# AI investment shifts from hype to proof as VC funding hits record highs



Venture capital investment in artificial intelligence reached a 10-quarter high in early 2025, with €108.3 billion raised in the first quarter, including €44.6 billion for AI startups. But alongside this surge, investors are showing growing scepticism about “AI-washing”—the exaggeration of AI capabilities to secure funding.

Industry experts say the era when any AI-branded startup could attract capital is ending. Investors now demand working demos, proven customers and clear evidence of value. Forecasts from Gartner and MIT warn that many AI projects will be cancelled or fail at pilot stage, reinforcing calls for substance over hype.

Gradient Labs, an AI customer service platform for regulated industries, recently closed an €11.1 million Series A by focusing on reliability and accuracy. The company emphasised product excellence and domain expertise, steering clear of trends without substance. Its platform, which outperforms human agents in compliance-heavy environments, convinced investors that it could deliver lasting impact.

This contrasts with earlier funding cycles when being “AI-native” was enough to win backing. Startups are now expected to demonstrate resilience, anticipate rapid model developments, and build strong investor relationships before raising capital.

Global appetite for AI remains strong. US robotics startup Figure raised over $1 billion in a Series C round, reaching a $39 billion valuation, with support from Nvidia and Intel Capital. In Israel, Glilot Capital launched a $500 million fund for early-stage AI and cybersecurity.

Enterprise investment is also accelerating. Gartner projects global AI spending will surpass $2 trillion by 2026, driven by demand for data centres and AI-optimised hardware. In the UK, multi-billion-pound commitments from major technology firms reflect ambitions to become a hub for responsible AI development.

Even large-scale funds are recalibrating. SoftBank Vision Fund has shifted from broad startup bets to capital-intensive foundational AI projects, including a $500 billion US-based data centre collaboration with OpenAI. The move signals a shift towards vertically integrated AI ecosystems that blend infrastructure and applications.

Despite continued enthusiasm, the climate now rewards authenticity and execution. “The current climate favours clear problem-solving and proven impact over superficial claims,” said the CEO of Gradient Labs.

For the UK, the opportunity lies in combining scalable, trustworthy solutions with robust infrastructure and skills. By fostering responsible innovation and building long-term investor confidence, the country can strengthen its position in the global AI economy.

