

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

June 19, 2015

InvestX Capital Ltd. - Private Equity Platform for Retail Investors

Sector/Industry: Private Equity

www.investx.com

Offering Summary	
Issuer	InvestX Capital Ltd.
Offering	Up to US\$3.3M
Securities Offered	Common Shares
Price	US\$1.27 per share
Minimum Subscription	US\$50,000
Distributions	Distributions may be made upon a liquidity event
Eligibility for Registered Plans	N/A
Redemption	N/A
Auditor	DMCL
Sales Commissions	up to 7% of the gross proceeds

- Based on a term sheet prepared in May 2015.
- This offering is only for accredited investors.

FRC Rating	
Expected Return	N/A
Rating	N/A
Risk	5

*see back of report for rating and risk definitions

Investment Highlights

- InvestX Capital (“Company”, “InvestX”) was formed to provide retail investors with access to institutionally backed private equity (“PE”) and later stage venture capital (“VC”) investment opportunities in the US and Canada.
- Recent regulatory changes in the US and Canada have made it possible for private companies to solicit accredited and retail investors for funding, subject to meeting certain conditions.
- Traditionally, retail investors have had very limited opportunities to make PE investments, primarily because the minimum investment amount per investor is typically \$1 - \$2 million.
- Through special purpose vehicles (“SPVs”) and limited partnerships (“LPs”), InvestX raises and aggregates smaller investment amounts from retail investors, and makes a single large investment. InvestX is the first and only company to adopt such a business model in Canada. They are also one of the early adopters in the US. Securities are distributed through a partner Exempt Market Dealer (“EMD”).
- The company partners with established PE firms for deal flow. Their focus is on high-profile mid / late stage private companies.
- InvestX generates revenues by charging a 2% p.a. fee on the total assets under management (“AUM”) by each of their SPV / LP, and a 20% share of the profits upon liquidation.
- Private equity has been one of the best performing asset classes in history. According to Cambridge Associates, as of June 2014, the 5 year and 10 year historic returns of the US Private Equity Index was 17.7% p.a. and 14.3% p.a., respectively.
- Since inception, InvestX has offered three investment opportunities to its members, including two high - profile U.S. based offerings with strong institutional backing. Management states their new offering is a basket of investments in a wide range of companies with critical mass, such as Airbnb, Spotify, Palantir, Space X, Lyft, etc.
- In this offering, InvestX is raising up to US\$3.3 million (by issuing common shares) to fund their working capital for the next 24 months.

Risks

- The company is a startup and its business model is new.
- Ability to grow membership and PE partners.
- Access to high-quality transactions at reasonable valuations.
- The company has a burn rate of \$150k - \$200k per month at this time, and management does not expect to achieve profitability prior to 2018.
- As the company has yet to prepare audited financial statements, we have not been able to confirm / review its burn rate, capital structure, etc.
- InvestX’s SPV / LPs may invest in US offerings, so the company may be subject to exchange rate risk.
- No redemption options.
- No annual distributions / dividends announced.
- The company may be required to raise additional capital and future financings may be done at lower share prices, diluting existing shareholders.
- The company may take on debt.

Background

InvestX Capital, based out of Vancouver, BC, and launched in February 2014, was formed to provide retail investors with access to private equity investment opportunities in the US and Canada, that until now, have only been accessible to institutional investors.

InvestX’s focus is on high-profile mid / late stage private companies with much lower risk profile than early stage venture capital investments. Traditionally, the minimum investment amount per investor for such investments is typically \$1 - \$2 million, which makes these investments prohibitive for retail investors. By forming special purpose vehicles (“SPVs”) or limited partnerships (“LPs”) for each investment opportunity, InvestX aggregates small investments, ranging from \$2,500 to \$200,000 per retail investor, and makes a single large investment. InvestX currently partners with four established PE firms to source deals.

InvestX is the first and only company to adopt such a business model in Canada. There are a few highly successful companies that have adopted a similar business model in the U.S., but they are focused on either venture capital investments, or peer to peer lending (discussed later in the report). US based LendingClub Corporation (NYSE: LC; market capitalization – US\$6.9 billion), the world’s largest peer-to-peer lending platform, went public in December 2014 through a \$900 million initial public offering (“IPO”).

InvestX generates revenues by charging a 2% p.a. fee on the total assets under management (“AUM”) by each of their SPV / LP, and a 20% share of the profits upon liquidation. The company launched its beta platform (www.investx.com) in December 2014, for potential investors to review and conduct due diligence on their offerings. Management’s primary goal now is to build traffic to the platform, and grow their membership base of targeted investors seeking PE investments. A large membership base is highly critical for the success of InvestX’s business model, and will provide them with the following key benefits – a) the ability to raise capital quickly and grow the AUM, and b) ability to attract high quality PE/VC partners and their deal flow.

Currently, the SPV / LPs formed by InvestX, and sold through their EMD partner, can only accept investments from accredited investors in the U.S. and Canada. In Canada, InvestX’s offerings are distributed to investors through Waverley Corporation Financial Services, an Exempt Market Dealer based out of Toronto, Ontario. As for the U.S., InvestX is allowed to directly solicit and take investments from accredited investors. In September 2013, the U.S. Securities and Exchange Commission enacted Title II of the JOBS Act permitting the solicitation of PE investment opportunities to accredited investors. Prior to this ruling, general solicitation and advertisements were not allowed. Management intends to expand their membership base to unaccredited investors as well going forward. In order to raise capital from unaccredited investors in Canada, the SPV / LPs formed by InvestX will have to prepare an Offering Memorandum, so the financing (offering) costs will be slightly higher.

