

# CFA 2014 Forecast Dinner

February 20, 2014



## Michael Moe, CFA

Founder & Partner, GSV Asset Management

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Warning:



*“Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future.”*

# Supply and Demand

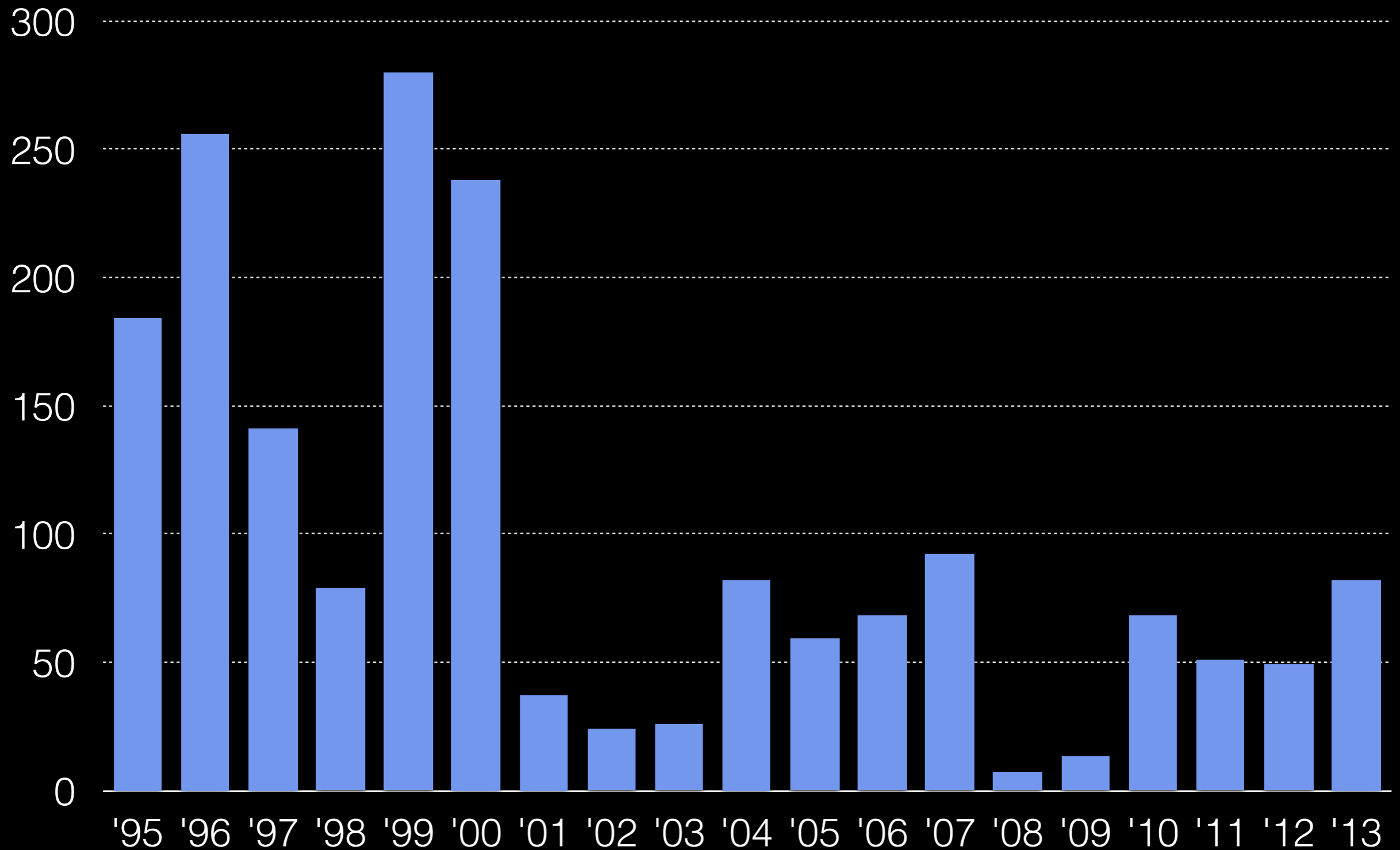


# Drought of New Issuances

	1990-2000	2001-2013
# IPOs	4,472	1,344
Per Year	<b>406</b>	<b>103</b>
\$ Raised	\$357 billion	\$354 billion

Source: University of Florida, Offer Price > \$5.00, incl. Amex, NYSE, NASDAQ

# 80% Reduction of VC-Backed IPOs



Source: NVCA

# Corporate cash: \$1.93 trillion



## 136% increase since 2006

Source: WSJ

# Corporations Stockpiling Cash

## Cash on Balance Sheet



\$159 Billion

**facebook**®

\$11 Billion

**amazon.com**®

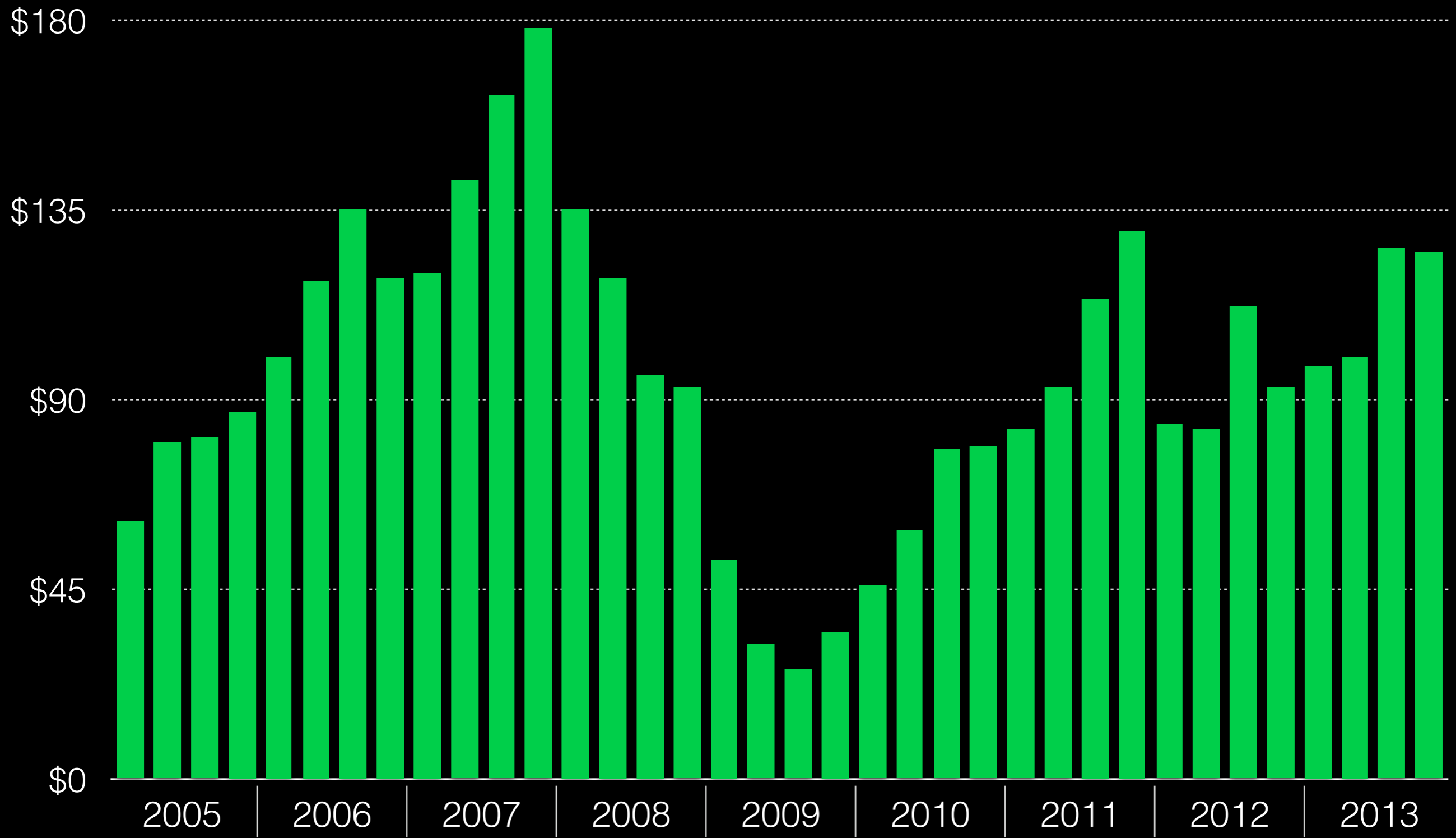
\$12 Billion

**Google**™

\$59 Billion

# Corporate Stock Repurchase Rising Again

(\$ in billions)



Total Stock Buyback in Last 10 Years: \$3.5 Trillion

Source: Factset

# Stock Buyback: \$3.5 Trillion



+



# Tech M&A Transactions Increasing

	1990-1999	2000-2013
# M&As	972	5,197
Per Year	97	371
\$ Transaction Value	\$534 billion	\$2,493 billion
Per Year	\$53 billion	\$178 billion

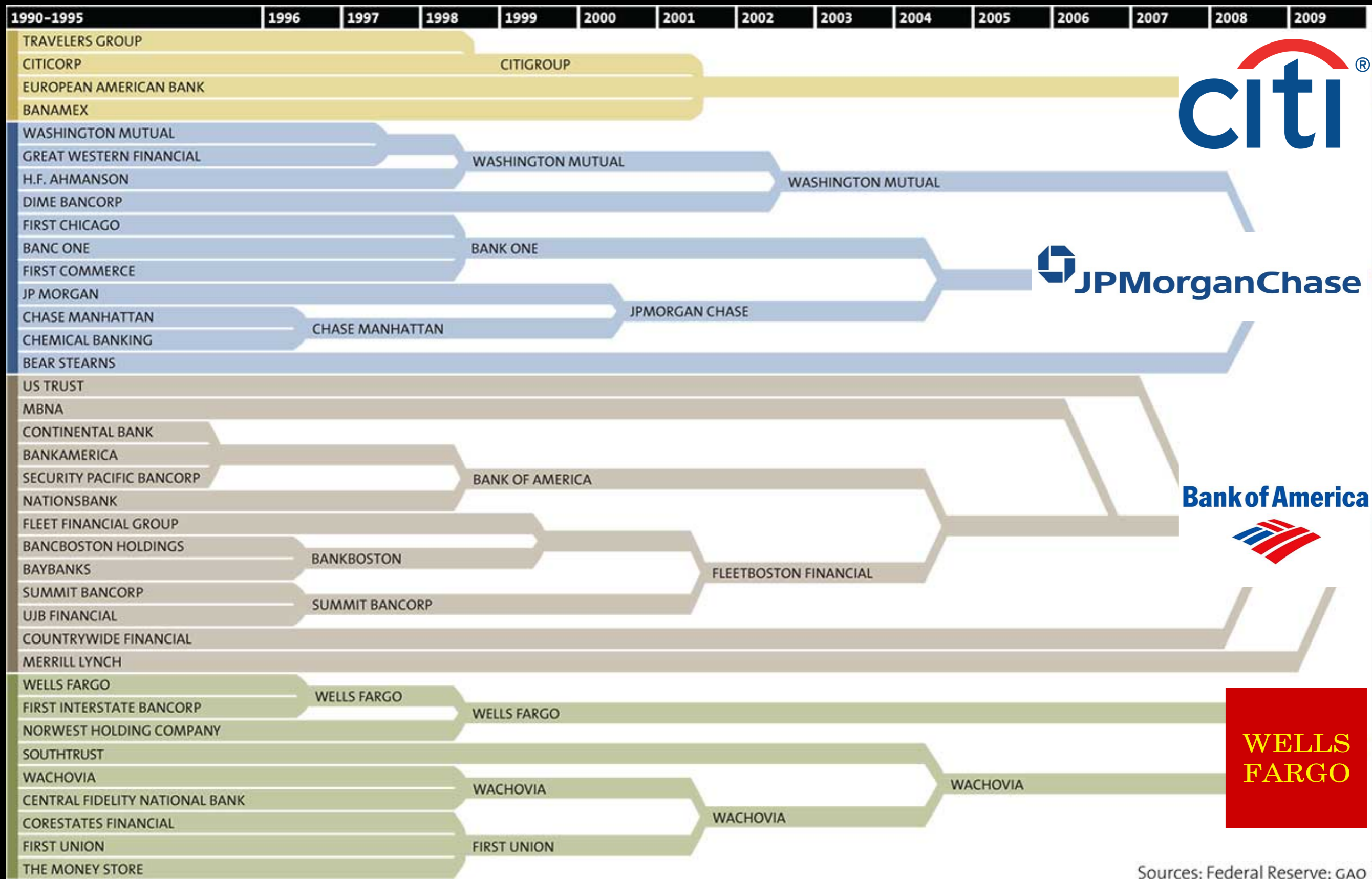
# Qatalyst Partners



400+ M&As: \$500B+ value

Source: Qatalyst Partners

# Bank Consolidation to “Big 4”



Sources: Federal Reserve; GAO

# Tech Consolidation to Big 8

## M&As in Past 5 Years

	Apple	Google (excl. Google Ventures)	Facebook	Amazon
# M&As	21	112	45	23
\$ Transaction Value	\$5.6 billion	\$23 billion	\$18.4 billion	\$2.4 billion
	Cisco	Oracle	Microsoft	IBM
# M&As	39	45	52	56
\$ Transaction Value	\$13 billion	\$20 billion	\$20 billion	\$9 billion

Source: CapitalIQ, since 1.1.2009, excl. private placements



\$350 Million



\$100 Million



\$80 Million



\$40 Million



\$30 Million



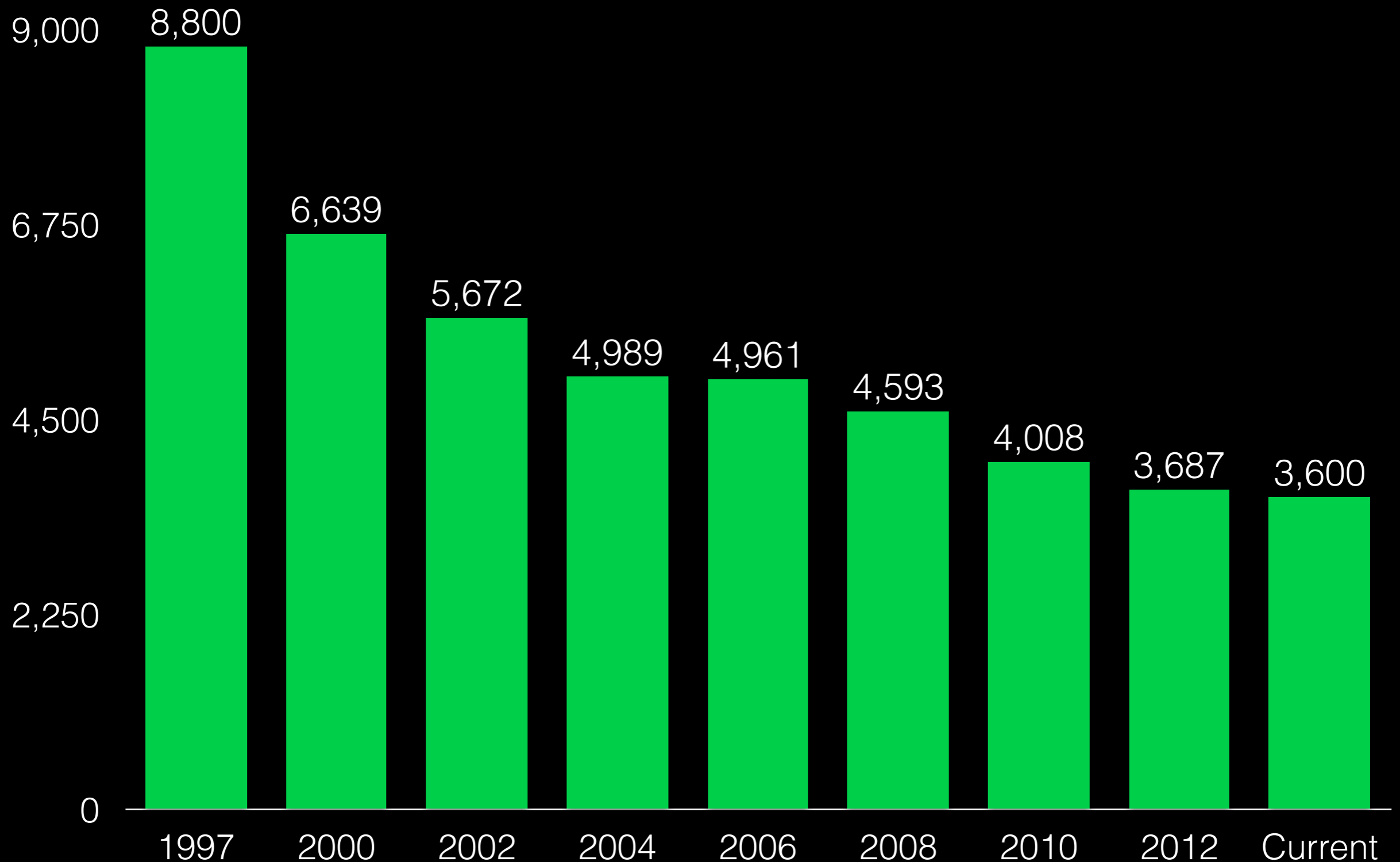
\$15 Million

# 29 Total Acquisitions

Not to be Outdone...



