

Deep Tech FAQs

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1. What's the difference between tech and deep tech?

It's a matter of degree—with a significantly higher level of difficulty/size of challenge, technology lift, team expertise, difference from existing solutions, and impact for deep tech innovations. For instance, we view a CRM, database management system, or smartphone application as tech. On the other hand, a quantum computer with exponentially faster processing abilities or nanotechnology that cleans toxic waste would qualify as deep tech.

2. Why a Deep Tech Fund?

We think a deep tech fund makes sense for a variety of reasons:

- **Difference-making opportunity:** At least one in five unicorns is in a deep tech company.
- **Investing opportunities:** In the past five years, deep tech companies raised more rounds than other tech companies.

- **Lower capital requirements:** New technologies such as machine learning, quantum computing, and genetic sequencing are making it cheaper and faster for deep tech companies to innovate.
- **Impact:** Deep tech is tackling some of the world's greatest challenges, with many initiatives having a potential impact on the UN's sustainable development goals. These are potential world-changing ventures, and it's a vote with your wallet.

3. Will the Deep Tech Fund portfolio consist of new or follow-on AVG investments?

We anticipate that most of the fund will be committed to first-time AVG investments. But we will judiciously evaluate follow-ons in existing AVG investments if the value proposition is especially compelling. See question 9 regarding our process.



4. What are fees, minimums, reporting, and other keys to operations?

- The portfolio will consist of ~20-30 deep tech investments, with ~20-25% held for follow-on investments.
- The fund minimum is \$25,000.
- This is a 10-year fund, with distributions made to investors as AVG receives them. Investments are held until an exit or liquidation occurs.
- After all capital contributions are returned to investors, including our management fee, profits are split 80% to investors and 20% to AVG (see our [fees and profit-sharing](#) document)
- Investors are welcome to invest directly, via trust, or through an SD-IRA.
- The fund is only open to accredited investors, with a limit of 250.
- The close date is 9/30/20.
- Investors can keep up to date on their portfolio via our online Investor Portal and through our bi-annual investor statements.

5. Is this a fund of funds?

The Deep Tech Fund is not a fund of funds; we co-invest alongside the lead venture investor. There is no fee stacking or extra charges for investors.

6. How do you source deals? How will you select which investments go into this fund?

Deal sourcing, vetting, and investing is led by one of our actively managed Alumni Funds. AVG has ~50 investing professionals based in six offices throughout the country who spend a large amount of their time identifying and evaluating deals. From among all the ~200-300 deals that AVG will invest in during the upcoming year, we will select ~20-30 deep tech investments for this fund. Each selection will also meet our guidelines for diversification across stage, region, lead investor, and specific area (so an investor won't own a portfolio of only AI investments, for example).

7. What are some specific criteria that you will use to evaluate these deals?

Our scorecard remains the same for all deals past the seed stage, with AVG evaluating the deal, company, team, and lead investor. However, of particular importance in critiquing deep tech investments are the technical credentials and successes of team members; intellectual property and other markers of uniqueness; business model and monetization path; potential payoff; runway; expertise; validation of lead investors; and regulator approvals as required.

8. Will there be overlap in this fund's portfolio with my other AVG investments?

There might be some small overlap, depending on how diverse your AVG holdings are. But in general, AVG is obligated to guard against significant portfolio overlap by both regulatory restrictions and our own commitment to diversification for our customers.

9. Won't the time horizon on these investments be longer than normal?

The future is hard to predict, but the expected timing of exits is projected to be similar to our other funds. While deep tech can sometimes take years to mature, tech cycles are compressing, and promising technologies and teams are being gobbled up by big tech at ever faster rates.

10. What is the impact of COVID-19 on deep tech?

If the pandemic has any impact, we anticipate it will be limited. First, deep tech is largely working in areas not directly affected by COVID-19, other than potentially increasing the need for deep tech solutions. Second, while funding might be tighter across the board, that's generally an opportunity for AVG to get greater access to a wider set of deals.

11. Can you give me some examples of deep tech deals?

Please see the sample of deals from [Deep Tech Fund 1](#).