A global capital lifecycle: from first risk to recycled liquidity

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Private equity is a valid and potentially important extension to FirstContact, alongside angels, venture capital, philanthropy, development finance, private credit, search funds, and strategic buyers. The complete solution is not one undifferentiated investor list. It is a global capital lifecycle in which each capital type solves a different company state and successful ownership transitions recycle money, experience, and confidence into the ecosystem.

> **Current product boundary: This document is research and a proposed product direction. FirstContact does not currently provide live private-equity acquisition matching, transaction execution, due diligence, or investment advice.**

One system, different jobs

Capital providers should not be treated as interchangeable. Matching a pre-revenue founder to a buyout fund is as misleading as matching a profitable succession-stage company only to seed investors. FirstContact should identify the company's present condition, desired transaction, governance readiness, and intended outcome before it identifies a capital provider.

Capital type	Best fit	Typical form	Contribution beyond money	Liquidity role	Main mismatch risk
Philanthropy and grants	Public goods, research, ecosystem infrastructure, excluded or pre-commercial innovators	Grant, recoverable grant, technical assistance	Validation, capacity, inclusion, shared infrastructure	Makes later investment possible; should not manufacture private returns	Subsidising a commercial deal that would happen anyway
Angel investors	Formation, pre-seed, first product, first customers	Founder-friendly equity, SAFE, convertible instrument	Judgment, mentoring, introductions, early credibility	Creates the first investable ownership layer	Informal terms, concentration, weak follow-on capacity
Venture capital	Innovative companies capable of rapid, outsized growth	Minority preferred equity, sometimes venture debt or quasi-equity	Hiring, governance, customer and investor networks, follow-on capital	Builds companies that may later exit to strategic or financial buyers	Applying venture expectations to ordinary cash-flow businesses
Growth equity	Proven revenue and a repeatable model ready to scale	Primary minority or structured equity, sometimes partial secondary	Go-to-market expansion, executive hiring, systems and market entry	Bridges venture and mature private capital; can give selective early-holder liquidity	Scaling before unit economics or governance are ready
Private credit	Predictable cash flow or assets that can support repayment	Senior, mezzanine, revenue-based, asset-backed, trade or working-capital finance	Capital without mandatory ownership transfer	Preserves equity and finances growth or acquisition	Debt service, currency mismatch, unsuitable leverage
SME and impact private equity	Established businesses needing scale, governance, succession, or operational transformation	Significant minority, majority, recapitalisation	Operating systems, digitisation, governance, M&A, market access, exit preparation	Buys existing shares, creates exits, and prepares stronger assets	Excessive control, leverage, cost cutting, mission drift
Search funds and independent sponsors	One durable, usually profitable small or mid-sized company with succession potential	Acquisition of a controlling or full interest	A dedicated operator who normally runs the acquired company	Creates an exit for an owner and a new operator-owner	Company too small, too dependent on the seller, or too fragile for acquisition debt
Strategic corporate buyers	Businesses with product, customer, talent, supply-chain, or geographic synergy	Minority strategic investment, joint venture, asset purchase, merger, acquisition	Distribution, procurement, technology, licensing, international expansion	Often the most direct full or partial exit route	Integration failure, loss of independence, anticompetitive outcomes
Secondaries and continuation capital	Existing shareholders or funds needing liquidity before a company exit	Share transfer, tender, GP-led or LP-led secondary, continuation vehicle	Time and ownership realignment without forcing a company sale	Directly unlocks otherwise trapped private-market capital	Mispricing, information asymmetry, conflicts between buyers and existing holders
Public and development finance	Markets where risk, tenor, currency, or pioneering costs block commercial capital	Equity, debt, guarantees, first-loss, local-currency or blended structures	Standards, demonstration, technical assistance, market creation	Crowds in capital and helps build repeatable markets	Crowding out, excessive concessionality, weak additionality

The governing principle is:

> **Use the least dilutive, least concessional, and least risky instrument that genuinely fits the company’s present condition and intended outcome.**

Angels: first conviction and local knowledge

Angel investors are often the earliest external risk capital. They can invest before an institution has enough evidence, introduce the company to customers and later investors, help recruit early leaders, and translate local context that a global fund may miss.

