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- **Ranking Venture capitalists:** In early September Pitchbook issued its latest global ranking of venture capitalists based on a survey of the deal and exit history since 2010 of 37,000 venture firms, aiming to identify consistently successful VC firms producing successful investment outcomes. Its top five global firms emerged as Accel, Index Ventures, Sequoia, Benchmark and Andreessen Horowitz. Its highest ranked European firms were Index Ventures, Balderton Capital, Global Founders Capital, HV (Germany) and Seedcamp.
- **Sequoia, Andreessen Horowitz and Accel do consistently well:** There is a relatively high correlation with the results of the Strebulaev-Jackson Venture Ranking, a new 2026 ranking of the top 100 US-based VC firms over a 30-year window which we reported on in July. Its *'transparent, fully data-driven ranking of which VC firms are actually best at what they do'* also ranked Sequoia, Andreessen Horowitz and Accel in its top five.
- **Mistral's $3.5bn Series D - the largest VC raise ever in Europe:** Mistral's recently announced $3.5bn raise is the largest ever for a European start up, beating Mistral's own $2bn Series C in September 2025. The latest round was led by Samsung Electronics, the Scaleup Europe Fund (managed by EQT) and PSG Equity, valued Mistral at $24bn and will facilitate Mistral's shift towards offering a full stack alternative likely to appeal to governments and businesses in Europe that are sensitive to sovereignty issues. To accomplish this Mistral is moving to open weight LLM models and towards providing the data centres and private infrastructure a sovereign offer requires.
- **Europe and Venture capital funding:** Europe's governments continue to look to stimulate venture growth. The brand-new, later stage, Scaleup Europe Fund has already invested in Mistral, Lovable and the Exploration Company. We review the EU's recent snappily titled report *'Study of barriers to, and drivers of, the scaling up of funds investing in innovative and growth companies'* and review external commentary on what the EU might do to stimulate growth investment.
- **No slowdown in the summer:** Not much of a summer break for either the US or European VC market in August. US venture raises totalled almost $21bn (vs $6.5bn in August 2025) and European raises of $3.8bn were twice the August 2025 total.

Ranking the top VC firms

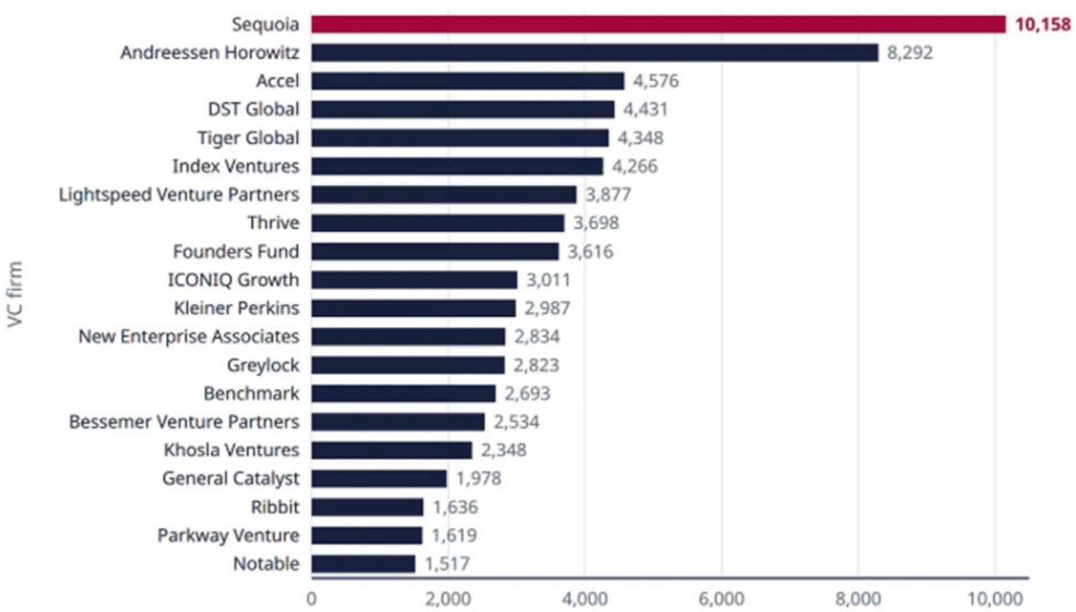
Independent surveys of the best VC firms see Sequoia, Andreessen Horowitz, Accel, Index and Lightspeed do consistently well.

In the July edition of the Growth Equity Update we reported on a fascinating study by Stanford University's Ilya A. Strebulaev and Ohio University's Blake Jackson which ranks venture investors. Published in mid-June, the authors' 2026 Venture Ranking of the top 100 US-based VC firms was drawn from more than 230,000 investments by nearly 13,000 venture capitalists over a 30-year window. They describe it as a '*transparent, fully data-driven ranking of which VC firms are actually best at what they do.'*

Sequoia headed the rankings. The points base system produced the top 20 ranking shown in the Exhibit. The top two firms, Sequoia and Andreessen Horowitz, stand out on the ranking by some distance with Sequoia having 2.2x the score of the third ranked firm and Andreessen 1.8x. The top five is filled out by Accel, DST Global and Tiger Global with Index Ventures a close sixth.

Their paper can be found here: https://docsend.com/view/gjgpksyptqi855he

Top 20 firms by the Strebulaev-Jackson Venture Ranking score



Source: Strebulaev-jacksoin Venture Ranking score

In early September Pitchbook issued its latest global ranking of venture capitalists based on the outcomes of their investments using PitchBook data on each firm's deal and exit history. It employs different criteria to the Strebulaev-Jackson study. It is based on three key criteria and in each case investors must have at least 15 examples to be included. The three criteria are.

The exit rate: The share of a firm's investments that reached an acquisition, buyout or public listing. Investments must be at least five years old or have an exit to qualify as an exit opportunity to allow for investments to sufficiently move toward an exit event.

The follow-on rate: The share of portfolio companies that raised another round of funding after the firm led a round.

Only investments that are at least two years old or have a follow-on are included as follow-on opportunities.

Valuation growth: The average annual increase in a company's valuation between the round the firm led and the following round.

- The average CAGR of valuation change between rounds is the average annualized valuation step-up (post-money to pre-money) between the investor-led round and the following round.
- There must be at least one year between the rounds. This avoids massive CAGRs that result from very short periods between funding rounds.

Firms qualify for the Pitchbook ranking once they have enough investment history to measure, with longer track records carrying more weight. More than 37,000 venture firms were analysed by Pitchbook. Like in the Strebulaev-Jackson survey the aim is to identify consistently successful venture capital firms that produce successful investment outcomes across many deals, rather than just one or two well-known wins.

The top 15 global investors emerging from the Pitchbook rankings are shown in the chart.

Pitchbook - Ranking of top VC firms globally

Rank	Name	Score	HQ	Notable Companies
1	Accel	100.0	Palo Alto, CA	Facebook (Meta), Slack, Atlassian
2	Index Ventures	100.0	London, San Francisco, New York	Wiz, Datadog, Roblox
3	Sequoia	100.0	Menlo Park, CA	Google, Instagram, WhatsApp
4	Benchmark	99.9	Woodside, CA	Uber, Instagram, Glassdoor
5	Andreessen Horowitz	99.9	Menlo Park, CA	Coinbase, GitHub, Pinterest
6	Lightspeed	99.7	Menlo Park, CA	Grubhub, Stitch Fix
7	Greylock Partners	99.5	San Francisco	LinkedIn, Roblox, Workday
8	Redpoint Ventures	99.3	San Francisco	Twilio, Snowflake, Nextdoor
9	General Catalyst	99.1	San Francisco	Warby Parker, Instacart, Deliveroo
10	Bain Capital Ventures	98.8	Boston	DocuSign, LinkedIn, Rent the Runway
11	CRV	98.6	Palo Alto, CA	DoorDash, HubSpot, Zendesk
12	Notable Capital	97.9	Menlo Park, CA	Musical.ly (TikTok), Affirm, Coinbase
13	Kleiner Perkins	97.8	Menlo Park, CA	DoorDash, Duolingo, Peloton
14	Greycroft	97.6	New York	Anduril, Scopely, Epic Games
15	Menlo Ventures	97.2	San Francisco	Roku, Uber, Poshmark

Source: PitchBook

The two studies are based on different time periods and criteria. Nevertheless, there is a high correlation at the top of the list.

The Strebulaev-Jackson survey has as its top three US firms (in this rank order) Sequoia, Andreessen Horowitz and Accel.

The Pitchbook survey (we use the global version) has each of those firms in its top five with Accel first, Sequoia third and Andreessen Horowitz fifth. The Pitchbook top five is filled out by Index in second place (sixth in Strebulaev-Jackson) and Benchmark at fourth (14th in Strebulaev-Jackson).

