



The State of CVC

A deep dive into the dynamics of the
Corporate Venture Capital (CVC) ecosystem

2022



CVC in Five Numbers

1.

CVCs push forward.



75%

said that their senior executives have not indicated that a **pullback in investment activity is imminent**.

2.

CVCs get in early.



74%

target early-stage companies (defined as pre-seed, seed, Series A and Series B).

3.

CVCs are nimble.



58%

write a check within two months of meeting a company.

4.

CVCs take the lead.



66%

can lead deals, and 36% of CVCs lead at least 30% of their deals. 59% can take board seats.

5.

CVCs are LPs.



55%

disclosed active LP positions in other venture funds. 25% of CVCs that take LP positions anticipate they will take more over time.

CVC Bellwether Index

30
Funds

We highlight the CVC Bellwether¹ Index, which sets the bar for best practices. While we cannot disclose individual firms in this elite category, these 30 CVCs were selected **based on three criteria**:



Fund Size

\$500M+
AUM



Deploying

\$100M+ Per
Year



Reputation

in CVC
community

This cohort provides a leading indicator of market sentiment, investment velocity, progressive compensation structure, decision-making autonomy and diversity initiatives. We believe it represents the north star for both established and emerging CVCs.

Bellwether Funds...

... Set the tone²

will maintain 2021 investment pace



not slowing pace due to market volatility



expect to keep pace with traditional VC



... Are active and lead deals

median

12

deals per year

93%

can lead deals

79%

write checks in two months or less

... Show DEI³ leadership

50%

have formal DEI
programs

vs.

34%

the CVC average

... Embrace VC economics

50%

receive carried
interest, which aligns
with a traditional
VC model

... Have investment autonomy

50%

of funds finalize investment
decisions without separate
executive investment
committee approval

Executive Summary

CVCs are sustainable, proportionate and here for the long haul.

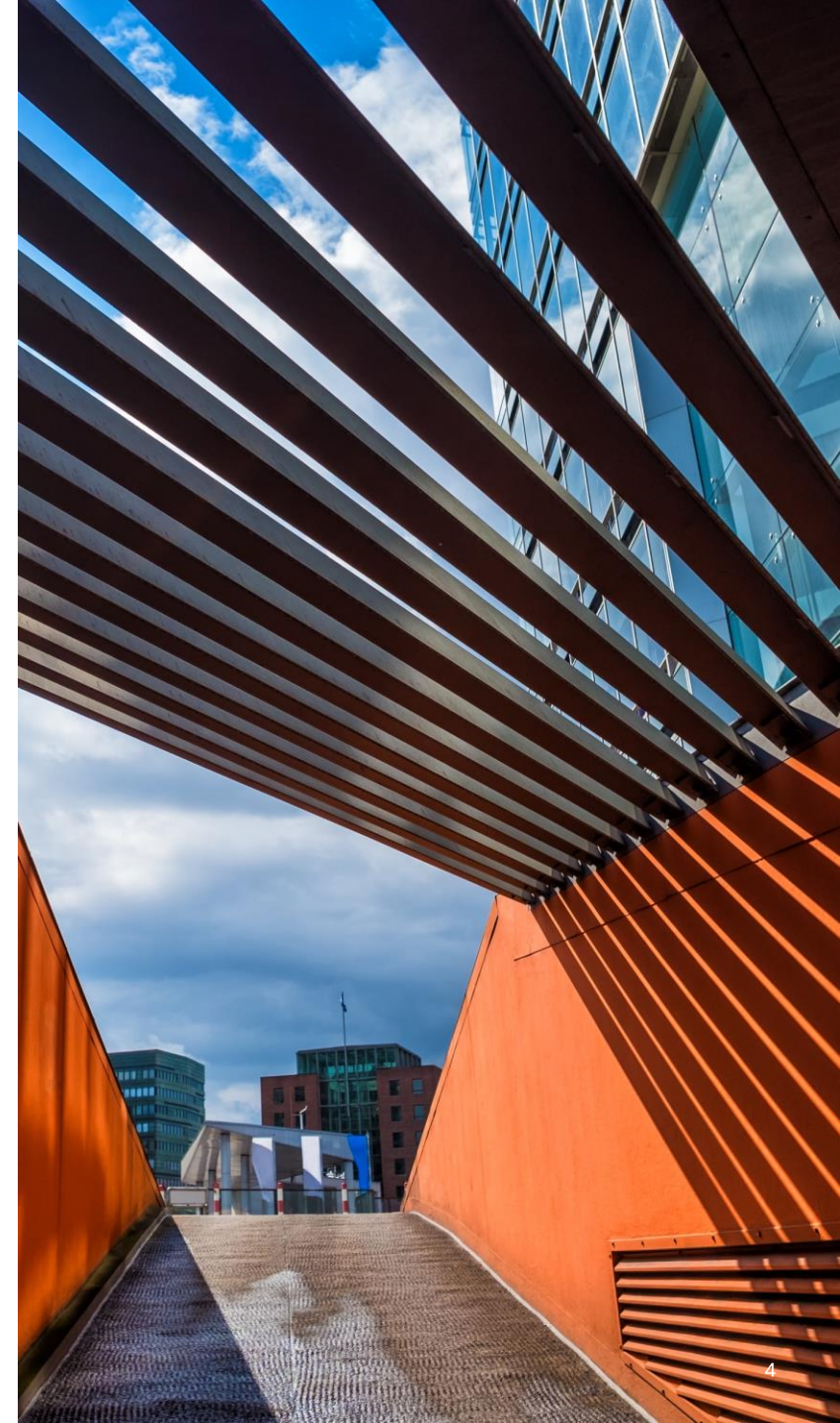
Welcome to The State of CVC report 2022. For our second annual report on the state of CVC, we asked the community frank questions about the pace of investment, the comparison to traditional venture capital (VC) and the impact of a potential recession on deals and areas in which they invest. The results convey cautious optimism. On the one hand, lower valuations can unlock opportunities, and some funds will double down. On the other hand, others will dial back, becoming more stringent on due diligence. However, in the aggregate, we see that CVCs behave proportionally to VCs in their approach to the innovation ecosystem.

SVB and Counterpart Ventures have teamed up again, bringing together the voices of 164 CVC leaders across 15 countries and nine industries. We are confident that this represents the most contemporary study of CVCs in the market. We continue to provide industry benchmarks and deepen our understanding of topics, such as how funds approach LP positions, board seats, compensation and headcount. Questions on both formal and informal commitments to DEI hold up a mirror to CVC funds. While the industry has a long way to go, there are promising signs that funds are making representation a priority in respect of the founders they invest in and the investors they hire.

Throughout the report, we showcase the candid responses of CVC leaders and share their perspectives in their own words. A common thread uniting the tapestry of funds is how they partner with their portfolio companies and corporate parents to provide value beyond capital and returns. Even funds that are financially-focused report a non-financial metric as their primary motivation. In tumultuous times, CVCs are uniquely positioned to bolster their portfolio companies and the core business of their corporate parents. Once again, our report establishes that CVCs are a valuable partner at all times. We believe the findings of the report attest to cautious optimism for the future of corporates in the innovation ecosystem.

Mark Gallagher
Head of CVC,
Silicon Valley Bank

Patrick Eggen
General Partner,
Counterpart Ventures



The State of CVC

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About the Report



About the Report and CVC Survey

Our 2022 report builds off the success of our flagship report in 2021. This year we grew our survey base from 106 to 164 CVC firms. SVB and Counterpart Ventures compiled this report with the following objectives in mind:

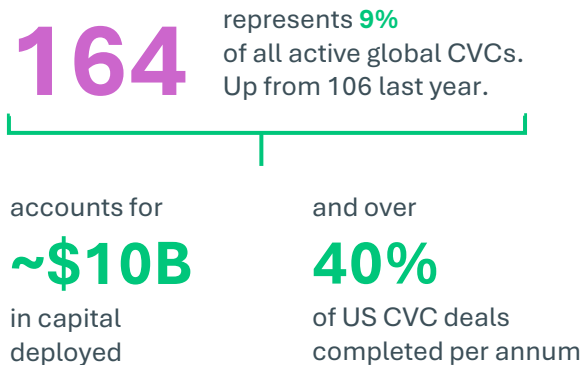
- To create the most comprehensive survey of self-reported CVC information to date.
- To construct a benchmarking tool for CVC investors that assesses the CVC landscape, operational metrics and current investing dynamics.
- To provide the overall innovation ecosystem with a deeper understanding of the uniquely complex goals, success metrics and outcomes of CVC investments.
- To interpret market uncertainty through the lens of CVCs.
- To spotlight DEI initiatives and establish a clear picture of the current state of CVCs.

This study was conducted over a three-week period in July 2022. It consists exclusively of self-reported data from 164 unique CVC firms across 15 countries, four continents and nine industries.

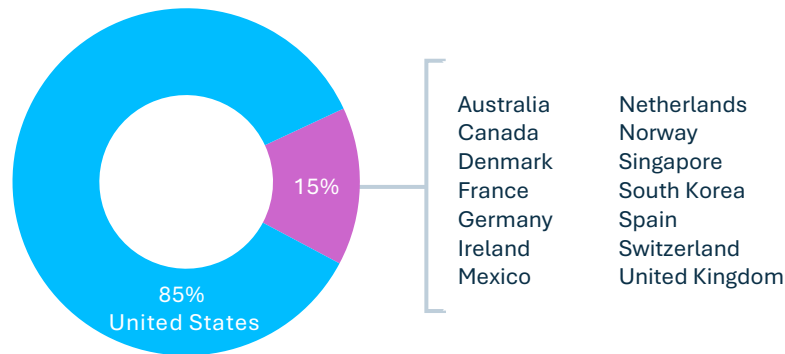
We created three categories of CVC funds based on investment strategy and christened a fourth group, the “CVC Bellwether,” which is the crème de la crème of CVC survey participants.

We will showcase how Bellwether funds operate throughout the report; we hope they set the bar for best-in-class CVCs.

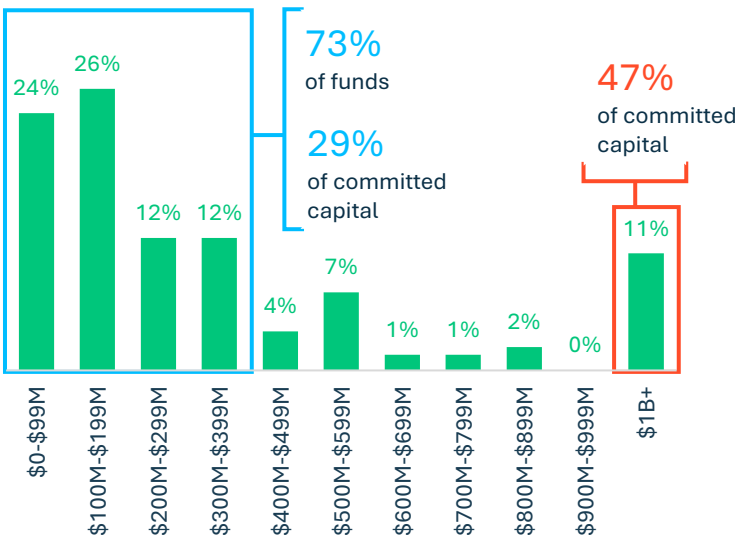
CVC Participation Rates¹



Geographic Distribution of Funds



Distribution of Fund Sizes²



Defining Bellwether Firms³



CVC Personas Explained

No two CVCs are alike. No one investment approach or working model emerges as better than the other.

