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The fintech predictions for 2021 we got right

Article

Let's review: At the end of 2020, Insider Intelligence drew up a list of five fintech predictions for the new year. Below, we revisit the predictions we got right in spite of the year's turbulence.

Investors turned back to early-stage funding. For much of 2020, uncertainty about how the pandemic would affect the global economy pushed investors to support what was already in their portfolios, rather than taking on additional risk through new startups.

- We predicted that investors would regain their appetite for risk after widespread vaccination campaigns helped beat back the virus.
- And true to form, investors this year turned back to early-stage ventures to capitalize on new growth opportunities. **Early-stage deals accounted for 63% of total deals** in 2021 as of Q3, per CB Insights. Early-stage valuations grew by 78%, and the average deal size jumped from $2 million to $3 million.

The UK attracted more fintech funding than the rest of Europe combined. The UK's formal exit from the EU on January 1, 2021 introduced barriers for its business—it lost tariff- and visa-free access to the **450 million consumers** in the single market, and disagreements persist about the new arrangement between London and Brussels.

- Even so, we predicted that a gangbusters 2020 would solidify the UK's position as a global fintech hub—and that a separated UK would actually require and spur greater investment in innovative financial services.
- And while the UK startup scene certainly faced challenges for the UK, the fintech sector has shown great resilience and adaptability. As of September, **UK fintechs raised €9 billion ($10.26 billion)**, whereas the three next largest hubs in Europe collectively raised €6.7 billion ($7.64 billion) in the same period.

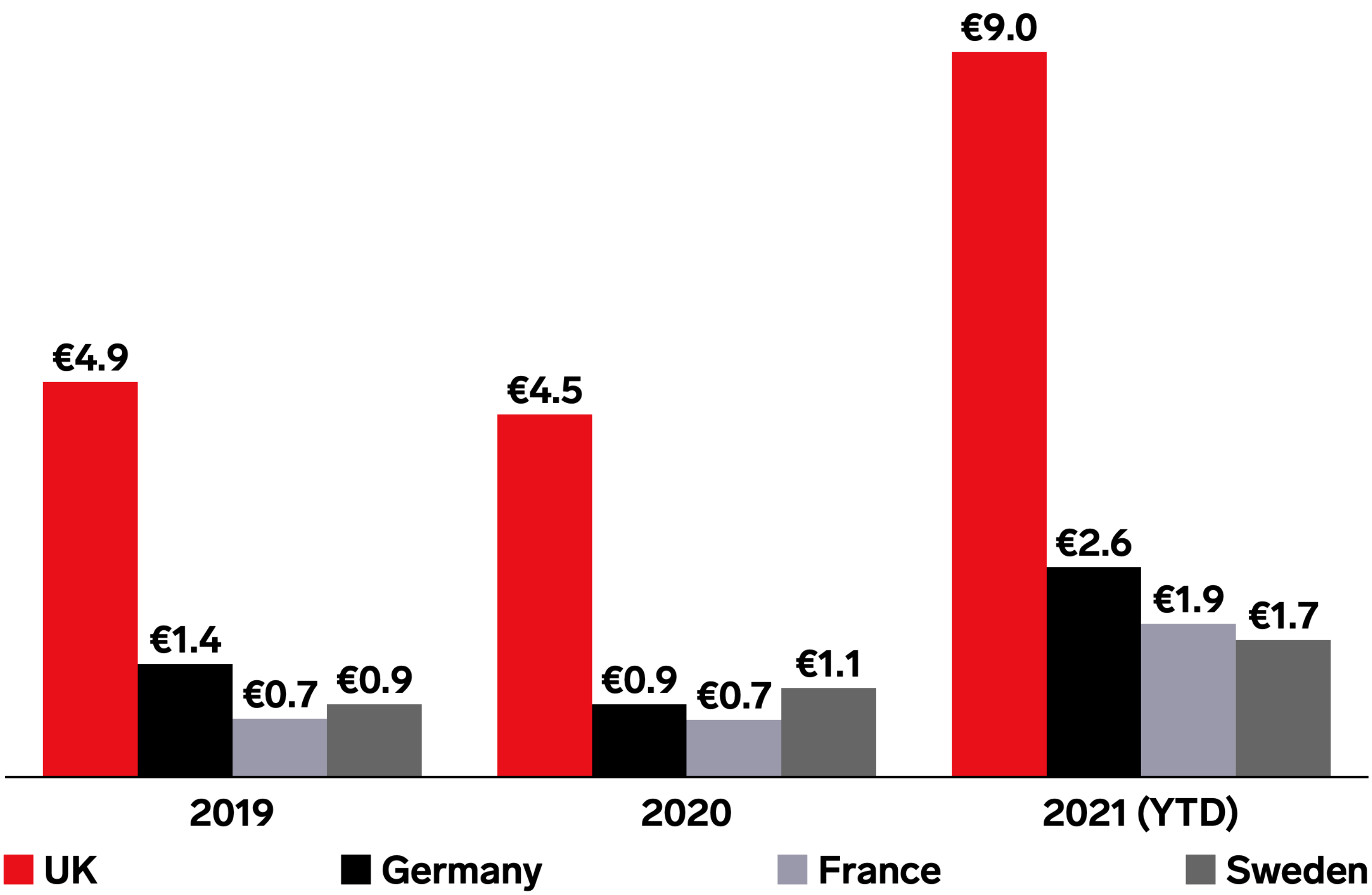
Four in 10 US institutional investors have portfolio exposure to digital assets. The hype around cryptocurrencies and other blockchain-based technologies exploded in 2021.

That energy was almost exclusively concentrated among retail investors—as unregulated assets, cryptos can be difficult for traditional financial institutions to work with.

- But a growing share of institutional investors has become interested in exposure to cryptos thanks to high potential upside and in some cases, a lack of correlation with other asset classes—and we predicted that some 40% of institutional investors would take the plunge.
- According to the latest data available, as of April, **33% of institutional investors** held crypto assets, up from 27% in March 2020. It's safe to assume that share has only increased since April. Crypto asset manager Grayscale, for example, reported that its **AUM reached $33.6 billion** in July, up from $2 billion at the start of 2020.

Fintech Funding in Select European Countries

billions



Source: Dealroom, "2021 mid-year update of UK tech," September 20, 2021
Methodology: Dealroom's proprietary database and softwareaggregate data from multiple sources: harvestingpublic information, user-submitted data verified byDealroom, data engineering.

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