GGV Capital VIII, L.P., GGV Capital VIII Plus L.P., GGV Discovery III, L.P. - Staff Memo

RECOMMENDATION: Approve a commitment up to $18 million in the GGV VIII, L.P., $4.5 million in GGV VIII Plus L.P., and $7.5 million in GGV Discovery III, L.P. ERSRI committed $15 million to Fund II, a 2004 vintage fund, and $15 million to Fund III, a 2006 vintage fund.

ASSET CLASS: Private Equity

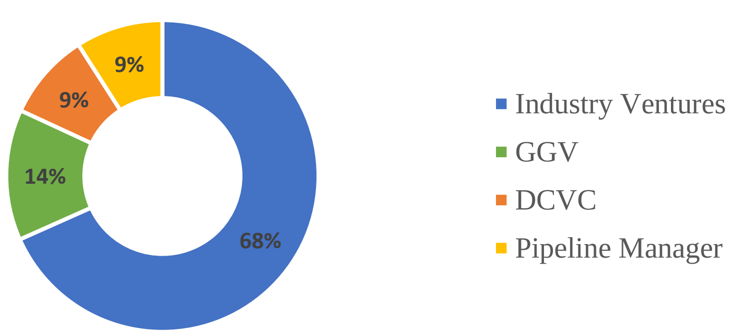
SUB-STRATEGY: Venture Capital

ALLOCATION: The target allocation for private equity is 11.25% (increased in 2017 from 7%) and the allocation as of 8/31 is 8%. As a sub-strategy of private equity, venture capital has a target range of 0%-20%. The exposure to venture as of 3/31 is 13.5% based on market value + uncalled capital. Projecting the private equity pacing plan out with this commitment to GGV and other identified venture commitments over the next 2 years this exposure declines to 11% in 2022.

PORTFOLIO FIT: Venture is an important part of the private equity portfolio as there are diversification benefits. Venture does not use leverage, provides access to earlier stage companies with potential high growth in technology and life sciences, and historically has not been perfectly correlated with buyout. Venture has the potential to produce a high TVPI at the fund level, however there is significant risk at the portfolio company level. To mitigate this risk ERSRI seeks to build a portfolio of venture capital funds with exposure to varying vintages, stages, sectors, and geographies. The current venture strategy consists of a core relationship (5 commitments) with a hybrid venture fund of funds manager, Industry Ventures, that focuses on early stage (primarily seed and A round financing) technology companies by investing in funds below $250 million in size which are typically emerging managers in the U.S. ERSRI seeks to complement this strategy with direct commitments to life science venture funds and other established technology focused funds that provide additional diversification. Adding more direct primary commitments is expected to reduce overall fees paid.

Manager	Type	Sector	Stage	Geography
Industry Ventures	Hybrid FoF	Technology	Early	U.S.
GGV	Primary	Technology	Multi-stage	U.S. and Asia
DCVC	Primary	Life Science	Early	U.S.
Pipeline Manager	Primary	Life Science	Multi-stage	U.S.

Expsoure by Manager (MV + Uncalled)



GGV is an established brand name firm currently raising its eighth flagship fund. GGV historically has been a later round investor but has expanded its capabilities to do earlier rounds as well. The firm has a sector-focused approach within technology and invests across the U.S., China and Southeast Asia. The firm and managing partners have an established and respected reputation. GGV often leads rounds and pursues investments within their top down themes/sub-sectors. They have a hands-on approach by being active board members and using their dedicated Platform Services Team. Their success with backing multiple unicorns, ability to have a global perspective, sector expertise and experience taking companies from early stage through IPO is attractive to entrepreneurs seeking capital. The exposure to a brand name firm investing across stages in the U.S. and Asia is a complement to ERSRI's current core exposure in Industry Ventures.

MERITS: GGV is a brand name venture firm, especially in China and Southeast Asia. The team is cohesive and stable with no major departures. The six managing partners continue to be highly engaged in existing portfolio companies and sourcing new opportunities. The firm has a successful track record investing across the U.S., China, and Southeast Asia in technology companies with a hands-on approach. References supported the positive reputation of the firm's individual partners and their high level of engagement. This brand, history of backing multiple "unicorns," global perspective and sector-focused investment process allows them to see many deals and be a preferred partner by entrepreneurs. GGV has a consistently strong track record.

CONCERNS: The Fund VIII series of funds is a modest increase in target size to $2 billion across the three strategies from the $1.8 billion raised across the Fund VII series of funds in 2018. The capacity to handle this growth, especially with their hands-on approach, is a potential concern. However, all six managing partners continue to be fully engaged and they leverage junior investment professionals, the Platform Services Team and the Scout Program to effectively execute the investment strategy. Another area of concern is the potential for escalating U.S.-China trade war tensions that could adversely affect GGV as a cross-border firm. GGV invests strictly as a financial investor, and if tensions were to be elevated enough to restrict certain investments the firm has a strong enough sourcing ability within various sub-sectors in each region (U.S., China, Southeast Asia) to execute its strategy.

ESG: GGV ranked as an **Integrator** in ERSRI's ESG review. The firm has formal ESG policies, and each managing partner is responsible for integrating ESG efforts. As a venture firm the emphasis is naturally on the social and governance. Hans Tang, Managing Partners leads a diversity and inclusion task force for the firm. The diversity and inclusion efforts start at the GP level. The firm also started an AllRaise program and is focused on recruiting females to board positions and other roles at portfolio companies. This is accomplished through their Portfolio Services Team. One female founder reference noted the true positive culture around diversity at GGV and the lack of "friction" as a female founder that was noticeable compared to other firms. The firm is at the beginning stages of tracking certain KPIs to use their influence on growing companies to make an impact.

FEES: The fees are in accordance with industry standards. There is a 2.5% management fee for the Fund VIII and Discovery Fund III and no management fee for Fund VIII Plus. There is a 20% carry for each fund on a fund level until limited partners achieve a net 150% of aggregate contributions, then there is 75%/25% catch-up in favor of the GP until the GP receives 25% of net income and gain, and then 25% thereafter.