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RVPI

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DPI

Venture capitalists use metrics such as Total Value to Paid-In (TVPI), Residual Value to Paid-In (RVPI), and Distributed to Paid-In (DPI) to show the performance of their investments.

TVPI (Total Value to Paid-In): TVPI indicates the total value generated by the venture capital fund relative to the amount of capital invested. It combines realized and unrealized gains, showing the total return on investment. TVPI is calculated as $(\text{Distributions} + \text{Residual Value}) / \text{Paid-In Capital}$. A TVPI greater than 1 indicates that the fund has generated a return in excess of the capital invested.

RVPI (Residual Value to Paid-In): RVPI measures the current value of the remaining investment holdings in the fund relative to the paid-in capital. It represents unrealized value or potential future gains. RVPI is calculated as $\text{Residual Value} / \text{Paid-In Capital}$. A higher RVPI suggests significant potential value yet to be realized by the fund.

DPI (Distributed to Paid-In): DPI quantifies the cash-on-cash return realized by the investors from the fund, reflecting the amount of capital returned to investors relative to the invested capital. It is calculated as $\text{Distributions} / \text{Paid-In Capital}$. A DPI greater than 1 indicates that the fund has returned more cash to investors than the original investment amount.

YEARS TO RETURN FUND

A venture capital fund has distributed cash or stock to their limited partners (investors) equal to the original amount of capital invested in the fund. This phrase indicates a significant milestone, showing that the fund has achieved a level of liquidity through exits (such as IPOs or acquisitions of portfolio companies) sufficient to cover the total initial investment made by the investors.

Returning the fund does not imply the end of potential returns for investors; rather, it marks the point at which initial investments are recouped, and any future distributions from the fund's investments will be considered profit above the original investment.