

## MARKET ANALYSIS

# THE GREAT RECALIBRATION

Changing Limited Partner Dynamics in Small-Fund VC

*Analysis of 48 funds from 30 firms, giving General Partners a perspective on changes to the LP market for small VC firms and the 2025 fundraising environment.*

## 01 EXECUTIVE SUMMARY

The venture capital ecosystem is undergoing a profound structural shift. Following the macroeconomic corrections of 2022, the fundraising environment for small-fund General Partners (GPs) has hardened into a "new normal."

### 1. The "Anchor" Pivot

Traditional anchors (Family Offices) are retreating. Institutional LPs (Endowments, Pensions) have surged in conviction, becoming the most likely entities to anchor post-2022.

### 2. The Pull-back of MSVCs

There has been a dramatic **27% decline** in the combined participation of Multi-Stage VCs in small funds. Institutional checks dropped by **44%**.

### 3. Peak Difficulty

Fundraising difficulty hit **3.93/5** for 2025 targets. This struggle is universal, with no statistical difference between small and large funds.

### 4. Momentum is Key

LPs prioritize velocity. A strong positive correlation (**+0.71**) exists between time gaps and difficulty.

## 02 THE FUNDRAISING CLIMATE

The market has tightened considerably since 2022. The 2025 cohort faces the strongest headwinds in years. GPs were asked to rate the difficulty of their most recent fund, relative to their previous fund, on a scale of 1 to 5: 1 = Much Easier / 5 = Much Harder

**3.00**

2023 DIFFICULTY

**2.43**

2024 DIFFICULTY

**3.93**

2025 TARGET

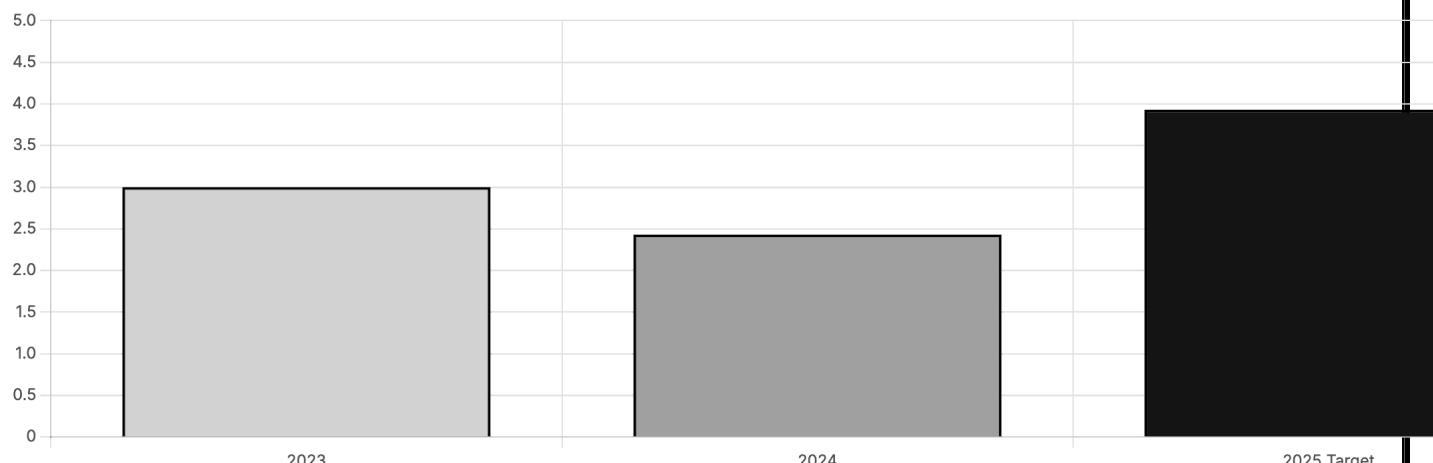


FIGURE 1: AVERAGE FUNDRAISING DIFFICULTY SCORE (1-5 SCALE)