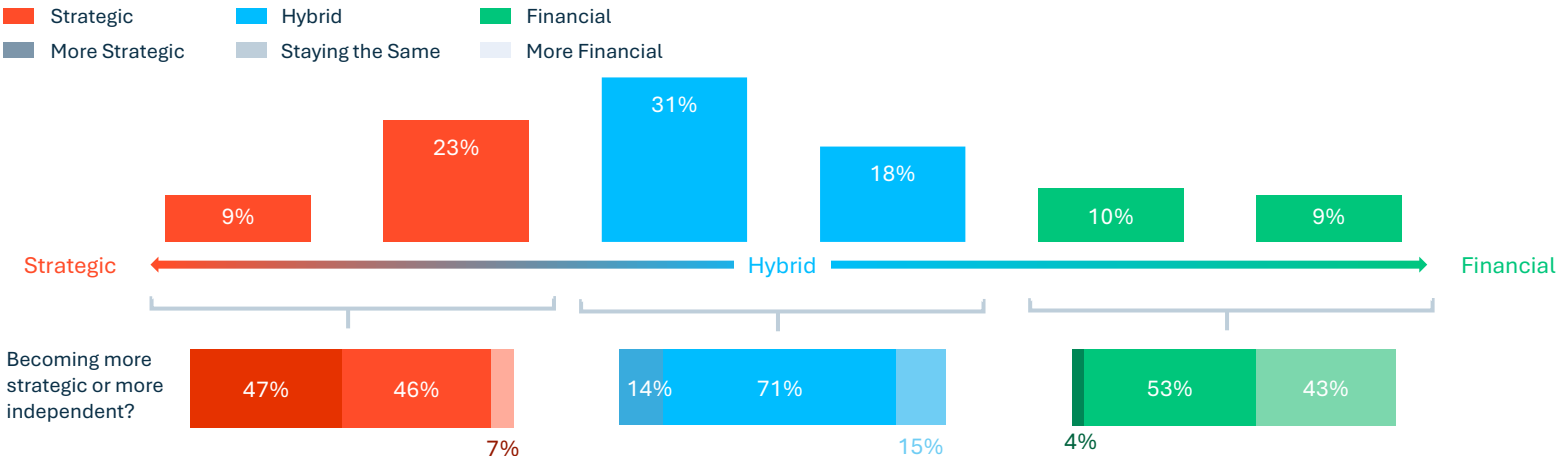
However, broadly speaking, CVCs can be bucketed into three investor “personas,” driven largely by their self-defined investment objective:

- **Strategic** funds invest for insight or value-add relative to the corporate parent’s goals. 84% of these funds have an evergreen allocation from the balance sheet.
- **Hybrid** funds are a uniquely defined balance of Strategic and Financial; 68% have evergreen balance sheets and over half of Bellwether funds identify as a hybrid.
- **Financial** funds consider financial gain; 43% of Financial funds are becoming more financially oriented, a signal of CVC funds behaving more like traditional VC funds.

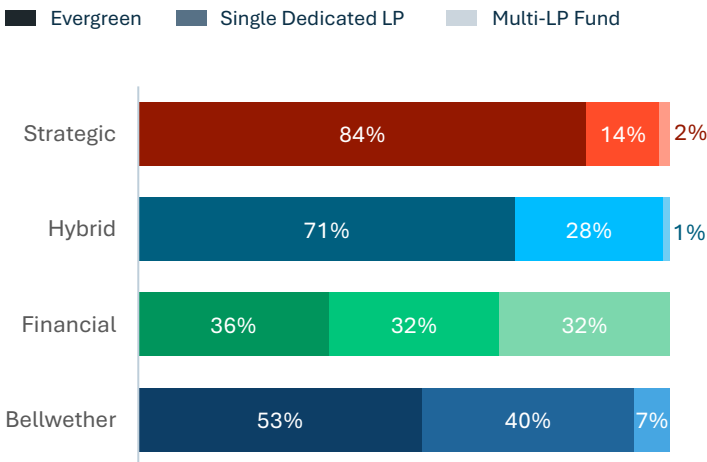
While a vast majority of CVCs consider themselves hybrid investors, a key consideration is that their evolution across the Strategic to Financial spectrum can be fluid. While many corporate parents initially establish investment arms for strategic gain and perhaps move toward a hybrid model, there is an emerging minority that predominantly pursues financial gains from the outset.

If anything, however, survey data from 2022 suggests there is relative stability in CVC investment approach; a majority of investor personas across all categories indicate their mandate is either staying the same, or continuing to evolve in the direction of their initial investment objective.

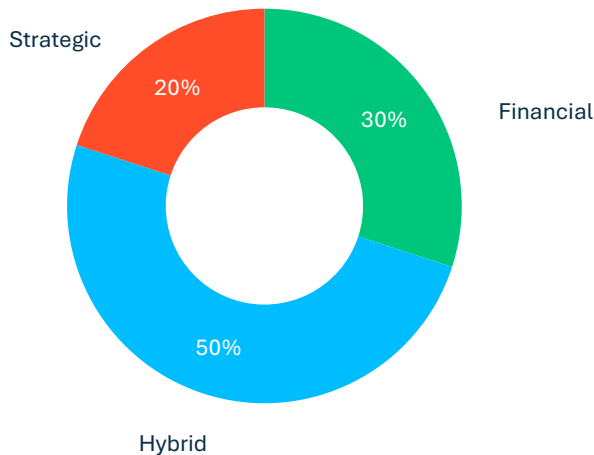
Spectrum of CVC Mandates by Survey Respondents¹



Fund Structure by CVC Type¹



CVC Bellwether Fund Cohort by Type²



Notes: 1) Based on survey question, firms were asked if they are focused on strategic or financial returns. Firms self-reported on a 10-point scale. 2) CVC Bellwether: index of 30 CVCs selected due to historical track record, current scale and investment velocity. Source: CVC survey results (based on responses from 164 CVC funds), PitchBook and SVB analysis.



The CVC Landscape



CVCs Pull Their Weight

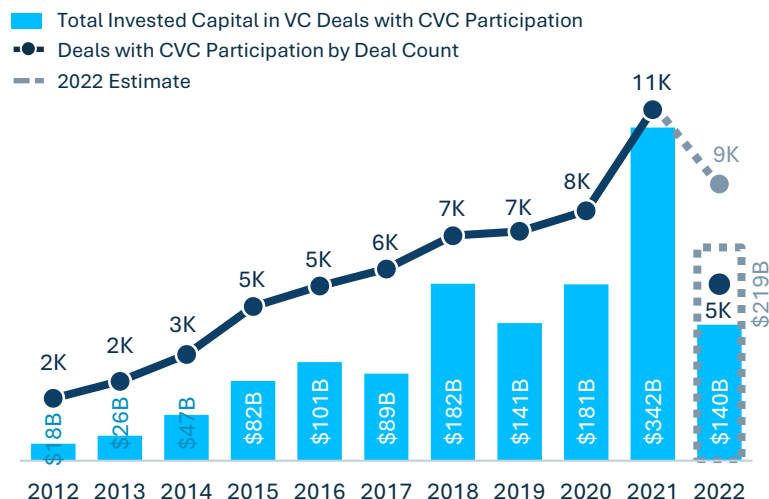
CVC activity has grown dramatically in the last decade, ballooning from low-teen participation rates in the early 2010s to nearly 30% of all US venture deals with CVC participation in the syndicate by 2022.

In fact, 71% of the Fortune 100 now have corporate venture initiatives, up from just 10% in 2000, with ~1,000 global active CVCs overall.¹ It helps that VC has played an outsized role in public market value creation and the next generation of corporations themselves; VC-backed startups now constitute 50% of all US public companies and 77% of the total market cap.

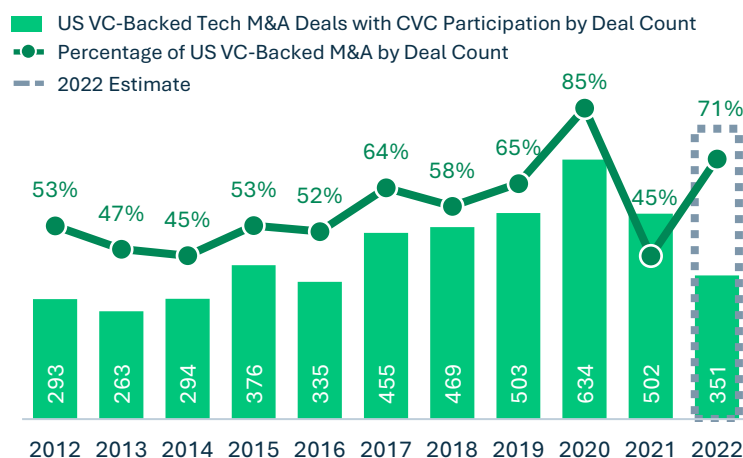
Although overall VC investment activity is down relative to historic highs in 2021 – with \$83B invested in Q2 2021 across US VC deals VS. just \$69B in Q2 2022 – CVC arms have been no less active as a percentage of deal activity.

Perhaps most compellingly, the data suggests that even as CVC activity has proliferated in quantity, the funds themselves have evolved in the direction of quality, with CVCs consistently investing in ~60% of US VC-backed tech IPO candidates over the last five years.

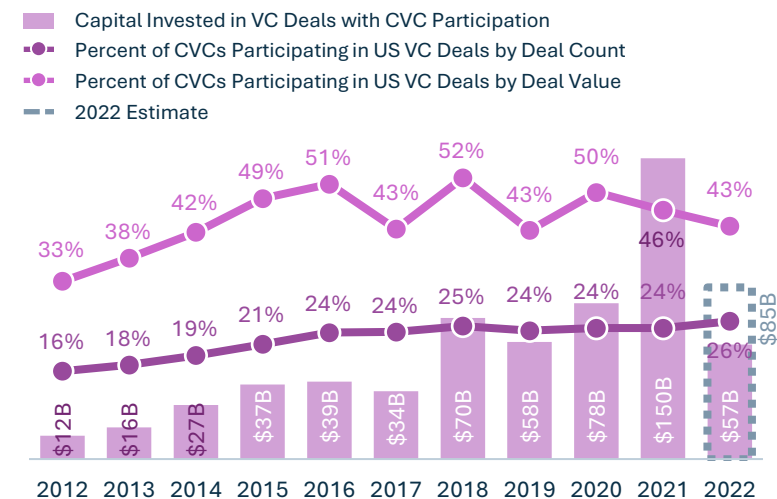
Global VC Deals with CVC Participation²



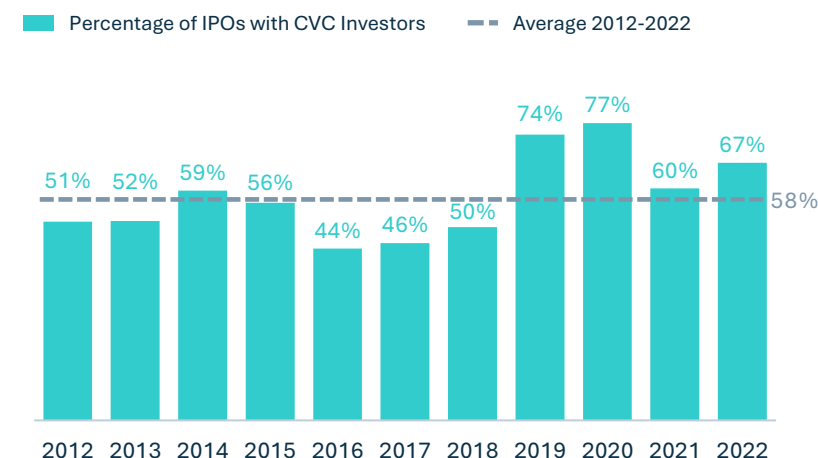
CVC Involvement: US VC-Backed Tech M&A^{4, 5}



Deals with CVC Participation as Proportion of Overall US VC deals³



CVC Involvement: US VC-Backed Tech IPOs^{4, 6}



CVCs on Market Sentiment

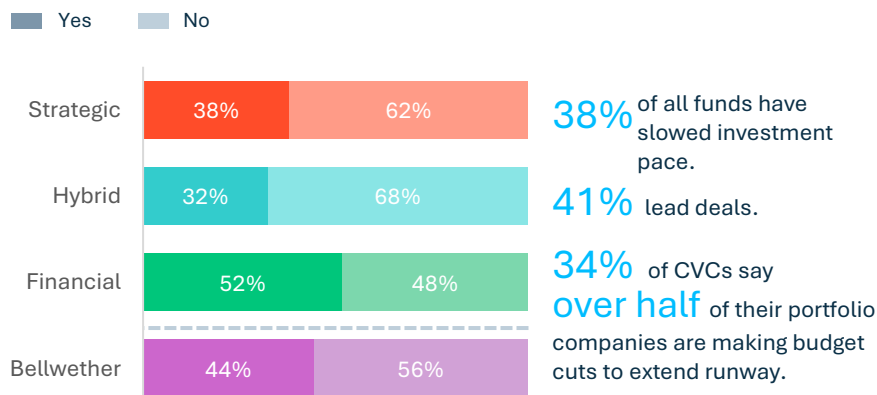
We conducted our survey of CVC funds in July of this year when a pullback in public markets and a slowdown in private investments were top of mind within the investor community. We wanted to understand how corporate parents were feeling about CVC investment pace, the resiliency of their investing programs and their outlook on the entire CVC landscape.

