INVESDOR

Pre-IPO Investment – FAQ

1. Why is Invesdor offering pre-IPO investments?

At Invesdor, we believe investors should be able to build diversified portfolios across different asset classes and the full company lifecycle. Today, these investments are accessible through Invesdor, offering opportunities to invest in innovative growth companies via equity and debt, as well as in project developers operating in the renewable energy and real estate sectors.

While Invesdor already provides access to growth-stage start-ups and scale-ups through equity funding, as well as to more mature SMEs, renewable energy and real estate via fixed-interest debt, there has traditionally been a gap in between. Pre-IPO investments are designed to close this gap by offering investors access to late-stage growth companies that are already well-developed and often have a clear path toward an IPO or strategic exit within a few years.

The goal is to enable investors to participate in value creation from early growth all the way through the IPO stage, while being transparent that these investments remain illiquid, high-risk, and should be considered part of a diversified portfolio.

2. What are pre-IPO investments and how do they work?

Pre-IPO investments give investors access to companies such as Klarna, SpaceX, Anthropic, Oura, IQM and Octopus Energy **before they go public**.

- **Higher potential returns:** Private markets have historically offered higher returns than public markets - especially when investing before a major growth milestone like an IPO.
- **Value gap opportunity:** If a company grows significantly between the time of investing and a future IPO, the value of the investment can increase significantly (often targeted as **2** - **5x return potential**).
- **Access to exclusive companies:** Many of the most successful companies have been funded privately for a long time. Normally, only large investors (Venture Capital funds, private equity funds, and established family offices) can invest at this stage.

Disclaimer: Investment returns are never guaranteed. Returns can also be negative. Past performance is not indicative of future results.

Important note:

- *Returns are* ***not guaranteed.***

- *Returns can be positive or negative.*
- *The investment can be fully or partially lost.*
- *The exit may be significantly delayed from the anticipated timeline.*
- *Some companies never reach an IPO or any exit.*
- *The investment is Illiquid. Hence, selling the investment at a desired time or price may not be possible.*
- *Past performance is not indicative of future results*.

3. What is an IPO?

An Initial Public Offering – IPO - refers to the first time the shares in a company are being offered to the public. When a company undergoes an IPO, it is issuing new shares to the public to raise more capital and become listed on a stock exchange.

After completing the IPO, the shares of the company can be bought and sold publicly on a stock exchange. A public listing can also be completed through other transactions that do not include issuing new shares, such as a technical listing.

4. How is the share price of Pre-IPO companies defined?

Despite not being listed on a stock exchange, there is still a private secondary market for Pre-IPO companies.

- Private companies do not have a daily market price. The valuation basis typically relies on three sources: the company's most recent funding round as the primary reference, actual transaction prices in the secondary market, and - where available - tender offer processes organized by the company itself, in which employees and early investors can sell shares at a controlled price.
- Prices are mainly set through **transactions between professional investors** (Venture Capital funds, private equity funds, and established family offices). Hence, pricing is event-driven, not continuous like on a public stock market.
- Similar to a stock market, the price reflects what buyers are willing to pay, and sellers are willing to accept on an aggregated level. Unlike the stock market, the market participants are fewer, and the prices are formed through negotiation and not through continuous trading.
- Such transactions are called **secondary market transactions**. A secondary market transaction means that an investor buys an investment from another investor. Unlike a primary market transaction, there is no inflow of capital to the underlying company.

Invesdor works with a **professional and experienced partner** as an intermediate to facilitate transactions in Pre-IPO companies.

- Our partner buys shares through negotiations with existing shareholders, or agents of existing shareholders (often through one or multiple intermediate entities) owning shares in the target company. This allows our partner to acquire shares in line with institutional market prices.
- **Important note:**
- *There is **no transparent, continuous market price** like on a stock exchange. As prices are negotiated between the buyer and the seller prices are **less predictable** and can change.*
- *The investment is illiquid and can often not be sold before the Pre-IPO company is either listed or sold. The time to exit may be longer than anticipated.*
- *Returns are not guaranteed. You may lose your investment partially or fully. Past performance is not indicative of future results.*
- *Private companies are not subject to disclosure requirements - therefore, an analysis similar to that of publicly traded companies is not possible. Guidance can be found in: public financing announcements and the quality of the institutional investors involved, comparative valuations of publicly traded competitors in the same industry, and available market data on revenue and growth. A structural information disadvantage relative to early investors remains - this is an inherent characteristic of this asset class.*

5. Do investors invest directly into shares of the Pre-IPO company?

No, investors **do not invest directly into shares of the Pre-IPO company** but into a derivative structure designed to follow the return of the Pre-IPO, or target, company.