PitchBook also produces a separate ranking of European firms based on the same criteria. Here the top three ranked firms are Index Ventures, Balderton and Global Founders Capital.

Pitchbook - Ranking of top European VC firms

Rank	Name	Score	HQ	Notable Companies
1	Index Ventures	100.0	London, San Francisco, New York	Wiz, Datadog, Roblox
2	Balderton Capital	97.5	London	Betfair, Depop
3	Global Founders Capital	96.6	Berlin	Slack, Canva, HelloFresh
4	HV (Germany)	96.0	Munich	Depop, Delivery Hero, N8N
5	Seedcamp	95.1	London	Wise, Revolut, UiPath
6	Point Nine Capital	94.8	Berlin	Zendesk, Delivery Hero
7	Amadeus Capital Partners	94.0	London	Oxford Nanopore Technologies, SandboxAQ, Creditas
8	Creandum	93.7	Stockholm	Depop, Spotify, Klarna
9	Target Global	92.8	London	Revolut, Delivery Hero, Auto1
10	Northzone Ventures	92.7	London	Spotify, Klarna, Trustpilot
11	Alven Capital Partners	92.0	Paris	Stripe, Qonto, Algolia
12	Serena	91.7	Paris	Dataiku, Electra, Descartes Underwriting
13	Phoenix Court	91.3	London	Wise, Monzo, Zoopla
14	Partech	90.3	Paris	Five9, ManoMano, Ecovadis
15	Kima Ventures	89.7	Paris	Wise, Docker, Ledger

Source: PitchBook

The Mistral $3.5bn raise

We analyse Mistral's $3.5bn raise, the largest ever venture raise in Europe.

In early September the French LLM business Mistral announced the biggest European growth equity raise ever. Its $3.5bn raise (€3bn) valued the business at $24bn (€21bn). It is the largest European raise since… the last Mistral raise, which was its $2bn Series C in September 2025 at a $13.8bn valuation.

The September 2025 raise was led by Dutch semiconductor equipment company ASML which invested $1.5bn of the total and emerged with an 11% stake in Mistral. Existing Mistral investors DST Global, Andreessen Horowitz, Bpifrance, General Catalyst, Index Ventures, Lightspeed, and Nvidia also supported the round.

Mistral's latest round was led by Samsung Electronics, the Scaleup Europe Fund (managed by EQT) and PSG Equity. Mistral says of the round,

The round will significantly expand Mistral's frontier research, which is the foundation underpinning its infrastructure, products and sovereignty. While allowing Mistral to scale its compute capacity for training powerful models, it will help Mistral expand infrastructure and accelerate its commercial growth and international footprint. The company now operates across 20 countries and supports 125+ global enterprises' mission-critical AI transformation, including Airbus, ASML, and HSBC.

There has been an evolution of the strategy at Mistral since its last major round. The focus on sovereignty is much more pronounced. The raise took place in the week in which it was revealed that Anthropic had withheld its Claude Mythos 5.1 model from scrutiny by the UK's AI security institute, triggering fears of greater protectionism by the major US tech groups. In its raise announcement Mistral highlights the sensitivity of sovereignty issues to its customers.

'Organizations and governments are now asking ... how to harness the power of AI for their mission-critical needs without surrendering control over the infrastructure and intelligence loop. Demand for that combination of performance with control, choice and independence is growing internationally, as enterprises and governments weigh the long-term technology dependencies, data governance requirements and deployment choices that come with any AI investment.'

Mistral promises that its direction of travel will allow customers to retain full control over their data and workflows.

'Mistral's full-stack and open approach also allows organizations to build on it without exposing their most valuable data, workflows and institutional knowledge to anyone outside their own walls. That's what makes Mistral's stack the sovereign AI layer, meaning retaining control across four dimensions: data that stays inside the organization's boundaries, models that are controllable and customizable, compute that is private and predictable, and systems in production that are fully controllable and auditable.'

This pivot has a number of advantages for Mistral. It is clearly tough for the company to compete directly head-to-head with its major US counterparts, Open AI and Anthropic, who this year alone have raised almost $225bn in funding between them. Instead, Mistral is offering a full stack alternative likely to appeal to governments and businesses in Europe that are sensitive to sovereignty issues. To accomplish this Mistral is moving beyond the production of LLM models to provide also the data centres and infrastructure that such a sovereignty offer requires.

In August Mistral expanded on this strategy in a blog post saying

'At Mistral, we believe every enterprise and country must be in control of the models it uses, choose where the intelligence runs, control the compute capacity to scale it, and retain its compounding value…. we are taking three concrete steps as we build the foundations of our customers' AI sovereignty: strengthening the reliability and regional control of inference, expanding access to third-party open models within that infrastructure, and bringing together enterprises and institutions to secure long-term commitments for compute capacity in Europe.'

In turn this means that Mistral needs its own data centre capacity to deliver on the sovereignty approach. This has led it to announce substantial plans to develop its own datacentres, focused on France and Sweden. In France Mistral has a 10MW datacentre at Les Ulis due to open by the end of 2026 and is developing a 40MW cluster in France in partnership with the Scaleway arm of Iliad. Mistral signed an agreement earlier this year to invest $1.4bn to build new datacentres with 23MW of computing power in Sweden to be built and run by EcoDataCenter and due to open in 2027. Overall Mistral plans to have 200MW of computing capacity available to it in Europe by the end of 2027.

Separately Mistral has a deal with Microsoft which is increasing its European data centre capacity by 40% over the next two years. Microsoft offers a sovereign cloud offering (although the ultimate efficacy of it is debated) and Mistral's frontier European models will be made available on it.

Another aspect of Mistral's strategy is that it is focusing on open weight models rather than the closed environments of OpenAI and Anthropic. This has both a sovereignty aspect - open-weight allows customers to download, customise and run models on private infrastructure instead of sending information through a third-party cloud platform- and it offers a lower cost to the customer.

Mistral hopes that the new funding will enable it to exceed its target of annual recurring revenue of $1bn+ in 2026.

Looking at the structure of the round, the leads were Samsung Electronics, the Scaleup Europe Fund and PSG Equity. Most of the existing players on the cap table supported the raise including a16z, ASML, Bpifrance, BNP Paribas CIB, DST Global, General Catalyst, Index Ventures, Lightspeed, Nvidia, and Salesforce Ventures. Blackrock and the Grand Duchy of Luxembourg also participated.

Samsung has said it will develop AI models with Mistral combining semiconductor technology and manufacturing data from Samsung Device Solutions with Mistral's AI model technology. These AI models will be deployed across all aspects of Samsung's semiconductor operations to improve manufacturing efficiency and quality and enhance productivity. The companies will also jointly build an on-premises AI platform and operating system for semiconductor operations.

The Scaleup Europe Fund is a vehicle of the European Innovation Council and is a multi-billion late-stage and growth fund aimed at investing in the most promising European companies in strategic tech areas. It has highlighted AI, quantum, semiconductors, robotics and autonomous systems, energy, space, biotech, medical, advanced materials, and agritech, as key areas of focus. Given its mandate it would have been hard for it not to be involved in the Mistral raise.

Alongside the Commission, the group of founding investors in the Fund include Novo Holdings, EIFO (Export and Investment Fund of Denmark), CriteriaCaixa, Santander/Mouro Capital, Fondazione Compagnia San Paolo/ Intesa Sanpaolo/Fondazione Cariplo, APG Asset Management, Wallenberg Investments and Allianz. EQT was chosen to manage the fund.

The Scaleup Europe Fund was established in June 2026 saying it was set to make its first investments in autumn 2026. It also co-led a $400m Series C funding round in Swedish vibe-coding business Lovable announced in August and the $450m Series C by The Exploration Company which operates out of Germany, France, Luxembourg, Spain, and Italy and offers a reusable heavy lift space launcher to compete with SpaceX.

PSG Equity, also co-leading, is an existing Mistral investor and has previously partnered with Mistral to accelerate Al adoption across its portfolio of software companies. Dany Rammal, Head of Europe at PSG Equity commented.

"We first partnered with Mistral as part of its Series C in 2025, recognising its position as a global leader in Al and the strength of its technology, team and vision. Co-leading this latest round enables us to deepen that relationship and reflects our conviction in the long-term trends shaping the Al market, from accelerating enterprise adoption to growing demand for trusted and sovereign Al solutions. We believe Europe has a significant opportunity to build global technology leaders and that Mistral is exceptionally well placed to be at the forefront of this. We are excited to continue supporting Arthur and the team as they advance their R&D ambitions and continue to scale the business globally."

