

Building an investment round

Investors nearly always co-invest with other investors and indeed, more formal groups that do this regularly operate throughout the UK. Even with the support of a syndicate of investors, you still may need to secure investment from multiple sources to successfully close your round.

Potential sources of early stage equity finance include:

- Individual investors
- Ad hoc syndicates
- Formal syndicates
- Co-Investment funds
- Equity crowd funding platforms

It is your round of funding you are working to close, so it is therefore down to you to manage the investment process, including negotiations across all the funding sources you successfully engage with. Most investors are used to investing alongside other sources of finance, indeed it often forms a key part of their investment thesis so they will be well-versed to investing in and alongside different forms of funding.

Individual Investors

Individual investors are everywhere, indeed the UKBAA represents thousands via our member organisations. They are the root source of early stage equity funding and invest in a round either independently or as part of a group.

You will find potential investors in many places: your personal network, at networking and investment events and via angel networks and groups.

Managing multiple individual investors and their interest in your business can be very time consuming, there is a reason this process is often referred to as 'herding cats'. Each investor may have their own idea of the right valuation and may want different terms or warranties.

It is often advised to corral these investors around a 'Lead' investor by forming an ad hoc syndicate.

Many investors especially at seed stage are what is commonly known as passive investors. They don't have the time to commit to giving you meaningful advice and support, they don't want to sit on your board but they do have spare capital that they are willing to use to back you and your business. More often than not they will invest because you found a credible, respected lead investor that they respect and are happy to follow in with their own money.

Lead Angels

Often, investors form an ad-hoc syndicate around a specific deal. But getting the investors to all agree on the same terms can still be challenging without a Lead Angel. A Lead Angel acts as the interface with the entrepreneur/management team in co-ordinating the due diligence and agreeing the final negotiations and would then generally act for the syndicate in following the deal.

It can sometimes be your responsibility to find a Lead Angel. Ideal candidates for this role are angels who are investing a sizeable amount, bring sector expertise, have experience in angel investing and are happy to be pro-active in working with the business.

Investors involved in such a syndicate still take their own shares and will still sign their own shareholder agreement with you and you will still have a responsibility towards them as shareholders in your business.

Formal Syndicates

Much like an ad hoc syndicate, formal syndicates invest together into a deal and have a lead investor managing the process and representing the other investors involved. The main difference between an ad hoc syndicate and a formal syndicate is that a formal syndicate has a permanent structure and is often easier to find because they are out in the public domain.

You can find both regional and national Angel groups in our [member directory](#).

Co-Investment Funds

There are also several Co-investment funds available to *investors* to help close an investment round.

The **Angel CoFund** was launched in November 2011 and is specifically designed to invest alongside business angel syndicates from across England. The Fund is a private sector body with clear objectives to boost the quality and quantity of business angel investing in England, and to support long-term, high quality jobs in growing companies.

The CoFund only invests alongside investments made by an experienced lead investor and cannot consider proposals from individual investors or from the entrepreneurs themselves. It is not a VC fund and is very much a “big Angel” seeking to invest on the same terms the syndicate have agreed.

There are also a wide variety of regional co-investment funds backed by the British Business Bank, The Development Bank for Wales and Scottish Investment Bank. These include the Midlands Engine Investment Fund, the Northern Powerhouse Investment Fund, the Cornwall and Isle of Scilly fund, the Co Angel Fund run by the Manchester Growth Company and the Angels Invest Wales Co fund.

Seed Investment Funds

Seed funds are very similar to co-investment funds, but they may not have a fixed requirement to invest alongside angel investors. Many funds will invest alongside many different types of funding including angel groups, in fact there's been a significant growth in seed funds run by and started by angel groups and indeed investment funds that form and create their own angel groups on the side. With their professional approach backed by an experienced management team, seed funds can often act as a great lead investor and galvanise other investors to take part in a funding round.

You can find both later stage and seed stage VC investment funds in our [member directory](#).

Equity Crowdfunding Platforms

In a recent survey conducted by the UKBAA, 45% of angel investors stated that they invest on or via crowdfunding platforms. Indeed, many of the crowdfunding platforms will be reluctant to list your business without the backing of some Angel investors already in place.

Crowdfunding should be considered as part of your funding round and not as its entirety. Crowdfunding rounds can have an impact on your shareholder list and the way you can raise follow-on funding too, so it's important to make sure you have the full backing of your angel investors before adding your round to a platform. It is also important to note that businesses that successfully raised on these platforms tend to have a consumer facing product.

Just like the angel groups, you can find crowdfunding platforms on our [member directory](#).