

Nasir Ali of StartFast Ventures

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. Investor Connect is a 501 C three nonprofit dedicated to the education of investors and startups for fund raising. 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: [00:00:44] Hello, this is Hall Paul Martin with Investor Connect. Today we're here with Nasir Ali , managing partner at Start Fast Ventures. Start Fast Ventures is a early stage venture capital firm that invests in recurring revenue software businesses outside the major startup hubs. Nasir , thank you for joining us.

Speaker3: [00:01:00] Thank you for having me.

Speaker2: [00:01:02] Great. Well, tell us more about your background before investing in early stage companies.

Speaker3: [00:01:07] Well, I started off going to school for physics and then quickly realized I did. I love physics but didn't want to spend my time as a researcher or a professor. I had always had an interest in entrepreneurship. My dad was an entrepreneur and so I decided to switch, go to business school instead, and ended up just living through the nineties in the Amtrak corridor, working on the most amazing technologies that were coming to market, the first EPS signals that were being put up there for commercial purposes, the first voice over IP system, the first data mining. Everything you and I carry in our pockets today was kind of being invented at the time and just fell in love with technology and decided that I wanted to spend a career working in that. And in 2004 I left to come to upstate New York, to Syracuse, because my wife got a job offer there and my life kind of took a different turn because what I realized was that while I had been living in the heart of the growing economy of the United States, there is this whole other part of the country that was just not part of that equation at all. These were communities that had once been prosperous. So what we think of as the Rust Belt, places where great companies used to exist and new ones for some reason didn't form. So I started to work with the business

community in Syracuse and then in 2010 started a not for profit upstate venture. Connect with the founder of Trinity, Martin Babineau, who's a local guy. And we've been building this vast sort of network of founders and supporters across the region. And alongside that we decided to do early stage investing and so started a fund to look at universities else and started an accelerator program modeled on Techstars and Start Fast Ventures Fund two is sort of the normal sort of conclusion of that, which is to say amazing businesses are being formed all around us and not too many are aware of them. So that's what we're taking advantage of.

Speaker2: [00:03:22] Great. So what excites you right now?

Speaker3: [00:03:25] We are seeing an incredible wave of innovation that is happening in the B2B software service space. And this is across cybersecurity, it is across healthcare, everything. Obviously these days is leveraging AI. There's a lot of blockchain opportunities, but we're looking at how the nature of work is being changed fundamentally. So the difference this time around with these founders in the geographies we're in is that these are people who have typically worked in industry and have to deal with problems. That old way of thinking suggested the only solution is build your own custom software, then maintain it, and so on. By the time you look at it, you say, Well, do I really want to be in that business? Because it doesn't make sense for me to do it just for myself. But as these founders have emerged, what they've realized is that they're buying everything as a service, whether it's a Netflix subscription or, you know, Google or Microsoft Office or whatever. So and when you do that, you solve the problem for everyone in an industry, and there's a recurring revenue stream associated with it. So the amount of innovation that we're seeing across the board is staggering. It's not all. It feels like it's all crypto right now, but it is a much bigger and broader world for sure.

And well, it sounds like you see a lot of startups and a lot of investors out there. And what's your advice for people investing in startups? What do you tell them to do before they write that check?

Speaker3: [00:04:59] My advice is always to think about how you want to invest in this type of asset class. Right. Most people write checks because they fall in love with something and then they don't necessarily have a framework within which to evaluate what success looks like or they don't make enough of those investments. So, you know, I'm one who says you need to

have a portion of your investment portfolio for this type of stuff. Probably not a huge portion, because obviously early stage stuff is very risky, but also make sure you have a big enough portfolio and where possible, invest alongside people who are more knowledgeable than you because it's a learning game for everybody, right? Because by definition, if you're looking at something new, nobody knows how it's going to work out. So the more smart people you have alongside you, the better off you're going to be. Because even if the investment doesn't work, you'll actually be a lot smarter at the end of.

Speaker2: [00:06:04] Right. Then on the other side of that table, what's your advice for people running startups? What do you tell the founders to do before they go out to raise that round of funding?

Speaker3: [00:06:12] Well, we're in a very strange time with over I mean, the amount of venture funding last year doubled over 2020. That's unheard of that kind of increase in the space, which means that there is a saturation of stories about people raising capital at absurd values. Right. And so my advice to founders is to be very careful in terms of understanding where they sit with regard to the stuff that makes it to the news versus all the other stuff that's out there and do not get in over their skis, you know, in terms of making it a valuation game. Because, yes, there's for some founders, there's more money than ever that's available. And for other founders, they just happen to be in a location or have a network that doesn't give them access to that kind of capital or those types of valuations. So you have to be, you know, again, build your network and be realistic in terms of how you want to do it, because it's easy to sometimes raise money at a higher valuation, but then there's a lot of heartache at the end of it when the bubble has passed.

