

AGENDA

1.00 – 2.00pm	Arrivals & Lunch	WPO/YPO Google
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INTRODUCTION

FIFTH ERA

Advise, Develop, Invest

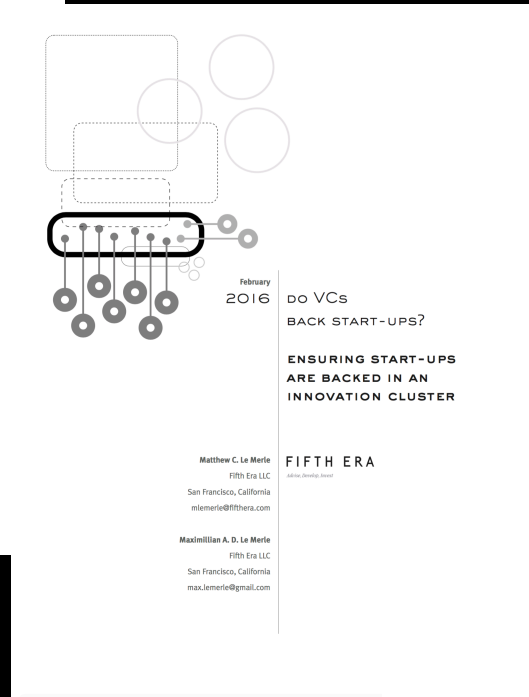


- **Fifth Era: Managing Partner**
- **Angel: Keiretsu & Band of Angels**
- **McKinsey, AT Kearney, Monitor, Booz**
- **Gap, NatWest, Bankers Trust**
- **Bay Area Council, BACEI**
- **Oxford & Stanford**
- **UK/US citizen living in California**

www.fifthera.com

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SOURCES OF THESE PERSPECTIVES



www.fifthera.com



KEY POINTS FOR TODAY



OUR FUTURE IS DIGITAL

WE ARE INVENTING THE FUTURE NOW

IT'S ALL ABOUT EXTERNAL INNOVATION

HOW TO PLAY?

OUR DIGITAL FUTURE

	Question
1	<p data-bbox="271 519 1875 658">How many of the globe's 5 most valuable companies are technology companies?</p> <ul data-bbox="271 782 383 1200" style="list-style-type: none"><li data-bbox="271 782 383 839">- 1<li data-bbox="271 868 383 925">- 2<li data-bbox="271 953 383 1011">- 3<li data-bbox="271 1039 383 1096">- 4<li data-bbox="271 1125 383 1182">- 5

GLOBAL MOST VALUABLE COMPANIES

Alphabet

amazon[®]



facebook



Microsoft

OUR DIGITAL FUTURE

	Question
2	<p data-bbox="271 519 1790 648">What % of the top 25 wealthiest people inherited their wealth?</p> <ul data-bbox="271 776 1002 1105" style="list-style-type: none"><li data-bbox="271 776 650 833">- All of them<li data-bbox="271 862 712 919">- 50% or more<li data-bbox="271 948 692 1005">- 25% to 50%<li data-bbox="271 1033 1002 1105">- Less than 25% of them

GLOBAL WEALTHIEST LIST

	Name	Net worth (USD)	Sources of wealth
1	Bill Gates	\$81 bn	Microsoft, Cascade Investments
2	Warren Buffett	\$67 bn	Berkshire Hathaway
3	Larry Ellison	\$50 bn	Oracle Corporation
4	Charles Koch	\$42 bn	Koch Industries, inherited
5	David H. Koch	\$42 bn	Koch Industries, inherited
6	Christy Walton	\$38 bn	Wal-Mart, inherited
7	Jim Walton	\$36 bn	Wal-Mart, inherited
8	Michael Bloomberg	\$35 bn	Bloomberg LP
9	Alice Walton	\$35 bn	Wal-Mart, inherited
10	S. Robson Walton	\$35 bn	Wal-Mart, inherited
11	Mark Zuckerberg	\$34 bn	Facebook
12	Sheldon Adelson	\$32 bn	Las Vegas Sands
13	Larry Page	\$32 bn	Google
14	Sergey Brin	\$31 bn	Google
15	Jeff Bezos	\$31 bn	Amazon.com
16	Carl Icahn	\$26 bn	Icahn Enterprises
17	George Soros	\$24 bn	Soros Fund Management
18	Steve Ballmer	\$23 bn	Microsoft
19	Forrest Mars, Jr.	\$22 bn	Mars, inherited
20	Jacqueline Mars	\$22 bn	Mars, inherited
21	John Mars	\$22 bn	Mars, inherited
22	Leonard Blavatnik	\$22 bn	Access Industries (Warner)
23	Phil Knight	\$20 bn	Nike
24	Harold Hamm	\$19 bn	Continental Resources
25	Michael Dell	\$18 bn	Dell

FACTORS

1. Globalization
2. Technology transformation
3. Founders

All three (11)

Two of three (7)

One of three (4)

None of above (3)

3m own \$2.1 trillion (\$700k per)

But 25 own \$840bn (\$33bn per)

3m own \$1.26 trillion (\$420k per)

WHAT'S REALLY GOING ON?