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## Bibliography

1. <https://thenextweb.com/news/ai-washing-investors-real-startup-innovation> - Please view link - unable to able to access data
2. <https://www.reuters.com/business/robotics-startup-figure-valued-at-39-billion-in-latest-funding-round-2025-09-16/> - AI robotics startup Figure has raised over $1 billion in a Series C funding round, bringing its valuation to $39 billion. The round was led by Parkway Venture Capital and included major investors such as NVIDIA, Intel Capital, LG Technology Ventures, Salesforce, T-Mobile Ventures, and Qualcomm Ventures. This significant funding will support Figure's efforts to scale humanoid robots for household and commercial use, enhance its AI platform Helix, expand manufacturing through BotQ, and intensify data collection. The surge in funding reflects a broader investment trend, with U.S. startup funding rising 75.6% in the first half of 2025 due to strong interest in AI. ([reuters.com](https://www.reuters.com/business/robotics-startup-figure-valued-39-billion-latest-funding-round-2025-09-16/?utm_source=openai))
3. <https://www.reuters.com/world/middle-east/israels-glilot-capital-raises-500-million-new-ai-and-cybersecurity-investments-2025-09-17/> - Glilot Capital, a major Israeli venture capital firm, has raised $500 million for two new early-stage funds aimed at investing in the fast-growing sectors of artificial intelligence (AI) and cybersecurity. Despite international criticism of Israel’s actions in Gaza, the funds were mainly sourced from international investors, including pension funds and financial institutions in the U.S. and Europe. The funding will be split between Glilot's fifth seed fund and Glilot Plus, which focuses on early-stage companies. Co-founder Kobi Samboursky stated that each fund aims to invest in 12 startups, concentrating on the intersection of AI and cybersecurity, especially technologies protecting against AI-driven threats. Half the funds will support new ventures, with the rest allocated for follow-on investments. Glilot has over $1 billion under management and has made 22 investments since its 2011 inception. Israel remains a global cybersecurity leader, attracting around half of all tech startup investment in the country. Recent major deals include Alphabet’s $32 billion acquisition of Wiz and Palo Alto Networks' $25 billion acquisition of CyberArk Software, underscoring the strength of Israel's cyber sector. Samboursky emphasized the growing importance of AI in cybersecurity and the need for innovative solutions to counter increasingly sophisticated cyber threats. ([reuters.com](https://www.reuters.com/world/middle-east/israels-glilot-capital-raises-500-million-new-ai-cybersecurity-investments-2025-09-17/?utm_source=openai))
4. <https://www.itpro.com/technology/artificial-intelligence/global-ai-spending-is-set-to-hit-usd2-trillion-next-year-heres-where-all-the-money-is-going> - Global AI spending is projected to surpass $2 trillion by 2026, according to research from Gartner. In 2025 alone, investment is expected to soar, driven predominantly by expansion in AI infrastructure and growing enterprise demand. AI infrastructure, such as data centers equipped with AI-optimized hardware and GPUs, is witnessing massive investment from both U.S. and Chinese tech giants. Venture capital is also providing further momentum to this growth. Gartner reports that in 2025, AI services will attract $282.5 billion, while AI-optimized server investments are set to reach $267 billion—up from $140 billion in 2024—and are projected to hit $329.5 billion in 2026. Meanwhile, AI smartphones will become the largest investment segment, with spending forecasted to hit $393 billion in 2026, a sharp increase from $244.7 billion in 2024. The report emphasizes the importance of infrastructure, highlighting efforts like the $500 billion Stargate Project in the U.S., led by Oracle, OpenAI, and SoftBank. Similar investments are occurring in the UK, where Google, Nvidia, and Microsoft have announced multi-billion-pound projects to expand data center capabilities amid growing demand from generative AI technologies. ([itpro.com](https://www.itpro.com/technology/artificial-intelligence/global-ai-spending-is-set-to-hit-usd2-trillion-next-year-heres-where-all-the-money-is-going?utm_source=openai))
5. <https://www.reuters.com/business/world-at-work/softbank-vision-fund-lay-off-20-employees-shift-bold-ai-bets-source-memo-say-2025-09-18/> - SoftBank Group’s Vision Fund plans to lay off nearly 20% of its over 300 global employees as it shifts away from broad startup investments in favor of bold artificial intelligence (AI) ventures led by founder Masayoshi Son. This marks the third round of cuts since 2022, but unlike previous layoffs driven by financial losses, this move follows the fund’s strongest quarterly results since mid-2021, thanks to gains in companies like Nvidia and Coupang. The restructuring supports Son’s aggressive AI strategy, including investments in foundational models and infrastructure, such as the $500 billion U.S.-based Stargate data center project in collaboration with OpenAI. In the past year, Vision Fund 2 has invested $9.7 billion into AI initiatives, including substantial stakes in chip-related companies like Arm, Graphcore, Ampere, Intel, and Nvidia. This high-risk, capital-intensive shift signals a departure from Vision Fund's former venture capital model and aims to create a vertically integrated AI ecosystem. Despite its pivot, delays have affected the execution of key projects. Still, SoftBank maintains a strong cash position of 4 trillion yen ($27 billion), according to CFO Yoshimitsu Goto. ([reuters.com](https://www.reuters.com/business/world-at-work/softbank-vision-fund-lay-off-20-employees-shift-bold-ai-bets-source-memo-say-2025-09-18/?utm_source=openai))
6. <https://www.axios.com/newsletters/axios-pro-rata-4959a270-a40d-47b7-a66b-e48172ee4f54> - This edition of Axios Pro Rata, dated September 16, 2025, focuses on the growing skepticism around AI's transformative promises in drug discovery. Despite significant VC investment, AI-developed drugs have yet to reach regulatory approval, leading to doubts. Geoff von Maltzahn’s new startup, Lila Sciences, backed with $235 million in Series A funding, proposes a novel approach: creating autonomous labs to scale scientific experimentation and reduce reliance on past data. In a major media industry shake-up, Alden Global raised its offer to acquire DallasNews to $20 per share, surpassing Hearst's $16.50 bid, valuing the company at around $95 million. Alden is known for aggressive cost-cutting, raising concerns about newsroom stability. The newsletter also covers numerous venture deals, including Divergent Technologies ($290M), smartphone company Nothing ($200M), and the biotech firm AllRock Bio ($50M). On the private equity front, notable deals include Blackstone's $1B purchase of Hill Top Energy Center and growth investments in sectors like construction software, cybersecurity, and renewable energy. Additionally, Advent International announced a $20B fundraise, several executive moves were reported, and venture capitalist Bill Egan was honored in memoriam. ([axios.com](https://www.axios.com/newsletters/axios-pro-rata-4959a270-a40d-47b7-a66b-e48172ee4f54?utm_source=openai))
7. <https://www.axios.com/newsletters/axios-pro-rata-13851339-06f2-4cef-897c-e5fcbb9678bb> - StubHub raised $800 million in its initial public offering (IPO), pricing shares at the midpoint of its $22–$25 range, leading to an initial market capitalization of $8.5 billion. The company plans to use proceeds to pay down debt from Viagogo’s acquisition. CEO Eric Baker emphasized that no personal shares were sold and highlighted partnerships like the new deal with Major League Baseball. StubHub aims to expand beyond concerts and sports into new experiential markets like postgame press conferences and live gaming. Baker also supported recent U.S. executive actions against ticket gouging, praising crackdowns on bots and promoting pricing transparency. Meanwhile, discussions continue around a restructuring deal for TikTok U.S., involving firms like Oracle and Andreessen Horowitz, to reduce Chinese ownership below 20%, possibly with U.S. government board oversight. In venture capital news, humanoid robot maker Figure raised over $1 billion, and Samara, a tiny home startup from Airbnb alumni, secured $34 million amid a broader affordable housing effort. Numerous VC and PE deals were closed across sectors including AI, fintech, energy, sustainability, and biotech. Lastly, personnel updates and major IPOs from companies like Groww and WaterBridge round out the financial landscape. ([axios.com](https://www.axios.com/newsletters/axios-pro-rata-13851339-06f2-4cef-897c-e5fcbb9678bb?utm_source=openai))