HOW TO 5X - 7X YOUR PRE-IPO RETURNS

▶ **This little-known secret is what many professional investors use to increase their returns...**

How would you like to know a way to generate 5x - 7x the potential returns you could get on every Pre-IPO investment?

It has nothing to do with negotiating warrants, using options, or any "high risk" trading strategy.

In fact, if you use this weird "trick," you may actually lower your risk while increasing potential returns!

It all has to do with this little known secret that many professional investors know (but most retail investors don't).

As an investor, there are three major challenges you might face in the pursuit of life-changing gains:

1. **Finding great deals *(Sourcing)*,**
2. **Deciding which ones to invest in *(Selecting)*, and**
3. **How much to invest *(Supporting)*.**

When it comes to Sourcing Pre-IPO deals, chances are, you may be getting deal flow directly from crowdfunding portals and recommendations from one of the various investment newsletters providing research.

If you're an accredited investor, you might also be getting access to Pre-IPO investment opportunities from a broker-dealer, or someone in your network.

Regardless of where you're finding these deals, you probably have some level of expectation that these opportunities have gone through some sort of due diligence process.

But if you're blindly trusting someone else's "recommendations" without doing your own due diligence...

You could be missing out on the **biggest gains of your life**!

Here's why...

- **The more due diligence you do, the better your returns will likely be.**

According to a 2007 study by The Ewing Marion Kauffman Foundation and Angel Capital Education Foundation called "Returns to Angel Investors in Groups" :

> *"Simply splitting the sample between investors who spent less than the median twenty hours of due diligence and **investors who spent more shows an overall multiple difference of 5.9X for those with high due diligence compared to only 1.1X for those with low due diligence**.*
>
> *The differences become more stark when comparing the top and bottom quartiles of time dedicated to due diligence.*
>
> ***The exits where investors spent more than 40 hours doing due diligence (the top quartile) experienced a 7.1X multiple.**"*

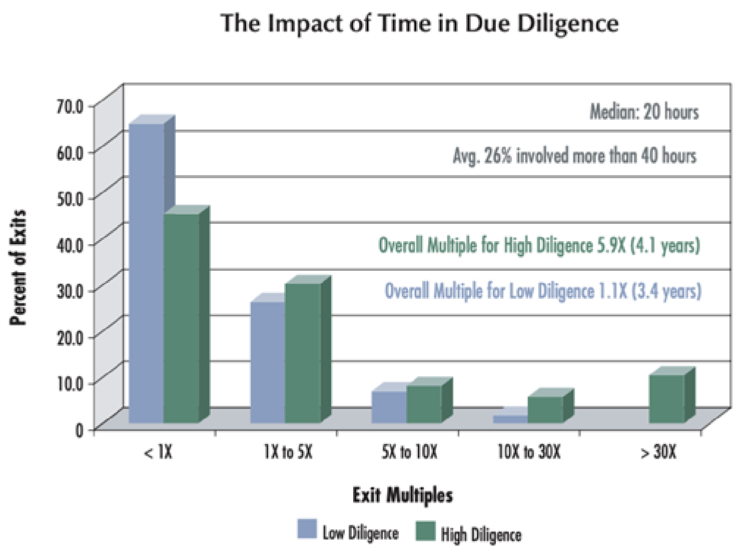
Or put another way, the more time you invest into due diligence, the better your potential returns.

And if you've been tempted by the suggestion that *"you could invest as little as $50 and potentially 1,000x - 10,000x your money"...*

Unless you're doing 20 - 40 hours of due diligence per "lottery ticket" you're buying...

That's called gambling. *Not investing!*

In case you're wondering, before any Issuer is listed on the Equifund Crowdfunding Portal, they go through 8-12 weeks of due diligence (often 80 - 120+ hours).



Spending time on due diligence is significantly related to better outcomes.

And the reason why you'll find such in-depth offering pages (sometimes 15,000 words long) is to demonstrate our findings so our members can both educate themselves and challenge the research!