1. Globalization makes markets massive
2. Digitalization attacks everything
3. Profit pools are in flux
4. (Winning) Innovators capture global profit pool
5. Founders retain major equity stakes
6. This is the real driver of global inequality
 - Averages lie, statistics mislead

FIFTH ERA VISION

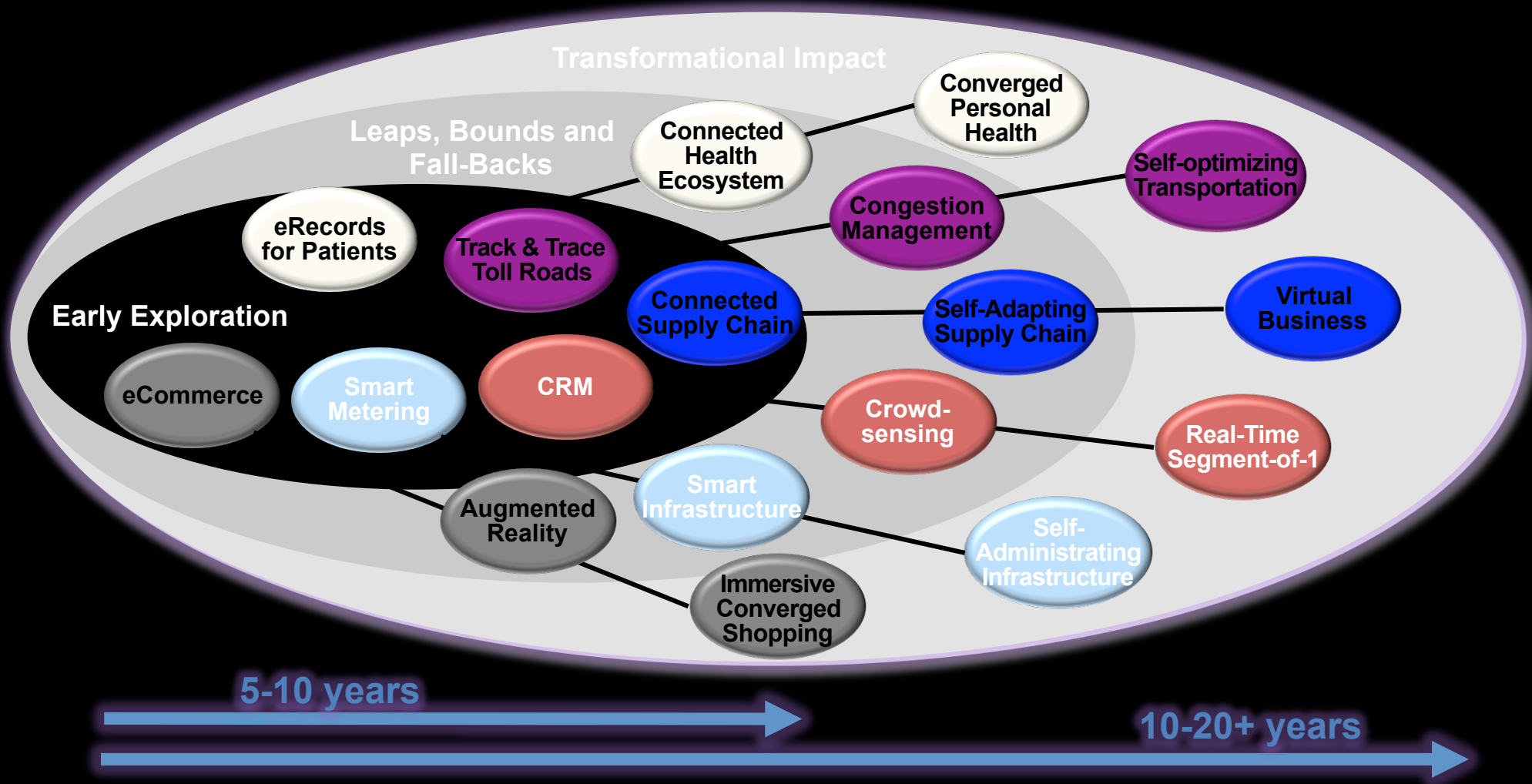
Fifth Era believes that the world is entering a digital age in which everything humans do will be dramatically changed.

Today we all use the internet and mobile devices. Yesterday we did not.

Tomorrow we will all be constantly connected, communicating, conducting commerce, and entertaining each other through interactive digital technologies.

Fifth Era works with teams who share this vision...who are changing our world today.

MUCH MORE TRANSFORMATION TO COME



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GLOBAL MOST VALUABLE COMPANIES

Alphabet

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facebook



Microsoft

ALL ARE WEST COAST USA FOUNDED COMPANIES

CALIFORNIA'S PLACE IN THE WORLD

RANK	COUNTRY	GDP (Tn US \$ 2015)
1	United States	18.0
2	China	11.4
3	Japan	4.1
4	Germany	3.4
5	UK	2.8
	California	2.44
6	France	2.4
7	India	2.2
8	Italy	1.8
9	Brazil	1.8
10	Canada	1.6

OTHER COUNTRIES

11. Korea
12. Australia
13. Russia
14. Spain
15. Mexico
16. Indonesia
17. Netherlands
18. Turkey
19. Switzerland
20. Saudi Arabia
21. Argentina
22. Nigeria
23. Sweden
24. Poland
25. Belgium
- Another 150+

INNOVATION OLYMPICS

Information Technology

Electronic Commerce

Social Networks

Digital Content

Life Sciences

Clean Technology



A VIEW FROM CALIFORNIA



Steve Jobs

1955-2011

**"The ones who are crazy enough to think
that they can change the world,
are the ones who do."**

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HOW TO PLAY?

INTERNAL VS EXTERNAL INNOVATION?

	Questions
3	The most important innovations in industry will come from: a. Your company? b. Your industry? c. Outside your industry?
4	What % of your Innovation spend is internal vs external?
5	What % of your innovation spend focuses beyond your industry?

