

David Goldberg of Alpaca VC

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity and many other investors for early stage and growth companies. I hope you enjoy this episode. The Investor Connect is a 501 C three non-profit dedicated to the education of investors and startups for fundraising. Please consider donating \$100 to the program to help others in their investor and entrepreneur journey. You can find the Donate button on the Investor Connect org website.

Speaker2: [00:00:38] Hello, this is Hall Martin with the Investor Connect. Today, we're here with David Goldberg, general partner at Alpaca VC. Alpaca VC is a seed stage venture capital firm based in New York that believes that layering technology over daily life transforms how the real world works. David, thank you for joining us.

Speaker3: [00:00:55] Thanks for having me here.

Speaker2: [00:00:57] So tell us more about your background before investing in early stage companies.

Speaker3: [00:01:01] Sure. So I did not have the most traditional linear path into venture when I left college in 2003. I did what most of us kids did, and we didn't know what we wanted to be when we grew up and I went back to school, so I did a JD MBA up in New York City knowing that I likely wanted to practice law, but only for a couple of years. And that's exactly how it worked out. I spent three years at the Assistant District Attorney's Office in Kings County, which is Brooklyn. From there, fell back on my finance degree, spent a couple of years first at Merrill Lynch, then at Jeffries before getting the startup bug. I then started a company called Fresh NEC, which is a bit of a rent the runway for men's accessories built that company out for four years, sold it profitably in 2013. Joined my original partner, Ryan Freeman, an alpaca. We built out a five year vision and here we are, and you're a.

Speaker2: [00:01:55] Great. So what excites you right now?

Speaker3: [00:01:58] So I think the reality is that we're somewhat of a generalist fund and I get most excited when I'm meeting a founder who knows his or her space cold and inspires me on an opportunity that I didn't know previously existed. If you're pressing me for a sector, I'll be a bit unoriginal and say that I'm recently spending a lot of time in blockchain, crypto and NFTs. Great.

Speaker2: [00:02:19] So you see a lot of startups and a lot of investors out there. What's your advice for people investing in startups? What do you tell them to do before they write that check?

Speaker3: [00:02:28] I'd say number one. Be a sponge and learn as much as you can right there. There's so much good content out there these days, and there's also so many incredible people who share different perspectives, whether investors or founders spend the time learning and becoming and becoming an expert to, I'd say, get inside the actual communities. Don't just talk to investors about what's interesting. Talk to customers. Talk to other founders. Understand product. Meet them where they are, which is often Twitter, Discord, Telegram, WhatsApp, and then let's say Zoom out. It's very easy to look at short periods of time and try to extrapolate out what's the hottest trend. But things come and go and understand where we came from and where ultimately we can go years out. Venture is a very long term game.

Speaker2: [00:03:20] Great. And then on the other side of that table, what's your advice for people running startups, what you tell them to do before they go out to raise funding?

Speaker3: [00:03:28] Unsurprisingly, and I've been on both sides of the table, I think the advice echoes itself just in different forms and especially in the crypto space where I'm spending time recently, it's learned from those that came before you. Most younger founders these days have only known bull markets. There's lots of lessons in history, whether from crypto or otherwise, and then to play the long game right, think about what will be really valuable three years from now, five years from now, 10 years from now and start building it. Don't just build what the hot thing is over the last couple of months.

Speaker2: [00:04:03] Great. Well, let's talk about the state of investing. How do you see the industry evolving from here?

Speaker3: [00:04:09] The venture industry or sort of the industry of crypto blockchain.

Speaker2: [00:04:13] Let's talk about crypto blockchain. Sure.

Speaker3: [00:04:17] It's a relatively new industry, right? But the two biggest evolutions from from my perspective. One, the technology and the infrastructure is starting to catch up to the vision and the utility that we're all pitched on five and 10 years ago. And then two, it's moving from small inner circles. A bit of that crypto culture now starting to move to the mainstream.

Speaker2: [00:04:38] And what do you think is the biggest change we'll see in the coming 12 to twenty four months?

