Hutt Capital

Analysis of the Blockchain VC Fund Landscape

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While our favorite landscape is that of the blockchain VC fund universe, the high desert mountains of Bolivia are quite breathtaking as well!

One question we are often asked at Hutt Capital when talking to prospective investors is "what does the landscape look like for dedicated blockchain venture capital funds?". Given the frequency of this question, we have decided to share our data of how many true blockchain VC are there globally and what is the profile of these funds.

For this analysis, we utilized Hutt Capital's internal database. We work hard to ensure we know the market better than anyone else, but the landscape is constantly evolving. So if you find this post informative, please let us know so that we can update it on occasion to keep you apprised of how the landscape is developing.

What is a "Blockchain Venture Capital Fund"? How Many are There?

There are two key criteria Hutt Capital uses to determine what represents a blockchain VC fund (see our prior post for more details on blockchain VC strategies and their pros/cons).

1. Dedicated focus on blockchain-related venture capital investments

· Excludes firms who invest a portion but not all of their fund in blockchain such as Boost VC, Notation Capital, Wing Ventures, USV, Pronomos, True Ventures, etc.

· Excludes tokenized VC funds which don't focus solely on blockchain-related investments

2. Closed-end, illiquid vehicle with an initial term of at least five years, though most have ten-year terms (i.e. VC structure — no hedge funds, no crypto trading)

· Excludes all hedge funds such as Paradigm, Scalar, CoinFund, Autonomous Partners, Strix Leviathan, etc.

Two additional notes related to our analysis:

· The fund must be investable to third party Limited Partners and cannot have a purely strategic objective. This means we exclude firms such as Digital Currency Group (DCG) which invest off their balance sheet and captive network/corporate VCs (Coinbase Ventures, Galaxy/EOS fund, etc.).

· Funds are excluded which have dissolved or to the best of our knowledge are not a going concern.

Based on the above criteria, we are tracking 49 funds which qualify as blockchain venture capital funds. This figure has been growing quickly as of late — in the past two weeks alone we have been introduced to seven new blockchain VC funds in various stages of launching their inaugural fundraises. We know of others preparing to follow the same path and expect this number to exhibit continued steady growth.

Dedicated blockchain funds continue to serve as the destination of choice for the smartest minds in the industry and draw talent away from generalist VCs, who are increasingly disadvantaged in this space vs their more focused peers.

Data from Autonomous Next suggests there are over 500 "crypto funds" across all strategies. If this number is correct, approximately 10% of "crypto funds" are true blockchain VC funds, with the majority of others falling into the hedge fund category. [While unsure how Autonomous decides what falls in each of its categories, we would note that its category "Liquid Venture" is misleading and somewhat of an oxymoron. While it is a spectrum, one cannot have a truly liquid fund with a venture strategy].

So what do these blockchain VC funds look like? We have analyzed the aggregate data based on:

· Geography

· Number of Funds Raised

· Fund Sizes

· Firm Structure (independent vs part of broader platform)

· Backgrounds of the Firms' Partners

Geography

The United States is the dominant global leader with 34 of the 49 funds, or 69% of total. Further, San Francisco and New York reign supreme, with 15 and 11 funds, respectively, combining for 53% of all blockchain VC funds globally. No other U.S. location has more than two funds (Boston & Seattle).

Geo	Count	%
SF	15	30.6%
NYC	11	22.4%
Seattle	2	4.1%
Boston	2	4.1%
Austin	1	2.0%
Los Angeles	1	2.0%
North Carolina	1	2.0%
Florida	1	2.0%
Western Europe	6	12.2%
Asia	6	12.2%
Israel	1	2.0%
Australia	1	2.0%
Canada	1	2.0%
Total	**49**	

Outside of the United states, the most active regions are (not surprisingly) Western Europe and Asia, each with six dedicated funds. Europe remains a healthy and exciting market for blockchain innovation and we expect we will see this continue to grow.

Asian VC fund formation has been below what one might expect given the attention paid to crypto activity in the region and its sizable traditional VC industry which has emerged in the past 10–15 years, especially in China. But the region has been more prominent for retail crypto trading and mining activity than broader blockchain-related entrepreneurial activity. There are several dynamics at play, but based on recent conversations, we believe that Asian blockchain VC fund formation will continue to be relatively slow in the near-term.

Number of Funds Raised

Reviewing the current fund number for each firm brings two key takeaways to light:

1 — Every fund manager would likely be considered "emerging" by traditional venture standards. Out of the 49 dedicated funds, only two are raising or investing out of their third or higher VC funds (any hedge fund vehicles managed are excluded). These are the blockchain investment pioneers Blockchain Capital, which is investing from its fourth fund, and Pantera Capital, which is about to hold a final close on its third fund.

2 — New fund formation has rapidly expanded, with top new talent entering the market opting to start/join dedicated funds. Clearly, the "crypto winter" has not dissuaded new entrants. There are 28 firms with first-time VC funds currently in market, meaningfully above the 21 active firms which have closed at least one fund. 42 of the 49 firms are on their first funds, vs. only seven firms which are raising or have raised a Fund II or higher. Fourteen of the first-time funds have held final closes and are at various stages of deployment.