SOURCES OF INNOVATION vs. WHERE \$ SPENT

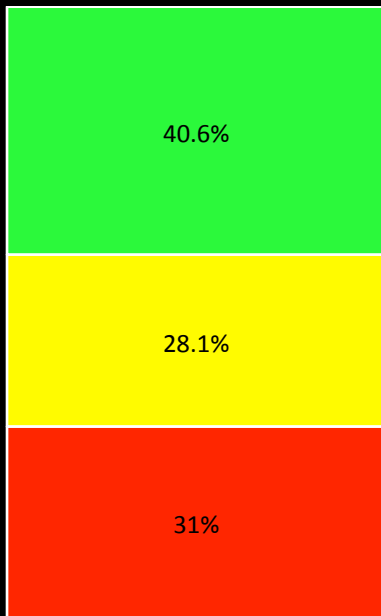
Innovation 1000 Top 50 Companies

Disguised Company Responses	1	2	3	4	5	6	7	8
Sources of Innovation	Industry	Industry	Beyond	Industry	Industry	Beyond	Industry	Beyond
\$ (excl. major M&A)								
Internal %	90	95	60	90	95	70	90	33
External %	10	5	40	10	5	30	10	67
External \$ Trends	Up	Up	Up	Flat	Up	Up	Up	Up

YPO MEMBER SURVEY

Source of Innovation

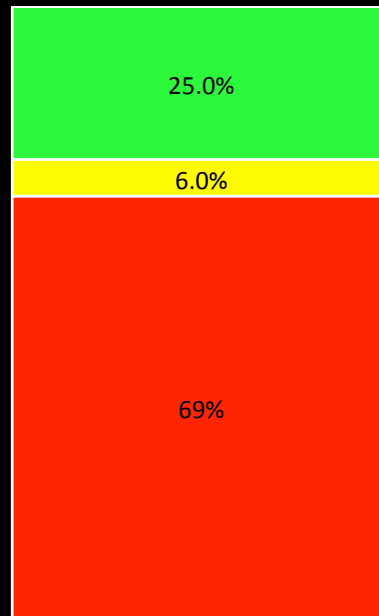
Company Industry Outside



Innovators Outside Company

% of \$ Spent on Internal Innovation

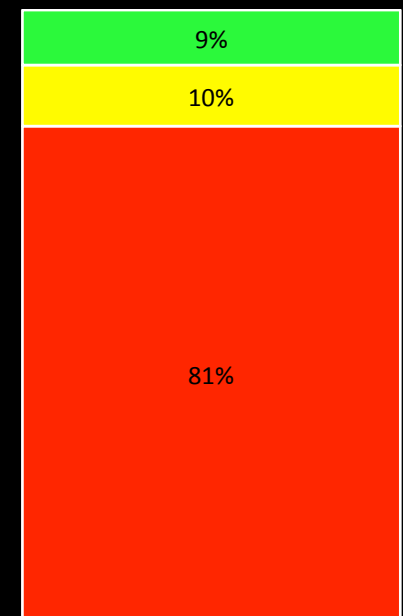
> 50% 30 to 50% < 30%



Spending Internally Focused

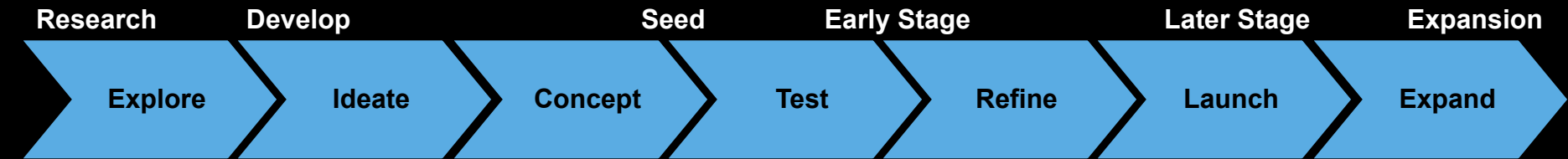
% of \$ Spent Outside Industry

<40% 40 to 60% >60%



Spend focused within industry

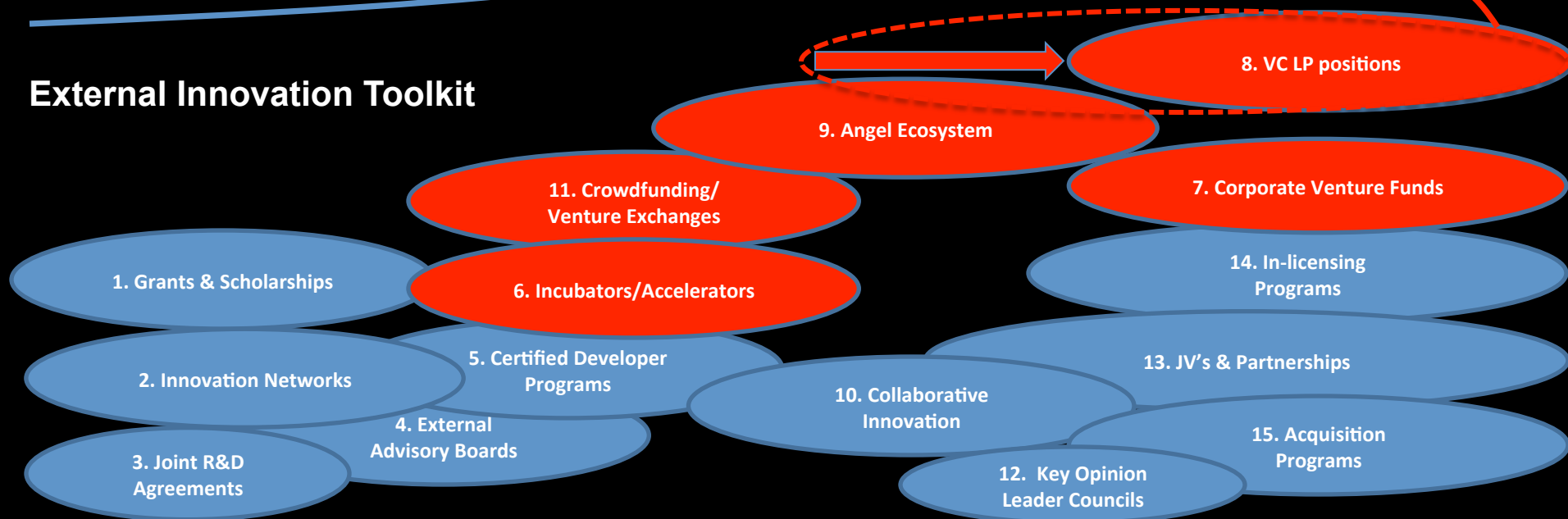
EXTERNAL INNOVATION TOOLKIT



Risk (failure rate)