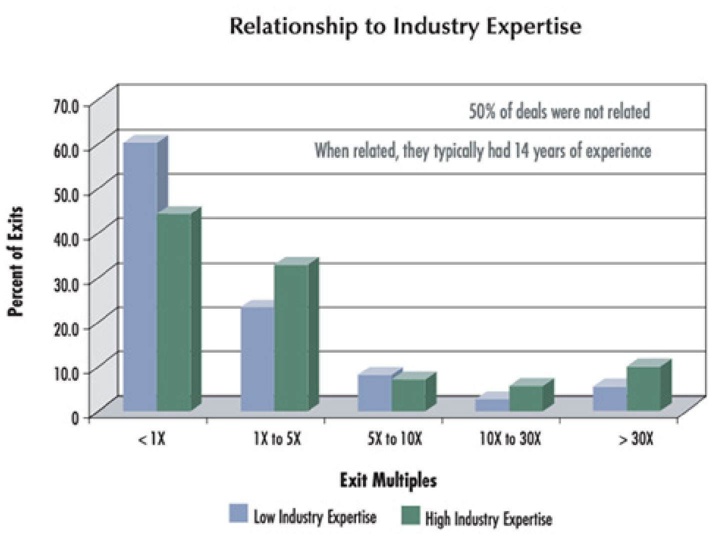
As it turns out, there's a second "return enhancing" factor you should be aware of.

- **INDUSTRY EXPERIENCE**: Investor's expertise in the industry of the venture in which they invest also is related to greater returns.

Not surprisingly, the more you know about a specific sector, the easier it is to perform due diligence.

According to the same study…

> *"When ventures were related to an investor's expertise, the investor typically had **fourteen years of relevant experience**.*
>
> *Analysis indicates that expertise had a material impact on angel investors' earned returns.*



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If you've ever heard the old adage "invest in what you know," it appears to be **even *more* important when investing in Pre-IPO opportunities**.

There's also a third major decision investors need to make in order to boost their returns...

- **PARTICIPATION:** Investors that interacted with their portfolio companies at least a couple of times per month by mentoring, coaching, providing leads, and/or monitoring performance experienced greater returns.

According to the study…

"Investors who interacted with the venture a couple of times per month experienced an overall multiple of 3.7X in four years.

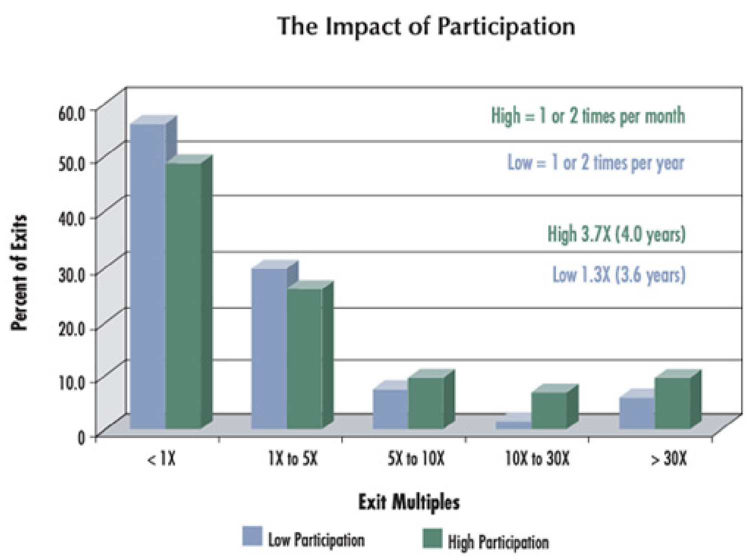
In contrast, investors who participated a couple of times per year experienced overall multiples of only 1.3X in 3.6 years."

Now, to be fair, most of our members aren't writing $25,000+ checks that are standard for angel investing...

Nor do they have the ability or desire to provide mentorship, coaching, or financial monitoring...

But you can still have a meaningful impact on the success of the business, even if you're not a large check writer.

The more value you can bring to these companies by providing product feedback, helping to generate new customers, or connecting them with potential strategic partnerships…



The more "control" you have over the potential returns each of your investments makes.

