

FIFTH ERA

*Advise, Develop, Invest*

# Plausible Futures of Crowdfunding

**Angel Capital Association Presentation  
San Diego, April 2015**

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# Introduction

## FIFTH ERA

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- Fifth Era: Managing Partner
- Keiretsu Capital: Managing Partner
- The Band of Angels Member
- McKinsey, AT Kearney, Monitor, Booz
- Christ Church, Oxford – Stanford MBA

[www.fifthera.com](http://www.fifthera.com)

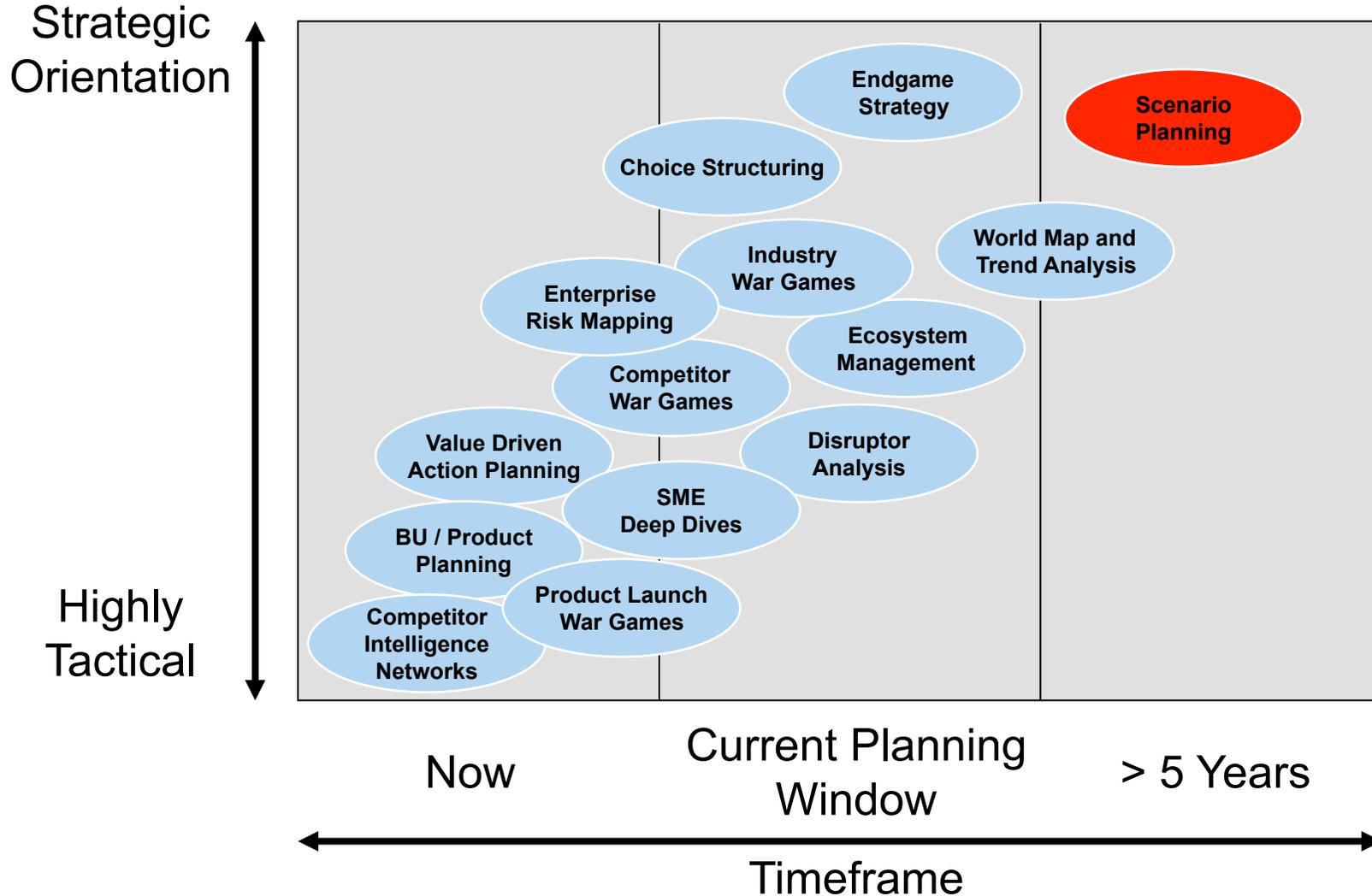
# Agenda

- Applying Scenario Planning to Crowdfunding
- Plausible Crowdfunding Scenarios
- Implications to ACA members:
  - Investors in Crowdfunding, Syndicate Operators, Lenders, Borrowers etc.