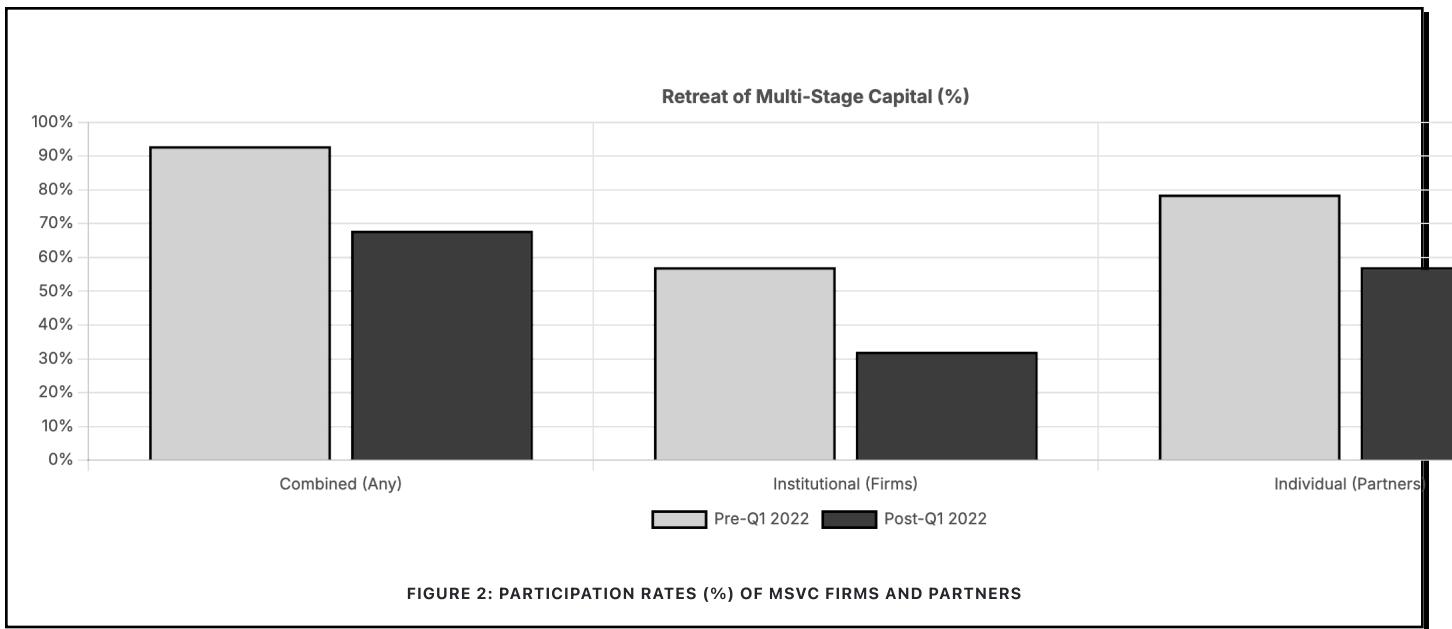
## Universal Struggle

A common misconception is that larger funds are immune. The analysis shows no statistical difference in difficulty based on fund size (Small: 3.45 vs Large: 3.25). The challenge is structural and market-wide.

## 03 THE RETREAT OF "TOURIST" CAPITAL

Comparing the "Pre-Q1 2022" boom to the "Post-Q1 2022" correction reveals the pull-back of Multi-Stage VCs (MSVCs) from the small-fund asset class.

***"In the boom years, 93% of small funds had MSVC backing. Today, 32% raise without it."***



### Institutional Pullback

**-44%**

Direct investments from Multi-Stage Firms dropped sharply from 57.1% to 32.1%. This "tourist capital" was the first to exit.

