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Investing in Today's Hottest Trends

A modern day approach to
trend following in Pre-IPO companies

Disclaimer

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As per FINRA communication guidelines, we cannot discuss the terms of any offerings for the purchase of securities currently being made by any Issuer currently, or previously, listed on the Equifund Crowd Funding Portal.

Investing in private or early-stage offerings (such as Reg A, Reg S, Reg-D, or Reg CF) involves a high degree of risk. Securities sold through these offerings are not publicly traded and, therefore, are illiquid. Additionally, investors will receive restricted stock that is subject to holding period requirements.

Companies seeking capital through these offerings tend to be in earlier stages of development and have not yet been fully tested in the public marketplace.

Investing in private or early-stage offerings requires a tolerance for high risk, low liquidity, and a long-term commitment. Investors must be able to afford to lose their entire investment. Such investment products are not FDIC insured, may lose value, and have no bank guarantee.

On The Call

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The Big Idea in 146 Words

If you want to get in on exciting investment opportunities that have the potential for 100x+ gains, you have to take a different approach to investing than you might be used to.

Unlike publicly listed stocks that can be traded on a moment's notice, early stage investments often require a long term hold – 3, 5, even 10+ years before you can exit.

For this reason, the best way to think about Pre-IPO investing is like a long-term options contract: some will expire worthless, some will generate modest returns, and a tiny few have the potential for extraordinary gain.

However, this strategy is not for the faint of heart and risk averse. In order to set yourself up for long term success, you must rely on a process driven approach, not an emotionally driven one.

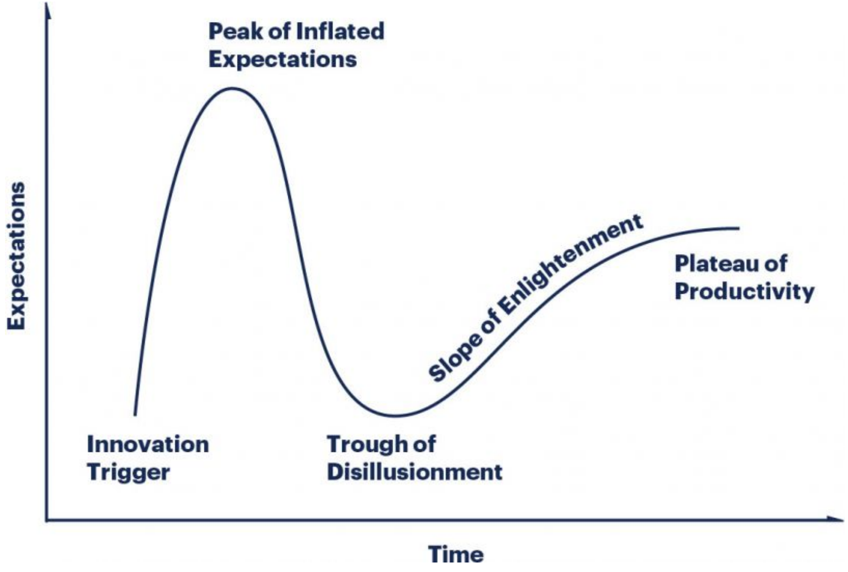
In today's presentation, we're going to talk about how to do this.

What's Driving the Change in the Markets?

The Hype Cycle

In early stage investing, there's almost no way to avoid the ***Hype Cycle***. Founders and CEOs have to tell an exciting story about the future – and their company – in order to raise capital at an attractive price.

But when faced with bold promises about new technologies, how do you seperate the hype from what's commercially viable? And when will such claims pay off, if at all?



Source: [Gartner]

What's Driving the Change in the Markets?

