



Women in VC

The Untapped Potential of Women-led Funds

October 2020



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Here's the inconvenient truth: [the funding stats for female founders are not improving.](#)

Even with an influx of initiatives aimed at building awareness and closing the funding gap, women are still being denied equitable access to capital when starting their own companies. How do we fix this? While the focus on female founders is a meaningful first step, it has not proven to be a scalable strategy for change. We need to be pushing for more. We need to be looking upstream, where there is more leverage and more potential for impact. **We need to be talking about, and investing in, female fund managers.**

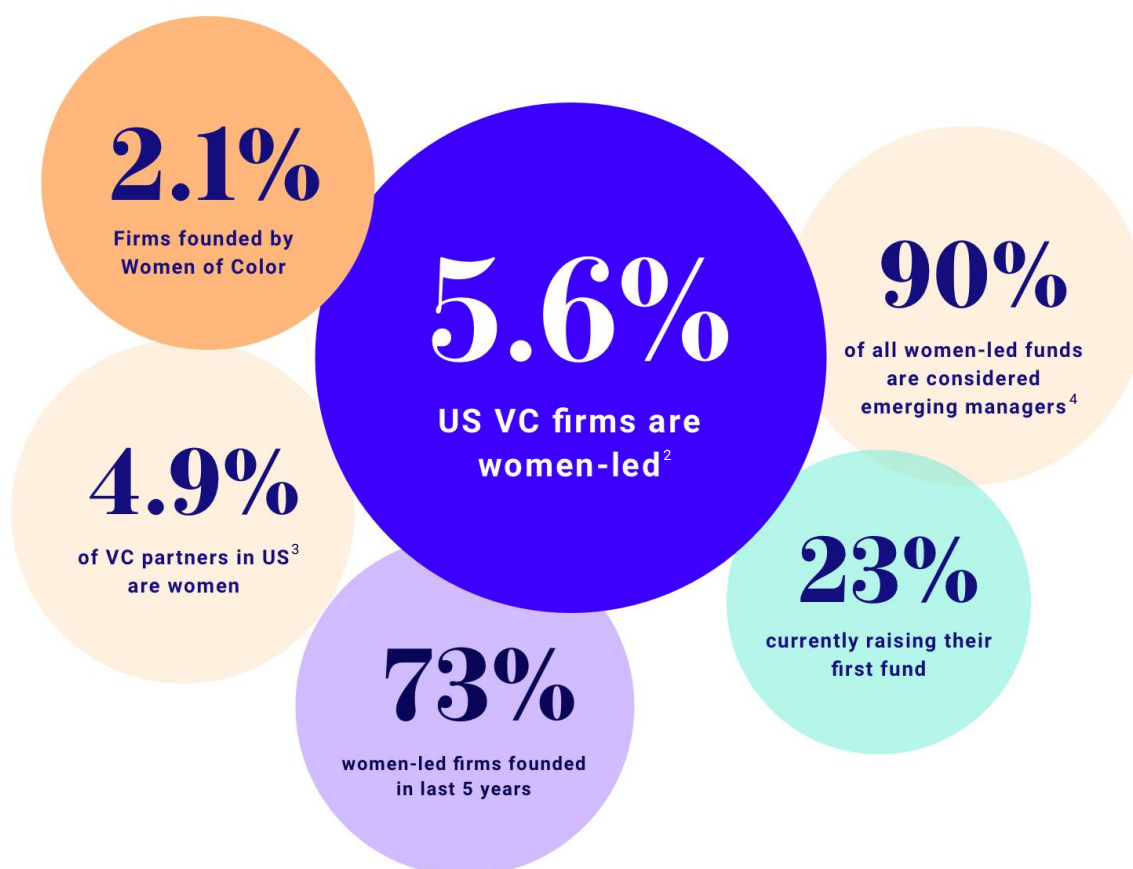
Let's break down why:

A recent [All Raise](#) report showed that [female funders are 2X more likely to invest in startups with one female founder, and more than 3X more likely to invest in a female CEO.](#)

That means any investment in women-led funds stands to have a significantly amplified impact on female founders downstream. It will shift what types of founders are getting funded, at scale, what products and services are brought to market, and who is being served by them. The potential returns are enormous. According to a [study in Harvard Business Review](#), VC firms that increased the number of female partners by 10% experienced a 1.5% increase in fund returns each year, plus 9.7% more profitable exits. Just last week [Goldman Sachs published a new report about women managers outperforming all male funds](#). Generally speaking, we also know that venture capital is the fuel that allows companies to scale at their earliest stages. It's the springboard that puts businesses on the trajectory to later stage growth capital and, eventually, even public market investments. In other words, investing in female fund managers is the most effective action we can take, today, to address the vast inequality in how capital is deployed to founders.

Through [Women in VC](#), we know this reality well. We are the world's largest community for female investors, spanning 2,700+ women across more than 1,700+ venture funds in 160+ cities and 55+ countries. We've watched the explosive growth of women-led funds¹—up 15x in the last decade, alone—and we know these women, and their funds, have the talent and the tenacity to pave a new path in venture capital. We also know, though, that they need more support than they're currently getting. They need more access to capital, mentorship, and industry networks.

