



SERAPH

# How to Build and Manage a Successful Angel Portfolio

Presented by  
Seraph Group  
**Tuff Yen**

# Why did we start Seraph Group?

- Access to deal flow
- Effective and efficient deal filtering and decision making
- Tracking and supporting portfolio

# Seraph Group design

- Structured Angel Fund™
- Nationwide network of investor
- Dedicated management team
- Professional reporting

**Humana**  
CEO

**Pfizer**  
President

**PG&E**  
President/CEO

**Merrill Lynch**  
CEO VC Group

**EA**  
SVP

**webex**  
Co-Founder

**VISA**  
President/CEO

**webtv**  
President

*charles* SCHWAB  
Vice Chairman

**doubleclick**  
by Google  
VP

**LINEAR**  
TECHNOLOGY  
CTO

SALOMON BROTHERS  
INVESTMENT BANKING  
CIO



Co-Founder



Chairman/CEO



CEO



CTO



CTO



Inventor



President



CEO



President



Partner



CIO/Vice Chairman



CIO



Founder



Chairman/CEO/CIO



CEO



CIO



CFO



CIO



Co-Founder



President



CEO



Chairman

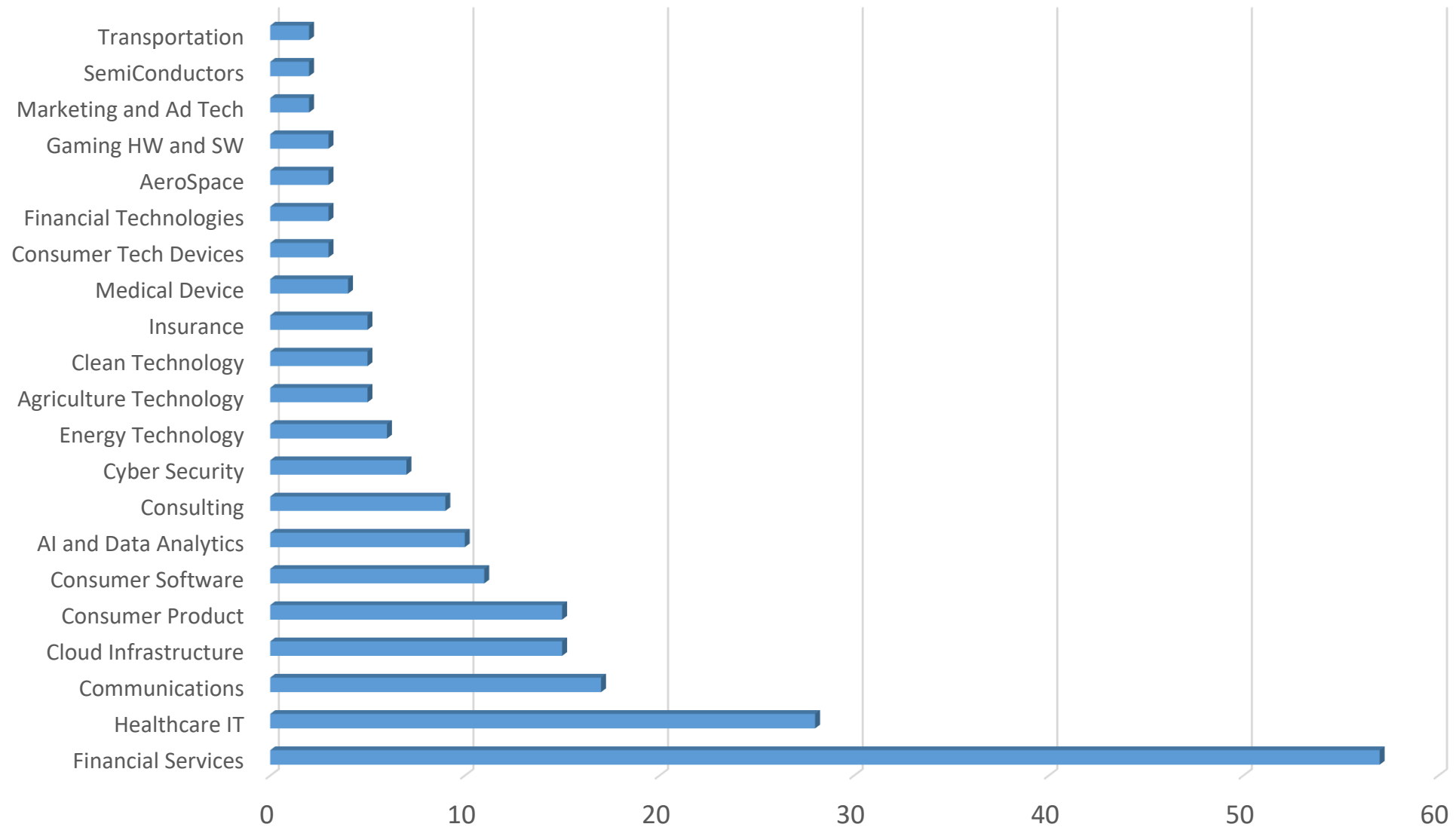


Technical Lead

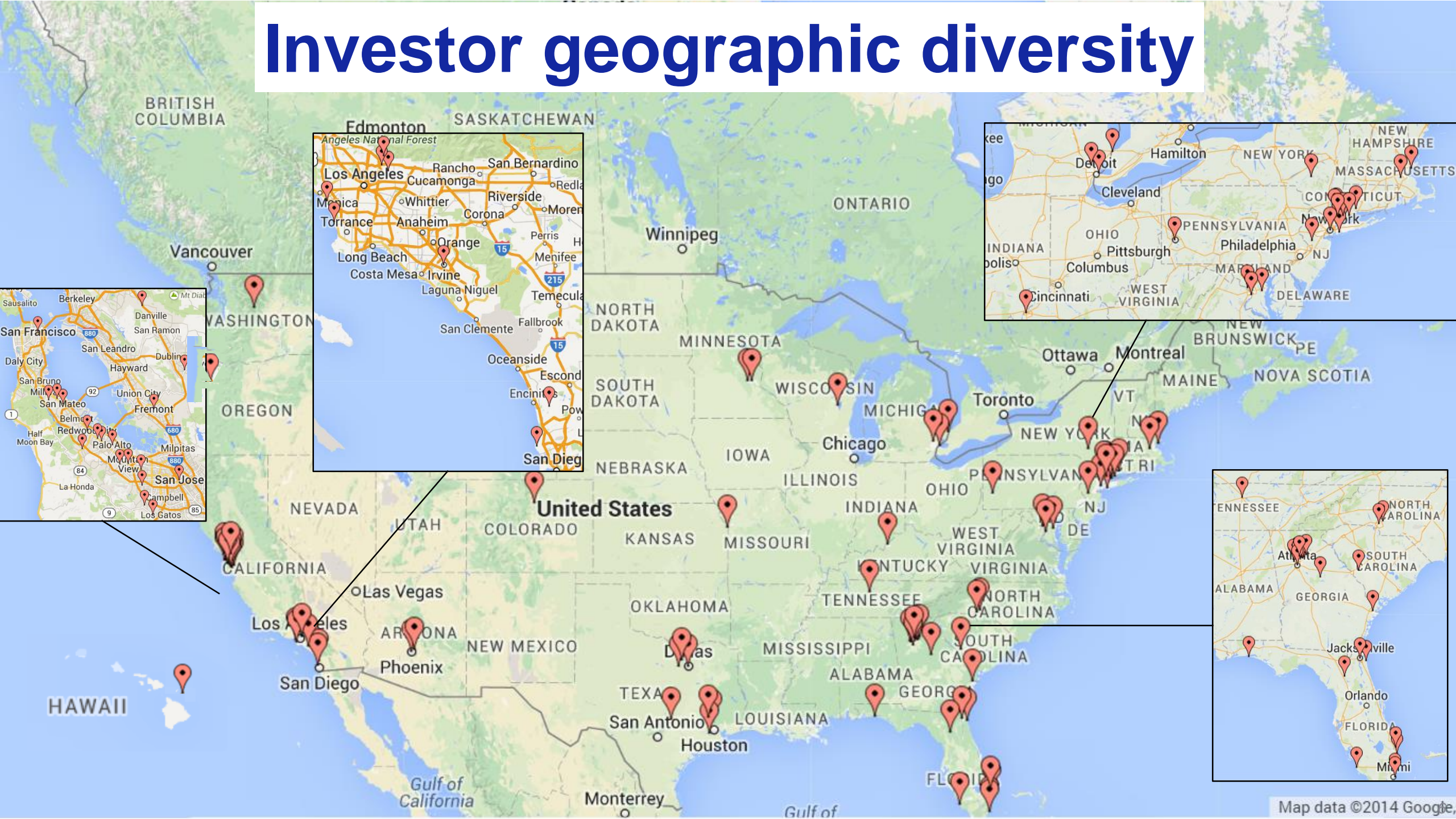


Chairman

# Seraph investor expertise

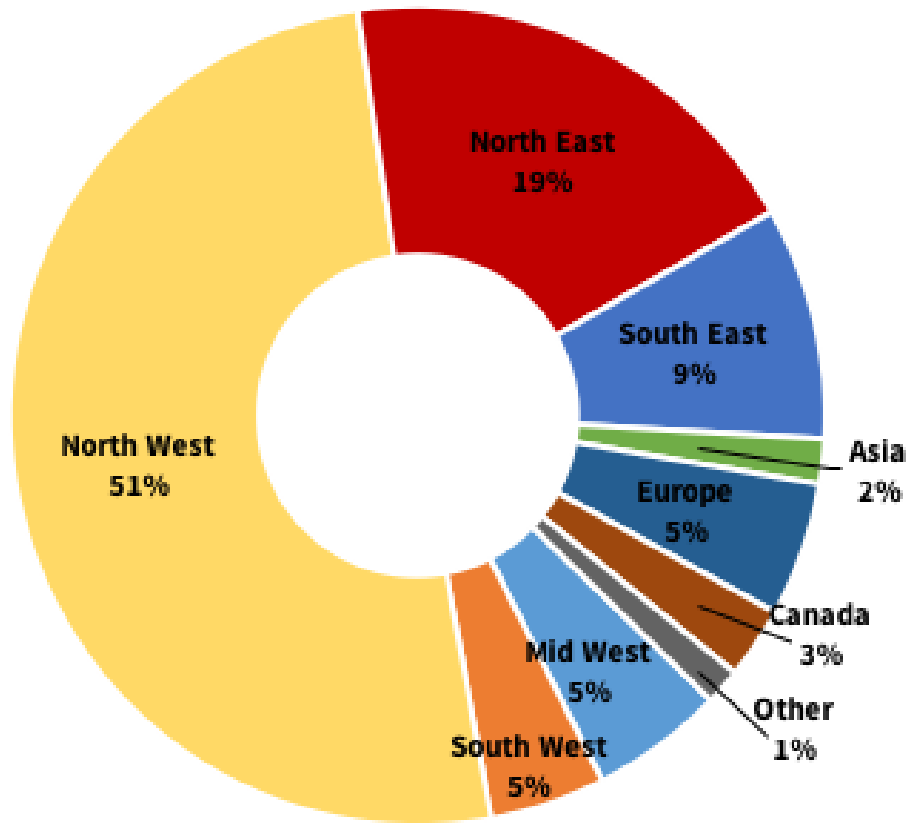


# Investor geographic diversity

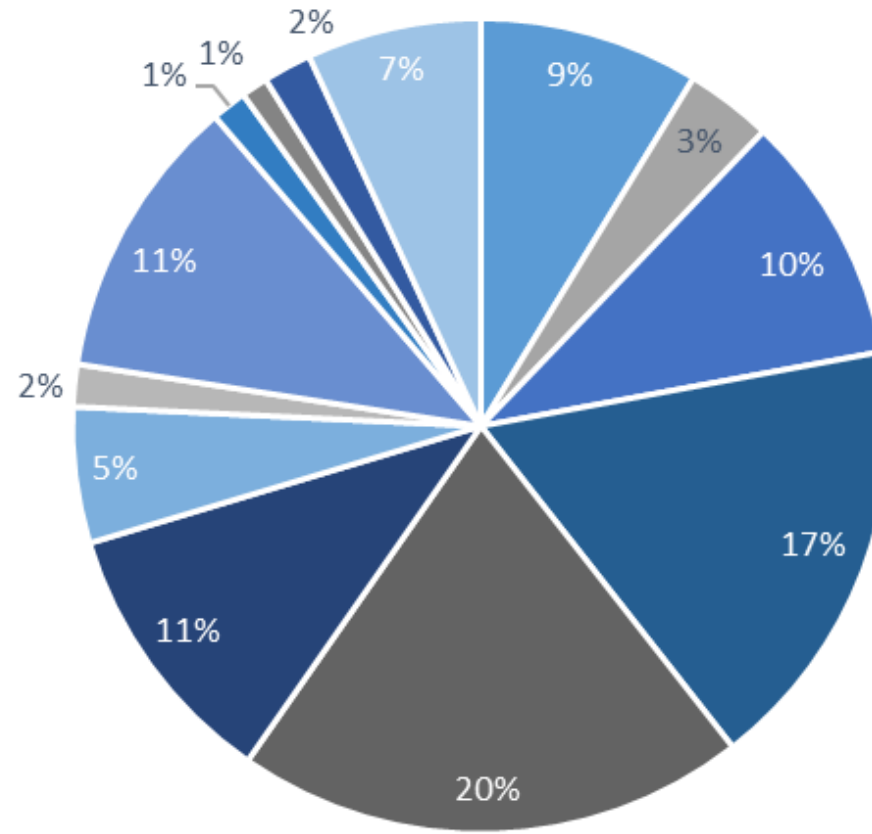


# Seraph Group Dealflow Diversity

Deal Flow by Region, MY 2017



Deal Flow by Industry

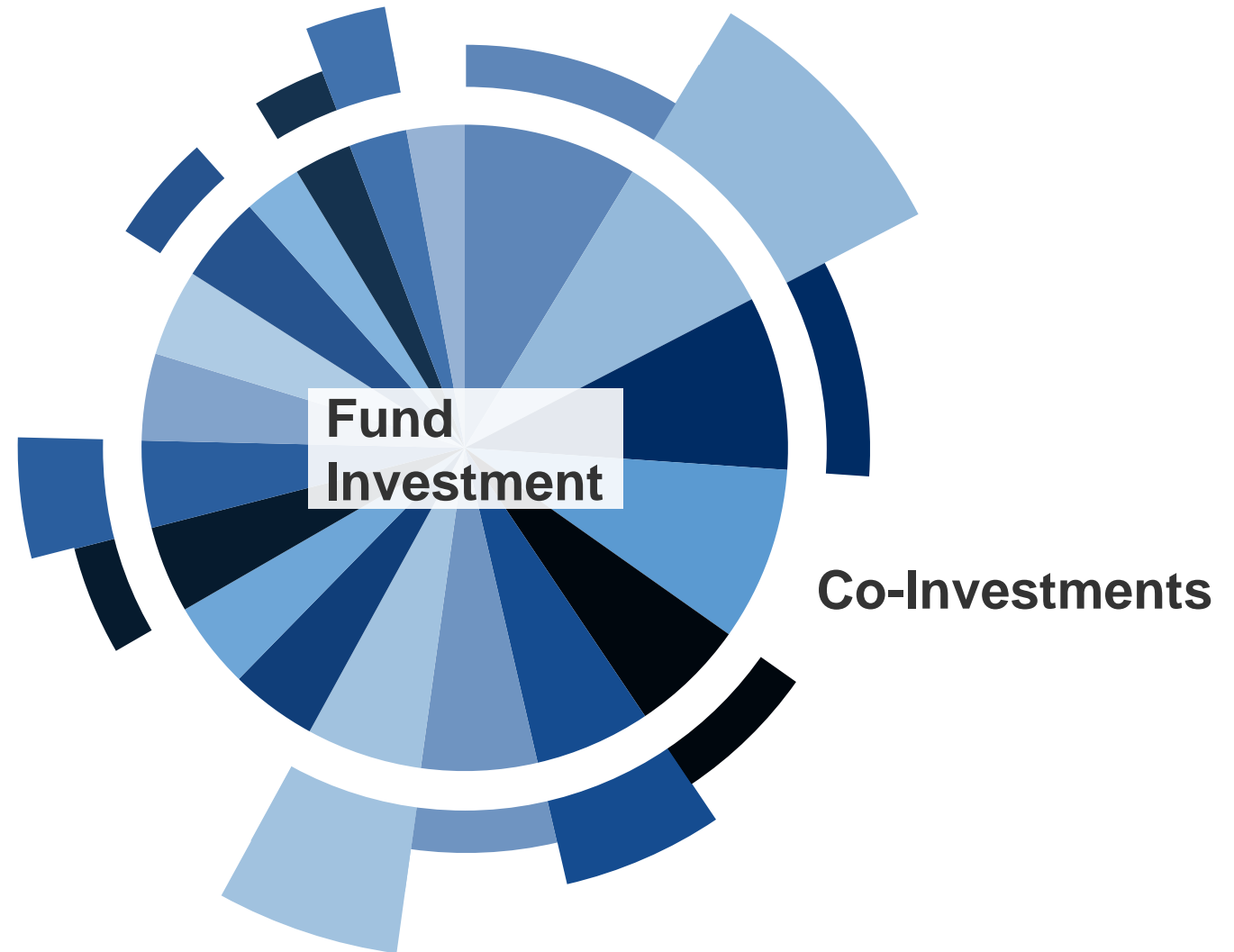


- Telecom/Cellular
- Entertainment
- Mobile Apps
- Software/IT
- Web Service/E-Commerce
- Biotech/Health
- Industrial
- Food/Bev
- Consumer Products
- Financial Services
- Advertising
- Transportation
- Other

# Structured Angel Fund™

**Passive Seraph Investor** gets a diversified portfolio of 20+ startups

**Active co-investors** add-on investments on selective portfolio companies





# Seraph Group stats

Seraph Fund	Vintage Year	\$millions Deployed	# Portfolio Companies
I	2004	\$3.8	16
II	2004	\$8.8	16
III	2006	\$11.9	28
IV	2008	\$4.8	35
V	2010	\$6.8	35
VI	2012	\$10.3	35

- 2004 - 2017
- 7 funds; 80+ investments
- 300+ Investors from 100+ cities
- ~\$50MM invested
- 18 exits, 3x
- \$700M+ raised for follow-on

# Deal sourcing

- Noise management (low volume, high quality)
- Primary sourced from Seraph investors (A connected to A)
- Entrepreneur referrals (verdict is still out)
- Strategic partners a mixed bag (first wife club)
- Origination through MIT Play Labs (We will see)

