

Five reasons why your fundraising may not be succeeding

We caught up with Sam Ettelaie, Senior Investment Manager for the Enterprise Capital Funds programme at the British Business Bank, to discuss the top five most common reasons why VC proposals weren't accepted onto the programme. This is what he told us:

1

Teams

Due to GP/LP funds traditionally having a 10 year life span, we focus heavily on the team. Typically, sticking points are focused on an incomplete or under-resourced team for the step up to managing institutional LP capital, where there isn't a relevant history of working together, or there is too much key person risk (we do not back solo GPs).

3

Investment Strategy

The broadest area listed, this typically includes a lack of focus (be that on sectors or stages), a lack of access to high quality or differentiated deal flow or a manager unable to outline why they are best placed to execute on their focus area. Fund models which don't appear to draw on macro or historic investment data and no understanding of the enterprise value which needs to be created to provide a positive return for LPs are also common concerns.

5

Track record

This is an interesting consideration for first-time fund managers. We see a varied group of individuals looking to raise funds, typically with some investment or operational background. Prospective managers need to be able to demonstrate relevant experience that aligns with the fund's investment strategy, and that their team have the collective skills to manage an institutional fund. Deployment of capital is useful but not essential.

2

Conflicts

Partnerships with other firms, preferential treatment to specific relationships, wishing to follow-on into previous investments or running multiple funds at any one time which interact can all be areas of concern.

4

Feedback

We see a large number of proposals in all shapes and sizes, with fund managers at different stages of their journey, and we always provide feedback accordingly. Feedback isn't just a checklist to progress, take it as a chance to sit back and think about why those points have been raised rather than rushing to respond. The process of identifying a good opportunity isn't very different from backing a good company, managers need to be able to demonstrate a strong and skilled team who can articulate why they are different and better than incumbents.

If you are raising a first-time or emerging fund which invests solely in early-stage UK companies and you believe you tick all these boxes, then the ECF programme may be a good fit for you. Get in touch today via our [website](#).



Sam Ettelaie, Senior Investment Manager at the British Business Bank, has five years' experience as an LP in the Venture Capital industry, principally supporting first-time and emerging fund managers through the Enterprise Capital Funds programme.