Cost to play

External Innovation Toolkit



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YPO MEMBER INTERESTS

6. Would you want to...

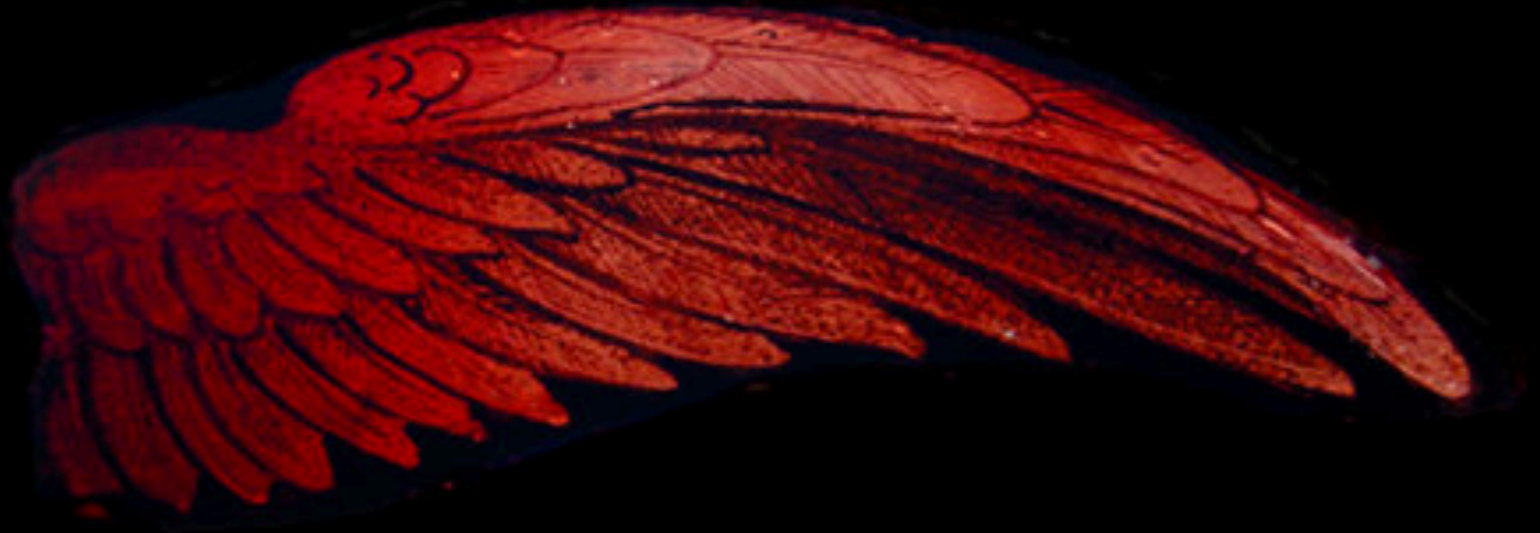


CORPORATE APPROACH

Alphabet