It's also another reason why a more focused approach to investing beats a "spray and pray" approach. You only have so much time, and if you don't have enough invested in the deal, it's not mathematically worth the effort.

We call this strategy...

THE CUSTOMER/SHAREHOLDER FLYWHEEL

And it's one of the hidden secrets behind some of the most successful companies in the world.

The philosophy behind this strategy is simple…

The very best companies are obsessively customer focused. However, most institutional investors – like venture capitalists and private equity firms – **<u>are not</u>!**

Instead, they are obsessively focused about delivering financial returns for their fund.

If that means forcing one of their portfolio companies to sell so they can look good on their annual report…

Screw the founders, screw the employees, and screw the customers!

After all, VCs and PE firms are professional investors – ***Sharks*** – who know how the game works at a level most founders don't...

And there's no shortage of founders who <u>deeply regret raising money</u> because they brought in the wrong investors with the wrong motives.

- But what if there was a different way for founders to capitalize their company?

A way that allows founders to focus all of their energy on building a great business that helps them achieve their true purpose in life?

A mission driven business that solves real problems, delights customers, creates great jobs…

And delivers extraordinary financial returns for the shareholders?

We believe there is.

And it all has to do with the most exciting trend in finance today: The Rise of the Retail Investor. (we'll talk more about this topic another day)

Thanks to The JOBS Act (i.e. Crowdfunding), there's an entirely new way to think about financing company growth.

Instead of relying on shiny – but potentially predatory – institutional money…

- What if founders could turn their customers – ***the people they exist to serve*** – into their shareholders?
- What if they could turn their vendors and suppliers – the people who help them deliver value to their customers – became shareholders too?
- What if everyone in the company was 100% aligned with doing whatever it took to build ***a community of people who shared the same values***, and are ***striving to achieve the same aspirational goal?***

And what if this new financing structure gave all of the stakeholders the opportunity to reach their financial goals – both short term and long term?

Chances are, it would create far better alignment when it comes to creating both Customer Value and Shareholder Value…

And this idea is why companies want to partner with the Equifund Community to grow their business.

Here's How The Customer/Shareholder Flywheel Works:

Imagine for a moment you're interested in investing in a promising startup, and you're looking for signs this business has traction.

Now, imagine for a moment that this business has customers who love the product and are actively paying to use it…

They believe in the company so much, they've decided to invest in the business and become a shareholder…

And the cherry on top? These ***Customer/Shareholders*** are actively promoting the company to other potential customers.

Before ***The JOBS Act*** – and Regulation Crowdfunding – came into existence, this was only possible with companies that were already public…

And at that point, even with overwhelming retail investor interest, there would already be a significant amount of institutional capital in the deal.

For example: Tesla's stock has arguably been driven entirely by the Customer/Shareholder Flywheel.

They make an incredible product people love. Elon's exciting vision for the future (and active Twitter account) seem to continually capture the public's attention.

And according to a Forbes article published on July 1st, 2020, became the world's most valuable car company with a $208 billion valuation (currently worth $745 bn as of September 14th, 2021).

[Disclaimer: this is not a recommendation or endorsement to buy or sell TSLA stock]

Now, I won't suggest that every entrepreneur is the next Elon Musk…

But thanks to Crowdfunding, they can – from the very early stages of their business – build a Customer/Shareholder Flywheel that builds loyalty, excitement, and drives their business towards the public markets.

And if you're looking for a way to get an edge as a private market investor and find your "perfect investment opportunity"…

Look for companies where you can become a ***Customer/Shareholder***.

As a ***Customer***, you may have intimate knowledge of the other competing solutions (as you've probably shopped around and tried them already)...

As a ***Shareholder***, you'll have the opportunity to influence what they do next (as they now serve your interests twice)...

As an ***Advocate***, you'll have the opportunity to help drive company growth by bringing in new customers (which can potentially grow your long term equity stake in the business).

And if they have an ***Affiliate Program*** – or an opportunity to be compensated for generating new business – it means you could potentially earn extra income along the way!