They are especially useful for:

- prototypes and first commercial tests;
- pre-seed and seed rounds too small for many institutional funds;

- founders outside established venture networks;
- syndicates that combine local diligence with diaspora or international capital; and
- patient mentoring where a company needs judgment as much as money.

FirstContact should distinguish an individual angel, an angel syndicate, a family office, and a scout. It should capture check range, follow-on capacity, sectors, countries, accreditation or eligibility constraints, lead-versus-follow preference, time available, conflicts, and source-backed evidence. An introduction must never imply that an angel can lead, follow on, or invest in a jurisdiction unless a current public source or the investor confirms it.

Venture capital: financing exceptional uncertainty and growth

Venture capital is appropriate for young companies whose technology or business model can support rapid, very large growth and whose early uncertainty prevents ordinary bank financing. NVCA describes VC as high-risk, long-term equity for innovative young companies and highlights the operational guidance, boards, hiring, and networks investors can provide. NVCA - What is Venture Capital? (https://nvca.org/about-us/what-is-vc/)

IFC’s emerging-market VC platform uses equity, quasi-equity, venture or asset-backed lending, networks, sector expertise, and local regulatory knowledge to help technology companies scale. It has also invested through seed funds and accelerators to make early-stage companies ready for later financing. IFC - Venture Capital (https://www.ifc.org/en/what-we-do/sector-expertise/venture-capital)

For FirstContact, a credible VC match requires more than the word "startup":

- explicit stage, sector, geography, ticket, ownership, reserve, and follow-on fit;
- evidence that the fund is active and the specific vehicle can still invest;
- a venture-scale market and plausible return profile;
- founder understanding of dilution, governance, preference rights, and time horizon;
- a use of funds tied to milestones rather than a generic capital request; and
- separation of public thesis evidence from unverified assumptions about partner interest.

VC should not be prescribed to every good business. A durable local company may be far better served by revenue, customer finance, credit, patient equity, or an acquisition pathway than by a growth model that depends on repeated institutional rounds.

Philanthropy and development finance: prepare, include, and catalyse

Philanthropy is most valuable where commercial investors cannot rationally pay for the full benefit being created: public goods, basic research, ecosystem infrastructure, excluded founders, transaction preparation, open data, policy work, and early proof that can benefit a wider market.

It can work alongside commercial capital through:

- grants and recoverable grants;
- technical-assistance facilities;
- guarantee or first-loss structures;
- design and feasibility funding;

- local fund-manager development;
- outcome or impact measurement;
- legal, accounting, governance, and investment-readiness support; and
- local-currency, political-risk, or market-building interventions with DFIs.

The OECD’s blended-finance principles require a development rationale, additionality, local-context design, mobilisation of commercial capital, transparency, and a route toward commercial sustainability. Concessional capital should not crowd out an available private investor or guarantee a financial sponsor’s return merely because a transaction has an impact narrative. OECD - Blended finance (https://www.oecd.org/en/topics/sub-issues/mobilising-private-finance-for-development/blended-finance.html)

What the research shows

Private equity already performs much of what you described:

- Growth-equity investors finance established companies seeking expansion, operational improvement, or entry into new markets.
- Buyout funds acquire controlling or majority ownership.
- Turnaround investors acquire distressed but recoverable businesses.
- Replacement-capital and secondary transactions allow founders and existing investors to sell shares.
- Search funds and entrepreneurship-through-acquisition vehicles acquire smaller profitable companies and install an active operator.

These are recognized PE strategies, rather than a new theoretical model. Invest Europe’s definitions (https://www.investeurope.eu/publications/private-equity-at-work-2026-report/about-private-equity-24530.html) distinguish growth, buyout, turnaround, and replacement capital.

There is also direct evidence that the model can address the "missing middle" in emerging markets. IFC’s SME Ventures programme invests through PE funds targeting smaller businesses in underserved countries and supplements capital with networks, training, and market expertise. IFC SME Ventures (https://www.ifc.org/en/what-we-do/sector-expertise/funds/sme-venture-funds)

A particularly close example is IFC’s 2026 investment in Aruwa Capital Fund II. Its stated value-creation activities include:

- market expansion;
- operational efficiency and digitisation;
- capital strategy;
- talent and governance;
- branding and communication;
- M&A integration; and
- exit preparation.