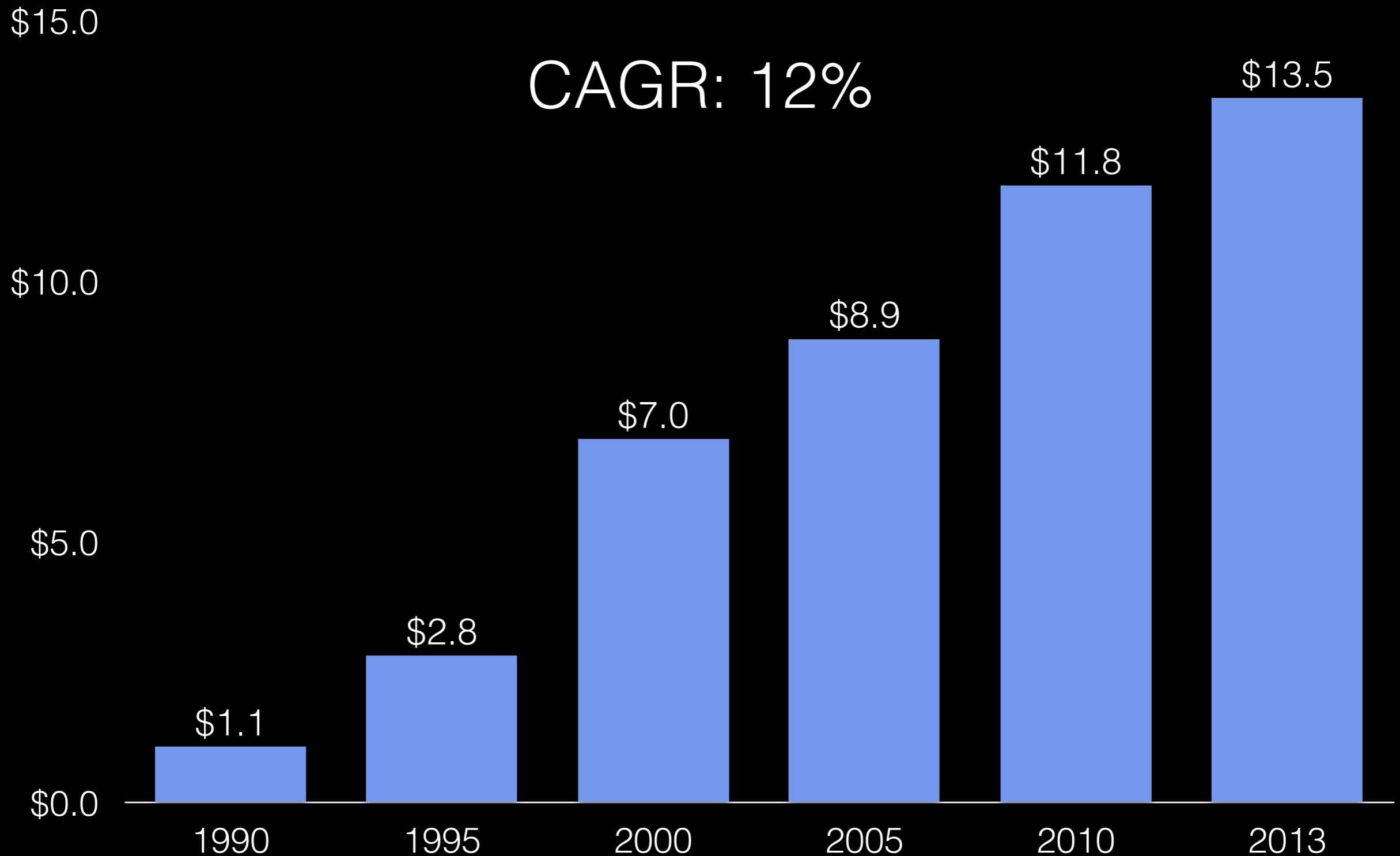
# U.S. Publicly Traded Stocks Declining



Source: Economist, Wilshire Associates, Yahoo Finance

# Growth of Mutual Fund Assets

(\$ in trillions)

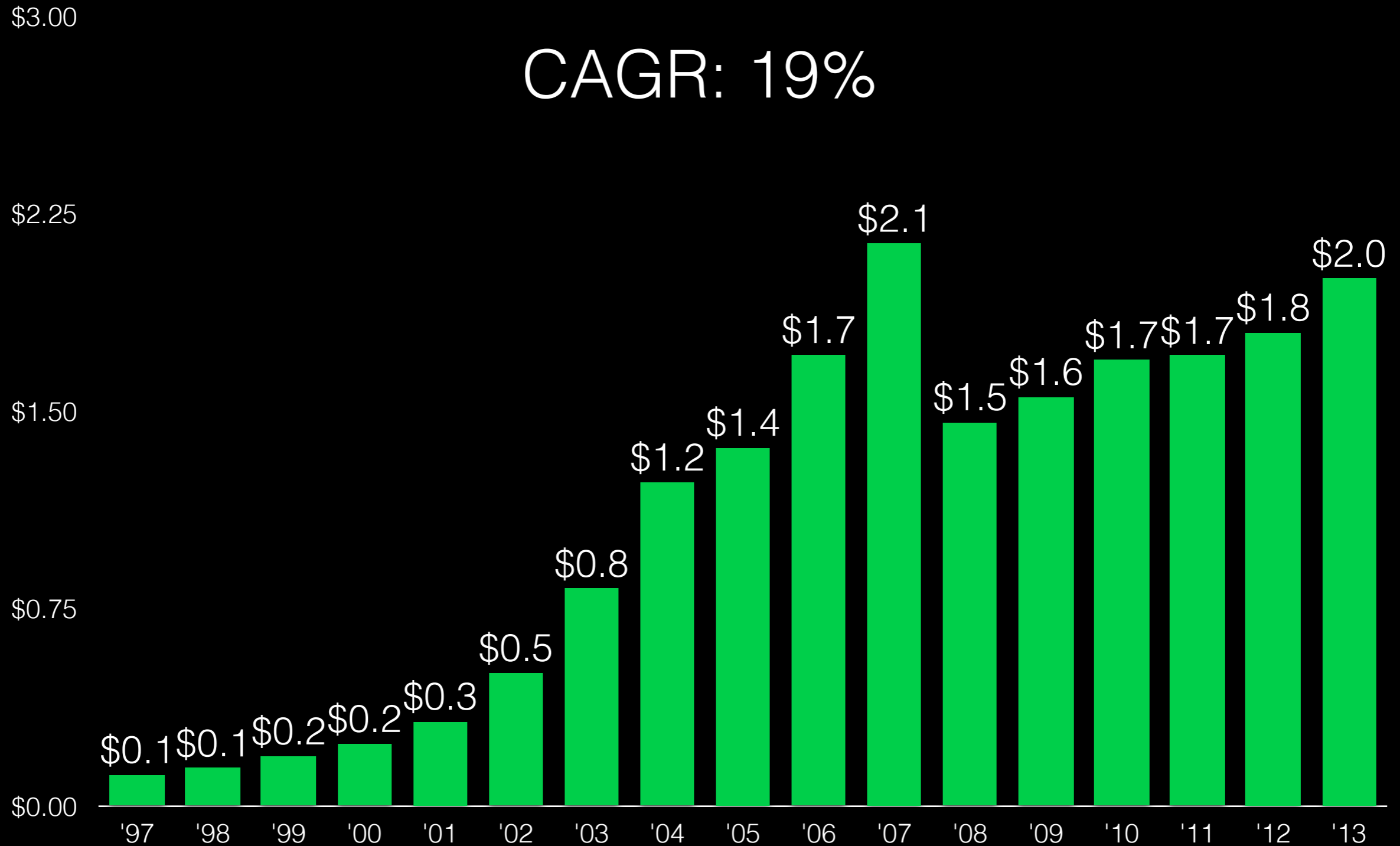


Source: Investment Company Institute

# Growth of Hedge Fund Assets

(\$ in trillions)

CAGR: 19%

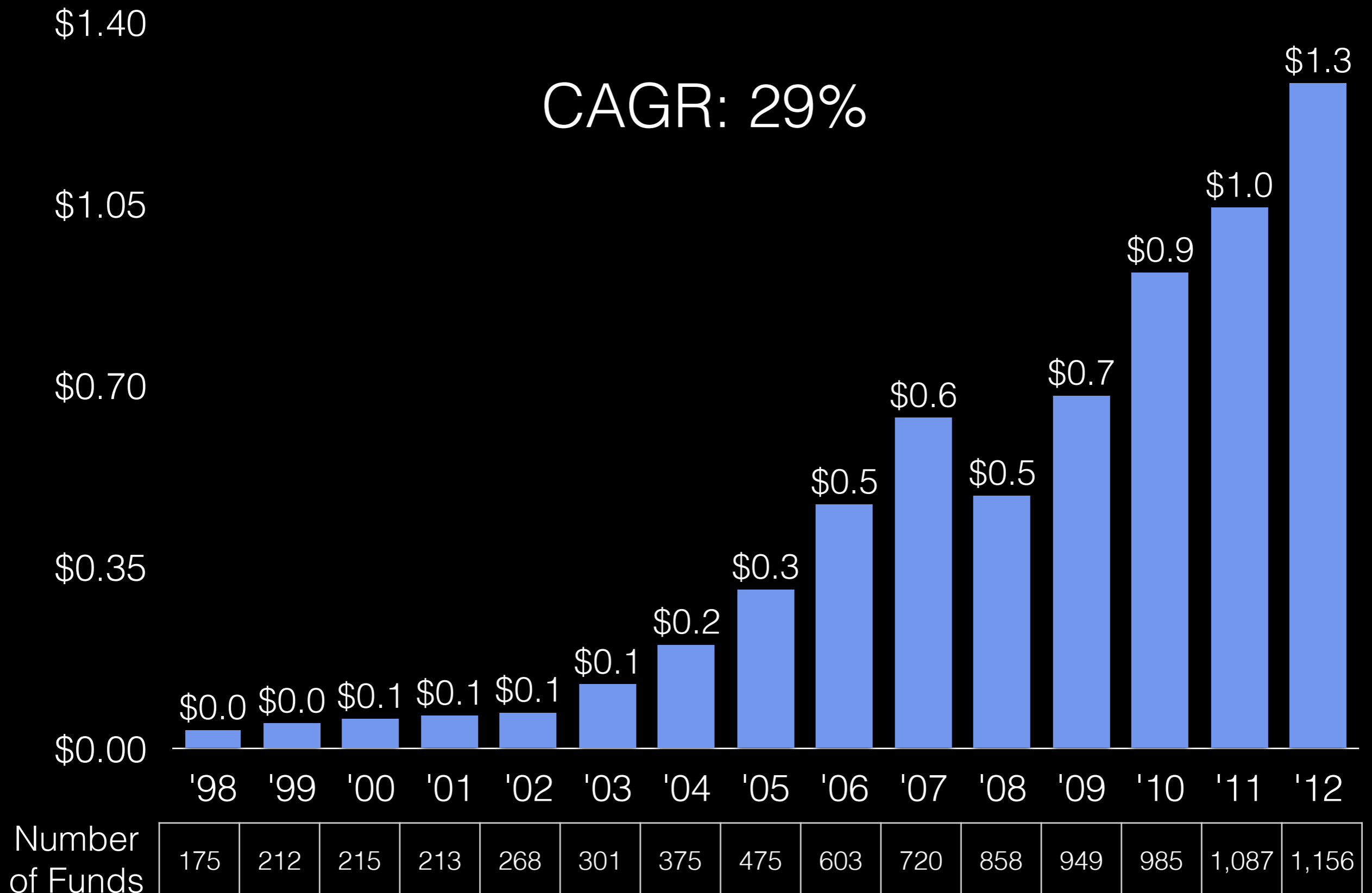


Source: BarclayHedge

# Fund of Funds Growth

(\$ in trillions)

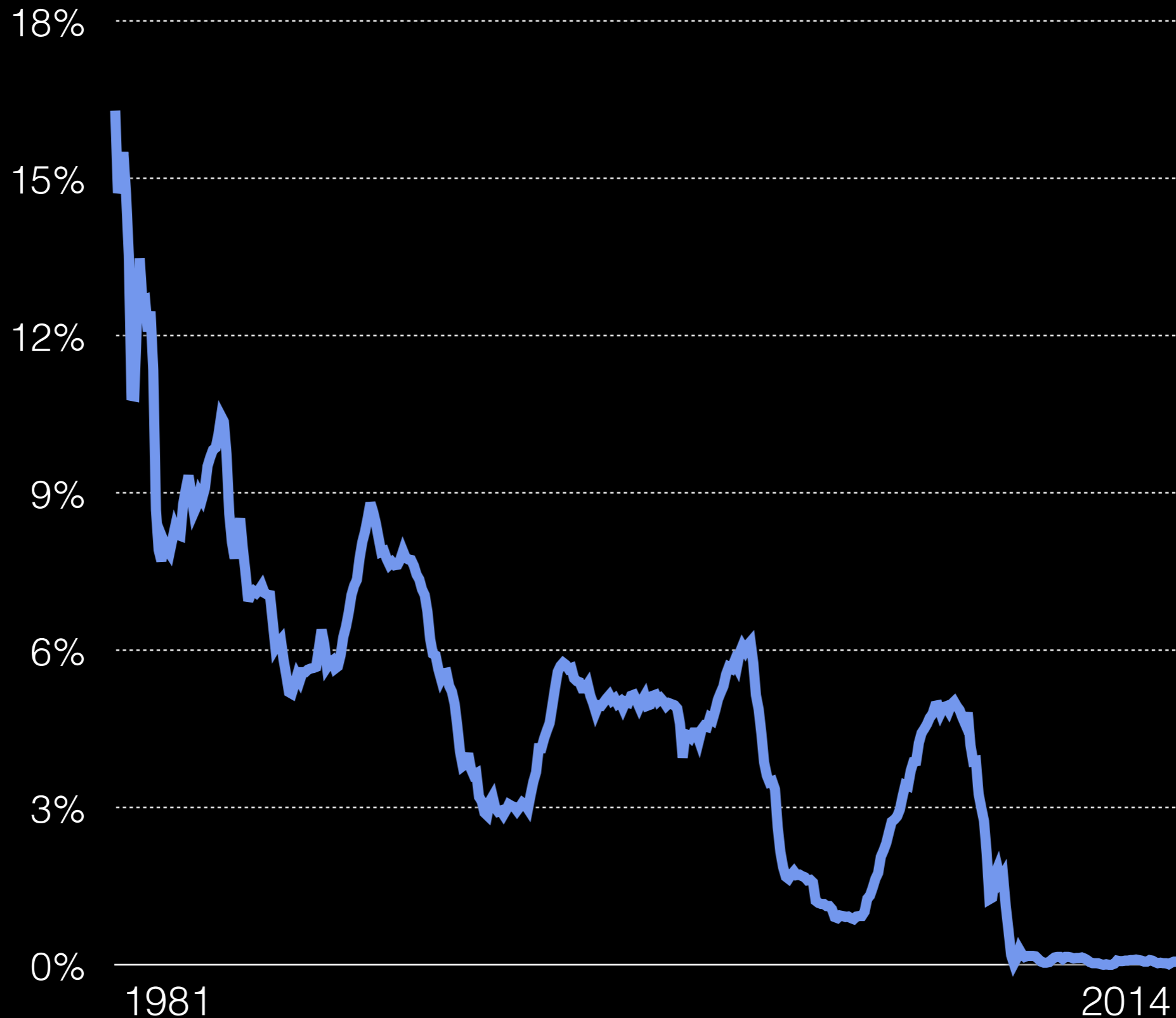
CAGR: 29%



Source: Investment Company Institute

# 30+ Year Bull Market for Bonds

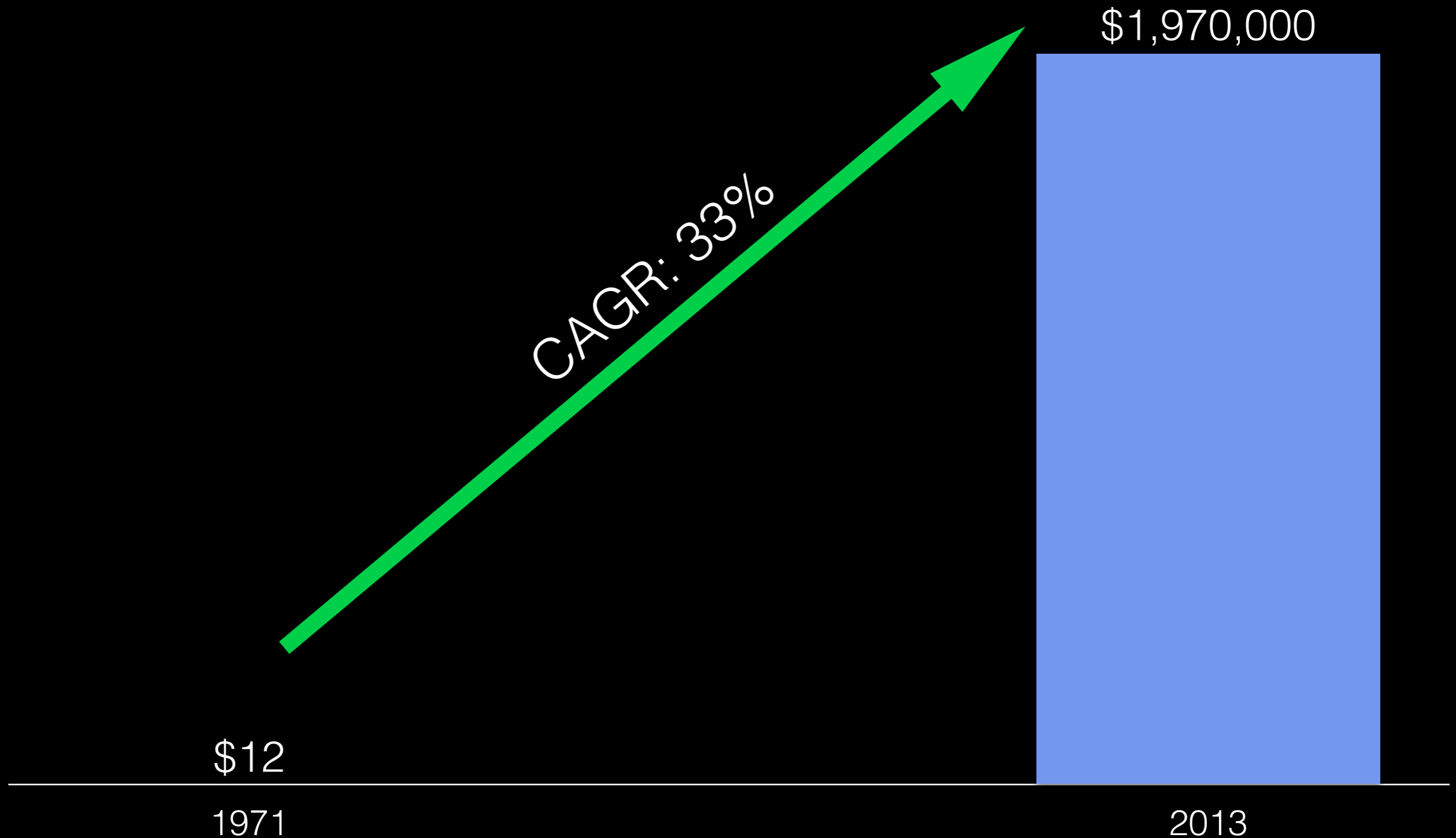
3-Month Treasury Bill: 16.30% to 0.04%



Source: Federal Reserve of St. Louis

# PIMCO - Assets Under Management

\$12 million to \$1.97 trillion



# Where Did He Go?



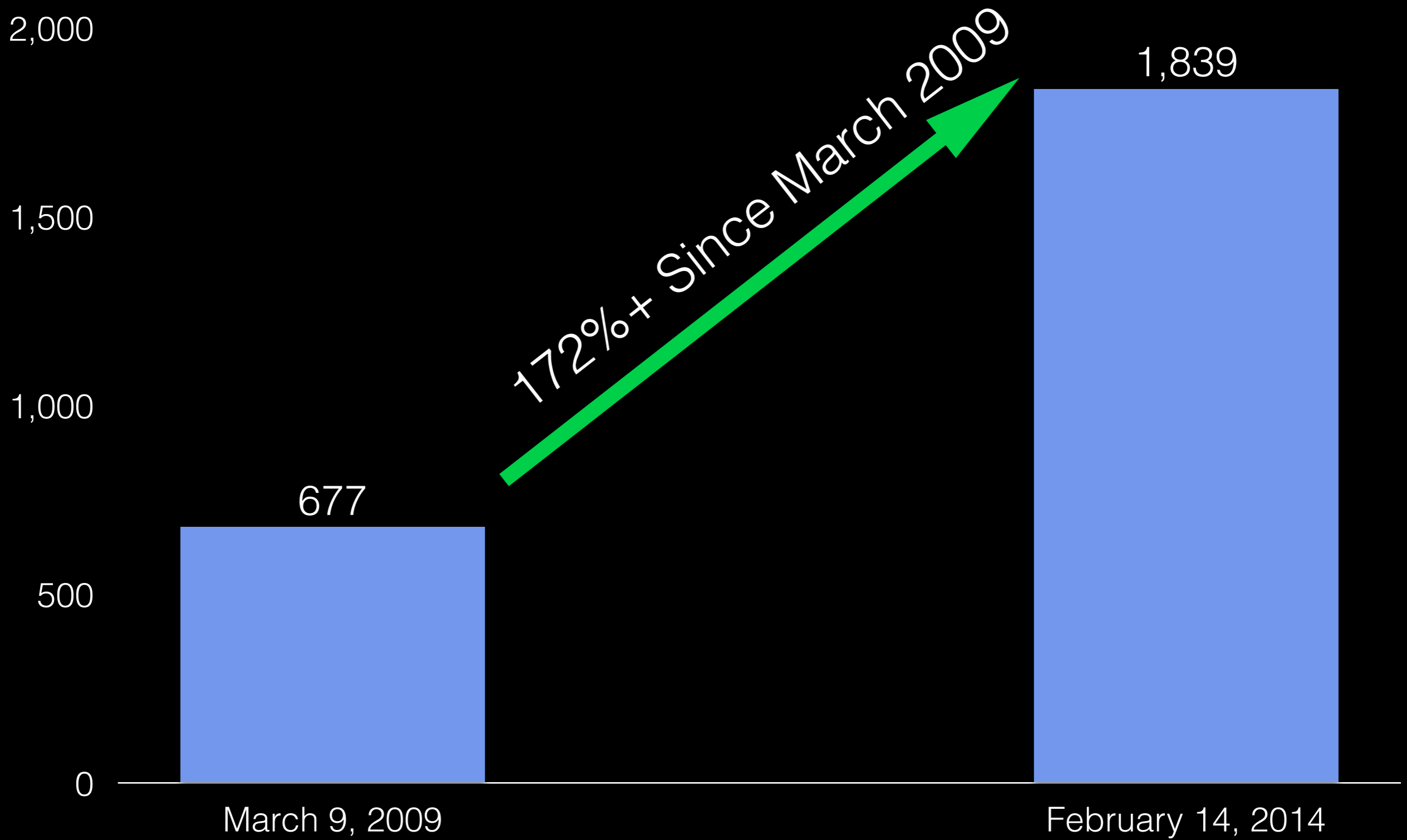
# What Does He Know?