This paints a picture of both opportunity and urgency:



¹ Women-led fund: Funds with at least one founding General Partner (or equivalent title) who identifies as female. We believe her to have a stake in the management company and carry that is commensurate to her male counterparts.

² Based on proprietary Women in VC dataset of women-led firms in the US (275), against Preqin data on US-based VC Funds as of Q3'20 (4,888 firms), defined as firms that manage a minimum of \$1MM in private funds.

³ Based on proprietary Women in VC dataset of women Partners in the US (652), against Preqin data on US-based VC Partners as of Q3'20 (13,219 self-reported Partners or equivalent titles).

⁴ Emerging manager: Raising or managing either Fund I, II or III within their firm's franchise; venture funds typically under \$100MM.

Getting in on the ground floor of [emerging managers is known to represent a compelling financial opportunity](#), but funds require time to prove themselves. Even under the most ideal circumstances, it takes years to fundraise, establish a viable track record, and build a brand—but these women are facing the additional headwinds of persistent industry-wide bias and economic uncertainty related to COVID-19. Additionally, with hundreds of new managers coming to market and a virtual fundraising cycle, it's [an incredibly challenging time for small and emerging funds](#) to raise capital. If these women-led firms are unable to close their first fund, or raise sequential funds to continue building their franchise, the industry is at risk of losing all the growth and progress that women-led firms have made over the past 5 years.

The venture community must do the work, now, to address the challenges attached to unconscious beliefs, attitudes, and stereotypes. We also need to get comfortable investing in “non-traditional” fund managers that may not have a track record. The women paving the way come from all kinds of backgrounds—they're spin-outs from top firms, former founders, professional angels, early employees at tech companies, former operators or customers, and more. This represents an exciting opportunity and a flashpoint for major and necessary change.

When women control the capital, it empowers them to invest in the teams, markets, and companies they see as transformative for the coming generation. It's also a meaningful step to begin [overcoming the wealth gap](#), but if we continue at the [current pace, it will take female fund managers 200 years to achieve equal status to male counterparts](#).

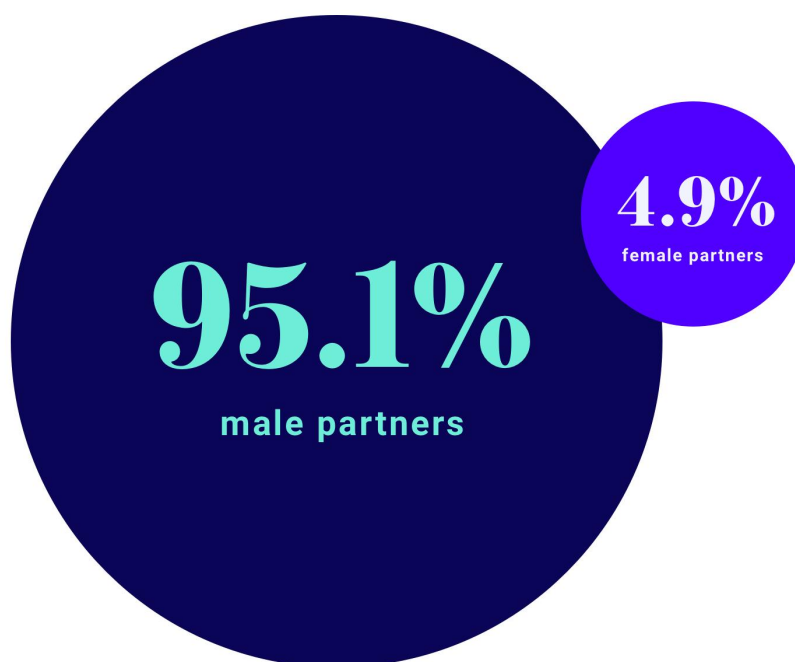
That's not fast enough.

This report explores the nuances of female partners and women-led funds—the reality, the opportunities available to us, and the actions we need to take in order to move the conversation forward. The data points to an outsized opportunity to anchor and nurture this new wave of women-led funds, and emphasizes why the time to invest in their potential is right now. Together, we can tackle the inequality in venture funding.