The investment is structured like this:

- Investors invest in a fully subordinated **bond issued by a Special Purpose Vehicle (SPV)**
- The bond is a derivative structured to follow the share price of the target company 1:1 (excluding fees and costs)
- The SPV uses the money raised through the bond to buy shares in the target company. These shares represent the underlying asset of the derivative
- The return of the investment depends on the change in the **value of the shares** in the target company acquired by the SPV

Key characteristics of the investment product

Despite being legally structured as a bond, the investment product is a derivative with an equity-like risk and return profile. The investment product:

- Is **a fully subordinated bond** meaning investors waive all claims in case of insolvency
- Carries no fixed interest payments
- The investors can only be repaid after the SPV has sold the shares in the target company.
- Repayment of the bond and the return to the investors depend on the return of the target company.
- **In simple terms:** Investors don't own the shares in the target company directly but participate in the value development of the shares of the target company through the equity-like investment product.

Important risk:

- *If the value of the target company decreases, the investment can be partly or fully lost.*
- *The investment is illiquid and can often not be sold before the target company is either listed or sold. The time to exit may be longer than anticipated.*
- *Despite being structured as a bond, the investment product holds equity-like characteristics. The bond is* ***not protected or secured.***
- *Returns are not guaranteed. You may lose your investment partially or fully. Past performance is not indicative of future results.*

6. Why is this investment product only indirectly linked to the Pre-IPO company?

Investors are not investing directly into the Pre-IPO, or target, company because these types of investments are **not easily accessible for retail investors**.

To allow access for retail investors, Invesdor together with our partner use a derivative structure:

- Investors pool their capital into a **bond issued by a Special Purpose Vehicle (SPV).**
- The bond has no interest payments and is subordinated
- This SPV invests the capital into shares of the target company (often through one or more intermediate entities). The return of the bond is derived from the return of the target company. Hence, the name is derivative.

- Investors gain access to financially participate in the return of investment opportunities usually unavailable to retail investors.

Why is this structure necessary?

- **Access:**
  Pre-IPO investment opportunities are typically only available to large institutional investors. The SPV structure allows retail investors access to these previously exclusive investment opportunities.
- **Execution of secondary transactions:**
  In a secondary transaction, the shares are bought from existing shareholders and not issued by the company.
- **Legal and regulatory requirements:**
  Pooling investors into one vehicle (SPV) allows access, simplifies contracts, governance, and compliance.

What does this mean for the investor?

- The investor **does not own shares directly** in the target company
- The investor holds a **claim through the bond** against the SPV
- The return depends on:
  - The change in the value of the underlying shares in the target company
  - The structure and costs associated with the structuring of the investment product
  - **Additional risks to consider:**
- **Structural complexity:**
  There may be multiple layers between the investor and the target company.

  (Bond → SPV → intermediate entities → target company)
- **Dependency on counterparties:**
  The investor relies on the SPV, asset manager, and transaction partners to execute and manage the investment properly
- **Limited control rights:**
  The investor does not have voting rights and cannot have an influence on company decisions

In simple terms:
This structure makes these non-public investments accessible to retail investors—but it

also adds **extra layers of complexity and risk** compared to buying publicly traded shares directly on a stock exchange.

7. Does the bond have a term time?

Yes. The term time of the bond is 3 years with an extension option of 2 years. Hence, **the total term time of the bond is up to 5 years.**

This means that the Special Purpose Vehicle aims to sell the shares in the target company during the term time of 3 years. If the SPV cannot successfully exit, or sell, the shares in the target company during the term time the SPV can extend the term time with another 2 years without prior consent of the investors. If the SPV extends the term time the SPV informs the investors at least one month before the extension.