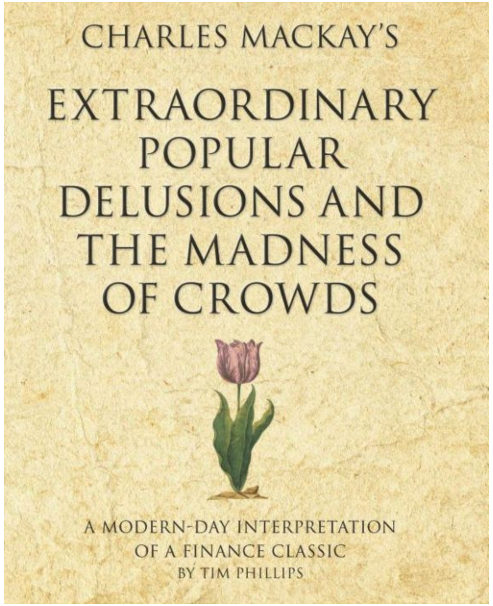
Crowd Psychology

The Hype Cycle – and a decade of cheap capital – can create a self-fulfilling prophecy that seems to push asset values higher and higher. Why? It all has to do with the completely irrational way humans behave in crowds.

According to Charles Mackay's now legendary book, ***Extraordinary Popular Delusions and the Madness of Crowds***, published in 1841…

> *"We find that whole communities suddenly fix their minds upon one object, and go mad in its pursuit; that millions of people become simultaneously impressed with one delusion, and run after it,* ***till their attention is caught by some new folly more captivating than the first."***

if you've ever wondered how people get sucked into what are – in hindsight – obviously scams and bubbles… Understanding how we are influenced by "popular opinion" is key to protecting yourself from these "mass delusions."

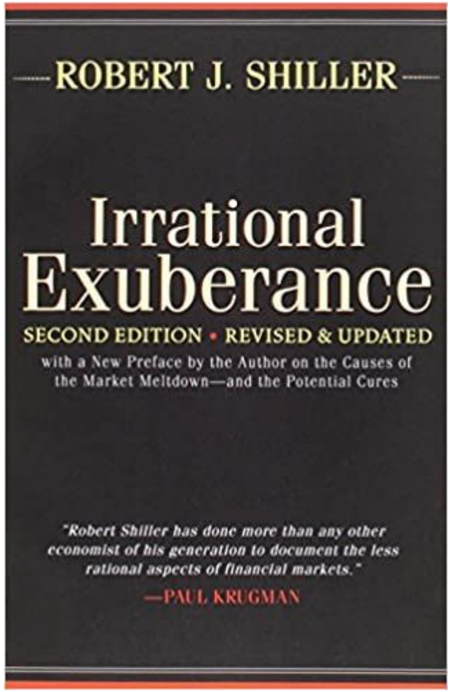


What Causes Bubbles?

Irrational Exuberance

"Irrational exuberance is the psychological basis of a speculative bubble," wrote economist Robert Shiller in his book ***Irrational Exuberance***, published in March, 2000.

He defined a bubble "***a situation in which news of price increases spurs investor enthusiasm, which spreads by psychological contagion from person to person***, in the process amplifying stories that might justify the price increases, and bringing in a larger and larger class of investors who, despite doubts about the real value of an investment, are drawn to it partly by envy of others' successes and partly through a gamblers' excitement."



Every Speculative Bubble Convinces Investors that the World has Changed in Ways that Make Basic Arithmetic Irrelevant

Innovation, new financial products, a booming economy, rising markets, new and exciting technologies, loose lending standards, new communication tools and people getting rich all over the place.

- Are you investing in something because other people are doing it? ***(Herding)***
- Are you buying something "worthless" in the hopes of selling it at a higher price? ***(Greater Fool Theory)***
- Or are you using ***a process for taking educated bets on highly speculative investment opportunities*** that has a chance of producing outsized returns? ***(Portfolio Building)***

