

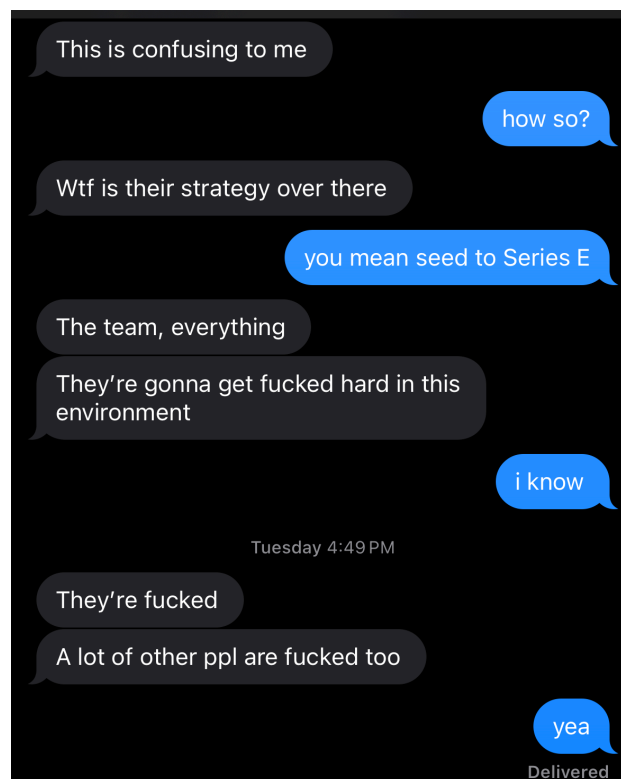
Welcome to the 4th Edition of Public School Ventures' School Bulletin!

In this month's 'Bulletin' you will find:

1. [Classroom Debate, The Shifting VC Landscape](#): Examining the new VC era: challenges, industry dynamics, and emerging opportunities.
2. [Yearbook Predictions, VC's Expert Outlooks for 2024](#): Reflecting and forecasting: Insights into the future trends and developments in VC.
3. [With Gratitude, Acknowledging Influences](#): A personal note on the power of gratitude within the VC community.

1. Classroom Debate: The Shifting VC Landscape

As 2024 unfolds, the venture capital market remains shrouded in uncertainty, marking a stark contrast to the previous decade. Change is the only constant, evidenced by prominent staples like [Openview shutting down](#) and [Foundry's decision not to continue as a legacy firm](#). These events, among others, have unveiled a newfound reality to me and mid-career peers across various VC firms: the era of assured up-and-the-right valuations, job security, and easy capital is over. This shift was starkly illuminated in a recent, sobering text exchange with a fellow experienced VC...



In this evolving environment, Limited Partners (LPs) are scrutinizing their investments more critically. They often pose challenging questions about fund managers' strategies in private settings: "What's the actual strategy here?" This introspection is evident with new fund managers and in reevaluating existing relationships.

The venture capital landscape is undergoing a dramatic transformation characterized by a dichotomy. On one side, there are focused, smaller firms akin to 'cottage keepers,' and on the other, there are expansive, large, multi-stage mega-funds. Kyle Harrison from Contrary Capital has penned a [notable piece](#) that illuminates these dynamics, highlighting the industry's shifting focus.

For individual VCs and firms alike, not only is entering the venture space challenging but staying relevant in the industry is an even greater task. This reality reminds me of the competitive nature of professional sports leagues, such as the NBA or F1 racing, where only a select few secure their spots each year.

Amidst this, a notable trend of consolidation and refocusing among LPs is emerging. They are drawn to the simplicity and clarity offered by the two archetypes mentioned in Kyle's piece: 'cottage keepers' and 'capital agglomerators' firms. However, this creates a potentially opportunistic yet uncertain gap in the middle of the market.

Challenges are evident even in the new conventional models. Solo capitalists and small firms may struggle to raise further funds or shut down entirely, as exemplified by [Countdown Capital](#). The reasons for these struggles aren't clear-cut. Still, intense competition from more prominent players like a16z, Sequoia, Greylock, and Greycroft, who are moving into earlier seed and pre-seed stages, could be a contributing factor.

The value of micro VCs, solo capitalists, and specialized small firms has perhaps never been higher, driven by the desire to connect with great companies as early as possible. Institutional LPs, such as Morgan Creek, suggest that these 'key-node' players, akin to 'cottage keepers,' are becoming vital extensions of larger firms. This dynamic has resulted in an unusual early-stage market where, despite a general decline in deal activity, early-stage valuations have not seen a corresponding drop, hinting at sustained interest in this sector.

Mega-funds, seemingly 'too big to fail,' continue to attract attention due to their historical performance and enduring relationships with LPs. The growing interest of international investors in top-tier US VC firms, with giants like a16z expanding to new regions like Japan, underscores this trend.

However, these large firms face their challenges, too. The era of low-interest rates, which facilitated expansion in services and products, has ended, now replaced by the pressure of managing overhead costs in a market where growth investments are decelerating. This has led

to a reevaluation of essentials, with some firms streamlining their teams to focus on core investment personnel and critical platform employees.

