Inverted Capital

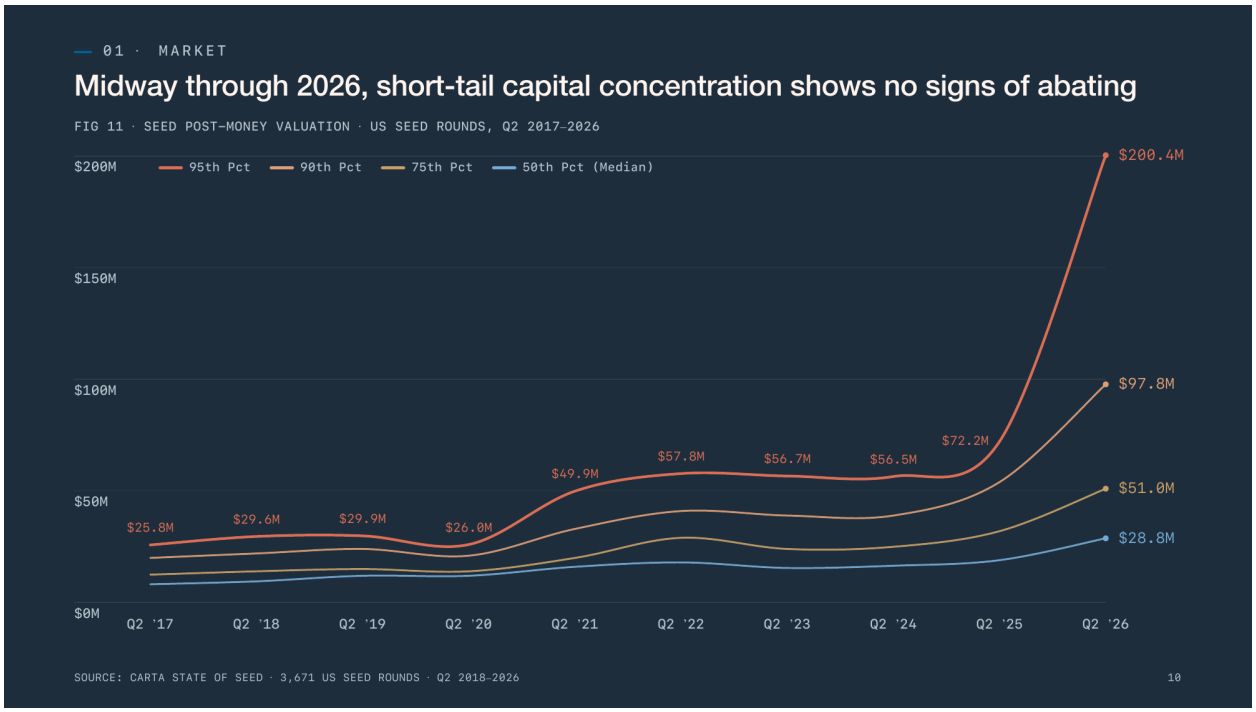
October 2026

Q3 2026 Partner Letter

"Metis is better understood as the kind of knowledge that can be acquired only by long practice at similar but rarely identical tasks, which requires constant adaptation to changing circumstances." – James C. Scott, Seeing Like a State

Partners & Friends,

Opening with a visual I shared in July:



It's one thing to study this market as an abstraction (a provocative chart!); it's another to see it play out in reality. Consider the following – a recurring anecdote in 2026:

A seed fund agonizing over whether to stretch on an inception round at $30m post; only to get blown out by a larger seed fund leading a $10m round at $60m post; said seed fund then unable to even book a meeting with a more in-meta founder attacking a more in-meta market with a more in-meta narrative; said founder closing a $30m inception round at $140m post; said round led by a multistage fund blessed with more capital, resources, and brand.

For the reactive, heat-seeking seed fund, the game has never been more unforgiving. An investor that's "won" by clearing one founder's buy-it-now price is outbid on the very next by a larger firm fueled by marginally cheaper capital. Even the wins can feel hollow: funds with 10%+

ownership targets are regularly squeezed to low- to mid-single-digit stakes, relegated to life as friendly followers. The net is a collective anxiety and existential dread among the serried ranks outside the few brand-name firms (i.e., most investors). Per the PitchBook-NVCA Q2 report:

> *"Andreessen Horowitz raised $14.2 billion across seven funds; Thrive Capital, $10 billion across two; and Founders Fund, $10.6 billion across two.* ***Together those three firms took in $34.8 billion, or 48.1% of all venture capital raised in H1 2026."***

So if we revisit my original framing of venture as a series of games within games, many of my peers in the Messy Middle find themselves playing an unwinnable game rewarding maximal scale in the short term. Yet few are in a position to actually confront the problem: most are employees – not Firm Builders – and can't, *ipso facto*, simply "opt out" and play a more winnable one. And as with any game, an unwinnable one stops being fun.

In contrast, I've never had more fun "opting out" and playing a seemingly smaller – yet infinite (long-term) – game. Two recent developments have reinforced my conviction in a *true* Pre-Seed investing style: (a) underlying execution across the Inverted I portfolio and (b) fund returners taking shape in each of my predecessor funds. Though not directly tied to Inverted, the latter warrants a closer look: it underscores the fund-returning power of position sizing (i.e., concentration) as a non-obvious company flips obvious.

On Portfolio Execution

I've long argued that *the* precondition for Pre-Seed investing done right is a high Pre-Seed-to-Seed graduation rate. Without it, any discount at entry is more than offset by portfolio mortality (i.e., the often adversely selected bets that never make it to Seed).

