



LP Reporting Best Practices for Venture Capital Investors

Updates / Monthly Investor Update

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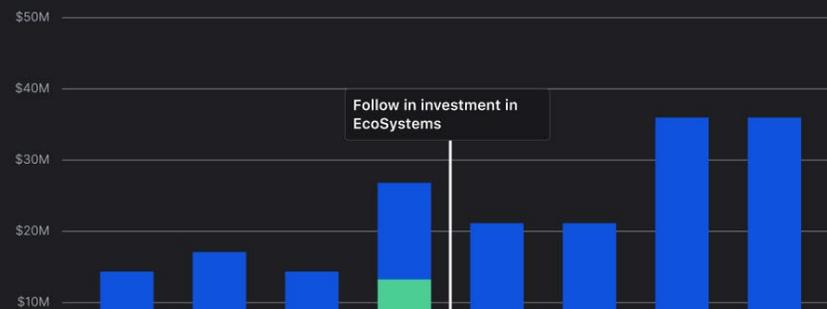
LP Investor Update

Hello [First name](#) !

Hello all — I hope your month is off to a great start! Since our last update Realma has made significant progress towards our goals and kicked off our fundraising process. Thanks for your continued support.

Maria

Total Invested Vs. Follow On



About this resource

Visible and Aduro Advisors have partnered together to create this guide outlining best practices for reporting to Limited Partners (LP's) for Venture Capital investors. Visible and Aduro collectively support over 500+ investors with fund types ranging from first time fund managers to firms managing 3 billion+ in AUM.

The Venture Capital industry continues to evolve with Venture Capital assets under management tripling between December 2016 and March 2021, from 574bn to 1.68tn and the time between raising funds decreasing from 2.4 years to 1.6 years. In conjunction with this growth, other new trends are emerging that affect the way General Partners should approach the way they report to and engage with their LP's.

Listed below are trends highlighting the need for an improved approach to LP reporting.

LP's want more transparency and deeper insights than before.

To attract LP funding VCs are having to differentiate themselves with their sector experience, investment strategies, and focus areas. This means LPs are becoming more selective and mission-aligned when it comes to choosing which funds to invest in. This differentiation sets the stage for more robust reporting requirements, meaning LPs are expecting insights into not only fund performance but also insights into the specific sectors or investment strategies that they are invested in.

Measuring and reporting on DE&I and ESG efforts is becoming more common.

There is an emergence of non-financial reporting requirements that funds need to respond to by implementing more robust portfolio monitoring solutions to fulfill LP reporting expectations.

The rise of emerging managers and reporting scrutiny.

There are more emerging managers raising first-time funds than ever before. Their need to establish trust, credibility, and build strong relationships with LP's is imperative to their success and future fundraising. LP's also expect more detailed updates from emerging managers since they have less of a track record to rely on.



About Visible

Visible is on a mission to help founders succeed. We're achieving this by building the best-in-class operations and communications tools for founders

Visible for Investors is a founders-first portfolio monitoring and reporting solution that streamlines the way data is collected, analyzed, and reported.

For more information visit: <https://visible.vc/monitor>

About Aduro

Aduro Advisors (Aduro) is the premier fund administrator for venture capital and private equity firms. Led by a team of industry veterans and powered by proprietary software, FundPanel.io, Aduro pairs best-in-class service with the robust and flexible technology that the industry demands.

See <https://www.aduroadvisors.com> for more information about Aduro and to contact the team.

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The Importance of LP Reporting

The General Partner (GP) and Limited Partner (LP) relationship is built on trust. The best way to establish trust with LPs is transparency, authenticity, and regular communication. This means sharing the right level of data and insights, in the right format, at the right frequency. When LP reporting is done well, LPs should easily be able to understand how both the fund and the fund manager are performing and be able to use this information to inform their investment strategies in the future.

GPs should view LP reporting as a fundraising tool and trust-building activity.

For emerging managers, the relationships with initial LPs are of critical importance for your reputation as a fund manager and future fundraising. This rapport forms the basis of the fund manager's credibility and will surface again when future LPs are doing diligence on the emerging manager. First-time fund managers will need to have clean data to support their track record and positive relationships with current LPs to set themselves up for success in raising additional funds.

And finally, it's important to remember that as a GP you're not only competing with other GPs for LP capital but also with every other asset class. So it's to your advantage to use every tool in your toolkit to stand out and impress LPs.



