7 Global Capital GP Sarl

51-65 minutes

On May 18th, 2020, SoftBank announced that it recorded losses of more than $17 Bn in the Vision Fund for the fiscal year that ended on March 31st, representing one of the largest write-downs in private equity fund history. An incredible 47 investments, representing 64% of the portfolio, were written down. The SoftBank Group (TopCo) in itself suffered a net loss of $9 Bn due to poor performance of the fund, the first quarterly loss in the company's 14-year history.

While a certain portion of the losses can be attributed to the ongoing pandemic; most of it cannot. Masa Son's ambitions, the Vision Fund's capital structure, poor governance and the inexperience of the investment team are contributing factors to the current situation in some way or another.

About Masa Son

Masayoshi Yasumoto, the Japanese surname 'Masa' used when he was younger, was born to parents of Korean descent in Kyushu. Born in a very homogeneous, hierarchical Japanese society, he was often discriminated against and found himself as an underdog. Ironically, it is the resiliency borne of these challenges combined with the insular nature of the Japanese economy that led to his early success.

Upon completion of his bachelor's degree at UC Berkeley in 1981, Masa returned home to found SoftBank, short for Software Bank. The company aimed at being the primary distributor for US software in Japan. With his ability to converse in both languages, Masa was able to win crucial deals and form joint ventures in Japan with Novell Inc., Ariba, Cisco Systems, and Microsoft.

By 1992, SoftBank had $350 M in revenues, and had expanded into publishing, telephone least cost routing system integration, and network computing verticals. By 1995, SoftBank started investing in startups.

> "He wants a big fraction of the [joint venture] company," - Jeff Bezos (circa 2001)

His strategy was simple: instead of being the sole distributor in Japan, SoftBank would now invest in US startups but take a significant majority in their Japanese subsidiaries. This strategy reaped incredible returns, particularly with investments in Yahoo and Alibaba.

In November 1995, Masa invested $2 M in Yahoo through SoftBank after just one meeting with Jerry Yang, the co-founder. In April of the following year, he would invest another $105 M, increasing his stake by 33%. The latter deal also gave Masa rights to form Yahoo Japan, an entity that SoftBank owned 60% of in 1996. His early successes dabbling in the telecom and broadband sectors also came through Yahoo Japan, which ultimately became what the group is known for today.

Given his success with Yahoo, Masa doubled down on this strategy. In 2001, using SoftBank partnerships, he helped usher into Japan a slew of other top-tier internet and technology businesses, including Cisco, E*Trade, E-Loan Inc., and Morningstar. In 2001, SoftBank cumulatively had holdings in Yahoo and some 600 other companies worldwide. When the dotcom bubble burst in 2000, the Nasdaq crumbled, exacerbating the country's negative macroeconomic outlook. SoftBank saw its stock lose 90% –more than $170 Bn – of its market value in one-year.

Prior to the crash, the company made what is widely considered one of the greatest investments ever. In 2000, SoftBank invested $20 M in a Chinese startup Alibaba; an investment that, at the time of Alibaba's IPO in 2014, was worth over $50 Bn. The investment marked SoftBank's first foray into Greater China and created a strategic partnership. Alibaba was then able to extend its marketplace beyond China for the first time into Japan and Korea.

The investments in Yahoo and Alibaba alone are widely considered the major contributing factors to Masa Son's proclaimed "44% IRR over 18 years" technology investing track-record; a key buoy to the Vision Fund's fundraising pitch.

> "In the field of data service platforms, SoftBank already has an established platform based on the Internet and has ample contents distributed on the platform," - Masayoshi Son

In 2005, SoftBank continued to expand into new sectors by acquiring Vodafone Japan for $15.4 Bn, entering the mobile telecommunications sector for the first time in company history. The sale made SoftBank a communications conglomerate seemingly overnight by giving the company control of Japan's third-largest mobile carrier, with over 15 M existing subscribers. The deal involved SoftBank borrowing $10.3 Bn to finance the purchase, and gave SoftBank a 97.7% ownership stake. In conjunction with the acquisition, SoftBank and Vodafone Group agreed to form a joint venture for data service where SoftBank could integrate their existing internet assets like Yahoo, by delivering mobile phone services. Most notably, SoftBank was able to re-invigorate Vodafone by beating NTT DoCoMo in acquiring the exclusive rights to the iPhone in 2008 through 2011. There were 7.25 M iPhone devices sold in 2011 in Japan, accounting for 30% of all smartphone sales.

The mobile telecommunications business segment today is categorized as "main businesses" in SoftBank's financial reports. Today, according to the company's most recent annual report, their telecom business segments – including Sprint, which they acquired in 2013 – generated $69.75 Bn in Revenue (78% of total revenue) and $9.3 Bn in Net Income (43% of total Net Income), respectively.

While SoftBank has so often been considered an "internet" or "technology" company, the company is – at its core – a telecom business that relies on this business segment to drive the company's intrinsic value and produce stable cash flows that can be recycled into non-core segments like technology investing.

> "SoftBank's Internet-focused strategy in recent years has served its shareholders well, ... We believe we have just scratched the surface of the opportunities afforded by the Internet," - Masayoshi Son

SoftBank has invested across a number of corporate banners and entities over the course of the company's history. According to Pitchbook, the company has thirteen entities that span across four decades.

Exhibit 1: SoftBank Associated Investment Entities

Name	Year Founded	HQ Location	AUM	# of Investments
SoftBank Group	1981	Tokyo	$283,000	170
SoftBank Capital	1995	United States	-	387
Mobius Venture Capital	1996	United States	$2,202	232
SBI Investment	1996	Tokyo	$466	157
SBI Holdings	1999	Tokyo	$1,333	133
SoftBank Ventures Asia	2000	South Korea	$1,100	203
SB China Venture Capital	2000	China	$2,000	176
SAIF Partners	2001	Hong Kong	$3,000	495
SoftBank China & India Holdings	2006	Hong Kong	$105	11
SoftBank Investment Advisors	2016	London	$102,000	166
SoftBank Latin America Holdings	2019	Brazil	$5,000	-

Source: Pitchbook

These entities have had mixed results, with some continuing to grow assets under management steadily, while others quietly shuttered over the course of the last 15-20 years. SoftBank Ventures Asia announced in 2019 that it raised $341 M in its latest early-stage fund and beat 135 candidates to win the best venture capital firm of the year at Korea VC Awards 2019. Others like SoftBank China and India Holdings, which is composed of three separate funds, has showed little momentum and ability to deploy capital effectively. Since launching in 2006, the company has made 11 investments in total.

The company's most recent endeavor is the SoftBank Innovation Fund, which was launched in 2019 to invest in LatAm markets. The fund raised $5 Bn with SoftBank contributing $2 Bn of the total capital committed. The fund initially began investing in startups regionally, but in November 2019, the company made an unusual move to begin investing into local venture capital funds. The strategy has already run into problems, with two Brazilian venture capital funds already rejecting SoftBank's proposals due to aggressive terms.

While Vision Fund is broadly viewed as the company's landmark entrance into venture capital, the company has a long track-record of investing across the technology landscape that could have been used to provide a strong barometer for historical results.

The Vision Fund

> "What is my belief and vision for this investment? I have only one belief —Singularity." - Masayoshi Son

The Vision Fund was borne of a relationship between Masayoshi Son and the Crown Prince of Saudi Arabia, Mohammed Bin Salman. It was conceived to primarily make investments around the thesis of Singularity, a belief that artificial intelligence will surpass the intelligence of humankind and replace or redefine a significant number of jobs.

Fund Formation

In early 2016, Saudi Arabia and MBS unveiled a grand vision for Saudi Arabia, Vision 2030. This was a strategic framework with the goal of reducing the Saudi Arabian economy's dependence on oil. Initiatives such as the Future Investment Initiative, or "Davos in the Desert", only found moderate success and access to the most coveted technology startups still remained a challenge.

