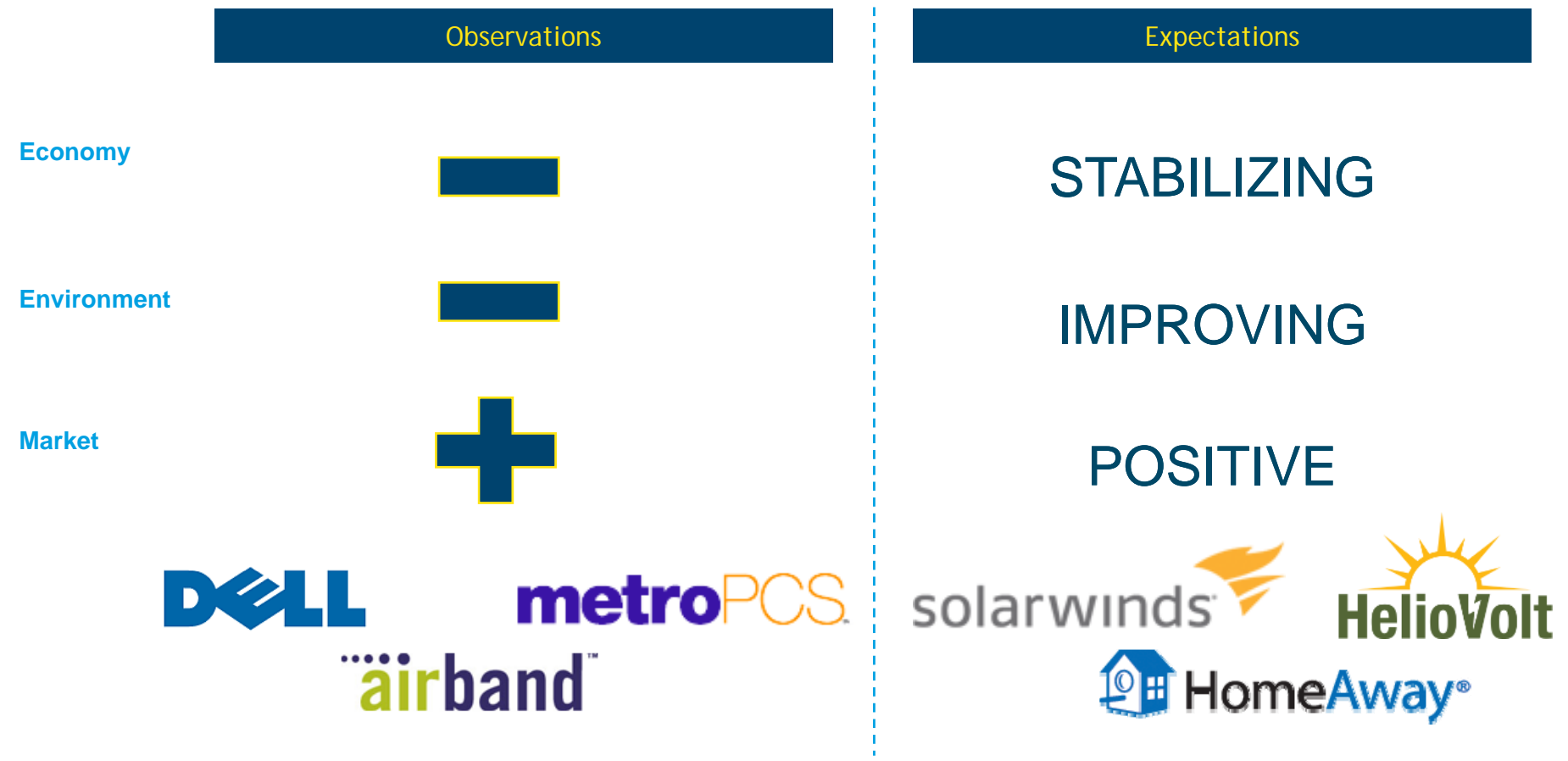


---

# SVB▶Financial Group

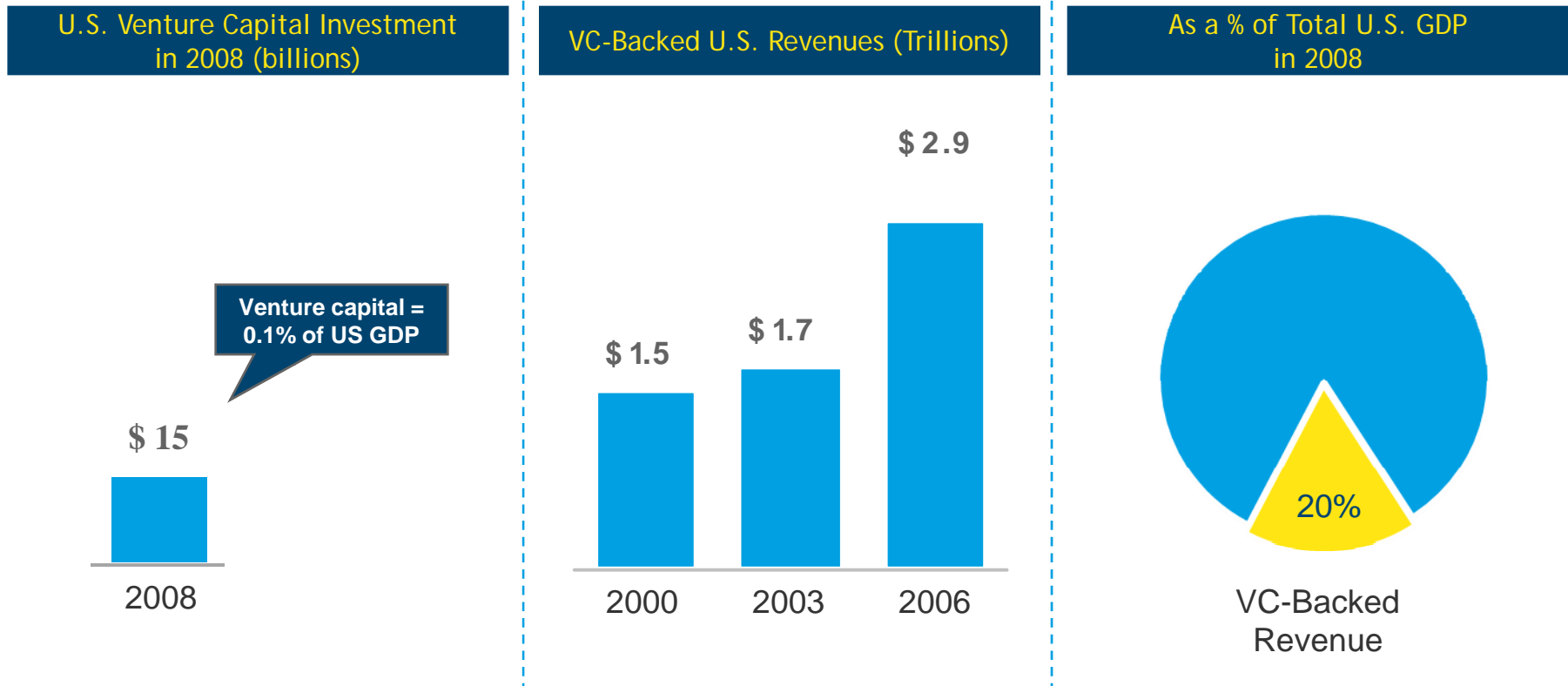
## Venture Capital Today and Tomorrow

Aaron Gershenberg  
Managing Director, SVB Capital



After a challenging decade, venture capital has adapted to new realities and is benefiting from rapidly growing international markets

