



Venture Capital 101

How venture funds operate, generate returns, and
invest across the startup lifecycle

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The Venture Business in One Sentence

Find great companies, win the right to fund them, and return several times investors' capital through **a few large exits**

	Venture capital	Private equity (buyouts)
Companies	Young, high-growth, often unprofitable	Mature, cash-generating
Stake	Minority	Control (usually majority)
Leverage	None	Significant debt
Outcomes	Most fail; a few big winners pay for all	Most deals return capital
Value driver	Growth and optionality	Cash flow, operations, and leverage

Both answer to the same north star: **dollars returned to limited partners (LPs)**

Leading VC Firms and Their AUM

Firm	Regulatory AUM	Notes	Most recent raise
Andreessen Horowitz (a16z)	\$106.5B	Firm states over \$100B	About \$15B across funds (Jan. 2026)
Insight Partners (New York)	\$92.2B	Firm states over \$90B	\$12.5B across three funds (Jan. 2025)
Sequoia Capital	\$82.2B	U.S./Europe only; excludes HongShan and Peak XV	About \$7B expansion fund (Apr. 2026)
Tiger Global (New York)	\$78.0B	Firm-wide; venture book \$41.1B	PIP 17, targeting \$2.2B (launched Dec. 2025)
Founders Fund	\$58.9B	Gross asset value of funds	\$10.6B across two funds (H1 2026)
Thrive Capital (New York)	\$50.5B	Includes Thrive X	\$10B, Fund X (Feb. 2026)
Lightspeed Venture Partners	\$50.0B	Firm-wide	\$9B across six funds (Dec. 2025)
Accel	\$46.8B	U.S. and U.K. entities	About \$5B, Leaders Fund V (Apr. 2026)
General Catalyst	\$45.5B	Firm states \$43B+	\$8B (Oct. 2024)

Regulatory AUM from SEC Form ADV filings (year-end 2025 or filed in 2026), as compiled by Dealroom, September 11, 2026. Regulatory AUM counts unrealized value and uncalled commitments. Recent raises: TechCrunch, Willkie Farr, Bloomberg, Dealroom, PitchBook-NVCA Venture Monitor (Q2 2026).

Three Parties, One Partnership

Limited Partners (LPs)

- Supply the capital
- Pensions, endowments, foundations, sovereign funds, insurers, family offices, funds of funds
- Passive; limited liability

General Partners (GPs)

- Manage the capital
- Source, pick, win, and support investments
- Earn fees and carried interest
- Raise the next fund on their track record

Portfolio Companies

- Receive the capital
- Sell preferred equity in priced rounds, or SAFEs at the earliest stage
- Founders usually keep control early; give up ownership

Fund Economics: “2 and 20”

\$100M fund (illustrative)	Amount
Committed capital	\$100M
Management fees: 2% a year for 10 years (upper bound)	\$20M
Capital available to invest	About \$80M
Carried interest	20% of profits, after LPs get their capital back

Fees pay for the team and operations; **carry** is where GPs make real money, and only if the fund is profitable. Fees often step down after the investing period.

The Life of a Fund

- **Years 0 to 1:** raise the fund from LPs
 - **Years 1 to 5:** investing period; new initial checks
 - **Years 3 to 10+:** follow-ons, support, and exits
 - **Reserves:** a large share of capital is held back for follow-on rounds in the winners
 - Funds often run past 10 years through extensions
- **The J-curve**
 - Early years: fees drawn and failures written down before any exits, so reported returns dip below zero
 - Later years: a few exits drive returns up
 - GPs typically raise their next fund every 3 to 4 years, before the current fund has proven itself in cash

The Power Law Drives Everything

- Returns are dominated by a handful of outliers; most investments return little or nothing
- So VCs look for companies that could be **enormous**, not merely good
- **The fund-returner test:** can this one deal return the whole fund?
 - At 10% ownership at exit, a company must exit at **\$1B** to return a \$100M fund ($\$100\text{M} \div 10\%$)
 - For a \$1B fund at the same ownership: a **\$10B** exit
- Implication: fund size dictates the deals a fund can do

What a 3x Net Fund Really Requires

Step	Result
LPs target 3x net on a \$100M fund	\$300M back to LPs
Gross proceeds G, after 20% carry on profit: $0.8G + \$20M = \$300M$	$G = \$350M$
Gross multiple on the ~\$80M actually invested	About 4.4x
If only a few deals succeed, each winner must return multiples of its cost	10x to 100x outcomes

Fees and carry raise the bar: the portfolio must earn **well over 4x** on invested dollars to deliver 3x to LPs.

Measuring Returns: Paper vs. Cash

- **TVPI** = (distributions + remaining value) ÷ paid-in
- **DPI** = distributions ÷ paid-in
- **IRR** = annualized return; rewards fast exits
- TVPI is an estimate; **DPI is cash**
- **Where we are now (Carta, Q1 2026)**
- 2019 and 2020 vintages: median DPI barely above zero; fewer than half of funds have returned any capital
- 2017 and 2018 vintages: fewer than 20% of funds have reached 1x DPI
- Top-decile net IRR above 20% for every vintage 2017 to 2024 except 2021

Investing Across the Startup Lifecycle

Stage	What investors judge	Typical evidence	Typical investors
Pre-seed / Seed	Team and size of the problem	Founders, prototype, first users	Angels, accelerators, seed funds
Series A	Product-market fit	Repeatable growth, retention, early revenue	Early-stage VCs
Series B / C	Scalability and unit economics	CAC vs. LTV, margins, sales efficiency	Multistage VCs
Growth / Late	Path to profit and exit	Scale, market position, IPO or M&A readiness	Growth and crossover funds, CVCs