A sense of reorganization is palpable within firms, akin to an MCU 'reboot' – a period of determining the key players in this new era. This uncertainty is stirring unrest among junior Partners and General Partners at prominent firms, who question the sustainability of their roles and strategies, fearing they might be casualties of a metaphorical Thanos snap.



For someone like me, constantly seeking opportunities where others may not, this market presents a unique chance to create something innovative. My focus on foundational industries leads me to believe there's potential in the 'messy middle' of the market – a space that combines the agility and relationship focus of 'cottage keepers' with the vertical integration capabilities (customers, partners, capital) of mega-funds. This could involve forming strategic partnerships with private equity firms to scale startups effectively within industries eager to adopt technology. The recent news about General Catalyst's new acquisition, as reported by [Axios](#), shows that the industry is actively seeking new edges in the venture marketplace.

There's an opportunity to form a new kind of firm comprising experienced mid-career GPs with diverse focus areas, yet united by their hustle and passion for partnering with founders. Envisioning a firm with a fund size of \$200-\$400 million, we could offer a fresh approach, blending the best of both worlds. While this concept isn't entirely novel—echoing a similar approach discussed in the [book 'E-boys'](#)—the right combination of individuals at the right time could strike the perfect balance. This approach would present a clear, strategic pathway to yield unprecedented returns, even amidst today's turbulent waters. Perhaps, in this scenario, [I could play the role of Nick Fury](#), assembling a formidable team.

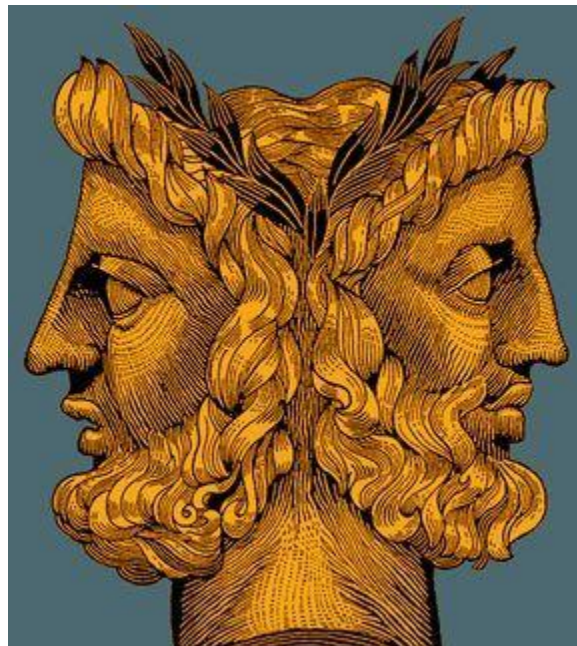
Like in Hollywood, where even an A-list cast needs a compelling script, the venture capital world hinges on strategy. It's not merely about who's in the game but their plan to win it. This notion of strategic ingenuity will define success in the venture capital landscape in 2024 and beyond.

2. Yearbook Predictions: VC's Outlook for 2024



The holiday season, culminating in January is a time I cherish. It's a period marked by celebrations, family reunions, and, importantly, reflection. As a Capricorn celebrating my birthday month ([it started off with a bang!](#)), this time also aligns with a tradition I adore: making predictions.

January, named after the two-faced god Janus, symbolizes a dual view of the past and future. This duality is apt for the season of forecasting what the new year will bring in the VC world. Enjoy insights on what 2024 might entail, from the next big thing in venture capital to comprehensive round-ups of predictions by financial experts, early-stage investment trends, perspectives from VC and LP leaders, and analyses of unicorn trends:



- ...what the next big thing will be ([Nikhil](#))
- ...a comprehensive round-up of all Wall Street's predictions ([Financial Times](#))
- ...why early-stage venture investing is evergreen ([Morgan Creek](#))
- ...VC Outlook from some great minds in the VC and LP worlds ([Allocate](#))

January 2024

You can find previous School Bulletin's [here](#)

- ...a 10-year Unicorn analysis from the team that coined the term ([Cowboy](#))
- ...two VCs finally get to pontificate on their LP-focused podcast ([Swimming with Allocators](#))

3. With Gratitude: Acknowledging Influences

Reflecting on gratitude has been a theme for me, especially as I approached my 39th birthday. I started the year by writing thank-you cards to 39 people who have influenced my life, both in small and significant ways. This practice of expressing gratitude will continue throughout 2024.

Don't be surprised if I reach out for your address to thank you for your influence or to celebrate your achievements. Special thanks this month go to Steve Zuschin for hosting me on the [Alternative Universe podcast](#) and to Santosh Sankar for the enriching content in [the Multiple newsletter](#). If you are a real student of the VC game, you want to read this newsletter.

As always, I want to extend my heartfelt thanks to all of you for supporting Public School Ventures and me. Your engagement is invaluable to our journey.

With gratitude,

Earnest Sweat
Public School Ventures