Speaker3: [00:04:43] It's the people, especially from the perspective of a venture perspective, some of the greatest talent that I know is flocking to this space, and they're coming from all industries, right? Technology, finance, legal, even creative to me, following the most talented people is probably the strongest leading indicator of where we should be investing in the future.

Speaker2: [00:05:05] Right. Well, tell us more about your investment thesis for your fund and what exactly is your criteria?

Speaker3: [00:05:12] So we're we're a generalist fund who invests thematically, right, so what that means is if you look at our portfolio over the last eight years, you'll see sixty five companies that all look and feel a little bit different. You can't pigeonhole them to one sector. The reality of how that comes to fruition is we do what we call field studies. These are ninety to one hundred and twenty day sprints where we see a catalyst in a market. We do all of the research to get behind it to formulate opinions, formulate frameworks, landscape the entire market. Then we brand ourselves to the external market to create this magnetic pull so people know what exactly is alpaca looking for right now. And then they send hopefully the deals to us.

Speaker2: [00:05:54] Ray, can you talk about one or two strips that fit that thesis?

Speaker3: [00:05:58] Sure, so recently and I mentioned crypto and blockchain a little earlier, I did a field study earlier this year on NFTs and really trying to understand what at the time and still today is mostly a consumer product. You know, mostly digital collectibles. And I did it be a big field study on where is the venture scalable opportunity there. And I came away with a couple of takeaways. One Gaming Metaverse is DeFi. Finance and infrastructure were the areas that I was going to spend time in. One investment that we made coming out of that as a company called Rare Circles, which is sort of a square space for NFTs, giving Fortune 500 companies who have their own communities the ability to basically mint, transact, create a marketplace almost as a service.

Speaker2: [00:06:48] Great. So what are the challenges for the startup in this space? What do you find that's maybe different than it was for other spaces?

Speaker3: [00:06:56] It's a good question. It's probably around rethinking norms, right? Venture and startups has always followed playbooks and frameworks. How to raise from who. What are the timelines? What should your deck look like? But crypto has really flipped that a bit with different structures and different players, including ICOs and internal tokens as currencies. As a founder, you may need to navigate a couple of different constituencies that think differently, and you want to make sure that everybody is aligned.

Speaker2: [00:07:27] Cool. And then on the other side of that table, what's the challenge for the investor in this space?

Speaker3: [00:07:33] I'd probably say the same thing, right, for one. We need to rethink our traditional structures and be thoughtful. Can we hold tokens? How do we do it? What regulatory or legal things do we need to take into account? The other challenge for me is just keeping up. I mean, I invest in a couple of different sectors and it feels like the blockchain and crypto spaces are moving at warp speed, and I often find myself playing catch up.

Speaker2: [00:07:55] Great. And you see a lot of different subsectors and applications popping up in this sector. If you had to pick one or two that you think are really good opportunities to pursue, which would you put at the top of the list?

Speaker3: [00:08:07] I touched on this a little bit before, but I often come from a consumer angle, not a deeply technical one, given my background. So for me, it's consumer tools, games and virtual real estate or metaverse, where I'm personally most interested.

Speaker2: [00:08:21] So in the last few minutes that we have here, what else should we cover that we haven't?

Speaker3: [00:08:27] You know, we talked a little bit about the venture landscape changing, and I think over the last year, the pace and volume is out of control, faster rounds, bigger rounds, bigger funds, less diligence, big funds coming in early to seed and precede. We were seeing this gradual shift for a couple of years and then it just seemed to explode about a year ago. But on the other hand, exits are also magnitudes bigger. So we'll have to see how that plays out.

Speaker2: [00:08:55] Rate, well, how best for listeners to get back in touch with you?

Speaker3: [00:08:59] At Twitter, at David R. Goldberg.

Speaker2: [00:09:03] Great. We'll include that in the show notes, we want to thank you for joining us today and hope to have you back for a follow up soon.

[00:09:08] Thank you so much for having us on.

Speaker1: [00:09:14] Investor Connect helps investors interested in startup funding in this podcast series, experienced investors share their experience and advice. You can learn more at Investor Canaccord. Paul T. Martin is the director of Investor Connect, which is a 501c3 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.