The Grand Duchy of Luxembourg chipped in its €10m after Mistral signed a strategic partnership with the Luxembourg government in June 2025 focused on the adoption of AI in the public sector, collaboration with public research institutions and data sovereignty and a collaboration with the Luxembourg Armed Forces.

Commenting on the latest Mistral raise French President Emmanuel Macron said.

"ASML a year ago, Samsung today: Mistral demonstrates its ability to forge strategic partnerships with the major industrial players to elevate Europe among the world's leading AI powers. This is the entire meaning of the vision we share with the President of South Korea: to build together a third way in AI by joining our forces and our players."

Europe and Venture Capital Funding

In recent editions of the Growth Equity Update we have been looking at the efforts of both European and UK public bodies to stimulate investment in venture backed companies.

In particular, we have looked at the relative lack of domestic funding for UK and European businesses once they emerge from the seed and early stages and move into later stage investment. Many of these issues are picked up by the October 2025 report by the EU – *'Study of barriers to, and drivers of, the scaling up of funds investing in innovative and growth companies.'*

This snappily titled report lays out its thoughts over 219 pages.

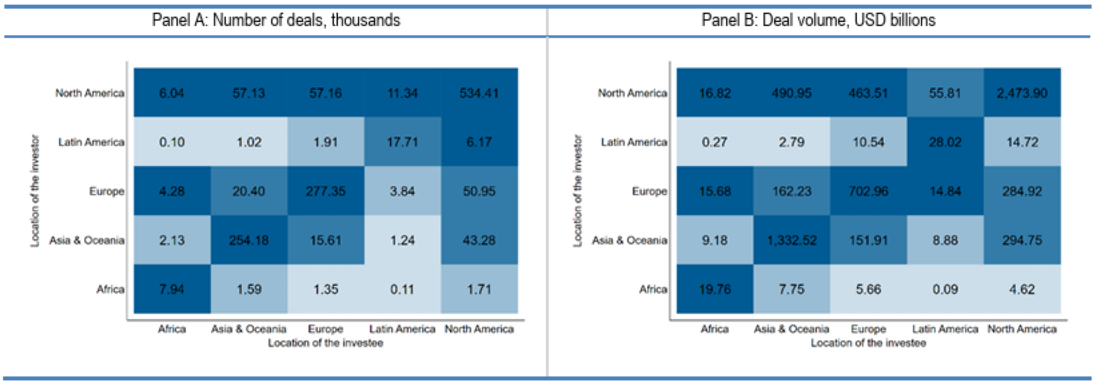
Its core arguments are:

Venture and growth capital funds are essential for financing startups and scaleups. The EU supports domestic money as the provider to ensure venture and growth capital financing is sizeable, and ecosystems are sufficiently developed to compete with other developed economies and to allow European companies to become global champions in their fields while retaining a large EU footprint.

It observes that the EU investor ecosystem is fragmented, with most fund managers concentrated in Western Europe, with Southern Europe and CEE underrepresented. Cross-border investment is common, particularly in growth capital but EU scaleups are heavily reliant on non-EU capital, reaching 70-90% of funding in some countries with domestic capital insufficient to close the gap.

This is illustrated in the graphic from the supporting OECD survey.

Domestic and foreign investment: number and volume of deals, by location



Note: This figure presents the distribution of domestic and foreign investment activity across investor and investee locations. Panel A shows the number of deals (in thousands), and Panel B displays the corresponding deal volumes (in billions USD), distinguishing between domestic and foreign deals. Domestic investment refers to transactions where the investor and the investee company are based in the same location, while foreign investment refers to transactions where the investor is located in a different location. Each square reflects the level of activity, with colour intensity based on percentile ranges (20th, 40th, 60th, 80th, and 100th). Darker shades indicate higher percentiles. In Panel B, deal volume amounts are allocated proportionately to the number of listed investors in each location per deal, as individual investor contributions are not observed.

Source: OECD Start-ups Database, June 2025

Cautious allocation criteria and capital gains tax the key uncertainties: Based on its interview programme with venture, growth and institutional fund managers and LPs the two biggest barriers to the fundraising process identified that might be solvable through legislation were (i) the conservative national-level caps on alternative asset investment and capital requirements, especially when exacerbated by portfolio prudential rules amongst pension funds, insurance companies and banks and (ii) uncertainties related to capital gains taxes.

Legislative fragmentation: Reporting and disclosure obligations, prescribed in the scope of AIFMD and disclosures required during the fund lifecycle (AML/KYC disclosures, CSRD/ ESRS reporting etc), were highlighted as a barrier that raises the costs of operating venture and growth capital funds, with a high workload in proportion to the number of LPs. The costs stemming from legislative fragmentation across Member States adds another layer of complexity.

Market and structural barriers: Fund manager “home bias” due to lack of network abroad, strong competition and difficulties in finding co-investment partners for completing transactions is an issue impacting cross-border investing.

Another factor making fund managers more cautious when investing is the fear of not being able to realise gains due to poor exit prospects, especially in regions with fewer active buyers or unattractive listing prospects (and subsequently lower valuations).

The EU report concludes that

‘Taken together, market and regulatory frictions reinforce one another. Structural issues on the demand side of capital, combined with fragmented rules on the supply and deployment side, contribute to persistent under-scale and geographic concentration in the European venture landscape.’

What are the proposed remedies?

Supervisory coordination may help tackle fragmentation and the cumulative burden of compliance for fund managers, especially in terms of aspects related to fund governance, marketing process and reporting requirements.

Solutions for harmonising the incorporation of fund vehicles or a concept of EU entity for an investment fund may be explored, particularly if it can help to standardise governance procedures and tax treatment of capital gains and carried interest across the Member States.

More proportionate approaches to reporting, fees and governance requirements based on assets under management may support smaller fund managers.

Standardising reporting templates across jurisdictions may further decrease fund manager and LP costs and the amount of administrative work.

Less formalistic approach to compliance: The industry encourages a more practical, less formalistic approach to compliance, authorisation procedures and investment process practices as well as a harmonised approach by national supervisors.

For institutional investors Solvency II was recently reviewed, and the possibility of a more favourable risk weight of 22% for long-term equity will apply from January 2027.

Initiatives to address the risk aversion culture and promote the benefits of the venture and growth asset classes would be particularly important.

The full report can be found here: https://op.europa.eu/en/publication-detail/-/publication/6531d67f-a978-11f0-89c6-01aa75ed71a1/language-en

In this context some interesting thoughts from Josh Lerner of the Harvard Business School which appeared in Vox EU.

Josh Lerner observes, as have we, the declining share of global venture investment activity attributable to European firms. He cites Pitchbook figures to characterise the €66.2bn deployed in European venture capital in 2025 as just 22% of the amount invested in the US despite the similar overall size of the two economies.

To assert the relevance of this he quotes the 2024 Draghi Report on European Competitiveness in which the Former Italian President observed that

'… no EU company with a market capitalisation over €100 billion… has been set up from scratch in the last fifty years, while all six US companies with a valuation above €1 trillion have been created in this period.'

Each of those six – and subsequently two others that passed the $1 trillion barrier - were initially funded by venture capital. More broadly about half of all US companies that have gone public over the last 20 years were backed by venture capital.

As usual – and as we pointed out in the July Growth Equity Update, Europe is not short of academic centres of excellence or entrepreneurial ideas. It is though short of adequate domestic financing, particularly in the scale up stages. Josh Lerner identifies three reasons for this:

- **The relatively poor returns from European venture funds**: He cites State Street Research figures to illustrate that the annual rate of return of European venture funds in recent decades is 8.6%, lagging 10.4% for emerging market funds and 14.6% for US funds.

- **The boom in AI growth and funding has exacerbated the picture** in the last three years with this funding concentrated, even more so than in venture as a whole, in a very few hubs. The Bay Area took up half of global AI venture funding in 2024 versus its typical share of overall venture funding of c25%. In stark terms Europe's key LLM business Mistral has just raised $3.5bn, by some distance Europe's largest ever VC fundraise. Its US counterparts have raised on a different scale> looking at this year alone the raises are OpenAI $122bn, Anthropic $95bn, xAI $20bn, Prometheus $12bn, and SafeSuperIntelligence $5bn.

- **A winner takes all flywheel effect:** Access to investment in the most successful businesses enhances the returns of the firms investing in them, making them more attractive to LPs, attracting more capital, which in turn makes them the most attractive investors amongst the most sought-after companies. It is a 'winner takes all' flywheel.