A close-up photograph of a hand blowing a bubble. The bubble is large and clear, reflecting the surrounding environment, which appears to be a lush green forest. Inside the reflection, a hand is visible, suggesting a recursive or self-referential image. The bubble is surrounded by a spray of fine water droplets, creating a misty effect. The background is a soft-focus green, with bokeh light spots from the sun filtering through the trees. A finger is visible in the bottom right corner, pointing towards the bubble.

**Bubble?**

# Market Return From Low



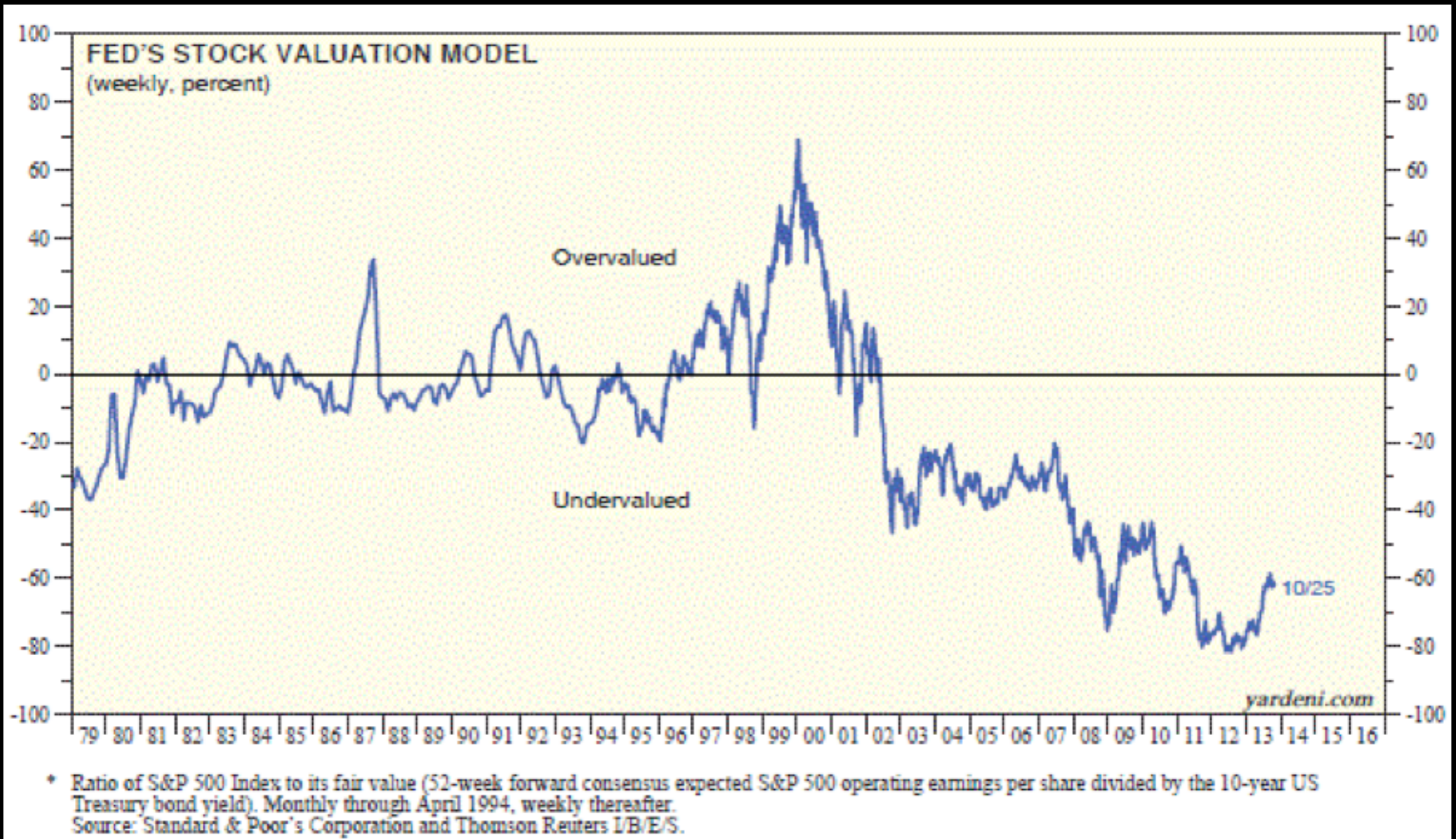
# Stocks Not Overpriced

	Current	Historical Average	% versus Average
Forward Consensus P/E	15.0	15.1	-1%
Trailing Normalized P/E	18.0	19.1	-5%
P / FCF	21.8	28.7	-24%
EV / Sales	1.9	2.2	-14%

Source: S&P, Bloomberg, Factset

# Fed's Model Indicate Stocks Are Cheap

63% undervalued relative to bonds



# Tech Stocks Moderately Priced - Forward P/E



11.8x



19.8x



10.7x



Microsoft

12.9x



11.9x

# Top Performing Stocks of the Decade

1



2



3



4



5



6



7



8



9



10



11



12



13



14



15



16



17



18



19



20



21



22



23



24



25



# Stock Price Correlates With Earnings Growth

2003 to 2013

Stock CAGR

EPS CAGR

Median

35%

32%

# Stock Price Correlates With Earnings Growth

Price / Earnings

2003

2013

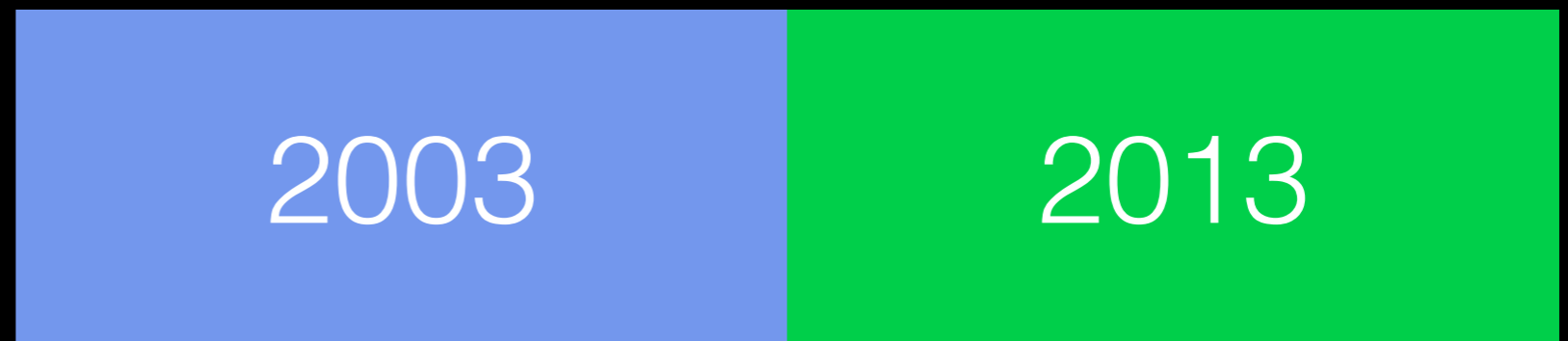
Median

26x

28x

# Stock Price Correlates With Earnings Growth

Market Cap



Median

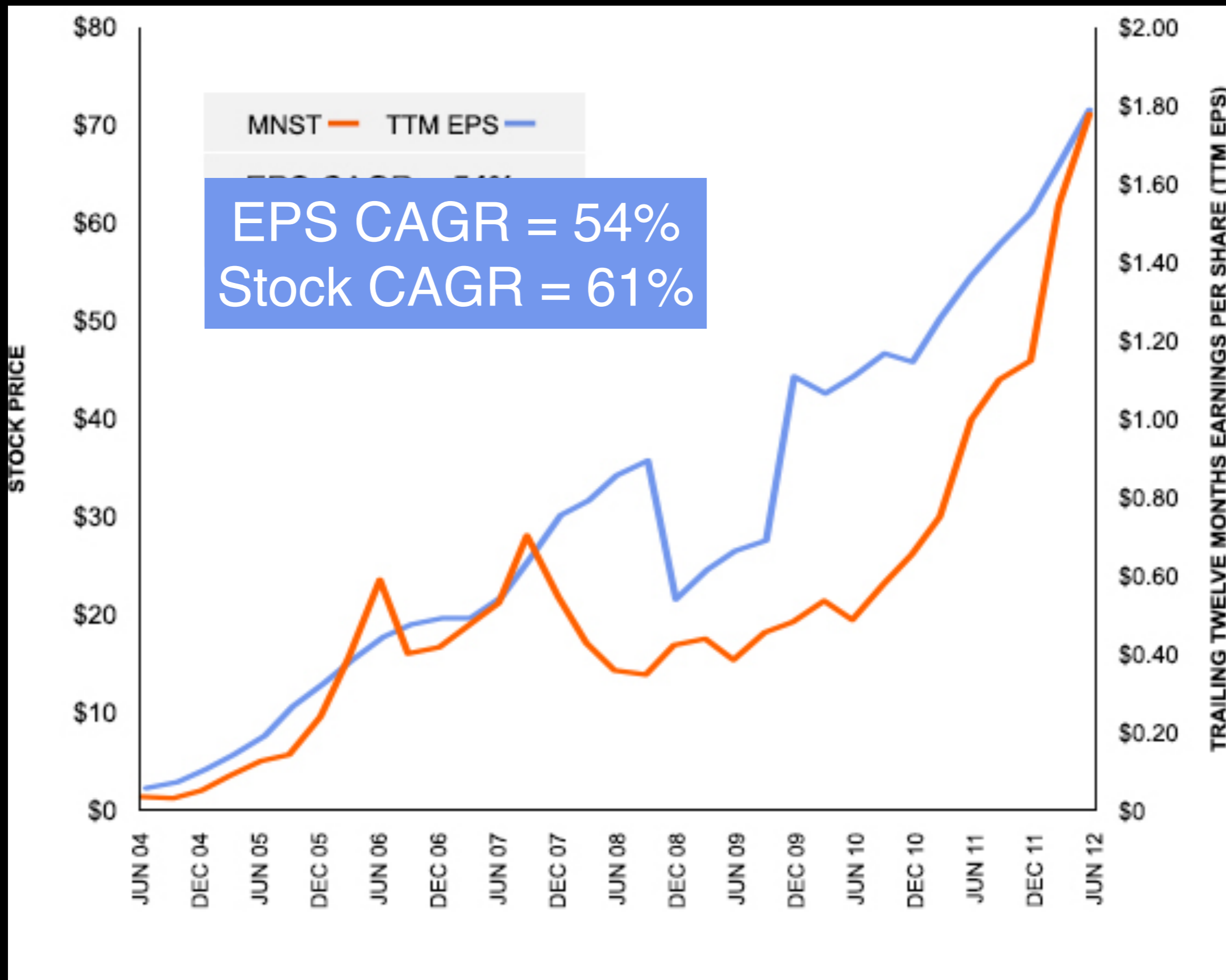
\$203

\$9,874

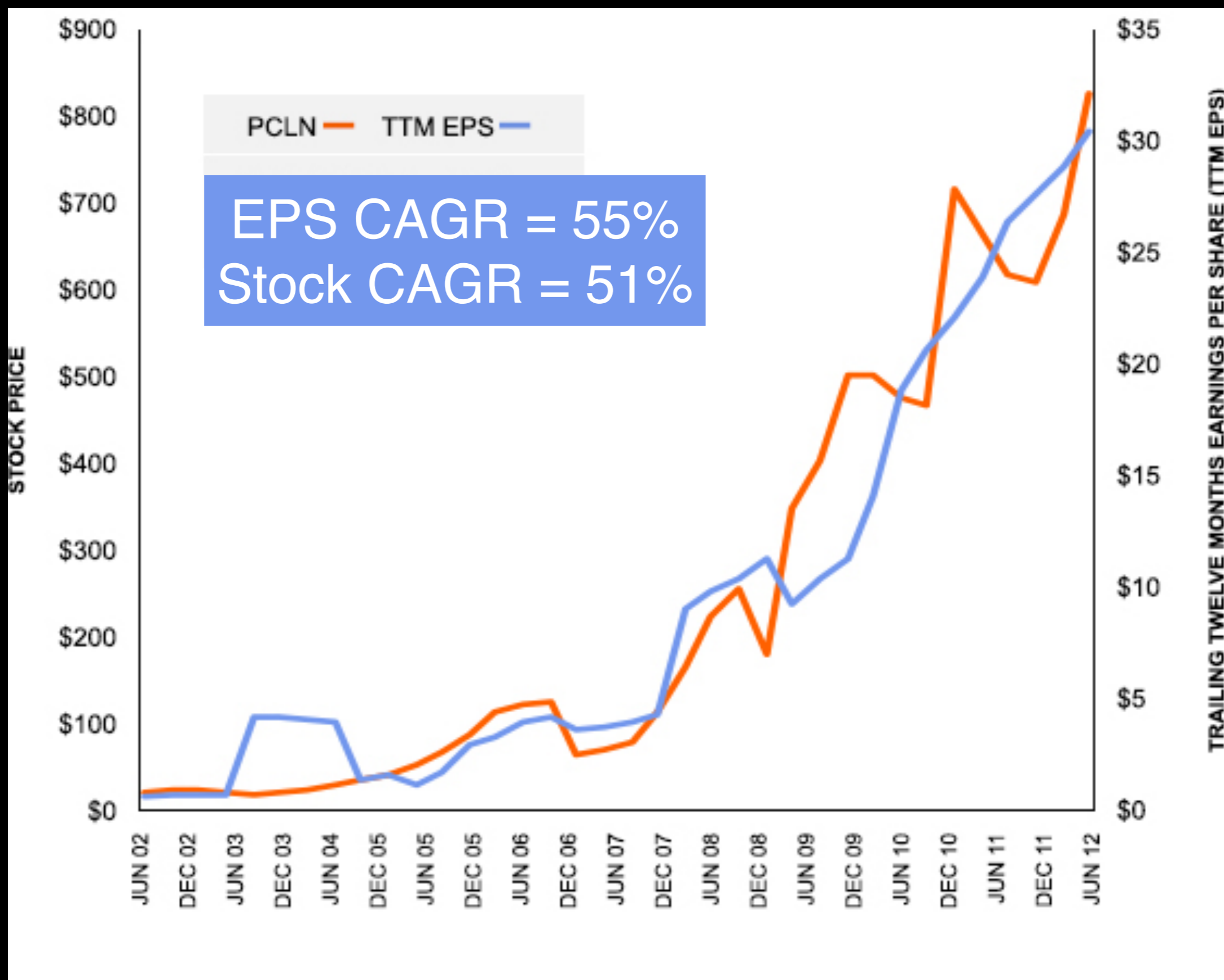
*“People may bet on hourly wiggles of the market but it’s the earnings that waggle the wiggle long term.”*