Recent signals suggest the majority of Inverted I companies will clear this critical first gate. [redacted]

Just as revealing are the developments upstream of the headline ARR figures and investor-update quick hits – the dailiness of company-building I'm privy to as the first money in. [redacted]

[redacted]

[redacted]

And even the not-so-good – founders confronting and communicating inevitable setbacks – is telling tape that's only deepened my conviction in the portfolio. [redacted]

On Position Sizing

Speaking of tape, I've had the benefit of studying my two predecessor funds (we'll call them PF I and PF II) over a six-year arc. Now more than ever – with fund returners emerging from both – the tape validates two of Inverted's Day One hypotheses: (a) I can hit *at least* one fund returner per fund with enough at-bats; and (b) position sizing is a profoundly powerful, controllable lever that drives aggregate fund returns. Together, they've informed my choice of game: high-concentration, true Pre-Seed investing. A closer look at PF I and PF II's fund returners:

Fund Returner Analysis: Predecessor Funds I (2020) & II (2021)

	PF I Fund Returner	**PF II Fund Returner**
Entry Price (OS%)	[redacted]	[redacted]
Post-Money Valuation (OS%)	[redacted]	[redacted]
Blended MOIC	35.2x	7.7x
Position as a Multiple of Fund Size	1.1x[3]	0.6x
Fund Multiple per Incremental $1b of EV	**0.2x**	**1.9x**

At the *asset level*, PF I's fund returner appears the better investment (35.2x vs. 7.7x MOIC). At the *fund level*, however, the math is inverted: each incremental $1b in fund returner EV has a near-10x impact on PF II's returns relative to PF I's (1.9x vs. 0.2x gross). This is the power of (concentrated) position sizing! Also note that the latest post-money for PF II's returner is *just* [redacted] – a tenth of PF I's – which leaves PF II with considerably more headroom. Extending this analysis to a range of exit outcomes yields the following:

[3] Of which [redacted] has already been distributed via a partial secondary.

Fund Multiple at Terminal Value – assuming no further dilution

	PF I Fund Returner	**PF II Fund Returner**
$1b Exit	–	1.9x
$2b Exit	–	3.8x
$5b Exit	1.4x	9.5x
$10b Exit	2.6x	19.1x

At the risk of sounding reductive, decacorn hunting is the *only* rational game sans concentration, whether as a small fund holding *de minimis* stakes or a large fund sacrificing position sizing for AUM. A concentrated approach, by contrast, unlocks an alternative game: one where convexity plays an order-of-magnitude greater role in driving fund returns (as quantified above). In the statistical off chance that PF II hits a decacorn, it becomes a generational fund off a single investment (19x assuming no further dilution; ~10x even with an aggressive 50% dilution assumption beyond Series B). Even without one, there are many paths to a great fund; a [redacted] exit (the PF I returner's pro forma post-money) alone would return 6x+.

Inverted I pushes even harder on concentration; I'm sacrificing marginal at-bats for meaningfully more upfront ownership.[4] If one believes (a) 18-20 at-bats are enough to hit a fund returner (I very much do) and (b) said fund returner traces PF II's dilution path to Series B at a comparable [redacted] post, the math produces the following:

Fund Returner Analysis (incl. Inverted)

	PF I Fund Returner	**PF II Fund Returner**	**Inverted I (Hypothetical)**
Fund At-Bats (Portfolio Count)	29	29	18-20 (Est.)
Entry Price (OS%)	[redacted]	[redacted]	[redacted]
Post-Money Valuation (OS%)	[redacted]	[redacted]	[redacted]
Blended MOIC	35.2x	7.7x	7.4x
Position as a Multiple of Fund Size	1.1x	0.6x	1.0x
Fund Multiple per Incremental $1b of EV	**0.2x**	**1.9x**	**3.0x**

[4] Specifically, Inverted I is trading roughly a third fewer at-bats (Inverted I's 18-20 vs. PF II's 29) for over 4x the average entry ownership [redacted].

Fund Multiple at Terminal Value (incl. Inverted) – assuming no further dilution

	PF I Fund Returner	**PF II Fund Returner**	**Inverted I (Hypothetical)**
$1b Exit	–	1.9x	3.0x
$2b Exit	–	3.8x	5.9x
$5b Exit	1.4x	9.5x	14.8x
$10b Exit	2.6x	19.1x	29.5x

Someone recently called me “brave” for eschewing 2026’s heat-seeking meta. I don’t think it was meant as a compliment. In fact, none of what I do feels particularly brave – I’ve simply studied the tape. And from that exercise, I’ve settled on a game best suited to my investing style. I’m also convinced it’s the one that’ll maximize cash-on-cash returns – and, by extension, LP distributions and carry dollars. Best of all, it’s the most fun version of the game I can imagine myself playing. What’s the point of anything if it isn’t fun?

Fund Updates

[REDACTED]

Disclaimers

This letter (the "Letter") is a document meant to convey certain information about Inverted Capital I, LP (the "Fund") from Inverted Capital I GP, LLC (the "GP"), the general partner of the Fund. The delivery of the Letter does not constitute any offer or solicitation to purchase limited partnership interests in the Fund. The Letter includes statements based on investment track records of two predecessor investment vehicles managed by the GP's principal (the "Predecessor Funds"), which are not solely controlled by the GP or its members. Predecessor Fund figures are stated gross of fees, expenses, and carried interest and reflect current (including pro forma) valuations; future realized results may differ materially.

Any forward-looking statements in the Letter (including projected TVPI, IRR or other Fund metrics, as well as hypothetical or illustrative scenarios) necessarily involve known and unknown risks and uncertainties, which may cause actual performance to differ materially from the projected performance implied by the forward-looking statements. All statements made in the Letter are accurate as of the month referenced above, but are subject to change.