

Venture Capital Investments Expand to Foreign Markets

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Historically, the Venture Capital (VC) industry has concentrated its main activities locally, as a regional phenom. Unsurprisingly, the US venture industry remained geographically focused in 2019 as its three main hubs – California, New York, and Massachusetts – held up to [84% of total US VC Assets Under Management](#). Regarding foreign markets, until this past decade, both VC limited and general partners have avoided deploying capital overseas due to additional political, legal, administrative and cultural risks that impose challenges. Despite that phenomenon, the time has come for innovation to be driven not only by the Start-Ups but also by the Venture Capitalists while increasing portfolios abroad.

Recent data evidence the expansion of investments to foreign markets. According to the NVCA, [48% of the \\$257 billion invested in 2019](#) was entrusted to companies outside the US, maintaining the steady foreign market share of about 50% seen in the last four years, in contrast to past numbers: 33% in 2010, 16% in 2004 and less than 10% in the 1990s. In this sense, a few players show off their performance: the [500 Startups](#) firm topped [PitchBook](#)'s 2019 ranking as the most active global early-stage VC investor with 285 deals; the [Plug and Play Tech Center](#) grew their international investments by 11% in 2019. More specifically, these are [some countries](#) where Startup funding is blasting off: Colombia, Vietnam, Nigeria, Mexico, Brazil, Spain, and India.

A close look in the Latin American market illustrates such a trend, as it has been [considered the "new China"](#) in regards to venture investing. [Softbank](#) announced in 2019 the launch of a new \$5 billion technology growth fund for Latin America.

Colombia's main representative, the delivery Start-Up Rappi, raised its [Series E financing round of about \\$ 1 billion](#) in a pre-money valuation of \$2.5 billion. Brazil – historically the [largest recipient of venture funding](#) in Latin America – [ranked third](#) in the number of unicorns so entitled in 2019, already accounts its [newest representative of 2020](#), and enlists several other [candidates to such a title](#). Given its high growth rate in the past two years, the country hosts initiatives that support first-time founders studying abroad to launch their [businesses in Brazil](#) and holds the attention of investors establishing their roots abroad, like [500 Startups](#).

A few factors contribute to the worldwide expansion, such as [geographical arbitrage](#), that permits investors to retain undervalued companies and professional talents to support them in reaching profitable exit strategies, either in the US or in their home market. Diversification of portfolios and the growth of international networks may also [drive VCs to differentiate themselves](#) in the market. Also, the [increase of corporate venture capital](#), the lack of financing options compared to the number of global [opportunities](#) – which developed a more cash conscious mentality – and the



increase of the [internet penetration](#) allied to the digitalization of services are elements to be considered.

Overall, the US and foreign VC landscape are likely to share a systematic recession that is [yet to be determined](#) by the impact of the current global crisis (COVID-19), and should be overcome with time, based on the [historical resilience of the industry](#) through financial downturns