Heeten Doshi of Doshi Capital Managemen

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity and many other investors for early stage and growth companies. I hope you enjoy this episode. Investor Connect is a 501 C three non-profit dedicated to the education of investors and startups for fundraising. Please consider donating $100 to the program to help others in their investor and entrepreneur journey. You can find the Donate button on the Investor Connect org website.

Speaker2: [00:00:38] Well, hello, this is Hall Martin with Investor Connect. Today, we're here with Heeten Doshi managing partner at Doshi Capital Management. Doshi Capital Management DCM is a private investment management firm that was incorporated in 2011. Bcm relies on its decades of extensive research in understanding different market cycles in the cause and effect relationships that drive asset prices. Heeten , thank you for joining us.

Speaker3: [00:01:02] Thanks for having me.

Speaker2: [00:01:03] So what was your background before investing in early stage companies?

Speaker3: [00:01:07] Yeah. So my background, you know, before I started a DCM was I was a portfolio strategist at Brown Brothers Harriman. Before that, I covered equities at Morgan Stanley, and then before that I was a derivatives trader at Lehman Brothers.

Speaker2: [00:01:24] Great, and so what excites you right now?

Speaker3: [00:01:27] Yeah, you know, I think, you know, just the market environment is exciting, I think. You know, so far this year, the market's been really complacent. We've seen a pretty strong run in the market and I think going forward there's going to be more volatility, which will be great for active managers and alternative investments to take advantage of. And I think, you know, the sort of environment that we've seen for the past nine 10 months is going to change, and I think there's a lot of opportunity out there.

Speaker2: [00:01:53] Great. Well, you see a lot of startups and investors out there. What's your advice for people investing in startups? What do you tell them to do before they write that check?

Speaker3: [00:02:01] Yeah, I think, you know, most important thing is to do your due diligence, to do your research. There are a lot of startups. There are a lot of companies out there looking for funding. And I think really understanding the fundamentals of the company, understanding the drivers of the company, understanding the management team and really the product and what they're trying to achieve is is important. You know, it all comes down to research and due diligence and having confidence in what you're putting your money behind.

Speaker2: [00:02:31] Right, and then for start ups that are raising funding, what do you tell them to do before they launch that campaign?

Speaker3: [00:02:38] Yeah, really, it's it's to have a good marketing team, it's to really know your target audience, it's to know who you're trying to raise capital from. It's it's really having a plan in place. It's really having the right talking points, the right presentation and really the right statistics and the right due diligence and research on their part to write they're going to raise money, they're reaching out to investors, they're asking for money. That's never an easy task. And it's really, you know, having the right thought process and the right sort of data I would say to to present. And that gives you the best chance of being able to raise money when you have something exciting and something interesting. And when you're able to communicate that across, we're able to share that excitement to share that enthusiasm. You know, I think that excites investors and makes it a lot easier, right?

Speaker2: [00:03:31] Well, let's talk about the state of startup investing. How do you see the industry evolving from here?

Speaker3: [00:03:37] I think there's there's a lot of money chasing deals. There's a lot of money out there. You hear of all these SPACs that are that are coming out right, that are trying to invest in companies and take them public. There's just a lot of money chasing, I think, you know, not as many deals. So, you know, from an investor standpoint, you have to be careful what you're investing in. You don't just be throwing money after a startup just to just to place that those funds somewhere. You do want to be cautious. You do want to be careful about where you're investing and how you're investing, because we definitely don't. You know, we're seeing I'm going to call it a bubble. We're seeing a lot of money flow into startups, into private equity. I mean, if you talk to family offices, a lot of them are looking for venture capital private equity deals, right? A lot of them are looking to do direct placements and to invest that money into startups because they want that big return that you know, the exponential return. But at the same time, there are fewer and fewer deals to chase after, and that increases the chance of picking a bad investment. So you know, you want to be careful about how you invest, you want to be careful about what you're investing in and not just throw money after something because you have nowhere else to put it.

Speaker2: [00:04:53] Right. And so what is the biggest change we'll see in, say, the next 12 to 24 months from your point of view?

Speaker3: [00:04:59] Yeah, I think, you know, I think the next 12 months, I think the biggest change you'll see is valuation, right? I mean, valuations are very rich across pretty much any sector and any space. Whether you're looking at public equities, looking at private deals, you're looking at, credit valuations are very high. Interest rates are very low. There's a lot of money chasing deals. So I think, you know, over the next 12, 24 months, you know, you might see those valuations come down. You might see as the Fed increases rates, as the Fed pulls back stimulus, there's less liquidity in the markets. I think, you know, those valuations come down that that might scare off some investors, that that might be a decent pullback to then look at new deals or review deals that possibly were too rich at that time. So I think the next 12 to 24 months will provide us an opportunity.