**Private Equity
Space**

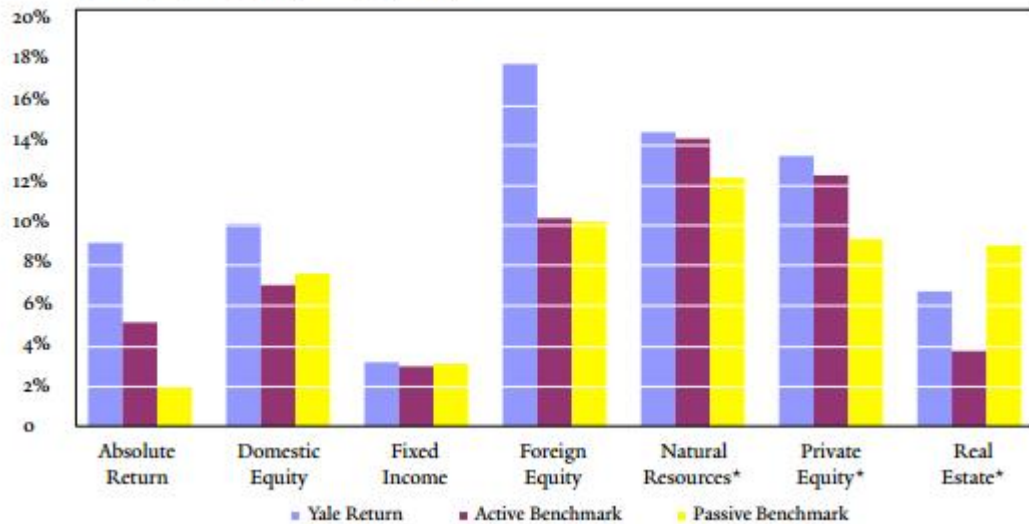
The traditional business model of PE firms is to acquire controlling positions in private companies, restructure/repackage the companies (*through operational / management changes and/or capital infusion*), and try to maximize the value of those companies through exit strategies such as Initial Public Offerings (IPO), merger/acquisition, or refinancing/recapitalization. PE and late-stage VC firms also tend to invest in high-profile

private companies that have the potential to go public or be subject to a merger/acquisition over a 3 – 5 year time horizon. Their expectations are typically double digit annual returns.

The following section provides an overview of the historical performance of PE firms.

Private equity is an alternative asset class that has offered attractive returns in the past. As shown in the chart below, private equity was one of the best asset classes in the Yale Endowment Fund returning 14.4% p.a. from June 2003 to June 2013.

Yale Asset Class Results Beat Most Benchmarks
June 30, 2003 to June 30, 2013



Source: Yale Endowment

The following table shows the historic performance of private equity relative to major indices, as of June 2014. **PE clearly outperformed all the indices for the investment time horizon of 10+ years.**

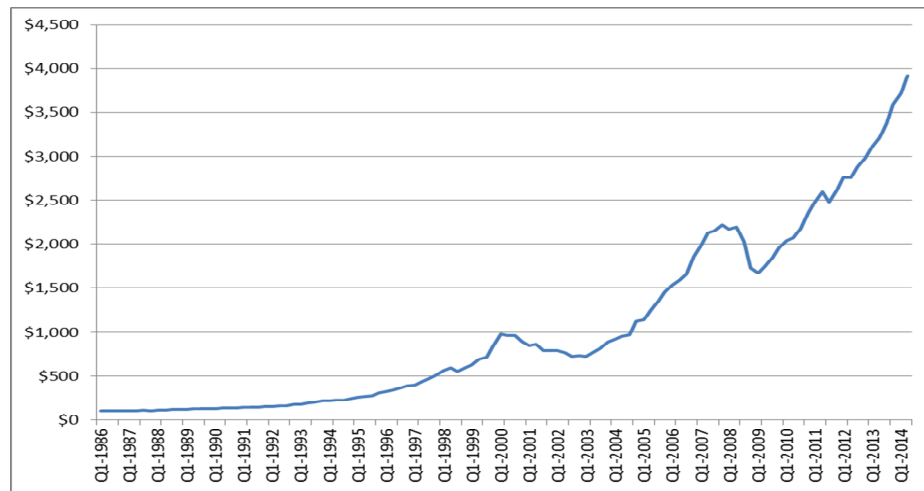
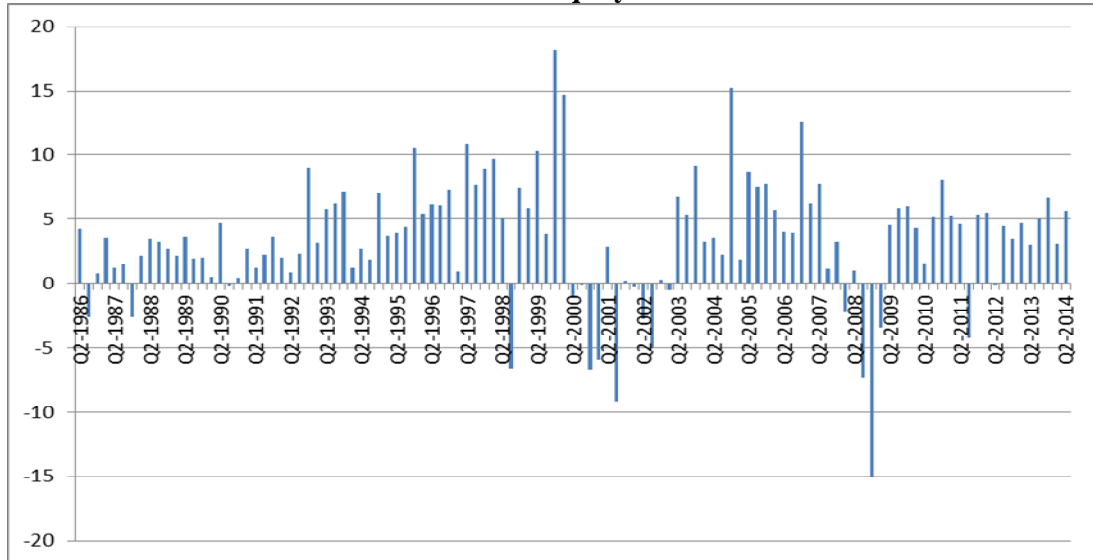
U.S. Private Equity Index and Selected Benchmark Statistics

