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PERSPECTIVES ON

# Global Connections - The Capital For Tech Investing

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**GIC's Technology Investment Group (TIG) is a global team with a presence in Silicon Valley, China, and India. It invests directly in private and public technology companies and also serves as an LP in top-tier technology funds. This article was contributed by Jeremy Kranz and Chris Emanuel, Co-Heads of GIC's Technology Investment Group (TIG).**

## GIC AND THE WORLD OF TECH INVESTING

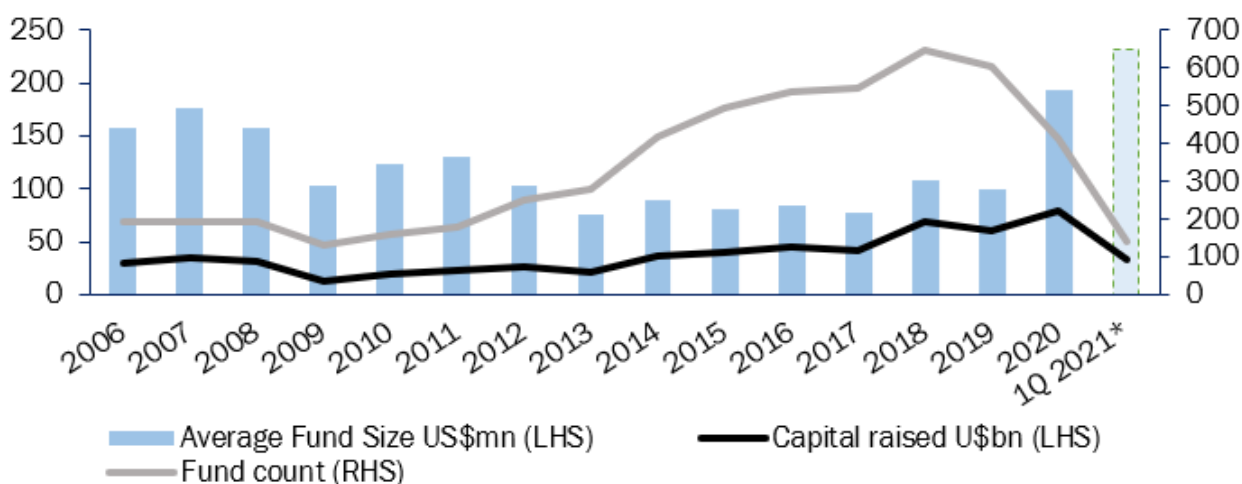
Despite the pandemic, the world of tech investing has become more competitive than ever. Silicon Valley is flooded with capital, driven by the growing appetite for higher return assets, against a backdrop of low interest rates and the acceleration of the digital transformation trend.

In the US, this year's frenzied pace in venture capital (VC) transactions, fundraising and the competition for deals is already set to far surpass 2020's levels. As seen in Figure 1, Q1 2021 saw US\$69 billion in VC deal volume, representing 44% of 2020's record-breaking US\$156 billion in total deal volume. Mega-deals of at least US\$100 million make up more than US\$40 billion of the Q1 2021 deal activity, compared to the US\$76.6 billion in VC deal activity for full year 2020. The average size of funds raised doubled to nearly US\$194 million in 2020 and rose further to

US\$230 million by end Q1 2021, due to a large spike in the number of mega-funds<sup>1</sup>, reflecting the immense amount of dry powder targeting the sector overall.

GIC has had a front row seat to this exciting and evolving investment landscape of Silicon Valley since the establishment of our San Francisco office in 1986. As a long-term investor with both private and public markets expertise, we have been able to invest in early fundraising rounds, and remain investors even post-IPO in tech businesses where we see enduring growth potential and value. Capitalizing on the global digital disruption trend, in recent years, GIC's Technology Investment Group has been focused on opportunities in fintech, prop tech, enterprise IT and supply chain networks. Some notable examples of our long-term tech investments in these areas include Affirm, Checkout.com, DoorDash, Meituan and Snowflake.

**Figure 1. US Venture Fund Raising Activity**



Source: Q1 2021 Pitchbook-NVCA Venture Monitor, GIC Calculations, \*31 March 2021

<sup>1</sup> The number of mega funds (defined by PitchBook as funds that are US\$500 million and above in size) raised in the US nearly doubled from 25 in 2019 to 48 in 2020.

## KEY CONSIDERATIONS WHEN LOOKING FOR INVESTORS

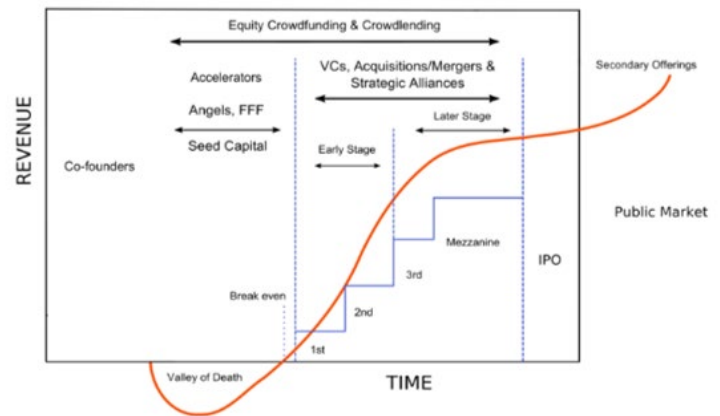
In a world full of high-dollar deals, startups looking towards the long-term health of their business must consider an investor's experience, network and ability to be a purposeful partner as a distinct advantage<sup>2</sup>.