Google

INDIVIDUAL APPROACH



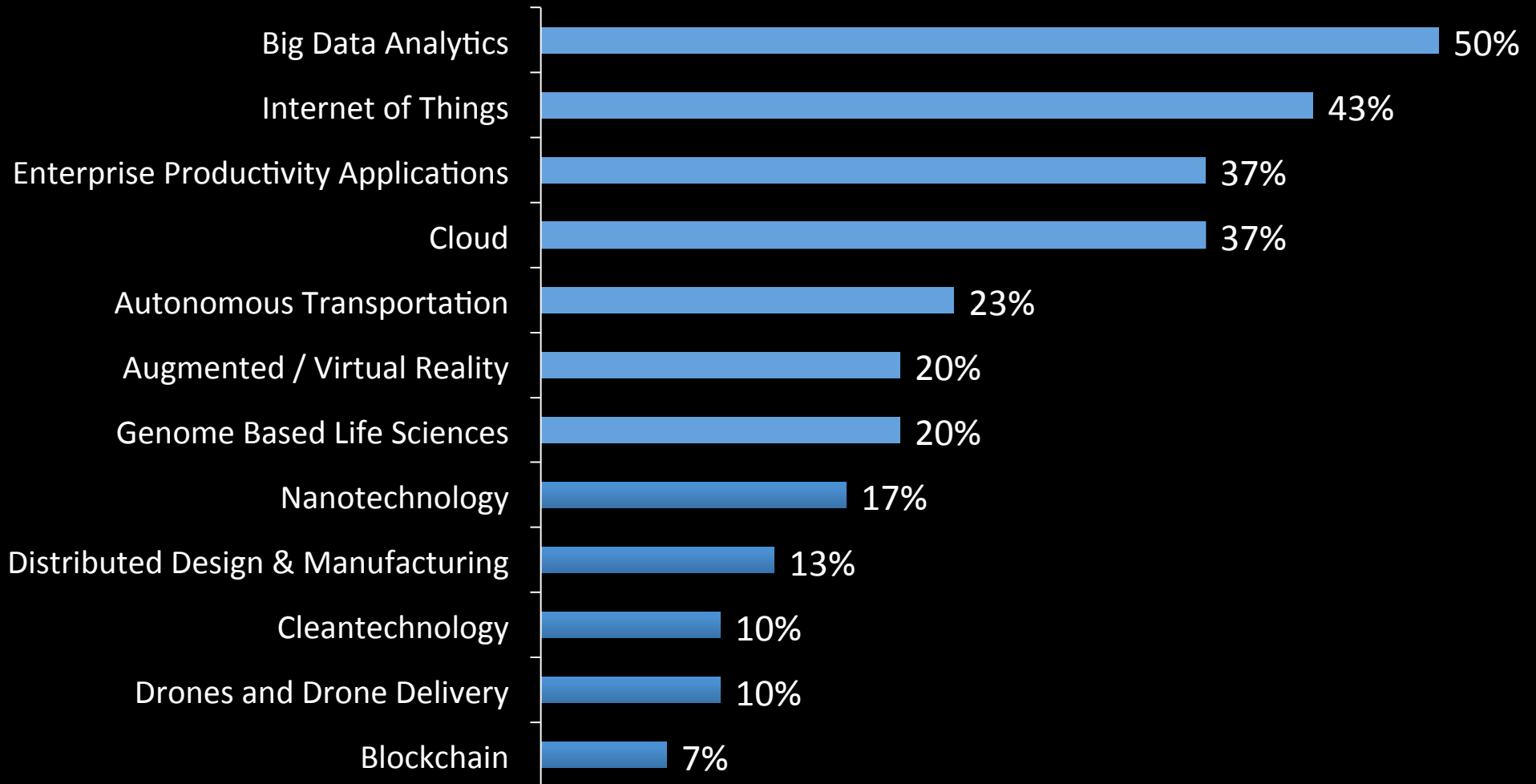
KEIRETSU



CAPITAL

YPO MEMBER INTERESTS

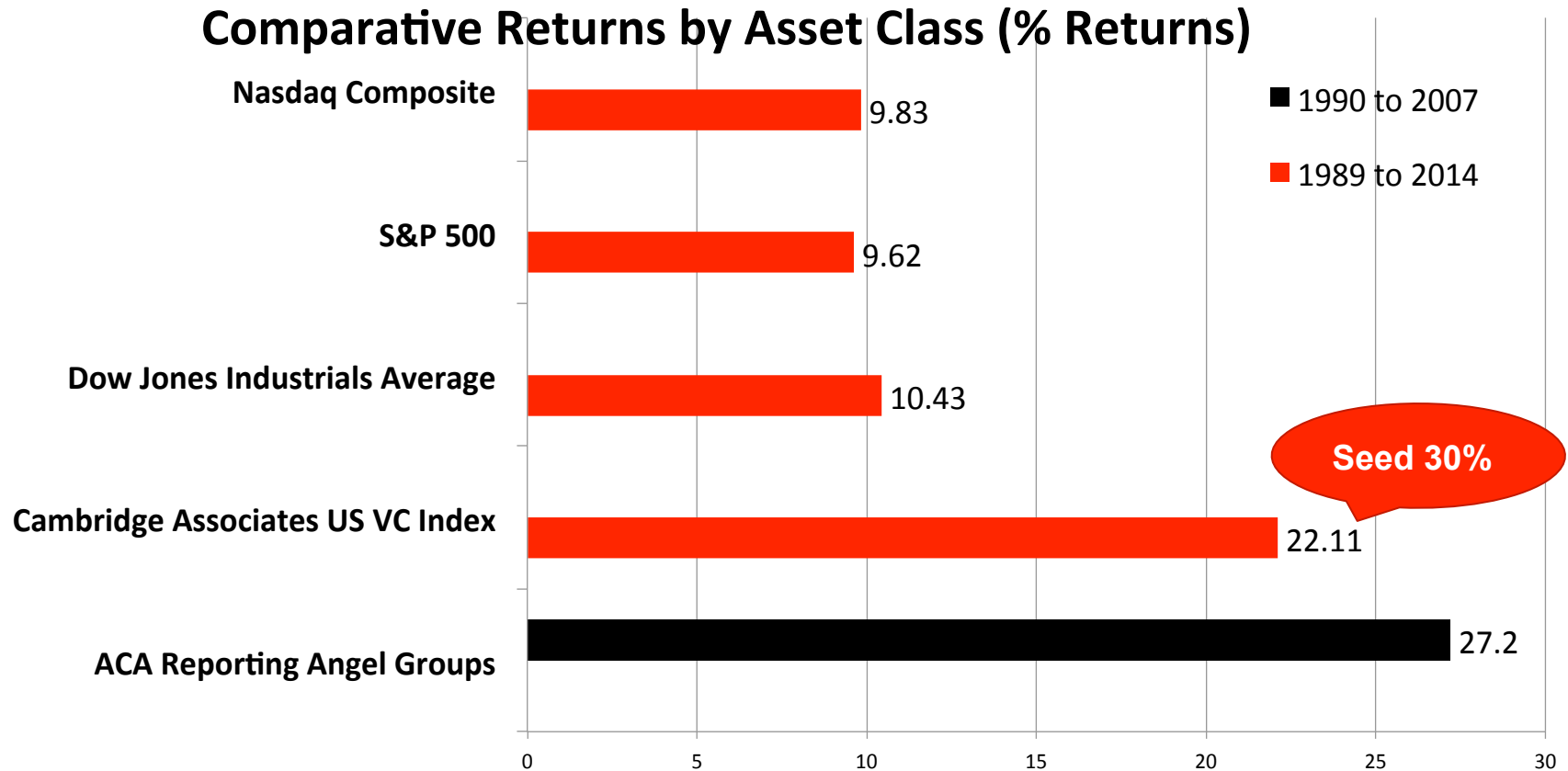
7. What areas of innovation do you want to track?