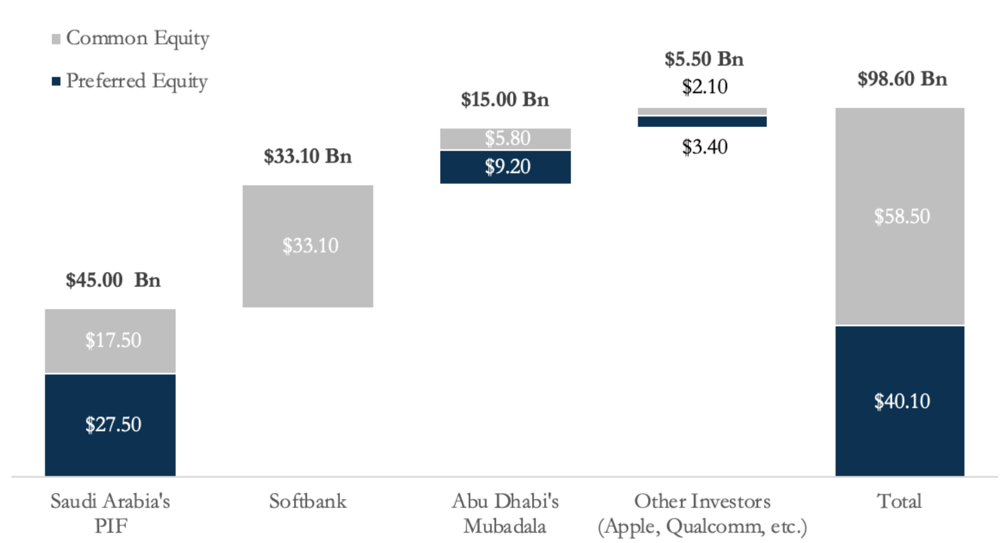
Coincidentally, Masa, having invested $32 Bn in ARM Holdings, was in the process of raising a mega-fund to invest in the next generation of startups. The meeting between the two parties was brokered by the former debt-trader and current CEO of the Vision Fund, Rajeev Misra. He arranged the meeting through his former sales & trading colleagues at Deutche Bank, Nizar Al-Bassam and Dalinc Ariburnu.

Before meeting the Crown Prince himself, Masa had to pitch to various executives at the country's Public Investment Fund. Afterwards, Masa hosted MBS in Tokyo during a state visit. As a result of his hospitality, Masa would be invited for one final meeting in Saudi Arabia.

> "I want to give you a trillion-dollar gift" - Masayoshi Son

During this final meeting, Masa requested MBS to invest $100 Bn in his fund and that he would return a trillion dollars in due time. Although not the $100 Bn he wanted, Masa Son was able to garner a $45 Bn commitment from a 45-minute meeting with the Crown Prince. With an anchor investor in place, Masa was also able to get Mubadala, Apple, Qualcomm, and other investors on board to reach $98.6 Bn in total committed capital.

Exhibit 2: LP Breakdown by Share Class



Source: Wall Street Journal; Financial Times

None of the Vision Fund's investors were known as experienced limited partners in venture capital funds. Apart from Apple and Qualcomm, the outside investors also had little to no expertise in technology, nor did they follow the sector as closely as some traditional LPs, such as pension funds, fund of funds, and endowments.

Masa's Emissaries

Shockingly, the firm was not led by top-tier venture capital/growth professionals, despite being the largest venture capital fund ever formulated. The most common background at the partner level is investment banking (specifically structured credit), demonstrating that SoftBank's intellectual capital was not built on robust venture investing experience or product experience, but financial engineers and technology operating executives.

The team was led by Rajeev Misra, who previously held roles at UBS, Fortress Investment Group, and Deutsche Bank. In 2006, Misra and Deutsche Bank helped SoftBank finance the acquisition of the Japanese wireless operations of Vodafone Group, one of the most consequential deals of Masa's career. This earmarked the start of a relationship that led later to Misra's rise through the ranks at SoftBank.

In 2014, Rajeev was appointed the Head of Strategic Finance at SoftBank. He looked to immediately exert his financial engineering prowess in the company's culture while assisting with SoftBank's turnaround strategy of Sprint Corp, the No. 3 wireless operator in the U.S. Misra was able to successfully structure an innovative loan package secured by Sprint's wireless licenses that helped the company avoid bankruptcy.

From the start, Misra clashed with Masa's other key lieutenant at SoftBank, Nikesh Arora, a Google executive who also joined in 2014 to oversee SoftBank's startup investing. Arora, according to insiders, would openly question Misra's judgment, specifically on financial issues, driving a permanent rift between the two leaders.

In early 2015, Misra set out to undermine Arora and Alok Sama, a key executive that previously spent 16 years at Morgan Stanley. At the time, Arora was largely considered to be the leading candidate to replace Masa as chief executive. Sama, a deputy to Mr. Arora, also worked closely with Masa on big deals. "The tactics included planting negative news stories about them, concocting a shareholder campaign to pressure SoftBank to fire them and even attempting to lure one of them into a "honey trap of sexual blackmail," according to the Wall Street Journal. The end result was the departure of both executives. Arora left SoftBank in 2016 and Sama left in 2019. Both were cleared of any wrongdoing, and Arora eventually became the CEO of Palo Alto Networks, a $22 Bn software cybersecurity company, in June 2018.

These departures provided the necessary opening for Misra to solidify his ties with Masa, expand his role as the #2 at SoftBank, and become the leading candidate to run the Vision Fund. His work in assisting with Softbank's acquisition of Fortress Investment Group in 2017 and being the key emissary in acquiescing the fund's largest LP, the Saudi Arabia's Public Investment Fund solidified his appointment.

Misra subsequently hired professionals that had little connectivity to the venture capital sector or Silicon Valley. Out of the 13 managing partners listed on the company's website, six were previously executives at Deutsche Bank (46% of the team), and when including other banking houses, nine were previously bankers (70% of the team). No managing partner had previously worked at an outside venture capital fund and only two have prior product/technical experience.

Vision Fund I – Too Big to Deploy?

SoftBank's Vision Fund is four times the size of the next largest private equity fund (Blackstone Capital Partners Fund VIII, $26.0 Bn), and ten times the size of the next largest venture capital fund (Insight Venture Partners XI, $9.5 Bn). Upon fund close in late 2017, SoftBank had five years to deploy the world's largest venture capital war chest under an investment mandate that, at its core, was no different than previously raised VC mega-funds.

Exhibit 3: Top 10 largest Private Equity Funds Ever Raised

Source: Pitchbook

It is no coincidence that nine out of the ten largest funds ever raised are private equity (or buyout) funds. The fund deployment model of a PE firm is fundamentally different from that of a venture firm. The majority of these funds are taking controlling stakes in mature companies (increased equity requirements at higher valuations) in capital-intensive verticals (manufacturing, energy production, logistics/distribution, etc.) and therefore require a significantly larger pool of capital to pull from than a typical venture fund.

The difference in scale between the $100 Bn Vision Fund and peer venture capital funds (Sequoia, Insight, General Atlantic, for example) cannot be understated. To date, only four VC funds have ever eclipsed the $5 Bn mark. Sequoia, a firm that was founded 48 years ago, has only raised a cumulative total of $38 Bn over that period. Similarly, Insight has deployed 'only' ~$30Bn of funding across 400 investments in its 25-year history. Outside of the realm of mega-funds, the Vision Fund is more than 1,250x the median VC fund closed in 2019.

Despite the noted difference in available capital, the claim that the investment mandate of the Vision Fund is any different than that of its VC peers is baseless. A tertiary assessment of the fund's website and portfolio suggests that SoftBank has backed away from their 'singularity' and '300-year plan' thesis and has instead focused on conventional high-growth tech verticals such as consumer, enterprise, healthtech, logistics/transportation, fintech, and proptech.

