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# Discussion

## Mutual Funds as Venture Capitalists? Evidence from Unicorns

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# Main learning points

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- Interesting descriptive statistics on the history of mutual funds investing in startup companies
  - ✓ Growth in number of funds investing in unicorns
  - ✓ Amount invested
  - ✓ Participating in rounds—up to 40% of unicorn financing rounds
- Pretty aggressive positions with 25% median investment
- Size of the company is the main predictor of mutual fund investment
- Larger funds from larger companies with lower volatility are more likely to invest
- Provisions in mutual funds' investments are consistent with passive rather than active governance

# Questions going forward

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- It would be interesting to know the companies behind the mutual funds' investments. How many Fidelity funds are in the sample? Other mutual funds' companies?
- Can we get the probabilities in Figure 2 conditional on the distribution of unicorns?
- How many E, F and G rounds with mutual funds' investment are there in Figure 4? All provisions seem to be at 50%, suggesting it is a couple of companies
- The apparent reason for investing in unicorns is to get an edge on the returns of the funds. Has this happened? Has there been a change in their level of risk?

# Questions going forward

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- Do mutual funds have a preference for whom do they invest with? Or regarding prior investors?
- Are they moving earlier in the round funnel as they “learn” about VC investing?
- Are they changing the provisions as they “learn”?
- Who does the due diligence, negotiation, ... Is it a fund or a department that then suggests to funds? Are there several funds from the same company investing in a round?
- Is there a herding effect? Mutual funds copying other funds’ strategies?
- The paper is written from a mutual fund perspective, why should unicorns be interested in having mutual funds as investors?
- What happened in 2016Q2?

# Questions

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- Tables 9 includes both the “act” of investing and the size of the investment (in percentage of the round terms). Should it be conditional on having had a mutual fund investment?
- Could we do a similar analysis for Table 5?

# Typos

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- Table 5 has 733 observations but Table 4 adds to 732
- Page 34 last line without should be with