A roller-coaster ride for 2021 by Catherine Carey

As the new year begins, we take a dive into what could possibly be the trends in Venture Capital and Early-Stage Investment

In the middle of an ongoing pandemic and within an atmosphere of uncertainty in the investment sector, there has been quickly some experts trying to predict which are the trends to follow and where is smart to invest this year. Overall, 2020 "should teach investors that well-established principles, like **investing for the long-term** with a **low-cost diversified portfolio** and only checking your investment balance occasionally, are the best advice" says Bob Sullivan, Forbes Advisor and contributor in Nasdaq.

Maren Thomas Bannon, partner at January Ventures, has advanced that we could expect 5 major trends in 2021. Firstly, **pre-seed could be the most rampant stage in venture**. Seed round has become bigger and many seed funds are leading between three or five million dollar seed rounds. This has led to "the seed round today looking a lot like a Series A round a decade ago in terms of both size and traction" says Bannon. This change has transformed the pre-seed round into a process of a couple of rounds in one or two years. Although they are not as competitive as seed rounds, and there is less multi stage funds, "the investor could be more willing to take up the pre-seed opportunity and for it to become more institutionalized", Bannon states.

A second trend to expect is the **predominance of challenger funds** over large and established ones. There has been the rise of different venture fund models that give the founder a range of options to raise capital and investment and that bring a diverse range of investors to early-stage startups.

We could also expect more venture funds being **closed without lawyers** because "more funds are using automation and tooling for the venture value chain: deal sourcing, investment decision making and fund and portfolio management" explains Philipp Moehring, an early-stage investor from Berlin and partner for Europe at AngelList. As Bannon puts it, this automation has removed barriers to allow more people, especially rising investors, to perform more efficiently and set up funds.

Another big trend is **online communities** as the main tech hubs in 2021. When we think about operating in a pandemic world, it is obvious that we should expect an extension of the virtual early-stage ecosystem. This means that startups can hire people regardless their location and find investors in the same way. In Bannon's own words, "the world will never go back to the inefficiency of always needing to meet in person to make a decision, close a sale or write a check."

Due to the pandemic, it has been clear that building a trustful and **efficient brand** is ever more important. Venture capitalist and early-stage founders must rely more on online channels where the brand and community matter more. With more founders and investors than ever before, the ones with powerful brands will be the ones to stand out, attract talent and capital.

Lastly, Bannon states that we should expect to see **more activity than ever in early-stage investment** because startups that will be built in 2021 "will have the advantage of being built for a post-Covid world from day one." They will not face difficulties of adaptation like the ones that have been working prior to Covid.

Added to the trends of Bannon, Forbes Advisor and writer in Nasdaq, Bob Sullivan explains what realities investors and founders should keep in mind for this 2021. Firstly, the impact of the measures taken by **Biden** and the **duration of the pandemic** because this "will have enormous macro-economic impacts that will hit every single investment sector." In this aspect, the Covid-19 vaccine will most likely increase pharmaceutical stocks and public companies involved will be tremendously rewarded.

As the world starts returning to normality, we could expect **more demand for travel stocks**, **restaurant chains** stocks and **less demand** for the **work from home stocks** and **tech stocks** (although they will continue to triumph).

The **buoyant sectors** of 2021 are the ones enhanced by the pandemic, and include **healthcare**, **remote working**, **productivity**, **logistics** and **innovation** industries. For the general partner and CEO of Pegasus Tech Ventures, Anis Uzzaman, there will be different sectors particularly profitable. These are Covid-19 testing and **vaccine development** industries, remote working, **videoconferencing** and shipping companies, Telehealth and telemedicine firms and **online education**, Virtual reality and Augmented Reality technologies. All of these will have to be accompanied by an increased development of 5G infrastructure, high-speed internet, application development updates from corporations and startups, robotics and industrial automation.

2021 could represent an **amazing opportunity** to **rethink investing strategies**, but most importantly investors and founders should "**avoid the temptation** to over-focus on the **short term**" states Sullivan. Although investment slowed down in spring, VCs invested $36.5 billion in the third quarter of 2020 and, approximately, one-quarter of angel investors have said that they have actually increased their investment activity since Covid-19 began, elucidates Nasdaq. With all of that, there is to expect that venture capital and early-stage investment will continue to expand, although the road ahead is unsettled.

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