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Peer Insights REPORT

Q&A with Garrett Van Wagoner:

General Partner of Van Wagoner Ventures

Principle Series:

Family Office Insights sits down with Garrett Van Wagoner, General Partner at Van Wagoner Ventures, LLC to talk about his career and his new fund in venture/expansion capital, Van Wagoner Ventures Fund II, from the genesis of the "Next Big Thing" to how he expects to successfully execute his strategy.

Family Office Insights is a voluntary, "opt-in" collaborative peer-to-peer community of single family offices, qualified investors and institutional investors.

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Q: Before diving into the fund specifics, tell us a little about your career on Wall Street.

A: I started almost 40 years ago in 1978 as an equity analyst and portfolio manager, first with a few regional banks, then from 1982-1993 at Bessemer Trust Co. in New York.

Q: After working for prestigious firms like Bessemer Trust why go it alone?

A: My experience at Bessemer was outstanding, great people and a wonderful atmosphere, but I was very interested in specializing in emerging technologies and during the mid-80's believed Silicon Valley was the next mecca for industrial growth. In 1993, I had an opportunity to move to San Francisco and develop a small cap business for a UK-based money manager Govett, I leapt at the chance. After three successful years there it was time to strike out on my own as so many entrepreneurs were doing in the Valley.

Q: What were the products your firm brought to market and what were the results?

A: Our mutual fund company focused on emerging new US based technology companies. Our products were in a defined niche and when the sector was hot, we had some spectacular successes. When it wasn't, we laid an egg. I have always tried to develop products with high alpha potential first rather than focusing on the continuity of creating a sustainable business in financial services and that certainly led to great volatility.

Q: What do you believe contributed to the performance during those go/go years?

A: Certainly the niche product helped, but I also implemented two disciplines that added greatly to the results. The arbitrage window on these disciplines each lasted a few years, but eventually faded due to a combination of competition, market cycles and new regulation.

Q: What were those two unique alpha generators and how did they contribute?

A: The first was once ensconced in the Bay Area in 1993 I focused on Company products through direct research rather than relying on Wall Street research. Product cycles were everything for these young companies and I spent most of our time visiting competitors, interviewing supply chain partners, sales people and anyone who might bring insight into the potential acceleration/disruption of a new product cycle. During this process I also started to visit private companies and found them to be a valuable source of insight into various markets and products. I also attended trade shows back when there were very few Wall Street types attending, usually just the investment bankers and a few VCs. The strategy paid off, I had the best performing small cap mutual fund three years in a row 1993-1995. The end of this advantage happened when Reg. FD passed in August of 2000. Once public Co.'s and others along the information chain hid behind Reg. FD, building a mosaic of alpha generating research based on the impact of product cycles became impossible.

Q: And the second?

A: After visiting with leading private companies during 1993-1996 I realized that IPO readiness was equal part business model maturity, market cycle dynamics and banker's agendas. I believed that strong returns were generated by investing in the expansion capital phase of the business after the products were developed but before broad market acceptance. It was in 1997 I decided to carve out some capital from the mutual fund portfolios and invest in late stage private securities or as it was known then "pre-IPO" investments. Capturing the valuation differential between private and public tech investments led to investing in late stage private companies generating tremendous alpha for our shareholders and winning another best performing fund award in 1999. By 2000, my mutual fund competitors had caught on and created unrealistic valuations for many leading private companies reducing or eliminating the valuation gap. Then the internet bubble burst, IPO's and private capital liquidity vanished. We had stopped committing new capital to the space in 2000 and the mutual funds exited the VC space in 2003 and it wasn't until after the mortgage crises in late 2010 where valuations in late stage VC returned to normal and I found a new niche where I felt we had an edge.

Q: Let's turn to your new niche in mobility connected technology solutions. What was the genesis for it?

