What is a Venture Capital Investment Thesis?

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What is a venture capital *Investment Thesis* and why is it so important to a thesis-based venture capital fund?

A venture capital *Investment Thesis* is a set of beliefs that determines whether or not to make a particular investment. A fund's *Investment Thesis* provides a written set of guidelines for when to take action and why. A clearly defined *Investment Thesis* helps investors establish goals and provides a way of measuring those goals. An *Investment Thesis* may be presented in written form or can be as simple as an idea.

Keeping something simple is often better than making things unduly complicated.

Some may be unfamiliar with Twitter and the concept of a Tweet. A tweet is a short post, idea, or small grouping of ideas shared with an account's followers. In its entirety, it can be no more than 140 characters in length. This length restriction means you cannot fit a lot of ideas into the space provided. It also means tweets must be brief, so choosing your words must be done carefully.

Chris Scheetz, founder of 1839 Ventures® and the 1839 Venture Funds™, believes venture capital investment should not be difficult. Therefore, the concept of keeping the *Investment Thesis* simple and brief appealed to him.

Below, in less than 140 characters, is the 1839 Ventures® – *Investment Thesis*:

> ***We invest in early and growth-stage companies who may scale effectively, are apt to dominate a given market, and display an exit potential.***

What does this venture capital *Investment Thesis* mean?

- **Invest** – 1839 Ventures®, through various pooled investment vehicles or venture capital funds, provide financing to chosen companies in exchange for an equity share or convertible notes in the company.
- **Early-Stage** – There are many different stages of a business, making up its entire life cycle. The definitions of these different stages can be rather broad and may vary widely, depending on who you ask. Early-Stage, to our funds, means the company has a fully-developed prototype of its product or service. A company at this stage is beyond the startup stage and has begun operations but may not yet be at the point of commercial manufacturing or sales. Their products or services may or may not be commercially available, or the business may have a few initial customers.
- **Growth-Stage** – At the growth stage, companies have had their first initial orders or perhaps a few customers. These companies are showing the ability to grow but may not be able to fulfill or support large orders and need financing to scale effectively.
- **Companies** – These are business enterprises, or firms, set up to conduct commercial business that maintains both the goal of longevity and the objective of future growth.
- **Scale Effectively** – No one wants to wait for a team that accomplishes nothing, wastes time, or spins its wheels. To gain investment from one of our funds, a company needs to demonstrate the ability to grow rapidly. Rapid growth is a plus, but just as important is scaling effectively. Being able to scale effectively can be a large part of a company's success. The business' potential and the team's perceived ability to do so will determine if our investment is a fit.
- **Apt to Dominate** – Market dominance is typically defined as the strength of a given product, service, or brand relative to competitive offerings. Businesses in line to receive an investment from 1839 Venture Funds™ must demonstrate these strengths. Businesses poised to dominate their given market usually can fall into three categories: Businesses may be a Market Leader with a brand new product in a new market. They also could be a Market Challenger, which may produce a better product or an improved service that captures market share. Firms may even dominate by being a Market Specialist, by filling a niche market.
- **Given Market** – Companies seeking investment should clearly understand their customers and the competitive landscape.

- **Display an Exit Potential** – As with any investment, the potential to make a return is the ultimate goal. Our funds do not invest in lifestyle businesses. These are businesses that aim to sustain a particular income level for the founder. A return on investment for our fund is typically produced by having a liquidity event. The two most common liquidity events are direct acquisitions by other corporations or private equity firms or an initial public offering (IPOs). Your company may also merge with another to have a liquidity event. A company must demonstrate the capacity and willingness to have a liquidity event to receive an investment from 1839 Venture Funds™.

1839 Ventures® uses this *Investment Thesis* because it helps remove some of the emotion from our investing. We highly believe that a solid *Investment Thesis* can be the foundation of a profitable portfolio.

The fund follows *Investment Thesis* best practices by reexamining our thesis each time there is new information related to a potential portfolio company. Having a sound *Investment Thesis* keeps the fund focused on the underlying business. As long as the fund's *Investment Thesis* remains intact, everything else can be disregarded.