That is very close to your thesis of acquiring or recapitalising companies, solving go-to-market problems, professionalising them, and eventually recycling the capital. IFC project disclosure (https://disclosures.ifc.org/project-detail/SII/51411/smev-acf-ii)

Does it increase ecosystem liquidity?

Potentially, yes-through several mechanisms:

1. Founder liquidity

A founder can sell a minority position, controlling stake, or the entire company.

2. Angel and VC liquidity

PE funds can buy shares from early investors, returning capital that can be reinvested into new startups.

3. Company recapitalisation

A transaction can combine secondary share purchases with new primary capital for expansion.

4. Operational value creation

A capable investor can strengthen management, reporting, governance, sales, pricing, distribution, technology, and market access.

5. Exit readiness

A professionalised company becomes more credible to strategic acquirers, larger PE funds, public markets, or management buyers.

This is already becoming visible in emerging markets. AVCA reported that PE and other financial sponsors represented 18% of African venture-backed exits in 2025, with half of those sponsor exits involving secondary transactions. However, trade buyers still represented 70% of exit volume-so corporate acquirers are at least as important as PE for liquidity. AVCA 2025 Venture Capital in Africa Report (https://www.avca.africa/data-intelligence/research-publications/2025-venture-capital-in-africa-report/)

Therefore, I would expand the solution beyond private equity alone:

> **Angels -> VC -> growth equity -> PE/search funds -> strategic buyers/secondaries -> recycled capital**

Search funds deserve special attention

Traditional PE funds often need transactions that are too large for many overlooked SMEs. Search funds and independent sponsors can cover part of that gap.

IESE’s international study found 320 search funds across 40 countries and five continents. Their typical model is to find one established company, acquire it, operate it actively, and eventually exit. The median international acquisition was approximately $11.7 million, so even search funds will not cover the smallest companies-but they demonstrate that operator-led acquisition is already global. IESE international search-fund research (https://www.iese.edu/insight/articles/search-funds-global-growth/)

For smaller transactions, FirstContact could eventually include:

- micro-PE funds;

- local SME funds;
- independent sponsors;
- search funds;
- family offices;
- permanent-capital holding companies;
- management buyout investors;
- diaspora investment vehicles; and
- strategic corporate acquirers.

Where philanthropy fits

Within an acquisition or transformation pathway, philanthropy can be useful, but it should not normally subsidise the purchase price of an otherwise commercial buyout.

The strongest philanthropic roles are:

- grants for accounting, legal, governance, and investment-readiness work;
- technical assistance for sales systems, digitisation, impact measurement, and management development;
- first-loss capital or guarantees in genuinely underserved markets;
- funding shared market infrastructure, local fund-manager development, and transaction preparation;
- supporting businesses with strong social value whose risk-return profile is not yet commercially investable.

The OECD says blended finance should mobilise capital that would not otherwise arrive, demonstrate additionality, avoid crowding out commercial investors, use minimum necessary concessionality, and have a path toward commercial sustainability. OECD blended-finance guidance (https://www.oecd.org/en/publications/oecd-dac-blended-finance-guidance-2025_e4a13d2c-en/full-report/principle-2-design-blended-

So the appropriate boundary is:

- Philanthropy absorbs justified early or systemic risk.
- Commercial investors fund commercially viable acquisitions and growth.
- Philanthropy should not guarantee private investors a return merely because a deal has an impact narrative.

Important qualification about "10x"

"10x the value" is a strong vision, but it should never become a platform claim or matching assumption.

Some transformations can produce exceptional returns, but most PE transactions are underwritten around more restrained combinations of:

- revenue and margin growth;
- operational improvement;
- debt repayment;

- acquisitions;
- stronger governance; and
- a higher-quality exit.

FirstContact should describe the objective as "measurable long-term value creation" or "enterprise-value growth," while allowing individual investors to specify their target return. Promising 10x would encourage inflated projections and potentially attract the wrong operators.

There are also genuine risks:

- excessive acquisition debt;
- cost cutting that damages employees or customers;
- founder loss of control;
- mission drift;
- forced exits caused by fixed fund lives;
- aggressive consolidation;
- currency and political risk;
- weak local exit markets; and
- investors claiming operational expertise they do not possess.

These need explicit diligence and governance fields.