The data reveals 38% of CVCs slowed down their investment pace in the month of July, and most funds are outpacing or keeping pace with traditional VC investors. Hardly any of them are hearing whispers from higher-ups that a slowdown in activity is imminent (10% of respondents), and 15% see this as an opportunity to take advantage of a more investor-friendly environment.

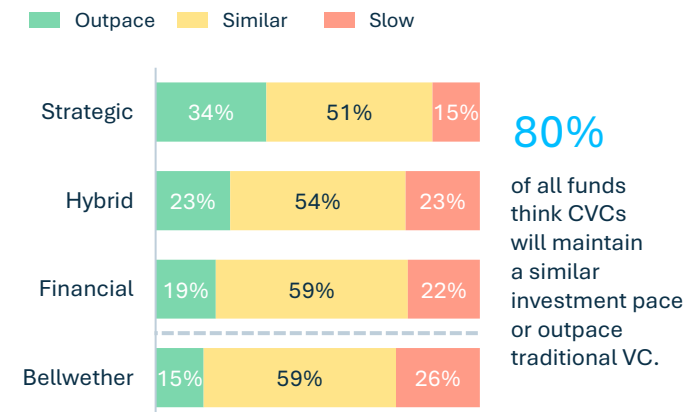
As for whether a recession would affect their deal pace and the areas in which they invest, the response was measured but relatively positive. Nearly a quarter of respondents anticipate they will do fewer deals, while 30% envision a pullback will unlock new opportunities, and 20% said a recession would impact investment discipline and encourage additional due diligence.

Corporate parents recognize that technology investments will continue to drive value to the core business despite rumblings about an impending recession. This is consistent with the data showing that one-third of CVCs say a recession will unlock new opportunities. Remarkably, respondents' future outlook is extremely bullish. 80% of respondents think CVCs will maintain a similar investment pace or outpace traditional VC.

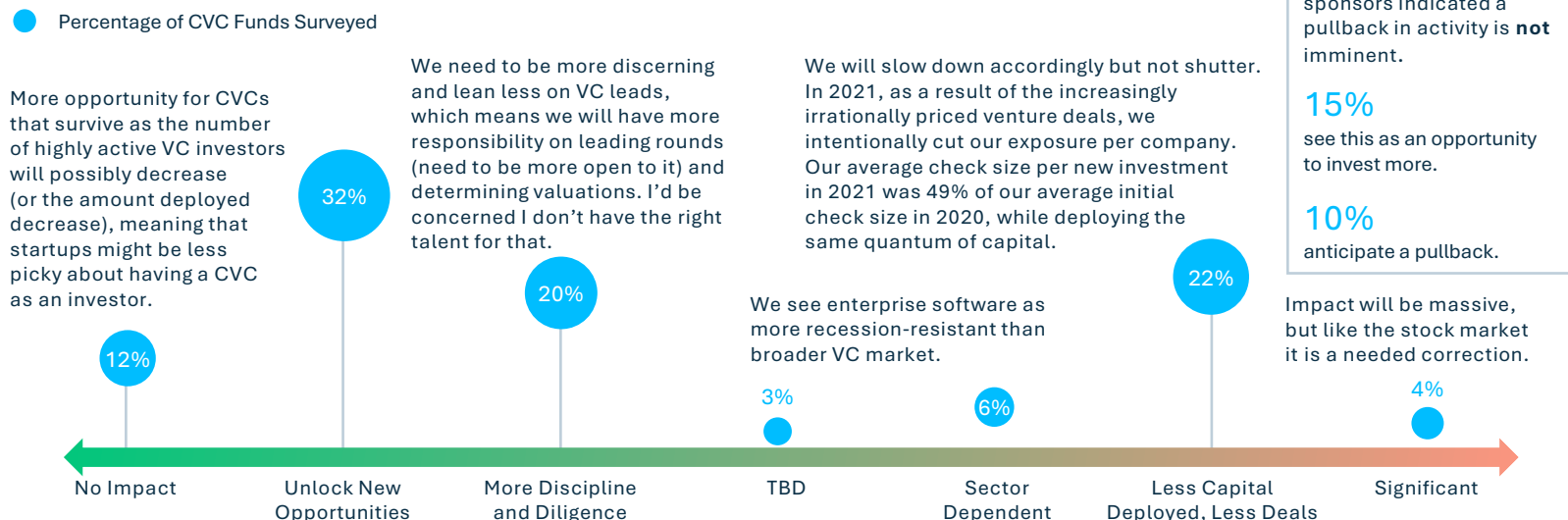
Over the past month, has investment pace slowed as a result of markets?^{1, 2}



Compared to Traditional VC, CVC Investment Activity Will:^{1, 2}



To what extent would a recession in the next 2-3 years impact your dealmaking and the areas in which you invest?²



Notes: 1) CVC Bellwether: index of 30 CVCs selected due to historical track record, current scale and investment velocity. 2) Funds were surveyed in July 2022.
Source: CVC survey results (based on responses from 164 CVC funds) and SVB analysis.



Investment Strategy and Deal Benchmarking

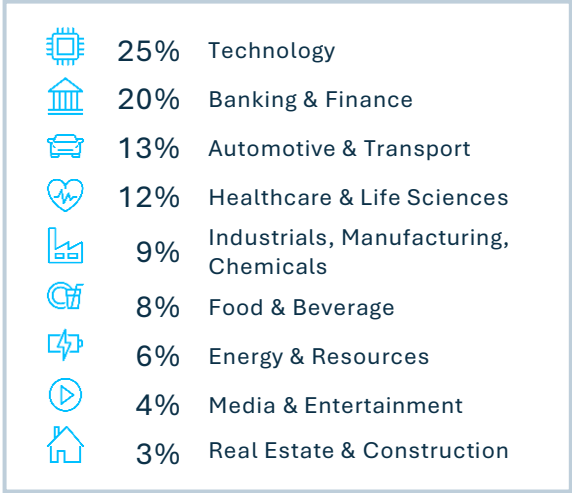


Watching Industry

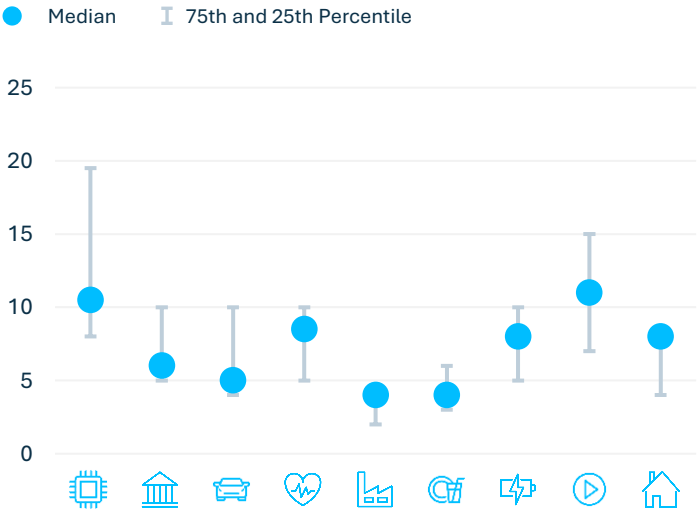
In this year's benchmarking report, we thought it was important to unpack the diverse sectors that embrace CVC. While classic IT and financial institutions still represent nearly half of the activity, the last decade has witnessed healthy expansion into automotive, healthcare, industrial, consumer packaged goods, energy and real estate. CVC is no longer monopolized by the coastal tech and banking juggernauts. The diverse corporate parents launching venture funds reflects the next wave of CVC maturity. These corporate parents leverage the playbooks of early CVC pioneers whose track records and sophisticated platforms effectively debunked the stigma associated with CVC.

While technology corporate parents still lead the charge, these new-school sectors have recorded meaningful investment velocity and achieved real scale. The survey also revealed some nuances by industry. For instance, media and entertainment surprisingly translated to one of the most active and progressive mandates (45% with non-evergreen structures). On the flip side, food and beverage funds all adopted an evergreen fund structure, which implies close alignment with the corporate parent. Energy CVCs were heavily skewed toward evergreen structures (70%). We hope to continue to build out our survey cohort for future reports to dive deeper into how CVCs share DNA and differ across industries.

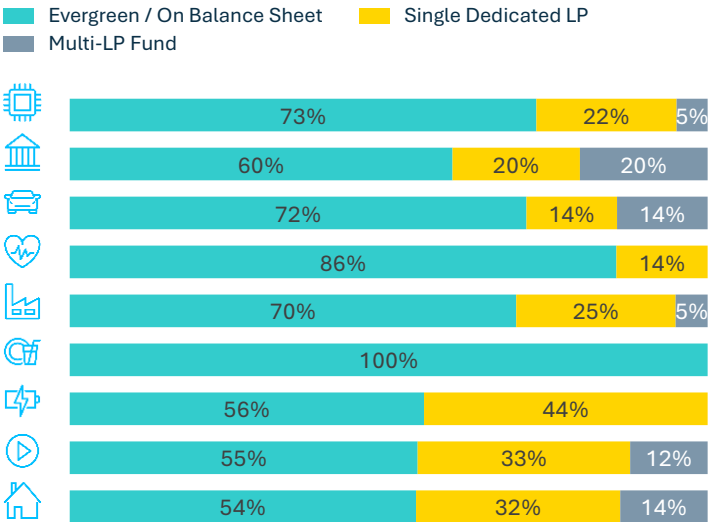
Parent Industry of Surveyed CVC Funds



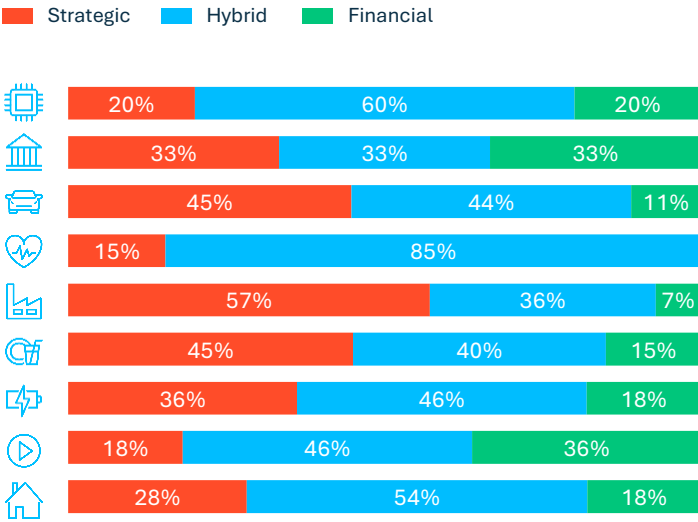
Investments Per Year by Industry



Structure of Funds by Industry



CVC Fund Type by Industry



CVCs Keep Pace

Despite more recent macro conditions, CVCs are closing deals at a rapid pace. In our 2021 report, we busted the myth that CVCs are slow to make investment decisions, and that holds true for this year's surveyed funds. 58% of firms close deals in less than two months, 31% of CVCs have increased their pace and 53% have remained constant.

