Alumni Ventures

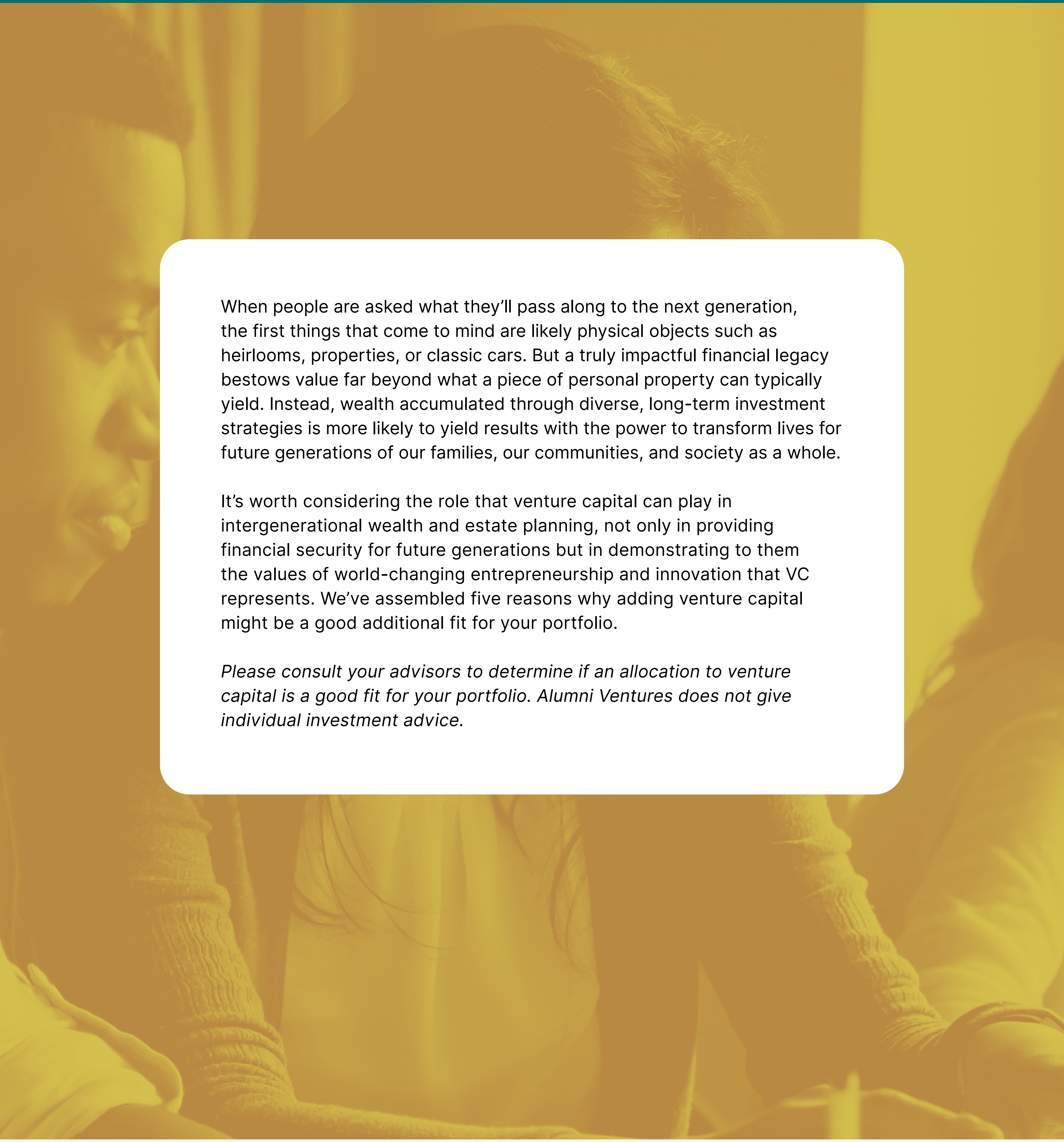
Network-Powered Venture Capital

eGUIDE

Intergenerational Investing

5 Reasons to Consider Making Venture Capital Part of Your Financial Legacy

For Important Disclosure Information, please refer to the Important Disclosure section on page 14 of this presentation.



When people are asked what they'll pass along to the next generation, the first things that come to mind are likely physical objects such as heirlooms, properties, or classic cars. But a truly impactful financial legacy bestows value far beyond what a piece of personal property can typically yield. Instead, wealth accumulated through diverse, long-term investment strategies is more likely to yield results with the power to transform lives for future generations of our families, our communities, and society as a whole.

It's worth considering the role that venture capital can play in intergenerational wealth and estate planning, not only in providing financial security for future generations but in demonstrating to them the values of world-changing entrepreneurship and innovation that VC represents. We've assembled five reasons why adding venture capital might be a good additional fit for your portfolio.

Please consult your advisors to determine if an allocation to venture capital is a good fit for your portfolio. Alumni Ventures does not give individual investment advice.

