

Venture Capital Cycle (How Money Fuels Innovation)

Here's how money flows through the VC ecosystem— ...more

VENTURE CAPITAL CYCLE

HOW MONEY FUELS INNOVATION

By Alejandro Cremades

1. WHY VENTURE MATTERS (4 LENSES)



Innovation
Fuels tech growth
from idea to market



Investment
High-risk,
high-reward with
diversification



Strategic
Competitive edge for
companies and
nations



Emotional
Backing ideas and
founders you
believe in

3. MACRO CONTEXT

Design for multiple futures:



AI & compute race
Rapid tech shifts



**Geopolitics & supply
chains**
Global realignments



Interest rate shifts
Changing capital
costs

4. CAPITAL SOURCES

■ **\$22T+ AUM**
up from ~\$4.8T in
early 2000s

■ **>50% from Private Wealth**
individuals now lead global AuM

■ **\$124T Wealth Transfer**
boosting private market demand



2. VENTURE VALUE CHAIN



A loop where LPs fund VCs,
VCs back startups, exits
return capital, and profits
are reinvested.

2024 Venture Capital Flow

Available Capital	\$848B
Invested	\$377B
Returned	\$323B

In 2024, **\$848B** was
available, but only **\$377B**
invested and **\$323B**
returned — revealing a
liquidity gap that slows
the cycle.

5. CORE TENETS

1

**Long-term
view**
Commit to
multi-year trends

2

**Bet on
outliers**
Focus on rare
big winners

3

**Disciplined
pace & size**
Invest steadily,
avoid hype

4

**Edge over
narrative**
Trust skill, not
storytelling

6. EXITS & LIQUIDITY



M&A
Main exit path, strategic
buyers selective



IPOs
Limited and high bar
for entry



AI & compute race
Now mainstream (LP-led,
GP-led, company-level)

7. VENTURE'S DISSONANCE

Three timing mismatches slowing the cycle:



Fund Life
10+2 year
model, fixed
timeline



Tech Speed
Breakthroughs
can scale in
~18 months or
stall for years



Exit Windows
Choppy,
driven by
macro shifts



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