LP Reporting Best Practices

Frequency

The frequency of LP reporting should be determined by the parameters outlined in your LPA as well as your brand as a firm. (Typical frequency is 30 - 45 days after quarter close.)

Reporting form should be consistent period-over-period as consistency is key to demonstrating reliability and operational efficiency.

Financial Statement reporting should be sent to LPs based on the timelines outlined in your LPA. Investor letters may be sent directly to LPs by the GP or alongside the Financial Statement Reporting.

Confidentiality & Disclosure

It's important to find the right balance between being transparent but not too transparent.

As a rule, you should assume that everything you send to LPs could be made accessible to the public.

Know Your LP Base

Understand your underlying LP base and their needs; what information is important to them and how frequently would they like to be in contact?

- Institutional investors typically prefer receiving more regular, detailed updates.
- High net-worth individuals may be satisfied with just standard quarterly reporting.

It is best practice to keep the LP Reporting consistent across your LP base.

- If you have LPs that might want additional context or information, you can reach out to them directly. It's a great opportunity for a more personal touchpoint.
- We do not suggest preparing different formal reporting packages for different LPs.



Updates as a Strategy

Especially in this competitive VC fundraising environment, the mantra holds true, you should 'Always Be Fundraising'.

According to PitchBook, the average time between raising VC funds is an all time low of 1.61 years.

This means you should think about each reporting opportunity as marketing and fundraising activity.

Less formal updates can be shared with current LPs and potential LPs on a quarterly or semi-annual basis.

These should be more personalized, brief, and highlight key portfolio updates.

These are a great way to keep warm touches with potential LPs and are utilized as a part of a GP's fundraising strategy.

Years between US VC fundraises

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Median	2.90	2.96	3.37	3.20	2.63	2.45	2.38	2.53	2.63	2.73	2.22	2.29	1.61
Average	2.87	3.22	3.12	3.53	3.23	2.84	2.85	2.94	2.83	2.79	2.43	2.46	2.08
Count	32	34	43	46	74	102	110	82	99	128	156	227	87

*As of May, 4, 2022



LP Content Breakdown

Market Trends & General Partner Point of View

This section should include insights on any recent trends in the markets in which you invest, an explanation about how your investment strategy aligns with those trends, updates from the portfolio, and firm updates such as staff or operational changes.

Fund Performance Metrics (Optional)

Most common metric is to present net IRR quarterly.

- Other common metrics are Multiple on Invested Capital (MOIC), Distributions to Paid-in Capital (DPI), and Total Value to Paid-in Capital (TVPI).

Fund performance metrics are optional but preferred by institutional investors. If fund performance metrics are shared once, they should be shared consistently moving forward regardless of if metrics are positive or negative.

It is at the General Partner's discretion to include commentary or present metrics as stand-alone although in unusually positive or negative quarters commentary is helpful to provide context.

Net IRR (Quarterly)

Multiple on Invested Capital

Distributions to Paid-in Capital

Total Value to Paid-in Capital



Portfolio Updates

Level of transparency is determined by General Partner's communication style.

