

## Early-Stage Funds Drive Venture Capital in Emerging Markets

### Three out of the four largest venture funds closed in emerging regions\* in 2017 were early-stage vehicles

Managers located in emerging markets have raised an aggregate \$47bn through almost 600 venture capital funds in the past decade. Since the start of 2017, the largest proportion of these have been early-stage and seed vehicles, reflecting the developing nature of these economies. In Latin America they account for 63% of aggregate venture capital raised in the region through this period, while in the Middle East and North Africa (MENA) it accounts for 67%. It is also apparent that the presence of individual larger economies such as Singapore, Israel or Brazil within these regions means that these places become focal points for the industry – Singapore alone has seen 110 venture capital funds raise a combined \$8.6bn since 2008, the majority of all activity in South Asia, while Brazil accounts for a similar proportion of capital raised in Latin America.

**For more information and analysis, see the full *May Private Equity & Venture Capital Spotlight* here:**

<http://docs.preqin.com/newsletters/pe/Preqin-Private-Equity-and-Venture-Capital-Spotlight-May-2018.pdf>

#### Key Emerging Markets Venture Capital Facts:

- Since 2008, managers based in emerging markets have closed almost 600 venture capital funds which have secured \$47bn. **South Asia-based funds have raised \$15bn – the largest total of any emerging region.**
- From 2017 to 2018 YTD, **early stage funds account for the largest proportion of aggregate capital** raised in emerging economies – 54% in South Asia, 63% in Latin America, and 67% in MENA.
- However, **growth funds accounted for 50% of aggregate capital raised in Sub-Saharan Africa**, while early stage vehicles made up just 25%.
- Within emerging regions, **individual larger economies account for significant proportions of the capital raised over the past decade.**
- In Sub-Saharan Africa, Mauritius-based funds represent 44% of venture capital raised since 2008. In MENA, Israel accounts for 49%, and in South Asia and Latin America Singapore- and Brazil-based vehicles each represent 59% of capital respectively.
- The three **largest venture capital funds in emerging markets were early stage vehicles**, while the largest fund closed in Sub-Saharan Africa was a growth vehicle.
- As at the start of Q2 2018, there are **190 venture capital funds from emerging regions in market**. The largest proportion (30%) are being raised by Latin America-based fund managers.

#### Felice Egidio, Head of Venture Capital Products:

“Although fund managers based in emerging economies remain a relatively small group in the global venture capital fundraising market, we are seeing certain regions gathering force to become more significant markets. Singapore has driven South Asia into becoming the largest emerging market for venture capital fundraising, while Latin America-based funds are the most numerous group of emerging markets vehicles. As economies in these regions develop, it makes sense that most vehicles would be early-stage: these funds will be best-placed to take advantage of the opportunities available in these markets.

However, the majority of fundraising activity in emerging markets remains focused on a small number of larger economies within these regions. Singapore and Brazil account for more than half of capital raised in South Asia and Latin America respectively, while Israel and Mauritius represent significant proportions of fundraising in MENA and Sub-Saharan Africa. These markets are growing as places for venture capital fund managers to be based, but if emerging markets more widely are to feel the benefits of venture capital investment, fund managers in these countries must look beyond their own borders.”

**\*Emerging Markets here refers to: Central and South America; Sub-Saharan Africa; Middle East & North Africa; South Asia (excluding India and including Fiji).**

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