

The hottest VCs since Andreessen

By Adam Lashinsky, senior editor-at-large @FortuneMagazine April 11, 2013: 2:53 PM ET



Jim Kim, Joe Lonsdale, and Brian Koo in San Francisco

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In the early days of Silicon Valley venture capital, top investors bragged that they wouldn't take a stake in any company they couldn't visit by car. That strategy worked out well for the early backers of Intel, Apple, Cisco, and so on. A later wave of VCs, convinced that opportunities had narrowed, opened offices in Europe, China, India, and Israel to scout deals. Their results were less spectacular.

Formation 8, a new group of young VCs, is pursuing a fresh take on the location-is-everything mantra. Its investment focus is in Silicon Valley, but it is pouring resources into Asia from the outset. The twist is that Formation 8's Asian outposts aren't meant to beat the bushes for investments but to help U.S.-based entrepreneurs advance their businesses there.

The geographic focus is bold for a first-time fund. "We're making a macro bet," explains Joe Lonsdale, the most prominent of the outfit's three investing partners. "We think Silicon Valley is transforming the world. But we also think everything is an Asia play." Adds Jim Kim, 34, another partner: "Entrepreneurs understand this too. Asia is not a potential option anymore. It's a question of when, not if."

Lonsdale, at 30 years old, is already a seasoned Valley entrepreneur. He helped Peter Thiel start hedge fund Clarium Capital as well as Palantir, the security-software firm. Kim brings venture experience to the group: He founded a venture unit for GE and also worked at Khosla Ventures. But Formation 8's secret weapon may well be its third founder, Brian Koo. In a quiet voice, the 33-year-old Stanford grad says that before joining Lonsdale he spent some time "helping with my family business." In fact, Koo's kin run the Korean conglomerate, or *chaebol*, that birthed LG Electronics and myriad other businesses. Koo says he has decided to be a California venture investor despite the expectations of leadership that come with being the eldest son of his generation. "I always assumed I'd go back to Korea," he says, "but this is my career now."

Formation 8 is off to an auspicious start. It recently raised an oversubscribed fund that totaled nearly \$450 million, with investments from major endowments and foundations. It employs 23 people, including eight business-development executives spread throughout Asia, with offices in Seoul, Singapore, Shanghai, and Beijing. The firm, based in San Francisco and named for a lucky number in China, has also attracted an impressive group of advisers. Gideon Yu, president of the San Francisco 49ers and an experienced startup CFO and investor, is a formal adviser. Ex-Hollywood agent Michael Ovitz works informally with the firm, having struck up a friendship with Lonsdale while advising Palantir. "I was blown away by how many young and talented engineers he knew and kept track of," says Ovitz. "It's something you can't learn in a book."

Formation 8 has ideas about types of investments too. Lonsdale says the firm will avoid consumer- and alternative-energy-

related deals. "Smart enterprise" is a theme that excites him, and Formation 8 is an early investor in Relate IQ, a stealthy company working on data analytics programs.

The buzz around Formation 8 is that it is the hottest new VC firm since Andreessen Horowitz started up four years ago. Its founders have wealth, connections, and experience on their side. Now all they need are some big wins.

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