



February 24, 2025

Board of Retirement  
Ventura County Employees' Retirement Association  
1190 S. Victoria Avenue, Suite 200  
Ventura, CA 93003

**SUBJECT: Drive Capital Investment Commitment Recommendations For \$8 Million to Fund V and \$12 Million to Overdrive Fund III**

Dear Board Members:

Attached is a joint recommendation from NEPC and me for an \$8 million investment commitment to Drive Capital Fund V, and a \$12 million investment commitment to its expansion stage fund, Drive Capital OverDrive Fund III.

**Background**

VCERA is an investor in five of Drive Capital's prior funds with a total of \$50 million in VCERA Board approved commitments:

<b><u>FUND</u></b>	<b><u>VINTAGE</u></b>	<b><u>COMMITMENT</u></b>
Drive Capital Fund II	2016	\$15 million
Drive Capital Fund III	2019	\$7.5 million
Drive Capital OverDrive Fund I	2019	\$7.5 million
Drive Capital Fund IV	2022	\$10 million
Drive Capital OverDrive Fund II	2022	\$10 million

Drive Capital was formed in 2013 by two former partners of Sequoia, a top Silicon Valley venture capital firm. At Sequoia, Drive's founding partners invested a combined \$395 million in companies that, at the time they left, were valued at \$3.45 billion, with more than \$2.2 billion in distributions. Their combined investments were valued at 8.7x invested capital.

**Discussion**

Drive Capital is a venture capital manager focused on early and expansion stage companies in the non-coastal regions of the US, an area the firm refers to as the "Driveway". This region, extending from the Hudson River to the Rocky Mountains, is an undercapitalized market and is often overlooked by traditional Silicon Valley investors. The founders' experience at Sequoia informed Drive's investment approach and value creation within the Driveway.

Drive Capital Fund V will target \$540 million in commitments and is expected to invest in approximately 30 early-stage and 60 seed-stage companies; and in-tandem its Drive Capital OverDrive Fund III to invest in growth-stage companies and will target \$810 million in commitments; and approximately 15 investments with larger check sizes. Both strategies will focus their investments on technology, technology enabled services, healthcare, and consumer sectors. Drive Capital Fund V and OverDrive Fund III are targeting a net internal rate of return (net-IRR) of 25% and a 2.5x net Total Value of Paid-In capital (TVPI) multiple.

### **Fund Performance as of December 31,2024**

<b><u>FUND</u></b>	<b><u>VINTAGE</u></b>	<b><u>NET IRR</u></b>	<b><u>TVPI</u></b>
Drive Capital Fund I	2014	18.1%	3.7x
Drive Capital Fund II	2016	18.6%	2.6x
Drive Capital Fund III	2019	10.8%	1.4x
Drive Capital Fund OverDrive I	2019	18.8%	2.1x
Drive Capital Fund Fund IV	2022	Not yet meaningful	
Drive Capital Fund Overdrive II	2022	Not yet meaningful	

Source: Drive Capital

### **Fees**

As noted in NEPC's recommendation memo, Drive Capital Fund V and OverDrive Fund III management fees are as follows: During the investment period, 2.0% on committed capital; 1.75% on committed capital for two years following the investment period; and thereafter, 1.5% of remaining committed capital. During the first two one-year extensions, the management fee will be 1.0% of committed capital. Thereafter, there will be no management fee. There is no preferred return.

The distribution waterfall is:

1. First, 100% to the Limited Partners in proportion to their capital commitments until they have received distributions equal to their aggregate contributed capital.
2. Second, 80%/20% Limited Partner/General Partner split until Limited Partners have received distributions totaling 300% of their contributed capital.
3. Thereafter, 70%/30% LP/GP split.

Drive's experienced team, extensive industry relationships, and a well-primed, untapped market continue to offer an exceptionally attractive and compelling investment opportunity.

**RECOMMENDATION:**

1. Approve a commitment allocation of \$8 million to Drive Capital Fund V, and \$12 million to Drive Capital OverDrive Fund III, and direct staff and legal counsel to negotiate the necessary legal documents; and,
2. Subject to legal review, authorize the Board Chair or the Retirement Administrator, and in their absence the Chief Investment Officer, to approve and execute the required documentation.

Respectfully submitted,



Dan Gallagher  
Chief Investment Officer