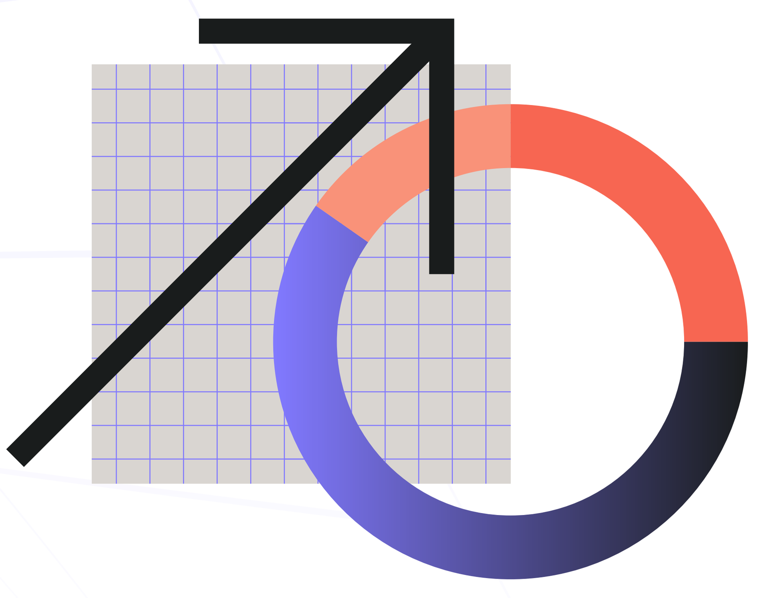
6 Venture Capital Trends to Watch in 2022

Record-breaking growth, the emergence of new players, and continued global expansion dominated VC news in 2021 – expect more of the same in the year ahead

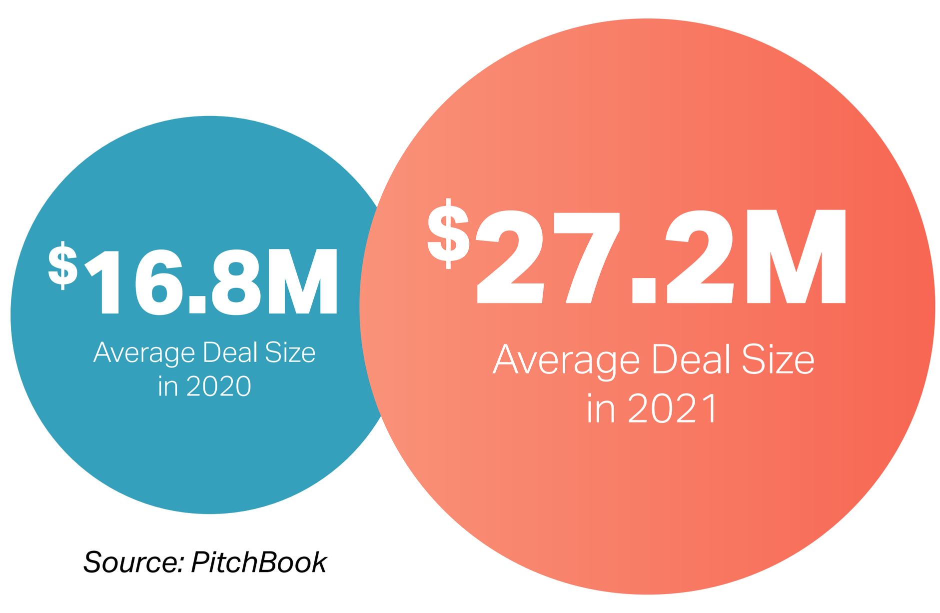
For venture capital, 2021 was one for the record books. According to PitchBook, new annual records were set for capital investment, exit value, and fundraising activity by the end of Q3.

These achievements set high expectations for 2022 — is this growth sustainable? At present, signs point to yes.



"This record-breaking year for venture capital funding globally is the result of the creative economy being a legitimate asset class and investors knowing they need to have an allocation." *- Jeff Ransdell, Managing Director, Fuel Venture Capital*

#1 Impressive growth rates should continue



Source: PitchBook

The global market for VC investment is currently expected to grow by 16% annually through 2026, and within the US, experts project total investment of $300 billion in 2022 alone, according to Deloitte. Look for this overall growth to impact average deal size, which surged nearly 65% from 2020 to 2021.