Lesson learned: **You never stop**

# Deal screening

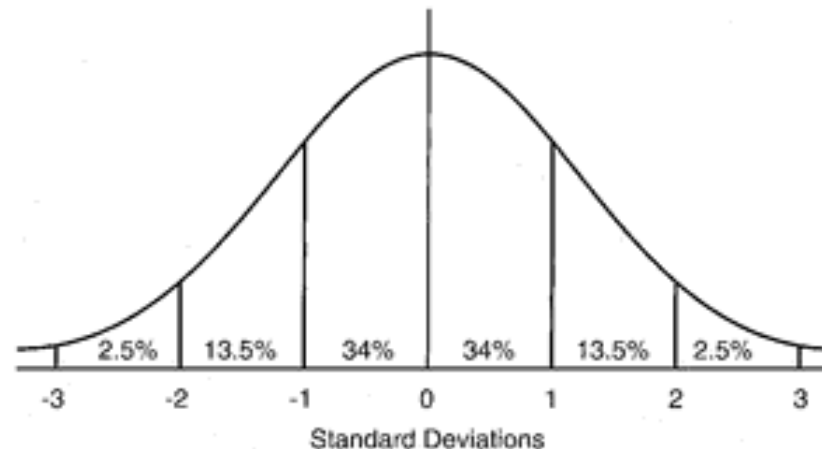
- Dedicated team has advantages
- Expert with vested interest on call
- Timing and industry trends spotting
- Portfolio diversification and fit

**Lesson Learned: have a well thought-out process with disciplined execution**

# Due diligence

- Dedicated team + experts
- Can't predict founder fall-out
- Can't predict other investor motives
- Inexperienced vs seasoned entrepreneur
- Have industry/product investing paradigm

Lesson Learned:



# Seraph Group Co-investing

Step 1

--- \$1M check to portfolio company ---

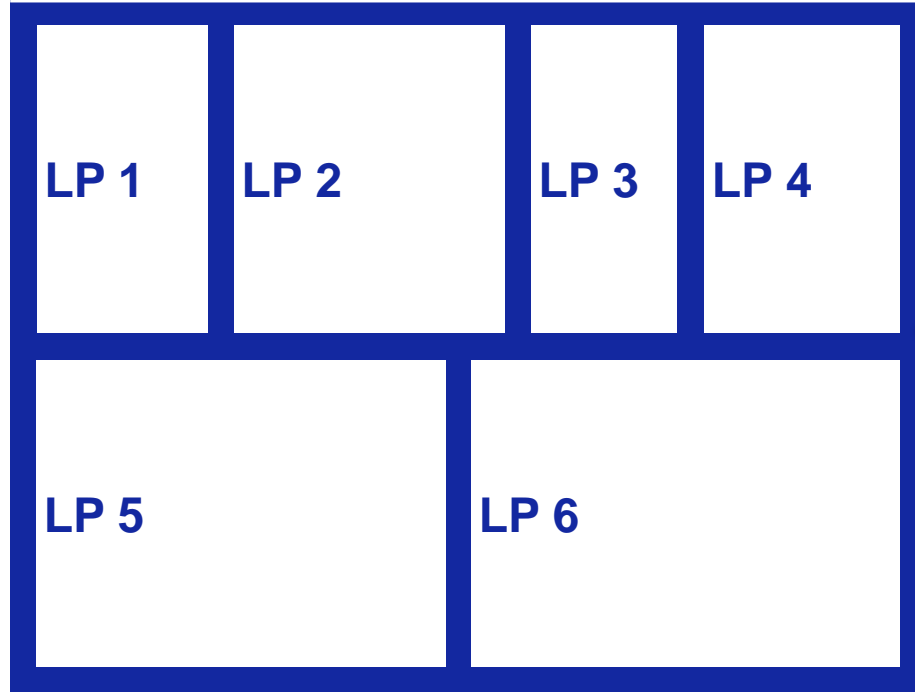
Step 2

X%



Step 3

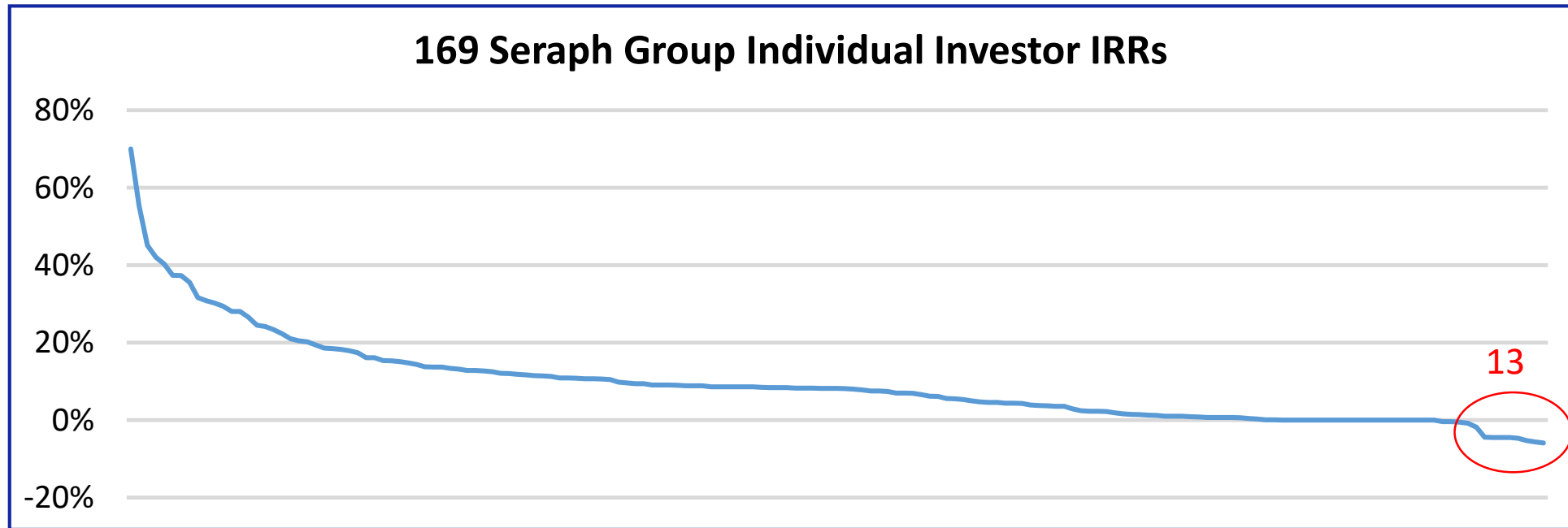
Y%



Investors can optionally choose to invest additional capital that displaces fund capital

Lesson Learned: **Displacing fund capital more efficient than passing hat**

# Co-investing results



- Only 13/169 Seraph investors have negative IRR
- Larger investors tend to have higher IRRs

