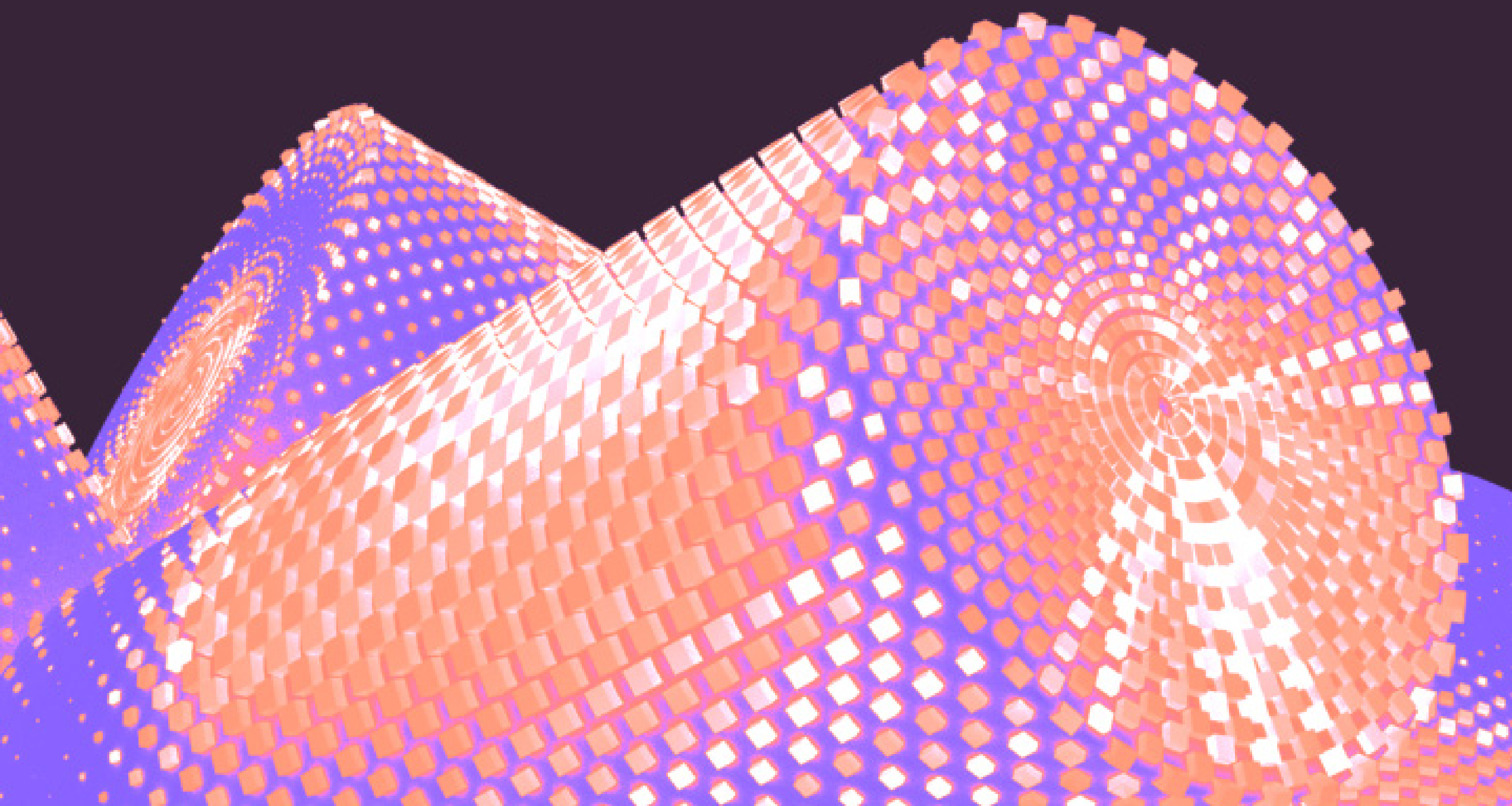
TrueBridge

State of the Venture Capital Industry



TrueBridge Capital

is a venture capital investment firm dedicated to helping investors capture value through innovation and long-term growth in the venture ecosystem. TrueBridge focuses solely on venture, investing in top-performing, access-constrained venture funds and directly in select mid-to late-stage technology companies. Each investment brings with it powerful data, market insight, and impactful relationships that further cement our place at the center of the VC ecosystem.

TrueBridge is the exclusive data partner behind the Forbes Midas List, Midas Seed List, Midas List Europe, and Next Billion-Dollar Startups, and is a regular contributor to Forbes' venture coverage. Founded in 2007, the firm manages more than $8 billion across a platform that includes flagship and seed funds, direct, blockchain, and secondaries funds, and customized solutions created to address limited partners' individual needs. More information about the firm, its partnerships, and its investment strategies are available at www.truebridgecapital.com.

WEBSITE LINKEDIN

Flagship Fund Investments

TrueBridge invests in access-constrained venture capital partnerships focused primarily on tech companies. Our strategy emphasizes concentrated commitments to high-performing venture firms, combined with disciplined diversification across sectors and vintages.

ACCEL · ANDREESSEN HOROWITZ · CRAFT VENTURES · FOUNDERS FUND · UNDISCLOSED PREMIER · Y COMBINATOR

Seed Fund Investments

TrueBridge partners with seed managers focused on the earliest stages of company formation. We invest in managers that we believe have unique advantages, preferred deal flow, strong networks, and track records of success. Since 2011, we have invested more than $700 million in seed funds.

BASECASE · BOLDSTART · BOXGROUP · FIRST ROUND · IA VENTURES · POINT NINE · XYZ[1]

Direct Investments

TrueBridge invests directly in mid- to late-stage tech companies alongside our managers. Our deep relationships with managers provide early access to crucial information, deal flow, and introductions to top management. TrueBridge has directly invested over $600 million into more than 100 companies.

AUDITBOARD · COINBASE · COUPANG · CRIBL · PALANTIR · REDDIT · RIPPLING · SLACK · VERCEL[1]

Blockchain Investments

TrueBridge invests in high conviction blockchain-focused venture managers with expertise and networks, as well as high-potential direct opportunities within the Web3 sector. TrueBridge evaluates several hundred blockchain opportunities each year and has invested over $180 million in fund and direct investments in the blockchain space.

CALDERA · CHAINALYSIS · COINBASE · DBA · FRAMEWORK · ROBOT VENTURES[1]

Secondaries Investments

TrueBridge targets secondary opportunities in both venture funds and companies that we believe have the greatest potential for superior returns in an abbreviated time frame. We have invested more than $500 million in 50+ funds and companies through secondary transactions.

A.CAPITAL · ADDITION · ACCEL · CANVA · CHAINALYSIS · FOUNDERS FUND · MERCURY · RIPPLING · UNDISCLOSED PREMIER[1]

[1] AS OF DECEMBER 31, 2025. FULL PORTFOLIO IS AVAILABLE UPON REQUEST.

