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Micro VC Rising: Analyzing Trends and the Top Investors in the Micro VC Ecosystem

Micro VC funding participation in VC deals hit a multi-year high in Q1 2014. Of course, they are not all created equal. Here's who is doing the most deals, has the strongest networks and best follow-on rates.

Venture capital funding is on a tear so far in 2014 – hitting a U.S. quarterly high in Q1 of this year that has not been seen since Q3 2000. And it's not just high-profile, well-established venture firms wheeling and dealing.

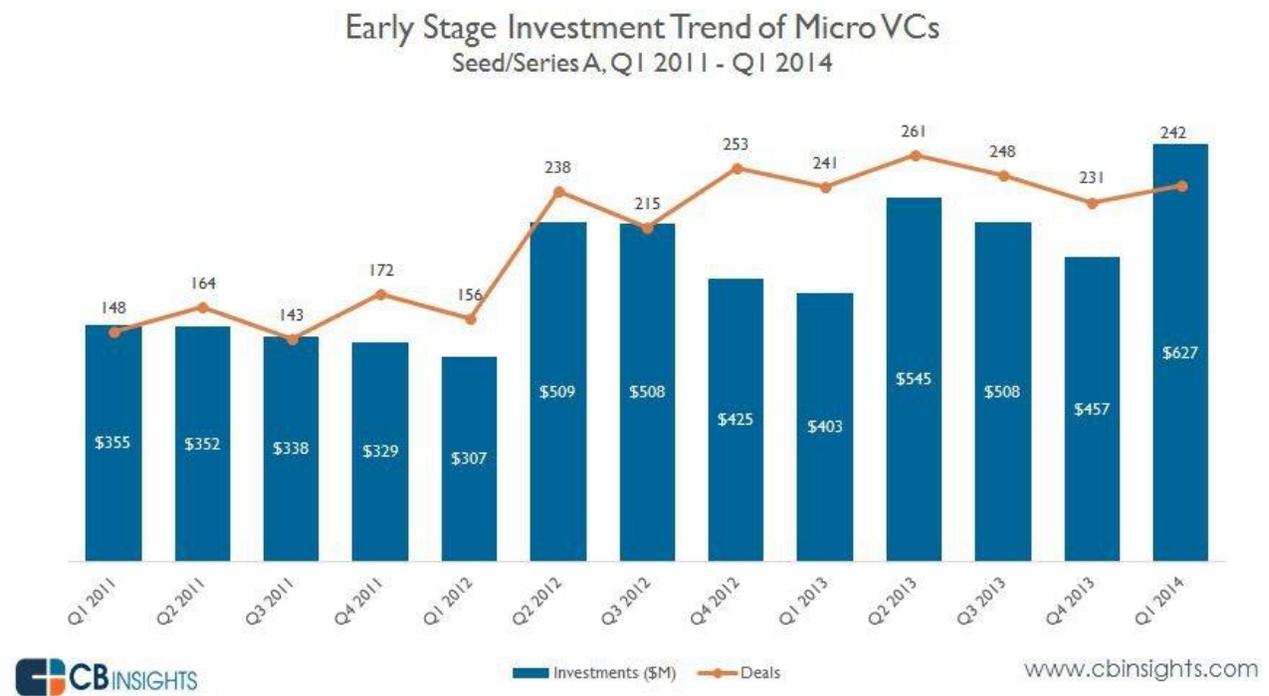
Over the past several years, one of the most significant trends in venture has been the rise of smaller, micro VCs. And they're being spawned at a rapid rate with [almost half of the VC funds](#) raised in the last 6 months being those with < \$50M AUM. Of course, there are some elder statesmen in the micro VC game and some of them have already [notched some impressive exits](#). The AUM level that defines a micro-VC is open for debate with some drawing the line at \$75 or even a \$100 million. In addition with some firms having raised multiple funds, there are micro VCs that, in aggregate, have more than the thresholds one might set. AUM levels aside, micro VCs are focused on the earliest stage opportunities generally investing first at the Seed stage.

This analysis puts the rise of micro VCs in context – breaking down both macro-level funding trends and firm-level insights. The full list of micro VCs used in this analysis are listed at the bottom of this brief. The report is broken down into sections as below:

- [Early-stage financing trends among micro VCs](#)
- [Micro VC deal size trends](#)
- [The sub-industries micro VCs invest in most](#)
- [The most active micro VCs](#)
- [Analyzing the follow-on rates of micro VCs](#)
- [Which micro VCs have the strongest network?](#)

Early-stage financing trends among micro VCs

With more micro VCs investing, early-stage deal and dollars involving micro VC firms in Q1 2014 hit \$627M across 242 deals globally. Of note, early-stage funding participation by micro VCs has expanded markedly from just a couple years ago. Compared to Q1 2011, micro VC early-stage funding increased 77% while deal activity grew 64%.



Micro VC deal sizes tick up

Interestingly, the average and median early-stage deal sizes with participation from micro VCs have risen since 2011 (in line with [the uptick in seed VC deal sizes overall](#)). In Q1 2014, average early-stage micro VC deal size hit its highest level in three years, bumping up to \$3.4M. Median micro VC deal sizes have trended above \$1.5M in each of the last three quarters.