As Lux Capital observed in its Q4 2025 report

'*The concentration of private capital is only matched by the concentration in equities. Nearly $340 billion flowed into U.S. deals, the second-highest amount ever, yet it was packed into the fewest deals of the decade, with nearly half the capital concentrated in a few dozen deals over $500 million. The top 1% of companies by valuation now absorb a third of all venture capital deployed. The bottom half get 7%, technically "venture-backed" but also kind of like sitting in the parking lot at a concert and claiming you saw the show. Half of all venture money went to 0.05% of deals, while half of all LP capital went to a handful of funds'.*

European VC is in the role of '*sitting in the parking lot at a concert and claiming you saw the show.'*

What to do about it?

Lerner observes that short-term circumstances may help defray US dominance and improve the European position. Notably the US administration's Munich Speech policy of reducing its commitment to defend Europe has created a new-found emphasis in Europe on increasing the level of GDP devoted to defence and looking for European sovereign solutions in defence rearmament. This has given a substantial boost to VC funded defence businesses with $1.5bn raised for such companies in H1 2026. Pursuit of sovereign solutions is also a factor supporting Mistral's recent $3.5bn raise. Similarly, the cutbacks to federal funding of academic research in the US and the well-publicised moves of some leading US academics to Canada and other jurisdictions may help to reverse the long-term flow of European scientists and technologists to the US.

As well as taking advantage of these windfalls Lerner suggests three positive actions that Europe could undertake:

A consolidated European high tech oriented public market: The US system sees VC backed companies raise money widely through North America and elsewhere before floating on substantial markets – like NASDAQ - geared to entrepreneurial businesses. By contrast European raises are often more local (ie French firms get French government and fund backing and list in Paris). The most promising firms look to list in the US, deemed more growth oriented and where valuations and the ecosystem are deemed to be stronger. The weak IPO exit markets in Europe are a discouraging factor for would be venture investors and companies. The suggestion is a revival of the EASDAQ concept, the pan European market founded by venture capitalists during the first internet boom which operated from 1996 to 2001. The idea would be a pan European, tech focused market to rival the supremacy of NASDAQ.

Clustering: Lerner's second proposal is to cluster. This breaks with the typical approach of UK and European policymakers to encourage geographically widespread venture activity both between and within countries. Interestingly as an example of this we have seen the new UK administration adopt 'growth in every postcode' as its slogan while external commentators like the Centre for Cities argue that economic growth is inherently uneven and that growth efforts should be concentrated in big secondary cities.

The Lerner argument picks up on this arguing that around the world, entrepreneurial businesses are clustered geographically and venture-backed businesses even more so, particularly in science-based entrepreneurship. It's another flywheel effect as academic institutions, companies, people and supply chains cluster in areas of strength. Lerner's argument is that publicly funded initiatives should recognise this and focus on developing those key clusters rather than casting the seed widely.

Attractive policies for entrepreneurship: The Lerner approach here is simply to copy. Work out what is attractive to entrepreneurs and shape policy – in areas like taxation – to encourage them to site their businesses in Europe.

https://cepr.org/voxeu/columns/venture-capital-challenge-europe

Support for UK venture

The 'growth in every postcode' theme continues.

In last month's Growth Equity Update we looked at some of the ideas floating around the new Burnham administration to support growth businesses in the UK as the fresh government pursues its 'growth in every postcode' theme.

Looking back to the previous article there are some aspects of the Burnham approach that recognise the benefits of investment clustering:

Good Growth Funds: *'These reforms will be augmented by supporting mayors to establish Good Growth Funds across the country, backed by national Public Financial Institutions – such as the National Wealth Fund- and supported by the Local Government Pension Scheme as a key local investor, to assist mayors in investing for the long term in their local economies. We will also support local places to reindustrialise by building on frontier sector and cluster strengths.'*
and
'On reindustrialisation, we will support every region to set clear and credible industrial ambitions – and provide the support to achieve them, encouraging more cross-UK partnership between places with complementary industrial clusters, as Cambridge and Manchester have done on life sciences.'

Mainly though the approach appears to be to spread investment widely. Already in June, the British Business Bank committed up to £90m to ten new micro funds as part of the first Investor Pathways Capital cohort. In August John Healey, the new Chancellor of the Exchequer announced the latest £100m phase of the British Business Bank's Investor Pathways Capital Initiative.

Applications for the next cohort, which is part of this £100m deployment, will open in Autumn 2026. The aim is to support first-time venture capital investment fund managers from a wide range of backgrounds. The initiative, which will invest £400m in total, helps businesses scale up as the fund managers provide the early capital to help scale up early-stage businesses across the country.

Separately, the British Business Bank announced it will be the principal investor in Molten Ventures' new £350m Growth Fund, committing £75m in the first close of £175m. The fund will provide support to UK and European technology companies at the Series B stage and in subsequent financing rounds, with a focus on sectors such as space, AI, fintech, quantum computing, deep tech and hardware.

In May this year the British Business Bank contributed £50m to Longwall Venture Partners' £100m deep tech fund and £25m in Antler's UK Fund II.

Public markets – oil, tariffs, bond yields, interest rates.

Some stumbling blocks to performance.

Markets enjoyed a relatively good August. The US indices rallied between end July and the 8th of September with the S&P500 up 2% and NASDAQ up 4%. Both the SOX semiconductor index, up 5% and the S&P500 Software and Services index, up 7% performed well along with the Magnificent 7 also up 5%. European indices did less well, with both the FTSE 100 and the Euro Stoxx declining by c1.5%.

Year to date to September 8th NASDAQ is up 13%, the S&P 500 is up 12%and the FTSE100 and Euro Stoxx are up 7.5%. The Magnificent 7 are up 4%. After a strong August, up 9%, the FTSE Venture Capital index is now down just 3% for the year.

Markets always need something to worry about. Post strong earnings season the market reverted to fretting about its four favourite causes for potential concern:

Oil prices: There was a point in August when it felt as if the US-Iran conflict had simply petered out. The price of WTI crude, having hit $90 by the 24th of July fell back to a low of $75 in early August and remained in the mid $80s through much of August. Awakening from its torpor another bout of mutual missile slinging at the start of September has sent the WTI price from $86 to $96 in the first week of September. The average price of gas at the pump for the US consumer was $4.14 on Labor Day, a dollar higher than a year ago and a record for Labor Day, sparking low poll ratings for President Trump and renewed inflation fears.

Tariffs: This month has also seen a revival of tariff tensions. Notably towards the end of August US-Canadian talks on resolving outstanding trade issues turned sour with both sides blaming the other for the rupture. Substantial reciprocal tariffs have subsequently been imposed, and the US has announced some outright bans on Canadian products like alcohol, dairy products and motorcycles. Lake Ontario has been renamed – in US eyes at least – as Lake America.

Bond yields: The back end of August saw a relatively sharp rise in bond markets with the yield on ten-year US government bonds reaching 4.8% up from 4.6% at the start of August and the recent low of 4% at the end of February. It is just short of its five-year highs (albeit lower than it was for most of the 1980-2007 period). French and German bond yields are at c15 year highs. There are various debates about why bond yields have been rising – although inflation prospects, the potential for rising short term interest rates, strong economic growth and fears of an oversupply as the US government deals with its deficit – have all been put in the frame. Rising bond yields make it harder for equities to outperform and may slow corporate profitability growth. In theory though, the equity market can still perform while bond yields rise, as long as they don't jump too suddenly.

Interest rates: Short term US interest are in turn influenced by a number of factors with oil prices and tariffs feeding into one of the key considerations, inflation. Jobs also matter of course as do the inclinations of the new Fed Chair, Kevin Warsh.

We have touched on oil prices and tariffs, both presently contributing to a sense of upwards inflation effects. Actual US inflation fell more sharply than expected from 4.2% in May to 3.5% in June with the 40bps month on month fall the largest since April 2020. July saw inflation edge further down to 3.4% with falling gas prices a factor in both months. The August inflation number, out on September 11, saw headline inflation again at 3.4% and core inflation at 2.4%. Core inflation, which excludes food and energy prices, fell from 2.9% in May to 2.6% in June and to 2.5% in July.

Meanwhile the US jobs numbers in August were much better than for preceding months with 162,000 jobs added. July was revised up from a loss of 23,000 jobs to a gain of 21,000 and June from 20,000 to 31,000. The unemployment rate was steady at 4.1%.

In his inaugural Jackson Hole address in late August Kevin Warsh, the Fed chair, hit a more hawkish note than expected reaffirming both the commitment to 2% inflation and maximum employment while arguing that the Fed's dual mandate is not contradictory – *'high inflation is very harmful to economic prosperity.'*

'.there should be no misunderstanding: The Fed's price-stability objective of 2 percent, as measured by the personal consumption expenditures (PCE) price index, is a firm, fixed target. Let's be equally clear about another aspect of the objective: Price stability is not self-executing, nor is inflation necessarily mean-reverting. It is the Fed's job to deliver stable prices.'