The foundations of the next venture cycle

Venture in 2025 was dominated by one category: AI. By year's end, it was clear that AI had evolved from a category with potential into an era-defining platform shift.

Enthusiasm around models, infrastructure, and applied use cases translated into revenue growth, mega-rounds, and concentrated deployment. Total venture funding neared peak levels, but across far fewer deals.

Trillions in capital expenditures flowed into compute, power and data center infrastructure. Investors responded with a deliberate flight to quality, committing more capital to fewer companies and larger checks to market leaders. It was a barbell market, evidenced by strength at the top, activity at the earliest stages, and a quieter middle.

2025 also marked a meaningful step toward normalization. The IPO market reopened selectively, and exit value showed its first sustained improvement in three years. While liquidity remained uneven, conditions clearly moved in the right direction: NAVs stabilized, exit timelines became more visible, and founders operated from a position of greater control, thoughtfully extending runway while continuing to build.

Importantly, venture capital did not sit on the sidelines. Managers deployed with renewed confidence and adjusted pacing, actively supporting their strongest companies.

Entering 2026, the venture market is more focused, more selective, and increasingly well-positioned to translate improving momentum into liquidity.

> "2026 becomes a record year for liquidity. SpaceX, OpenAI, Anthropic, Stripe, and Databricks IPO, with SpaceX and OpenAI ranking among the ten largest offerings ever. The pent-up demand from 4+ years of drought finally breaks. Fear of disruption by fast-growing AI systems drives defensive acquisitions exceeding $25 billion as incumbents buy rather than build."
>
> **Tomas Tunguz**
> Theory Ventures

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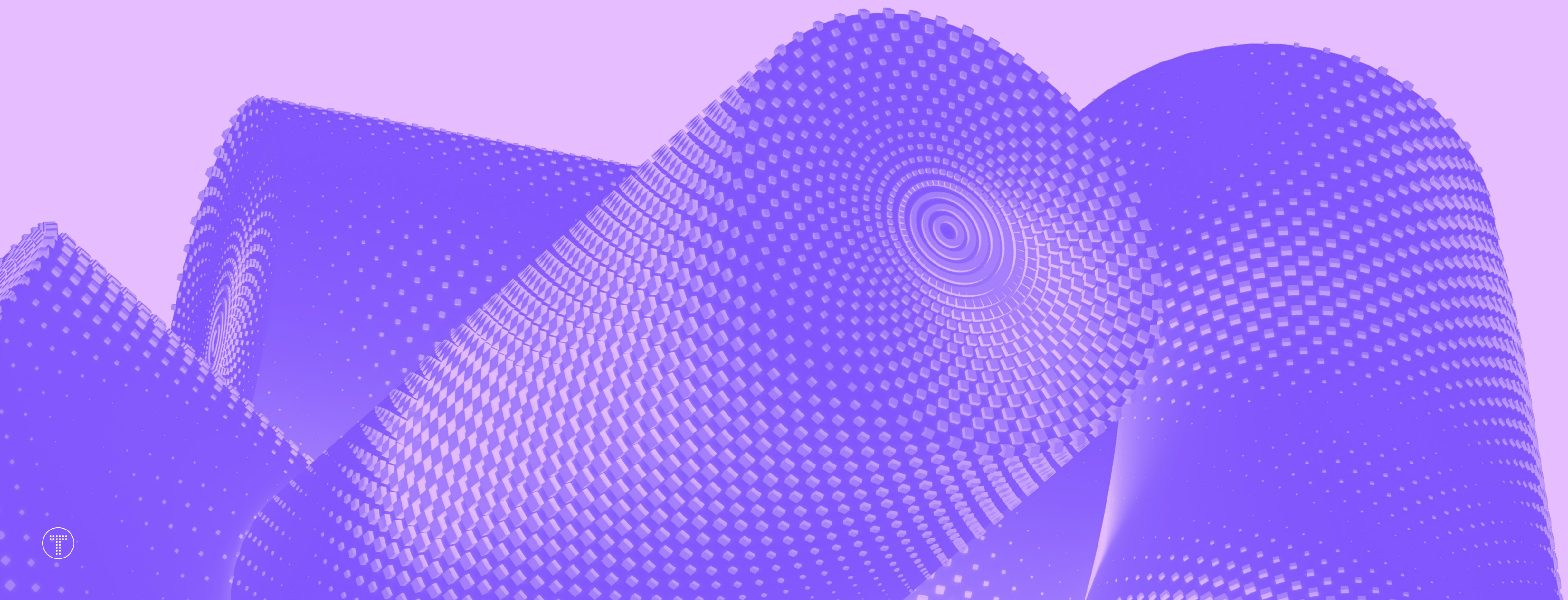
Capital concentrates around conviction

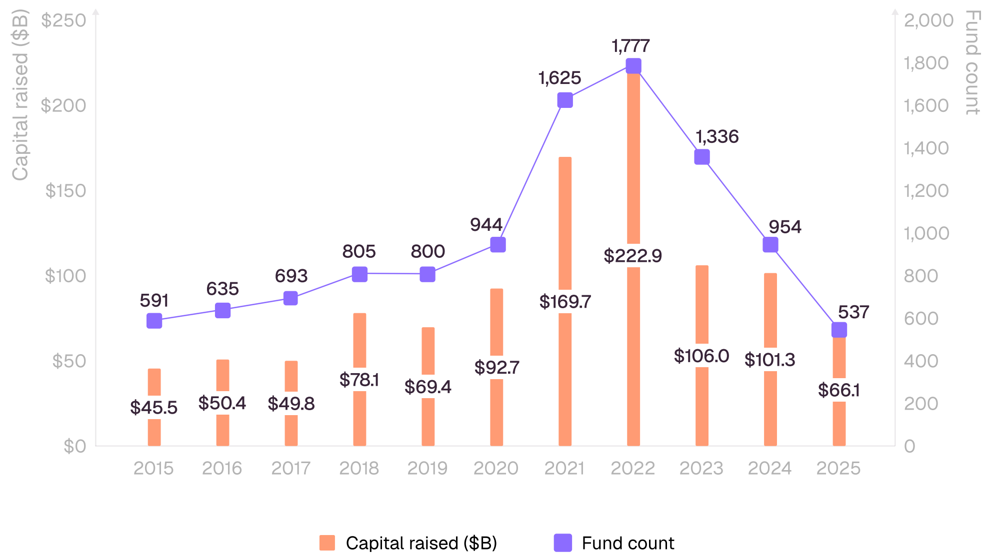
Private funding volume rebounded toward the peak levels of 2021, but the market is structurally narrower. Capital is concentrating into fewer, higher-quality managers.