A: After the mortgage crises had run its course, I found an area that I believed could generate significant returns and funded several investments in Impact/SRI around the belief that a 4th Generation Industrial Revolution was going to remake much of our global economy and in particularly global transportation. One of the Fund's investments was in an alternative fuel vehicle solution used by major fleets and over the past 6 years I have developed substantial intellectual property in the mobility connected technology vertical including alternative fuel vehicles and related infrastructure. The domain expertise developed during VW Ventures SPV I led us to recognize, once again, a significant arbitrage opportunity between early public/late stage expansion valuations in this new economy vertical. This has led to SPV II a company leading the development of alternative powered commercial vehicles.

Q: Let's drill down on VW Ventures Fund II, can you describe the Fund's mission and investment thesis?

A: To take advantage of this opportunity VW Ventures Fund II's will finance the **4th Generation Industrial Revolution** reshaping global transportation. **Mobility connected** technology solutions will affect all forms of transportation, land, sea and air, creating ***Impact*** through an interdependent, cleaner more efficient sustainable transportation grid. The paradigm will be lead by ***"New Economy" technology*** solutions in software applications for connected services, telematics and logistics, alternative fuels, infrastructure support, and smart grid connected solutions This ecosystem is about to embark on fundamental changes over the next several decades that outpace the last 100 years and will revolutionize how we travel, transport goods and live our daily lives. he spending needed to support these components is expected to be at least $3.5 trillion over the next ten years.

Q: Why do you think you have a competitive advantage, won't the traditional VCs dominate this segment?

A: I think some will participate at the fringes but the vast majority of venture involvement will be in autonomous vehicles and some other software applications, an area that we believe will be very crowded. We have been focused for the last several years on the mobility connected grid and the smart infrastructure that surrounds it. This has allowed us to gain the domain expertise, identify the most attractive industry segments and develop a database of potential investments that clearly separates us from other late stage/expansion firms.

Q: Given your first two successful unique ideas the returns of the first Crossover Fund and the first two SPV's what gives you confidence this one will succeed?