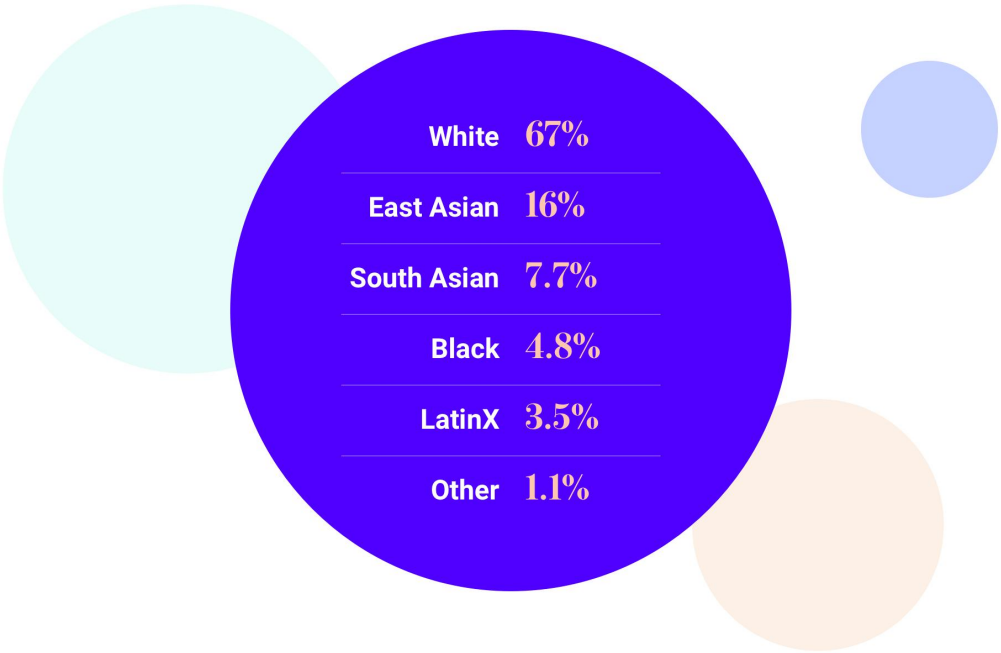
Over the last five years, concerns about gender and ethnic diversity have risen to the forefront of industry discussions. There's good reason for that—the data is sobering. Using our proprietary Women in VC dataset against the Preqin universe of US-based VC partners, only 4.9% are women. Of that percentage, the majority are still white. When compared to the overall industry, these statistics are even more dismal—just 0.2% of VC partners are Latinx women. Just 0.2% are Black women. While this marginal representation still indicates progress (of all women VC partners, 33% are women of color, which is an encouraging signal relative to overall diversity statistics), we know that we have to do better.

As firms look to increase the diversity of their partnerships, it will be critical to recruit from non-traditional paths into venture, including different schools, and new or different operating experiences to expand access to the industry across a broader set of demographics.

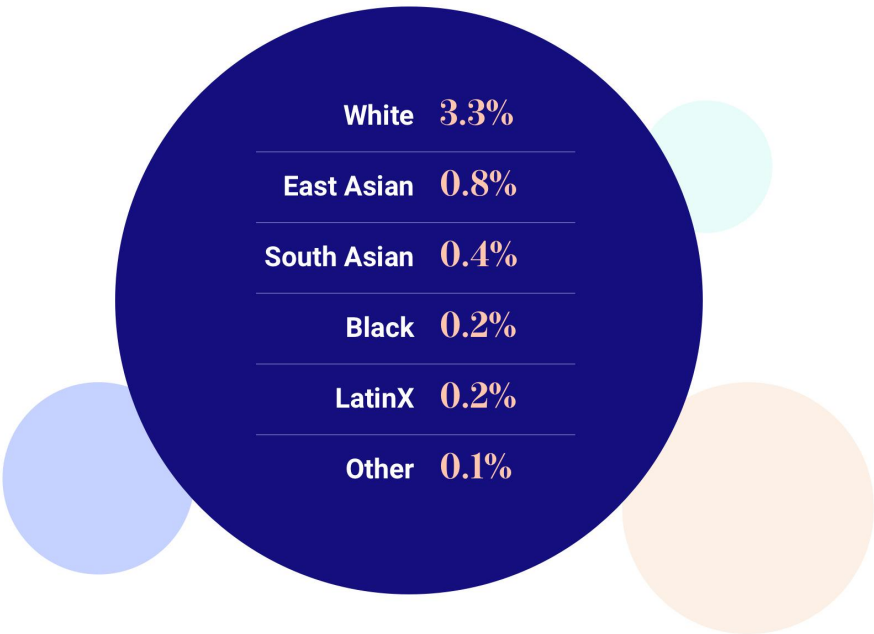
Gender breakout of VC Partners in the US



Ethnicity Breakout of All Female Partners⁵

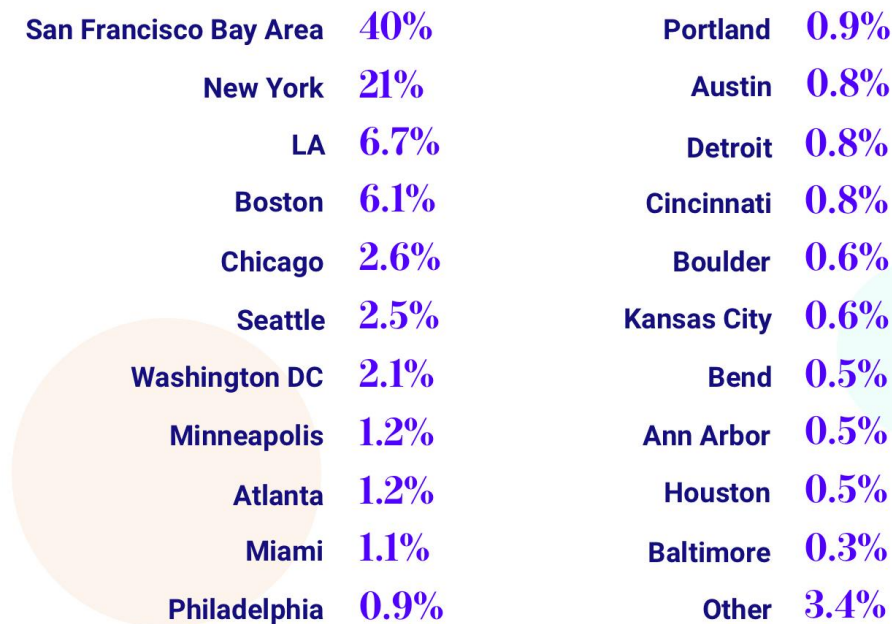


Ethnicity of Female Partners vs. All VC Partners in the US⁵



⁵ Based on proprietary Women in VC dataset of of women Partners in the US (652), against Preqin data on US-based VC Partners as of Q3'20 (13,219 self-reported Partners or equivalent titles).

