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# How the massive scale of SoftBank's Vision Fund helps—and hurts—its investments

Member exclusive by

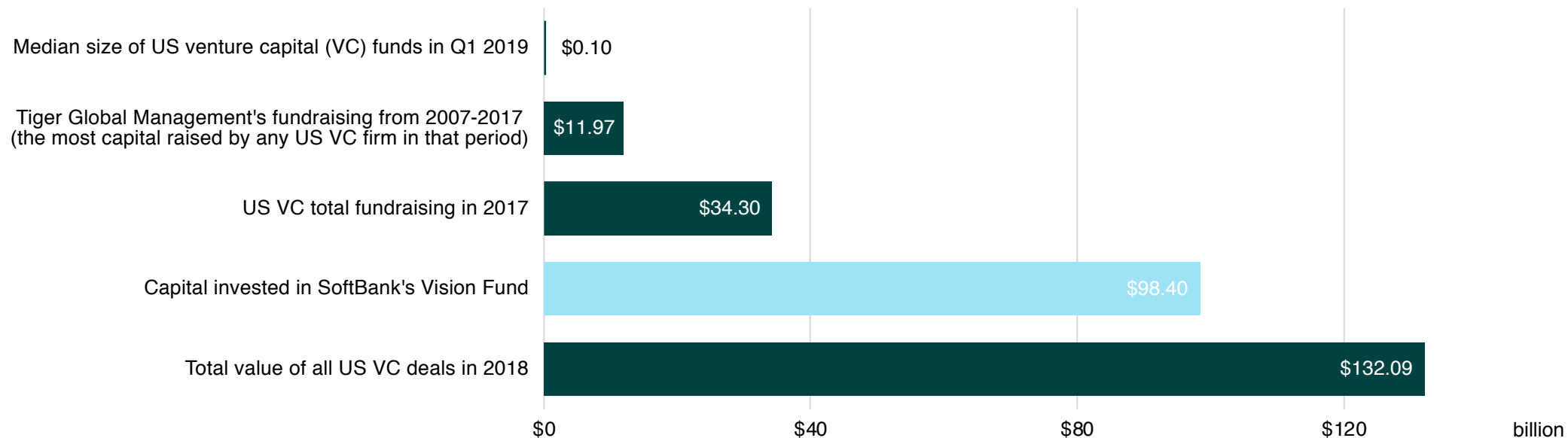


Dasia Moore

## The world's largest tech investor

SoftBank's Vision Fund launched in 2017 with nearly \$100 billion and a dream of funding the next tech revolution. With its historic amount of capital, the Vision Fund established SoftBank as the tech investor to watch. But in the past year, high-profile disappointments—from Uber's lackluster debut on the public markets to WeWork's abandoned IPO—have removed some of the Vision Fund's initial sheen and prompted critics to ask whether biggest is best.

### Putting the Vision Fund's capital in context





## SoftBank's sprawling investments

The Vision Fund is just one piece of SoftBank's complex network of investing and holding companies. It is difficult to take full stock of SoftBank Group Corporation's investments, partly because the Group's 47 branches—20 of which are holding companies—frequently swap pieces of their portfolios. SoftBank's dedicated venture capital funds include the Vision Fund and the Delta Fund, with the Vision Fund accounting for nearly all of SoftBank's venture capital investments since 2017. SoftBank is also launching additional funds modelled after the Vision Fund:

- **SoftBank Venture Asia** is a \$1.1 billion collection of 12 funds focused on tech investing in Asia. Its portfolio includes software, hardware, internet and mobile services, ecommerce, and advertising companies.
- **SoftBank Innovation Fund** specializes in tech in Latin America. SoftBank has yet to announce this fund's size or first investments.

## Masa Son: The man behind SoftBank's Vision

How did SoftBank, a Japanese telecoms company, become a tech investing titan? Its founder, Masayoshi “Masa” Son decided he wanted to become the digital age’s Warren Buffett. In the 90s, under Son’s leadership, SoftBank invested \$1.7 billion in tech companies. In 2000, he made one of his best bets to date: a \$20 million investment in a fledgling Alibaba.com. Even after the dot com bubble burst, Son was undeterred. In 2010, he released a 300-year vision for how tech would change the world—and set about positioning SoftBank to fund that vision.



**\$2 million**

SoftBank's 1995 investment in Yahoo!

**48.17%**

SoftBank's current stake in Yahoo Japan.

**\$30 billion**

The estimated value of Yahoo Japan if SoftBank completes a planned deal to merge it with messaging app Line Corp.

