

Secretive real-time due diligence provider asked VCs to discuss what they were brushing under the carpet at the LP's expense.

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Secretive FinTech, Portend (<https://www.portend.ch>), provides real-time due diligence services through VCs on portfolio companies to help the Founders, Boards, and Shareholders act in time instead of reacting when things go wrong.

As a full compliance-as-a-service provider, the firm has used its in-the-shadows position to ask how Investment Directors and VCs who sit on boards have acted in the wake of a frothy investment market over the last few years - honing in on a GP responsibility to protect shareholder value.

It asked 100 Venture and Private Equity firms two simple questions during its discussions behind closed doors, and the responses were interesting.

How often do you check a portfolio company's bank statements or access the account data post-investment? 5% every quarter, 5% every six Months, 39% Requested Statements but never checked them, and 51% said Never, only checking when making initial investments.

When reviewing board packs or data from a portfolio company, how do you verify the information by exercising information rights? 3% Proactively access data, 15% Take most data at face value but have occasionally exercised rights, 17% review and access raw data regularly, and 65% only take data at face value, never enforcing rights.

Julie Cunningham, Founder of Portend, says, "These simple questions show how portfolio managers struggle to keep up with the demands of swollen portfolios and workloads. Real-time due diligence will become standard over the next few years to help identify where a VC can help—averting poor reactions."

Following the money up the chain, Cunningham continues, "These issues compound further when you learn LPs reasonably assume the Funds and the Boards they sit on are monitoring portfolio companies properly. However, more frequently than not, investors discover that in the liquidation of a business, that informed governance is far from the case. Meaning that it's not just financial losses, but reputational and trust value being destroyed unnecessarily."

Richard Abrahams, Co-CEO of Sprout, went on the record with Julie when discussing Due Diligence to say, "As the funding landscape has become more complex over the last 18 months and funds are more focused on profitability rather than vanity metrics and growth at all costs, understanding the status of a funds' portfolio is more critical than ever. Funds saw the impact of high-profile control failures such as FTX that not only had an impact on their bottom line but their reputation, something that they're keen not to have repeated.

As we head into a time when raising capital is more challenging than at any time since the dotcom bubble, funds are thinking carefully about how they can best manage and add value to their portfolio and provide the visibility and certainty that their LPs want if they're to part with their cash."

Cunningham's decision for Portend to depart from its usual secretive stance, confined because of its confidentiality agreements and sensitive nature, comes at a time when it believes there is a shift in the GPs' understanding of real-time due diligence and LPs are waking up to just how much or little they are in line with their portfolios.

Richard, who used to work in the PWC Ventures team, is respected in the VC space, reiterates this: "The majority of funds claim to be value-added and hands-on with their portfolio. However, in the past, if a portfolio company has been performing well from a growth perspective, the majority of funds have let their portfolio company focus on building the business with little scrutiny. As the funding landscape has become more challenging, funds are paying more attention to proactively managing their whole portfolio, ensuring fewer surprises."

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For further information contact:
press@portend.ch - Monitored Inbox

About

Portend – Realtime Due Diligence and Simulated Governance – Website (<https://portend.ch/funds>)

Portend is a leading independent auditing and governance service provider, leveraging AI to help Founders, Boards and Investors protect shareholder value for all parties. It does this by providing real-time alerts for any anomalies or early warning signs to Boards to ensure the integrity of a businesses. Working from within a portfolio company, similar to a spam filter, it provides alerts against thousands of checks to ensure Boards have time to act – instead of reacting.

Founder

Julie Cunningham, Portend – Julie's LinkedIn (<https://www.linkedin.com/in/julie-cunningham-90400017>)

Julie co-founded Portend after 25+ years of experience in auditing, accounting, and venture. Currently also serving on the Accreditation Board for the British Chamber of Commerce, Julie has spent a large part of her career working in M&A and Auditing of some well-known brands such as RAC and Poundland. Running Portend since early 2023, she set about providing more continuous due diligence services to Venture Capital firms – having witnessed first-hand several incidents of start-ups failing that could have been avoided had even the most basic of steps been taken. Julie leads Portend's relationships with VCs, Investors and LPs on helping to protect shareholder value through its innovative fusion of technology - Auditing + Governance as a Service.

Independent Commentator

Richard Abrahams, Co-CEO at Sprout (<https://www.viasprout.com/>) LinkedIn (<https://www.linkedin.com/in/richabrahams/>)

Rich co-founded Sprout after 13 years in financial and professional services. Rich is widely known within the investment, venture, and private equity circles. Rich spent almost 12 years at PwC, largely working with fast growth VC and PE backed businesses, first in Financial Due Diligence, before founding the Raise Ventures team which supported companies raising tens of millions in funding from VC funds and family offices. He is also a board advisor and mentor to several fast growth businesses including savings and investments app Chip. As Co-CEO, Rich leads Sprout's relationships with VC and PE funds, co-investment opportunities, as well as leading on operations and finance

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