GrowthFunders®
Online Investment Platform

Alternative Finance in 2016

GrowthFunders bring you our top 6 predictions for the alternative finance market in 2016.

Welcome to GrowthFunders

We're pioneering an online 'co-investment' platform that allows a range of investors to invest directly into businesses and projects with the potential to deliver **growth** and **impact**.

GrowthFunders are dedicated to supporting the most attractive, high quality, UK based projects and businesses. Our investment opportunities aim to give investors access to exciting projects and early stage companies that help drive the UK domestic economy.

We identify opportunities that have significant growth potential, precisely because they're helping to solve pressing long term challenges. Our approach allows us to look at businesses and projects in a different way and support investment opportunities across a broad range of sectors including, real estate and technology.

We work in partnership with the companies and projects we back, utilising our team's specialist skills and the outstanding network of contacts. We proactively engage with management teams on social and environmental issues, not just to mitigate risks but to identify opportunities that can create additional value.

- **Co-invest with retail, professional, & instituional investors**
- **FCA Authorised investment platform**
- **Rigorously pre-vetted investment opportunities**
- **Back projects and businesses you believe in**
- **Online dashboard to manage your investments**
- **Build a diversified portfolio to spread risk**

Purpose. Potential. Profit.

2015 was a year of significant growth in the UK Alternative Finance market with equity investments on the biggest crowdfunding platforms growing to **£198 million** in December.

Before that, in the three-year period between 2013 and the end of 2015, research showed that the amount of alternative loans provided to UK businesses grew from **$400 million** to **$6.7 billion**. This **1675% growth** is fantastic for both the alternative lending industry and SMEs, who are often considered to be the backbone of the UK economy.

And that's only the beginning.

In this free guide, GrowthFunders' co-founders, Craig and Norman Peterson, share their 6 predictions for the Alternative Finance marketplace in 2016.

1675%

growth of alternative loans in the UK.

1. Growth *and* Impact

We believe that investment opportunities which have the potential to deliver more than just financial returns will move to the forefront as they offer the perfect balance between investing for financial returns and making a positive social or environmental impact.

A growing number of traditional investors are embracing the idea of investing for growth and impact as they seek out businesses and projects which show potential in both areas.

There isn't a specific sector of business or project which can be defined as an impact investment. Instead, it could be anything from a carbon-free digital bank, to a chain of gyms in disadvantaged areas of the UK, to modular housing solutions which are not only cheaper and more energy-efficient than traditional builds, but also deliver training and job creation.

At GrowthFunders, we welcome investment opportunities based on their potential for both high growth and their ability to deliver in one or more of our 4 pillars of impact:

1. Sustainable living and working
2. Employment, skills, and training
3. Health and well-being
4. Environment, energy, and efficiency

across a number of growing and underserved markets.

2. A Closer Look

Whilst equity crowdfunding still may be seen as “alternative finance” (which we’ll come to later), it’s no longer the baby of the investment marketplace and is growing up quickly.

Part of its growth into what is now an established asset class and a major source of growth capital for UK SMEs includes transparency and this means being honest when it comes to funding failures in the sector.

According to research by the British commercial insurer, RSA, 50% of UK companies fail in their first 5 years. Findings from a report produced by AltFi.com found that only 12.5% of equity crowdfunding campaigns successfully funded on Crowdcube, Seedrs, Syndicate, Venture Founders, and CrowdBnk in 2011 have failed. This suggests that the success rates of businesses who raise capital through equity crowdfunding platforms are performing as well as, if not better than, their non-equity crowdfunded counterparts.

We believe that an increase in transparency when it comes to market failures, as well as successes, will encourage the publication of academic research, providing both policy makers and the public with a better understanding of the potential of equity crowdfunding and the asset class as a whole.

As part of a higher risk / higher return investment strategy, this asset class performs well, when done correctly. By taking steps to mitigate the associated risks, such as building a diversified portfolio and choosing Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) investment opportunities, the potential returns can be more-readily targeted.

3. Platforms Narrow Focus

Whilst the market is large enough to accommodate a number of online equity crowdfunding and peer-to-peer lending platforms, they need to showcase their differentiators.

This year, we believe we will see an increase in the number of platforms who narrow their focus and choose to specialise the raising of funds for niche markets.

Since we launched the GrowthFunders platform, we have honed our focus and now concentrate on businesses and projects from three key sectors:

1. Real estate
2. Clean energy
3. SME finance

as we believe we can originate, incubate, and deliver a higher quality of investment opportunities; those which have the potential for high growth and positive social and environmental impact.

4. Non-bank Rise

With the Alternative Finance market growing by more than **150% each year** (according to research conducted by NESTA and the University of Cambridge) and predicted to reach **£4.3 billion in 2016**, we believe that this will be the year AltFi finally drops its ‘alternative’ status and moves evermore into the mainstream.

Alternative funding options and non-banking solutions are rapidly becoming the go-to source of growth capital for SMEs as banks continue their hesitancy to lend to startup and early stage businesses.

An example of the rise in popularity of non-bank funding solution can be seen in the recent launch of a direct lending fund by Muzinich & Co. Along with investment from the British Business Bank, the £350 million fund attracted two of the UK’s largest local authorities.