**\$20 million**

Masa Son's 2000 investment in Alibaba.com.

**\$101 billion**

The value of SoftBank's 26% stake in Alibaba as of June 2019.



## THE MASSIVE SCALE OF SOFTBANK'S VISION FUND

### The Vision Fund's first class

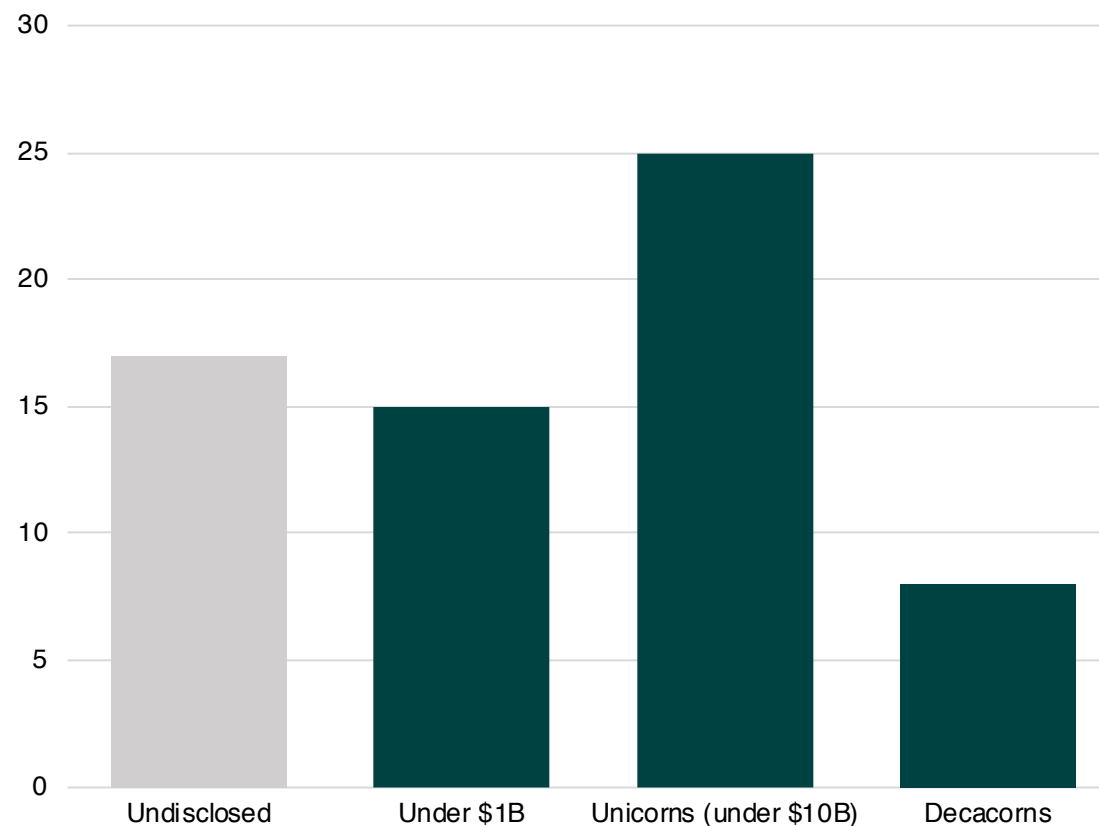


## The Vision Fund's first class

The Vision Fund lists 73 companies in its portfolio:

- Six have **gone public** since SoftBank's initial investment: 10x Genomics, Guardant Health, Ping An Good Doctor, Slack, Uber, and Vir Biotechnology. Two, Nvidia and Zhongan Insurance, were already public.
- At least eight (11%) are **decacorns**, valued at \$10 billion or more. The highest-valued is ARM Holdings, worth \$31.9 billion, which SoftBank acquired in 2016.
- At least 25 (34%) more are **unicorns** valued between \$1 billion and \$10 billion.