# Context

- One of world's leading digital companies
- Considering stance vs. crowdfunding
- To drive investment & bus. development activities
- Scenarios to ensure robust strategy process
- Today have agreed to share the highlights

# Methodologies for strategy during uncertainty



# What are Scenarios?

- Scenario planning provides a means for ordering perceptions about how the future may play out and determining ***what strategic decisions today offer the best chance of success tomorrow***
- Scenario planning challenges us to ***revisit assumptions*** and consider a wider range of possibilities about the future
- The point of scenario planning is not to predict the most probable future. Rather the objective is to develop and test strategic choices under a ***variety of plausible futures***
- In the absence of a well-developed set of scenarios, single-point forecasting and/or a reluctance to allow uncertainty leads to a (usually unconscious) projection of an ***“official future”***, which is the one assumed to be coming

Peter Schwartz  
GBN/Monitor Group

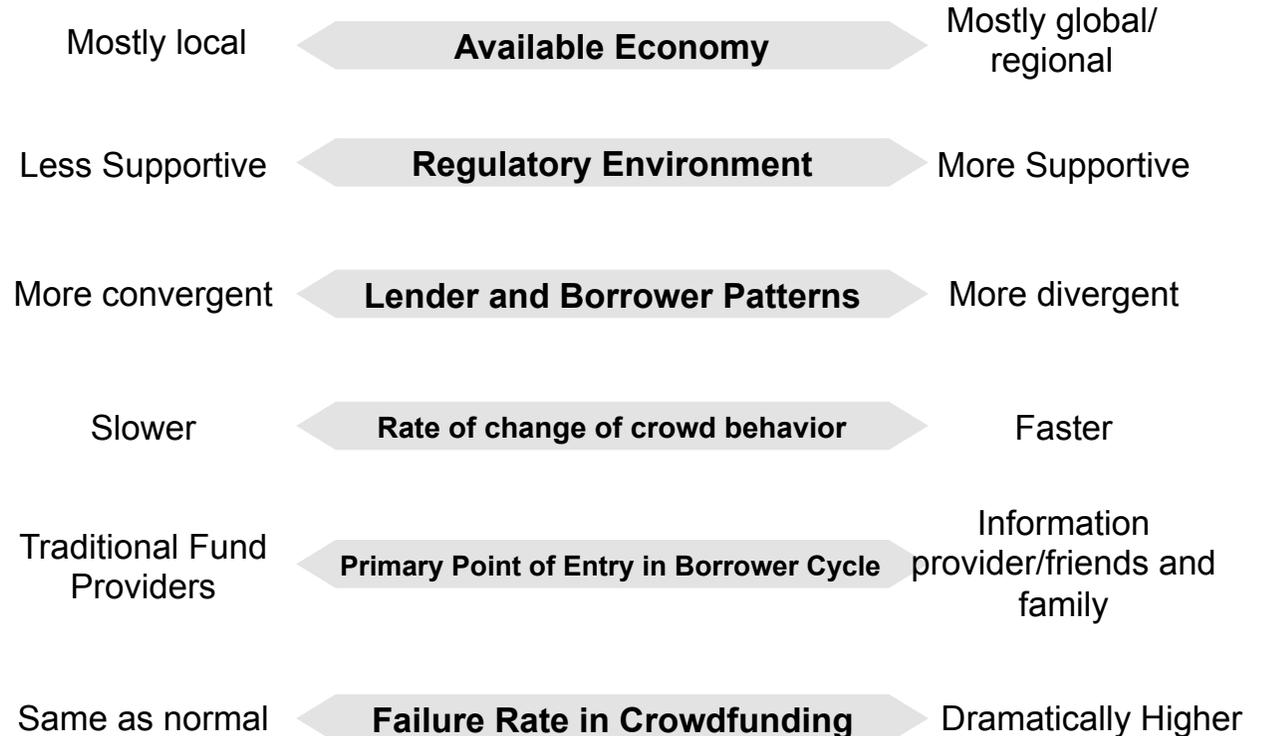
# Focal Question & Critical Uncertainties

**Focal Question: How will the landscape for Crowdfunding evolve over the next 5 years?**  
*And where/how should XXXXXX participate in the next 1-3 years?*