HOW TO PLAY?

	Questions
8	<p>What IRR do early stage technology investors earn?</p> <ul style="list-style-type: none">- < 10%- 10 to 20%- > 20%
9	<p>How many investments should you hold to have 90% likelihood of earning that IRR?</p> <ul style="list-style-type: none">- < 15- 15 to 30- > 30
10	<p>How many early stage investments do you hold?</p> <ul style="list-style-type: none">- < 15- 15 to 30- > 30

DOCUMENTED SUPERIOR RETURNS FROM INNOVATION INVESTING

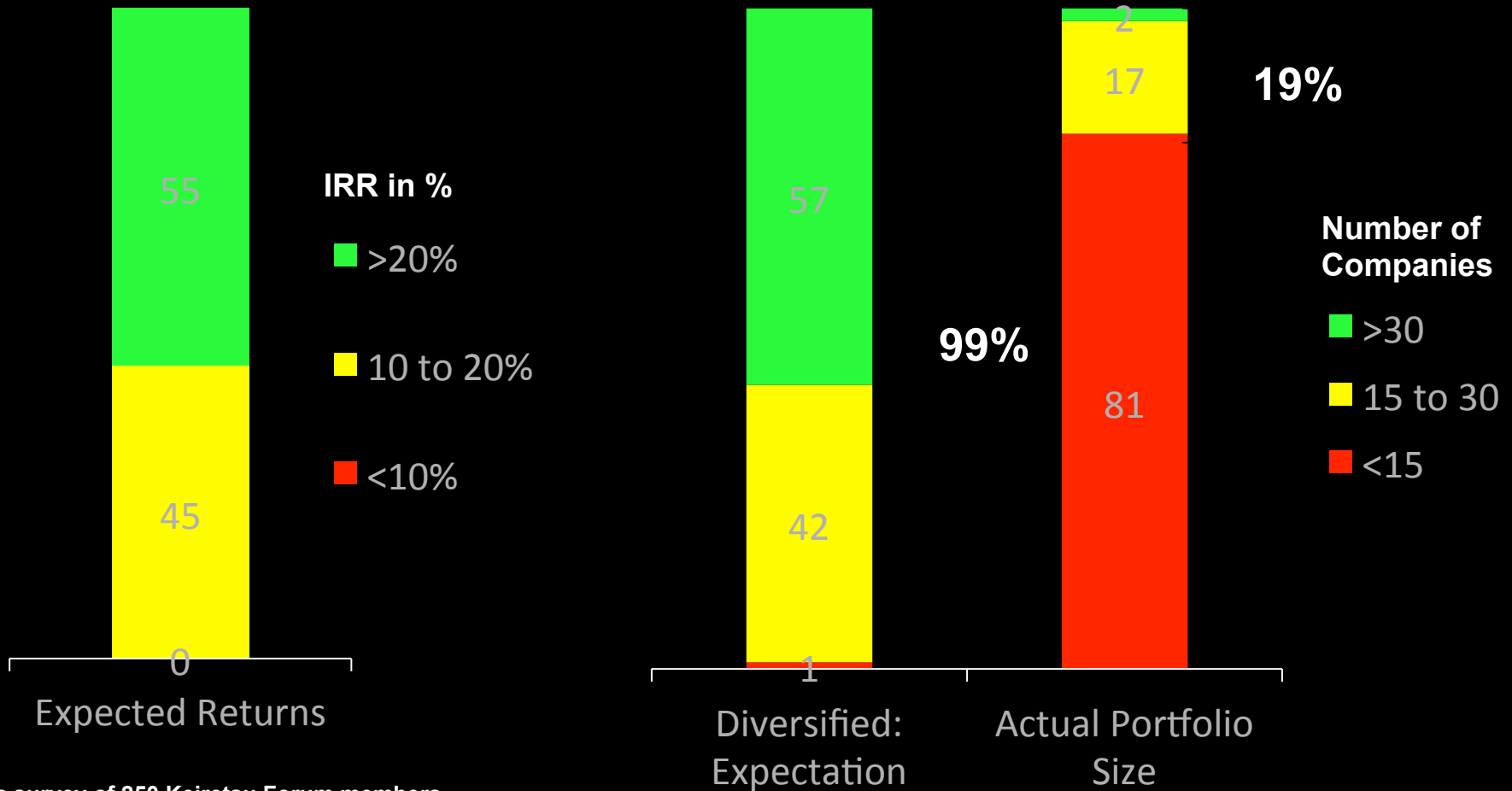


Note: Returns for period 1989 to 2014 except for angels group returns 1990 to 2007.

Sources: Cambridge Associates, Standard & Poors,, WSJ, Dow Jones, Kauffman Foundation

OBSERVED BEHAVIORS

SURVEY OF 250 KEIRETSU FORUM MEMBERS, 2016



Sources: Fifth Era survey of 250 Keiretsu Forum members

SUMMARY

- Digitization is driving global innovation and change
- California (West) is the leader in digitization globally
- Digital founders are dominating the world's wealth
- Their companies are driving global innovation
- To participate you must focus on external innovation
 - Whether you are a company or an individual
- Most of us make too few bets – you have to be diversified
- **Don't miss the LEITMOTIF of our/our children's lifetimes**