Micro VC Average & Median Early Stage Deal Size
By Quarter; Q1 2011 - Q1 2014



Ad, sales & marketing tech and BI & analytics are hottest among micro VCs

At the sector level, Internet and mobile dominate micro VC investments – capturing 85% of unique company investments by micro VCs since 2011. And within the Internet sector, Advertising, Sales & Marketing tech and Business Intelligence, Analytics & Performance Mgmt saw the highest percentage of deals among sub-industries. eCommerce marketplaces and apparel & accessories firms also ranked highly, with ed tech rounding out the top 5 most popular markets for micro VC investments over the period. The focus on capital efficient technology sectors makes sense for Micro-VCs given the plummeting cost of technology infrastructure and the ability for startups to prove out a business concept with modest amounts of funding (aka traction). It, of course, doesn't translate as well to more capital intensive areas such as life sciences (pharma, biotech) and clean tech (renewable energy, batteries, etc).

Of note, while enterprise-facing sub-industries were the top places for internet bets by micro VCs, Gaming and Social ranked highest among micro VC investments into the mobile sector. The top 10 sub-industries by unique company investment for the Internet and mobile sectors are highlighted in the chart below.

The Top Internet/Mobile Sub-Industries By Micro VC Investments - Q1 2011 to Q1 2014

Rank	Internet	Mobile & Telecom
1	Advertising, Sales & Marketing	Gaming
2	Business Intelligence, Analytics & Performance Mgmt	Social
3	Marketplace	Advertising, Sales & Marketing
4	Apparel & Accessories	Customer Relationship Management
5	Education & Training	Education & Training
6	Customer Relationship Management	Conferencing & Communication
7	Social	Application Development
8	Video	Photo
9	News & Discussion	Location-Based & Navigation
10	Information Providers & Portals	Health & Wellness



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The most active micro VCs – 500 Startups, SV Angel lead

Which firms are the most active investors in the micro VC landscape? Since the start of 2011, 500 Startups tops the list of most active micro VCs by unique company deals – followed by SV Angel. Interestingly, two New York-based investors – Lerer Ventures and Founder Collective – ranked third and fourth on the list, respectively.

The chart below shows the 20 most active micro VC investors by unique company deals between Q1'11 and Q1'14 (multiple investments into the same company count as a single investment). Other top 10-ranked funds by activity include Aydin Senkut's Felicis Ventures, Mike Maples Jr.'s Floodgate Fund and Michael Arrington's CrunchFund.

The Most Active Micro VC Investors Q1'11-Q1'14

Rank	Investor
1	500 Startups
2	SV Angel
3	Lerer Ventures
4	Founder Collective
5	Felicis Ventures
6	Floodgate
7	CrunchFund
8	LaunchCapital
9	Great Oaks Venture Capital
10	SoftTech VC
11	Kapor Capital
12	ff Venture Capital
13	Blume Ventures
14	VegasTech Fund
15	Lowercase Capital
16	Red Swan Ventures
16	ENIAC Ventures
18	Baseline Ventures
19	IA Ventures
19	Siemer Ventures
19	Social Leverage
19	Real Ventures
19	Rothenberg Ventures



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Analyzing the follow-on rates of micro VCs

Of the most active micro VCs in the period, ff Venture Capital tops the list of investors by follow-on rate of first investments. Baseline Ventures and Floodgate Fund ranked just behind with Felicis Ventures and Founder Collective rounding out the top 5. It's worth mentioning that the discrepancy between the 1st and 10th micro VC by follow-on rate was <10% – as all 10 of the firms have shepherded their investments to follow-on capital quite well (over 70%). Note: the

ranking does not take into account micro VC investments made in the last 13 months as those were not mature enough to be included in these calculations. The 13 month figure comes from the [Series A Crunch report](#).

The Top Micro VCs By Follow-on Investment Rate

Rank	Investor
1	ff Venture Capital
2	Baseline Ventures
3	Floodgate
4	Felicis Ventures
5	Founder Collective
6	LaunchCapital
7	SoftTech VC
8	Red Swan Ventures
9	Lowercase Capital
10	Social Leverage



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Which micro VCs have the strongest network?

Can micro VC go the distance? Yes, but not by itself. It needs larger partners to help support growth further along the investment life cycle. It doesn't need to be a we/they relationship between Micro VCs and larger VCs. It can, and should, be a collaborative and mutually beneficial relationship that ultimately inures to the benefit of the entrepreneur and the company.

The above quote comes from [a post](#) by Roger Ehrenberg of IA Ventures. And while his point rings true, it speaks to a broader point in venture capital which academics have shown – stronger networks drive better VC returns. In the case of micro VCs, this means those with stronger networks to high-quality VCs (both large and small) give them a leg up by virtue of access to stronger dealflow and information, syndicate partners and, perhaps most importantly for micro VCs, follow-on investors.

