
Recommendation for GGV Capital VIII, GGV Capital VIII Plus and GGV Discovery III

To: RISIC
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The purpose of this memo is to provide RISIC with a summary of Cliffwater's recommendation on GGV Capital VIII, GGV Capital VIII Plus, and GGV Discovery III (collectively, "GGV VIII Series" or the "Funds"). Cliffwater has completed its investment due diligence and operational due diligence and recommends the Funds as part of ERSRI's Private Equity allocation.

Summary of GGV VIII Series

Fund Overview: GGV VIII Series will make venture investments in technology companies with a focus on the U.S. and Asia. As in the past, the fundraising includes three vehicles: GGV Discovery III, which will invest in early-stage investment rounds; GGV Capital VIII, which will invest in mid and late stage financing rounds; and, GGV Capital VIII Plus, which will invest in similar transactions as GGV Capital VIII but require more capital than available in GGV Capital VIII.

People and Organization: GGV Capital ("GGV" or the "Firm"), formerly known as Granite Global Ventures, was founded in 2000 to focus on expansion-stage investments in the U.S. and China. The Firm was initially anchored by Venrock Associates, Piper Jaffray, and the Singapore Economic Development Board. The Firm raised its first USD fund in 2000 and its first RMB fund in 2011. Currently, GGV's core USD investment activities are led by six managing partners, namely Jixun Foo, Jenny Lee, Hans Tung, Eric Xu, Glenn Solomon and Jeff Richards, who are supported by three venture partners, seven principals and vice presidents, and 11 associates and analysts. A completely separate team manages the RMB strategy. The Firm has a total of 83 employees and is headquartered in Menlo Park, with offices in San Francisco, Singapore, Shanghai, and Beijing.

Investment Strategy and Process: GGV will target diversified stage venture capital investments globally, with a primary focus on the United States and China, and a secondary focus on Southeast Asia, India, and Latin America. Investments in the U.S. and China are expected to collectively account for approximately 90% of total invested capital. GGV will allocate investments between GGV Discovery III, GGV VIII, and GGV VIII Plus according to investment stage. GGV Discovery III will complete seed and series A investments in technology companies, with a split focus on China and the U.S. The Discovery Funds may also complete early stage investments through GGV's dedicated scout program, which was founded by GGV to expand the Firm's focus and ability to identify high-potential deals at an earlier stage and will target equity investments of \$100,000 to \$1 million in order to track innovative ideas and experienced entrepreneurs at a very early stage of company formation. The fund is expected to complete 20 to 30 core investments per year with entry equity investments of \$3 million to \$5 million for ownership stakes of 10% to 20% per company. GGV Discovery III will typically invest in companies with initial valuations of up to \$50 million and will target investment-level returns of at least 10 times invested capital, with a target fund return of 4 to 6 times invested capital. GGV VIII and GGV VIII Plus may invest in Discovery Fund portfolio companies once the Discovery Fund has invested at least \$5 million and the investment meets the criteria of the given funds. GGV VIII, the largest vehicle of the GGV VIII series, represents the Firm's longest-standing strategy and will complete mid-stage venture capital investments globally, primarily large series A rounds as well as series B and series C rounds of financing. GGV VIII will typically invest in companies with entry valuations of at least \$100 million. The fund will typically make initial equity

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investments of \$10 million of \$50 million. The fund will target investment-level returns of at least five times invested capital and a target fund-level return of three to five times invested capital. GGV VIII Plus will serve as an overflow vehicle for GGV VIII and will deploy late-stage capital in promising portfolio companies, assuming that GGV VIII has completed an equity investment of at least \$25 million in a given company. The fund will target rapidly growing, high-quality companies in the existing GGV portfolio which are at a later stage of development. As a result, the fund will target a relatively lower loss ratio and a lower total fund return of 2 to 3 times invested capital. GGV seeks to be an active investor in most of its core investments, particularly in its deals in the GGV VIII and GGV VIII Plus portfolios. Post-investment, GGV will assist management teams through board representation and participation, strategic guidance, finance and fundraising efforts, business development, sales and marketing, and hiring efforts. GGV has built out a large platform services team, which is responsible for assisting companies post-investment. The team is comprised of 23 dedicated functional experts including seven focused on marketing, four focused on talent and hiring, one focused on business development, seven focused on legal and government relations, and four focused on data analytics and finance.

Performance: Since 2004, GGV has raised \$5.4 billion of total commitments across 12 prior funds. The Firm has called \$4.2 billion, distributed \$3.0 billion, and generated a net return of 2.04 times invested capital and a net IRR of 17.8%. As of June 30th, 2020, GGV's 12 previous funds have generated a net IRR of 17.8% since 2004. Investing in the Russell 2000 Index¹ during the same period would have generated a return of 9.3% and investing in the MSCI China Index would have generated a return of 6.6%. GGV has outperformed the Russell 2000 Index by 7.9% and the MSCI China Index by 11.3%.

Investment Terms: Cliffwater finds the investment terms, taken as a whole, to be in accordance with industry standards for a venture capital fund. The Funds have a 5 year investment period and 10 year term. GGV Capital VIII and Discovery III will charge a management fee equal to 2.5% of total commitments during the investment period; thereafter, until the 10th anniversary of the initial contribution, 2.5% of the sum of (i) invested capital and (ii) uncalled capital commitments reserved for investments, as reasonably determined by the General Partner; thereafter, until the 14th anniversary of the initial contributions, 1.5% of invested capital. GGV Capital VIII Plus will not charge a management fee. The Funds charge a carried interest will be equal to 20% on fund-level basis until (i) the limited partners receive cumulative allocations of net realized income and gain equal to 150% of aggregate capital contributions, then (ii) a 75%/25% catch-up in favor of the General Partner until the General Partner receives 25% of total net realized income and gain to date, and then (iii) 25% thereafter. The General Partner will commit a minimum of \$40 million, collectively, to the Funds.

Cliffwater Recommendation

Cliffwater recommends an investment of up to \$18 million to GGV Capital VIII, \$7.5 million to GGV Discovery III, and \$4.5 million to GGV Capital VII Plus as part of ERSRI's Private Equity allocation.

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