What is Alternative or Private Investment?
Why PE Investment?

Median returns for public pension funds
(by asset class, 10-year horizon IRR, as of June 2012)

15%

- Private equity: 10%
- Fixed income: 5%
- Real estate: 5%
- Listed equity: 5%
- Total portfolio: 5%

Note: Data based on review of public pension funds in North America and Europe
Source: Preqin

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Types of Private Investment

- Fund of Fund
- Buy-Out Fund (so-called “PE Fund”)
- Mezzanine Fund
- Secondary Fund
- Real Estate Fund
- Venture Fund
  - Incubation / Early Stage
  - Expansion Stage
  - Late Stage
- Hedge Fund (?)
VC Average Fund Size (US)

Median & average VC fund size ($M)

Median: "$149.3 $156.4
Average: "$50.0 $60.1

PitchBook-NVCA Venture Monitor

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Venture Returns (High Risks)

Right-Skewed Distribution of U.S. Venture Returns
By % of financings
in companies going out-of-business, acquired, or IPO 2004-2013
n=21,640 financings

Includes data from Dow Jones VentureSource and other sources
Venture Exits vs ROI

The U.S. Venture Exit Year Index by Correlation Ventures
Dollar-Weighted Gross Realized Multiple by Exit Year

- 90th%
- Average

Includes data from DowJones VentureSource and other sources

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Summary: PE Investment

- Difficult to liquidate. Long time to exit (7-10 years). Not suitable for individuals
- Buy-out fund is the largest in category if we do not count hedge fund (>75% funding goes to this sector). Not popular in Taiwan
- VC has higher tolerance on risks than traditional buy-out funds
- VC starts in late 60’ of US. Short history. US dominates
- Fund-of-fund is very popular in mature markets such as US and EU, but not in Taiwan
- In 90’, Taiwanese VC is top #3 in the world; next to Silicon Valley and Israel. Now, money flows into China
Global VC Trend
West Coast Dominates

- West Coast: 40.3% of 4Q Deals, 55.4% of 4Q Deal Value
- Mountain: 7.8% of 4Q Deals, 3.4% of 4Q Deal Value
- Midwest: 1.6% of 4Q Deals, 0.4% of 3Q Deal Value
- Great Lakes: 7.4% of 4Q Deals, 3.1% of 4Q Deal Value
- Mid-Atlantic: 20.4% of 4Q Deals, 19.2% of 4Q Deal Value
- South: 7.1% of 4Q Deals, 2.0% of 4Q Deal Value
- Southeast: 6.7% of 4Q Deals, 4.5% of 4Q Deal Value

New England: 8.7% of 4Q Deals, 12.1% of 4Q Deal Value
New Funds in US

![Graph showing the number of new funds in the US from 2003 to 2017. The graph indicates a peak in 2014 and 2016, with a significant increase in new funds starting from 2011.](#)
More Seed Funds in US
近半新創公司活不過 Series A

1,119 US Seed Tech Companies

<table>
<thead>
<tr>
<th>Round</th>
<th>Number</th>
<th>Fail to Raise</th>
<th>M&amp;A/Exit</th>
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<tbody>
<tr>
<td>2nd</td>
<td>534 (48%)</td>
<td>427 (38%)</td>
<td>158 (14%)</td>
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<tr>
<td>3rd</td>
<td>335 (30%)</td>
<td>118 (11%)</td>
<td>81 (7%)</td>
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<tr>
<td>4th</td>
<td>172 (15%)</td>
<td>98 (9%)</td>
<td>65 (6%)</td>
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<tr>
<td>5th</td>
<td>96 (9%)</td>
<td>54 (5%)</td>
<td>22 (2%)</td>
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<tr>
<td>6th</td>
<td>30 (3%)</td>
<td>51 (5%)</td>
<td>15 (1%)</td>
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創投平均出場需要時間越來越長

Source: NVCA 2016
Less IPO after Internet Bubble

IPO volume has been very low in the U.S. since 2000

In 1980-2000, an average of 310 firms went public every year.
In 2001-2015, an average of 111 firms went public every year.
Changing Landscape

- 新創公司出場時間變長
- 傳統 VC 期限 8-12 年
- 新型機構的出現，改變了創業圈的生態
  - Incubator 孵化器
  - Accelerator 加速器
  - Government Grants 政府補助
  - Crowd Funding 眾籌
    - Especially for hardware startups
    - Equity crowd funding
- 創櫃板？？
Facts on Global VC Trend

• <5% startups (or 1+%) can receive funding from VC’s, but startups contribute 5.3-7.3% new job creation

• US dominates VC resource; then China

• US West Coast (mostly California) has ~50% of VC activities

• 35% IPO are VC backed; but IPO is getting difficult

• More seed fund but existing VC’s are getting bigger. Big funds to support “Unicorn” startups

• Time to exit for VC becomes longer leading to “unicorn” phenomena
Reference:

- China VC/PE: http://www.zero2ipo.com.cn (清科集團)
- Taiwan VC: www.tvca.org.tw (臺灣創投協會)
- US VC/PE: www.kauffman.org (Kauffman Foundation)
- Global VC: www.kauffman.org (Kauffman Foundation);
- NVCA: https://nvca.org (National Venture Capital Association)
- Findit: www.findit.org.tw (台經院)