Where the Vision Fund differs from its peer funds, however, is in the velocity at which their investors must deploy capital. Within the constraints of its 5-year investment horizon, The Vision Fund must invest, on average, ~$55 M of capital per day. Simply put, there has not been enough of a market to deploy this capital efficiently. As illustrated in **Exhibit 4**, four of the most notable tech IPOs since the Vision Fund was raised (Spotify, Lyft, Uber, Slack) only raised $24.1 Bn of proceeds combined. For the Vision Fund, deploying $100 Bn in this time frame would translate to over-investing in select industry verticals and offering outlandish valuations to win deals. The implications of these constraints will be further examined later; however, the size of the Vision Fund alone should have been enough to make any traditional LP concerned.

Exhibit 4: Notable High-Value Tech IPOs. 2000-2020

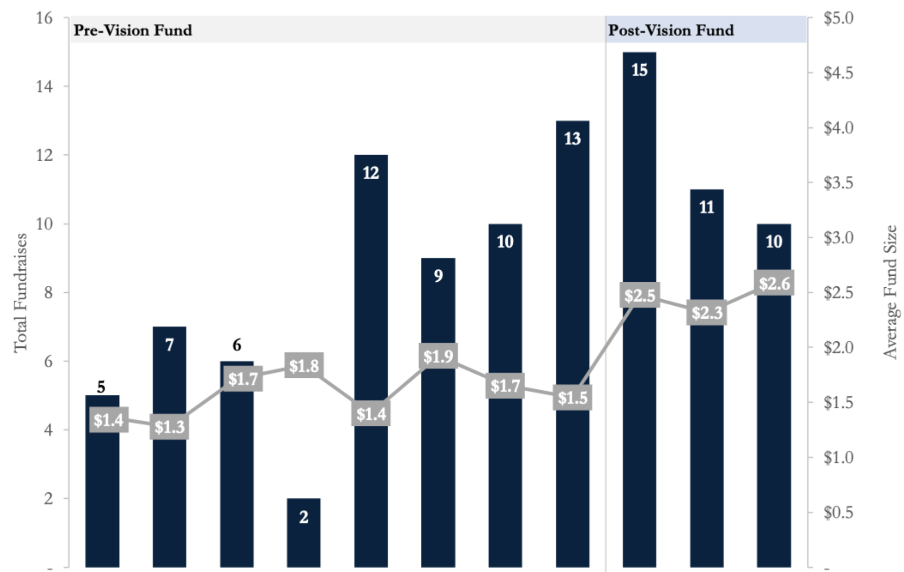
	Google	Facebook	Alibaba	Twitter	JD.com	Snap	Spotify	Lyft	Uber	Slack
IPO Date	Aug-04	May-12	Sep-14	Nov-13	May-14	Mar-17	Apr-18	Mar-19	May-19	Jun-19
Capital Raised ($ Bn)	**$1.9**	**$16.0**	**$21.8**	**$1.8**	**$1.8**	**$3.4**	**$9.2**	**$2.3**	**$8.1**	**$4.5**
Post Valuation ($ Bn)	$23.0	$81.0	$167.0	$14.1	$33.8	$19.6	$29.5	$24.0	$75.0	$23.2

Source: Pitchbook

Fund-Race

The deployment of the Vision Fund forced existing VC funds to defend their positions with stronger capital bases. With $100 Bn in tow, SoftBank investors now had the flexibility to price incumbent VCs out of deals. They also had enough dry powder to prop up and effectively decide category winners. In a matter of months, the power dynamic in Silicon Valley shifted in favor of SoftBank. Early on, SoftBank exhibited the firepower– and will – to dilute various other VCs' holdings. As a result, existing VCs were forced to hit the fundraising trail.

Exhibit 5: VC Mega-Funds ($1 Bn+) by Vintage Year, 2010-2020 (Ex. SoftBank)



Vintage	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total/Avg
Total Fundraises	**5**	**7**	**6**	**2**	**12**	**9**	**10**	**13**	**15**	**11**	**10**	**120**
YoY Growth %	*67%*	*40%*	*(14%)*	*(67%)*	*500%*	*(25%)*	*11%*	*30%*	*15%*	*(27%)*	*(9%)*	*N/A*
Average Fund Size ($Bn)	**$1.4**	**$1.3**	**$1.7**	**$1.8**	**$1.4**	**$1.9**	**$1.7**	**$1.5**	**$2.5**	**$2.3**	**$2.6**	**$1.8**
YoY Growth %	*(12%)*	*(7%)*	*34%*	*7%*	*(24%)*	*37%*	*(14%)*	*(7%)*	*60%*	*(6%)*	*12%*	*N/A*
Median Fund Size ($Bn)	**$1.4**	**$1.1**	**$1.5**	**$1.8**	**$1.2**	**$1.6**	**$1.4**	**$1.3**	**$1.4**	**$2.2**	**$1.7**	**$1.4**
YoY Growth %	*13%*	*(23%)*	*42%*	*23%*	*(33%)*	*33%*	*(14%)*	*(4%)*	*1%*	*61%*	*(24%)*	*N/A*

Source: Pitchbook

Before the final closing of the $100 Bn Vision Fund at the end of 2017, there were only a handful of VCs that had raised mega-funds (defined as $1 Bn+). Between 2010 and 2016, the average size of these funds was around $1.6 Bn. After the Vision Fund's close, there was dramatic uptick in both mega-fund sizes and the total number of funds. The average fund size rose by 58% and to approximately $2.5 Bn, while the number of fundraises per year almost doubled to 12.0, up from 7.3 between 2010-2016. This trend can be partially attributed to new growth and opportunity funds that incumbents were forced to raise in order to defend their ownership stakes in startups. Competing VCs believed they would have enough capital to compete for follow-on deals within their own portfolios and to fund pro rata checks in SoftBank-led deals.

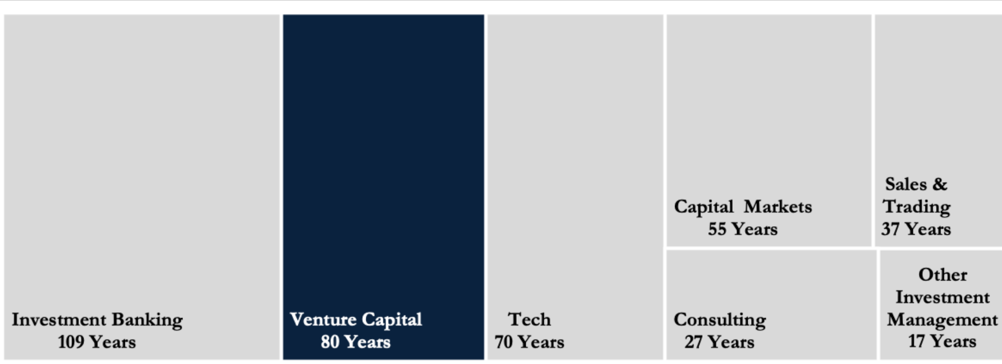
Exhibit 6: Vision Fund Benchmarking Against Peer Funds

	SoftBank	SEQUOIA	INSIGHT
Fund	**Vision Fund**	**Growth Fund III**	**Fund X**
Fund Close	May, 2017	September, 2018	July, 2018
Fund Number	2	52	17
Fund Size	$100.00 Bn	$8.00 Bn	$6.30 Bn
Deals	130	12	95
% Deployed	80.0%	18.8%	100.0%
Avg. Deals per Month	3.5	0.6	4.2
Avg. Check Size per Deal	**$0.62 Bn**	**$0.13 Bn**	**$0.07 Bn**
Fund-Specific Partners	24	7	21
Effective Management Fee	0.66%	1.00%	1.00% (est.)
Avg. Management Fee per Partner	**$ 27.50 M**	**$ 11.43 M**	**$ 3.00 M**

Source: Pitchbook, Fund Websites

Relative to best-in-breed peer funds that have 25-50 years of operating experience (Sequoia Growth Fund III and Insight Fund X), the pace of capital deployment and fund structure for SoftBank's Vision Fund is dramatically different. While the average number of deals that the Vision Fund executes in a month (3.5) is in line with Insight's Fund X, for example, the avg. check size is drastically larger. On average, The Vision Fund is deploying $620 M per deal, whereas Sequoia and Insight have deployed $130 M and $70 M per deal in their funds, respectively. It is also safe to conclude that the Vision Fund is drastically understaffed from an investment partner perspective. On average, a Vision Fund partner will have to deploy $4.1 Bn of capital throughout the fund's lifecycle. On the other hand, Sequoia and Insight partners (who also happen to have much more VC investing experience) have to deploy $1.1 Bn and $0.3 Bn on average, respectively. It is also noteworthy that the majority of SoftBank Managing Partners and Partners come from non-venture capital backgrounds. As **Exhibit 7** illustrates, the most common background is in investment banking (109 combined years of experience), followed by venture capital investing (80 years), and a mix of other industries (tech, capital markets, sales & trading, consulting, and other investment management). This analysis demonstrates that SoftBank's intellectual capital is not built on robust venture investing experience, but the team is rather an amalgam of former advisors and operators.