He declared himself satisfied that '*On the employment side of the Fed's dual mandate, our country is doing well…. But on the price-stability side of our mandate, the numbers are more concerning…. Here is my standard: We must be confident that underlying inflation is moving to our objective, clearly and at sufficient speed. Otherwise, we have work to do. That's our job.'*

At the Fed's July meeting, the second under Mr Warsh, rates were held unchanged at 3.5%-3.75%. In June the decision to hold rates was unanimous. In July there were three dissenters who supported an increase of 25bps in rates. Since then, we have had a satisfactory job report and a less satisfactory inflation report.

By putting inflation ahead of jobs currently as a priority the market's assumption is thus that rates must rise with FedWatch putting the prospect of a rate rise of 25bps at the next meeting on 16 September at 88%. By the last meeting of the year, on 9th December FedWatch has the chance of rates still being at the current 3.5%-3.75% at just 2%, a 23% prospect of a 25bps rise, a 50% chance of a 50bps rise and a 25% chance of a 75bps increase.

European inflation was 2.9% in July up from 2.8% in June driven by energy costs up 10% (8.5% in June). Core inflation rose modestly from 2.4% to 2.5% with both goods and services inflation trending slightly higher. August then saw inflation accelerate to 3.3% boosted by energy price inflation of 14.3%. Core inflation – which excludes energy – fell back to 2.4%.

With inflation accelerating and having spent six months above the 2% ECB target, a rate rise was inevitable. The ECB raised rates by 25bps to 2.25% in June, its first-rate increase since August 2023, held at 2.25% in July, but with the renewed energy shock, raised in early September by a further 25bps to 2.5%. The market expects another rate rise by the end of the year.

UK inflation was 2.6% in June, the lowest for 15 months, helped by lower petrol, food and clothing prices. July bounced back, in line with expectations, at 2.9% as the new OFGEM energy price cap kicked in. Core inflation, which excludes food and energy, held steady at 2.6%.

The Bank of England held rates at 3.75% in July with a vote of 6-3 to leave rates unchanged versus a 7-2 vote in June. Despite the jump in inflation the expectation is that the Bank of England will hold rates at its 17th September meeting and indeed market forecasts are that the rate will be held for the rest of the year.

The views of Rothschild & Co's strategists Kevin Gardiner and Victor Balfour on the current market outlook are summarised in the Exhibit.

GROWTH *Positive*	*Resilience persists* The US/Iran conflict remains tense, but with oil prices contained the economic impact still appears manageable. Growth was respectable through the first half of the year and survey-based indicators show renewed momentum through the third quarter. Strong US private demand – underpinned by resilient consumer demand and rising investment – suggests the world's most important economy remains in rude health; even energy insecure Europe remains remarkably resilient
INFLATION *Neutral*	*Renewed pressure* Ongoing escalation – and higher oil prices – threatens to reverse the recent improvement in headline inflation, but May's peak is unlikely to be revisited. The prospect of another 'big wave' seems unlikely. However, if economic activity revives from here, and real wages rebound, then that pre-war inflationary "stickiness" could persist, keeping core inflation above target for longer
POLICY *Negative*	*A hawkish hold* Money markets quickly priced-in higher levels of interest rates in anticipation of oil-driven inflation risk. While those hawkish expectations may now be erring on the high side, the ECB resumed tightening in June, and the US Federal Reserve – and its new Chair – appears biased in that direction. However, this probably does not presage the start of another big tightening cycle, not least because monetary policy is not excessively loose to begin with. Fiscal policy is likely to become more expansionary, at least in Europe
GEOPOLITICS *Negative*	*Fragile 'peace'* The earlier agreement has proved less durable than hoped. Renewed US-Iran hostilities, and disruption around the Strait of Hormuz and Bab el-Mandeb have put energy supplies back in focus. A negotiated settlement remains possible, but the terms, timeframe, and other regional parties point to difficult diplomacy ahead. That said, the latest rise in oil prices still leaves the level of prices looking unremarkable in real (inflation-adjusted) terms
VALUATIONS *Neutral*	*Headroom intact?* Global stock valuations remain elevated on a long-term view (CAPE ratios for example), but more conventional forward-looking PE ratios appear manageable. AI buildout (not yet AI usage) remains the dominant driver of buoyant earnings (and prices), but expectations are being raised across other sectors too. Meanwhile, government bond valuations are looking steadily more attractive as yields have risen to fresh cycle highs – but are not yet compelling
MARKET DYNAMICS *Neutral*	*Stock participation broadens* Earlier AI jitters receded with global stocks briefly notching new highs; market leadership – and participation – appears more evenly balanced. Government bonds have weakened anew in the face of higher oil prices – exacerbated by thin summer liquidity – but this need not derail risk appetite if economic resilience persists. Elsewhere, reported stress in private debt markets continues, but with little feed-through to public markets or the banking system

Source: Rothschild & Co

US fundraising in August – no summer holiday

The pace of US fundraising appears unrelenting – August saw another $20.9bn of raises.

There was not much in the way of a summer break for the US VC market in August. The month is typically one of the smallest of the year. One could say that was the case also in year with the $20.9bn raised being the second smallest monthly total (July's $20.6bn is the smallest) year to date. On the other hand, the total was better than seven of the 2025 monthly totals and the number of deals –49 of more than $100m - was well up to the 2026 pace.

As is typical AI and related sectors dominated. The AI raises were led by a $5bn round for Databricks at a valuation of $190bn led by Coatue Management. Databrick's platform allows companies to build and scale data and AI apps, analytics, and agents. The business continues to grow rapidly, counts 70% of the Fortune 500 amongst its customers and has in total 20,000 customers worldwide. Alongside the raise the company announced that it has exceeded a $7bn pa revenue run rate with revenues growing more than 80% yoy and that it has delivered positive adjusted FCF over the last twelve months.

There was just one more $1bn + raise in AI in the month. This was the $1.1bn seed and Series A raise by River AI led by General Catalyst and AMP PBC. Nvidia and AMD were also in there as strategic backers. River AI was started by the co-founder of xAI, Igor Babuschkin. Its mission is to use open weight models to provide tools that help clients build personalized AI models on their own data. Igor Babuschkin comments *'AI should be open, freely available, and affordable. It should feel like it is working for the person using it, not the lab that trained it."*

In total there were eleven AI rounds in August raising a total of $8.7bn, 42% of the monthly total. AI is less dominant in terms of the percentage of raises than earlier this year partly because of the scale of raises in AI related sectors. Robotics raised $1.6bn across two rounds, the largest of which was $1.37bn for Hadrian, a manufacturing tech business developing automated factories for aerospace and defence. There was a $350m raise for Groq in datacentres and $1.2bn across three raises for AI semiconductors led by a $700m raise for Etched at a $21bn valuation led by Jane Street, Kleiner Perkins and Sequoia.

Outside of AI the notable sectors were Climate Tech, Defense and Space.

In Climate Tech there were six deals raising $2.35bn with the largest a $1bn Series B for Valor Atomics led by Sequoia, Apandion and Atreides. The company aims to produce mass manufactured nuclear power plants. Form Energy, which provides 100-hour batteries for grid electricity storage, raised a $750m Series G led by Blindspot Ventures and Breakthrough Energy.

There were two raises in defence for a total of $1.05bn. Castellion which secured an order from the US Navy in June for 50 early operational capability pre-production Blackbeard hypersonic missiles raised $800m in a Series C led by Andreessen Horowitz, Carlyle, Lightspeed and Lavrock. Neros Technologies a defence drone manufacturer raised $250m in a Series C led by the American Strategic Technology Fund and Sequoia.

There were two raises in Space for a total of $500m. Muon Space is an end-to-end provider of space-based infrastructure whose Series C of $250m valued the business at $1.5bn. The Series A+ from Starcloud also raised $250m for orbital data centres and space-based GPU infrastructure.

