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Figure 2. Chinese Venture Capital Investments (US$m) by Sector in 2010.6

Figure 3.[[1]](#footnote-2)16Chinese Venture Capital Investments by Stage in 2010.[[2]](#footnote-3)17

|  |  |  |  |
| --- | --- | --- | --- |
| **Organization type** | **No. of members** | **Percent  of SIG** | **Organizations  represented in the SIG** |
| Government agencies | 4 | 7% | Finance Wales, INCJ, NAFIN, Prime Minister’s Office of Singapore |
| Incubators/ expert advisors | 5 | 9% | DS Inc., Fudan University, Institute for Venture Design, T2 Venture Capital |
| Investors | 10 | 18.5% | Acumen Fund, Grey Ghost Ventures, IGNIA Partners, Orient Global, Physic Ventures,  Omidyar Network4 |
| Multilaterals | 1 | 1% | European Investment Fund |
| NGOs | 4 | 7% | Endeavour, Carbon War Room, NOLA Project |
| Philanthropic foundations including family offices | 3 | 5.5% | The Bill and Melinda Gates Foundation,  Omidyar Network4 |
| Mainstream funds or operating roles | 27 | 50% | Domain Associates, dPixel, Emergence Capital Partners, IDG Ventures, Sadara Ventures |

Figure 1. Number of Special Interest Group (SIG) Members by Investment Type.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Returns: Time period** | **VC Top-quartile** | **LBO Top-quartile** | **VC Out-performance** | **VC Median** | **LBO Median** | **VC Out-performance** |
| 20-year | 40.3% | 23.9% | 16.4% | 12.1% | 11.7% | 0.4% |
| 15-year | 74.9% | 24.1% | 50.8% | 12.3% | 9.3% | 3.0% |
| 10-year | 3.3% | 15.0% | (11.8%) | (2.2%) | 6.8% | (9.1%) |
| 5-year | 9.9% | 15.7% | (5.8%) | 3.5% | 6.4% | (2.9%) |
| 3-year | 3.9% | 6.1% | (2.2%) | (1.1%) | 0.9% | (2.0%) |

Figure 1. Venture Capital Performance versus Buyout Performance.[[3]](#footnote-4)3 Buyout has outperformed VC returns in the last 10 years; great divergence between top and median performers.

|  |  |  |
| --- | --- | --- |
|  | **Top Reasons for Poor Performance** | **Top Signs of Future Improvement** |
| **Internal** | **Overfunding**   * “If >$15B (per year) goes into the VC asset class, returns suffer. It dilutes access to great returns and great ideas” * “VC does not scale” | **Capital efficiency**   * “Less total funding leads to smaller funds, less number of funds, as well as less total deals funded =>best of the best left” |
| **Investments in mediocre managers who became passive with portfolio companies**   * “The divergence in returns between good and bad managers is the largest compared to any other asset class” | **Better asset managers**   * “Unwatched masses are getting out of the business” |
| **Overvalued deals** | **Smaller funds**   * “Focus in a smaller fund will be on returns” |
| **Larger fund sizes**   * “The larger the fund the less incentive to focus on returns, and the less churn of older GPs” | **Valuations coming down** |
| **Funding of me-too companies that were capital inefficient** | **Funding of transformational companies that need VC backing to succeed** |
| **External** | **No IPO market**  **Sarbanes-Oxley rules**  **Limited coverage of small cap companies** | **Attractive public markets**   * “So many good profitable companies out there waiting in the backlog for the markets to open” |

Figure 2. Reasons for Venture Capital Performance in the Last Decade and What Changes to Expect Going Forward.[[4]](#footnote-5)4 Most LPs believe internal factors were most to blame for the poor absolute returns of the last decade and see right-sizing going forward.

Figure 3. Venture Returns by Vintage Year Median, Upper, and Lower Quartile 1984–2009.[[5]](#footnote-6)5 Large differences in performance between funds in the top and bottom quartiles of the distribution.

Figure 4. LP Preference in Sector   
of VC Funds. LS = life science,  
CT = cleantech, IT = information tech.

Figure 6. LP Preferences in Stage of VC Funds.

1. 16 Authors’ chart; data from Zero2IPO Research Center, *China VC/PE Market Review 2010*, 8. [↑](#footnote-ref-2)
2. 17 Authors’ graph; data from Zero2IPO Research Center, *China VC/PE Market Review 2010*, 10. [↑](#footnote-ref-3)
3. 3 Note: 10-year return data for VC varies from those quoted in the article due to differences in sources as well as time period cited. Author’s table; data from Thomson One, https://www.thomsonone.com/; point-to-point return calculations through 30 September 2010. [↑](#footnote-ref-4)
4. 4 Limited Partners (LPs), interviews by author, 2010. [↑](#footnote-ref-5)
5. 5 Data from Cambridge Associates, U.S. Venture Capital Index. [↑](#footnote-ref-6)