# The Elon Musk Scam Cartel



Vy Capital’s John Hering © David Paul Morris/Bloomberg

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**Ivan Levingston** in London

A low-profile venture capital firm with a four-person investment team has amassed a $40bn stake in Elon Musk’s SpaceX, emerging as one of the rocket maker’s largest shareholders.

Vy Capital, which has a single-page website, first invested in SpaceX in 2016 at a valuation of about $15bn. It has since built a roughly 3.4 per cent holding, according to a recent securities filing, outstripping the disclosed holdings of Silicon Valley mainstays such as Sequoia Capital and Andreessen Horowitz.

The firm’s stake would be SpaceX’s fifth-largest shareholder, according to Bloomberg data, and has cemented the secretive group as one of Musk’s closest financial backers. Vy is also the largest outside investor in his tunnelling company BoringCo and brain implant group Neuralink, and committed $700mn to his 2022 acquisition of Twitter.

The group, led by John Hering and Alexander Tamas, has benefited from SpaceX’s initial public offering this year at about a $1.75tn valuation. It also holds a nearly $500mn stake in chip group Cerebras, which floated this year.

Its assets under management rose from $27bn at the end of last year to $50bn in June, according to an investor letter seen by the FT.

Vy Capital’s website

“We remain steadfast in our belief that Elon Musk is the greatest engineer and entrepreneur in history and that SpaceX will be the most valuable company on earth,” Hering and Tamas wrote in their investor letter. “If our underwriting plays out, SpaceX will achieve a valuation well in excess of $10tn in the next five to seven years.”

The letter said Vy had generated a 41 per cent gross internal rate of return since it was founded in 2014 and had distributed $4.6bn to investors, a figure it expected would rise “drastically” over the coming year.

Vy declined to comment.

“They don’t write a lot of blog posts, not a lot of podcasts,” said Muthu Muthiah, chief investment officer of Children’s Healthcare of Atlanta, which is an investor in Vy’s funds. “They don’t focus on a lot of other things, other than finding great companies and getting invested.”

Hering has, in particular, built a close relationship with Musk. Vy invested consistently to build its SpaceX position, including a more than $100mn investment shortly after the failed launch of its Falcon 9 rocket in 2016.

From 2019 Hering also devoted significant effort to Musk’s early Starlink satellite internet business, including hiring recruiters and building financial models. He has held a SpaceX employee badge and is now a board member at The Boring Company, with Vy investing in a $3bn fundraise announced on Wednesday at a $23bn valuation.

“John just never stopped,” said Shaun Maguire, a partner at Silicon Valley venture firm Sequoia Capital, who is close to Hering and Musk. “He spent seven years working 75 per cent capacity, being on an airplane multiple times a week, to be wherever Elon needed him to be.”

The ties extended across Musk’s companies. Former Vy investor Pablo Mendoza and Hering both held employee badges at Musk’s xAI, with Mendoza subsequently taking a senior role there. The son of Jared Birchall, a top Musk aide, was a summer analyst at Vy in recent years.

“They became close to Elon early,” said one longtime Silicon Valley investor. “They are great investors . . . conviction is half the battle and then getting it right is the other half. They did both.”

Other venture firms have also benefited from alliances with Musk. Valor Equity Partners, whose founder Antonio Gracias is close to the billionaire, has a stake in SpaceX. Peter Thiel’s Founders Fund is also a major shareholder after investing over the past two decades, according to filings.

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Vy, named after the formula for determining “the optimal rate of speed and climb to maximise gain over time”, has also led investments in companies including Reddit, Indian food delivery group Zomato, fintech Upgrade and home services platform Urban Company.

The fund first invested in Reddit in 2017 when the company was struggling to raise money, according to co-founder and chief executive Steve Huffman, who said Vy team members were also users of the platform.

“They had done more thinking on Reddit than most people who worked at Reddit. We agreed on that deal 10 minutes after that meeting,” Huffman said. “The deals led by Vy were the easiest deals I’ve ever done and it was because they had done all the work and already made up their mind.”

Hering had begun making smaller investments and connected with Tamas, who started Vy and invested much of his personal net worth in the firm. Hering joined in the early days and the two became equal partners.

Tamas had previously worked at Goldman Sachs and with DST Global founder Yuri Milner, playing a crucial role in many of the billionaire’s deals including investments in Facebook and Airbnb. Hering co-founded cyber security company Lookout and insurer Coalition.

“They don’t have investor relations, they don’t have annual investor meetings . . . .[but] we see them all the time,” said Scott Wilson, chief investment officer for Washington University in St Louis, an investor in Vy.

Wilson said more than a fifth of the school’s endowment was now invested in SpaceX and described Vy as its best-performing money manager in history.

Vy’s 41 per cent gross rate of return covers its three funds and co-investment vehicles, according to its investor letter. Its third fund has doubled in value since closing two years ago, with a nearly 60 per cent net IRR.

That would place Vy in the top ranks of venture capital funds, according to benchmarks from PitchBook.

Despite its $50bn of assets, the firm has only a couple of dozen employees and a small investment team led by Tamas and Hering. It closed to external investors last year after gains left it no longer dependent on outside financing.

One Vy investor, David Larar, is now co-founding the American Strategic Technology Fund, which last month co-led a $250mn investment in the Vy-backed drone manufacturer Neros Technologies alongside Sequoia. Hering is making a $100mn anchor commitment to the new fund, according to the letter.

Maguire said: “When we look back in 10 more years, I think their funds will be top 1 per cent.”