US – 49 raises of $100m+ in August for a total of $20.8bn

Country	Date	Company	Stage	Amount $m	Valuation $m	Sector	Investors	What it does
US	Aug-26	Databricks	Funding	5,000	188,000	AI - Data	Blackstone, Coatue Management, MGX, Sixth Street Partners	Databricks Data + AI Platform
US	Aug-26	Hadrian	Series D	1,370	7,870	Manufacturing Tech	WCM IM, Washington Harbour, Valor Equity Partners, 137 Ventures, Baillie Gifford	automated factories for aerospace and defense
US	Aug-26	River AI	Series A	1,100		AI	General Catalyst , AMP PBC, NVIDIA	Custom AI models
US	Aug-26	Base Power	Series D	1,000	13,000	Energy	Ribbit, Addition, Valor Equity Partners	distributed energy solutions and home battery systems
US	Aug-26	Valor Atomics	Series B	1,000		ClimateTech	Sequoia, Apandion, Atreides	mass-manufactured nuclear power plants
US	Aug-26	Castelion	Series C	800		Defense	Andreessen Horowitz, Carlyle, Lightspeed Venture Partners, Lavrock	Blackbeard hypersonic strike missile
US	Aug-26	Form Energy	Series G	750		Climate Tech - batteries	Blindspot Ventures,Breakthrough Energy,Energy Impact Partners	100-hour batteries for grid electricity storage.
US	Aug-26	Lumilens	Series C	700	5,510	AI	Atreides Management, Bain Capital Ventures, Meritech	connectivity platform for AI infrastructure
US	Aug-26	Etched	Funding	700	21,000	Semiconductors	Jane Street, Kleiner Perkins, Sequoia	AI semiconductors
US	Aug-26	Whatnot	Series G	545	20,000	Marketplace	ICONIQ, Lightspeed, and Avra	shopping marketplace
US	Aug-26	Function	Funding	450		Healthcare	General Catalyst	personalized health intelligence and diagnostic lab platform
US	Aug-26	Oxide Computer	Series D	445		AI infrastructure	Not disclosed	On-premises cloud infrastructure
US	Aug-26	Source Foundry	Funding	400	5,000	Semiconductors	Situational Awareness	Ai semiconductors
US	Aug-26	Higgsfield	Series B	400	5,400	AI - Video	DST Global , Tribe Capital, Goldman Sachs Alternatives, Smash Capital	AI video and image creation platform
US	Aug-26	Groq	Funding	350	3,500	Data centres	NVIDIA	Data centres
US	Aug-26	Mariana Minerals	Series B	310		Minerals	Khosla Ventures ,a16z, Breakthrough Energy	critical minerals
US	Aug-26	Wispr Flow	Series B	280	2,000	AI	Menlo Ventures ,Notable Capital, NEA, Neo Ventures, 8VC, MVP Ventures	AI voice dictation and human-AI interaction platform
US	Aug-26	LifeMine Therapeutics	Funding	263		Biotech	Milky Way , Bezos Expeditions, Gates Frontier, RA Capital Management, GV	digital genomics research technology
US	Aug-26	Instinct	Series B	250	2,500	AI - assistants	Index Ventures, Benchmark	developing and beta testing an AI assistant
US	Aug-26	Neros Technologies	Series C	250		Defense	American Strategic Technology Fund, Sequoia	defense drone manufacturer
US	Aug-26	Muon Space	Series C	250	1,500	Space	Eclipse Capital, Google, Salesforce Ventures, Wellington Management.	satellite-constellation end-to-end space-based infrastructure
US	Aug-26	Starcloud	Series A +	250	2,300	Space	Benchmark, EQT, Soma, NFX	orbital data centers and space-based GPU infrastructure
US	Aug-26	Horizon3	Series E	250	2,000	Cybersecurity	NightDragon ,NEA,Acrew Capital, Blue Cloud Ventures,	proactive security platform
US	Aug-26	Owner	Series C	240		Software - Restaurants	GS Alternatives, Meritech, Redpoint, Headline	Restaurant tech
US	Aug-26	Felix	Series C	200		Fintech	A16z, General Catalyst	Remittance platform for Latino immigrants
US	Aug-26	Generalist AI	Series B+	200	3,000	Robotics	8VC, Radical Ventures, NVIDIA, Union Square	physical AI and foundational robotics
US	Aug-26	Gatik	Series D	200		Autonomous vehicles	QIA, Koch Disruptive Technologies (KDT) , Millennium Management, ARK Invest,	autonomous trucking and commercial freight platform
US	Aug-26	Sonablate Corp	Funding	200		Healthcare	Eleven Ventures.	image-guided therapeutic ultrasound technologies
US	Aug-26	Quaise Energy	Series B	180		Climate Tech	Nabors Industries, Prelude Ventures, JERA Co., Inc, Idemitsu Kosan.	utility-scale superhot geothermal energy
US	Aug-26	Boddie & Associates	Funding	160		Professional Services	Not disclosed	Legal and corporate financial services
US	Aug-26	Socure	Funding	156	5,200	Data	Summit Partners , Goldman Sachs Alternatives, Wells Fargo, Docusign	trust infrastructure for global identity and risk intelligence
US	Aug-26	Solar Landscape	Funding	150		ClimateTech	Copenhagen Infrastructure Partners	Solar distributed energy infrastructure
US	Aug-26	ALSO	Series D	150		ClimateTech	Prysm Capital , Eclipse, Greenoaks, MVP Ventures.	small electric vehicles
US	Aug-26	Emerald AI	Series A	150	1,050	Software	Energize Capital ,DCVC, NVIDIA, Samsung Ventures, Siemens,	platform turning data centers into flexible assets for the power grid
US	Aug-26	Code Rabbit	Series C	143		AI	Atomico, Smash Capital	open-source AI code review technology
US	Aug-26	Point 2 Technology	Series B	136		AI	LB Investment	radio frequency interconnect technology for AI data centers
US	Aug-26	AusperBio	Series C	120		Biotech	RA Capital Management, HanKang Capital, Sherpa Capital, InnoPinnacle Fund	oligonucleotide therapeutics for the treatment of chronic hepatitis B
US	Aug-26	REGENT Craft	Series B	120	2,300	Climate Tech	Mare Liberum and AE Ventures	Electric Seaglider vessels
US	Aug-26	Claris Biotherapeutics	Series B	118		Healthcare	Samsara Biocapital and Catalio Capital	therapies for sight-threatening conditions
US	Aug-26	Cityblock Health	Series E	116		Healthcare	General Catalyst	healthcare provider platform for government-funded programs
US	Aug-26	Expedition Therapeutics	Series B	115		Biotech	General Atlantic , RA Capital, Vivo Capital, Sofinnova Investments, Novo	small molecule therapies for inflammatory and respiratory diseases.
US	Aug-26	Bridge to Life	Series C	100		Healthcare	Soleus Capital, Lauxera Capital	Organ preservation
US	Aug-26	Velaura AI	Series A	110	1,000	AI- Semis	Seligman Ventures, Capricorn Investment Group	ultra-low-power silicon and software for AI compute infrastructure
US	Aug-26	Blank Street	Funding	105		Retail	General Atlantic.	specialty coffee and matcha retail chain
US	Aug-26	Aureka Biotch	Series B	100		Biotech	Granite Asia, Highlight Capital	biological foundation models
US	Aug-26	Unrivaled	Series C	100		Sports	Ten Pillars Sports Fund , Bessemer Venture Partners,	professional women's basketball league
US	Aug-26	Points Kash	Funding	100		Consumer	Hawk Capital	Loyalty rewards app
US	Aug-26	Rillet	Series C	100	1,000	AI	ICONIQ, Sequoia, Andreessen Horowitz, Sequoia Global Equities	enterprise resource planning platform for finance teams
US	Aug-26	Discovery Loop	Seed	100		AI	Radical Ventures, Khosla	AI research and product lab
Total				20,782				

Source: Rothschild & Co

Europe – Solid August with $3.8bn raised

A very respectable total for the traditionally weakest month of the year in Europe.

The $3.8bn raised by venture capital companies in August is a highly respectable total for what is a seasonally weak month. Indeed, August 2024 with just $833m is the only sub £1bn month in recent years. August 2026’s $3.8bn total was 4.5x higher than that total and 2x 2025’s $1.87bn. It brings the ytd to end August total to $52.6bn, 1.9x the same stage total in 2025.

It was the first month of 2026 without a $1bn plus deal. However, there were 16 $100m+ deals as opposed to four in August 2025, two in August 2024 and three in August 2023.

The biggest sector in August was Software with eight deals for a total of $770m. The biggest of these – and August’s biggest raise in Europe– was the $400m for Swedish vibe-coding business Lovable. Its Series C was led by EQT and Menlo Ventures and valued the company at $13.3bn.

The ascent of the Lovable valuation has been startling. In July 2025 it raised a $200m Series A at a valuation of $1.8bn. Five months later, in December 2025, its $330m Series B valued the business at a $6.6bn valuation. The latest round, a further eight months on, has more than doubled that valuation to $13.3bn. In just over two years the valuation has gone up sevenfold. The business was only launched in November 2024. Lovable says

‘Our product will become more proactive: understanding what people are trying to achieve, identifying what needs attention, and increasingly helping carry out the work without waiting to be prompted. Deeper integrations will connect Lovable more closely to an organization’s existing technology stack, allowing teams to build richer, more personalized dashboards and workflows across sales, operations, marketing, and beyond.’