Venture fundraising remained muted in 2025, as limited partners continued to recalibrate following the exuberance of the 2020-2021 cycle. According to PitchBook, U.S. firms raised $66.1 billion across 537 funds, the lowest annual total in over a decade. The slowdown reflected stretched liquidity, aging commitments, and more disciplined pacing. LPs prioritized existing relationships, proven underwriters, and managers with clear strategies. New commitments faced higher scrutiny. Fundraising cycles lengthened and fewer funds closed overall. But, just as startup fundraising was a tale of haves and have-nots, VC firm fundraising was heavily bifurcated. Top managers with strong performance, tenured teams, and widely recognized deal flow continued to raise new funds relatively quickly and easily.



U.S. Venture Capital Raised

Source: PitchBook



The implication is straightforward: more dollars are controlled by fewer decision-makers and deployed with greater conviction. These investors are well-positioned to invest in today's highest-growth opportunities, particularly in capital-intensive segments such as AI infrastructure, enterprise software, and deep tech platforms requiring sustained investment.

Share of Venture Raised by Manager Experience

Source: PitchBook

2025 saw intensified capital concentration. Larger, established firms continued to attract the majority of new commitments, while specialist and seed-focused managers raised selectively from targeted LP bases. PitchBook reports that funds sized over $500 million now represent more than half of all dry powder, despite also representing a small number of recent fund closes. This fundraising concentration is increasingly shaping investment influence.

Capital went to work – unevenly

2025 was a strong year for deployment, but capital allocation was increasingly non-linear, seeing more dollars, fewer deals, and greater skew toward perceived leaders.

Dealmaking in venture rebounded materially in 2025. With $339.4 billion deployed, it was second only to 2021 in deal value. However, the distribution of that capital tells the more important story. Late-stage venture deal value rose 45% year-over-year, even as late-stage deal count declined by 4%, reflecting a market shaped by a smaller number of very large rounds. The effect was even more pronounced in venture growth, where deal value surged 131% while deal count rose just 16%.

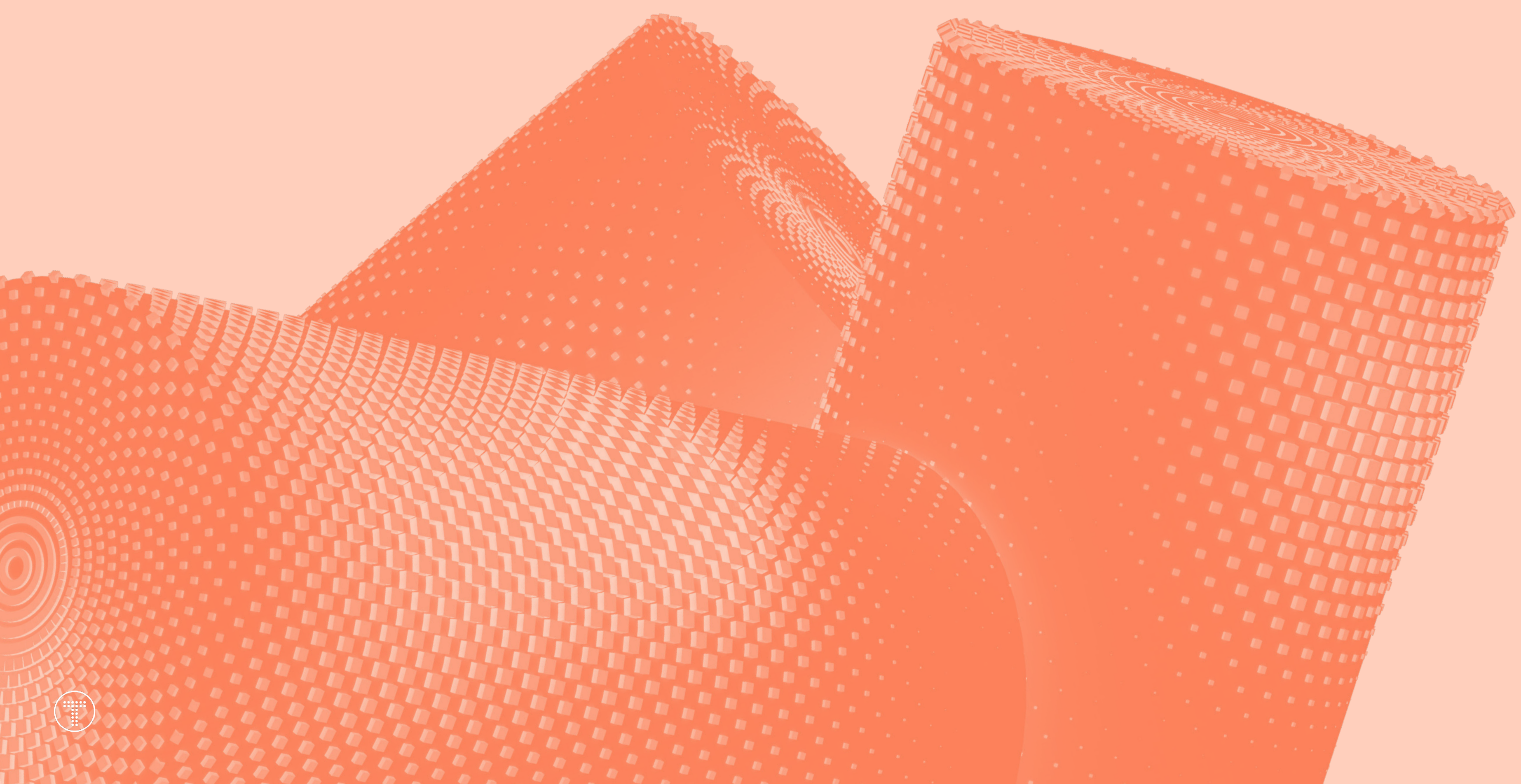
↑59.8%

increase in total dollars invested in 2025

↓4%

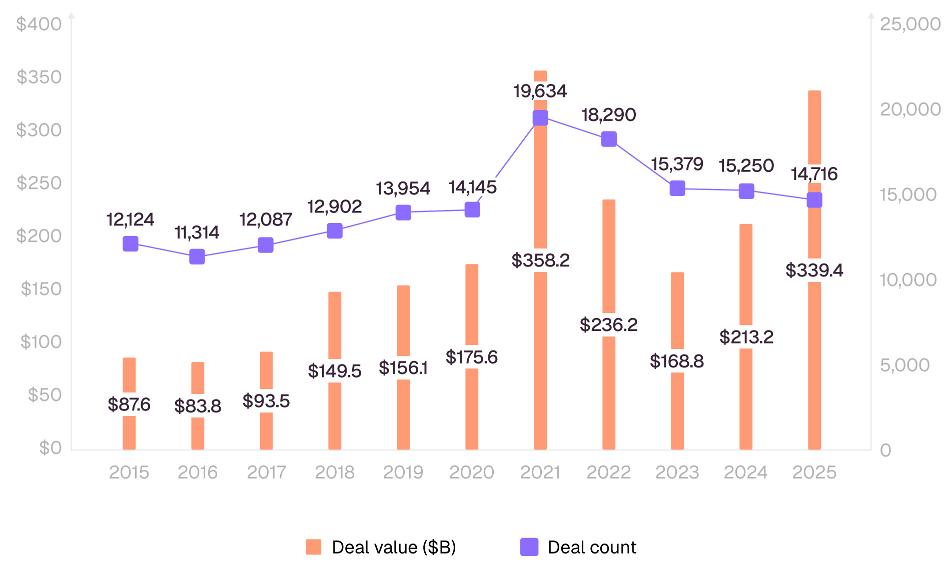
decrease in total deals done in 2025

This rebound in investment activity indicates improved confidence and greater willingness to re-engage across stages, but selectivity remained high. The concentration at the top end – especially in AI – defined the year: roughly half of all 2025 deal value went into a tiny fraction of completed mega-deals like OpenAI, Anthropic, and xAI.