**Vision Fund portfolio by valuation**  
Excludes public companies.

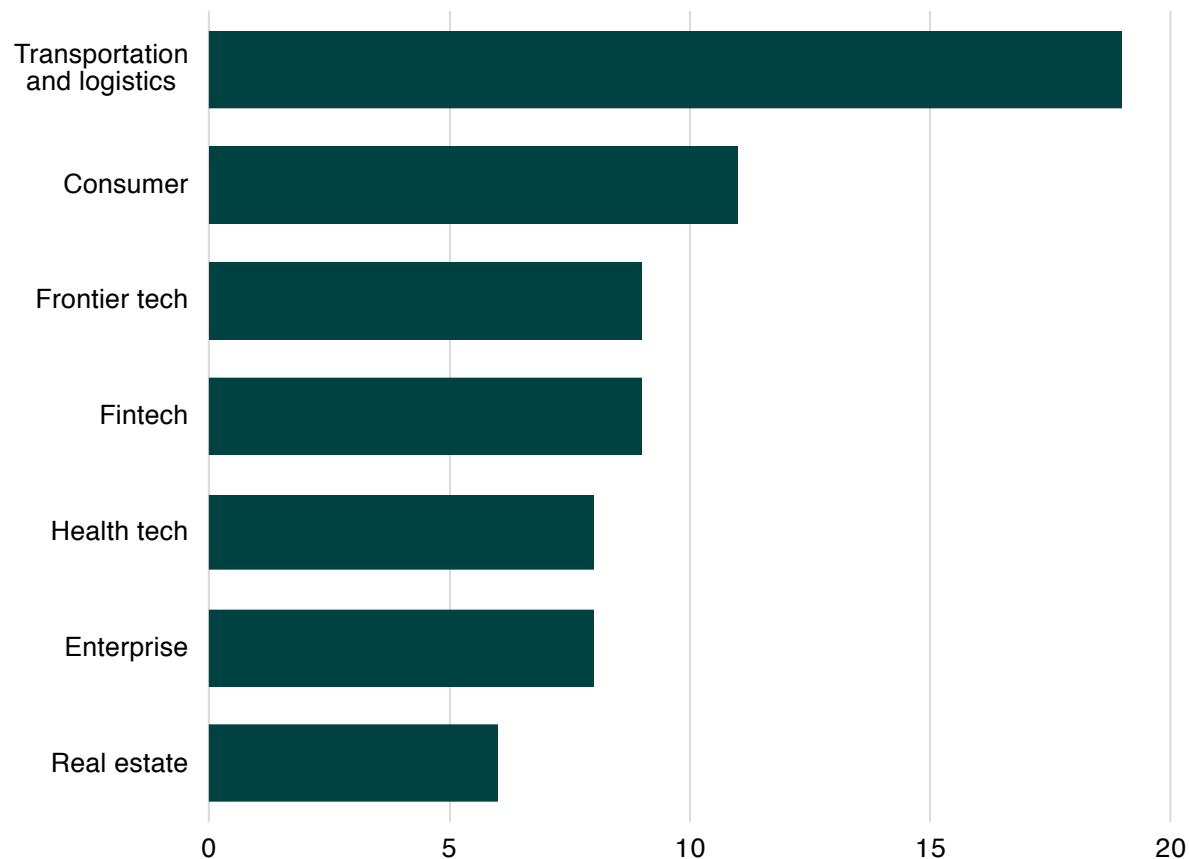


## The Vision Fund's first class

SoftBank's Vision Fund invests across five sectors: consumer, enterprise, fintech, frontier tech, health tech, real estate, and transportation and logistics.

- More than a quarter of the Vision Fund's investments are in **transportation and logistics**. Seven startups are **ride-hailing** or on-demand delivery platforms.
- **Artificial intelligence** is a key investment area for the Vision Fund, with six startups focusing on AI or chips.

