

Transcript of Zeke Trezise

Hall T. Martin: [00:00:00] Hello, this is Hall Martin with Investor Connect. Today I'm here with Zeke Trezise, associate Investor of New Stack Ventures and part of the Full Ratchet podcast team.

Newt Stack Ventures is a Chicago-based venture capital firm specializing in pre-seed and seed funding for startups led by entrepreneurs with the traditional Silicon Valley pedigree. The Full Ratchet Podcast is a podcast dedicated to demystifying venture capital by interviewing VCs and startup founders on how they build great technology startups.

Zeke, thank you for joining us.

Zeke Trezise: Yeah, hall, it's a pleasure to join you as well.

Hall T. Martin: Great. So where does this podcast find you today?

Zeke Trezise: So I'm calling in from Chicago, where we are, where we're based as a team.

Hall T. Martin: Great. Well tell us more about your background. What did you do before this?

Zeke Trezise: Yeah, of course. So I come from a, a family of entrepreneurs.

Um, my dad was pretty deep in the automotive sector, so growing up we always worked together on, you know, a number of different businesses. I think some of my fondest memories growing up are like Sunday's spit in a repair shop within, you know, working on a car. so I've always had an interest in business, especially on the [00:01:00] finance side.

Again, growing up, I, I wrote a letter to Warren Buffet when I was in fifth grade, so I don't think too many people are doing that. , you know, I, I've never been sort of the best student, , but I've always enjoyed sort of playing around with ideas, you know, pitching different business ideas.

So in college, sort of went down that rabbit hole for a bit and then, uh, decided I wanted to go down the, the finance side again. So, hence how I wound up at, at New Stack.

Hall T. Martin: Oh, great. Well, tell us more about joining a VC firm. What was that like?

Zeke Trezise: Yeah, of course. Um, I think that everyone sort of says that they have a, an unconventional path to venture and, maybe I'm the standout here in the fact that I have a more conventional type route.

so originally worked in our fellowship program while I was a junior in college. Um, eventually moved up here to Chicago to work full-time with the team. yeah, I mean, I, think a lot of people ask about how to break into venture and I always have a lot of thoughts around that. So, happy to dive more into it if, if there are specific questions too.

Hall T. Martin: So what exactly do you [00:02:00] do as part of the VC firm? A little bit of, uh, everything or do you have a specific role

Zeke Trezise: there? Yeah, definitely. so my role is primarily deal flow focused. So I work on, you know, sourcing, you know, finding new promising startups, as well as, uh, assisting with diligence on deals that we've already, you know, found some sort of an interest in.

Hall T. Martin: And how many deals a month do you see in on average?

Zeke Trezise: Yeah, great question. We looked at a little over 16,000 deals last year, in terms of just sheer top of funnel volume in terms of actual investments, we did 12 deals last year, so pretty, pretty small throughput to the, the bottom of the funnel.

Hall T. Martin: And so, I guess my next question is, what's the challenge in starting a VC fund in Chicago?

It's not the west coast and not the east coast, but, what do you, did you find there when you started this fund?

Zeke Trezise: Yeah, of course. I think, you know, going back to when the fund was first started, so R g p, Nick got fund one going around 2018. , [00:03:00] there's always been this narrative around, you know, San Francisco producing the best returns for venture.

And, uh, I think recently that has begun to pivot. we pulled data from over 65,000 funding rounds relatively recently, and. Some of the interesting points were that around 2018 we saw this inflection point in unicorn yield from outside

of the Bay Area in New York City. So these areas now, if you think about it, there's clearly an arbitrage opportunity, right?

Why start a fund in Chicago?

Zeke Trezise: Like they're producing unicorns, they're producing great returns, yet they aren't receiving the same funding that the Bay Area or New York typically receive. So that was sort of what we had in mind with starting the fund. You know, it's clear now, like in 2021 we pulled data and you know, over 60% of unicorns came from outside of San Francisco and New York.

So there's just been a clear flight of capital outside of these hubs to the rest of the country and, you know, other regions of the world too. And it's just a great thing for venture.

Hall T. Martin: And so what's the main difference [00:04:00] between your VC fund and, and other VCs, wherever they are?

Zeke Trezise: Definitely. Yeah. I think so historically the loss rate for venture has been well above 50%.

it's clear when you look at, you know, returns. So there's an asymmetric return profile, like the power law will make up for, for many sins on the selection side, right. however, I think it still means that the best VCs are filtering for the wrong things. So, you know, if you look historically, a lot of VCs have used things like education.

You know, if you went to Stanford or, if you worked at a fang company like a Google or a Facebook, right? People would use that. VCs would as a proxy for whether or not a company was compelling. , I think that's, you know, flawed in terms of methodology, clearly, we try to evaluate for things like motor, you know, focus of the entrepreneur.

Quite simply, we go digging where other people aren't looking. So we use software to aggregate all new companies that have been formed within a specific [00:05:00] time period that fit our relevant criteria and, try to just see as many deals as possible. So again, coming back to the 16,000 point, I think we're on track to do above that this year as well.

we also have our, our podcast of course, which drives substantial inbound interest.