Now, to be fair, not all great investment opportunities will be companies you are a direct customer of…

But if you stick with companies who sell products and services you understand – or ones you'd be glad to endorse to people you know – the same concept applies.

But there's another decision most Pre-IPO investors may struggle with as well:

- **EXIT STRATEGY**: deciding when to sell can dramatically impact potential returns

Unfortunately, some people are looking for "Get Rich Quick" style returns and may be planning on dumping the stock when it goes public for a short term gain.

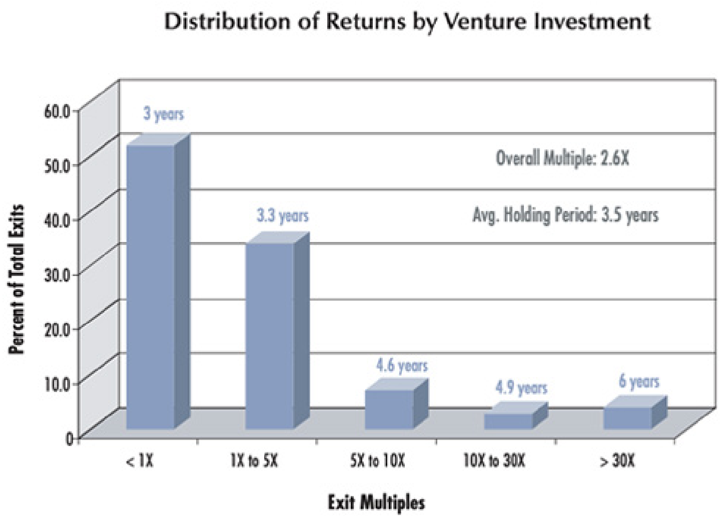
But according to the same study:

> *"[T]he length of time investors held their investments increased with each level of positive return; analysis indicated that **it is not unusual for group-affiliated angels with strong returns to hold their investments for more than ten years**.*
>
> *While the average hold period was 3.5 years, exits with a less than 1X multiple took only three years to achieve that result.*
>
> *The average years to exit were 3, 3.3, 4.6, 4.9, and 6 years, **demonstrating the importance of patience and non-liquidity in angel investing.**"*

Amazon, Apple, Microsoft, or Netflix… none of those companies shot for astronomical "10,000x+ gains" at IPO, quite the opposite.

It took years (even decades) of being a public company before their real value was unlocked.

And when it finally happened, those long-term investors reaped the rewards.



That's why it's so important to have a due diligence process!

Especially when it comes to buying educational programs, hiring professional service providers, or making an investment of any kind.

Because here's the reality about investing…

According to FINRA, *"All investments carry some degree of risk. Stocks, bonds, mutual funds and exchange-traded funds can lose value, even all their value, if market conditions sour. Even conservative, insured investments, such as certificates of deposit (CDs) issued by a bank or credit union, come with inflation risk."*

No matter what, ***there is always risk involved!***

And according to a 2005 Study called "Institutional versus Individual Investment in IPOs: The Importance of Firm Fundamentals", written

> *"Over a one-quarter horizon, institutions can identify firms that beat market benchmarks.*
>
> *Over the long-run, however,* ***institutions' advantage lies entirely in their ability to avoid firms that exhibit the worst performance.***
>
> *Institutions appear to rely heavily on readily available firm and offer characteristics when making their investment decisions.*

> *In contrast,* ***individual investors are less likely to consider such characteristics and, as a result, they invest disproportionately in poorly performing firms.***
>
> *However, a simple strategy of investing in higher quality firms, for example, firms with positive earnings prior to the IPO, would enable individuals to avoid much of this underperformance."*

Or put another way, more due diligence appears to be a defining factor in generating outsized returns.

If you'd like to learn more about investing in Pre-IPO opportunities, be sure to check out our library of Investor Education Webinars (go here to view).

Additionally, Equifund, LLC publishes a free newsletter called the Private Market Investor. **You can view the complete archives by clicking here.**

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