Pricing a Round: The VC Method

Input or step	Value
Investment	\$5M
Expected exit value in about 7 years	\$600M
Target multiple (prices in failure risk)	10x
Required ownership at exit: $\$5M \times 10 \div \$600M$	8.3%
Expected retention after future dilution	50%
Required ownership today: $8.3\% \div 50\%$	16.7%
Post-money: $\$5M \div 16.7\%$ Pre-money: $\$30M - \$5M$	\$30M \$25M

Terms Matter as Much as Price

1x non-participating preference: investor puts in \$20M for 20%	Sale at \$50M	Sale at \$300M
Investor takes the greater of \$20M or 20% of proceeds	\$20M (preference)	\$60M (converts)
Founders, employees, and common holders receive	\$30M	\$240M

- Other terms to know: **pre- vs. post-money**, the **option pool** (usually created before the round, so it dilutes existing holders), **pro rata rights**, **board seats**, and **anti-dilution** protection
- A preference protects the investor in the downside and is irrelevant in a big upside

Leading Players by Type

Multistage platforms	Early-stage specialists	Growth and crossover	Corporate VC and accelerators
• Sequoia Capital • Andreessen Horowitz • Lightspeed • General Catalyst • Accel • Kleiner Perkins • Founders Fund • Thrive Capital	• Benchmark • Union Square Ventures • First Round Capital • FirstMark Capital • Lerer Hippeau • Greycroft	• Insight Partners • Tiger Global • Coatue • General Atlantic • ICONIQ	• GV (Alphabet) • NVentures (NVIDIA) • Salesforce Ventures • M12 (Microsoft) • Y Combinator • Techstars

Where the Capital Went in H1 2026

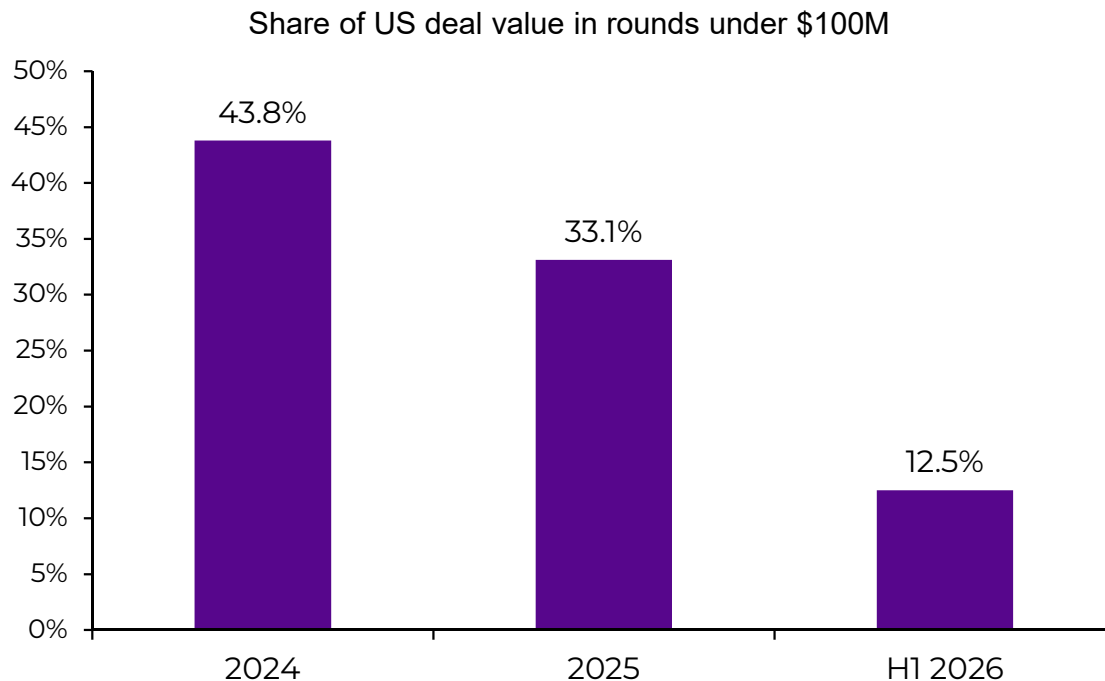
US venture metric, H1 2026	Value
Total deal value	\$412.7B
Share of deal value to AI companies	86%
Share of capital in rounds of \$100M or more	87.5%
New venture funds raised (405 funds)	\$72.4B
Share raised by the top three firms	48%

Largest raises, H1 2026

- Andreessen Horowitz: \$14.2B
- Founders Fund: \$10.6B
- Thrive Capital: \$10.0B
- Together, nearly half of all US venture dollars raised

Source: PitchBook-NVCA Venture Monitor, Q2 2026 (also reported by SiliconANGLE, July 9, 2026).

The Barbell: A Shrinking Middle



What it means for you

- Mega-funds: large teams, structured hiring, AI-heavy
- Emerging managers: lean, hire through networks and in-semester work
- The middle is thinner; seed and Series A are competitive

Source: PitchBook-NVCA Venture Monitor, Q2 2026 (also reported by SiliconANGLE, July 9, 2026). Interpretation is the presenter's.

Breaking In and Three Takeaways

- **Act like a VC before you are one**

- Meet founders; build a personal CRM of deal flow
- Write 2-page investment memos; form a thesis
- Put the fund-returner test and the VC method in every memo you write
- Give first in networking; ask “how can I help?”
- Start with the PEVC Club’s VC playbook

- **Three takeaways**

- A fund is a portfolio, and the power law sets the bar
- Every deal must pass the fund-returner test
- Price and terms are two halves of one negotiation