Exhibit 7: Combined Years' Experience of Vision Fund Managing Partners & Partners



Source: LinkedIn, Vision Fund Website, n=24

Finally, when analyzing the entire universe of VC mega-funds of the same vintage of the Vision Fund (2017), other funds, on average, have only deployed 66% of committed capital relative to the 80% that the Vision Fund has deployed. While many established VC funds are sitting on dry powder, waiting for the right opportunity, SoftBank has been forced to invest due to an imbalance of incentives in its GP/LP structure.

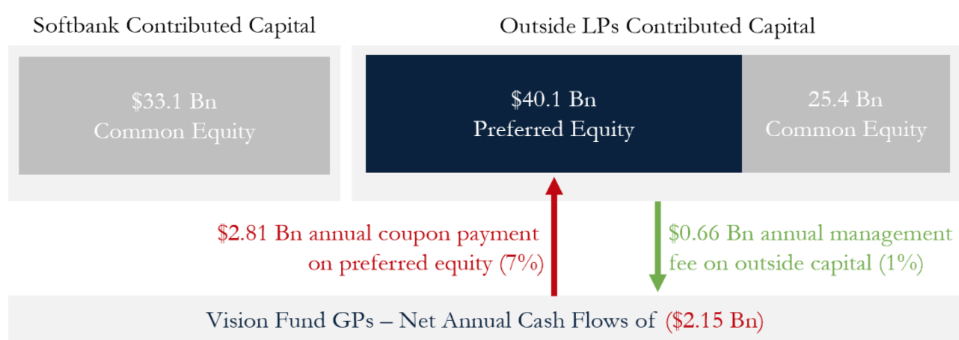
Vision Fund LP Structure

As previously discussed, the Vision Fund's LP composition is, in itself, unique. While peer VCs typically engage with 'traditional' LPs like pension funds, university endowments, and state investments funds, the Vision Fund opted to source funding from Middle-Eastern sovereign wealth funds, the SoftBank 'TopCo', and a number of independent corporate entities. 33% of the LP funding came from SoftBank itself.

A further departure from conventional practices was in the way in which LP commitments were allocated. Capital commitments for the Vision Fund were composed and distributed into two types of equity: common and preferred. Ultimately, ~60% of the capital committed from LPs was distributed in the form of common equity and the remaining ~40% in preferred equity.

The preferred equity is a hybrid debt instrument which guarantees its holders a 7% annual coupon payment regardless of the liquidity of the fund. This translates to a theoretical maximum payment of $2.8 Bn a year (when the fund is completely deployed). Furthermore, the management fee owed to Vision Fund GPs is 1% on the total capital invested, which is unlike the classic 2% term you see in VC. Since this fee only applies to outside investors (and not SoftBank's TopCo LP commitment), the 'effective' management fee is roughly 0.66% across the $100 Bn of committed capital. In a scenario where the Vision Fund is administering a fully deployed portfolio with no fair market value appreciation or exit liquidity, the fund would be burning $2.15 Bn per year under the previously mentioned terms alone.

Exhibit 8: Fund Cash Flows (excluding Realized Return on Investments)



Source: Wall Street Journal; Financial Times

This atypical incentive structure creates a complex problem and clear misalignment of goals between the LPs and Vision Fund GPs. The check and balances of the LP-GP relationship were completely thrown out the window. LPs, who typically minimize portfolio risk by encouraging GPs to make informed and calculated investment decisions, have instead attempted to protect their positions by burdening their GP partners with the annual coupon payment. GPs, typically incentivized to make smart investments that provide liquidity in a 5-10-year time horizon, were instead incentivized to make faster, riskier bets with quicker paths to liquidity so that the fund would be able to cover the annual coupon payments. Ironically, the subsequent proliferation of Vision Fund capital has contributed to trends like companies staying private longer (longer runways) and a lack of transparency to exit timelines. This miscalculated bet, presumably was to ensure the small team could collect a record setting management fee with interim performance covering the coupon has in turn created a liquidity problem at the fund level.

Further exasperating this dynamic is the fact that SoftBank (TopCo) is an owner of only common equity in the LP capital stack. As a result, they are subordinate in the capital structure to all outside capital and will be the last to receive disbursements upon liquidation of the fund. It is likely that this has incentivized SoftBank leadership to lower risk thresholds to drive higher investment returns.

In the absence of realized returns to cover coupon payments, SoftBank has had no choice but to lever itself against its own portfolio. In late 2019, Vision Fund executives took out a $4 Bn loan secured against its stakes in Uber, Guardant Health, and Slack. This process allowed the fund to monetize their investments by bypassing stock lock-up periods as the companies went public. More recently, in March 2020, Masa pledged almost 60% of his personal shares in the group as collateral for personal loans. He has also personally guaranteed a $2 Bn loan of OYO founder, Ritesh Agarwal, one of the fund's largest positions.

As evidenced, the LP structure of the Vision Fund is fundamentally flawed and lends itself to conflicts of interest. While the preferred equity and coupon terms are a mechanism to de-risk the LPs' investments, the terms have backfired and ultimately made the underlying portfolio riskier by incentivizing GPs to make quicker, riskier investment decisions.

Portfolio and Fund Strategy

The Vision Fund's portfolio is highly concentrated, with 59% of the fund's current committed capital ($81.5 Bn) invested in only 10 portfolio companies. Roughly 75% of funding was committed to 20 companies. The Vision fund has invested in 91 companies with 88 currently in its portfolio, but the success of the fund has and will continue to be determined by only a handful of its investments. On average, the fund has deployed $895 M per portfolio company.