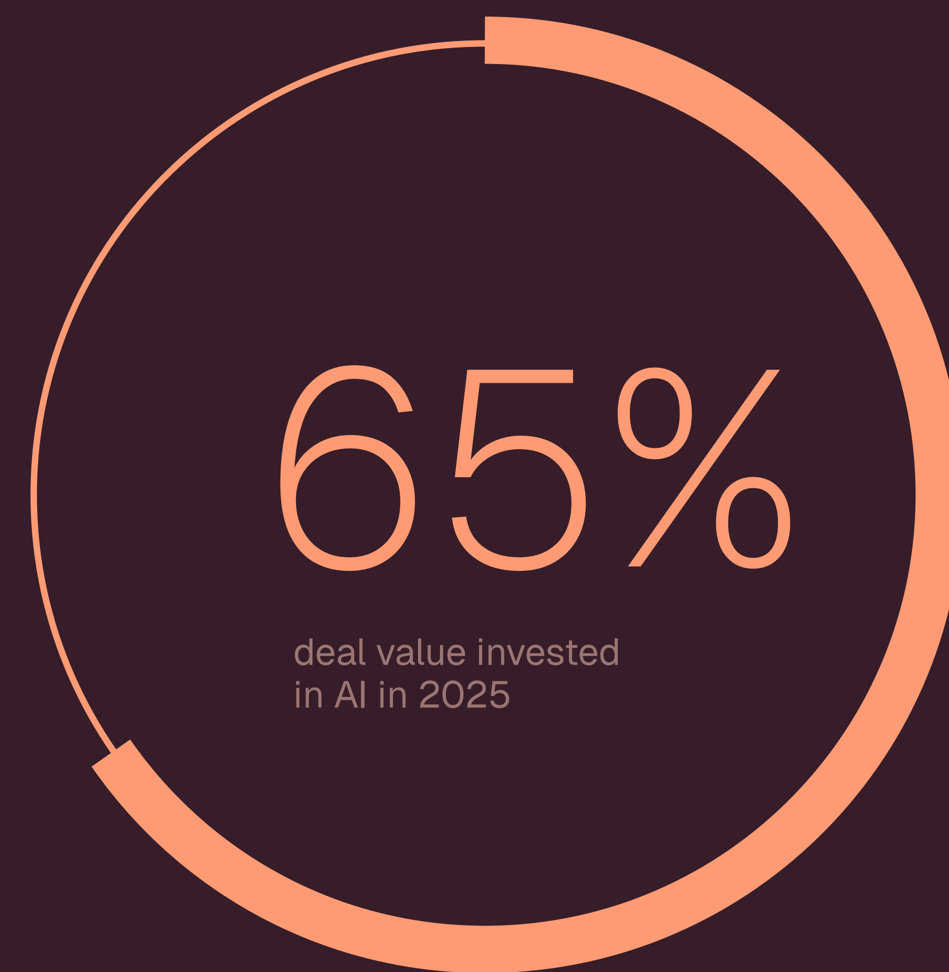


U.S. Venture Capital Deal Activity

Source: PitchBook



AI continued to dominate venture, amplifying trends that were already in motion. After 46% of venture dollars went into AI/ML in 2024, the market concentrated further in 2025. AI-related companies represented 65% of deal value in 2025, driven by a wave of large, late-stage financings. This is the clearest signal of the cycle: investors are treating AI as a platform shift, and capital is targeting the category-defining companies expected to have the greatest outcomes.



Pricing the next cycle

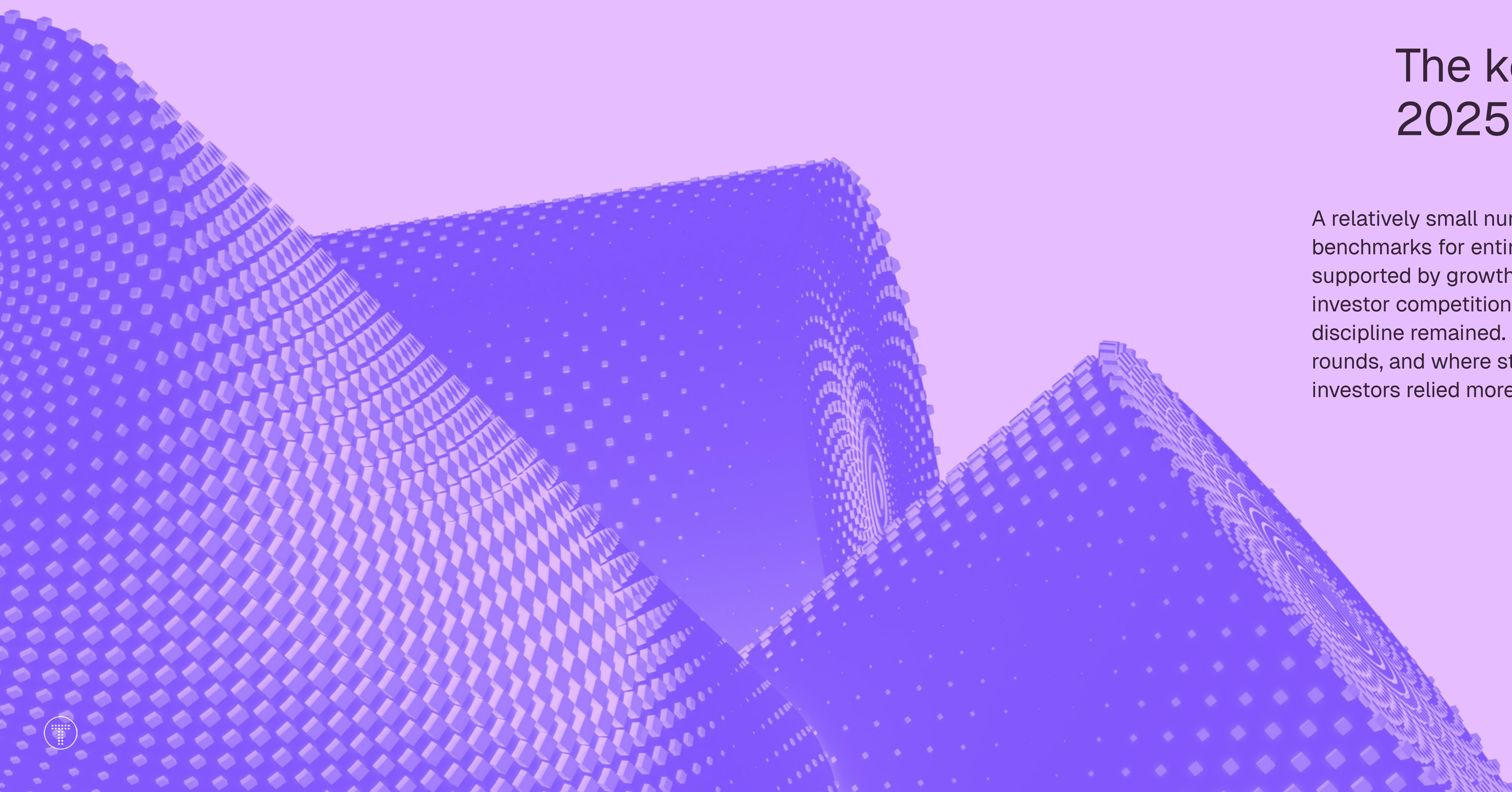
Valuations rose across stages in 2025, but the market was split. Select late-stage leaders commanded premium pricing while ownership stakes tightened, resulting in a market that sometimes felt noisy and reactive.