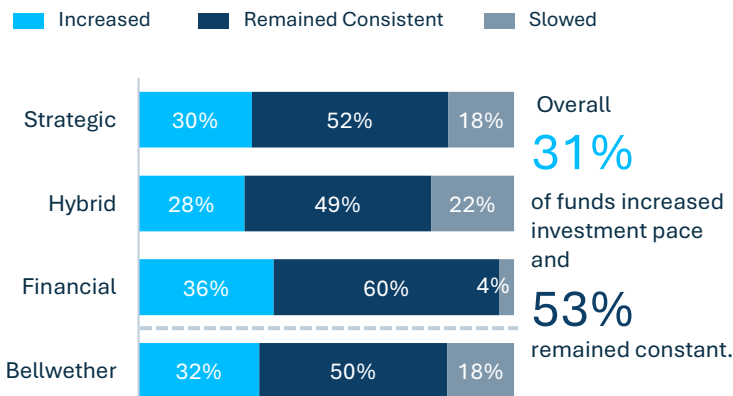
The 2021 investment environment might be characterized as "go big, go fast or go home," with aggressive check sizes and valuations offered by competing investors. For example, the median late-stage pre-money valuation increased 67% YoY to \$100M in 2021. Even after adjusting for inflation, we haven't seen valuations this high since the dot-com bubble.³

With 58% of CVC investors closing deals within two months (vs. 47% in our 2021 survey), the data suggests that CVCs adapted to match pace with traditional VC investors, or else they would miss out on the best deals.

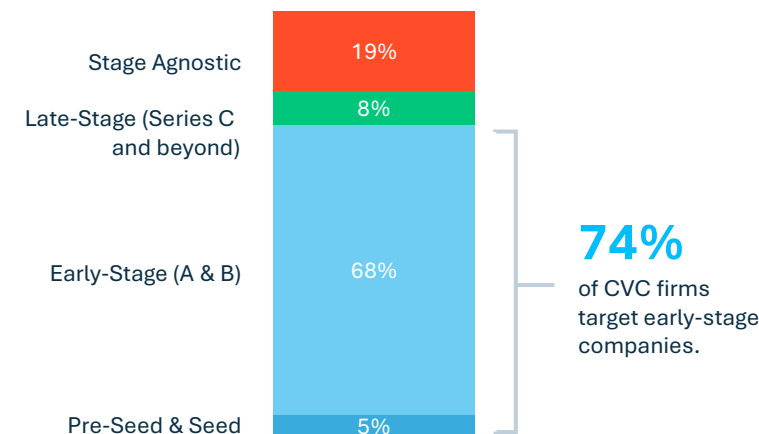
It is also encouraging to see that all CVC types have at least maintained their pace of investment over the last 12 months, with nearly a third opting to increase their pace.

Although this might represent a plateau in CVC bullishness and despite market uncertainty, CVCs are maintaining their momentum, and some are speeding up. 50% of Bellwether firms maintained the same pace of investment, and 32% increased their pace; in our 2021 survey 65% had increased their pace, and 15% remained constant. We see this as an optimistic sign.

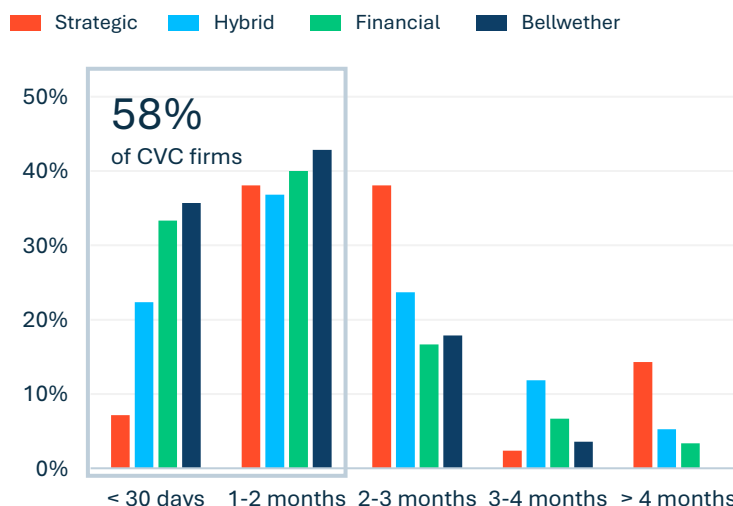
Pace of Investment in Last 12 Months¹



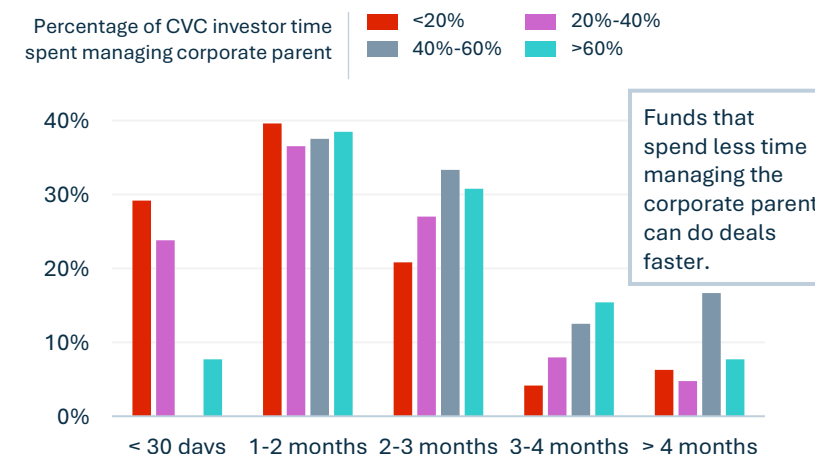
Stage Preference of CVCs Surveyed³



Time from First Meeting to Investment Commitment by CVC Type¹



Time from First Meeting to Investment Commitment by Corporate Parent Involvement



Notes: 1) CVC Bellwether: index of 30 CVCs selected due to historical track record, current scale and investment velocity.

2) Early-stage is defined as Series A and B. 3) Late-stage is defined as Series C plus. 3) [State of the Markets H2 2022](#).

Source: CVC survey results (based on responses from 164 CVC funds) and SVB analysis.

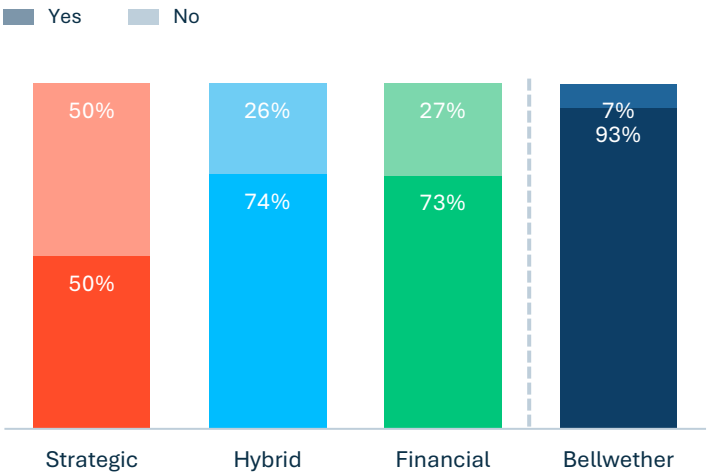
CVCs Take the Lead

In last year's report, we busted the myth that CVCs do not lead deals and don't have board influence. This year, we see that trend continue with over 36% of funds leading at least 30% of deals they participate in, and 93% of Bellwether funds have the ability to lead deals.

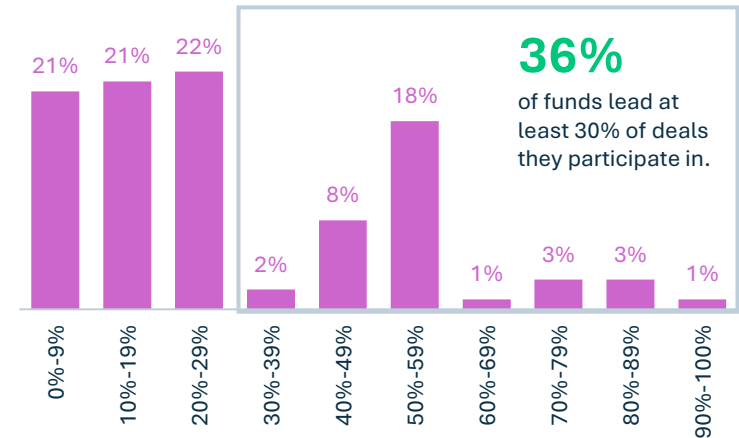
Nearly all CVCs look to take board observer roles, and over half can take board seats.

The varying amount of board involvement by investor type is expected, given strategic investors may forgo board participation altogether to avoid conflict of interest issues. Conversely, most Bellwether CVCs (86%) report that they do take board seats within their portfolios. This is likely the result of recent CVC success leading to a change in the market perception. Many CVCs have become experienced, value-add investors that bring recognized esteem at the board level.

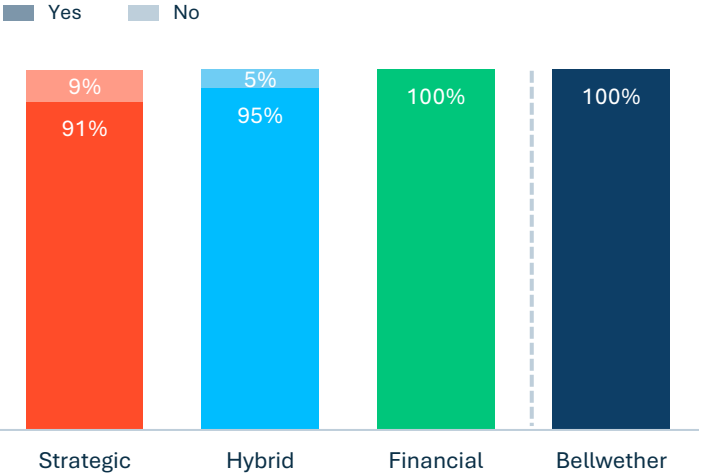
Percentage of CVCs that Can Lead Deals by CVC Type^{1, 2}



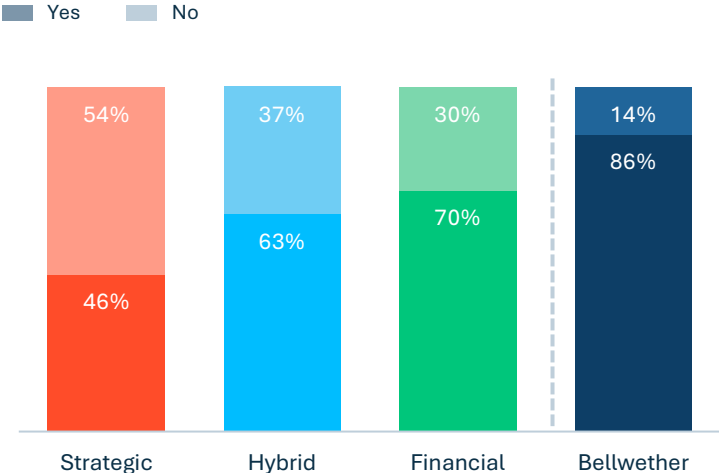
Distribution of CVC Firms by Percentage of Deals Led²



Percentage of CVCs that Can Take Board Observer Seats^{1, 2}



Percentage of CVCs that Can Take Board Seats^{1, 2}



Notes: 1) CVC Bellwether: index of 30 CVCs selected due to historical track record, current scale and investment velocity.
2) As perceived by the CVC firm.
Source: CVC survey results (based on responses from 164 CVC funds) and SVB analysis.

