

dcm II™

A leading early-stage venture capital firm investing in entrepreneurs building world-class technology companies

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 National Academy of Engineering
Perspectives on China's Role in the IT R&D Ecosystem

Mountain View, CA February 23, 2007

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US Venture Capital Investment in Perspective

- ◆ US GDP \$12,500,000,000,000 annually
- ◆ Hedge fund intake \$1,000,000,000,000 over last 3 years estimated
- ◆ Mutual fund intake \$136,000,000,000 in 2005
- ◆ Buyout intake \$86,245,000,000 in 2005
- ◆ Venture capital intake \$25,209,000,000 in 2005
 - Venture capital fundraising & investment is 0.2% of total GDP

Source: BLS website, Investment Company Institute, Thomson Financial, NVCA

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Capital Under Management in the US

- ◆ Mutual funds \$8,906,000,000,000
- ◆ Hedge funds \$1,000,000,000,000
- ◆ Venture capital \$250,000,000,000

\$ in US\$

41 22 20 22 22 25

2001 2002 2003 2004 2005 2006

Venture Investment as a Proxy for IT, IT-related Investment

Of Deals

4,464 3,074 3,024 2,887 3,092 3,416

Source: BLS website, Investment Company Institute, Thomson Financial, NVCA

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VCs Create Jobs

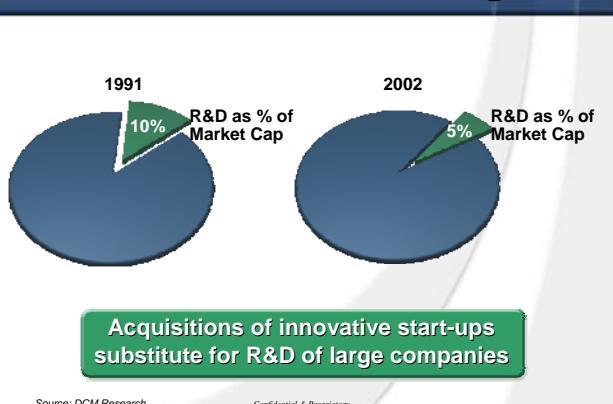
- ◆ In 2003, venture backed companies:
 - Provided 10.1 million US jobs
 - Had sales of \$1.8 trillion
 - Represented huge slice of US economy (10%)
- ◆ Between 2000 and 2003, venture backed companies defied gravity!
 - US private sector jobs down 2.3%
 - Venture backed companies grew employees 6.5%

Source: Venture Impact 2004 by Global Insight

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In House R&D is Shrinking

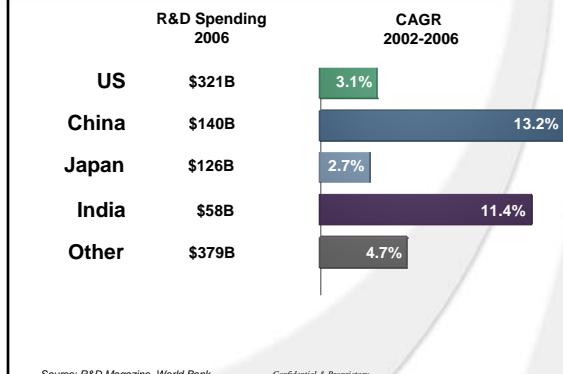


Source: DCM Research

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US Slowing Down R&D Investment



Source: R&D Magazine, World Bank

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China Today = US 1980s

A Tale of Two Countries' Venture Capital Industry

US		China	
At Year End	Capital Under Mgt	At Year End	Capital Under Mgt
1970	\$1B	2002	\$4.5B
1980	\$4B	2003	\$5.5B
1990	\$31B	2004	\$4.7B
2000	\$223B	2005	\$5.4B
2001	\$252B	2006	\$5.8B
2005	\$259B		

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China's VC Industry is Growing Fast