## Relative Certainties

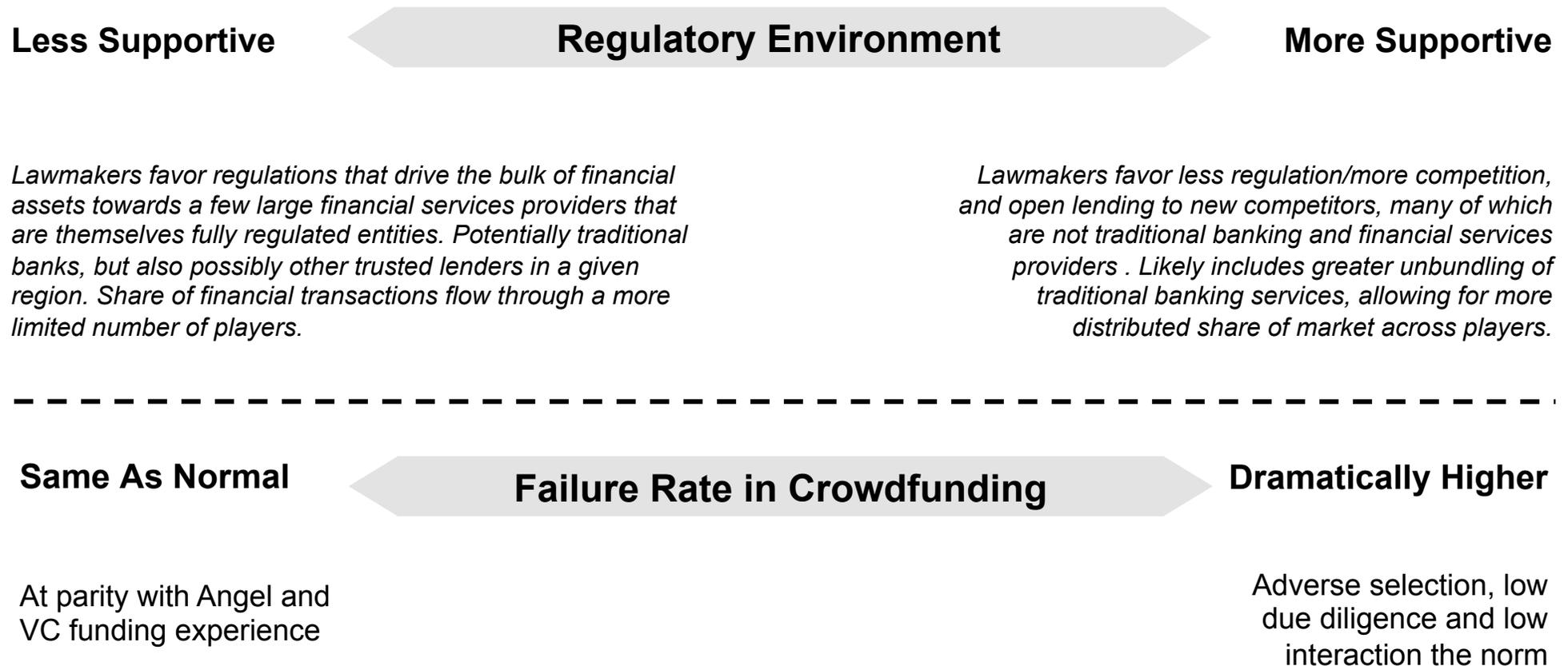
- Population growth, urbanization, mega cities
- Economic stimulus and job growth high on global agenda
- Increasing role of social networks
- Mobile and other device proliferation
- Increasing reliance on Digitalization to drive global growth
- Increasing and more sophisticated Internet security risks

## Critical Uncertainties



# Two Critical Uncertainties Used

*Ultimately, two critical uncertainties were chosen as the basis of the scenario framework*