Vision Fund portfolio by sector

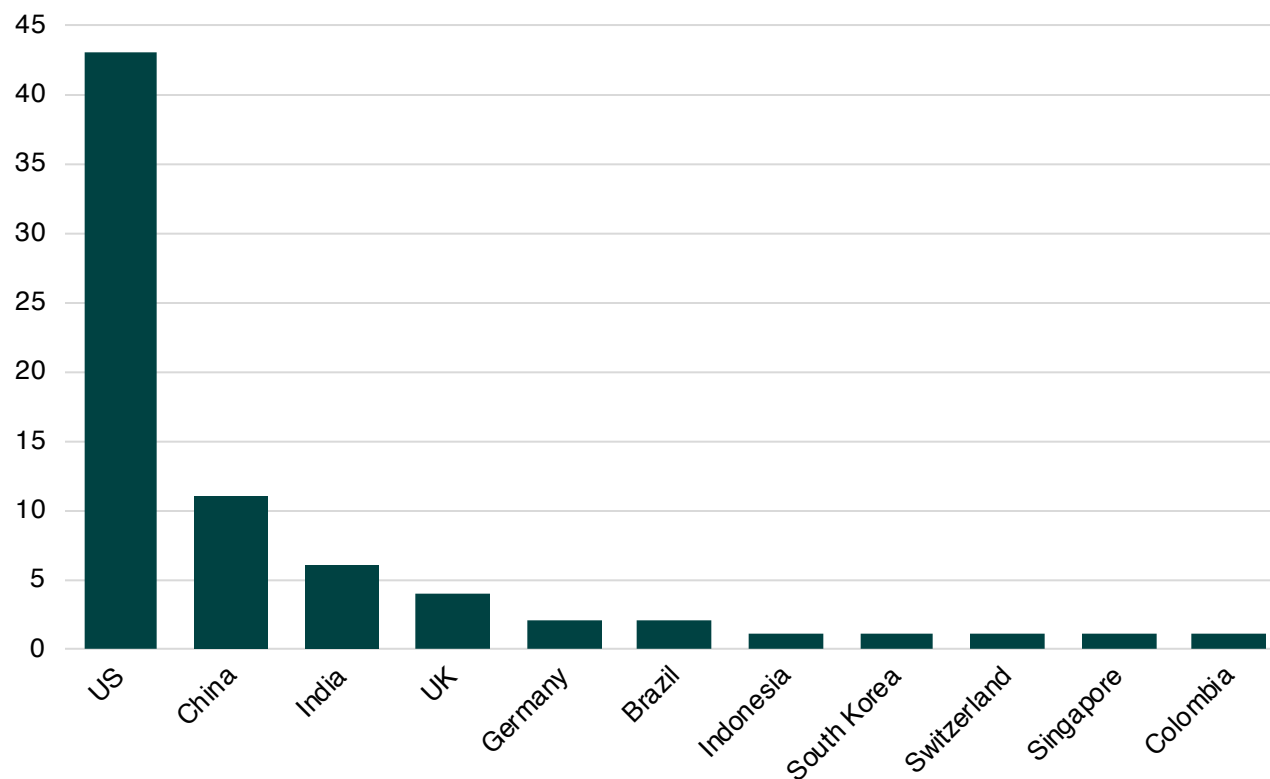




## The Vision Fund's first class

The fund invests globally, but US startups account for 59% of its portfolio. China follows with 15%. Nine other countries account for the remaining quarter.

