

Is a looming recession threatening North American venture capital?



\$950^{bn}

in assets under management (AUM) between December 2020 and 2021.

Despite the hardship felt by many industries during the pandemic, the venture capital (VC) industry in North America continued to thrive, growing from \$658bn in assets under management (AUM) to over \$950bn in AUM between December 2020 and December 2021 (Fig. 1).

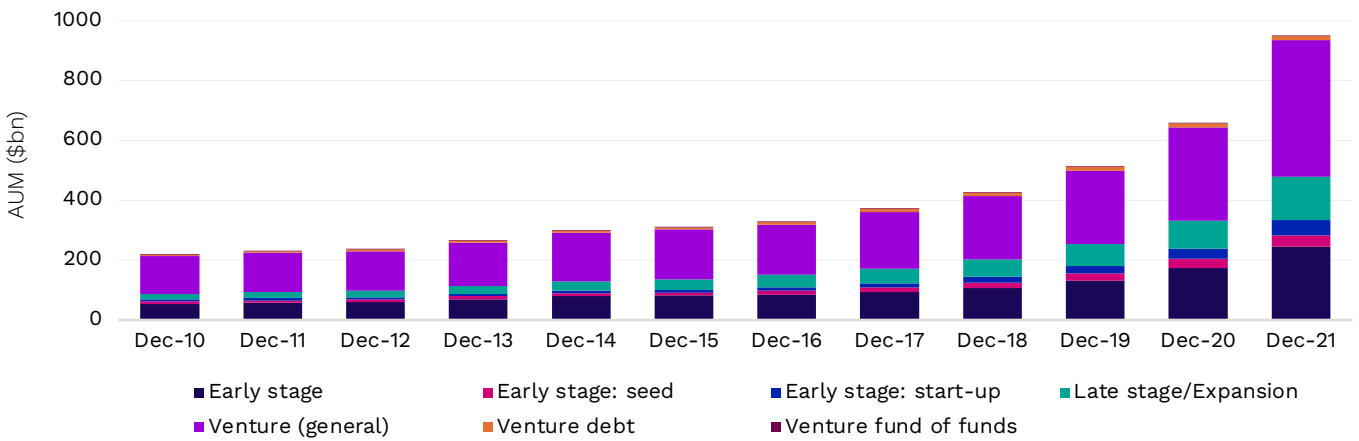


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less than half of total 2021 deal activity in H1 2022.

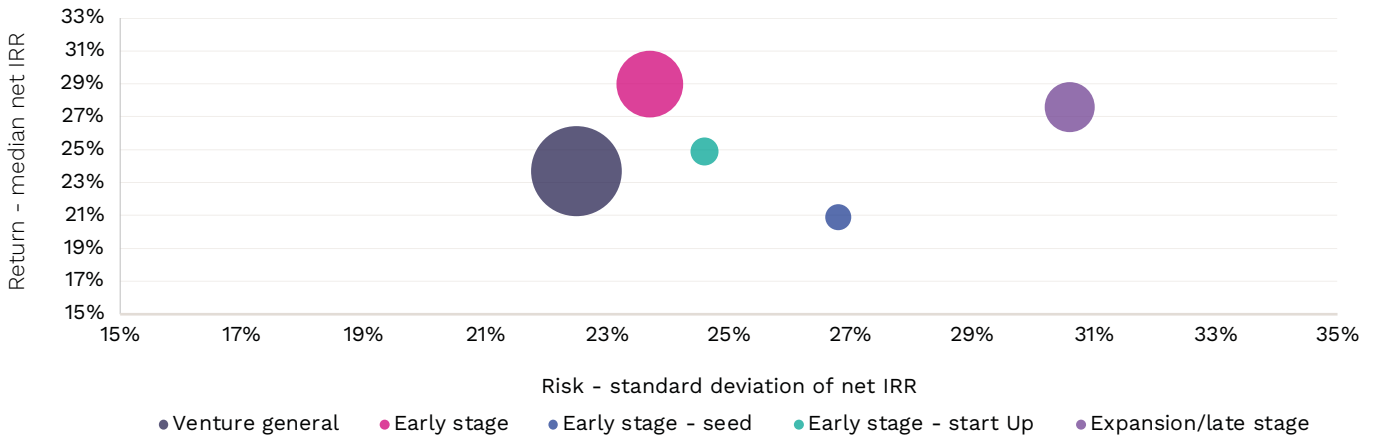
Venture capital is the most at-risk asset class within alternatives. Historically, VC investments have had a standard deviation of between 22.5% and 30.6% post GFC (vintages: 2009-2019), depending on the strategy (Fig. 2). However, VC is highly impacted by interest rate movements and recent rate hikes have had a significant negative impact on VC valuations. We may already be seeing signs of this as venture deal activity in H1 2022 was less than half of total 2021 deal activity in both the US and Canada (Fig. 3). Is this a sign of more cautious investment practices or will the second half of the year pick up steam?

