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CASE STUDY · MARLUC SYNOPSIS

Hone Capital machine learning for seed deals

IMPLEMENTED 2015–2019 · FINANCIAL SERVICES AND INSURANCE · US · BAND D · CLAIMED ONLY

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The Silicon Valley arm of China's CSC Group built a machine learning model to score the seed deals it reviewed through AngelList. In 2017 its managing partner said 40% of companies the model recommended raised follow-on funding, against about 16% across the market, about the same as the team's own picks. The figures are the firm's own. In 2019 CSC asked for most of Hone's assets to be sold, per the Financial Times.

ABOUT THIS SYNOPSIS

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Facts and figures are as reported by the sources listed below, which may be incomplete, self-reported or out of date. Check the original source before relying on any figure.

The impact band, proof marker and SEAM view are MarLuc's opinion. The organisation is not a MarLuc client and has not reviewed or endorsed this synopsis. Names and trademarks belong to their owners.

NOTICE WORDING LAST UPDATED 16 NOVEMBER 2026

AT A GLANCE

AI used: Machine learning model trained on more than 30,000 historical deals, used to score seed deals reviewed through AngelList.

Implemented: 2015–2019. Grade: band D, Task support, Claimed only.

Headline result, as reported: Seed companies recommended by its model raised follow-on funding at 2.5 times the market rate, by the managing partner's account in 2017

1 · The case

The facts, as reported by the 3 sources listed at the end. Where a source is silent, the field says "Not reported".

Organisation

Hone Capital (CSC Group). Silicon Valley investment arm of CSC Group, a Chinese private equity firm with more than $12 billion under management in 2015, per AVCJ. Formerly CSC Venture Capital. Staff numbers: Not reported. Canvas block: 4. Operations and process. Also 6. Data and technology.

Business challenge

The challenge. A new entrant without a Silicon Valley network, Hone needed access to top deals, by the managing partner's account. It saw AngelList as a way in and its data as a gold mine. Deal flow grew from about 10 to close to 20 deals a week, and the team said no to about 80%.

How it was addressed. In October 2015 AVCJ reported a $400 million commitment from CSC to startups on AngelList, through a fund called CSC Upshot. Hone built a machine learning model from more than 30,000 deals of the previous decade, drawing on Crunchbase, Mattermark and PitchBook data, and tested 400 characteristics against whether a company reached Series A. The model produced an investment recommendation for each deal reviewed, weighing factors such as investors' past conversion rates, total money raised, the founders' background and the syndicate lead's expertise. In one case the managing partner described, a high model score led her to question the lead investor about a business model the team had doubted. [1] [2] [3]

Who implemented it

In-house (In-house): Built the model from historical deal data, by the managing partner's account.
AngelList (Industry partner): Provided seed deal flow under CSC's $400 million commitment. Historical data drew on Crunchbase, Mattermark and PitchBook, by the managing partner's account.

Technology (SEAM pillar E)

SEAM types: T8 Predictive / ML models. Deployment: Not reported. Vendors and products: Not reported.

Where it was built in: Scored seed deals reviewed through AngelList, using historical deal data from Crunchbase, Mattermark and PitchBook.

What changed

Before: deals screened by the investment team alone. After: each deal reviewed carried a model recommendation, which the team weighed with its own judgement. [1] [2] [3]

What it cost

Not reported.

What it saved

Not reported as time or cost. The managing partner reported a 40% follow-on rate for companies the model recommended, against about 16% across the market. [1] [2] [3]

Governance and control

The managing partner said the team should trust the model more but not rely on it completely, and combined it with human judgement. Owner, validation and monitoring of the model: Not reported.

S2 · Accountable owner · Not reported
Not reported. The managing partner, Veronica Wu, described the approach.

A1 · Safe use · Not reported
Not reported.

A2 · Human in the loop · Claimed
The managing partner said the team combined the model with human intuition and judgement and should not rely on it completely. [1]

A3 · Monitoring and assurance · Claimed
Hone ran a look-back on the 2015 cohort comparing model picks, team picks and the market; no ongoing monitoring is described. [1]

A4 · Vendor AI · Not reported
Not reported.