Vision Fund portfolio by country

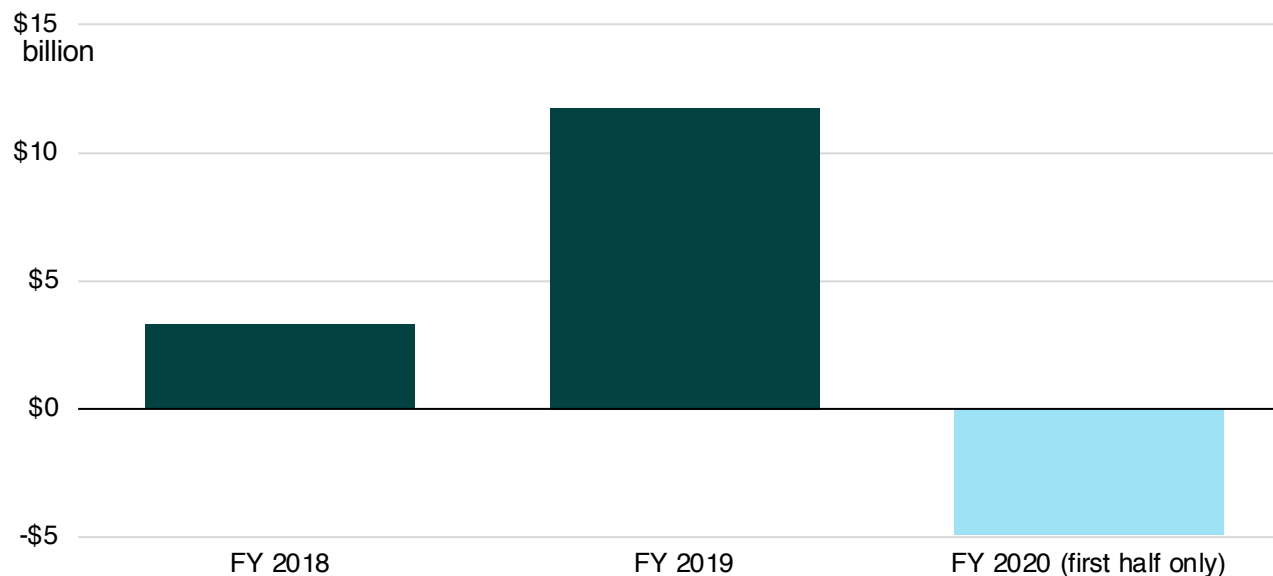


## Big fund, big problems

In July, SoftBank announced it would launch the Vision Fund 2 with an expected \$108 billion in capital. But by October, SoftBank had only managed to secure \$2 billion in its first fundraising round. Over those same months, WeWork cut its valuation from \$47 billion to \$10 billion and called off its IPO. Stock prices for Uber hit record lows. SoftBank recorded \$5 billion in losses on its Vision and Delta Fund investments. And investors that enthusiastically backed the first Vision Fund reportedly began to doubt whether they should commit to the second.

### Gains and losses on the Vision Fund and Delta Fund Investments

According to SoftBank's financial reporting



## Big fund, big controversies

Besides critiques of how the Vision Fund invests its money, SoftBank also faces criticism about where the fund gets its money. Masayoshi Son and SoftBank have faced backlash for accepting money from the Saudi government despite its history of human rights abuses. Scrutiny of Son's relationship with Saudi prince Mohammad bin Salman intensified in late 2018 following the murder of journalist Jamal Khashoggi, for which a United Nations investigation concluded the Kingdom of Saudi Arabia was responsible. Public Investment Fund—a Saudi sovereign wealth fund chaired by bin Salman—remains the Vision Fund's largest backer.

### Who's behind the Vision Fund?



Apple, Foxconn, Qualcomm, and Sharp contributed undisclosed amounts to the Vision Fund. Additional investors have not been named publicly.

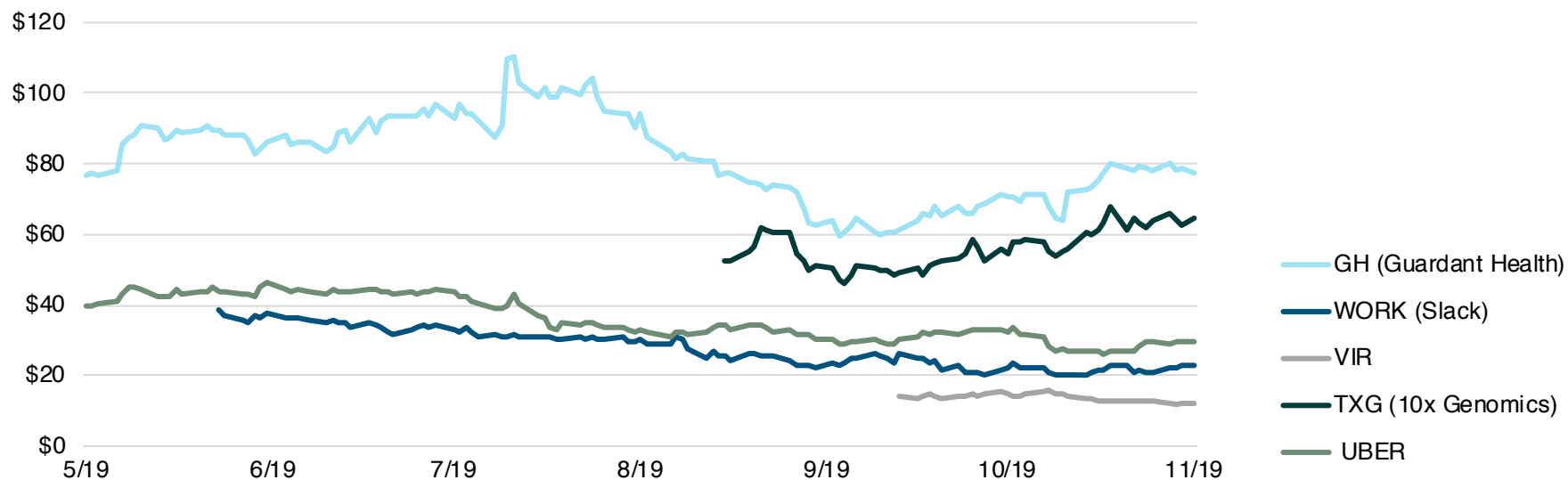


## What happens when Vision Fund unicorns go public?

Uber and WeWork are not the only the Vision Fund investments that have struggled with the transition to public markets. Three of the five companies that have listed on US stock exchanges since joining the Vision Fund's portfolio have lower stock prices than when they debuted on public markets. Critics see this as proof that massive VC funds are to blame for creating a unicorn bubble, where VC inflates the valuation of unproven startups that fail to justify their value once public.