Speaker2: [00:07:26] Oh, great. Well, let's talk about the state of startup investing. You mentioned a moment ago that we are in very unusual times here. How do you see the industry evolving from here?

Speaker3: [00:07:35] So I think it's basically the amount of new capital that has been raised just last year by VCs means that the next 2 to 3 years are going to continue to see inflated valuations for people who are in the VC hubs, for people who are serial entrepreneurs that have previously created valuable exits for everybody else. It's going to be not that different. They're still going to

have to figure out how to get in front of the right investors. They're still going to have to figure out how to get more than one term sheet, you know, and they're still going to have to figure out how to arrive at a meaningful valuation that allows them to, you know, get keep enough of their company to stay motivated and then reach their goals without necessarily having to risk a down round.

Speaker2: [00:08:31] Great. What do you think is the biggest change we'll see in, say, the coming 12 to 24 months?

Speaker3: [00:08:37] I think that in my view, we'll see whether or not the stock market continues to hold at its current position. And if it does, then there will continue to be more money flowing into alternative investments, or it means there'll be more money available. If it starts to stutter a little bit, then we're getting some early signs of that in the Nasdaq and so on. I think that that could mean a general pullback in early stage investing, which means that there will be less available if you are outside the big hub. So just to give you an idea, you know, LA, the San Francisco Bay Area, New York City and Boston are 50% of all the venture capital that is being invested. If you're not in those cities, you're clamoring. If you go to the next six cities, you're now up to 85% of all. You know, the venture capital that is being invested. So the rest of the country, if you're a founder, you really have don't have the same landscape or the same access to capital. And when there's a lot of capital available in these VC hubs, people start to look for deals elsewhere. But as things start to shrink, then they start to look more locally. So for us, you know, it'll be a function of how bullish people are feeling about markets in general.

Speaker2: [00:10:06] Great. Let's talk about your investment thesis. What exactly is it and what are your criteria for making an investment?

Speaker3: [00:10:12] So our investment thesis is that based upon the accelerator program that we ran, based upon the work that we've been doing over the last ten or 12 years, the amount of innovation that is happening in middle America is off the charts. The gap that those founders have in terms of having access to the resources needed really stems from the fact that much of the region does not have the network connectivity. Not enough of these people who are starting businesses that can be scalable, venture back for the first time, have that network that allows them to know people who have raised C before, who can put them in front of their

friends or angels or early stage investors who can help guide them through some of the basic blocking and tackling. So that network is in some ways a limiter to your access to capital and your readiness for capital. So start fast and start fast. We like to work with emerging founders who have some degree of market traction. We want people who have sold something to a customer that the customer is happily paying for. Right. We're not investing. And if I if you give me the money, I'll build it. That's kind of our our sweet spot is you can be a seed or a pre a company and we're happy to come in and help you with not just the capital, but also getting ready for that next round access for getting the big players in as you start to hit those milestones, for building out your management team as you are looking for that right person because that's another issue and it's all a function of a network.

Speaker2: [00:12:02] Greg, can you talk about one or two startups that fit that thesis, perhaps a portfolio?

Speaker3: [00:12:06] Yeah, absolutely. So one of the companies where we're super excited about is a company called Blackbird II. They're based here in Rochester, New York, which is where I live. And they are essentially the world's most advanced engine for identifying and tracking disinformation campaigns on the Internet. Now, you might think the only people who care about this are the government or whatever, but the reality is that it's affecting everyone who has a brand to protect. Right. So and it's affecting people that are in the world of finance. So when the GameStop frenzy started to happen and all these thousands of people on Robinhood decided that they wanted to put a little bit of money to work going against a hedge fund and almost forced the hedge fund to collapse. Right. That was not something that anybody had thought of as happening before, but it was an Internet fueled phenomenon. Right. Similarly. Those people who are in the vaccine business are constantly looking to fight disinformation about not just, you know, vaccinations in general, but their products in particular. Right. And things like that. So this is a is an emerging and very fast growing space. And and Blackbaud has an incredible engine that is being used by government and private sector entities to solve that problem.