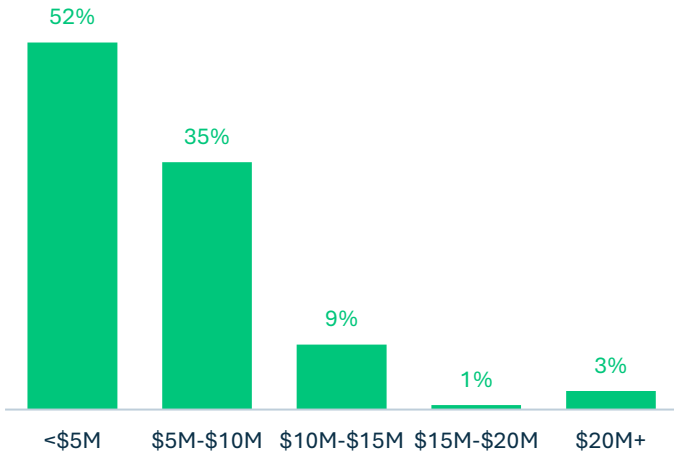
Check, Please!

Corporate parents are rapidly rewriting their strategies to include corporate venture investment in the innovation economy. As a result, they have become more flexible with their deals, including an increasing willingness to write small checks earlier.

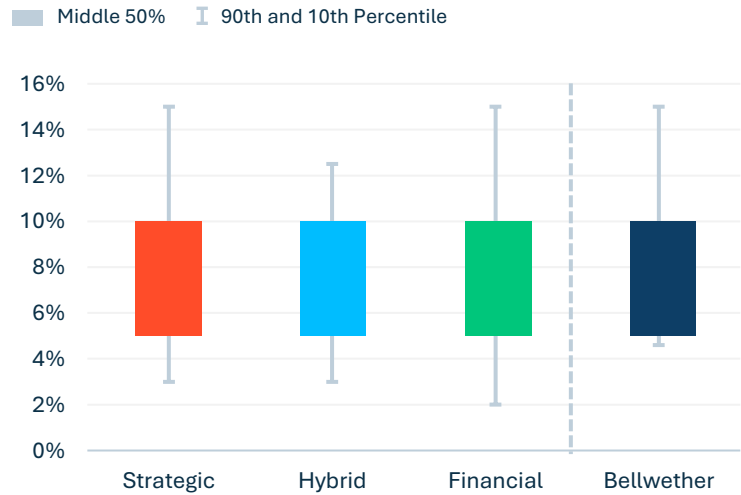
It is critical for investors of every strategy – even Strategic CVCs – to manage startup ownership effectively. Interestingly, the level of strategic focus does not meaningfully impact target ownership relative to Hybrid and Financial CVCs; most investors target between 5%-10% ownership. This highlights the relative importance of having some level of financial return, even for strategic investors.

Likewise, not all checks are written the same. Whether by the stage of target investment or by a primary or follow-on engagement, CVCs are adaptable. Not all CVCs manage against a formal reserve strategy – only 41% of CVCs have provisions for follow-on investments. This is especially true for evergreen funds. However, that does not preclude them from writing follow-on checks. In fact, many CVCs have clear delegated authority and streamlined processes for assessing and completing follow-on investments on an ad hoc basis.

Distribution of Average Check Size



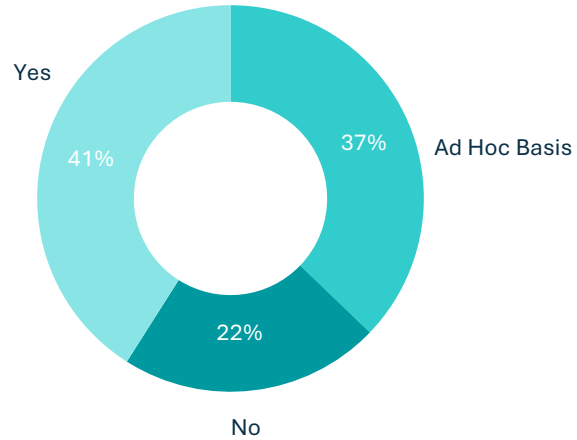
Target Ownership by CVC Type¹



Median Check Size and Target Ownership by Stage Preference

Stage Preference	Median Check Size ²	Median Target Ownership
Pre-Seed	\$1M	5%
Early-Stage	\$3M	7%
Late-Stage	\$7M	5%
Stage Agnostic	\$5M	5%

Capital Reserve Provisions for Follow-On Investment



Notes: 1) CVC Bellwether: index of 30 CVCs selected due to historical track record, current scale and investment velocity. 2) Median of average check sizes reported by funds.
Source: CVC survey results (based on responses from 164 CVC funds), PitchBook and SVB analysis.

The Logic of LP Checks

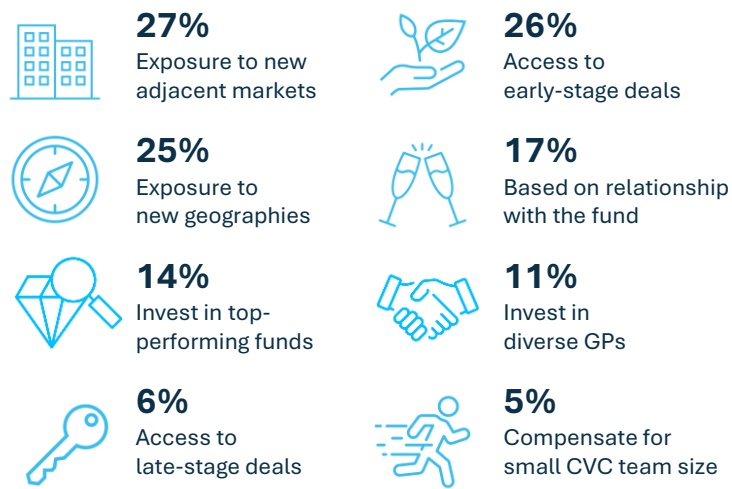
The number of CVCs taking an LP position rose 5% from 2021 numbers. Corporate parents are expanding their commitment to venture. Funds take LP positions primarily to gain exposure to new markets and new geographies and to improve their early-stage deal flow.

Interestingly, 61% of international funds take LP positions, which is slightly more often than their US-based peers (51%).

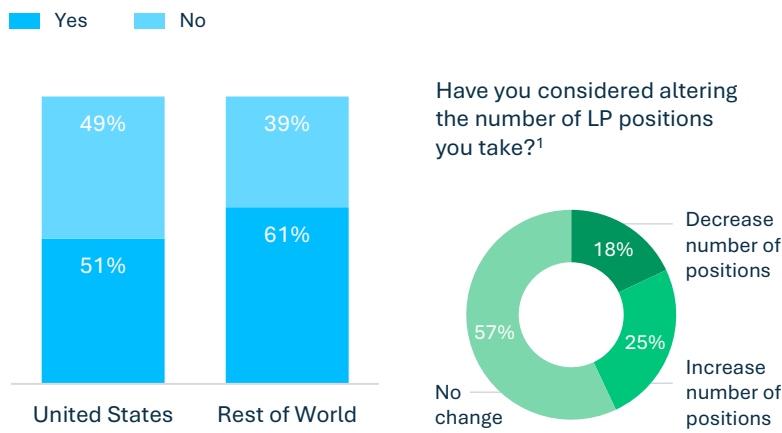
Nevertheless, corporate parents still take LP positions for reasons that are both market-related and investor capacity-related. For instance, corporate parents invest as an LP to gain access to adjacent markets and new geographies (representing two of the most common responses). Some also mentioned that they take LP positions to invest in top-performing funds. Investing in diverse General Partners (GPs) is another way CVCs can support DEI in the innovation economy.

Given that the responses were from the CVC funds themselves, it is hard to know the full extent to which corporate parents make LP investments that conflict with the intentions of the CVC funds. Parent companies may decide to write checks as LPs, and the intent may differ from that of the CVC funds. To get to the root of this, we may need to capture responses directly from the executive suite of each corporation.

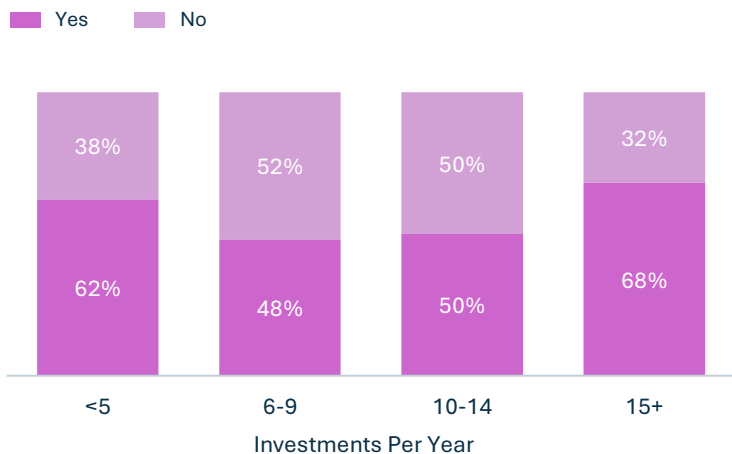
Top Reasons CVCs Take LP Positions^{1, 2}



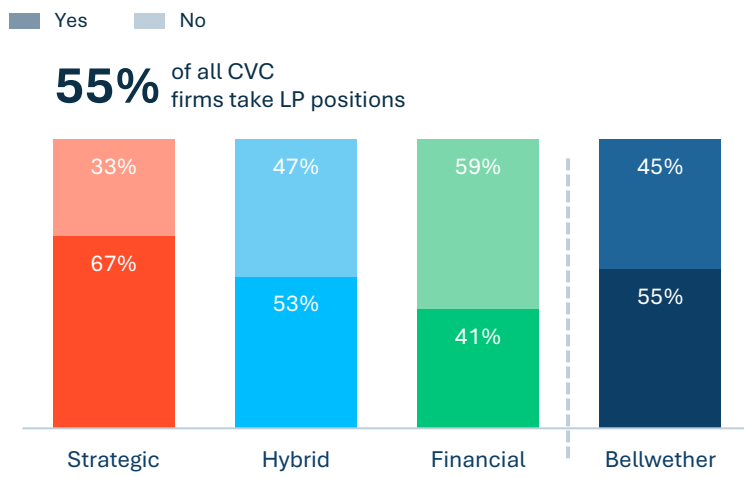
Percentage of CVC Firms Taking an LP Position by HQ Location



Percentage of CVC Firms Holding LP Positions by CVC Firm's Annual Investment Velocity



Percentage of CVC Firms that Take LP Positions by CVC Type³



Notes: 1) For funds that take LP positions. 2) Respondents could select multiple reasons. 3) CVC Bellwether: index of 30 CVCs selected due to historical track record, current scale and investment velocity. Source: CVC survey results (based on responses from 164 CVC funds) and SVB analysis.