— Peter Lynch

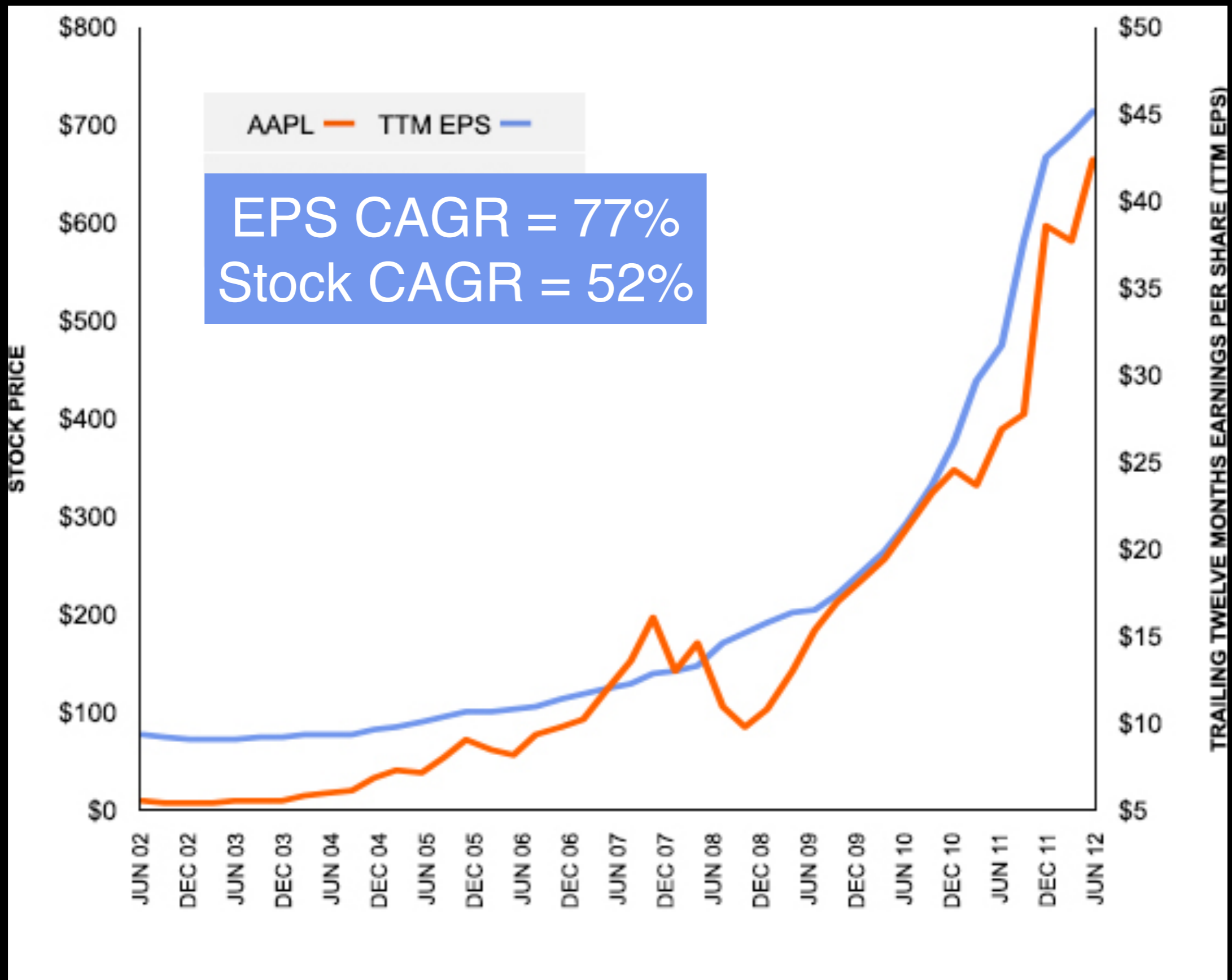
# Monster Beverage



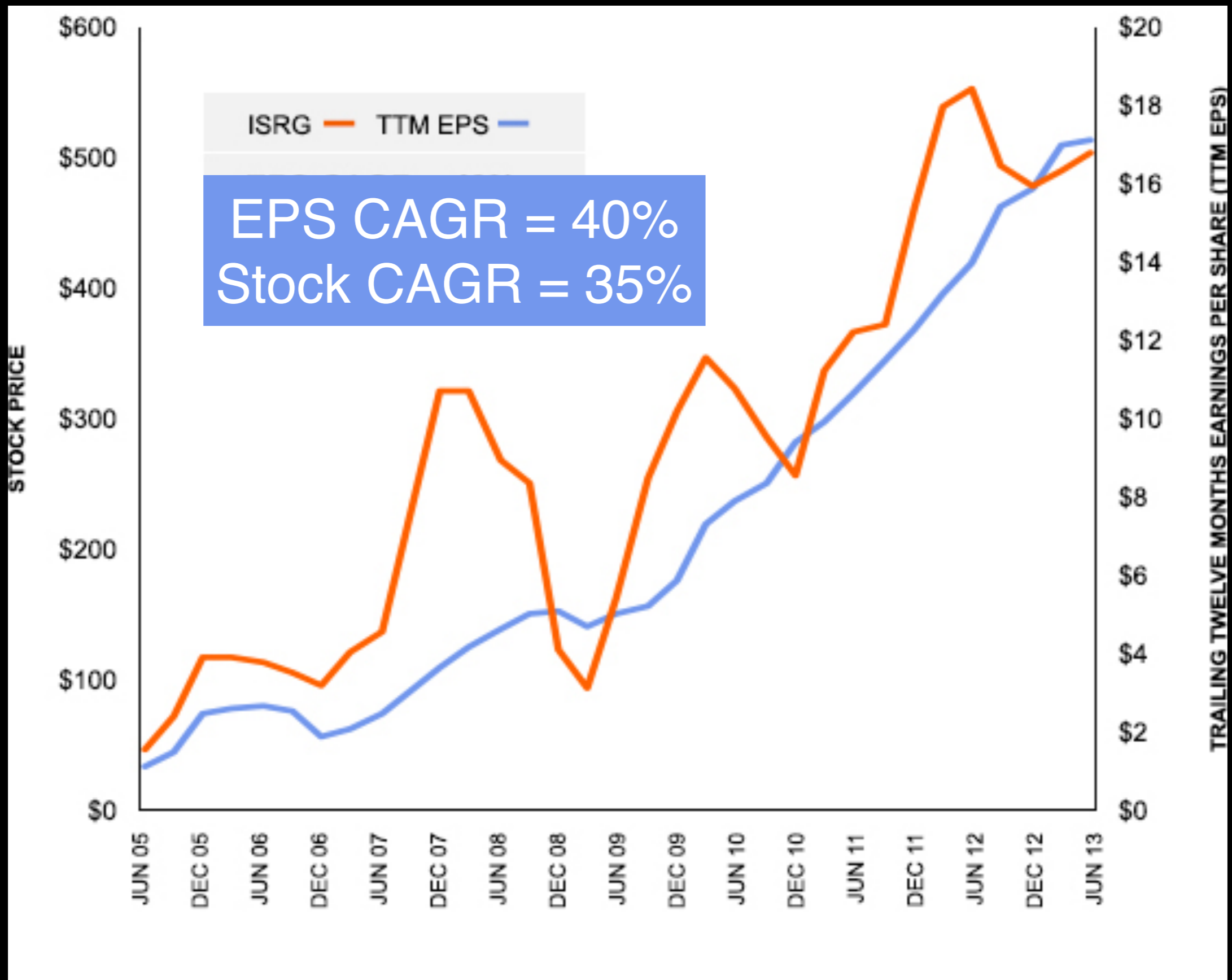
# Priceline



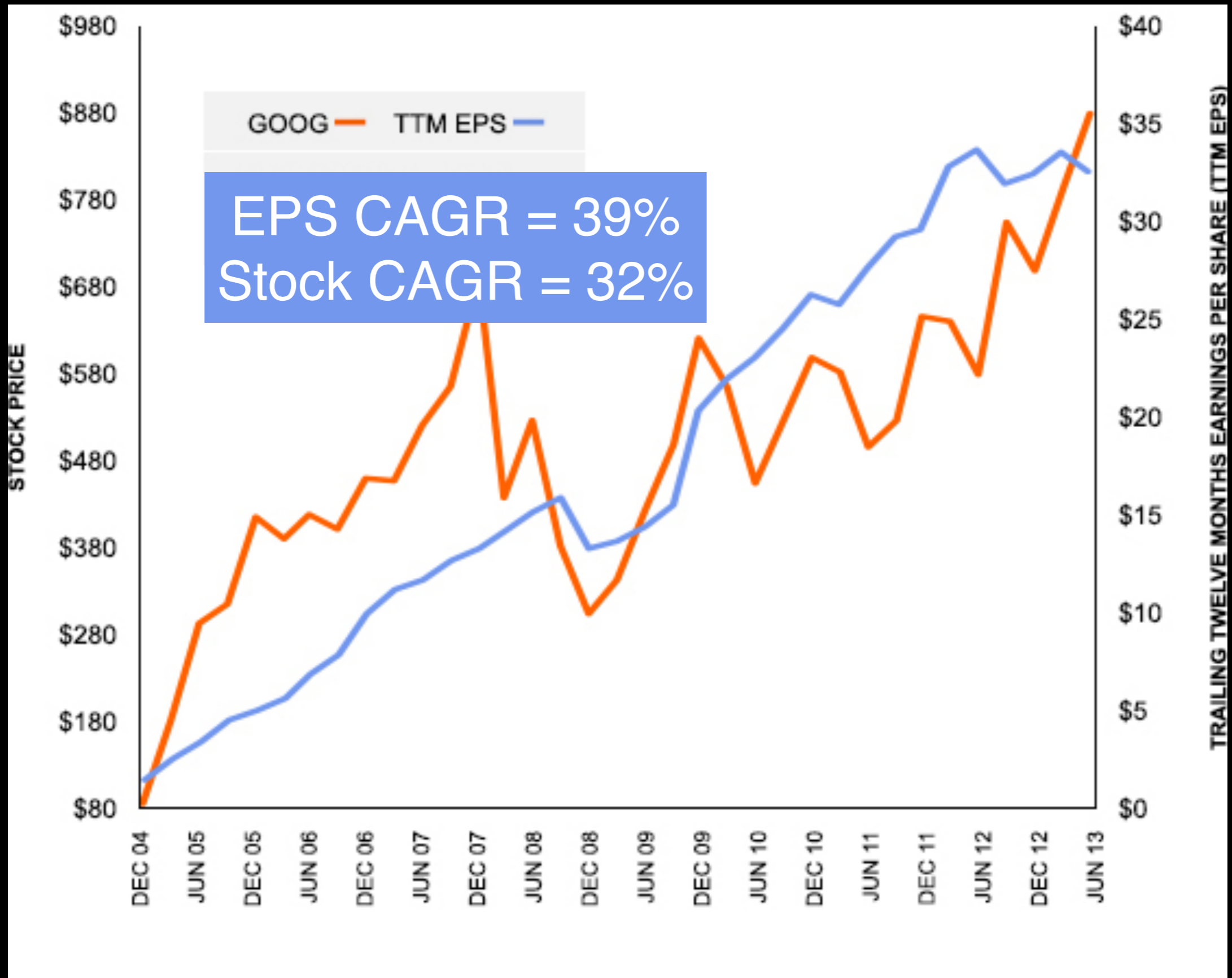
# Apple



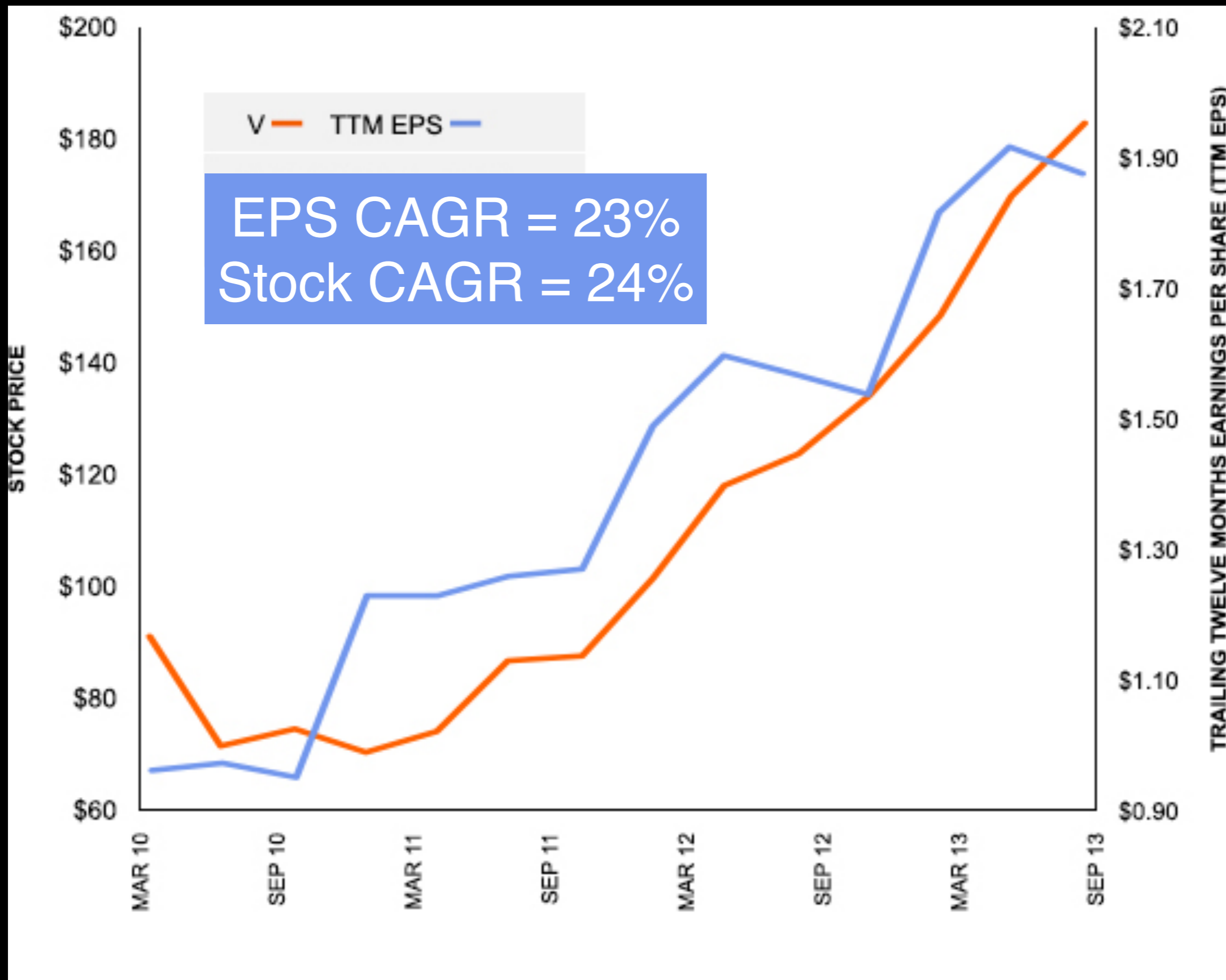
# Intuitive Surgical



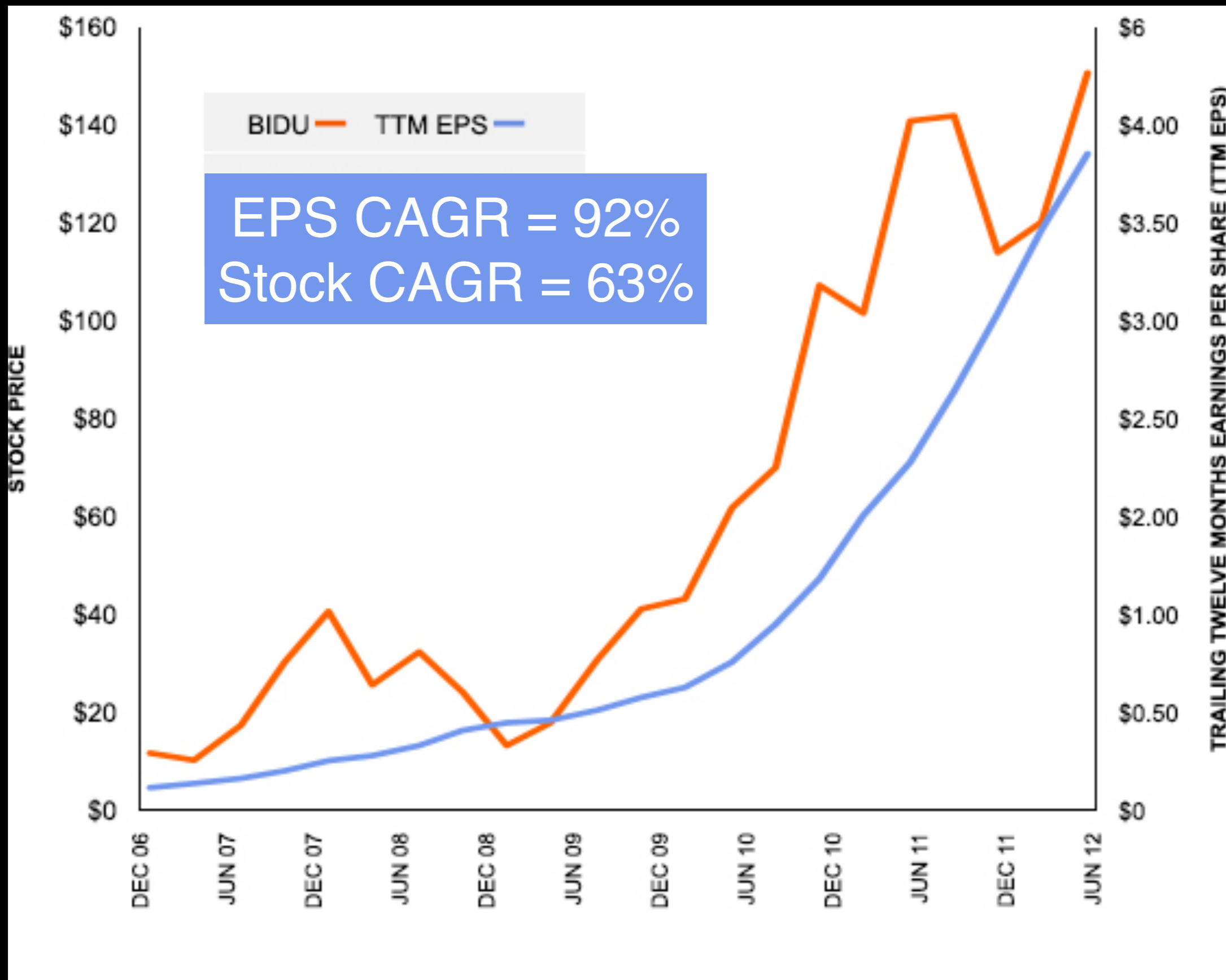
# Google



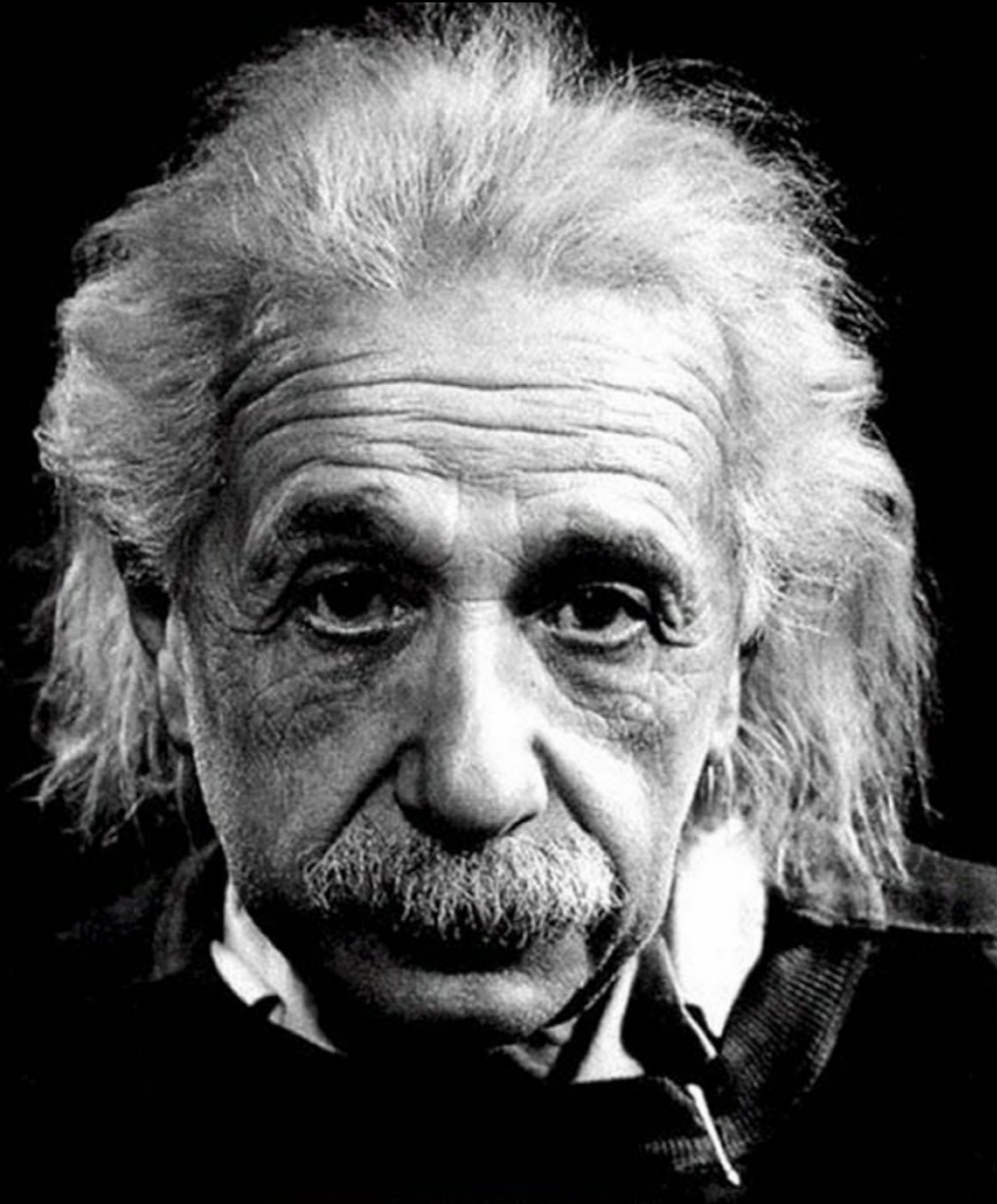
# Visa



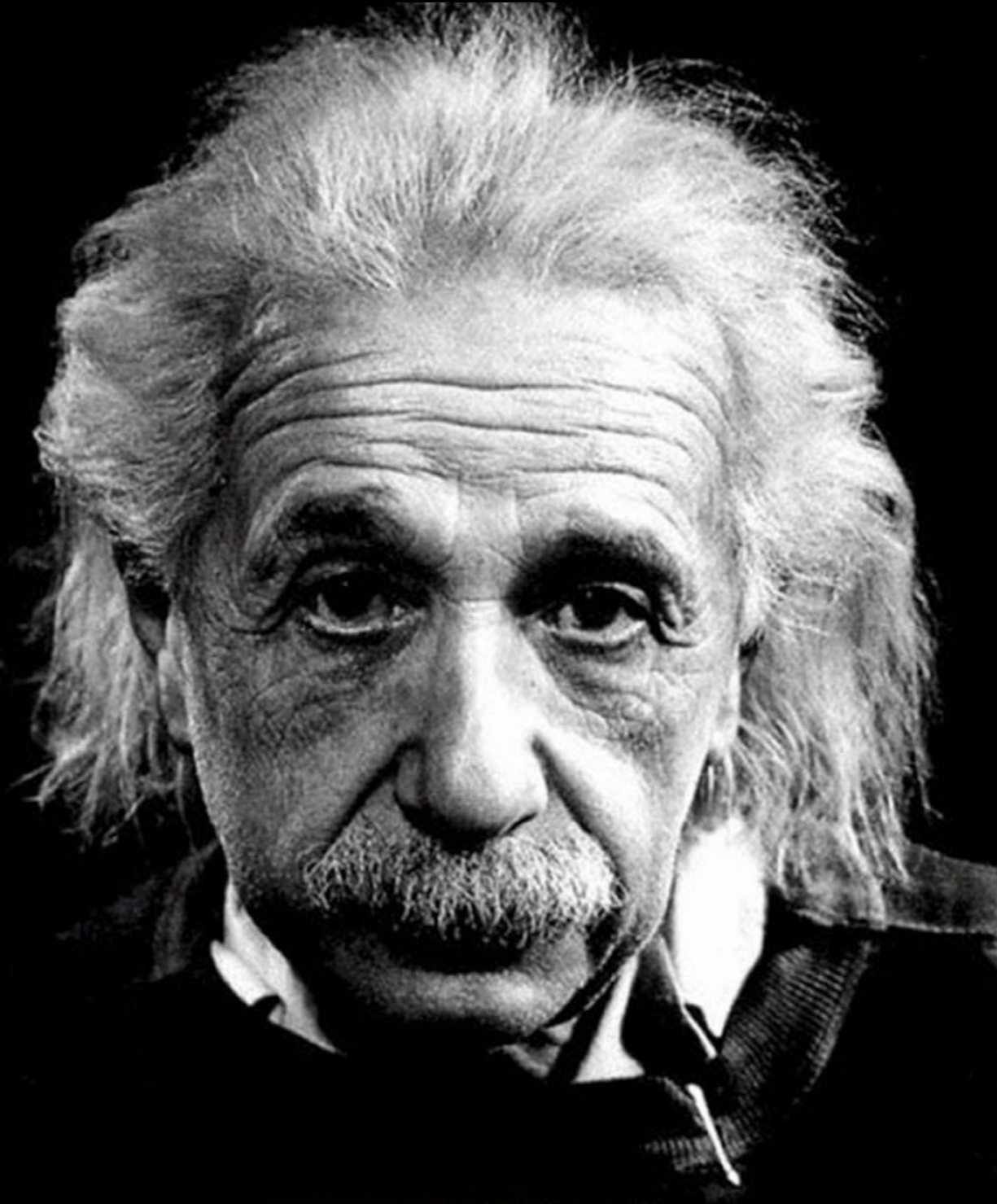
# Baidu



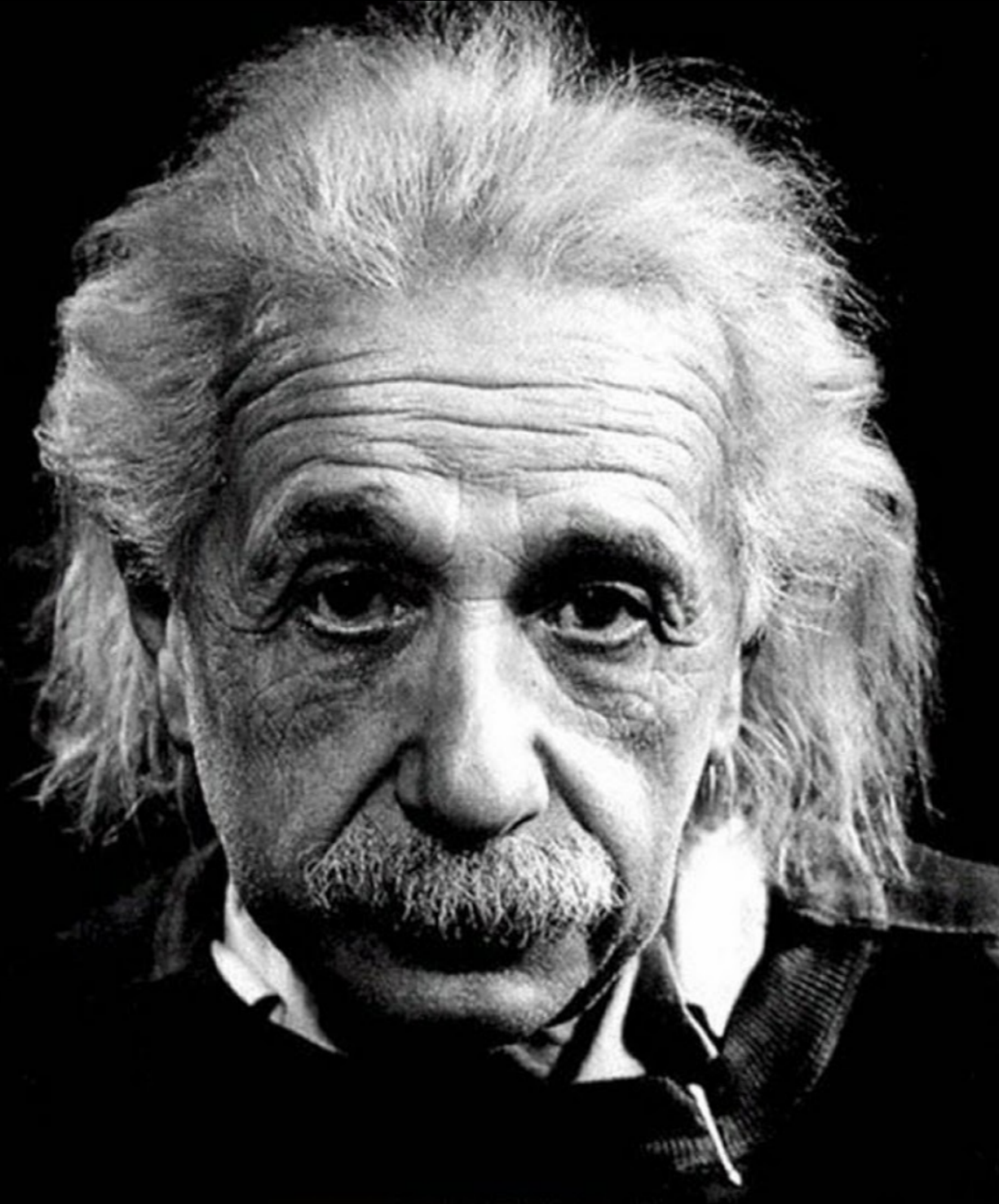
Compound interest is the eighth  
wonder of the world.



He who understands it,  
earns it...



...he who doesn't, pays it.



# Rule of 72

Interest Rate	Number of Years to Double	Value of \$1 in 30 Years
3%	24	\$2.43
6%	12	\$5.74
9%	8	\$13.27
12%	6	\$29.96
15%	5	\$66.21
25%	3	\$807.79

# Magic of Compound Interest



Island of Manhattan \$24

# Good Deal?

Manhattan Island in 1626

\$24

Value today at 5% annual return

\$4.0 billion





# Good Deal?

Manhattan Island in 1626	\$24
Value today at 7.5% annual return	\$36.9 trillion



# Good Deal?

Manhattan Island in 1626

\$24

Value today at 10% annual return