How I would incorporate it into FirstContact

The current shared investor contract models a relatively simple VC-style investor: firm, thesis, stages, sectors, geography, and evidence in lib/domain.ts. Matching currently scores stage, sector, geography, and capital-region overlap in lib/matching.ts. That is insufficient for acquisition transactions.

I recommend four separate opportunity paths:

Path	Appropriate capital
Build	Angels, pre-seed and seed VC, grants
Scale	VC, growth equity, private credit
Transform	SME PE, impact PE, search funds, independent sponsors
Exit or succeed	Strategic buyers, PE buyers, management buyouts, secondaries

PE and acquisition matching would need additional hard requirements:

- transaction type: primary capital, partial secondary, recapitalisation, majority sale, or full acquisition;
- acceptable ownership percentage and control rights;
- revenue, EBITDA, profitability, and enterprise-value range;
- preferred deal and equity-check sizes;
- leverage policy;
- operating history;
- founder’s willingness to remain, transition, or exit;
- succession requirements;
- governance and reporting readiness;

- value-creation capabilities;
- target holding period and exit routes;
- country, currency, regulatory, and jurisdiction restrictions;
- employment, impact, and responsible-ownership commitments; and
- source-backed evidence for every stated mandate.

Matching should operate at the individual fund or investment-vehicle level, not merely the firm level. A global PE brand may run separate funds with completely different geographies, sizes, sectors, and ownership requirements.

Global discovery without false globalism

"Worldwide" should mean a system capable of representing verified local and cross-border mandates-not a claim that every investor invests everywhere. The research model should capture:

- countries of incorporation and countries where capital can actually be deployed;
- fund domicile, investment vehicle, local licensing, sanctions, and foreign-ownership restrictions;
- transaction currency, local-currency capacity, FX risk, and hedging;
- local office, partner, operating network, or demonstrated cross-border execution;
- language, time zone, decision location, and responsible deal team;
- minimum and maximum cheque, enterprise value, revenue, and EBITDA;
- fund vintage, active investment period, reserve policy, and verified source date; and
- whether the mandate is direct, fund-of-funds, co-investment, accelerator, philanthropic, or advisory-only.

The best global architecture combines local angels and operators, regional funds and lenders, diaspora capital, international institutions, strategic buyers, and development partners. Local capital improves context and accountability; cross-border capital adds scale, networks, currency, and exit options.

A responsible matching sequence

1. Classify the need: grant, first equity, venture round, growth capital, working capital, recapitalisation, succession, partial liquidity, or complete sale.
2. Apply hard eligibility gates: geography, stage, transaction type, ticket, ownership, sector, jurisdiction, source, and current mandate.
3. Assess readiness: evidence, financial records, cap table, governance, data room, management dependence, impact claims, and founder consent.
4. Rank value-add fit: operating capability, customer access, talent, follow-on capital, local knowledge, and credible exit routes.
5. Review conflicts and harms: leverage, control, employment, mission, community, concentration, sanctions, corruption, and data protection.
6. Require human approval: no discovery result becomes a representation, introduction, data disclosure, or transaction without review.
7. Preserve the audit trail: source, discovery date, reviewer, approval, changes, suppressions, and outcomes remain in Convex.

Success measures

FirstContact should not measure success by investor-count or messages sent. A comprehensive capital ecosystem should measure:

- verified mandates and current deployable vehicles;
- qualified matches accepted by both sides;
- time from readiness to first appropriate capital conversation;
- primary capital mobilised versus secondary liquidity created;
- founder dilution and retained control where relevant;
- follow-on capital and survival;
- operating improvements, revenue quality, jobs, and governance;
- responsible exits and capital recycled into new companies;
- philanthropic additionality and commercial capital crowded in; and
- complaints, suppressions, failed matches, mission drift, job losses, and other harms.

Verdict

This is a valid extra solution and, conceptually, it completes the capital lifecycle:

- Angels finance inception.
- VCs finance high-risk growth.
- Growth equity bridges mature startups.
- PE, search funds, and strategic buyers create ownership transitions and liquidity.
- Philanthropy and DFIs address justified market failures and readiness gaps.
- Successful exits recycle capital back into the ecosystem.

My strongest recommendation is to position the expanded FirstContact as a global capital-and-ownership matching system-not only an investor outreach system. Private equity should be one pillar, but strategic acquirers, search funds, secondaries, and succession capital are necessary if liquidity is the real objective.

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