COUNTERPART

Operational and Talent Benchmarking



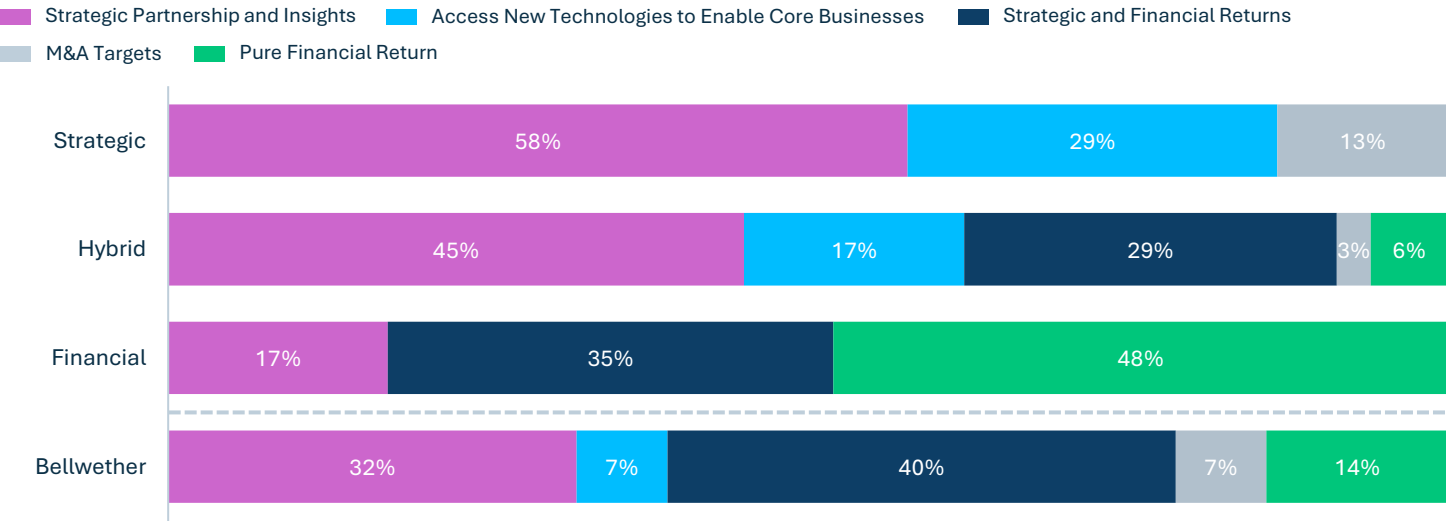
Measuring Up

Across CVC types, there is no one-size-fits-all mandate. Almost 60% of Strategic funds are solely focused on partnerships and insights, whereas with Financial funds, the scales tip to 48% focused solely on financial returns. Hybrid and Bellwether take a more balanced approach. Merger and acquisition targets are not a high priority, reinforcing the idea that most CVCs do not adopt an invest-to-acquire mentality.

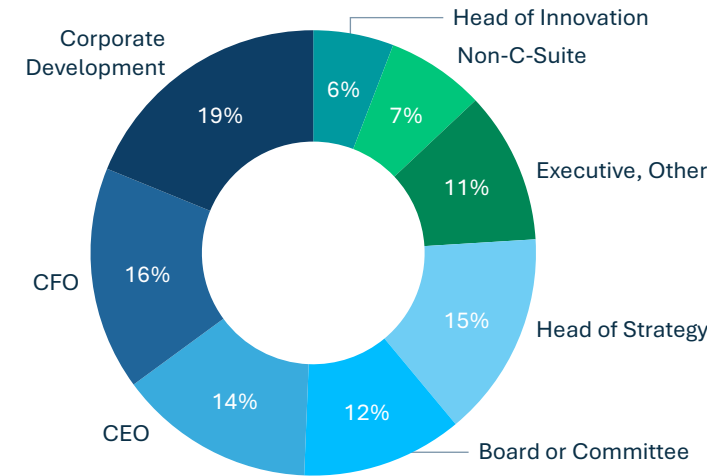
Nearly 60% of CVCs embrace financial metrics as core KPIs while strategic goals are a distant second. This underscores the maturity of CVC funds surveyed and the challenge of measuring strategic goals, which are often subjective. CVCs may act as a strategic sensor, but it is hard to attribute strategic value to a corporate parent's bottom line.

CVCs also do not have a consistent “home” within the organization; oftentimes this aligns to their mandate. Looking at specific groups of CVCs, Bellwether and those that close deals within 30 days, we did not find that their reporting lines deviated from the whole survey cohort. Of our 30 Bellwether funds, 30% report to the CFO or CEO, and the rest report to various groups and executives. The fastest moving funds see 30% reporting to CEO or CFO, 30% reporting to corporate development and the rest reporting to various groups and executives. This illustrates the fact that a CVC group can be high-performing and effective regardless of their reporting line.

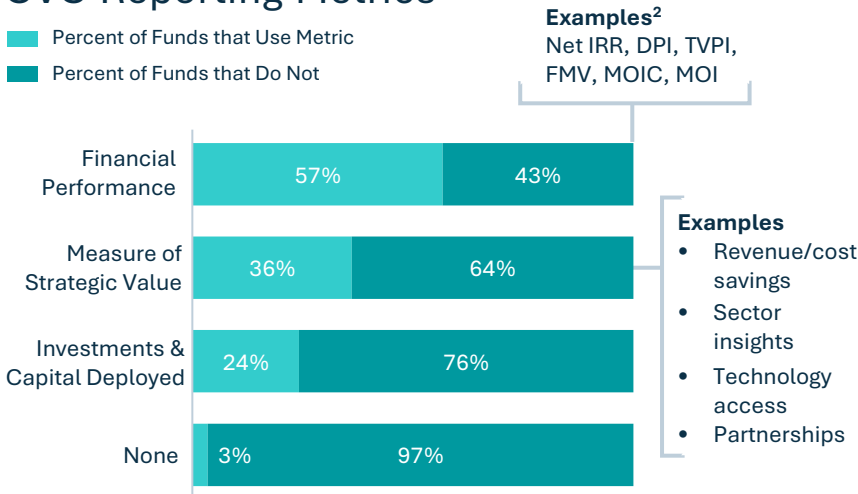
Primary Motivation Behind CVC Group¹



CVC Team Reports to



CVC Reporting Metrics



Notes: 1) CVC Bellwether: index of 30 CVCs selected due to historical track record, current scale and investment velocity. 2) Net IRR = Net Internal Rate of Return, DPI=Distribution to Paid-In, TVPI=Total Value to Paid-In, FMV=Fair Market Value, MOIC=Multiple on Invested Capital, MOI = Multiple on Investment.

Source: CVC survey results (based on responses from 164 CVC funds) and SVB analysis.

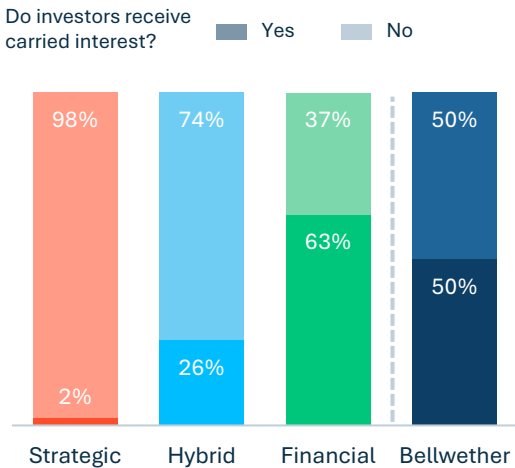
CVCs Keep Calm and Carry On

Compensation with carried interest varies widely by type of CVC. The percentage of investors who receive carried interest at a Financial CVC has remained high at 63%, a seven percentage point increase from last year's report. Strategic CVCs provide significantly less carried interest at 2%, and Bellwether firms are perfectly divided.

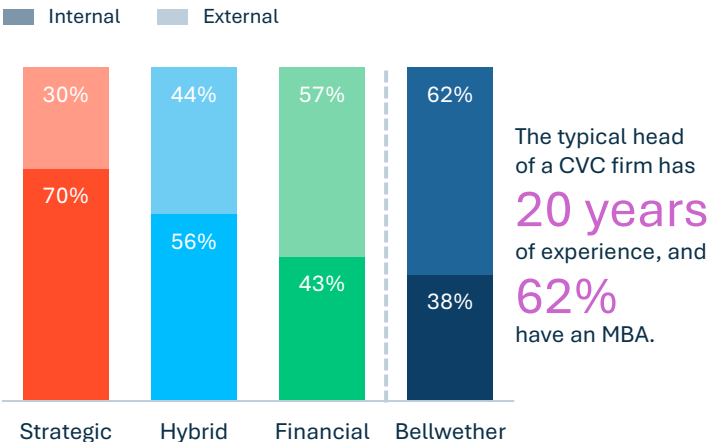
Carried interest is not the only compensation tool used for retention amongst CVCs. Corporate parents deploy other strategies such as performance bonuses, synthetic or shadow carry and restricted stock units (RSUs) in the parent company in order to support and retain their team. 19% of respondents indicated that carried interest does not align with their corporate pay structure. Anecdotally, CVCs have been more successful in negotiating carry in their pay structures if it is a common form of compensation in the parent company's ordinary course of business, e.g., asset managers.

In addition to pay structure, the corporate parent's hiring strategy differs greatly by CVC type. Nearly three-quarters of Strategic CVCs hire internal CVC heads, a sharp contrast from 43% of Financial CVCs. A similar difference is noted with respect to the CVC team, with half of Strategic CVCs reporting that they hired their team internally vs. 20% of Financial. For Strategic CVCs, institutional knowledge of the parent company adds value, as strategic partnerships, insights and access to new technologies to enable core business are primary motivations. For Financial CVCs, it is more important that new hires have a proven investment track record, with nearly half stating pure financial return is a primary motivation.

Compensation by CVC Type^{1, 2}



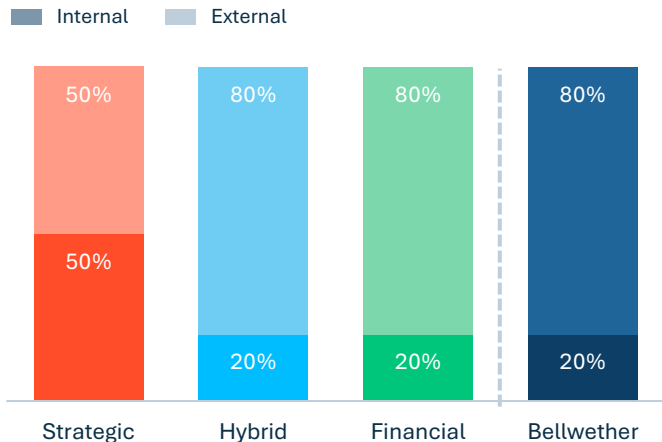
Percentage of CVC Heads Hired from Corporate Parent by CVC Type²



Other Compensation Tools, Investor Tenure and Perspectives



Percentage of CVC Team Hired from Corporate Parent by CVC Type²



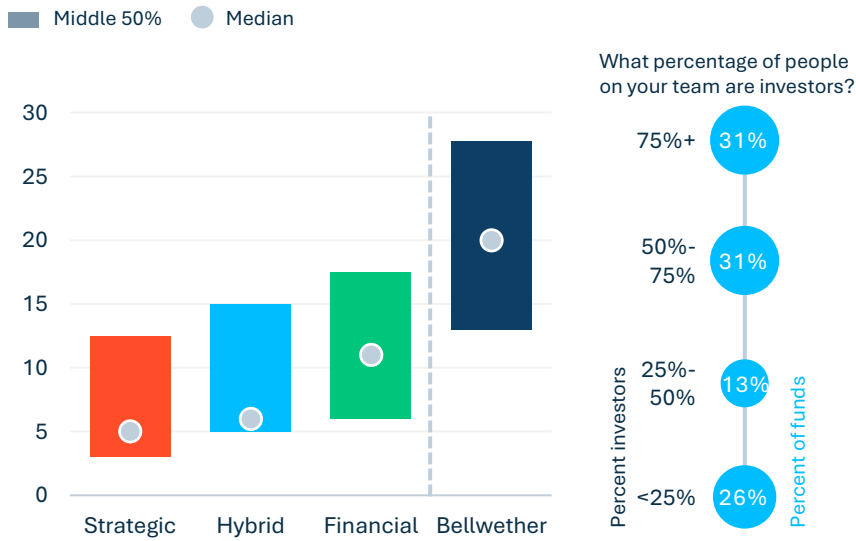
Notes: 1) Carry or carried interest is a form of compensation. The carry is the GP's share of any profits realized by the fund's investors.
2) CVC Bellwether: index of 30 CVCs selected due to historical track record, current scale and investment velocity.
Source: CVC survey results (based on responses from 164 CVC funds) and SVB analysis.