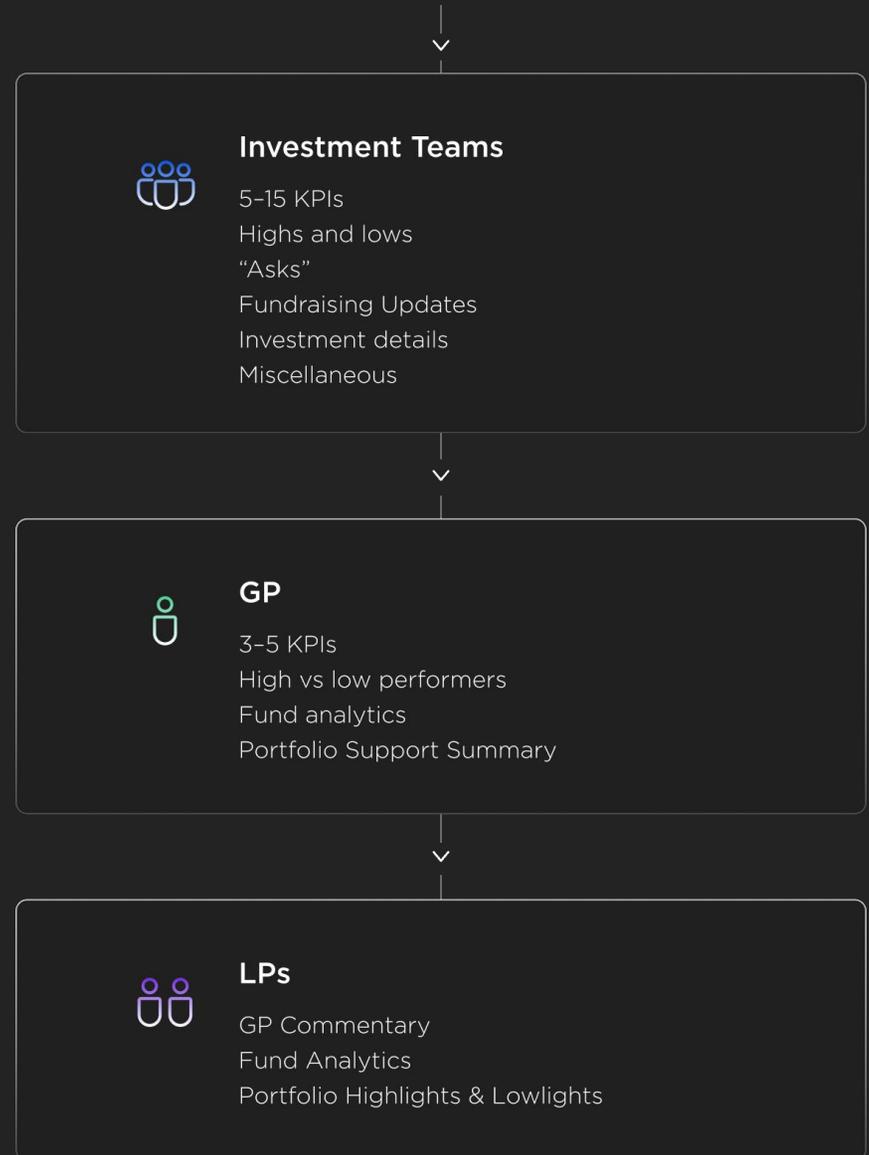
- Could provide high-level commentary on investments or more detailed information on each portfolio company

General Partners should balance LP's need for transparency while considering portfolio company Founder's feelings around sharing proprietary and sometimes confidential information broadly.

If sharing a highlight of portfolio activity, limit to new investments, new rounds of financing, and any significant changes in valuation.

If sharing information detailed information on portfolio companies, information shared should be consistent across all portfolio companies.

PORTFOLIO COMPANIES



Quarterly Reporting Update Template

This LP Update template was created by the experts at Aduro Advisors and is a great way to foster deeper, more personable relationships with LPs. It's designed to share highlights from the portfolio to keep current and potential LP's excited and engaged.

Use Template

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Quarterly LP Update Letter Template

Hello First name !

We are pleased to provide you with the latest Realma LP Update for Q1 2025. Since our last update, we have invested in 2 new companies. We also doubled down on our prior investments in Stratacard and Kloud.

Maria

Financial Updates

Realma had a strong Q1 2025. This performance was driven by the positive results from several of our portfolio companies that have had markups and hit meaningful milestones and successful exits.

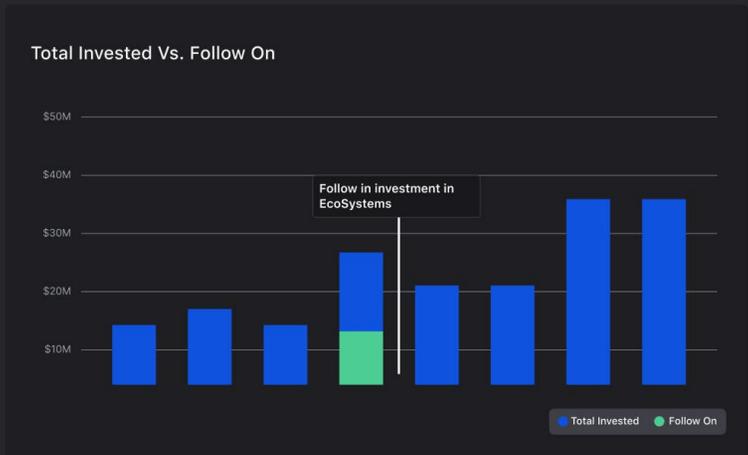
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-  Harry Brent harry@hivevc.com Remove
-  Maria Thompson maria.t@hivevc.com Remove
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Investments

The following portfolio companies have raised since our last update (note: get the founder's sign-off before sharing):