Why Invest in Unicorn Companies (Part 2)

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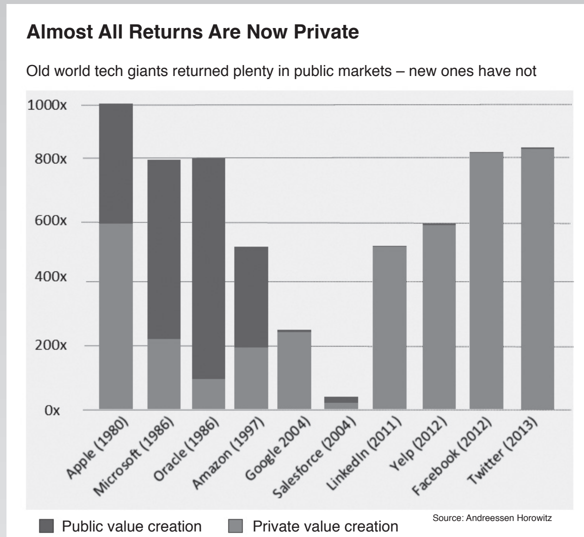
Increased regulations and market forces have forced venture-funded companies to stay private longer and there are now 200 global Unicorns that are collectively worth more than $700 billion. The average time to exit (IPO or sale) from startup phase is 8.2 years vs. 3 years in late 1999.

Given the elongated and prolonged funding and growth cycle, a greater portion of a company's valuation growth now occurs before it goes public. Investors buying after an IPO miss the significant growth in valuation that has already occurred.



Delayed IPOs prevent early investors and employees seeking to recognize profits, diversify their holdings, or perhaps buy a home. As a result, an innefficient, but active secondary market has materialized where liquidity can be obtained by selling to investors in privately negotiated transactions.

Investors seeking to obtain shares in private companies may do so in the secondary market. At times, shares can be acquired below previous financing round valuations. These, as well as "illiquidity discounts" may provide some downside protection in case the public market investors fail to value the business at a higher price. Risks investors assume when acquiring unicorns is pricing/valuation risk, limited access to corporate financials, and liquidity risk.

If you would like to learn about how to invest in Unicorns, please call us at 920.785.6010 or register on our website at www.endowmentwm.com/accredited-investor-signup/.

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