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TOP OF MIND
ASAD JAMAL

Encore, encore

Asad Jamal doesn't have the name recognition of Tim Draper, but he ought to. It was his idea to start DFJ ePlanet Ventures, which has been stunningly successful. Can he do it again when he raises a new fund on his own?

By Jerry Borrell

Senior Editor

When Asad Jamal arrived in Silicon Valley seven years ago, most of the venture capitalists he met didn't want to hear about his idea of creating a global venture fund that would invest in emerging markets like China. He had compiled a list of 20 top firms, and the first 18 that met with him said they already had their hands full. It was 1999, the height of the Internet bubble. No one wanted to hear about China. Well, almost no one. The one firm that got excited about Jamal's pitch was Draper Fisher Jurvetson, which has earned a reputation for being a maverick. Jamal and DFJ joined forces and created DFJ ePlanet Ventures, which in all likelihood will go down as the most successful venture fund launched in 1999, an otherwise terrible vintage year for VCs. Baidu, Focus Media, KongZhong, Skype. All were backed by DFJ ePlanet. Jamal and the DFJ team had the last laugh. But as successful as the DFJ and ePlanet partnership has been, the two firms have decided to go their separate ways once their inaugural fund is fully invested sometime this year. *VCJ* sat down with Jamal in ePlanet's office in Silicon Valley to find out what he plans to do for an encore.

Q What brought you to the U.S.?

A This was where the new generation of entrepreneurs was re-creating the world in terms of technology. As I was raising funds for entre-



BIO
ASAD JAMAL

Founder, Co-chairman, Managing Director
DFJ ePlanet Ventures

Age: 46

Education: Bachelor's from London School of Economics, UK; ACA from The Institute of Chartered Accountants in England & Wales.

Work: Joined NatWest in fixed income derivatives trading in 1985. VP/head of derivatives trading for Chase Manhattan Bank London from 1987-1991. Director of Corporate Finance at Peregrine Investments Hong Kong from 1992-95. Founder/Chairman of Gulf-Pacific Investments from 1996-99. Founded ePlanet Ventures in 1999.

Board seats: Baidu, Intrapace, IXI Mobile, and Visto.

Last good book read: "Fantastic Voyage," Ray Kurzweil/Terry Grossman.

Favorite science book: "Nanosystems," Eric Drexler.

Favorite financial RSS feed: South China Morning Post.

Did you know? This year, Jamal plans to launch incubator iDEA-Planet to promote entrepreneurship in emerging and under-developed countries.

preneurs in Europe and Asia, I found that the process was so slow that by the time I had raised the money to fund a startup someone else had the deal. I concluded that, especially for the Internet and new technology, one had to be in Silicon Valley. The same was true for venture capital and funding startups. I decided to raise a fund for European and Asian startups in the same way that Silicon Valley startups were being funded.

Q When did you come to the U.S.?

A 1999. I came to the Bay area to Palo Alto. I got off the plane with the idea in the back of my mind of creating a fund that would replicate what was going on here for Europe and Asia.

Q So whose doors did you knock on?

A Well, I don't like to name names, but I downloaded a list from the Internet, the top 20 VC firms in those days, and started calling them to set up meetings to see where I could get. I went through the first 18, who said, 'Look, there is so much activity going on in the U.S., there is so much going on in the Bay Area, that we're not really interested in doing anything overseas.' By that time, I was thinking that this was not going to happen. As I went through my list, which was in random order by the way, I came to DFJ, No. 19 on my list of 20 firms. I made the call to DFJ and they took a meeting.

The inaugural ePlanet fund "is amongst the top five [funds of 1999]. Not the top 5 percent. It's in the top five funds in terms of performance."

Q Where did you meet?

A Actually, in these offices, because DFJ used to be here on the second floor of this building [in Redwood City, Calif.]. My first meeting was with Steve Jurvetson. The next day I came in and met with Tim [Drapper], who was very positive. He is a visionary kind of big picture person who was immediately able to see the value of the international thing. It was as simple as that, Tim agreed in that second meeting to [partner with us]. My firm was called ePlanet. And in fact, DFJ already had a model of sponsoring other firms, having done this in the U.S. already with several other affiliate firms. So they were familiar with the model and said, 'We'll partner with you to form DFJ ePlanet Ventures, which will cover the world outside of America to focus on Europe and Asia.' So we signed an agreement, put together the team and raised money.

Q How big was that first fund?

A It was \$650 million, which was a record for a first-time fund. Typically you have \$50 million or \$100 million first-time funds.

Q What vintage?

A It was 1999, the toughest [vintage] year for what even until now, I believe, is the largest pool raised to cover the whole world. We wanted to invest in the U.S. as well to stay current with technology, but since DFJ tended to invest in early stage technology in the U.S., our agreement with DFJ was that we would do expansion and late stage investments here, avoiding early stage so as not to overlap with them. Overseas, we

would do all stages from early to late.

Q Review the metrics of the fund for us as it stands today.

A Over the last five years we have invested in 66 companies all over the world. We have committed and or reserved \$560 million from the fund. So we're getting close to completing the fund.

Q When will the fund be fully committed?

A I'd say the next two quarters of 2006. In terms of geography, if you look at the value of the portfolio today, it's probably 55% Asia, 35% Europe and 10% in the U.S. In terms of the actual dollars invested it's different.