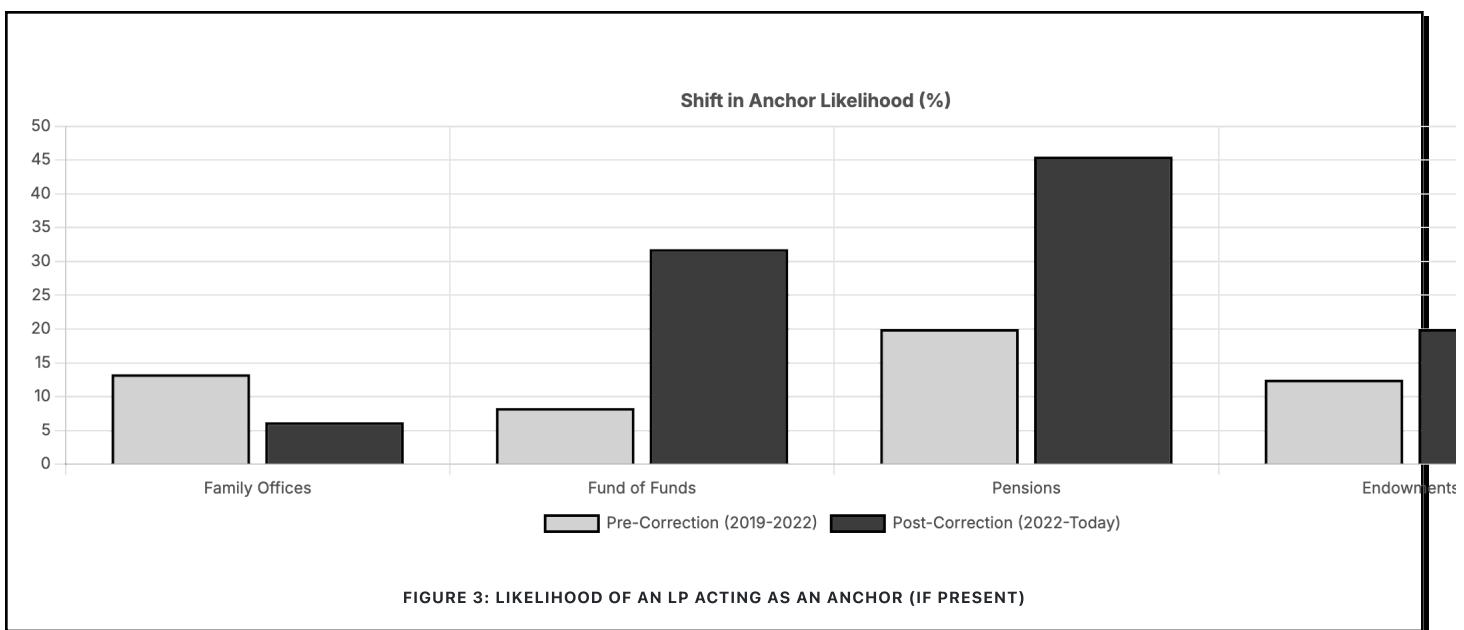
### Partner Resilience

**-27%**

Individual partner checks were stickier (dropping from 78.6% to 57.1%) but still declined.

## 04 THE ANCHOR PIVOT

The most critical finding for GP strategy is the inversion of anchor behavior. "Friendly" anchors are stepping back, while "Hard" institutional LPs are stepping up.



**FAMILY OFFICE ANCHORS****13% → 6%**

LIKELIHOOD HALVED

**ENDOWMENTS ANCHORS****12.5% → 20%**

CONVICTION INCREASE

**05 NON-ANCHOR LP SHIFTS**

Beyond the anchor pivot, significant shifts have occurred among LPs filling out the round. Endowments have pulled back, while the "Core" of Family Offices and HNWIs has remained remarkably stable.