Valuations increased across venture in 2025, reflecting a renewed appetite for risk and the pull of capital to category leaders. Round sizes expanded, but ownership – particularly in competitive, high-demand companies – tightened. The result was a market where pricing often appeared aggressive on the surface, even as capital deployment remained selective beneath it.

PitchBook data shows broad-based median increases. Median pre-money valuations reached $16 million at the Seed stage, $49 million at Series A, $145 million for Series B, $316 million for Series C, and $857 million at Series D and beyond. Importantly, medians rose even as total capital was skewed by a small number of very large financings – most notably OpenAI's $40 billion raise – making averages less representative of the typical company experience than medians.

The key dynamic in 2025 was dispersion.

A relatively small number of breakout companies set pricing benchmarks for entire stages. For these leaders, valuations were supported by growth durability, improving public comps, and investor competition. For the broader market, however, pricing discipline remained. Many companies raised flat or modest up rounds, and where step-ups were difficult to justify fundamentally, investors relied more heavily on structure.



Median Pre-Money Values Increased Across Stages

Source: PitchBook

Stage	2024	2025	Increase
Seed	$14M	$16M	↑ 14.3%
Series A	$40M	$49M	↑ 22.51%
Series B	$106M	$145M	↑ 36.8%
Series C	$225M	$316M	↑ 40.4%
Series D+	$616M	$857M	↑ 39.1%

AI was the primary force behind this widening gap. Artificial intelligence and machine learning captured 65.6%, or $222 billion, of all VC deal value in 2025, up from 47.2% in 2024 and roughly 10% in 2015. Average AI/ML pre-money valuations increased meaningfully, pushed higher by late-stage leaders and scaled private companies. In practice, the market was pricing a small cohort as category leaders and treating much of the rest as optionality.

Looking ahead, if IPO markets continue to stabilize, late-stage valuation support should strengthen for companies with clear revenue durability. However, dispersion is likely to widen further. Premium multiples will remain available for category leaders, but down rounds and tighter terms may persist for the median company, especially where growth is decelerating or where AI narratives outpace adoption.

So were valuations reasonable or stretched?

For category leaders with durable growth and clear paths to liquidity, pricing was defensible and supported by capital scarcity at scale. For many others, valuations were more fragile – supported by narrative, structure, or competitive dynamics rather than sustained fundamentals.

Markets saw a selective reopening

Exits improved meaningfully in 2025. Secondaries and private liquidity continued to shoulder more of the load.

The exit market strengthened in 2025, generating $297.6 billion in exit value across an estimated 1,635 transactions, marking the fourth-highest exit value and second-highest exit count year of the past decade. Exit value nearly doubled year-over-year. Even so, results fell short of the high expectations set by the backlog of unicorns built from 2022 to 2024 and the more than sixfold valuation growth they have experienced since 2019.

$297.6

billion in exit value

1,635

transactions

The IPO market showed more life, but the reopening was selective. Forty-eight venture-backed companies went public, including 17 unicorns, moving total IPO exit value closer to pre-pandemic norms. The recovery was not broad enough to declare the exit market "fully open," but it was a significant increase in activity from the prior two years. Many of the largest and most closely watched private companies – SpaceX, OpenAI, Stripe, Databricks, ByteDance, and others – continued to delay listings, supported by abundant capital and improved private liquidity options.

Instead of rushing toward IPOs, companies leaned heavily on secondaries and private financings to address employee and early investor liquidity.

This approach extended companies' private lifecycles while helping them avoid the cost and scrutiny of public markets. Post-IPO performance was generally uneven, reinforcing the view that 2025 marked a cautious reopening of the public markets rather than a full return to historical norms.

M&A remained essential but skewed toward smaller, more targeted transactions. Sixty-three percent of acquisitions occurred at Seed, Series A, or Series B, as buyers pursued talent and product expansion. Many of these deals were pragmatic outcomes rather than power-law exits.

The buyer mix also continued to shift: well-capitalized VC-backed companies accounted for 38.4% of M&A count, filling a gap as public company acquirers remained cautious due to regulatory scrutiny and closing complexity. Looking ahead, a more predictable policy backdrop and easing rates could narrow bid-offer spreads and support larger, more strategic transactions – especially if public markets improve.

Venture has moved to the center.

More than a niche asset class, venture capital sits at the center of value creation. Seven of the 10 largest public companies in the world were venture-backed: NVIDIA, Alphabet, Apple, Amazon, Meta, Broadcom, and Tesla. Meanwhile, the number of publicly traded U.S. companies has fallen by about half from its peak in the late 1990s, with the highest-quality growth companies in many sectors remaining private.

As a result, the defining companies of this generation are in no rush to go public. Companies like Stripe, Databricks, and SpaceX increasingly operate with enough private capital and revenue to extend private lifecycles materially. The implication is structural: venture is less about bridging companies to IPOs and more about owning scarce private assets for longer periods of time. In that scenario, enduring value creation increasingly happens in private markets with the support of venture capital.

There are now more than 1,300 venture-backed companies valued at $1 billion or more worldwide. Compared to fewer than 10 in 2005 and 142 in 2015, the number of these unicorns has rapidly expanded.

