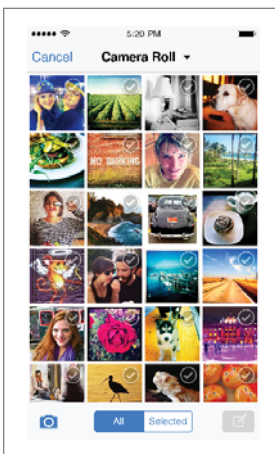




## The Quarterly Newsletter of Firsthand Technology Value Fund, Inc.



### Facebook Beats Estimates for Ninth Straight Quarter; Twitter Soars

Facebook continued its hot streak in July, reporting second quarter net income of \$791 million (42 cents per share) on revenue of \$2.91 billion. The social networking giant's monthly active user base grew to 1.32 billion and is fueling its mobile ad business, which now represents 62% of Facebook's advertising revenue.

Twitter surprised the market in July by reporting a 24% jump in its active user base, to 271 million. The company also reported revenue of \$312 million—up 124% from the year-ago quarter and significantly better than the \$283 million Wall Street was expecting. Twitter closed up 20% the day after the earnings announcement and has continued to trade in the mid-\$40s since.

### FedEx is Wrightspeed's First Customer

Wrightspeed, a 2013 investment for SVVC, announced that it has commenced commercial shipments of its electric powertrains to FedEx. Wrightspeed's revolutionary hybrid powertrain, called the Route™, is ideally suited to the demands of stop-and-go driving of delivery trucks and similar vehicles. The Route can improve fuel efficiency of such medium-duty trucks from 8 mpg to 40 mpg, while delivering massive emissions improvements and much lower maintenance costs. Following field tests of the initial trucks, FedEx presented the company with an order for an additional 25 powertrains, which the company is in the process of producing.

Separately, Wrightspeed also announced that it has received a 17 unit order from The Ratto Group, a Santa Rosa, California-based provider of refuse and recycling services. Garbage trucks, like delivery vehicles, perform hundreds or thousands of stop-and-gos per day, making them a perfect fit for Wrightspeed powertrains. Wrightspeed projects savings of \$35,000 per year, per truck, in fuel savings, along with huge reductions in air and noise pollution.



# PORTFOLIO COMPANY NEWS

## New Round of Funding for Tapad

Tapad, a 2013 investment for SVVC, announced in late June the closing of a \$7 million funding round. Founding investor Firstmark Capital led the round, which was joined by newcomers Battery Ventures and G&H Partners. Firsthand and Avalon Ventures also participated in the funding. On the heels of the funding announcement, the company announced the opening of offices in London and Frankfurt, to service the UK and German markets.



Cross-device advertising remains a hot topic in marketing circles, and Tapad's growth has been astounding. The company recently disclosed that 2013 revenues were three times 2012 revenues. Further, the company reported that 2012 revenues were 604% greater than 2011 revenues. Finally, the company stated in June that it was on pace to achieve a nearly 50% increase in revenues for the first half of 2014, versus the same period last year.



## Hightail Partners with Lenovo

In early August, Hightail, which provides cloud collaboration services to businesses, announced a partnership with Lenovo, one of the world's largest computer companies in the world. Hightail will be pre-loaded on a variety of Lenovo PCs and tablets, with users receiving 5GB of free storage.

The Fund invested in Hightail in 2014 and the company represented 4.0% of the Fund's net assets as of June 30, 2014.

## Turn Brings Programmatic Ad Buying to the TV Market

Turn, a 2013 investment for SVVC, is a leader in providing online advertising technology to Fortune 1000 marketers and their agencies. To date, the company's technology has been used to assist marketers in data-driven buying of online mobile, video, display, and Facebook advertisements. Recently, Turn announced the testing of the placement of TV commercials using the same technology it uses to serve video ads online.

The selling of TV ad slots has been age- and gender-based for many years, with TV ratings data being one of the primary decision inputs for advertisers. Programmatic buying is a game changer. As recently noted by AdWeek, "Programmatic flips the traditional TV formula: Instead of using data about shows to find desirable audiences, marketers are using data about audiences to find desirable shows."

It is not going to be easy to transform an industry that has been buying and selling ads the same way for decades. However, we believe that marketers will demand more opportunities to bring programmatic buying to traditional channels, such as TV. We are pleased to see Turn at the forefront of these developments.



