

## New IVP Fund Targets Growth

IVP General Partner Todd Chaffee talks about why the firm's 13th fund beat its target by \$150M

The venture capital industry is full of stories lately about funds downsizing and startups seeking smaller rounds from early stage investors.

But 30-year-old **Institutional Venture Partners (IVP)** added a new spin on the industry status on Aug. 31 with the announcement that it had closed a new fund that is larger than its last one, raised more than 20% more capital than originally expected, and will focus on growth stage investments.

At \$750 million, IVP Fund XIII exceeds the firm's prior fund, the 2007 vintage, \$600 million Fund XII. That fund has invested in at least 14 companies, including microblogging service **Twitter**, social gaming company **Zynga Game Network** and vacation rental marketplace **HomeAway**, according to Thomson Reuters (publisher of VCJ).

The new fund will invest in high-growth technology and media, with a focus on companies that IVP believes can provide an exit in three to five years.

VCJ Senior Editor **Joanna Glasner** spoke with IVP General Partner **Todd Chaffee**, who says that while IVP had targeted \$600 million, it raised the target due to strong interest from limited partners. Following are some of his observations on why, despite the fact that super angels may be getting all the attention lately, growth stage investments remain attractive.

**Q: We hear a lot of talk about how the venture industry is shrinking. But here you go, raising your largest fund yet. What gives?**

**A:** Right now, the industry is right-sizing itself, and the capital relative to the opportunities is coming back into line. What people miss is the innovation that's occurring and the expansion of the core markets, such as IT and media. The opportunity set has gotten bigger and more pervasive.

**Q: You raised your last fund in 2007, just before the financial crisis hit. How do you see that vintage year shaping up for venture returns?**

**A:** When we raise a new fund, we usually deploy it over three to four years. So, some capital was put out at the highs in 2007 and in



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Todd Chaffee  
General Partner  
Institutional Venture Partners

2008 and then some in 2009 and 2010, when the valuations came down. Currently, IVP Fund XII has a 68% IRR.

We're actually more optimistic about IVP XIII than XII because valuations have come down and the amount of capital per opportunity has come down. And capital is scarcer than it's ever been. More opportunities and less capital competing for opportunities means better returns.

**Q: Some of the companies you've backed, such as Twitter and Zynga, seem to have come out of nowhere and grown really rapidly into major online players. Are these outliers or is this a trend of companies growing up faster?**

**A:** It's definitely something we're seeing. When you're targeting high-margin technology and media businesses, you can get that rapid growth. For example, we invested in HomeAway at a \$200 million valuation. They have since acquired around 13 companies, and now that company is worth more than \$2 billion.

We are living in an accelerated world, and things can come out of nowhere and suddenly be giants. Zynga, for instance, in a few years is going to be bigger than **Electronic Arts**. Also, because of the technologies involved you have companies that can go global overnight.

**Q: The partnership has remained unchanged. But with the larger fund, will you add any other staffers?**

**A:** Oh, yeah. We're going to be staffing up. I think we've added seven people since our last fund, and we'll be adding more, generally they will be associates and vice presidents.