Index	1-Quarter	YTD	1-Year	3-Year	5-Year	10-Year	15-Year	20-Year	25-Year
Cambridge Associates LLC U.S. Private Equity Index ^{®1}	5.65	8.89	22.42	14.52	17.72	14.26	11.91	13.95	13.84
Barclays Government/Credit Bond Index	1.92	3.94	4.28	4.08	5.09	4.94	5.66	6.18	6.64
Dow Jones Industrial Average Index	2.83	2.68	15.56	13.57	17.83	7.63	5.34	10.48	10.75
Dow Jones U.S. Small Cap Index	3.48	6.63	25.70	15.61	22.02	10.07	9.92	11.52	NA
Dow Jones U.S. TopCap Index	5.13	7.19	24.96	16.52	19.10	8.22	4.68	9.84	NA
Nasdaq Composite Index*	4.98	5.54	29.53	16.70	19.16	7.97	3.36	9.59	9.70
Russell 1000® Index	5.12	7.27	25.35	16.63	19.25	8.19	4.80	10.00	10.07
Russell 2000® Index	2.05	3.19	23.64	14.57	20.21	8.70	8.01	9.81	9.74
S&P 500 Index	5.23	7.14	24.61	16.58	18.83	7.78	4.35	9.79	9.89
Wilshire 5000 Total Market Index	4.87	7.01	24.93	16.30	19.15	8.28	5.08	9.89	9.93

Source: Cambridge Associates

The following chart shows the quarterly performance of the US Private Equity Index (Cambridge Associates) from Q1-1986 to Q2-2014.

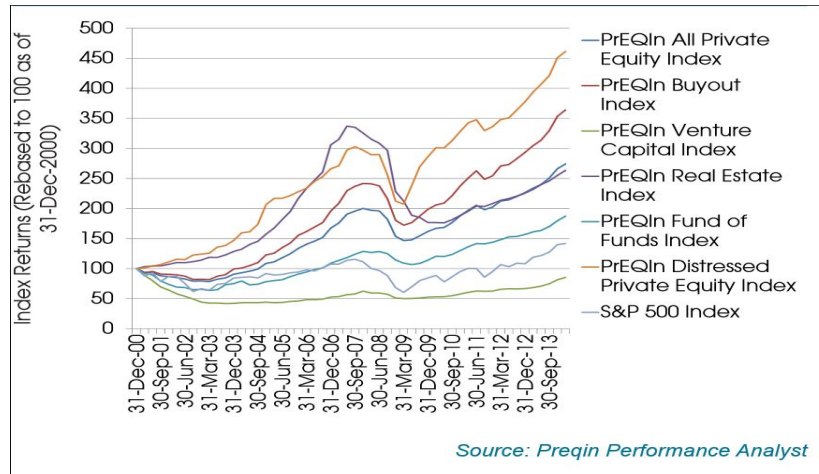
U.S Private Equity Index



Source: Data by Cambridge Associates

A \$100 investment in Q1-1986 would have grown \$3,921 by Q2-2014, reflecting a return of 13.7% p.a.

Prequin provides research on alternative investments and tracks over 6,200 PE funds worldwide. From the chart below, we can see that most PE strategies outperformed the S&P 500 from 2000 to 2013.



Low valuations – Another key benefit of PE investments are the low valuations compared to public company valuations, primarily due to the premium paid in the public markets for the ability to buy or sell the investment at any time; also known as the liquidity premium. The following table shows the average valuation multiple (Enterprise Value to EBITDA) of private companies in the U.S. As shown, the average Price to EBITDA multiple is 4.0 – 5.0x, much lower than the 5x – 13x observed for public companies.

	Q3 2014	Q2 2014	Q3 2013
<\$500K	2 (SDE)	2 (SDE)	2.0
\$500K-\$1MM	2.5 (SDE)	2.8 (SDE)	2.8
\$1MM-\$2MM	3.3 (SDE)	3.1 (SDE)	3.0
\$2MM-\$5MM	4.0 (EBITDA)	4.5 (EBITDA)	4.3
\$5MM-\$50MM	5.1 (EBITDA)	5.4 (EBITDA)	5.8

Source: IBBA (SDE: seller’s discretionary earnings)

All the above data / sources clearly indicate that PE investments have performed well in the past, indicating that there will be a strong demand from retail investors to get exposure to this sector.

Background and Management Team

InvestX was formed by Marcus New, founder of Stockhouse.com, one of the largest Canadian retail financial communities with 950,000 visitors each month. Mr. New assembled a team, some of whom are former employees of US based Manta, an online small-business service directory and search engine with about 20 million unique visitors a month. InvestX currently has 10 employees, eight based in Vancouver, and one each in Columbus, Ohio, and Calgary Alberta.