## Q&A

### **Q: When will the Fund begin its open-market purchase plan?**

In August, the Board of Directors formally approved the Fund's repurchase plan. Between August 11 and December 31 of this year, the Fund may purchase up to \$10 million worth of SVVC shares in the open market. The plan allows the Fund to acquire its own shares at a discount to NAV, which is intended to increase the NAV per share and thereby enhance shareholder value. The repurchases may also moderate the discount at which the Fund's shares currently trade. We cannot announce when the shares will be repurchased, but a summary of plan purchases will be included in the Fund's quarterly financial filings.

### **Q: What are your expectations for shareholder distributions in 2014?**

Per an agreement struck with Bulldog Investors earlier this year, we have agreed to sell our entire Facebook position by the end of September and our Twitter position by the end of October, distributing any net realized gains to shareholders by year end. As of the end of June, the Fund had substantial unrealized gains in each of these positions.

## UNDERSTANDING THE TREND

### **Moore's Law Continues to Drive Semiconductor Industry**

Despite being the foundation on which Silicon Valley was built, the semiconductor industry doesn't receive much recognition these days amid all the talk of social networks and mobile advertising. Nonetheless, the industry is still driven by the relentless pursuit of squeezing more circuits onto smaller pieces of silicon. Intel co-founder Gordon Moore famously observed in 1965 that the number of transistors on the most complex integrated circuits was doubling about every two years. This observation later became known as "Moore's Law."

The continuous drive for smaller semiconductor features creates substantial demand for innovation, particularly in the area of manufacturing technology. While much of the innovation in this area is achieved by the major players (think Applied Materials and Lam Research), there is opportunity in the marketplace for innovation by small companies as well.

One such company is Pivotal Systems. The company has developed a revolutionary product in a sleepy corner of the equipment market known as mass flow controllers ("MFCs"). MFCs are responsible for accurately delivering various gases to semiconductor manufacturing tools. In an industry that measures circuits in terms of nanometers (one billionth of a meter) precision measurement of all aspects (temperature,

raw materials, time, etc.) of the manufacturing process is paramount. Pivotal realized early on that existing MFCs would not be sufficient for advanced manufacturing processes in 2015 and beyond, due to their lack of precision and the time-consuming nature of calibrating them between production runs. Pivotal's Gas Flow Controller ("GFC") gives chip manufacturers the ability to continuously monitor gas flow and it calibrates itself on the fly, delivering unprecedented accuracy and reliability.



Pivotal's GFCs are currently in the qualification process at several of the world's largest semiconductor manufacturers as well as two of the top semiconductor equipment suppliers. Pivotal began volume shipments earlier this year, most

notably to Samsung, the world's largest chip manufacturer. Samsung has used the GFCs to update older manufacturing lines and is featuring them in what is arguably the most advanced semiconductor production line in the world.

Pivotal and the MFC market is an excellent example of what we like to call a market within a market. Despite the relatively slow growth of the worldwide semiconductor market in recent years, there exist pockets of growth where new capabilities are required.



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**The Quarterly Newsletter of Firsthand Technology Value Fund, Inc.**

**Performance Update**  
**Q2 '14**

Firsthand Technology Value Fund was down slightly in the second quarter. The Fund's total return for Q2, based on NAV, was -0.47%, compared with -3.14% for Q1. The Fund's total return for Q2, based on the market price of its stock, was also -0.47%, compared with -7.86% for Q1.

**Top Holdings**  
**As of 7/31/14\***

Twitter, Inc.....	22.4%
Facebook, Inc.....	17.0%
IntraOp Medical Corp. ....	8.6%
Turn Inc.....	5.8%
Pivotal Systems, Inc. ....	4.7%

\* Percentages shown are of estimated net assets of approximately \$257 million. Estimated net assets as of July 31, 2014, represent net assets of approximately \$248 million as of June 30, 2014, plus the net change in unrealized appreciation/depreciation and realized gains/losses on publicly-traded securities since June 30, 2014. For the purposes of calculating the percentage of net assets represented by each investment, the value of each holding is determined by the most recent of: (1) the purchase price, (2) the market value for public securities, less any discounts taken due restrictions on the stock, or (3) the June 30, 2014, fair value of each security, as determined under procedures approved by our Board of Directors. Not all investments have been or will be as profitable as those discussed. Investing in SVVC's shares involve considerable risk of loss. Please carefully read SVVC's public filings before investing.