In Every Bubble, Retail is the Exit

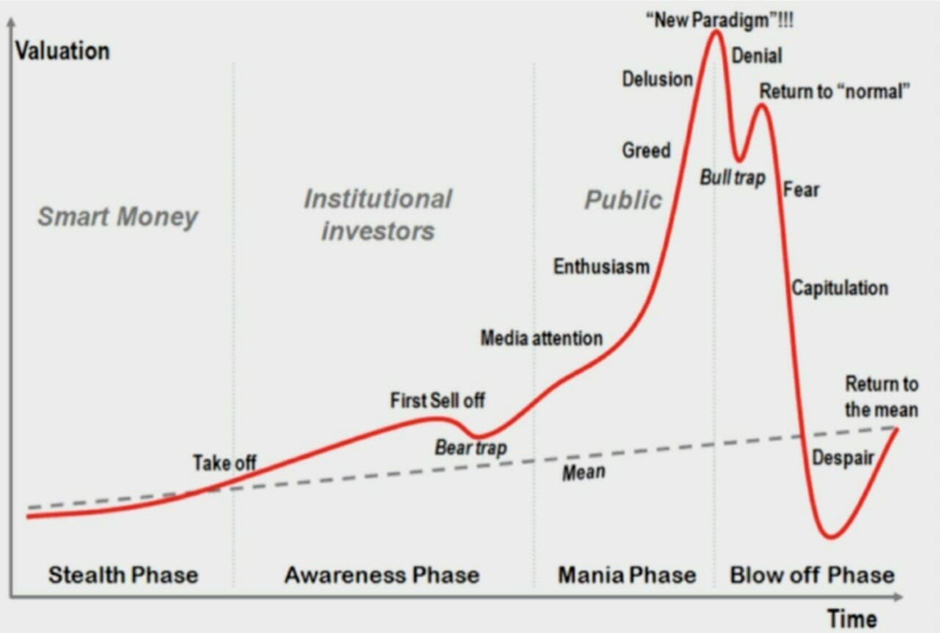
Insiders Win, Retail Loses

Unfortunately, financial bubbles are an unavoidable reality in investing.

The best we can do is understand why they happen…

How we can get in early enough to profit from the trends…

And what to do when one of our investments goes through the normal “boom bust” cycle.



Source: Listen Money Matters

The Old Paradigm

Capital is a Scarce Resource and Institutions have the Most Capital

If founders want capital, they have to play by the institution's rules

Insiders have all the leverage, and use it to negotiate deals that largely benefit them at the expense of others. (they get paid first, founders get paid last).

This creates a huge misalignment of incentives.

Image Source hypocriti-co

The New Paradigm

Capital has Never Been More Abundant

The venture capital industry was built on the premise that both capital and high quality companies are scarce. For most of the history of the industry, this has been true. But today, the model is wrong. ***Venture capital is abundant, and that fact should fundamentally change how founders fundraise.***[1]

Crowdfunding is fundamentally changing the way founders can get access to early stage capital. With the right group of retail investors – and proper deal structuring – more people can potentially benefit than the "already rich"

(1) Aaron K. Harris, published Feb 22, 2021, Abundant Capital

But There are Problems We Have to Solve...

Where do you get deal flow?

- Investment Advisors
- Angel Groups / Investment Clubs
- Newsletters
- Advertisements
- Crowdfunding Portals
- Broker Dealers (Secondaries)

But There are Problems We Have to Solve...

Is Your Deal Flow Any Good?

- **Adverse Selection Bias –** Do you have access to the very best deals? Or are you only getting what's left over?
- **Due Diligence Standards –** Are you seeing deals because they're good, or because it's "pay to play?"
- **Deal Structure + Valuations –** Are deals structured so you can win? Or someone else can win?
- **Track Record –** Does the deal source have a track record of success?

But There are Problems We Have to Solve...

Do You Have the Resources Available to Invest?

- Investment Minimums
- Investment Advisors
- Brokerage Fees
- Financial Planning Fees (Tax, Accounting)
- Risk Tolerance

The ***REAL*** Problem that Must be Solved?

Process, Not Predictions

For investors, the benefits of being able to accurately spot trends early – and the opportunities within them – are enormous. However, as Yogi Berra once said, “It's tough to make predictions, especially about the future.”

