

What is PRE IPO investing?

You've probably heard of Venture Capital, and less so Private Equity. But you've probably never heard of Pre IPO. What is it?

Pre IPO is the stage when a mature company has grown so large it almost is forced to IPO but has not yet. Pre IPO as of this writing include Space X, Lyft, Palantir, and many others. Actually there are hundreds of companies in this vibrant market, many of which you have heard of and many you may not have.

In fact, most companies you know like Apple (AAPL) and Facebook (FB) were once Pre IPO companies that went public. And most people are familiar with IPO. IPOs are often sold to customers by the underwriter, that's the firm that undertakes the task of actually issuing the securities and all that comes with it (this process is complex and beyond the scope of a simple article).

But when you buy the IPO you're buying at the market price. Pre IPO allows investors to get in before the IPO and sell to the general market.

Pre IPO comes with risks too, that investors should be aware of. For this reason it's for accredited investors only. For example, a company can delay the IPO for various reasons, locking the investment. In the case of Palantir, the IPO has been delayed for years on security concerns (that's the rumor). Palantir develops software that analyzes big data and detects terrorism. Whether security was the reason for delay of the IPO or something else, investor money was locked into the shares further.

This certainly isn't for everyone. But for investors who are really looking for legitimate alternatives, Pre IPO offers less risk than Venture Capital but more opportunity than traditional stocks or even IPOs.

If you analyze the typical return of an IPO if you bought it the day it launched and held it a year, you'd earn anywhere from 12% - 50% (in good years).

But investments like Facebook in Pre IPO returned more than 2,500% to investors. In fact, the music group U2 made more money from their Facebook and other Pre IPO investments than all the proceeds from selling records in their entire life.

Bono, the lead singer of U2, liked the idea so much he formed an investment pool and got all his rich friends to invest, too. They invested in other Pre IPO as well, but Facebook (FB) had the highest returns.

In short, investing in Pre IPO is the perfect 'Goldilocks Zone' where it's not too risky and not too safe. There's a linear correlation with risk and opportunity. That means the higher the risk, the higher the reward. In cases of startups, the return can be amazing – such as Amazon that returned 14 Million percent to investors. Or, it can be a total loss; or worse. Spend your free time in court.

Startup investing and Venture Capital is very lucrative but also very tricky. It's an art form, just like investment banking is an art form – so is trading. The VC crowd has an entrenched culture that's reinforced by their good results. Certainly they don't win on every deal – or even every 5 or 10. But those that hit can hit big.

So if you think VC is not for you – **consider Pre IPO**. Pre IPO is a growing alternative investment that offers great opportunity such as being an early investor in the next Facebook (FB). Companies like SpaceX have big plans – you can be a part of it. See www.preiposwap.com for more info.



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