Exhibit 9: Top 10 Positions in the Vision Fund Portfolio

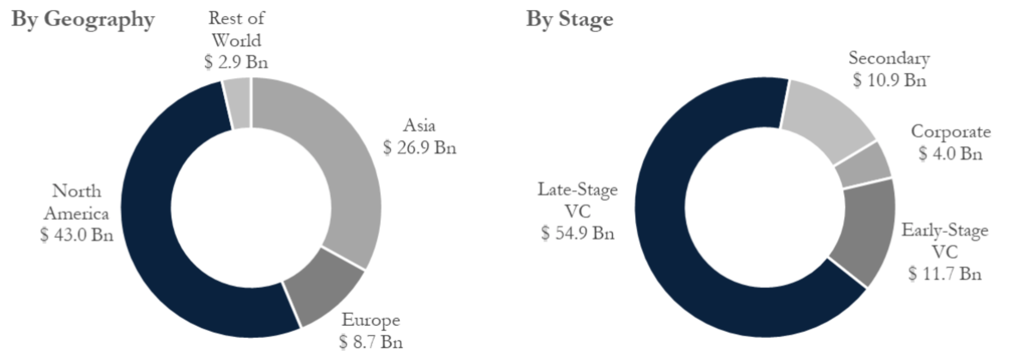
Portfolio Company	Vertical	Est. Committed Capital	Est. Ownership	Max Enterprise Value	Est. Current Enterprise Value	Est. Current Holding Value
Uber	Ridesharing	$9.25 Bn	18.5%	$69.58 Bn	$59.22 Bn	$10.96 Bn
The We Company	Proptech	8.40	57.9%	47.00	2.90	1.68
arm	Computing	7.97	25.0%	31.88	25.52	6.38
DiDi	Ridesharing	5.20	9.9%	56.00	41.99	4.16
Grab	Ridesharing	4.03	49.0%	14.94	14.94	7.32
NVIDIA*	Computing	3.00	4.9%	205.68	205.68	3.90
Flipkart*	E-Commerce	2.50	18.8%	13.30	21.28	4.00
OneWeb	Frontier Tech	2.50	33.3%	7.50	-	-
Paytm	FinTech	2.45	22.0%	16.66	16.66	3.67
cruise	Mobility Tech	2.43	11.5%	22.25	24.25	2.79
Total Top 10		**$47.72 Bn**				**$44.84 Bn**
All Other Positions		33.82				32.10
Total Vision Fund		**$81.54 Bn**				**$76.94 Bn**

*Indicates Exited

Source: Estimation based on Pitchbook Data. Financial Times, Softbank 2019 annual report, Uber Q1 2020 quarterly report, GM Q1 2020 quarterly report

As previously discussed, the Vision Fund has invested in numerous high-growth tech verticals that are ubiquitous across venture capital portfolios. Specifically, the fund has invested ~$30 Bn (37% of the portfolio) in transportation & logistics tech, ~$14 Bn (18%) in consumer tech, ~$13 Bn (15%) in frontier tech, ~$12 Bn (15%) in real estate and construction tech, ~$5 Bn (6%) in fintech, ~$4 Bn (5%) in enterprise tech, and ~3Bn (3%) in health tech. A further breakdown of the fund's investments by geography and stage can be found below in **Exhibit 10.**

Exhibit 10: Vision Fund Investments ($) by Geography and Stage



Source: Pitchbook Data

The Vision Fund has over-indexed in several sub-verticals in an effort to remain true to their original investment thesis. This has been predominantly relevant in ridesharing and food delivery. In ridesharing alone, the fund invested an estimated $18.8 Bn across investments in Uber, Didi Chuxing, Grab and Ola. In food-delivery, the fund has invested over $4 Bn in Doordash, UberEats, Rappi and Ele.me. These sub-verticals are fiercely competitive markets, in which the standardization of products and low margins will lead to commoditization and a race to zero.

Despite this dynamic, the Vision Fund has opted not to adhere to conflicts of interest provisions, a protocol typically observed by VCs. For example, Sequoia recently walked away from a $20 M investment in a fintech startup, Finix, out of a conflict of interest with another one of their portfolio companies, Stripe. SoftBank, on the other hand is single-handedly fueling competition within its portfolio.

To date, the Vision Fund has achieved a degree of liquidity through exits and public listings, claiming a net realized gain of $4.7 Bn in their latest Q1 2020 earnings call. A notable successful M&A exit was the sale of Flipkart to Walmart ($1.5 Bn estimated return). As of the end of Q1, SoftBank's public market portfolio has appreciated by $1.5 Bn: Guardant Health (+$1.6 Bn), Slack (+$0.6 Bn), Vir Biotechnology (+$0.6 Bn), 10x Genomics (+$0.2 Bn), PingAn Good Doctor (+$0.2Bn), OneConnect (-$0.1 Bn), ZhongAn (-$0.3 Bn), and Uber (-$1.5 Bn).

Despite a handful of successes, it is important to note that much of the realized gain has likely already been redistributed to LPs in the form of coupon payments. Furthermore, the fund has suffered significantly in terms of the fair market valuation of its incumbent portfolio companies (See FMV section for more information).

The Startup's Dilemma

Why would leaders of startups take money from SoftBank if the fund has invested or will invest in their competitors? The answer is simple, "to survive". In reference to securing ~$8Bn in funding from SoftBank in 2018, Uber CEO Dara Khosrowshahi stated, "rather than having their capital cannon facing me, I'd rather have their capital cannon behind me, all right?" Analyzing this dynamic from a game theory perspective using the famous 'prisoner's dilemma' framework, a startup's best strategy is to take SoftBank's money, if offered.

Exhibit 11: 'Prisoner's Dilemma' Visualization – Should a Startup Take SoftBank's Money?

		Startup Competitor A	
	Strategy	Take SoftBank's Money	Refuse SoftBank's Money
Startup Competitor B	Take SoftBank's Money	**SCENARIO 1** Both startups are well-funded. Long drawn out battle for market share ensues. Both startups survive	**SCENARIO 2** Startup B is well funded but faces growth and dilution pressures. Startup A likely loses/can't keep up
	Refuse SoftBank's Money	**SCENARIO 3** Startup A is well funded but faces growth and dilution pressures. Startup B likely loses/can't keep up	**SCENARIO 4** SoftBank invests in another player, Startup Competitor C, and Startups A and B lose due to lack of funding

Source: created using prisoner's dilemma/game theory framework

If a startup knows that SoftBank is investing in multiple startups in their category, it is always in that startup's best interest ('dominant strategy') to accept SoftBank's money. If it does not, it is unlikely to build a capital base strong enough to win a market share battle against a SoftBank-funded competitor. While this strategy does not guarantee that the startup will be the category winner, it provides it with stronger capital base to assure longer survival.

At the same time, SoftBank's expectations for growth are often unreasonable. Masa is quoted saying "I have a track record of 44% IRR, so don't hurt my return! I will only invest if this expected return is met or exceeded!". The pressure to scale, accelerated valuation arc, and excess capital are all major reasons a founder might turn down SoftBank capital. The underlying risk is that SoftBank will likely offer the same deal to a competitor, putting the business at a disadvantage.

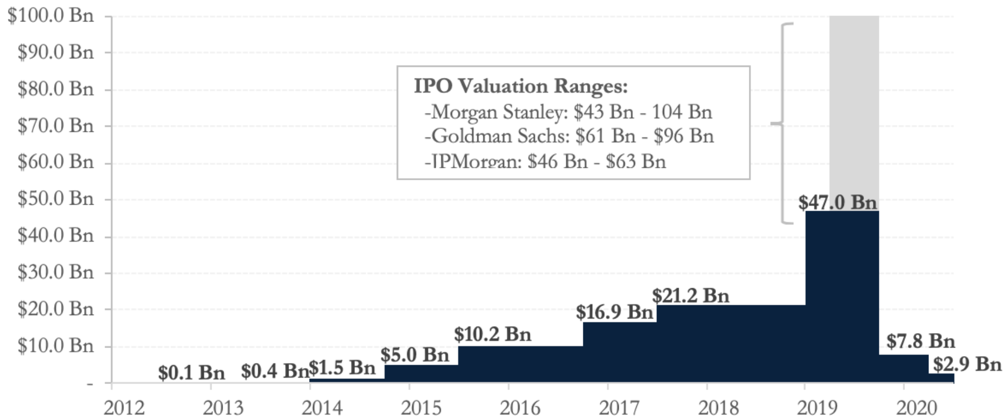
SoftBank has used their capital as leverage like a weapon, forcing startups to make difficult choices. In some instances, where they have invested in the top category leaders, SoftBank has forced mergers, taking the choice out of the founder's hand.

