

UPSIDE PODCAST — #Episode 103

Do mega funds return capital?

To find out, you have to survive
the power law three times over.



THE STRUCTURE

Three layers, *three separate bets.*

A startup either becomes an outlier or it doesn't. A VC fund either gets into that outlier or it doesn't. A fund of funds either backed that VC fund or it didn't. **Each layer only pays off if the layer below it produces an extreme winner.**

LAYER ONE: THE STARTUPS

Across 759 companies, *five did a third of the work.*

17 funds over \$1 billion, raised between 2011 and 2020. Names like ByteDance, Databricks, and OpenAI account for roughly a third of all value created across the entire sample. *The top 10 account for nearly half.*



LAYER TWO: THE FUNDS

Only 8 of the underlying funds *actually returned their own capital from one company alone.*

Not evenly spread. A handful of funds landed two of these. **Most of the 17 landed none.** Getting into a good startup is not the same as getting into the one that becomes a fund returner.



LAYER THREE: THE FUND OF FUNDS

Then you have to have picked *the right fund in the first place.*

A fund of funds doesn't choose startups. It chooses which VC managers to back, years before anyone knows which of them will find the next ByteDance. Backing 17 good funds only works if enough of them happen to be the ones holding the outlier.



THE CAVEAT THAT MATTERS

This was also *the best decade venture has ever had.*

Near-zero interest rates, a historic tech bull run, wide-open IPO markets, then a sharp collapse from 2022 onward. **These numbers show what mega funds can do in ideal conditions.** Not what they'll do in this one.

CLOSER

The power law doesn't get easier when you add a layer. *It compounds.*

Full episode out now ↓

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