

Venture Funds Surpass KRW 9 trillion in 2021, Reaching Record High

- The amount of venture funds in 2021 increased by KRW 2.3 trillion, compared to the previous year to KRW 9.2 trillion, reaching a record high. The number of funds also almost doubled.
 - The size of venture funds per year doubled in four years
- The proportion of Fund of Funds is decreased while private funds went up by KRW 2 trillion, which enabled the venture investment market grows

The Ministry of SMEs and Startups (Minister KWON Chil-seung, hereafter referred to as “MSS”) announced that the venture funds formed in 2021 amounted to **KRW 9.2171 trillion, surpassing the KRW 9-trillion-mark for the first time in history and reaching a record high.**

Status of the Venture Funds in 2021

- (1) **Venture funds amount to KRW 9.2 trillion, a record high, with almost twice the number of funds**

The amount of venture funds formed in 2021 increased by 34.0% (+KRW 2.3363 trillion) to KRW 9.2171 trillion compared to the previous year. The number of new venture funds also increased approximately twofold to 404 from 2020, which was the highest number recorded to date (206).

There were many significant feats in 2021 in terms of forming venture funds, including: ①**Surpassing KRW 9 trillion for the first time in history, with an increase of more than KRW 2.3 trillion from KRW 6.8808 trillion in 2020, which was the highest amount recorded to date;** ②**Reaching a record high; and** ③**Increasing twofold in four years.**

< New Funds Formed from January to December, 2017-2021 (Unit: KRW 100 million, %, number of funds) >

Classification		2017	2018	2019	2020	2021	
January - December	Amount	45,856	48,427	42,411	68,808	92,171	
	Compared to Previous Year	Change	-	+2,571	△6,016	+26,397	+23,363
		Rate	-	+5.6	△12.4	+62.2	+34.0
	Number of Funds Formed	164	146	170	206	404	
Average Amount Per Fund		279.6	331.7	249.5	334.0	228.1	

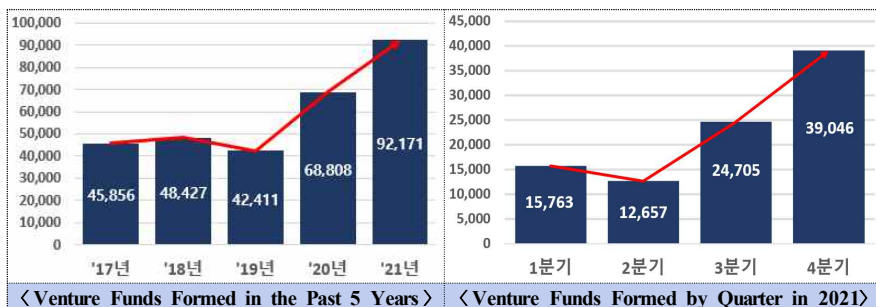
By each quarter, all quarters of 2021 reached **record highs for each quarter**. The streak of growth of new funds has continued from 2020.

In particular, the total amount of funds formed in the **fourth quarter** was **KRW 3.9046 trillion, which is the largest amount for a single quarter**. This resulted in the amount of venture funds to surpass KRW 9 trillion for the first time in history.

< New Funds by Quarter in 2021 (Unit: KRW 100 million, %, number of funds) >

Classification		1Q	2Q	3Q	4Q	Total	
Amount in 2020		5,078	7,323	17,655	38,752	68,808	
2021	Amount	15,763	12,657	24,705	39,046	92,171	
	Compared to Previous Year	Change	+10,685	+5,334	+7,050	+294	+23,363
		Rate	+210.4	+72.8	+39.9	+0.8	+34.0
	Compared to Previous Quarter	Change	-	△3,106	+12,048	+14,341	-
		Rate	-	△19.7	+95.2	+58.0	-
	Number of Funds Formed		53	84	131	136	404
Average Amount Per Fund		297.4	150.7	188.6	287.1	228.1	

< Venture Funds Formed in the Past 5 Years and Each Quarter in 2021 >



With a surge in the number of funds, the average amount of each venture fund decreased by approximately 31.7% to KRW 22.81 billion from last year (KRW 33.4 billion).