WeWork/The We Company

WeWork was founded in 2010 by Adam Neumann and Miguel McKelvey with its first location in New York's SoHo district, under the pretense of creating an eco-friendly coworking space for budding entrepreneurs. The idea of a shared coworking space, though initially foreign, quickly resonated with a broad customer base and WeWork's growth rapidly accelerated. By 2012, the company was valued at $97 M and raised its first round of funding, a $12 M Series A preferred financing round. By 2013, WeWork raised a $40 M Series B at a $440 M post-valuation (4.5x step-up). In 2014, the company subsequently raised two more rounds, a $150 M Series C at a $1.5 Bn post-valuation (3.4x), and a $355 M Series D at a $5 Bn post-valuation (3.3x). At that point, WeWork touted an investor group that included Benchmark, J.P.Morgan Chase & Co, T. Rowe Price Associates, Wellington Management, Goldman Sachs Group, the Harvard Corporation, and Mortimer Zuckerman, former CEO of Boston Properties. WeWork used the capital raised to establish 9 domestic offices in 5 cities (New York, Los Angeles, San Francisco, Washington DC, and Seattle) and 1 space in London. Over the course of 2 years, WeWork's valuation expanded 51.5x from its Series A to Series D financing rounds.

In the ensuing 3 years, WeWork's valuation continued to grow, albeit decelerating from a multiple perspective (Series E: 2.0x, Series F: 1.7x). This was driven by international expansion, acquisitions, and new offerings for enterprise clients (B2B). It was not until WeWork's $1.7 Bn Series G in August of 2017 that SoftBank entered the picture ($21.2 Bn post-valuation, representing a 1.3x step-up). At this stage, SoftBank contributed $1.1 Bn to the Series G and acquired an incremental $3.3 Bn of secondary shares from the company. Two years later, WeWork quietly filed for an IPO at a whopping valuation of $47 Bn (2.2x step-up) with the help of MorganStanley, Goldman Sachs, and JPMorgan. Chaos ensued.

Exhibit 12: The Rise and Fall of WeWork's Valuation



Source: Pitchbook Data, Financial Times

Following public S-1 disclosures in August of 2019, media and equity analysts quickly began to raise red flags about the company. The biggest concern on a company level was the lack of visibility to profitability and unit economics at geographic and building levels within a byzantine corporate structure. With $1.5 Bn in revenue in the first half of 2019, WeWork demonstrated that there is a clear need and market for coworking spaces. The quality of that revenue and the fundamental business model, however, was questioned. Specifically, the firm posted a net loss of $689 M on 2019's $1.5 Bn in revenues. Furthermore, every office location requires significant upfront capital, time to setup, and another two years to reach acceptable levels of occupancy. WeWork also reported atypical and intentionally vague metrics such as "community-adjusted EBITDA", as an attempt to paint a rosier picture for investors. The community-adjusted EBITDA metric removed the core rental expense from normal EBITDA calculations, resulting in drastic undercounting of obligations. The response was a quizzical view – by Wall Street and buy-side analysts alike – of the $47 Bn valuation price-tag (26x 2018 revenue).

Why was WeWork being valued like a tech company when their business model was most reflective of a $3.7 Bn purely comparable public competitor, IWG (formerly Regus)? It was a real-estate company trying to cloak itself as a tech company, touting 'space as a service', which was, in reality, a leasing service. Additionally, one could argue that the company's pre-IPO rebranding to 'The We Company' and acquisitions of non-synergistic companies such as Conductor (marketing services), Managed by Q (cleaning, receptionists), Flatiron (coding school), and meetup.com (events app) were actions taken by Adam Neumann to support his narrative that WeWork was a tech company. Investors did not buy it.

Exhibit 13: WeWork vs. IWG Metric Comparison

Metric	wework	IWG International Workplace Group
Global Square Footage	45 M	50 M
Members	0.5 M	2.5 M
Locations	528	3,000+
Cities	111	1,000
Countries	29	120
Workstations	604 K	547 K
Revenue (2018)	$1.8 Bn	$3.4 Bn
Profit/(Loss) (2018)	($1.9 Bn)	$0.5 Bn
Valuation	**$47.0 Bn**	**$3.7 Bn**

Source: Vox

As analysts dug deeper, the IPO began to fall apart. It was revealed that the company was issuing loans to company executives in the order of millions of dollars, and that Adam Neumann cashed out $700 M from the company. Shortly thereafter, NYU professor and tech industry pundit, Scott Galloway, wrote a scathing Business Insider article calling WeWork "WeWTF," and saying that "any Wall Street analyst who believes it's worth over $10 Bn is lying, stupid, or both." The dominoes began to fall and on

September 5th, WeWork publicly announced that they were considering cutting the IPO valuation to $20 Bn. On September 9th, SoftBank asked to put the IPO on hold.

Prior to its IPO, the Vision Fund had committed over $8 Bn to the startup, while leading its two most recent rounds. Post S-1, the enterprise value of WeWork dropped by 83% to $7.8 Bn. Having invested a significant amount of capital, SoftBank was left with the unenviable task of being the leading contender to be the "lender of last resort."

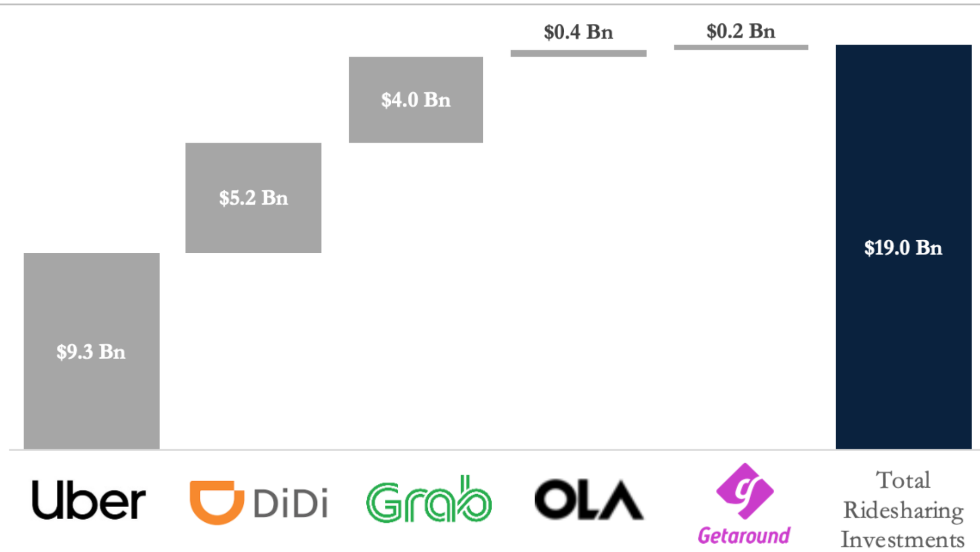
On October 22nd, 2019, a $9.5 Bn rescue package from SoftBank was accepted by the board of WeWork, a package that included a $3 Bn tender offering to buyout Adam Neumann and the existing minority investors, $5 Bn in new debt financing, and an acceleration of $1.5 Bn in equity payments. In return, SoftBank would get control and own 80% of the company. On April 2nd, 2020, SoftBank announced the termination of the tender agreement with WeWork on the grounds of preconditions not being met. Adam Nuemann and the other investors sued SoftBank as a result, and the matter is an ongoing legal dispute between the parties.

In the aftermath of the bailout, some have questioned why SoftBank would dump more funding into WeWork, given the circumstances. Was it a logical corporate rescue or was it a perfect illustration of the 'sunk-cost fallacy'? SoftBank leadership certainly believes the former, with Masa claiming "the logic is simple. Time will resolve . . . and we will see a sharp V-shaped recovery" in WeWork; SoftBank believes that it has kept WeWork (and their initial investments) from evaporating, at least for now. However, one could argue that WeWork's fundamental business model has not been restructured in a way that will ever warrant a return to its previous valuations. This narrative would support the idea that SoftBank was instead a victim of the 'sunk cost-fallacy', thinking that more funding will save an investment that will inevitably fail. As of March 31st, 2020, SoftBank has given WeWork a valuation of $2.9 Bn using a discounted cash flow (DCF) method.