And yet, we are faced with this task of “predicting” – on a daily basis – as we try to make sense of the markets and search for money making opportunities.

Our solution to managing the madness as we search for investment opportunities worthy of consideration? Instead of trying to predict what will (or won't) happen next, we are more interested in gaining a clear understanding of what is actually happening ***right now***.

The Equifund Approach

A Process Driven, Top-Down Investment Approach to Sourcing, Selecting, and Supporting Portfolio Companies

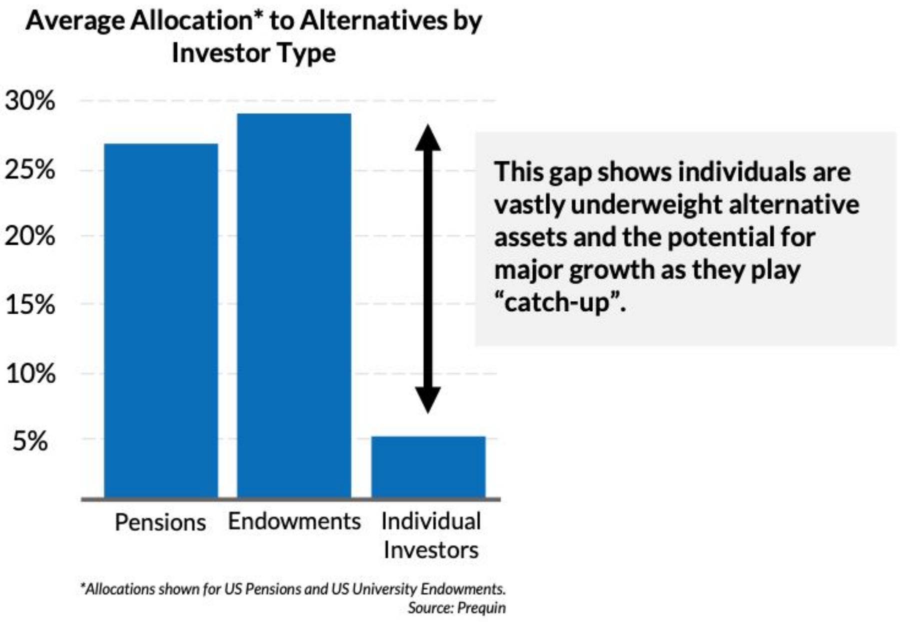
- **Mega Trends –** large, social, economic, political, environmental or technological changes that are slow to form, but once in place, can influence a wide range of activities, processes and perceptions, possibly for decades.
- **Opportunities –** Where is there a structural change in demand?
- **Problems –** What challenges exist with supply?
- **Technology –** What new technologies can overcome these challenges?
- **Catalysts –** Why now? Is this technology commercially viable?
- **Companies –** Who is building a scalable solution that needs capital?

Crowdfunding Has Changed Capital Markets

Retail Investors Want In…

This new technology is already causing a huge structural change in the demand for early stage investments.

What's missing? The infrastructure required to scale supply (early stage investments) to meet the demand (retail investors).



The Equifund Philosophy: “Investor First”

We Believe That…

- Great companies will always want great investors
- Great investors will go where money is being made
- The best way to generate returns is through proper deal structuring
- The best deal structure is one that gives everyone a chance to win together… not one that benefits the few at the cost of the many.
- The best way to win together is to create a ***scalable support system*** that helps our community of investors and portfolio companies gain a sustainable competitive advantage.

What We Look For

We are Sector Agnostic but Strategy Specific

- We look for companies that are looking to go public (or already are)
- We're looking for companies who see crowdfunding as a growth strategy, not a funding pool of last resort
- "What's hot" will change from year to year. But great management teams with a proven track record of success will always be in demand, and are likely to outperform across market cycles
- Curation vs Volume – Our business model supports higher quality offerings because we have skin in the game. We aren't listing fee driven, we are returns driven.

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Q&A

What Questions Do You Have?