In March 2014, InvestX raised \$2.15 million (\$1 per share) as seed capital from five institutions, namely the U.S. Global Funds, Pathfinder Asset Management, Mercury Capital,

Mutual Capital Alliance, a full-service fund administrator (Meridian Funds), and a group of angel investors including Marcus New who invested \$0.25 million. Marcus New owns 5.65 million shares (73%) of the total 7.72 million shares outstanding at the moment.

The company is currently planning to raise up to US\$3.3 million at US\$1.27 per share. The funds will be used for working capital. InvestX currently has a burn rate of approximately \$150k - \$200k per month.

Brief biographies of the management team members, as provided by the company, are presented below.

Marcus A. New, BA - Chief Executive Officer

Marcus New is a passionate and experienced entrepreneur with a strong track record of success. He is the founder and chairman (and previously the CEO) of Stockhouse, Canada’s leading financial community and a global hub for affluent investors, with up to 1 million unique monthly visitors. Prior to launching Stockhouse, Marcus built Stockgroup Media, an online information company whose client base consisted of 13 of the top 25 Canadian brokerage firms, 14 of the top 15 global institutional sales desks, and over 200 hedge funds. Marcus is an active participant in the entrepreneurial community, having served as the past President of the Vancouver Chapter and Canadian Conference Chair for the Entrepreneurs Organization (EO) and a finalist for Ernst & Young’s “Entrepreneur of the Year.” Marcus is an alumni of MIT’s prestigious “Birthing of Giants” program (completed the course in 2004). He also co-founded the Equity Crowdfunding Association of Canada (ECFA), with a mandate to support, educate and develop the Equity Crowdfunding industry in Canada. Marcus holds a B.A. with Business major from Trinity Western University.

Peter Morse, Ph.D Statistics - Chief Product Officer

Peter is a proven internet product manager with over 20 years’ experience building and growing major media and ecommerce sites. Before joining InvestX, Peter was Vice President, Product Management and Analytics at Manta.com, the largest small business community on the internet. Peter played an instrumental role in building Manta, from startup phase to over 30 million unique visitors per month and a company valuation of \$300 million. Peter also served as Vice President, Marketing Analytics at Bank One (Chase) and Manager, Website Metrics and Testing at Amazon.com. He has been named a Senior Statistician (Six Sigma Black Belt) at GE’s Research and Development Center. Peter earned a Ph.D in Statistics and a M.S in Statistics from Iowa State University and a B.A. in Math and Economics from Saint Olaf College in Northfield, MN.

Martin Halliday Bsc (Honors) – Chief Technology Officer

Before joining InvestX, Martin was the Chief Architect for Plenty of Fish, which ranks as the 357th largest site and the #1 dating site in the world. With more than 450 thousand simultaneous users and 1 billion ads per day, Martin gained an in-depth knowledge of how to deliver a highly scalable web solution. Earlier in his career, Martin was the Chief Architect at PNI Digital Media/ Pixology, a private labeled online photo retail business used by Walmart, Costco USA and large number of retailers. Martin earned a joint honors Bachelor of Science degree in Electronics and Computer Science from Newcastle University in the U.K.

Caroline Bujak BA (English/Computer Sci) -Dir of Communications / PR

Caroline is a seasoned marketing and communications professional with over 15 years' experience working in technology and the financial markets. Before joining InvestX, she was the Director of Marketing and Communications for Guggenheim Partners' Investment Advisory business, a privately held global financial services firm with \$210 billion in assets under management. Based in Chicago, she played a key role in launching their online alternatives investment platform to the wealth management community. Before Guggenheim, Caroline was Vice President for BIDS Trading, a New York-based firm consortium-owned by the NYSE Euronext and 13 leading sell-side firms. From start-up phase, Caroline built the firm's brand identity and global recognition for their institutional trading platform. Caroline earned a B.A Honours Degree in English from Queens University in Kingston, ON. She is an active member of the Canadian Public Relations Society and was a previous holder of the FINRA Series 7 and 64 licenses.

Charlene McLaughlin – General Counsel and Chief Compliance Officer

Ms. McLaughlin graduated from the University of British Columbia Faculty of Law in 1991 and was admitted as a Member of the Law Society of Alberta bar in 1992. In February 2015, Ms. McLaughlin was accepted as a Member of the Law Society of British Columbia. Ms. McLaughlin also holds a bachelor's degree in Sports Medicine from Chapman University, Orange City, California. After spending close to 10 years as a litigator in private practice, Ms. McLaughlin spent 8 years with the Investment Dealers Association (now, the Investment Industry Regulatory Organization of Canada (IIROC) as Senior Enforcement Counsel of the Prairie Region. Ms. McLaughlin also worked with the Alberta Securities Commission as Manager, Legal Market Regulation, where she worked with other provincial commissions in the development and implementation of securities laws, regulations, and rules, among other initiatives.