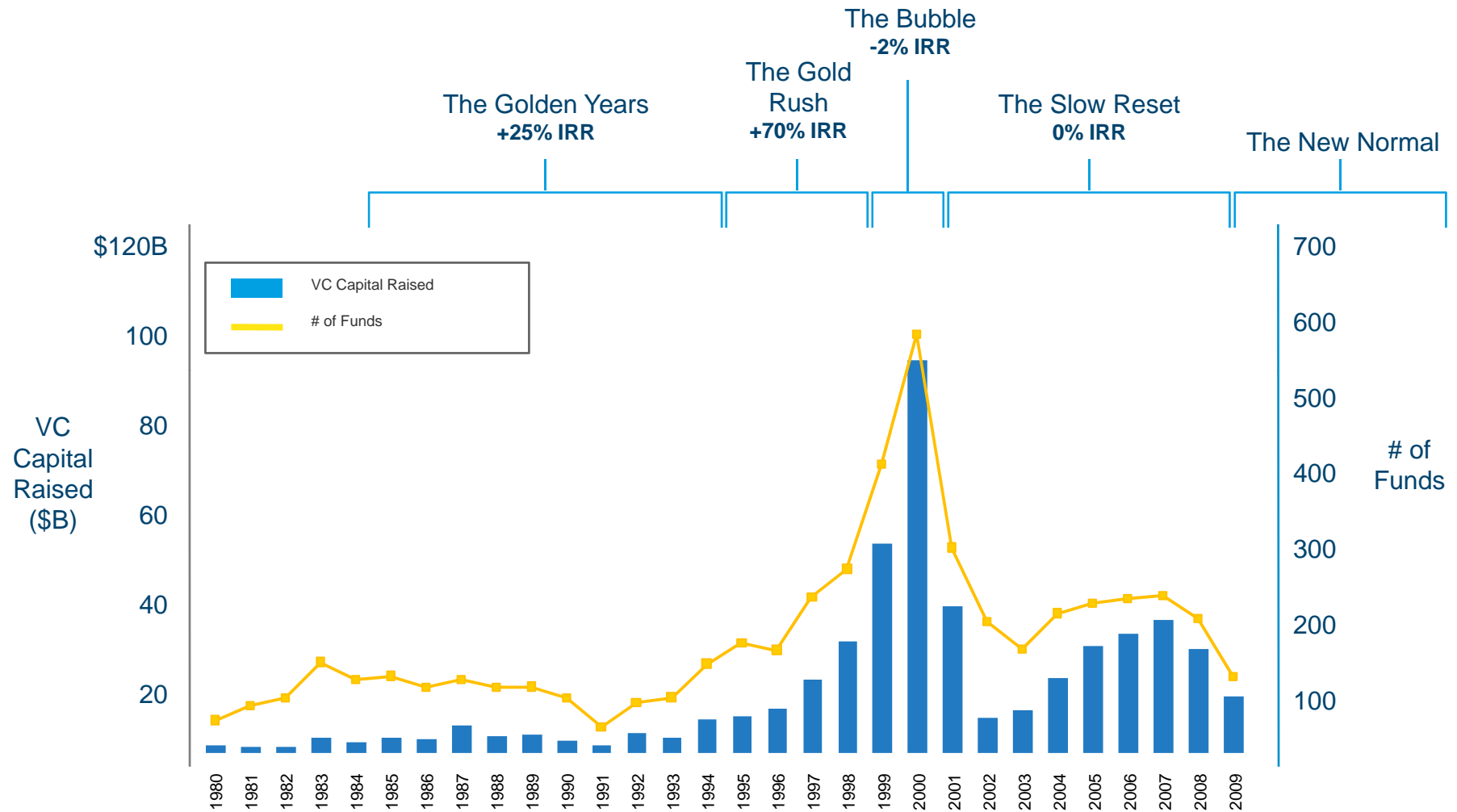
## Venture is Engine for US Economic Growth



Source: Venture Impact 2007 , 2008 & 2009 by Global Insight

Venture firms invest over \$600 million every year in Industrial/Energy companies in Texas