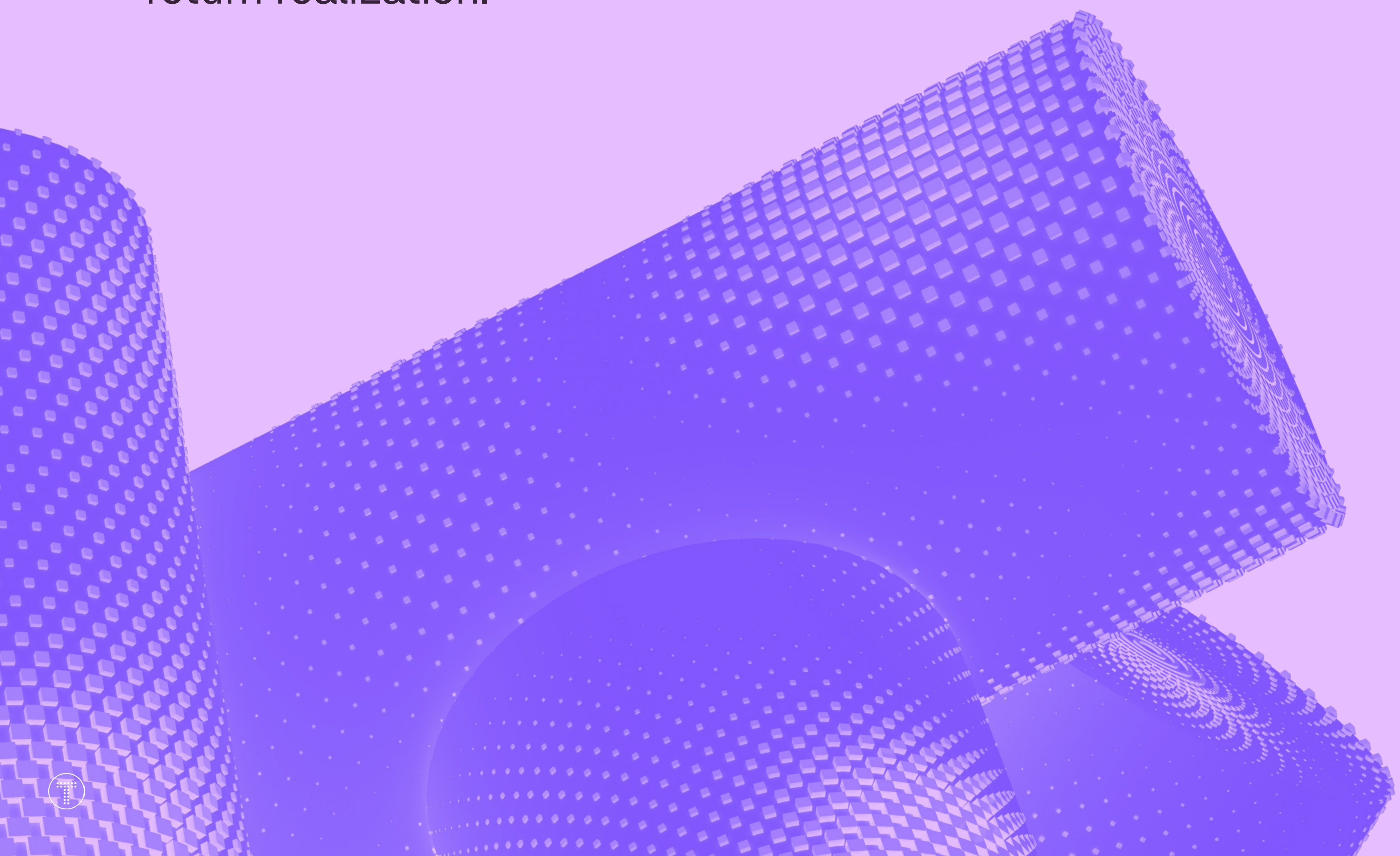
$94.9

billion in exit value generated by venture secondaries transactions

One of the most important developments of 2025 was the parity between secondaries and traditional exit channels. On a trailing twelve-month basis as of September 30, 2025, venture secondaries generated $94.9 billion in exit value, which is not far from the $104.7 billion generated by IPOs and the $107.1 billion created by acquisitions. Secondaries are increasingly a core liquidity mechanism rather than a niche tool with adverse signaling. Over time, this could begin to resemble private equity, with ownership transferring to the best long-term holders at different stages of a company's life.

Venture renewed its climb

Venture performance improved meaningfully in 2025 as NAVs stabilized, TVPI multiples improved across vintages, and early liquidity pathways reopened, setting the stage for traditional venture return realization.



After two years of valuation compression and muted exits, 2024 marked a stabilization year and 2025 showed measureable recovery. Total value to paid-in (TVPI) multiples moved higher across nearly ever recent vintage, supported by NAV gains tied to AI-driven improving public comps, and more disciplined portfolio construction. As of Q2 2025, median net TVPI increased for every fund vintage from 2017 through 2023, marking an unusually broad-based inflection rather than a narrow rebound.

TVPI Increased Across Vintages

Vintage	Upper Quartile	Median
2017	2.73x	2.02x
2018	2.25x	1.73x
2019	1.86x	1.44x
2020	1.43x	1.20x
2021	1.21x	1.05x
2022	1.30x	1.09x
2023	1.18x	1.00x

Top-performing funds proved they could still deliver: upper-quartile TVPI for 2017 vintage reached roughly 2.7x, while 2018 vintages approached 2.3x, reinforcing the durability of well-constructed portfolios even through a prolonged exit slowdown. More recent vintages of 2019-2022 are still maturing and generally sit below the 2.0x threshold, though performance trajectories have improved as valuation pressure has eased.

Importantly, much of the data remains early in the J-curve.

The 2021 and 2022 vintages—often cited as “peak” years—are only three to four years old. Median IRRs for those cohorts moved back into positive territory by Q2 2025, signaling that the steepest portion of the drawdown phase has likely passed. At the top end, dispersion is already emerging: top-decile IRRs for 2022-vintage funds approached 19%, exceeding the strongest 2021 funds. This early inversion reinforces the advantage of deploying capital during the 2022–2023 reset, when entry valuations compressed and ownership levels improved.

Distributions (DPI) have improved more gradually, but that reflects timing—not necessarily value impairment. Since 2017, even top-quartile venture funds have generated DPI of roughly 0.8x, underscoring how much enterprise value remains unrealized across the asset class. That unrealized value is highly concentrated in scaled private leaders that are widely expected to generate power-law returns.

Companies such as OpenAI, Stripe, SpaceX, Databricks, Anthropic, Anduril, Canva, and others represent multi-decade platforms with expanding revenue bases, durable competitive moats, and significant optionality across IPO, M&A, and secondary pathways. Many of these businesses are compounding revenue at scale, improving margins, and operating in structurally growing markets such as AI infrastructure, defense technology, fintech infrastructure, space, and enterprise data platforms. Investors in these companies often have partial liquidity through structured secondaries or private share sales, but many are choosing patience given the magnitude of potential long-term outcomes.

