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San Jose eyes smaller VC opps

$3bn allocator mulls target increase

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The $3bn San Jose Federated City Employees' Retirement System could allocate up to $28m to venture capital this year amid ongoing pacing discussions.

The investor is debating raising the VC target to 4% or leaving it at 3%. Currently, the exposure is substantially underweight at 0.5% or $3m, as of April.

The 3% target means a reduction of $10m in commitments compared to the last year, while 4% leaves the investor with $28m to play with.

The proposed reduction is the result of the denominator effect, acceleration of capital calls, and slowdown of realizations, as well as a lack of faith in the bigger options in the space.

"I'm not convinced that venture capital helps you play it the best way, certainly not large venture capital firms," said a staff member at San Jose's recent meeting, highlighting a preference in the past for smaller funds.

"We've only put 60% of the money to work this past year as was in the venture capital pacing plan," Laura Wirick, managing principal at Meketa, noted.

San Jose is also looking to make an additional commitment of $1.5m by the end of June to an unnamed VC fund.

The portfolio currently consists of fund of funds, direct funds, and co-investments, with a focus on start-ups and high-growth demand companies.

Recent commitments include a $13m allocation to Transpose Platform and $3.5m to Crosslink Ventures X.

Crosslink Ventures targets early-stage venture capital investments in technology companies across the US.

The pacing is part of a wider $130m private market plan, which is set to be approved at the board meeting later this month.

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