Firsthand®

Fall 2013

The Quarterly Newsletter of Firsthand Technology Value Fund, Inc.

Twitter Goes Public

After publicly filing its Form S-1 on October 4, 2013, Twitter completed its initial public offering (IPO) on November 7, 2013. The company sold 70 million shares at $26 per share in the offering. The stock, trading under the symbol "TWTR," closed its first day of trading (November 7) on the New York Stock Exchange up 73% at $44.90 per share. At that price, Twitter's market cap is roughly $24 billion. SVVC purchased its shares of Twitter prior to the IPO at an average price of approximately $17 per share.

Although the shares we hold cannot be sold for 180 days after the IPO, the closing price on November 7, 2013 represents an approximate $28 million unrealized gain for the Fund. We are pleased to report that this appears to be our fourth consecutive profitable IPO.

Secondary Market Strategy Paying Off for Fund Shareholders

Since the Fund's inception in April 2011, we have made several investments in late-stage technology companies by buying shares from existing investors. These purchases in the so-called "secondary market" are a key element of the Fund's strategy. We locate available shares via various means, including secondary exchanges, brokers, and direct contact with companies, investors, and former employees.

The strategy has been very successful thus far, marked by four profitable IPOs for portfolio companies: Yelp, Facebook, SolarCity, and Twitter. We realized gains of approximately 15% and 157% in Yelp and SolarCity, respectively, and, as of November 7, 2013, have unrealized gains of approximately 51% and 163% in Facebook and Twitter, respectively. The total realized and unrealized gain for these four stocks is approximately $48 million, also as of November 7, 2013. We intend to distribute net realized gains (realized gains minus realized losses) to shareholders on an annual basis. Our first distribution is expected to be in December 2013.

MEET THE PORTFOLIO COMPANIES

Sunrun – Perfecting the Solar Lease

In a Nutshell – Sunrun is a late-stage private company that offers "solar-as-a-service" to residential customers. The company enables homeowners to benefit from the lower cost of solar electricity without the upfront expense of purchasing and installing the solar hardware.

The Opportunity – As the cost of solar photovoltaic (PV) equipment continues to decline, growth remains strong in the U.S. market for PV installations. In several states, the majority of new residential solar installations involve so-called third-party ownership (TPO). In the case of a third-party owned installation, a homeowner doesn't pay for the installation, but rather pays a monthly lease payment to the owner, such as Sunrun.

Why We're Excited – Newly public SolarCity (NASDAQ: SCTY) has demonstrated that the TPO solar business can offer solid growth and predictable, recurring revenue. We believe Sunrun has two distinct advantages over SolarCity: (1) it is focused on the residential market, where electricity rates are often higher than the commercial market, and (2) it does not have its own captive installation force, which means it has lower fixed costs and can enter new markets quickly by partnering with successful installers nationwide. Sunrun represents the evolution of the solar leasing concept into a standalone solar financing business that is devoid of the headaches that come with the installation business.

IntraOp Medical – Improving Cancer Outcomes

In a Nutshell – IntraOp is a late-stage private company that has developed a revolutionary medical device called the Mobetron, which utilizes linear accelerator technology to deliver Intra-Operative Electron Radiation Therapy (IOERT) for the treatment of certain types of cancers.

The Opportunity – Unfortunately, cancer rates continue to climb on a global basis, and the need for effective treatments has never been greater. IOERT has proven to be an effective treatment for several types of cancers and currently is used most frequently for the treatment of breast cancer.

Why We're Excited – IOERT has several benefits over conventional post-operative x-ray radiation therapy, including a shorter treatment cycle, a lower overall dose of radiation, fewer side effects, lower recurrence rates, and less damage to surrounding tissues. Significantly, the Mobetron is the only device of its kind that can be used in the operating room itself, eliminating the need to transport the patient during surgery to a neighboring shielded "bunker" to administer the IOERT, which lowers the cost and the risk of infection. The Mobetron is currently in use at the Cleveland Clinic, the Mayo Clinic, Stanford University Medical Center, the University of California at San Francisco, University Hospitals Case Medical Center, and dozens of other locations in the U.S. and worldwide. IntraOp received U.S. Food and Drug Administration (FDA) approval for the Mobetron in 1998. Earlier this year, Medicare approved reimbursement for IOERT, which we believe will assist in accelerating the use of the Mobetron nationwide.