2025 affirmed venture capital’s resilience. Portfolio values stabilized and began to recover despite a muted exit backdrop, driven by concentrated exposure to transformative companies and improving market mechanics. Liquidity conditions showed early improvement and NAVs found firmer footing. The pipeline into 2026 appears increasingly constructive – particularly across AI, space, and enterprise technology. While performance has not fully normalized, the direction is clear: the foundations for a broader recovery are now in place.

Outcomes are becoming non-linear

We are in a capability shift, not an efficiency cycle.

In a growing number of domains, machines are increasingly able to match or exceed human performance. Systems from OpenAI can generate analysis comparable to expert human work in many subjects. With each passing month, companies like Decagon are pushing customer support toward near-human fluency, while Waymo's autonomous rides feel smoother and safer than cars driven by people.

AI is enabling companies to rebuild workflows – and in some cases, entire industries – rather than optimizing legacy processes. That shift creates compounding advantages. Menlo Ventures estimates companies spent $37 billion on generative AI in 2025, an increase of 3.2x up from $11.5 billion in 2024. Nearly $19 billion flowed into the application layer – user-facing products built on top of foundation models – representing more than 6% of the entire global software market. No other technology cycle has reached this level of adoption, spending, or market penetration so quickly.

> "This is the year AI connects to your data, understands you better than anyone, including yourself, and becomes a trusted advisor, coach, and assistant, helping you become the best version of yourself, personally and professionally."
>
> **Redpoint**,
> From Pilots to Platforms: Picks for '26

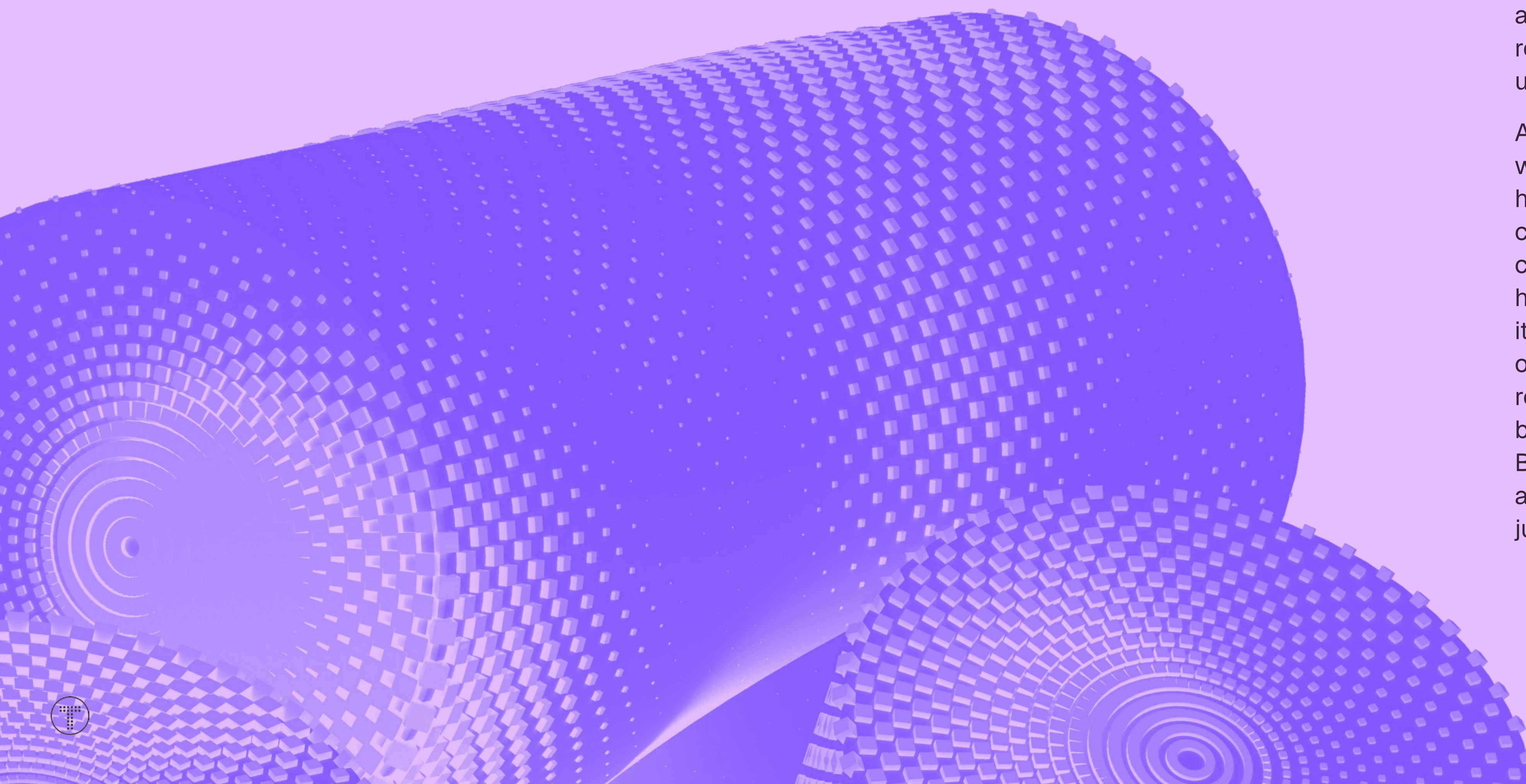
These dynamics reinforce a central feature of venture: it's a non-linear system. Outcomes do not converge toward an average. Early leadership does not guarantee dominance, but it does shift the distribution of the outcomes. Once a company establishes a durable lead, growth becomes increasingly path-dependent. Early customers enable better data, better products, and stronger distribution, and that momentum attracts talent, capital, and distribution. These advantages begin to reinforce each other.

In power-law markets, winners look nothing like the median.

Scale can amplify momentum rather than introduce friction, which helps explain why the leap from $100 billion to $1 trillion can happen faster than the climb from $10 billion to $100 billion. In this environment, access to category leaders matters more than ever.

AI moves from experimentation to execution

AI is embedding itself into everyday tools and workflows, expanding who can build, decide, and operate at scale.



After years of skepticism about AI monetization, 2025 produced clearer proof points. AI-native startups like Cursor, Lovable, StackBlitz, and Emergent crossed $10 million in ARR within 18 months, driven by product-led adoption. At the same time, foundation model usage accelerated as research labs shipped increasingly capable models across modalities in rapid succession.

The market's center of gravity has shifted from AI experiments to applied vertical AI, which has become the new battleground. Investors are targeting sector-specific use cases in healthcare, legal, code generation, customer support, and logistics. The difference lies in not just building wrappers around LLMs, but embedding AI into workflows to create product advantages.

Abridge illustrates the shift from novelty to operational impact in the healthcare sector. The platform transcribes and summarizes patient-provider conversations in real time, streamlining documentation into electronic health records and reducing the burden of after-hours clerical work, which is a major driver of clinician burnout. Staffing is frequently cited as the top concern for hospital leadership, and physicians spend substantial time on administrative work. Abridge's value proposition is straightforward: reduce documentation time, improve accuracy, support real-time updates, and maintain compliance.