So using CB Insights [Investor Mosaic algorithms](#), we calculated a 'network centrality' score to identify the top decile micro VCs (out of 135) that have the strongest investment networks. And

based on the data, SV Angel ranks highest, followed by Lerer Ventures, 500 Startups, CrunchFund and Founder Collective.

It should be noted that all of the firms listed below are ranked in the top decile of firms and so the differences between their network centrality scores are relatively small.

The table below highlights the top 14 micro VCs (top decile) by network centrality and their top 3 VC co-investors by total companies.

The Micro Venture Capital Firms with the Strongest Networks

Rank	Micro VC	Top 3 Co-Investors		
		1	2	3
1	SV Angel	Andreessen Horowitz	Lerer Ventures	Founder Collective
2	Lerer Ventures	SV Angel	Betaworks	First Round Capital
3	500 Startups	SV Angel	Felicis Ventures	Google Ventures
4	CrunchFund	SV Angel	Andreessen Horowitz	First Round Capital
5	Founder Collective	SV Angel	Lerer Ventures	First Round Capital
6	Felicis Ventures	SV Angel	500 Startups	Founders Fund
7	Floodgate	SV Angel	Baseline Ventures	First Round Capital
8	Red Swan Ventures	Felicis Ventures	BoxGroup	SV Angel
9	O'Reilly AlphaTech Ventures	First Round Capital	SV Angel	Union Square Ventures
10	SoftTech VC	First Round Capital	SV Angel	500 Startups
11	Lowercase Capital	SV Angel	First Round Capital	Founder Collective
12	Harrison Metal	Baseline Ventures	First Round Capital	Accel Partners
13	Forerunner Ventures	First Round Capital	Felicis Ventures	Lerer Ventures
14	Freestyle Capital	SV Angel	Baseline Ventures	500 Startups



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List of all micro VCs in this analysis

The following 135 micro VCs were used in this analysis. By definition, micro VCs in this analysis generally met the following three criteria: 1) fund size ≤ \$100M 2) 80%+ of investments were at the early-stage (seed/Series A) and 3) 10 or more investments since 2011.

212 Capital Partners	Arcus Ventures	Boston Seed Capital
500 Startups	Baroda Ventures	Bullpen Capital
Accelerator Ventures	Base Ventures	Caixa Capital Risc
Advancit Capital	Baseline Ventures	Chicago Ventures
A-Grade	Bee Partners	CincyTech
AIB Seed Capital Fund	Blume Ventures	Collaborative Fund
Amplify Partners	BOLDstart Ventures	CommonAngels

Connect Ventures	Golden Venture Partners	Metamorphic Ventures
Contour Venture Partners	Great Oaks Venture	MHS Capital
Costanoa Venture Capital	Capital	Midven
Cowboy Ventures	Harrison Metal	Morado Venture Partners
CrossCut Ventures	High Line Venture	Moscow Seed Fund
CrunchFund	Partners	Mucker Capital
Cue Ball Capital	High Peaks Venture	Neu Venture Capital
Cultivation Capital	Partners	NewSchools Venture Fund
Dace Ventures	Hyde Park Venture	NextView Ventures
Data Point Capital	Partners	OCA Ventures
Deep Fork Capital	IA Ventures	Okapi Venture Capital
Detroit Venture Partners	IllinoisVENTURES	O'Reilly AlphaTech
Dorm Room Fund	Illuminate Ventures	Ventures
Double M Partners	Initial Capital	Passion Capital
Draper Associates	Initialized Capital	PivotNorth Capital
Dundee Venture Capital	Inventus Capital Partners	Plug and Play Ventures
Earlybird Venture Capital	Inveready	Point Judith Capital
Elaia Partners	K9 Ventures	Point Nine Capital
ENIAC Ventures	Kae Capital	PROfounders Capital
Expansion VC	Kapor Capital	Promus Ventures
Felicis Ventures	Kaszek Ventures	Quest Venture Partners
Fenox Venture Capital	Kepha Partners	Raptor Ventures
ff Venture Capital	Kibo Ventures	Real Ventures
FireStarter Fund	LaunchCapital	Red Dot Ventures
First Step Fund	Learn Capital	Red Swan Ventures
Floodgate	Lerer Ventures	Resolute.vc
Flywheel Ventures	Lifeline Ventures	Rincon Venture Partners
Forerunner Ventures	Lool Ventures	Romulus Capital
Fortify.vc	Lowercase Capital	Rothenberg Ventures
Founder Collective	Ludlow Ventures	S3 Ventures
Founders Co-op	MentorTech Ventures	Sarsia Seed
Freestyle Capital	Merus Capital	Scout Ventures
Golden Gate Ventures	MESA+	SEED Capital

Sherpa Ventures

Siemer Ventures

Signia Venture Partners

Silverton Partners

SK Ventures

Social Leverage

SoftTech VC

SOSventures

Subtraction Capital

SV Angel

TEEC Angel Fund

Tribeca Venture Partners

Tugboat Ventures

Unitus Seed Fund

Valar Ventures

Vast Ventures

VegasTech Fund

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