The company has also assembled a high profile independent board. **We believe an independent board is key for an offering to ensure investors' interests are protected.** Brief biographies of the board members follow:

Pam Springer

- Founder, former CEO Manta.com - Largest small business community on internet – 20 million monthly unique users
- Voted by Business Insider -Top 13 Most powerful women running today's biggest startups, 2013 Red Herring Top 100 Award

Rick Sapio

- CEO of Mutual Fund Alliance a PE firm \$850M in assets
- Named best presenter at the TEDx Bocconi event in Feb 2013

Mike Hagerman

- Co-founder of Uniglobe Travel - largest global travel franchise
- MD of Goepel McDermid - led \$3.2 billion in financings
- Founded two FinTech startups - last 5 years exited to Dell & DST

*Inability of
retail investors
to access PE
investments*

Historically, retail investors have had very limited opportunities to make PE investments primarily because of the following two reasons:

- **Lack of access** – PE investments have traditionally only been available to institutions, pension funds, endowments, insurance companies and ultra-high net worth investors, and rarely to retail investors because – a) private companies tend to prefer a few large investors (instead of 100s of small investors) to keep their transactional cost low, and/or b) they tend to prefer to keep their information restricted to a fewer number of investors.
- **High minimum investment** – Minimum investment per investor is typically \$1 to \$2 million, which makes it prohibitive for retail investors to make such investments.

Through InvestX’s model, retail investors get the opportunity to invest in PE, and at the same time, private companies do not have to disclose their information or maintain a larger investor base as InvestX aggregates all the investments from retail investors and makes one single investment.

*InvestX’s
Strategy*

The company’s key strategy is to partner with proven PE firms and invest alongside those firms. There are several benefits for InvestX to partner with PE firms:

- Access to deals sourced by partners who have extensive track records in PE investments.
- Alignment of interest - InvestX has made it mandatory for each PE partner that sources a deal to co-invest in the same round and under the same terms of financing as InvestX members.
- As PE partners co-invest with InvestX’s members, members have the assurance that the partner has conducted thorough due diligence. According to InvestX management, their partner PE firms typically conduct due diligence on an investment for three to six months.
- PE partners are generally able to negotiate superior terms not available to retail investors.

In the seed round in March 2014, all of the four PE partners invested in the common shares of InvestX, indicating their strong vote of confidence in InvestX’s business model and management.

The following are the key reasons why PE firms benefit from partnering with InvestX.

- Quick source of capital - if InvestX is able to get traction and build a strong list of members, they will be able to raise capital quickly.
- The capital raised by InvestX is perceived by their partners as an uncompetitive source of capital as typically PE firms have to negotiate terms and conditions when they partner with other institutions which co-invest.
- InvestX offers PE firms a share of the profits received by InvestX in each deal.
- Marketing – InvestX and related entities, such as Stockhouse, will provide marketing to

raise the profile of companies invested.

InvestX expects to expand to 40+ partners over the next two years. The following section provides a quick outline of the four partners:

U.S. Global Investors (Nasdaq: GROW; AUM – US\$800+M) - Headquartered in San Antonio, Texas, this asset manager manages a wide range of investments with a special focus on natural resources. CEO Frank Holmes is a highly reputable investment manager in North America.

Pathfinder Asset Management Ltd – Based out of Vancouver, BC, this asset management company manages \$100M in assets. The AUM figure was provided by InvestX’s management.

Mutual Capital Alliance - Founded in 1994, this company invests primarily in financial services companies, medical device technologies, healthcare, distressed debt/real estate, and manages a number of publicly traded mutual funds and private equity funds with assets under administration of \$850M. The AUM figure was provided by InvestX’s management.

Mercury Capital - a family office focused on technology and real estate investments.

InvestX’s primary goal is to grow its membership as quickly as possible to ensure it builds a strong list of potential investors to attract solid PE partners. According to management, the InvestX platform has grown its membership to approximately 1,500 members. There is no membership-fee at the moment. However, members have to provide proof of their accredited status prior to becoming a member. The key benefits for members are:

- access to information on all the deals initiated by InvestX
- unlimited access to PE “deal rooms,” which provide confidential information on each deal, such as financials, a video roadshow, background on the management team, and other key documentation.

The company has a \$3 million marketing agreement with Stockhouse.com. Stockhouse has approximately 950,000 monthly users, and has the ability to drive traffic to InvestX and increase their subscriber base, without additional cost, which is a significant advantage. The following are a few key highlights of Stockhouse, as provided by the company:

- 950,000 investors / month
- 92.3% have discount brokerage accounts
- news is distributed to up to 180,000 locations

Source: Stockhouse

In Canada, InvestX is the only company / platform that is raising capital from retail investors to make PE investments. In the US, AngelList and CircleUp are two good examples of companies successful with this model. However, they fund startups while InvestX is

*Growing
Membership*

*Comparable
Models*

exclusively focused on mid-late stage private companies.

- **AngelList**, formed in 2010, raised over \$100 million in 2014 for 240+ startups, with 2,500+ investors (average investment of \$40k).
- **CircleUp** was founded in 2011.

Two other successful companies with a slightly different business model are LendingClub Corporation and Prosper Marketplace - both of them are peer to peer lending platforms that connect investors / lenders and borrowers.

- **LendingClub Corporation** (NYSE: LC; market capitalization – US\$6.5 billion) operates the world’s largest peer-to-peer lending platform. Founded in 2006, and headquartered in San Francisco, the company went public in December 2014 through a \$900 million initial public offering. With a market cap of US\$6.5 billion, the company generated US\$254 million in revenues in the last 12 months through transaction/service/management fees. They have originated over US\$9.26 billion in loans since inception (as per their website). They are yet to attain profitability. Shares are trading at a P/S ratio of 25.5x.
- Another peer to peer lending platform is **Prosper Marketplace, Inc.** Founded in 2005, this company is also headquartered in San Francisco. According to their website, Prosper has originated over US\$3 billion in loans so far to 250,000 borrowers.