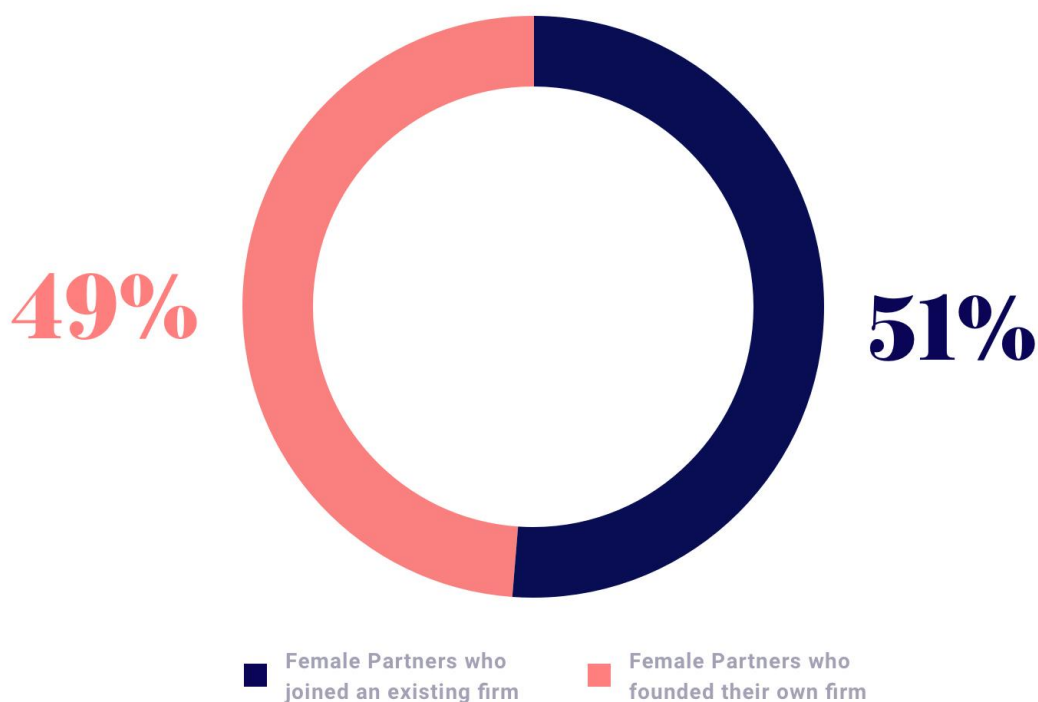
Location of Female Partners



While 61% of all women partners are currently based in the SF Bay Area or NYC, there are several emerging markets that have demonstrated promising growth in recruiting women partners. LA, Boston, Seattle, DC, Minneapolis, and Atlanta are proving to be hot beds for diverse funder and founder talent. These communities are benefiting from strong, diverse networks of customers, operators, and new venture firms raising capital. They're also experiencing a surge of growth from people moving back home or seeking lifestyle changes in response to COVID.

The rise in female partners is promising, but it's not enough. In order to instigate large scale and structural change, we also need to see an uptick in founding women partners. Founding women partners are almost universally more empowered to make investment decisions, and have the ability to define and lead a firm's thesis and culture. This stands to be a tremendous leverage point for driving diversity in downstream funding. It is also important to note that founding women partners have favorable economics that create meaningful wealth through carry and firm ownership, one part of closing the wealth gap in venture capital.