- (2) Expanded base for venture investors with eased regulations, tangible effects of the “Venture Investment Promotion Act”

By size, among all venture funds that were formed in 2021, **172 funds** were small-scale funds with an investment of less than KRW 10 billion. The number of these funds **increased by approximately 2.6 times** compared to last year (67→172), taking up the **largest share (42.6%)**.

Among the small-scale funds with less than KRW 10 billion, 58.1% (100) were from new investment companies for the establishment of small and medium enterprises (hereafter referred to as “investment companies”) with three years or less of history, limited liability companies (hereafter LLC), and startup planners. They were the leaders of the growth of small-scale funds.

< New Funds by Size in 2017-2021 (Unit: Number of Companies, %) >

Amount	2017		2018		2019		2020		2021	
	Funds (number)	Proportion	Funds (number)	Proportion	Funds (number)	Proportion	Funds (number)	Proportion	Funds (number)	Proportion
Less than KRW 10 bil.	30	18.3	32	21.9	50	29.5	67	32.5	172	42.6
KRW 10 bil. - Less than 30 bil.	77	47.0	68	46.6	78	45.9	76	36.9	147	36.4
KRW 30 bil. - Less than 50 bil.	29	17.7	18	12.3	22	12.9	24	11.6	41	10.1
KRW 50 bil. - Less than 100 bil.	24	14.6	15	10.3	14	8.2	23	11.2	23	5.7
KRW 100 bil. or more	4	2.4	13	8.9	6	3.5	16	7.8	21	5.2
Total	164	100.0	146	100.0	170	100.0	206	100.0	404	100.0

< New Funds with Less Than KRW 10 billion in 2021 by Companies (Unit: Number of Companies, %) >

Classification	Less than KRW 3 bil.		KRW 3 bil. - Less than KRW 5 bil.		KRW 5 bil. - Less than KRW 10 bil.		Total	
	Funds (number)	Proportion	Funds (number)	Proportion	Funds (number)	Proportion	Funds (number)	Proportion
Investment Companies	44	72.1	40	75.5	37	63.8	121	70.3
Less than 1 year	7	11.5	2	3.8	6	10.3	15	8.7
1-3 years of history	16	26.2	12	22.6	8	13.8	36	20.9
Startup Planners	10	16.4	8	15.1	10	17.2	28	16.3
LLC	7	11.5	4	7.5	10	17.2	21	12.2
New Technology	-	-	1	1.9	1	1.8	2	1.2
Total	61	100.0	53	100.0	58	100.0	172	100.0

This may be due to a **greater base for venture investors with eased regulations** such as **allowing startup planners to form a venture fund and alleviated criteria for limited liability companies (LLC) to form a venture fund*** since the implementation of the Venture Investment Promotion Act in 2020 and **eased regulations related to the amount of capital** for investment companies in October 2017 (KRW 5 billion → KRW 2 billion).

* In the past, limited liability companies (LLC) that wanted to form a fund needed to have a history of receiving investments from a Fund of Funds to freely form a fund based on private investments. However, the Venture Investment Promotion Act eliminated the standard.

By type of company, it was found from funds formed in 2021 that **startup planners actively formed funds** as it became possible for them to form funds with the Venture Investment Promotion Act.

There were **11 venture funds from startup planners in 2020**, and the number increased by approximately 3.7 times in 2021 (11 → 41). The proportion of the number of these funds increased almost twofold (5.3% → 10.1%), and investments from these funds amounted to KRW 378.6 billion, also increasing in proportion by approximately five times (0.8% → 4.1%).

