VeraDaniel & Company

PRIVATE MARKETS INSIGHT NOTE

INSTITUTIONAL DISCIPLINE. ENTREPRENEURIAL EXECUTION.

INSTITUTIONAL INSIGHT

Beyond the Label: A Data-Informed *Lens* for Emerging Manager Underwriting

What Fund I–III vehicles suggest about scale, fundraising friction, strategy, firm readiness, and underwriting coherence

Executive *Summary*

Emerging manager underwriting improves when fund sequence, asset class, strategy, scale, fundraising friction, firm readiness, and alignment are interpreted together rather than in isolation.

This note synthesizes a cross-sectional review of Fund I–III private market vehicles across venture, private equity, real estate, private credit, and real assets, drawn from PitchBook data. The exercise was undertaken to test a working assumption in institutional underwriting: that fund sequence is a reliable proxy for scale, fundraising ease, and organizational maturity. The data does not support that assumption cleanly, and the departures are informative.

Scale differs meaningfully by asset class. A Fund III venture vehicle and a Fund III real assets vehicle occupy different positions on almost every dimension that matters to an allocator, despite sharing the same fund number. Fund sequence, on its own, tells an incomplete story about institutional scale. In venture, half of all Fund III vehicles in the dataset remain below $25 million. Scale discipline, in these cases, reflects a strategy choice rather than a shortfall.

Fundraising friction does not resolve cleanly by Fund III either. Venture shows the clearest decline in time-to-close across the fund sequence; private equity, real estate, private credit, and real assets do not show the same pattern. By Fund III, the character of friction tends to shift, moving from proof of concept toward firm readiness, governance, reporting, and the institutional expectations of a broadening LP base.

Strategy changes what the other variables mean. Within a single asset class, different strategies imply different responsible fund sizes, different LP bases, and different institutional-readiness burdens. And fund sequence, while it can evidence persistence and market validation, does not by itself confirm that organizational maturity has kept pace with the fund's growth in scale and ambition.

The note closes with VeraDaniel's 5-Pillar Emerging Manager Underwriting Framework, developed to hold these variables in relation to one another rather than treat any single one, fund number chief among them, as a stand-in for institutional readiness. The data identifies signals. The framework helps interpret how they interact.

About the Dataset and *Methodological Note*

The findings in this note are drawn from a PitchBook-derived dataset of Fund I through Fund III private market vehicles spanning venture capital, private equity, real estate, private credit, and real assets. Fund size and time-to-close figures are reported as medians by asset class, strategy, and fund number.

METHODOLOGICAL CAVEAT

This is a cross-sectional dataset, not a longitudinal tracking of the same managers over time. The Fund I, Fund II, and Fund III observations within each asset class or strategy represent different vintages and, in most cases, different firms. They do not represent a single cohort of managers followed from first close through a third fund. The dataset therefore describes what Fund I, II, and III vehicles have tended to look like across the market, not how any individual firm has progressed. Readers should not infer manager-level trajectories from asset-class-level medians.

Private credit and real assets carry smaller sample sizes within this dataset than venture, private equity, and real estate. The directional patterns for those two asset classes are worth noting but should be weighted with that caveat in mind, particularly where a single large or small observation can move a median meaningfully.

Median figures also compress a wide range of underlying outcomes into a single number. A median Fund III size tells an allocator little about the distribution around it. As Finding 2 shows, that distribution matters. Two asset classes with similar medians can have very different shares of vehicles clustered at the small end.

Finally, this dataset speaks to fund-level and asset-class-level patterns. It does not, on its own, speak to manager quality, performance, or firm-level operational maturity. Those require diligence that a dataset of this kind cannot substitute for. Closing that gap is precisely what the framework in Section 10 is built to do.

Why "Emerging Manager" *Requires Context*

"Emerging manager" functions, in most institutional conversations, as a single category: a label applied uniformly to Fund I through Fund III vehicles across every asset class and strategy. The label is administratively convenient. It is analytically thin.