\$275 quadrillion



# Megatrends

**Globalization**

**Internet**

**Mobile**

**Freemium**

**Social**

**Personalization**

**Brands**

**Big Data**

**Cloud**

**Network Effects**

**Brain Research**

# Investment Theme: Education Technology



# Healthcare vs. Education



vs.



1970

**8% of GDP**

**Cottage Industry**

**Human Essential Service**

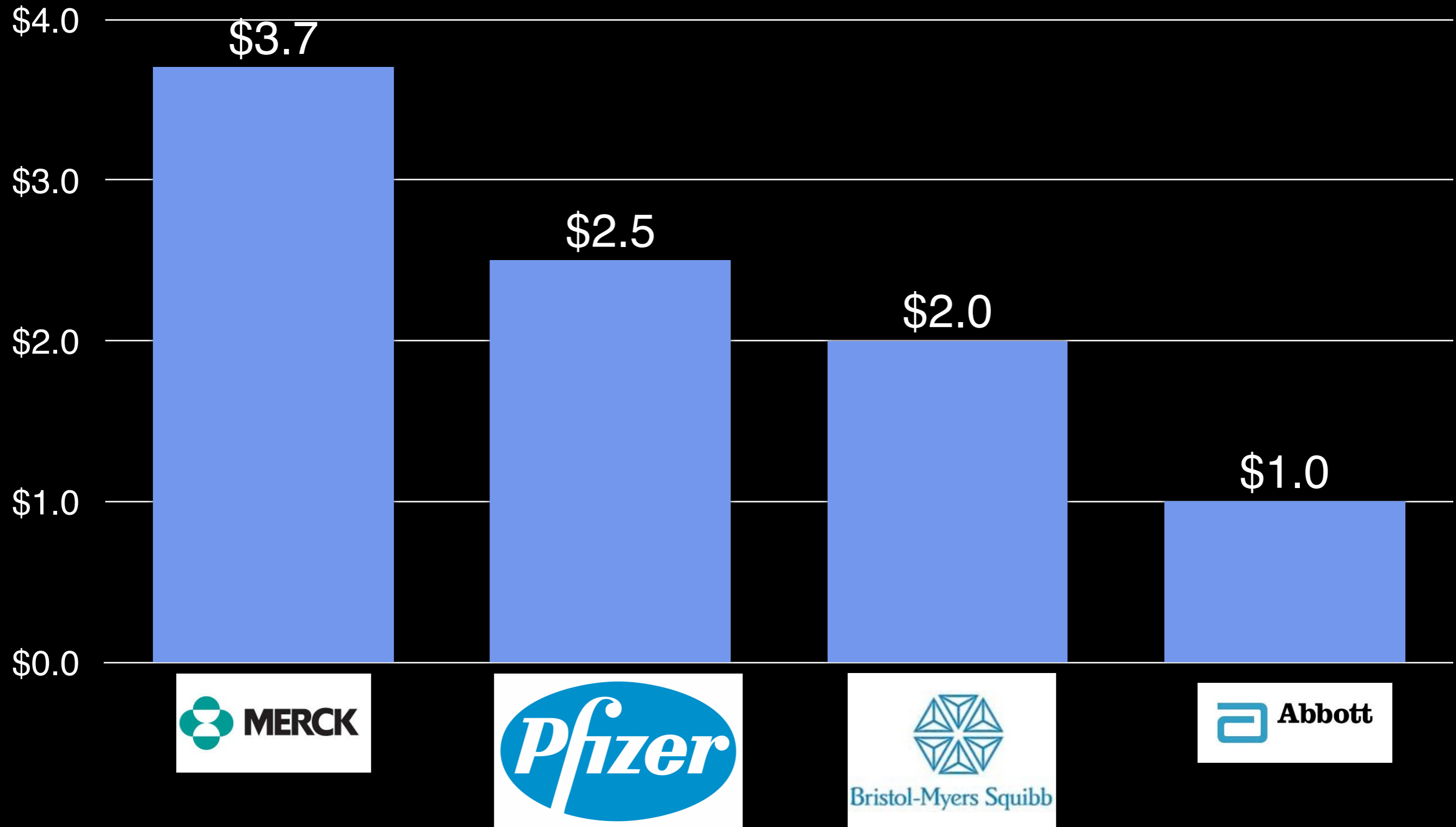
**Make Money?**

**Technology Lite**

**2% of Capital Markets**



# Health Care - Billion Dollar Companies 1970



■ Top Companies by Market Cap (\$ in billions)

2014

**17%+ of GDP**



**Consolidating, Large Global  
Players**

**Ubiquitous Technology**

**14%+ of Capital Markets**

2014



**400+ Global Healthcare  
Companies with a Market Cap  
Greater Than**

**\$1 Billion**

2014



**9% of GDP**

**Cottage Industry**

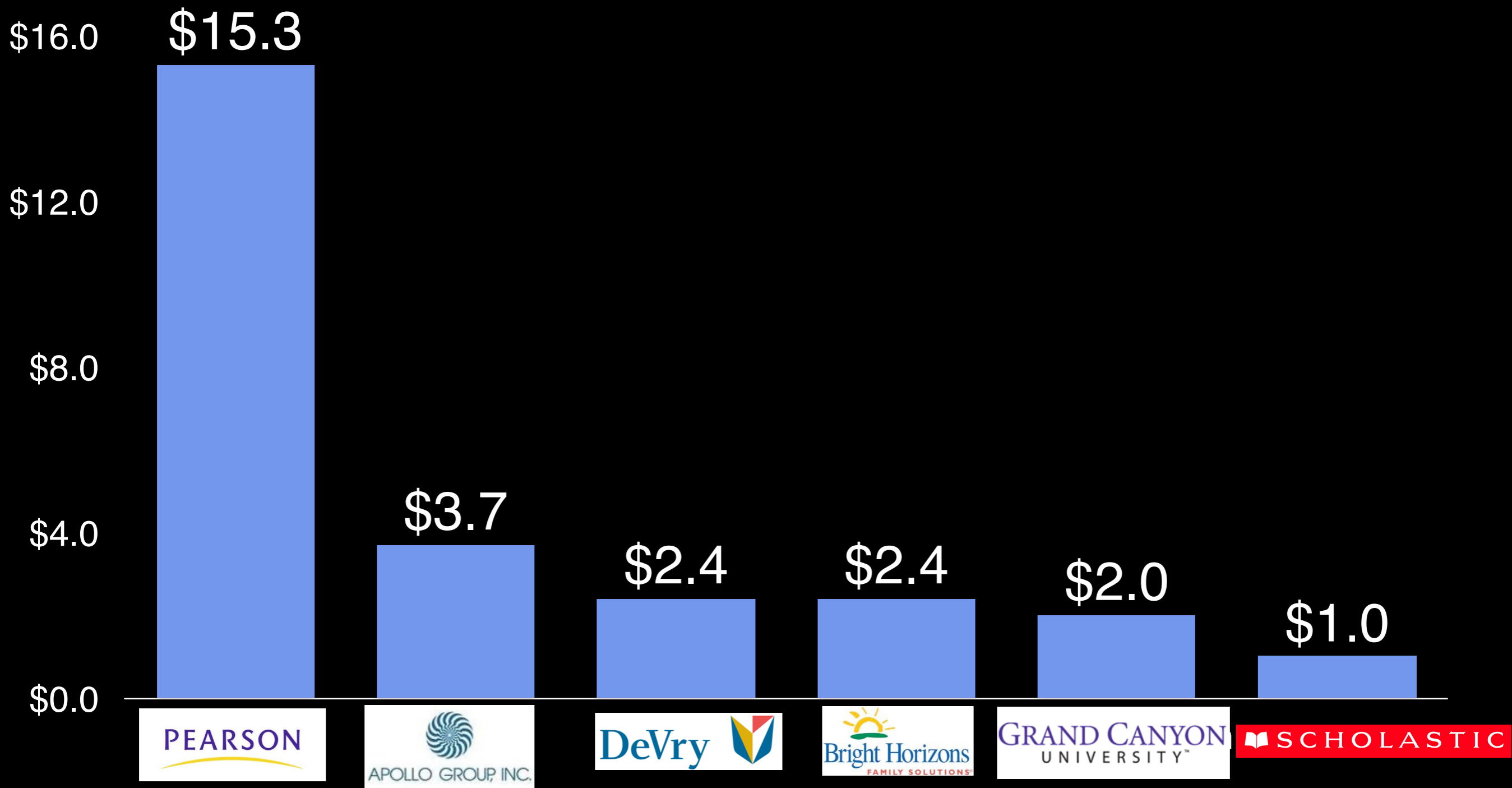
**Human Essential Service**

**Make Money?**

**Technology Lite**

**0.3% of Capital Markets**

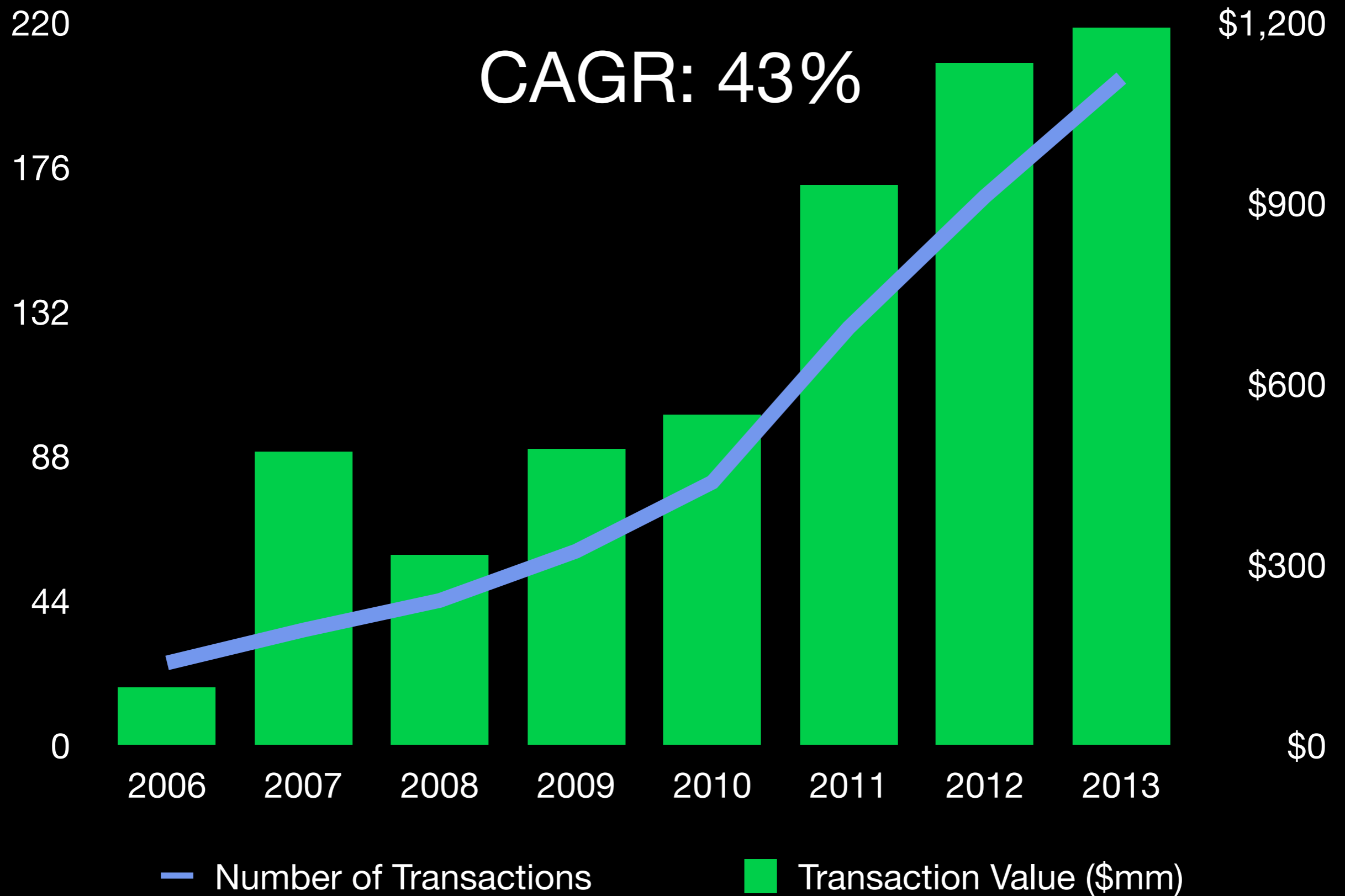
# Education - Billion Dollar Companies 2014