Deal flow

Since inception, InvestX has offered three investment opportunities to its members:

Cleveland HeartLab (CHL) – This was the first offering by InvestX. CHL is a provider of cardiovascular disease prevention, diagnosis and management services. According to management, CHL has already secured over US\$32 million in funding from institutional investors. InvestX secured a small allocation, through their partner, Mutual Capital Partners.

Through *InvestX SPV10 – CHL Limited Partnership*, InvestX raised \$200,000. However, the LP was wound up shortly after that and capital was returned to investors. According to InvestX’s management, *“The BC Securities Commission (“BCSC”) claimed that the LP was non-compliant. The issue was referred to the Canadian Securities Administrators, who in May 2015 ruled in favor of InvestX, allowing InvestX to continue to use the same structure as it used for Cleveland.”*

Since then, InvestX launched two new offerings. Through two LPs, they are currently raising a total of up to \$1.6 million to participate in two high-profile U.S. based offerings. Management has requested us not to disclose their names to maintain confidentiality. However, members can access them by visiting InvestX’s website and signing a confidentiality agreement. We were provided with the term sheets of the two offering to review. One company is in the music streaming service business with 60+ million users, and the other is a San Francisco based transportation network company.

Revenue Model

Management intends to open up another 4 deals to its members over the next two months. They intend to focus on a wide range of sectors, including technology, consumer products, healthcare, etc.

InvestX charges an annual management fee of 2% of the total proceeds raised through its offerings. Management fees for the first five years (10%) will be collected in advance. In other words, for a \$1 million offering, InvestX will receive 10%, or \$100k, upfront, and 2% p.a. from year 6+. In addition to the management fee, InvestX will also have a 20% share of the profits upon liquidation of each fund.

InvestX’s goal is to raise capital for:

- 1 - 2 investments, totaling \$1 - \$2 million, per month in the next 6 months,
- 2 - 3 deals totaling \$4 - \$5 million per month in 2016, and
- gradually increase to 4 – 5 deals totaling \$12 - \$15 million per month to reach \$400 million in total assets under management by the end of 2019.

InvestX estimates their current monthly General & Administrative (“G&A”) expense is about \$150 - \$200k, or \$1.8 - \$2.4 million per year. Therefore, the company has to raise at least \$1.5 million per month, or \$18 million per year to cover these costs through the 10% upfront asset management fees they receive. Note that although InvestX receives 10% of the total capital raised upfront, these fees will have to be amortized over five years, and the company will only be able to report 2% p.a. of the AUM as revenues from management fees. Management expects the company to run at a loss until 2017, and become profitable in 2018. The funds from the current offering will be able to cover the company’s G&A expenses for 2-3 years.

Structure

The company currently has 7.72 million shares outstanding.

Capital Structure	Date	Price per Share (US\$)	No. of Shares	Invested Capital (US\$)
Founders (Marcus New)	2012	\$0.001	2,500,000	\$2,500
Seed Round	Mar-14	\$0.92	5,150,000	\$4,738,000
Beta Test Offering	Nov-14	\$2.28	69,904	\$159,381
Current Offering *		\$1.27	2,598,425	\$3,300,000
Total			10,318,329	\$8,199,881

* assuming maximum

In March 2014, the company received C\$2.15 million (US\$1.98 million) from U.S. Global Funds, Meridian Funds, Pathfinder Asset Management, Mercury Capital, Mutual Capital Alliance and a group of angel investors. Through a C\$3 million (US\$2.76 million) marketing agreement, the company issued 3 million shares to Stockhouse, whose sole owner is Marcus New. Marcus New, directly and indirectly, owns 5.65 million shares, or 73% of the

outstanding. Assuming InvestX raises US\$3.3 million through the current offering, the company will have 10.32 million shares outstanding. The company also has 1.16 million in employee stock options outstanding, which have an exercise price of C\$1.00 per share (vested over 4 years).

The company expects to complete the current offering by the end of June 2015.

The company has yet to prepare audited financial statements. Therefore, we have not been able to confirm / review any of the information provided above. As per the term sheet, InvestX is required to provide investors with unaudited annual financial statements within 120 days after each financial year end.

Selling and Commissions: Management may pay a fee of up to 7% of the gross proceeds raised.

Distribution / Dividends to Investors – Management does not intend to provide distributions to investors unless there is a profit generated from a liquidity event of one or more funds under management.

Redemptions – Investors will not be able to make any redemption requests. Management’s exit strategy is to take the company public, and/or position the company as a takeover target.

Management of InvestX estimates a pre-money company valuation of \$9.8 million.

The following table shows the cash flow projections through 2025 under various scenarios. Scenario A (optimistic) assumes that by 2019, the company raises approximately \$150 million a year (50 offerings averaging \$3 million each). Scenario B assumes the company raises approximately \$105 million a year (42 offerings averaging \$2.25 million each), and Scenario C (pessimistic) assumes \$63 million a year (36 offerings averaging \$1.75 million each) starting 2019.