Q Will the fund return the investors' capital?

A Let me say this: This fund, touch wood, out of all VC funds worldwide of the '99 vintage—in a universe of say, 1,000 funds—is amongst the top five. Not the top 5 percent. It's in the top five funds in terms of performance. We have already been able to get a number of really spectacular deals out of this fund: Baidu [Nasdaq: BIDU], Skype [bought by eBay], KongZhong [Nasdaq: KONG], Focus Media [Nasdaq: FMCN], Cyanea [bought by IBM], SafeView [bought by L3 Communications]. Those were some of our stellar deals. There are at least 14 more deals, that we anticipate over the next two or three years from which we will exit. We have a nice pipeline of deals for exits. But even on the deals from which we have already exited, they've put the fund's performance in the range of the very best funds.

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Q You'll pay back all of your capital?

Far more than that.

A

Q So if you're above water, you're ahead of the game for that vintage.

A Let's put it this way: The LPs are very happy with the performance. The feedback is very encouraging that we can raise a new fund of substantial size. About 90% of our LPs are major institutions from the U.S., Europe and Asia-Pacific in about equal proportion.

Q You will raise another fund?

Yes.

A

Q Was DFJ an LP in the first fund?

Not as a firm. Individually, yes.

A

Q Where are you going to invest going forward?

A We'll stay in China, where we started in 2000 with our investment in Baidu in the fall of 2000. Although when we started in China, there weren't so many firms investing in China. Valuations were lower. You could get into deals without five terms sheets being presented.

Q Baidu, as I recall, was one of the top performing Nasdaq IPOs in 2005.

A Baidu was the best performing foreign issuer on its first day in Nasdaq's history. For all issuers, including all U.S. issuers, it's still amongst the best performers.

Q Who did that deal?

A DFJ ePlanet Ventures did that deal.

Q DFJ didn't invest?

A No. We did.

Q So why did Fan Zhang leave? He was part of one of the best investment deals on the planet. [Zhang left ePlanet last year to be a founding managing partner of Sequoia Capital China.]

A Eplanet has homegrown a number of great people, like Fan, who we took in at an associate level. And over three or four years they grew.

Q Fan wasn't part of the DFJ farm team?

A No. He was an intern with me. He came out of Stanford as an intern for me. He is a good guy. Learned fast. I sent him out of here [the U.S.] to Asia, Singapore then to Beijing. I gave him a bunch of promotions from associate to vice president to director. [Zhang's departure] is one of the prices that we have paid for our successes. We have become a magnet for recruiters. In China, the situation has become so competitive that any guy with three months of venture experience can become a partner somewhere.

Q If you were to raise another fund, would you raise that fund as part of DFJ?

A When we raise the next fund, whenever we do that, it will be ePlanet Ventures II, without DFJ. The reason for that is, as we've developed our global franchise and broke the paradigm

for investing globally, our partners at DFJ—who remain friends with us and with whom we work very closely together—have changed their model to work globally as well. DFJ is now on Fund VIII. For Funds I to VII, they were primarily domestic U.S. investors in early stage companies. Tim Draper—a visionary guy, a great friend, the guy who saw that ePlanet had potential—is taking DFJ in the direction of becoming a global firm.

Q Will you syndicate deals with DFJ?

A Yes, similar to what so many firms do in the U.S. Most deals are syndicated, as companies need significant capital to get to break-even. We'll invite DFJ into our deals and introduce them to our companies as great investors and partners. We meet DFJ each week.

Q Will you continue to invest in the U.S.?

A We have partners who are strong at mining opportunities from government labs and universities. One of those companies, SafeView, which we just sold to L3 Communications for \$100 million, was a personal security technology. It makes non-invasive, non-X-ray machines that allow you to do full body scans for airports and public security.

Q How much was invested by all parties in SafeView?

A \$22 million.

Q You just did a 5x deal on a portfolio that is already above water?

A That technology came from Battelle. We licensed the technology

The departure of Fan Zhang "is one of the prices that we have paid for our successes. We have become a magnet for recruiters. In China, the situation has become so competitive that any guy with three months of venture experience can become a partner somewhere."

and created a company around it. Our partners in the U.S. are good at that. So when we talk about what we'll do in the U.S., we'll be looking at universities and government labs for licenses of technology. We'll also do life sciences in the U.S.

Q What does your investment profile look like in terms of sectors?

A Tech is 80% and life sciences is 20 percent. We primarily like devices in med tech, as opposed to biotech or pharma, because those areas [biotech and pharma] have a long gestation for exits, whereas devices are electronic spaces that we are familiar with.

Q How many exits have you had from the first fund, including write-downs?

A Including write-downs, 20.

Q Two-thirds of the fund is still to be realized?

A That's why we feel—with the ones that we've exited so far—we're already in a good position to return several multiples of capital invested. And the rest of the portfolio is yet to be realized.

Q Does it drive you crazy that Tim Draper is being named as the great innovator of Skype, KongZhong, Focus Media and Baidu?

A We work well with DFJ and want our partners to share in the positive coverage.

Q So with 48 portfolio companies left, what will the first fund return?

A Multiples. We think anyone would be happy with the IRR that we may be able to realize.