Despite being structured as a bond and having a term time the financial product should not be mistaken for a fixed-income product. This is a financial derivative with equity-like characteristics. **The bond is only repaid to investors after the SPV has sold the shares in the target company.**

8. What happens if the SPV cannot sell the shares in the target company before the end of the term?

If the Special Purpose Vehicle cannot sell the shares in the target company before the end of the 3-year term, the SPV may exercise the option to extend the term of the bond by another 2-years without prior consent of the investors. The SPV informs the investors at least one month prior to the extension. The extension clause is intended to give the SPV additional time to find a buyer for the shares of the target company should the shares not have been sold during the initial term of 3-years.

The bond can only be repaid to investors after the SPV has sold the shares in the target company. If the SPV cannot sell the shares of the target company even after the end of the term (3+2 years), the bond defaults.

If the bond defaults and the issuer is unable to redeem the bond, the investors' claims are subordinated and subject to a pre-insolvency enforcement bar. This means that as creditors, investors' claims are subordinated to those of all non-subordinated creditors. Furthermore, while investors' claims for repayment do exist, they are not enforceable if asserting them would trigger the issuer's insolvency. Under the bond terms, investors may only demand satisfaction from the issuer's free liquidity or profits.

The shares in the target company are held directly or indirectly, through an SPV, by a partner company. However, the underlying assets cannot be claimed directly by investors, as the investors cannot trigger insolvency proceedings - and thus no liquidation - in which an administrator would liquidate the issuer's assets to satisfy them.

Important facts

- *Despite having a term time, the bond can only be repaid after the SPV has sold the shares in the target company.*
- *If the SPV cannot sell the shares in the target company during the term time, the SPV has the option to extend the bond.*
- *If the SPV cannot sell the shares during the extended term the bond defaults*
- *The investors in the bond cannot demand the SPV to sell the shares in the target company at any time.*

9. How does the SPV ensure it can acquire the shares in the target company after issuing the bond?

Before the bond is issued by the SPV, our partner ensures that it can acquire shares in the target company either directly or indirectly through their partner network. If access to the target company is confirmed, the emission of the bond is successful, the capital is available, and our partner has successfully completed their Due Diligence our partner formally requests an allocation for the SPV.

Once formal allocation is requested, our partner gets an overview of the available packages with different valuations, layer structures, share classes and fees, from which our partner selects the best offer available. Once negotiations with the seller (direct acquisition) or the fund (indirect acquisition) are concluded, the transaction is executed.

The period from sourcing through deal negotiation to fund transfer and final closing confirmation typically takes between 4–6 weeks.

Two basic scenarios exist where a transaction cannot be completed:

No direct acquisition is possible:

1. Our partner cannot find a seller who is willing to sell their shares directly to our partner and our partner is unable to gain direct access to the target company's cap table
2. Our partner is able to acquire shares directly from a shareholder, but the transaction ultimately does not receive board approval. In direct-to-cap-table transactions the board typically needs to approve the admission of new shareholders.

In both cases, all funds are transferred directly back to our partner and from our partner to Invesdor. Invesdor transfers the funds back to the investors without any fees charged.

No indirect acquisition possible:

1. Our partner is unable to find a way to participate indirectly in the target company through an intermediary vehicle
2. Our partner identifies an indirect participation opportunity, but the General Partner does not approve of the transaction and no closing occurs

In both cases, all funds are transferred directly back to our partner and from our partner to Invesdor. Invesdor transfers the funds back to the investors without any fees charged.

Important facts

- *The SPV ensures that it can acquire shares prior to issuing the bond, but the transaction can only be completed after the bond has been issued. Hence, final allocation can only be confirmed after raising the bond.*
- *The period from sourcing through deal negotiation to fund transfer and final closing confirmation typically takes between 4–6 weeks.*
- *It is possible that the SPV cannot acquire the shares in the target company after issuing the bond. In this case the funds are repaid to the investors*

10. What happens if the SPV cannot acquire the shares in the target company after issuing the bond?

If the Special Purpose Vehicle cannot acquire the shares in the target company, the funds are repaid to the investors in the bond without any fees.

11. How is the return on the investment distributed?

The SPV distributes the proceeds from selling the shares in the target company (directly or indirectly) to the bondholders as a variable profit participation on a pro rata basis in the proportion of the outstanding nominal amount of the noteholder (investor) to the outstanding nominal amount of all noteholders (investors) minus the fees associated with the investment opportunity. The amount of the variable profit participation is calculated by the manager of the SPV. The SPV is managed by Invesdor's partner who is responsible for acquiring and selling the shares in the target company.