Teamwork Makes the Dreamwork

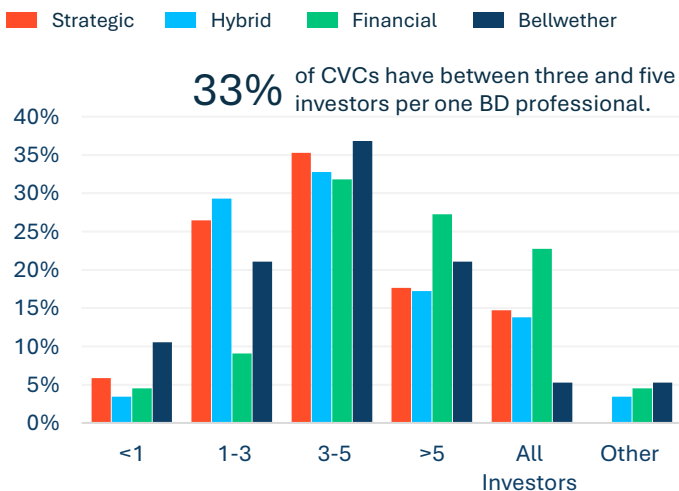
Building a cohesive team takes time and effort, and the bigger the mandate, the more complex the organization. This is especially true for CVCs. As deal velocity grows, so does the organization making those investments. And it is not just the check writers business development (BD) professionals and the infrastructure they provide with the corporate parent becomes a larger-scale initiative as demand for strategic value grows. While Financial CVCs tend to have relatively more BD employees, Bellwether investors tend to have the most mature staffing in BD. These BD professionals perform a variety of tasks, including sales engagement with the corporate parent or business unit, supporting platform access for the parent, and providing external network access, talent, and go-to-market strategy.

Deal activity is directly correlated to team size and strategy. Bellwether funds have the largest teams, and therefore can take on more deals than less well-staffed funds. For 62% of funds, between 50% to over 75% of staff are investors. Overall, 33% of funds have between three and five investors for each BD professional.

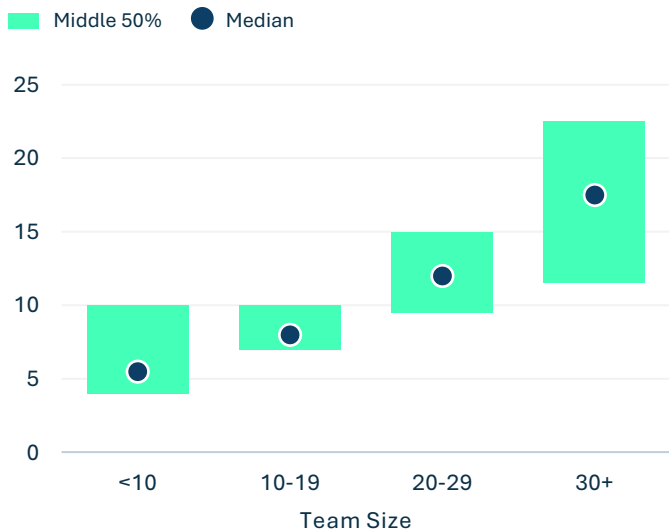
Distribution of CVC Team Size by CVC Type^{1, 2}



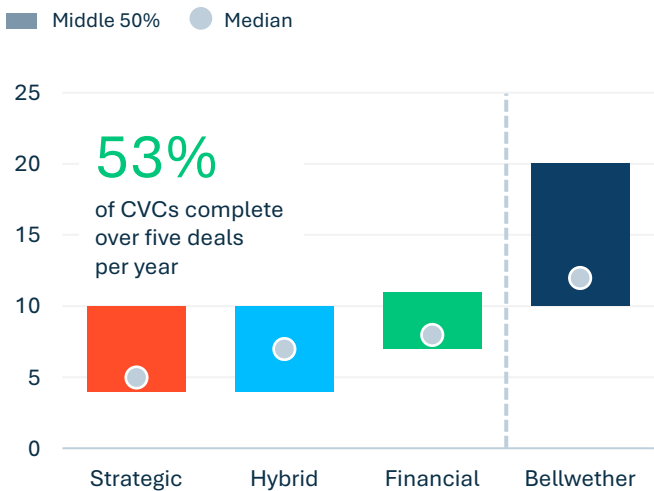
Number of Investors Per BD Professional by CVC Type¹



Deals Per Year by CVC Team Size²



Deals Per Year by CVC Type



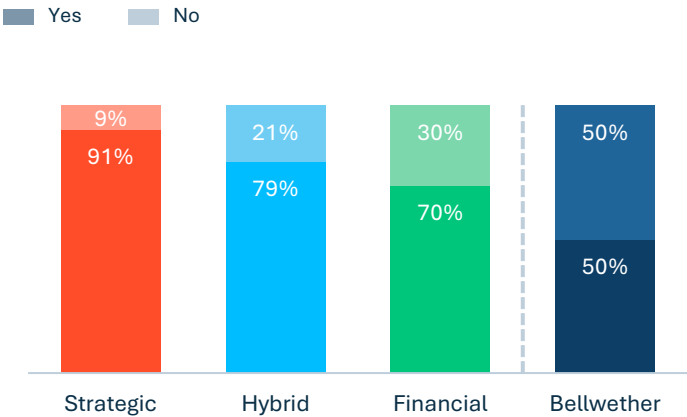
Notes: 1) CVC Bellwether: index of 30 CVCs selected due to historical track record, current scale and investment velocity. 2) Number of full-time employees.
Source: CVC survey results (based on responses from 164 CVC funds) and SVB analysis.

The Inner Workings

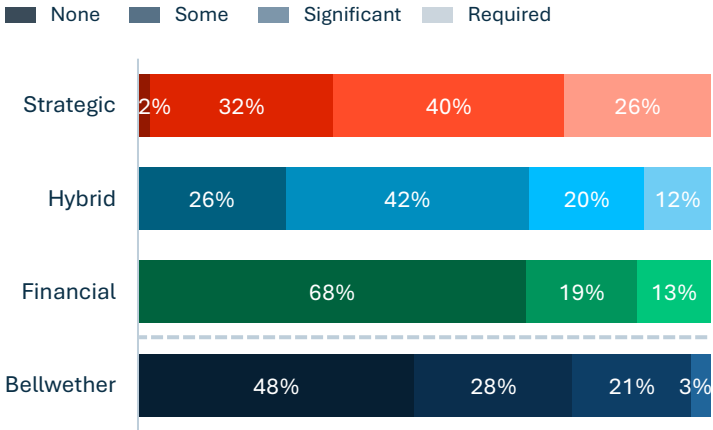
As the CVC landscape matures, many corporate investors aim to increase their independent decision-making ability. Most CVCs identify “dependency risk” (i.e., control by the corporate parent) as a constant concern. There is a delicate balance between placating the mothership and enlarging autonomy. While many pursue the latter freedom, robust executive sponsorship remains a critical variable of a successful CVC group. Nearly 75% of CVCs reported high executive support, while less than 10% noted any significant concerns. This satisfaction level dispels the perception that corporate executives have scaled back given the economic climate.

On investment autonomy, the Bellwether cohort leads the pack again. Fifty percent of Bellwether funds can make independent investment decisions without separate executive investment committee approval. On the flip side, Strategic funds maintain little independence and devote significantly more time to “LP management” (managing the parent). Some of the more progressive funds, however, spend less than 20% of their time managing the corporate parent relationship.

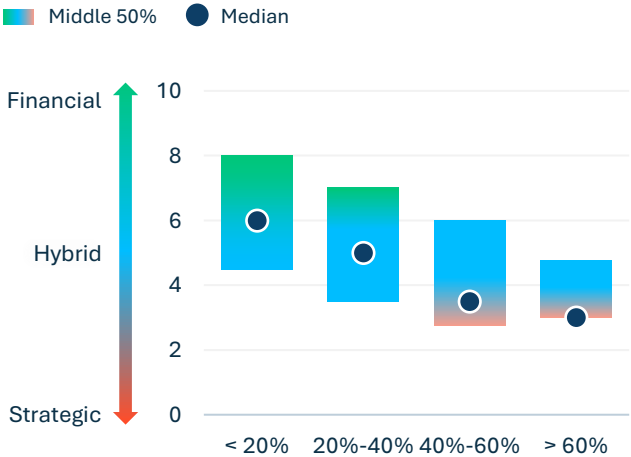
Need investment committee approval to make majority of investment decisions?^{1, 2}



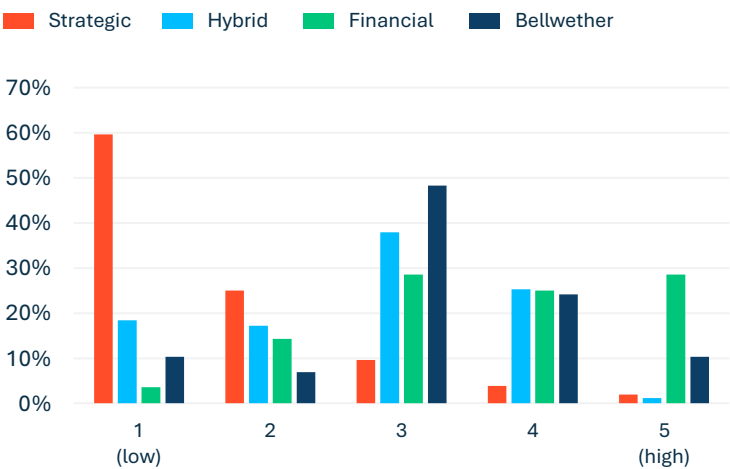
Level of Business Unit Engagement¹



Time Spent Managing Corporate Parent by CVC Type³



Level of Independence from Corporate Parent by CVC Type^{1, 2}



Notes: 1) CVC Bellwether: index of 30 CVCs selected due to historical track record, current scale and investment velocity. 2) Funds ranked this on a scale of 1-5. 3) As perceived by the CVC firm. Source: CVC survey results (based on responses from 164 CVC funds) and SVB analysis.

DEI, Conversation and Change

Compared to traditional VC, the survey data shows that CVCs have overall better gender representation than broader VC. While the traditional VC average of women check writers sits around 14%², 23% of CVC survey respondents indicated that somewhere between 25% and 50% of their check writers are women. An additional 8% said that more than half of their check writers are women. While it's not quite apples-to-apples (the VC cohort is a percent of all investors whereas the CVC cohort is a percent of unique CVC funds), it gives a good indication of CVCs' greater inclination to have diverse perspectives at the table.