Climate Tech was the second largest sector in Europe in August with $514m raised across six deals. The largest of these was $200m of funding for the nuclear-powered ships business, CorePower led by a trio of strategics, Mitsui, Mitsubishi and Sumitomo. Vertical Aerospace raised $100m from Mudrick Capital Management and Yorkville Advisors for its electric vertical take-off aircraft for commercial purposes.

Cybersecurity was the third largest sector in August with $415m raised across five deals. The largest was $140m for Alice which designs adversarial intelligence to predict and prevent attacks on AI systems. Israeli companies have dominated raise activity in Cybersecurity, and this was again the case in August with four of the five raises being for Israeli companies.

Other notable raises in the month included $250m for the global mobility and fintech business Moove that finances, owns, and operates ride-hailing and autonomous vehicles. It describes itself as a global mobility company building the operating layer for autonomous mobility. It operates across 13 countries and 29 cities, with approximately 42,000 vehicles and claims an ARR of $420m. Its $250m round was led by Mubadala.

Four AI businesses raised a total of $358m.Happy Robot led the way with a $150m raise for its autonomous AI agents that automate complex workflows for industries like logistics. The deal was led by Prysm Capital and Eurazeo. Italy's Domyn raised $110m of equity and c$1bn of debt. The company is building the Colosseum supercomputer which runs 80 Nvidia GB200 NVL72 systems and c6,000 Grace Blackwell chips. Its AI gigafactory sells to banks, insurers, pharmaceutical companies, defence contractors, and governments. The company has said it wants to invest $10bn over three years and reach €1bn of revenue over the same period.   Stability AI has a text to image model called Stable Diffusion. Its $76m raise was supported by AMD Ventures and Pacific Alliance as well as by three of the music majors. UMG, WMG and Sony.

AI Cloud infrastructure business Volta raised $300m led by Andreessen Horowitz and Altimeter Capital supported by Nvidia. Founded by Morgan Stanley and Brookfield alumnus Ricard Boada, the seven-month-old company was valued at $2.4bn. It has also lined up $5bn in customer financing to help its customers to buy Nvidia GPUs and signed a $10bn six-year cloud computing contract with an as yet unnamed AI developer.

Cambridge Aerospace completed its $300m Series C led by DFJ Growth, Lux Capital, Accel and Lakestar. The size of the raise was larger than the initially expected $200m and the valuation at $3.4bn considerably exceeded original expectations. The business was founded in 2024 and is focused on counter drone activity with its drone interceptor Skyhammer, missile interceptor Starhammer, and radar system, Looking Glass. In July, Cambridge Aerospace was one of three UK firms awarded contracts under the Low-Cost Air Defence Effectors program part of a five-nation initiative involving the UK, France, Germany, Italy and Poland.

Finally, Gravis Robotics received a $200m investment from SoftBank in what it calls the largest Series A in construction robotics history (arguably a slimly defined category). Gravis Robotics retrofits construction machines with autonomous technology. It acts as an operating system with software running on the Gravis Rack – its autonomous control kit – which has been installed across a range of machinery including Caterpillar, Case, Develon, John Deere, JCB, Hitachi, Sumitomo, Yanmar, Volvo, and more. The nuances of individual machines and how they interact with the ground allows Gravis to delivering up to a 30% boost in jobsite productivity compared to peak manual operation.

Europe – 37 $20m+ deals raised a $3.8bn in August

Country	Date	Company	Stage	Amount $m	Valuation $m	Sector	Investors	What it does
Sweden	Aug-26	Lovable	Series C	400	13,300	Software	EQT, Menlo Ventures	Automated software development
UK	Aug-26	Volta	Series A	300	2,400	Data Centres	Andreessen Horowitz, Altimeter, NVIDIA	data centre development
UK	Aug-26	Cambridge Aerospace	Series C	300	3,400	Defence	DFJ Growth, Lux, Accel, and Lakestar;	Drones and interceptio
Netherlands	Aug-26	Moove	Series C	250	2,100	Autonomous Vehicles	Mubadala, Woven Capital, Toyota's Growth Fund , Ion Pacific	operating layer for autonomous fleet management,
France	Aug-26	Blacknut	Funding	215		Video Games	Digital Alpha	streams video games over the cloud
UK	Aug-26	CorePower	Funding	200		Clean Tech - Nuclear	Mitsui, Mitsubishi and Sumitomo.	Nuclear powered ships
Switzerland	Aug-26	Gravis Robotics	Series A	200		Robotics	SoftBank Group	autonomous construction machinery and physical AI developer
Switzerland	Aug-26	Vaderis Therapeutics	Series B	152		Biotech	Goldman Sachs and TCGX	therapies for vascular diseases
Spain	Aug-26	Happy Robot	Series C	150	1,200	AI	Prysm Capital and Eurazeo,	enterprise superintelligence
Israel	Aug-26	Alice	Funding	140		Cybersecurity	Apax Digital Funds , MoreTech, Phoenix Financial, Resolute Ventures	adversarial intelligence to predict and prevent attacks on AI systems
UK	Aug-26	Nexeon	Funding	125		Climate Tech - batteries	National Wealth Fund, Korea Development Bank , Honda Xcelerator	engineered silicon materials for battery applications
Spain	Aug-26	PLD Space	Series C +	124		Space	Mitsubishi Electric Corporation	Reusable launch rockets
Israel	Aug-26	Zenity	Funding	125		Cybersecurity	Norwest , Qumra Capital, SoftBank Vision Fund 2	security and governance platform for AI agents
Italy	Aug-26	Domyn	Funding	110		AI - data	Not revealed	AI gigafactories
UK	Aug-26	Callosum	Seed	100		Software	Atomico	software to match AI tasks with different models and chips
UK	Aug-26	Vertical Aerospace	Funding	100		Climate Tech	Mudrick Capital Management and Yorkville Advisors Global.	electric vertical take-off aircraft for commercial aviation
Germany	Aug-26	NavVis	Series D	85		Software	Jordan Company,Yttrium, Kozo Keikaku	Digital twins
UK	Aug-26	Stability AI	Series B	76		AI - Video	AMD Ventures, Pacific Alliance,UMG, Sony, WMG	text-to-image model Stable Diffusion
Greece	Aug-26	Omilia	Series B	67		Software	Expedition Growth Capital.	customer experience and service automation platform
Israel	Aug-26	Corma	Seed	60		Cybersecurity	Sequoia Capital, Khosla Ventures and Coatue.	Defensive cybersecurity platform
Israel	Aug-26	Oligo Security	Funding	60		Cybersecurity	Ballistic Ventures, Canon Capital, Greenfield Partners	runtime security platform
UK	Aug-26	Mironid	Series B	46		Biotech	Scottish National IB, Roche Venture , Epidarex Capital, Sofinnova	therapies for rare genetic kidney diseases,
Israel	Aug-26	QuantHealth	Series B	45		Biotech	Qumra Capital	AI to simulate clinical trials
Netherlands	Aug-26	Ore Energy	Series A	43		Climate Tech- batteries	Plural, HV	iron-air battery manufacturing
Switzerland	Aug-26	Adaptyv	Series A	40		Biotech	Highland Europe, Ace Ventures, ByFounders and Y Combinator.	automated protein engineering lab platform
Germany	Aug-26	Moss	Series C	40	1,150	Software	Cherry Ventures, Portage	Finance software
UK	Aug-26	Mindgard	Series A	30		Cybersecurity	Album VC , 406 Ventures, Atlantic Bridge	automated security testing for enterprise AI systems
UK	Aug-26	Reapit	Funding	27		Software	Accel- KKR	end-to-end technology platform for real estate agencies
France	Aug-26	Chargepoly	Funding	26		Climate Tech- charging	Meridiam , Fideve Groupe.	fast-charging stations for electric trucks, buses
UK	Aug-26	Breedr	Series B	26		Software	Partech,Latitude, Outsiders Fund	Livestocjk management tracking
Germany	Aug-26	Flip	Funding	25		Software	Notion Capital, HV Capital and L-Bank.	employee experience platform
Germany	Aug-26	Inleap Photonics	Seed	23		Defence	UVC Partners, HTGF, Balnord, Sentris ,Scale Capital.	precise laser beam steering systems
UK	Aug-26	Prevalent AI	Funding	22		AI - data	Integrity Growth Partners	enterprise context
UK	Aug-26	Advanced Electric Machines	Funding	22		Evs	Barclays Climate Ventures, PXN Ventures and Northstar Ventures,	rare-earth and magnet-free electric motors
UK	Aug-26	LemonEdge	Series A	21		Fintech	Blackstone Innovations Investments,	fund accounting platform for private markets
UK	Aug-26	Redx Pharma	Funding	20		Biotech	British Business Bank	improves existing drugs in cancer and infectious disease
Netherlands	Aug-26	VitalFluid	Funding	20		Climate Tech	Invest-NL and Alder Tree Investments	residue-free alternative to conventional crop protection
Total				3,815				

Source: Rothschild & Co

Fundraising outlook: c$43bn of impending raises

Pipeline is c$35bn in impending US deals and c$8bn in Europe.