Founding Women Partners vs. Women Partners at Existing Firms



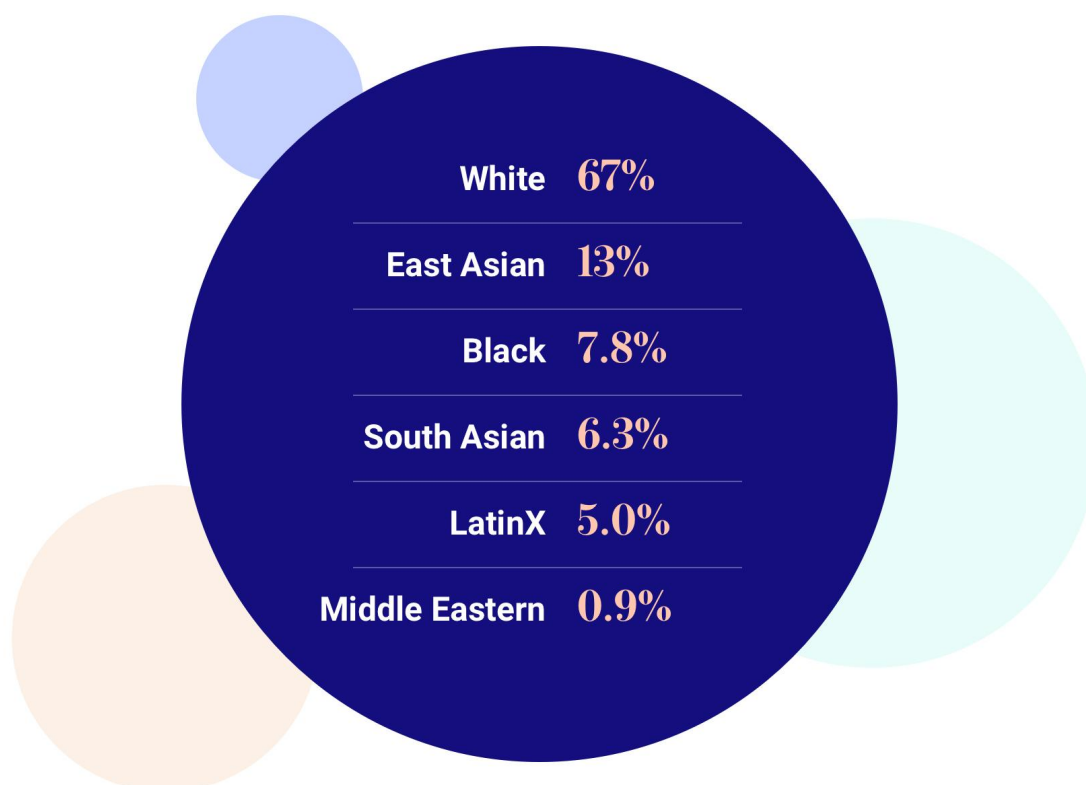
Right now, 49% of all female partners are founding partners, which means they started their own firm. This represents just **320 women across 275 firms**. Based on our network and research, we believe this is a significant percentage of the founding female partners currently in the market. Being the minority in any industry is difficult, but these emerging managers also come from largely non-traditional career paths, which means they face additional obstacles of bias.

The urgency is clear: based on our Women in VC dataset against the Preqin universe of US based VC funds and Partners, this translates to only **2.4% of all VC partners being founding female partners, and only 5.6% being women-led funds.**

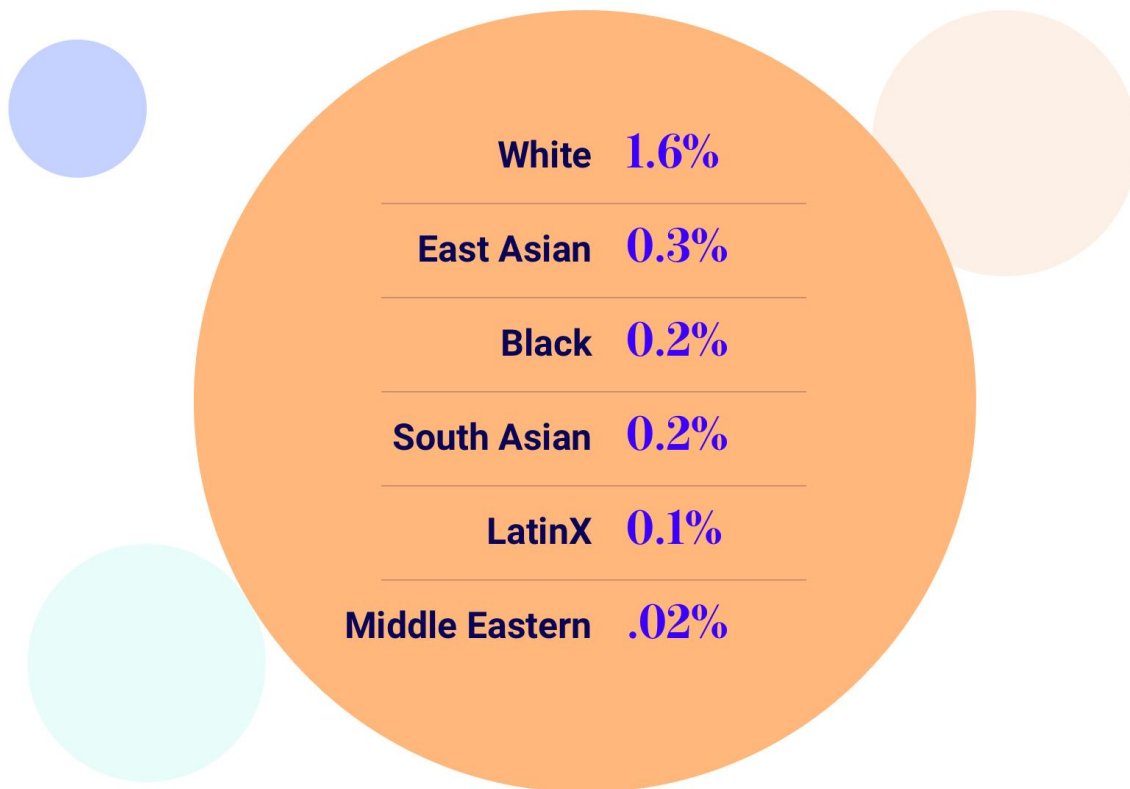
It's unlikely that the ratio of firms with a founding female partner vs. firms with only founding male partners is as balanced. This likely stems from women's drive for career advancement that's often limited in venture firms. In many cases, there's not a path to equal partnership, or it could take years to achieve. Starting a small proof of concept fund (typically under \$10MM) can be the fastest way to get ahead in venture and build a track record.