< Funds by Fund Companies in 2017-2021 (Unit: KRW 100 million, number of funds, %) >

Classification	2017		2018		2019		2020		2021	
	Funds (number) (1000000)	Amount (1000000)	Funds (number) (1000000)	Amount (1000000)	Funds (number) (1000000)	Amount (1000000)	Funds (number) (1000000)	Amount (1000000)	Funds (number) (1000000)	Amount (1000000)
Investment Companies	141 (86.0)	42,006 (91.6)	118 (80.8)	41,510 (85.7)	147 (86.5)	37,647 (88.8)	159 (77.2)	57,542 (83.6)	289 (71.5)	74,788 (81.1)
LLC	19 (11.6)	3,210 (7.0)	23 (15.8)	5,396 (11.1)	22 (12.9)	4,573 (10.8)	27 (13.1)	8,245 (12.0)	58 (14.4)	9,658 (10.5)
New Technology	4 (2.4)	640 (1.4)	5 (3.4)	1,521 (3.2)	1 (0.6)	191 (0.4)	9 (4.4)	2,475 (3.6)	16 (4.0)	3,939 (4.3)
Startup Planners	-	-	-	-	-	-	11 (5.3)	546 (0.8)	41 (10.1)	3,786 (4.1)
Total	164 (100.0)	45,856 (100.0)	146 (100.0)	48,427 (100.0)	170 (100.0)	42,411 (100.0)	206 (100.0)	68,808 (100.0)	404 (100.0)	92,171 (100.0)

Investors in 2021

(1) More venture funds, focused on private investment

Among the investors of new venture funds in 2021, the amount of investments from the finance policy sector, including Funds of Funds was approximately KRW 2.7429 trillion (29.8%), and the amount of investments from the private sector accounted for KRW 6.4742 trillion (70.2%).

The proportion of Fund of Funds decreased from 18.2% in 2020 to 17.3% in 2021, and by 7.9%p compared to 2017 (25.2% → 17.3%). On the other hand, the amount of investments from the private sector increased by almost KRW 2 trillion, taking up approximately 81.2% of the entire increase amount of venture funds (+KRW 2.3 trillion).

< Investors of New Funds in 2017-2021 (Unit: KRW 100 million, number of funds, %) >

Classification		2017	2018	2019	2020	2021	Compared to 2020		
							Change	Rate	
Policy Finance	Fund of Funds	Amount	11,568	9,329	8,590	12,495	15,987	+3,492	+27.9
		Proportion	25.2	19.3	20.3	18.2	17.3	△0.9	
	Other Policy Institutions (KDB, local governments, etc.)	Amount	4,998	4,441	2,652	5,831	4,894	△937	△16.1
		Proportion	10.9	9.1	6.2	8.5	5.3	△3.2	
	K-Growth	Amount	1,610	2,935	2,840	4,721	6,548	+1,827	+38.7
		Proportion	3.5	6.1	6.7	6.8	7.2	+0.4	
Subtotal		Amount	18,176	16,705	14,082	23,047	27,429	+4,382	+19.0
		Proportion	39.6	34.5	33.2	33.5	29.8	△3.7	
Private Sector	Individuals	Amount	3,373	2,920	5,749	4,495	14,249	+9,754	+217.0
		Proportion	7.4	6.0	13.6	6.5	15.5	+9.0	
	Corporations	Amount	5,195	4,511	5,128	9,081	16,625	+7,544	+83.1
		Proportion	11.3	9.3	12.1	13.2	18.0	+4.8	
	Financial Institutions (Aside from KDB)	Amount	6,332	10,689	5,567	11,638	14,951	+3,313	+28.5
		Proportion	13.8	22.1	13.1	16.9	16.2	△0.7	
	NPS/Associations	Amount	4,380	6,380	2,740	9,742	4,075	△5,667	△58.2
		Proportion	9.5	13.2	6.5	14.2	4.4	△9.8	
	Venture Capital	Amount	5,298	4,715	4,448	6,018	11,078	+5,060	+84.1
		Proportion	11.6	9.7	10.5	8.7	12.0	+3.3	
Other Organizations and Foreigners	Amount	3,102	2,507	4,697	4,787	3,764	△1,023	△21.4	
	Proportion	6.8	5.2	11.0	7.0	4.1	△2.9		
Subtotal		Amount	27,680	31,722	28,329	45,761	64,742	+18,981	+41.5
		Proportion	60.4	65.5	66.8	66.5	70.2	+3.7	
Total		Amount	45,856	48,427	42,411	68,808	92,171	+23,363	+34.0
		Proportion	100.0	100.0	100.0	100.0	100.0		