Lesson Learned: **Crowd wisdom can predict winners**

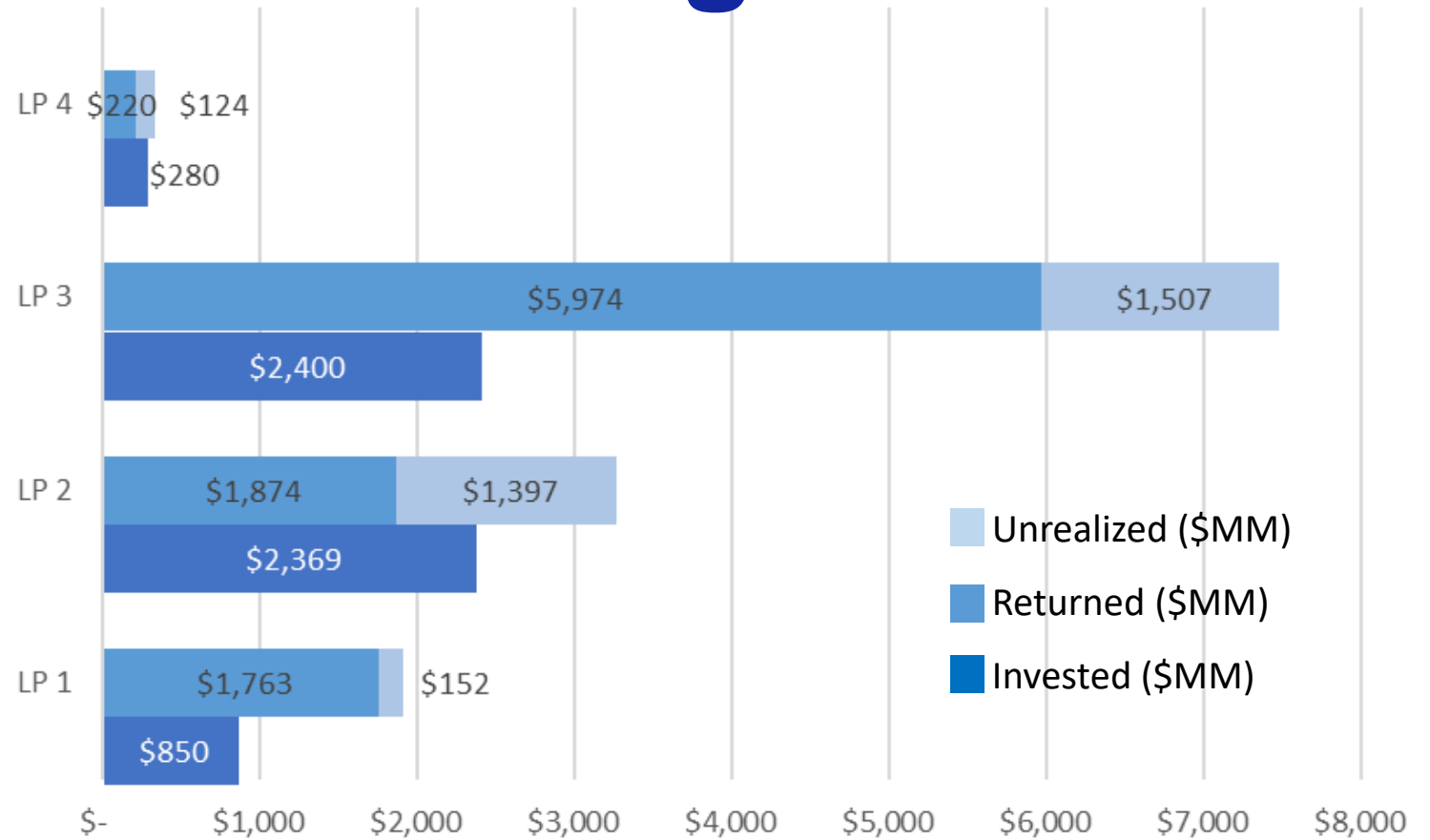
# Co-Investing

10 co-investments  
1 Fund investment  
IRR 0.9%

12 co-investments  
1 Fund investment  
IRR 25.8%

26 co-investments  
3 Fund investments  
IRR 15.9%

10 co-investments  
1 Fund investment  
IRR 37.0%



**Lesson Learned: Investors have their own strategies**

# Portfolio management

- Difficult to obtain consistent, transparent information from portfolio companies
- Connecting vendors and customers should be primary purpose at this stage; leverage LP network
- Active board participation makes a difference

**Lesson Learned: tough to be angel investors without scale**



# Follow-on rounds

Follow-on capital raised by portfolio companies	~\$700MM
Seraph Partners Funds' pro-rata participation rights	~\$112MM
Current valuation of hypothetical investments	~\$300MM

- Difficult to assess each opportunity
- Seraph Partners Fund doesn't invest in follow-on rounds
- Individual decision by LP investors; capital dependent

**Lesson Learned: Follow-ons create no guarantee; amplifies winners and losers.**

# Exits and write-offs

- Write-offs consistently 3/10 companies
- Forced sale provision helps force lifestyle companies to sell
- Use cash-out by larger VCs
- Beware of acqui-hire situations

Lesson learned: **best to get out than stay in**

# Administration

- Learned to use one LLC with multiple series (for each investment)
- Investor reporting (Twice a year versus quarterly)
- Sophisticated data system necessary
- Info Portal for investors is a must

Lesson Learned: **Can't satisfy everyone**

**Q & A**

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