The diversity numbers for founding women partners require significant improvement. Only 0.8% are women of color, which is less than 1% of all VC partners in the US.

Ethnicity of Founding Female Partners (320)



Ethnicity of Founding Female Partners vs. All VC Partners in the US



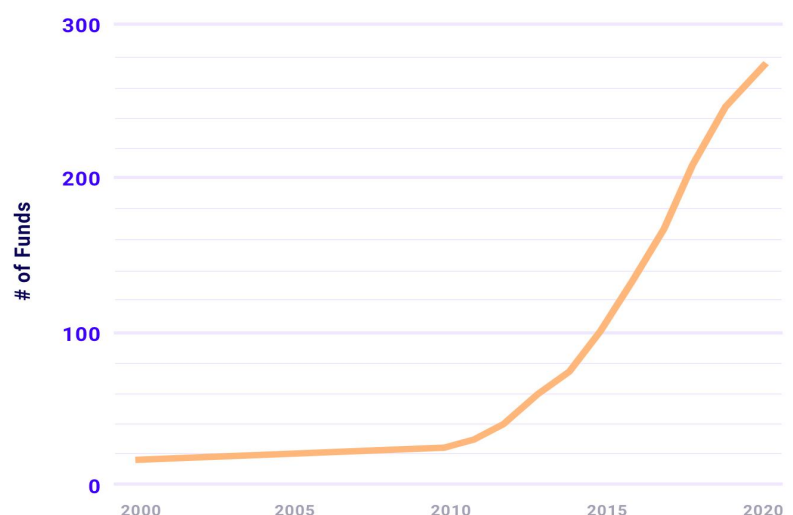
A lack of diversity in fund managers directly contributes to funding inequality at the founder level, which then prevents an open flow of capital into the teams, products, and solutions that would be representative of a more inclusive society. Empowering women and people of color to drive the investment strategy of venture firms is the fastest, and most effective course correction for this problem.

Over the last 5 years, public awareness about women in venture capital has dramatically increased. There are a few reasons for this. The timeline makes sense: a more [prominent conversation about the rise of micro funds started around 2014](#), thought leaders like [Samir Kaji started tracking the landscape in 2015](#), and [RAISE at the Presidio](#), a widely recognized conference showcasing promising emerging managers, launched in 2016. There were also massive social shifts, which acted as lightning rods for women's empowerment: forcing functions like Hillary Clinton lost the election, the #MeToo and Time's Up movements helped shine a light on harassment and bias in tech, and [AllRaise launched](#), driving urgency into the conversation around recruiting women partners. Now, with iconic role models like [Mary Meeker's \\$1.25BN debut fund](#), Bond, and [Kirsten Green's latest \\$500MM fund](#), more and more women are inspired to take control of their own success in the venture community.

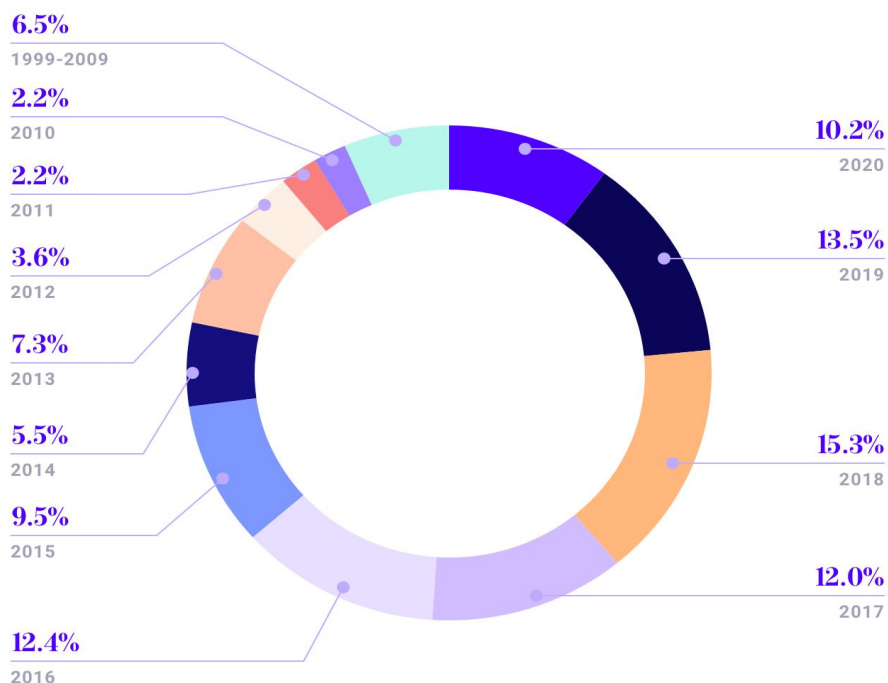
An increase in public awareness about women in VC has paralleled a spike in women-led funds. Over the last five years, the number of women-led funds has nearly quadrupled, and there is evidence this rise is accelerating.