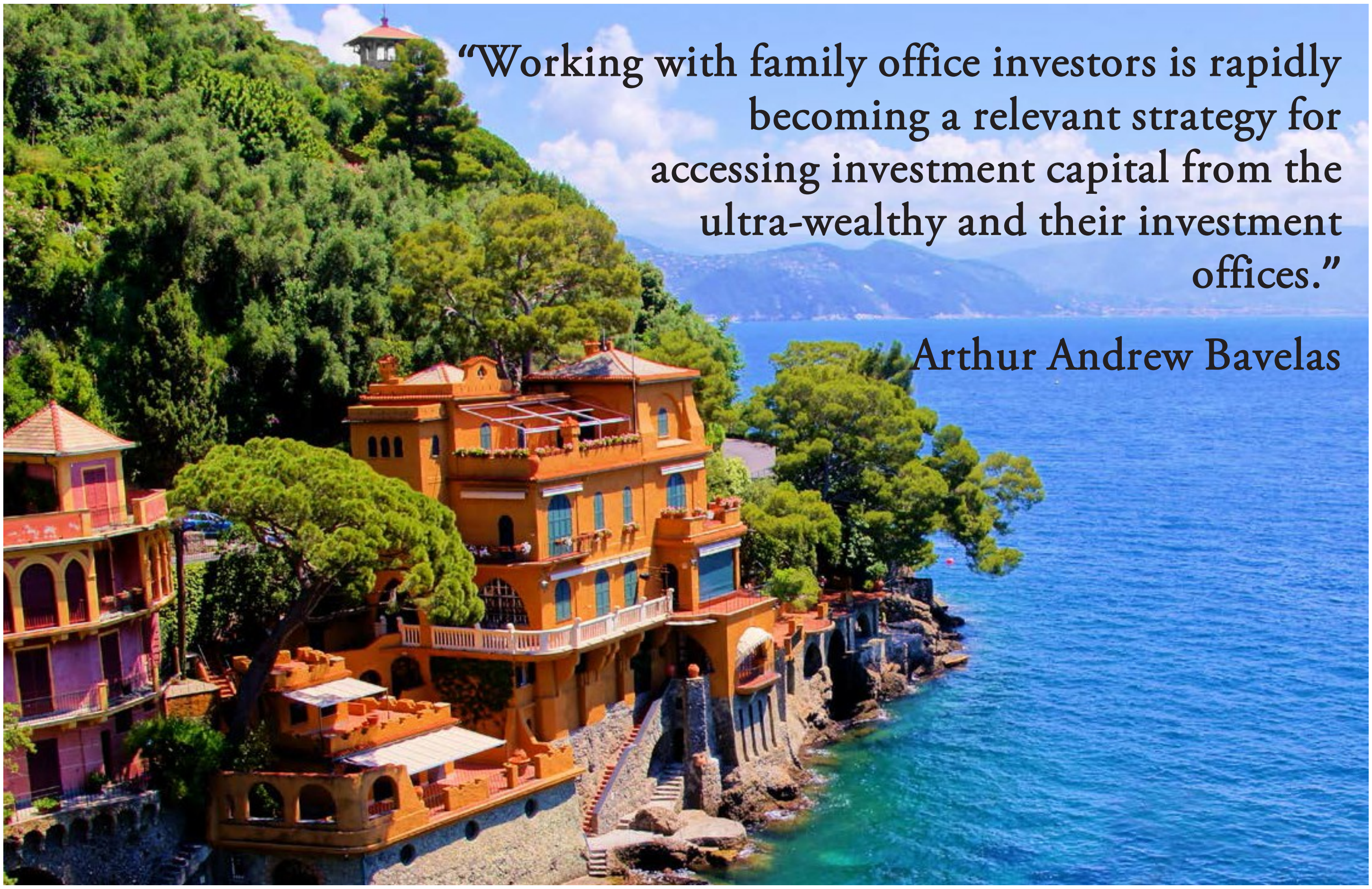
A: We have identified the transformation of the transportation sector of the global economy, which represents $16 trillion or 15% of the global economy that is ready to spread its wings. Now it is up to us to execute using the following 3 fundamental principles: 1) our investment process for our venture capital funds utilizes a disciplined ROI approach as its guiding principal. By identifying disruptive technologies and superior management teams we expect to be the dominant force in this new economic sector, 2) our deal flow comes from a database of vetted prospects, referrals from former transactions, unique lead generation through proprietary contacts, an extensive network in the green finance ecosystem, and additional ideas from investment vetting process, and 3) our selection process has been honed over many years and includes a thorough technology assessment, market research confirming growth and sustainability, competitive analysis to confirm company leadership, interviewing supply chain to validate scalability, interviews with senior management, checking references/credentials and tearing apart business model by challenging each line item.

Q: In the end, why should people be interested in Van Wagoner Ventures products?

A: In prior cycles when I have found a new niche I have a proven track record of strong economic returns. This sector of the new economy is enormous, with spending needed to support market development expected to be at least $3.5 billion over the next ten years. We have planted a stake in the ground with two successful investments, leading domain expertise, and a vetted investment process and strongly believe after funding we can establish ourselves as the go to firm with the leading companies in the most attractive niches, providing an enormous impact on carbon emissions.

Garrett Van Wagoner

Garrett Van Wagoner started his career in 1978 as an equity analyst and portfolio manager, first with regional banks then from 1982-1993 at Bessemer Trust Co. in New York. In 1993, he moved to San Francisco to develop a small cap business for a UK-based money manager, Govett. After three successful years at Govett, he left to form Van Wagoner Funds an Open End Mutual Fund company. Besides successful years in the public investing space, he started to invest in late stage venture capital with VW Funds Crossover Vintage 1997, deploying $340 million in 54 Companies resulting in a net IRR of 82%. His first SPV in the mobility connected Impact space, has a 8.8x multiple and net IRR of 50%. For more information, please visit their website at vwcm.com or email info@vwcm.com.


"Working with family office investors is rapidly becoming a relevant strategy for accessing investment capital from the ultra-wealthy and their investment offices."
Arthur Andrew Bavelas