AI is beginning to operate as an active participant in organizational workflows, rather than just a passive interface. Instead of only handling simple, front-end interactions, AI systems are increasingly capable of understanding context, executing multi-step tasks, and coordinating across internal tools and teams. Decagon illustrates how, in customer operations, this shift changes the nature of work itself. The company's customer support agents address each layer of the customer operations stack, resolving complex requests like refunds and shipment changes; continuously improving knowledge bases, and routing insights to product and engineering teams. Because poor customer experience carries real economic cost, the ability to handle nuanced workflows with reliability has become not just a support function, but a growth lever.

Vercel offers another example of how AI is reshaping everyday work rather than simply accelerating it. The company's coding assistant, v0, reduces the friction between intent and output, allowing people to translate ideas into functional software with far fewer technical barriers. What matters is not just speed, but accessibility: capabilities that once required specialized expertise are increasingly available to a broader set of builders. This shift is broadening the scope of who can participate in software creation, and accelerating the rate at which products can move from concept to reality.

Together, these developments reflect the larger pattern we see across the economy: AI is no longer delivering incremental efficiency. Instead, it is quietly embedding itself into core tools and workflows, expanding workers' capabilities, enabling new operating models and rebuilding industries.

As the cost of building software trends toward zero, value creation may shift partially back toward physical infrastructure and differentiated IP. At the same time, incumbents with durable data platforms are benefiting from renewed demand. Databricks, Snowflake, MongoDB, and Datadog have seen re-acceleration as enterprises look to trusted platforms to manage their data, orchestrate workflows, and monitor operations.

"Almost every single industry will be disrupted by AI. So far, AI has automated some of our most mundane work, but we look forward to the new creative ideas that can come out of AI...
I think many of those experiences can be truly transformative in our lives."

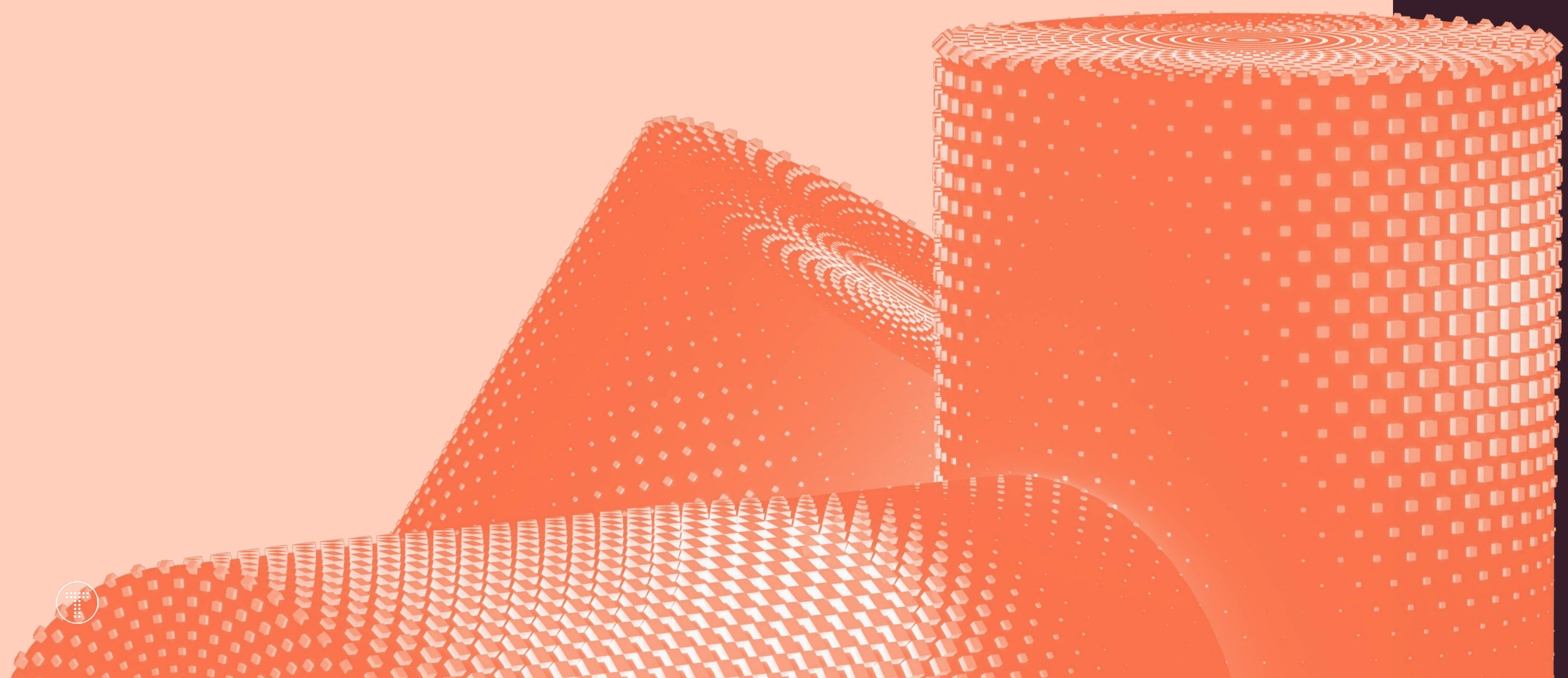
Alfred Lin,
Sequoia

The next chapter for venture

2025 marked a turning point.

After two years of retrenchment, venture rebounded in terms of dollars while remaining narrow in terms of number of deals. Capital concentrated around category leaders, especially in AI, while fundraising remained challenging for most companies. The market began to normalize: exit value improved, NAVs stabilized, and liquidity timelines started to come back into focus even as distributions had yet to fully ramp up. The "flight to quality" defined every layer of the market – from which managers raised capital and which companies received it, to which deals delivered liquidity.

The game has changed. The IPO window is opening, but companies are staying private longer, supported by deeper private capital markets and maturing secondary markets. Venture is increasingly an asset class defined by access, selectivity, and non-linear outcomes.



Looking ahead to 2026, the outlook is more constructive than it has been in years, but the path will remain uneven. These are three key areas to watch:

Liquidity recovery:

A backlog of IPO-ready generational companies could restart the exit flywheel in earnest. At the same time, secondaries and tenders will play a larger role, particularly for mid- and late-stage companies.

Fundraising and recycling:

Venture fundraising is projected to rebound in 2026 as distributions recover and liquidity improves. Selectivity will persist, favoring experienced managers, focused strategies, and disciplined reserve strategies.

Deployment discipline:

Managers enter 2026 with dry powder and renewed focus on pacing. The central challenge is balancing support for breakout winners with select exposure to new opportunities, particularly in AI infrastructure, enterprise software, biotech, and robotics.

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