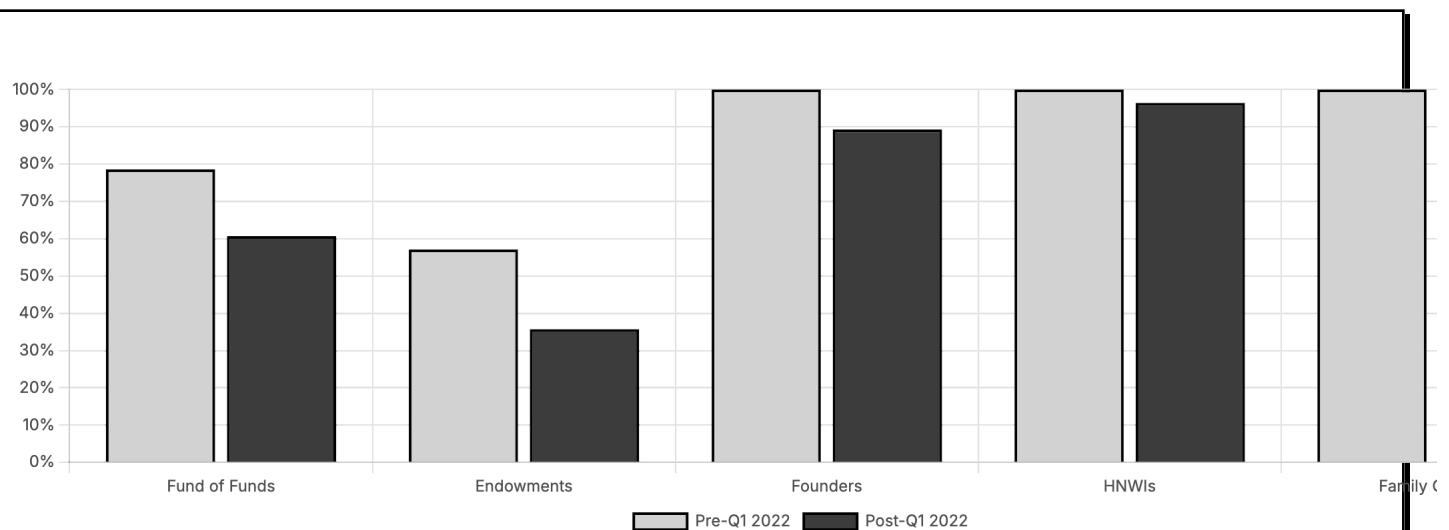


FIGURE 4: PARTICIPATION SHIFTS FOR NON-ANCHOR LPs

**Fund of Funds (-18%)**

Participation dropped from 78.6% to 60.7%. While FOFs are anchoring more, they are placing fewer bets overall (flight to quality).

**Endowments (-29%)**

Participation dropped from 57.1% to 35.7%, reflecting institutional caution and denominator effect issues.

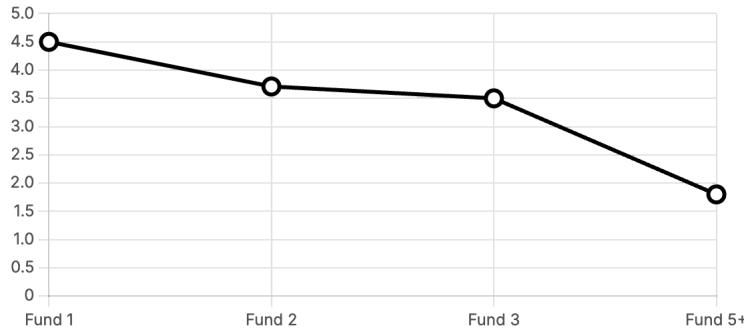
**The Core (Stable)**

Family Offices (100% -> 96%) and HNWIs (100% -> 96%) remain the most reliable filler capital.

## 06 MOMENTUM AS CURRENCY

In a risk-averse market, LPs use momentum and track record as primary proxies for quality.

### The Experience Curve



Fundraising difficulty drops consistently with every subsequent fund raised.

### The "Gap Penalty"

**+0.71**

CORRELATION COEFFICIENT

*Gap Duration vs. Difficulty*

Strong positive correlation. Firms with institutional LPs show shorter gaps, creating a virtuous cycle.

## 07 LP CONCENTRATION

Are funds becoming more concentrated? The data shows a decrease in the average number of unique LP categories present in a fund's cap table.

PRE Q1 2022 AVERAGE

**6.53**

LP Categories per Fund

POST Q1 2022 AVERAGE

5.55

LP Categories per Fund

**Insight:** This reduction (approx -15%) reflects the "retreat" narrative: funds are relying on a narrower set of core backers (FOs/HNWIs) as peripheral or "tourist" capital exits the asset class.