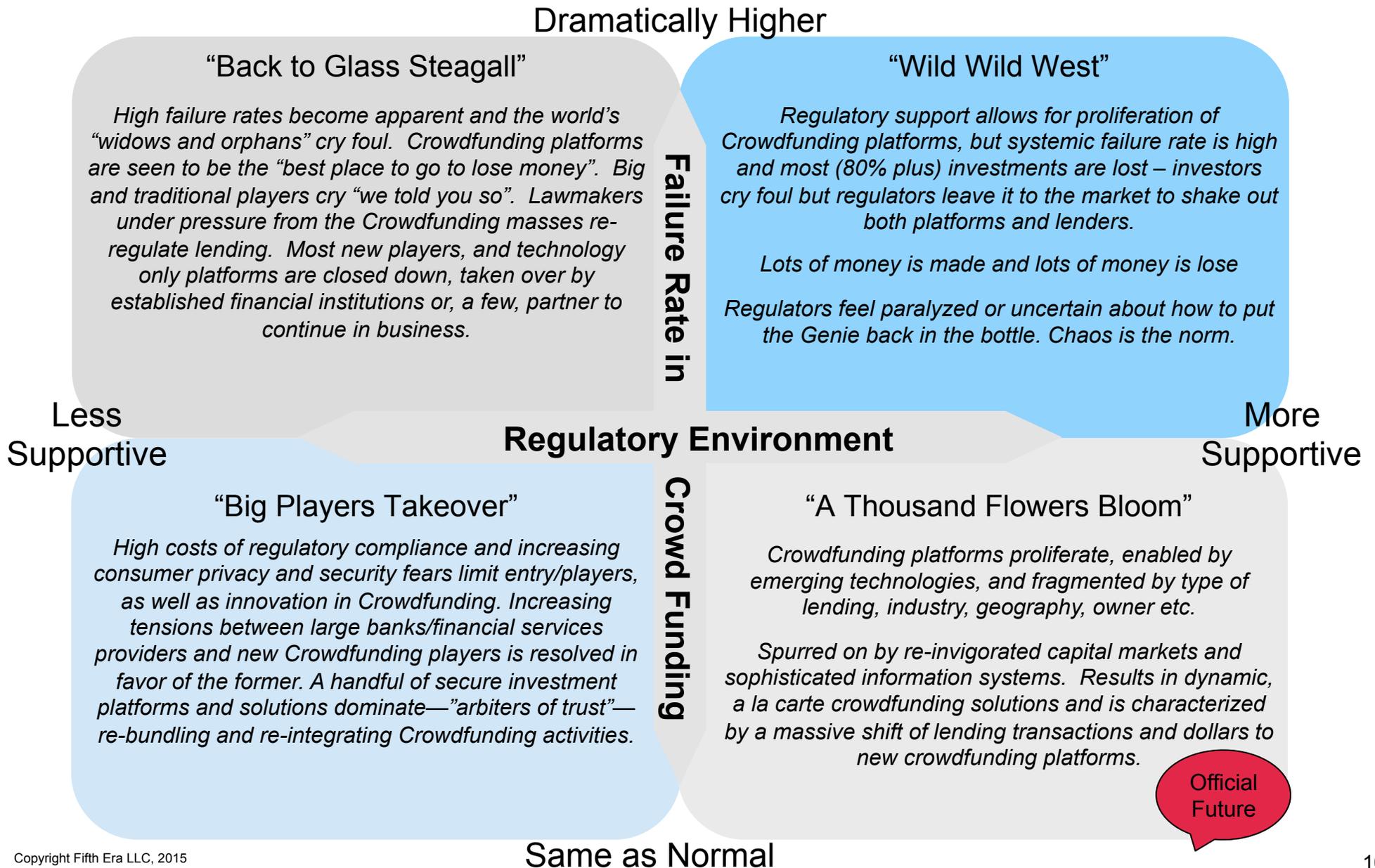


# Drivers of Angel Superior Returns

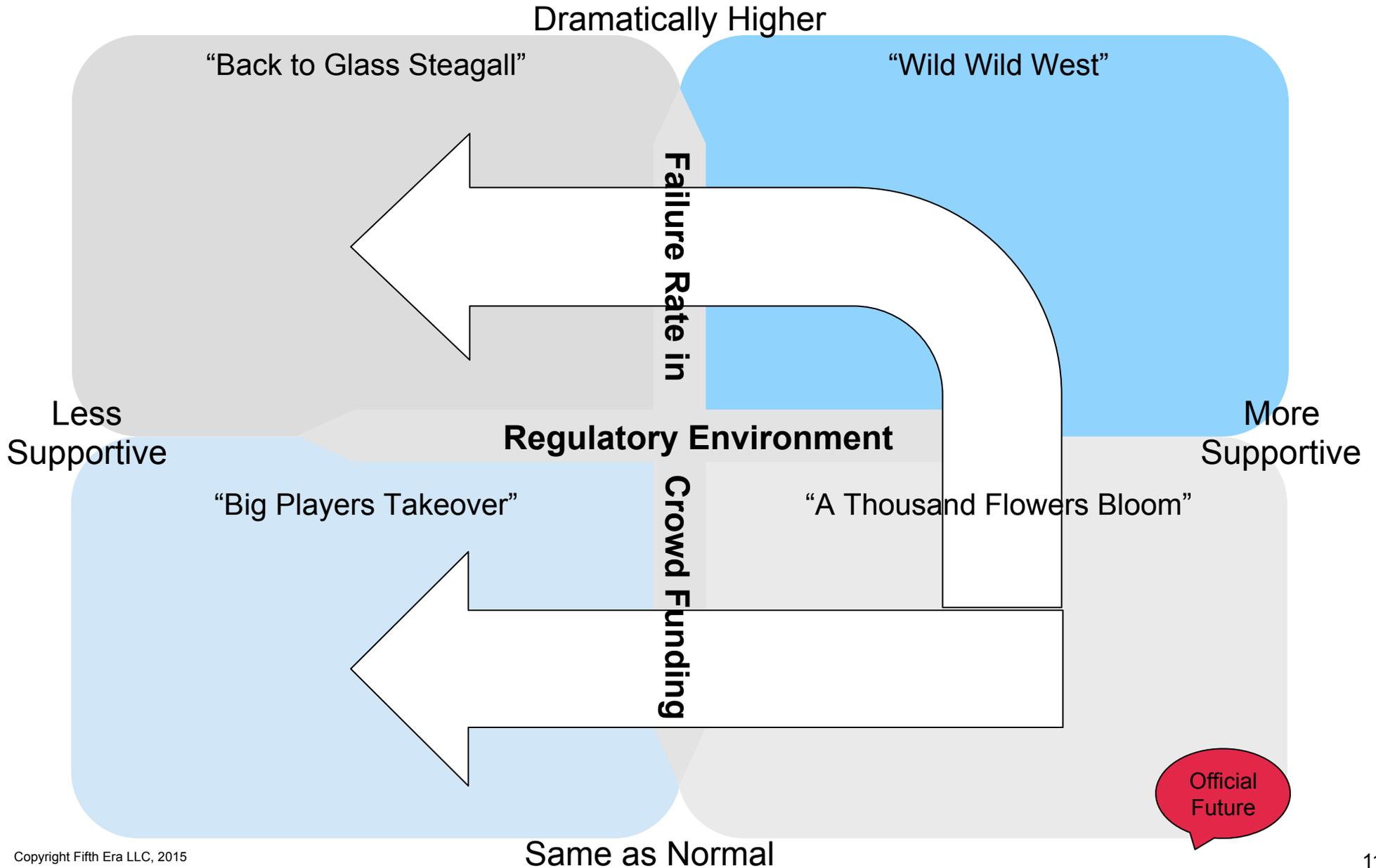
| Driver                                       | Comment   |
|--|---|
| Proprietary deal flow                        | Sourced from membership<br>Up to 70% for established angel groups   |
| Strong due diligence culture                 | Angels that spend more than <b>40 hours achieve a 5.9x return</b> compared to low diligence investors who achieve a 1.1x return*                              |
| Active participation in portfolio companies  | Angels who interact with portfolio companies each month <b>2 or more times achieve a 3.7x return</b> compared to passive investors who achieve a 1.3x return* |
| Deep expertise in investment areas           | Angels investing in areas of <b>direct industry experience</b> achieve multiples <b>2x as high</b> as those invested outside their expertise*                 |
| Tight relationships with follow on investors | Leading angel groups partner with venture capital and strategic investors to enable follow on rounds and exits  |

