Contents

Foreword by Thomas Falk Preface: The promise of this book		4 6
PA	RTONE	
1	What is venture capital? What makes venture capital particularly rewarding? What makes venture capital especially demanding?	12 14 15
2	What does 'family' mean?	19
3	What type of investment suits you best?	23
4	Direct investments Portfolio design Return expectation Liquidity management Sourcing direct deals Due diligence process Risk management and monitoring Board seat / control Exit Costs involved	26 32 33 36 37 39 44 45 50
5	Indirect investments Portfolio composition Sourcing VC funds Due diligence process Fund manager Team structure and expertise Track record and success Returns and why fund size matters Other limited partners (LPs) Monitoring the funds Fund of funds (FoF)	55 55 59 60 61 64 65 68 70 71 73
6	How to craft great deals Direct investments in startup companies Preferred equity round Bridge round with convertible note or SAFE The thrill of conducting a deal Indirect investments in funds	77 77 78 83 85 86



PART TWO

Insightful learnings from other investors	92
"The generation gap has always existed" Marlene Barth and Sophie Barth: Sold the family business, set up a single-family office and	
include venture capital in their asset allocation.	93
"Angel investing is a people business"	
Lin Gong-Deutschmann:	
Experienced, award-winning business angel, invests in the earliest phase of startups as direct investments.	98
"Flexibility is the key"	
Joachim Rennert: Early-stage seed investor who invests for himself and advises other	
families too.	103
"The good deals don't just pop into your mailbox" Dr. Rigbert Fischer:	
Set up a single-family office and started early-stage direct invest-	
ments himself, then outsourced the early phase to a dedicated investor.	108
"Attitude, investment approach, and patience" Dr. Friedrich Droste:	
Worked for a single-family office, where he orchestrated direct	
startup investments. Now they have a VC fund-like set-up.	113
"Losing money is a real possibility" Thomas Falk:	
Is setting up a hybrid venture fund of funds merging the downside	
protection of VC funds and the upside potential of direct investments.	119
"Be active, maintain contacts – and knock on founders' doors" Bernd Wendeln:	
Sold the family business, set up a large single-family office – there VC	
is done through VC funds. Personally, he does direct investments.	124
"Maximizing value in VC takes time"	
Philipp von dem Knesebeck: Started investing directly in startups and discovered that he prefers	
selecting emerging VC fund managers. Set up a VC fund of funds.	129

"You learn quickly if you're serious"		
Tobias Krauss:		
CEO of one of Germany's wealthiest families who strategically set up a		
venture capital allocation. Moved from VC funds to direct investments.	134	
"The more terms, the worse"		
Mark Gerson:		
Set up a large network of individuals and families to create his own		
proprietary deal flow and conduct in-depth due diligence.	139	
"I dislike this focus on returns and rapid growth"		
Anonymous:		
Started investing directly in startups and decided to discontinue their		
investments in the venture capital asset class.	145	
"You engage with the future daily"		
Janna Ensthaler:		
Set up a first-time fund with more than \$ 100m under management		
and a focus on climate tech startups.	149	
"We desperately need new ideas and approaches"		
Christophe F. Maire:		
A visionary fund manager who started investing in food and food tech		
companies in 2016 when only a handful of investors did.	155	
Acknowledgments	160	
•		
About the author	161	
Sources	162	
Appendix	164	