

Venture Capital Growth to Remain Solid Despite Headwinds — Preqin Global Report 2023

Venture capital dry powder reaches \$530.8bn, and could take advantage of lower valuations

Today [Preqin](#), the global leader empowering the alternatives community with essential data and insight, published its [Preqin Global Report 2023: Venture Capital](#). The report found that although venture capital is the asset class most exposed to the current market turmoil, 2023 may prove a solid vintage for performance. Given that the hit to public equity valuations has impacted private markets too, there could be opportunities to put capital to work and take advantage of the fall in valuations witnessed during 2022.

Entry valuations have reduced significantly and competition for deals has softened. Aggregate deal values (\$346.3bn) across the asset class in the period to the end of Q3 2022 are just 51% of those completed in 2021 (685.1bn), as more managers hold off on capital deployment. At the end of Q3 2022, venture capital managers had \$530.8bn of dry powder to deploy into the market, an increase of 40.7% compared to December 2021.

Increased fundraising drives AUM growth

Global venture capital assets under management (AUM) reached \$2.45tn in March 2022, up from \$2.23tn in December 2021, according to Preqin data. Over the next five years, Preqin predicts a slowdown in global venture capital performance and fundraising relative to the past few years. That said, the asset class is still expected to see significant growth in total AUM, compared to other asset classes within alternatives. A strong market for venture capital fundraising has helped boost AUM growth across the asset class. Aggregate capital raised increased from \$102.8bn in 2015 to reach \$221.4bn at the end of 2021. By the end of Q3 2022, venture capital funds raised \$162.5bn - equal to 73% of the full year total in 2021.

First-time fund managers face more challenges, while early stage and venture debt strategies are increasingly favored

Allocators have more choice than ever when it comes to investing into the space. Preqin data shows that there are currently 5,048 venture capital funds in the market globally, targeting \$400.0bn in capital, as of Q3 2022. Most of the capital raised is going into larger funds, which have raised 26% of aggregate capital for the year to Q3 2022. Preqin also found that 73% of aggregate funds raised up to the end of Q3 2022 were completed by established managers, i.e., managers raising their fourth or greater fund, the highest number over the last decade.

In response to the shifting market, fund managers may turn away from focusing on niche sectors and move towards sector agnostic investments, as pricing across venture capital diverges. According to Preqin data, early stage is becoming more favored, as this area may weather the storm better than other strategies, with longer incubation periods providing a longer runway until the exit environment picks up again. This trend is reflected in funds in market, with early stage and venture debt seeing the largest proportional gains in funds coming to market, increasing by 33.7% and 35.1%, respectively, with 2,157 and 77 funds in market as of Q3 2022.

Cameron Joyce SVP, Research Insights at Preqin says: *“For capital deployed in the last two years, performance will most likely take a hit in comparison to returns seen in the previous couple of years. However, while 2023 is not without risks, some managers will be eager to put capital to work. As lower multiples filter through from public to private markets, we will see fund managers taking advantage of this to buy into promising companies at more favorable terms.”*

Preqin Global Report 2023: Venture Capital – key figures:

- **Venture capital performance:** Venture capital performance reached a median net internal rate of return (IRR) of 22.7% for vintages of 2009-2019.
- **Dry powder:** As of end of Q3 2022, venture capital fund managers sit on \$530.8bn of dry powder. This is forecasted to increase to \$659.1bn by the end of 2027.
- **Venture capital assets under management:** Venture capital AUM globally reached 2.45tn in March 2022, up from 2.23tn in December 2021.

- **Funds in market:** There are currently 5,048 venture capital funds in the market globally that are targeting \$400.0bn in capital.
- **Fundraising:** The largest 10 funds in venture capital raised 26% of aggregate capital, while 73% of aggregate funds raised were by established managers in 2022.

#ENDS#

**Note to editors:*

-All reference to '\$' is USD.

For more information and to receive a copy of the full report, contact mariella.reason@preqin.com or call (+44) 20 3207 0282.

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