

Venture Capital Fund Managers See Growing Appetite Among Asia-Based Investors

62% of venture capital fund managers report increased demand from investors in Asia, the largest proportion of any region

Preqin's latest survey of 143 venture capital fund managers found that institutional investor appetite for exposure to the asset class has increased across all regions, with the largest increase seen among investors based in Asia. Sixty-two percent of firms polled stated that they were seeing greater appetite for venture capital from investors in the region compared with a year ago, well above the proportion of investors in other regions. At the same time, just 9% believe that appetite from Asia-based investors has declined in the past 12 months, the lowest proportion seen in any region.

In other regions the growth is more equivocal, although the general trend is towards greater appetite for the asset class. Nearly a fifth (18%) of managers surveyed stated that investor appetite for venture capital has decreased from investors located in North America, the largest market for the asset class, although 38% of firms did say that appetite had increased. At the same time, 23% and 21% of managers reported increased appetite from investors in the emerging markets of Sub-Saharan Africa and Latin America respectively, only marginally above the 13% of firms which have seen less appetite from these regions.

Other Key Venture Capital Fund Manager Outlook Facts:

- **New Funds:** Twenty-three percent of venture capital fund managers currently have a fund on the road, while a further 43% plan to bring a new fund to market in the next 12 months. Although 13% were unsure of the timing of their next fund, 5% of managers surveyed said they do not plan to bring a new fund to market.
- **Social Impact:** The majority of fund managers (51%) include social impact considerations for either all (18%) or some (33%) of their prospective investments. **Nearly a third of firms (31%) never consider social impact factors**, while 18% do not currently but suggested that they might in the future.
- **Deal-Making Market:** **The largest proportion of managers (42%) said that the level of competition for deals was similar to last year.** However, 40% of managers have faced increased competition for deal exposure in the past year, and 53% are reviewing more investment opportunities than 12 months ago.
- **Fundraising Environment:** As new venture capital funds continue to come to market, **the majority (70%) of managers have seen an increase in competition for investor capital**, including 20% that believe there is significantly more competition than 12 months ago. Only 6% of firms believe there is now less competition.
- **Biggest Challenges:** **The exit environment was cited as the biggest challenge facing the venture capital industry over the next 12 months** by 55% of firms. Fundraising (37%), followed by volatility and uncertainty in global markets (31%), were the next most prevalent concerns among respondents.

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

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

Comment:

"The venture capital industry continues to attract investors across the world as the asset class matures and develops. Asia, in particular, has seen rapid growth over the past few years and now rivals fundraising in Europe and North America. This trend looks set to continue, with the greatest proportion of fund managers seeing increased appetite from Asia-based investors.

Although managers are concerned about the exit environment and the rising price of company valuations, a large proportion are either currently raising new funds, or intend to within the next year. This could lead to increases in dry powder and the total AUM of the asset class, if managers are not able to exit their investments at the same rate as they accrue fresh capital. Given that the venture capital industry has seen rapid increases in activity in Asia over recent years, it may be that managers active in the region will need to look beyond the traditional strongholds of Greater China and India in order to find attractive investment opportunities."

Felice Egidio – Head of Venture Capital Products, Preqin

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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:

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