SCENARIO – A

	2015E	2016E	2017E	2018E	2019E	2020E
Assets Under Management	11,250,000	43,750,000	118,750,000	223,750,000	373,750,000	512,500,000
No. of Deals	15	25	25	35	50	50
Average Deal Size	\$750,000	\$1,750,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Amount Raised	\$11,250,000	\$43,750,000	\$75,000,000	\$105,000,000	\$150,000,000	\$150,000,000
Upfront Management Fee Collected (10%)	\$1,125,000	\$4,375,000	\$7,500,000	\$10,500,000	\$15,000,000	\$15,000,000
Reported Revenues	\$112,500	\$550,000	\$1,625,000	\$3,425,000	\$5,975,000	\$8,862,500
Operating Expenses	\$2,400,000	\$2,520,000	\$2,646,000	\$2,778,300	\$2,917,215	\$3,063,076
Tax	\$0	\$0	\$0	\$161,675	\$764,446	\$1,449,856
Net Profit	-\$2,287,500	-\$1,970,000	-\$1,021,000	\$485,025	\$2,293,339	\$4,349,568
Net Cash Flows	-\$1,275,000	\$1,855,000	\$4,854,000	\$7,560,025	\$11,318,339	\$10,487,068
Beginning Cash	\$0	-\$1,275,000	\$580,000	\$5,434,000	\$12,994,025	\$24,312,364
Ending Cash	-\$1,275,000	\$580,000	\$5,434,000	\$12,994,025	\$24,312,364	\$34,799,432

	2021E	2022E	2023E	2024E	2025E
Assets Under Management	618,750,000	693,750,000	738,750,000	738,750,000	738,750,000
No. of Deals	50	50	50	50	50
Average Deal Size	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Amount Raised	\$150,000,000	\$150,000,000	\$150,000,000	\$150,000,000	\$150,000,000
Upfront Management Fee Collected (10%)	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
Reported Revenues	\$11,312,500	\$13,125,000	\$14,325,000	\$14,775,000	\$14,775,000
Operating Expenses	\$3,216,230	\$3,377,041	\$3,545,893	\$3,723,188	\$3,909,347
Tax	\$2,024,068	\$2,436,990	\$2,694,777	\$2,762,953	\$2,716,413
Net Profit	\$6,072,203	\$7,310,969	\$8,084,330	\$8,288,859	\$8,149,240
Net Cash Flows	\$9,759,703	\$9,185,969	\$8,759,330	\$8,513,859	\$8,374,240
Beginning Cash	\$34,799,432	\$44,559,135	\$53,745,104	\$62,504,434	\$71,018,293
Ending Cash	\$44,559,135	\$53,745,104	\$62,504,434	\$71,018,293	\$79,392,533
NPV @ 10% of NCF	\$41,357,908				
NPV @ 10% of NCF, net of a 25% discount	\$31,018,431				
NPV / Share	\$3.37				

SCENARIO – B

	2015E	2016E	2017E	2018E	2019E	2020E
Assets Under Management	6,500,000	22,500,000	64,500,000	132,000,000	237,000,000	335,500,000
No. of Deals	10	18	24	30	42	42
Average Deal Size	\$650,000	\$1,250,000	\$1,750,000	\$2,250,000	\$2,500,000	\$2,500,000
Amount Raised	\$6,500,000	\$22,500,000	\$42,000,000	\$67,500,000	\$105,000,000	\$105,000,000
Upfront Management Fee Collected (10%)	\$650,000	\$2,250,000	\$4,200,000	\$6,750,000	\$10,500,000	\$10,500,000
Reported Revenues	\$65,000	\$290,000	\$870,000	\$1,965,000	\$3,690,000	\$5,725,000
Operating Expenses	\$2,400,000	\$2,520,000	\$2,646,000	\$2,778,300	\$2,917,215	\$3,063,076
Tax	\$0	\$0	\$0	\$0	\$193,196	\$665,481
Net Profit	-\$2,335,000	-\$2,230,000	-\$1,776,000	-\$813,300	\$579,589	\$1,996,443
Net Cash Flows	-\$1,750,000	-\$270,000	\$1,554,000	\$3,971,700	\$7,389,589	\$6,771,443
Beginning Cash	\$0	-\$1,750,000	-\$2,020,000	-\$466,000	\$3,505,700	\$10,895,289
Ending Cash	-\$1,750,000	-\$2,020,000	-\$466,000	\$3,505,700	\$10,895,289	\$17,666,732

	2021E	2022E	2023E	2024E	2025E
Assets Under Management	418,000,000	481,000,000	518,500,000	518,500,000	518,500,000
No. of Deals	42	42	42	42	42
Average Deal Size	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
Amount Raised	\$105,000,000	\$105,000,000	\$105,000,000	\$105,000,000	\$105,000,000
Upfront Management Fee Collected (10%)	\$10,500,000	\$10,500,000	\$10,500,000	\$10,500,000	\$10,500,000
Reported Revenues	\$7,535,000	\$8,990,000	\$9,995,000	\$10,370,000	\$10,370,000
Operating Expenses	\$3,216,230	\$3,377,041	\$3,545,893	\$3,723,188	\$3,909,347
Tax	\$1,079,693	\$1,403,240	\$1,612,277	\$1,661,703	\$1,615,163
Net Profit	\$3,239,078	\$4,209,719	\$4,836,830	\$4,985,109	\$4,845,490
Net Cash Flows	\$6,204,078	\$5,719,719	\$5,341,830	\$5,115,109	\$4,975,490
Beginning Cash	\$17,666,732	\$23,870,810	\$29,590,529	\$34,932,359	\$40,047,468
Ending Cash	\$23,870,810	\$29,590,529	\$34,932,359	\$40,047,468	\$45,022,958
NPV @ 10% of NCF	\$22,310,271				
NPV @ 10% of NCF, net of a 25% discount	\$16,732,703				
NPV / Share	\$1.98				