#1

Ground-Level Access to Emerging Industries

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One attractive feature of venture capital is the ability to invest in evolving and transformative companies before they go public. Some of the biggest players in the tech space and beyond were fueled by private equity. VCs played integral roles in the success of each of the so-called Big Five: Google, Facebook, Amazon, Apple, and Microsoft. These were large investments made with seemingly long odds that ended up creating not just new markets but entire industries. Financially, the right portfolio of investments made early in the right companies can pay long-term dividends with enduring, multi-generational value.

#2

Venture Assets Often Outperform Public Asset Returns

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Venture is increasingly overtaking public assets in terms of the potential for future returns. According to a 2019 data snapshot composed by Cambridge Associates, venture investments outperformed their public counterparts over many periods, sometimes by as much as 10%. While venture assets possess more risk than their publicly traded counterparts,[1] that risk scales with a higher potential for outsized returns. By carefully selecting venture opportunities in addition to publicly traded assets, smart estate planning can increase earning potential from your financial legacy. Venture assets also benefit from being largely uncorrelated[2] to public market performance.

1 Maureen Austin and David Thurston, "Venture Capital Positively Disrupts Intergenerational Investing," Cambridge Associates, January 23, 2020.

2 Abe Othman, "Innovation isn't Correlated with the Markets," AngelList Venture, May 12, 2020.

#3

Reduce Long-Term Portfolio Risk Through Diversification

Be it publicly traded assets or private investments, there is always risk associated with virtually all investing strategies. However, one of the primary ways you can reduce the risk is through diversification. One of the key strategies Alumni Ventures employs is diversifying venture investments widely over stage, sector, and geography. Not every investment will pan out, but wide investment coverage helps to reduce the risk of loss[3] and can increase the chance that even a small investment could result in outsized returns in the future.

3 "Why diversification matters," Fidelity.com.

#4

Demonstrating the Value of Long-Term Investments

The nature of venture investments means identifying and investing in potentially ground-breaking technologies and future market disruptors before they're established. In terms of entrepreneurship, venture opportunities are at the tip of the spear. Depending on the investment, it can take a decade or more to fully realize returns. The long-term nature of venture capital[4] can make the assets ideal to pass down to future generations as a demonstration of the patience and financial fortitude required to bring transformative investments to fruition. Incorporating long-term investing into estate planning can also afford investors the ability to ride out temporarily challenging market conditions.

4 "Why Invest in Venture Capital as an Asset Class," Gobeyond.captial, December 2, 2020.

#5

Investing for Social Impact and Innovation

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Venture investing in impactful causes is of growing interest to many investors, especially younger generations, given its promise to move the world toward a more sustainable and inclusive future. Venture capital can play an outsized role in addressing many of our most challenging economic, environmental, social, and technological problems. Impact investing may also take the form of financially backing a company founded by members of an excluded or otherwise historically disenfranchised group. Some venture opportunities center around investing in companies offering products or services to underserved populations that larger, more mainstream companies may overlook. Additionally, the next generation may be more aware of and involved in supporting cutting-edge innovations and technologies as early adopters. Investing in impactful causes and early-stage innovations allows investors to commit capital to ventures that can improve and remake the world as well as their financial worth.

Key Takeaways

Venture capital opportunities through a company such as Alumni Ventures can be a meaningful part of your generational wealth planning. It’s an opportunity to get in on the ground floor of industry-changing companies, potentially outperform publicly traded assets, and build intergenerational wealth. Finally, a well-diversified venture portfolio can help the next generation gain a deeper appreciation of the risk, rewards, and values that make entrepreneurship possible.

If you’re seeking to build an intergenerational portfolio, our team is ready to help you add venture to your financial legacy.

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The manager of the AVG Funds is Alumni Ventures Group (AVG), a venture capital firm. AVG and the funds are not affiliated with or endorsed by any college or university. These materials are provided for informational purposes only. Offers of securities are made only to accredited investors pursuant to each fund's offering documents, which describe among other things the risks and fees associated with the Fund that should be considered before investing. The funds are long-term investments that involve a substantial risk of loss, including the loss of all capital invested. Past performance is not indicative of future results. Opportunities to invest in any security (of a Fund, of AVG or in a syndication offering) is not a guarantee that you will be able to invest and are subject to all terms of the specific offering. Diversification cannot ensure a profit or protect against loss in a declining market. It is a strategy used to help mitigate risk.

AVG offers smart, simple venture investing to accredited investors. Specifically, AVG provides a path for individuals to own an actively managed diversified venture portfolio with a single investment co-investing alongside experienced VC firms. Traditionally, with limited investment capital and contacts, individual investors have had limited access to desirable deals alongside experienced VC firms, and even if they could access one or more such deals, it would take an inordinate amount of time, money and negotiation to build a diversified portfolio. With AVG Funds, investors can choose from a number of funds to make a single investment to gain exposure to a diversified portfolio of investments selected by an experienced manager. AVG Funds' simple fee mechanism permits investors to avoid constant capital calls throughout the life of the fund as found in other private investment vehicles.

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