Filipe Portela of COREangels Impact

Speaker1: [00:00:04.77] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode. Hello, this is Hall Martin of investor connect they were here with the managing partner, Filipe Portela of COREangels Impact. core Angel's impact makes angel investing professional and global improving outcomes while contributing and enjoying the journey. You're available to accept higher risk and help founders add value. They put in the initial funding and go with promoters to create attractive startups to reach new heights. Filipe, thank you for joining us.

Speaker2: [00:00:44.46] Thank you all. Happy to be here. Pleasure.

Speaker1: [00:00:46.26] So what was your background before investing in early stage companies? What did you do before this?

Speaker2: [00:00:52.29] How are you sure we have enough time for that? I'll try to keep it brief. But funnily enough, actually, my first we let's call it a college degree was actually in physiotherapy. And there was a physiotherapist for seven years, actually. But apart from that, I'm also been an entrepreneur for quite some time, for 20 years now. And that style and that style. Then I got into investment because I think it's a natural fit in the sense that after you are intrapreneur and that you have some experts, I've applied, I have my fair share of successes and failures. But after you had some success that you want to help other entrepreneurs to be successful also. And that was my way into the investment fibres that basically you wish to help other entrepreneurs. And that's why I chose that early stage also because I like that they're great.

Speaker1: [00:01:50.91] Will, tell us more about your angel network. Yeah.

Speaker2: [00:01:53.64] So Krenzel, what is the impact? It's part of an angel network, like you mentioned. And this is basically a new concept, I would say a fairly new concept, because we have a common brand and we have a common back-office. But in practice, we are different groups with different investment positions, people impacted. But being part of this network allow us, of course, to leverage some resources, mainly the knowledge or the power of knowledge of different people. But we are our group at the moment. So for people, for our principles. So the people that manage these different banks and basically we leverage each other's knowledge because we have people investing in the impact investment across Europe. Then we have Markovsky in Portuguese field. We have Mauritius that invests in Brazilian deals coming through to Europe, and then we have also Giammo investing in Spain. So in the end, is that a lot of knowledge and network company that we can cross-sell or exchange between that and in the end to support our entrepreneurs and to do better investment for our investment grade?

Speaker1: [00:03:12.69] Well, let's talk about the state of angel investing. How do you see the industry evolving for angel groups these days?

Speaker2: [00:03:18.84] Yeah, so I see I see definitely a trend there. And the trend I see is the more professionalization of of this business angel group. So I would say that the business angel activity started with more of the individual activity. So I can intrapreneurs that they were somehow successful and then they started to invest in other entrepreneurs and they started to do this by themselves alone. Then we started to see these business angels starting to work together, starting doing groups, starting to do syndicate. And now what I see is definitely a professional organization for these groups, becoming more and more professional, like being in a way, let's call it a small venture capital, small business, but in the way they planned their goals is the same. So invest Smolla pickets usually in an earlier stage, but they want to see also their portfolio to be successful. And they want to be there to help these entrepreneurs go to these companies to be successful again in a more professional way in market. I would say more side by side than just financial investment.

Speaker1: [00:04:33.24] So in the next five years, what do you think is the biggest change? We'll see what the angel groups.

Speaker2: [00:04:37.74] Yeah. So definitely I would see a change. I would see also more professionalization to focus again on that topic. I would see also some more competition from some VCs, because definitely some of development with Bendek we see that are going into the private equity stage, I would say. But they are also going for the business side business. So they have to be more professional in the way they can support if they want to support this competition from the company, because either we like it or not, VCs are traditionally more professional or more structured, if you want to call it, then businesses will again become more informal groups. People get together and invest together and they need to improve the situation to be more structured, we have to be more efficient also in order to compete with the entrance of the venture capital world into the world. And for me, to be honest, they are two different worlds. And I would keep them separate because business is one thing and venture capital is another thing. And the way you invest and the way you decide whether to invest or not, in my opinion, they are totally different ways.

Speaker1: [00:05:57.99] And so when you run your angel network, what's the biggest challenge you face today?

