

## CfEL Survey of Fund Managers – Executive Summary

### Introduction

CfEL conducted its first ever survey of fund managers in November 2011. Through its regular contact with managers, CfEL hears plenty of anecdotal evidence about the state of the UK venture capital market. CfEL picks up views about the quality of investment opportunities, the appetite of private investors, difficulties raising follow-on rounds, issues around exit opportunities and so on. One of the problems with this soft information gathering is that when a small number of people make similar claims, especially if those claims are well articulated, one may give them undue weight. The purpose of the survey was to find out whether it would be possible to gather the views of a larger group and to find out what those views are. In many respects, the survey should be viewed as a pilot study.

### Methodology

The research was carried out using an online self-completion survey tool. Out of 64 fund managers invited to take part, 55 responded – a healthy 86 per cent response rate. The sample may not have been representative, so it is not possible to draw inferences about the population of managers of publicly backed venture capital funds from the data. However, the results at least provide an indication of how widely held certain views are among a relatively large sample of fund managers.

### Key findings

The findings substantiate research suggesting **the boundaries of the equity gap are more complex than a single set of parameters**. There was a great variation in where fund managers thought the gap ranged from and to. Views on the equity gap were partially correlated with the type of fund managed.

Quality deal flow does not appear to be an issue for most managers. **Two fifths of managers thought quality had improved over the past year**.

It has become **more difficult in the past year to find co-investors**. This applies to both finding investors for initial funding rounds and finding investors for follow-on rounds.

**A low risk appetite from investors and the general economic outlook** are the biggest challenges to fundraising.

**The economy** in general, **obtaining finance, cash flow** and **a shortage of managerial skills/expertise** are the main obstacles identified by fund managers as limiting the success of their portfolio companies.

Despite recent studies arguing that publicly backed venture funds need to be larger and not be regionally or even nationally constrained, the majority of respondents believed there was a **need for smaller funds and funds with a regional investment focus**.