

Digital Sky Seeks \$1Bln Fund With Facebook Promise

By [The Moscow Times](#)

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Digital Sky Technologies, a Russian firm that invested in Facebook, is seeking \$1 billion for a new late-stage technology fund less than a year after raising its last pool, promising investors a stake in the social-networking site in return.

DST has committed Facebook stock valued at \$50 million to the fund, meaning limited partners get a chance to own the shares through their investment, according to an investor presentation. Early investors were offered the Facebook holding at a 12 percent discount to an internal valuation of about \$74 billion, as well as a 25 percent reduction in the fund's management fee.

DST, founded by Russian technology investor Yury Milner, is among a number of venture capital and buyout firms seeking money after the biggest year for U.S. Internet initial public offerings in more than a decade. Facebook backer Elevation Partners and Zynga investor Institutional Venture Partners are each seeking as much as \$1 billion for their next funds.

Leonid Solovyev, a spokesman for DST, couldn't immediately be reached for comment.

DST's investments in companies, including Facebook, Groupon, Twitter, Zynga and LinkedIn, have buoyed returns. The firm's first fund, DSTG I, has returned 4.89 times the invested capital, before fees, and produced an annual 151 percent gross internal rate of return, according to the December presentation.

DST Global III plans to make noncontrolling investments in late-stage private companies in the global Internet industry with a valuation of at least \$500 million. Goldman Sachs Group is acting as placement agent for the fund.

DST gathered \$867 million for its prior fund, which was formed in late 2010. Of the total, \$792 million was invested in 10 companies last year, according to the December presentation. The firm invested \$37.5 million in online digital music company Spotify in June 2011 and \$36.7 million in Airbnb in July.

Its highest-profile holding is Facebook, which is seeking to raise \$5 billion in an initial public offering that may value the company at \$75 billion to \$100 billion. DST first invested in the social-networking site in May 2009 and purchased "substantially" every Facebook common share that was traded from September 2009 to February 2010, according to the investor presentation. DSTG I invested a total of \$490 million during that period in the company at a \$10.8 billion valuation.

In December 2010, the firm's first fund also agreed to invest an additional \$125 million that was later transferred to DSTG II. A year later, DST bought \$50 million more of Facebook stock at a \$74 billion valuation, said a prospective investor who viewed recent marketing materials.

DST has held a \$120 million early-bird close on the new fund and is expected to hold a first close soon, the person said.

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