Speaker2: [00:06:02.10] Well, when one of the main challenges I was expecting to have was to get the deal flow, to be honest, because we are investing in a niche market. So impact received. I was expecting to be quite hard to find good deal, and that's not happening to be true. So we are having access to a lot more people than we were expecting, which is good news, I think, because definitely the market is out there, a lot of intrapreneurs and a lot of food intrapreneurs out there wishing to create these new kind of business. So I would say that our biggest struggle, in a sense, is actually selling these or getting new investors. I would say that this is still a relatively new topic, especially in in Europe, because we are based in part of Europe and especially in Europe, Obstfeld venture capital, to sell the assets of the investment in startup. It's still something new. So this is our main struggle, I would say, is basically to try for these old in lessons for them to diversify their portfolio and to start investing more in innovation and to start to invest more in startups and in the new economy in the future.

Speaker1: [00:07:24.51] Ok, so. So what is your investment thesis for your group? What exactly is the criteria you look for, for investing in a startup?

Speaker2: [00:07:32.53] Yes. So we are again, we are receiving investments and we are investing in European based companies. We can have activity outside of Europe, but at the moment we are investing in European based and for us impacts. So because we are talking about impact, but what is the impact and the impact? We have to really clear and we divide the impact in the level or two to three years, if you want to call it. So the first year is the ESG investment. So economical, social and governance. And this is basically an investment of exclusion. So we think that we will not invest in weapons in Iraq or in in in oil fields. OK, and this is not the investment with the social impact. Investing is not this. And then you have a second line, which is that the car plan, which is basically the companies that are concerned, that are worried about all of their stakeholders, all of fair value chain. So I would say it's a little hallmarking deep in depth comparing to the first line. But this is also not the type of companies we are looking for, for the type of companies that we are looking for, the type of impact we are looking for, and that we are investing in companies that are actively contributing with a solution or a solution for social or environmental problem. And this is the impact we are looking for. So we don't invest in companies that give them 10 percent for charity, but we only invest in companies that are by selling what they are selling or by doing that what they are doing, they are improving or they are helping to solve a social or environmental problem.

Speaker2: [00:09:27.72] I can give a couple of examples, but usually it helps to frame these policies. We invest in a mental health company that what they've have, besides they create a marketplace so that they digitize the technology and appointments. But what they've also brought the group experience to the of the online site. What it allows is for anyone that has a smartphone or a laptop or whatever that can access mental health. And more importantly, because they are doing this in group, they can access mental health support in a more affordable way. So it's basically cheaper for them. So now people have more access to mental health support and in a cheaper way. And this is really, really important. We also invested in another company that is a mixture of impact and sustainability, because what they do, basically they help people track their carbon footprint and they help is by automatically tapping into the people's bank account and by their spending, they will know how much CO2 they are. They are meeting with their partners and what they will do. They will give people their customers advice on how to reduce the carbon footprint, and they will allow them also to offset the CO2. Basically, they are helping every one of us to lower our carbon footprint. So helping with the environment and I could give some couple more examples of this is the type of pollution that we are looking for that we we invest

Speaker1: [00:11:21.78] And it's good. So so you have a fund and can you tell us more about how it works?

Speaker2: [00:11:27.42] Yeah. So so basically this is what we have at the moment. The Business Angel Fund is not a business group and fund for us is quite different in that way because what happens is that the investors, they put their money upfront in the fund, the investors, they are still business angels and they are still the one deciding in which companies we invest and don't invest, but we still do investment committee and all of that. But we don't do as syndicate every time we do an investment committee. And every time you do investments, we always invest with the same company, with the same vehicle. But the investors are the ones choosing which companies are not. And the management team is the one responsible for choosing or forgoing the accounting of an opportunity. Which company goes to the investment committee or not? And just just to give you an idea, we are having an investment committee every couple of months. We see about 15 companies per month, so and busy talking with them and actually doing some due diligence. So for each investment committee, we see about 100, 150 companies and then we take three companies to the investment committee and we invest on average in one or two companies per investment. So this is a very thorough process. And we are investing in about zero point five, one percent of all the companies with the ability to verify reports at the moment.

Speaker1: [00:13:11.46] Right. And so what excites you right now?

