

## Micro Venture Capital Funds Continue Fundraising Growth

Funds targeting \$100mn or less see six consecutive years of increased fundraising, and account for 69% of all venture capital vehicles on the road

Since the Global Financial Crisis (GFC) when an all-time high \$9.3bn was raised in 2008, micro venture capital fundraising has seen six consecutive years of growth, increasing from \$6.5bn in 2009 to reach \$8.5bn in 2015. Furthermore, over the past decade micro venture capital funds have consistently represented the majority of VC funds reaching a final close; micro-sized funds accounted for 61% of all venture capital funds to close in 2015 and more than two-thirds (67%) the previous year. So far in 2016, 169 micro venture capital funds have reached a final close raising a combined \$2.4bn.

The micro venture capital fundraising market is becoming increasingly competitive with 501 vehicles currently out raising, targeting \$23bn in investor capital. The sector currently accounts for over two-thirds (69%) of all VC funds in market and a quarter of the aggregate target capital. Of these micro venture capital funds 68% are targeting \$50mn or less with the remaining 32% seeking between \$51-100mn.

### Other Key Micro Venture Capital Facts:

- **Activity by Region:** The US remains the primary geographic focus for the majority of (58%) of micro venture capital funds in market, followed by Asia (19%) and Europe (11%). Asia-focused funds, however, have seen more funds (60) reach a final close than the US (54) in 2016 YTD.
- **Fundraising Success:** 2016 stands to be the fifth year in which the proportion of funds reaching or surpassing their target size has grown. So far this year, 75% of micro venture capital funds have achieved or exceeded their target size, an increase from 49% that did likewise in 2012.
- **Micro VC Spectrum:** The ten smallest venture capital funds in market are each targeting \$1mn-3mn, of which nine intend to invest principally in North America. Conversely, 74 funds are each looking to raise \$100mn, collectively accounting for 32% of aggregate targeted capital by micro venture capital funds.
- **Average Fund Size:** Since the GFC, the average fund size of micro venture capital funds closing has not exceeded \$41mn nor dipped below \$33mn, with the peak in 2014. Even in 2016 YTD, with the majority of funds at least reaching their target size, the average fund size stands at \$39mn.
- **Active Investors:** A confirmed 2,253 institutional investors have active mandates suited to micro venture capital investments, 55% of all investors active in venture capital. This also includes 1,665 that have at least one past investment in a micro venture capital fund.

To access further information and analysis, please see the report below:

<https://www.preqin.com/docs/newsletters/pe/Preqin-Private-Equity-Spotlight-June-2016.pdf>

### Comment:

"With both robust investor appetite and fundraising targets in the pipeline, the micro venture capital industry seems set to continue carving a niche within the early stage investment community. These smaller funds play an important role in funding growth in global communities, operating much closer to ground-level which enables them to identify and approach smaller opportunities, especially in the developing world."

As the interest in the micro venture capital industry increases, micro-sized funds will no longer act as a function of necessity and instead attract more established fund managers. With the fundraising landscape becoming increasingly competitive, managers will need to provide solid track records and favorable terms to attract distinguished investors."

**Felice Egidio – Head of Venture Capital Products, Preqin**

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\***Preqin defines micro venture capital funds as those targeting \$100mn or less**

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**Note to Editors:**

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

**About Preqin:**

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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