A growing number of established funds are also taking to online peer-to-peer platforms in order to distribute capital and we believe this number will continue to rise as more institutional investors see the benefits of this marketplace.

5. Quality Over Quantity

Each platform has their own criteria when it comes to what opportunities they will list to investors. Unfortunately, this can sometimes mean that the quality of a deal is compromised in favour of the quantity of live campaigns.

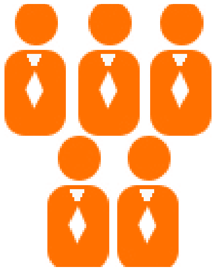
However, we believe that equity crowdfunding isn't just a numbers game.

Investors deserve to see high quality investment opportunities which have been rigorously vetted and show potential for high growth and positive impact, thereby offering investors a deal with the potential of better risk-adjusted returns.

We think that 2016 will see an increase in the quality of investment opportunities that are brought forward by online investment platforms. This change could be achieved by the platforms working more closely with the teams behind the businesses and projects they choose to list. A greater understanding -on both sides - would mean that potential and opportunities for improvement would be spotted much earlier, possibly enabling the teams to hit their targets quicker and more easily.

6. Co-investment & Syndication

Although it's not a new concept, we believe that co-investment through online equity crowdfunding platforms will become more popular this year, making the market even bigger. Depending on the structure of individual platforms, investors at all levels can invest alongside one another in a simple and fair manner.



A **retail or "crowd" investor** will usually invest between **£100 - £10,000** into projects and businesses and understands the high risks/high return nature of this investment strategy.

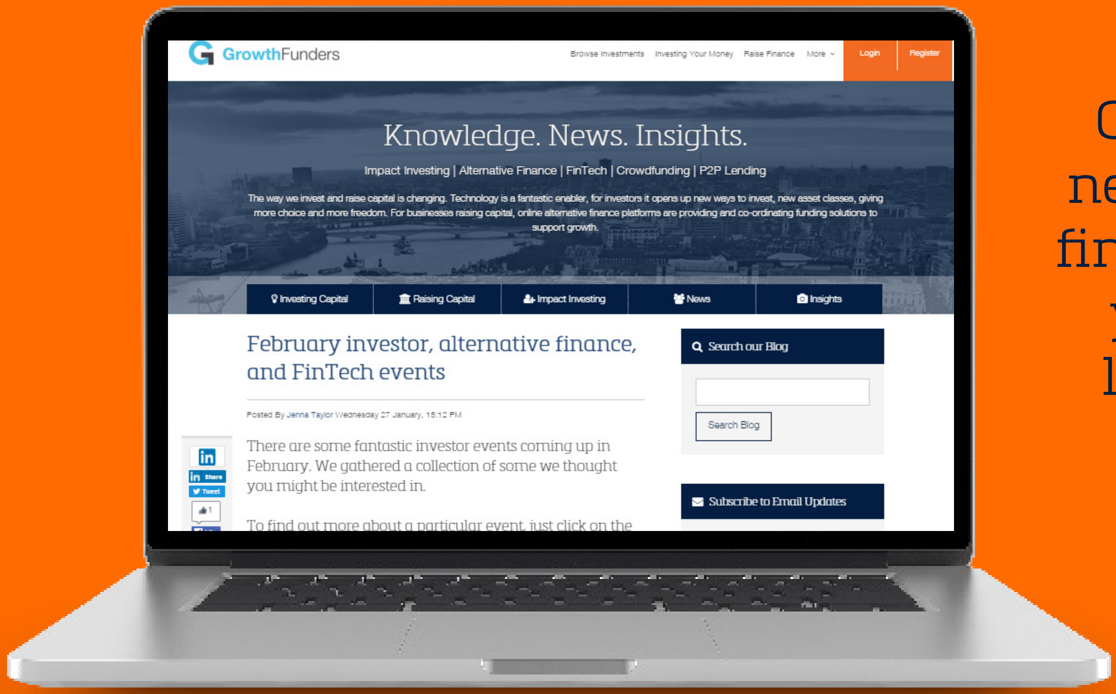
A **professional or "sophisticated" investor** will usually invest between **£10,000 and £500,000** directly into a business. Has the experience and knowledge to weigh potential risks and rewards of an investment opportunity.

An **institutional investor** is an entity which pools money in order to purchase securities, real property, and other investment assets from **£50,000 upwards**.

Although each investment opportunity is different, the interest of one type of investor can attract another. For example, if a large number of retail investors invest smaller amounts, this can encourage professional investors to take a closer look at the opportunity. Alternatively, anchoring a deal with a sector-specific institutional investor can encourage both retail and professional investors to consider the opportunity.

When it first began, equity crowdfunding did appear to attract only "the crowd" but as the market has matured, institutional investors are clearly and increasingly seeing the value of online platforms.

Discover more on our blog



Our blog provides you with the latest news and insights from the alternative finance marketplace, as well as keeping you up to date on the progress of all live, and up and coming investment opportunities.

Visit the blog

Impact Investing | Alternative Finance | FinTech | Crowdfunding | P2P Lending

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