An allocator underwriting a Fund III venture vehicle and an allocator underwriting a Fund III real assets vehicle are, in practice, evaluating firms that may differ by an order of magnitude in scale, by more than a year in typical fundraising duration, and by fundamentally different operating models. Treating both as instances of the same underwriting problem, simply an emerging manager on its third fund, discards the context that would make the evaluation useful.

This note works through that context systematically. It looks at what the data suggests about how emerging managers actually scale, how fundraising friction behaves across the fund sequence, how strategy reshapes the underwriting question within an asset class, and why fund sequence alone cannot answer the question of firm readiness.

None of what follows argues that smaller is weaker, that larger is better, or that faster fundraising is a mark of quality. The data does not support those claims, and the framework this note builds toward is explicitly designed to avoid them. *The underwriting work sits in the coherence between the manager's edge, the fund being raised, and the firm being built.* Fund sequence is one input into that coherence. It has never been a substitute for it.

Scale Differs by *Asset Class*

Emerging managers do not scale uniformly

Median fund size at each stage of the fund sequence varies substantially by asset class. Venture remains the smallest and slowest-scaling category through Fund III; private equity shows the sharpest step-up between Fund I and Fund II; real estate sits between the two. Private credit and real assets scale to a materially larger median size, though both warrant the sample-size caveat noted in Section 3.

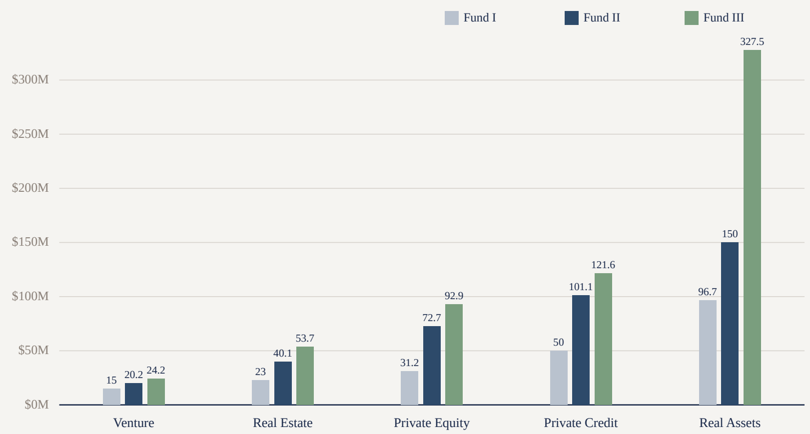

Exhibit 1: Median Fund Size by Asset Class and Fund Number ($M)

ASSET CLASS	FUND I	FUND II	FUND III
Venture	$15.0M	$20.2M	$24.2M
Real Estate	$23.0M	$40.1M	$53.7M
Private Equity	$31.2M	$72.7M	$92.9M
*Private Credit**	$50.0M	$101.1M	$121.6M
*Real Assets**	$96.7M	$150.0M	$327.5M

*Smaller sample size; directional read.

The diligence signal is not that one asset class scales “better” than another. It is that asset class changes the context in which a given fund size, and a given rate of size progression, should be read. A Fund III venture vehicle at $24 million and a Fund III real assets vehicle at $327 million are both third funds by label. They are not otherwise comparable on scale.

Fund III Is *Not Institutional Scale*

Fund count and scale are not the same variable

More than half of Fund III venture vehicles in this dataset remain below $25 million. In real estate, the figure is just over a third; in private equity, roughly a third. Fund sequence, used alone as an underwriting shorthand, implies a scale trajectory that a meaningful share of managers, particularly in venture, simply have not followed.