Hall T. Martin: Well, great. Well, tell us more about developing, pre-seed investing. That's a pretty challenging space to be in. How do you develop your investment thesis around that, early stage?

Zeke Trezise: Totally. There's a, you know, coming back to this data poll, right, of more than 65,000 funding rounds, like since 2010, there has been just a dramatic uptick in the number of, you know, pre-seed rounds done.

it's up well over 40 x from the 2010 basis. most rounds for context are probably up five to, to 10 x in terms of volume. So we've really just seen an explosion in the number of funding events that are classified as pre-seed. You know, I would take away from that, that now there are more than ever these non-traditional investors that have [00:06:00] entered the market.

So, you know, you might be able to define these as Taurus capital, right? Like a lot of people will say they're just tourists in the venture market. , I don't know that I completely agree. It's certainly driven up, you know, pricing at the earliest stages and it has made pre-seed blow up in terms of overall importance.

Hall T. Martin: Do you have a specific criteria you're looking for? Usually investors are looking for traction and revenue and so forth, but the pre-seed, there's usually none of those metrics. What are you looking for?

Zeke Trezise: Um, Yeah. In terms of a, a thesis at pre-seed, again, we look for many more of these qualitative type factors, I would say.

So you do the best you can to screen out at the top, what's a fit and what isn't a fit. But beyond that point, there are certain qualitative metrics. Again, Mike, focus is sort of the number one reason why we pass on startups, whether, the model is unfocused, whether the customer set is unfocused, there are a lot of different dimensions to it.

So being very clear and defined in terms of the [00:07:00] initial business where you wanna start as a beach head, becomes very important to pree.

Hall T. Martin: So to dive into the word focus a little bit more, is it that they just need to have a, a clear target or are you looking for focus that really gets very granular, very specific that they need to be that tight on it in order to be successful?

how would you define focus in this case?

Zeke Trezise: I think focus for us is more of a clarifying factor, right? So it's important to be clear in who your initial customer is, for instance, because that will inform other aspects of the business, right? You need to have a clear idea of who the customer is in order to have a clear go to market in order to have a clear business model.

there's just a lot of things that can go wrong, especially at the early stage if you're not focused on. The right things too, right? So we're, we haven't even touched on like metrics and picking the right metric for your startup, right? That's very, very common that you'll see a startup come in and they might be optimizing for just top [00:08:00] line, you know, revenue.

And it's like, well I can see why you're doing that. You know, as you want to go from C to series A and hit 1 million arr. Right? But there are probably other. More focused elements of the business that you might wanna track. Like if it's a consumer business, maybe you want to track retention. you know, if it's a, a B2B business, maybe you want to track, you know, net revenue retention.

Those are just two examples that come to mind. But, it is paramount to have focus, especially in a resource constrained environment, like a, like a pre startup.

Hall T. Martin: So great. And so let's talk about the trends and developments in the, venture capital world. What do you see shaping the future of it at this point?

Zeke Trezise: I love this question. I think that it will be interesting to see with sort of this trend towards democratizing access, right? Like we've seen this happen in the public markets prior with, you know, Robinhood making fractional ownership available to everyone. Now sort of in the private markets there is. A trend towards, you know, using this general solicitation, right?

[00:09:00] Like Jason Calcan is currently raising a fund in public, which historically to date has been sort of a rare occurrence in venture. but seeing these accreditation standards lowered for people that want to invest in the asset class, I think is a really interesting development. I. Don't know how it will turn out in the long run.

Given the power law, nature of venture, I'm sure there will be successes through sort of a more open model, but you know, historically it takes a lot of effort to get into the best deals and it's very competitive so, It'll be interesting to see if some of these new models will operate in the same way, especially, you know, through things like sweater.

I think what they're doing is very interesting. It'll be interesting to see in the long run if, if we draw the same results from that as we have from the asset class as a whole, historically.

Hall T. Martin: how do you see, say, crowdfunding, factoring into the world of venture capital? Do you see that as a. A supporting, uh, level where there's validation that can [00:10:00] come from it?

Or do you see them creating a, a completely separate alternative path with Reg A, to go bypass venture capital? What's your take there?

How crowdfunding factor into the world of Venture Capital?

Zeke Trezise: I think crowdfunding is a great solution for consumer startups that are looking for early validation. You know, I think to, to sort of receive that from your customers and prove it out at the same time as your fundraising, it can be a great thing.

But I do think for the, the majority of businesses, the path will probably stay the same for venture.

Hall T. Martin: Okay. And so if you were to start a firm today, you know, launch or your own venture firm, what would you, uh, go after? What would be your investment thesis if you had something totally separate to do?

Zeke Trezise: Totally. I think it would be very similar to what we're doing now, right? Just looking for Alpha where other people aren't. you know, one interesting idea that I was actually talking about yesterday with our principal was, uh, sort of a venture and a credit fund at the same point, like two funds that operate under the same umbrella.

So we see a lot of FinTech focused businesses, a lot of [00:11:00] credit businesses. we've invested in one ourselves called One Car Now. And for these businesses that have a lending component, it's important that they have access to the credit facilities that they need in order to continue to grow the business.