In detail, the amount of **policy funds increased by approximately 19.0%** (+KRW 438.2 billion) with more investments from Funds of Funds (+KRW 349.2 billion), and K-growth (+KRW 182.7 billion).

In the private sector, **investments from individual investors increased by approximately KRW 1 trillion** (+217.0%, +KRW 975.4 billion), as well as from **corporations** (+83.1%, +KRW 754.4 billion) and **Venture Capitals** (+84.1%, +KRW 506 billion), leading the **growth in the amount of investments from the private sector.**

The great increase in the **amount of investments from individual investors** is due to **the rapid surge in the number of investors** (+232.2%, +1,918 investors) and **the recovery of investments from special money intrust*** (+270.7%, +KRW 527.6 billion) that had decreased due to incidents of distressed private equity that occurred in 2020.

* A type of trust where the trustee manages the trusted assets based on the detailed instructions of the trustor

(2) **Fund of Funds serves as the pump primer of the venture investment market, leading private funds**

For the past five years, the proportion of the amount from Fund of Funds, as well as the number of **baby funds from Fund of Funds** and their amount **have been continuously decreasing.** In particular, the **proportion of the number of baby funds fell below 30% for the first time.**

By amount, **baby funds from Fund of Funds** compared to all funds in 2021 **decreased** (49.1% → 43.5%, $\Delta 5.6\text{pp}$). However, the amount of investment from **private and government organisations led by Fund of Funds** increased by **KRW 282.7 billion** (KRW 2.1263 trillion → KRW 2.409 trillion), proving that Funds of Funds have served as **pump primers.**

< New Funds and Amount from Funds of Funds in 2017-2021 (Unit: KRW 100 million, number of funds, %) >

Classification	2017		2018		2019		2020		2021	
	Amount	Funds (number)	Amount	Funds (number)	Amount	Funds (number)	Amount	Funds (number)	Amount	Funds (number)
Total Funds (A)	45,856	164	48,427	146	42,411	170	68,808	206	92,171	404
Fund of Funds (B)	33,817	92	28,161	74	23,243	74	33,758	86	40,077	115
Proportion (=B/A×100)	73.7	56.1	58.2	50.7	54.8	43.5	49.1	41.7	43.5	28.5
Amount from Fund of Funds (C)	11,568		9,329		8,590		12,495		15,987	
Proportion (=C/A×100)	25.2		19.3		20.3		18.2		17.3	
Amount from Private and Government Organisations (D=B-C)	22,249		18,832		14,653		21,263		24,090	

(3) **Many funds formed from private large-scale funds**

Out of all new funds in 2021, there were 21 venture funds with KRW 100 billion or more. These funds **took up one-third** of the entire amount of funds with a total of KRW 3.057 trillion. One point to note is that unlike large funds in the past where finance policy was the main anchor, **three of these 21 funds did not have policy finance as the main anchor** in their Fund of Funds.

In particular, **Hashed Venture Fund II**, the second largest fund created in 2021, is from Hashed Ventures (CEO KIM Seo-joon). It is composed of 100% private funds, with a size of KRW 240 billion.