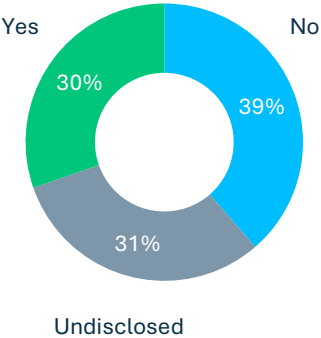
Of course this means that check writers are still primarily male, with 45% of CVCs having less than 25% female check writers. 30% of CVCs indicate that less than 10% of investment check writers are BIPOC³, while 37% remain undisclosed. An additional 8% said that more than half of their check writers are women.

Perhaps driven by pressure from the parent and the broader industry, the survey showed that a strong proportion of CVCs are making a conscious effort to bring change. A third of CVCs mentioned they have a formal DEI program to improve investment and recruitment practices.

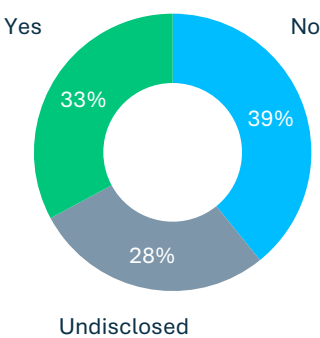
There are numerous pieces of research that show firms with diverse leadership have financial returns above their industry average.⁴ We believe CVCs are not an exception. Diversity in senior leadership creates an environment of better decision-making and improved results. We hope expanding the survey to more comprehensively cover DEI sparks conversation and change. In the next slide, we hear from funds in their own words.

Does your CVC fund have any initiatives to increase:¹

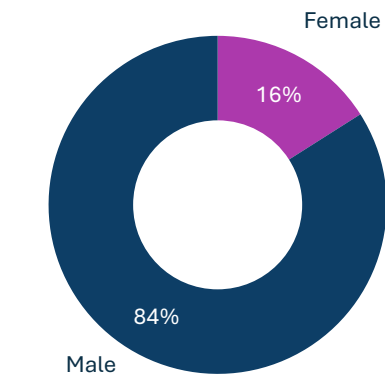
Investments in underrepresented founders?



Recruitment of underrepresented investors?



Gender of CVC Head¹



Average tenure for female CVC heads is

3.7 years

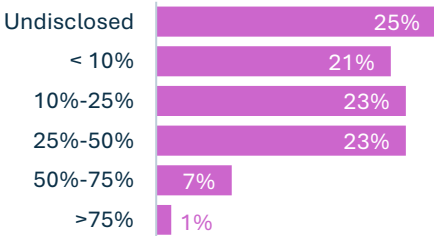
While their male counterpart is

5.8 years

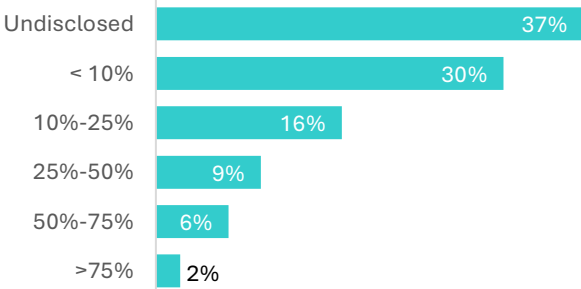
Investors and Non-Investing Fund Staff¹

■ Percent of Funds

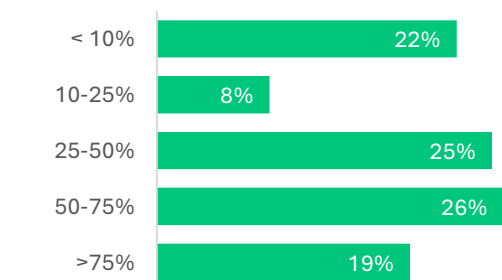
Female check writers



BIPOC⁵ check writers



Non-investing staff who are part of an underrepresented group



Notes: 1) According to the fund. 2) [Allrise Data Dashboard](#). 3) BIPOC = Black, Indigenous and People of Color. 4) [Why Diverse Teams are Smarter](#).
Source: CVC survey results (based on responses from 164 CVC funds) and SVB analysis

CVC Funds on DEI in Their Own Words

Tangible initiatives and practices CVCs are adopting to narrow the gap.

Does your CVC fund have any initiatives to increase ...

... investments in underrepresented founders ...

“We are networking with funds that have companies with diverse founders to help create a rich mix of founders in our portfolio.”

“We cannot disclose yet but are actively working behind the scenes to announce a larger initiative in this space.”

“We sponsor programs that promote DEI and include DEI clause in term sheets.”

“Specific percentage of fund investing in underrepresented founders and/or executives.”

“We intentionally look to fill the top of our pipeline with underrepresented founders.”

“No formal plan, but certainly we take underrepresented founders into consideration.”

“Have relationships with networks of underrepresented founders, participate in mentoring sessions, etc. to better prepare individuals that come from diverse backgrounds to be strong founders and raise institutional investment (from us or others).”

... or recruitment of underrepresented investors?

“Recruit from relevant databases and resources to increase underrepresented candidates.”

“We sponsor programs that promote DEI. Work with BLCK VC and other DEI focused investor organizations.”

“Have applied deliberate recruitment strategy to address gaps in DEI in the investment teams. We also actively contribute to initiatives to encourage underrepresented groups.”

“Started investor mentorship program with Historically Black Colleges and Universities (HBCU) & summer internships.”

“We work closely with organizations like Included VC to recruit, train and place diverse investors.”

“Team members in multiple DEI efforts to help enrich candidate funnel.”

“We intentionally seek out underrepresented groups for our investment team.”

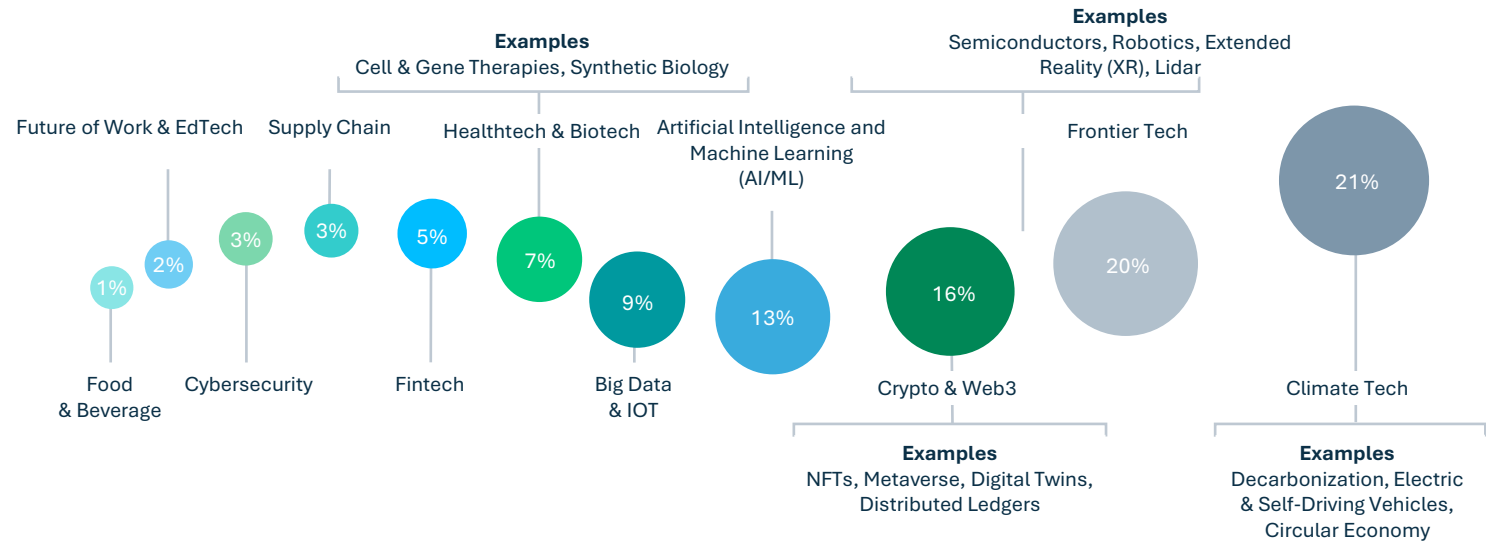
CVCs on the Future

While there is no one-size-fits-all corporate investing model, a healthy portion of corporate parents perceive the CVC group as a strategic sensor. CVCs are the eyes and ears of the corporate parent, and are quick to identify the next big technology trends. A strategic mandate is more nimble than a hybrid or financial mandate in that it provides some latitude to balance key objectives, expand into adjacent markets and gain insight into frontier markets. The “invest to acquire” mentality is quite rare and dispels the myth that many corporate parents want to own the asset. The CVC responses reflect this strategic mandate as 50% of funds noted climate tech, frontier tech, crypto and web3 were top of mind.

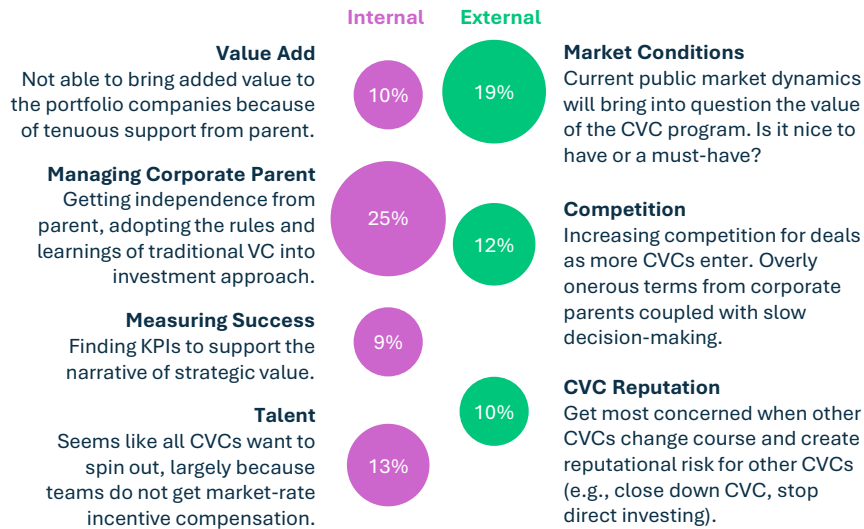
CVC leaders also shared their most notable challenges, which can be split between internal (57% of responses) and external (43%). Many highlighted the precarious balance of managing the mothership yet maintaining some healthy independence. This is a classic dependency risk that many CVC funds grapple with. On the external front, leaders called out the uncertain macroeconomic climate, complicated by constant competition for deals and the perceived stigma of CVCs as slow and subject to possible pullbacks.

Finally, we inquired about issues that emerge after launching the fund. Many responses gravitated toward proper alignment with the corporate parent which could shift with little warning. Additionally, there is a natural tension between investment independence and parent oversight. However, we found inspiration in funds that expressed that they have changed the strategic direction of their parent company and created the markets they wanted to invest in. CVCs have more influence than meets the eye.

Tech Trends CVC Heads Are Watching



CVC Head’s Top Industry Challenges



What surprised you about starting a CVC fund?

“We have changed the entire strategic direction and business model of the parent company based on the venture group’s direction and strategy setting.”

Parent wants top quartile returns but gates CVC unit decision-making, limiting the opportunity set to less financially attractive opportunities.

Creating the markets we want to invest in, instead of reacting to existing markets.

Desire to spin out the fund.

More awareness of the CVC from the parent organization means that more non-investment activities are pushed to the team.

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Our Counter Club community represents the most active and engaged network of CVC funds among any traditional VC firm. We galvanize the CVC industry through our events and discussions designed to share best practices for emerging corporate VCs. Given our successful CVC track records, we are the rare CVCs turned VCs with the ability to offer impartial advice to others. Visit our website for more information on how we invest and the Counter Club.

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