

# Hedge Fund Alert

THE WEEKLY UPDATE ON FUND MANAGEMENT INTELLIGENCE

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## Centre Lane... From Page 4

\$310 million at yearend 2021, according to Centre Lane's most recent Form ADV filing with the SEC.

In addition to Mapatuna, key members of the firm's senior leadership team include co-founders **Quinn Morgan** and **Ken Lau**. ■

## VC Fund Eyes Online Gambling Services

The former head of online gambling venture capital investments at **Las Vegas Sands Corp.** has formed a new firm called **Discerning Capital** that's looking to make similar plays.

Based in Las Vegas, Discerning is led by managing partner **Davis Catlin**, who is working with partner **David Williams**, his former colleague at Las Vegas Sands. Both also previously worked at long-only equity manager **Sands Capital**, which is not affiliated with Las Vegas Sands, the large publicly traded casino and resort operator.

Through Discerning, they are seeking to raise \$150 million for a debut fund, Discerning Capital Fund 1, that would make 12 to 15 active minority investments in emerging leaders in the regulated online gambling arena. The firm's aiming to collect \$75 million in an initial close at the end of June. Half of that already is lined up.

In most cases, Discerning is seeking to invest in service providers to online gambling companies. Because of high barriers to entry in the online gambling sector and opportunities it sees to disrupt existing businesses in the area, Discerning expects to be able to triple the capital it invests.

Catlin and Williams in 2021 joined Las Vegas Sands, where last year they shepherded at least four non-controlling investments in companies in the online gambling sphere. Most of those investments were in the form of Series A-round equity stakes.

Those deals were with **U.S. Integrity**, which offers fraud-prevention services, **Huddle Tech**, which produces odds and trading services used by sports gambling operations, **Bayes Esports**, which handles live data in the esports sector, and **StreamLayer**, which integrates live video streams into apps.

Catlin was senior managing director of digital investments at Las Vegas Sands. At Sands Capital, which Catlin joined in 2007 and where he was a partner, his roles included senior research analyst, head of consumer-stock research and director of environmental, social and governance research.

Williams joined Las Vegas Sands, where was principal of digital investments, from tech platform **Hungry**, where he

headed finance, having earlier led finance and operations at **RIZE**, a financial-services company. He worked at Sands Capital from 2014 to 2018, ending his time there as a senior research associate focused on consumer stocks.

Working with them at Discerning is **Melissa Fox**, who is heading sales and investor relations. She previously led investor relations at **Weybridge** and **Virgil Quantitative Research**. She's also worked at **Oculus Capital** and **GRT Capital**.

Executives and significant investors in service providers to regulated gambling businesses often need to be licensed in the states and jurisdictions where they operate. Discerning's founders, Catlin and Williams, are prepared to become licensed as needed, a cumbersome barrier that has kept many traditional venture capital investors out of the online gambling sector. Because of how they've structured their firm and venture capital fund, including setting up Discerning as a holding company, other executives at Discerning won't also need to become licensed.

Discerning is aiming to write checks of \$5 million to \$15 million per deal in incubation, seed, Series A and B and growth-stage investments. It's also planning to be the lead investor in its deals, which will typically fall in an industry intersection covering gambling, sports, media and technology. The firm believes it'll be able to fill a void in the online gambling investments space between very small firms, which are looking to invest less, and much larger firms that can invest substantially more. It expects that a third of its deals will be outside the U.S.

Discerning's marketing materials cite sources that contend that while online gambling represented 7.6% of global gambling revenue as of 2012, that was up to 22.2% in 2020 and is projected to grow to 29% by 2026, even as global gambling revenue continues to increase. That's particularly true in the U.S., which has seen 25 states regulate some form of online gambling since 2018, when the **U.S. Supreme Court** struck down a law that barred sports gambling in most states. There are 27 states that now permit online sports betting, and seven allow online casino betting.

Discerning's fund will charge a 2% management fee and take 20% of profits. For investors who sign up for the firm's first close, it won't charge fees on any co-investments. The fund is slated to invest its capital over three years and will have a total term of 10 years, plus two possible one-year extensions.

Discerning is planning to donate 4% of its revenue to a foundation that will fund a program to help train diverse candidates to become senior executives in the online gambling industry. ■

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