Our list of impending US raises rises again, from c$32bn at the end of July to $35bn at end August.

The new additions to the list are led by a potential $3bn raise for the AI infrastructure business, Lambda at a $12bn valuation with core support from Nvidia. The company offers specialised GPU cloud computing for AI. The fintech Erebor, a neobank for start-ups, is reportedly looking to raise $1.5bn at an $8bn valuation with the support of Lux Capital, a16z and SV Angel. The size of the predicted Polymarket raise has now risen to $1bn at a $20bn valuation. Legaltech Harvey is said to be raising $500m at a $15bn valuation in a deal led by Lightspeed. Elise AI, which is producing conversational AI for real estate agents is raising $300m at a $3.7bn valuation in a deal said to be led by a16z.

The main removal from the list is Databricks which raised $5bn in August – the expectation had been $3bn.

The list continues to be headed by Jeff Bezos' space rocket venture Blue Origin. The company is reported to be looking to raise $10bn at a $130bn pre money valuation supported by Coatue and with Jeff Bezos contributing c$2bn.

Elon Musk's The Boring Company with its planned tunnelling systems looking to see a raise of $4bn at a c$20bn valuation.

US Growth Equity – c$35bn in reported upcoming raises

Company	Country	Sector	Amount $m	Valuation $m	What it does	Comments
Blue Origin	US	Space	10,000	130,000		Coatue
The Boring Company	US	Industrial	4,000	20,000	Tunnelling	
Lambda	US	AI Infrastructure	3,000	12,000	specialized GPU cloud computing for AI	NVIDIA
Crusoe	US	AI - Data centres	3,000	30,000	AI data centres	
Switch	US	Data Centres	2,000	50,000		Digital Bridge, a16z
Reflection AI	US	AI	2,500	20,000	Sovereign AI	NVIDIA
Cursor	US	AI	2,000	50,000	AI cofding assistant	Thrive, a16z
Erebor	US	Fintech	1,500	8,000	Neobank for start ups	Lux Capital, Andreessen Horowitz and SV Angel
Polymarket	US	Betting	1,000	20,000	Prediction marketplace	
Physical Intelligence	US	Robotics	1,000	11,000	General purpose AI models	Founders Fund,Lightspeed
Positron	US	AI	750	5,000	AI inference hardware	
Fluidstack	US	AI	700	7,000	Cloud computing GPUs for data centres	Google
Harvey	US	Legaltech	500	15,500	Lightspeed	
Mercor	US	AI	500	20,000	Recruitment	
Foundation Future	US	Robotics	500	3,000	Humanoid robotics	
Tensor Auto	US	AVs	400		Self driving cars	
X Light	US	Semiconductors	350		advanced laser for semiconductors	
Lambda	US	Datacentres	350		Mubadala	
Elise AI	US	AI	300	3,700	conversational AI for real estate	a16z
Aetherflux	US	Space/Climate	300	2,000	space solar power	
Fal	US	AI - Video	300	8,000	AI video platform	
Wispr AI	US	AI - Dictation	260	2,000	AI dictation	Series B - Menlo Ventures
Perplexity	US	AI	0	30,000	AI search engine	NVIDIA
Total			35,210			

Source: Rothschild & Co; press reports

In Europe the total of identified impending raises stays at c$8bn.

At the top of the list is a deal announced already in early September. Mistral the French LLM business which is also building out its own datacentres announced in early September that it had raised $3.5bn at a valuation of $24bn in a round led by Samsung, the Scaleup Europe Fund and PSG Equity. Mistral's last raise in September 2025 was led by ASML and valued the business at $13.8bn.

Dropping off the list is Italian LLM and AI infrastructure business, Domyn, which raised $1.1bn in a mix of debt and equity. Lovable comes off the list after its $400m Series C and Cambridge Aerospace after its $300m one.

Onto the list comes the UK semiconductor business Fractile, believed to be well advanced in a $600m funding round at a $65bn valuation. Fractile recently reached an initial agreement to supply $250m of its chips to Anthropic. The round is being led by Lightspeed, Redpoint, Thrive Capital and the Founders Fund. Portuguese defence drone company Tekever is reported to be raising $575m at a valuation of $5.5bn. Pyra, an as-yet-productless UK defence start up founded by Nick Blair, son of the former UK Prime Minister, is said to be raising $200m from as yet unknown investors.

Dutch semiconductor business Euclyd is looking for $115m plus to scale its AI inference hardware but is reported to have raised that to $230m after strong early demand. French robotics start up Wanderlust is raising c$115m. Swedish legaltech Legora and the UK defence business Uforce are also in the market seeking raises of as yet undisclosed size.

European Growth Equity – c$8bn in reported upcoming raises

Company	Country	Sector	Amount $m	Valuation $m	What it does	Comments
Mistral AI	France	AI	3,500	24,000	LLM	Samsunfg, Scaleup Europe Fund
Agile Robots	Germany	Robotics	800		industrial robotics	
Fractile	UK	Semiconductors	600	6,500	Semis	
Syre	Sweden	Textiles	600		Textiles	H&M
Tekever	Portugal	Defence	575	5,500	Surveillance drones	
Aire	UK	AI	400		AI Research lab	
The Exploration Company	Germany	Space	300	2,000	Spacetech	Atomico, Bessemer
Destinus	Netherlands	Defence	235		Drones	
Euclyd	Netherlands	Semiconductors	230		Semicionductors	
Pyra	UK	Defence	200			
EnduroSat	Bulgaria	Space	200		Satellites	
Giotto.ai	Switzerland	AI	200	1,000	AI	Artificial Generall intelligence
Wandercraft	France	Robotics	115	860		
Natural Cycles	Sweden	Healthcare	55		hormone-free birth control solution	Lauxera Capital
Legora	Sweden	Legaltech		10,000	Legaltech	
Uforce	UK	Defence		4,000	Drones	
Total			**8,010**			

Source: Rothschild & Co; press reports

Our views on the state of the venture capital markets

This revival of the growth equity market has been led by the US and by a surge of interest in artificial intelligence model providers and for companies using AI to transform a range of underlying industries.

At the same time the venture industry has re-adopted strong underlying approaches to investment with companies in most sectors striving to achieve a better balance of growth, profitability and cash flow. The underlying quality of the cohort of VC backed companies has improved.

Our summary of the outlook

▪ There is substantial interest in venture capital to fund artificial intelligence, both the foundation LLM models and the applications of AI and industries (data centres, quantum, semiconductors, new energy sources like nuclear and fusion) supporting the development of AI.

▪The influence of AI is percolating through many other industries such as drug discovery, defence, robotics, legaltech, autonomous vehicles, and cybersecurity fuelling a broader advance in the growth equity market.

▪ Overall, the VC market is regaining confidence with the strength of interest with fintech, blockchain/crypto and biotech reviving strongly.

▪ There is a burgeoning interest in defence industries from investors with both the tense geopolitical political environment, the advances in AI applications and the experience of the combat in Ukraine contributing to investor focus. By contrast, ClimateTech, while still a substantial sector has become less prominent both as a result of some high-profile failures and being less favoured politically in the US under the current administration.

▪ Fund raising for venture capital firms remains subdued. Fund raising is concentrating into larger, established firms. US VC fundraising in 2025 was concentrated in larger firms and at near decade lows.

▪ The speed of the investment process has slowed down since 2021-22. The level of diligence on deals has stepped up. This is true even in the 'hot' parts of the market like AI. Outside these areas it is marked – processes take time, downside protection is sought.

▪ Valuation priorities have shifted with investors having moved away from a pure emphasis on revenue growth and revenue multiples. There is a sharp focus instead on the combination of growth and profitability (or a rapid path to it) and on free cash flow.

Read the previous editions: **May 2022, June 2022, June 2022 (2), July 2022, August 2022, Sep 2022, October 2022, November 2022, December 2022, January 2023, February 2023, March 2023, April 2023, May 2023, June 2023, July 2023, August 2023, September 2023, October 2023, November 2023, December 2023, January 2024, February 2024, March 2024, April 2024, May 2024, June 2024, July 2024, August 2024, September 2024, October 2024, November 2024, December 2024, January 2025, February 2025**, **March 2025, April 2025**, **May 2025**, **June 2025**, **July 2025**, **August 2025, September 2025 , October 2025, November 2025, December 2025, January 2026, February 2026, March 2026**, **April 2026**, **May 2026**, **June 2026, July 2026, August 2026**

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