



Advice from a Fund CFO on Market Downturns, LP Value-Add and DEI Success

Luis Rivera

CFO and Partner, G Squared

Video description

Luis Rivera, CFO and partner of G Squared, a global venture capital firm, discusses the seven strategies for navigating a market downturn, how CFOs can add value to limited partners and tips for how CFOs can drive success with DEI.

Video transcription

Hello, my name is Luis Rivera. I'm the Chief Financial Officer and a partner at G Squared.

G Squared stands for global growth. So, we're a growth VC firm that serves as a transitional growth capital provider for technology companies around the world.

We're different to most VCs because we help our portfolio companies investing directly into their growth rounds, but we also provide liquidity to early investors and importance. We do that via tenders, secondary transactions and other type of investment transactions.

Chapter 1: Seven Strategies for Navigating a Market Downturn

Starting at 00:48

As you know, public markets face volatility. Companies become hesitant to raise new rounds. They don't like lower valuations and the headlines that that creates. But my advice is to look very closely to the valuations, make sure that you understand what the company is really valued.

Also work with your GPs and people structuring the deals to make sure that you have some downside protection in case of further market volatility. That way, they can continue their growth trajectory, but also protect our investments from any other macro deteriorations or market fluctuations at the same time, because we're active in the secondary markets, there are a lot of investors out there willing to increase liquidity.

So, we have a lot of hedge funds that came into the private space during the last couple of years that now need to provide liquidity to balance their portfolios.

As a firm, we generally communicate with our LPs in a number of different ways. We do quarterly letters, we do webinars, and conference calls with individual LPs. But in this environment, we're trying to be extra transparent.

Now we're doing interim letters – letters between quarters. We're doing a lot of one-on-one meetings and what we've been doing recently is actually having the LPs talk directly to the management of portfolio companies.

Sometimes they see a lot of headlines in the news and sometimes it doesn't reflect really what is happening behind the scenes. So, we are giving access directly via conference calls and things like that.

What we're trying to be doing right now is to be very clear on our valuation methodologies and what to expect going forward in terms of capital calls and liquidity. Valuations in the private space, I think as every buddy watching this know, are all over the place. There are different ways of valuing companies, their structures and not everybody's valuing the same portfolio companies with the same valuations.

So, we try to be very transparent, so they know exactly what we're doing and what to expect going forward. In this environment, I think this has been very well received by LPs.

And the final one, which is a very basic one, but is the core of the VC investment, which is long-term perspective for investments. We invest in companies because of their future and we can't concentrate too much in the short term fundamentals of the microenvironment.

Chapter 2: Adding Value to LPs

Starting at 03:40

As a CFO for G Squared I try to stay involved in all aspects of the firm, not only in accounting and reporting, which is what is usually expected from us. But I like to be involved in investment decisions. I like to talk to LPs, be involved in the fundraising aspect of it. I think we provide a very unique set of skills. We have the background; we understand income statements and balance sheets and how decisions from portfolio companies effect the bottom line.

So, I like to speak up and be involved. GPs find this very valuable. I think CFOs have a very important role in LP relationships. LPs like to talk to CFOs because our perspective is very different than other people in the organization. We provide transparency. We are involved in the day-to-day activities of the fund.

So, from my personal point of view, I not only get involved in the quarterly meetings, when we discuss the performance of the fund, but I also have individual conversations with LPS. Some of our LPs, just want to have a conversation one-on-one with me. They like that level of transparency. They know I can provide a level of detail that other people in the organization can't. So, I think that's why the GPs in my organization specifically, trust me with that role.

Chapter 3: Driving Success with DEI

Starting at 05:03

The diversity, equity and inclusion are very important to me for obvious reasons because you can hear in my accent. But it's also very important to our managing partner, Larry Aschebrook and all the G Squared partners.

We have structured our firm to be in close proximity to our LPs. We have LPs in 60 countries around the world. Also, our portfolio companies are in every single continent in the world. That's why we have 38 professionals in six different offices in North America and Europe. Our associates located in our office in Switzerland, speaks seven different languages and communicate with our LPs in the same languages, in the same time zones, and also understand the companies and the cultural aspects of it. So, it's a big differentiator for us.

Most recently we opened our Miami office, which we think that Miami is the new US VC hub. We have five associates that have deep ties to Latin America. They speak Spanish and Portuguese, and they speak with our LPs in Latin America and the new VC ecosystem, including the portfolio companies that we're investing in down there.

We have to make an effort to have diversity. It is very difficult in the venture capital space to find sometimes good pool of diverse candidates. But with more remote work environment, I think it's going to be easier going forward. It has been one of the key drivers of success for us and I think every team and every firm can benefit from the same.

© 2023 SVB Financial Group. All Rights Reserved. SVB, SVB FINANCIAL GROUP, SILICON VALLEY BANK, and the chevron device are registered trademarks of SVB Financial Group, used under license. Silicon Valley Bank is a member of the FDIC and of the Federal Reserve System. Silicon Valley Bank is the California bank subsidiary of SVB Financial Group (Nasdaq: SIVB).

The views expressed in this video are by representatives at G Squared are solely those of those firms and do not necessarily reflect the views of SVB Financial Group, Silicon Valley Bank, or any of its affiliates.

All companies and individuals named in this video are independent third parties and not affiliated with SVB Financial Group.