



Special Report

Venture Capitalist Pioneers Global Investment

Claire Cain Miller 01.25.07, 6:00 PM ET

Asad Jamal, founder, chairman and CEO of ePlanet Ventures, spoke with Forbes from Silicon Valley while on a quick stopover between London and Shanghai. The Pakistani venture capitalist believed in going global when everyone else in the Valley thought he was crazy. His successes have proved that his unusual model--investing in different countries out of the same fund--was a moneymaker. Since founding ePlanet Ventures in 1999, then known as DJF ePlanet Ventures, he has backed big hits overseas. Skype, the Luxembourg Internet phone service, sold to eBay in 2005 for \$2.6 billion, and Chinese search engine Baidu.com and mobile advertising company Focus Media Holding, both of which he's seeded, trade on the NASDAQ.

Now, as other venture firms head overseas in search of investment targets, Jamal has parted ways with former partners at Draper Fisher Jurvetson to raise ePlanet's own fund and run the firm's seven offices on three continents himself, from his home base in London. In an exclusive interview with Forbes, he discusses how all but one of the big Silicon Valley venture firms rejected his idea to invest overseas, why his global approach saved his fund when the tech market soured and what he has his eye on next.

Forbes: How did you get the idea to go global?

Jamal: It was the mid- to late-1990s, and the whole Internet thing was starting off. I had my own boutique private equity firm in London. I saw there was a time lag--sometimes two years--before the models developed in Silicon Valley migrated to Asia. Young entrepreneurs were having a hard time getting access to capital because the new economy was not very well understood in Europe and in Asia. So in 1999 I proposed the idea of setting up an international venture firm.

What did the Silicon Valley firms think of your idea?

I literally downloaded a list of the top firms on the West Coast and started cold calling them. But people were swamped with deals over here and didn't have the bandwidth to do anything overseas. I'd gone through 18 turndowns. I was feeling pretty disappointed. The 19th one was DFJ, and they were interested. We opened ePlanet in the last quarter of 1999 and raised \$650 million. That timing turned out to be really fortuitous because by March of 2000 the bubble burst.

Wasn't it difficult to operate during the bust?

Yes, but we learned three key things about how to operate in very tough markets, and a lot of investors have told us we turned out to be the best fund in their portfolios.

What was the first thing you learned?

We were operating on a global basis with one fund, one team and no pre-set allocation to either geography or stage or sector. In 2000, when the bubble burst, we were able to put the brake on our investments in the Valley. When we went into China and Eastern Europe, we saw companies with good earnings and valuations. We had an edge because a lot of venture groups didn't have a mandate to go overseas. What we found was that all global markets do not act in concert. When the U.S. and Europe declined, that was the start of the boom in China. We could play that countercyclical thing.

What else did you learn?

By operating in all the major innovation centers--Silicon Valley, Europe, Asia, Israel--we're able to compare and contrast. We have our partners' meeting each Monday. We're all plugged in at 8 a.m. on the West Coast, 4 p.m. in Europe and late evening in Israel. We pick the best company in a certain space in the world.

What's a successful investment you picked this way?

Skype versus Vonage. With Skype, each time new users come in, they provide their own power with their own laptops. You could scale Skype whether you had a million or 10 million users. We went to Skype because we thought it had the better technology, and we gave investors more than a 40x return, whereas I think Vonage is still not profitable.

What's the third thing you learned?

You have different areas of expertise in each geography. The U.S. is No. 1 in technology and business model innovation. Europe and Israel have tremendous research and development but need help commercializing it. India is No. 1 at processing, outsourcing and software services. China is No. 1 in manufacturing, and Korea is No. 1 in wireless technology.

So investing globally saved your fund during the downturn?

Imagine if you raise half a billion dollars and are operating in one geography in a bearish market. You have a time clock and a limited pool of deals working against you. We can be patient because we're global. We tell our teams in each market, "If you don't see a home run opportunity, pass on it. Don't feel under pressure to deploy capital." That's why we ended up picking the biggest home runs in Asia and Europe, and we have a deal looking like it'll be the biggest home run in medtech in the U.S.

Why did you split from DFJ to raise your next fund?

When we started, DFJ was primarily focused on the U.S. market. Now a number of the major U.S. firms have started going overseas as well, including DFJ. Continuing as one firm and going after the same international opportunities has potential for conflict.

Which technologies are you excited about for the future?

Clean, alternative energy. The wireless sector is a massive growth area, and in China there are 400 million subscribers--it's the No. 1 market in the world. Broadband is becoming more pervasive in Asia and Europe.

You're launching a nonprofit, GoodPlanet, that will fund social entrepreneurs. Tell me about that.

We feel entrepreneurs can have the most direct impact and can take the short-cut approach to solving problems. Governments have the most long-winded and bureaucratic way of solving social problems across the world. We'll find the extraordinary social entrepreneurs dedicated to the cause of improving the world and give them money, our endorsement and mentorship to get them off the ground. We think it's very important to give something back to the communities. Our venture firm will put part of our annual profit into it.

And you're starting another program, IdeaPlanet, to fund entrepreneurs in developing countries?

It's really going back to the original roots of my starting ePlanet--the idea that entrepreneurs in Europe and Asia come up with great ideas and they just need the right support. Now we will look for the next level of entrepreneurs in developing countries. IdeaPlanet will operate more like an incubator. It will be a for-profit, but at same time we feel it fulfills an important social need to create a stepping stone for young entrepreneurs.

Will you ever fund a company in your native Pakistan?

Certainly, I think, in the future. That market is early at this stage. Pakistan is similar to India, and India has come up as a huge global success story in tech. At this stage, it's the low-cost version of India in many respects, in software and outsourcing.

Which Web sites do you look at as soon as you wake up?

Financial Times--Asian version, U.S. version and European version. The South China Morning Post in Hong Kong. Then The Times of India.