■ Top Companies by Market Cap (\$ in billions)

Source: CapitalIQ

# Venture Investment in Education



2025



**10%+ of GDP**

**Consolidating, Large Global  
Players**

**Ubiquitous Technology**

**8% of Capital Markets**

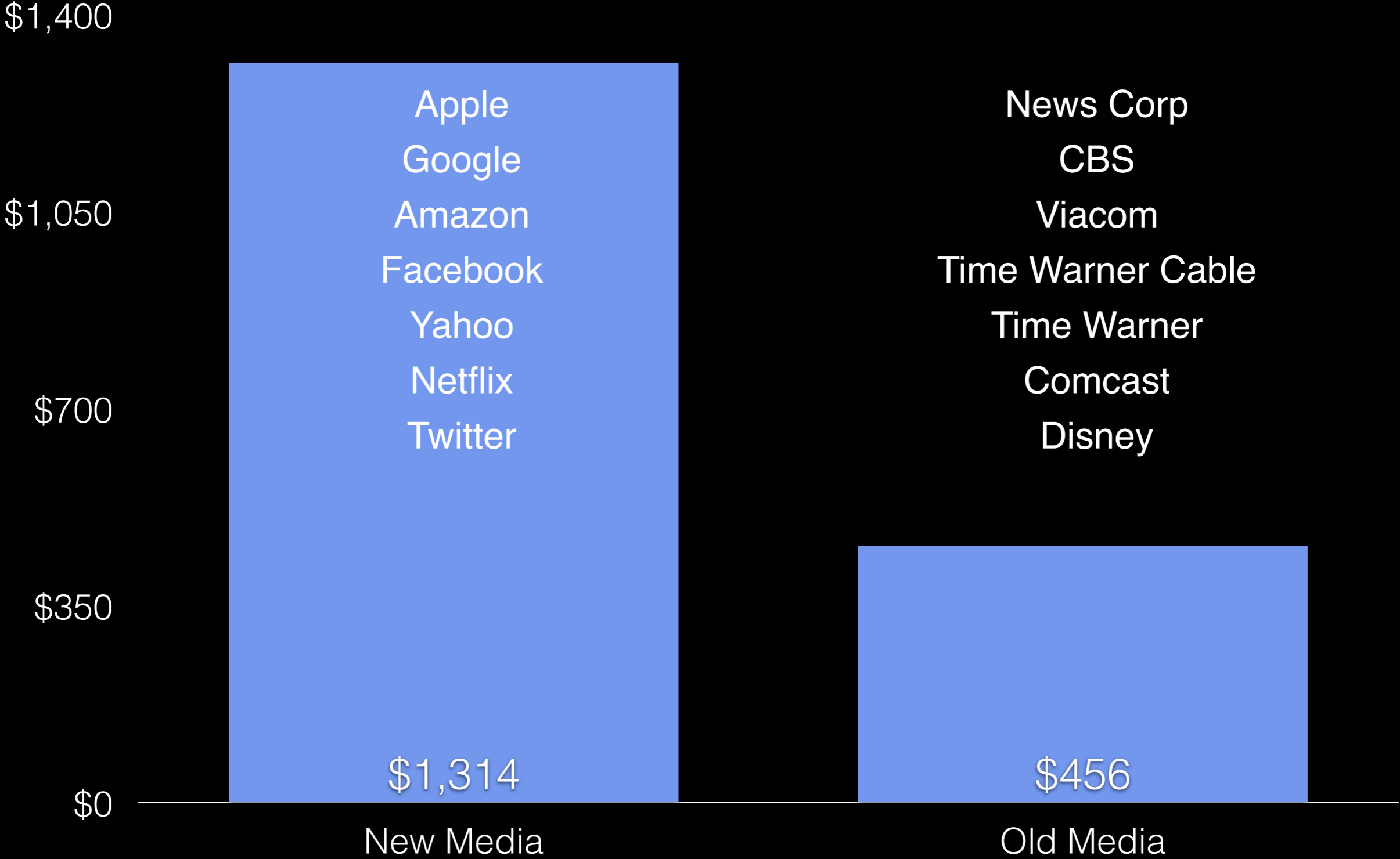
# Investment Theme: Education

The Coursera logo, featuring the word "coursera" in a blue, sans-serif font. The 'c' is stylized with a circular shape.The logo for curious.com, featuring the word "curious" in a stylized, hand-drawn font with purple and black stripes, followed by ".com" in a smaller, black font.

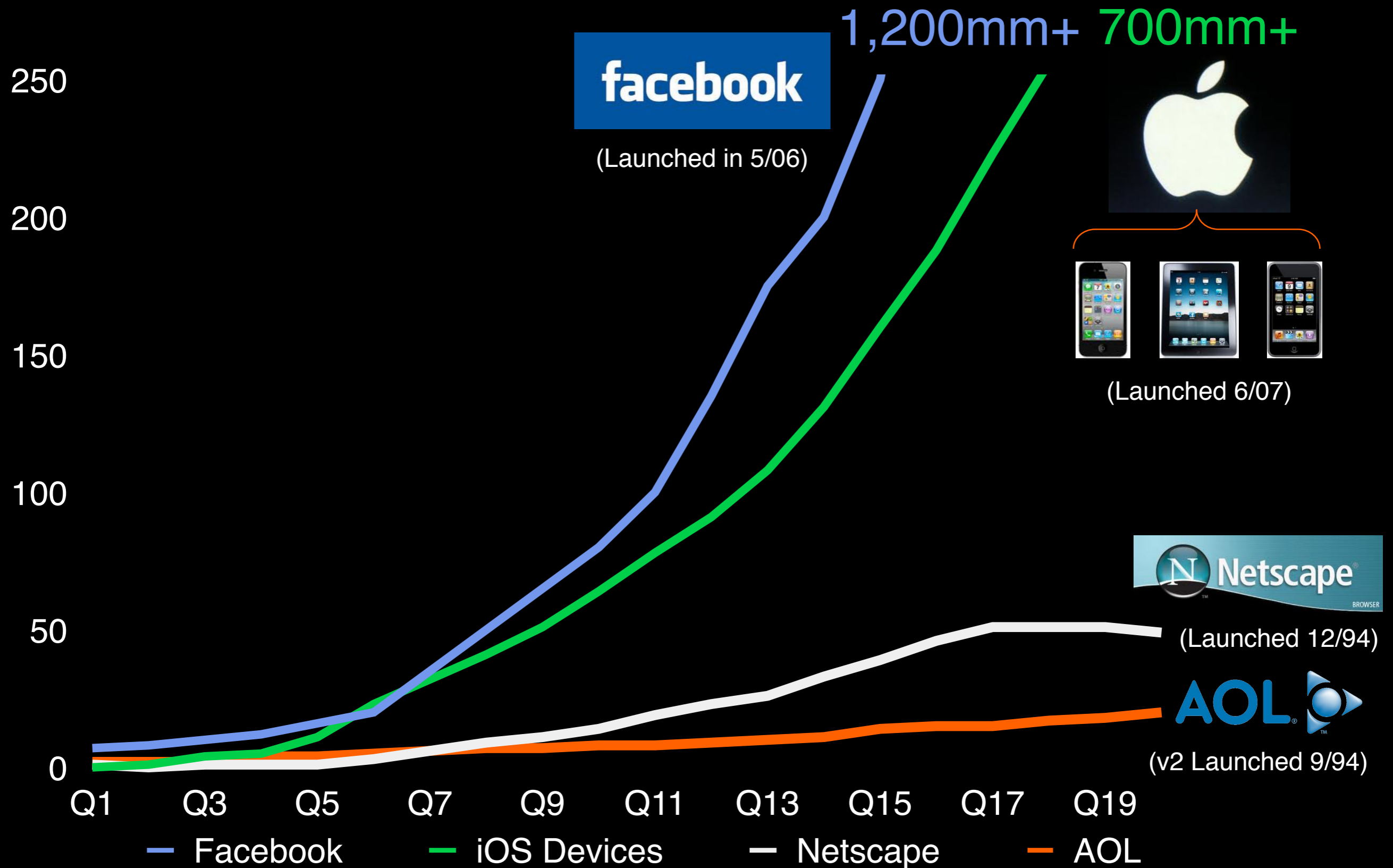
# Investment Theme: Social



# New Media Surpasses Old Media



# Exponential Growth

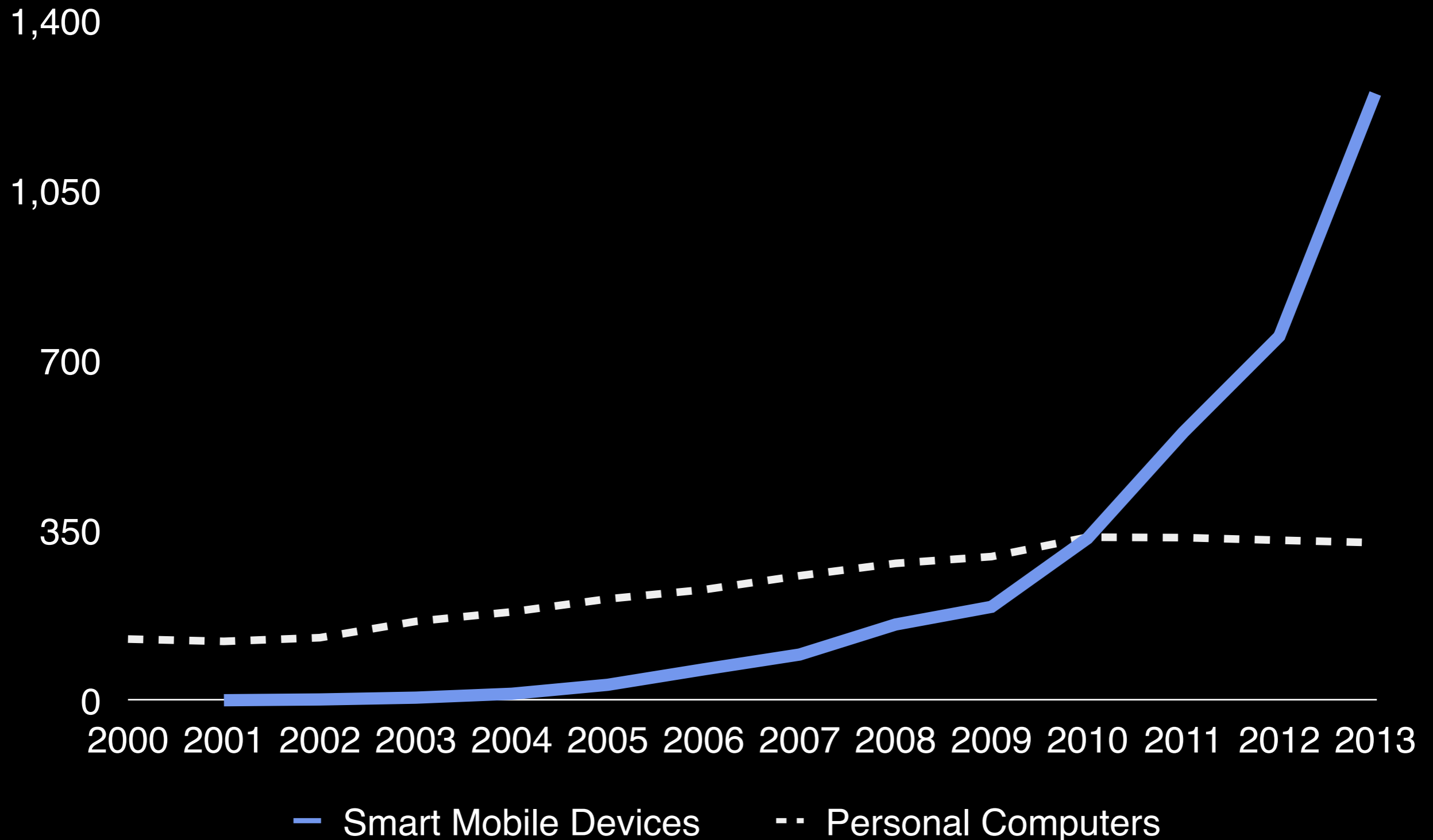


Source: company filings and announcements



# Mobile Surpasses PCs

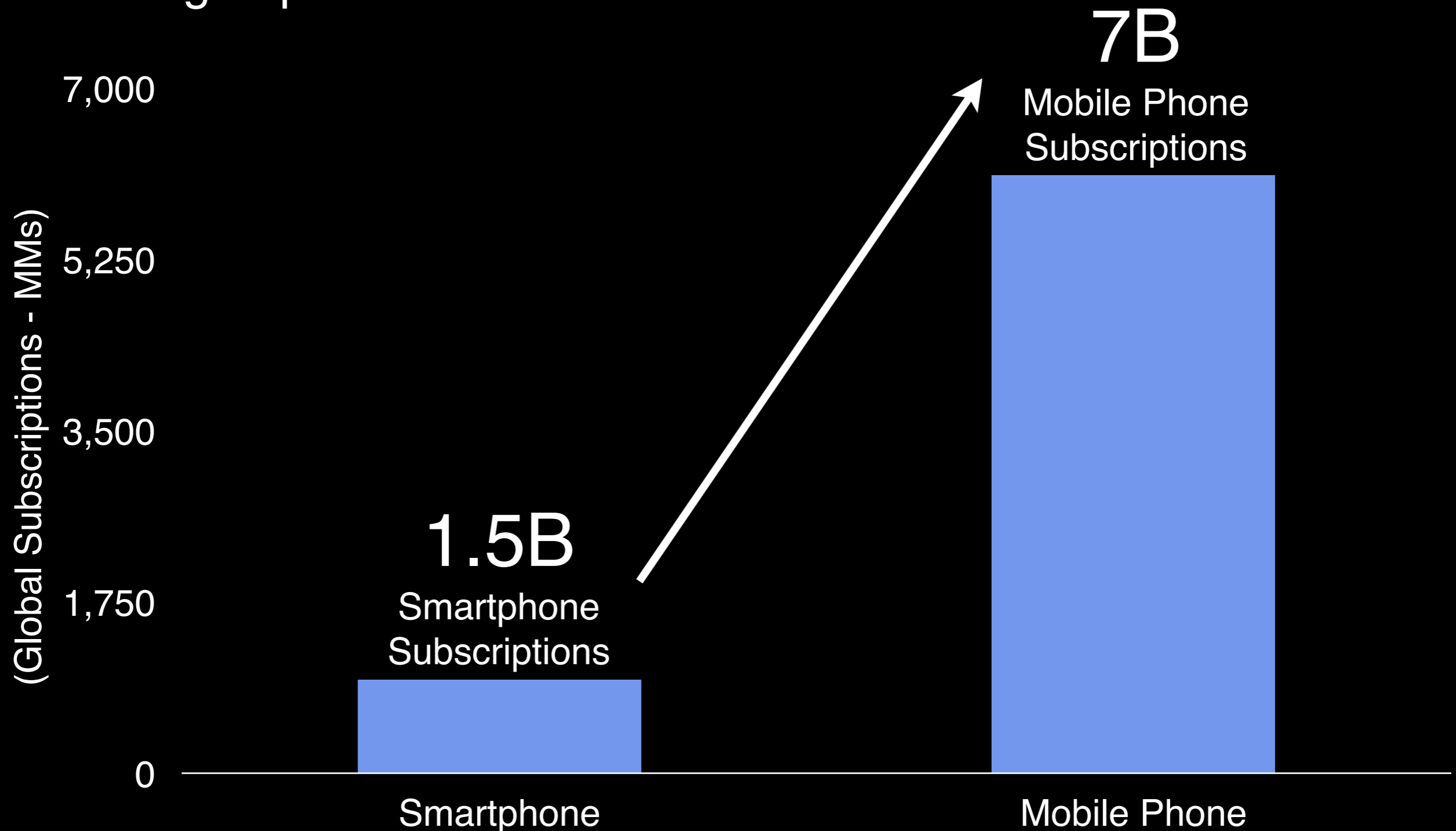
Mobile has passed PCs and growth is only accelerating