### Stock prices for the Vision Fund's public companies

Daily prices at market close for companies listed on NYSE and Nasdaq, May 29 - Nov. 29, 2019

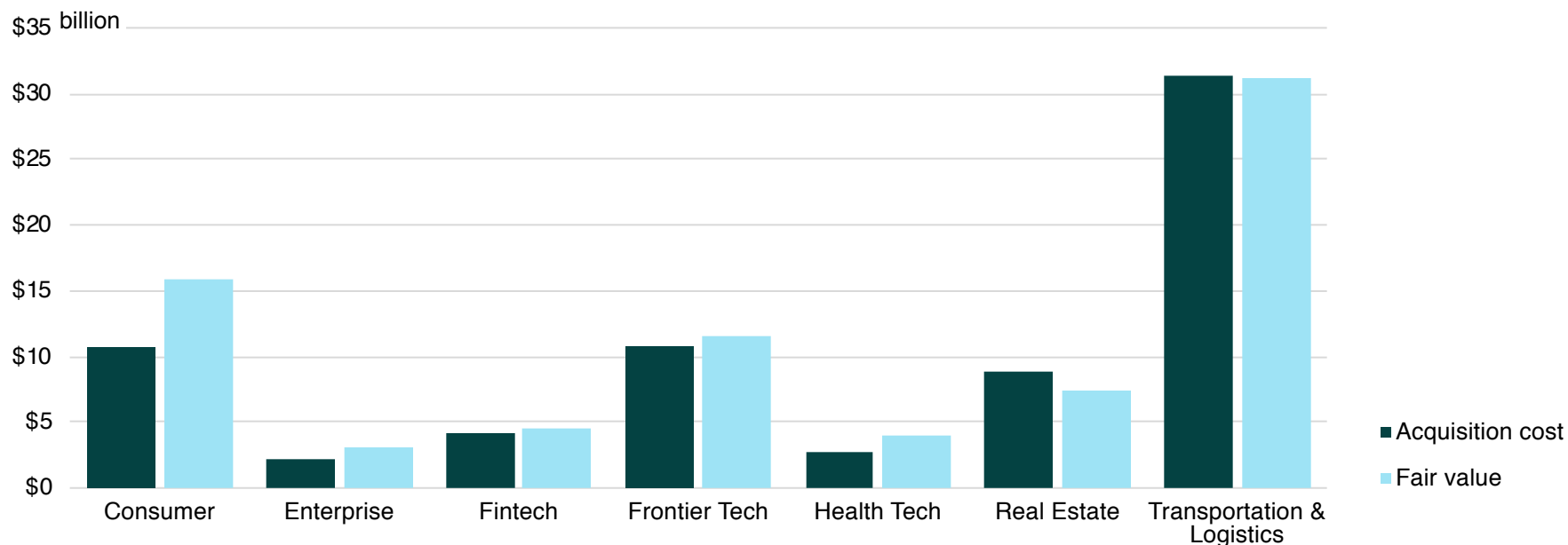


## Is this all part of the vision?

Masayoshi Son claims to have a 300-year plan, and SoftBank has said it invests in companies it believes will succeed in the long run—over the course of decades, not a few years. If that's truly the case, it's far too early to say whether the Vision Fund is succeeding by its own standards. Even looking at the short-term, the Vision Fund has made some successful bets, particularly in consumer and health tech, where SoftBank reports its portfolio is valued at \$6.4 billion over initial investment costs.

### Vision Fund portfolio performance by sector

As of September 30, 2019. According to SoftBank's financial reporting



## Want to know more? Read Quartz coverage of SoftBank.

- [Japanese investors have poured over \\$50 billion in Indian startups in five years](#) – For perspective on where SoftBank fits into broader trends among Japanese investors.
- [WeWork's IPO delay is bursting SoftBank's bubble](#) – If you want a full briefing on WeWork's failed IPO and what it means for the Vision Fund.
- [SoftBank—not Uber—is the real king of ride-hailing](#) – For all of SoftBank's transportation investments in one place.
- [SoftBank finally condemned Khashoggi's murder—but it won't stop taking Saudi money](#) – If you want to know more about the Saudi money behind the Vision Fund.
- [The “SoftBank of China” has invested in more unicorns than SoftBank](#) – For everything you need to know about another tech investing giant, Tencent Holdings.

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