\* Source: Kauffman Foundation, Professor Wiltbank of University of Willamette

# Scenario Framework and Summaries



# Unstable “Official Future”



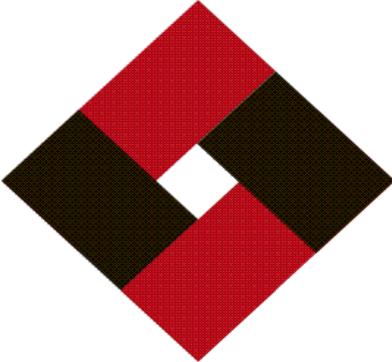
# Implications to ACA members?

- Consider how current strategies might differ in light of these futures?
  - Share dealflow, invest in deals, syndicate deals, invest in platforms, own
- What choices would you continue to take regardless – scenario neutral?
- Which choices would only make sense in specific futures?
- What early indicators of probable futures will you track?:
  - Failure rate in crowdfunding? (How to know what it is?)
  - The regulatory pendulum swinging back towards less open future? (SEC tracking)
- Is there a future you prefer? How would you make it come about?

# Examples of Fifth Era Actions



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# What's Next?

Slides:

[www.fifthera.com](http://www.fifthera.com)

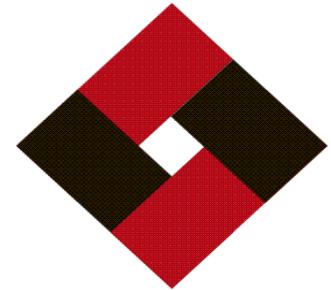
Questions:

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