# VC Industry Becoming Right Sized



\*2009 = 1H 2009 Annualized

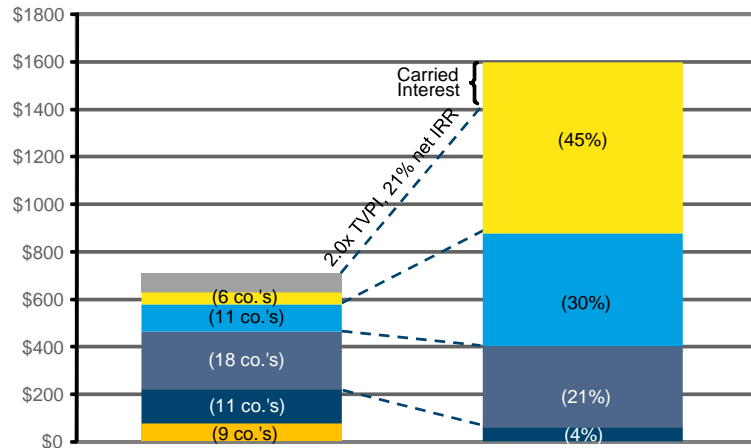
Source: ThomsonReuters and NVCA

Returns are the average return for each period per Cambridge

Associates, Pooled Mean net to Limited Partners as of 09.30.2009

# Portfolio Construction Behind Successful Funds

## Example of Successful Brand Name Fund Returning 2.0x and 20% IRR

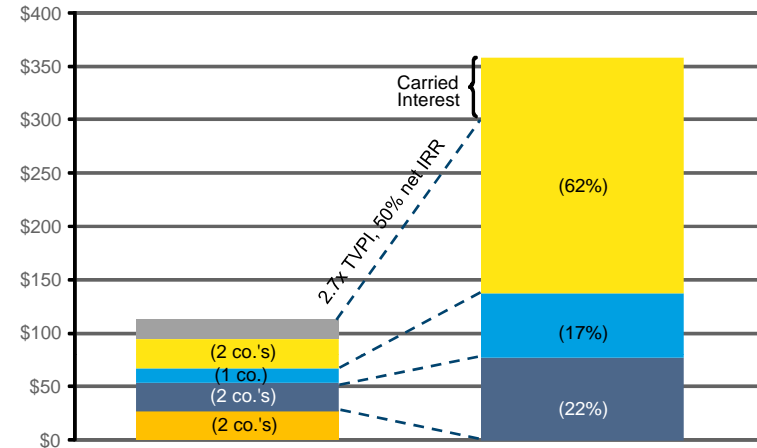


### Critical Success Factors

- Leverage brand to create dealflow scale
- High ownership percentage, favorable terms
- Make big bets in homerun potential companies
- Manage loss-ratio
- Strong network and expertise to drive exits

Notes: Based on actual fund data and SVB projections for fund performance for a 2000 vintage fund from one of SVB's managers. The fund currently has a 0.45 DPI and 1.25 TVPI. Assumes 20% carried interest. Timing for future exits ranges from 1-4 years. Investments were made from 2000-2004. In this case the effect of fees is reduced slightly by recycling.

## Example of Successful Specialized Fund Returning 2.5x - 3.0x and +30% IRR



### Critical Success Factors

- Have a unique "edge"
- Alignment of interests; GP commitment, carried interest
- Get into companies early
- Concentrated portfolio
- Find strong co-investors
- Early decisions to cut losses

Notes: Based on projected fund construction of a small first time biotech fund, using data from the manager and historical funding data for companies the GPs previously supported. The performance of the investments is extrapolated from actual companies in the GP track records.

Homeruns (>5x)    Good Performers (3x - 5x)    Solid Performers (1x - 3x)    Poor Performers (<1x)    Fees    Write-Offs

## Why Should Pension Funds Invest in Venture Capital?

---

Fundamentals are improving for Venture Capital returns

Good downside protection provided by a diversified portfolio

Strong option value for long term gains

Venture Capital is extremely important for job growth and improved US competitiveness

**SVB**  **Capital**

A Member of SVB Financial Group