



State of New Jersey

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October 19, 2023

MEMORANDUM TO: The State Investment Council

FROM: Shoaib Khan
Director

SUBJECT: **Private Equity Investment - Institutional Venture Partners Fund XVIII, L.P.**

The Division of Investment (the "Division") is proposing an investment of up to \$100 million in Institutional Venture Partners XVIII L.P. ("IVP XVIII") managed by Institutional Venture Partners ("IVP" or the "Firm"). This memorandum is presented to the State Investment Council (the "Council") pursuant to N.J.A.C. 17:16-69.9.

The Division is recommending this investment based on the following factors:

Strong Overall Performance & Portfolio Fit: Investing capital into IVP XVIII allows the Division to make a commitment to a new, high-conviction manager that can help drive strong returns for the private equity portfolio. The Division currently has capacity to increase the "Venture Capital" exposure. Additionally, since IVP XV, the manager has generated a net IRR of 25%, net TVPI of 2.1x, and DPI of 0.8x. When benchmarked against North American venture and growth firms of similar vintages mature IVP funds have regularly produced first and second quartile rankings.

Experienced Team & Thematic Approach: The nine general partners have worked together for an average of 13 years, while four of the nine general partners have worked together at IVP for more than 17 years. IVP has cultivated a deep team of partner track investment professionals and has engaged in industry best practice succession management. IVP invests across technology with specific emphasis on five sectors: Consumer, Digital Health, Fintech, Application SaaS, and Enterprise Infrastructure. The investment team is organized in sector specific Pods, which enables IVP to acquire expertise, accumulate industry knowledge, gain early insight into trends, and capitalize on market opportunities.

A report of the Investment Policy Committee ("IPC") summarizing the details of the proposed investment is attached.

Division Staff and its private equity consultant, Aksia LLC, undertook extensive due diligence on the proposed investment in accordance with the Division’s Alternative Investment Due Diligence Procedures.

As part of its due diligence process, staff determined that the fund engaged a third-party solicitor (“placement agent”) in the fundraising of the fund, but the placement agent was not used to solicit New Jersey’s potential investment.

The Firm has a formal ESG Policy. IVP’s current ESG Policy and related diligence disclosures were reviewed by the Corporate Governance team in accordance with the Council’s ESG Policy. IVP incorporates ESG consideration into its investment process and will continue to monitor ESG factors post investment.

Staff will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. A preliminary Disclosure Report of Political Contributions has been obtained in accordance with the Council’s regulation governing political contributions (N.J.A.C. 17:16-4), and no political contributions have been disclosed. An updated Disclosure Report will be obtained at the time of closing.

Note that the investment is authorized pursuant to Articles 69 and 90 of the Council’s regulations. Institutional Venture Partners XVIII L.P. (“IVP XVIII”) is considered a private equity investment, as defined under N.J.A.C. 17:16-90.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC and a meeting of the IPC was held on October 18, 2023. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council’s October 25, 2023 meeting.

Attachment

Institutional Venture Partners XVIII, L.P.

- **DOI Commitment:** Up to \$100 million
- **Strategy:** Venture
- **Investment Focus:** IVP will focus on identifying breakout companies in rapidly growing technology industries in North America and Europe with a specific emphasis on five sectors: Digital Consumer, Digital Health, Fintech, Application SaaS, and Enterprise Infrastructure. IVP plans to construct a portfolio between 35-45 investments for the fund, with equity checks expected to be between \$30 million to \$40 million.
- **Target Returns:** 25% Net IRR and 2.5x Net MOIC
- **Investments Thesis:**
 - Solid and consistent track record of performance
 - Strong, experienced investment team
 - Expertise in high-growth/venture industry & thematic approach

Fund Name: Institutional Venture Partners Fund XVIII, L.P.