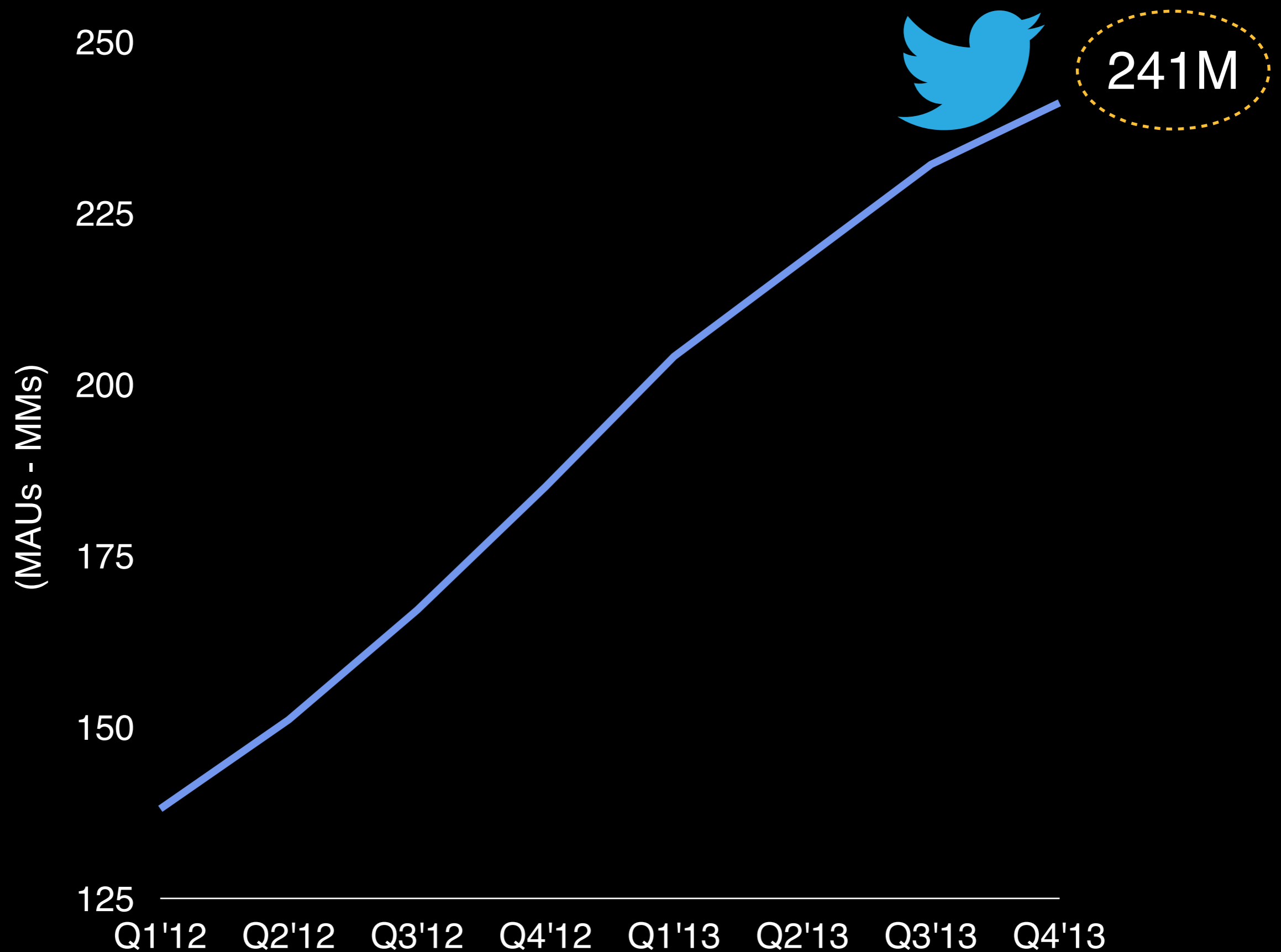
Source: Enders Analysis

# Mobile is the Future

Despite tremendous ramp so far, smartphone user adoption has huge upside

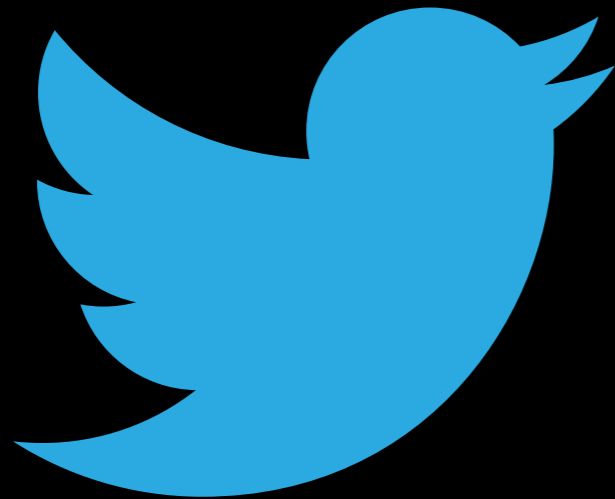


# Snapshot of Twitter - MAUs



Source: company filings and announcements

# Investment Theme: Social + Mobile

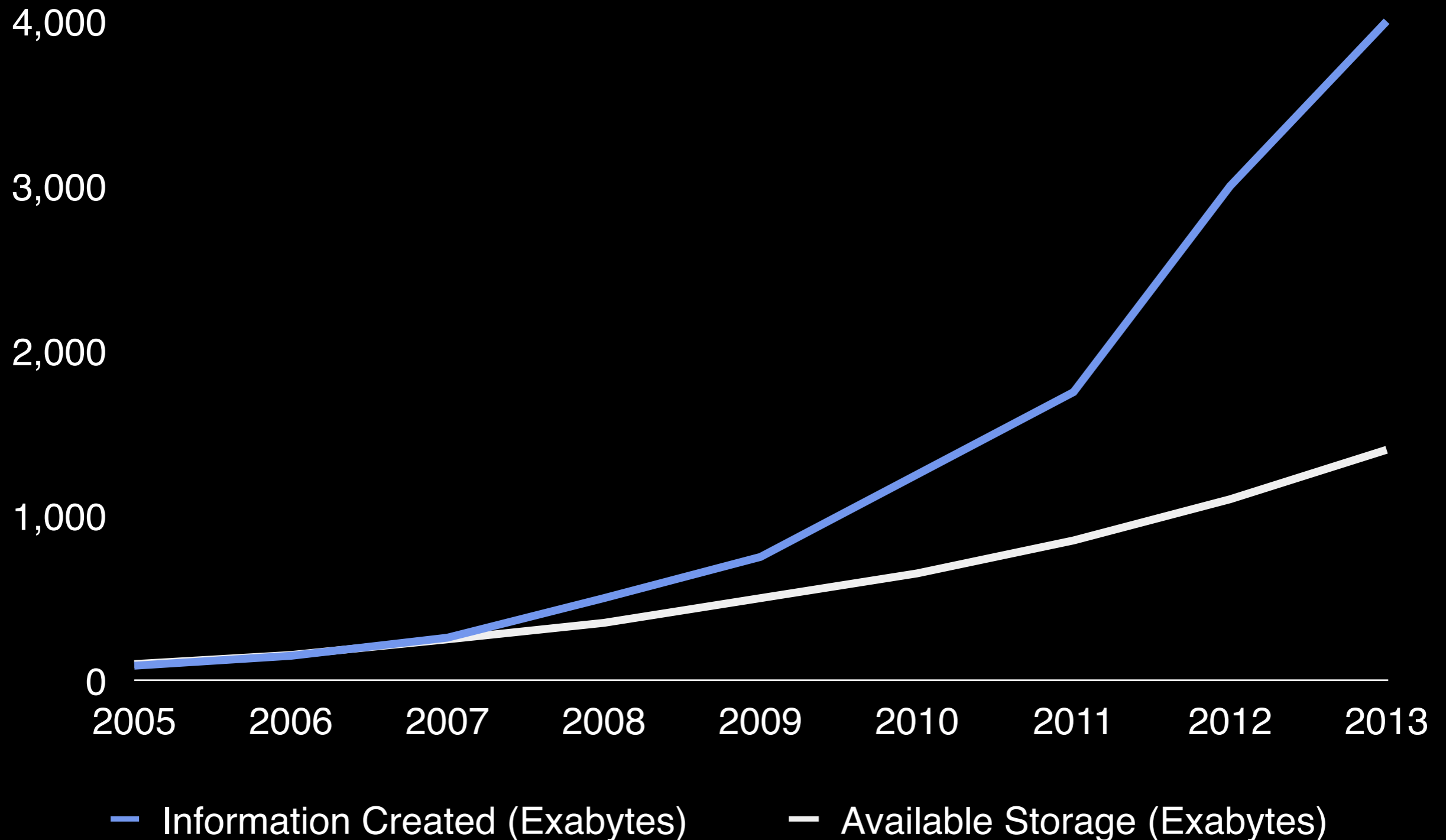
The Facebook logo, consisting of the word "facebook" in white lowercase letters on a blue rectangular background.

# Investment Theme: Big Data



# Data Overload

Information created has surpassed total available storage



# Investment Theme: Big Data



SILICON VALLEY  
**DATA SCIENCE**



**Investment Theme: Cloud Apps**

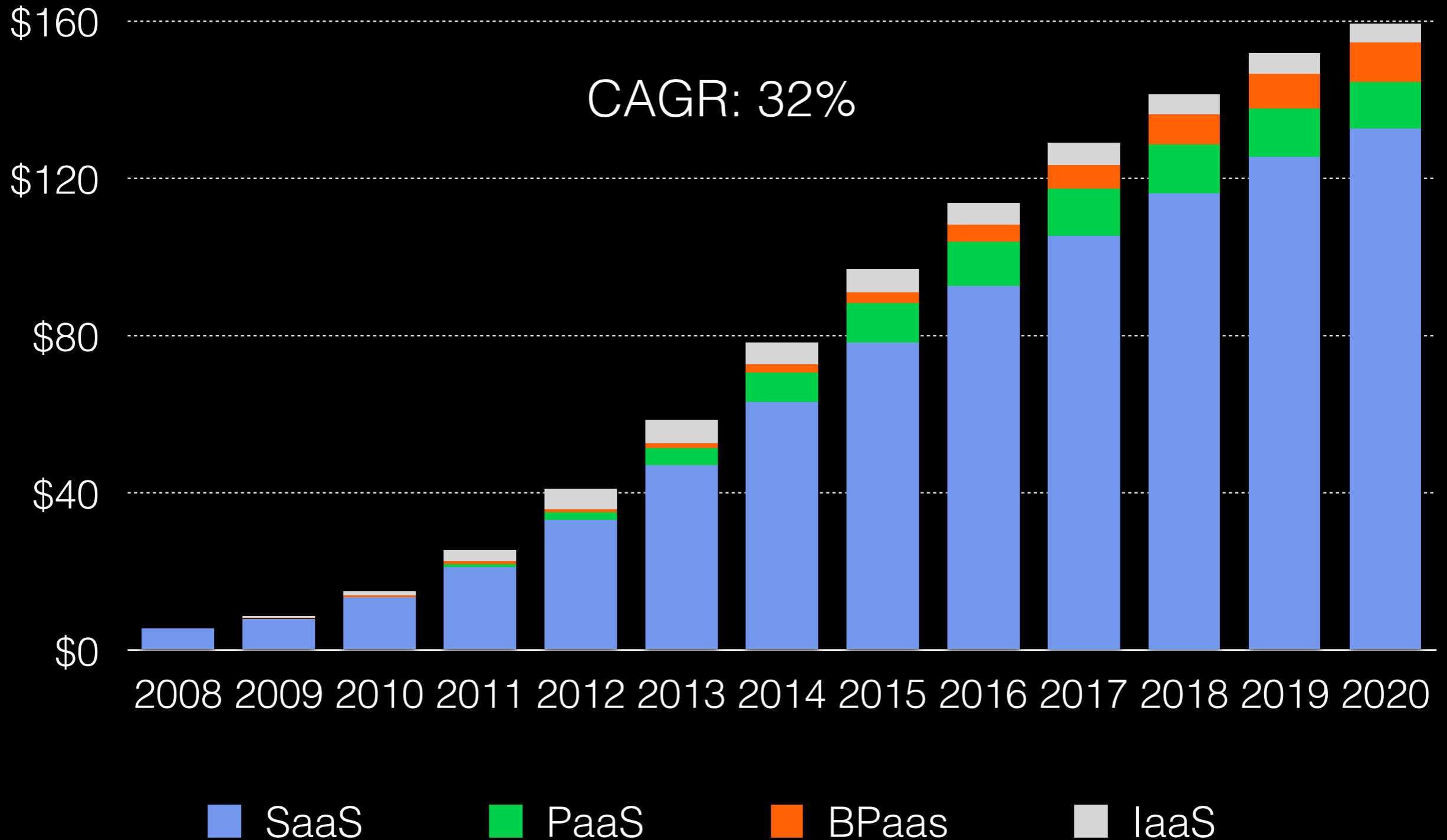
# SaaS Market

Will double to \$93 billion by 2016



# The Cloud Market

\$150 billion market in 2020



# Amazon Web Service

Estimated \$3.5 billion business in 2013—  
Up 600% from 2010



amazonpayments™

Sign in with your Amazon.com account

What is your e-mail address?

My e-mail address is:

Do you have an Amazon.com password?

☐ I am a new customer.  
(you'll create a password later)

☐ I am a returning customer,  
and my password is:

[Sign in using our secure server](#)

[Forgot your password?](#)

[Has your e-mail address changed?](#)

# Investment Theme: Cloud

**amazon.com<sup>®</sup>**

The Amazon logo, featuring a yellow curved arrow pointing from the 'a' to the 'z'.

# Investment Theme: Marketplaces

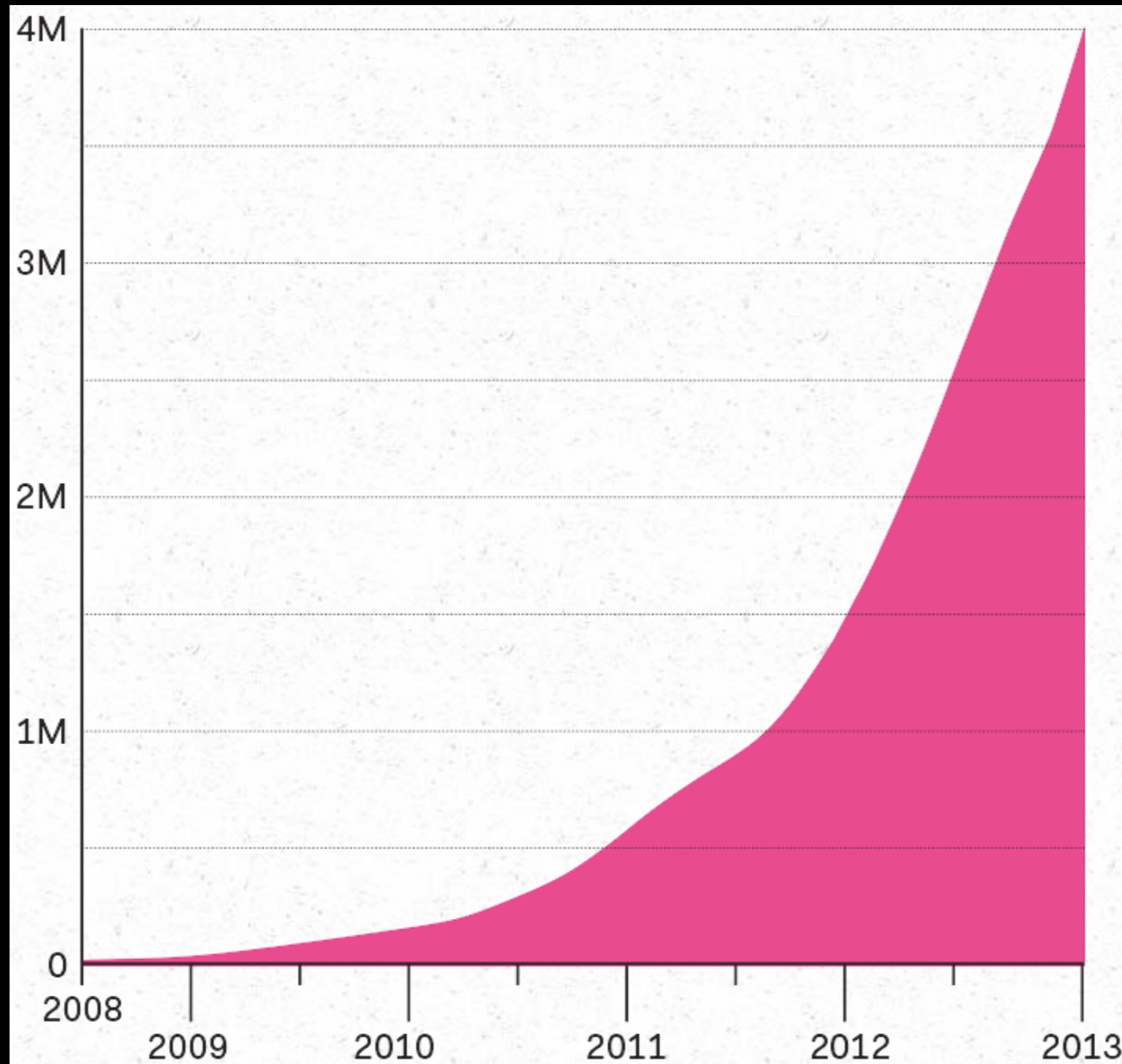


# Marketplace Enablers



# Airbnb and the Sharing Economy

## Zero to 4 Million Guests



Source: [airbnb.com](http://airbnb.com)