The needs of early stage startups differ greatly from more established businesses looking to scale. Market research has shown that just 20%-30%<sup>3</sup> of startups have exited through an IPO or M&A. It is imperative that companies select investors that will maximize their chances of long-term success.

Some key considerations when looking for investors include:

- **Work with investors who align with your long-term goals** to ensure your company will have the resources and support needed at every stage of growth, including post-IPO.
- **Identify desired domestic and international expansion plans** to identify gaps and find investors who can support you as you scale.
- **Find investors with strong networks and talent-hunting resources** to help build executive leadership teams and boards.
- **Look for investors with a solid track record of helping similar businesses succeed**, by participating in multiple funding rounds and scaling up operations.
- As early stage investing is largely about trust, **find reputable investors who can bring credibility to your organization** and help develop or deepen relationships, adding significant value and accelerating growth.

Figure 2. Startup Financing Cycle



Source: [Wikimedia](#)

## BUILDING A BRIDGE: THE VALUE OF THE WELL-CONNECTED INVESTOR

Likewise, for investors in the VC space, one key driver of performance is the connections that they can offer. Better networked VC firms experience significantly better fund performance<sup>4</sup> due to their ability to source high-quality deal flow and nurture investments by adding value to portfolio companies.

At GIC, our long-term mindset and four decades in global investing have enabled us to develop meaningful partnerships over the years across all sectors and asset classes. Our partnerships go as far back as 10, 20, 30 odd years, and many partners have grown to be huge successes today.

**“IN TECH INVESTING, A FRENZIED DEAL PACE WITH FUNDRAISING AT AN ALL-TIME HIGH, IS DRIVING INVESTORS TO CLEARLY DIFFERENTIATE THEMSELVES AND THEIR NETWORKS TO WIN DEALS IN AN INCREASINGLY COMPETITIVE LANDSCAPE.**

<sup>2</sup> McKinsey & Company, [A New Decade for Private Markets: McKinsey Global Private Markets Review 2020](#), February 2020, p 10

<sup>3</sup> Source: CBInsights (based on 1,100 tech companies that raised seed rounds in the US in 2008-10), Crunchbase (based on startups that raised seed rounds in the US between 1990-2010).

<sup>4</sup> Yael V. Hochberg, Alexander Ljungqvist, and Yang Lu, [Whom You Know Matters: Venture Capital Networks and Investment Performance](#), *The Journal Of Finance*, Vol. Lxii, No. 1, February 2007.

Specifically, in the tech space, serving as LPs in many top-tier tech funds has given us unprecedented insights to guide investment strategies and help our investee companies thrive.

With local teams actively operating in 10 key international financial hubs - Singapore, San Francisco, New York, Tokyo, London, Beijing, Shanghai, Seoul, Sao Paulo, and Mumbai - GIC is deeply plugged into the global innovation ecosystem. We are one of the world's largest institutional investors, with a notable presence in Asia, where we continue to see significant growth opportunity and appetite for digitalization. Our ability to serve as a bridge between Asia, the Americas and Europe, allows us to share our networks and gain insights on innovation leads and lags around the world.

In fact, one distinct way we leverage this is through our Bridge Forum platform which was founded in 2018 alongside our partner, Singapore's Economic Development Board. The Bridge Forum brings together our global network of leading and next-generation companies to better understand tech disruption and innovation in their respective sectors. Impact-focused, the platform has hosted some 200 C-suite business luminaries and tech trailblazers and facilitated over more than 450 meetings across Silicon Valley, Europe, Asia and Australia, resulting in numerous business partnerships, investment opportunities and exclusive insights for participating companies and GIC.

## RECENT BRIDGE FORUM EFFORTS

Recent Bridge Forum efforts include:

- Leveraging our network to support startups seeking to set up and scale their businesses globally, sooner. We have helped companies like Zoom, Coinbase and Snowflake and many others expand their reach to China, India and Singapore;
- Connecting with global innovators and experts – in 2020 alone, our tech investment team spoke with more than 45 top CEOs and CTOs

around the world to identify their most pressing tech needs, resulting in more than 30 business connections for our network of tech businesses and innovators;

- Organizing, in November 2020, an invite-only virtual Bridge Forum event convening more than 30 C-suite women from leading enterprise tech businesses to share exclusive insights in a rapidly changing environment at the height of the pandemic.

## CONCLUSION

For young and growing businesses who have yet to develop deep networks in key regions around the world, the COVID-19 pandemic has made it more important than ever before to have a supportive, global investment partner who can help bridge the gap. We believe these deliberate, curated connections will be increasingly more important in the “new normal” where global travel and in-person connections will likely stay constrained over the next several years. Beyond the pandemic, we believe the digitalization trend will continue meaning an investor's trusted, long-term business relationships will be an increasingly valuable commodity that drives value for investee companies now and well into the future.

**“OUR ABILITY TO SERVE AS A BRIDGE BETWEEN ASIA, THE AMERICAS AND EUROPE, ALLOWS US TO SHARE OUR NETWORKS AND GAIN INSIGHTS ON INNOVATION LEADS AND LAGS AROUND THE WORLD.”**

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