Important facts

- *The SPV sells the shares in the target company*
- *The SPV distributes the proceeds from the sale of those shares reduced by the fees to the investors in the bond on a pro rata basis*
- *The proceeds may be higher or lower than the initial investment amount depending on if the return of the investment was positive or negative*
- *The investment may be fully or partially lost*

12. Which fees are connected to the investment?

Investing in pre-IPO companies involves higher and more complex fees than traditional investments. This is because these opportunities are not standardized and require significant effort to make them accessible to retail investors.

- **Access to private markets:** Investing in pre-IPO companies is usually only available to large institutional investors. Creating access for retail investors requires additional structuring and coordination. This structuring and coordination come with complexity, increased risk, and costs.
- **Complex deal execution:** Shares are typically bought from existing shareholders (secondary market), not issued by the company (primary market). This requires access to shareholders, negotiation, structuring, and legal execution. As the underlying target company is not issuing new shares in this process, all costs need to be covered directly by the investors.
- **Asset management:** A holding structure, or Special Purpose Vehicle (SPV) must be set up to pool investors and execute the investment. The SPV and the underlying investment need to be managed until an exit event occurs. This may take several years and include coordination with multiple parties throughout the management period and at exit.

Important notes:

- *Through secondary transactions in pre-IPO companies, retail investors can gain access to an asset class typically reserved only for institutional investors – access to some of the most promising companies globally.*
- *The upfront fees and additional costs reduce the initial investment value. The exit fee is deducted from a future payout.*
- *The upfront fees are comparatively high compared to listed equities or primary issues since:*
    - *Secondary transactions in pre-IPO companies are complex undertakings generally not available to the public. Gaining access often happens through a layer of intermediates and involves structuring costs.*
    - *In a secondary transaction, the investors have to carry all fees associated with the transaction.*
- *The investors need a high expected return of the underlying company to compensate for the fees associated with a secondary transaction*

13. When and how do investors earn their money back?

The investors' return depends entirely on **the successful exit of the underlying target company**. The investment is a derivative structured as a bond issued by an SPV. Despite being structured as a bond, the investment should be seen as an equity-like investment. There are **no fixed interest payment and no guaranteed repayment at maturity**. The return of the bond is derived from the return of the underlying asset, or target company.

Typical exit scenarios include:

- **IPO (Initial Public Offering):**
  The target company goes public, and the shares held by the SPV can be sold on the stock exchange. As a result, the SPV repays the bond to the investors.
- **Company sale (M&A):**
  The company is acquired by another company or investor, and the shares of the target company are sold as part of that transaction. After the shares are sold, the SPV repays the bond to the investors.
- **Secondary sale:**
  The shares of the target company are sold to another investor (e.g. a fund or institutional buyer) before or instead of an IPO. After the shares are sold, the SPV repays the bond to the investors.

Once an exit happens:

- The SPV sells the shares in the target company
- The proceeds from the sale (deducted by associated costs and fees) are used to repay the bond to the investors

Important notes:

- *A secondary transaction in a pre-IPO company has no term time. The potential timing for an exit is not known in advance nor is an exit guaranteed. A potential exit may be significantly delayed. A return is not guaranteed. The return may be negative.*
- *Even if an IPO is planned, it can be **delayed, cancelled** or **fail.***
- *After an IPO, certain shares are often subject to a **lock-up period** (e.g. 6–12 months), during which they cannot be sold. The SPV usually acquires shares of early-stage investors. Such shares may be subject to a lock-up period. The lock-up period may be shorter or longer.*
- *The final return of the investment depends on the **market price of the target company at the time of sale by the SPV**, not by the market price of the target company at the time of IPO announcement. The final return of the investment is impacted by the fees associated with the investment.*

14. Do investors have specific shareholder rights in the target company?

No, investors **do not have direct shareholder rights** in the target company.