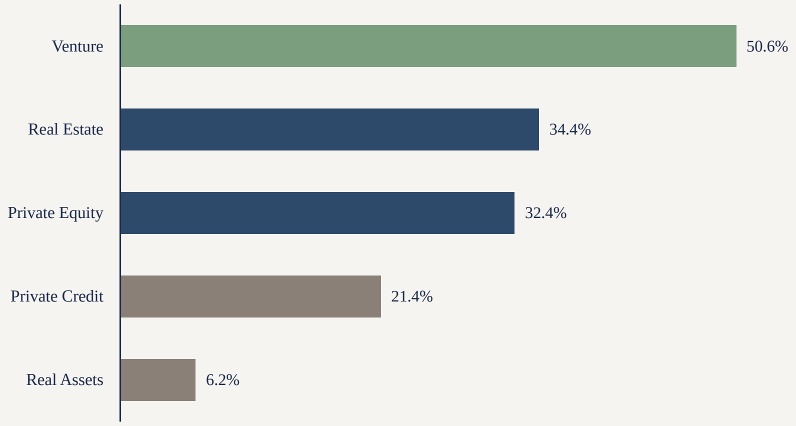

Exhibit 2: Share of Fund III Vehicles Below $25M, by Asset Class

ASSET CLASS	SHARE BELOW $25M	MEDIAN FUND III SIZE
Venture	50.6%	$24.2M
Real Estate	34.4%	$53.7M
Private Equity	32.4%	$92.9M
*Private Credit**	21.4%	$121.6M
*Real Assets**	6.2%	$327.5M

Coherence depends on separating two questions that fund sequence tends to blur together: how many funds has this firm raised, and how large has this firm become. Small does not necessarily mean weak. In venture in particular, scale discipline may reflect a strategy that depends on staying small: concentrated ownership, early entry points, a thesis that does not scale linearly with capital. The institutional issue is not that a Fund III vehicle is $22 million. It is when the benchmark applied to that vehicle assumes a scale it was never designed to reach.

The more useful underwriting question is whether the fund's size is coherent with its stated strategy and the firm's operating model, not whether it matches a scale expectation implied by the fund number alone.

Fundraising Friction Persists *and Changes Form*

Fund III does not end the fundraising cycle. It changes what it tests

Venture is the one asset class here that shows a clean decline in median time-to-close from Fund I through Fund III. Private equity and real estate do not; time-to-close in both is roughly flat or modestly longer by Fund III. Private credit and real assets show more volatility across the sequence, consistent with smaller sample sizes.

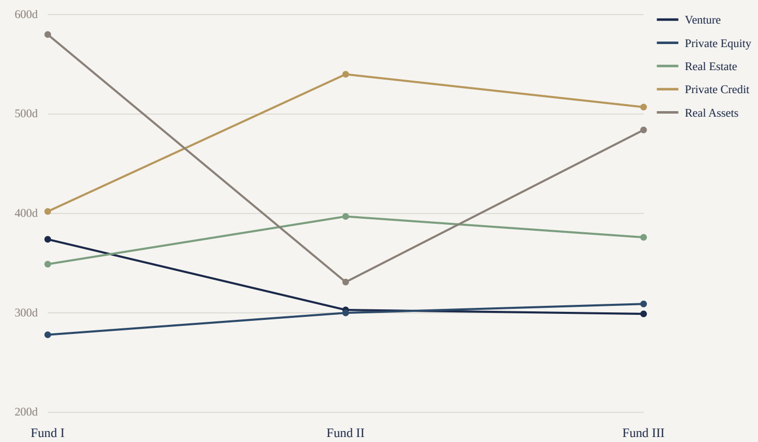

Exhibit 3: Median Time to Close by Asset Class and Fund Number (Days)

ASSET CLASS	FUND I	FUND II	FUND III
Venture	374d	303d	299d
Private Equity	278d	300d	309d
Real Estate	349d	397d	376d
*Private Credit**	402d	540d	507d
*Real Assets**	580d	331d	484d

Readiness shows up in how friction is interpreted, not merely in whether it exists. By Fund III, fundraising friction often reflects a different underwriting question than it did at Fund I. The emphasis shifts from proof of concept toward firm readiness: governance, reporting infrastructure, and the process discipline a broader, more sophisticated LP base expects.

