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Bow River Capital launches new fund to make private equity investing more accessible

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Wall Street is still reckoning with the fallout of GameStop Corp. (NYSE: GME) stock's meteoric rise at the hands of day-traders, but a Denver firm is taking a different approach to democratizing the world of investing.

Bow River Capital recently launched its Evergreen Fund, meant to be a more accessible option for private equity investment.

Bow River specializes in the traditional private-equity model, in which a firm raises several million dollars and makes long-term investments in a handful of companies. Once those companies are sold, the firm gives investors their money back and raises a new round for new companies. Bow River has four main lines of business, including private equity, software growth equity and real estate investment.

Its fourth line of business, the Evergreen Fund, is not traditional private equity. First, the Evergreen Fund requires a \$50,000 minimum investment – much lower than traditional funds, which can have a typical minimum of \$500,000 or more, said Jeremy Held, managing director for Bow River.

Second, the fund doesn't just open once and then pay out several years later. Instead, it accepts investments on a rolling, monthly basis. Every quarter, investors can redeem their holdings, which makes the fund more liquid than a traditional private equity fund.

Finally, the Evergreen Fund looks to be more diverse than traditional funds, investing in dozens or even hundreds of private companies instead of a handful.

"The world of investing in stocks and bonds is easy to buy and own them, even more so with things like Robinhood," Held said. "There is a whole world of private investments with high minimums that are not diversified. We're seeking a middle ground."

The idea of more accessible investment has gained traction in the last week, following an event where a group of day traders organized on Reddit to invest in retailers like AMC Entertainment Holdings (NYSE: AMC), BlackBerry (NYSE: BB) and GameStop, which had been shorted by hedge fund investors. The sudden ballooning of these stocks created a windfall for some of the Reddit investors and cha-

os on Wall Street.

Robinhood, the fintech company that made investing in the stock market so accessible to regular people, put a freeze on GameStop stock. It even had to tap into banks like JPMorgan and Wells Fargo in order to have enough cash to meet the U.S. Securities and Exchange Commission's financial requirements for brokerage firms. Charles Schwab, meanwhile, has been highlighting its strength as a brokerage firm that did not need to place any restrictions on certain stocks.

Held says he understands why there is now a conversation about accessibility in the finance world.

"We do think it's unfair that so many investors are unable to participate in the growth of private markets," he said. "That was part of the inspiration for launching the fund."

Still, Bow River is not trying to be Robinhood. It invests in private companies, not public stocks. But it also is limiting its Evergreen Fund to accredited investors and keeping the minimum at \$50,000 – for now.

Keeping those requirements comes down to regulation and administration. To invest in private markets, regulators require accredited investors, meaning they have a net worth of \$1 million, an annual income exceeding \$200,000 for the last two years, or are an executive for the company issuing the unregistered securities.

Bow River Capital's fund is only open to accredited investors, and the \$50,000 minimum means it's much easier to invest in opportunities and maximize a return.

"If we had no minimum investment or if we took investments in every day, it would be harder for us to gauge how much money is coming in," Held said.

Held did say the firm is open to making the fund even more accessible. The firm is in discussions with 401(k) and retirement plans, which would allow more participation for individuals. Should regulators change the requirements of being an accredited investor and lower the bar, Held said Bow River is open to bringing in more investors under whatever the new definition of accredited investor may be.



Jeremy Held is the managing director of the Bow River Capital Evergreen Fund.

Bow River first launched the Evergreen Fund as a private fund in May 2020, meaning it was capped at 100 investors. On Dec. 31, the firm converted it to a registered fund, which lifted the limitation on investors, and also added some requirements like an independent board of directors and mandated diversification requirements.

"The registered fund was always our strategy," he said. "That structure has a lot of protections and shareholder benefits."

The fund is currently at about \$84 million in assets. Companies for investment are selected through a combination of Bow River's nearly two decades of expertise and insights from Aksia, a pension consultancy. For its part, the 36-employee Bow River – an employee-owned firm – has about \$1 billion in assets under management as of Sept. 30, 2020 and is the sixth-largest private equity fund in Denver, according to Denver Business Journal research.

While Held looks to democratize his corner of investing, he said that in general, he sees a positive side to the current engagement the general public is showing in investing and finance.

"Investors are more aware of the stock market and more aware of risks and returns," he said. "Hopefully we'll get another generation of investors who are interested in what are the risks and what are the returns."