This is mainly due how the investment is structured:

The investment product is a derivative where the value of the investment product is driven by the performance of the underlying asset. The derivative is a **bond issued by an SPV.**

- The investors invest in a bond issued by the SPV. The bond provides the SPV with capital. The investors, or bond holders, have a claim towards the SPV.
- The SPV owns the shares of the target company. The investors do not directly own any shares in the target company.
- Therefore, the SPV holds **all shareholder rights** (e.g. voting rights, information rights)

Important note:

- *The investors legally own bonds and **cannot vote** on SPV nor on target company decisions*
- *The investors **do not participate** in shareholder meetings. Neither of the target company nor of the SPV.*
- *The investors rely on the SPV and its managers to act in the interest of the investors. The exit fee is structured to direct the SPV and its managers to act in the best interest of the investors. The higher the return to the investors, the higher the return to the managers of the SPV.*

Additional important considerations and risks associated with the investment product:

- **Different share classes:** Late-stage, or pre-IPO companies often have multiple share classes (e.g. preferred shares, common shares), each with different rights and economic terms. This may have an impact on the ultimate return of the investment.
- **Uncertainty at entry:** It is not always fully clear in advance **which specific share class** will be acquired in the transaction as transactions in private companies are negotiated between potential sellers and the buyers (the manager of the SPV) of the shares. The manager of the SPV often negotiates with multiple sellers to obtain the best price for investors. As a result, the specific share class may not be known in the transaction.

- **Economic preferences:** Some investors (e.g. Venture Capital funds) may have **preferred rights**, such as:
  - Priority payouts in case of a sale
  - Minimum return guarantees
  - Anti-dilution protection

These rights can reduce the amount available to other shareholders - and therefore also to the SPV. Ultimately, this may impact the return of the investment.

- **Dilution risk:**
  If the target company raises additional funding in the future:
  - The ownership stake of the SPV, or Special Purpose Vehicle, may be diluted. There is no guarantee of maximum dilution. **This may impact the ultimate return to the investors** in the bond issued to the SPV.
  - New investors in the target company may receive better terms than earlier investors. **Such terms may have a negative impact on the return of the SPV** in a future exit event and **ultimately a negative impact on the return to the investors in the derivative, or bond** issued by the SPV.

In simple terms:
The investors' return is dependent on **the change in value of the target company** between investment and exit, but the investors do **not have direct ownership rights or control** in the target company or in the SPV. The return depends on the financial return, or more precisely on the change in value of the target company between investment and exit and how proceeds are distributed across different shareholder groups upon exit.

The SPV might acquire shares that are subject to a lock-up period meaning that the SPV cannot sell the shares for a certain period of time. **The ultimate return to the investors is dependent on the valuation at the time when the SPV sells the shares in the target company deducted by the fees associated with the investment product.**

15. Can investors sell the investment?

No, in general investors in the bond issued to the SPV **cannot easily sell their investment (before an exit event)**.

- There is currently **no secondary market** for this investment product.
- The investment is a derivative tied to a **bond issued by an** SPV which acquires the shares in the target company. The investors have a claim against the bond. The bond is not actively traded. There is currently no marketplace for these bonds.

What does this mean in practice?

- Investors should plan to **hold the investment until an exit in the target company** (e.g. IPO, company sale, or secondary share sale). There is no predefined time to exit. An exit may take longer than anticipated or not occur at all.
- An early sale of the investment may be possible in individual cases, but:
    - Selling the investment depends on finding a buyer for the bond issued by the SPV.
    - Executing the early sale of the investment may take time even if the investor finds a buyer.
    - A potential early sale of the investment could occur at a **discount to the entry value.**
    - Finding a market price for the investment might be difficult.

Important notes:

- *This is an **illiquid investment**. The investment product is structured as a derivative through a bond issued by an SPV that owns the shares of the target company.*
- *The bond has no pre-defined maturity date nor is the likelihood or timing of an exit in the target company known. The exit of the target company might be substantially later than anticipated or not occur at all.*
- *The repayment of the bond might be delayed substantially from the exit of the target company if the SPV has acquired shares that have a lock-up period.*
- *You should only invest money that you can commit for several years without needing access to it.*

16. How do the fees impact a potential return from this investment product?

The returns of the investment depend on the performance of the target company. The return is not pre-defined. The actual return of the SPV may be lower due to factors such as dilution or preferential rights of other investors. The return to the investors may additionally be impacted by the timing of the exit. The return to the investors in the bond is derived from the return of the SPV deducted by the fees associated with the investment product.