Speaker2: [00:13:14.17] Yeah, also a lot a lot of things to me to to be honest, and I'm quite happy about that. We are getting much more deal flow than we were hoping to to be on it. So this is a very good indicator because I was expecting the market might be shift and for us to have more impact companies, because I truly believe it is the future. In less than ten years, every company is going to be social, are going to be impactful in one way or another if they want to continue to do business for sure. And one thing that that really excites us is that we are so proud of the fact he's doing so well. I would say that we are actually transforming the into the difference between a venture capital fund in a way, because what we want is to have more money in order to reach the Marville. That's not the only reason we want to venture capital is because we are getting a lot of deals and we are not tapping into all of the deals we would like to tap. So we need to choose the lot and we would like to do more investment. So we are basically just fund raising more in order to invest in more companies, in order to support more intrapreneurs. We are quite excited about that.

Speaker1: [00:14:36.42] Great. We see a lot of startups and you see with a lot of investors. What's your advice for people investing in startups? What do you tell them to do before they write that first check?

Speaker2: [00:14:46.98] So that is that is a hard question. But usually usually a recommendation is always have a portfolio. So and by that I mean try to diversify your investments when common mistake. I would I see a lot of that, especially in business financial investment, is that people do it because of passion, because they like the team, they like the company. And there is no wrong with that. That is great for the right reasons to do investment. But the thing is that. We need to be a little bit rational also, so we need to do at least 10, 20 investment, something like that, in order to diversify our our risk if we only do two or three investments, the probability of those investments going back is very high. But the probability of 20 investments going bad is much lower. So my recommendation is always invest with a portfolio, try to have a portfolio, diversify your investment, definitely be possible by sector or by geography or whatever it is. But try to diversify your portfolio. Don't put all of your eggs in the same net. If you do it alone or if you do it in a group or with a syndicate, it's not relevant. It's just that to to partner.

Speaker1: [00:16:11.49] Right then on the other side of that table, what's your advice for people running startups? What do you tell them to do before they go out to raise funding?

Speaker2: [00:16:18.21] Yeah, for that I have a straight answer and usually my answer for that is don't do it. But is my first recommendation. But make my recommendation to companies is always looking for investment, looking for investors to be a last resort in the sense that it's not easy, it's not an easy process to find the right investors and it's not an easy process to have investors on board. So so my recommendation is always try to find many some other way to try to do pre-sales, try to do crowdfunding and try to do whatever it is, a grand sort of words or a celebration, if that makes sense. But getting investors and getting investment in a company, it's not an easy process and they are not they should be ready for that. They should be ready for that process. And they should be aware that having an investor is like being in a relationship. So they are going to be ups and downs for sure. And in the end, you just need to like the person that that is that that is that on the other side of the table, you know, so you need to be able to follow that person and to have a drink with that person. And if you are not able to do that, if you are not able to share your fears and your concerns with the person that is on the other side of the table, don't do it or don't accept that investment just because you need the money. That is the wrong reason to do it. And things are going to go wrong. And if you do it just for the money and invest, it should be a partner and should be there to help you and to support the entrepreneur, which we have much more than just capital. Otherwise, things are going to go south either sooner or later for sure. Right?

Speaker1: [00:18:07.62] Well, in the last few minutes that we have here, what else should we cover that we have it?

Speaker2: [00:18:10.98] That is another great question. I'm not sure. I think we covered quite a lot of topics. I would just say, if you are not looking yet at impact investment, look at it. It is it is the next strand or it is the trend already. And I do believe that in the next year and the next within the next ten years, it's going to be that sector that's going to grow the most and it's going to be the best sector for everyone and I mean also financially. So not just for the terms of social environmental sustainability, but I also believe that financially is going to give the best returns. I'm really confident on that. If you are not looking at it yet, I would advise you to start looking for this sector.

Speaker1: [00:18:58.29] Very good. So how best for listeners to get back in touch with you?

Speaker2: [00:19:02.04] Yeah, just the links in. I think it's the best way. I'm I'm very responsive on on LinkedIn for Angels website also cadenzas dot com also if you want to, but I would say the right way. And if I can help with any anything, mainly from within Portugal or Europe, I'm here to help your.

Speaker1: [00:19:24.84] Right. I want to thank you for joining us today and hope to have you back for a follow up soon.

Speaker2: [00:19:29.22] Thank you all. It was a pleasure.

Speaker3: [00:19:31.42] And the Investor Connect helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at Investor Connect, Doug. Paul Martin is the director of investor Canek, which is a 523 non-profit dedicated to the education of investors for early stage funding, all opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.