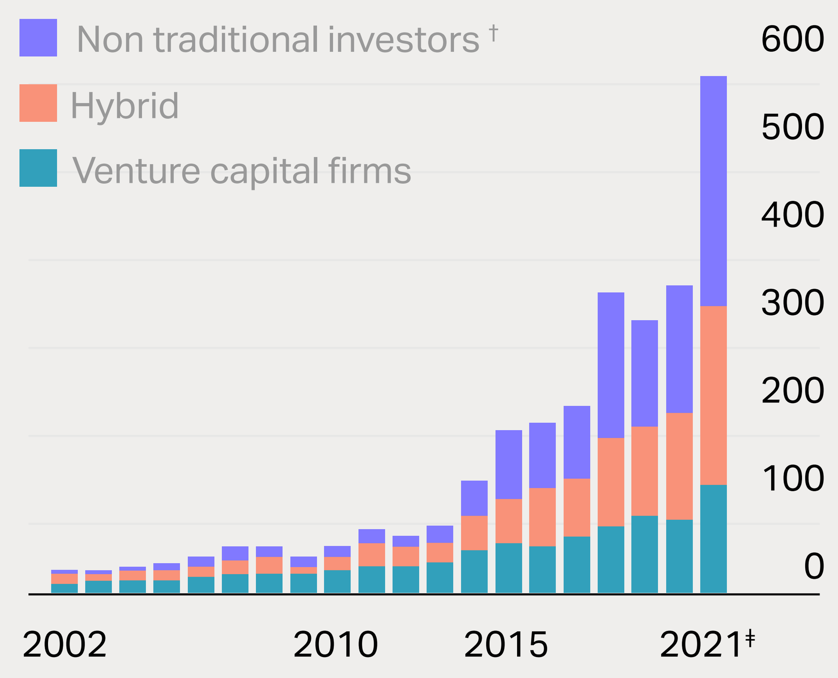
#2 Nontraditional investors are getting in on the action

Traditional venture capitalists will continue to compete – particularly in the later stages of funding – with large asset managers such as hedge funds, private equity firms, and mutual funds. In fact, per *The Economist*, less than a third of today's largest venture investments are with traditional VC firms.

"Capital crowding in the parts of finance once reserved for the high priests of venture means that the VCs of the world are finding themselves often fighting for deals with all sorts of new, and wealthier, players."

- Alex Wilhelm, Senior Editor, TechCrunch

Global venture capital activity, $bn
By type of investor*



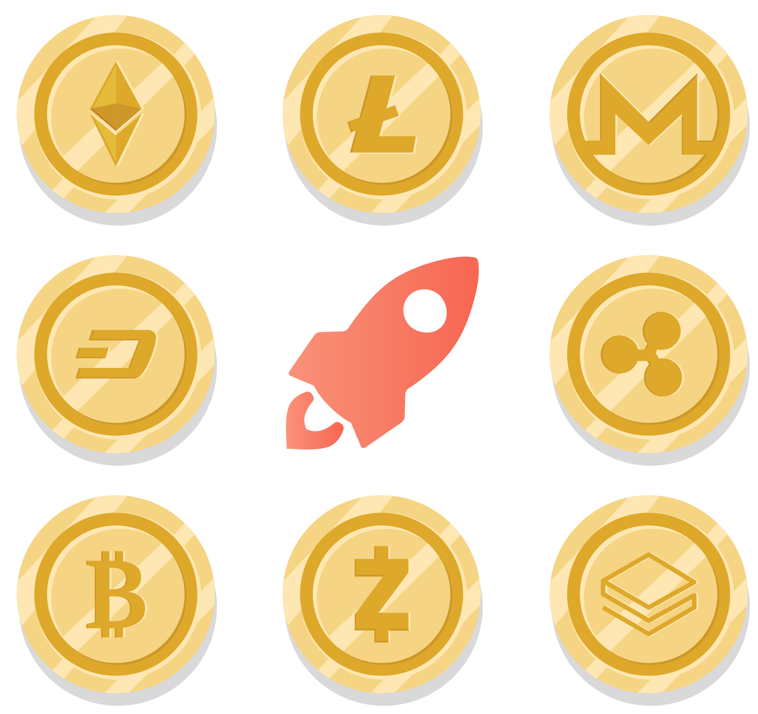
**Lead or sole backer*
† Includes PE investors, sovereign wealth funds, hedge funds, corporations and family offices
‡ As of 11/11/21
Source: PitchBook

#3 ESG could become a deal maker

Although VC has historically lagged in terms of prioritizing ESG principles, it's time to adapt as consumers and employees become more values-driven. LPs are performing more due diligence around ESG processes and demanding accountability; according to Private Equity International, 74% believe strong ESG policies produce better long-term returns.

#4 Crypto, space, and more future-focused sectors are poised to take off

Many of the deals inked in 2021 were in traditional "startup" fields, as well as industries expected to see pandemic-related demand. In 2022, firms may assume more risk and dip into crypto, space, biotech, climate-focused tech, and more futuristic opportunities. In fact, crypto is on track to achieve the highest valuation step-up among verticals in 2021, per PitchBook.



#5 Experts are keeping an eye on Africa

7x increase in Africa-based startups from 2015 to 2020

Between 2015 and 2020, the number of Africa-based startups securing funding rose nearly seven-fold, almost six times the global average. However, only a small percentage of startups have advanced from the seed-money stage to fully mature companies.

#6 Technology is needed more than ever

Gone are the days where opportunities are determined solely by gut feelings and traditional research. Artificial intelligence, machine learning, and evolving algorithms can now flag growth opportunities and potentially identify unicorns that are invisible to the naked eye.

Once funding's been dispersed, firms can use new software to harness and aggregate data, monitor portfolio performance, and communicate results.

"We knew that more sophisticated LPs were going to **require more sophisticated reporting...** it was clear Allvue knows what LPs are looking for."

- Brian Murphy, Financial Controller, SOSV

Learn more about Allvue's solutions for VC firms.

ALLVUE