Ridesharing and Uber

Earlier, we discussed how the Vision Fund invests in sectors rather than individual startups. This has traditionally made sense when investing in public equities of mature companies. When it comes to high-growth consumer tech startups, however, it might not be appropriate. For example, in ridesharing, where the fund has invested in five startups, arising tide will not lift all boats. Instead, competitors will battle over market share, customer loyalty, and price. Customer acquisition costs are high due to extremely sensitive price elasticity. While the ridesharing's total addressable market is significantly large, this does not mean that there will be multiple winners. The performance of SoftBank's investment in Uber is illustrative of this.

Exhibit 14: Estimated Vision Fund Committed Capital to Ridesharing



Source: Pitchbook Data

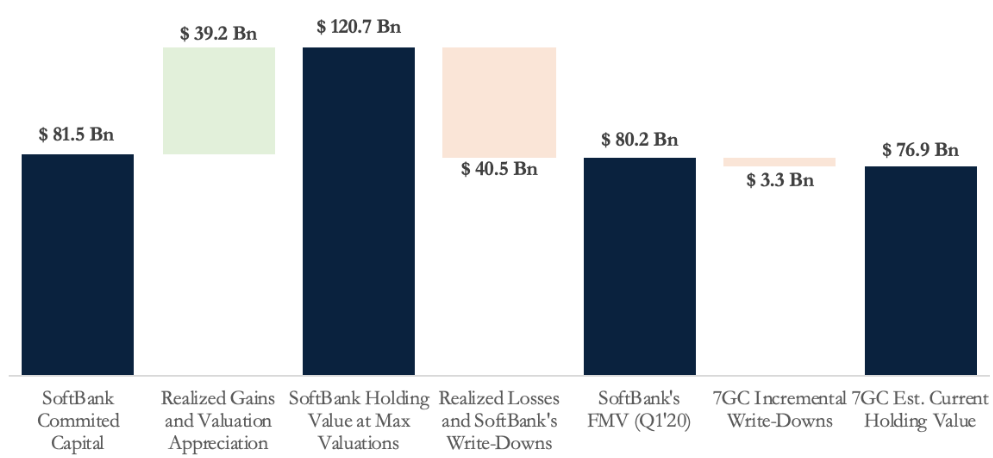
Not only did SoftBank invest in competing startups but it also invested late in some geographies. The fund invested in Uber, a widely accepted category leader, late in its lifecycle. The investment came in early 2018 (Series G), while already backing many of Uber's competitors. The fund invested $1.2 Bn directly into Uber as well as $8 Bn+ through secondary offerings. The last round was valued at $69 Bn. Although the company managed to IPO in May 2019, the stock has lost value and the Vision Fund's investment is underwater by 15%. The losses for Uber (as well as Didi) may have proved more pronounced if it weren't for Didi's acquisition of Uber China in 2016 for ~$8 Bn, effectively ending the battle for market share in China.

While other investors saw the industry as zero sum or winner takes all, SoftBank thought otherwise. In ridesharing alone, SoftBank has invested an estimated $19 Bn. More often than not, it is SoftBank's capital that ends up competing against itself, leading to losses at the portfolio level.

Fair Market Value of the Vision Fund

Since inception, SoftBank has deployed $81.5 Bn of capital. In that past 3 years, the value of the Vision Fund portfolio appreciated as their portfolio companies raised subsequent funding at higher and higher valuations. The peak fair market value (max valuation for all portfolio companies) of all of SoftBank's portfolio company stakes was $120.7 Bn, primarily driven by WeWork (unrealized gains of $18.8 Bn), OYO ($4.5 Bn), and Grab ($3.3 Bn). Unfortunately for SoftBank, the fund was unable to realize any of these gains and take them to the bank. WeWork's failed IPO, valuations re-adjusting to market norms, and the COVID-19 pandemic have had a significant impact on the fair market value of the Vision Fund portfolio. On SoftBank's Q12020 earnings call, fund leadership announced that they believe that fair market value of their portfolio to be $80.2 Bn, a mere $1.3 Bn below their committed capital. 7GC believes this valuation to be generous and has calculated the fair market value of the Vision Fund portfolio to be $76.9 Bn.

Exhibit 15: Vision Fund Fair Market Value Estimates



Source: Pitchbook Data, SoftBank Q1 2020 Investor Presentation (5/18/20), 7GC Estimates based on Pitchbook Data and discoverable business valuation information from public disclosures, primary and secondary market disclosures as well as press reported data.

In terms of methodology, 7GC write-downs are attributable to discoverable business valuation information from public disclosures, primary and secondary market disclosures as well as press reported data. The 7GC team assessed the impact on each of the Vision Fund portfolio companies and bucketed them into four cohorts: severe (70%-100% write-down), moderate (25%-70%), mild (0%-25%), and unaffected/thriving (0%-(-10%)). 7GC believes that 3 companies warrant severe write-downs (WeWork, OneWeb, Brandless), 17 are moderate, 47 are mild, 21 are unaffected, and 1 is thriving (ByteDance, the owner of the viral app, TikTok).

7GC foresees prolonged impact on the economy as a significant number of jobs have been lost and demand has shifted from in-person products and services to virtual solutions. We particularly expect WeWork, Fair, OYO, Ola, and Gympass to be significantly affected. Uber, on the other hand, will likely be able to subsidize some rideshare losses by increased demand in Uber Eats. While Grab will suffer in the near term, there is a chance it can recover due to the efforts of the Singaporean government. It is also important to note that most of the investments in the food delivery and ridesharing space are low margin and might still fail because of the lack of future funding. Finally, OneWeb could not secure additional funding and filed for bankruptcy in March 2020.

Exhibit 16: 7GC Write-Downs of SoftBank's Top 10 Positions

Portfolio Company	SoftBank Holding Value at Max Valuations	7GC Write-Down	7GC Est. Current Holding Value	Commentary
Uber	$12.87 Bn	15%	$10.96 Bn	• Reflective of performance since IPO • Fired 3,700 staff May, 2020
The We Company	27.21	94%	1.68	• Failed IPO, governance concerns • Significant COVID impact
arm	7.97	20%	6.38	• Stalled/saturated smartphone market • Projected 25% value loss by 2030 by SB
DiDi	5.54	25%	4.16	• Flat DAUs, profitability struggles • Significant COVID impact
Grab	7.32	0%	7.32	• Failed GoJek merger deal • Right-sizing efforts underway
NVIDIA *	3.90	N/A	3.90	• Exited 4.9% stake in the company in January, 2019
Flipkart *	4.00	N/A	4.00	• Exited via strategic M&A to Walmart in May, 2018
OneWeb	2.50	100%	-	• Filed Chapter 11 Bankruptcy 3/27/20 • SoftBank has pulled future funding
Paytm	3.67	0%	3.67	• Competition from WhatsApp, Amazon • Monetization/CAC challenges
cruise	2.56	-9%	2.79	• Pre-revenue, no quantifiable setbacks
Total Top 10	**$76.94 Bn**	**42%**	**$44.84 Bn**	
All Other Positions	43.77	26%	32.10	
Total Vision Fund	**$120.71 Bn**	**36%**	**$76.94 Bn**	

*Indicates Exited

Source: 7GC estimates based on Pitchbook Data and discoverable business valuation information from public disclosures, primary and secondary market disclosures as well as press reported data.

Despite the stated uncertainty, the Wall Street Journal recently solicited portfolio growth projections from mid-level Vision Fund managers that were shockingly bullish on a number of investments. Notably, they believe that their stake in OYO will appreciate by 758% by 2029 and that Grab will appreciate 486% during that period. Outside of 7 major investments (Didi, OYO, Grab, Coupang, Arm, WeWork, Uber), they expect the remainder of the portfolio to see a 1.23x multiple on invested capital.