So, I think you could add a lot of value as a venture investor, having both of those funds under one umbrella and, you know, clearly you could win access to the, the best deals with it.

Hall T. Martin: Well, great. Well, let's switch gears for a moment. Let's talk about the Full Ratchet Podcast. I've been a avid listener for many years.

Really enjoyed it, thought it was a, a great source of information and inspiration as well. can you you talk a little bit more about what the purpose of the Full Ratchet Podcast is?

Zeke Trezise: Definitely. Yeah. So early on it was our, our gp, Nick Moran started off as sort of a personal exploration into venture capital.

He was a, a complete outsider, had worked at, a large firm called Danaher prior, and, just found industry, really interesting. Um, had been an angel investor for a little bit, but truly [00:12:00] wanted to. Learn more and learn in public. So he started the podcast early on. I think 2015 is the first VC podcast.

and, yeah, the goal out of it was originally just a, a learning experience for him and to share that with others. And I think we've continued in that vein ever since.

Hall T. Martin: And great. What do you think is the, the full ratchet formula of success? what's made it so popular?

Zeke Trezise: Well, maybe I should ask you hall on, on what's made this podcast as well so popular, but uh, in terms of us, I think it's, you know, the white glove nature to start is very important.

And you know, we see this similarly with a lot of startups where you really wanna white glove things, especially if you're working with enterprise at the early stages. You wanna make sure that you're responsive to people's needs, that you're flexible in what you can produce. those are some characteristics we've seen with successful enterprise founders, and I think that.

A podcast. Now, if you were to start one, you would want to white glove everything and then over [00:13:00] time develop the sort of base level of, you know, processes, right? it's clear that you can't go from the start and just build out whatever extensive process you could. It's gonna take you longer to launch and then you'll have a lot of misfires.

But, I mean, my advice for anyone that wants to follow a similar path would be,

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The Full Ratchet formula of success

Zeke Trezise: Just pick a focus as a podcast. Like have a very narrow focus in terms of who you want to reach, what you want to talk about, that sort of thing. And just do it, figure out what metric you wanna optimize for.

I think that will take you down different paths That probably sound like a broken record with, you know, metric optimization. But, think about if you wanna optimize for listens, you know, downloads and engage community from it. you know, whether it's your personal network that you wanna optimize it for.

All of these have sort of different implications for how you would launch that podcast. So that would be my advice to anyone starting off today.

Hall T. Martin: Great. I, I guess from my side, what I found interesting was, you know, the, the interviews were very meaty. They were very educational. I [00:14:00] learned a lot. So, you know, really good guess with good questions really, elicited a lot of information.

That was very helpful. Uh, also thought Nick brought a, a lot of energy and, uh, upbeatness to it. That was really inspirational as well. He had a great, podcast voice and so I thought that that. Added a lot to it. And then third, I thought the, the production quality was very high. Of course, podcasts range all over the map and so forth.

But I thought, the full ratchet was really at the top of the list for quality production values. So I guess my next question is, uh, how do you stay relevant in the venture capital podcast world? What are you guys doing to keep up with all the changes that are going on out there?

Zeke Trezise: Just continually iterate, right? It's a, it's a competitive space. People have, endless different uses of things they can do with their time. So continually iterating upon the format, the types of guests that we bring in, the different channels with which we engage people. You know, there's been a lot of experimentation behind the scenes and, we're launching [00:15:00] some new formats later this year too.

So, stay tuned.

Hall T. Martin: That's great. Well, in the last few minutes that we have here today, what else should we cover that we haven't?

Zeke Trezise: the only other thing on my end is that we are hiring an analyst for the firm. So if someone is interested in joining a venture capital firm, please feel free to visit our website.

It's just newstack.com.

Hall T. Martin: And what, what do you look for in an analyst? What kind of skills are you thinking that would be best?

Zeke Trezise: I think, probably the most paramount thing that anyone can have. Not just an analyst, but anyone would be sort of, an ability to learn and pick up things quick. It's a very generic answer, but I think the meat of it really is just being flexible in your learning.

Because even if I gave some more prescriptive advice in terms of like, you need to have great financial modeling skills, or you need to be just an. A wiz in Excel, right? Like that will quickly become outdated as tools develop as our firm develops, it's truly a growth position. You know, I started here [00:16:00] again two-ish years ago as a, as an intern or a, a fellow I guess.

And, now obviously as an associate, my job has changed dramatically. So I think just the ability to learn and pick up things quick is, is paramount.

Hall T. Martin: Well, great. Well, so how best for those potential analysts to get back in touch with you?

Zeke Trezise: Yeah, uh, feel free, you know, anyone who is interested in either that or just talking in general can reach me at Zeke Z e k e@newstack.com and I'm sure we can provide a link to it as well.

Hall T. Martin: Great. Well, we'll put those contact details in the show notes. I want to thank you for joining us today and hope you have you back for a follow up soon.

Zeke Trezise: Of course. Yeah. Hall, it's been a pleasure and looking forward to that follow up.