## 08 EMERGING TRENDS: GP VOICES

Direct insights from General Partners on the front lines of the 2025 fundraising market.

“

*Lack of LP-EM fit; see a need for more dedicated LP focus on 0->1 strategies; not enough new, viable LP strategies that seem to be evolving with VC ecosystem realities.*

- FIRM 1 GP

“

*Having a strong online brand. Most of my LPs knew of me. And many are tracking me through posts etc.*

- FIRM 5 GP

“

*They have little incentive to deploy to emerging managers given their jobs are at risk.*

- FIRM 29 GP

“

*Headwinds amongst traditional institutional allocators in emerging managers (endowment taxes, denominator effect, liquidity).*

- FIRM 28 GP

“

*LPs rolling out of mega funds into smaller funds.*

- FIRM 12 GP

“

*2nd degree HNWIs that have very little or no existing VC allocation (but want to get into it) are often very quick movers.*

- FIRM 6 GP

“

*Leveraging platform firm relationships, either as GP leveraging brand for a spinout, GPs as LPs, or storytelling to LPs.*

- FIRM 24 GP

“

*LPs are a lot pickier about small VC firms. LP capital is increasingly concentrated in the big platform funds.*

- FIRM 22 GP

“

*Due to the rise of fund-to-funds, I'm seeing a lot of pressure for emerging managers to do funds with 15-30 company targets.*

- FIRM 4 GP

“

*Referrals and reputation - big word of mouth between many of them.*

- FIRM 21 GP

“

*Direct investing along side w/o economics.*

- FIRM 22 GP

“

*Want specialist funds.*

- FIRM 24 GP

“

*For Individuals (our primary investors) we're seeing a desire to feel more engaged with their investments. More updates, social, events, ways to help, etc.*

- FIRM 26 GP

“

*LPs reward GPs who come see them in person, especially outside SF and NY.*

- FIRM 30 GP

“

*Content works.*

- FIRM 20 GP

## 09 THE 2025 PLAYBOOK

The "Old Playbook" of aggregating small checks is no longer sufficient to *anchor* a fund. Success in 2025 requires a strategic pivot based on four qualitative mandates.

## 1. HYPER-SPECIALIZATION

The generalist model is dead for small funds. LPs demand a sharp, defensible thesis to justify the risk of an emerging manager.

## 2. THE CO-INVESTMENT LEVER

LPs are demanding "direct co-invest access" with "no economics" on SPVs. This is a critical lever to win capital from hesitant allocators.

## 3. THE GP AS A BRAND

"Content works." A public brand acts as a beacon for deal flow and builds trust before the first meeting.

## 4. HIGH-TOUCH COMMUNITY

Individual LPs demand "updates, social events, and ways to help." Treat them as community members, not just capital sources.

## 10 DATA APPENDIX: LP CATEGORY BREAKDOWN

Detailed metrics for each LP category in small funds (<\$250M).

LP CATEGORY	ANCHOR PROBABILITY (%)	AVG DIFFICULTY (WITH)	AVG TIME BETWEEN FUNDS (YEARS)	FIRST-TIME FUND INVESTMENT (%)
<b>Sovereign Wealth Fund</b>	75.0%	3.67	2.75	0.0%
<b>Pension</b>	45.5%	2.90	3.10	0.0%
<b>Endowments &amp; Foundations</b>	35.7%	2.69	3.20	25.0%
<b>Fund of Funds</b>	31.8%	3.22	3.27	50.0%
<b>Other</b>	33.3%	3.29	3.05	25.0%
<b>Family Office</b>	6.2%	3.42	3.37	100.0%
<b>High Net-Worth Individual</b>	3.1%	3.52	3.39	100.0%
<b>Multi-Stage VC (Partner)</b>	0.0%	3.38	3.50	75.0%
<b>Founder</b>	0.0%	3.38	3.39	100.0%
<b>Multi-Stage VC (Firm)</b>	0.0%	4.00	3.60	75.0%

### DATA SOURCE

@credistick "LP Dynamics Survey for Small VC Firms" Analysis (2025).