Elliott Management

SoftBank's stock trades at a discount in comparison to its underlying assets - trading as low as 73% of its net asset value on March 23rd, 2020. This is in large part due to the markets mistrust of Masa's long-term strategy, FMV reporting disparities, and high net debt levels, currently at a 4.5x Net Debt/EBITDA multiple. Following the WeWork debacle, the group was put under more scrutiny. The Vision Fund and its performance became the topic of many conversations, with the media and investors becoming increasingly skeptical about the Vision Fund's unrealized gains.

In February 2020, Elliott Management, a $40 Bn hedge fund run by activist investor Paul Singer took a $3 Bn stake in SoftBank. Paul Singer and Elliott Management are infamously known for seizing Argentinian Navy Ships off the coast of Ghana in order to collect on long overdue bond payments.

Given their new positioning, Elliott is now seeking more clarity on $8.3 Bn worth of investment securities on SoftBank's balance sheet that are outside of the Vision Fund. The fact that such a huge amount of investments has not been disclosed has raised concerns. Further, the lack of disclosure is a potential indication that the securities are not performing well. Another demand of Elliott is for SoftBank to diversify the composition of its investment committee. Currently, the investment committee is an all-male group headed by Masa Son. Elliott wants to bring about more diversity and accountability in the investing process.

As a response to the activist investor's demands, Masa and his team announced that they would pay down $23 Bn of the SoftBank's debt and also undertake $18 Bn worth of share buybacks. The capital would be raised over a 12-month period through the sale of $41 Bn in assets, primarily from divestment of their $133 Bn stake in Alibaba. Concurrently, Jack Ma, the co-founder of Alibaba and SoftBank board member, announced he would step down from the board role. SoftBank's recent actions have been fairly well received by investors, including Elliott Management, with the stock rallying by 50% immediately after announcement.

Supply Chain Finance Scheme

In June of 2020, the Financial Times reported that SoftBank has been at the center of a circular financing scheme involving the Vision Fund, Greensill Capital (Vision Fund FinTech PortCo), and Credit Suisse. SoftBank's Vision Fund has invested more than $500 M in Credit Suisse's supply chain debt funds. Supply chain debt is a financing tool that provides cash-poor companies with a discounted advance on anticipated cash flows, which allows for them to pay their suppliers on time. The financing instrument has been criticized as a means to mask a given company's working capital issues.

The Credit Suisse funds (AUM of $7.5 Bn), billed as safe bets for institutional investors to park their cash in a diversified portfolio of short-term corporate debt, have instead, in turn, disproportionately invested in Vision Fund portfolio companies. The largest ofCredit Suisse's funds (AUM of $5.2 Bn) reported that four of its top-10 largest exposures were to Vision Fund companies, which accounted for 15% of its assets. Notably, the fund has invested in OYO and Fair, both of which have struggled amidst the global pandemic. It is also important to note that Credit Suisse purportedly loaned capital to Fair only *after* adverse changes in the company's operations were revealed (CEO resigned, 40% of the workforce laid off); a decision that would appropriately baffle Credit Suisse's non-SoftBank clients.

What makes this revelation more jarring is the fact that Greensill Capital (again, a Vision Fund PortCo) *selects all of the assets* that go into the Credit Suisse supply chain funds under an agreement dating back to 2017. The blatant conflict of interest runs in multiple directions. Greensill's success is largely dependent on funding from SoftBank, which has provided the firm with $800 M of equity and $655 M of debt. On the other hand, Credit Suisse is dependent on Greensill – which has niche expertise and relationships in sourcing companies in need of supply chain debt – to deploy their capital. It could be argued that SoftBank has a disproportionate influence on where Credit Suisse deploys its capital, a luxury not afforded to other institutional investors with stakes in the supply chain funds.

Greensill is currently struggling with a number of clients defaulting on their debts, notably former FTSE 100 company NMCHealth and Singaporean oil trader Agritrade. As a result, Credit Suisse's clients have pulled $1.5 Bn from the supply chain funds. While the full ramifications of these findings have yet to materialize, it is clear that Credit Suisse, Greensill, and SoftBank will have to provide answers as to why they allowed this conflict of interest to persist. To date, all three parties have declined to comment.

Vision Fund II – Dead on Arrival

In July 2019, SoftBank had announced that it would be raising a second fund with total commitments of $108 Bn, with $38 Bn coming from SoftBank's TopCo and another $70 Bn from outside investors. The fund also claimed to have secured non-binding agreements with Apple, Foxconn, Microsoft, Mizuho, Sumitomo Mitsui Banking Group, MUFG, Dai-ichi Life, Daiwa Securities Group, the National Bank of Kazakhstan, Standard Chartered Bank, Singapore's GIC, the Koch Industries, and Taiwanese Pension Fund and Asset Managers.

The Taiwanese investors were expected to be major anchor investors; however, the MoUs were signed with middlemen/brokers instead of the funds themselves. Furthermore, Saudi Arabia's PIF and Abu Dhabi's Mubadala, the two anchor investors in Fund I on the other hand, only agreed to reinvest the profits from the previous fund; a paltry sum compared to its Vision Fund I commitments. Both of these developments are early warning signs that the Vision Fund II will not be adequately funded.

In October 2019, Navneet Govil, the CFO, outlined that this second fund will deploy capital at a much slower rate, targeting between four to five years. But with the failed IPO of WeWork in August, the damage had already been done and most of these non-binding agreements had fallen through. The skepticism of Masa's operational capabilities soon spread to the Topco with Japan's largest bank – MUFG, deciding to not to participate in a syndicate loan of $4.5 Bn to the group.

As of Q2 2020, it is said that SoftBank investors are already quietly investing out of their second fund, which had a $2 Bn first close in late 2019. While having a second fund of any magnitude may serve as a small moral victory for the SoftBank team, the consensus is that SoftBank will not be able to raise anywhere near the $108 Bn that they had initially planned; the Vision Fund II will not happen. Even

Masa, the ever-optimist, is not confident: “Sometimes I get asked if the funding for Vision Fund 2 is OK,” said Masa. “It’s not.”

Conclusion

The novelty and excitement around what the Vision Fund represented – the ‘singularity’, the $100 Bn war chest, the‘300-year plan’, and the ineffable Masayoshi Son – are likely the only reasons why the Vision Fund got off the ground in the first place. Behind only the faintest layer of grandeur was a web of red flags and leading indicators of the Vision Fund’s failure to date.

Firstly, the size of the fund, the investment mandate, and the investment time horizon were simply not in balance. SoftBank investors overestimated the market size, which in reality was not large enough to efficiently support $100 Bn of venture growth equity to be deployed over five years. Furthermore, the fund did not have traditional LPs with experience in monitoring and supporting venture investments. This is further corroborated by the fact that LPs insisted on the non-conventional preferred equity structure with coupon payments, which put pressure on GPs to make faster and riskier investment decisions. The next problem was the GPs. Outside of Masa, the SoftBank team is largely comprised of former bankers and traders with little to no venture investing experience. With an average yearly management fee of ~$27 M per partner, how was the fund unable to poach top talent from Silicon Valley? Next is the investment thesis. The Vision Fund’s thesis was far too narrow, and the fund ended up over-indexing in several verticals, leading to fierce competition within their portfolio. As SoftBank’s lofty ambitions begin to crumble, the question remains: how did no one see this coming? The Vision Fund was doomed from day one.

A select few Silicon Valley investors have been critical of SoftBank since its inception and as the Financial Time’s Miles Kruppa aptly suggests, “SoftBank’s doubters feel they have found some vindication.” In March 2020 alone, SoftBank announced a $4.6 Bn share buyback plan, warned it may walk away from the WeWork deal, had its shares reach a 4-year low, began talks to take the group private, terminated its relationship with OneWeb, and announced $41 Bn share buyback and debt reduction plan, funded by an asset sale. While Masayoshi Son may try to trick you to believe otherwise with a flashy investor deck complete with unicorns flying over the valley of coronavirus, dark days lie ahead for SoftBank and if the Vision Fund I isn’t already dead, Vision Fund II certainly is.

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