October 19, 2023

Contact Info: Kelly O'Kane, 3000 Sand Hill Road, Building 2, Suite 250, Menlo Park, CA 94025

Fund Details

Firm AUM:	\$7.25 billion	Key Investment Professionals: Somesh Dash- (Managing Director & General Partner)- Mr. Dash has worked with IVP for 15 years and is a member of the firm's investment Committee. Mr. Dash focuses primarily on growth investments in enterprise infrastructure, consumer, and digital health companies. Prior to IVP Mr. Dash gained venture capital experience working for Luxmi Capital and has worked at Credit Suisse and Sony Entertainment Television. Steve Harrick- (Managing Director & General Partner)- Mr. Harrick has worked with IVP for 22 years and is a member of the firm's investment Committee. Mr. Harrick focuses primarily on growth investments in enterprise infrastructure companies. Prior to IVP Mr. Harrick gained venture capital experience working for Internet Capital Group and Highland Capital Partners. Eric Liaw- (Managing Director & General Partner)- Mr. Liaw has worked with IVP for 12 years and is a member of the firm's investment Committee. Mr. Liaw is focused primarily on investments in high growth companies across a variety of sectors, including enterprise infrastructure and consumer. Prior to IVP Mr. Liaw gained venture capital experience working for TCV and has worked at Morgan Stanley. Tom Loverro- (Managing Director & General Partner)- Mr. Loverro has worked with IVP for 8 years and is a member of the firm's investment Committee. Mr. Loverro focuses on investing in high growth consumer and enterprise companies, with a specific focus in fintech opportunities. Prior to IVP Mr. Loverro gained venture capital experience working for RRE Ventures and has worked at Goldman Sachs and Drobo. Ajay Vashee- (Managing Director & General Partner)- Mr. Vashee has worked with IVP for 2 years and is a member of the firm's investment Committee. Mr. Vashee focuses on investing in high growth consumer and enterprise companies with a specific focus on application software companies. Prior to IVP Mr. Vashee gained venture capital experience working for NEA and as the CFO of Dropbox. Cack Wilhelm- (Managing Director & General Partner)- Ms. Wilhelm has worked with IVP for 4 years and is a member of the firm's investment Committee. Ms. Wilhelm focuses on investing in growth stage technology companies with a specific focus on enterprise infrastructure companies. Prior to IVP Ms. Wilhelm gained venture capital experience working for Accomplish Partners and Scale Venture Partners.
Strategy:	Growth Stage Venture Capital	
Year FCI Founded:	1980	
Headquarters:	Menlo Park, CA	
GP Commitment:	At least 3.0%	

Investment Summary **Existing and Prior Funds**

Institutional Venture Partners XVIII, L.P ("IVP XVIII") is a US-based growth stage venture capital firm that looks to make investments in high-growth, market leading information technology companies. IVP XVIII will focus on identifying breakout companies in rapidly growing technology industries in North America and Europe with a specific emphasis on five sectors: Digital Consumer, Digital Health, Fintech, Application SaaS and Enterprise Infrastructure. IVP plans to construct a portfolio approximately between 35-45 investments for the fund, with equity checks expected to be approximately between \$30 million to \$40 million.

<i>Funds¹</i>	<i>Vintage Year</i>	<i>Strategy</i>	<i>Returns as of 6/30/2023</i>
IVP XV	2015	Growth Stage Venture Capital	27.2% net IRR; 3.08x net TVPI; 1.8x DPI
IVP XVI	2018	Growth Stage Venture Capital	23.8% net IRR; 1.91x net TVPI; 0.5x DPI
IVP XVII	2021	Growth Stage Venture Capital	0.7% net IRR; 1.01x net TVPI; 0.0x DPI

Source of Returns = Aksia LLC

1. The funds most representative of the team that will be constructing the portfolio for IVP XVIII are IVP XV, XVI, and XVII.
IRR = Internal Rate of Return; TVPI= Total Value to Paid-In; DPI= Distributions to Paid-In

Vehicle Information:

Inception:	2022	Auditor:	Price WaterhouseCoopers LLP
Fund Size:	\$1.3 billion - \$1.5 billion of LP commitments	Legal Counsel:	Cooley LLP
Management Fee:	1.50%-2.25% (annualized to 2.08% over the full term)		
Carry:	25%; stepped up to 30% at 2.5x distributed capital commitments		
Hurdle Rate:	N/A		
Additional Expenses:	100% Management Fee Offset for portfolio company compensation		

NJ AIP Program

Recommended Allocation:	up to \$100 million	LP Advisory Board Membership:	YES
% of Fund:	~6.67%	Consultant Recommendation:	YES
		Placement Agent:	YES
		Compliance w/ Division Placement Agent Policy:	YES
		Compliance w/ SIC Political Contribution Reg:	YES

*This review memorandum was prepared by New Jersey State Investment Council in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.