sustainable.



[Springboard Enterprise Competition:](#) Tobi was a judge to select the 2021 Cohort of Digital Health Startups - 10 women-led digital health companies that are now tasked to add to Springboard's impressive stats of having created over \$35bn of equity since 2000.

[The Big Launch Challenge:](#) Revibe's Founder, Rich Brancaccio, gave this years' keynote at The Big Launch Challenges

Trade Mission Mexico Event: David spoke to Investors and Bankers in Mexico City at an event hosted by the US Commerce Department and the ambassador to Mexico.

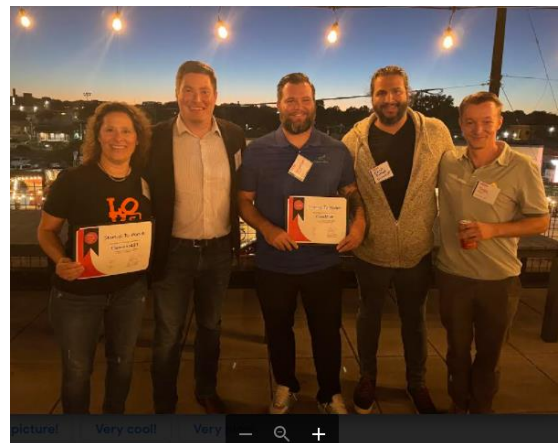


UNC Kenan-Flagler Entrepreneurship and Venture Capital Club: Tim joined other local VCs to present to the Entrepreneurship and Venture Capital Club at UNC K-F about the challenges, rewards, and requirements associated with becoming a Venture Capitalist



GrepBeat's Startups to Watch Ceremony - Two of our portfolio companies, Curemint and Element 451 won GrepBeat's short list of most promising companies in the Triangle.

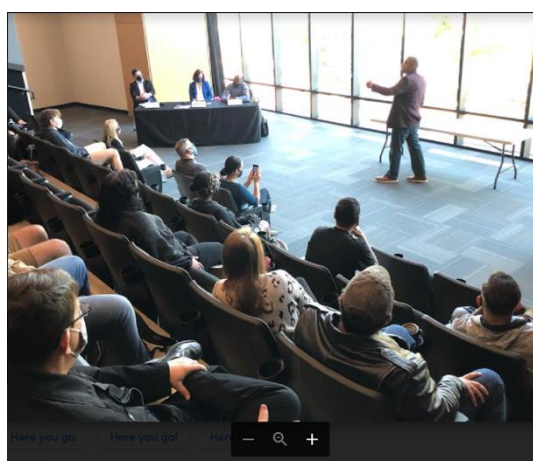
Kenan Institute for Science, Education and Technology – David continues to serve as a trustee of this endowment making highly leverageable grants that foster additional funding into North Carolina.



NC IDEA Core Review Committee - Tim is serving on the Core Review Committee for the NC IDEA seed grants for the 14th consecutive grant cycle. He joined other reviewers, including our friends Jay Bigelow and Mary Mussachia at an NC IDEA happy hour

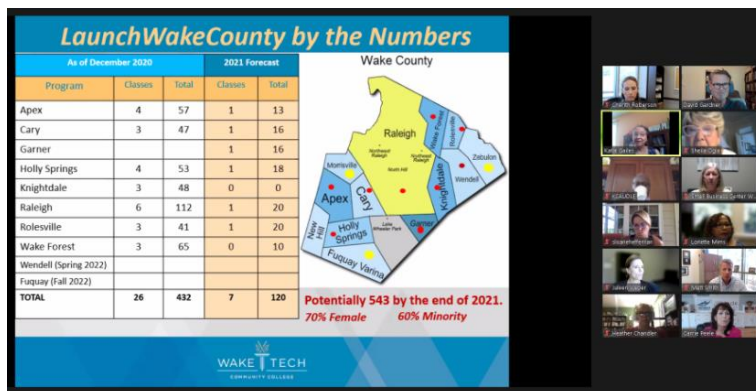


Lunch and Learn with NC Idea: We got to meet this year's NC Idea cohort in an investor panel together with our friends Chelsea Eshragi from Carolina Angel Network and Lebone Moses from Resilient Ventures / Chisara Ventures



Campbell University Entrepreneurship Department – Tim spoke to these combined classes at Campbell Business School

Startup WakeTech Advisory Board – David continues to support Launch Wake County and entrepreneurial efforts of WakeTech Community College.



Ways You Can Help

We are starting to put together our third Cofounders Capital Fund and as such we are looking for advisors, mentors and those interested in supporting and working with early-stage local entrepreneurship. We'd very much appreciate you spreading the word, sharing this newsletter and making appropriate introductions.

With Appreciation



*Thomas Skelton
August 6th, 1947 – September 1st, 2021*

I was surprised that the entrepreneurial news sources around the Triangle did not note the passing of Tom Skelton on September 1, 2021 at the age of 74. Perhaps it is unfair of me to expect the new guard to remember all of the contributions of the old guard, but Tom's contributions were notable.