It's just a it's a new thing. If you had told me ten years ago we'd be talking about this, I would have said, you're crazy, but here you have it. And then we have some other companies that, you know, small businesses are really at risk for hacking and cybersecurity issues. So we have a company called Prisma that is the best solution for a small business. But the real issue is how do

you get a small business owner to even understand and figure out how big a problem this can be? They don't go on the dark web. They don't understand what's fully sitting in their systems. They've outsourced their IT so serious it actually works with the providers of IT services and allows them to go to the business owner and say, look, here's what you have sitting in your system and here's what it's worth to some a bad actor that wants to have access to it because this is what they could sell it for. And here are the steps that you need you and your team need to take in order to become better at protecting these assets.

Speaker2: [00:14:38] Great. Well, let's talk about the challenges out there in the current market. What do you think is the main challenge starters face today?

Speaker3: [00:14:44] I think everyone, regardless of where they are and how well they're funded, is facing a shortage of talent. You know, people can use to be that they were like, oh, well, we have a cost advantage being in in Rochester, New York or Syracuse, New York or Minneapolis or Cleveland or whatever. I think any person who's truly good at what they do can now work pretty much from anywhere for anybody. And the top layers are willing to pay top dollar for them. Right. So it becomes a question when you're trying to get the talent to say, well, if I have an early stage company, do you want to come work for me with a lot of equity, or do you want to go work for somebody who's very cash rich compared to me and can pay you a lot of cash? Right. That becomes a challenge for growing companies and that is a significant issue.

Speaker2: [00:15:40] It is. It is. So on the other side of that table, what's the challenge investors face in today's market?

Speaker3: [00:15:47] I think the challenge investors face is what can they do once they have made an investment? What can they do to actually meet the objectives? Help those companies meet their objectives? Because particularly there's a lot of companies that are receiving money at very high valuations. And what that means is that the bar for the next round becomes that much higher, you know, and so investors who are going in and looking at it from that perspective really need to have a good idea of how they can provide value to the company beyond that check, because really their valuation depends upon whether the company can get to the next stage of their growth. And get the values in allows them to return. So that's something that I hope all investors are looking at very, very carefully.

Speaker2: [00:16:38] Right. Well, you talked a moment ago about AI and disinformation campaigns. What other sectors and applications do you think are good opportunities for investors to pursue?

Speaker3: [00:16:49] Health care is a \$4 trillion market in the US and it is riddled with problems. Most of those problems right now seem secondary to the staffing issues and the burnout issues and things like that we're looking at, but they're not going away. Know we have an aging population. How do we look at taking care of them without spending ever increasing amounts of money and delivering poor care, you know, in return, which has kind of been the historic trade off the availability of data, the digitization of data of health care data that has occurred over the last 5 to 6 years, maybe the last ten years, is now finally at a point where we have enough raw material for artificial intelligence solutions to begin to crack the code. We have another company called Signals, which is taking blood sugar level data to provide personalized guidance to individuals who are trying to manage their weight or they have their athletic performance goals and so on. This is an area that no one had looked at before, and now the thing that makes it work is that anyone can wear a little Band-Aid like patch on their arm. That's a continuous glucose monitor, and that is continually feeding data that can be used to provide how your body reacts to any foods you have or any exercise you do so that you can be in control of managing your metabolism.

Speaker2: [00:18:27] Great. When? The last few minutes that we have here, what else should we cover that we haven't?

Speaker3: [00:18:31] I think one of the things that I have spent a lot of time working on in upstate New York and that I think a lot of other parts of the country can benefit from, is for inventors to really stick around and grow in any location they need to have a network of people supporting them, and they need to have some people who are willing to write that first check. You know, so figuring out how to if somebody wants a community to grow, they have to be creating companies that are focused on the future. That's where economic growth is coming from. But in order to do that, you need to have a supportive community and you need to have some early stage capital. So, you know, we're committed to helping startups anywhere in the country, and we're particularly interested in looking at underrepresented groups or women

founders and so on, where about half of our portfolio from our START fund, one is led by women CEOs. 2% of last year's VC funding went to women CEOs in comparison. Right. These are things that everyone in every community should be thinking about. These are things where they need to understand that there's a reason people leave places. It's because they don't find the opportunity to grow roots or they don't find the acceptance. And and so it's something that all of us can be doing to make these communities better and stronger.

Speaker2: [00:20:07] Rate, how best listeners get back in touch with you?

Speaker3: [00:20:11] Easiest way to do it is to send me an email. Nasser and Asi are at start fast ventures dot com.

Speaker2: [00:20:21] We'll include those in the show notes. I want to thank you for joining us today and hope to have you back for a follow up soon.

Speaker3: [00:20:26] Love to. Thank you so much for having me.

Speaker1: [00:20:29] Investor Connect helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at investor connect dot org. Multi Martin is the director of Investor Connect, which is a 500 1c3 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.