Some friction can be healthy. Selectivity around capital partners, thoughtful fund sizing, and rigorous GP/LP alignment work all extend a raise without signaling weakness. The diligence signal is in what the friction reveals about process, not in the calendar days a raise consumed.

Strategy Changes the *Underwriting Context*

The same asset class, read through different strategies, tells different stories

Asset class is a coarse lens. Strategy is where the underwriting texture actually lives. Within private equity, buyout and growth/expansion strategies scale to very different Fund III sizes and carry different fundraising durations. Within venture, general and early-stage strategies diverge similarly. Within real estate, opportunistic and value-add strategies imply different capital requirements and, here, very different fundraising timelines.

Buyout

FUND I MEDIAN	**$27.0M**
FUND III MEDIAN	**$73.1M**
FUND III TIME TO CLOSE	**259 days**

Growth / Expansion

FUND I MEDIAN	**$50.0M**
FUND III MEDIAN	**$223.2M**
FUND III TIME TO CLOSE	**395 days**

Venture: General

FUND I MEDIAN	**$12.1M**
FUND III MEDIAN	**$15.0M**
FUND III TIME TO CLOSE	**221 days**

Venture: Early Stage

FUND I MEDIAN	**$20.0M**
FUND III MEDIAN	**$45.0M**
FUND III TIME TO CLOSE	**381 days**

Real Estate: Opportunistic

FUND I MEDIAN	**$15.7M**
FUND III MEDIAN	**$42.0M**
FUND III TIME TO CLOSE	**370 days**

Real Estate: Value-Add

FUND I MEDIAN	**$50.0M**
FUND III MEDIAN	**$136.0M**
FUND III TIME TO CLOSE	**574 days**

Strategy is not simply a subcategory beneath asset class. It changes what fund size, time-to-close, and institutional readiness actually mean. A $73 million Fund III buyout vehicle and a $223 million Fund III growth vehicle are both private equity, both third funds, and not otherwise comparable without knowing the strategy each was built to execute.

Scale is only constructive when the strategy and organization can absorb it. In venture, staying small can be part of the strategy, not a limitation of it. In real estate, value-add strategies appear to carry a longer readiness burden than opportunistic strategies of similar vintage, consistent with the more complex underwriting and reporting demands value-add typically requires.

Firm Readiness Is *Contextual*

The vehicle can progress faster than the firm behind it

Fund sequence can evidence persistence, market validation, and a demonstrated ability to execute across multiple capital cycles. It does not, on its own, confirm that organizational maturity has kept pace with the fund's growth in scale and strategic ambition. A firm can raise a coherent, well-sized Fund III and still be operating with infrastructure built for a Fund I. The fund-level data reviewed in this note cannot see that gap.

Scale is not only an AUM outcome. It is an operating burden. A fund can be strategically right-sized for its strategy and still create real operating constraints for the firm managing it: more LPs to report to, more capital to deploy on a disciplined timeline, more portfolio companies or assets to monitor, more governance expectations to satisfy.

> *Founder-led does not mean fragile. Founder-dependent can.*

The distinction matters in underwriting. A founder who remains central to sourcing and decision-making because that is the firm's edge is a different proposition than a founder whose departure would be operationally destabilizing because no one else can execute the process. Institutional readiness, in this sense, is not bureaucracy. It is repeatability under complexity: the ability of a process to hold up as the fund, the LP base, and the portfolio all grow more complex at once.

The vehicle tells one story: what has been raised, how quickly, at what size. The firm tells another: whether the organization behind the vehicle can sustain what it has built. LP confidence, over time, is built through performance and process together. Fund sequence speaks credibly to the first. It is a much weaker witness to the second.