NEW INVESTMENTS

Fund Pursues Opportunities in Wearable Tech

The Fund made investments in two wearable technology companies in the third quarter of 2013. AliphCom (a.k.a. Jawbone) was added to the portfolio in August. Jawbone is a late-stage private company in San Francisco that rose to prominence several years ago based on its popular Bluetooth headsets for cell phones. Today, it develops wearable activity-tracking wristbands and portable wireless speakers, while remaining a leader in the Bluetooth headset market. We see tremendous opportunity in the wearable activity-tracking device market, as consumers look to improve their health by monitoring their movement, sleep, and eating habits. As of October 31, 2013, AliphCom was the Fund's fourth largest holding, accounting for approximately 4.2% of estimated gross assets.

Also in August, we led a $5 million Series A round in Telepathy. Telepathy is an early-stage start-up, founded in Japan and now headquartered in Sunnyvale, California. Telepathy's first product—Telepathy One—is a wearable, hands-free communication device (somewhat similar to Google Glass) that lets the user share visual experiences with friends. When activated, friends can see what the wearer sees, with real-time streaming right to their smartphone, tablet, or laptop. As of October 31, 2013, our holdings in Telepathy represented approximately 2.1% of the estimated gross assets of the Fund.

Q&A

Q: When can the Fund sell its Twitter shares?

In an initial public offering (IPO), it is customary for the company to restrict most pre-IPO shareholders from selling until several months have passed. In the case of Twitter, we are "locked-up" for the first 180 days of trading. This means we will be able to start selling our shares if we choose in early May 2014.

Q: How does SVVC value its private company investments?

We value each of our securities at the end of every quarter. For publicly-traded stocks, that is a relatively easy exercise; fair market value for these stocks is usually the closing market price on the last day of the quarter. For our private company holdings, the process is more complex. We utilize a third-party valuation firm to recommend fair value pricing to our Board of Directors. These recommendations are based on a number of factors, including recent secondary market transactions (if applicable), recently-closed rounds of funding, revenue and earnings multiples of publicly traded comparable companies, and projected cash flows. The specific method for valuing each company is dependent on the amount of information we have available to us and the company's stage of development. For example, we wouldn't use a cash flow analysis to value an early stage company that has no revenues or net income.

Q: Can the Fund buy public companies for its portfolio?

It depends. As a business development company (BDC), at least 70% of our investments must be in "eligible" assets. These eligible assets include private company securities, securities of public companies with a market capitalization less than $250 million, government securities, cash, and cash-like securities. The remaining 30% of our investments may be in eligible or non-eligible assets. We could, hypothetically, invest 30% of our portfolio in large-cap public companies. However, the stated strategy of the fund is to invest primarily in private companies, so we are not likely to make many investments in public companies that have market capitalizations in excess of $250 million.

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SVVC Posts Third Consecutive NAV Increase

Firsthand Technology Value Fund posted an increase of $1.40 per share in its net asset value for the quarter ended September 30, 2013. Driven in large part by appreciation in our Facebook and Twitter holdings, the Fund's NAV is up 14.4% on a year-to-date basis through September 30.

Top Holdings As of 10/31/13

Facebook, Inc.	12.6%
Twitter, Inc.	10.3%
IntraOp Medical, Inc.	8.5%
AliphCom, Inc.	4.2%
Sunrun, Inc.	2.7%

Percentages shown are of estimated gross assets of approximately $238 million. Estimated gross assets as of October 31, 2013 represent total assets of $225,398,577 as of September 30, 2013 plus the net change in unrealized appreciation/depreciation of publicly-traded securities since September 30, 2013, and the issuance of 515,552 shares of SVVC common stock for the IntraOp transaction. For the purposes of calculating the percentage of gross 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 to restrictions on the stock, or (3) the September 30, 2013 fair value of each security, as determined 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.