Current Fund	Count	%
1 - Open	28	57.1%
1 - Closed	14	28.6%
2	5	10.2%
3	1	2.0%
4	1	2.0%
5	0	0.0%
Total	**49**	

Why is new VC fund formation increasing? A key factor is new entrants are opting more frequently for the closed-end venture model instead of starting an open-ended hedge fund, driven by 1) increased focused on equity investments in crypto infrastructure vs tokens / new protocols, 2) higher investor demand for VC model, 3) better alignment with LPs and 4) growing interest in non-crypto companies utilizing decentralized tech to build businesses best accessed through equity structures (tokenization, supply chain, identity, gaming, cybersecurity, etc.).

We believe strongly at Hutt Capital that venture capital is the most appropriate model for investors to access blockchain innovation, and the vast majority of institutional LPs that we speak with prefer this approach as well. Other trends we expect to continue supporting fund formation include blockchain-focused partners at generalist VC funds spinning out to start dedicated funds, hedge funds either raising separate VC funds or in some cases moving entirely to a VC model, and LPs realizing that they are best served by accessing this market via dedicated fund managers (vs relying on generalist funds to provide exposure).

Fund Sizes

Note: fund size represents actual size of current fund, including target/expected fund sizes for those currently raising. Certain funds may end up raising more or less than their stated target.

Overall, the 49 blockchain VC funds are raising or investing out of funds with total capital of $3.8B. The fund sizes for dedicated blockchain VC funds are very modest relative to their generalist peers, with an average actual/target size of $78 million and median of $60 million. In fact, only one fund has raised more than $175 million (a16z crypto).

Fund Size / Target	Count	%
$25M or less	7	14.3%
$26-$50M	17	34.7%
$51-$100M	17	34.7%
$101-200M	7	14.3%
$201-$300M	1	2.0%
>$300M	0	0.0%
Total	**49**	

Traditional VC fund sizes are growing, but VC math makes less sense as funds scale. It is exceedingly difficult and rare for these large funds to truly generate “venture-like” net returns to LPs — more often they become overly diversified with a more banded return profile (not to mention the “opportunity” and international funds many LPs are forced to do in order to maintain their “core” fund allocation).

The modest fund sizes of blockchain VC funds stand out in today's market, offering LPs the opportunity to not only access the next transformative wave of innovation but to do so with the best investors in this market, and at smaller fund sizes which maximize the likelihood for outsized returns.

Fund Structure

The blockchain VC landscape is 63% independent funds, those that as a firm solely execute on blockchain VC strategies, and 37% funds which are part of broader platforms.

Status	Count	%
Independent	31	63.3%
Platform - HF	5	10.2%
Platform - Generalist VC	5	10.2%
Platform - Industry	4	8.2%
Platform - Other	4	8.2%
Total	**49**	

The three main categories for funds which are part of a broader platform are Hedge Funds (Polychain, Pantera), Generalist VC (a16z crypto) and Industry (those that are part of a blockchain/crypto company such as ConsenSys Ventures).

Examples in the "Other" category include IDEO CoLab Ventures and Morgan Creek Digital's venture fund.

Recently, we have seen fund formation grow especially in the Independent category. While anecdotal, ten of the last twelve new funds we have added have been Independent.

Partner Backgrounds

Note: We included all investment-focused partners with a couple exceptions where the "partner" title was particularly inflated in our view. Further, we had to pick a single category for each individual and made our best effort to choose the most representative, given some individuals have traversed multiple categories over time.

Overall, we analyzed 112 investment partners at the 49 blockchain VC firms. The two most common backgrounds were VC and Blockchain Entrepreneur/Operator, at 29% and 15% of individuals, respectively. Coming in third and fourth, respectively, are former (non-blockchain) entrepreneurs at 14%, and those who worked in non-VC related financial services (non-VC investments, investment banking, etc.) at 13%.

Prior Background	Count	%
VC	32	28.6%
Blockchain Entrepreneur/Operator	17	15.2%
Tech Entrepreneur (non-blockchain)	16	14.3%
Non-VC Financial Services	15	13.4%
Hedge Fund	5	4.5%
Tech Operator (non-blockchain)	5	4.5%
Engineer	5	4.5%
Tech Executive	2	1.8%
Legal	2	1.8%
Research	2	1.8%
Angel Investor	1	0.9%
Other	10	8.9%
Total	**112**	

Overall, there were no big surprises, but one data point that really stood out is that only 10% of the individuals included in this analysis are women. Unfortunately, this is on par with the broader venture capital community (which AllRaise reports at just 9% with the goal of doubling this in the next ten years). We would implore those in this space to take notice, rather than someday attempting to counteract fifty years of inequality like we are seeing in the traditional venture world.

Conclusion

To summarize, here are some of the key statistical takeaways from our analysis:

· Hutt Capital is tracking 49 blockchain VC funds

· The United States is home to 69% of all blockchain VC funds

· Fund formation is growing at a rapid pace, with 28 of the 49 funds currently raising their inaugural funds

· Emerging managers dominate — only seven funds have raised or are raising Fund II or higher and only two at Fund III or higher

· Blockchain VC funds are modestly sized, with an average current/target fund size of $78 million and median of $60 million. Only one fund has raised more than $175 million. In total, the 49 funds are investing from or raising funds totaling $3.8 billion.

· 63% of funds are independent blockchain VC firms, while 37% are part of broader platforms

· The top backgrounds for blockchain VC partners are VC (29%), blockchain entrepreneur/operator (15%), and non-blockchain entrepreneur (14%)

· Only 10% of blockchain VC partners are women

We are excited to watch how the blockchain VC landscape is developing and maturing. We are consistently seeing incredible entrepreneurial and investment talent enter the market and a growing acceptance among institutional investors that VC represents the best risk/return profile for those looking to access blockchain innovation.