A5 · Agent controls · Not reported
No agents described.

A6 · Standards and regulation · Not reported
Not reported.

What worked, what did not, what is unproven

WORKED

– Follow-on funding for model-recommended companies at 2.5 times the industry average, by the managing partner's account.

– The analysis gave the team usable insights, such as the seed round size that separated companies reaching Series A, by the managing partner's account.

DID NOT

– The model alone did no better than the investment team alone: its follow-on rate was remarkably similar to the team's, by the managing partner's account.

– The programme did not run its course: in 2019 CSC executives asked for most of Hone's assets to be sold to meet financial obligations, and CSC offered only 20% of the $400 million AngelList commitment, per the FT.

UNPROVEN

– Whether combining model and team delivered the nearly 3.5 times figure in practice; it was described as what would result.

– Whether model picks produced better returns, beyond raising a next round within 15 months.

– How the model performed after 2017: Not reported.

Timeline

Oct 2015 CSC commits $400 million to startups on AngelList through CSC Upshot [2]

Jun 2017 Managing partner reports 40% follow-on rate for model-recommended companies [1]

2019 CSC executives ask for most of Hone's assets to be sold [3]

2020 Managing partner and former finance director leave Hone [3]

2 · Grade and SEAM assessment

MarLuc's opinion, made on the evidence above. How cases are graded: marluc.co.uk/case-studies/how-we-rate

Level of change and impact

Claimed: Not applicable. Grade: D, Task support. Proof: Claimed only. Level of change: Task support.

Task support (Level 1, band D). The model added a score to each deal; the team kept the decision.

The model gave a recommendation on each deal reviewed, and the investment team decided with its own judgement: people did the same work with AI help (band D). The reported results are an early indicator from one cohort, and the programme was cut back in 2019 for reasons the FT ties to CSC's finances, before longer-term results were reported.

The SEAM view and lessons learnt

Hone's position rested on access to AngelList's deal flow and CSC's capital, with the model inside that, and the model alone matched the team rather than beating it. The reported result is a short-run indicator, follow-on rounds within 15 months for one cohort, and the programme was cut back for funding reasons. A partner should ask what outcome a screening model is trained and judged on, and whether model and human picks are tracked separately over a full fund life.

1. Judge a screening model on returns over time, not only on next rounds.
2. Record model picks and team picks separately so each can be compared.
3. Agree how the team handles cases where model and judgement disagree.

Evidence

Score 1 of 4. Self-reported: the managing partner's figures in a McKinsey interview; the FT reports later events from court documents, internal fund presentations and people familiar with the fund.

Evaluation method. Self-reported look-back analysis of the 2015 seed cohort: follow-on rate of model picks against a market average and the team's own picks.

Sources disagree. AVCJ reported the $400 million commitment in October 2015; the FT dates Hone's alliance with AngelList to 2016. The FT says Hone built stakes in nearly 400 US startups, and gives $215 million in about 360 startups by 2017.

Status. Ended: CSC asked in 2019 for most of Hone's assets to be sold, and the managing partner left in 2020, per the FT, which also reports litigation between Hone and its former leaders with allegations on both sides. No later results for the model were found.

3 · Original sources

Read these in full. To challenge a fact or a grade, use the contact form at marluc.co.uk or the link on https://marluc.co.uk/case-studies/hone-capital-machine-learning-seed-deals

[1] McKinsey Quarterly: A machine-learning approach to venture capital, interview with Veronica Wu (June 2017)

[2] AVCJ: AngelList raises $400m from China's CSC Group (October 2015)
https://www.avcj.com/avcj/news/61719/angellist-raises-usd400m-from-china-s-csc-group

[3] Financial Times, in Spanish via El Cronista: Un multimillonario chino, secretos industriales y el FBI (September 2024)
https://www.cronista.com/financial-times/un-multimillonario-chino-secretos-industriales-y-el-fbi-el-escandalo-que-sacude-a-silicon-valley

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