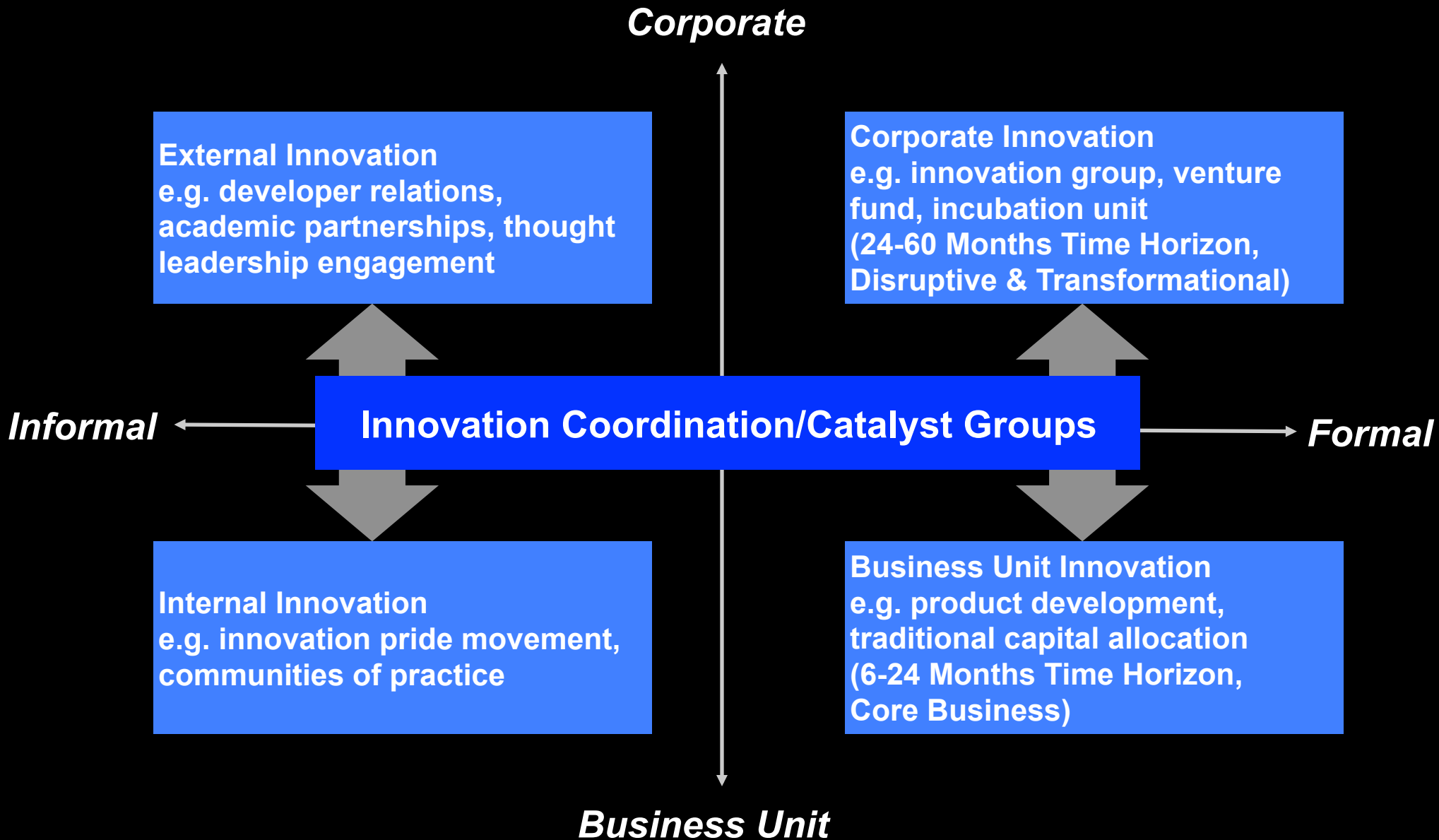


California Dreamin

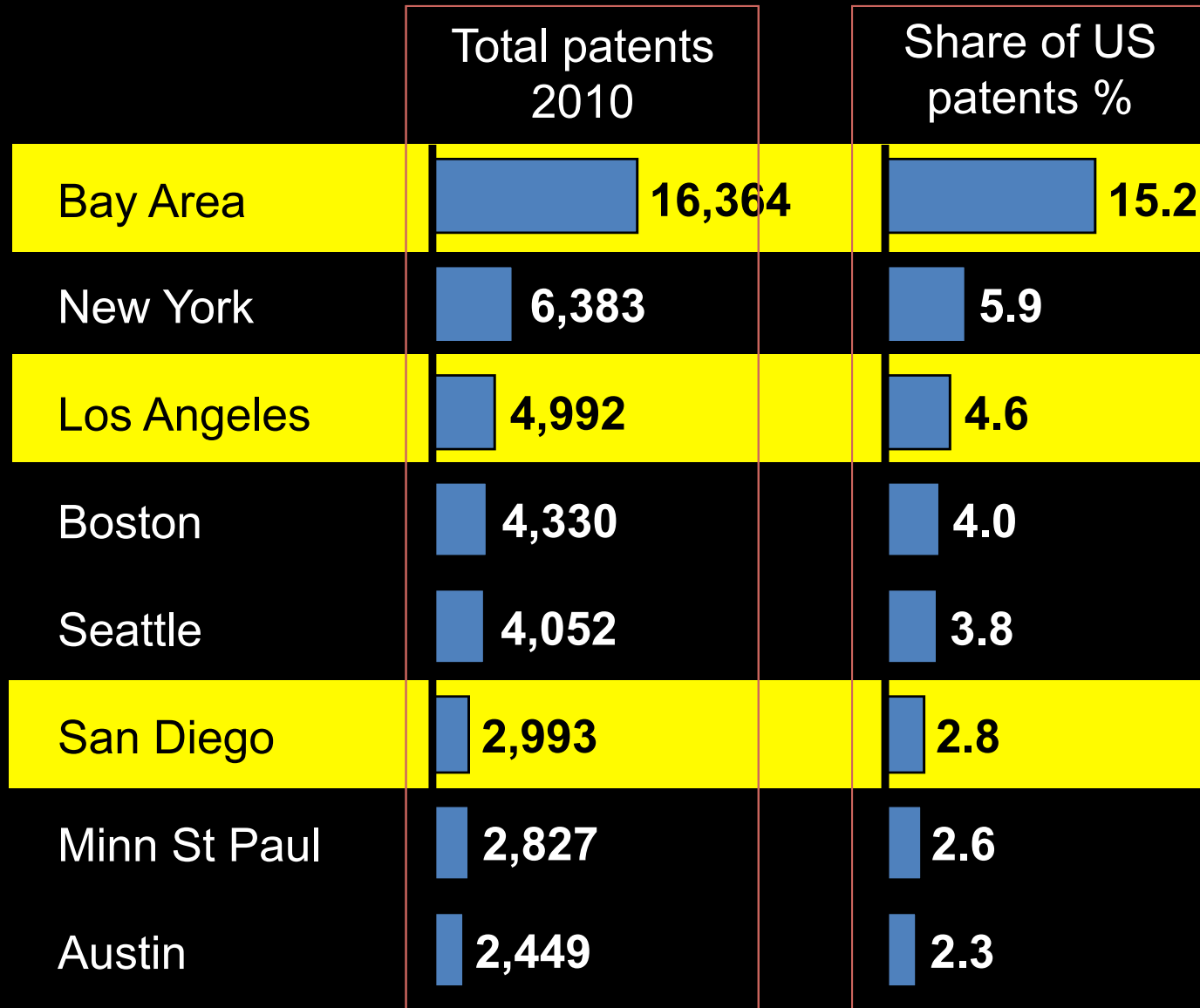
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CORPORATE INNOVATION - MODEL