SCENARIO – C

	2015E	2016E	2017E	2018E	2019E	2020E
Assets Under Management	3,000,000	12,000,000	42,000,000	87,000,000	150,000,000	210,000,000
No. of Deals	6	12	24	30	36	36
Average Deal Size	\$500,000	\$1,000,000	\$1,250,000	\$1,500,000	\$1,750,000	\$1,750,000
Amount Raised	\$3,000,000	\$12,000,000	\$30,000,000	\$45,000,000	\$63,000,000	\$63,000,000
Upfront Management Fee Collected (10%)	\$300,000	\$1,200,000	\$3,000,000	\$4,500,000	\$6,300,000	\$6,300,000
Reported Revenues	\$30,000	\$150,000	\$540,000	\$1,290,000	\$2,370,000	\$3,600,000
Operating Expenses	\$2,400,000	\$2,520,000	\$2,646,000	\$2,778,300	\$2,917,215	\$3,063,076
Tax	\$0	\$0	\$0	\$0	\$0	\$134,231
Net Profit	-\$2,370,000	-\$2,370,000	-\$2,106,000	-\$1,488,300	-\$547,215	\$402,693
Net Cash Flows	-\$2,100,000	-\$1,320,000	\$354,000	\$1,721,700	\$3,382,785	\$3,102,693
Beginning Cash	\$0	-\$2,100,000	-\$3,420,000	-\$3,066,000	-\$1,344,300	\$2,038,485
Ending Cash	-\$2,100,000	-\$3,420,000	-\$3,066,000	-\$1,344,300	\$2,038,485	\$5,141,178

	2021E	2022E	2023E	2024E	2025E
Assets Under Management	261,000,000	294,000,000	312,000,000	312,000,000	312,000,000
No. of Deals	36	36	36	36	36
Average Deal Size	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000
Amount Raised	\$63,000,000	\$63,000,000	\$63,000,000	\$63,000,000	\$63,000,000
Upfront Management Fee Collected (10%)	\$6,300,000	\$6,300,000	\$6,300,000	\$6,300,000	\$6,300,000
Reported Revenues	\$4,710,000	\$5,550,000	\$6,060,000	\$6,240,000	\$6,240,000
Operating Expenses	\$3,216,230	\$3,377,041	\$3,545,893	\$3,723,188	\$3,909,347
Tax	\$373,443	\$543,240	\$628,527	\$629,203	\$582,663
Net Profit	\$1,120,328	\$1,629,719	\$1,885,580	\$1,887,609	\$1,747,990
Net Cash Flows	\$2,710,328	\$2,379,719	\$2,125,580	\$1,947,609	\$1,807,990
Beginning Cash	\$5,141,178	\$7,851,506	\$10,231,225	\$12,356,805	\$14,304,415
Ending Cash	\$7,851,506	\$10,231,225	\$12,356,805	\$14,304,415	\$16,112,404
NPV @ 10% of NCF	\$7,080,756				
NPV @ 10% of NCF, net of a 25% discount	\$5,310,567				
NPV / Share	\$0.88				

The Net Present Value / NPV @10% of cash flows through 2025 are shown above. We applied a 25% discount to the NPV estimates to account for the liquidity and marketability risk associated with InvestX as it is a private company. Our models have not accounted for any potential receipt of profits if and when a fund is liquidated.

The NPV per share ranges between \$0.88 per share and \$3.37 per share. Note that the current offering is for US\$1.27 per share.

We have not accounted for the terminal valuation (present value of cash flows beyond 2025), as InvestX’s business model is relatively new and they are yet to close on their first offering. **We will be able to assign a rating and fair value estimate on the company’s shares once the company completes a few offerings and operations are stabilized.**

Risks

We believe the following are the key risks associated with the offering:

- The company is a startup and its business model is new.
- Ability to grow membership.
- Ability to grow PE partners.
- Access to high-quality transactions at reasonable valuations.
- The company has a burn rate of \$150k - \$200k per month at this time, and management does not expect to achieve profitability prior to 2018.
- As the company has yet to prepare audited financial statements, we have not been able to confirm / review its current capital structure.
- InvestX's SPV / LPs may invest in US offerings, so the company may be subject to exchange rate risk.
- No redemption options.
- No annual distributions / dividends announced.
- The company may be required to raise additional capital and future financings may be done at lower share prices, diluting existing shareholders.
- The company may take on debt.

We assign a risk rating of 5 (Highly Speculative).

Fundamental Research Corp. Rating Scale:

- Rating – 1: Excellent Return to Risk Ratio
- Rating – 2: Very Good Return to Risk Ratio
- Rating – 3: Good Return to Risk Ratio
- Rating – 4: Average Return to Risk Ratio
- Rating – 5: Weak Return to Risk Ratio
- Rating – 6: Very Weak Return to Risk Ratio
- Rating – 7: Poor Return to Risk Ratio

A “+” indicates the rating is in the top third of the category, A “-“ indicates the lower third and no “+” or “-“ indicates the middle third of the category.

Fundamental Research Corp. Risk Rating Scale:

- 1 (Low Risk)
- 2 (Below Average Risk)
- 3 (Average Risk)
- 4 (Speculative)
- 5 (Highly Speculative)

FRC Distribution of Ratings			
Rating - 1	0%	Risk - 1	0%
Rating - 2	25%	Risk - 2	3%
Rating - 3	47%	Risk - 3	30%
Rating - 4	10%	Risk - 4	42%
Rating - 5	5%	Risk - 5	11%
Rating - 6	1%	Suspended	14%
Rating - 7	0%		
Suspended	12%		

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