AG Dillon & Co

AG Dillon Pre-IPO Stock Vintage Indexes
Index Commentary – Feb 2023

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To my fellow venture capital investors,

It is my pleasure to formally introduce the AG Dillon Pre-IPO Stock Vintage Indexes. These indexes are designed to prove to institutional investors, financial advisors, and individual investors that late stage venture capital investing via the private secondary market provides the following;

- Superior risk-adjusted returns, consistent positive returns
- Liquidity in the first year of investment, full initial investment returned in 4.1 years
- Portfolio holdings transparency before investment
- Exposure to venture capital's "power law"
- Realized lower risk profile over time

I'd invite you to review the index methodology to understand how the indexes are constructed at www.agdillon.com/agdillon_index_methodology.pdf . Note that I refer to valuation performance in this commentary which does not include dilution. And – of course – indexes are just data and are not investable.

Returns

The average total value to paid-in capital (TVPI) globally for venture capital funds for vintages that are at least 5yrs old is 1.82x (2005 to 2019). The AG Dillon Pre-IPO Stock Vintage Indexes have an average TVPI of 5.25x for the same period, 189% higher. A 5.25x TVPI means that a $1,000,000 investment would have an average ending value of $5,250,000. There is only one AG Dillon Vintage Index – 2006 – that delivered a TVPI less than 1.00x, or where an investor lost money.

Liquidity

Investing in late stage venture backed companies provides the potential for exits to happen faster. Index vintages over 5 years old delivered 18% of the initial investment back to investors in year 1 of the fund, 38% in year 2, 70% in year 3, and 137% in year 4, on average. After year 4 you're playing with house money.

Holdings Transparency

Most venture capital investors do not have the luxury of knowing what they're investing into before making the investment. They are solely relying on the VC fund manager's historical track record. Late stage, passive investing affords complete portfolio transparency. Investors know exactly what private company stocks the fund will hold before they decide to invest.

Power Law

Individual private market stock positions drive a majority of returns in the Indexes similar to traditional seed stage venture capital funds. See the index fact sheets for examples but Spotify, Uber, Meta, Palantir, Coinbase, WhatsApp, Stripe, and SpaceX all drive significant returns in several AG Dillon Vintage Index. The power law magic is still realized even in late stage, passive investing.

Historical Risk Profile

The 2005 Vintage Index had an average company entry valuation of $407m. Not one company has a valuation greater than $1.0 billion. Fast forward to the 2024 Vintage Index, the average company entry valuation is $42.2 billion with the largest SpaceX at $174 billion and the smallest Klarna at $6.9 billion. All of the companies in the 2024 Vintage Index are driving $1.0b+ in revenues, enjoy huge customer bases, and many are profitable. That said, these less risky companies still offer incredible upside return potential as they operate, and dominate, in emerging technology industries like space, AI, and defense.

If you have interest in learning more about the AG Dillon Pre-IPO Stock Vintage Indexes or our venture capital funds please send me an email. I'm eager to get feedback on the AG Dillon Pre-IPO Stock Vintage Indexes so please send any comments, criticisms, or improvements my way too.

Aaron Dillon

AG Dillon & Co – Managing Director