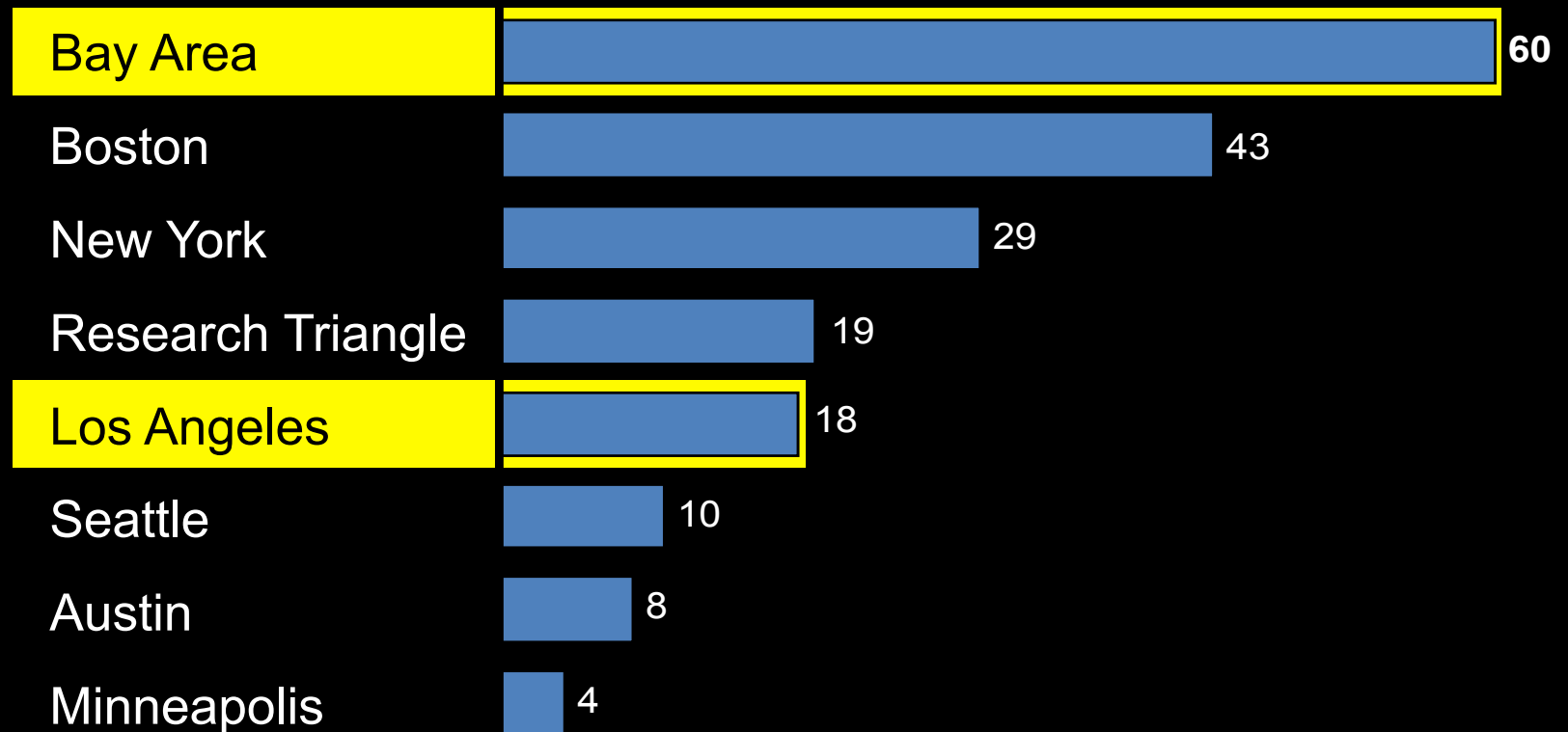


IC: PATENTS



IC: GRADUATE PROGRAMS

Top Graduate Programs By Region, 2011



SE: "INNOVATION LEADERS"



THE CALIFORNIAN FORMULA

INNOVATION
CAPACITY

SUPPORTING
ENTITIES

INNOVATION
ECONOMY

$$IC \times CA \times SE \times C =$$



CAPITAL
AVAILABILITY

CULTURE