Speaker2: [00:05:49] Great. So let's talk about your investment thesis. What is it and what is your criteria for making an investment?

Speaker3: [00:05:55] Yeah. So so our investment thesis is actually we analyze market cycles, we analyze data, we analyze behavioral data, and we look at that data to predict market cycles. We call it risk on risk off when when the market's moving up and the market's moving down to analyze economic cycles. And we use that to to invest. And we use that to, I would say, time in the market and to find a good offer, good opportunities to get in and then also good opportunities to to get out as well. Because the worst thing you could do is write an investment too long and not get out at the right time.

Speaker2: [00:06:39] Great. So can you mention one or two startups that maybe may fit that thesis?

Speaker3: [00:06:44] Yeah. You know, I think AI is a good place to look. I think blockchain is a good place to look. You know, the new, new tech evolving tech machine learning like those are all still pretty, pretty new technologies still in the infancy stages. And I think as adoption rates grow, as as more and more companies use blockchain and AI and ML, you know, I think that'll be a big area. And I think really, you know, tech is the future and tech is the way to go.

Speaker2: [00:07:17] Right. And so you see a lot of startups and investors out there running businesses and investing, what are the challenges you see startups facing most today?

Speaker3: [00:07:26] Yeah, I think it's it's personal. I think, you know, it's it's becoming increasingly more difficult to find that, you know, good hires. It's hard to find the expertise. You know, the labor force is pretty thin and people are fighting over talent. So I think for startups, it's tough to find the right talent at the right price. And then also the hardest thing is is to is to raise capital. Raise money is to reach investors is to convince investors on their thesis on their idea and to get them to buy in.

Speaker2: [00:08:01] And then what's the challenge the investor faces in today's market?

Speaker3: [00:08:05] You know, for for the investor, the challenge is, is to is where to place that money, it's where to invest, it's where to find, you know, the right startup, the right team, the right investment and and really, I guess the challenge is, is, you know, a lot of a lot of these, a lot of family offices, a lot of investors, they have a lot of cash. They have a lot of money to put to work. And so I think the challenge for them is to is to figure out where to put that to work, whether it's cannabis, whether it's real estate, whether it's startups, whether it's tech or A.I. or there are a lot of health care startups out there due to COVID. So, you know, it's really doing their due diligence and finding the right investment. I think that's that's the toughest part and requires a lot of expertise, right? If you're looking to invest across different industries, know different products, you need that expertise and in each one and to to be able to do that, you need to have the right hire the right talent to be able to evaluate those opportunities. So, you know, that's the challenge from investor standpoint is being able to do the proper due diligence and really dig deep and do some deep value, deep deep research into what you're investing in.

Speaker2: [00:09:18] Well, you see a lot of different applications and sectors out there. You had to pick one or two that are really good opportunities for investors to pursue today. What would you call out?

Speaker3: [00:09:27] Yeah, I think I is is a great area. You know, blockchain is a great area. You know, another really growing area of cybersecurity. There's a big focus on cybersecurity for not just large companies, even small companies. Well, there's a lot of ransomware attacks. So cybersecurity is is a really hot area where investors can focus on that. A lot of startups out there that are launching cybersecurity platforms to cater to small businesses and medium sized companies. And so, you know, I think, you know, that could be a very interesting area in the future.

Speaker2: [00:10:01] Right. Well, in the last few minutes that we have here, what else should we covered that we haven't?

Speaker3: [00:10:05] I think the one thing I would tell investors is, don't rush. Don't be too eager. A lot of investors sometimes feel like like the deal and the returns are getting away from them. You know, you're better off just holding on and missing a deal than than than making a wrong deal and a wrong investment that'll that'll hurt your return. So sometimes it's OK to let that one go. But really, it's better to live to fight for another day.

Speaker2: [00:10:33] Great. Well, how best for listeners? Get back in touch with you?

Speaker3: [00:10:36] Yeah, absolutely. You know, they can reach me. They can visit our website, you know, WDW that APM, you know, they can reach out by email or by by phone. Our office number is nine seven three eight nine eight three seven zero two three.

Speaker2: [00:10:53] We'll include those in the show notes. I want to thank you for joining us today and hope to have you back for a follow up soon. Absolutely.

[00:10:58] Thank you for having me.

Speaker1: [00:11:04] Investor Connect helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at Investor Canaccord. Paul T. Martin is the director of Investor Connect, which is a 501c3 nonprofit 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.