These funds have the potential to drive huge change across almost every industry and represent an opportunity to back the next wave of successful managers, but they need time to establish themselves as fund managers and solidify wins on their track record to earn a more permanent place in the venture community. That means right now is their most critical moment. It also means, for investors, that this is their biggest opportunity. The time to get in on the ground level is now.

Growth of Women-Led Funds

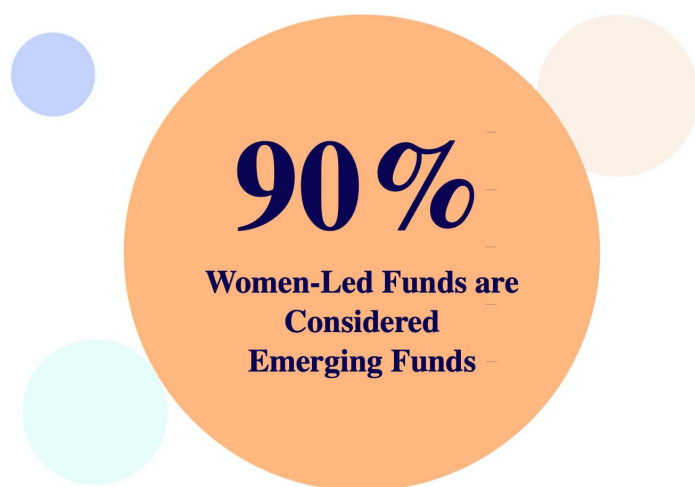


Founding Year of Women-Led Funds (275)



73% of women-led firms were founded in the last five years, which means they are ripe for new capital partners and relationships now. 67% are either raising their first fund or on Fund I, which means the pipeline for women-led funds is deep. 44% are currently investing out of Fund I, which tends to indicate they'll be in market for Fund II in the next 12-24 months.

Overall, 90% of all women-led funds qualify as emerging managers. That means we are at a serious inflection point to pave a path towards a more accepting, accessible venture community for women, and as a byproduct, women founders.



of Funds Raised within the Women-Led Franchise

Fund I	43%
Fund II	17%
Fund III	6.2%
Fund IV	2.9%
Fund V	1.8%
Fund VI+	2.2%
Raising Fund I	23%
Unclear / Evergreen	3.6%

A recent report from [Oper8r](#) demonstrates that [emerging managers deliver outsized returns](#) and are most likely to generate alpha. The next few years will be an essential proving ground. Any emerging fund requires years to build a portfolio, demonstrate performance, and land an outsized exit to solidify their franchise in venture, but these women-led funds are also facing extreme economic uncertainty, political turmoil, and persistent industry-wide sexism. They require industry opportunities and connections to capital beyond a high net worth network to see the progress and growth they represent fully realized.

Although only 5.6% of all US based VC firms are women-led, there is more diversity in women-led funds and women partners than anywhere else in the industry.

- 33% of all Founding female partners are non-white, vs [21% of all VC partners in the US](#).
- 38% of all women-owned firms are founded by a woman of color. Yet this represents only 2.1% of all VC firms in the US. That disparity is staggering.

Women Led Funds are Diverse

	% ALL Women Owned Firms	% of ALL Venture Funds
White owned	66%	3.7%
East Asian owned	15%	0.8%
Black owned	8.7%	0.5%
South Asian owned	7.3%	0.4%
LatinX owned	5.5%	0.3%
Middle Eastern owned	1.1%	0.1%
<hr/>		
Non-White Women owned	37.5%	2.1%
Total Women owned		5.6%

This matters. The VC industry overwhelmingly invests in founders, teams, and products that look like them. That leaves huge market opportunities on the table, with millions of people who would be willing to spend money on the things they need remaining largely overlooked. More diverse and more women-led funds mean that the likelihood of products and services targeting underserved markets receiving funding increases.

Diverse teams also outperform all-white teams, across the board. [We see this in study after study](#). It's time to act on it.

Venture investors have extraordinary power to impact broader society norms. They decide what founders get funded, what businesses stand a chance at success, and what products get brought to market. These things, in turn, exert a determining influence on our culture.

Even by very conservative estimates, these 275 women-led firms are poised to invest in more than **7,000 companies in the coming years, potentially creating more than 80,000 jobs⁶**. With women proven to be more inclusive in the profiles of founders they back, the cultural impact this could have is unquantifiable.

⁶ Assumes ~25 companies per fund, minimum 12 employees per company.

In recent years, several institutional managers have launched diversity initiatives to invest in women and diverse managers. This awareness is a meaningful step toward acknowledging the problem, but comes with its own set of challenges for women partners:

1. Female funders often get deferred to a diversity initiative within an LP group, while the larger capital opportunities remain with the “core” fund investments.
2. Diversity mandates are often deployed over a multi-year period, and/or across all asset classes. This can limit the number of spots available to invest in venture managers annually.
3. Institutions often have minimum check sizes and ownership thresholds they’re able to take in a given fund. This can make it difficult to invest in funds under \$100MM, which is the size of the majority of women-led funds. 90% of women-led funds are still classified as emerging managers.
4. Although well intentioned, colleagues looking to be helpful often defer to introductions at said diversity initiatives vs. opening doors to gender neutral capital opportunities. This unconscious bias is equivalent to only connecting a female founder with funds specifically targeting female founders.