Fig. 1: North America-based venture capital assets under management by fund type, 2010 - 2021



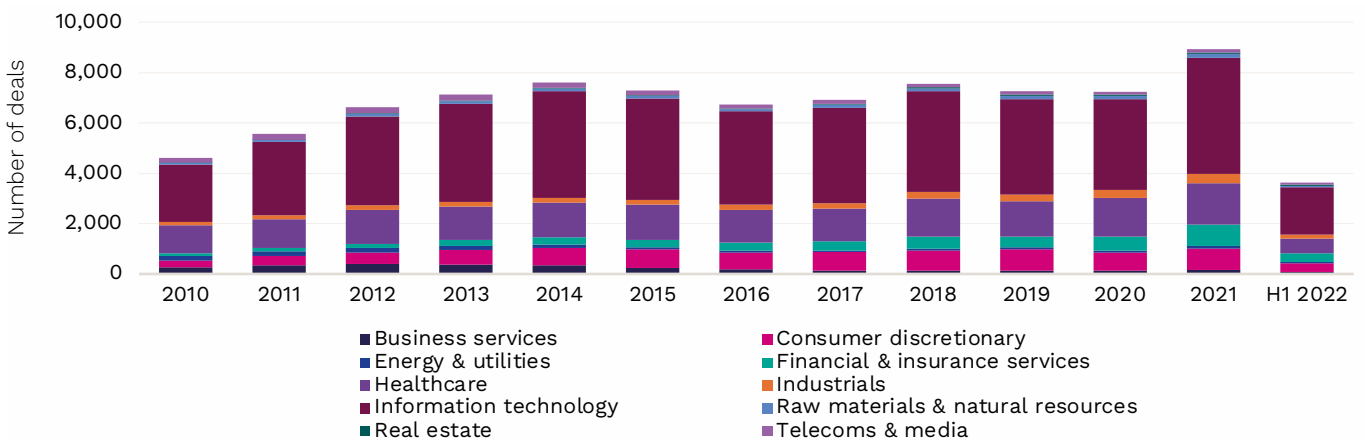
Source: Preqin

Fig. 2: North America-focused venture capital funds: Risk/return by strategy/fund type (2009 - 2019)



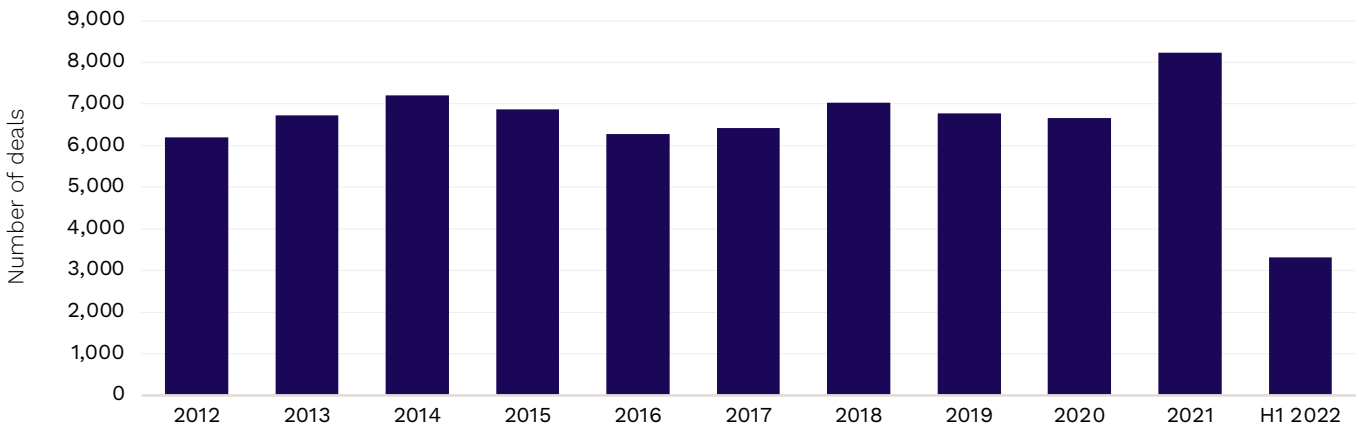
Source: Preqin Pro. Most Up-to-Date Data

Fig. 3: Number of venture capital backed deals by industry – North America (2010-H1 2022)



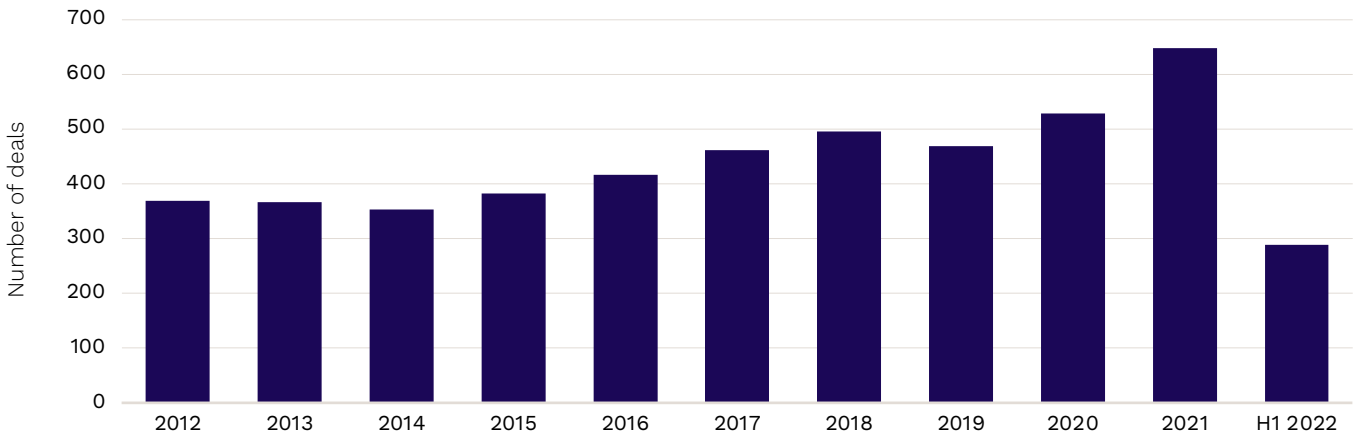
Source: Preqin

Fig. 4: Number of venture capital deals - US (2012-H1 2022)



Source: Preqin

Fig. 5: Venture capital deals in Canada (2012-H1 2022)



Source: Preqin

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