# Investment Theme: Marketplaces



U B E R



HomeAway®

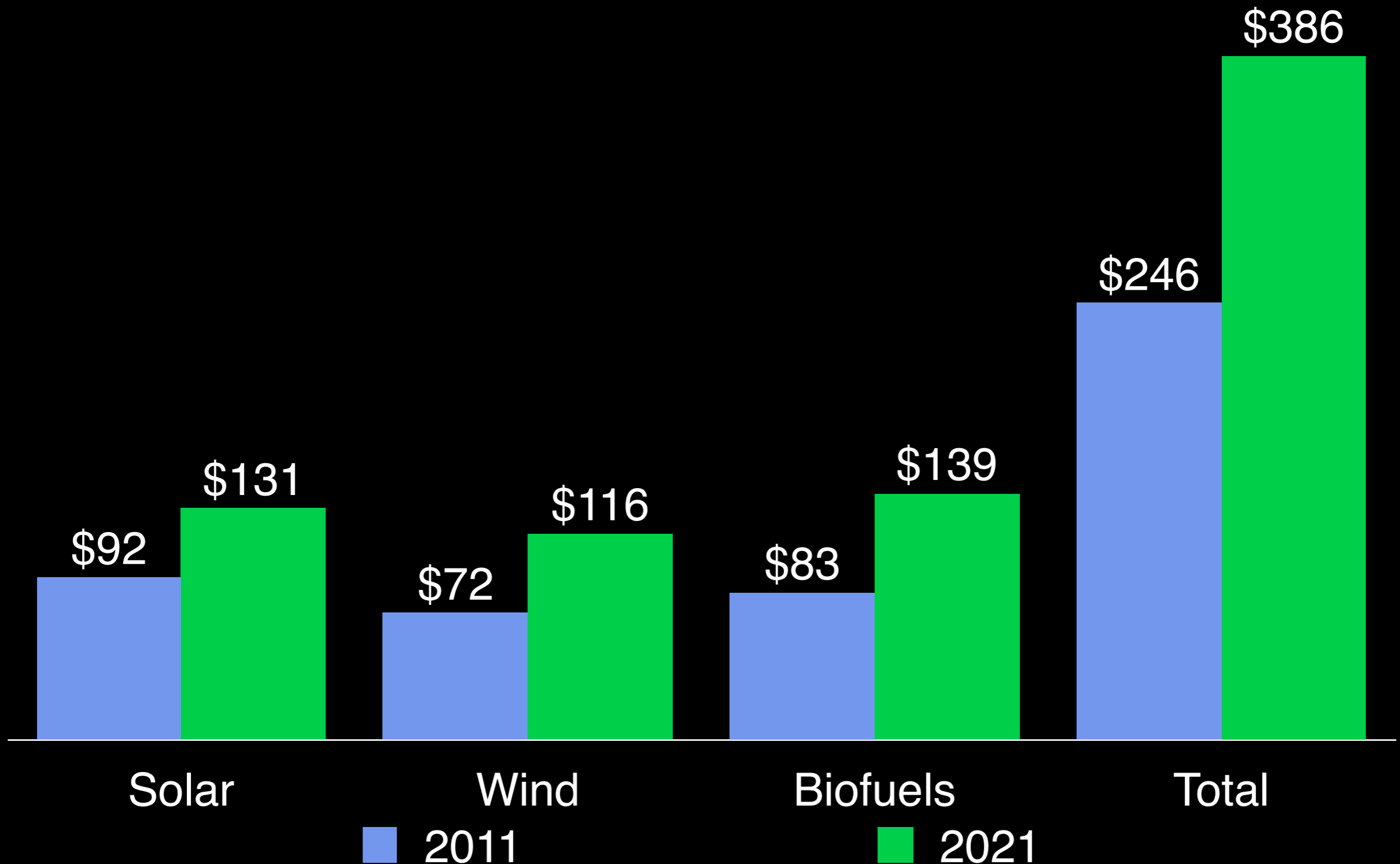


# Investment Theme: Sustainability



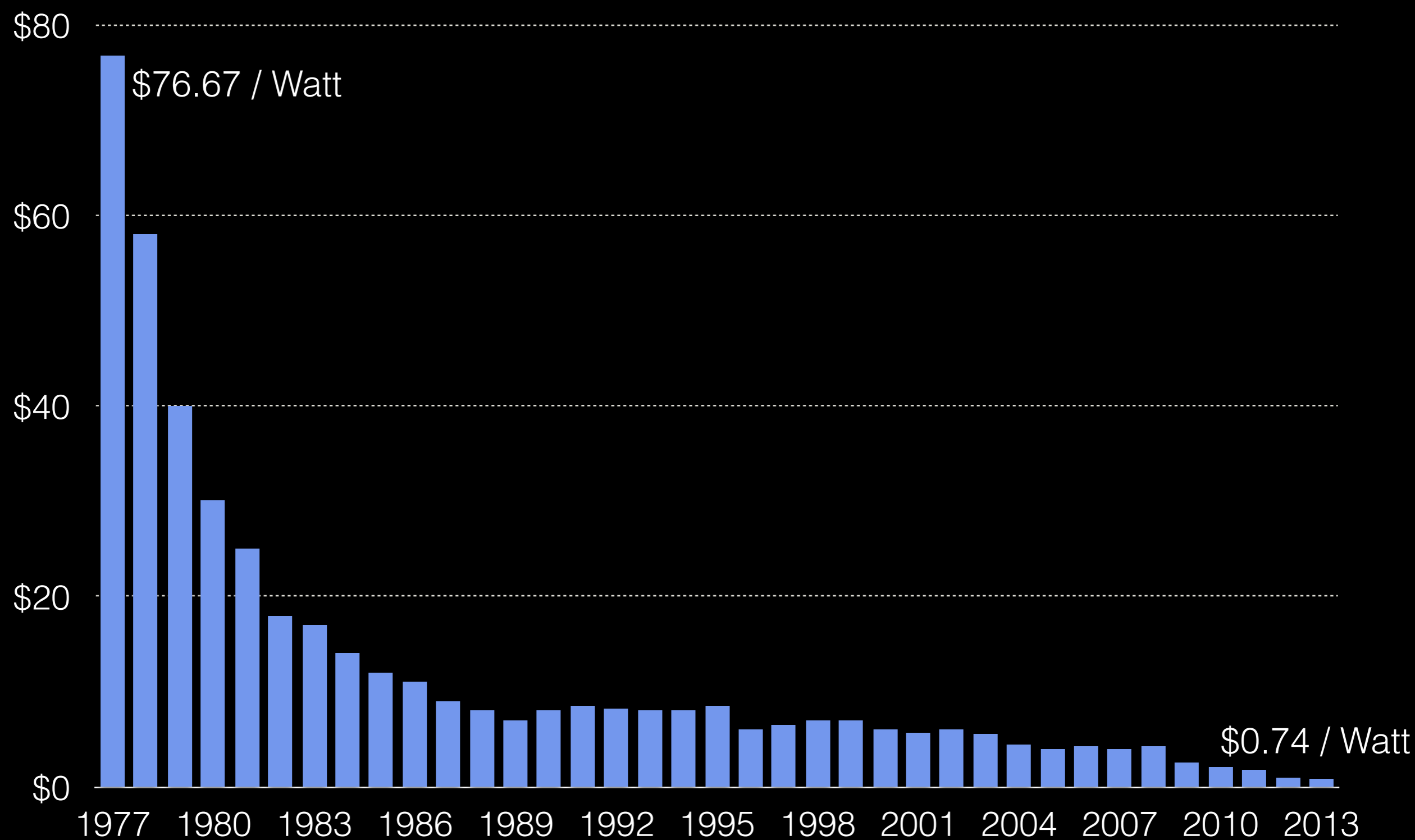
# Market Opportunity

Globally, large and rapidly growing markets (\$B)



# Moore's Law in Cleantech - Swanson's Law

Costs decline has enabled solar to reached grid parity



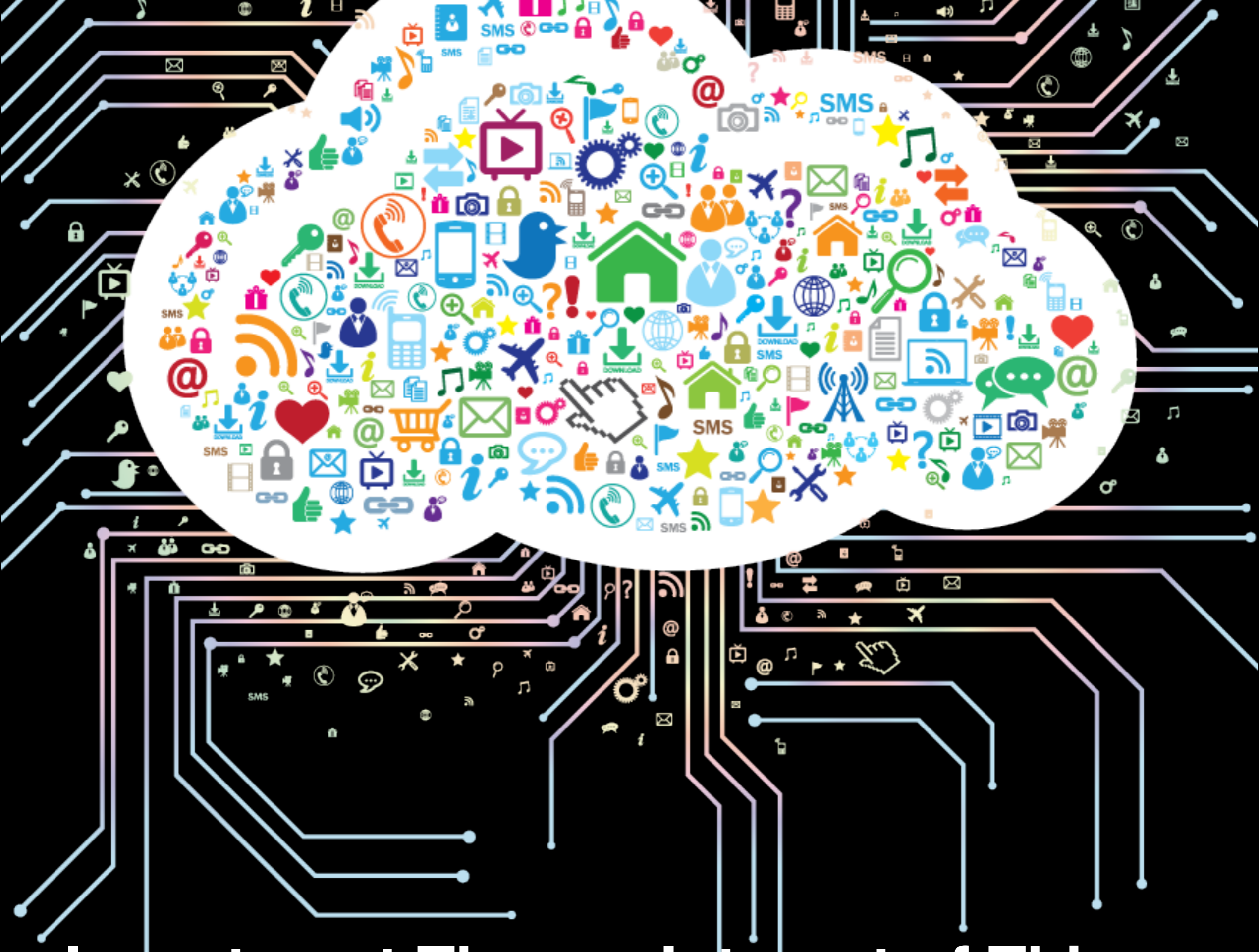
Source: Bloomberg New Energy Finance

# Investment Theme: Sustainability



Bloomenergy®





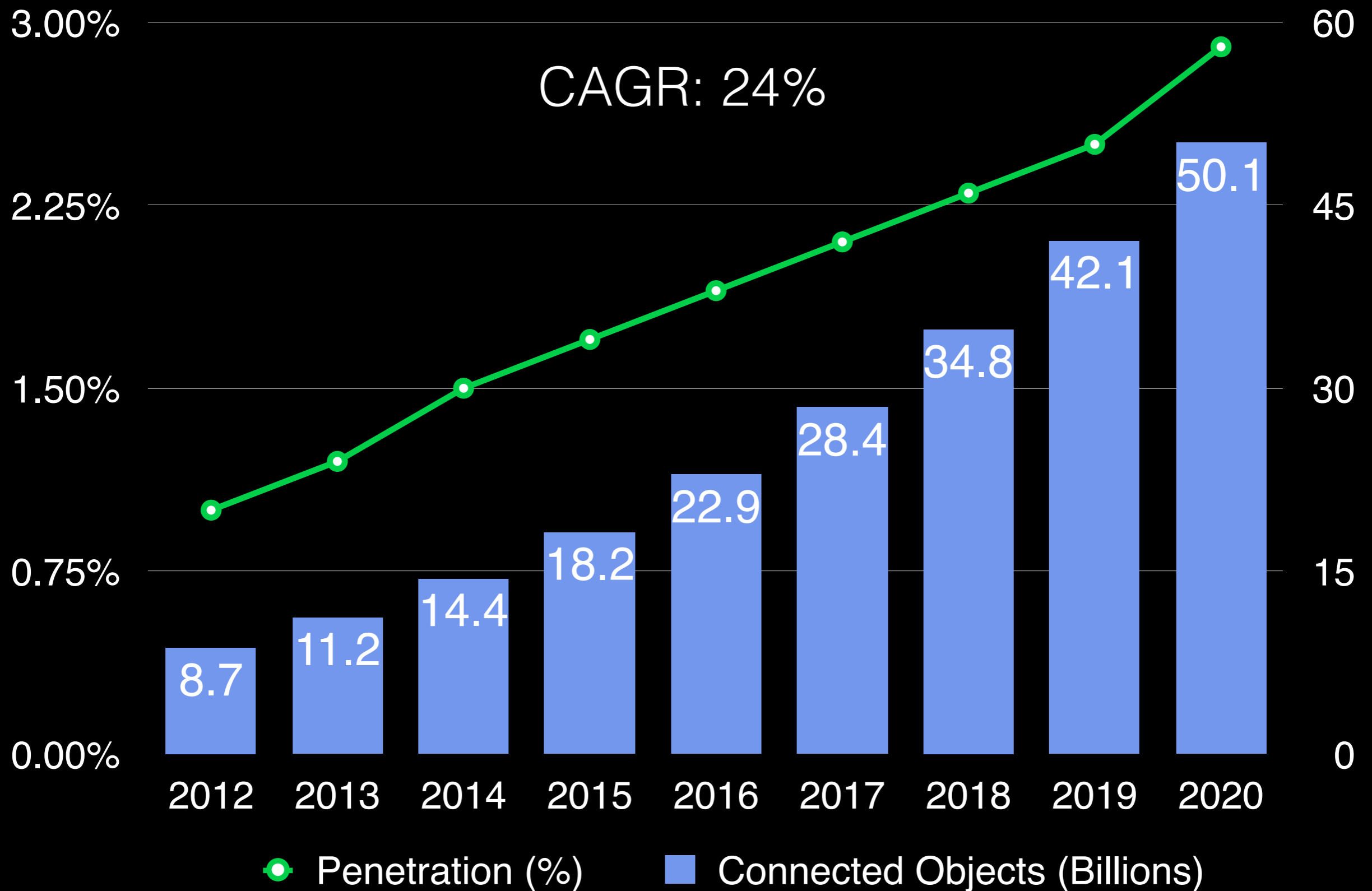
# Investment Theme: Internet of Things

# Investment Theme: Internet of Things



\$3.2 Billion to GOOG

# Investment Theme: Internet of Things



# Investment Theme: Internet of Things



Control4<sup>TM</sup>  
Better. Together.<sup>TM</sup>

JAWBONE

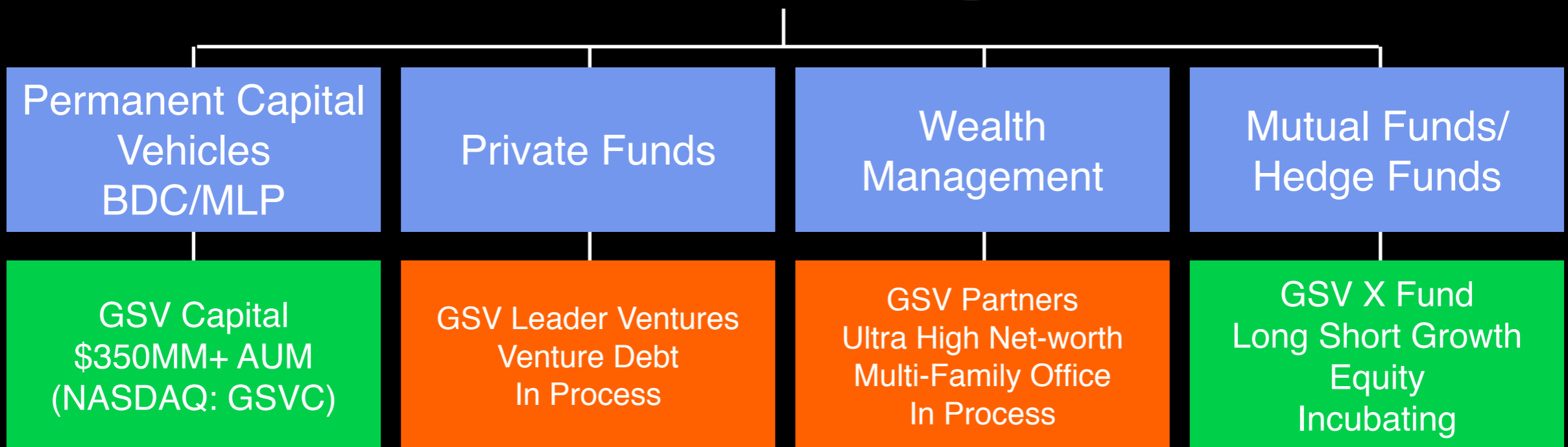
# GSV Asset Management

SEC-registered investment advisor co-founded by Michael Moe committed to developing a range of growth-oriented investment strategies for accredited institutions and high net worth individuals.



## GSV

## Asset Management

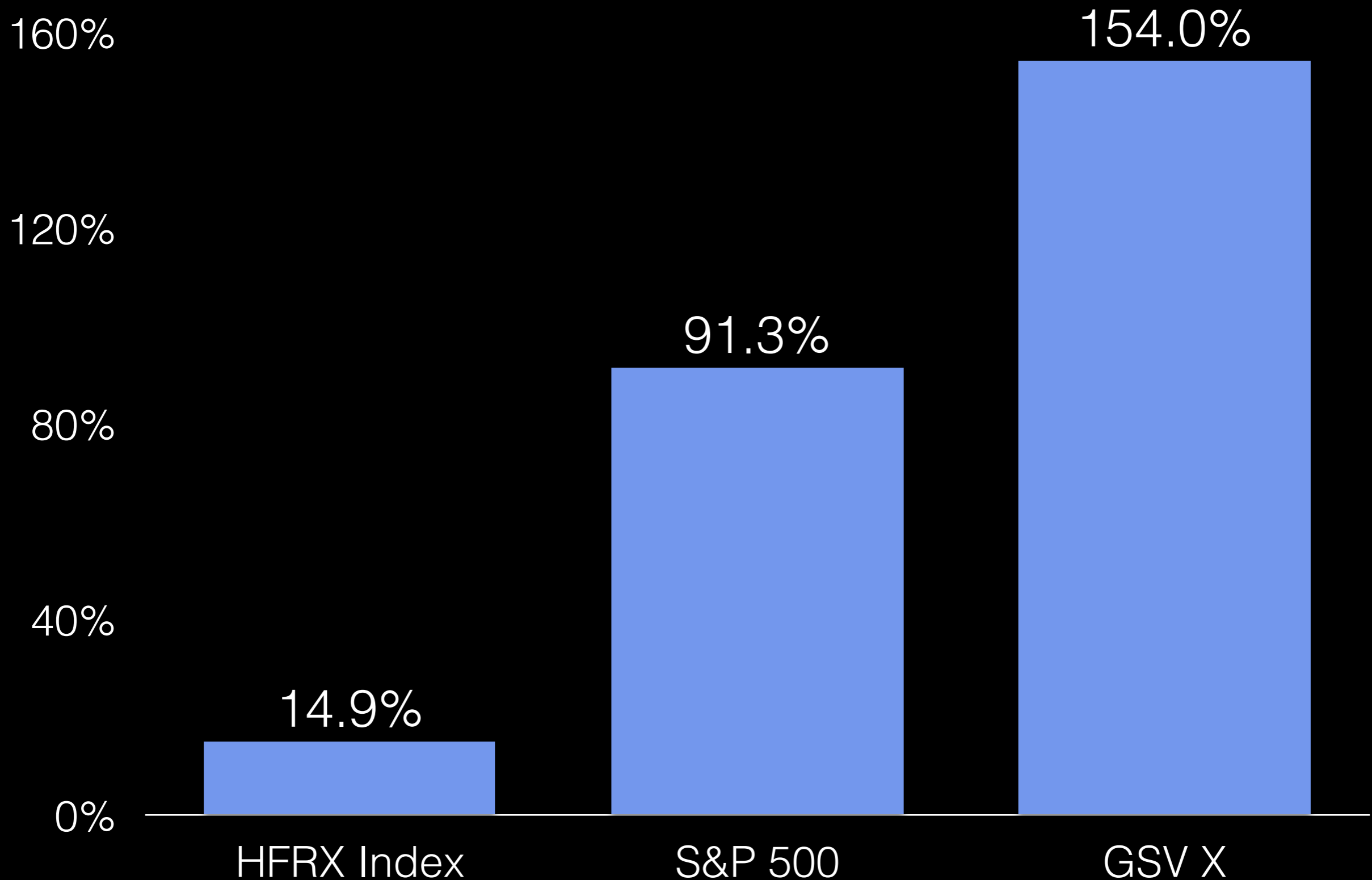


Current / Existing

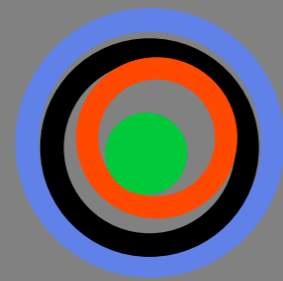


In Process

# GSV X Fund - Since Inception



Inception to 1.31.2014. AlwaysOn X was the predecessor strategy to the GSV X Fund; AlwaysOn X inception was January 5, 2009, GSV X Fund inception was September 15, 2010; returns are net of 2% management fee and 20% performance fee.



**GSV**  
Capital

Thank You!

@gsvcap  
@michaelmoe