Among 18 government-backed funds worth KRW 100 billion or more, nine of them are from **Fund of Funds. Fund of Funds may have encouraged baby funds to scale up.**

The largest fund is **KTBN Venture Fund No. 18** from KTB Network (CEOs SHIN Jin-ho, KIM Chang-kyu), worth KRW 281 billion with KRW 50 billion from Funds of Funds.

**< Major Venture Fund Investors in 2021 with More Than KRW 100 Billion in 2021
(Unit: KRW 100 million, %) >**

Rank	Fund Name	Amount	Fund of Funds (Proportion)	Major Investors
1	KTBN Venture Fund No. 18	2,810	500(17.8%)	National Pension Service
2	Hashed Venture Fund II	2,400	-	SK Networks, Naver
3	Shinhan Venture Tomorrow Fund I	2,300	-	Korea Development Bank, K-Growth
4	Mirae Asset Sage Investment II	2,112	-	Mirae Asset Securities
5	IMM Growth Venture Fund No. 1	2,000	-	K-Growth, SEMA, KBIZ, GEPS, Korea Development Bank
6	Saehan Venture Fund No. 17 (SHVF-17)	1,901	-	Undisclosed
7	Kiwoom New Hero No. 4 Scale Up Fund	1,400	500(35.7%)	Kiwoom Securities, KBIZ
8	TS 14th New Deal Innovative Growth Investment Fund	1,301	-	Korea Development Bank, SEMA, K-Growth
9	SV Scale Up Fund	1,300	500(38.5%)	SEMA, Ministry of Employment and Labor Industrial Accident Compensation Insurance, GEPS
10	Smart Korea UTC Bio Healthcare Venture Investment Fund	1,250	500(40.0%)	Woori Bank, KBIZ, Industrial Bank of Korea
11	Kolon 2021 Innovation Investment Fund	1,215	400(32.9%)	National Pension Service, Nonghyup, SEMA, KIF
12	TS 2020-13 M&A Investment Fund	1,193	320(26.8%)	National Pension Service, KBIZ
13	Korea Investment-KINGO Materials, Parts, and Equipment Fostering Investment Fund	1,125	-	K-Growth, Korea Development Bank
14	Smilegate New Deal Fund	1,109	-	KBIZ, K-Growth
15	Yuanta Innovative Growth Materials, Parts, and Equipment Fund	1,070	-	K-Growth, Korea Development Bank
16	SVA Smart Korea Fund	1,064	500(47.0%)	Industrial Bank of Korea, SoftBank Korea
17	KDBC-L&S Digital Innovation Investment Fund	1,020	-	Korea Development Bank, K-Growth
18	Smart Korea Company K Untact Fund	1,000	280(28.0%)	Woori Bank Trust, Shinhan Bank Trust
19	Solidus Smart-Bio Investment Fund	1,000	600(60.0%)	Industrial Bank of Korea, Seoul Special City, Shinhan Capital
20	SHINHAN-NEO Market-Frontier 2nd Fund	1,000	-	K-Growth, KBIZ
21	KB New Deal Innovation Fund	1,000	-	K-Growth, KB Kookmin Bank
Total		30,570	4,100(13.4%)	

* □: Funds where policy finance was not the main investor, such as Funds of Funds or growth finance
 ** The major investor for Saehan Venture Fund No. 17 is undisclosed due to requests from the investor

Director General for Venture Innovation Policy PARK Yong-sun from the MSS stated, “The fact that venture funds of 2021 reached record highs for two years in a row to surpass KRW 9 trillion is well above expectations. It is especially significant that the proportion of Funds of Funds has decreased

and there is a greater variety of venture investors due to eased regulations with a great increase of private funds.”

He added, “The MSS will continue to make improvements to spread the Second Venture Boom. It is now time for the private sector, such as startups or investors, to pay attention to the integrity of the venture investment ecosystem.”

※ The statistics provided in this article were based on findings and the analysis of the MSS to identify the trends of venture funds in 2020. They are not official statistics according to the Statistics Act.