With several asset allocators having over a trillion assets under management (AUM), *a less than 0.5% commitment to women would still equal more than \$5 billion dollars*. That is a **transformative** commitment to women-led funds. As these diversity initiatives mature and become a more meaningful portion of overall AUM, massive change can be made - there is an actionable path forward.

We at Women in VC are on a mission to help more women raise bigger funds, faster. This report represents a springboard to move the conversation forward, but there are also clear steps we can take together, as an industry, to capture this potential. Some of what we are doing:

1. **Exposure for women-led funds:** We're thrilled to be partnering with the [Bridge Conference](#) and [Conduit](#), premiere events to connect female fund managers with LPs. These are showcases to draw attention to talented women-led funds and connect them with viable sources of capital.
2. **Education for women-led funds:** [Oper8r is a new program](#) that provides best in class education, mentorship, and exposure to top institutional LPs. The curriculum is specifically focused on emerging managers, giving them the tools and training to stand up an institutional firm. Through our partnership, we are helping to ensure their exclusive cohorts are gender balanced, acting as a pipeline to help recruit the best founding women partners into the program. This not only provides a meaningful experience, it also ensures women will have a voice in what's already becoming a powerful new alumni network of sought after emerging managers.
3. **Community and Resources for women-led funds:** Through a partnership with Transact Global, we will be helping to connect founding female GPs for fundraising pods and exclusive events, designed to promote best practices, offer support, share resources, and make LP connections.
4. **Content Syndication and Events:** We're coming together with incredible groups such as [All Raise](#), [Beyond the Billions](#), [She-VC](#), and [Women 2.0](#) to elevate each other's voices and shared mission, syndicating content, promoting and co-hosting events for female funders.

Taking Action as an Investor:

The universe of women-led funds is small, but growing. If each of the 275 women-led emerging funds received an anchor check of \$10MM, that \$2.75 billion would provide essential momentum that can help carry an entire generation of new managers. This is an actionable opportunity to make lasting societal change while capturing significant upside.

Here are some recommended actions you can take today:

- **Do a diversity audit of the managers in your portfolio:** How are you doing? Awareness and transparency are great first steps to bring meaningful accountability for change.
- **Get involved:** Accredited investors looking to meet and invest in women-led funds can [fill out this form](#) to be part of our [Women in VC](#) movement for change.
- **Write the check:** Invest directly into female fund managers.
- **Make connections** to groups and high net worth individuals that are prepared to write a check, even if you or your group isn't able to. Be sure to expand the introductions outside of just known diversity initiatives and other women.

We've seen growth, but not enough. We've seen change, but not fast enough. We know that diversity pays off, and that giving women the reins by allowing them to determine the culture and investment strategy of a firm does, too. Our industry knows we need to be investing in more women. We know that investing in female fund managers *is* investing in female founders—and we need to do that at scale. Our efforts, and investments, now stand to make possible sweeping and necessary changes. We can change who gets funded, what gets made, and how products and services are able to serve a wider population of people. We must continue to lay the foundation for a more inclusive overall society.

Founded in 2015, the [Global Women in VC](#) community is the world's largest global directory for women in venture capital to find each other, connect, and collaborate. It is the worldwide infrastructure for women investors to interact, share deal flow, and establish new relationships.

Across the world, within our self reported database there are:

- 2,700+ women investors
- 1,700+ funds (institutionals, corporates, impact, family offices that make direct investments)
- 160+ cities, 55+ countries
- 35 U.S. states

Our members are actively engaged in organizing, recruiting, information sharing, and circulating deal flow. Since we've expanded our Slack group globally, there have been **close to 100,000 messages sent across 2,300+ members**. The 90+ active channels have empowered women to share resources, knowledge, fundraising guidance, plus hundreds of career and investment opportunities in the various stage, sector and role specific channels. Additionally, countless Women in VC meetups and events have been organized around the world in markets such as Seattle, LA, Austin, Berlin, London, Tel Aviv, and more.

About this research:

This anonymized data of women partners is based on a data set of 652 women partners currently at institutional funds based in the US. 67% of the data set is self-reported by current members of our [Women in VC](#) community. For the remaining 214 profiles, we supplemented the data using a variety of public lists (e.g. [First Republic 2019 US Micro Funds](#) and Shai Goldman's [VC Fund List](#)) as well as lists from private Slack/Whatsapp groups, and event lists of fund managers to ensure as comprehensive of a data set as possible.

To determine details about each fund and fund manager, we leveraged self reported Women in VC profiles, personal relationships, industry insight, LinkedIn profiles, fund websites, Crunchbase, Pitchbook, Preqin, and many other resources to collect the data.

Thank you to our contributors:

We couldn't have tackled this project without the help and support of several incredible members of our Women in VC community! Thank you to everyone that helped us comb through data to make this important report a reality. This includes:

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For questions and comments about this report, please reach out Women in VC co-founders:

Jessica Peltz-Zatulove, Founding Partner, [Hannah Grey](#)
Sutian Dong, Founding Partner, "Something New"

ALL RAISE



Oper8r



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