A Better Lens: VeraDaniel's *5-Pillar Emerging Manager Underwriting Framework*

The findings above share a common thread: no single variable, fund sequence least of all, carries enough information on its own to support a sound underwriting judgment. VeraDaniel's 5-Pillar Framework was built to hold the relevant variables in relation to one another, rather than substitute any one of them for the others.

Pillar 01

Pedigree & Proof of Concept

Fund sequence can evidence persistence, but it cannot carry the full diligence burden on its own. Proof becomes more useful when read alongside fund size, strategy consistency, LP response, and the firm's operating trajectory.

Pillar 02

Strategy Edge & Market Relevance

Strategy changes what the other variables mean. It shapes responsible scale, the likely LP base, expected fundraising friction, and the institutional-readiness burden the firm will need to carry.

Pillar 03

Team Dynamics & Org Design

Founder-led leadership can remain central to a manager's edge. Founder-dependence can become a constraint. Decision discipline, role clarity, functional depth, and key-person resilience are the signals that distinguish the two.

Pillar 04

Infrastructure & Institutional Readiness

Infrastructure matters most when process remains reliable as strategy, LP base, portfolio, reporting, and operating complexity all expand together. Readiness is repeatability under complexity, not bureaucracy for its own sake.

Pillar 05

Alignment & Risk Control

Scale, fundraising friction, fee base, LP base, portfolio construction, and risk controls together generate alignment signals. Some friction is healthy. The signal sits in what the friction reveals, not merely in whether it exists.

Each pillar corresponds to a question this note has raised: what does fund sequence actually prove, what does strategy imply about scale and readiness, is leadership central to the edge or a single point of failure, does infrastructure hold under complexity, and what do the fund's alignment mechanics reveal. The pillars are evaluated together, not sequentially weighted toward fund count.

The framework does not replace underwriting judgment. It focuses it. The data identifies signals. The framework helps interpret how they interact.

Implications for *LPs and GPs*

For LPs and Allocators

- Calibrate scale and fundraising-duration expectations to asset class and strategy before comparing managers, not after.
- Treat a Fund III label as a starting point for diligence, not a proxy for institutional scale or organizational readiness.
- Distinguish fundraising friction that signals discipline, such as selectivity, alignment work, and thoughtful sizing, from friction that signals process weakness.
- Separate the diligence question “has this vehicle grown” from the diligence question “has this firm matured to support what it has raised.”
- Weight private credit and real assets findings with appropriate caution given smaller sample sizes in the underlying data.

For GPs and Emerging Managers

- A right-sized fund for the strategy is a stronger position than a larger fund the strategy or organization cannot yet absorb.
- Be prepared to articulate why fund size is coherent with strategy capacity, not simply that it exceeds the prior fund.
- By Fund III, expect the underwriting conversation to shift from proof of concept toward infrastructure, governance, and reporting discipline.
- Address founder-dependence directly in LP conversations; role clarity and functional depth are diligence assets, not administrative afterthoughts.
- Longer fundraising timelines are not, by themselves, a negative signal. The narrative around them still needs to be deliberate.

In both directions, the implication is the same: the data does not replace underwriting judgment. It helps identify where judgment should be applied, and where a fund-number-driven shorthand would apply it in the wrong place.

The Framework *Focuses Judgment*

Fund sequence is a convenient label. It is not an underwriting methodology. The data reviewed in this note shows, across five distinct findings, why a fund-number-driven shorthand tends to misread emerging managers. It understates firms that have deliberately stayed disciplined in size, overstates readiness in firms whose vehicles have outpaced their organizations, and flattens strategy and asset-class distinctions that materially change what “emerging” means in practice.

Emerging manager underwriting improves when fund sequence, asset class, strategy, scale, fundraising friction, firm readiness, and alignment are interpreted together rather than in isolation. That is the coherence this note has argued for, and it is the coherence VeraDaniel’s 5-Pillar Framework is built to test.

The data identifies signals.

The framework helps interpret how they interact.