Tom earned a degree in Agricultural Business in 1968 and rose to the rank of Captain in the US Airforce before enjoying a long and productive career in the software industry.

Although never an entrepreneur himself, Tom always had a love for innovation and entrepreneurship. He was an active angel investor and was leading the Triangle Investor's Group (TIG) many years ago when I first joined the group and met him. At the time, TIG was the only source of startup capital for entrepreneurs in the Triangle.

Years later when I joined the board of Governors for the charity Opportunity International which provides resources and micro lending to third world entrepreneurs, I found out that Tom had already been serving on that board for over 35 years.

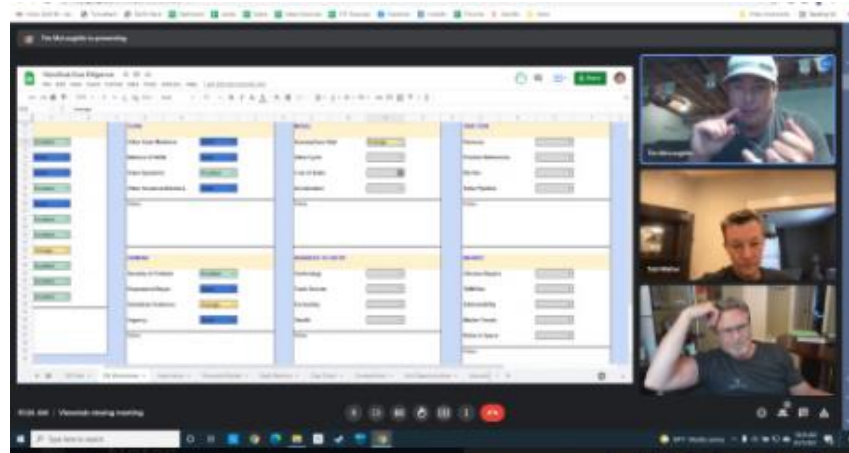
Tom was passionate about empowering entrepreneurs in the Triangle and was an investor in both of our Cofounders Capital Funds. Tom always wore a smile and never hesitated to meet with and help every entrepreneur we sent his way.

From the first time I met Tom, I admired him and wanted to be more like him. As we take pride in the growth and success of our Triangle startup ecosystem, let us not forget the shoulders upon which we stand. The Triangle is diminished by the loss of Tom Skelton but he will always be much appreciated by those of us who remember him and his contributions.

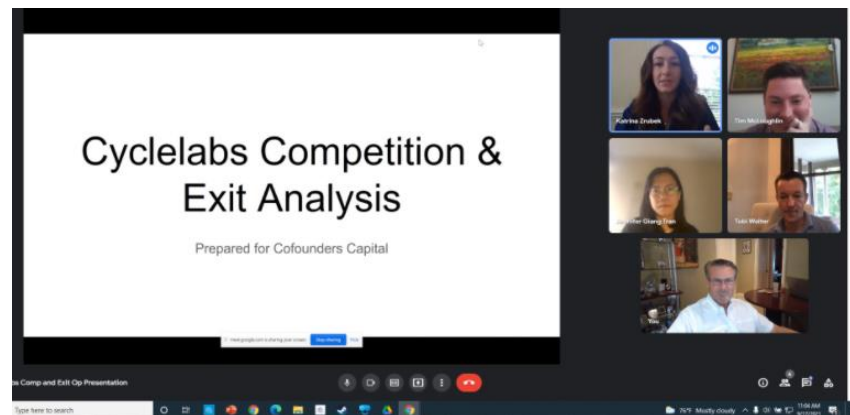
Closing

For something different, I thought it might be fun to close with a montage of pictures simulating a day in the life at Cofounders Capital.

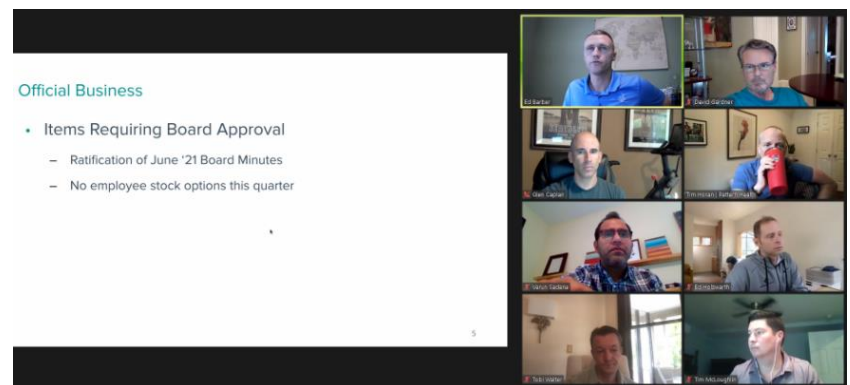
Debating a strategy with my partners



Get a competitive analysis report from our interns



Attend a few board meetings



Meet one of our founders for a discussion over beers



*Go out that evening and win the local
hockey league tournament... Actually, that
was all Tim!*