Source: Zero2ipo-China Venture Capital Annual Report, 2006

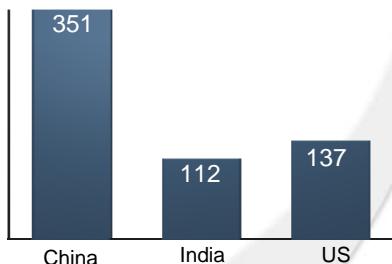
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Education Gap Among US, China & India

Annual Number of Engineering Graduates (4 Year Degree)
(Thousands)

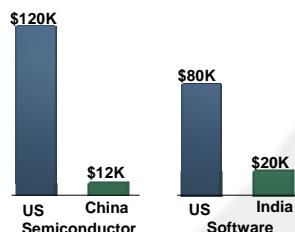


Source: Duke University/Business Week, December 2005
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Outsourcing Driven by Labor Costs Arbitrage

Annual Salary of an Engineer



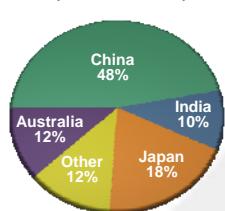
Source: IDC and Global Sources

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China is Attracting the World's Venture Dollars

Venture capital investments
(USD 4B in 2005)



Source: Asian Venture Capital Journal, Adveq, 2006
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DCM's Investments in China

◆ China Domestic:



◆ Cross-Border: (China-related)



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Our Beijing Office



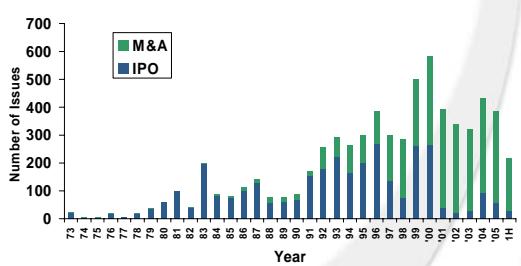
Zero2ipo - Top 10 China VCs

Rank*	Firm
1	SoftBank Asia Infrastructure Fund
2	IDG Technology Venture Investment
3	DCM - Doll Capital Management
4	CDH Investments
5	NewMargin Ventures
6	The Carlyle Group Asia
7	Warburg Pincus Asia LLC
8	Legend Capital Limited
9	Acer Technology Ventures Asia Pacific Ltd.
10	Shandong High Technology Investment Co., Ltd.

*Based on the 2004 year-end ranking done by Zero2ipo
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Venture Exit Counts- IPOs and M&A by Year

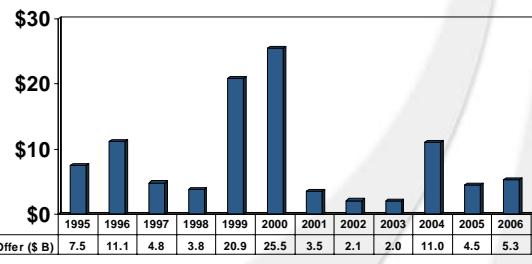


Source: Thomson Financial/National Venture Capital Association

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IPO Levels Increased in 2004 but Rally Was Not Sustained

Hong Kong was the global IPO leader for 2006, capitalizing on the demand of int'l listings by Chinese companies, HKSE raised total \$41.2bn.



Source: Thomson Financial/National Venture Capital Association

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A Brave New World? Is the US competitive? Should it be?

Economic Driver	Until Now	Looking Forward
Where the ideas and innovation are	US	Anywhere
Where companies can be built	US	Anywhere
Where the customers live	US	Everywhere

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Storm Clouds on the Horizon

- ✖ Stock Option Expensing and 409(A)
- ◆ U.S. Budget Priority Setting and the R & D Enterprise
- ◆ The Search for Talent and H-1B Visas
- ◆ The Next Generation and K-12 education
- ◆ Sarbanes-Oxley and Capital Markets Problems

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